

Early Childhood
Development Steering
Committee

Regulation Impact Statement for Early Childhood Education and Care Quality Reforms

COAG Consultation RIS

July 2009

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Terms and definitions

AQF	Australian Qualifications Framework
CCB	Child Care Benefit
CCTR	Child Care Tax Rebate
COAG	Council of Australian Governments
DEEWR	Department of Education, Employment and Workplace Relations
EAP	Expert Advisory Panel
ECEC	Early childhood education and 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
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

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 also been developed under COAG and announced in July 2009. The Strategy is intended to provide 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 get the best start in life to create a better future for themselves and for the nation'.

The broad outcomes agreed by COAG in July 2009 for early childhood development are that:

- children are born and remain healthy
- children's environments are nurturing, culturally appropriate and safe
- children have the knowledge and skills for life and learning
- children benefit from better social inclusion and reduced disadvantage, especially Indigenous children
- children are engaged in and benefiting from educational opportunities
- families are confident and have the capabilities to support their children's development
- quality early childhood development services support the workforce participation choices of families.

A cross-jurisdictional partnership has been given the task of progressing the reform agenda. The objectives of the reforms are to:

- enhance the learning and development outcomes for children in different care settings, including preschool, with an initial focus on enhancing early learning experiences for children in the years prior to formal schooling; and
- build a high calibre, integrated national quality system, for early learning and care that takes account of setting, diversity of service delivery and the individual development of children.

Quality Early Childhood Education and Care (ECEC) services, and the workforce that underpins this quality, are core to the universal platform advocated in the Strategy, and underpinned by a sound evidence base.

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

The four key elements of the National Quality Agenda are:

- a National Quality Standard
- 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
- the Early Years Learning Framework (EYLF).

This consultation regulation impact statement (RIS) outlines options for the first three elements of the National Quality Agenda. The EYLF has been subject to separate consultations, and was endorsed for implementation by COAG at its July 2009 meeting.

The National Quality Agenda is one component of a broad policy agenda for early childhood being advanced by COAG.

1.2 What is early childhood education and care?

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

Long Day Care (LDC) is a centre-based form of child care service. LDC services provide all day or part-time care for children aged birth to six years 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 typically operate between 7.30am and 6.00pm 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.

LDC centres are required to deliver an appropriate program for children. Centres are run by private companies, local councils, community organisations, individuals, non-profit organisations or by employers for their staff.

Family day care

Family Day Care (FDC) is where a professional carer provides flexible care in their own home for other people's children. Care is predominantly provided for children aged from birth to six years who are not yet at school, but 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.

In many states and territories, these carers are required to be registered with a FDC scheme³. A FDC scheme supports and administers a network of carers, by monitoring the standard of care provided, and providing professional advice. In some states and territories, family day carers may operate independently of a FDC scheme.

Outside school hours care

Outside school hours care (OSHC) services provide care for primary school-aged children (typically aged five to 12 years) before and after school generally operates, during school holidays (vacation care), and