



Regulation Impact Statement for Early Childhood Education and Care Quality Reforms

COAG Decision RIS

December 2009

Contents

<i>Terms and definitions</i>	<i>i</i>
Chapter 1 Introduction	2
1.1 COAG reform agenda	2
1.2 What is Early Childhood Education and Care (ECEC)?	2
1.3 The scope of this RIS	3
1.4 The ECEC sector in Australia	4
1.5 What is quality Early Childhood Education and Care?	6
Chapter 2 Rationale for government intervention	8
2.1 Supporting workforce participation	8
2.2 Maximising the development of the child by improving the availability of high quality ECEC services	8
2.3 Minimising the risk of harm to children	9
2.4 Addressing information asymmetries	9
2.5 Supporting children from disadvantaged backgrounds	11
Chapter 3 The nature of government involvement in the ECEC sector	13
3.1 Roles and responsibilities of government in the ECEC market	13
3.2 Regulating for quality in the ECEC sector	14
Chapter 4 Nature and extent of the problem	17
4.1 Inconsistent quality standards	17
4.2 Insufficient information on quality services	23
Chapter 5 Options for reform	25
5.1 Background	25
5.2 National Quality Standard	25
5.3 Enhanced regulatory arrangements	32
Chapter 6 Impact analysis	35
6.1 Approach to the analysis	35
6.2 National Quality Standard – Staff-to-child ratios and qualifications: costs and benefits of reform	36
6.3 Quality Rating System: costs and benefits of reform	55
6.4 Enhanced regulatory arrangements: costs and benefits of reform	56
6.5 Competition impacts	79
Chapter 7 Consultation	81
7.1 Consultation objective	81
7.2 Consultation process	81
7.3 Consultation outcomes	83
Chapter 8 Conclusion and recommended option	94
8.1 National Quality Standard – Summary of advantages and disadvantages	94
8.2 Enhanced regulatory arrangements – Summary of advantages and disadvantages	97
8.3 Summary and recommendations	98

Chapter 9	Implementation and review	100
9.1	<i>Transitional and implementation arrangements</i>	100
9.2	<i>Legislative framework</i>	101
9.3	<i>Review</i>	101
Appendix A	State and territory regulatory frameworks	103
Appendix B	National Quality Standard	123
Appendix C	Options contained in the consultation RIS	153
Appendix D	Written submissions received from key stakeholders	156
Appendix E	Detailed results tables: National Quality Standard	157
Appendix F	ECEC workforce modelling	161

Terms and definitions

AQF	Australian Qualifications Framework
CCB	Child Care Benefit
CCR	Child Care Rebate
COAG	Council of Australian Governments
DEEWR	Department of Education, Employment and Workplace Relations
EAP	Expert Advisory Panel
ECEC	Early childhood education and care and school aged care
EPPE	Effective Provision of Preschool Education Project
EYLF	Early Years Learning Framework
FDC	Family day care
IHC	In home care
LDC	Long day care
NCAC	National Childcare Accreditation Council
NECDSC	National Early Childhood Development Steering Committee
NPC	Net present cost
OECD	Organisation for Economic Co-operation and Development
OSHC	Outside school hours care
Preschool	Used to refer to all forms of preschool or kindergarten, including community, government, private and non-government, preschools in LDC, and 3 year old kindergarten.
RoGS	Report on Government Services

Decision Regulation Impact Statement

Chapter 1 Introduction

1.1 COAG reform agenda

In December 2007, the Council of Australian Governments (COAG) agreed to a partnership between the Australian Government and state and territory governments to pursue substantial reform in the areas of education, skills and early childhood development, and to deliver significant improvements in human capital outcomes for all Australians¹.

In respect of early childhood development, COAG has developed a proposed reform agenda which reflects its aspiration that children are born healthy and have access to the support, care and education throughout early childhood that will equip them for life and learning, and is delivered in a way that actively engages parents and meets their workforce participation needs².

A National Early Childhood Development Strategy – Investing in the Early Years has been developed under COAG and announced in July 2009. The Strategy provides a comprehensive approach to building an effective early childhood development system in Australia that will contribute to the nation's human capital and productivity. The Strategy's vision for 2020 is that 'all children have the best start in life to create a better future for themselves and for the nation'.

The National Quality Agenda for Early Childhood Education and Care is a key contribution to the National ECD Strategy. The National Quality Agenda has three key elements:

- a National Quality Standard including the Early Years Learning Framework (EYLF)
- enhanced regulatory arrangements
- a quality rating system to drive continuous improvement and provide parents with robust and relevant information about the quality of care and learning.

A consultation regulation impact statement which outlined options for the first three elements of the National Quality Agenda was released by COAG in July 2009. The EYLF was endorsed for implementation by COAG at its July 2009 meeting.

1.2 What is Early Childhood Education and Care (ECEC)?

The ECEC sector in Australia delivers a diverse range of services for children from birth to 12 years of age. While models of service delivery and terminology used to describe ECEC services differ across the states and territories, the main ECEC service types are described below:

Long day care (LDC): is a centre-based form of service in receipt of Child Care Benefit. LDC services provide all day or part-time care for children aged birth to 6 who attend the centre on a regular basis. Care is generally provided in a building, or part of a building, that has been created or redeveloped specifically for use as a child care centre, and children are usually grouped together in rooms according to age. Centres, in the majority of cases, operate between 7:30 a.m and 6:00 p.m on normal working days for 48 weeks per year so that parents can manage both the care of their children and the demands of their employment.

Family day care (FDC): refers to services that support a network of individual carers, and are services in receipt of the Child Care Benefit where a professional carer provides flexible care typically in their own home for other people's children and as part of coordinated home-based care schemes. Care is predominantly provided for children aged birth to 6 who are not yet at school, but

¹ COAG (2008), 20 December 2007 Communiqué, Council of Australian Governments' Meeting, available at http://www.coag.gov.au/coag_meeting_outcomes/2007-12-20/index.cfm

² COAG (2008), 26 March 2008 Communiqué, Council of Australian Governments' Meeting, available at http://www.coag.gov.au/coag_meeting_outcomes/2008-03-26/index.cfm#productivity

may also be provided for school-aged children. Carers can provide care for the whole day, part of the day, or for irregular or casual care.

Outside school hours care (OSHC): services in receipt of Child Care Benefit provide care for primary school-aged children (typically aged 5 to 12 years) before and after school and can also operate during school holidays (vacation care) and on pupil free days. OSHC services are usually provided from primary school premises. Services may also be located in child care centres, community facilities or other OSHC centres located near the primary school. OSHC is often provided by parent associations, or not for profit organisations.

Preschool: is a service that provides an early childhood education program, delivered by a qualified teacher, often but not necessarily on a sessional basis in a dedicated service. Alternative terms currently used for preschool in some jurisdictions include 'kindergarten', 'pre-preparatory' and 'reception'.

In Home Care (IHC): is similar to FDC but the professional care is provided in the child's own home. IHC is funded by the Australian Government, is not widely available and is usually only an option where other forms of care are not suitable. This usually arises in circumstances where it is difficult for the child to be cared for outside the home; for example if the child has a disability and the home is structured especially for them. IHC services are not within scope of the National Quality Agenda.

Occasional Care: is a centre-based child care service that provides care for children aged from birth to five years who attend the service on an hourly or sessional basis for short periods or at irregular intervals. Occasional care services are not within scope of the National Quality Agenda.

Non mainstream services: are provided by not-for-profit organisations and are delivered mainly in rural, remote or Indigenous communities, providing access to ECEC where the market would otherwise fail to deliver. These services are generally subject to relevant children's services' state and territory regulations. Types of non-mainstream services include:

- flexible/innovative services
- mobile ECEC services
- Multifunctional Aboriginal Children's Services
- Indigenous playgroups
- Indigenous OSHC and enrichment programs
- crèches including Jobs, Education and Training (JET) crèches
- neighbourhood models of occasional care
- rural care services.

These services can also provide a mix of service or program types listed above.

1.3 The scope of this RIS

The new National Quality Agenda will eventually encompass all service types. However, given the range and diversity of services in the Australian ECEC sector, an all-encompassing national quality system will take a number of years to achieve. A more practical approach – and the one taken in this RIS – is for the National Quality Agenda to incrementally incorporate service types starting with the largest (in numbers of children) and most regulated.

As such, the scope of this RIS is LDC, FDC, OSHC and preschools. Options for ratios and qualification requirements have been proposed for LDC, FDC and preschools. The National Quality Framework will also apply to OSHC but at this stage no changes to staff-to-child ratios or staff qualifications are proposed. Further work, including cost benefit analyses, will be undertaken in the future by governments to look at how other services such as IHC, occasional care and non-mainstream services will be incorporated.

1.4 The ECEC sector in Australia

1.4.1 Children attending ECEC services

Tables 1-1 and 1-2 provide a summary of the number of children attending government funded ECEC services in 2008. Table 1-1 indicates that there were around 830,000 children aged 0 - 12 years attending approved ECEC services across Australia in the June quarter 2008³. Over the financial year 2007-08 an estimated 1,148,000 children attended approved ECEC⁴.

Data collected over 2007-08 shows that approximately 203,000 children were attending state and territory government funded or provided preschool services at any given point in time (Table 1-1). Almost 184,000 of these children attended in the year prior to commencing full time schooling⁵.

TABLE 1-1: NUMBER OF CHILDREN ATTENDING PRESCHOOL AND APPROVED CARE, 2007-2008

Jurisdiction	Children attending approved care (June quarter 2008)	Children attending preschool (2007-08)
ACT	15,374	3,796
NSW	253,894	63,441
NT	7,300	3,394
Qld	218,844	17,248
SA	70,515	20,660
Tas	21,347	5,990
Vic	183,329	61,053
WA	62,263	27,456
AUS	830,334	203,038

Source: Approved Care: CCMS data June Quarter 2008, extracted 06/07/2008. Australian total does not represent an aggregation of state and territory data as children may have used services in more than one state/territory during the quarter, and/or children may have used more than one type of service during the quarter.

Table 1-2 provides a breakdown of the number of children attending approved care, by type of care. At a national level, the largest component of the industry is the LDC sector, with around 494,000 children attending this service type in the June quarter 2008. FDC comprises a comparably small part of the sector, with around 103,000 children attending this ECEC service type in the same period. Children featured in Table 1-2 may also attend preschool, whether at a standalone facility, in a school or at the LDC centre they attend.

³ Approved child care refers to ECEC provided by long day care, family day care, in home care, outside school hours care and occasional care services approved by the Australian Government to receive Child Care Benefit on behalf of families. DEEWR (2008), *Child Care Service Handbook 2008-2009*, DEEWR: Canberra, p.209.

⁴ Centrelink administrative data, 2007-08 financial year, (unpublished).

⁵ Committee for the Review of Government Service Provision, (2009), Chapter 3, Children's services, Table 3A.12, *Report on Government Services 2009* released 30 January 2009, Australian Government: Canberra, available at http://www.pc.gov.au/_data/assets/pdf_file/0003/85368/08-chapter3-attachment.pdf accessed 25 March 2009

TABLE 1-2: NUMBER OF CHILDREN ATTENDING APPROVED CARE BY CARE TYPE, JUNE QUARTER 2008

Care type	Children attending approved care
LDC	494,270
FDC	102,982
OSHC	251,733
TOTAL	830,334

Source: CCMS data June Quarter 2008, extracted 06/07/2008. Australian total does not represent an aggregation of state and territory data as children may have used services in more than one state/territory during the quarter, and/or children may have used more than one type of service during the quarter.

Note: Approved care means care provided a service approved by the Australian Government to receive Child Care Benefit (CCB) on behalf of families.

It is noted that the data described in Table 1-2 may, to some extent, underestimate the number of children attending ECEC, as not all services are approved for Child Care Benefit (CCB) purposes.

1.4.2 Structure of the ECEC market

Providers of ECEC range from small, single-entity centres servicing a highly specific region (and possibly age group of children), to large firms with multiple establishments nationwide that offer services for all ages of children, to government provision of preschool programs.

Table 1-3 shows the number of ECEC services covered by this RIS by service type and Table 1-4 by ownership.

At a national level, the largest component of the industry is the LDC sector, which accounts for the largest proportion of ECEC services.

TABLE 1-3: ESTIMATED TOTAL NUMBER OF ECEC SERVICES BY JURISDICTION, 2008

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Aust.
LDC	2,200	1,069	1,466	561	332	116	108	75	5,927
FDC	103	75	75	19	13	11	5	6	307
OSHC	937	1,066	639	202	336	121	93	51	3,445
Preschool	852*	1,229	340	910	415	221	86	125	4,178

Source: Access Economics (2009a), based on data supplied by state governments, DEEWR, NCAC and DEEWR (2008).

Note: Counts of LDC, FDC, IHC and preschool services are based on state government data where provided, supplemented by the latest child care census and preschool census. OSHC service counts are based on data provided through the NCAC. FDC figures are FDC schemes.

Note: Data in this table have not been updated for this publication because they are consistent with the data used in the modelling.

Note: In some jurisdictions children attend preschool in long day care settings – these services have been included as long day care only.

*These figures do not include non-government school-based preschool (preparatory/transition). In NSW, for example, these comprise around 150 services.

The New South Wales, Victoria and Queensland ECEC markets are supported to a large degree by the private sector. In contrast, the South Australia, Western Australia, Northern Territory, Tasmania and Australian Capital Territory systems are dominated by government provided and community based care.

TABLE 1-4: ESTIMATED NUMBER OF ECEC SERVICES BY OWNERSHIP TYPE, 2008

Ownership type	NSW	VIC ***	QLD	WA	SA	TAS	ACT	NT	Aust.
Government	100*	861	319	809	489	227	113	132	3,050
Community	1,264**	1,471	450	325	261	159	103	66	4,099
Private	2,123	1,129	1,773	566	365	84	78	61	6,179

Source: Access Economics (2009), based on Steering Committee for the Report on Government Services (2009) and data supplied by DEEWR and state governments.

*Data is provided by the NSW Department of Community Services.

**This figure includes 752 government funded but community owned/operated preschools.

*** Does not include FDC or OSHC.

Note: Data in this table have not been updated for this publication because they are consistent with the data used in the modelling.

1.5 What is quality Early Childhood Education and Care?

In a comprehensive review, the OECD identified seven aspects of quality which are summarised below⁶.

TABLE 1-5: ASPECTS OF QUALITY⁷

Orientation quality <i>Government engagement through national legislation, regulation and policy initiatives</i>
Structural quality <i>The overarching structures needed to ensure quality in early childhood programs</i>
Educational concept and practice <i>The curriculum framework, underpinning knowledge of staff and the application of these in practice</i>
Interaction or process quality <i>The day to day experience of children</i>
Operational quality <i>The management and leadership (including policy and process) that guide the way in which a service operates</i>
Child-outcome quality or performance standards <i>The environment and interactions that improve the present and future well-being of children</i>
Standards pertaining to parent/community outreach and involvement <i>Outreach to parents groups, efforts to improve the home learning environment responsiveness to local cultural values and norms, and participation in integrated programming.</i>

Most research has focused on the structural components of quality, and in general has found that:

- the most significant factor affecting quality and outcomes for children appears to be caregiver education, specialised qualifications and training

⁶ Organisation for Economic Co-operation and Development (2006), *Starting Strong II: Early Childhood Education and Care*, OECD Publishing: Paris.

⁷ Expert Advisory Panel on Quality Early Childhood Education and Care (2009), *Towards a national quality framework for early childhood education and care*, p. 18, available at http://www.deewr.gov.au/EarlyChildhood/OfficeOfEarlyChildhood/agenda/Documents/EAP_report.pdf

- improved staff-to-child ratios are associated with better outcomes for children, with the ratio being more significant for very young children and those from disadvantaged backgrounds
- larger group size is associated with lower quality, but the correlation is not as significant as for the other quality factors
- stability in care (low staff turnover) is associated with higher quality child care and positive child outcomes⁸.

⁸ Department of Community Services (2008), Review of the Children's Services Regulations 2004, pp.11-16; and Department of Community Services (2008), *What determines quality in child care? Research to Practice Note*, September, available at http://www.community.nsw.gov.au/docswr/_assets/main/documents/researchnotes_what_quality.pdf

Chapter 2 Rationale for government intervention

Governments may intervene in the ECEC sector for a range of reasons, with the overarching goal of improving the welfare of children, parents and society. These reasons include:

- supporting families' workforce participation through ensuring the availability of high-quality and affordable formal ECEC services
- maximising the development of the child by improving the availability of high quality ECEC services
- minimising the risk of harm to children occurring in the ECEC services context
- addressing information asymmetries to enable parents to make well-informed choice regarding ECEC
- supporting children from disadvantaged backgrounds.

This chapter briefly examines these issues.

2.1 Supporting workforce participation

The availability of high-quality, affordable early learning and care is an important aspect of supporting workforce participation choices of families while also contributing to positive outcomes for children. Without a high-quality early learning and care environment, there are risks that the increased workforce participation of many mothers may adversely affect children. At the same time, there is evidence that high-quality preschool contributes to better intellectual development, improved independence, concentration and sociability for children⁹.

If families are well-informed and have confidence in the quality of the ECEC their children are receiving, this will facilitate more informed choices.

2.2 Maximising the development of the child by improving the availability of high quality ECEC services

A large number of studies point to the critical importance of high quality in child care and preschool. Key aspects of quality linked to positive child outcomes include higher qualifications and standards of training of the early childhood carer, improved staff-to-child ratios and a positive nurturing relationship between the child and a stable caregiver¹⁰. While the available evidence suggests that the most important aspect of quality is the nature of the interaction between the teacher and the child, this is difficult to define and regulate. However, well-qualified staff and low staff-to-child ratios are two elements which provide the context in which quality is likely to occur¹¹.

One of the few studies of the effect of child care quality on developmental outcomes in Australia reported that greater child-focused practice by carers was associated with higher ratings for social relatedness and overall competence¹². In this regard, care providers are able to be more positive and responsive to children when fewer children are present. Similarly, a study across different ECEC settings in the United States found that, irrespective of the type of care provided, child care

⁹ Sylva et al. (2008) *EPPE Final Report from the Primary Phase: Preschool, School and Family Influences on Children's Development during Key Stage 2*, Research Brief, No. DCSF –RB061.

¹⁰ Waldfogel J (2007), Parental Work Arrangements and Child Development, *Canadian Public Policy* 33(2)

¹¹ Currie J. (2000), *Early Childhood Intervention Programs: What do we know?*, Working Paper from the Children's Roundtable, The Brookings Institution, Washington DC, available at www.brookings.org, referenced in Expert Advisory Panel on Quality Early Childhood Education and Care (2009), Towards a national quality framework for early childhood education and care, p. 7, available at http://www.deewr.gov.au/EarlyChildhood/OfficeOfEarlyChildhood/agenda/Documents/EAP_report.pdf

¹² Harrison L (2008), Does child care quality matter? Associations between socio-emotional development and non-parental child care in a representative sample of Australian children, *Family Matters*, No.79, pp. 14 – 25.

workers demonstrated more positive care giving when there were fewer children per staff member¹³.

The level of qualifications held by ECEC workers has also been associated with positive outcomes for children. An analysis of data from the National Institute of Child Health and Human Development (NICHD) Study of Early Child Care found that care providers who achieved higher levels of educational attainment, and standards of training, were better able to provide improved learning environments and provide more sensitive care. Further, children under the care of more highly educated workers performed significantly better in tests of language and cognitive development¹⁴.

The Effective Provision of Preschool Education (EPPE) Project also found that staff qualifications have a strong association with children's pre-reading progress and social development. The project found that 'In centres which employed more staff with higher-level qualifications, children made more progress in cooperation and conformity and scored lower on antisocial/worried behaviour measure'¹⁵.

Research also indicates that young children who spend excessive hours in poor-quality child care characterised by low staff qualifications and ratios and excessive staff turnover are more likely to have higher levels of the stress hormone cortisol and to develop social, emotional and behavioural problems¹⁶. Other studies also point to the negative effects from long hours in early learning and care on behavioural outcomes for children¹⁷.

2.3 Minimising the risk of harm to children

Governments generally accept a responsibility to ensure the welfare of vulnerable members of society. This extends to ensuring that all services provided to children, regardless of their family circumstances, meet minimum community standards. Governments have exercised this responsibility historically in relation to the school sector, both through the provision of educational services and regulation of private providers. The basis for government regulation of ECEC services is closely analogous to this.

A substantial issue in relation to government responsibility to ensure the maintenance of minimum quality standards is that adopting a regulatory approach allows governments to intervene quickly and decisively in cases of non-compliance with the regulatory requirements. This is an important consideration given the strong community expectation that governments should be willing and able to act immediately when significant childcare concerns arise.

Incidents and complaints occur despite services being regulated and assured and it can be expected that there would be a substantially higher incidence of such problems in an entirely unregulated environment. However, this is difficult to establish as there is no available data indicating complaints regarding services not regulated within Australia.

2.4 Addressing information asymmetries

All parents should have the opportunity to access information about the quality of care available to their children so that they can make well-informed choices and decisions about their children's attendance and involvement in ECEC services.

¹³ Vandell DL (1996), Characteristics of infant child care: Factors contributing to positive caregiving: NICHD early child care research network, *Early Childhood Research Quarterly*, vol.11, No.3, pp.269 – 306.

¹⁴ Clarke-Stewart KA, Vandell DL, Burchinal M, O'Brien M and McCartney K (2002), Do regulable features of child-care homes affect children's development? *Early Childhood Research Quarterly*, Vol.17, No.1, pp.52-86.

¹⁵ Sammon P, Sylva K, Melhuish EC, Siraj-Blatchford I, Taggart B and Elliot K (2003), The Effective Provision of Preschool Education Project (EPPE), *Technical Paper 8b: Measuring the impact of preschool on children's socio-behavioural development over the preschool period*, London: DfES/Institute of Education, University of London, cited in Sylva K, Siraj-Blatchford I, Taggart B, Sammons P, Melhuish E, Elliot K and Totsika V (2006), Capturing quality in early childhood through environmental rating scales, *Early Childhood Research Quarterly*, 21: 76-92.

¹⁶ Sims, M, Guilfoyle A and Parry T (2005), What cortisol levels tell us about quality in child care centres. *Australian Journal of Early Childhood*, Vol. 30, No. 2, pp. 29-39.

¹⁷ Waldfogel J (2007), Parental Work Arrangements and Child Development, *Canadian Public Policy* 33(2)

While parents can gather information about the quality of care at particular ECEC services through a range of channels, including seeking recommendations from other parents, inspecting premises, meeting with staff, or observing a session, the ability of parents to make well-informed choices can be limited by the level of access to information, or information asymmetry. Information asymmetry arises in most economic transactions, and relates to consumers not having complete information about the good or service that they are purchasing, and having less information than the provider of services. Under these circumstances parents may:

- purchase services that are inappropriate for them or their child
- pay higher than competitive prices for the services they purchase
- not receive the quality of care they believe they have purchased
- withdraw from purchasing services and participation in the workforce because of concerns about the quality of care provided.

Transaction costs associated with parents seeking price and quality information on service providers and other transaction costs, such as changing providers as a result of an undesirable experience, may also arise from information asymmetry.

The costs to broader society include:

- restrictions on competition; the inadequate disclosure of quality information may discourage parents from 'shopping around' to seek the services of alternative care providers. This restriction has the potential to impact on the price of ECEC services
- access and equity issues; not all parents may be able to gain access to services of appropriate quality because of a lack of information on quality
- the cost of legal proceedings in relation to cases of alleged unscrupulous behaviour within the sector.

Information asymmetry may also impose costs on ECEC service providers, including the loss of economic opportunity to the extent that information asymmetry restricts parents in seeking alternative providers, and undermining of industry reputation.

Research has found that parents generally define quality of care in relation to the particular needs of their child and family, and focus on the overall service (including aspects such as cost). Evidence suggests that 'the most important aspects of child care for parents are health and safety, personal characteristics of the staff, parent-carer communication and flexibility of provision'¹⁸. Studies have found that parents typically rank the emotional warmth of care as the most important feature.

Parents may view the benefits of child care in different terms to experts in the field, and as a result may be less willing (or able) to pay a premium for higher quality care as defined from a child development perspective¹⁹.

It is important to note that the extent and impact of the problem of information asymmetry in the ECEC sector is difficult to determine. This is because the costs associated with it are, to a large degree, likely to be intangible and by their nature, hidden. However, it is clear that information asymmetry does exist. Government intervention to address information asymmetry can provide parents with the assurance that the care their children are receiving is in line with acceptable minimum standards regardless of the type of care chosen or available, and sufficient information to make well-informed choices.

In addition, families could also be better informed in their decision-making through improved awareness of the findings from rigorous research on the effects of differing arrangements and hours on child wellbeing outcomes at different ages. This aspect of the reform agenda is a specific reform priority within the National Early Childhood Development Strategy.

¹⁸ Da Silva L and Wise S (2006), Parent perspectives on childcare quality among a culturally diverse sample, *Australian Journal of Early Childhood*, Vol.31, No.3, pp. 6-14, available at http://www.earlychildhoodaustralia.org.au/australian_journal_of_early_childhood/ajec_index_abstracts/parent_perspectives_on_childcare_quality_among_a_culturally_diverse_sample.html accessed 12 March 2009.

¹⁹ Blau DM and Mocan HN (2002), The Supply of Quality in Child Care Centres, *The Review of Economics and Statistics*, Vol.84, No.3, pp.483-496.

2.5 Supporting children from disadvantaged backgrounds

A child's development is affected by a number of multiple risk and protective factors in the child's environment²⁰. Some of these risk factors are associated with the environment and may be transitory (for example, maternal depression). For children in poverty, however, the probability of being exposed to multiple risk factors is considerably higher, often culminating in a cycle of intergenerational disadvantage. Research has highlighted a number of protective factors which can help to ameliorate the impact of a disadvantaged home life on young children. These factors include the presence of a significant adult other than a parent in the child's life and professional support to improve interactions between the parent/carer and child²¹.

There is evidence that the early years significantly shape brain development which, in turn, influences lifelong learning, behaviour and health. This is because the quality of the early environment, particularly the quality of relationships with primary caregivers, has a significant effect on early brain development. Additionally, poor caregiver interactions may compromise the healthy formation of neural pathways²².

Longitudinal research, primarily from the US, has provided a wealth of information about the benefits of high-quality early learning and care programs combined with home visits. Importantly, a number of influential longitudinal studies have shown positive returns from government investments in disadvantaged children's outcomes.

These returns derive from the benefits of investing in the provision of high-quality ECEC for disadvantaged children extending beyond the individual child, with social and economic benefits accruing to the entire community²³.

In particular, high-quality ECEC for children from disadvantaged backgrounds in the US has been shown to lead to a range of desirable long-term outcomes. The attendance of children from disadvantaged backgrounds at high-quality early learning and care is associated with increased participation and retention in education, positive social behaviours in school and in later life and higher educational achievement. One of the few longitudinal studies of the provision of targeted ECEC programs to track participants through to adulthood, the Perry Preschool Project, found that attendance at high-quality ECEC programs (together with home visits) was associated with:

- increased participation and retention in education, including increased secondary school completion rates and better outcomes for girls
- positive social behaviours in school and in later life, including positive socialisation outcomes, more settled behaviours and prevention of chronic delinquency
- higher educational achievement²⁴.

²⁰ Investing in the Early Years — A National Early Childhood Development Strategy, www.coag.gov.au.

²¹ Smart D, Sanson A, Baxter J, Edwards B and Hayes A (2008), *Home-to-school transitions for financially disadvantaged children*. Smith Family. Accessed at: <http://www.aifs.gov.au/institute/pubs/papers/2008/>, Centre for Community Child Health (2009), *The Impact of Poverty on Early Childhood Development: Policy Brief 14* Parkville, Victoria. Accessed at: <http://www.rch.org.au/ccch/policybriefs.cfm> and Dawe S, Fry S, and Harnett P (2008), *Improving outcomes for children living in families with parental substance misuse: what do we know and what should we do*. *Child Abuse Prevention Issues*; 29: 2008.

²² McCain M, Mustard JF and Shanker S (2007), *Early Years Study 2: Putting Science into Action*, Toronto: Council for Early Child Development, pp.27 – 28.

²³ Isaacs, J. (2008), *Impacts of Early Childhood Programs*, Washington, DC: Brookings Institution, Center on Children and Families accessed at http://www.brookings.edu/~media/Files/rc/papers/2008/09_early_programs_isaacs/09_early_programs_isaacs.pdf and Loeb S. et. al. (2007), How much is too much? The influence of preschool centres on children's social and cognitive development, *Economics of Education Review*; 26 52-66.

²⁴ Schweinhart LJ and Weikart DP (1999), The advantages of High/Scope: Helping children lead successful lives, *Educational Leadership*, Vol.57, No.1, pp.76–8, cited in Fleer M. and Raban B (2005), *Literacy and numeracy that counts from birth to five years: a review of the literature*, Early Childhood Learning Resources, Department of Education, Science and Training, p.4, <http://www.deewr.gov.au/EarlyChildhood/OfficeOfEarlyChildhood/Documents/ECL%20Literature%20Review.pdf>

Other high-quality ECEC programs targeted at children from disadvantaged backgrounds, such as the Chicago Child-Parent Centers program (USA), and the Carolina Abecedarian Project, have reported similar findings²⁵.

²⁵ Reynolds AJ (1997), The Chicago Child-Parent Centers: A Longitudinal Study of Extended Early Childhood Intervention, *Institute for Research on Poverty Discussion Paper* No. 1126-97, <http://www.irp.wisc.edu/publications/dps/pdfs/dp112697.pdf>; Temple JA and Reynolds AJ (2007), Benefits and costs of investments in preschool education: evidence from the Child-Parent Centers and related programs, *Economics of Education Review*, 26, 126 – 144.

Chapter 3 The nature of government involvement in the ECEC sector

Chapter 2 makes the case for government intervention in the ECEC sector, and this chapter looks at the nature of government involvement. This chapter begins with an explanation of current roles and responsibilities of governments in today's ECEC sector and concludes with a discussion about the regulatory responses of governments (at all levels).

3.1 Roles and responsibilities of government in the ECEC market

The Australian, state and territory governments currently have different roles in supporting the provision of ECEC services. Key Australian Government activities include providing benefits, including a universal rebate for all families with children in approved care.

The Australian Government's current roles and responsibilities include:

- paying Child Care Benefit (CCB) to families using approved ECEC services and registered care²⁶
- paying Child Care Rebate (CCR) to eligible families using approved ECEC
- funding the National Childcare Accreditation Council (NCAC) to administer quality assurance systems for approved ECEC services
- funding organisations to provide information, support and training to approved service providers
- providing operational and capital funding to some providers²⁷.

The role of state and territory governments is broadly consistent across jurisdictions and covers responsibility for licensing and regulation of ECEC, as well as providing access to preschool, including funding, and in most cases direct provision, of preschool (see table 1.4 for the numbers of services by ownership). The roles and responsibilities of state and territory governments vary across jurisdictions, but generally comprise:

- licensing and setting standards for ECEC service providers
- monitoring and regulating licensed and/or funded ECEC providers
- providing operational and capital funding to some service providers
- delivering some services directly (especially preschool services)
- developing new ECEC services
- providing information, support, training and development opportunities for providers
- providing curriculum and policy support and advice, as well as training and development for management and staff
- providing dispute resolution and complaints management processes²⁸.

All governments provide information and advice to parents and others about operating standards and the availability of services, and undertake planning to ensure the appropriate mix of services are available.

²⁶ For the purposes of CCB, a 'registered carer' is an individual who provides care, or proposes to provide care, for a child or children. The person can apply for approval as a registered carer to offer CCB if the individual: has turned 18, or has a qualification which may determine eligibility for approval as a registered carer, and has a tax file number.

²⁷ Committee for the Review of Government Service Provision (2009), Report on Government Services 2009, p.3.4.

²⁸ Ibid.

3.2 Regulating for quality in the ECEC sector

Broadly, there are three different ways governments can involve themselves in the ECEC sector: regulation, financial assistance and subsidies, and direct provision. The focus of this RIS is on the regulatory aspect of government intervention.

The OECD report *Starting Strong II* supports the need for government intervention in the sector. A review of a number of OECD countries found advantages to having publicly funded systems of ECEC including that they were generally of a higher quality. The report concluded that '...governments need to fund, supervise and regulate private providers, if they wish to maintain quality for all young children, including children with special needs and/or additional learning needs'²⁹.

In theory, a wide range of regulatory responses are possible ranging from a minimalist approach (for example, sector self-regulation), through to a highly regulated approach (for example, governments owning, operating and licensing services). Government regulation should be proportionate and appropriate to the extent and type of market failure, balance the needs of children, parents, service operators and owners, and the community generally, and reflect government policy objectives.

There is evidence that imposing standards on the ECEC sector can produce a higher quality of service delivery than in an unregulated environment. Moreover, the higher the standards set, the higher the quality of service delivered.

For example, Friendly et al found that there are clear jurisdictional differences in each category very best quality and very worst quality and that these are associated with the stringency of the provinces/territory's regulations³⁰. Other USA studies have found a relationship between weak regulation and a higher proportion of poor quality services (see Helburn³¹, NICHD³² and Whitebook et al³³). Similar findings have been made by Tietze et al³⁴ for the European context.

Regulatory responsibility for ECEC is shared by the Australian, state and territory governments. The NCAC-administered Australian Government Child Care Quality Assurance System, and state and territory-based licensing and regulation of minimum standards are the primary mechanisms through which government seeks to ensure the quality of ECEC services. These systems are described below.

3.2.1 Quality assurance

The NCAC-administered Australian Government Child Care Quality Assurance System (quality assurance) is designed to ensure that children enjoy positive learning, social and developmental ECEC experiences. Separate quality assurance systems are in place for LDC, FDC and OSHC providers. To be eligible for approval for CCB purposes, LDC, OSHC and FDC services must register for and satisfactorily participate in the quality assurance systems.

The quality assurance systems address the process components of quality, such as staff interactions and relationships with children, and children's experiences, learning and development. Services participating in quality assurance are required to progress through a five-step process comprising:

²⁹ Organisation for Economic Co-operation and Development (2006), *Starting Strong II Early Childhood Education and Care*, OECD Publishing: Paris.

³⁰ Friendly, M., Doherty, G. and Beach, J. (2006). *Quality by Design: What Do We Know about Quality in Early Learning and Childcare, and What Do We Think? A Literature Review*. Toronto: Childcare Resource and Research Unit, University of Toronto. Available at http://www.childcarequality.ca/wdocs/QbD_LiteratureReview.pdf, 27 May 2009.

³¹ Helburn, S. et al (1995) *Cost, Quality and Child Outcomes in Child Care Centers*, Technical Report, Department of Economics, Center for Research in Economic and Social Policy, University of Colorado, Denver, June.

³² National Institute of Child Health and Human Development (NICHD) Early Child Care Research Network (1999) 'Child outcomes when child care center classes meet recommended standards for quality', *American Journal of Public Health*, vol 89.

³³ Whitebook, M., C. Howes and D. Phillips (1990) *Who Cares? Child care teachers and the quality of care in America: Final Report of the National Child Care Staffing Study*, Oakland CA: Child Care Employee Project.

³⁴ Tietze, W. D. Cryer, J. Bairrao, and G. Wetzel (1996) 'Comparisons of Observed Process Quality in Early Child Care and Education Programs in Five Countries' *Early Childhood Research Quarterly*, vol 11, pp 447-475.

- registration, which involves being registered with the NCAC and participating in the relevant quality assurance process for continued approval for CCB purposes
- completion of a self-study report and continuing improvement, where the service evaluates the quality of practice for each of the principles within the quality area and submits a self-study report
- validation, which involves the completion of validation surveys by management, staff, and families; a validation visit by a NCAC trained and selected validator and the completion of a validation report by the validator
- moderation, where a moderator reviews the information collected throughout the quality assurance process, and seeks to identify patterns of quality care within the service to enable the service to be rated against the relevant quality principles and a composite quality profile to be completed
- accreditation, which involves an accreditation decision based on the ratings in the composite quality profile. A service must achieve a rating of satisfactory or higher in all the quality areas on the composite quality profile to be accredited.

After completing these five steps a service starts the cycle again at step two by preparing and submitting a self-study report at a pre-determined date – currently two and a half years after submitting its previous self-study report.

Occasional Care services in some situations are also eligible for CCB and other Australian Government funding but are not required to participate in the quality assurance process. Some occasional care and other services receiving block grant funding (services receiving Budget Based Funding) are ineligible for CCB, however many still voluntarily participate in the current national accreditation scheme.

Preschool services are not required to participate in Australian Government quality assurance³⁵.

3.2.2 Licensing and registration

Regulatory standards set by state and territory governments address as a minimum the quantifiable, structural components of care including:

- staff requirements
- equipment and facility requirements
- health and safety requirements
- operational requirements including programs for children
- administrative requirements.

These standards are most commonly monitored and enforced through licensing and regulation. The licensing of the range of ECEC services varies across jurisdictions. Additionally, regulations differ in nature between each jurisdiction and in some circumstances do not exist at all.

In order to achieve a level of national consistency, state and territory governments have developed and endorsed National Standards for LDC (1994), OSHC (1995) and FDC (1995) through the Community Services Ministers' Conference mechanism. The national standards were designed with the intention that, when regulations for each sector are developed, these regulations would include the national standards as minimum standards. The standards have been variously implemented by each of the states and territories. It also provides some basic quality standards to apply in jurisdictions where services types are not regulated.

State and territory governments are also responsible for the regulation of preschool services. In a number of jurisdictions preschool is subject to a different regulatory system to ECEC, although this is not the case in Victoria and New South Wales.

³⁵ Some preschools are eligible for CCB for OSHC/OC places if they offer longer hours for at least 48 weeks of the year - there are a number of preschools that currently receive some CCB on this basis. Additional funding is available under the Universal Access initiative to some preschools, in some jurisdictions.

Several jurisdictions are in the process of reviewing their legislation and regulation relating to ECEC, including reviewing aspects of quality that are subject to regulation. For example:

Victoria has developed new regulations which came into operation from 25 May 2009. These include a minimum Certificate III training in ECEC for all children's services staff, and an early childhood teaching qualification for one full-time staff member at each standard licensed children's service (LDC, kindergarten and some occasional care)³⁶. Services licensed since 25 May 2009 are required to meet improved staff-to-child ratio of 1:4, and qualified staff-to-child ratio are improved to 1:12, for children aged from birth to 36 months. For previously licensed services transitional provisions for the new requirements apply.

New South Wales, in a review of the Children's Services Regulation 2004, is considering proposals to enhance current staff qualification requirements³⁷. New South Wales currently requires a qualified teacher for every centre-based and mobile service with more than 29 children – it is considering reducing it to 10 or 20 children. New South Wales does not have a formal entry level qualification in any setting but is considering the cost and benefits of introducing a minimum qualification requirement across all or some settings. The review is additionally considering strategies for implementing an announced Government commitment to improve the staff-to-child ratio for children aged birth to 24 months to 1:4. A new regulation is expected to commence in 2010.

In **South Australia**, the Children's Services (Child Care Centre) Regulations 1998 are due to sunset in 2009 and will remain in place until such time as new state legislation is enacted and/or regulations are made under the national quality reforms. On 15 March 2009, the Minister for Early Childhood Development announced his intention to implement a staff-to-child ratio of 1:4 for children under the age of two years.

³⁶ Department of Education and Early Childhood Development (2009), *Children's Services Regulations 2009 Regulatory Impact Statement*, Victorian Government: Melbourne.

³⁷ Department of Community Services (2008), *Review of the Children's Services Regulation 2004: Discussion Paper*, Department of Community Services: Sydney

Chapter 4 Nature and extent of the problem

There are a number of weaknesses evident in the current arrangements for regulating ECEC in Australia. These relate to inconsistent quality standards, duplication of regulatory effort, and insufficient information for parents to make informed choices. The nature and extent of these problems are discussed in this chapter.

4.1 Inconsistent quality standards

The current regulatory arrangements for setting, assessing and monitoring quality in the ECEC sector are fragmented and complex. This complexity stems from:

- shared responsibility for regulating ECEC between the Australian, state and territory governments
- different regulatory arrangements for different services within the ECEC sector.

4.1.1 Overlap between Australian, state and territory government regulatory arrangements

The current arrangements involve significant overlap between Australian, state and territory government activities. For example, policies and practices are often checked for both licensing and accreditation purposes. This duplication of effort can impose an increased and unnecessary administrative burden on the service and may reduce the focus on quality.

This overlap is particularly evident for LDC, FDC and OSHC service providers (noting that these service types, along with preschool, comprise the scope of this RIS). These types of services are assessed against licensing standards by state and territory regulatory authorities as well as against quality assurance standards administered by the NCAC for the Australian Government.

The complexity is compounded because the policy intent behind state licensing is different to the policy intent behind the NCAC assessments. For example, from an Australian Government perspective, satisfactory participation in the NCAC quality assurance system is a condition of approval for Child Care Benefit (CCB) purposes. In contrast, state and territory licensing mainly focuses on physical factors, such as ensuring buildings are appropriate and safe, and that the staff are appropriate people to be working in ECEC.

The Australian Government Taskforce on Reducing Regulatory Burden on Business (the 2006 “Banks Review”) has previously noted that such duplication is extensive and imposes an unnecessary compliance burden on service providers. For example, for a centre with between 30 and 60 places:

- NCAC inspections generally take around two days, with a significant proportion of this time spent reviewing written policies and procedures
- state regulator inspections generally take between another half a day to a full day, with a proportion of this time spent reviewing the same policies and procedures³⁸.

In many cases services participate in two separate systems to maintain their operations. The precise level of overlap is unknown as it is possible for services to participate in one or the other only. However, available information suggests the overlap is large. Table 4-1 provides the number of LDC services that are registered with the NCAC, and the number of LDC services that are licensed under state and territory regulations.

³⁸ Report of the Taskforce on Reducing Regulatory Burdens on Business (2006), Rethinking Regulation, January, p.48, available at http://www.regulationtaskforce.gov.au/__data/assets/pdf_file/0007/69721/regulationtaskforce.pdf

TABLE 4-1: LICENSED AND REGISTERED LDC SERVICES BY JURISDICTION

	ACT	NSW	NT	Qld	SA	Tas	Vic	WA	Aust.
Registered with NCAC	106	2349	67	1301	303	108	1084	459	5777
Licensed under state and territory regulations	115	2296	74	1478	332	120	1099	557	6071

Source: Access Economics (NCAC Registrations data 1 September 2009, and advice from states and territories)

Note: Data is point in time, and hence is for illustrative purposes only. Data is not strictly comparable between the two lines due to different collection times.

TABLE 4-2: LICENSED AND REGISTERED FDC SCHEMES BY JURISDICTION

	ACT	NSW	NT	Qld	SA*	Tas	Vic	WA*	Aust.
Registered with NCAC	5	94	5	85	14	11	94	20	328
Licensed under state and territory regulations	5	100	-	84	1	11	-	709	-

Source: Access Economics (NCAC Registrations data 1 September 2009, and advice from states and territories)

* In South Australian the SA Government is the primary sponsor of Family Day Care and self-regulates 12 FDC schemes. The 13th scheme is privately operated and licensed as a Family Day Care Agency.

* In WA individuals, not schemes are licensed.

Note: Data is point in time, and hence is for illustrative purposes only. Data is not strictly comparable between the two lines due to different collection times.

Tables 4-3 and 4-4 provide an indication of the level of duplication experienced by FDC schemes and LDC services due to the duplication of requirements under state and territory licensing, and quality assurance by the NCAC. The tables list the quality areas managed by the NCAC for FDC schemes and LDC services and show the principles also covered to some extent by state and territory licensing requirements. This is a high level analysis only and does not reflect ways in which the same quality areas may be assessed differently, or to a greater degree, by different levels of government.

Some jurisdictions have introduced practices to reduce duplication between state and territory regulation and NCAC principles. For example, in Queensland, if a service meets NCAC programming and evaluation principles, they are deemed to comply with the regulatory programming requirements, unless there is an identified concern.

TABLE 4-3: EXTENT OF DUPLICATION OF THE NCAC QUALITY PRINCIPLES FOR LDC SERVICES UNDER STATE AND TERRITORY REGULATIONS

NCAC Quality Area	No. of quality principles	ACT	NSW	NT	Qld	SA	Tas	Vic	WA
1. Staff Relationships with Children and Peers	6	6	5	5	3	4	3	0	2
2. Partnerships with Families	3	2	3	2	2	2	2	2	0
3. Programming and Evaluation	3	3	3	2	2	1	2	1	2
4. Children's Experiences and Learning	6	6	6	6	6	6	4	1	6
5. Protective Care and Safety	5	5	5	3	4	4	4	2	4
6. Health, Nutrition and Wellbeing	6	5	4	4	4	4	4	4	4
7. Managing to Support Quality	4	4	2	2	2	1	2	2	3
Total	33	31	28	24	23	22	21	12	21

Source: NCAC, DEEWR research

TABLE 4-4: EXTENT OF DUPLICATION OF THE NCAC QUALITY PRINCIPLES FOR FDC UNDER STATE AND TERRITORY REGULATIONS

NCAC Quality Area	No. of quality principles	ACT	NSW	NT	Qld	SA	Tas	Vic ³⁹	WA
1. Interactions	5	5	4	-	2	2	3	-	1
2. Physical Environment	3	2	3	-	2	3	3	-	3
3. Children's Experiences, Learning and Development	7	7	6	-	5	6	3	-	6
4. Health, Hygiene, Nutrition, Safety and Wellbeing	6	5	5	-	4	4	4	-	5
5. Carers and Coordination Unit Staff	4	4	1	-	2	3	4	-	0
6. Management and Administration	5	5	3	-	4	5	5	-	3
Total	30	28	22	-	19	23	22	-	18

³⁹ Victoria has now moved to regulate FDC since this table was developed.

4.1.2 Inconsistent regulatory arrangements

In addition to regulatory overlaps between jurisdictions, there are gaps or inconsistencies in regulation requirements across service types and between jurisdictions. For example, some ECEC service types are not licensed in some jurisdictions, such as OSHC, FDC and IHC, while service types that are subject to regulation, such as home-based or occasional care services and preschool, do not participate in the accreditation system.

The inconsistent approach to regulation and licensing of ECEC services across states is demonstrated in Table 4-5. Specific details of state and territory based regulation are provided in Appendix A.

These inconsistencies can lead to unintended consequences. For example:

- children may be exposed to risk of harm; and
- preschool programs delivered in LDC settings are subject to NCAC assessment processes, while those delivered in other settings are outside this. These inconsistencies are further complicated given the move towards more integration of education and care (such as the expected growth of LDC centres offering preschool programs).

TABLE 4-5: REGULATION AND LICENSING OF ECEC SERVICES

Service	ACT	NSW	NT	Qld	SA	Tas	Vic	WA
LDC	L	L	L	L	L	L	L	L
FDC schemes	L	L	--	L	G/L	L	L	--
FDC carers	--	R	--	R	R	R	--	L
IHC schemes	--	--	--	--	L	L	--	--
OSHC	L	R	--	L	R	L		L
Occasional care	L	L	L	L	G/L	L	L	L
Preschool	G / R	G / L	G	G / L	G	G / R	L	G

Source: Adapted from the Expert Advisory Panel on Quality Early Childhood Education and Care (2009).

Key: L = services are required to be licensed and meet regulations; R = services are required to be registered or approved to operate. G = services are provided by state / territory governments; -- = Services do not require a licence, registration or approval to operate but may be required to meet regulatory standards.

Moreover, as states and territories monitor the structural elements of quality, there is considerable variation between states on specific structural aspects of quality, such as staff-to-child ratios. Given that Australian and international research (e.g. the Expert Advisory Panel (EAP) report⁴⁰) demonstrates that it is these structural components of ECEC service provision that determine quality, inconsistencies across jurisdictional boundaries can result in variable quality to education and care delivered to children.

Staff-to-child ratios

Table 4-6, 4-7 and 4-8 below illustrate the different state and territory standards relating to staff-to-child ratios for LDC, FDC and preschool. The tables illustrate that:

⁴⁰ Advisory Panel on Quality Early Childhood Education and Care (2009), *Towards a national quality framework for early childhood education and care*, available at http://www.deewr.gov.au/EarlyChildhood/OfficeOfEarlyChildhood/agenda/Documents/EAP_report.pdf

- For LDC, there is a diversity of staff-to-child ratios within each of the age groups across jurisdictions.
- For FDC, there is a reasonable degree of consistency across most states and territories, although the Northern Territory does not currently regulate FDC hence no minimum staff-to-child ratios are specified
- There is significant variation across states and territories in relation to preschool
- While not covered in tables 4-6, 4-7 or 4-8, several jurisdictions have highlighted that many services operate with staff numbers above minimum ratios, particularly in the older age groups and in the care of babies. Mixed age groupings often operate at the start and end of the day.

TABLE 4-6: MINIMUM STAFF-TO-CHILD RATIOS IN CENTRE-BASED LDC⁴¹

	0-2 years	2-3 years	3-5 years
ACT	1:5	1:5	1:11
NSW	1:5	1:8	1:10
NT	1:5	1:5	1:11
Qld	1:4	1:6	1:12
SA	1:5	1:10	1:10
Tas	1:5	1:5	1:10
Vic	1:4	1:4	1:15
WA	1:4	1:5	1:10

Note: In Victoria, previously licensed services new ratios come into effect on 1 January 2012.

Note: In Queensland, a range of mixed age groups are available to provide flexibility to service providers.

TABLE 4-7: MINIMUM STAFF-TO-CHILD RATIOS IN FDC⁴²

	All age groups
ACT	1:7 (maximum of 4 under school age)
NSW	1:7 (maximum of 5 under 6 years of age)
NT	N/A*
Qld	1:7 (maximum of 4 under school age)
SA	1:7 (maximum of 4 under school age)
Tas	1:7 (maximum 4 under 5 years of age, while Cert III can have 5 under 5)
Vic	1:7 (maximum of 4 under school age)**
WA	Maximum of 7 children who have not commenced a secondary program; of whom not more than 5 are below the age to attend full-time schooling; and at least one to be a kindergarten child.

Source: Information supplied by the Quality Working Party, the Productivity Agenda Working Group, and consultation with state and territory representatives. Where contradictory information has been supplied, the authors have referred back to the principal legislation. * Note: the NT introduced new regulations on 9 June 2009. The Care and Protection of Children (Children's Services) regulations require FDC to be licensed by March 2011. The ratio is 1:7 (maximum of 2 under 3 years). **Note: that Victoria has introduced regulating a ratio of 1:7 (maximum of 4 under school age), consistent with the existing National Standards.

⁴¹ Information has been sourced from documentation supplied by the Quality Working Party, the Productivity Agenda Working Group, and consultation with state and territory representatives. Where contradictory information has been supplied, the authors have referred back to the principal legislation.

⁴² For Family Day Care, Department of Education and Early Childhood Development (2009), op.cit, pp.32-33.

TABLE 4-8: MINIMUM STAFF-TO-CHILD RATIOS IN PRESCHOOL

	Preschool age	Other specified age
ACT	2:25	N/A
NSW	1:10, 3-6 years	1:5, 0-2 years 1:8, 2-3 years
NT	1:11	N/A
Qld	1:12, 3-6 years 1:13, 4-6 years	N/A
SA	1:10/ 1:11	N/A
Tas	1:12	Not prescribed
Vic	1:15	1:4, 0-3 years
WA	1:10	NA

Source: documentation supplied by the Quality Working Party, the Productivity Agenda Working Group, and consultation with state and territory representatives. Where contradictory information has been supplied, the authors have referred back to the principal legislation.

Staff qualifications

Staff qualifications are considered an important factor in provision of quality care⁴³. However, the level of qualifications required by staff working with children in ECEC settings also differs across jurisdictions and across service types. For example, in formal early childhood programs in New South Wales, there must be a teaching staff member present who holds a degree or diploma in early childhood where care is being provided for more than 29 children, and up to four teachers in larger services. However, in NSW no minimum qualification is prescribed. In contrast, Queensland requires that all carers in licensed child care centres, except school age care, hold (or be studying towards) a qualification in early childhood or child care studies, but has no requirement for teachers in child care. Victoria has introduced a qualified teacher in all standard licence (long day care and preschool) services and a minimum qualification for staff of Certificate III with existing licensed services having transitional arrangements.

Appendix A provides additional information on the specific differences between requirements for qualified staff in each jurisdiction.

4.1.3 Effects of inconsistent regulatory approaches on educational outcomes for children

The differences in regulation and coverage across jurisdictions and service types are likely to impact on children's educational outcomes.

Gaps in current regulatory coverage mean that a parent cannot currently be assured that the ECEC received by their child will be provided in a fully regulated centre. Though the vast majority of FDC, LDC and OSHC providers are accredited by the NCAC, state licensing of these services is disparate. In relation to OSHC, for example, a child in the ACT will attend a licensed centre; a child in NSW will attend a centre which is registered, but not licensed; and a child in the NT will attend a centre that is neither licensed nor registered.

Compounding issues of inconsistent regulatory coverage are issues of inconsistent regulatory standards. At present, even where regulation is universal, a parent cannot be assured that their child will be provided with a consistent level of ECEC – neither in relation to fundamental structural quality parameters such as staff-to-child ratios and staff qualifications or in relation to the broader suite of factors which define 'quality'. For example, while a child between two and three years of age living in Western Australia can expect to share a carer with four other children (i.e. the

⁴³ Advisory Panel on Quality Early Childhood Education and Care (2009), *Towards a national quality framework for early childhood education and care*, available at http://www.deewr.gov.au/EarlyChildhood/OfficeOfEarlyChildhood/agenda/Documents/EAP_report.pdf

regulated staff-to-child ratio is one to five), a child across the border in South Australia can expect to share a carer with nine other children (i.e. the regulated staff-to-child ratio is one to ten). A multitude of similar examples can be cited.

There is a strong body of international evidence which suggests that both the qualification level of ECEC staff and the ratio of staff-to-children have an impact on children's educational outcomes. However, the optimal standard for these variables and the quantitative difference in educational outcomes associated with different levels is unclear. That is, an improved staff-to-child ratio is associated with improved outcomes for children, but precisely how children's outcomes vary with changing ratios is not known. That aside, the variety of staff-to-child ratios and staff qualification requirements mandated across the different states and territories results in the quality of ECEC provided to any given child varying based on their place of residence – in some cases considerably so. If the benchmark were considered Western Australia (1:4;1:5;1:10 in LDC), inconsistencies in the current regulatory environment which see ECEC delivered at quality levels below this standard in several jurisdictions, suggest a direct impact on children's educational outcomes.

4.1.4 Other flow-on effects relating to inconsistent regulatory approaches

Inconsistent regulation generates a number of other problems for the sector and the community. It creates confusion for parents who move across states and territories, or move their children from one setting to another, and for services that operate across state and territory borders. This problem is exacerbated by the limited ability of parents to evaluate quality of education and care. Further, a lack of consistent qualification requirements may act to limit the flexibility and freedom of movement of the workforce in an industry that is experiencing workforce shortages.

4.2 Insufficient information on quality services

Parents are entitled to assurance that their children are being cared for in a safe environment and that the quality of care is of a high standard across all ECEC settings. In the absence of publicly available information regarding the quality of services, parents are reliant, to a large extent, on the recommendations of family and friends, their own personal observations of a service, or information gathered by interviewing care providers.

Research conducted on behalf of the Australian Government Department of Education, Employment and Workplace Relations (DEEWR) indicates that parental evaluation of the quality of ECEC varies according to the type of ECEC service sought and the age of the child, but consistent across these domains is that parents have a tendency to select ECEC facilities on the basis of their instincts. Additionally, parental choice tends to be driven by factors such as cleanliness, safety and security of facilities, the perceived experience of staff and quality of interactions with children, and their child's emotional response to care⁴⁴.

Parental reliance on self-assessment of quality as described above is problematic. As discussed in Chapter 2, it is difficult for parents to judge whether their children are receiving quality ECEC given they are not present when care is provided and that the impact of poor quality care may not become evident for some time. Further, there is evidence to suggest that '...parents are more generous in their assessments of ECEC service quality than professionals'⁴⁵.

A range of mechanisms have been employed by governments to address the lack of information available to consumers. Some jurisdictions have Freedom of Information legislation and current ECEC legislation requires parents to be provided with certain information. Victoria and the Australian Capital Territory are in various stages of developing processes that will enable performance against state-based regulations to be brought to the attention of parents of children attending licensed ECEC services. Similarly, New South Wales already publishes details regarding prosecutions under the legislation governing ECEC services, and any action taken to suspend, revoke or place additional conditions on a licence⁴⁶. However, the extent to which parents are able to readily interpret and understand this information is not known.

At the national level, parents may access information about ECEC quality through two sources; the NCAC, and the www.mychild.gov.au website. Both avenues provide information to parents about

⁴⁴ Vandell D and Wolfe B (2000), *Child Care Quality: Does It Matter and Does It Need to Be Improved?* Institute for Research on Poverty, Special Report No.78, p.81.

⁴⁵ Elliott A (2006), cited in Expert Advisory Panel on Quality Early Childhood Education and Care (2009), *op.cit.*, p.27.

⁴⁶ Department of Community Services (2008), *op.cit.*, p.47.

aspects to consider when looking for an ECEC service. Parents are also able to access information about their services' accreditation status under the Australian Government quality assurance process. At the state level information on preschools in some school systems is available on education department websites.

A number of elements of the quality assurance process limit the extent to which accreditation status addresses the problem of information asymmetry. These include:

- Accreditation does not provide sufficient differentiation in quality above a minimum standard between service providers, and therefore it is difficult for parents to compare across providers
- Accreditation is granted if a service achieves a rating of satisfactory or higher in all seven quality areas. However, a service will receive an overall satisfactory rating for a quality area provided they achieve a satisfactory rating or higher in at least 50 per cent of the principles within the area (that is, they can be found unsatisfactory on a number of principles and still obtain accreditation)
- Accreditation outcomes are not often readily available to parents
- Accreditation is granted based on a point-in-time evaluation of the service against the quality areas
- Accreditation is voluntary, as services are only required to participate in quality assurance if they wish to be accredited for CCB purposes⁴⁷.

A number of reports have highlighted the need for improvement in the provision of information to parents to enable them to objectively assess the quality of ECEC services. Parents need access to clear, accessible and timely information to help them better plan and decide on the best ECEC options available to them, including information that is:

- appropriate to their child
- enables them to evaluate different ECEC facilities
- provides them with indicators of 'what to look for' to assess quality.

Similarly, the Report of the Childcare Taskforce (Victoria) found that parents require more information about the quality of child care to make an informed choice in relation to quality, and recommended that families be provided with information about regulatory and quality assurance systems, and indicators of quality⁴⁸.

Given the limitations associated with the above information sharing mechanisms, there is a need to provide parents with a simpler, more transparent process to access information about the quality of ECEC provision and thus facilitate consumer choice.

⁴⁷ Allen Consulting (2007), op.cit., p.46.

⁴⁸ Department of Human Services (2006), *Report of the Childcare Taskforce*, Melbourne: Department of Human Services, p.71.

Chapter 5 Options for reform

5.1 Background

The key objectives of the National Quality Agenda for ECEC are to:

- deliver an integrated and unified national system for early childhood education and care and OSHC, which is jointly governed and which drives continuous improvement in the quality of services
- improve educational and developmental outcomes for children attending early childhood education and care and OSHC services under the NQA
- foster a joint system of governance to allow the perspective of all jurisdictions to be taken into account in the operation of the National Quality Framework where there is shared responsibility for the regulation of quality in ECEC and OSHC services
- improve the efficiency and cost effectiveness of the regulation of ECEC and OSHC services
- reduce regulatory burden for ECEC and OSHC service providers
- improve public knowledge about and access to information about the quality of ECEC and OSHC services to parents, carers and the general public to help inform their choices about the quality of education and care provided to their children.
- build a highly skilled workforce.

On 2 July 2009, COAG agreed to a wide-ranging package of reforms for early childhood including an Early Childhood Development Strategy and an Early Years Learning Framework. COAG also agreed to a public consultation process to seek feedback on proposals for key elements of the NQA.

Significantly, COAG agreed to the development of a single, unified, national system to replace current licensing and quality assurance processes. The system would integrate licensing and quality assurance in early childhood education and care settings and apply (in the first instance) to LDC, Preschool, FDC and OSHC.

A consultation RIS was released for comment on 3 July 2009 and outlined options for:

- a national quality standard, including new staff-to-child ratios and staff qualification requirements;
- enhanced regulatory arrangements that will integrate state and territory licensing and regulation with the Commonwealth's accreditation system; and
- a quality rating system to provide parents with greater information about the quality of education and care their children are receiving and to promote continuous improvement in services.

COAG sought input on the options presented from a range of stakeholders. The outcomes of the consultation, and a summary of the consultation process itself, are in Chapter 7.

The options to be considered in each of these areas are described below.

5.2 National Quality Standard

It is proposed to introduce a nationally consistent set of standards for the early childhood education and care sector called the National Quality Standard.

The proposed National Quality Standard integrates and streamlines aspects of quality under current state and territory licensing requirements with the quality aspects of the national accreditation standards to streamline the current overlapping arrangements. Under the proposed standard, requirements such as indoor and outdoor areas and a service's relationship with families will be consistent across jurisdictions.

The National Quality Standard comprises quality areas, standards and elements. There are seven quality areas in the standard, which capture aspects critical to the provision of quality ECEC and OSHC services, including educational concept and practice, structural quality, interactions between educators and children and targeting services to meet the needs of families and local communities.

The quality areas are:

- Educational program and practice
- Children's health and safety
- Physical environment
- Staffing arrangements, including staff-to-child ratios and qualifications
- Relationships with children
- Collaborative partnerships with families and communities
- Leadership and service management.

Each individual quality area contains a number of standards, which are high level outcome statements. The National Quality Standard contains 23 standards with between two and six standards for each quality area. Under each standard sits elements. The National Quality Standard is the totality of the quality areas, the standards and the elements.

The National Quality Standard promotes high-quality care and focuses on supporting high-quality outcomes for children. It is designed to facilitate continuous improvement and be simple to understand and administer. The complete proposed standard is at Appendix B.

It is proposed that staff-to-child ratios and qualifications will be consistent nationally, noting that several state-based standards that are currently higher than the proposed NQS will be 'grandfathered' and a time-limited transitional arrangement implemented for existing Queensland services with a demonstrated need. As this will mean that some states and territories will experience improved ratios and qualifications requirements, there will be significant impacts to businesses, families and governments associated with this part of the reforms. Therefore, these elements are considered separately.

Scope

The National Quality Standard will apply to LDC, FDC, preschools and OSHC. While requirements for staff-to-child ratios and staff qualifications have been set for LDC, FDC and preschools, no changes to staff-to-child ratios or staff qualifications have been made to OSHC.

While staff-to-child ratios and staff qualification requirements for OSHC will not be prescribed at this stage, the National Quality Standard will bring OSHC under a consistent national framework and improve quality.

5.2.1 Staff-to-child ratios and qualifications

Two prime structural indicators of quality of care, contained in the National Quality Standard, are staff-to-child ratios and the educational qualifications of the workforce. There is a large body of evidence that suggests smaller ratios and more qualified staff are key drivers of quality ECEC. The standard aims to achieve access to high-quality services by improving these critical indicators, initially for LDC, Preschool and FDC.

The consultation RIS contained four options for LDC and preschool and two options for FDC which represented a range of ratio changes that moved from the less aspirational (and lower cost) to more aspirational (and higher cost). The options presented in the consultation RIS are at Appendix C. The consultation RIS also proposed nationally consistent qualifications requirements. These options were developed with consideration of the recommendations made by the EAP, stakeholder feedback from public consultations during late 2008, workforce modelling undertaken as part of a cost-benefit analysis, and the current and proposed ratios in each jurisdiction.

These options were publicly canvassed through the consultation RIS and as a result of the consultation feedback received, a revised set of options have been proposed in this decision RIS and outlined below.

Changes to the options for long day care and preschool following consultation

Following public consultation, the four options presented in the consultation RIS have been refined to two options for COAG's consideration. The reform option presented here (Option 2) is the same as Option 3 in the consultation RIS, except that the timeframe for the 25 to 35 months staff-to-child ratio has been extended by one year, the timeframe for the second qualified teacher or leader has been extended to 2020, and with the addition of staff-to-child ratios for mixed age groups and the clarification of implementation dates. In addition, a specific time-limited transitional arrangement has been introduced for existing Queensland services with a demonstrated need, recognising differences in the regulatory arrangements that have applied in this state.

Stakeholders noted that the consultation RIS was silent on mixed aged groups. In response, the mixed age group ratios presented in Table 5-1 balance the needs of existing arrangements in jurisdictions with the need to improve quality standards consistently across all states and territories. In addition, the wording around each reform was clarified, in particular the requirement that staff 'are actively working towards' a qualification and the clarification of the implementation dates (from 'end of' to '1 January').

Modelling on workforce availability has revealed that although workforce availability presents challenges there is enough evidence to provide a level of confidence about the feasibility of Option 2 presented below. The workforce in this sector has grown substantially in the last decade, and given the tightness of the labour market during much of this period there is no reason to believe that this trend cannot continue. Rural and remote locations face particular workforce challenges and will require continued monitoring of workforce growth during implementation.

One of the options proposed in the consultation RIS involved the 1:4 ratio implemented no later than the end of 2015. Feedback from consultation suggested that this timeframe was too slow and the option was therefore not considered in the decision RIS. A further option presented in the consultation RIS proposed a 1:3 ratio by 2020 and generally earlier implementation timeframes. While this option received some support from stakeholders during consultations, there was concern that the sector would be unable to respond to these changes within the proposed timeframes and concerns around the likely impacts on families from higher costs.

National Quality Standard options for Long Day Care and Preschool

OPTION 1 – No change

Ratios

No COAG policy change.

Under this option states and territories will be free to choose whether or not to make their own changes to ratios, and may include some growth. A broad range of standards for ratios between jurisdictions will remain.

Qualifications

No COAG policy change.

Under this option states and territories will be free to choose whether or not to make their own changes to qualifications, and may include some growth. A broad range of standards for qualifications will remain.

OPTION 2

Until the following staffing arrangements come into place according to the timeframes below, state and territory staff-to-child ratios and qualifications requirements that are in force prior to the commencement of the NQS on 1 January 2012 will continue to apply.

Ratios

The ratios for consideration under option 2 are outlined in Table 5-1.

TABLE 5-1: OPTION 2 PROPOSED RATIOS FOR LONG DAY CARE AND PRESCHOOL

Age group	Proposed staff-to-child ratio	Timeframe
Birth – 24 months	1:4	1 January 2012
25 months – 35 months	1:5	1 January 2016
36 months – school age	1:11	1 January 2016
Mixed age groups	Proportional formula based on the above ratios	1 January 2012

Qualifications

The qualifications for consideration under option 2 are outlined in Table 5-2.

TABLE 5-2 OPTION 2 PROPOSED QUALIFICATIONS FOR LONG DAY CARE AND PRESCHOOL

Number of children (at any one time)	Qualification Requirements	Timeframe
Less than 25	<ul style="list-style-type: none"> • 50% of educators have a Diploma (or are actively working towards) level ECEC qualification or above (the teacher may be included) * • Other educators have (or are actively working towards) a Certificate III level ECEC qualification (or equivalent) • An early childhood teacher is in attendance for some of the time that the service is being provided to children. 	1 Jan 2014
		1 Jan 2014
		1 Jan 2014
25 to 59	<ul style="list-style-type: none"> • 50% of educators have a Diploma (or are actively working towards) level ECEC qualification or above (the teacher may be included) * • Other educators have (or are actively working towards) a Certificate III level ECEC qualification (or equivalent) • An early childhood teacher is in attendance at the service whenever the service is being provided to 26 children or more. # 	1 Jan 2014
		1 Jan 2014
		1 Jan 2014
60 to 80	<ul style="list-style-type: none"> • 50% of educators have a Diploma (or are actively working towards) level ECEC qualification or above (the teacher may be included) * • Other educators have a certificate III or are actively working towards) level ECEC qualification (or equivalent) • An early childhood teacher is in attendance at the service whenever the service is being provided to 26 children or more. # • A second early childhood teacher or another suitably qualified leader is in attendance at the service for at least half the time the service is being provided to 60 children or more. 	1 Jan 2014
		1 Jan 2014
		1 Jan 2014
		1 Jan 2020
Over 80	<ul style="list-style-type: none"> • 50% of educators have a Diploma (or are actively working towards) level ECEC qualification or above (the teacher may be included) * • Other educators have a certificate III (or are actively working towards) level ECEC qualification (or equivalent) • An early childhood teacher is in attendance at the service whenever the service is being provided to 26 children or more. # • A second early childhood teacher or another suitably qualified leader is in attendance at the service for at least half the time the service is being provided to 60 to 80 children, and once there are more than 80 children, the teacher needs to be there whenever the service is being provided. 	1 Jan 2014
		1 Jan 2014
		1 Jan 2014
		1 Jan 2020

* For the purposes of clarity, in relation to 50 per cent of Educators have a Diploma, for every 2 educators (or part there of) at least one must have (or be enrolled in and studying) a Diploma level ECEC qualification, that is if there are 15 carers in the service 8 must hold a Diploma level ECEC qualification.

For the purposes of clarity, an early childhood teacher is in attendance at the service whenever the service is being provided to 26 children or more, would require the teacher to be at the service at least 6 hours per day.

Grandfathering of current arrangements for long day care and preschool

As a result of consultation a number of cases have been identified where state-based standards are currently higher than the proposed National Quality Standard. These standards are to be grandfathered and they are:

- a staff-to-child ratio of 1:10 for children 36 months to school age will be retained in New South Wales, Tasmania and Western Australia where this ratio currently applies, instead of the National Quality Standard of 1:11
- a staff-to-child ratio of 1:4 for 25 – 35 months age group will be retained in Victoria where this ratio currently applies, instead of the National Quality Standard of 1:5
- the current requirements for a second teacher in New South Wales for centres with greater than 40 children, and a further teacher for every 20 children thereafter will be retained
- the requirement in Victoria for all LDC centres and preschools with less than 25 children to have a qualified early childhood teacher 50 per cent of the time or 20 hours per week will be retained.

In addition, several jurisdictions require higher teacher to child ratios in their preschool programs than those proposed for the National Quality Standard. These requirements are outlined in Appendix B.

Services licensed in Queensland by 1 January 2011 prior to the commencement of national legislation that can justify a need to use a staff to child ratio of 1:5 for a group of children aged 15-36 months will be deemed to comply with the NQS staffing ratios. This arrangement will expire on 31 December 2017. All Queensland services will be expected to be compliant with the NQS staffing ratios from 1 January 2018.

A review in 2014 will include consideration of available evidence and analysis to determine if there are any remaining difficulties in Queensland in relation to the interaction between NQS staff to child ratios and existing infrastructure.

Changes to the options for family day care following consultation

Stakeholders in some jurisdictions indicated that introducing the requirement that services have a maximum of four children under school age under Option 2 for the FDC staff-to-child ratios from end 2011 may present difficulties. In response, and following additional workforce analysis, the ratios for family day care were changed from end 2011 to 1 January 2014. Other than this change, the options presented for FDC are the same as those presented in the consultation RIS.

National Quality Standard options for Family Day Care

OPTION 1 – No change

Ratios

No COAG policy change.

Under this option states and territories will be free to choose whether or not to make their own changes to ratios.

Qualifications

No COAG policy change.

Under this option states and territories will be free to choose whether or not to make their own changes to qualification requirements. A broad range of standards for qualifications will exist between jurisdictions.

OPTION 2

Ratios

The ratios for consideration under option 2 are outlined in Table 5-3.

TABLE 5-3 OPTION 2 PROPOSED RATIOS FOR FAMILY DAY CARE

Age group	Proposed ratio	Timeframe
Mixed age groups	1:7 with a maximum of four children not yet attending school	1 January 2014

For the purposes of clarity, these ratios include the carer's own children.

Qualifications

The qualifications for consideration under option 2 are outlined in Table 5-4.

TABLE 5-4: OPTION 2 PROPOSED QUALIFICATIONS FOR FAMILY DAY CARE

Proposed qualification	Timeframe
• All carers have a minimum Certificate III level qualification (or actively working towards)	1 January 2014
• All coordinators have a Diploma qualification	1 January 2014

5.2.2 Quality Rating System

Option 1 – No COAG policy change

Currently services receive a Quality Profile Certificate from the NCAC in which the services' performance against each quality area is graphed. The Quality Profile Certificate is to be displayed within their service for the provision of information to parents. This is solely based on the assessment a service receives against the current NCAC standards.

Option 2 - Implement a new rating system based on the new National Quality Standard

The proposed National Quality Framework will provide a national approach to the assessment and reporting of the quality of ECEC and OSHC services across the variety of service settings. The framework combines the seven quality areas with a five-point scale rating system to describe the quality of ECEC and OSHC services.

Changes to the options following consultation

Feedback from stakeholders suggested that the option proposed in the consultation RIS, the National Quality Framework, was lacking in operational detail for service providers. A number of stakeholders suggested that it was difficult to understand how Excellent ratings would be allocated, while others queried the process for rating generally. Taking into account this feedback, the following new approach, the National Quality Framework, to the relationship between the National Quality Standard and the quality rating system is proposed.

Ratings

The five level rating system has the following levels which will be enshrined in the legislation and which must be used and applied by the national body and state and territory regulatory agencies:

- Unsatisfactory: indicates that a service is not meeting the NQS and the regulator is working closely with the service to immediately improve its quality, otherwise the centre will need to be closed.
- Operating Level: indicates that a service is working towards meeting the NQS. New services will commence operation with an Operating Level rating.
- National Quality Standard: indicates that a service is meeting the NQS.
- High Quality: indicates that a service is exceeding the NQS.
- Excellent: indicates that a service demonstrates excellence and is recognised as a sector leader.

The allocation of a rating will occur following assessment against the NQS. Each service will receive an overall rating and a rating for each of the seven quality areas. This will provide parents with a comprehensive understanding of the quality of a service. It will also allow services to highlight areas where they perform well, even when they may be unable to meet a standard in some quality areas.

All services will be required by legislation to prominently display their approval to operate and rating information (across the seven areas and the overall rating). A comprehensive listing of service ratings will also be available on the Commonwealth's MyChild website and a site to be developed by the national body.

Services will need to apply to be assessed against the excellent rating, through a process to be determined by the national body.

Assessment

For new services, following an approval to operate being granted, assessment against the National Quality Standard and allocation of a rating would occur within 3 to 6 months.

For all services, full assessment will require the submission of a Quality Improvement Plan. The Plan will outline how a service is (or is not) meeting the National Quality Standard. Assessment by an appropriately qualified assessor, against all the elements of the National Quality Standard will be conducted at the site level. Post-assessment written advice will be provided to service providers. Where providers are delivering several types of service at the same site (for example LDC and OSHC) a single assessment will cover all elements of the National Quality Standard. This assessment will form the basis of a service's ratings.

Under the NQA services need to meet:

- all elements within a standard in order to meet that standard
- all standards within a quality area in order to meet the National Quality Standard for that quality area

The frequency of assessment will be dependant on the principle of earned autonomy and on risk profiling. As a consequence, the number and frequency of visits will be dependant on a service's record, its rating and any events associated with a risk or change in practice that indicate a service might not be meeting the National Quality Standard.

5.3 Enhanced regulatory arrangements

The development of enhanced regulatory arrangements is an integral component of the National Quality Agenda and is intended to ensure that implementation of the National Quality Framework creates a more efficient and less burdensome regulatory environment for ECEC providers.

Two regulatory options are outlined below.

Option 1 – No COAG policy change in regulation

The Australian Government is responsible for accreditation of ECEC services through an Australian Government body. States and territories regulate ECEC through their own regulatory and licensing systems. The NCAC or similar national body will remain responsible for administering the Australian Government quality assurance system.

Option 2 – An Integrated national system

The proposed national regulatory system will have joint governance with the national body guiding the implementation and management of the system and state and territory regulatory agencies administering the National Quality Standard. It is an integrated national system, designed to remove duplication of regulation across levels of government and across service types.

The proposed new regulatory system will have the following characteristics:

- it will be responsive and strategic with a clear set of objectives
- it will incorporate a comprehensive range of support, education and compliance tools to facilitate quality improvement
- it will involve families and enable them to actively participate as partners in the new system
- it will enforce compliance where required.

Under the proposed system, the primary regulatory relationship is between the state or territory regulatory agency and the legal entity that is responsible for the ECEC and OSHC service.

Currently ECEC and OSHC services are subject to a range of legislative, regulatory funding and other frameworks. Under the NQA operating standards for ECEC services and OSHC will be stipulated exclusively in the National Quality Framework, with the exception of public health requirements.

Approval to operate

Where services satisfy the requirements of the National Quality Standard, an approval to operate will be issued without a fixed term of approval.

For centre based services (LDC, preschool, OSHC), an approval will be issued once, nationally, enabling a provider to potentially operate many services across multiple jurisdictions. The service manager, or person who has on-site responsibility, will also be subject to approval as will the service's venue and operations.

For FDC, schemes (rather than individual services) will be approved. The ratings framework will also be applied at the scheme level. FDC carers will be involved in the standards assessment process, for instance, a selection of carers will be visited for assessment purposes, but will not be individually rated.

A national and consistent approval to operate fee structure will apply to all ECEC and OSHC services that are regulated under the National Quality Framework. This includes all service types covered by the national system and all provider types, including government providers.

Exemptions, interim approvals and deemed compliance

The proposed new regulatory system will include interim approvals and deem some services to comply with requirements under the National Quality Standard. Interim approvals and deemed compliance are limited to the Staffing Arrangements and Physical Environment quality areas on a case by case basis.

An 'interim approval' could be granted for a specific and time-limited duration in instances where a service is not meeting the National Quality Standard. For example, a metropolitan service could request an interim approval from indoor space requirements while a renovation is underway, so as to prevent some children from being temporarily removed from the service. As such, the interim approval will denote a situation where the regulator has temporarily approved a service to operate notwithstanding that it does not comply with all requirements under the National Quality Standard. Services requesting interim approvals will be expected to develop an action plan to address non-compliance issues and provide evidence that action has/is being taken to meet the National Quality Standard. Services with interim approvals will be rated as Operating level in the quality area to which the interim approval applies.

Alternatively a service could be deemed to comply with the intent of the NQS because, for example, its facilities are fit for purpose, such as remote services using enclosed verandas as part of their indoor space. In the case of deemed compliance, services will be considered to be meeting the NQS. In contrast, an interim approval is an indication that a service is not currently meeting the NQS.

Feedback from consultation has suggested that the sector would be supportive of this approach.

Regulation of preschool

There will be one National Quality Framework for all ECEC services. That is, all ECEC services, including preschools, will be regulated and assessed according to the National Quality Framework. As is the case for other ECEC services, the regulation of preschool quality will be subject to the direction of the national body, including for the purposes of auditing, monitoring and public reporting.

Parents in all jurisdictions will have access to the same information on the quality of all ECEC services, including preschools, across Australia.

The new unified system should aim to support and develop links and consistency between:

- services for preschool aged children and full-time education delivered through schools; and
- preschool and other ECEC services.

The aim of the new system is also to minimise the regulatory burden on organisations providing ECEC, including LDC, FDC, OSHC and Preschool.

The new National Quality Framework should be delivered by Governments in the most effective, efficient and cost-effective way.

Within the unified national system, each jurisdiction will be responsible for the administration of regulatory functions underneath the guidance of the national body and will identify a lead agency within that jurisdiction to perform this function.

In jurisdictions where preschool is currently delivered by government or through non-government schools there will be an option of administering the National Quality Framework through existing

government quality assurance processes with respect to preschools. This will only occur where these processes have not been delegated to other entities to self-regulate.

Preschool quality assurance processes will administer the National Quality Framework under the direction of the Ministerial Council, as described in the national body protocols and guidelines, and in a manner consistent with the broader administration of the National Quality Standard. Preschools, as with other ECEC services will use agreed processes, and be subject to transparent accountability processes, including auditing, provision of data to the national body and public reporting. Data will be provided to the national body through the lead agency identified in each jurisdiction.

Where regulation of preschools and child care is currently separate in jurisdictions, and schools directly provide ECEC services those jurisdictions will, over time, strive to:

- move to have a single regulator for ECEC services, or limit the number of regulators and,
- regulate any other ECEC services that are directly provided by schools.

Any cost over and above the efficient cost of regulation, based on a single regulator in each jurisdiction, will be met by each jurisdiction.

A review in January 2014 will examine among other things:

- Mechanisms to encourage the separation of regulation from service provision;
- The most effective way to move towards streamlined regulatory arrangements for preschools and other ECEC services over time; and
- Progress towards uniform teacher to child ratios for preschool programs.

Where a preschool program is being offered in a composite class in a school setting and there are more than five preschool children enrolled at the school, the program would be assessed against all areas of the National Quality Standard. However, if the service does not meet ratios and physical environment requirements the service would be deemed to comply with the National Quality Standard. Where a preschool program is being offered in a composite class in a school setting and there are five or fewer preschool children enrolled at the school, the preschool program would be considered out of scope and not assessed against the National Quality Standard, with existing school regulations and quality assurance processes to continue to apply.

Compliance and sanctions

The NQA incorporates a responsive regulatory model. Responsive regulation enables the regulator to respond strategically and in accordance with perceived risk. A range of tools will be developed to support regulators to respond swiftly, proportionately and effectively to different types of non-compliance.

6.1 Approach to the analysis

The economic impacts of the NQA are analysed in a standard cost-benefit analysis (CBA) framework. Potential costs and benefits are identified and analysed, and included in the cost-benefit modelling where the available data and evidence enables reliable quantification. As noted throughout, the absence of sufficient information to rigorously quantify the benefits accruing from the National Quality Standard, and to attribute benefits to a single characteristic of quality, means that a large proportion of the benefits cannot be quantitatively included in the CBA.

The economic impacts of the alternative scenarios under consideration are estimated by comparison with the 'baseline' or 'business as usual' scenario (represented in each case by Option 1). Only those costs and benefits directly attributable to the proposed reforms are included in the scenario analysis. This means that concurrent reforms such as Universal Access are not directly reflected in the costs and benefits estimated here.

Discounted cash-flow analysis is employed to combine and compare impacts occurring over different time periods and assess the net present value (NPV) or net present cost (NPC) of the reforms.

The core components of the cost-benefit analysis reflect the key elements of the proposed reforms, namely:

1. **National Quality Standard:**

Staff-to-child ratios and qualifications: incremental benefits (i.e. over and above the baseline) of children receiving higher quality ECEC (including impacts on parents' workforce participation) and costs associated with provision of higher quality care, such as greater staff numbers, higher staff wages and the cost of increasing the qualified ECEC workforce to meet higher demand.

Quality rating system: costs of administering the quality rating system and benefits arising from more informed decision making by parents.

2. **Enhanced regulatory arrangements:** efficiencies accruing from a more streamlined, more effective regulatory model (both to regulators and the regulated) and net operating costs of any new regulatory body (i.e. relative to the status quo).

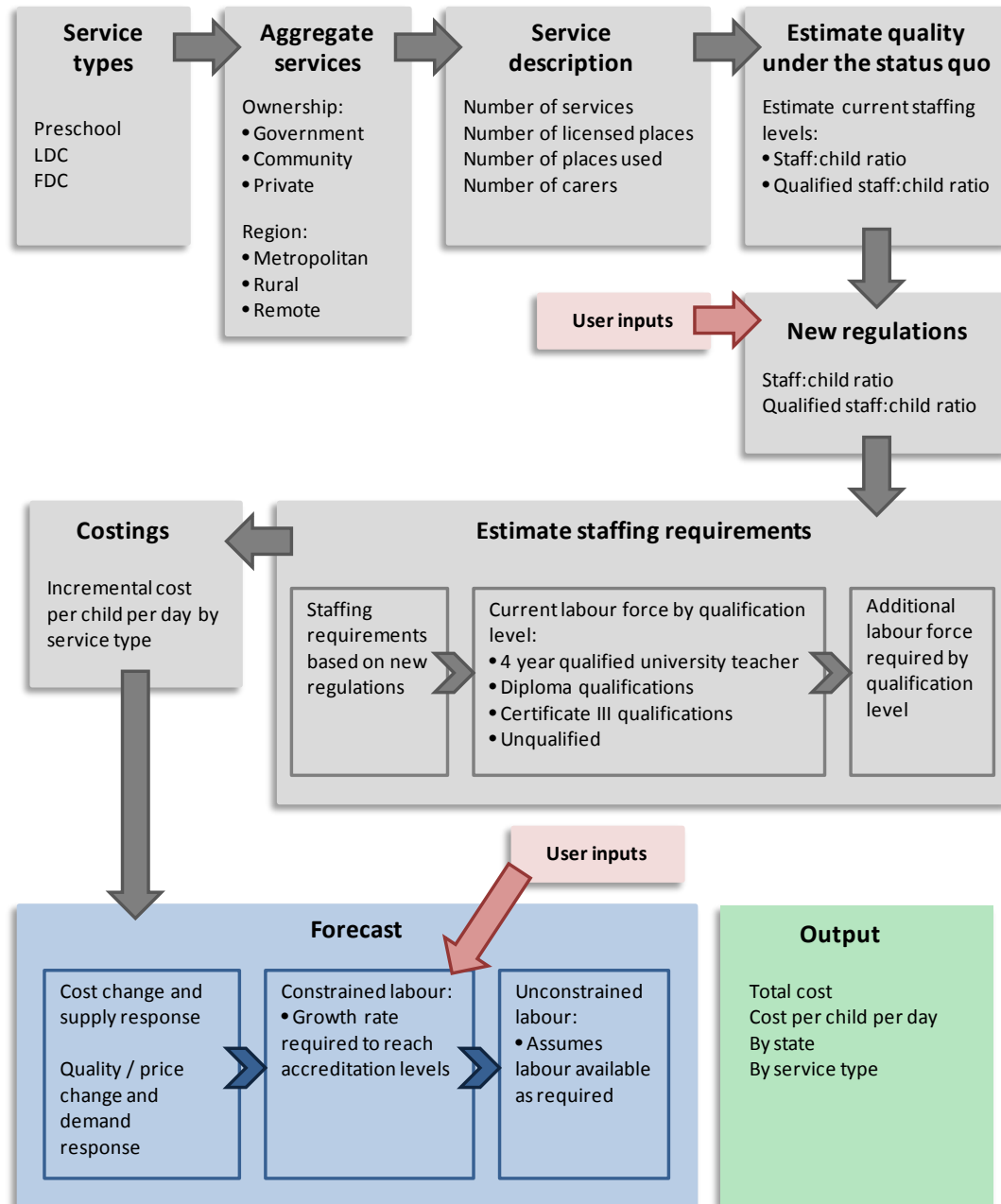
To accurately capture the distribution of the reforms' costs and benefits among different segments of the industry, as well as between different industry stakeholders, the overall ECEC industry is disaggregated based on:

- jurisdiction
- ownership (government, community and private)
- service type (LDC, preschool, FDC), and
- region (metropolitan, regional and remote).

6.2 National Quality Standard – Staff-to-child ratios and qualifications: costs and benefits of reform

6.2.1 Structure of the model

To assess the impacts of the proposed National Quality Standard, a purpose-built model was constructed. The model establishes a detailed breakdown of the industry as it currently stands – based on the levels of disaggregation outlined above – and estimates the impacts of user-selected reform scenarios through a series of interrelated modules. A schematic of this model is shown below, and the data underpinning it is described in Section 6.2.2.



6.2.2 Data sources and specifications

This sub-section briefly sets out the main sources of data employed in the modelling of the National Quality Standard and the specification of these data in the model.

Data to model the impacts of the proposed new National Quality Standard has been collected and collated from a wide number of sources including publicly available data, administrative data maintained by DEEWR (including Child Care Services and Child Care Benefit data), data collected by the NCAC and state and territory government data. The findings of other projects commissioned by DEEWR and the National Early Childhood Development Steering Committee (NECDSC) have also been utilised, including:

- an online survey of parent choice (in relation to price and quality)
- modelling of the costs of providing LDC and FDC
- economic modelling of parents' workforce participation decisions, and
- behavioural modelling analysing the supply of and demand for ECEC in an integrative model framework.

A key component of the data collection and validation exercise was bilateral meetings with state and territory government agencies. State governments in all jurisdictions were individually consulted, resulting in the collection of a range of data which is not otherwise available. Bilateral meetings also enabled the development of a thorough understanding of operational differences across jurisdictions, and later facilitated the testing of a range of key modelling parameters.

Services and enrolments

Data sourced through state and territory consultations, DEEWR and NCAC were used to derive a count of each service, number of licensed places (in full-time equivalent (FTE) terms), number of FTE places used and number of FTE carers per service. Enrolments were disaggregated into four age groups: 0-12 months, 12-24 months, 24-36 months and 36+ months. The total number of children in each service by age group was aggregated using the age distribution from the 2006 Australian Government Census of Child Care Services (DEEWR, 2008).

Quality and costs

Data on current levels of ECEC quality, including, where possible, the staff-to-child ratio and qualified staff-to-child ratio in each service, were sourced from NCAC data, unpublished data maintained by DEEWR and from data and information collected from state and territory governments. ECEC staff are categorised into four classifications: University qualified, Diploma level qualifications, Certificate III level qualifications and Unqualified.

Individual carers are assigned to services based on service-level data provided by state governments and sourced through the NCAC. Where data are not available, minimum requirements for carers by qualification level are assumed (i.e. a licensed centre is assumed to meet the minimum standards in the jurisdiction in which it operates), with the qualification distribution of the National Children's Services Workforce Study⁴⁹ used to validate estimates. For FDC, the qualification distribution of the workforce was sourced from the 2008 FDC Australia Scheme Survey.

A key focus of the regulation is the relationship between staff and children. As such, the characterisation of services' operating costs in the modelling focuses purely on labour costs. Baseline costs are estimated by aggregating available labour by qualification level based on current operating ratios, or in absence of data, on minimum standards. The latest award wages for each qualification in each jurisdiction are applied together with staff on-costs to calculate total labour costs. Parameters employed in these estimates are described below.

6.2.3 Modelling parameters and assumptions

Key parameters and assumptions adopted in the modelling of the National Quality Standard were detailed in the consultation RIS and the accompanying cost-benefit analysis⁵⁰. Given this, the approach adopted here is to provide a summary of those parameters which were canvassed in the

⁴⁹ Community Services Ministers' Advisory Council (CSMAC) (2006) *National Children's Services Workforce Study*, Report published by the Victorian Department of Human Services.

⁵⁰ CBA (see Footnote 78)

consultation RIS and remain unchanged, and to provide a more detailed analysis where changes to parameters and assumptions have occurred or where additional assumptions have been added.

General parameters and assumptions

- Real discount rate: consistent with the guidelines in the Best Practice Regulation Handbook (Australian Government, 2007), a real discount rate of 7 per cent is employed, with 3 per cent and 10 per cent tested in sensitivity analysis.
- Real wage growth: real wages growth in the ECEC sector is assumed 2.0 per cent per annum. This is based on historical growth in wage rates within the sector and future wage increases agreed through various industry awards.
- Labour mobility: labour is assumed to be transferable across service types within each state – hence surplus labour from one segment of the industry can transfer to meet excess demand elsewhere – but not across state borders.
- Training costs: data to estimate the cost of training additional staff to meet the proposed staff-to-child ratios and qualifications was supplied through DEEWR and sourced from Office of Post-Compulsory Education and Training, Cengage Education and through DEEWR publications. The following parameters are assumed in the modelling:
 - Certificate III: \$3,500
 - Diploma Level: \$8,500
 - University degree: \$12,551 per annum (\$50,204 over 4 years)
- Enrolment growth: enrolment growth has been modelled based on the year-by-year growth profile for each jurisdiction (Access Economics, 2009), and outlined in the consultation RIS.
- Staff on-costs: on-costs are modelled on a state-by-state basis based on previous DEEWR research and state and territory awards. The resulting weighted average is 18.0 per cent. No additional allowance is made for staff training costs as any up-skilling of the existing workforce is assumed undertaken in the individual's own time and at the individual's own expense.
- Operating days: cost per child per day based on 200 operating days for preschools and 250 operating days for other care services.

Current quality levels and baseline quality trends

Determining the number of services in each jurisdiction which currently operate at or above the proposed new National Quality Standard is an important aspect of the modelling. Simply assuming that services operate at the legislated minimums will result in over-estimation of the impacts of the reforms. As recent analyses in New South Wales and Victoria have demonstrated, a significant proportion of the industry operates above minimum standards (i.e. at a higher staff-to-child ratio).

Based on discussions with state governments, the assumptions outlined in Table 6-1 have been adopted for the number of services that are currently operating at the levels specified in Option 2. Where states are currently operating at the proposed standards, for example Queensland at 1:4 for ages 0-24 months, no assumption on additional levels of quality has been made.

TABLE 6-1: ASSUMED CURRENT ECEC QUALITY LEVELS, LDC

	ACT	NT	NSW	VIC	SA	WA	QLD	TAS
0-24 months	28%	34%	-	-	32%	-	-	28.0%
24-36 months	-	-	23%	-	16%	-	20%	-
36+ months	-	-	-	9%	-	-	29%	-

Over time, in absence of the NQA reforms, it is likely that some improvement in staff-to-child ratios and staff qualifications would still have occurred - partly due to the market-augmented improvement in quality levels and partly due to likely state-initiated reforms. In order to ensure the baseline accurately reflects the evolution of the sector over time, and hence that the modelled

scenarios are compared to an appropriate counterfactual, a set of baseline assumptions has been developed in consultation with DEEWR and with industry stakeholders.

The baseline includes staff-to-child ratios that are currently under consideration for NSW (1:4 for children aged 0-24 months by end-2011) and have recently been introduced in Victoria (1:4 for children aged 0-36 months for all new licences and in previously licensed services by end 2011). The costs of these policy changes are therefore captured here in the baseline and are not directly attributable to the NQA reforms. Other baseline assumptions for the LDC sector include:

- All states moving to a 1:4 ratio for ages 0-24 months by 1 Jan 2011.
- Victoria moving to a 1:12 ratio for ages 36+ months by 1 Jan 2016.
- NSW moving to a 1:6 ratio for ages 25-35 months by 1 Jan 2016.
- South Australia moving to a 1:8 ratio for ages 25-35 months by Jan 1 2016.
- From 2015, phasing in of a qualified teacher in every centre-based service of 20 or more and minimum Certificate III for all staff.

No changes are assumed in the baseline for preschool or FDC.

Workforce growth

Assumptions regarding the growth in qualified ECEC workers have a significant bearing on the costs of the National Quality Standard, particularly in the short term, as cost estimates are driven by actual availability of qualified labour. That is, the cost of an additional teacher, for example, is only incurred if that teacher is available, not simply if that teacher is required. Higher workforce growth, therefore, while increasing the potential rate of adoption of the new standards, will also increase costs in the short term.

To assess the potential growth in the supply of qualified ECEC labour, a dedicated workforce model was constructed. A detailed description of the model, its methodology and the data sources underpinning it, is provided in Appendix F.

Modelling of the future supply of ECEC workers first considers a 'business as usual' scenario, then a scenario whereby a range of identified policy initiatives are taken into account. As a conservative approach to the National Quality Standard costing exercise, the most optimistic (and hence most costly) workforce growth assumptions – those including effective implementation of all potential policy initiatives – are adopted in the cost-benefit modelling. These rates are shown in Table 6-2, below.

The workforce modelling indicates that – in light of the service adoption pattern outlined below – these projected growth rates will generate surplus Diploma-qualified staff by 2019. Despite there being shortages in other qualifications, it is not considered likely by policymakers that surplus Diploma-qualified staff will fill these shortfalls – neither Certificate III shortages, due to the higher wages attracted by Diploma-qualified staff, nor Teachers, as Diploma-qualified staff are not qualified to perform this role. On this basis, surplus Diploma staff are not included in the cost modelling.

TABLE 6-2: LABOUR FORCE GROWTH RATES⁵¹

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Degree	4.9%	4.6%	5.7%	6.6%	7.2%	6.4%	5.7%	5.2%	4.8%	4.4%
Diploma	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Certificate III	35.3%	25.5%	20.2%	8.8%	9.7%	10.4%	11.0%	11.4%	11.8%	12.1%

⁵¹ Note these rates vary somewhat from the most optimistic labour force growth scenario presented Table F-1. The rates in Table F-1 include the supply-side initiatives associated with Universal Access – the commitments of the state and territory governments to the delivery of additional staff to meet the labourforce requirements of Universal Access. In modelling the costs associated with the NQA, the additional growth generated by these measures has been excluded.

Adoption of the new standards

As a working assumption to be tested with stakeholders, the consultation RIS assumed the path between the current settings and the National Quality Standard to be a linear one. That is, a fixed proportion of services were assumed to take on the additional qualified labour annually, such that 100 per cent of services meet the standard within the designated timeframe. Feedback from the sector indicated that services would refrain from employing additional and/or more highly qualified staff – and bearing the associated costs – until absolutely necessary under the regulations. On this basis, the linear assumption has been replaced with an adoption pattern which more accurately reflects the expected take-up of new staff by services (Table 6-3). The number of qualified workers assumed employed in the sector at a given time is therefore a function of labour force growth and service adoption rates. If the required labour is not available, it is not included in the costings, but equally, if labour is available but not required given the assumed adoption pattern, it is also excluded from the costings until such time as it is taken up.

TABLE 6-3: SERVICE ADOPTION RATES

	2010	2011	2012	2013	2014	2015	2016
End 2011	25.0%	50.0%	100.0%	100.0%	100.0%	100.0%	100.0%
End 2014	5.0%	10.0%	15.0%	25.0%	50.0%	100.0%	100.0%
End 2015	2.5%	5.0%	10.0%	15.0%	25.0%	50.0%	100.0%

Note: Figures represent the proportion of services that meet the National Quality Standard annually.

Modelling assumptions on parents' demand response

The National Quality Standard will impact on parents' decisions regarding whether to place their child in ECEC through two main channels: the quality of ECEC will rise, and the cost will increase. An increase in the out-of-pocket cost of child care can reasonably be expected to have a negative impact on the demand for child care, while improvements in the quality of child care should have a positive impact on the demand for child care. However, it is difficult to be categorical as to the overall impact on the demand for child care particularly when the increase in both the out-of-pocket costs and quality of child care are taken together. That said, given the relatively small magnitude of the estimated effective fee increases and the proposed improvements in structural quality, it has been assumed for modelling purposes that demand for ECEC is unaffected by the National Quality Standard.

Modelling assumptions on providers' supply response

The reforms canvassed as part of the NQA will impact directly on the ECEC providers. Higher staff-to-child ratios and more highly qualified staff will mean higher labour costs for a given number of enrolments. The net impact of the reforms on ECEC places will be determined by provider responses which may include increasing staffing levels, renovating premises, upskilling current staff, or increasing or reducing the number of places offered.

Services' decision in this regard will be impacted by a range of factors, however one of the primary determinants will be their ability to pass the additional costs on to consumers (parents). The capacity to pass on costs in turn hinges on the characteristics of the ECEC market, and in particular the price elasticity of demand. In general, the more inelastic is demand, the greater the ability for providers to pass on cost increases without demand being impacted and hence the greater the propensity to do so.

In this sense, the relatively low price elasticity of demand for ECEC highlighted above (especially in the context of improved quality), together with the high level of Government subsidisation (which mitigates the impact of a given dollar of increased cost), suggests that services' ability to pass on increased costs without a significant impact on demand is high. Indeed, it is anticipated that the majority of increased costs resulting from the NQA will be passed through to governments and consumers. Consequently, with providers' profit margins relatively unaffected, absent any change to current subsidy levels, the NQA reforms are assumed to not deviate growth in the supply of ECEC places from its projected 'business as usual' path. While at the service level, changes to staff-to-child ratios will see some reconfiguration of places offered, in aggregate, it is not anticipated that supply will be impacted.

Modelling assumptions on the distribution of costs

The cost resulting from the National Quality Standard will be borne to varying degrees by the various financiers and providers of ECEC in Australia:

- The ECEC sector: the high propensity for services to pass on additional costs incurred as a result of the NQS suggest that, overall, the cost incidence on the sector will not be significant. To the extent that staff fund their own only training, the sector's workers will bear a component of the cost associated with training.
- Parents: cost increases arising from the National Quality Standard are expected to be passed on through higher fees. Parents therefore, subject to CCR eligibility, will bear a significant share of this cost. Table 6-11 shows that many parents will bear 50 per cent of any increased cost.
- The Australian Government: the impact of the National Quality Standard on Australian Government funding predominantly reflects the higher CCR outlays that result from higher fees. Modelling undertaken by DEEWR suggests around 47 per cent of the increase in fees in eligible services will be borne by the Australian Government. The Australian Government will bear additional costs through its contributions to HECS and TAFE places.
- States and territory governments: The contribution made by individual state governments to the costs of ECEC varies across jurisdictions, however only where funding is directly proportional to the cost or price of ECEC or policy regarding ECEC will state government outlays be impacted.

Based on data and information provided through state consultations, LDC services and FDC schemes are not funded on a basis that is linked to the cost of care. Rather, total funding is determined based on outlays which are either fixed, or a function of factors other than the cost/price of places. The exception to this is Western Australia which directly funds 37 LDC services.

Government preschools are expected to be the major source of any increase in state Government outlays on ECEC as a result of the NQA. As each state provides and/or funds preschools to some level, cost increases for these services are expected to flow through to state budgets.

6.2.4 Assessing the impacts of the NQS – staff-to-child ratios and qualifications: costs of the reforms

The most significant cost associated with the NQA is the new National Quality Standard and the higher staff-to-child ratios and staff qualifications that it entails. With labour costs representing up to 80 per cent of services' total operating costs, mandating additional and more highly qualified staff will add to the cost of providing ECEC in Australia.

This section presents the estimated costs attributable to increased staff-to-child ratios and qualifications proposed as part of the new National Quality Standard. The focus of the discussion is on FDC, LDC and preschool. Though OSHC falls within the initial scope of the NQA, the reforms do not propose changes to current staff-to-child ratios or qualifications.

As noted in Chapter 5, for the purposes of the Decision RIS, the broader range of options canvassed in the consultation RIS has been narrowed to an analysis of Option 2 and a baseline or 'no COAG policy change' scenario. The 'no COAG policy change' scenario encompasses projected growth in enrolments, growth in real costs, as well as the assumed structural quality improvements summarised in section 6.2.3. The costs of the 'no COAG policy change' scenario should therefore be interpreted as incremental to a situation of no change whatsoever.

Two key sets of modelling results are presented:

- Total costs and the net present cost (NPC) of total costs over the ten years to 2019. This includes the cost of employing additional staff to meet the new ratios, the cost of employing more highly qualified staff to meet the new qualification requirements and the training costs associated with increasing the ECEC workforce to the required level.
- Cost per child per day, which shows the impact, on average, on the daily cost of an ECEC place, taking into account only those factors which impact directly on service-delivery costs. Principally, this means that training costs are excluded, as these are assumed to be borne by the individual and/or the Government (i.e. through HECS and TAFE funding), rather than the service.

Long day care

Reflecting the fact that around three-quarters of Australia's ECEC places are in LDC centres, LDC accounts for a significant majority of the costs associated with the National Quality Standard. In NPC terms, the total incremental cost under the 'no COAG policy change' scenario is estimated at \$1.0 billion over ten years (Table 6-4). That is, underlying growth in enrolments and service delivery costs together with the improvements in staff-to-child ratios and staff qualifications assumed to occur irrespective of the NQA are estimated to add, in NPC terms, \$1.0 billion to the cost of providing LDC over the next decade.

In NPC terms, the total incremental cost associated with Option 2 is estimated at \$1.2 billion over 10 years. The pattern inherent in the cost estimates over time reflects (i) the timeframes of the reforms; (ii) services' assumed adoption of the new standards; and, (iii) the availability of qualified workers. Accordingly, costs grow strongly to 2015 – by which point the majority of services have employed the required labour force to meet the new standards – then revert to a rate of growth consistent with growth in enrolments and underlying real cost growth.

TABLE 6-4: TOTAL COST SUMMARY: LONG DAY CARE

	NPC	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
No COAG policy change (\$real m)	1,045.8	28.7	66.1	99.4	121.5	157.9	183.3	200.7	227.6	240.8	254.5
Option 2 (\$real m)	1,191.7	12.4	65.6	83.9	127.1	213.7	244.6	257.0	263.5	271.4	277.9

As noted above, average cost per child per day estimates capture the average impact on the cost per child of a full day of ECEC. Under the 'no COAG policy change' scenario, the average cost per child per day grows, in real terms, from \$0.53 to \$4.14 in 2019 (Table 6-5). Under Option 2 it grows from \$0.23 to \$4.43. In both cases, these are national figures and it should be noted that significant variation is exhibited across the jurisdictions – a point expanded on in the jurisdictional analysis below. In addition, it should be noted that \$4.43 represents the real incremental cost attributable to the NQA. The total projected impact on the LDC sector over the next decade – the combined effect of those impacts resulting directly from the NQA and those which are anticipated irrespective – is represented as the sum of the 'no COAG policy change scenario' and Option 2.

TABLE 6-5: AVERAGE COST PER CHILD PER DAY: LONG DAY CARE

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
No COAG policy change (\$real)	0.53	1.20	1.76	2.13	2.73	3.12	3.38	3.78	3.96	4.14
Option 2 (\$real)	0.23	0.47	0.98	1.72	3.47	4.04	4.20	4.26	4.35	4.43

Preschool

Table 6-6 shows a summary of the total incremental cost to preschool service delivery costs under Option 2. Over the ten years to end 2019, the NPC of National Quality Standard in preschool is estimated at \$350 million. As with LDC, real annual cost estimates accelerate in the early years as the new standards are adopted, then, from 2015 onwards, growth slows significantly. However, not to the same extent as LDC. In preschool, the combined workforce challenge presented by UA and the NQA means that not all services are projected to have attained the required number of university-qualified staff by 2015. Accordingly, cost growth over the years 2015 to 2019 is impacted by additional teachers coming into the system. Full compliance is projected by end 2019.

TABLE 6-6: TOTAL COST SUMMARY: PRESCHOOL

	NPC	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
No COAG policy change (\$real m)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Option 2 (\$real m)	349.3	2.0	16.8	26.2	45.1	61.5	67.7	71.6	75.3	80.8	86.4

Note: The 'no COAG policy change' is zero because there are no assumed changes to quality in the baseline for preschool.

The impact of the National Quality Standard on the real per-child cost of preschool is shown in Table 6-7. In 2010, limited availability of labour coupled with the assumed reluctance of services to take on additional staff – and incur additional costs – too far ahead of the regulatory requirement means the real incremental cost per child per day is relatively small at \$0.09. By 2014, this figure is estimated to have grown to \$2.04 and by end 2019 – the point at which all services are assumed compliant – \$3.19. The generally higher level of qualifications in the current preschool workforce, together with the fact that five jurisdictions – NT, NSW, SA, WA, QLD - already meet the required staff-to-child ratio, means the per-child impact is lower than in LDC.

Table 6-7: AVERAGE COST PER CHILD PER DAY: PRESCHOOL

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
No COAG policy change (\$real)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Option 2 (\$real)	0.09	0.26	0.65	1.42	2.04	2.20	2.40	2.68	2.88	3.19

Note: The 'no COAG policy change' is zero because there are no assumed changes to quality in the baseline for preschool.

Family day care

Estimates of the cost impact of the National Quality Standard on LDC and preschool encompass both a staff training component and additional labour costs, with the latter accounting for the majority of the impact. In FDC, the National Quality Standard increases the minimum qualification requirements of the sector – to Certificate III in the case of carers and Diploma in the case of coordinators – but does not improve on current staff-to-child ratios (an overall ratio of one to seven is the current standard). In addition, a Certificate III qualification does not add directly to the cost of FDC provision.

The incremental cost of the National Quality Standard on the FDC sector therefore reflects:

- (i) the cost of the 39 per cent of FDC coordinators who do not currently have a Diploma qualification (or higher) attaining one
- (ii) the higher labour costs incurred by schemes as a result of paying Diploma level salaries to all staff, and
- (iii) training costs associated with all carers attaining a minimum Certificate III level qualification (currently around 28 per cent of FDC carers have a Certificate III).

As Table 6-8 shows, over the ten years to end 2019, the NPC of Option 2 is estimated at \$40.0 million. Annual costs are significantly higher over the years to 2013, where the costs of training are predominantly incurred. With these costs incurred primarily by FDC workers themselves, no impact on the cost per child per day has been modelled.

TABLE 6-8: TOTAL COST SUMMARY: FAMILY DAY CARE

	NPC	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
No COAG policy change (\$real m)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Option 2 (\$real m)	40.0	5.4	9.8	8.6	8.3	3.1	3.2	3.2	3.3	3.3	3.3

Note: The 'no COAG policy change' is zero because there are no assumed changes to quality in the baseline for FDC

Cost impacts by jurisdiction

Table 6-9 and Table 6-10 detail the total costs and cost per child per day for each jurisdiction under the 'no COAG policy change' scenario and Option 2. Under Option 2, the major share of costs in LDC is borne by New South Wales and Queensland, accounting for around 23 per cent and 42 per cent respectively. In preschool, Victoria accounts for around 66 per cent of total costs. Differences in cost estimates between jurisdictions are due predominantly to the size of the sector, the size and qualification level of the workforce, current ratios and baseline assumptions, as well as various state-specific aspects.

The number of children attending LDC is greatest in New South Wales and Queensland, followed by Victoria, which is reflected in the higher overall LDC costs for these states. The smaller states such as the ACT, Northern Territory and Tasmania together account for around 5 per cent of total children in LDC and incur a similarly small proportion of overall costs. Likewise, Victoria has the highest number of children in preschool and accounts for the major share of total preschool costs.

The level of qualification of the current ECEC workforce is also an important factor in determining the impacts. Those states with a higher proportion of unqualified staff will incur a higher qualification cost due to the additional wage premium that is paid to staff with either a university degree, a Diploma or Certificate III qualification. Although the difference between states is not significant, both the age distribution of children and qualification distribution of the workforce contribute to differences in costs for states who are currently operating at the same staff-to-child ratios (for example the ACT and Northern Territory).

Each state varies as to how far they are required to move to reach the new ratios and this is reflected in the cost per child per day detailed in Table 6-10. South Australia, for example, is required to move from a ratio of 1:10 to 1:5 in the 24-36 months age group and has cost per child per day of \$8.23 in 2019. In contrast, Western Australia is currently operating at the new ratios and as such has a cost per child per day of \$2.86 in 2019 – purely reflecting the impact of the qualification requirements.

Estimated costs under the 'no COAG policy change' scenario vary significantly across jurisdictions. Each state is assumed to improve quality in LDC to some degree in the future and the extent of this assumed improvement drives costs. New South Wales, Victoria and South Australia have announced that staff-to-child ratios will be improved for various age groups (0-24 months in the case of NSW and SA and 0-36 months in the case of Victoria) and this is reflected in relatively high costs in these jurisdictions under the 'no COAG policy change' scenario.

TABLE 6-9: SUMMARY OF COST IMPACTS BY JURISDICTION: TOTAL COST (NPC) TO END 2019

	No COAG policy change				Option 2			
	LDC	PS	FDC		LDC	PS	FDC	
VIC	495.6	-	-		176.5	231.9	5.3	
NSW	378.4	-	-		279.6	14.3	14.5	
QLD	28.6	-	-		500.7	15.2	6.5	
WA	6.7	-	-		71.9	45.5	2.3	
TAS	16.2	-	-		11.8	10.6	4.0	
SA	85.4	-	-		118.0	15.2	4.9	
ACT	18.7	-	-		14.0	12.7	2.0	
NT	16.1	-	-		19.2	3.8	0.5	
TOTAL	1,045.8	-	-		1,191.7	349.3	40.0	

Table 6-10: SUMMARY OF COST IMPACTS BY JURISDICTION: COST PER CHILD PER DAY

	2015						2019					
	No COAG policy change			Option 2			No COAG policy change			Option 2		
	LDC	PS	FDC	LDC	PS	FDC	LDC	PS	FDC	LDC	PS	FDC
VIC	7.07	-	-	2.69	5.20	-	9.58	-	-	2.96	7.39	-
NSW	4.54	-	-	3.34	0.31	-	4.91	-	-	3.56	0.34	-
QLD	0.16	-	-	5.52	1.12	-	0.86	-	-	5.99	1.21	-
WA	0.09	-	-	2.60	0.77	-	0.79	-	-	2.86	1.47	-
TAS	2.41	-	-	1.90	2.21	-	3.16	-	-	2.20	4.44	-
SA	4.46	-	-	7.45	0.97	-	6.37	-	-	8.23	1.28	-
ACT	2.70	-	-	2.39	3.95	-	3.50	-	-	2.60	5.25	-
NT	2.62	-	-	3.46	1.00	-	4.37	-	-	5.70	3.09	-
TOTAL	3.12	-	-	4.04	2.20	-	4.14	-	-	4.43	3.19	-

Distribution of costs

The incidence of the costs outlined above will fall across a range of participants in the ECEC sector and these impacts will vary across settings:

- LDC: cost increases incurred by LDC services as a result of the national standard are assumed to be fully passed on through higher fees (see discussion of providers' supply response above). For eligible services – the vast majority of the LDC sector – this fee increase will be shared between the Australian Government, which bears an estimated 47 per cent through CCR, and parents.
- FDC: reflecting the fact that the majority of additional costs in the FDC sector are associated with training carers to a minimum Certificate III and coordinators to a minimum Diploma level, it is considered that these costs will be predominantly borne by the sector's workers. The correlation between carer qualifications and FDC fees appears weak. Higher wages attracted by universal Diploma qualifications among coordinators will increase scheme costs and may see additional funding sought from the sector's key financiers.
- Preschool: A level of uncertainty surrounds how cost increases in the preschool sector will be borne, due to the interaction of a range of funding mechanisms and policy initiatives. As highlighted above, the approach to preschool funding and provision varies markedly across jurisdictions, and in many cases current rates gives only limited guidance in relation to the incidence of future cost increases. Funding is often allocated either in block grants, per capita funding or capital funding, or in a fashion otherwise unlinked to service delivery costs. In addition, because the Australian Government will contribute significant levels of funding to the preschool sector over coming years as part of the Universal Access initiative, there is insufficient certainty to identify with any confidence how the cost increase in the preschool sector will be borne. It is dependent on funding and policy initiatives in each jurisdiction.

Potential impact on families – illustrative example for LDC

In the most conservative scenario, the increasing costs of higher quality care would be passed on by providers to consumers (families) in the form of higher fees. The impact of these additional costs to families will continue to be offset by CCR rebates from the Australian Government. Most families will be eligible for a rebate of 50 per cent of additional costs under the current CCR policy.

Over time there will be increases in fees, and hence out of pocket costs for families if a new National Quality Standard is adopted. Even without the proposed changes outlined in Option 2 there would be an increase over time in the cost of care for families as state and territory governments, or individual services, improve standards of their own accord (Option 1 – No COAG policy change).

Table 6-11 shows the potential effect on the weekly out of pocket expenses (after government benefits and rebates) for families on \$80,000 or \$160,000 combined incomes (with one or two children utilising LDC for 30 or 50 hours per week)⁵². For families on less than \$80,000, additional out of pocket costs would be the same as those on \$80,000 because each family receives the same rebate of their additional expenses.

It is illustrative to compare out of pocket costs for families on \$80,000 with those on \$160,000. Families on \$160,000 with a child in full-time care are often above the CCR cap (currently \$7778 per year). This means that these families are fully liable for any increase in fees (e.g. a \$1 fee rise results in a \$1 additional out of pocket cost). In contrast, families on \$80,000 or on \$160,000 but only using part-time care, fall below the CCR cap. For these families, any additional \$1 rise in fees results in a 50c increase in out of pocket costs (as the remaining 50c is subsidised by the Australian Government).

⁵² DEEWR unpublished data, based on current national average fees and current CCB and CCR rates.

Table 6-11: ESTIMATED ADDITIONAL OUT OF POCKET COST TO FAMILIES (REAL \$/WEEK) OF NATIONAL QUALITY STANDARD REFORM

Quality Standard Option	Year			Year		
\$80,000 income (per annum)	2010-11	2014-15	2019-20	2010-11	2014-15	2019-20
<i>Long Day Care – 50 hrs per week</i>	<i>One child</i>			<i>Two children</i>		
Option 1 - No COAG policy change	1.33	6.83	10.35	2.66	13.66	20.70
Option 2	0.57	8.67	11.07	1.14	17.34	22.14
<i>Long Day Care – 30 hrs per week</i>	<i>One child</i>			<i>Two children</i>		
Option 1 - No COAG policy change	0.80	4.10	6.21	1.60	8.20	12.42
Option 2	0.34	5.20	6.64	0.68	10.40	13.28
Quality Standard Option	Year			Year		
\$160,000 income (per annum)	2010-11	2014-15	2019-20	2010-11	2014-15	2019-20
<i>Long Day Care – 50 hrs per week</i>	<i>One child</i>			<i>Two children</i>		
Option 1 - No COAG policy change	2.66	13.66	20.70	5.32	27.32	41.40
Option 2	1.14	17.34	22.14	2.28	34.68	44.28
<i>Long Day Care – 30 hrs per week</i>	<i>One child</i>			<i>Two children</i>		
Option 1 - No COAG policy change	0.80	4.10	6.21	1.60	8.20	12.42
Option 2	0.34	5.20	6.64	0.68	10.40	13.28

Source: DEEWR modelling based on Access Economics (2009a).

Note: The Option 1 – No COAG policy change increase is assumed to occur irrespective of a change in standard. To calculate the full indicative cost of change in the quality standard this cost needs to be added to Option 2.

Estimated *additional* out of pocket costs for families on a combined income of \$80,000 who enrol their child in 50 hours of care are expected to pay \$8.67 per week by 2014-15 under Option 2, in addition to increased costs due to Option 1 – No COAG policy change. This *additional* out of pocket costs for families is likely to increase to \$11.07 by 2019-20.

Sensitivity analysis

Sensitivity analysis has been conducted on key inputs and assumptions underpinning the National Quality Standard modelling to determine the variability of estimated costs. This includes an analysis of the discount rate, real wages growth and growth in ECEC demand. The analyses focus on Option 2 and the LDC sector, as LDC is estimated to account for around 75 per cent of the overall cost of the reforms.

The sensitivity analysis for discount rates is based on the Office of Best Practice Regulation recommended base discount rate of 7 per cent, a low case scenario of 3 per cent and a high case scenario of 11 per cent. Due to the costs of the NQA accruing over a ten year period, changes to the discount rate have a significant effect on the overall cost, in net present terms. Given a 4 per

cent reduction in the real discount rate, costs increase by around 27 per cent, around seven times the change in the discount rate. Increasing the real discount rate to 11 per cent reduces the NPC of the reforms to \$950 million – a reduction of around 20 per cent (Table 6-12).

Table 6-12: REAL DISCOUNT RATE SENSITIVITY ANALYSIS

	Total cost (\$m)	Change (\$m)	% change
Base (7%)	\$1,191.7	-	-
Low (3%)	\$1,518.5	\$326.8	27.0%
High (11%)	\$949.8	-\$241.9	-20.3%

Real wages growth is assumed at 2.0 per cent in the cost modelling. An increase in this base assumption to 3.0 per cent results in an increase in total costs of around 6.0 per cent. Similarly reducing the real wage growth parameter to 1.0 per cent reduces total costs by around 6.0 per cent (Table 6-13).

TABLE 6-13: REAL WAGES SENSITIVITY ANALYSIS

	Total cost (\$m)	Change (\$m)	% change
Base (2%)	\$1,191.7	-	-
Low (1%)	\$1,130.0	-\$61.7	-5.7%
High (3%)	\$1,257.0	\$65.3	6.1%

Growth in demand for ECEC places under the base case is modelled on a state by state basis. The Australia-wide average over the 10 years to 2020 is 1.3 per cent per annum. The results of sensitivity analysis show that total costs increase by around nine times the increase in ECEC demand, with a one percentage point increase in the rate of growth increasing total costs by 8.8 per cent.

TABLE 6-14: LDC DEMAND GROWTH RATE SENSITIVITY ANALYSIS

	Total cost (\$m)	Change (\$m)	% change
Base (1.3%)	\$1,191.7	-	-
Low (0.3%)	\$1,185.9	-\$7.1	-0.7%
High (2.3%)	\$1,286.4	\$92.3	8.6%

Table 6-15 details the sensitivity to results due to the timing of qualification and ratio requirements and varying the ratio requirements. By pushing out the year in which services are required to meet the qualification requirements by an additional year, total costs fall by around \$51 million. The fall in costs is due to a different implementation pattern being adopted which matches the new time period, delaying a portion of the costs during the phase-in period. Similarly, if services were given an additional year to meet the ratio requirements for each age group, total costs fall by around \$125 million. Option 2 has ages 0-24 months at a staff to child ratio to 1:4; changing the ratio to 1:3 for this age group would result in an increase to costs of around \$496 million.

TABLE 6-15: SCENARIO SENSITIVITY ANALYSIS

	Total cost (\$m)	Cost per child per day	
		2015	2019
Option 2	\$1,191.7	\$4.04	\$4.43
Qualifications by 2014	\$1,140.9	\$4.04	\$4.43
Ratios pushed out by a year	\$1,066.2	\$3.07	\$4.43
Ages 0-24 months at 1:3 by 2020	\$1,687.5	\$4.85	\$7.47

Limitations and un-modelled costs

As with any economic modelling, the modelling of the new National Quality Standard is subject to certain limitations.

- The cost estimates are based on high level data as service-level information is not collected across the ECEC sector in a suitably comprehensive, suitably consistent manner. Given that specific service data is not available, cost per child per day estimates are necessarily an average across each state. The effect on a particular service will therefore vary around the average depending on current staffing levels, places provided and the decision the service operator makes in relation to the new requirements.
- Capital costs that may be incurred from a service in order to meet the new requirements have not been included in the cost estimates. Any infrastructure changes would need to be assessed on a service by service level, and as service-level data is not available, these additional costs have not been modelled as part of the NQA.
- The estimates above include wage costs and relevant on-costs. In order for services to attract staff to remote areas additional costs may be incurred. This may include certain benefits such as providing accommodation to carers. Any additional costs of this nature have not been included in the cost estimates.
- Supply impacts as a result of changes to FDC ratios.

6.2.5 Assessing the impacts of the NQS – staff-to-child ratios and qualifications: benefits of the reforms

The potential sources of benefits from the National Quality Standard fall into two broad categories:

- Benefits associated with children's ECEC experience: to the extent that the reforms improve the quality of children's ECEC experience and therefore lead to improved outcomes for children, both private benefits (i.e. to the individual) and social benefits (i.e. to the economy more broadly) will accrue.
- Benefits associated with parents' workforce participation: to the extent that the reforms impact parents' decisions with respect to whether to place their children in ECEC, there will be flow-on effects to workforce participation and therefore to the macroeconomy (i.e. to economic growth and to economic welfare).

Benefits associated with children's ECEC experience

Chapter 2 identifies a range of benefits which are likely to flow from the improved staff-to-child ratios and staff qualifications which characterise the National Quality Standard. In this section – in the context of the impact analysis – the intention is to demonstrate, using key examples from the literature, the likely quantitative magnitude of these benefits. The ultimate conclusion of this analysis is that the National Quality Standard can reasonably be assumed to generate tangible benefits through an improvement in children's ECEC experience, but the magnitude of these benefits cannot be reliably quantified given the existing evidence base.

Benefits associated with parents' workforce participation

One of the chief motivations for the widespread subsidisation of ECEC internationally is the recognition that parents' ability and willingness to place their children in care is key to their participation and productivity in the workforce – two factors central to the achievement of economic growth. In this instance, the National Quality Standard would lead to increased workforce participation by parents if incrementally higher quality ECEC led to greater propensity for parents to place their children in care. Conversely, the reforms would be detrimental to parents' workforce participation if the increase in costs that accompanied the quality improvements reduced their willingness to use ECEC services.

Consistent with the international literature, the findings of research commissioned by the NECDSC to analyse these issues suggest that cost, quality and availability of child care have no statistically significant impact on parents' labour supply decisions in Australia. On the basis of these findings, it is assumed that the National Quality Standard will have no statistically significant impact on the workforce participation of parents, and therefore no impacts have been modelled in this regard.

Findings from the international literature

Research investigating the impacts of ECEC began early last century, and there is now a large body of evidence highlighting the benefits children, their families, and society more broadly derive from these services.

For example, research from the National Institute for Child Health and Human Development (2002) finds that children who attend quality childcare/preschool facilities demonstrate better pre-academic skills and language at 4.5 years of age than those who had no exposure to centre-based childcare.⁵³

Shonkoff (2007) argues that differences in the quality of early childcare and education can produce lasting impacts for both the child and the society. While high-quality childcare can produce positive benefits in child development and socialisation, low quality care can also have detrimental impacts. For children whose life circumstances lead to greater vulnerability, the nature of their out-of-home experiences is particularly important and the potential impacts are greater.⁵⁴

Shonkoff found that the effects of early childcare programs on cognitive development persisted for years after the completion of the care program. More broadly, many of the identified benefits of the provision of high quality preschool care and development programs persist throughout life. He has found that this is not simply a matter of children learning good or bad behaviours in those years, but that it is during the first few years of life that the brain is at its most malleable and its development is at its most active, and that the physiological and neurological development of the brain is very much affected by the sorts of experiences the child has in those years. This means that poor early childhood experiences hinder brain development, and positive experiences enhance it.⁵⁵

Parallel to this growing body of literature has been an increasing number of government-run programs worldwide providing researchers with additional quantitative results with which to analyse the impacts of ECEC.

A major contribution of these findings has been the demonstration that quality ECEC programs have returned positive cost-benefit results, in particular through their role in building human capital and reducing the adverse impacts on society of at-risk children. The implication for policy has been that ECEC programs are no longer viewed as being provided out of a moral obligation towards children, but also as realistic economic packages that provide long-term benefits to government budgets and labour productivity.

It needs to be noted that while research has shown that certain programs have returned positive cost-benefit results, there is as yet insufficient information to conclude which aspects or characteristics of a program underlie this success, in particular in relation to experience prior to kindergarten.⁵⁶

Reviews of the literature typically conclude that improvements in the structural parameters of quality (such as ratios and qualifications) are responsible for a large part of these findings. However, until a broader scope of research is available enabling a full investigation of the drivers of positive outcomes, only indicative support can be given for specific aspects of ECEC policy, and in particular the incremental magnitude of the impacts.

Among the key challenges to reliably quantifying the benefits associated with the National Quality Standard are:

- Defining quality: definitions of quality and improvements therein vary markedly throughout the literature, limiting the ability to draw conclusions across studies.
- Universality: the majority of the programs reviewed in the literature are targeted in nature, most commonly aimed at high-risk children. The National Quality Standard, however, will

⁵³ NICHD (National Institute for Child Health and Human Development) (2002) Early Child Care and Children's Development Prior to School Entry: Results from the NICHD Study of Early Child Care. American Educational Research Journal, 39, (1): 133-164.

⁵⁴ Shonkoff J (2007) A Science Based Framework for Early Childhood Policy. Centre on the Developing Child, Harvard University.

⁵⁵ Shonkoff, J (2006) "The Science of Early Childhood Development: Closing the Gap between what we know and what we do", presentation at the Early Childhood Forum, 3 March, Melbourne, Australia.

⁵⁶ Phillips, D. Gormley, W.T. and Lowenstein, A. (2007). Classroom Quality and Time Allocation in Tulsa's Early Childhood Programs. Paper presented at the biennial meetings of the Society for Research in Child Development, Boston, MA, March 30, 2007.

result in a universal increase in ECEC quality, making much of the available findings of only limited applicability.

- Incremental quality improvement: the National Quality Standard will result in an incremental improvement in quality of ECEC, however the majority of the literature is concerned with absolute changes.
- Measuring the impacts: the range of different benefits considered in the ECEC literature means that there is no common unit in which outcomes are measured and reported, again making comparing and drawing conclusions across different pieces of research challenging.
- Distinguishing between settings: the literature provides limited guidance in relation to how the likely benefits would vary across LDC, FDC and preschool.

The impacts of structural quality

The general conclusion surrounding the provision of quality ECEC suggests that what is most important is the quality of the interaction between the staff and children (an element of so-called 'process quality'). This itself is a function of the amount of time spent one-on-one with children and how this time is spent. The Effective Provision of Preschool Education (EPPE) longitudinal study, detailed in Sylva et al⁵⁷ (2003), and the NICHD⁵⁸ (2002) longitudinal study both emphasised the role of structural quality operating through its impact on process quality. That is, it is the quality of teachers that matter, improving structural quality simply allows this effect to be passed on to children more readily.

In addressing issues of quality, policy-makers have typically focussed on those variables which can be easily regulated, observed and quantified, including teacher qualifications, and staff-to-child ratios. Several papers have reviewed the effectiveness of these structural quality variables, and typically reveal mixed but generally positive results. Karoly et al⁵⁹ (2005) summarised the positive association of quality with these structural variables in concluding that:

'A very limited evidence base points to several program features that may be associated with better outcomes for children: better-trained caregivers, smaller child-to-staff ratios, and greater intensity of services'

If positive results are achieved through more one-on-one time between teachers and children, then lower staff-to-child ratios would seem to be warranted. Further, with the literature concluding that it is the way a teacher uses one-on-one time that matters, then it would seem likely that more qualified teachers would be better positioned to achieve this. The following sections examine the evidence.

Teacher qualifications

Teacher qualifications may be defined in several ways, including the highest level of educational attainment and the degree major of the teacher. The literature generally finds a positive association between teacher qualifications and cognitive and educational outcomes of children.

The Effective Provision of Preschool Education (EPPE) Program, a celebrated longitudinal study of preschool provision in the UK, also finds in favour of teacher qualifications above other indicators of structural quality. For example, Sylva et al⁶⁰ (2003) stated:

'Settings which have staff with higher qualifications, especially with a good proportion of trained teachers on the staff, show higher quality and their children make more progress.'

In a recent review of the literature on structural quality, Huntsman (2008)⁶¹ concluded that:

⁵⁷ Sylva, K. Melhuish, E. Sammons, P. Siraj-Blatchford, I. Taggart, B. and Elliot K. (2003). The Effective Provision of Preschool Education (EPPE) Project: Findings from the Preschool Period. Research Brief, No. RBX15-03.

⁵⁸ NICHD Early Child Care Research Network. (2002), Child-care structure>process>outcome: Direct and indirect effects of child-care quality on young children's development. Psychological Science, 13(3), 199–206.

⁵⁹ Karoly, L.A., and Bigelow, J.H. (2005). The economics of investing in universal preschool education in California. RAND Corporation.

⁶⁰ Sylva et al Op. cit.

⁶¹ Huntsman, L. (2008). Determinants of quality in child care: A review of the research evidence. Literature review for the NSW Department of Community Service.

'the link between levels of caregiver education and/or specialised qualifications, process quality and child outcomes is perhaps the strongest in research on quality'.

Huntsman supports this view by citing research by Burchinal, Howes and Kontos⁶² (2002) who, after reviewing data from over 300 child care homes, found that teacher qualifications consistently predicted quality, while neither staff-to-child ratios nor group size were found to be significant.

It would appear that the structural aspects of quality are not solely responsible for positive outcomes, but rather the way in which structural quality improves process quality, and through that the educational experience. It is generally found that the defining link between teachers and child outcomes is through the way in which teachers interact with children. For example, Xu and Gulosino (2006)⁶³ concluded:

'The behavioural aspects of teaching appear to shape the transformation from a mere 'qualified' teacher into a 'quality' teacher...'

NICHD (2002)⁶⁴ tested this hypothesis using structural equation modelling and conclude that teacher qualifications have a positive impact on process quality and ultimately on child outcomes.

However, there remains debate over whether the link between qualifications and improved outcomes is causal or simply marking a correlation. The complicating factors are raised in many of the reviews of the literature on structural quality, such as Early et al⁶⁵ (2006) who stated:

'The relation between teachers' education and quality classrooms is sometimes evident only when simple analysis techniques are utilised, and the relationship weakens when a more complex model is used.'

Further, Early et al⁶⁶ (2007) stated in regard to the literature on teacher qualifications that:

'The findings indicate largely null or contradictory associations, indicating that policies focused solely on increasing teachers' education will not suffice for improving classroom quality or maximising children's academic gains. Instead, raising the effectiveness of early childhood education likely will require a broad range of professional development activities and supports targeted toward teachers' interactions with children.'

Xu and Gulosino (2006)⁶⁷ concluded that there are mixed findings about the effect of teacher qualifications. They stress that quality is a function of several variables, such as parent-teacher interactions and other process-related variables, and that these have not been sufficiently accounted for in the literature. Furthermore, in a review of the literature on the effect of teacher qualifications on K–12 student outcomes, Wayne and Youngs⁶⁸ (2003) concluded that there is little evidence of improved outcomes, with the exception of mathematical skills in high school years.

Staff-to-child ratios

As with other elements of structural quality, the international literature on staff-to-child ratios is rich. Currie and Neidall⁶⁹ studied the effectiveness of the Head Start program in the US. In particular, they reviewed different allocations of funding between centres and use this allocation bias to

⁶² Burchinal, M., Howes, C., & Kontos, S. (2002). Structural predictors of child care quality in child care homes. *Early Childhood Research Quarterly*, 17(1), 87-105.

⁶³ Xu, Z. and Gulosino, C.A. (2006). How Does Teacher Quality Matter? The Effect of Teacher-Parent Partnership on Early Childhood Performance in Public and Private Schools. *Education Economics*, Vol. 14, No. 3, 345 – 367, September 2006.

⁶⁴ NICHD Op. cit.

⁶⁵ Early, D.M. Maxwell, K.L. Burchinal, M. Alva, S. Bender, R.H. Bryant, D. Cai, K. Clifford, R.M. Banks, C.E. Griffin, J.A. Henry, G.T. Howes, C. Iriando-Perez, J. Jeon, H. Mashburn, A.J. Peisner-Feinberg, E. Pianta, R.C. Vandergrift, N. and Zill, N. (2007). Teachers' Education, Classroom Quality, and Young Children's Academic Skills: Results From Seven Studies of Preschool Programs. *Child Development*, Vol. 78, No. 2, Pages 558-580, March/April 2007.

⁶⁶ Early et al Op. cit.

⁶⁷ Xu, Z. and Gulosino, C.A. Op. cit.

⁶⁸ Wayne, A.J. and Youngs, P. (2003). Teacher Characteristics and Student Achievement Gains: A Review. *Review of Educational Research*, Vol. 73, No. 1, Pages 89 – 122.

⁶⁹ Currie, J. and Neidell, M. (2003). Getting Inside the 'Black Box' of Head Start Quality: What Matters and What Doesn't?. UCLA on-line working paper series, Paper CCPR-036-03.

assess where funding was most beneficial. They found that centres with higher staff-to-child ratios achieved better outcomes for children⁷⁰.

Similarly Huntsman⁷¹ concluded that the literature generally points to higher staff-to-child ratios increasing the quality of ECEC, stating:

'While there have been some studies with contradictory results...the weight of evidence favours a conclusion that child-adult ratio in a child care setting is significantly associated with quality.'

It should be noted that Huntsman reiterated the common concern surrounding the inadequacy of some of the research methods employed in the literature, particularly poor experimental design. In identifying effects and drawing conclusions, the studies relied on correlation and did not demonstrate causation. Where effects were found generally it was not possible to isolate the contributing elements or demonstrate their relative contribution to effects. Huntsman found only two experimental studies, only one of which reported a significant relationship between ratios and outcomes, with only relatively small effect sizes found.

As with much of the research on structural parameters, there is little emphasis on the existence of threshold effects, or the general non-linearity of changes in variables. That is, it is unclear whether minimum ratios must be met before gains are achieved, or whether increasing ratios past a certain point achieves no further gains. Phillipsen et al⁷² (1997) provide some evidence here, finding that the incremental gains from increasing staff-to-child ratios decrease (i.e. in this sense, there are diminishing returns to quality).

Cost-benefit analyses in the literature

Although studies on structural quality parameters provide an indication of the likely impact of the regulatory changes being considered for Australia, they do not provide a direct indication of how to convert effect sizes into dollar values. For this it is necessary to turn to various CBAs which provide financial measures of the benefits of ECEC programs. As noted above, these studies have typically considered targeted programs, which hold only limited applicability to the incremental improvements in structural quality for universal programs proposed in Australia.

Karoly et al (2005) compared the findings from a number of ECEC CBAs, presenting a comprehensive stocktake of the analyses to date, as well as some useful comparisons between programs.

The benefits accruing from these programs are split between those received by the participant and those received by the rest of the community. In the majority of cases the benefits accruing to parties other than the participant are the larger of the two. This is due in large part to the targeted nature of the programs being analysed, where improving outcomes for high-risk children leads to (social) benefits associated with reduced crime, reduced reliance on welfare and reduced educational spending in the form of grade repetition and special education. These benefits would not be expected, or at least not to the same extent, in either universal programs dealing with largely low-risk children, or where only incremental changes are made to existing programs.

Further, there is no common set of benefits included in these programs. Where some include benefits accruing to parents or descendants of the participant, others focus on impacts on government outlays. In studies which account for the impact on crime, some papers focus on the costs to the justice system, while others attempt to include the cost of the crime to the victims in terms of lost well-being. As such, there is no single comprehensive CBA present in the literature including all of the likely benefits expected from a prospective program. Instead, the literature affords a menu of indicative measures which may be used to inform policy decisions for similar programs.

Of most interest for the CBA considered here is the impact which ECEC has on employment prospects, and in particular lifetime earnings. Only one study reviewed by Karoly et al, the Perry Preschool Study, follows participants past the age of 21. This appears to be the only study in the literature which provides a measure of increased earnings based on observed outcomes. This

⁷⁰ It is worth comparing this result with that of Burchinal et al (2002) on the previous page. This paper found the opposite to Currie and Neidall (2003), namely that qualifications lead to improved outcomes but the impacts of ratios were insignificant. Inconsistencies like this are common in the literature and make quantitative estimates based on individual studies difficult and unbalanced.

⁷¹ Huntsman Op. cit.

⁷² Phillipsen, L. C., Burchinal, M. R., Howes, C. & Cryer, D. (1997). The prediction of process quality from structural features of child care. *Early Childhood Research Quarterly*, 12, 281-303

study has received much attention, partly due to the comprehensive nature of the analysis and length of follow-up, but perhaps more as a result of the reported benefit-cost ratio of 17:1.

This study reviewed a targeted program consisting of 123 African-American children who were from low-income backgrounds and at high risk of school failure. They were also far more likely to commit crimes, with 55 per cent of the control group arrested five or more times by the age of 40. The CBA conducted by Schweinhart⁷³ (2005) estimated an economic return per participant of US\$244,812 in 2000 dollars. Eighty per cent of this return accrued to the general public, 88 per cent of which resulted from lower crime, 4 per cent from educational savings and 7 per cent from higher tax receipts. US\$49,190 of the total benefit accrued to participants, inferring a benefit-cost ratio of 3.2:1 if public benefits are excluded.

While several of the studies in the literature provide insight into employment prospects of participants in early adulthood, only the Perry Preschool Study quantified these effects in terms of observed earnings. It found that program participants on average recorded earnings 14 per cent higher than non-participants by age 40.

In contrast, PwC⁷⁴ (2004) reviewed the literature and estimated that children attending universal ECEC in the UK are likely to experience increased earnings of around 3 per cent. This is an indicative estimate based on approximations and one not backed by observed data, but it nonetheless provides a reference point for the Perry Preschool result.

In analysing the impacts of the Head Start program, Ludwig and Phillips⁷⁵ (2007) cited research by Krueger⁷⁶ (2003) that estimated that an effect size of 1 standard deviation in either reading or writing would increase lifetime earnings by around 8 per cent. In comparison, the Perry Preschool Study is was estimated to increase lifetime earnings of participants by around 14 per cent, yet the effect sizes reported for this program are in the order of 0.33 – 0.77 for school performance and 0.5 – 0.9 for IQ scores.

However, basing estimates of benefits purely on effect sizes is likely to be misleading, largely because this approach assumes that the variable to which the effect size relates is the sole driver of impact on the participant. There is no consensus in the literature as to which variable is most important in determining the success of the program (e.g. whether programs should target improved literacy or mathematics outcomes) and effect sizes for different variables can differ markedly. Secondly, the effect sizes for the same variable show large variations between studies and are susceptible to statistical noise such as small test groups.

Illustrating the potential benefits of the proposed changes

Given the absence of robust quantitative evidence on universal, incrementally higher quality ECEC generally, and of the structural parameters in particular, it is judged that it is not possible to provide an accurate measure of the benefits of the proposed NQA reforms. Instead, the preceding discussion provides information on the likely impacts of the National Quality Standard insofar as the experience in other programs may be transposed to the current context.

Although a sizable portion of the literature is inconsistent or inconclusive in its findings, on balance there appears sufficient evidence that improvements in structural aspects of quality will result in benefits for children in ECEC. Research indicates that higher teacher qualifications in particular appear to have positive implications for the learning outcomes of children, although no studies quantify this impact financially (i.e. in a fashion amenable to inclusion in a cost benefit analysis).

It is also worth highlighting that this discussion does not distinguish between different starting points for the improved ratios. That is, it says nothing about the relative benefits of an improvement in staff-to-child ratios from 1:5 to 1:4 versus a subsequent move from 1:4 to 1:3. Without such information it is impossible to arrive at what may be considered an 'optimal' level of quality.

⁷³ Schweinhart L.J. (2005). The High/Scope Perry Preschool Study Through Age 40: Summary, Conclusions and Frequently Asked Questions. The High/Scope Research Foundation.

⁷⁴ Pricewaterhouse Coopers. (2004). Universal early education and care in 2020: Costs, benefits and funding options. London: Daycare Trust/Social Market Foundation.

⁷⁵ Ludwig, J. and Phillips, D. (2007). The Benefits and Costs of Head Start. Social Policy Report, Vol. XXI, No. 3, The Society for Research in Child Development.

⁷⁶ Krueger, A. B. (2003) Economic considerations and class size. Economic Journal, Vol. 113, Pages 34-63.

6.2.6 Assessing and comparing the net impacts

A definitive assessment of the net impacts of Option 2, relative to the 'No COAG policy change' scenario is clearly impeded by the inability to reliably quantify the benefits of the proposed reforms. While the costs are identifiable and measurable, the benefits are – for a range of reasons identified above – unable to be included quantitatively in the analysis.

The incremental cost of the National Quality Standard, over the decade to end 2019, is estimated at \$1.6 billion in net present terms. That is, relative to a scenario where the sector is left to progress in an uncoordinated fashion, with disparate reforms undertaken across states and territories, the NQA will see an additional \$1.6 billion invested in the quality of ECEC in Australia through greater staff-to-child ratios and a workforce of more highly qualified staff.

While impact on parents' workforce participation is unlikely to be large given the role of structural quality in these decisions (at least when price and quality are considered in unison), it is evident from the international literature that higher staff-to-child ratios and more highly qualified staff are associated with improved outcomes for children and that from these outcomes stem long-term benefits to the individual (i.e. private benefits) and benefits to society (i.e. social benefits). The size of these benefits and how they relate to the magnitude of the cost, however, cannot reliably be assessed.

More broadly, the NQA will also generate enhanced outcomes for children beyond those resulting from improvement in structural quality parameters, through its direct impacts on process quality. That is, improvements in structural quality (staff-to-child ratios and staff qualifications), while the primary source of increased costs associated with the National Quality Standard, are not the sole source of benefits. Other elements such as *educational program and practice* and *relationships with children* (refer to the seven areas of the quality standard canvassed in Section 5.2) will also produce benefits for children.⁷⁷

Moreover, the benefits of the preferred option must be taken in the context of the counterfactual: the 'no COAG policy change' scenario under which gaps in regulation and disparate standards remain – some of which are considerably below the current national standard.

Though the vast majority of FDC, LDC and OSHC providers are accredited by the NCAC, current state licensing of these services varies. In relation to OSHC, for example, a child in the ACT will attend a licensed centre; a child in NSW will attend a centre which is registered, but not licensed; and a child in the NT will attend a centre that is neither licensed nor registered. Under the new national regulatory system these inconsistencies are replaced by a system of uniform regulation.

In addition, at present, even where regulation is universal, a child cannot be assured that they will be provided with a consistent level of ECEC – neither in relation to fundamental structural quality parameters such as staff-to-child ratios and staff qualifications or in relation to the broader suite of factors which define 'quality'. For example, while a child between two and three years of age living in Western Australia can expect to share a carer with four other class mates (i.e. the regulated staff-to-child ratio is one to five), a child across the border in South Australia can expect to share a carer with nine other class mates (i.e. the regulated staff-to-child ratio is one to ten). A multitude of similar examples can be cited. Through the National Quality Standard, children will be assured that the ECEC they receive is of a consistent quality, therefore contributing to consistency in the benefits received.

The benefits of the National Quality Standard, therefore, will accrue through a number of direct and indirect outcomes and, while a reliable quantitative analysis of the net benefits is not possible, it is the expert view of the NECDSC that the reforms will deliver net benefits over the long term.

6.3 Quality Rating System: costs and benefits of reform

6.3.1 The benefits of the Quality Rating System: improved information in the ECEC market

Markets function best when consumers are fully informed about the product they are purchasing. This information allows them to 'vote with their feet' by purchasing those goods or services which provide the best combinations of the features they desire, at the most competitive price. Service providers then face incentives to offer high quality, cost-competitive services as with full

⁷⁷ For an overview of the benefits accruing from improved process quality, see Access Economics (2009), *An economic analysis of the proposed ECEC National Quality Agenda*.

information consumers' responsiveness to these characteristics is heightened. This link between information, quality and prices underpins the workings of free markets.

When consumers are not well informed about certain aspects of quality, this nexus is broken. Service providers no longer face strong incentives to provide high quality services, as this quality cannot be easily observed by consumers and will therefore not affect demand for the service provided. Information issues of this nature represent a market failure and provide a rationale for government intervention to heighten market price and quality signals. These issues arise in a variety of markets, including, for example, the disclosure of information in financial markets, and more recently, disclosure of energy efficiency as part of climate change policy.

Given that parents face difficulties in assessing the quality of ECEC services providers' provision in the current environment, there appears to be a role for a quality rating system to disseminate this information. Insufficient information may be received by parents for a number of reasons:

- information on quality, and in particular aspects of structural quality, may not be readily observable by parents; and
- even if this information is available, parents may lack the technical understanding of quality issues to assess whether the ECEC service is of high or low quality.

By providing this information to parents in a form which easily allows them to compare the price of a service with the quality of care their child will receive, the parent decision-making process – where there is in fact choice of service provider – will be improved. From an economic perspective two general benefits are derived from this outcome:

- the choice of ECEC service provider will be more closely aligned to individuals' trade-off between quality and price; and
- service providers will face an increased incentive to improve the quality of ECEC offered as this can now be better observed and assessed by parents. Providers offering relatively lower quality services are therefore likely to be penalised with less demand (providing adequate proximate alternatives exist), while high quality services will attract additional business and be rewarded by the market.

This second point is important. While a quality rating system will not lead to improved quality directly, by increasing parents' awareness of and responsiveness to quality, it will increase the incentives for services to provide higher quality ECEC, therefore augmenting quality improvement over time.

6.3.2 Costs of the Quality Rating System

The costs of the Quality Rating System include the cost of rating services, collecting and collating information in relation to individual service ratings and disseminating this information to the public. Ultimately, these costs will be embodied in the costs of the new regulatory system outlined below (Section 6.4). Accordingly the costs associated with the Quality Rating System are not individually identified here, but rather should be considered in the context of the cost estimates for the new regulatory arrangements presented below.

6.4 Enhanced regulatory arrangements: costs and benefits of reform

6.4.1 Background

The enhanced regulatory arrangements proposed as part of the NQA will increase the efficiency with which the sector is regulated, generating benefits for regulators and regulated entities alike. The net per-service cost of regulation will be reduced, with consistency improved, overlap eliminated and information sharing enhanced. At the same time, and as a result of these factors, the regulatory burden on services currently subject to multiple layers of regulation will be reduced.

A more efficient model of regulation

The new approach to regulating Australia's ECEC sector will see licensing and accreditation combined into a streamlined, integrated model of regulation. Application of a national standard will ensure a uniform standard and assessment and rating methodology will apply to LDC, FCD, OSHC and preschool services. Duplication which pervades the current system will be eliminated through a single, integrated national model characterised by effective sharing of information,

increasing the efficiency with which the sector is regulated and reducing the per-service cost of regulation.

Reduced regulatory burden on services

The amount of regulation in Australia has roughly doubled every decade since the 1950s. This imposes significant costs on businesses which are forced to meet the compliance needs, with estimates from some sectors indicating that around one quarter of company board time is spent on compliance issues. These costs are especially pertinent where the regulation is deemed to be 'excessive' or the information requirements duplicate existing reporting burdens.

In the case of ECEC regulation, there appears to be substantial scope for the removal of regulatory duplication. This duplication is manifest in several areas, including:

- conducting site visits of service providers by both the NCAC at the national level for accreditation, and by various state regulators at the state level for licensing; and
- requirements placed on services providers to report the same information to both state and national regulators.

Undoubtedly this duplication imposes costs on the affected ECEC services, with additional, unnecessary time dedicated to regulatory adherence – in completing reporting requirements and in facilitating on-site visits by regulators.

Further, for providers operating across multiple jurisdictions, the absence of national consistency imposes additional costs in having to ensure compliance with multiple, differing sets of regulation. Harmonisation of regulation – such as the uniform quality standards proposed under the NQA – reduces the regulatory burden on providers operating in multiple jurisdictions and makes it easier and less costly for providers currently operating in a single state or territory to expand into other jurisdictions.

6.4.2 Assessing the net cost of regulation

This section provides estimates of the projected costs of operating the proposed new national arrangements for ECEC regulation. The current costs of licensing and accreditation are summarised, parameters underpinning the new regulatory regime outlined and cost estimates presented.

Model framework

To establish the cost of the current ECEC regulatory arrangements and estimate the cost associated with the proposed new national regulatory system – both in total and relative to the current arrangements – an activity-based costings model has been developed. Broadly, the approach to this exercise has involved three stages:

1. Establishment of current cost of licensing, accreditation and – in the case of preschools – quality assurance.
2. Development of parameters governing the type and level of activity undertaken in the proposed new arrangements.
3. Estimation of the cost associated with delivering the new national regulatory system.

Ultimately, the model outputs the total cost of the new national regulatory system, by jurisdiction, and the incremental cost/saving of the new regulatory arrangements relative to existing arrangements.

Figures presented in the tables below do not include revenue from current or future fees.

Current costs

The framework employed for estimating the cost of current regulatory arrangements is a 'top-down' one, taking the total cost of involvement in ECEC regulatory activities in each jurisdiction, and deconstructing this into a standard set of activities based on information provided by regulatory authorities. Detailed, standard-form data requests were circulated to relevant regulatory agencies to elicit this information and subsequent bilateral consultations confirmed and refined the information provided.

Parameter development

Specifications for the costs of the new national regulatory system have been developed based on:

- existing regulatory arrangements activity/effort (plus a savings factor where relevant);
- benchmarked activity/effort (where an appropriate benchmark was available); and
- policy parameters (where an activity to be performed under the new system is completely new and there is no strong basis on which to cost it).

In the first instance, these specifications were established based either on the findings of the baseline modelling (i.e. current arrangements) or policy inputs received from the Regulatory Costings Work Stream and/or DEEWR. These specifications were subsequently adjusted and confirmed with the broader NECDSC in group forums/discussions.

New regulatory system costs

The approach to costing the new system combines two methodologies. Firstly, for activities undertaken at the jurisdictional level, the approach is a 'bottom-up' one, taking the activity costs of the standard set of activities estimated under the current arrangements and applying these in accordance with the re-scoped effort involved in each activity, as defined by the new regulatory system parameters agreed to by the NECDSC (detailed below). These activities comprise the greatest share of activity (and hence cost) in the new system.

Secondly, in developing cost estimates for the proposed new National Body, a 'top down' policy-driven approach has been adopted, with cost estimates informed by benchmarks and comparators where available, and policy decisions by the NECDSC in relation to the scope of activity to be performed.

Data sources and specifications

Primary sources of data for assessing the costs of the existing ECEC regulatory arrangements include:

- state and territory ECEC regulatory agencies,
- the National Childcare Accreditation Council, and
- the Department of Education, Employment and Workplace Relations.

Data in relation to service numbers, size, geographic dispersion and projected growth over time, were sourced from the dataset collated for and employed in the modelling of the National Quality Standard.

Summary of current regulatory costs and activities

As an introduction to the scope of the current regulatory system and in order to enable a like-for-like metric comparison with the proposed regulatory system, the following summary of total costs, activity and key cost indicators and drivers is provided.

Total cost of licensing and accreditation

The total cost of regulating (licensing and accrediting) those ECEC services initially captured in the coverage of the new regulatory arrangements was \$50.9 million in 2008/09. Of this, \$31.3 million was incurred at the jurisdictional level (refer Table 6-16).

TABLE 6-16: CURRENT COST SUMMARY

(\$m)	ACT	TAS	SA	NSW	WA	QLD	VIC	NT	NCAC	Total
Total cost (2008/09)	\$0.8	\$1.2	\$0.9	\$9.2	\$3.0	\$8.9	\$6.4	\$0.8	\$19.6	\$50.8
In-scope total cost*	\$0.7	\$1.0	\$0.9	\$8.5	\$2.9	\$8.7	\$5.2	\$0.7	\$19.6	\$48.4
Preschool QA cost**	\$0.1	\$0.2	\$0.2	\$0.3	\$1.3	\$0.1	\$0.0	\$0.3	n/a	\$2.5
Total adjusted cost	\$0.8	\$1.3	\$1.1	\$8.8	\$4.2	\$8.8	\$5.2	\$1.0	\$19.6	\$50.9

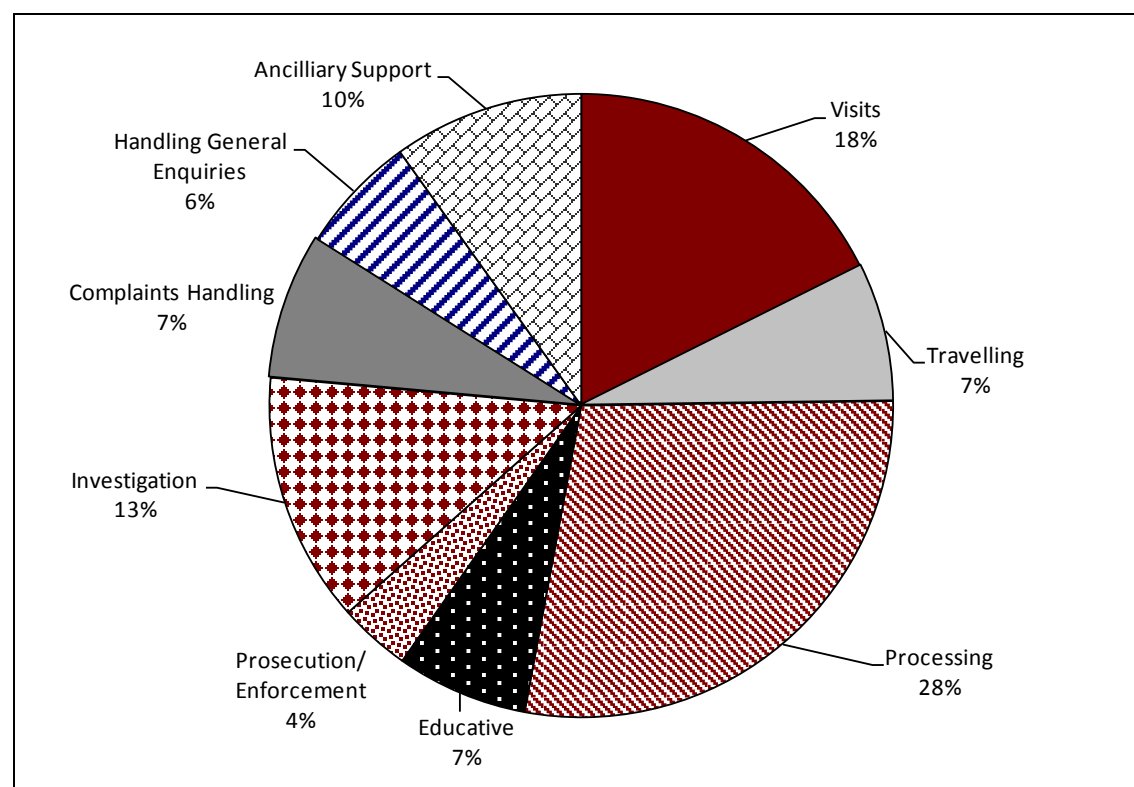
* Apportioned cost to take account of services/care types that are currently regulated though will be outside the first round of NQA reforms, and will therefore continue to be regulated outside the national system

** As estimated by jurisdictions for government preschools, and then extrapolated by Access Economics to take account of non-government preschools, and subsequently reduced by 50 per cent for those jurisdictions where government preschool quality assurance is a function of the school system.

Activity breakdown

Figure 6-1 shows the proportion of regulatory effort dedicated to each broad activity category currently undertaken by state licensing authorities. It reveals that budget/effort spent on site visits, travelling to site visits and processing/paperwork accounts for, on average, 53 per cent of total regulatory effort presently undertaken at the jurisdictional level.

FIGURE 6-1: CURRENT COST/EFFORT SPLIT BY ACTIVITY (NATIONAL AVERAGE)



* This activity split excludes the activities of the NCAC, which could not be classified in the same manner.

** Ancillary Support represents largely an 'other' catchall category, which can be considered an overhead/on-cost to all other activities.

*** Preschool quality assurance activities are not reflected in this summary.

Variations across jurisdictions from these national averages are minimal, with the exception of:

- The sum of visits, travel and processing, which is generally around 53 per cent of total effort/budget, but varies from 47 per cent in Victoria and NSW and 83 per cent in the ACT.

- Investigations, which are as low as 4 per cent in TAS, and as high as 24 per cent in NSW.
- Ancillary support, which is 20 per cent or greater in ACT, SA, Victoria and NT (compared with the national average of 10 per cent).

Comparison of key cost indicators and drivers

The process of establishing the incremental cost of the new regulatory system requires identifying the key drivers of costs in the system. The level and source of these key cost drivers are outlined directly or as a product of the factors in Table 6-17 below.

Average annual visits per service vary from 1.4 in South Australia and New South Wales to 4.2 in Tasmania, while average duration varies from one hour in Western Australia to 4.1 hours in Victoria. The NCAC visits services 0.7 times annually, for an average of 11.6 hours.

TABLE 6-17: JURISDICTIONAL COMPARISON OF REGULATORY ACTIVITY UNDER THE CURRENT SYSTEM

	ACT	TAS	SA	NSW	WA	QLD	VIC	NT	NCAC
Average annual visits (per service)	3.8	4.2	1.4	1.4	2.4	3.4	1.5	2.7	0.7
Average visit duration (hours)	1.4	2.5	2.1	4.1	1.0	1.6	4.1	1.2	11.6
Average annual processing (hours per service)*	18.0	23.7	16.5	7.1	32.8	23.9	14.5	37.1	n/a

* NCAC does not record/define budget/effort in a way to measure this activity.

Parameters and assumptions

The following outline of parameters and assumptions is provided to define/highlight how the scope of activity under the proposed regulatory system is generated, and therefore reveal what levels of unit and total costs can be expected (and how these may differ to the current arrangements). The outline is arranged by:

- Regulatory coverage parameters
- General modelling assumptions
- New regulatory system parameters

Regulatory coverage

Table 6-18 and Table 6-19 present the regulatory coverage under current licensing arrangements and under the new regulatory system. At present, there are around 9,700 licensed LDC, FDC, OSHC and preschool services in Australia, or 11,200 including FDC carers. While essentially all services within the scope of the new regulatory system are currently regulated in some fashion, in terms of licensed services, the new system entails an increase in licensing coverage of around 6,300 services (i.e. around 65 per cent). The additional OSHC services to be licensed under the new regulatory arrangements – most notably in NSW and VIC – account for almost 70 per cent of the growth in regulatory coverage moving from the current arrangements to the new. Government preschools account for the majority of the remaining growth.

TABLE 6-18: NUMBER OF SERVICES CURRENTLY LICENSED, 2009

	ACT	TAS	SA	NSW	WA	VIC	QLD	NT	National
LDC	115	120	332	2,296	557	1,099	1,478	74	6,071
FDC Schemes	5	11	13	100	23	0	84	0	236
FDC Carers	0	0	848	0	709	0	0	0	1,557
OSHC	94	110	0	0	234	0	589	0	1,027
PS (Gov)	0	0	0	45	0	224	0	0	269
PS (non-Gov)	9	0	0	763	0	999	347	0	2,118
Total (inc. FDC Schemes)	223	241	345	3,204	814	2,322	2,498	74	9,721
Total (inc. FDC Carers)	223	241	1,180	3,204	1,500	2,322	2,498	74	11,242

TABLE 6-19: NUMBER OF SERVICES TO BE LICENSED UNDER THE NEW SYSTEM, 2010

	ACT	TAS	SA	NSW	WA	VIC	QLD	NT	National
LDC	115	120	332	2,349	557	1,099	1,478	89	6,139
FDC Scheme	5	11	14	100	23	94	85	5	337
OSHC	94	123	344	2,660	234	1,171	639	92	5,357
PS (Gov)	76	165	416	100	626	224	30	126	1,763
PS (non-Gov)	9	59	29	763	248	999	347	10	2,464
Total	299	478	1,135	5,972	1,688	3,587	2,579	322	16,060

General modelling assumptions

The following general modelling assumptions have been generated from various sources:

- Discount rate: Consistent with the guidelines in the Best Practice Regulation Handbook (Australian Government, 2007), a real discount rate of 7 per cent is employed.
- Growth in unit costs: The model is presented in real dollars and assumes zero real growth in unit costs, implying that unit costs grow in line with CPI.
- Number of supervisors: Set equal to the number of services, on the assumption that each service will require a supervisor.
- Number of legal entities/licenses: Set equal to two-thirds the number of licensed services, given current data suggests 1.5 services per legal entity.
- Growth rates in services: as per the modelling of the National Quality Standard, except in relation to preschool, where the rates reflecting the impacts of Universal Access have been modelled (Table 6-20). The implicit assumption is that the number of services grows at the same rate as the number of enrolments.

TABLE 6-20: PRESCHOOL GROWTH RATES (INCLUDING UA)

Jurisdiction	2010	2011	2012	2013	2014
ACT	5.7%	2.5%	6.4%	5.9%	11.8%
TAS	3.0%	6.6%	4.6%	8.1%	15.3%
SA	2.4%	9.4%	9.2%	10.6%	20.3%
NSW	3.4%	5.0%	4.3%	10.3%	20.0%
WA	4.9%	10.3%	5.4%	9.6%	17.0%
QLD*	11.1%	11.1%	11.1%	11.1%	11.1%
VIC	3.9%	9.2%	9.2%	11.4%	20.6%
NT*	7.0%	7.0%	7.0%	7.0%	7.0%

*As provided by jurisdiction

- Remote factor: A loading factor of 1.7 applied to all 'hours based' regulatory activities performed for services classified as 'remote' and 'very remote' under the ARIA classification.
- Activity cost per hour: Total average cost of an FTE hour in each jurisdiction: calculated as current total cost of involvement for each jurisdiction (including any overheads and on-costs captured), divided by number of FTE in each jurisdiction 48 weeks per year 37.5 hours per week (refer Table 6-21).

TABLE 6-21: ACTIVITY COST PER HOUR (IN 2009 DOLLARS)

ACT	TAS	SA	NSW	WA	QLD	VIC	NT
\$49	\$52	\$53	\$57	\$47	\$51	\$52	\$89

* Includes remote loading

- Distribution of services by size: Estimates were provided at the national level only, and are therefore applied uniformly across jurisdictions (refer Table 6-22). Also, Preschools are set equal to LDC. Service size is defined as follows
 - Small: 0 to 30 places
 - Medium: 31 to 60 places
 - Large: 61 + places

TABLE 6-22: DISTRIBUTION OF SERVICES BY SIZE*

Care type	Small	Medium	Large
LDC	27%	43%	29%
FDC	12%	12%	76%
OSHC	28%	43%	29%
Preschool	27%	43%	29%

*This distribution is assumed for all jurisdictions (Source: DEEWR), and is assumed to remain constant over time

- Service ratings distribution: Proportion of services Rated 3, 2, 1 by jurisdiction, for the first year of the new regulatory system onward. Set at 25 per cent Rated 3 (Operational Level and below), 55 per cent Rated 2 (National Quality Standard) and 20 per cent Rated 1 (Highest Quality Service and above) for all jurisdictions in each year of the new system.

Parameters of the new regulatory system

The following are the key policy-related assumptions and parameters that drive the cost estimates for the new regulatory system. Those activities that are modelled as variable with an input/assumption are outlined in Table 6-23 (along with the actual input/assumption). Those activities that are modelled as largely overheads that move in fixed proportion with particular model parameters are presented below.

Fixed/overhead parameters:

- Training: Modelled as an additional 3.5 per cent of labour costs in each jurisdiction.
- Educative activities: Maintains current cost per service of educative activities.
- Handling complaints: Maintains current cost per service of handling complaints.
- Handling general enquiries: In total, increases with children over time, given largely driven by consumer rather than supplier numbers.

Parameters of the National Body

As noted in the description of the methodology above, a 'top down' policy-based approach has been adopted to develop an estimate of the cost associated with operating the National Body.

TABLE 6-23: VARIABLE ACTIVITY PARAMETERS OF THE NEW REGULATORY SYSTEM

Parameter	Scope	Value
Frequency of assessments visit	Operational level and below	Once every year
	National Quality Standard	Once every two years
	High Quality Service and above	Once every three years
Frequency of targeted visit	Uniform	100% of services annually
Frequency of spot check visit	Uniform	30% of services annually
Frequency of reactionary visit	Uniform	15% of services annually
Duration of new assessment visit	LDC, PS	Small: 9 hours; Medium: 15 hours; Large: 21 hours
	FDC	Small: 23 hours; Medium: 31 hours; Large: 39 hours
	OSHC	Small: 14 hours; Medium: 16 hours; Large: 18 hours
Duration of ongoing assessment visit	LDC, OSHC, PS	Small: 6 hours; Medium: 9 hours; Large: 12 hours
	FDC	Small: 9 hours; Medium: 12 hours; Large: 15 hours
Duration of targeted visit	Uniform	1/2 Day
Duration of reactionary visits	Uniform	Small: 1/4 Day; Medium: 1/3 Day; Large: 1/2 Day
Duration of spot check visit	Uniform	Small: 1/2 Day; Medium: 2/3 Day; Large: 1 Day
New licence administration/processing	Uniform	1 FTE Day per new service/entity/supervisor
Annual rate of 'maintenance'	Uniform	30% of licenses
Administrative hours per 'maintenance' event	Uniform	1 FTE Day
Annual rate of 'churn'	Uniform	10% of licenses
Administrative hours per 'churn' event	Uniform	1 FTE Day
Admin. hours per visit hour (targeted, reactionary, spot check)	Uniform	1 hour
Administrative hours per ongoing assessment visit hour	'Large' services	0.75 hours
	'Small' and 'Medium' services	1.0 hour
Fee administration per new/existing licence	Uniform	2 hours annually
Proportion of services investigated annually	LDC, FDC, OSHC, Non-Gov PS Gov.PS	7.5% 3.75%
Regulatory effort per investigation	Uniform	10 FTE days
Proportion of services prosecuted annually	LDC, FDC, OSHC, Non-Gov PS Gov.PS	2.0% 1.0%
Regulatory effort per prosecution	Uniform	10 FTE days

Cost estimations

The following cost estimations are outputs of the regulatory costings model, generated using the current costs and parameters and assumptions outlined in the sections above. The figures are for the 2012 operational year.

Cost by jurisdiction

The estimated total cost of the proposed regulatory system (at the jurisdictional level) is \$48.2 million in 2012 (refer Table 6-24). The most significant gap in the cost of the current regulatory arrangements as compared to the future system applies to NSW, which in 2012 will experience an estimated \$8.6 million shortfall (based on current funding). Overall, the new regulatory system is in 2012, \$13.6 million more expensive than the current regulatory arrangements (NCAC and National Body aside).

TABLE 6-24: COST BY JURISDICTION, 2012 (IN 2009 DOLLARS)

(\$m)	ACT	TAS	SA	NSW	WA	QLD	VIC	NT	Total
Current reg. (2012)	0.8	1.4	1.2	9.3	4.7	9.8	6.0	1.3	34.6
New reg. (2012)	0.8	1.3	3.5	17.9	4.6	7.6	10.4	2.2	48.2
Incremental**	0.0	0.1	-2.2	-8.6	0.1	2.3	-4.3	-0.9	-13.6

* Incremental/difference to cost of current regulatory arrangements

Numbers may not add vertically due to rounding.

On a per service basis, the average annual cost of the new system (at the jurisdictional level) is \$238 less than that of the current licensing arrangements (refer Table 6-25). Significant savings on a per service basis are experienced by NT, TAS and WA. Minor increases on a per service basis are experienced by VIC and NSW.

TABLE 6-25: PER SERVICE COST OF LICENSING 2009/10 (IN 2009 DOLLARS)

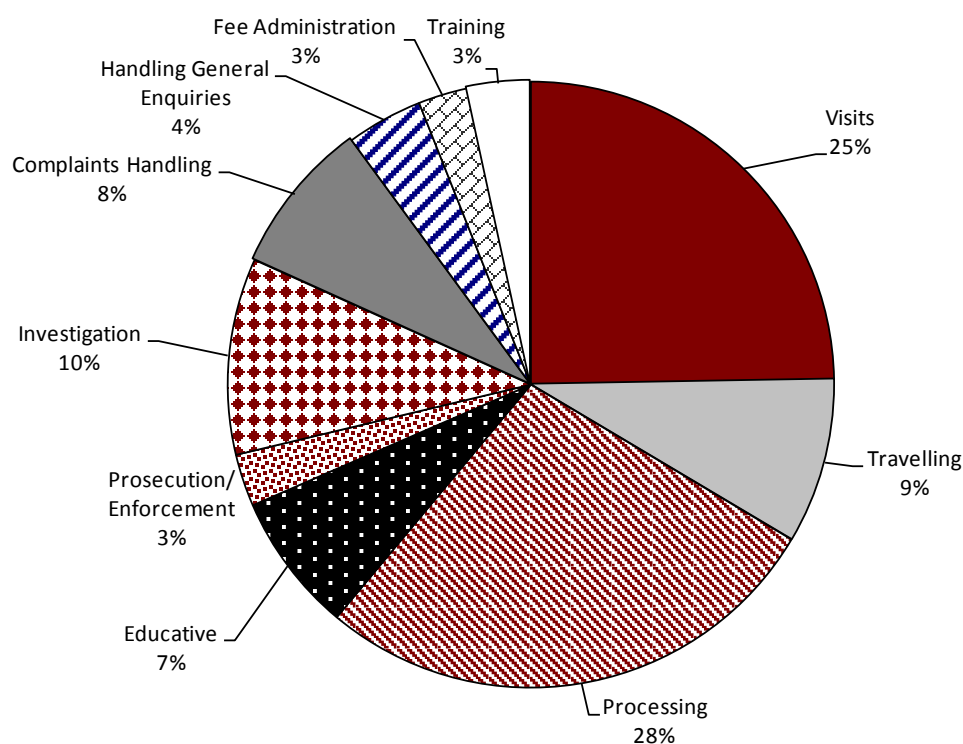
(\$)	ACT	TAS	SA	NSW	WA	QLD	VIC	NT	Total
Current reg. (2009)*	3,273	4,347	2,692	2,662	3,615	3,480	2,251	9,936	2,966
New reg. (2012)	2,506	2,472	2,678	2,867	2,383	2,629	2,540	5,579	2,728
Saving/Cost	767	1,875	14	-204	1,232	851	-289	4,357	238

*Excludes the cost of quality assuring preschools for consistency purposes.

Cost by activity

Disaggregating the estimated (jurisdictional) total cost by activity, in a similar manner to that presented for the current regulatory arrangements (Figure 6-1), Figure 6-2 reveals how the mix of activity undertaken by regulators has changed under the new system. Visits, travelling and processing combined, has increased to 61 per cent of all activity/costs under the new system, as compared with 53 per cent under the current. Other existing activities are broadly similar in the current and new systems.

Figure 6-2: NEW COST/EFFORT SPLIT BY ACTIVITY (NATIONAL AVERAGE)



* This activity split excludes the activities of the National Body, which could not be classified in the same manner.

As Table 6-26, below shows, at the jurisdictional level, little variation is observed from the national average activity split, the exception being NT which is skewed by its high travel cost (32 per cent of total cost in the NT is associated with travel, compared with between 5 per cent (Vic, TAS) and 11 per cent (SA) in the other jurisdictions). Total costs by activity for each jurisdiction in most part reflect service numbers.

TABLE 6-26: NEW SYSTEM ACTIVITY SPLIT BY JURISDICTION, 2012 (IN 2009 DOLLARS)

(\$'000)	ACT	TAS	SA	NSW	WA	QLD	VIC	NT
Visits	202	339	861	4,370	1,171	1,873	2,678	460
Travelling	68	58	372	1,717	287	574	485	693
Processing	225	378	962	4,869	1,308	2,083	2,985	513
Educative	66	105	258	1,257	393	583	816	80
Prosecution	21	33	81	525	111	218	301	42
Investigation	78	124	302	1,968	416	819	1,131	158
Complaints	73	116	284	1,386	433	643	900	88
General enquiry	36	57	141	689	215	319	447	44
Fee admin.	28	44	117	604	156	256	351	74
Training	21	36	90	471	123	195	278	47
Total	817	1,289	3,469	17,855	4,614	7,564	10,372	2,199

Cost by service type

Consistent with service numbers, the estimated total cost of the new system by service type demonstrates LDC as the sector generating the greatest regulatory cost, followed closely by OSHC (refer Table 6-27). Accounting for a relatively small proportion of the sector, FDC has a relatively minor impact on the total cost of the new regulatory system. Total costs by service type for each jurisdiction in most part reflect service numbers.

TABLE 6-27: NEW SYSTEM COST BY SERVICE TYPE, 2012 (IN 2009 DOLLARS)

(\$m)	ACT	TAS	SA	NSW	WA	QLD	VIC	NT	Total
LDC	0.3	0.3	1.0	6.9	1.4	4.1	3.0	0.6	17.7
FDC	0.01	0.03	0.05	0.33	0.07	0.27	0.29	0.04	1.08
OSHC	0.3	0.3	1.0	7.8	0.6	1.8	3.2	0.6	15.6
Gov PS	0.2	0.5	1.4	0.3	1.7	0.1	0.7	0.8	5.7
Non-Gov PS	0.03	0.17	0.10	2.52	0.74	1.29	3.27	0.07	8.20

Costs over time

Table 6-28 presents total cost of the new system (by jurisdiction) from 2012 to end 2019. Overall, total cost grows 17 per cent in real terms over this period, reflective of growth in service numbers. In particular, the Northern Territory grows in total cost by 72 per cent between 2012 and 2020, reflective of their expected 7 per cent growth per annum in licensed services.

TABLE 6-28: NEW SYSTEM COST BY JURISDICTION, 2012-2020 (IN 2009 DOLLARS)

(\$m)	ACT	TAS	SA	NSW	WA	QLD	VIC	NT	Total
2012	0.8	1.3	3.5	17.9	4.6	7.6	10.4	2.2	48.2
2013	0.8	1.4	3.6	18.3	5.0	7.8	10.9	2.4	50.2
2014	0.9	1.5	4.1	19.3	5.6	8.1	12.2	2.5	54.2
2015	0.9	1.4	3.9	19.0	5.4	8.1	11.7	2.7	53.1
2016	0.9	1.4	3.9	19.1	5.5	8.3	11.8	2.9	53.8
2017	0.9	1.4	4.0	19.3	5.5	8.4	11.9	3.1	54.5
2018	0.9	1.4	4.0	19.4	5.6	8.5	12.0	3.3	55.2
2019	0.9	1.4	4.0	19.6	5.7	8.6	12.1	3.5	55.9
2020	0.9	1.4	4.0	19.7	5.8	8.7	12.2	3.8	56.5

Drivers of cost variance under the new system

As discussed above, the majority of the difference in estimated total costs of the new system across jurisdictions is reflective of differences in service numbers, given the cost of regulating per service varies little by jurisdiction (Northern Territory aside). Variation in per-service regulatory activity (Table 6-29) is primarily a function of service mix (given the additional regulatory effort afforded to some service types) and service growth (as new services receive relatively greater regulatory effort)

TABLE 6-29: JURISDICTIONAL COMPARISON OF REGULATORY ACTIVITY UNDER THE NEW SYSTEM

	ACT	TAS	SA	NSW	WA	QLD	VIC	NT
Average annual visits (per service)	2.2	2.2	2.2	2.1	2.2	2.2	2.2	2.2
Average visit duration (hours per service)	5.8	5.8	5.8	5.7	5.9	5.9	5.8	6.0
Average annual processing (hours per service)*	14.0	13.8	13.8	13.7	14.2	14.2	14.0	14.7

Sensitivity analysis

In order to test the sensitivity of the results to the key parameters and assumptions employed in their estimation, the regulatory costings model was re-run for scenarios of highs and lows around a sample of key parameters (refer Table 6-30). The sensitivity analysis revealed the results are particularly sensitive to activity cost per hour, with a 5 per cent change in the input resulting in a 3.5 per cent change in the output. Conversely, a 25 per cent change in the ratio between administrative hours and visit hours results in a 5.0 per cent-7.5 per cent change in the output.

TABLE 6-30: SENSITIVITY ANALYSES⁷⁸

Scenario	Cost of the new regulatory system in 2012 (\$m)	Variance in (\$m) (from baseline)	Variance in % (from baseline)
Baseline Scenario	\$48.2	\$0	0%
Scenario 1: +5% activity cost per hour	\$49.9	\$1.7	3.5%
Scenario 2: -5% activity cost per hour	\$46.5	\$1.7	3.5%
Scenario 3: Admin. hours per visit ratio = 1.25:1*	\$51.8	\$3.6	7.5%
Scenario 4: Admin. hours per visit ratio = 0.75:1*	\$45.8	\$2.4	5.0%

* Ratio applied to all targeted, spot check, reactionary and on-going assessment visits

6.4.3 Assessing the regulatory burden on services

Streamlining the regulation of Australia's ECEC sector will generate a range of benefits for currently regulated entities. Removal of duplication will reduce the burden on those services currently subject to multiple layers of regulation (generally LDC, FDC and OSHC), regulatory harmonisation will reduce compliance costs on services operating across multiple jurisdictions and the introduction of a perpetual licence will eliminate the costs associated with licensing renewal. However at the same time, the expansion in regulatory coverage to include preschool will result in an increased regulatory burden on these providers.

The purpose of this section is to assess and – to the extent that the available data and information permits – quantify these impacts. In undertaking this analysis, the regulatory burden on ECEC services is broadly categorised into two components:

- Facilitating site inspections; and
- Information and reporting obligations.

Throughout the sub-sections that follow, these components are identified and analysed separately.

Approach to the analysis

The approach employed in estimating the regulatory burden on services takes consideration of the guidelines set out by the Office of Best Practice Regulation. Accordingly, the following potential impacts on businesses are considered:

- Notification — businesses incur costs when they are required to report certain events to a regulatory authority, either before or after the event has taken place.
- Education — costs are incurred by business in keeping abreast of regulatory requirements.
- Permission — costs are incurred in applying for and maintaining permission to conduct an activity.
- Purchase cost — in order to comply with regulation, businesses may have to purchase materials or equipment.
- Record keeping — businesses incur costs when required to keep statutory documents up to date.
- Enforcement — businesses incur costs when cooperating with audits, inspections and regulatory enforcement activities.

⁷⁸ Sensitivity analysis on distribution of services by rating was also performed and found to have relative little impact on the estimated costs.

- Publication and documentation — costs are incurred when producing documents required for third parties.
- Procedural — some regulations impose non-administrative costs.
- Other — when a compliance cost cannot be categorised into one of the above categories, it can be placed into this category.

Importantly, the NQA will only impact on part of the regulatory burden experienced by ECEC providers – that associated with the current processes of jurisdictional licensing and NCAC accreditation. The approach throughout the analysis therefore is to directly assess those areas of regulatory compliance which are expected to be directly impacted by the reforms.

- Visit time and service inspections

In order to establish the change in regulatory burden resulting from changes to the frequency and duration of service visitation by regulators, a two-stage methodology has been employed. First, data has been collected from state and territory licensing agencies and the NCAC on the average annual visits per service (by service type) and the average duration of these visits (including by service size), allowing average visit hours per service (by service type and size) to be estimated for each jurisdiction. Second, based on the agreed parameters of the new regulatory arrangements, average visit hours per service, by service type and size, has been derived for the new regulatory model. From these two sets of data, the change in average visiting hours per service was estimated.

- Administration time

Accurately assessing the change in the administrative burden on services (defined broadly here to include compliance activities other than those directly associated with site visits), requires the collection of relatively detailed information from services, ideally through an industry survey. Such an approach has not been feasible in this case and instead the analysis relies on guidance provided by regulators. Given the relatively unreliable nature of this information (regulators are seldom in the best position to accurately inform estimates regarding the impact of their legislation on business), it has not been possible to accurately estimate the change in administrative burden on services resulting from the new regulatory arrangements. Instead, in light of the available information, an illustrative example is provided highlighting the potential benefits under a hypothetical set of assumptions.

Indications of current regulatory duplication

Indications of the current prevalence of regulatory duplication in Australia's ECEC sector can be seen in the number of services subject to multiple layers of duplication. Coupled with the overlapping quality principles considered by both sets of regulation (See Table 4-3 and 4-4), Table 6-31 highlights the significant level of regulatory overlap under the current regime, with more than one-third of in-scope services currently subject to multiple layers of regulation. Also identifiable from Table 6.30, is the number of ECEC services likely to experience an increase in regulatory burden; that is those services that are currently either, licensed only, accredited only, unlicensed preschools or other existing unregulated services.

TABLE 6-31: REGULATION OF ECEC SERVICES IN AUSTRALIA, 2009

	ACT	TAS	SA	NSW	WA	VIC	QLD	NT
Services subject to both licensing and accreditation	204	241	345	2,396	694	1,099	2,025	74
Services subject to licensing alone	19	0	0	808	120	1,223	473	0
Services subject to accreditation alone	0	1	307	1,013	0*	1,143	0	49
Preschools subject to quality assurance	76	224	445	55	874	0	30	136
Other existing unregulated services	0	12	38	1,700	0	122	51	63

*Preschools in Victoria are required to undertake a quality assurance process, however this is not conducted by the regulator.

Assessing the change in regulatory burden associated with service visits

As an overview to the approach employed in assessing the change in regulatory burden associated with facilitating service visits, estimates of the current per-service average visit hours associated with licensing and accreditation are compared with modelled estimates of per-service average visit hours under the new regulatory system, to determine the difference in average hours moving from the current regulatory arrangements to the new. Then, employing the principles of the OBPR's Business Cost Calculator, the dollar value of the incremental cost/cost-saving is generated by applying the average hourly salary of the business employee associated with performing the regulatory compliance activity, to the difference in average hours.

Current regulatory arrangements

1. Licensing

Table 6-32 summarises service visit activity currently performed by state/territory licensing agencies. Reflecting the difference in the regulatory approach across jurisdictions, average annual visits per services range from 1.4 in South Australia and New South Wales, to 4.2 in Tasmania. At the same time, average visit durations range from 1 hour in Western Australia, to 4.1 hours in Victoria and New South Wales. Accordingly, the average annual visit-hours per service – a proxy for the associated regulatory burden on the average service – varies from 2.5 in Western Australia to 10.6 in Tasmania.

TABLE 6-32: CURRENT VISIT ACTIVITY ASSOCIATED WITH LICENSING

	ACT	TAS	SA	NSW	WA	VIC	QLD	NT
Average annual visits per service	3.8	4.2	1.4	1.4	2.4	1.5	3.4	2.7
Average visit duration (hours)	1.4	2.5	2.1	4.1	1.0	4.1	1.6	1.2
Average annual visit-hours per service	5.3	10.6	2.9	5.9	2.5	6.2	5.3	3.2

2. Accreditation

The NCAC's accreditation regime currently sees services visited, on average, once every 1.7 years. That is, the NCAC currently performs an average of 0.6 visits per service per annum. However, the visit duration is considerably longer than that associated with jurisdictions' current licensing activities, with an average of 11.6 hours per visit. Combining these parameters implies average annual visit-hours per accredited service of 8.0.

3. Aggregate regulation

Combining the data on visit activity associated with licensing and accreditation provides an indication of the total average annual visit hours per service incurred by the 44 per cent of in-scope services subject to both licensing and accreditation. As table 6-33 shows, a licensed and

accredited service in Western Australia can expect to spend (on average) 10.5 hours annually facilitating site visits, while for an accredited service in Tasmania, this figure is 18.6.

TABLE 6-33: AGGREGATE VISIT ACTIVITY ASSOCIATED WITH LICENSING AND ACCREDITATION

	ACT	TAS	SA	NSW	WA	VIC	QLD	NT
Average annual visits per service	4.5	4.9	2.7	2.2	3.1	2.2	4.1	3.3
Average visit duration	3.0	3.8	4.1	6.5	3.4	6.5	3.3	3.4
Average annual visit-hours per service	13.3	18.6	10.9	13.9	10.5	14.2	13.3	11.2

New regulatory arrangements

Under the proposed new regulatory system, ECEC services will be subject to a variety of possible service visits. Based on the parameters currently adopted, Table 6-34 shows visit activity associated with the proposed new regulatory system. Differences across jurisdictions in service mix and average service size result in average annual visits per service varying marginally from 2.1 to 2.2. Similarly, average visit duration varies within a narrow range of between 5.7 and 6.0 hours per visit and, by extension, average annual visit-hours per service under the new system ranges from 12.3 in NSW to 13.2 in the NT.

TABLE 6-34: VISIT ACTIVITY UNDER THE NEW REGULATORY SYSTEM

	ACT	TAS	SA	NSW	WA	VIC	QLD	NT
Average annual visits per service	2.2	2.2	2.2	2.1	2.2	2.2	2.2	2.2
Average visit duration (hours)	5.8	5.8	5.8	5.7	5.9	5.8	5.9	6.0
Average annual visit-hours per service	12.6	12.4	12.4	12.3	12.8	12.6	12.8	13.2

Incremental impact

Comparing the current average level of annual visit activity undertaken by ECEC regulators with that associated with the proposed new regulatory arrangements (in a typical year), allows the derivation of the incremental or net impact of the reforms on ECEC service provider visit facilitation burden/time. Table 6.35 below shows these estimates. The results can be explained as follows:

The LDC figures highlight savings in most jurisdictions, the exceptions being South Australia, Western Australia and Northern Territory, where current average annual visit hours are generally lower (for all service types) compared with other jurisdictions.

The FDC figures all represent savings and are greatest for Western Australia which currently licenses carers rather than schemes.

The level of increase in the OSHC figures reflect the fact that a large number of these services are currently accredited only, although services in the Australian Capital Territory and Victoria are currently licensed and accredited.

The level of increase in the Preschool figures reflect the fact that the majority of these services are currently quality assured only, with the exception of Gov. Preschools in New South Wales and Victoria and for Non-Gov. Preschools in the Australian Capital Territory, New South Wales, Queensland and Victoria, which are all currently licensed only.

TABLE 6-35: INCREMENTAL CHANGE IN AVERAGE ANNUAL VISIT-HOURS PER SERVICE

	ACT	TAS	SA	NSW	WA	VIC	QLD	NT
LDC	2.1	6.9	-1.4	1.6	-3.0	4.0	1.2	-2.1
FDC	10.1	15.2	5.9	12.1	37.0	5.6	10.2	3.8
OSHC	-1.5	4.7	-5.5	-5.3	-4.5	-5.5	-0.6	-6.3
Government Preschool	-12.9	-12.5	-12.5	-6.8	-12.8	-8.6	-12.4	-13.1
Non-government Preschool	-8.9	-12.5	-12.5	-6.8	-12.8	-8.6	-9.8	-13.1

Note: A positive value means a decrease in annual visit-hours per service. A negative value means an increase in annual visit-hours per service.

Applying an average hourly service provider cost/wage of \$25, the saving/cost of the change in average annual visiting hours (moving to the new regulatory system) for the typical service provider in each jurisdiction and service type is as provided in Table 6-36. Of note is the estimated saving for a typical FDC in Western Australia of \$925 per annum, while the typical Preschool provider in NT is estimated to face an additional \$327 per annum in visit facilitation cost.

TABLE 6-36: INCREMENTAL CHANGE PER SERVICE - \$

	ACT	TAS	SA	NSW	WA	VIC	QLD	NT
LDC	\$53	\$175	-\$36	\$41	-\$72	\$101	\$30	-\$52
FDC	\$252	\$379	\$147	\$302	\$925	\$139	\$255	\$96
OSHC	-\$39	\$117	-\$137	-\$134	-\$113	-\$138	-\$16	-\$158
Government preschool	-\$323	-\$313	-\$311	-\$169	-\$320	-\$215	-\$310	-\$327
Non-government preschool	-\$224	-\$313	-\$311	-\$169	-\$320	-\$215	-\$244	-\$327

Note: A positive value means a decrease in cost (i.e. a saving). A negative value means an increase in cost.

Impact on small services

Disaggregating the analysis an additional level, Table 6.37 outlines the incremental change in average annual visit-hours per small service provider, for those 44 per cent of in-scope services that are currently licensed and accredited. The results indicate that the typical small LDC and FDC service provider on average faces a larger increase in annual visit hours (moving to the new system) than the average service provider, while the typical small OSHC and Preschool service provider on average faces a smaller increase in annual visit hours (moving to the new system) than the average service provider (see Table 6-35). For example, in the ACT there will be a decrease of 2.1 hours in the average annual visit-hours per LDC service. However, for small LDC services there will be an increase of 0.3 hours.

TABLE 6.37: INCREMENTAL CHANGE IN AVERAGE ANNUAL VISIT-HOURS PER SMALL SERVICE

	ACT	TAS	SA	NSW	WA	VIC	QLD	NT
LDC	-0.3	5.3	-3.1	0.7	-3.8	2.2	0.4	-2.7
FDC	-2.8	3.0	-6.1	0.0	25.1	-6.4	-1.7	-7.5
OSHC	-0.6	6.8	-3.4	-3.2	-2.6	-3.4	1.5	-4.1
Government Preschool	-9.8	-9.5	-9.5	-3.7	-9.7	-6.2	-9.5	-9.9
Non-government Preschool	-7.0	-9.5	-9.5	-3.7	-9.7	-6.2	-6.3	-9.9

Note: A positive value means a decrease in annual visit-hours per service. A negative value means an increase in annual visit-hours per service.

Sensitivity analysis

In order to test the sensitivity of these results, they were re-run for a +10 per cent and a -10 per cent scenario around visit duration (refer Table 6.38 and Table 6.39). The sensitivity analysis revealed that a +/-10 per cent change in visit duration has a more than proportionate impact on the incremental saving/cost in visiting hours.

TABLE 6.38: INCREMENTAL CHANGE IN AVERAGE ANNUAL VISIT-HOURS PER SERVICE (+10% DURATION)

	ACT	TAS	SA	NSW	WA	VIC	QLD	NT
LDC	0.9	5.8	-2.7	0.4	-4.1	2.8	-0.1	-3.4
FDC	8.5	13.6	4.3	10.5	35.3	3.9	8.5	2.0
OSHC	-2.8	3.5	-6.7	-6.6	-5.8	-6.8	-1.9	-7.6
Government Preschool	-14.2	-13.8	-13.7	-8.0	-14.1	-9.9	-13.7	-14.4
Non-government Preschool	-10.2	-13.8	-13.7	-8.0	-14.1	-9.9	-11.1	-14.4

Note: A positive value means a decrease in annual visit-hours per service. A negative value means an increase in annual visit-hours per service.

TABLE 6.39: INCREMENTAL CHANGE IN AVERAGE ANNUAL VISIT-HOURS PER SERVICE (-10% DURATION)

	ACT	TAS	SA	NSW	WA	VIC	QLD	NT
LDC	3.4	8.2	-0.2	2.9	-1.6	5.3	2.4	-0.7
FDC	11.7	16.8	7.5	13.7	38.7	7.2	11.8	5.7
OSHC	-0.3	5.9	-4.2	-4.1	-3.3	-4.3	0.6	-5.0
Government Preschool	-11.6	-11.3	-11.2	-5.5	-11.5	-7.3	-11.2	-11.8
Non-government Preschool	-7.7	-11.3	-11.2	-5.5	-11.5	-7.3	-8.4	-11.8

Note: A positive value means a decrease in annual visit-hours per service. A negative value means an increase in annual visit-hours per service.

Assessing the change in regulatory burden associated with service administration

Service providers will be affected by the proposed reforms to minimum carer qualifications and staff-to-child ratios. The extent of the impact will be different for each service provider and will depend on how much each business must adjust their current practice to meet the new minimum requirements. Those providers that need to make changes must decide between altering the number and mix of staff and/or the number of places offered. In some cases service providers may also need to reconfigure their premises to accommodate changes to staffing or child places and those decisions will influence the ultimate regulatory cost.

Changes in the proposed regulation will affect all service types (LDC, FDC, preschool, and OSHC) and the overall impact for each service will differ depending on their starting point. Exactly what impacts these reforms will have on each service provider and the decisions they make in response will depend on the circumstances of each individual provider. To a large degree the impact on individual businesses will depend on which jurisdiction the business operates and how current arrangements in that jurisdiction vary from the proposed new requirements.

For example, in LDC, it is known that many services (all, in the case of Western Australia) are already operating at the proposed ratios or better – refer to Table 6-1. Also, vacancy data suggests that, across all service types and all jurisdictions, there is unutilised capacity. Many services with spare capacity would therefore already be operating at the proposed ratios. For these services, it is expected that no significant changes will be necessary.

For services that need to adjust to meet the proposed ratio requirements, past experience, such as the impact from the recent regulatory changes in Victoria, shows that there are a number of different possibilities.

One response is to change ratios to meet the new requirements by recruiting staff. Survey-based research undertaken for the NSW Department of Community Services⁷⁹ found that 95% of services impacted by the proposed move to a staff to child ratio of 1:4 for children under 24 months would increase staff costs rather than decrease places. Other services may change size or building configuration or introduce new or innovative business practices – such as changing the mix of places on offer.

The following looks at the changes required in each jurisdiction to determine the likely impact on individual businesses. It should be noted that any business operate above the minimum standard will not be required to make any changes as a result of the regulations. They may however make a decision to adjust their business practice as a competitive response to the regulatory changes.

It is important to recognise that the impact of the regulation changes on service providers will be significantly ameliorated by the impact of the Commonwealth Child Care Rebate (CCR). For most families, CCR compensates them for 50 per cent of any additional costs. This Commonwealth

⁷⁹ NSW Department of Community Services 2008, *Economic Effects of a 1:4 Staff-Child Ratio for Under Two Year Olds in Child Care*, July 2008

contribution will underwrite a significant proportion of any changes that services providers are required to make in response to the new standards.

Option 2 presented in the decision RIS has been designed in response to stakeholder concern raised during the consultations that services need sufficient time to adjust to the new requirements. Even so, around two-thirds of services supported improved ratios and qualification requirements (refer to Table 7-4).

Further, there are a series of review points to allow detailed examination of progress in meeting the NQA. A review in 2013 will examine progress towards meeting the qualification requirements due to come into force from 1 January 2014. A review in 2014 will examine a number of issues including: the new governance arrangements and whether they are meeting the objective of reducing regulatory burden for providers; workforce issues and the evidence in relation to workforce supply and take up rate of qualifications; and the available evidence and analysis to determine if there are any remaining difficulties in particular in Queensland in relation to the interaction between National Quality Standard ratios and existing infrastructure.

Services will also need to adjust to the new regulatory arrangements (a streamlined, single, integrated, process) and implementation of the National Quality Standard. Overall, the National Quality Standard will result in a significant saving for most LDC and FDC providers. For example, in NSW the estimated saving from the change in visit hours by ECEC regulators under the new arrangements for a typical FDC provider is estimated at around \$302 or 12.1 hours per annum, while a typical LDC provider in VIC will save around \$101 or 4 hours per annum (refer to Tables 6-35 and 6-36). The detail of these arrangements will be determined during the transition period and will include targeted testing and development with some services. In addition, during transition, services will continue to be required to participate in quality assurance process that will help in informing the new regulation process, and in doing so, contribute to reduced administration burden. This process will be designed to assist services in preparing for the changes in requirements expected to come into place gradually from 2012. Further information on implementation and transition arrangements are in Section 9.1.

As mentioned above, the impact on service providers will be different across jurisdictions due to the different starting points they face in moving from current arrangements to the new arrangements. The changes providers will have to make to meet the new arrangements will depend on the extent to which the current arrangements in their state align with the proposed National Quality Standard. The current staff to child ratio and qualification requirements for each state are detailed in Appendix A. The proposed arrangements for ratios and qualifications are provided in Chapter 5 (refer to Tables 5-1, 5-2, 5-3 and 5-4).

Jurisdiction-specific impacts for LDC, FDC and preschool are outlined below. In all states:

- OSHC providers will have to adhere to the National Quality Framework. However, at this stage no changes to current state and territory staff to child ratios or staff qualifications are proposed; and
- All other ECEC providers, including IHC, occasional care and non-mainstream services will not be affected by the proposed national staff to child ratios and qualifications at this stage.

New South Wales

- LDC providers will have six years to adjust from the current ratio of 1:8 to the new ratio of 1:5 for children 25 to 36 months. LDC and preschool providers will be unaffected by the new requirement for children 36 months to school age as they should already meet this standard. NSW is already proposing to move to 1:4 for birth to two years ratio of staff to children from the current ratio of 1:5.
- LDC and preschool providers will also have four years to adjust to the Certificate III and Diploma requirements under the new standard, and already meet the new teacher requirements under their current regulations.
- FDC providers will have four years to adjust to meet the new staff to child ratio of 1:7 with four children under school age (currently at five children) as well as the qualification requirements for family day carers of a Certificate III, and a diploma for all coordinators.

Victoria

- LDC and preschool providers will have six years to adjust to meet the new 1:11 staff to child ratio requirement for children 36 months to school age from the current ratio of 1:15. Providers will be unaffected by the new requirement for children under 36 months as they should already meet this standard.
- The new requirements in Victoria mean that LDC providers will be required to meet the Certificate III requirements by January 2012 (with grandfathering arrangements – see Appendix A), and will have four years to meet the teacher requirement.
- FDC providers currently meet the proposed ratio requirements and will meet the qualification requirements as part of the recent reforms in Victorian legislation.

Queensland

- LDC and preschool providers will have six years to adjust to the new ratio of 1:5 for children 25 to 36 months (currently 1:6 or 1:8) and the ratio of 1:11 for children 36 months to school age (currently 1:12 or 1:13).
- In addition, providers licensed in Queensland by 1 January 2011, prior to the commencement of national legislation, that can justify a need to use the current staff to child ratio of 1:5 for a group of children aged 15-36 months will be deemed to comply with the National Quality Standard staffing ratios. This arrangement will expire on 31 December 2017. All Queensland services will be expected to be compliant with the National Quality Standard staffing ratios from 1 January 2018.
- LDC providers will have four years to meet the teacher requirement however they should already meet the Certificate III qualification requirements.
- FDC providers in QLD will be largely unaffected by the new staff to child ratios of 1:7 with four children under school age and FDC coordinators will be unaffected by the qualification requirements. FDC carers will have four years to adjust to the qualification requirements for family day carers to hold a Certificate III.

Western Australia

- LDC and preschool providers in WA will be unaffected by the new staff to child ratio requirements. LDC providers will have four years to adjust to the Certificate III, Diploma and teacher requirements under the new standard.
- FDC providers will have four years to adjust to meet the new staff to child ratio of 1:7 with four children under school age as well as the qualification requirements.

South Australia

- LDC providers will have six years to adjust to the new ratio of 1:5 for children 25 to 36 months (currently 1:8, 2:20, 1:10 if greater than 20 children). LDC and preschool providers will be unaffected by the new ratio requirement for children 36 months to school age. SA is already proposing to move to 1:4 for birth to two years ratio of staff to children from the current ratio of 1:5.
- LDC providers will have four years to adjust to the Certificate III, Diploma and teacher requirements under the new standard, though some providers may already meet the new teacher requirements.
- FDC providers will be unaffected by the new staff to child ratio as well as the qualification requirements. FDC coordinators will have four years to adjust to meet the qualification requirements of a diploma level.

Tasmania

- LDC providers will have two years to adjust to the new requirement for children birth to 24 months of 1:4 from the current level of 1:5 while they will be unaffected by the new ratio requirements for children above 25 months.

- Preschool providers will have six years to adjust to the new ratio requirements from the current level of 2:23/25.
- LDC providers will also have four years to adjust to the Certificate III, Diploma and teacher requirements under the new standard, though some providers may already meet the new teacher requirements.
- FDC providers will have four years to adjust to the new staff to child ratio of 1:7 with four children under school age although many may already meet this requirement. While carers with an extended registration will already meet the qualification requirement of a Certificate III, those without this qualification will have four years to adjust.

Northern Territory

- LDC providers will have two years to adjust to the new ratio of 1:4 for children birth to 24 months from the current ratio of 1:5. LDC and preschool providers will be unaffected by the new national requirement for children 25 to 35 months and 36 months to school age as they should already meet this standard.
- LDC providers will have four years to adjust to the Certificate III and Diploma requirements under the new standard, and four years to meet the new teacher requirements.
- The Northern Territory introduced new regulations for FDC on 9 June 2009 requiring FDC providers to be licensed by March 2011 with a staff to child ratio of 1:7 (maximum of 2 children under 3 years). Northern Territory FDC providers will have four years to meet the new national requirement of no more than four children under school age as well as the qualification requirements for family day carers of a Certificate III and a diploma for all coordinators.

Australian Capital Territory

- LDC providers in the ACT will have two years to adjust to the new ratio of 1:4 for children birth to 24 months from the current ratio of 1:5. LDC and preschool providers will be unaffected by the new national requirement for children 25 to 35 months and 36 months to school age as they should already meet this standard.
- LDC providers will have four years to adjust to the Certificate III and Diploma requirements under the new standard, and four years to meet the teacher requirements.
- FDC providers in the ACT will be unaffected by the new carer to child ratio requirement as they should already meet this standard, and they will have four years to adjust to meet the qualification requirements for family day carers of a Certificate III and a diploma for all coordinators.

As noted in the description of the methodology employed for assessing the change in regulatory burden on services, a comprehensive assessment of the change in administrative burden on ECEC services as a result of the NQA is rendered infeasible by inadequate information in two key respects. First, in relation to current time cost associated with complying with existing licensing and accreditation requirements, and second, in relation to the likely administrative burden associated with the new regulatory system. In relation to the latter, though the architecture of the new system is well advanced, detailed information such as the reporting obligations placed on services will not be known until closer to the point of implementation.

A limited amount of information exists in the public domain in relation to the current administrative burden on services. Notably, the Productivity Commission⁸⁰, analysed the cost of registering a LDC business, based on information collected from regulators in each jurisdiction, synthetic estimates and businesses. Final cost calculations are based on data provided by regulators. The relevance of this work is limited by its narrow focus – assessing solely the business registration component of regulation from the perspective of a LDC centre – however its conclusions are nonetheless instructive:

⁸⁰ Productivity Commission 2008, *Performance Benchmarking of Australian Business Regulation: cost of business registrations*, Canberra.

The estimated total cost of registering a LDC centre varies substantially across jurisdictions, ranging from \$8 (Northern Territory) to \$963 (Tasmania). The maximum estimate of \$963 to register a LDC centre in Tasmania represents an inexperienced business seeking to operate the largest centre possible. In contrast, the minimum estimate of \$163 to register a LDC centre in Tasmania represents an experienced business seeking to run a small centre.

The total cost of registration of a LDC in Western Australia, where no registration fees apply, is estimated to be \$910, comparable to the maximum cost faced by businesses in Tasmania.

Despite the inability to quantitatively analyse these issues, some broad conclusions can be drawn in relation to different service groups within the sector:

- Services regulated by multiple levels of government: for services currently subject to multiple layers of regulation (i.e. those which are both licensed and accredited), as is highlighted throughout the RIS, a significant level of duplication exists in the information requirements placed on services in the current regulatory arrangements. Ultimately therefore, in a fully streamlined model, this duplication would be entirely eliminated, resulting in a commensurate saving accruing to services, consistent with the current level of duplication in their state or territory. Estimates supplied by state and territory regulators suggest current duplication at between 20 per cent and 50 per cent of state licensing information obligations.
- Services regulated by a single level of government: for services which are currently licensed or accredited (but not both), the change in administrative burden is equivocal. As the analysis of the regulatory burden associated with service visits highlights, the impacts are likely to vary markedly across jurisdiction, with a net fall in some and a net increase in others.
- Services currently not licensed: the administrative burden on services will increase in areas where previously unlicensed services fall within the scope of the NQA. Predominantly, this will impact preschools.

Drawing quantitative conclusions in relation to the change in administrative burden on services as a result of the NQA is evidently not possible given current information limitations. Based on the proportions given in Table 6-30, it can be inferred that a significant proportion of services (around 44 per cent) will likely experience a reduction in administrative burden – duplication of information requirements which characterises the current system will be eliminated, or at least significantly reduced. For approximately 32 per cent of services – those currently regulated by a single level of government – the administrative burden will likely increase in some areas, but fall in others. For currently unlicensed preschools and the small number of other services which will enter the system as additional licensed services, the administrative burden will unequivocally increase.

The magnitude of these impacts, and the net impact on the sector, cannot be determined at this point. In the interests of the impacts on the sector being fully understood, it is proposed that closer to the point of implementation – once the detailed aspects of the new system are refined – further, survey-based analysis be undertaken.

6.5 Competition impacts

Like any form of regulation, the proposed ECEC reforms have the potential to impact on market competition. This impact will be determined by both supply and demand factors. On the supply side, a key question is whether the reforms directly undermine the ability of any businesses to operate profitably, and hence lead to a direct reduction in competition (at least in the short term, until there is additional market entry). This depends heavily on whether services can pass through higher costs incurred as a result of the reforms, and as noted above the nature of the ECEC market – the relative inelasticity of demand – suggests this is highly likely. Competition is therefore unlikely to be reduced by services becoming unviable and exiting the market.

The other key issue for services is whether the reforms alter their capacity to compete on price. At present, industry regulation has a major bearing on operating costs, with minimum staff-to-child ratios meaning services have limited degrees of freedom with which to control costs. This will remain under the NQA. The standards will be higher in many jurisdictions but the same principle applies and hence scope for price competition remains constrained and is unlikely to vary significantly from the baseline.

On the demand side, the Quality Rating System will provide parents with additional information on services, meaning decision making will be more informed and services' incentives to compete on quality – and also on price – will be stronger. This is the key area where competition impacts are likely to arise under the NQA, and indeed enhanced competition leading to natural quality improvements over time is one of the primary rationales for introducing a Quality Rating System.

More generally, while providers can and do compete on price, parents' ECEC decisions are driven heavily by factors other than price such as workforce participation and location. Though there are a lot of areas where there simply is not scope for competition (i.e. only a single provider within the local area) and this will remain the case, the presence of substitutes for formal care (such as relatives etc.) will continue to exert downward pressure on prices. Over time, it does not seem that the incentives to enter the market will be any weaker or stronger than at present. On net therefore, given the competition-enhancing role of the Quality Rating System, it is likely that, over time, the NQA will increase scope for competition in the ECEC services.

6.5.1 Competition between service types

The impact of the National Quality Agenda reforms will vary across different aspects of the ECEC sector, with cost – and hence price – effects differing between service types. In particular, the cost of LDC and preschool will be impacted considerably more heavily than FDC and OSHC. As a result, it is possible that, capacity permitting, there may be some level of reallocation of demand within the industry. The extent of this substitution will depend on relative price differences and on the degree to which different services are seen as close substitutes. If, for example, FDC is not perceived by parents as an effective substitute of LDC, then there is likely to be little transfer of demand, irrespective of the price differential.

On the other hand, the National Quality Agenda will apply standards, including staff-to-child ratios and staff qualifications, more consistently across service types. This may assist in reassuring families that service quality is more consistent between service types and may mean that service's costs and therefore prices, are more even. This could strengthen parental demand for some service types and create a more even keel for competition. For example, the result of more equal standards applying nationally to LDC centres and preschools may encourage families to use LDC instead of preschool with increased confidence that educational standards are comparable.

While the magnitude of such impacts cannot be reliably estimated, it is possible there could be some shift in demand for care away from the sectors most heavily impacted by price impacts.

Chapter 7 Consultation

This chapter states the objective of the public consultations and describes the consultation process and outcomes.

7.1 Consultation objective

The consultation objective was to obtain stakeholders' views on proposed options for:

- a national quality standard for long day care, preschool and family day care (including new staff-to-child ratios and higher staff qualification requirements)
- enhanced regulatory arrangements which will integrate state and territory licensing and regulation with the Commonwealth's accreditation system, and
- a National Quality Framework designed to give parents more information about the quality of their child's early education and care service, and to promote continuous improvement in services.

7.2 Consultation process⁸¹

A consultation RIS was released for public and industry comment on 3 July 2009. The consultation RIS was placed on the COAG website, and printed copies were available at public information sessions and were sent to stakeholders by request.

There were six key mechanisms through which stakeholders could provide comment on the consultation RIS: written submissions; meetings between government officials and key stakeholders; COAG consultative forum; public forums; online surveys and focus group discussions.

7.2.1 Public Forums / information sessions

In July 2009, COAG held public information sessions in each state and territory on the options presented in the RIS. Details of the forums were published on the DEEWR website and there were links to these details from state and territory government department websites. Advertisements for the forums were placed in metropolitan daily and relevant regional newspapers. A total of almost 1,700 people across Australia attended these sessions.

TABLE 7-1: NUMBER OF PUBLIC INFORMATION SESSION ATTENDEES, BY STATE

Location	Number of attendees
NSW (Sydney, Parramatta, Newcastle, Orange)	~611
VIC (Melbourne, Bendigo)	233
QLD (Brisbane, Townsville)	314
WA (Perth)	125
SA (Adelaide)	170
TAS (Hobart, Devonport)	~70
ACT (Canberra)	~100
NT (Darwin, Alice Springs)	67
<i>Total</i>	<i>~1,690</i>

7.2.2 Written submissions

Through the public information sessions and other forums, stakeholders were invited to make written submissions. The consultation RIS set out instructions for preparing and sending a written

⁸¹ The consultation process was consistent with the application of the whole-of-government principles set out in the Best Practice Regulation Handbook (OBPR, 2007).

submission, and included a list of 14 questions to assist people in shaping their submission. The period available for written submissions was from 3 July 2009 to 18 September 2009, although late submissions were accepted. A total of 341 written submissions were received.

In addition to the written submissions, approximately 3,000 campaign-style submissions were received. Most of the letters were from parents using private ECEC in Queensland and NSW; these letters focussed on cost to parents, and in the case of some of the Queensland letters, issues around group size. Other letters were from parents using family day care services; these letters raised the issue around changes to the number of children under school age and the proposed qualification requirements. Around 2,000 of these were letters to the Minister for Early Childhood Education and Child Care, and around 1,000 were letters to DEEWR.

TABLE 7-2: NUMBER OF WRITTEN SUBMISSIONS, BY STATE

State/Territory	Number of submissions
NSW	121
VIC	28
QLD	58
WA	12
SA	19
TAS	6
ACT	6
NT	0
Not stated	91
<i>Total</i>	<i>341</i>

7.2.3 Meetings with peak bodies

In July 2009, COAG officials met with a number of peak bodies across Australia to obtain their views on the options presented in the consultation RIS. Over 100 people attended these meetings across Australia. All key peak bodies were involved in the consultation process (see Appendix D for a list of peak bodies which made written submissions).

TABLE 7-3: NUMBER OF PEAK BODY ATTENDEES, BY STATE

State/Territory	Number of attendees
NSW	18
VIC	8
QLD	15
WA	15
SA	19
TAS	11
ACT	12
NT	11
<i>Total</i>	<i>109</i>

7.2.4 COAG consultative forum

A forum was held in late July which brought together 27 people of significant standing from the early childhood education and care sector (representatives of peak bodies, providers and other organisations, academics, and state/territory government and Australian Government representatives of the NECDSC). Participants' views were sought on the reforms generally and on the options presented in the consultation RIS.

7.2.5 Online surveys

As part of the public consultation process, stakeholders had the opportunity to participate in online surveys. Two surveys were developed: one for parents and families, and one for service providers and other stakeholders. The surveys comprised questions relating to the policy options outlined in the RIS. A consultant, ORIMA research, was engaged to design, conduct and report on the findings of the surveys.

Parents and providers were encouraged to participate through widespread advertising of the surveys, including on CCMS, the early childhood area of the DEEWR website, through flyers distributed by jurisdictions, and press advertisements.

A total of 1,219 responses were received for the parents and families survey, and 1,743 for the service providers and other stakeholders survey⁸².

7.2.6 Focus group discussions

As part of the broad consultation process, a consultant, Open Mind Research Group, was engaged to host 26 focus group discussions across Australia to obtain feedback on the content of the RIS. The focus group discussions took place between 3 August 2009 and 1 September 2009. A maximum of 8 participants were recruited for each session.

The purpose of the discussions was to engage with a range of stakeholders who may be affected by the quality reforms and may otherwise not engage or have difficulty in participating in the other public consultation activities. These stakeholders included mainstream families, Aboriginal and Torres Strait Islander families and services, mainstream services and immigrant and refugee families.

During the discussion sessions, participants were asked to discuss a number of issues including the proposed changes to ratios and qualification requirements, views on having a nationally consistent quality standard and rating system and feedback on the proposed regulatory model for the implementation of the National Quality Agenda. Focus groups of families were also conducted to discuss the impact and issues around the potential increases in costs of services arising from the reforms.

7.3 Consultation outcomes

The feedback provided during the consultation phase highlighted a diversity of views among stakeholders. Some stakeholders provided support for the quality reform agenda, noting that it was a step in the right direction, that it presented a rare opportunity to improve the quality of early childhood education and care, and that it will be important to maintain the momentum of the reforms into the future.

Some stakeholders also had pragmatic concerns about on-the-ground capacity to implement the reforms. These concerns focussed on issues relating to workforce (such as the supply of adequately trained staff), infrastructure (room sizes based on current regulations may not meet new requirements), and cost (the potential for increased fees for parents and increased costs for services). There was a view that it will take time to implement the reforms (for example, to train workforce and achieve desired ratios) and that support will be required to help services transition to the new system.

In addition, some providers could not support the reform package without considerably more detail being provided, while others stated that the proposed reforms did not go far enough.

Jurisdictions' starting points relative to the reform options were factors in shaping responses. For example, feedback from jurisdictions which have in place regulations that are (or could be interpreted as) better than the options proposed were concerned that they will go backwards while jurisdictions facing considerable change were concerned about costs and the speed at which change may be expected.

⁸² Quality assurance protocols identified duplicate survey responses. The duplicate responses had the potential to impact the results; most were from one State and most selected 'status quo' or 'none' for the proposed reform options. All duplicate records were removed (except for the first response) from the online survey results.

7.3.1 National Quality Standard – improved ratios and qualification requirements

Long day care and preschool

Of all written submissions, over one third commented on ratios and qualifications for long day care and preschool. Of those, 38 per cent indicated that they were generally supportive of improved ratios (14 per cent not supportive) and 41 per cent supportive of higher qualifications (12 per cent not supportive).

The online surveys revealed no strong preference for individual options. In fact, the results showed the diversity of views from service providers and parents in identifying their preferred long day care and preschool options – almost equal proportions supported either the No COAG policy change option (Option 1), the mid-range change options (Options 2&3), or the most ambitious change option (Option 4). Just over one half of all stakeholders supported the change option for family day care.

Long day care and preschool preferences are shown in Table 7-4 below.

TABLE 7-4: SUPPORT FOR NATIONAL QUALITY STANDARD OPTIONS FOR LONG DAY CARE & PRESCHOOL

	Online survey: Parents		Online survey: Providers	
	N	%	N	%
Option 1	384	36	448	30
Option 2	128	12	239	16
Option 3	192	18	254	17
Option 4	299	28	478	32
None	64	6	75	5
<i>Total</i>	<i>1067</i>	<i>100</i>	<i>1494</i>	<i>100</i>

Family day care

Family day care preferences are shown in table 7-5.

TABLE 7-5: SUPPORT FOR NATIONAL QUALITY STANDARD OPTIONS FOR FAMILY DAY CARE

	Online survey: Parents		Online survey: Providers	
	N	%	N	%
Option 1	356	41	489	34
Option 2	443	51	791	55
Neither	69	8	158	11
<i>Total</i>	<i>868</i>	<i>100</i>	<i>1438</i>	<i>100</i>

General support for the proposals to improve ratios and qualification requirements

- Overall there was broad support for the proposed national quality standard, in particular the improved staff-to-child ratios and higher staff qualification requirements.

Workforce is a key implementation challenge

- Workforce emerged as the main issue of concern amongst stakeholders across all jurisdictions and by all stakeholder groups. Broadly, while stakeholders indicated support for

the reforms, they indicated that in order to deliver upon the proposed reforms they would need support in building workforce capacity. The main workforce concerns raised by stakeholders were about:

Difficulty attracting & retaining staff

- Stakeholders were concerned that the sector, already characterised by persistent staff shortages and high staff turnover, will be under further pressure to develop innovative attraction and retention strategies to meet the labour requirements arising from the reform agenda. Stakeholders suggested that there was a need to identify which incentives would successfully attract and retain staff.
- Stakeholders expressed concern about staffing pressures being greater in regional and remote areas where there are significant staff shortages and the workforce has a lower qualification profile.
- Stakeholder feedback suggested that the sector's low status, low pay and poor working conditions contribute to difficulties with the attraction and retention of staff. Feedback was that these longstanding issues need to be resolved in order to deliver on the quality reform agenda.

Challenge for systems to deliver, and for staff to undertake, quality education & training

- Stakeholders expressed concern that a large proportion of workforce is experienced but unqualified. Feedback suggested the challenge is to: (a) upskill existing workforce, (b) stem the potential loss of knowledge and experience by retaining unqualified staff who do not/cannot upskill, (c) streamline recognition of prior learning (RPL) processes. Particular concerns include:
 - Concerns about the quality and integrity of education and training. For example, higher education ECEC qualifications are inconsistent across Australia, and developing new courses consistent with the quality reforms would take time and require additional resources. Further, much institutionally-based training is seen as too quick.
 - Concerns over whether the education and training sector has the capacity to handle increased student numbers.
 - For providers, concerns about their capacity to backfill positions for staff who upskill (or RPL) due to: (a) difficulty in recruiting staff, and (b) additional cost of casual staff. For staff, concerns about access to, time for, and cost of, training (especially for regional and remote staff and for staff working full-time).
 - Current RPL processes being seen as a 'tick and flick' approach (i.e. too easy to obtain without delivering high quality graduates).

Need for clarification of the roles of qualified staff

- Stakeholders queried the role of the teacher: is the role teaching, leadership, training, support, or some combination?
- There was also concern and confusion over what an 'other relevant qualification' – as proposed in the RIS – would comprise. Stakeholder feedback was mixed. Some stakeholders saw this proposal as diluting the education component of the reforms, while others thought there was too strong a focus on education, particularly for babies.
- Some stakeholders did not support the proposal for 0.5 of an additional teacher for services with 60-80 children, indicating it would be difficult to administer.

Industrial considerations

- Stakeholders raised the issue of protection against unfair dismissal claims resulting from staff loss due to changes in qualifications.
- Stakeholders also suggested a need for a role description for each qualification level, and were concerned about how awards and agreements will be modified to take into account legislation changes to qualifications and regulation requirements.

Changes to ratios may have implications for infrastructure (building/room size)

- With services having built to current regulation for space requirements, ratios and group size, there was concern amongst stakeholders that some services may need infrastructure changes (with cost implications) as a result of the quality reforms and universal access.
 - For example, there was concern that some long day care services which have purpose-built rooms to meet the current regulations may have to either undertake capital upgrades or reduce the number of places (particularly places for babies). Feedback also suggested that capital upgrades may not be possible where the infrastructure is owned by other parties (for example local councils, schools or private landlords) or where there is not enough space on site.
- Group size restrictions, and the infrastructure built around group sizes, was a major concern with private ECEC operators in Queensland.

Concern about the potential for increased fees for parents and increased costs for services

- There was concern about the costs involved in the quality reforms and in particular who will pay for the reforms and what would be the impacts on families of any increases in fees.
- Some stakeholders were concerned that some long day care/preschool and family day care businesses may become less financially viable as a result of the improved ratios.
- Stakeholders believe that there is a need to support the most disadvantaged families to access good quality care, based on evidence which suggests that children in disadvantaged families will benefit the most from a quality environment.
- Stakeholders made suggestions for support for certain groups, including providing financial assistance to ensure families in low paying jobs could still afford quality care and ensuring that disadvantaged families could access care to provide a positive environment for their children, even when they don't need it for workforce reasons,.
- In addition, stakeholders commonly suggested the need for additional implementation support for those centres that cater for children with additional needs, due to the extra costs involved in caring for these children.
- There was concern about the cost modelling assumptions and whether they were an accurate reflection of the likely increases in costs of the proposed quality reforms. Some noted that the costs appeared to be an underestimate of the true cost. Some submissions provided alternative methods of cost modelling⁸³.
- There was also concern about the interaction with child care benefit and child care rebate eligibility.
- Some stakeholders were concerned that the proposed option for family day care may reduce the number of available places in some jurisdictions due to the current ratios being more generous. For example, in Tasmania the ratio for family day care is 1:5 children under school age if carers hold a certificate III and the ratio for New South Wales is also 1:5. There was concern about the financial viability of family day care providers if the ratio for under school age children is reduced to 1:4. Potentially there was concern that carers could face a loss of income.

Lack of clarity regarding the National Quality Agenda's interaction with Universal Access (UA)

- The proposed National Quality Standard qualifications requirements are separate from, but complementary to, the UA commitment. However, there was a view among stakeholders that the National Quality Agenda and UA are seen as two agendas, and there was confusion about how services will implement these.

⁸³ The alternative modelling was checked by Access Economics. All models reflect the assumptions used, and the alternative models generally reflected a single service model compared with the averaging model developed in the current Access Economics work.

- Stakeholders were concerned that under UA, preschools could “poach” four-year qualified teachers from other areas of the sector.
- There was also concern that local government will withdraw from ECEC provision because of funding. Local government in some states is already assisting in meeting infrastructure requirements under the UA initiative.
- The role of the 4-year trained teacher (that is, whether the role is teaching, leadership, training, support, or some combination) was also queried by stakeholders in relation to UA requirements.

Potential for unintended responses

- Some stakeholders were concerned that infrastructure changes may lead to the cutting of places by services.
- With many services already operating within the proposed ratios, there was concern that the options being proposed (for the children aged 36 months or more) are not best practice and that jurisdictions with ratios greater than the proposed national standard for staff-to-child ratios might move backwards to align with the national standard. Stakeholders queried whether those with more improved ratios than the National Quality Standard would be expected to maintain these ratios?
- Feedback suggested that experienced but unqualified staff who are required to upskill may be at risk of being undervalued under the proposed minimum qualification requirements and therefore may potentially exit the sector, adding to workforce pressures.

OSHC

- Feedback from the National Out of School Hours Services Association suggests it is supportive of applying the National Quality Standard to the OSHC sector, and eventually having the sector assessed under all aspects of the National Quality Standard, including setting staff-to-child ratios and qualifications for this sector in the future.

Scope and coverage

- There was general support among stakeholders to eventually include non-mainstream, budget based and other services (these service types are described at Section 1.2), noting that these services may require support in transitioning to the new system.

Implications of grandfathering

- Feedback suggested that there was confusion about how the grandfathering of ratios would work and concern about the risk of reducing quality in those services where grandfathering applies, in the effort to achieve national consistency.

TABLE 7-6: KEY VIEWS ON NATIONAL QUALITY STANDARD, BY STAKEHOLDER GROUP

Parents	<p>Ratios</p> <ul style="list-style-type: none"> • Parents had little awareness of the current mandated minimum staff-to-child ratios. While there was general consensus that ratios are important, parents rated the quality of the services' programs/activities and the presence of friendly, nurturing carers as the most important things when deciding on an ECEC service. • Parents saw that the improved ratios would have an impact on cost; while some agreed this was necessary to achieve improved quality, others were more sceptical. • Some parents expressed a level of anxiety about the proposed changes because they were happy with current arrangements. Anxieties arose from a reconsideration of current services: "Does that mean what I'm accessing now is no good?" <p>Qualifications</p> <ul style="list-style-type: none"> • There were low levels of awareness about what qualification requirements currently exist. • There was broad agreement that qualifications are a good idea, but there was debate about whether experience is more important than qualifications. • Concern about recruiting qualified people to a low status job, although increasing the qualification requirement may help improve status. • Concern about smaller centres being excluded from access to qualified teachers; this was seen as inconsistent with having national standards.
Service providers	<p>Ratios</p> <ul style="list-style-type: none"> • Services were particularly concerned over workforce impacts on their organisations, particularly in regional and remote areas. Substantial support is needed to attract more people to the sector (especially increased wages and improved conditions). • Concern about increased costs due to improved ratios. • Concerns were raised that proposed ratios could unintentionally reduce the number of places for some services due to limitations on the maximum number of children allowed for the floor space available. • FDC providers in some states tended to be more critical of the proposed changes. They felt there would be a large impact on their business, with a perceived loss of income of up to 20 per cent for some. <p>Qualifications</p> <ul style="list-style-type: none"> • Strong support for the proposed minimum qualification, noting that qualified staff were easier to manage and delivered better quality care. It would also help to improve the status of the sector. • Concern about substantial increase in costs of hiring more qualified staff, and of supporting staff to undertake training (access to training in regional and remote areas is an issue). For example, it would be a substantial burden to lose a staff member while they attended training. Providers also noted as potential barriers the burden of cost of training for low-paid staff, and literacy issues for some experienced staff to complete qualifications. • Concern about the availability of trained staff, particularly in regional and remote areas. • Concerns about the variable quality of training courses, and a view that standards had already dropped to 'push through' the required numbers of Certificate IIIs. • Over two thirds of services indicated that they would respond to the proposed changes to qualification requirements by

	<p>undertaking at least one of the following four training options: developing learning and development plans, upskilling staff through RPL processes, funding staff to undertake more training and/or making use of existing government-funded training programs. Only 12 per cent indicated that they would reduce capacity.</p>
<p>Indigenous families; migrant or refugee families; families of children with additional needs</p>	<p>Indigenous Families</p> <p>Ratios</p> <ul style="list-style-type: none"> • In general, parents were supportive of a national approach to staff-child ratios and to improving ratios. • Concerns were expressed that centres may have to reduce enrolments to keep pace with the requirements or to increase the fees they charge. Many parents felt they could not afford an increase in fees. • Options 3 and 4 were preferred due to the timing and the fact that their children would still be in care to experience the benefits. <p>Qualifications</p> <ul style="list-style-type: none"> • Opinions on staff qualifications were divided. There was general agreement that qualifications are important but experience was also noted as being of equal value. • There was concern that requirements for more qualified staff are unrealistic for budget based services and that it may be difficult for Indigenous staff to increase the level of their qualifications. <p>Migrant/Refugee Families</p> <p>Ratios</p> <ul style="list-style-type: none"> • The proposal to reduce staff-to-child ratios received support but concerns were raised over the cost implications. • It was felt that options with a shorter timeframe were preferable as their children would be able to experience the benefits. <p>Qualifications</p> <ul style="list-style-type: none"> • Parents were unaware of current qualification requirements. • Concern about the affordability of care once minimum staff qualifications are changed.
<p>Indigenous providers & peak bodies</p>	<p>Ratios</p> <ul style="list-style-type: none"> • There was general support for reduced ratios. • Concerns were around the costs implications as it was felt that many Indigenous families could not afford higher fees. <p>Qualifications</p> <ul style="list-style-type: none"> • Concern over recruiting and attracting qualified staff. This was seen as a major barrier to implementing this agenda particularly in remote communities. • Training of staff in cultural awareness was also seen as another requirement for relevant services (as well as qualifications).

7.3.2 Enhanced regulatory arrangements

From the written submissions, almost all comments on the enhanced regulatory arrangements indicated support for an integrated national system.

From the online survey, almost three in four providers supported Option 2 (an integrated national system). Parents were not asked about the enhanced regulatory arrangements because it was felt they would not be in a position to make an informed judgement.

TABLE 7-7: SUPPORT FOR ENHANCED REGULATORY ARRANGEMENTS OPTIONS

	Online survey: Providers	
	N	%
Option 1	302	22
Option 2	988	72
Neither	82	6
<i>Total</i>	<i>1372</i>	<i>100</i>

General support for the enhanced regulatory arrangements

- There was general support for a streamlined regulatory system, while noting that implementation will take significant effort.

TABLE 7-8: KEY VIEWS ON ENHANCED REGULATORY ARRANGEMENTS, BY STAKEHOLDER GROUP

Parents	<ul style="list-style-type: none"> Generally outside parents' experience to be able to comment.
Service providers	<ul style="list-style-type: none"> Highly supportive in principle of a national regulatory framework. However, before they could offer further support they needed more detail on: how quality standards would be defined and measured in practice; how the validation process would be improved from the existing system; how subjectivity and inconsistency would be removed from the validation process; and how the regulatory arrangements would work for preschools (and especially teachers) when these are currently regulated by state education departments. Concerns that national regulatory arrangements may be too prescriptive, may reduce flexibility to respond to local needs. In regards to the proposed regulatory arrangements, 76 per cent of services agreed it would streamline their licensing and assessment process, while 61 per cent indicated it would reduce paperwork and administrative burden.
Indigenous families; migrant or refugee families; families of children with additional needs	<p>Indigenous Families</p> <ul style="list-style-type: none"> There was an expectation that a national regulatory framework would incorporate an "easy to use" complaints process. The framework was seen as important but it was felt that the regulator should have local knowledge of the area/community. <p>Migrant/Refugee Families</p> <ul style="list-style-type: none"> Families had limited knowledge of the current regulations and how they varied across states and territories. The proposal for a national approach (once differences were explained) received strong support.
Indigenous providers & peak bodies	<ul style="list-style-type: none"> There was strong support for a national regulatory body particularly as this would reduce burden on providers. It was noted that assessors must have appropriate cultural knowledge.

7.3.3 National Quality Framework

From the written submissions, comments were almost equally split between support for Option 2, and the need for more detail about operational aspects and impacts.

From the online survey, just over one half of parents and providers supported Option 2.

TABLE 7-9: SUPPORT FOR QUALITY RATINGS SYSTEM OPTIONS

	Online survey: Parents		Online survey: Providers	
	N	%	N	%
Option 1	406	43	531	37
Option 2	501	53	766	53
Neither	38	4	153	11
Total	945	100	1450	100

General support for the National Quality Framework

- There was general support for the proposed ratings system although it was noted that there was a lack of detail about how the system might operate and be interpreted. Private providers were less supportive of the ratings system, suggesting that the information to parents is currently of a high quality.

Concern over limited capacity to achieve high ratings

- There was concern around the capacity of some services to deliver Universal Access which would make it difficult to gain a 'High Quality' rating. Such services included: small/regional services, family day care services, and services in jurisdictions where preschool is delivered through the public system.

Implications of grandfathering

- With regard to grandfathering (retaining) of existing jurisdictional regulations, there was concern about the implications of this, and about which services would be subject to these grandfathering rules, that is both existing and new, or just existing services (with new services to fall under the National Quality Agenda requirements).

Applicability of ratings framework

- There was also some confusion about the applicability of the ratings framework to outside school hours care due to there not being enough information on this care type.
- Some stakeholders questioned the value of the ratings framework in areas where there is limited or no competition, such as in regional areas.
- In relation to preschool, there were questions among stakeholders about how it would be regulated as currently some public preschools are in the jurisdictional school systems.

Role of assessor and advisor

- A number of stakeholders raised concerns about the inconsistency of the assessors in the current system and what the role of the assessor and advisor under the new system will be.

TABLE 7-10: KEY VIEWS ON QUALITY RATINGS SYSTEM, BY STAKEHOLDER GROUP

Parents	<ul style="list-style-type: none"> • Parents found it difficult to say whether the proposed ratings system is better than the current system, although they supported the idea of a national minimum standard. • The impacts on parents were primarily around how the proposed ratings system would apply to them. Some parents expressed a level of anxiety as they were happy with current arrangements, and questioned whether current care was below standard. • Around 82 per cent of parents are generally satisfied with the current quality of information they receive about their ECEC service, while around two-thirds of parents believe that the proposed quality rating system will improve quality. • Parents could be concerned if unsatisfactory services would still be able to operate, or alternatively that their service might close down. • Some parents felt the language of the ratings needed to be simplified. • Parents were still likely to rely on the mechanisms they currently use to judge quality (word of mouth, personal inspections, happy children). • Around 72 per cent of parents preferred ratings information to be provided on the web. • Parents would like to be included in the final rating allocated to a service. • A communication strategy will be required to inform parents of the existence of a ratings system.
Service providers	<ul style="list-style-type: none"> • Providers who participated in focus group: would not support the proposed model and were unsure how it differed from current NCAC system. More detail required about how the proposed system would work. Rating system had potential to alienate within the sector: concern that 'high quality' and 'excellent' ratings would not be achievable for many services due to their size, resourcing or location. Ratings for FDC providers particularly challenging. • Services indicated the potential impacts of the quality ratings system would be generally positive. For example, 57 per cent of services indicated that the proposed rating system would improve quality. • 41 per cent of services preferred an assessment to be undertaken every three years, with 31 per cent preferring every 2 years. • There was significant comment on the purpose of the Excellent rating level. For example, some stakeholders preferred that an excellent rating should be based around a particular uniqueness, not overall service rating. • Just under 60 per cent of services would use the proposed quality rating system as a marketing tool.
Indigenous families; migrant or refugee families; families of children with additional needs	<p>Indigenous Families</p> <ul style="list-style-type: none"> • There was some difficulty understanding the different quality standards. • Parents wanted to see elements of Indigenous culture and socialisation included in the standards. • A ratings system was seen as important but it was noted that Indigenous families often have less choice of services, particularly in remote areas. The framework should therefore incorporate access elements such as transportation to and from the service. <p>Migrant/Refugee Families</p> <ul style="list-style-type: none"> • The response to the rating system was mixed. • Concern over the 'operating requirements ratings' as parents felt that services would be able to operate even if they weren't currently achieving standards.
Indigenous providers & peak bodies	<ul style="list-style-type: none"> • There was support for a ratings system but the need to include cultural elements in the ratings for Indigenous

	<p>services was noted.</p> <ul style="list-style-type: none">• Concern over the ability of services in remote areas to compete with the ratings of other services in more metropolitan areas.
--	---

Chapter 8 Conclusion and recommended option

This section provides a summary of the impacts of the proposed reforms as discussed in the impact analysis at Chapter 6. Based on this analysis, a recommendation is made on the preferred option for each reform area.

Summary tables - advantages and disadvantages

Sections 8.1 and 8.2 present the advantages and disadvantages of Option 2 – the reform option for each of the four proposals – compared with Option 1, with regard to the potential impacts on service providers, families and government.

The four proposed reform areas are:

- Long day care and preschool staff-to-child ratios and staff qualifications
- Family day care staff-to-child ratios and staff qualifications
- Quality rating system, and
- Enhanced regulatory arrangements.

For the purposes of the below analysis the proposed reforms to ratios and qualifications for both long day care and preschool, and family day care will be considered together.

8.1 National Quality Standard – Summary of advantages and disadvantages

8.1.1 Long day care/preschool and family day care ratios and qualifications – Option 2

Table 8-1 sets out the advantages and disadvantages of Option 2 for LDC/preschool and FDC as compared to the No COAG policy change option, Option 1.

TABLE 8-1: ADVANTAGES AND DISADVANTAGES OF IMPROVING RATIOS AND QUALIFICATION REQUIREMENTS FOR LONG DAY CARE, PRESCHOOL AND FAMILY DAY CARE (OPTION 2)

	Service Providers	Families	Other
Advantages	<ul style="list-style-type: none"> • Introduction of national quality standards has the potential for lower administrative burden and cost for businesses operating across jurisdictions. • Certainty for the sector of uniformity of minimum quality standards across Australia. • Potential costs of implementing new arrangements will occur over a number of years, potentially lessening the up front impact of implementation. 	<ul style="list-style-type: none"> • Positive benefits to children and society from receiving incrementally higher quality education and care. • Increased support for the workforce participation needs of families through provision of higher quality care. • Better provision of access to high quality care will better support the needs of disadvantaged children. 	<ul style="list-style-type: none"> • Ratios and qualifications are consistent within both LDC/preschool and FDC, and nationally. • Important objectives of the National Quality Agenda, including consistent national standards, are met. • All governments are able to work collectively to improve quality standards in all states and territories.
Disadvantages	<ul style="list-style-type: none"> • Costs associated with hiring and training additional staff to meet new staff-to-child ratios and qualifications requirements. • Potential infrastructure impacts. • Potential for reduced revenues for some services. 	<ul style="list-style-type: none"> • Costs to families of education and care. • Potential for reduction in the availability of places in some circumstances. 	<ul style="list-style-type: none"> • Transitional costs imposed on governments from implementing new standards.

8.1.2 National Quality Framework - Option 2

Table 8-2 sets out the advantages and disadvantages of Option 2 compared with the No COAG policy change option, Option 1.

TABLE 8-2: ADVANTAGES AND DISADVANTAGES OF THE PROPOSED RATING SYSTEM (OPTION 2)

	Service Providers	Families	Other
Advantages	<ul style="list-style-type: none"> • Benefits to service providers of a clear and consistent national quality standard against which performance can be measured. • Consistent assessment of all ECEC services against the same standards, potentially reducing administrative burden for services offering different types of service. • Potential benefits to providers of utilising a new rating system to improve demand in their business. • High quality services will be recognised, potentially influencing demand for their service as quality is more readily observable by consumers. 	<ul style="list-style-type: none"> • Potential for better informed decision making by parents due to increased information flow. • Increased incentives for services to offer high quality, cost competitive services due to increased information flow. • Potential augmentation of quality improvements over time. 	<ul style="list-style-type: none"> • Important objectives of the National Quality Agenda, including raising quality and driving continuous improvement across the sector, are met.
Disadvantages	<ul style="list-style-type: none"> • Potential costs to providers in transitioning to the new ratings system. 	<ul style="list-style-type: none"> • Potential that due to the better recognition of quality resulting from the new rating system, services of higher quality may increase their fees. 	

8.2 Enhanced regulatory arrangements – Summary of advantages and disadvantages

8.2.1 An integrated national system - Option 2

The table below sets out the advantages and disadvantages of Option 2 as compared to the No COAG policy change option, Option 1.

TABLE 8-3: ADVANTAGES AND DISADVANTAGES OF THE PROPOSED INTEGRATED NATIONAL SYSTEM (OPTION 2)

	Service Providers	Other
Advantages	<ul style="list-style-type: none"> Streamlining of accreditation and licensing practices into one national system may reduce costs and administrative burden, mainly for LDC and FDC providers. Resolution of existing regulatory duplication. More equitable system of regulation. Certainty for providers. Potential productivity gains from a single, national system. 	<ul style="list-style-type: none"> Potential for each state and territory government and Australian Government to improve efficiency through operation of one regulatory system as opposed to two separate systems. Potential savings to governments from improvements to regulatory system. Improved, nationally consistent data and system performance monitoring.
Disadvantages	<ul style="list-style-type: none"> Transitional costs imposed from implementing a new regulatory framework. Existing providers not currently subject to licensing and/or accreditation will now be required to undergo regulation and potentially incur increased costs. OSHC will face greater or lesser regulatory burden depending on jurisdiction, and the regulatory burden for preschools will generally increase. 	<ul style="list-style-type: none"> Some states and territories to incur additional costs due to an increase in service types regulated within the sector in their jurisdiction. Total costs to rise to \$47.7m in 2012 due to the increased number of services under the new regulatory system.

8.3 Summary and recommendations

The key objectives of the National Quality Agenda for Early Childhood Education and Care (ECEC) are to:

- improve educational and developmental outcomes for children attending early childhood education and care and OSHC services under the NQA; and
- deliver an integrated and unified national system for early childhood education and care, which is jointly governed and which drives continuous improvement in the quality of services

The way quality is defined and reflected in the National Quality Standard is a key aspect of the National Quality Agenda. The Standard brings together structural components of quality such as staff-to-child ratios, staff qualifications and health and safety matters addressed by regulation with the process aspects of quality such as interactions with children, partnerships with families, stimulating environments and programs and service management addressed through accreditation.

The major cost drivers of the National Quality Standard are staff-to-child ratios and qualifications for early childhood workers. The proposed reforms will set staff-to-child ratios and minimum educational qualifications for the ECEC workforce. These requirements will apply across the country and replace the differing state and territory requirements. In addition, ECEC providers will only have to deal with a single national regulator. The quality assurance standards will be enhanced and parents will be provided with more information on the operation of childcare providers.

Most of the costs of the proposed reform can be readily quantified and are relatively significant. The benefits of improvements to early childhood education and care and the impact on educational outcomes are difficult to quantify. Nevertheless, it is believed that the benefits of improved quality will outweigh the costs over the long term.

There is a strong body of international evidence which suggests that both the qualification level of ECEC staff and the ratio of staff to children have an impact on children's educational outcomes. However, the optimal standard for these variables and the quantitative difference in educational outcomes associated with different levels is unclear. Similarly, the international literature provides strong support for the contention that improvements in process quality elements generate improved educational outcomes for children, though again, the magnitude of these gains is unclear.

It is also worth highlighting that the research on the effect of child care quality on children's educational outcomes does not distinguish between different starting points for the improved ratios. That is, it says nothing about the relative benefits of an improvement in staff-to-child ratios from 1:5 to 1:4 versus a subsequent move from 1:4 to 1:3.

The reforms canvassed as part of the NQA will impact directly on the ECEC providers. Higher staff-to-child ratios and the requirement for more highly qualified staff has a number of potential impacts. Challenges arise in ensuring there are enough adequately trained staff and sufficient infrastructure (current room sizes may not meet new requirements). Rural and remote locations face particular workforce challenges and will require continued monitoring of workforce growth during implementation. These aspects of the proposed reform will mean higher labour costs than might occur with a slower transition.

The cost resulting from the National Quality Standard will be borne to varying degrees by the ECEC sector, parents, the Australian Government, and state and territory governments.

In total the reforms will cost \$1.6 billion over 10 years measured in 2009 dollars. Modelling undertaken by DEEWR suggests around 47 per cent of the increase in fees in eligible services will be borne by the Australian Government through childcare subsidy payments. In total this policy will cost the Australian Government around \$750 million over ten years.

Parents will pay approximately 50 per cent of the increased cost with the exact amount paid by each family depending on family income and how much child care is used. For example, a family with an income of \$80 000 or less, with one child in LDC for 30 hours per week will pay an additional \$6.64 per week by end 2019. For a family with an income of \$160 000 and two children in LDC for 50 hours per week will pay an additional \$44.28 per week by end 2019.

The cost impact will vary by jurisdiction, with the major share of costs in LDC borne by New South Wales and Queensland, accounting for around 23 per cent and 42 per cent respectively. In preschool, Victoria accounts for around 66 per cent of total costs.

Preschools will face an increase in the average annual visit-hours per service ranging from 6.7 hours to 13.2 hours. For LDC, the change in average annual visit-hours per service ranges from an increase of 3 hours to a decrease of 6.9 hours.

There will be some benefits from streamlining the regulation of ECEC providers. It is estimated that the streamlining and consolidation of regulation under the new national framework will generate visit-related regulatory burden savings for services currently subject to duplicative regulation of between 10 and 50 per cent. Best practice principles that minimise paperwork and the regulatory burden on services will be followed in the further development of the guidelines that underpin the National Quality Standard. At the same time, however, the introduction of previously unlicensed services to the new regulatory framework will see increased regulatory burden in some areas – principally preschool. Primarily as a result of the increased scope of regulatory coverage, implementing the enhanced quality assurance standards is estimated to cost state and territory governments an additional \$12.9m each year.

Overall, it is expected that the proposed reforms will deliver a net benefit to the community. However, the proposed reforms are not without risk. While the analysis provides confidence that there will be enough adequately trained staff to meet the requirements, the standard is challenging. A review will be completed within the first quarter of 2013 on progress towards meeting the qualification requirements due to come into force from 1 January 2014, particularly in relation to requirements for an early childhood teacher and the capacity of early learning and care providers in rural and remote areas to attract a trained teacher.

In addition, the proposed reforms involve a significant investment of \$1.6 billion, while the potential benefits will not be realised for some time. Nevertheless, improved quality care is expected to deliver better educational outcomes for children resulting in lifetime benefits which accrue both to the child itself and to the economy and society more broadly through increased productivity and improved social outcomes.

Recommendation 1 LDC/Preschool and FDC staff-to-child ratios and qualifications – Option 2

Option 2 would see the introduction of consistent national quality standards for the ECEC sector including consistent staff-to-child ratios and qualifications for LDC and preschool.

Option 2 proposes nationally consistent staff-to-child ratios and qualifications requirements, starting with the introduction of a 1:4 staff-to-child ratio for children birth to 24 months by 1 January 2012.

Recommendation 2 FDC staff-to-child ratios and qualifications – Option 2

Option 2 would see the introduction of consistent national quality standards for FDC including consistent staff-to-child ratios and qualifications.

Option 2 proposes the introduction of a carer to child ratio of 1:7 with a maximum of four not yet attending school and minimum qualification requirements for carers and coordinators by 1 January 2014.

Recommendation 3 National Quality Framework – Option 2

Option 2 would see the introduction of the National Quality Framework. The framework combines the National Quality Standard with a five-point scale rating system to describe the quality of early childhood education and care services.

Recommendation 4 Enhanced regulatory arrangements – Option 2

Option 2 would see the introduction of an integrated national regulatory system, designed to reduce duplication of regulation across levels of government and across sectors.

The system would integrate licensing and quality assurance in early childhood education and care settings and apply (in the first instance) to LDC, Preschool, FDC and OSHC.

Chapter 9 Implementation and review

9.1 Transitional and implementation arrangements

If the options recommended in Chapter 8 are adopted, there will be a need for a strategy to implement the reforms in an efficient manner. A range of transition and implementation issues have already been considered and a proposed approach to implementing the National Quality Agenda reforms is set out below.

9.1.1 Transition and implementation arrangements

The implementation of the NQA will occur over several years. A phased implementation is necessary to:

- enable the aligned development and enactment of legislation;
- facilitate the required growth in a qualified ECEC workforce;
- allow current ECEC and OSHC services time to adjust to new standards;
- establish the new national body; and
- facilitate the training of regulators responsible for assessing services against the National Quality Framework.

The provision of information and support to ECEC and OSHC services will also be required in preparation for the transition to the National Quality Framework.

Assessments against the National Quality Standard and streamlining of existing processes are able to commence from July 2010. New ratio and qualification requirements and regulatory arrangements will be implemented progressively, starting with the introduction of a 1:4 staff-to-child ratio for children birth to 24 months in LDC and preschool services.

A joint Australian, state and territory government implementation plan for the National Quality Agenda will be developed following a decision by COAG on this agenda.

9.1.2 Transitional arrangements for applying the New Quality Standard

The new governance arrangements will also be introduced progressively. From 1 July 2010 assessment and rating of Child Care Benefit 'approved' ECEC and OSHC services (which are currently subject to the existing Child Care Quality Assurance System), will be commenced using a joint planning approach between the National Childcare Accreditation Council (NCAC) and State and Territory regulatory agencies. Where states and territories wish to begin assessment of preschool services against the new National Quality Standard before 1 January 2012, they will be able to do so.

This phased implementation of the new governance arrangements will mean that the Commonwealth and the States and Territories will retain specific roles in relation to quality assurance in the short term. The NCAC will primarily focus on aspects of the National Quality Framework that are not addressed by State and Territory regulators when they assess a service for an approval to operate. As far as possible, this approach will support the aim of reducing regulatory burden by streamlining the regulatory and quality assurance activities.

During the transition period, services will be expected to participate in the National Quality Framework and show continuous improvement in the delivery of services in order to continue to be eligible for approval for Child Care Benefit purposes. Information and support will be provided to services to assist them to build their capacity and move toward meeting the new National Quality Standard.

From 1 July 2010 all existing services approved for Child Care Benefit and currently participating in the Child Care Quality Assurance System will be given an operating level rating. For these services, their current accreditation status will sit alongside this rating until such time as they are assessed against the National Quality Standard. Any new licensed services will also be given an operating level rating in the first instance.

The assessment of existing providers will occur on the same cyclical basis as at the current Quality Assurance System accreditation process (two and a half years), and as such it may take up to 3

years from 1 July 2010 for all services to be assessed against the National Quality Standard. Where a triggering event occurs (such as a change in the primary person in charge of the service) and risk profiling indicates a need for an early assessment, an assessment will be prioritised.

The assessment of services not required to be approved for the purposes of Child Care Benefit, such as most preschool services, will be a priority following formal commencement of the National Quality Framework on 1 January 2012. The timeframe for the assessment of these services would be determined and specified in the implementation plan. Field testing of the assessment of these services will occur in the transition phase.

During the transition phase, existing staff-to-child ratios and qualifications that are in force prior to the commencement of the National Quality Framework on 1 January 2012 will continue to apply until the date of effect for each element under the new requirements, as detailed in Appendix B, is implemented.

During the transition period, States and Territories will use their best endeavours to give priority consideration for vacancies in equivalent positions in State and Territory regulatory agencies to current NCAC validators and moderators and relevant State or Territory employees.

Once the system is fully operational, the NCAC will cease to operate. The national body will be a new and distinct organisation with specific functions.

Staff from the NCAC will be given priority consideration for national body positions where they have relevant skills. Senior positions will be advertised.

9.2 Legislative framework

State, territory and Australian Government legislation will need to change to implement the preferred options.

A legal framework, incorporating an Act, Regulations and Schedules will support the introduction of the National Quality Standard. The seven quality areas, the 23 standards and the elements will be incorporated into legislation. The final detail of the National Quality Standard will be determined following consultation with the ECEC and OSHC sector.

The Act will detail requirements for the system, including: guiding principles; matters of substance or important procedural matters (e.g. powers to enforce compliance, appoint an administrator; power to approve services to be able to operate; to enter services; for all services to participate in the rating system; appeal processes); aspects relating to a significant question of policy; matters which have a significant impact on individual rights and liberties; areas where significant penalties may be imposed; and power to fund and describe entitlement to Commonwealth or State funding, e.g. Child Care Benefit or preschool funding.

Regulations will be contemplated by the Act and within the power conferred by the Act. The regulations will include matters related to detailed implementation of the NQS and matters that require flexibility and responsiveness. The Regulations will outline the requirements to meet the standards and elements across the seven quality areas and will include schedules which prescribe detailed regulatory requirements.

Guidelines will not be legislated and will provide further information and clarify interpretation of the requirements set out in the Act and Regulations. They will provide information to both the service provider and staff about best practice, meeting the standards, and more detail on implications of the standards for particular services types.

The standards, regulations and schedules will be the enforceable components of the NQS. Both qualitative and quantitative aspects of the NQS will be enforced. Stronger penalties will be attached to the requirements or offences contained in primary legislation.

9.3 Review

It is proposed to review progress against the National Quality Agenda every five years, commencing in 2014.

Specific issues to be examined within the context of the review include:

- whether the governance arrangements are meeting the agreed objectives, particularly in relation to delivering an integrated and unified national system for early childhood education

and care; improving the efficiency and cost effectiveness of regulation, and reducing the regulatory burden for providers;

- whether any changes to the governance arrangements would serve to better meet the agreed objectives including any changes to the responsibilities of the national body, and any changes to responsibility for the delivery and administration of the National Quality Standard;
- the agreed efficient costs and adequacy of funding to achieve specified outcomes and outputs;
- the fee structure;
- further improvements to the standards, including the staff to child ratio for children in the birth to 24 months age range;
- workforce issues and the evidence in relation to workforce supply and take up rate of qualifications;
- approach to teacher registration;
- whether there are any unintended consequences associated with the new regulatory system;
- the regulation of preschools, including mechanisms to encourage the separation of regulation from service provision; progress being made towards a streamlined, integrated regulatory arrangements for preschools and other early childhood education and care services over time; and progress towards uniform teacher to child ratios for preschool programs;
- the structure of the board for the new national body; and
- consideration of available evidence and analysis to determine if there are remaining difficulties in Queensland in relation to the interaction between National Quality Standard staff to child ratios and existing infrastructure.

In addition, a review will commence at the beginning of 2013 on progress towards meeting the qualification requirements due to come into force from 1 January 2014, particularly in relation to requirements for an early childhood teacher and for those jurisdictions in which there are significant rural and remote workforces.

Appendices

Appendix A State and territory regulatory frameworks

This appendix provides an overview of the legislative and regulatory framework for ECEC in each jurisdiction, including the prescribed requirements for the three core components of quality care: staff-to-child ratios; minimum qualification requirements; and group size⁸⁴. An overview of the ECEC market in each jurisdiction is provided, as is a discussion of any recent or pending state-based regulatory reform.

A.1 Australian Capital Territory

A.1.1 Legislative framework

The *Children and Young People Act 2008* (Act) provides the overarching legislative framework for the regulation of ECEC in the Australian Capital Territory. The Act requires the development of *ACT Childcare Services Standards* (Standards), which prescribe the minimum quality standards that licensed ECEC services must meet. The Act is administered by the Department of Disability, Housing and Community Services.

The Children's Policy and Regulation Unit within the Office for Children, Youth and Family Support is responsible for the licensing and monitoring of children's services. Licensed services include centre based children's services (including LDC and occasional care), FDC, school age care (OSHC), non government independent preschools, and playschools. Playschools provide sessional care and education to children from three years to school age. Licenses may be issued for up to three years. The Children's Policy and Regulation Unit is responsible for ensuring that licensed services operate in compliance with the Act and Standards. Services are monitored between three and four times per annum through announced and unannounced visits. The Children's Policy and Regulation Unit additionally investigates complaints and concerns.

The Department of Education and Training is responsible for the delivery of public preschools, which since 2008 have been integrated with primary schools. The *School Excellence Initiative* provides a framework for continuous improvement for schools. The initiative is reported on through school board annual reports, which provide information necessary to meet the legislative requirements of the *Education Act 2004*. Preschool programs are guided by the Australian Capital Territory curriculum framework, *Every chance to learn*.

⁸⁴ Information has been sourced from documentation supplied by the Quality Working Party, the Productivity Agenda Working Group, and consultation with state and territory representatives. Where contradictory information has been supplied, the authors have referred back to the principal legislation.

A.1.2 Quality components

TABLE A-1: STAFF-TO-CHILD RATIOS, AUSTRALIAN CAPITAL TERRITORY

Service type	Staff- to- child ratio	Qualified staff- to- child ratio
LDC	0 - 3 years, 1:5 > 3 years, 1:11	0 - 3 years, 1:10 > 3 years, 1:22
Occasional care	0 - 3 years, 1:5 > 3 years, 1:11	0 - 3 years, 1:10 > 3 years, 1:22
Playschools	1:10	1:20
FDC	1:7, maximum four children under school age	One in every three FDC scheme coordinators must be qualified.
OSHC	1:11	1:33
IHC	Not prescribed	
Preschool (independent)	2:25	1:25
Preschool (government)	2:25	1:25

With the exception of FDC, two staff members must be present at all times, one of whom must be qualified.

Minimum qualifications

The Australian Capital Territory currently has no formal entry-level qualification requirement. The *ACT Childcare Services Standards 2009* incorporate core standards that apply to all types of licensed care, and service specific standards. The core standards require a person occupying a qualified position to:

- hold a Diploma in Community Services (Children's Service) or equivalent; a Bachelor of Early Childhood Education; or an equivalent three-year full-time tertiary qualification specialising in early childhood from a university or
- have completed a Certificate III component of a Diploma qualification; or have completed half a Degree qualification; and demonstrate continuing progress toward completion of that qualification.

Service specific standards prescribe additional acceptable qualifications.

Group size

The ACT Childcare Service Standards prescribe maximum group sizes. For centre-based care, maximum group sizes are:

- 0 – 2 years: maximum of 15
- 2 – 3 years: maximum of 20
- 3 – 5 years: maximum of 33.
- for mixed ages, the maximum group size for the youngest child applies.

The standards additionally prescribe a maximum group size of 20 children for playschools, and 33 children for independent preschools. The ACT Department of Education and Training prescribes a maximum group size of 25 per group for government preschools, where there is adequate space at the preschool. A small number of preschools are restricted to a group size of between 15 – 20.

A.1.3 Regulatory reform

The Australian Capital Territory has recently reviewed the *Children and Young People's Act 1999*. The *Children and Young People Act 2008* was passed by the Australian Capital Territory Legislative Assembly on 1 July 2008. A number of provisions commenced on 27 February 2009, including those relating to the licensing of child care services. The key changes to the Act that are relevant to the operation of child care services comprise:

- ACT Childcare Service Standards replace licence conditions
- removal of the Approval in Principle period prior to issuing a full licence
- temporary standards exemptions (including maximum timeframes for their use) to enable services to continue operating if they are unable to comply with a Standard(s), but are able to ensure the safety and wellbeing of children
- requirement for compliance with standards to be assessed at a minimum of once during the period of a licence
- increased information will be made available to the public regarding compliance with the standards, including reporting non-compliance to parents⁸⁵.

⁸⁵ Office for Children, Youth and Family Support (2009), Children and Young People Act 2008: Newsletter No 6, 5 February 2009, available at <http://www.dhcs.act.gov.au> accessed 12 February 2009.

A.2 New South Wales

A.2.1 Legislative framework

The *Children and Young Persons (Care and Protection) Act 1998* provides the overarching legislative framework for the regulation of ECEC in New South Wales. Services that provide care and/or education for one or more children under the age of six who do not ordinarily attend school, are required to be licensed under the *Children's Services Regulation 2004*. The Department of Community Services is responsible for licensing and monitoring services compliance with, the Act and the Regulations.

Services required to be licensed include centre-based services (which include preschools, school-based preschools, LDC and occasional care), FDC schemes, home based services, and mobile services. Home based services enable independent carers to be licensed to provide home based care in their own home. A mobile service is a service that visits specific premises, areas or places at specific times for the purpose of providing the care. A school-based preschool is a service operated by a registered school (government or non-government) for children prior to the first year of formal schooling. Licensing of school-based preschools commenced on 1 July 2008, and is being implemented in stages. All school-based preschools will be licensed by 1 July 2010.

OSHC services are not licensed or regulated but are required to register with the Department of Community Services. Child-minding services in shopping centres must be approved to operate, but are not required to be licensed.

A.2.2 Quality components

TABLE A-2: STAFF-TO-CHILD RATIOS, NEW SOUTH WALES

Service type	Staff-to-child ratio	Qualified staff- to-child ratio
LDC	0 – 2 years 1:5* 2 – 3 years 1:8 3 – 6 years 1:10	All centre-based and mobile services must employ one qualified teaching staff member where there are 30 children in attendance. There must be 2 teaching staff members where there are 40 – 59 children, 3 teaching staff members for 60 – 79 children and 4 teaching staff members for 80 – 90 children. All services must have at least one staff member trained in early childhood (the Authorised Supervisor), and at least one staff member with appropriate training for children under 2 whenever babies are in attendance at the service.
Occasional care	0 – 2 years 1:5* 2 – 3 years 1:8 3 – 6 years 1:10	
Mobile care	0 – 2 years 1:5 2 – 3 years 1:8 3 – 6 years 1:10	
Preschool	2 - 3 years, 1:8 3 - 6 years, 1:10	
FDC	1:7, maximum of five under 6 years of age	Each FDC scheme must employ a qualified Authorised Supervisor.
Home based care	1:7, maximum of five under 6 years of age	n/a
OSHC	Not prescribed	
IHC	Not prescribed	

* In October 2008, the NSW Government announced that a 1:4 ratio for 0 – 2 year olds will be introduced for centre-based and mobile services with the new children's services regulation in 2010.

There is a general requirement that there be at least two staff members present at all times when children are present including one person with a current approved first aid qualification.

Minimum qualifications

New South Wales currently has no formal entry-level qualification requirement. However, qualification requirements exist for the following positions:

- A teaching staff member must hold a minimum three-year university degree or diploma in early childhood education, or some other qualification or training and experience approved by the Director-General, Department of Community Services
- An authorised supervisor must hold either a degree or diploma in early childhood education (three-year full-time); or a Child Care Certificate, a Certificate of Child Care Studies or an Associate Diploma of Social Science (Child Studies); or a Diploma of Community Services (Children's Services); and 12 months full-time experience
- A primary contact staff member for children under two years of age must hold either: Enrolled Nurse (mothercraft) with a Certificate IV in Parenthood or Certificate III in Children's Services; or Registered Nurse with a prior experience in providing a children's service, or has other approved qualifications; or a Child Care Certificate; a Certificate of Child Care Studies; or an Associate Diploma of Social Science (Child Studies) from a TAFE establishment; or a Diploma of Community Services (Children's Services) from a registered training organisation; or some other approved qualification
- All authorised supervisors must complete a child protection course approved by the Director-General of the Department.

Group size

The New South Wales Children's Services Regulation stipulates maximum group sizes which are equivalent to twice the ratio for each age group. Group sizes for centre based and mobile services are as follows:

- 0 – 2 years: up to 10 children
- 2 – 3 years up to 16 children
- 3 – 6 years up to 20 children⁸⁶.

The Regulation additionally currently sets a maximum service capacity of up to 90 children at any one time for centre-based and mobile services of which a maximum of 30 children may be under 2 years of age and a maximum of 60 children may be between 2 years and 6 years of age.

A.2.3 Regulatory reform

The Department of Community Services is currently reviewing the *Children's Services Regulation 2004*. The Regulation is being reviewed in accordance with statutory requirements that regulations be reviewed every five years. A new draft Regulation and a Regulatory Impact Statement will be developed in late 2009, followed by second stage consultations in early 2010. It is anticipated that the revised regulations will take effect from 1 September 2010.

Regulation is also being developed for OSHC in parallel to the development of the new Children's Services Regulation⁸⁷.

⁸⁶ Department of Community Services (2008), *Review of the Children's Services Regulations 2004*, p.20. available at http://www.community.nsw.gov.au/docswr/_assets/main/documents/reg_review_paper.pdf accessed 11 February 2009.

⁸⁷ Department of Community Services (2008), *Review of the Children's Services Regulations 2004*, p.9. available at http://www.community.nsw.gov.au/docswr/_assets/main/documents/reg_review_paper.pdf accessed 11 February 2009.

A.3 Northern Territory

A.3.1 Legislative framework

The *Care and Protection of Children Act 2007* ("the Act") and the *Care and Protection of Children (Children's Services) Regulations 2009* provide the overarching legislative framework for the regulation of ECEC services in the Northern Territory. These provisions commenced on 9 June 2009, and many services continue to be subject to the provisions of the *Community Welfare Act 1983* and the *Community Welfare (Child Care) Regulations 1987* due to grandfathering arrangements.

The Act defines children's services as services for the care of a child where the child is less than 13 years of age, the care is provided at a place other than the child's usual place of residence, and the services are provided by a person who has been given responsibility for the care of the child by someone having daily care and control of the child. This includes LDC, occasional care, and sessional kindergarten programs provided for three year olds. Preschool is provided by the government, and is not licensed.

Many remote services continue to be unregulated under the new provisions due to specific exemptions. These exemptions will expire on 31 December 2010, following which the majority of these services will be placed on Action Plan Agreements to assist them to work towards a licensable standard.

FDC and OSHC will be licensed under the new regulations as of April 2011 and January 2014 respectively. Home based carers, adjunct care arrangements and one-off events will be required to be registered by January 2012.

The Department of Education and Training is responsible for administering the Act and Regulations. Licensed children's services are monitored by the regulatory arm of the Early Childhood Policy and Regulation Division on an annual basis to ensure that services comply with licensing standards. Complaints and concerns are also investigated.

Preschools are required to operate under the requirements of the *Education Act*. The majority of preschools are physically co-located with a primary school. The Early Years Learning Framework is currently being implemented across all ECEC settings.

A.3.2 Quality components

TABLE A-3: STAFF-TO-CHILD RATIOS, NORTHERN TERRITORY

Service type	Staff-to-child ratio	Qualified staff-to-child ratio
LDC	0 – 3 years, 1:5 > 3 years, 1:11 Mixed ages 1:8	0 – 3 years, 1:10* > 3 years, 1:22* Mixed ages, 1:16*
Occasional care	0 – 3 years, 1:5 > 3 years, 1:11 Mixed ages 1:8	0 – 3 years, 1:10* > 3 years, 1:22* Mixed ages, 1:16*
FDC	1:7 of which no more than 3 may be under 3 years of age	n/a
OSHC	1:15	1:30
IHC	n/a	
Preschool	1:11	1:22

- A minimum of two staff members, one of whom must be qualified, must be in attendance at all times when children are present.

Minimum qualifications

Staff members occupying a qualified position in a service other than an OSHC service must hold:

- two-year accredited post secondary course in child care; or
- three-year accredited tertiary course in early childhood care or education; or
- an award in child care as approved by the Minister, from an accredited training provider.

Preschool teachers must hold a four-year degree in education; preschool assistant teachers are not required to be qualified.

Once regulated, qualified staff members within OSHC services will be required to hold:

- a post-secondary sports and recreation or teaching qualification; or
- a qualification the CEO is satisfied is equivalent to, or higher than, the qualification mentioned above.

Group size

The Northern Territory does not regulate group size.

A.4 Queensland

A.4.1 Legislative framework

Child care centres in Queensland are regulated under the *Child Care Act 2002* and the *Child Care Regulation 2003*. The Department of Education and Training (DET) is responsible for administering the Act and the Regulations through the Office for ECEC. The Act defines 'child care' as care of a child provided by someone other than a relative or guardian of the child, at a place other than the child's home; for reward; and in the course of a service for regularly providing care of children.

Child care services that cater for seven children or more are required to be licensed and include centre based services (LDC, limited hours care services, kindergartens, school age care services, occasional care services) and home based services (FDC services). Limited hours care services are licensed services and operate for no longer than 20 hours in a week with a licensed capacity of not more than 30 children. The Act also defines a stand alone service. Stand alone services are child care services that provide care for no more than six children of which no more than four children are not yet school children in a venue or a home. Stand alone services are not required to be licensed but must meet certain standards outlined in the Act. These services are monitored on a complaints basis only.

Services are licensed for a maximum of three years. The Office for ECEC undertakes annual monitoring visits and investigation of complaints.

A.4.2 Quality components

TABLE A-4: STAFF-TO-CHILD RATIOS, QUEENSLAND

Service type	Staff-to-child ratio	Qualified staff-to-child ratio
LDC	0 – 2 years, 1:4 0 – 3 years, 1:5 15m – 3 years, 1:5 2 – 3 years, 1:6 2.5 – 3 years, 1:8 3 – 6 years, 1:12 4 – 6 years, 1:13 4 – 12 years, 1:12	0 – 2 years, 1:4 0 – 3 years, 1:5 15m – 3 years, 1:5 2 – 3 years, 1:6 2.5 – 3 years, 1:8 3 – 6 years, 1:12 4 – 6 years, 1:13 4 – 12 years, 1:12
Occasional care	As above	As above
Mobile services	As above	As above
FDC	1:7, maximum of four under school age	n/a
OSHC	1:15	1:30
IHC	Not regulated in Queensland	
Preschool (kindergarten)	3 – 6 years, 1:12 4 – 6 years, 1:13	3 – 6 years, 1:12 4 – 6 years, 1:13

Kindergarten is licensed as per long day care. Additional eligibility criteria apply for access to government funding.

Minimum qualifications

All staff employed by a licensed child care service are required to be qualified, with the exception of family day carers. The Act sets out conditions that enable unqualified persons to fulfil the requirements for a qualified person under certain circumstances (for example, the person is enrolled in a course that leads to the qualification).

Qualification requirements for each type of care are as follows:

Centre-based care (excluding School age care):

- a centre director must hold an advanced diploma in an area of study applying to child care workers under the Australian Qualifications Framework (AQF); or a qualification that is at least a three-year qualification in early childhood studies or child care studies; or a post graduate qualification that is at least a one-year qualification in early childhood studies or child care studies
- a group leader must hold a diploma in an area of study applying to child care workers under the AQF; or a two-year qualification in early childhood or child care studies; or a qualification for a director
- an assistant must hold a Certificate III or IV in an area of study applying to child care workers under the AQF; or a one-year qualification in early childhood or child care studies; or a qualification for a group leader⁸⁸.
- Centre based care - School aged care:
 - a group leader must hold a diploma in community services under the AQF; or a two-year qualification in a relevant area of study as identified in section 120 of the *Child Care Regulation 2003*
 - an assistant must hold a Certificate III or IV in Community Services under the AQF; or a one-year qualification in a relevant area of study; or a qualification for a group leader.

FDC:

- a FDC coordinator must hold a diploma in an area of study applying to child care workers under the AQF; or a two-year qualification in early childhood or child care studies; or a qualification for a director in a centre based service; or a diploma in community services under the AQF; or a two-year qualification in a relevant area of study.

Group size

Schedule 1 of the *Child Care Regulation 2003* prescribes maximum group sizes as follows:

- 0 – 2 years: 8
- 0 – 3 years: 10
- 15 months – 3 years: 10
- 2 – 3 years: 12
- 2.5 – 3 years: 16
- 3 – 6 years: 24
- 4 – 6 years: 25

For centre-based child care services (other than school age care services), the licensed capacity cannot exceed 75. There is no specified maximum group size or maximum licensed capacity for OSHC (School age care).

A.4.3 Regulatory reform

The Office for ECEC in DET has been reviewing the Child Care Act 2002 since mid 2009 with a key focus on providing parents with access to information about child care services that are non-compliant. Stage 1 is complete and provides for the website publication of information from 1 February 2010. Stage 2 is underway and is exploring the provision of advice about a service's compliance history at the local level.

⁸⁸ Queensland Government, Qualifications, Queensland Department of Communities, Last updated: 29 July 2009, Available at: http://www.communities.qld.gov.au/childcare/cclegislation/infopaper/ip_qualifications.html accessed 28 October 2009

A.5 South Australia

A.5.1 Legislative framework

Child care centres in South Australia are regulated under the *Children's Services Act 1985* and the *Children's Services (Child Care Centre) Regulations 1998*. The Act defines a Child Care Centre as 'any place or premises in which more than four young children are, for monetary or other considerations, cared for on a non-residential basis apart from their guardians'⁸⁹. LDC services and stand alone occasional care services are required to be licensed under the Act.

IHC services are also required to be licensed. Babysitting agencies (businesses introducing a babysitter/nanny to a parent for a fee) are required to hold a Babysitting Agency Licence and comply with the *Children's Services Act (Baby Sitting Agencies) Regulations 2001*. Private baby sitters are not required to be licensed.

The South Australian government operates FDC schemes, and recruits and trains FDC carers. Under the Children's Services Act, each carer must be individually approved by the Director of Children's Services. As a condition of approval, carers are required to meet the National Standards for FDC.

OSHC is not licensed or regulated, however, services provided on Department of Education and Children's Services property are required to meet the National Standards for OSHC as a condition of use of the facilities. OSHC services operating on Catholic Education and some other private school sites are also required, by policy, to meet the national standards.

Licences are issued for one year for Babysitting Agencies, and for two years for child care centres. FDC approval is granted annually. Licensed services are monitored through unannounced inspections conducted by the Department of Education and Children's Services at least once per annum. Family day carers are required to participate in ongoing training and are visited regularly. The Department additionally investigates complaints and concerns across all service types, including out of school hours care.

The Department of Education and Children's Services funds and operates a state-wide preschool program. Preschools are not licensed, as they are operated by the Department although all preschool facilities are built to comply with licensing standards. Accountability requirements for teaching and learning outcomes, for community partnerships and for service management are similar to the requirements for government schools. Preschool teachers are employed under the same conditions as primary school teachers and are required to be registered by the South Australian Teachers Registration Board. This is also the case for the small number of independent preschools that operate as part of the independent schooling sector. Independent stand-alone preschools are required to hold a child care centre licence.

The South Australian Curriculum Standards and Accountability Framework (SACSA) forms the basis of teaching and learning for children aged from birth to 18 years in all government settings including preschools. Family day carers are required, as a condition of their approval, to use SACSA to develop individual learning programs for each child in care. 70 per cent of South Australian child care centres report that they also base their programming on this curriculum.

⁸⁹ Children's Services Act 1985 (South Australia).

A.5.2 Quality components

TABLE A-5: STAFF-TO-CHILD RATIOS, SOUTH AUSTRALIA

Service type	Staff-to-child ratio	Qualified staff-to-child ratio
LDC	0 – 2 years, 1:5 (1:4 by end of 2010) > 2 years, 1:8, 2:20, 1:10 if greater than 20 children. School aged, 1:15	0 – 2 years, 1:20 > 2 years, 1:35 School aged, 1:30
Occasional care	0 – 2 years, 1:5 > 2 years, 1:8, 2:20, 1:10 if greater than 20 children. School aged, 1:15	0 – 2 years, 1:20 > 2 years, 1:35 School aged, 1:30
FDC	1:7, maximum of four children under school age.	n/a
OSHC	1:15	1:30
IHC	Not prescribed	
Preschool	1:10 / 1:11	1:16

Minimum qualifications

Staff members occupying qualified positions in child care centres must hold tertiary qualifications in child care or early childhood education. Acceptable qualifications include a Bachelor of Early Childhood; a Diploma in Child Care, or any other qualification approved by the Director of Children's Services.

New FDC carers must hold a Certificate III in Children's Services or equivalent. Carers approved prior to the introduction of this requirement in 2004 may still retain a Certificate II as the highest level of qualification.

A.5.3 Regulatory reform

The *Children's Services (Child Care Centre) Regulations 1998* are due to sunset in 2009. A review of the regulations is planned, pending the outcomes of the COAG reform agenda. On 15 March, the Minister for Early Childhood Development announced his intention to implement a new staff-to-child ratio of 1:4 for children under the age of two years by the end of 2009.

A.6 Tasmania

A.6.1 Legislative framework

The *Child Care Act 2001* provides the overarching legislative framework for the regulation of education and care in child care services in Tasmania. Child care is defined as 'the provision, for fee or other material benefit of care to a child by a person other than the child's parent, or a member of the child's extended family'. The Act provides for the issuing of standards which licensed or registered services must meet.

The Act requires centre-based care (LDC, occasional care, OSHC and play centres), approved registration bodies (FDC and IHC), and home-based care to be licensed. Carers providing home based care are required either to be licensed directly, or to be registered with a licensed approved registration body (FDC Scheme). IHC refers to a carer who provides care in the child's own home, as part of the In-home Child Care Program funded by the Australian Government. In home carers are required to be registered with an approved registration body.

The Child Care Unit within the Department of Education is responsible for the licensing and monitoring of ECEC services. A licence is valid for up to two years. Support visits are conducted approximately three-monthly, although high risk services may be visited more frequently. Unannounced 'spot checks' are conducted to investigate complaints and ongoing concerns. Other unannounced visits may also occur.

Kindergarten (preschool) provided by the Department of Education is not subject to licensing but is subject to the Education Act and government policy. Non government schools and LDCs with preschool are regulated by the Schools Registration Board under the same Act. All kindergarten must be delivered by a registered or government school. Services are usually integrated with a primary school site.

A.6.2 Quality components

TABLE A-6: STAFF-TO-CHILD RATIOS, TASMANIA

Service type	Staff-to-child ratio	Qualified staff-to-child ratio
LDC	0 - 3 years, 1:5 3 - 5 years, 1:10 Minimum of 2 staff when more than 6 children.	0 - 3 years, 1:10 3 - 5 years, 1:20 0 – 5 years, 1:15
Occasional care	As above	As above
FDC	1:7, maximum four children under 5 years	n/a
FDC - extended	1:7, maximum five children under 5 years	1:7
Home based care	As per FDC	n/a
Home based care - extended	As per FDC	n/a
OSHC	1:15 Minimum two staff members when there are greater than 12 children on the premises	No current qualified staff ratio – will be subject to the new national standard – see below
IHC	May care for one family only at any one time	n/a
Preschool	2:23/25	1 teacher to 23/25

Minimum qualifications

For centre based care, the standards require a staff member occupying a qualified position to hold the following qualifications:

- for children aged 0 - 5 years, approved qualifications include: a minimum of a two-year full time or equivalent accredited post-secondary education or tertiary qualifications in child care (early childhood) or education (early childhood).

For home based care, the standards stipulate that:

- the appointed person in charge of an approved registration body (FDC Scheme) must have an appropriate qualification. If they do not hold an approved qualification, at least one other staff member must hold such a qualification.
- any field worker with the primary role of advising carers about direct care provision, must have an approved qualification; or, if appropriate, in school-aged care or recreation
- FDC carers with an extended registration must hold or be working toward obtaining a Certificate III.

Standards for OSHC carer qualifications now state that the requirement for 'approved qualification/s' will be finalised following the adoption of National Quality Standards.

Preschool teachers must hold a four-year degree qualification.

Group size

Tasmania does not regulate group size.

A.6.3 Regulatory reform

The Tasmanian legislation does not prescribe a regular review cycle for Standards. However:

- Standards for Centre Based Services were recently reviewed and revised;

- The third and final set of standards for OSHC will be implemented from 1 July 2009, except for the standard in relation to qualifications (waiting on the national standard – see above); and
- Conditions for exempting adjunct care from licensing will be finalised by June 2010, subject to sector consultation.

A.7 Victoria

A.7.1 Legislative framework

The *Children's Services Act 1996* and the *Children's Services Regulations 2009* provide the overarching legislative framework for ECEC in Victoria. The Department of Education and Early Childhood Development is responsible for administering the act and regulations. From May 2009, new Children's Services legislation has commenced in Victoria which includes regulating OSHC and FDC.

The Act defines a children's service as a service providing care or education for four or more children under the age of thirteen years in the absence of their parents, for fee or reward, or while the parents or guardians of the children use service or facilities provided by the proprietor of the service. Service types that fall within the definition of a children's service, and are required to be licensed, include LDC, occasional care, sport and leisure centre childcare, family day care services, outside school hours care and kindergarten.

Private nannies and babysitters operating in the child's own home are not required to be licensed. The amended Children's Services Act 1996 elevates programming requirements to enhancing children's development, not just meeting developmental needs.

The Office for Children and Portfolio Coordination within the Department of Education and Early Childhood Development is responsible for the licensing and monitoring of ECEC services. Licences are issued for a maximum duration of five years. Services are monitored regularly through unannounced inspections. Inspections may be conducted to investigate complaints and ongoing concerns and to monitor services of concern more frequently.

A.7.2 Quality components

TABLE A-7: STAFF-TO-CHILD RATIOS, VICTORIA

Service type	Staff-to-child ratio	Qualified staff-to-child ratio
LDC ⁹⁰	0 - 3 years, 1:4 > 3 years, 1:15	0 - 3 years, 1:12 > 3 years, 1:30
Occasional care (Limited Hours Care)	0 - 3 years, 1:5 > 3 years, 1:15	various
FDC	1:7 (no more than 4 children <6 years)	n/a
OSHC	1:15	1:30
IHC	n/a	n/a
Preschool (kindergarten)	>3 years, 1:15	>3 years, 1:30

At least two staff members must be on duty whenever children are being cared for or educated the service.

Minimum qualifications

The current regulations require a staff member occupying a qualified position to hold an approved two year full-time (or part-time equivalent) post secondary early childhood qualification or a teaching degree.

From 1 January 2014 for a standard licence service to ensure a teacher is working with children for at least 50 per cent of the time the service is open; or 20 hours per week; all staff members to hold a minimum Certificate III qualification or equivalent (with grandfathering) from 1 January 2012.

Kindergarten programs must be planned and delivered by a qualified early childhood teacher holding an approved early childhood qualification in order to be eligible for Victorian Government funding.

⁹⁰ For previously licensed services new ratios come into effect on 1 January 2012.

Group size

Victoria does not regulate group size.

A.7.3 Regulatory reform

The Children's Services Regulations 2009 introduce the following changes:

- for standard licensed services a ratio of one staff member for every four children under three years of age, and one qualified staff member for every 12 children under three years of age by 1 January 2012
- a ratio of one staff member for every 15 children and one qualified staff member for every 30 children in OSHC
- a FDC carer may care for no more than seven children at any time, with a maximum of four children under school age
- a minimum requirement for all staff and carers in FDC and standards licensed services to hold a Certificate III in training in early childhood education or equivalent by 2014
- at least one person with a degree in ECEC must be employed by services operating under a standard licence (that is, LDC and kindergarten services) by 2014
- all staff and carers will need to be trained in First Aid and Anaphylaxis
- a minimum age for staff and carers of 18 years by 2012.

Transitional arrangements are for existing services only. All new services will need to meet the new requirements at the time of licensing.

A.8 Western Australia

A.8.1 Legislative framework

The *Child Care Services Act 2007* (the Act), *Child Care Regulations 2007* and *Child Care Services (Child Care) Regulations 2006*, *Child Care Services (Family Day Care) Regulations 2006*, the *Child Care Services (Outside School Hours Care) Regulations 2006*, and the *Child Care Services (Outside School Hours Family Day Care) Regulations 2006* provide the legislative framework for the delivery of child care services in Western Australia. The Department for Communities administers the Act and related regulations through the Child Care Licensing and Standards Unit.

The Act defines a child care service as a service provided for the casual, part time or day-to-day care of a child or children under 13 years of age that is provided for payment or reward; as a benefit of employment; or as an ancillary service to a commercial or recreational activity. Under this definition, child care centres, occasional care, FDC services, and OSHC services are required to be licensed and comply with the relevant regulations.

Services are licensed for up to a maximum of three years.

In Western Australia, kindergarten provision (in the year before full-time schooling) occurs through the schooling sector. Registration of kindergartens, program governance, program duration and quality assurance, and age-eligibility criteria for access to kindergarten are legislated through the *School Education Act 1999* and associated *School Education Regulations 2000*. Program content and quality is further regulated through the *Curriculum Council Act 2001* and the *Western Australian College of Teaching Act 2004* which apply to all school provision, K-12.

Schools are not licensed as child care services. However, some private kindergarten services are licensed as child care services and, in claiming to offer a 'kindergarten' program are required to be registered as a school through the Minister for Education in accordance with the *School Education Act 1999*⁹¹.

The Department for Communities is also undertaking reforms to the *Child Care Services Act 2007*.

⁹¹ Child Care Workforce Study (2006), p.330.

A.8.2 Quality components

TABLE A-8: STAFF-TO-CHILD RATIOS, WESTERN AUSTRALIA

Service type	Staff-to-child ratio	Qualified staff-to-child ratio
Child care centres	0 – 2 years, 1:4 2 – 3 years, 1:5 > 3 years, 1:10	0 – 2 years, 1:12 2 – 3 years, 1:15 > 3 years, 1:30
Occasional care	As above	As above
FDC services	0 – 6 years, 1:5 0 – 12 years, 1:7	
OSHC	1:10	1:40 without kindergarten age children. 1:30 when kindergarten children are present.
IHC	n/a	n/a
Preschool (Not child care regulations)	2:20, or 2:22 in some schools by arrangement	2:20 (one teacher and one assistant per 20 children) 2:22 in some schools by arrangement

Minimum qualifications

Western Australia does not prescribe a minimum entry-level qualification for child care. However, qualification requirements exist for staff members occupying qualified positions as follows:

- A qualified staff member for children aged 0 to two years must hold a tertiary degree or diploma in early childhood care; or a two-year certificate in child care studies; or a diploma or associate diploma in child care; or a registered or qualified mothercraft nurse; and includes a specialist course on the principles, and practices of the care and education of children in the birth to 24 months age group, in addition to practical experience of 100 hours (minimum) with that age group.
- A qualified staff member for children aged two to six years must hold a degree or diploma in early childhood care or early childhood education from a recognised Australian university or other tertiary institution; or a two-year certificate in child care studies; or a diploma or associate diploma in child care; or be a registered mothercraft nurse; or hold a mothercraft nursing qualification.
- A qualified staff member for children attending OSHC services must hold a Certificate IV, diploma or degree in children's studies covering ages four to 14 years; a degree or diploma in education, recreation, sport science or leisure studies from a recognised university or tertiary institution; or a Certificate IV Outside School Hours Care; or a Degree in Children's Studies (Edith Cowan University); or a diploma or degree in education/teaching (early childhood, primary or secondary).

All teachers, including kindergarten teachers, employed in Western Australian schools must be members of the Western Australian College of Teaching and hold a qualification in teaching approved by the College. A College approved course has a minimum of four years full-time completed tertiary education. A person with a three year teaching qualification who has taught in schools in Western Australia prior to 15 September 2004 for a minimum of 45 days may be granted registration.

Group size

Western Australia does not regulate group size in child care services; however, a maximum group size is implied in the regulations through regulations prescribing room size requirements. The

recommended maximum kindergarten class size is 20⁹². In schools, kindergarten programs have a maximum group size of 20 (up to 22 by arrangement).

A.8.3 Regulatory reform

The Child Care Regulations Consultative Committee has recently completed an extensive review of the children's services regulations. The Report on the Children's Services Regulations Review provided 28 recommendations, and was publicly released on 15 May 2008.

The Department for Communities has developed an implementation plan in response to the recommendations. Recommendations relevant to the national quality agenda include:

- that a minimum qualification, set at Certificate III in children's services or equivalent, will be required for child contact staff in all service types except OSHC
- that a minimum qualification for the service leadership position known as Supervising Officer, be set at a Diploma in Children's Services or equivalent
- that a minimum requirement for professional development be set at 12 hours over three years
- alternative regulations for rural and remote child care services continue to be developed, with a view to increasing the capacity of operators to provide flexible, high standard services.

The Department of Education will progress legislative changes to the school education act following the adoption of the preferred option for the National Quality Standards by COAG.

⁹² Western Australia Department of Education and Training (n.d.), *The early years phase of schooling (K-3) guidelines*, p.13.

Appendix B National Quality Standard

The National Quality Standard will be subject to field testing and targeted consultation prior to finalisation. This process will focus on technical issues in the application of the NQS and will not be a vehicle for considering changes to the key structural components of quality included in the standards, particularly in relation to staff-to child ratios and staff qualifications. The Ministerial Council will consider any refinements to the standards in line with the processes set out in the National Partnership.

The Ministerial Council will further develop the guidelines that underpin the National Quality Standard to ensure that the final agreed guidelines meet the objectives of the scheme, including incorporating best practice principles that minimise paperwork and the regulatory burden on services.

Background

In December 2009, the Council of Australian Governments (COAG) agreed to a partnership between the Commonwealth and state and territory governments to establish a rigorous National Quality Agenda for early childhood education and care. The National Quality Agenda forms part of a broader COAG agenda to pursue substantial reform in the areas of education, skills and early childhood development, to deliver significant improvements in human capital outcomes for all Australians.

The Commonwealth and State and Territory Governments recognised the importance of increasing their focus on the early years to ensure the wellbeing of children throughout their lives and to lift the productivity of our nation as a whole. The drive for change in the early childhood sphere is based on clear evidence that the early years of a child's life are very important for their present and future health, development and wellbeing.

In July 2009, COAG endorsed Australia's first ever overarching national strategy for early childhood development. *Investing in the Early Years: A National Early Childhood Development Strategy* provides a blueprint for the future. It outlines a shared vision for the development of young children in Australia - that by 2020 'all children have the best start in life to create a better future for themselves and for the nation'.

Focusing on all aspects of children's development from before birth to age eight, the Strategy will guide governments and encourage greater engagement between governments, with the non-government sector, and with families around the needs of young children.

Over time the Strategy will strengthen early childhood and family services and supports, and join service delivery across sectors. It will also deliver improved outcomes for parents, including improved parenting skills and confidence, and greater capacity to participate in the community and the workforce.

The National Quality Agenda is a key mechanism for achieving the Strategy's vision for young children in Australia. It aims to raise the quality and drive continuous improvement in early childhood education and care, and school age care services through three key components:

- A strong National Quality Standard including the Early Years Learning Framework
- Streamlined regulatory arrangements
- A quality rating system.

The first phase of implementation of the National Quality Agenda occurred in July 2009 with COAG's endorsement of the Early Years Learning Framework.

Introduction

The *National Quality Standard* (the *Standard*) communicates a national view about the quality of early childhood education and care and school age care all families should expect to find in the diverse types of education and care settings available across Australia.

The way quality is defined and reflected in the *Standard* is a key aspect of the National Quality Agenda. It supports a better integration of education and care, incorporating broader outcomes for children attending early childhood education and care and school age care services.

The *Standard* brings together structural components of quality such as educator to child ratios, educator qualifications and health and safety matters currently addressed by regulation with the process aspects of quality such as interactions with children, partnerships with families, stimulating environments and programs and service management addressed through accreditation. This new integrated approach will mean that services are working within a single unified national system. The *Standard* will apply to centre based long day care, family day care, outside school hours care and preschool⁹³ in the first instance.

The development of the *Standard* was informed by recent research about best practice and the way in which high quality early childhood education and care contributes to positive outcomes for children. The Organisation for Economic Co-operation and Development (OECD)⁹⁴ identifies aspects of quality critical to the provision of early childhood education and care services. These aspects include educational concept and practice, structural quality, interaction between educators and children and targeting services to meet the needs of families and local communities. These aspects of quality are reflected in the *Standard*.

The *Early Years Learning Framework* guides early childhood educators in developing quality early childhood programs. It describes the early childhood pedagogy (principles and practice) and the outcomes required to support and enhance young children's learning from birth to five years of age, including their transition to school. The *Early Years Learning Framework* underpins the implementation of more specific curriculum relevant to each local community and early childhood setting. As it is focussed on children from birth to five years of age, other frameworks will be applicable to school age children.

For the first time Australia has a *Standard* that is linked to a national learning framework which recognises that children learn from birth. The *Standard* will support the implementation of the EYLF and frameworks supporting the care of school aged children by ensuring that the necessary environments, facilities, staffing arrangements, resources and management structures are in place.

Combined, these frameworks outline fundamental components to inform and guide service providers, early childhood educators, co-ordinators and staff in the delivery of nationally consistent and high quality experiences, programs and care across Australia.

⁹³ In some jurisdictions within Australia preschool is referred to as kindergarten. The *Standard* will apply to Kindergarten.

⁹⁴ Organisation for Economic Co-operation and Development (2006). *Starting Strong II Early Childhood Education and Care*, OECD.

Guiding principles that apply across the National Quality Standard's quality areas

Six principles apply across the National Quality Standard and all seven quality areas of the National Quality Standard. These principles inform the delivery of quality early childhood education and care and school age care. Services should consider these principles when working to achieve the Standard and improve quality at the service. These principles are:

The rights of the child are paramount

Each child has the right to be an active member of the community in which they live; to have their individual and cultural identity recognised and respected; to express their opinions and have their views considered in any decisions that may affect them.

The Standard reflects Australia's commitment to the United Nations Convention on the Rights of the Child and the obligation of all those who work with children to protect children from harm, respect their dignity and privacy and safeguard and promote every child's wellbeing.

Children are successful, competent and capable learners

Children are active learners from birth, constructing their knowledge, meanings and understanding through their interactions, relationships and experiences.

They are able to form opinions, express their ideas, collaborate with others, plan and persist in learning. The starting point for all learning is what children already know. Rich, engaging environments and meaningful interactions, where children's voices are listened to and acted upon, build on this foundation for successful life long learning.

Equity, inclusion and diversity

In a fair and just society the intrinsic worth of all children and their families, their strengths and their right to equitable access and participation in the community is clearly visible in all aspects of service delivery.

Programs for the care, education and recreation of children have a unique opportunity to include children from all family circumstances, cultural backgrounds and levels of ability. In particular, a commitment to the full participation of children with additional needs and their families involves enabling their initial access as well as supporting their day-to-day participation in the program. It requires capturing and maximising resources to support each child's participation in and engagement with the program. By providing nurturing environments and supportive relationships they ensure that each child is valued for who they are and has opportunities to reach their full potential.

One of Australia's greatest strengths lies in its unique history and diverse heritage. The many different cultures, contexts and values of families and communities contribute to the richness of contemporary Australian society and inform plans for meaningful learning experiences for children.

Valuing Australia's Aboriginal and Torres Strait Islander cultures

An approach that recognises and respects the strengths and contribution each individual and group makes to the Australian community and challenges bias, builds positive relationships and responds sensitively to the particular needs of each child and their family. Such an approach values Australia's Aboriginal and Torres Strait Islander cultures as a core part of the nation's history, present and future. This is relevant for all services, not only services with Aboriginal and Torres Strait Island children and families enrolled in the service.

The role of parents and families is respected and supported

Parents and families are recognised as the child's primary nurturers and teachers. They have both a right and a responsibility to be involved in decision making affecting their child. Respectful, collaborative relationships strengthen the capacity and efforts of parents and families and of early childhood education and school age care services to support their children and promote each child's learning and wellbeing.

High expectations for children, educators and service providers

The best interests of children and their right to learn and develop in a safe and nurturing environment is the primary consideration in all decision making at the service and is visible in the actions, interactions and daily work with children.

Programs that reflect best practice in the care, education and recreation of children set high standards and expectations for all those responsible for the delivery of the service. They have an open and accountable organisational culture that is flexible and responsive to the local community. They continually reflect on their practice to find ways to improve outcomes for children in their service.

Structure

The *Standard* is organised into the following quality areas:

1. Educational program and practice
2. Children's health and safety
3. Physical environment
4. Staffing arrangements
5. Relationships with children
6. Collaborative partnerships with families and communities
7. Leadership and service management.

The standard outlined in each area is supported by elements which describe the outcomes that contribute to the standard being achieved. The standard outlined in each area must be met to ensure quality outcomes are achieved for children and their families. The presentation order should not be considered an indicator of importance or priority.

National Quality Standard

1. Educational program and practice

(green highlighting denotes assessment on opening as well as 3 to 6 months after opening)

The educational program and practice is stimulating, engaging and enhances children's learning and development. In school age care services the program nurtures the development of life skills and complements children's experiences, opportunities and relationships at school, at home and in the community.

Standard

1.1 The Early Years Learning Framework (or other approved learning frameworks) informs the development of a program for each child that enhances their learning and development.

1.1.1. The Early Years Learning Framework (or other approved learning framework) guides curriculum decision making and enables each child's learning in the five outcomes:

- Children have a strong sense of identity
- Children are connected with and contribute to their world
- Children have a strong sense of wellbeing
- Children are confident and involved learners
- Children are effective communicators.

1.1.2 Curriculum decision making is informed by the context, setting and cultural diversity of the families and the community.

1.2 The program for each child takes into account their strengths, capabilities, culture, interests and experiences.

1.2.1. Each child's current knowledge, ideas, culture and interests provide the foundation for the program.

1.2.2. Every child is supported to participate in the program.

1.2.3. Each child's learning and development is assessed as part of an ongoing cycle of planning, documenting and evaluating children's learning

1.2.4. Critical reflection and evaluation of children's learning and development, both as individuals and in groups, is used as a primary source of information for planning and to improve the effectiveness of the program and teaching strategies.

Educational program and practice

Regulations and Schedules will include the additional requirement that:

- The program is planned, documented and evaluated.
- Relevant information about the program and their child's participation in the program is shared with parents.
- Process to approve learning frameworks and ability to develop a schedule of approved frameworks.

Examples of the type of content to be covered in Guidelines

- The *Early Years Learning Framework Educator's Guide* will assist educators and service providers to understand and implement the legislative requirements (including the *Early Years Learning Framework*). The Educator's Guide would include information about working with Aboriginal and Torres Strait Islander families.
- A learning framework for Outside School Hours Care and resources to support programs in outside school hours care services
- Similar resource material will be developed for school age care services
- Information about self-assessment tools and how each child's learning and development should be observed and systematically documented.
- Information regarding recent research and theories on child development, learning and teaching and programs for school age children.

2. Children's health and safety

(green highlighting denotes assessment on opening as well as 3 to 6 months after opening)

Every child's health and wellbeing is safeguarded and promoted.

Standard

2.1 Each child's health is promoted.

- 2.1.1 Each child's health needs are supported.
- 2.1.2 Each child's comfort is provided for and there are appropriate opportunities to meet each child's need for sleep, rest and relaxation.
- 2.1.3 Effective hygiene practices are promoted and implemented.
- 2.1.4 Steps are taken to control the spread of infectious diseases and to manage injuries and illness, in accordance with recognised guidelines.

2.2 Healthy eating and physical activity are embedded in the program for children.

- 2.2.1 Healthy eating is promoted and food and drinks provided by the service are nutritious and appropriate to the age of the child.
- 2.2.2 Physical activity is promoted through planned and spontaneous experiences and is appropriate to the age of the child.

2.3 Each child is protected.

- 2.3.1 Children are adequately supervised at all times.
- 2.3.2 Reasonable steps are taken to identify and manage risks, and every reasonable precaution is taken to protect children from harm and hazards.
- 2.3.3 Plans to effectively manage incidents and emergencies are developed in consultation with relevant authorities, practised and implemented.
- 2.3.4 Action is taken to respond to every child at risk of abuse and/or neglect.

Children's health and safety

Regulations and Schedules will include the additional requirement that:

- The service will provide a comfortable and safe environment for children.
- Current health and hygiene practices are used within the service.
- Children with infectious diseases are removed from the service when it is necessary to protect health and safety of other children.
- Parents of children enrolled at the service are notified of any case of infectious illness at the service.
- A suitably equipped first aid kit is readily available at the service.
- Authorisation to administer medication (including prescription, over-the-counter and homeopathic medications) is obtained and documented. (In an emergency, authorisation may be given verbally by a parent or medical practitioner).
- Medication must be within its use-by date and in its original packaging. The dosage to be administered must be checked by a second adult (unless this is not possible). Prescription medication must bear the child's name.
- Procedures are in place to manage children with medical conditions and children who have been diagnosed as being at risk of anaphylaxis.
- Cleaning materials, disinfectants, flammable, poisonous and other dangerous substances, tools and toiletries are inaccessible to children.
- Food and beverages are nutritious, varied and adequate in quantity..
- Heating and cooling equipment provided to maintain a comfortable temperature for children.
- Emergency procedures are developed and practised regularly.
- Educators have ready access to an operating telephone or other similar means of communication.
- Collection of children must be by parent or authorised person and a record of children's arrival and departure is kept at the service, with the signature of the person responsible for verifying the accuracy of the record or the person collecting the child.
- Children may only be taken outside the premises by an educator.
- Written authorisation is required for a child to be taken outside the premises (except in an emergency situation).
- Parents are provided with information regarding excursions (designation, mode of transport, educator to child ratios, number of adults in attendance) and their written approval is obtained and documented.
- All excursions must be subject to a risk assessment by providers prior to being undertaken and information to parents.
- Every adult working with children understands and meets their obligations under the relevant State or Territory Child Protection legislation.

Examples of the type of content to be covered in Guidelines:

- Up-to-date information about Sudden Infant Death Syndrome (SIDS), safe sleeping and appropriate bedding.
- Recommended contents of first aid kit for specific setting and purpose, including excursions.
- Resources that promote children's health and safety including:
 - Australian Government Healthy Eating and Physical Activity Guidelines for Early Childhood settings - this one covers off healthy eating and physical activity for birth to five year olds. (this is the new one)
 - Dietary Guidelines for Children and Adolescents in Australia - this one covers off healthy eating for school age kids
 - Australia's Physical Activity Recommendations for 5-12 year olds - this one covers off physical activity for school age kids.
- Up-to-date information on childhood illnesses, immunisation and infection control, including *Staying healthy in child care – Preventing infectious diseases in child care* (National Health and Medical Research Council). New and emerging practices in children's health and safety.
- Physical activity is promoted consistent with current guidelines and recommendations for the age of the children within the service.
- Guidelines on health and hygiene in relation to keeping of animals on the premises.

- Guidelines on management of pets in home-based settings.
- Food and beverages to be handled and stored in accordance with relevant legislation and / or guidelines e.g. food safety requirements
- Guidelines on groupings of children so they are configured to provide for each child's comfort and well being and to minimise the risk of: overcrowding; injury; conflict between children and illness due to infection.
- Requirement to supervise children when sleeping.
- Information about poisonous plants.
- Information about emergency service contacts available to assist with the development of emergency procedures.
- Key elements of emergency procedures (including access to a telephone).
- Information on relevant jurisdictional child protection obligations for educators, coordinators and staff
- Guidelines on:
 - clean and well maintained bed-linen
 - personal hygiene items needing to be attended to as soon as practicable
 - facilities provide safe and hygienic nappy changing
 - procedures to prevent making common use of items intended for children's personal care
 - access to animals is only under supervision
 - procedures in place to manage asthmas, diabetes, anaphylaxis
- Sun protection / advice from Cancer Council.
- Need for laundry facilities or facilities to hygienic storage of soiled clothes, linen and nappies
- Management of excursions.
- Safe play equipment, including soft-fall.
- Information regarding recent research and practices on child well-being, health and safety and identification of relevant community and government agencies such as child health and local government.

3. Physical environment

(green highlighting denotes assessment on opening as well as 3 to 6 months after opening)

The physical environment is safe, suitable and provides a rich and diverse range of experiences which promote children's learning and development.

Standard

3.1 The design and location of the premises is appropriate for the operation of a service.

- 3.1.1 Outdoor and indoor spaces, buildings, furniture, equipment, facilities and resources are suitable for their purpose
- 3.1.2 Premises, furniture and equipment are safe, clean and well maintained.
- 3.1.3 Outdoor spaces include natural elements and materials which allow for multiple uses.
- 3.1.4 Facilities are designed or adapted to ensure access and participation by every child in the service and to allow flexible use, and interaction between indoor and outdoor space.

3.2 The environment is inclusive, promotes competence, independent exploration and learning through play.

- 3.2.1 Outdoor and indoor spaces are designed and organised to engage every child in quality experiences in both built and natural environments.
- 3.2.2 Resources, materials and equipment are sufficient in number and organised in ways that ensure appropriate and effective implementation of the program.

Physical environment

Regulations and Schedules will include the additional requirement that:

In centre based services

- Link to relevant standards of the Building Code of Australia.
- A minimum of 3.25 sq m of unencumbered floor space to be provided for each child. This may include:
 - verandas in some services (approval of regulator required).
- A minimum of 7 sq m of useable outdoor play space to be provided for each child. This may include:
 - verandas in some services (approval of regulator required);
 - access to outside space required for outside school hours care services/
 - additional indoor space (such as a gymnasium) in school aged care services (approval of regulator required).
- Outdoor space to be enclosed by a fence or barrier that prevents a child (from birth to school age) from going through, over or under
- Specified shaded outdoor play space to be provided
- Toilet and washing facilities available to children must be accessible from both indoor and outdoor
- Rooms to be well ventilated.
- Indoor spaces allow exposure to natural light.
- Space to be allocated for administrative functions, private conversations and parent consultation.
- Separate indoor space to be provided for children under the age of two years.
- Outdoor space designed to afford children opportunities to explore and experience the natural environment.
- Space is organised to encourage choice and to facilitate active engagement with the environment.
- Each child to have access to furniture, materials and equipment suitable for the educational program.
- Services that are unable to comply with particular facilities requirements apply to the regulator to be considered to 'deem to comply' with those requirements.

In home based services

- Risk assessments of the family day carer's home are regularly conducted to ensure the health and safety of children.
- The Carer's own home has appropriate kitchen and bathroom facilities and fencing

(i) Examples of the type of content to be covered in Guidelines:

- Venue Management Plan for Out of School Hours Care services using shared premises
- Description of unencumbered floor space, that is exclusive of any passageway, thoroughfare, storage areas (including areas required for bedding), children's lockers, built in furniture, cots, separate sleeping areas, toilets, bathrooms, washrooms, kitchens, offices, laundries, entrances and staff rooms
- Criteria for approving services to count verandas as indoor or outdoor space, and school aged care services to count additional indoor space (such as a gymnasium) as its outdoor space. For example to be included as indoor space the veranda/s must be a solid roof and floor, be protected from sun and rain and be attached to the indoor play area. Verandah may only be included as indoor space if it is appropriate, having regard to local climatic conditions. The veranda cannot make up more than half the required indoor space and must be a useable space
- Description of useable outdoor play space
- Guidelines on how services can manage common safety issues, such as the safety of electrical outlets and the use of hot water.
- Guidelines for ventilation.
- Recommendations about the design of premises and facilities (e.g. a design guide):
 - to ensure environmental sustainability;
 - to facilitate groupings of children to minimise the risk of injury, conflict between children, reduce prolonged exposure to excess noise and promote children's learning and development;
 - to enable the flexible use of space;
 - to enable the accommodation of a range of services and activities to support children and families; and
 - to recognise and reflect the diversity of families within the local community.
- Recommendations about the design of outdoor play space (eg. a design guide), including:
 - suitable plants and gardens for young children

- the removal of water and other hazards
- giving children opportunities to explore and experience the natural environment.
- In quality centre based services group sizes do not exceed three times the ratio that pertains to the relevant age group or can demonstrate that the grouping is achieving the outcomes sought through limiting the size of the group.
- Information related to appropriate centre size.
- Indoor spaces allow exposure to natural light.
- Space is allocated for administrative functions and consultation with parents.
- Separate indoor space is provided for children under the age of two years.
- Spaces are organised to encourage choice and to facilitate active engagement with the environment.
- Each child has access to furniture, materials and equipment suitable for their educational program.
- Services that are unable to comply with particular facilities requirements apply to the regulator to be considered to 'deem to comply' with those requirements.
- Clarification about the adequacy and appropriateness of facilities, furniture, equipment and resources for centre based services.

In home based services

- Information about how a risk assessment of the family day carer's home should be conducted, documented and reviewed.
- Recommendations about how often this assessment should be undertaken.
- Information about what actions should be taken if risks to children are discovered at a family day carer's home.

4. Staffing arrangements

(green highlighting denotes assessment on opening as well as 3 to 6 months after opening)

Staffing arrangements create a safe and predictable environment for children and support warm, respectful relationships. Qualified and experienced educators and coordinators encourage children's active engagement in the learning program. Positive relationships among educators, coordinators and staff contribute to an environment where children feel emotionally safe, secure and happy.

Standard

4.1 Staffing arrangements enhance children's learning and development and ensure their safety and wellbeing.

- 4.1.1 Educators, coordinators and staff to child ratios (including qualified and/or trained ratios) are maintained at all times

4.2 Educators, coordinators and staff have the skills and knowledge to support children's learning, health, safety and wellbeing.

- 4.2.1 Educators, coordinators and staff demonstrate the awareness, attitudes, knowledge and skills required to provide an environment where diversity and difference are acknowledged, valued and respected.
- 4.2.2 Educators and coordinators are focused, active and reflective in planning and delivering the program to each child.
- 4.2.3 The performance of educators, coordinators and staff is evaluated and individual development plans are in place to support performance improvement.

4.3 Educators, coordinators and staff are respectful and ethical.

- 4.3.1 Professional standards guide practice, interactions and relationships.
- 4.3.2 Actions are aligned with the statement of principles under which the service operates.
- 4.3.3 Educators, coordinators and staff work collaboratively and affirm, challenge, support and learn from each other to further develop their skills, to improve practice and relationships.
- 4.3.4 Interactions convey mutual respect, equity and recognition of each other's strengths and skills.

Staffing arrangements

Until the following staffing arrangements come into place according to the timeframes below, State and Territory educator to child ratios and qualifications requirements that are in force prior to the commencement of the NQS on 1 January 2012 will continue to apply.

Regulations and Schedules will include the additional requirement that:

Schedule Educator to child ratios

Age group	Preschool and long day care Educator to child ratio	Timeframes for compliance
Birth to 24 months	1:4	1 January 2012
25 to 35 months	1:5	1 January 2016
36 months to school age	1:11	1 January 2016
Mixed age groups	Proportional formula based on the above ratios	1 January 2012
Number of children (at any one time)	Qualification Requirements	Timeframe
Less than 25	<ul style="list-style-type: none"> 50% of educators have a Diploma (or are actively working towards) level ECEC qualification or above (the teacher may be included) * Other educators have (or are actively working towards) a Certificate III level ECEC qualification (or equivalent) An early childhood teacher is in attendance for some of the time that the service is being provided to children. 	1 January 2014
25 to 59 children	<ul style="list-style-type: none"> 50% of educators have a Diploma (or are actively working towards) level ECEC qualification or above (the teacher may be included) * Other educators have (or are actively working towards) a Certificate III level ECEC qualification (or equivalent) An early childhood teacher is in attendance at the service whenever the service is being provided to 26 children or more. 	1 January 2014
60 to 80 children	<ul style="list-style-type: none"> 50% of educators have a Diploma (or are actively working towards) level ECEC qualification or above (the teacher may be included) * Other educators have a certificate III or are actively working towards) level ECEC qualification (or equivalent) An early childhood teacher is in attendance at the service whenever the service is being provided to 26 children or more. A second early childhood teacher or another suitably qualified leader is in attendance at the service for at least half the time the service is being provided to 60 children or more. 	1 January 2014 1 January 2014 1 January 2014 1 January 2020

over 80 children	<ul style="list-style-type: none"> 50% of educators have a Diploma (or are actively working towards) level ECEC qualification or above (the teacher may be included) * 	1 January 2014
	<ul style="list-style-type: none"> Other educators have a certificate III (or are actively working towards) level ECEC qualification (or equivalent) 	1 January 2014
	<ul style="list-style-type: none"> An early childhood teacher is in attendance at the service whenever the service is being provided to 26 children or more. 	1 January 2014
	<ul style="list-style-type: none"> A second early childhood teacher or another suitably qualified leader is in attendance at the service for at least half the time the service is being provided to 60 to 80 children, and once there are more than 80 children, the teacher needs to be there whenever the service is being provided. 	1 January 2020
<ul style="list-style-type: none"> For the purposes of clarity, in relation to 50% of Educators have a Diploma, for every 2 educators (or part there of) at least one must have (or be enrolled in and studying) a Diploma level ECEC qualification, that is if there are 15 carers in the service 8 must hold a Diploma level ECEC qualification. For the purposes of clarity, an early childhood teacher is in attendance at the service whenever the service is being provided to 26 children or more, would require the teacher to be at the service at least 6 hours per day. Victoria would retain its ratio 1:4 for children under 3 years of age NSW, WA and Tas would retain a ratio of 1:10 for children 36 months and over NSW would retain its requirements for teachers: <ul style="list-style-type: none"> 2, for 40-59 children under school age 3, for 60-79 children under school age 4, for 80 plus children under school age. Services licensed in Queensland by 1 January 2011 prior to the commencement of national legislation that can justify a need to use a staff to child ratio of 1:5 for a group of children aged 15-36 months will be deemed to comply with the NQS staffing ratios. This arrangement will expire on 31 December 2017. All Queensland services will be expected to be compliant with the NQS staffing ratios from 1 January 2018. 		

Jurisdictional requirements for teacher to child ratios in preschool programs (additional to staffing and other requirements of the NQS)

- New South Wales: as described above.
- South Australia: The requirements for SA Government pre-schools are 1:11 for the majority of services, with a 1:10 ratio for category 1 preschools in low SES communities. Qualified staff ratios will also be maintained with the first and second staff members required to hold an early childhood teaching qualification in stand-alone preschools, and the first and third staff member holding an early childhood teaching qualification in school-based preschools.
- Western Australia: The requirement is a staff to child ratio of 1:10.
- Tasmania: The requirement is 1 to 25 children to 2 educators, one of whom is a four-year university qualified teacher.
- Northern Territory: The requirements are for a staff to child ratio of 1:11 and a qualified staff to child ratio of 1:22.
- ACT: The requirements are a staff to child ratio of 1:11 for children 3 years and above in licensed children's services (LDC and OSHC) and a staff to child ratio of 2:25 for children attending ACT Government operated preschools.

Family Day Care

Age group	Educator to child ratio	Timeframes for compliance
Mixed age groups of children	1:7 with a maximum of four children not yet attending school	1 January 2014
For the purposes of clarify, these ratios include the carer's own children.		

Qualification Requirements

- All carers have a minimum Certificate III level qualification (or actively working towards)
- All coordinators have a Diploma qualification

1 January 2014

Outside School Hours Care

Age group	Educator to child ratio	Timeframes for compliance
School age care	The National Quality Standard and Ratings Framework will also apply to OSHC but at this stage no changes to educator-to-child ratios or educator qualifications are proposed.	
State/Territory	Ratio	Timeframes for compliance
ACT	1:11	Immediately
NSW	None prescribed	Immediately
NT	1:15	31 Dec 2013
QLD	1:15	Immediately
SA	1:15	Immediately
TAS	1:15	Immediately
VIC	1:15	Immediately
WA	As prescribed in WA Child Care Outside School Hours Care Regulations 2006 Schedule 1 – contact staff requirements and Division 1 – Prescribed matters 8. Prescribed Qualifications: section 12(2)9c)	Immediately
State/Territory	Qualification Requirements	Timeframe
ACT	<ul style="list-style-type: none"> • 1/3 of educators must hold a Diploma level qualification or above; or have completed a Certificate III component of a Diploma qualification or half a Degree qualification and demonstrate continuing progress toward completion of that qualification • No formal entry-level requirements for other educators 	Immediately
NSW	<ul style="list-style-type: none"> • No prescribed qualification requirements 	Immediately
NT	<ul style="list-style-type: none"> • 50% of carers must hold a post-secondary sports and recreation or teaching qualification or equivalent • No formal entry-level requirements for other educators 	31 Dec 2013
QLD	<ul style="list-style-type: none"> • 50% of educators must hold at least a Diploma level qualification in community services or a two-year qualification in a relevant area of study • Other educators must hold at least a Certificate III or IV in Community Services or a one-year qualification in a relevant area of study 	Immediately
SA	<ul style="list-style-type: none"> • 50% of educators must hold at least an Associate Diploma level qualification in child care and/or youth or recreation • No formal entry-level requirements for other educators 	Immediately
TAS	<ul style="list-style-type: none"> • No prescribed qualification requirements • 50% of educators must hold at least a 2 year post-secondary early childhood qualification or a 2 year post-secondary childcare or youth recreation qualification 	Immediately
VIC	<ul style="list-style-type: none"> • Other educators must hold at least a Certificate III in Children's Services or equivalent or commence obtaining a qualification within 6 months of commencing to care for children 	31 Dec 2010

WA

- 1/4 of educators must hold at least a Certificate IV in children's studies covering ages four to fourteen or a Certificate IV in outside school hours care
 - No formal entry-level requirements for other educators
- Immediately

- SA does not currently regulate OSHC. However, services provided on Department of Education and Children's Services' property are required to meet National Standards. Some other OSHC services are also required, by policy, to meet the National Standards.
- TAS indicated in the RIS that they were waiting on National Standards to implement their quality standards. VIC qualification requirements for OSHC do not apply until full licensing (which may not be until close to December 2010 for some services).

Minimum age of educators

Educators under the age of 18:

- may be counted in the educator to child ratios
- are not permitted to work alone in a service
- must be supervised by an adult with a Diploma qualification or above (or actively engaged and working towards the qualification).
- Family day carers must be 18 years of age or above.

For purposes of clarity educators under the age of 18 holding a Diploma qualification would still need to be supervised as above.

All educator to child ratios

- If a service is unable to employ an educator, carer or co-ordinator with the required qualification or above, the service would be considered to be at the operational level.
- A schedule of approved qualifications will be developed which includes currently approved qualifications within each state and territory. The list will include Certificate III, Diploma of Children's Services; early childhood teacher and first aid competencies required of staff.
- A national process for approving new qualifications and determining equivalence of overseas and other relevant courses would need to be developed by January 2012.

Other matters for Regulations

- Definition of working directly with children ie. maintaining educator to child ratios
- Staffing arrangements support children undertaking activities as part of a group that is of appropriate age and composition and promotes relationships with peers and educators.
- At least one educator with a prescribed first aid competency/qualification is present while children are at the service
- All family day carers have a prescribed first aid qualification.
- Professional development plans are documented and implemented.

(ii) Examples of the type of content to be covered in Guidelines:

- How prescribed staffing arrangements can be implemented across each service type.
- Guidelines which promote higher educator to child ratios than the minimum required under legislation
- The criteria for assessing fit and proper (for educators, coordinators, staff, holders of approval to operate, and management entities)
- Guidelines for applying the educator to child ratios, including (for example):
 - Older children can be included in groupings of young children if the educator to child ratios are maintained
 - Ready Reckoner for calculating the ratios for mixed age groups

Ready Reckoner			
Age of child	Ratio under National Standard (proposed)	Number of children in the group	Proportion of educator required (based on ratio)
Birth-24 months	1 to 4	1 child	25%
		2	50%
		3	75%
		4	100%
25-35 months	1 to 5	1 child	20%
		2	40%
		3	60%
		4	80%
36 months-school age	1 to 11	5	100%
		1 child	9%
		2	18%
		3	27%
		4	36%
		5	45%
		6	55%
		7	64%
		8	73%
		9	82%
		10	91%
		11	100%

- Clarification of activities that would not be considered to be working with children, for example:
 - Undertaking general cleaning that is unrelated to the direct care of children
 - Having a telephone conversation that is unrelated to the direct provision of care to the children
 - Having responsibility for task such as staffing the reception area
- Provision of non-contact time, to undertake tasks such as:
 - Programming
 - Meeting with parents
 - Networking with other agencies such as schools
- Expectations regarding the training and skills of staff involved in the preparation of food
- Requirements for educators for excursions
- Expectations regarding professional development records and plans (including expectations for cooks and ancillary staff)
- Promoting that Educators, Coordinators and staff are continually updating their knowledge of children's learning development, health, safety and wellbeing
- Effective communication across the staff team and for single educator services
- Expectations regarding participation in professional development programs and opportunities
- Key elements included in:
 - ECA Code of Ethics
 - Professional Standards
- Information regarding recent research regarding quality indicators such as educator to child ratios, group sizes, qualifications, first aid qualifications, etc
- That in quality services:
 - ☐ educators, coordinators and staff hold or are supported to work towards qualifications that are higher than the minimum
 - ☐ educators and coordinators regularly participate in and implement learnings from relevant professional development opportunities
- In high quality services groups of children do not exceed three times the ratio that pertains to the relevant age group or can demonstrate that the grouping is achieving the outcomes sought through limiting the size of the group.
- Practice guidelines to assist in developing and maintaining positive relationships including:
 - supporting Educators, Coordinators and Staff to:
 - build teams
 - communicate positively and openly and
 - affirm, challenge, support and learn from each other to further develop their skills and to improve practice.

5. Relationships with children

(green highlighting denotes assessment on opening as well as 3 to 6 months after opening)

Relationships that are responsive, respectful and promote children's sense of security and belonging free them to explore the environment and engage in learning.

Standard

5.1 Respectful and equitable relationships are developed and maintained with each child.

- 5.1.1 Interactions with each child are warm, responsive and build trusting relationships.
- 5.1.2 Every child is able to engage with educators in meaningful, open interactions that support the acquisition of skills for life and learning.

5.2 Each child is supported to build and maintain sensitive and responsive relationships with other children and adults.

- 5.2.1 Every child is supported to work with, learn from and help others through collaborative learning opportunities.
- 5.2.2 Each child is supported to understand how their own actions affect others.

5.3 Each child's behaviour, interactions and relationships are guided effectively.

- 5.3.1 Behaviour guidance strategies preserve the dignity and rights of the child at all times.
- 5.3.2 Each child is supported to manage their own behaviour, respond appropriately to the behaviour of others, and communicate effectively to resolve conflicts.

Relationships with children

Regulations and Schedules will include the additional requirement that:

- The service has a written policy on positive guidance of child behaviour that reflects current practice.
- The use of physical force and restraint; physical, verbal or emotional punishment and practices that demean, humiliate, frighten or threaten a child are prohibited.

(iii) Examples of the type of content to be covered in Guidelines:

- Effective practices across service types.
- Examples of what the elements would look like in practice and the types of evidence that would demonstrate compliance.

For example, in assessing *Standard 11 Respectful and equitable relationships are developed and maintained with each child* there would be observable evidence that children:

- develop secure attachments with familiar educators
- demonstrate a sense of belonging and trust in the environment
- initiate conversations with familiar educators
- express their need for comfort or assistance
- are confident to explore their environment
- are able to work on their own or in groups

Educators:

- give priority to nurturing their relationships with children
- assist children to make positive transitions between home and the service and other services
- convey genuine warmth and interest in each child
- are calm, gentle and reassuring
- recognise children's feelings and respond sensitively to their cues
- spend time in one-to-one interactions with children
- adopt staffing practices that maximise continuity for children and families
- plan ahead and support individual children to transition between groups within the service

- The benefits of children belonging to a group, so that they may:
 - undertake activities as part of a group that is of an appropriate size and composition
 - develop relationships and receive direct care from educators
 - develop friendships with other children.
- Practice guidelines to assist in developing and maintaining positive relationships including:
 - promoting quality interactions with children and fair and consistent responses to children
 - supporting children to:
 - build and maintain trusting relationships with each other (cultural competence), build self esteem and confidence, and respect diversity and equity
 - engage in preferences for solitary or parallel play and collaborative learning
 - recognise and manage their emotions
 - respond appropriately to the behaviour of others (including bullying and teasing)
 - cooperate, negotiate and solve problems together
 - develop friendships.
- Information regarding recent research in this developing and maintaining relationships.
- Importance of children being involved in sustained shared thinking and open ended questions.

6. Collaborative partnerships with families and communities

(green highlighting denotes assessment on opening as well as 3 to 6 months after opening)

Collaborative relationships with families are fundamental to achieve quality outcomes for children. Community partnerships that focus on active communication, consultation and collaboration also contribute to children's learning and wellbeing.

Standard

6.1 Respectful supportive relationships with families are developed and maintained.

- 6.1.1 There is an effective enrolment and orientation process for families.
- 6.1.2 Families have opportunities and support to be involved in the program and in service activities.
- 6.1.3 Families have opportunities to influence and shape the service, to review service policies and contribute to service decisions.

6.2 Families are supported in their parenting role and their values and beliefs about child rearing are respected.

- 6.2.1 The expertise of families is recognised and they share in decision making about their child's learning and wellbeing.
- 6.2.2 Information is available to families about community services and resources to support parenting and family wellbeing.

6.3 The service collaborates with other organisations and service providers to enhance children's learning and wellbeing.

- 6.3.1 Links with relevant community and support agencies are established and maintained.
- 6.3.2 Continuity of learning and transitions for each child are supported by sharing relevant information and clarifying responsibilities.
- 6.3.3 Access to inclusion and support assistance is facilitated.

6.4 The service participates in the community.

- 6.4.1 The service participates in the community and demonstrates respect for families and communities.
- 6.4.2 The service is involved in appropriate community projects and events.
- 6.4.3 The service takes an active role in caring for its environment and contributes to a sustainable future.

Collaborative partnerships with families and communities

Regulations and Schedules will include the additional requirement that:

- Families have access to the service during operating hours and are able to speak with educators and coordinators about issues affecting their child.
- The service has a policy about:
 - families' participation in the service; and
 - inclusion and procedures for reducing discrimination.
- The service has documented enrolment and orientation procedures.
- The service plans and implements a variety of opportunities for families to participate.
- The service establishes links with other services to support children and their families.
- Educators and coordinators have access to space for private and confidential discussions with families and access to the service for families during the hours of operation.

(iv) Guidelines will detail (for example):

- Examples of collaborative partnerships in each service type, including evidence that could demonstrate compliance.
- Guidelines regarding communication pathways with indigenous communities, ideas of cultural competence, and needing to reflect cultural diversity of community
- For example, in assessing *Standard 6.1: Respectful supportive relationships with families are developed and maintained*, there would be observable evidence that
 - Families:
 - are welcome to visit the service at any time;
 - have opportunities to discuss their child's experiences with the child's primary educator(s);
 - can raise issues and work with educators to reach a mutually agreeable solution.
 - Educators:
 - implement an 'open door' policy;
 - have made preparation to communicate with families for whom literacy is an issue or for whom English is not a first language, even if this is not currently required;
 - respond to all families respectfully.
- Guidance about what should be included in enrolment and orientation processes.
- Guidance about what opportunities could be provided to families to enable them to participate in decision making and activities at the service.
- Guidance to assist services to develop and maintain respectful supportive relationships with families, including:
 - supporting parents in their parenting role;
 - facilitating access for inclusion and support agencies;
 - supporting children's transitions;
 - how to share information with families
 - linking with relevant community and support agencies, including referrals to specialist services and family support agencies;
 - linking with, participating in and contributing to the wider community;
 - networking in the community;
 - caring for the environment and contributing to a sustainable future
 - sharing information about the child between the service and other children's services or schools (with the consent of families).
- Information regarding recent research and theories on developing collaborative partnerships.

7. Leadership and service management

(Green highlighting denotes assessment on opening as well as 3 to 6 months after opening)

Effective leadership contributes to sustained quality relationships and environments that facilitate children's learning and development. Well documented policies and practices that are developed and regularly evaluated in partnership with educators, coordinators, staff and families contribute to the ethical management of the service. There is a focus on continuous improvement.

Standard

7.1 Effective leadership promotes a positive organisational culture and builds a professional learning community.

- 7.1.1 A suitably qualified and experienced educator or coordinator leads the development of the curriculum and ensures the establishment of clear goals and expectations for teaching and learning.
- 7.1.2 There is continuity of educators and coordinators at the service.

7.2 There is a commitment to continuous improvement.

- 7.2.1 A statement of principles is developed which guides all aspects of the service's operations.
- 7.2.2 An effective planning and evaluation process is in place that guides service operation and programs and enables the identification and delivery of ongoing improvement initiatives.
- 7.2.3 The induction of educators, coordinators and staff is comprehensive.

7.3 Management and administrative systems enable the effective provision of a quality service.

- 7.3.1 Administrative systems and communication channels are established and maintained to ensure the effective operation of the service.
- 7.3.2 Service practices are based on effectively documented policies and procedures that are available at the service and reviewed regularly.
- 7.3.3 Records and information are stored to ensure confidentiality, are available from the service and maintained in accordance with legislative requirements.
- 7.3.4 Appropriate governance arrangements are in place to manage the service.
- 7.3.5 The authority/ies responsible for administering the Standard is/are notified about any relevant changes.

7.4 Adults working with children and those engaged in management of the service or residing on the premises are fit and proper.

- 7.4.1 The provider, including managing bodies, any authorised supervisor/nominee engaged to be a manager (on and off-site) demonstrates their fitness and propriety.
- 7.4.2 The provider takes reasonable steps to ensure the fitness and propriety of educators, coordinators and staff.
- 7.4.3 The provider takes reasonable steps to ensure the fitness and propriety of any adults who reside in or are frequent visitors to a home based service while children are in care.

7.5 Grievances and complaints are managed effectively.

- 7.5.1 Processes are in place to ensure that all grievances and complaints are addressed, investigated fairly and documented in a timely manner.
- 7.5.2 The authority/ies responsible for administering the Standard is/are notified of complaints which allege a breach of legislation or a serious incident.

7.6 Information is exchanged with families on a regular basis.

- 7.6.1 Current information about the service is available to families.
- 7.6.2 Information is available to families about their child which includes documentation of the child's learning, development and participation in the program.
- 7.6.3 Information provided by families is documented as appropriate.

Leadership and Service Management

The Regulations and Schedules will include the requirement that:

- The holder of an approval to operate identifies an educator or coordinator as the 'pedagogical leader' to lead the development of programs and ensure the establishment of clear goals and expectations for teaching and learning within the service.
- The licence and rating is displayed at the centre.
- Service practices are documented in policies and procedures and information is available at the service and to families, reviewed regularly and includes but is not limited to those areas prescribed in **Schedule A** (see below).
- The holder of an approval to operate ensures that recording and management of relevant information related to children and families is administered effectively including updating, storage, maintenance of confidentiality, access for families and the authority/ies responsible for the Standard. Records to include but not be limited to those prescribed in **Schedule B** (see below).
- The holder of an approval to operate including managing bodies, any authorised supervisor/nominee engaged to be a manager (on and off-site) is fit and proper. This assessment includes whether:
 - Guilty of an indictable offence;
 - Guilty of an offence under this Act or previous;
 - Person is not of sound financial reputation and stable financial background;
 - Person is not of good repute having regard to character, honesty and integrity.

The Authority/Authorities responsible for the Standard may require the person in respect of whom a fit and proper person check is being carried out to submit to:

- Any test or provide any references or reports to determine the suitability of the person; and
- Any medical or psychiatric examination considered appropriate in order to determine the suitability of the person and, if required, provide any results or reports of the examination.

Schedule A

- Statement of principles
- Hours of operation
- Admission and enrolment procedures
- Fees charged and arrangements for payment
- Manager/person responsible on duty
- Staffing (numbers and qualifications)
- Code of conduct
- Participation of students and volunteers
- Arrangements for the delivery and collection of children
- Outline of the program
- Behaviour guidance
- Excursions
- Dealing with illness, emergency care and infectious diseases
- Notification of any occurrence of modifiable/vaccine-preventable infectious disease
- Notice that a child at risk of anaphylaxis attends the service
- Anaphylaxis management policy
- Details of emergency evacuation
- Safety and health
- Menus
- Complaints
- Approval to operate and any 'Interim Approvals'
- Contact details for the authority/ies responsible for the National Quality Standard.

Schedule B

- Enrolment
- Attendance
- Permission for excursions
- Child progress
- Medication
- Incident and illness
- Staffing
- Custody arrangements/court orders.

Guidelines will detail (for example):

- The role of the suitably qualified and experienced educator or coordinator as a leader of program/curriculum development including:
 - Have current knowledge of child development and effective approaches to teaching and learning
 - Have a knowledge of planning, assessing and documenting children learning and the importance of sharing information with families
 - Oversee and lead other educators in implementing the Early Years Learning Framework including pedagogy and curriculum decision making
 - Planning and delivering the preschool program for children in the years prior to school
 - Work with other educators in observing, supporting and extending children's learning and lead discussions on reflective practice
 - Support educators in the process of assessment for learning
 - Lead and share information, knowledge and expertise on practice, policy developments and community changes that may impact on curriculum
 - Act as a professional role model, promoting high quality education and care for children
 - Build the capacity of all educators by supporting and mentoring others to take on leadership roles in areas of expertise or of potential interest.
- Support materials to assist in developing policies and procedures, professional development records and plans.
- What is expected in complying with the Standard and examples of strategies to demonstrate compliance
 - For example, a sample policy and procedure template along with instructions that policies and procedures are documented, dated and sourced, developed in consultation with educators, coordinators, staff and families, regularly reviewed, available and communicated to families.
 - For example, a list of the types of events or changes that may require notification to families and the authority/authorities responsible for the Standard.
 - For example, a discussion on the reasons why communication with families is important and suggestions for strategies to communicate with families regarding topics such as their child's food and drink consumption, sleeping pattern at the service, nappy changes, accidents and illness, participation in the programs and daily experiences.
 - For example, guidance on how to ensure fitness and propriety in different governance structures.
- Information regarding:
 - recent research and theories on leadership and mentoring in educational settings
 - recent research and practices related to children's learning, health, safety and wellbeing, and
 - recent research and theories on management practices in educational settings.

Glossary

The following glossary explains some key terms as they are used in the *Standard*

Authorised supervisor/nominee is an adult nominated by the holder of an approval to operate /service provider to help ensure the service is operated in compliance with the *Standard* and assist with communication between the holder of an approval to operate/service provider and authority(ies) responsible for implementing the *Standard*.

Built environments include manufactured, synthetic and commercially produced surfaces, materials, toys and equipment.

Centre based refers to an education and care service providing long day care, preschool, kindergarten and outside school hours care. The service may operate from standalone or shared premises including those on school grounds.

Children is the term used within this document to refer to each baby, toddler, three to five year old and school age child both as an individual and a member of a group in the education and care setting, unless otherwise state.

Collaboration involves working together cooperatively towards common goals. Collaboration is achieved through information sharing, joint planning and the development of common understandings and objectives.

Communication pathways and protocols are lines of communication that respect culturally defined relationships in families and kinship groups. They involve educators considering appropriate ways of speaking and behaving, including appropriate body language, eye contact and touch, to ensure that their interactions with each child, family and community are respectful.

Community refers to a group of people who have common characteristics. In this context the term can be defined according to location, race, ethnicity, age, occupation, interest in particular issue, or other common bonds. In an education and care setting the term community may include children, families, educators, staff, other professionals, school staff and volunteers. It may also include members of the wider community and particular groups or organisations in the local area.

Continuous improvement is the process by which the service evaluates and seeks opportunities to improve its operations and daily practice. The ultimate goal of continuous improvement is to enhance outcomes for children.

Coordinator refers to the professional staff employed by a family day care scheme to support, monitor and provide pre-service and in-service training for educators. The term 'coordinator' includes: coordinator, child development officer, child care services officer, field officer/worker, manager, director, authorised supervisor, team leader, and play session/group leader.

Critical Reflection involves examining and analysing events, experiences and practices from a range of perspectives to inform future planning and decision making.

Culture describes the customs, ideas, values, practices and way of living shared by a group of people.

Curriculum means 'all the interactions, experiences, activities, routines and events, planned and unplanned, that occur in an environment designed to foster children's learning and development' (adapted from Te Whariki)

Deemed to comply when a service may not technically comply with either the Staffing Arrangements or Physical Environment standards of the NQS, but the service is assessed as being fit for purpose on an ongoing basis.

Diversity refers to the differences among all individuals. In an education and care setting, diversity may include, but is not restricted to, differences in background, culture, customs, language, faith, religion, family structure, ability, gender, sexuality, child rearing practices and socio-economic status. Diversity is respected when difference is valued and where inclusive practices are implemented.

Documentation results from a process of recording information, discussions and decisions. Documentation of children's learning may include examples of children's writing, drawing, painting and construction, photographs of projects and works in progress, transcripts of children's comments and conversations about their experiences.

Educator is a person who works directly with children and is included in the 'educator to child' ratio.

Effective means achieving the desired outcome from a particular course of action. A policy is effective when it is consistently put into practice and results in the desired outcome being achieved for children. For example, a sun protection policy is effective when educators consistently implement the strategies outlined in the policy and children and adults are protected from harmful exposure to the sun.

Equity refers to fair and just treatment of all individuals.

Evaluation measures the effectiveness of something by identifying its outcomes, strengths and weaknesses. The results of evaluation are used to inform future planning and decision making.

Experiences are defined as the activities and routines provided for children. Experiences may be planned or spontaneous and should reflect children's needs, interests and abilities.

Family describes the network of significant people involved in caring for the child outside of the service.

Family day care is a child care service that provides small group care for children from birth through to school age in the home environment of a registered educator. Educators work in partnership with scheme management and coordination unit staff.

Financial viability relates to the financial resources and stability of the provider and the extent to which a quality service can be sustained financially.

Fit and proper describes a person's suitability and ability to meet the standard required to work with children and families or be involved in the operation of an education and care service.

Harm to a child is any detrimental effect of a significant nature on the child's physical, psychological or emotional wellbeing. Harm can be caused by physical, psychological or emotional abuse or neglect or sexual abuse or exploitation.

Hazards are items which have the potential to cause harm, illness or injury. In an education and care setting hazards may include cleaning products, garden chemicals, medications, pest control agents, broken or damaged toys, equipment or surfaces, electrical equipment, sharp objects, soiled materials, foreign objects, spiders and vermin and poisonous plants.

Home based services are provided in the home of the educator or the child's family. For example, a home based service is provided by an educator in a family day care scheme or a registered individual who is not part of a family day care scheme.

Hygiene refers to the clean and sanitary practices which maintain good health at the service. The spread of infectious diseases is minimised when educators and staff use accepted hygiene practices during daily routines such as toileting, nappy changing and handwashing.

Inclusion and support assistance aims to develop the capacity of child care services to create an inclusive environment for all children and their families, including those from culturally and linguistically diverse backgrounds, those with on-going high support needs and Aboriginal and Torres Strait Islander children.

Induction is a planned process of introducing new staff, relief staff, students or volunteers to the service in preparation for their role. An effective induction will assist new members of the service to understand what is expected of them and what they can expect from the service.

Interim approval is where a service is permitted to operate notwithstanding that it does not meet a particular requirement under the NQS. An interim approval is time-limited and only available for requirements under the Staffing Arrangements and Physical Environment standards. A service with an interim approval will be rated as Operating level for the quality area to which the interim approval applies.

Leader refers to the suitably qualified and experienced educator or coordinator who leads the development of the program and is role model for other educators in the service.

Natural environments include natural materials and surfaces that have undergone very little modification, for example grass, trees, rocks, plant materials, soil, sand, water, clay, timber, bark, seeds, shells and stones.

Observation describes information obtained by watching, listening and interacting with children to identify their skills, interests, needs and abilities. This information will assist educators to plan meaningful experiences for children.

Open ended questions are those that invite a thoughtful, rather than a single 'yes' or 'no', response. These may include questions that begin with 'what', 'where', 'when', 'which', 'why' and 'how'.

Orientation is a process designed to familiarise children and families with educators, staff, service operations, and daily practices when they commence care. The primary goal of orientation is to support children to adapt to unfamiliar routines, new people and new places.

Orientation also provides an initial opportunity for sharing of information between families and the service about care expectations, the child's individual needs and how the service will meet them.

Outside school hours care is a service that provides care for school age children before school, after school, on pupil-free days and/or during school holidays (vacation care). Outside school hours care may use standalone facilities, share school buildings and grounds, and/or share facilities such as community halls. Care for school age children outside of school hours, on pupil-free days and during school holidays may also be provided by family day care and long day care services.

Parents of a child include the natural or adoptive parent of the child and their spouse, a person who, under Aboriginal or Torres Strait Islander tradition, is regarded as a parent of the child or the carer of the child under relevant legislation.

Partnership is a co-operative and mutually beneficial relationship between those working together and sharing a responsibility to achieve a common goal, such as positive outcomes for children. Effective partnerships require good faith, mutual respect and common understanding from which decisions can be made.

Planning occurs at a number of levels within an education and care service. Planning refers to making decisions about what will happen at the service for children. In daily planning, educators consider relationships and interactions, routines, the environment, experiences provided for children and how the program will be delivered. Planning also occurs at the service level to ensure effective management and administrative practices and systems are in place so that the service is responsive to the needs of children, families and the community.

Policy is a written statement which details service practices and procedures and explains the reasons for them. A policy is informed by current best practice and guides consistent application of service procedures by ensuring that all stakeholders have the same understanding and expectations.

Preschool programs Preschool programs in the year before full-time schooling are play based learning programs, planned and delivered by an early childhood qualified teacher for a minimum of 10 hours a week (15 hours a week from 1 January 2013) for 40 weeks per year. For children other than those in the year before full-time schooling, preschool programs are play based learning programs, planned and delivered by an early childhood qualified teacher.

Professional development is the process of maintaining and continuously improving current knowledge and skills in an area of expertise through both informal and formal learning opportunities.

Professional standards describe the appropriate and expected behaviour of management, educators and staff. They are used to guide ethical decision making and respectful relationships within the service.

Programs include the spontaneous and planned experiences provided for children at the service designed to facilitate learning.

Provider refers to the owner and operator of an education and care service. The term 'provider' also refers to an individual operating a home based service which is not part of a family day care scheme.

Reasonable risk is a challenge provided to children which extends their skills and abilities without exposing them to unacceptable risk of serious injury.

Resources are items such as toys, play equipment, books, writing materials and craft materials for children to use in their play, learning experiences and physical activities. Resources provided by the service must be safe and appropriate to the age and skills of the children using them and should extend their interests and abilities.

Routines are structured, daily events that occur at regular intervals in the education and care environment. They may include children's arrivals and departures, the collection of school age children, transitions, nappy changing and toileting, snack and mealtimes, rest and sleep.

Service describes the management, educators and staff of a family day care scheme, long day care centre, or outside school hours care service. In family day care, the term 'service' refers to both the coordination unit and the carer's home. The service may also comprise a holder of an approval to operate or sponsor responsible for the operation of the service.

Spontaneous means unplanned, impulsive or 'spur of the moment'. In an education and care setting spontaneous learning opportunities emerge as children, explore, discover, imagine and interact with both educators and their peers.

Staff refers to staff members in a centre based setting who are not included in the educator to child ratios and/or perform another primary function in the service such as cook, administrator, gardener, housekeeper or cleaner.

Statement of principles outlines the values and beliefs that are important to children, families, educators, staff and management which guide everything that happens at the service.

Supervision is the continuous and active observation of children and intervention to promote their wellbeing. Active supervision ensures that children are safe, that risks within the environment are minimised and that they are engaged in positive interactions and activity, without over-protection or over-direction. Supervision requirements will vary according to the age and number of children, the activity taking place, the environment and the needs of individual children.

Sustainability is the result of finding ways to meet current needs that do not impact on the quality of the environment or reduce the capacity of future generations to meet their own needs.

Sustained shared thinking involves two or more individuals (children together or adults and children) working together to solve a problem, explore a new concept or develop a new understanding. Educators support, extend and challenge children's thinking by getting involved in the thinking process with them.

Systematically means in a purposeful, regular and methodical way.

Teacher means an early childhood teacher holding an approved qualification under the NQS or a qualification that has been assessed as equivalent.

Transitions describes the movement of children from one setting or service to another, from one group or room to another or the move from one activity to the next.

Appendix C Options contained in the consultation RIS

Staff-to-child ratios and qualifications for Long Day Care, Preschool and Family Day Care

NATIONAL QUALITY STANDARD OPTIONS FOR LONG DAY CARE AND PRESCHOOL

Option	Staff-to-child ratio	Qualifications
LDC and Preschool Option 1 – Baseline	No COAG Policy change. Under this option states and territories will be free to choose whether or not to make their own changes to ratios, and may include some growth. A broad range of standards for ratios between jurisdictions will remain.	No COAG Policy change. Under this option states and territories will be free to choose whether or not to make their own changes to qualifications, and may include some growth. A broad range of standards for qualifications will remain.
LDC and Preschool Option 2	For children from birth to 24 months the staff-to-child ratio to be 1:4 no later than the end of 2015. For children aged 25 to 35 months the staff-to-child ratio to be 1:5 no later than the end of 2015. For children 36 months to school age the staff-to-child ratio to be 1:11 no later than the end of 2016.	All staff working with children would be required to have a minimum Certificate III level qualification (or be enrolled in study) no later than the end of 2013. Fifty per cent of all staff working with children are to have a qualification (or be enrolled in study) of Diploma or above by no later than the end of 2013. Services that have 25-59 children on any day, are required to employ 1 full-time university qualified early childhood teacher by 2013.
LDC and Preschool Option 3	For children from birth to 24 months the staff-to-child ratio to be 1:4 no later than the end of 2011. For children aged 25 to 35 months the staff-to-child ratio to be 1:5 no later than the end of 2014. For children 36 months to school age the staff-to-child ratio to be 1:11 no later than the end of 2015.	Services that have 60-80 children on any day, are required to employ 0.5 of an additional university qualified professional by 2015, and a full additional university qualified professional for services with over 80 children on any day (with exact requirements for additional professionals to be determined).
LDC and Preschool Option 4	For children from birth to 24 months the staff-to-child ratio to be 1:4 no later than the end of 2010 and 1:3 no later than the end of 2020. For children aged 25 to 35 months the staff-to-child ratio to be 1:5 no later than the end of 2015. For children aged 36 months and over the staff-to-child ratio to be 1:10 no later than the end of 2013.	Services with less than 25 children would be expected to have access to a proportion of an early childhood qualified teacher for educational leadership by 2013. Where the service provision only includes children birth to 3 years or where there is already a qualified teacher on site an appropriate alternative qualification may fulfil this requirement (with the need for and exact requirements for additional professionals to be determined).

NATIONAL QUALITY STANDARD OPTIONS FOR FAMILY DAY CARE

Option	Staff-to-child ratio	Qualifications
FDC Option 1 – Baseline	No COAG Policy change. Under this option states and territories will be free to choose whether or not to make their own changes to ratios. Many jurisdictions will operate at a ratio of 1:7, with variable restrictions on the age composition of children receiving care.	No COAG Policy change. Under this option states and territories will be free to choose whether or not to make their own changes to qualification requirements. A broad range of standards for qualifications will exist between jurisdictions.
FDC Option 2	Mixed age groups of children would have a staff-to-child ratio of 1:7 no later than the end of 2011 with a maximum of four children under school age.	All carers would be required to have a minimum Certificate III level qualification (or be enrolled in study) and all coordinators would be required to have a Diploma qualification no later than the end of 2013.

Enhanced regulatory arrangements

Option 1: No COAG policy change in regulation

Option 2: An integrated national system for administering the National Quality Standard and Ratings Framework, and a new national body assuring national consistency

This option is a genuinely integrated national system with the following features:

- A unified national system to replace current licensing and quality assurance processes;
- A single set of improved national standards that encompass and integrate education and care, with current standards that are stronger than the agreed national standards grandfathered, that initially apply to LDC, FDC, preschool services and OSHC services regardless of location or setting;
- Joint governance of the national quality system, to allow the perspective of all jurisdictions to be taken into account in the operation of the national system;
- A national body or bodies with joint governance arrangements to oversee the administration of the national system;
- No duplication of regulation across levels of government or sectors, with individual services needing to deal with only one organisation for regulation against the standards; and
- Jurisdictions not moving unilaterally to increase standards in the future, with the ability in a small number of selected areas to increase standards in a State or Territory by agreement between that State/Territory and the Commonwealth following discussion by the national body.

Quality rating system

Option 1: No COAG policy change

Option 2: Implement a new rating system based on the new National Quality Standard

This option would see the introduction of a quality rating system which integrates the new national standard. The public consultation process undertaken in August and September 2008 provided general support for a descriptive approach to a rating system.

The draft National Quality Standard and Ratings Framework has been developed to take account of the needs of parents and what information they want to know about their service. The matrix integrates the new standard and presents information on service levels to better meet the information needs of families.

In assessing services against the new quality standard, it is proposed that services will also receive an overall rating and ratings for each of the seven quality areas which would give them a quality profile. The five possible ratings a service could achieve would be:

- **Unsatisfactory:** Services will receive an unsatisfactory rating when they do not meet the National Quality Standard, or, prior to legislation for a national minimum standard coming into effect in each jurisdiction, do not meet relevant state or territory licensing requirements
- **Operating Requirements:** This rating will apply to new services to allow them to operate prior to formal assessment against the National Quality Standard, and to services that are not currently meeting the National Quality Standard but have a plan which works toward meeting the required standard. Prior to legislation for a national minimum standard coming into effect in each jurisdiction it will also apply to services that meet the relevant state or territory licensing requirements in order to operate, but do not meet some aspects of the National Quality Standard where these are greater than state or territory licensing requirements
- **National Quality Standard:** This rating requires services to meet the National Quality Standard in the areas of educational program and practice; children's wellbeing, health and safety; physical environment; staffing arrangements; relationships - interactions within the service; collaborative partnerships with families and communities; and, leadership and service management
- **High Quality:** This rating requires a service to meet the National Quality Standard levels plus additional elements. These may include exceeding the National Quality Standard in identified areas to achieve higher quality outcomes. High Quality services would be expected to provide access to preschool, in line with the Universal Access commitments
- **Excellent:** A service will achieve an overall rating of Excellent by nomination and assessment as a centre of excellence. Services in this category would be services that demonstrate excellence in the provision of ECEC by actively fostering innovation, for example excellence in ECEC integration, social inclusion, and community engagement.

It is proposed that each level will be defined by a set of criteria, including quantitative and qualitative assessment by an external assessor on key areas. The aim is for it to be a model with no duplication, and reduced administrative burden for service providers.

Appendix D Written submissions received from key stakeholders

- Childcare Associations Australia
- Child Care Centres Victoria
- Childcare South Australia
- Childcare QLD
- Childcare NSW
- Childcare Association WA
- Mission Australia
- C&K Pre-schooling Professionals
- Australian Childcare Alliance
- National Investment for the Early Years
- Community Child Care
- Liquor Hospitality Miscellaneous Union
- Centre for Community Child Health
- Independent Education Union Australia
- National Out of School Hours Services Association
- National Childcare Accreditation Council
- ABC Developmental Learning Centres
- Early Childhood Australia
- Family Day Care Australia
- Kindergarten Parents Victoria
- Child Care National Association
- Australian Education Union
- Secretariat of National Aboriginal and Islander Child Care
- SDN Children's Services
- Montessori Australia Foundation
- Unitingcare Children's Services

Appendix E Detailed results tables: National Quality Standard

Cost per child per day

No COAG policy change

TABLE E-1: LDC – Annual cost estimates (\$Real per child per day)

State	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
VIC	1.38	3.21	4.73	5.33	6.35	7.07	7.63	9.06	9.31	9.58
NSW	0.61	1.31	1.95	2.73	3.99	4.54	4.63	4.72	4.81	4.91
QLD	0.00	0.00	0.00	0.00	0.00	0.16	0.32	0.49	0.67	0.86
WA	0.00	0.00	0.00	0.00	0.00	0.09	0.23	0.46	0.62	0.79
TAS	0.62	1.48	2.15	2.19	2.24	2.41	2.59	2.77	2.97	3.16
SA	0.75	1.73	2.56	2.99	3.75	4.46	5.36	5.68	6.02	6.37
ACT	0.70	1.66	2.41	2.46	2.51	2.70	2.89	3.08	3.29	3.50
NT	0.67	1.58	2.31	2.35	2.40	2.62	2.91	3.29	3.76	4.37
Total	0.53	1.20	1.76	2.13	2.73	3.12	3.38	3.78	3.96	4.14

Long Day Care Option 2

TABLE E-2: LDC – Annual cost estimates (\$Real per child per day)

State	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
VIC	0.27	0.56	0.97	1.37	2.05	2.69	2.87	2.90	2.93	2.96
NSW	0.25	0.49	1.12	1.81	3.09	3.34	3.35	3.41	3.48	3.56
QLD	0.19	0.40	0.87	1.76	4.59	5.52	5.83	5.88	5.95	5.99
WA	0.06	0.18	0.46	1.01	2.47	2.60	2.66	2.75	2.80	2.86
TAS	0.13	0.32	0.68	1.35	1.82	1.90	1.98	2.06	2.13	2.20
SA	0.53	1.06	2.03	3.53	6.57	7.45	7.47	7.56	7.96	8.23
ACT	0.08	0.23	0.55	1.44	2.27	2.39	2.48	2.52	2.56	2.60
NT	0.14	0.36	0.80	1.57	3.03	3.46	3.96	4.50	5.11	5.70
Total	0.23	0.47	0.98	1.72	3.47	4.04	4.20	4.26	4.35	4.43

Preschool Option 2

TABLE E-3: Preschool – Annual cost estimates (\$Real per child per day)

State	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
VIC	0.22	0.67	1.72	3.74	4.95	5.20	5.51	5.91	6.42	7.39
NSW	0.01	0.03	0.07	0.19	0.31	0.31	0.32	0.33	0.33	0.34
QLD	0.01	0.03	0.10	0.28	1.09	1.12	1.14	1.16	1.19	1.21
WA	0.02	0.06	0.14	0.29	0.60	0.77	1.00	1.41	1.44	1.47
TAS	0.08	0.24	0.62	1.36	1.95	2.21	2.57	3.09	4.36	4.44
SA	0.04	0.10	0.22	0.42	0.81	0.97	1.21	1.23	1.26	1.28
ACT	0.16	0.47	1.13	2.39	3.58	3.95	4.40	5.05	5.15	5.25
NT	0.01	0.04	0.11	0.27	0.66	1.00	1.51	2.97	3.03	3.09
Total	0.09	0.26	0.65	1.42	2.04	2.20	2.40	2.68	2.88	3.19

Real Annual Cost

No COAG policy change

TABLE E-4: LDC – Annual cost estimates (\$Real millions)

NPC: \$ 1,045.8 million

State	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
VIC	14.8	35.2	52.9	60.4	72.9	82.2	89.8	107.8	111.9	116.1
NSW	9.8	21.0	31.7	44.6	65.8	75.3	77.3	79.4	81.6	83.9
QLD	0.0	0.0	0.0	0.0	0.0	3.0	6.2	9.7	13.4	17.3
WA	0.0	0.0	0.0	0.0	0.0	0.5	1.2	2.4	3.4	4.3
TAS	0.6	1.5	2.2	2.3	2.4	2.6	2.8	3.0	3.2	3.4
SA	2.3	5.4	8.1	9.5	12.0	14.5	17.6	18.8	20.1	21.4
ACT	0.7	1.7	2.5	2.6	2.7	2.9	3.2	3.4	3.7	3.9
NT	0.5	1.3	2.0	2.1	2.2	2.4	2.7	3.1	3.5	4.2
Total	28.7	66.1	99.4	121.5	157.9	183.3	200.7	227.6	240.8	254.5

Long Day Care Option 2

TABLE E-5: LDC – Annual cost estimates (\$Real millions)

NPC: \$1,191.7 million

State	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
VIC	2.9	13.0	17.7	23.1	30.2	32.7	35.0	35.8	36.3	36.9
NSW	4.0	20.2	19.9	30.9	52.2	56.7	57.2	58.6	60.4	62.1
QLD	3.3	20.0	28.4	46.0	88.7	107.8	115.9	118.6	121.4	123.8
WA	0.3	4.2	5.5	8.6	13.4	14.3	14.9	15.5	15.9	16.4
TAS	0.1	1.1	1.4	1.5	2.1	2.1	2.2	2.2	2.3	2.4
SA	1.6	5.4	8.5	13.5	21.4	24.7	24.9	25.2	26.9	27.9
ACT	0.1	1.0	1.3	1.6	2.6	2.8	2.9	2.9	2.9	3.0
NT	0.1	0.7	1.1	1.8	3.1	3.5	4.1	4.6	5.3	5.5
Total	12.4	65.6	83.9	127.1	213.7	244.6	257.0	263.5	271.4	277.9

Preschool Option 2

TABLE E-6: Preschool – Annual cost estimates (\$Real millions)

NPC: \$349.3 million

State	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
VIC	1.6	7.5	15.4	31.6	41.7	44.7	47.4	50.9	55.4	60.4
NSW	0.1	2.8	3.0	1.4	2.1	2.1	2.1	2.2	2.3	2.3
QLD	0.0	1.2	1.3	1.9	2.8	2.9	3.0	3.1	3.2	3.3
WA	0.1	3.0	3.5	5.1	7.5	9.2	10.5	9.9	10.1	10.4
TAS	0.0	0.4	0.7	1.2	1.7	1.9	2.2	2.5	2.9	3.0
SA	0.1	1.2	1.4	2.1	3.0	3.6	2.7	2.7	2.9	2.9
ACT	0.1	0.5	0.8	1.6	2.3	2.6	2.8	2.9	2.9	3.0
NT	0.0	0.2	0.2	0.3	0.5	0.6	0.8	1.1	1.2	1.2
Total	2.0	16.8	26.2	45.1	61.5	67.7	71.6	75.3	80.8	86.4

Family Day Care Option 2

TABLE E-7: FDC – Annual cost estimates (\$Real millions)

NPC: \$40.0 million

State	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
VIC	0.6	1.9	0.9	0.9	0.4	0.4	0.4	0.4	0.4	0.4
NSW	3.0	3.6	3.6	3.6	0.5	0.6	0.6	0.7	0.7	0.8
QLD	0.8	1.9	1.9	1.1	0.4	0.4	0.4	0.4	0.4	0.4
WA	0.1	0.6	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3
TAS	0.4	0.7	0.8	0.9	0.5	0.5	0.4	0.4	0.4	0.4
SA	0.3	0.8	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7
ACT	0.2	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.2
NT	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total	5.4	9.8	8.6	8.3	3.1	3.2	3.2	3.3	3.3	3.3

Appendix F ECEC workforce modelling

Implementation and workforce challenges

In recognition of the importance of developing a detailed understanding of the current ECEC workforce, the size and distribution of the workforce required to meet the National Quality Standard and likely future availability of qualified staff, a supplementary piece of modelling and analysis was commissioned. The scope of the workforce analysis is somewhat broader than the remainder of the analysis throughout the RIS in that it encompasses the impacts of Universal Access. Though from a cost-benefit analysis perspective, Universal Access is effectively in the baseline – meaning its impacts are not attributable to the NQA – in undertaking an accurate appraisal of the workforce challenges facing the ECEC sector, the impact of Universal Access must be taken into account.

The approach to the workforce study, undertaken by Access Economics, was a multi-faceted one, involving:

- utilisation of existing Access Economics modelling including the cost-benefit analysis and ECEC supply and demand modelling;
- collection and analysis of additional data relating to the current workforce, characteristics of the sector, and past workforce trends; and
- economic modelling of the demand for, and supply of, qualified labour and the interactions between demand and supply as the sector moves toward meeting the new standards.

Underlying drivers

The ECEC workforce modelling is underpinned by demand for ECEC labour (the number of workers the sector requires) and supply of ECEC labour (the number of employees opting to work in the sector). The following sub-sections provide a brief overview of these elements.

Demand for labour

Demand for qualified labour in the model is governed by a number of key drivers:

- **Growth in underlying demand for ECEC:**
 - growth in the number of children seeking formal care, which is a function of the number of children (i.e. population growth) and other demand factors such as parents' workforce participation, the level of subsidisation and fees; and
 - growth in average hours of ECEC per child.
- **Growth stemming from the National Quality Agenda:** regulatory changes mandating increases in staff-to-child ratios and staff qualifications. This was modelled as part of the cost-benefit analysis under a number of alternative scenarios of both staff-to-child ratios and qualifications, and implementation dates and patterns.
- **Growth resulting from Universal Access:** increasing access to preschool to 15 hours a week, 40 weeks a year (delivered by a four-year trained university-qualified teacher) and increasing participation to 95% of eligible children, by 2013.

Supply of labour

Analysis of historical data reveals strong growth in the stock of qualified ECEC labour. Indeed, over the seven years to 2006, data from the Australian Government Census of Child Care Services suggests the workforce grew at an average annual rate of 7.3%. Growth by qualification level, which was adopted as the basis for 'baseline' labour supply growth in the workforce modelling, is estimated at:

- Certificate III: 13%;
- Diploma: 5.5%; and
- Degrees: 2.5%.

Supply-side policy initiatives

A number of announced policy initiatives have been identified which will have a positive impact on labour force growth, accelerating labour supply beyond baseline levels.

- University Degrees:
 - Additional Early Childhood Education University Places
 - HEC- HELP Benefit for Early Childhood Teachers
 - HECS-HELP Benefit for Education
 - Universal Access to early childhood education
- Diploma:
 - TAFE Fee Waiver
 - Productivity Places Program
- Certificate III:
 - Productivity Places Program

In addition, two additional impacts to further increase growth in the ECEC workforce have been modelled: (i) a 10% increase in staff retention and (ii) a 10% increase in graduates entering the ECEC sector (rather than pursuing careers elsewhere in the economy).

Implied labour force growth

Reflecting the assumptions regarding the policy initiatives outlined in the preceding sections, Table F-1 shows the implied labour force growth rates under each supply scenario. As is evident, these initiatives are anticipated to have a significant impact on the growth in qualified ECEC labour, particularly over the next four years.

TABLE F-1: LABOUR FORCE GROWTH RATES

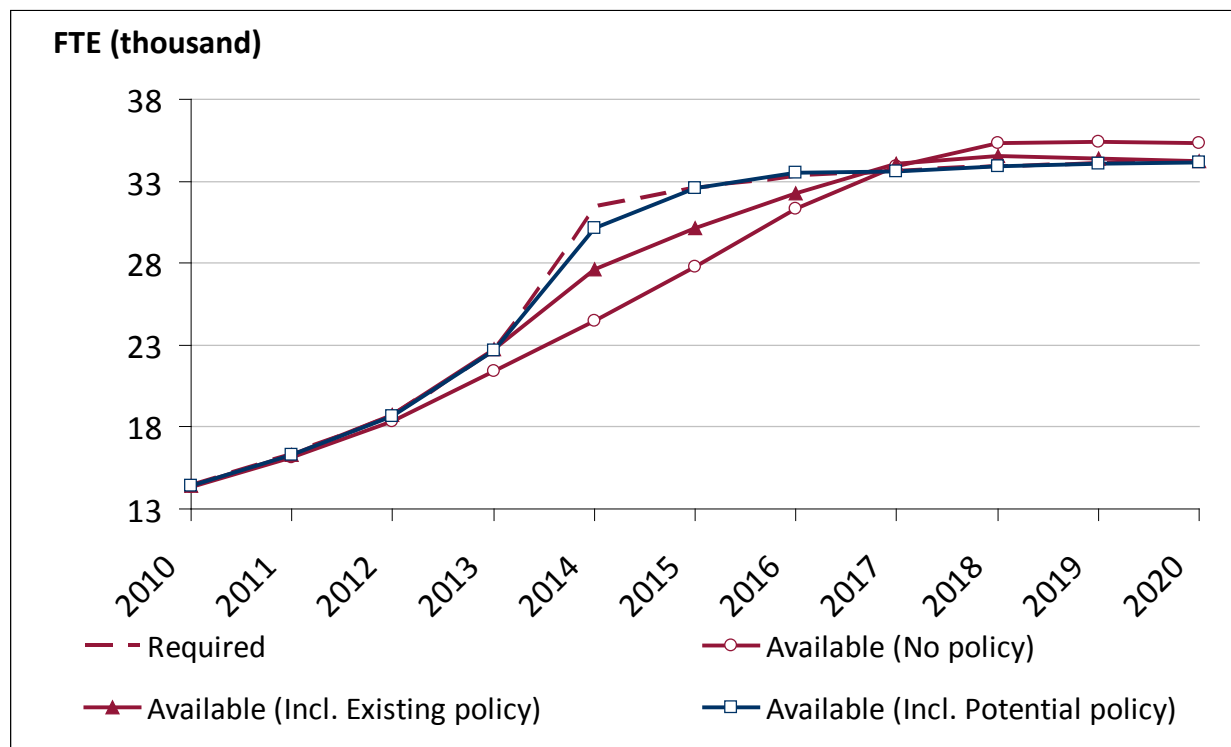
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Baseline										
Degree	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Diploma	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Certificate III	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Existing policy										
Degree	4.5%	9.7%	8.9%	8.9%	6.1%	5.2%	4.6%	4.0%	3.6%	3.3%
Diploma	7.6%	7.8%	6.4%	8.9%	8.0%	7.3%	6.7%	6.3%	6.0%	5.7%
Certificate III	25.7%	20.1%	16.8%	7.6%	8.8%	9.8%	10.6%	11.2%	11.6%	12.0%
Potential policy (including existing policy)										
Degree	6.9%	12.1%	10.8%	10.5%	7.3%	6.3%	5.5%	4.8%	4.3%	3.9%
Diploma	11.4%	10.8%	8.7%	10.8%	9.5%	8.5%	7.7%	7.1%	6.7%	6.3%
Certificate III	32.3%	24.1%	19.6%	9.7%	10.4%	11.0%	11.5%	11.8%	12.1%	12.3%

Workforce projections***Certificate III***

The NQA requirement that the ECEC workforce be qualified to a minimum Certificate III level results in significant demand for Certificate III-qualified staff (refer Chart F-1). Between 2010 and 2020, FTE Certificate III-qualified staff required grows from 14,000 to 34,000. Reflecting the NQA timing and the assumed response from service providers, most of this growth occurs between 2012 and 2014.

However, the baseline growth rate of 13% sees a rapid expansion in the Certificate III workforce. Indeed even without any additional policy stimulus, adequate labour is available by 2017. With the existing policies taken into account, the required workforce is achieved by 2016 and when potential policies are included, the available labour keeps pace with demand for all but a period in 2014. Under both policy scenarios, a significant surplus of Certificate-III qualified staff exists at 2020.

CHART F-1: PROJECTED CERTIFICATE III-QUALIFIED LABOUR FORCE

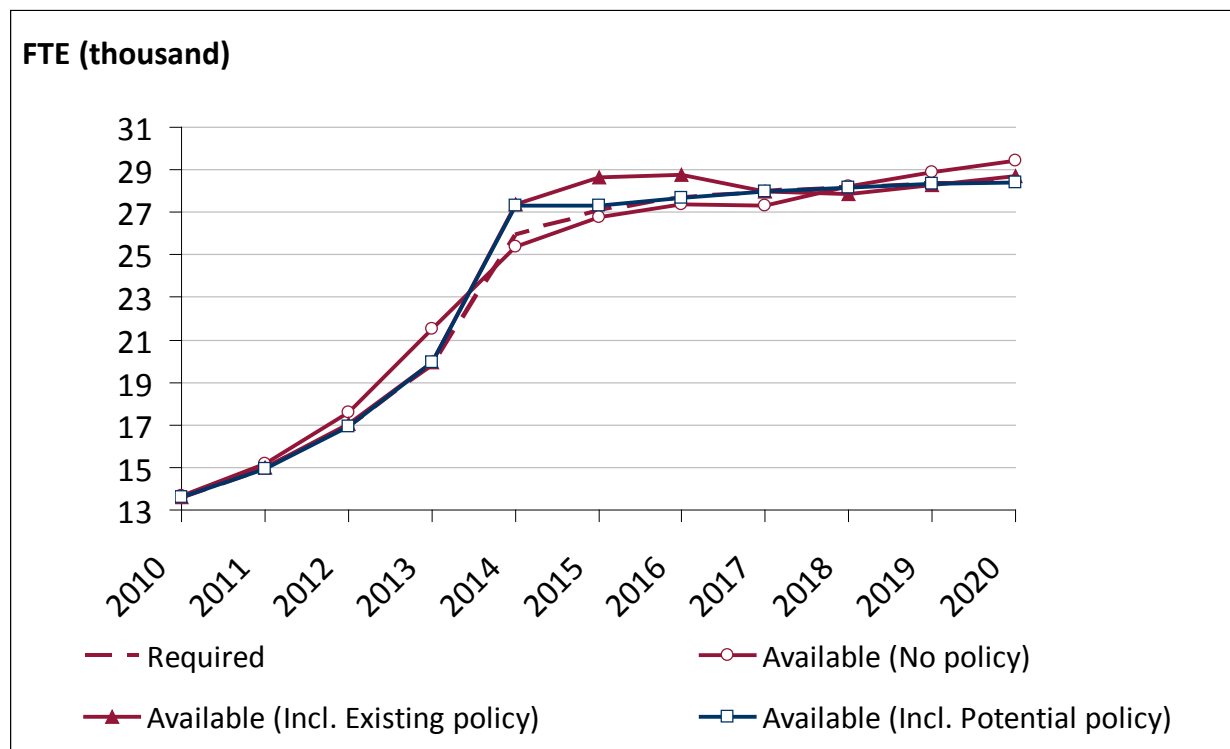


Note: 'Existing policy' includes all policy initiatives identified above other than increased retention and increased completions – these are included in the 'potential policy' scenario.

Diploma

On current modelling assumptions, the required Diploma-qualified labour force is available under all supply scenarios, despite the required workforce growing from 13,500 to 28,000 FTE between 2010 and 2020 (refer Chart F-2). Indeed over much of a period there is a surplus of Diploma-qualified staff in the system, some of whom are assumed to substitute for staff with other qualifications elsewhere in the sector (where a shortage exists) until the appropriately qualified staff become available. As with Certificate III-qualified staff, there is a significant overall surplus of Diploma-qualified staff at 2020 (not depicted in Chart F-2)

CHART F-2: PROJECTED DIPLOMA-QUALIFIED LABOUR FORCE



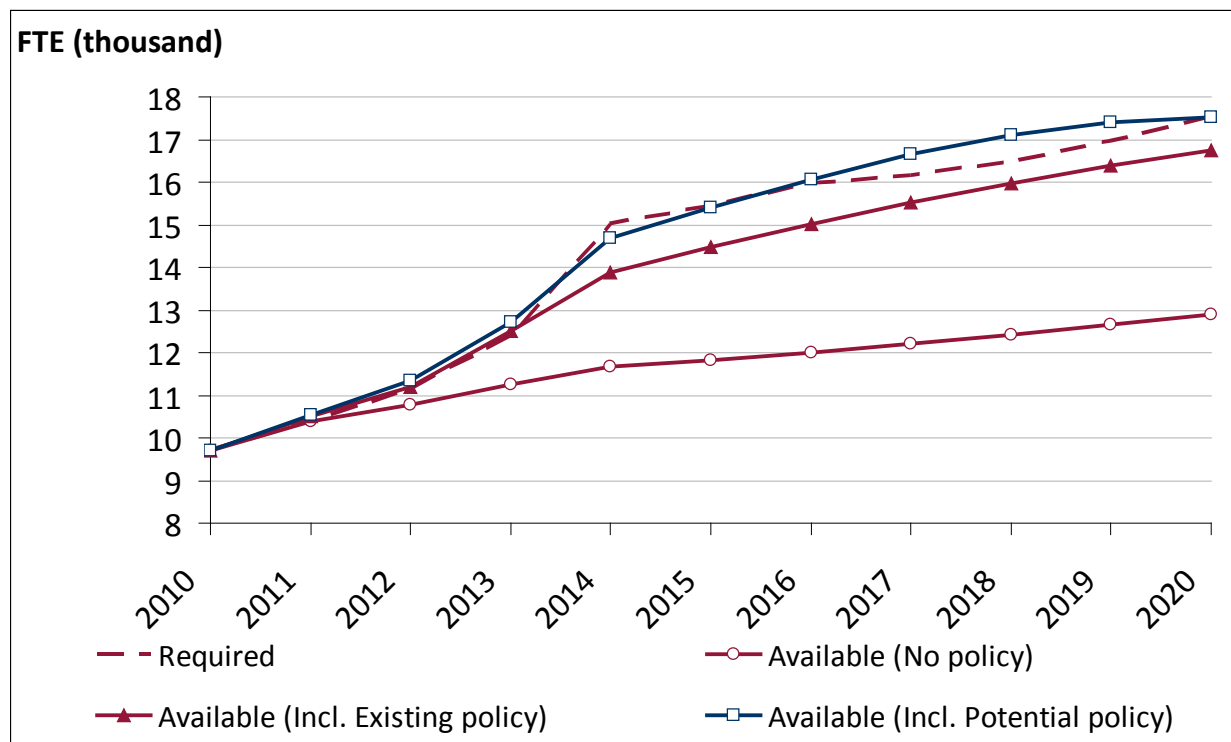
Note: 'Existing policy' includes all policy initiatives identified above other than increased retention and increased completions – these are included in the 'potential policy' scenario.

Degree

The combined effects of Universal Access and the NQA result in a significant increase in the number of degree-qualified staff required in the ECEC sector (refer Chart F-3). Reflecting the UA timeframe (by 2013), the NQA timing (by end-2015/2020) and the assumption that services delay as long as possible in hiring the required additional staff required to meet regulatory standards, the required workforce expands strongly between 2012 and 2015 then more gradually between 2015 and 2020.

Under the baseline or 'no policy' scenario, the required labour force exceeds the available degree-qualified workers in the sector throughout the period to 2020 (and beyond). At 2020, a shortage of around 4,000 FTE remains. With the existing policies taken into account, the shortage in 2020 is markedly less at an estimated 750, and when potential policies are introduced to the modelling, the required degree-qualified workforce is achieved at 2019.

CHART F-3: PROJECTED DEGREE-QUALIFIED LABOUR FORCE



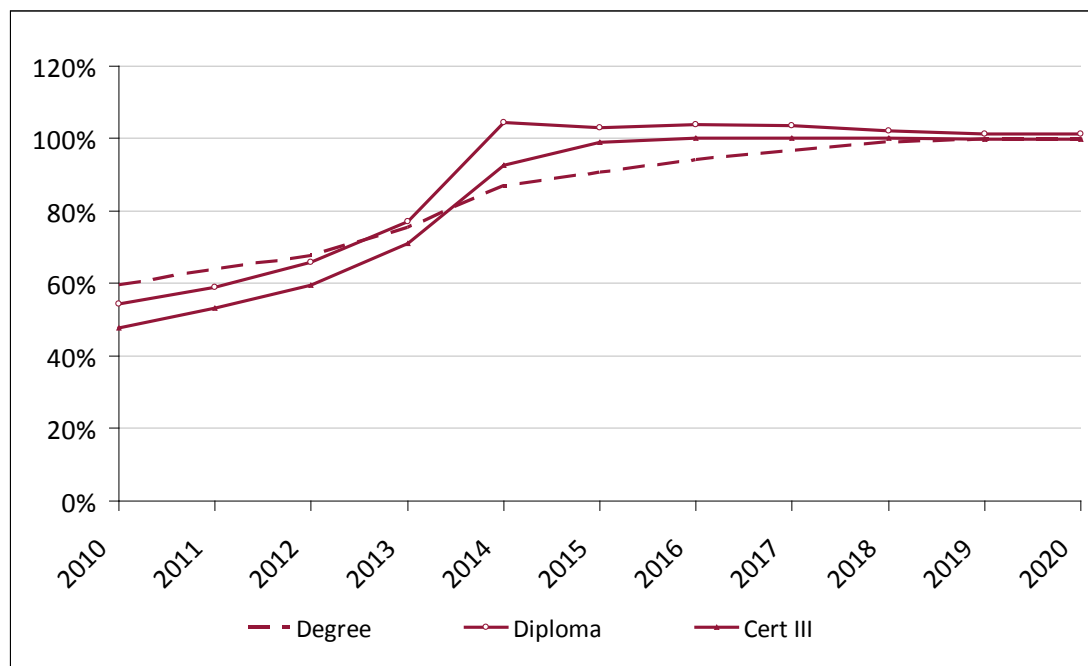
Note: 'Existing policy' includes all policy initiatives identified above other than increased retention and increased completions – these are included in the 'potential policy' scenario.

Overall accreditation

In aggregate, the additional qualified labour required by the ECEC sector as a result of baseline growth, Universal Access and the NQA see the number of qualified staff in the sector grow from around 40,000 FTE to 80,000 FTE by 2020. Under the scenario where all identified existing and potential policies are included, the required workforce is available from 2019, with only minor shortages – in aggregate – over the proceeding period.

Further, as Chart F-4 below shows, when all supply-side policies are taken into account, 100% of the required Diploma- and Certificate III-qualified staff are obtained by 2015 (noting that in the case of the latter, there is adequate staff available year-on-year). The required Degree-qualified workforce is available by 2019, with Diploma-qualified staff filling the Degree shortage until this point (hence Diploma greater than 100% between 2014 and 2019).

CHART F-4: PROPORTION OF REQUIRED QUALIFIED LABOUR OBTAINED



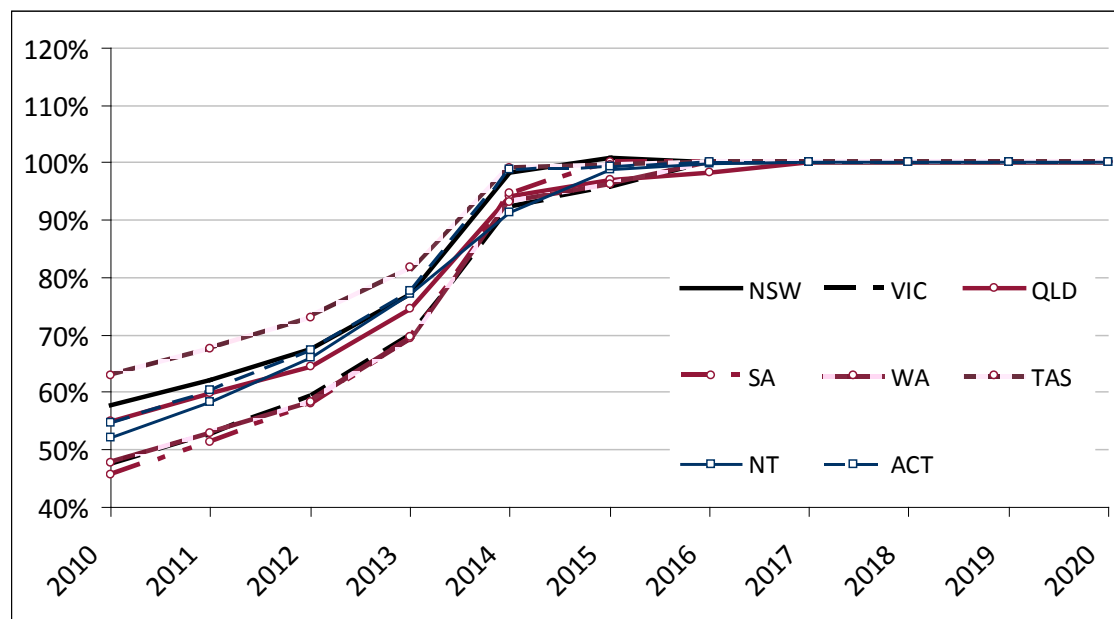
The range of policy measures and initiatives outlined in this report result in a significant increase in both the size of Australia's ECEC workforce and their qualification level. As the required qualified labour become available and the new standards established in the NQA are achieved, the profile of Australia's ECEC sector changes from one where unqualified workers account for around 40% of the sector to one where, by 2019, all staff have a qualification. At 2020, around 41% of the workforce have obtained a Certificate III, around 34% a Diploma and 21% a Degree.

State summary

Chart F-5 below shows the proportion of the required qualified workforce attained on a state-by-state basis taking into account all supply-side policy initiatives.

State differences reflect several factors, including the qualification profile of the existing workforce, current preschool participation levels, current staff-to-child ratios and the allocation of UA teachers as captured in the Bilateral Agreements. Queensland, for example, requires a relatively large number of teachers (nearly half of the UA total) due to its current low rates of preschool participation, South Australia is impacted most significantly by the NQA, while Northern Territory currently has the highest proportion of unqualified staff.

CHART F-5: PROPORTION OF QUALIFIED STAFF ATTAINED, BY STATE



With existing and potential policies taken into account, all states and territories attain the required qualified workforce by 2020. New South Wales is the first to achieve the required labour force, reaching full compliance in 2015. All other jurisdictions are fully compliant by 2016 apart from Queensland and Victoria which reach their target in 2019 (Table F-2).

TABLE F-2: DATE OF REQUIRED WORKFORCE ATTAINMENT, BY STATE

Jurisdiction	Date of full compliance
NSW	2015
VIC	2018
QLD	2019
SA	2016
WA	2017
TAS	2016
NT	2019
ACT	2016

Conclusions and implications

The modelling and analysis presented in this report suggests that when the range of potential policies to bolster the supply of qualified ECEC labour are taken into account, under the assumptions adopted here, the additional staff required to meet Universal Access and the National Quality Agenda can be achieved by 2020. Indeed, under current assumptions, adequate Diploma-qualified staff are available from 2010, adequate Certificate III-qualified staff by 2015 and adequate Degree-qualified staff from 2019. Accordingly, the main workforce challenge facing the sector is in regard to teachers, where – on current assumptions – policy targets will not be achieved within the designated timeframe.

A significant level of uncertainty surrounds the efficacy of the supply-side policy initiatives identified and modelled here and, in particular, the avenues through which the additional teachers committed under the Bilateral Agreements will be delivered. The conclusions stemming from this analysis hinge on the policy assumptions employed. If the supply-side policies which have been identified prove less successful in attracting additional staff

to the sector than anticipated, labour force growth will be lower than those projected and workforce shortages may persist for longer periods.

However, at the same time, it should also be noted that additional policies not modelled (the Bradley Review, for example) and other factors not considered – such as recognition of prior learning and migration of staff from other sectors – may contribute to increased growth in qualified labour in the sector.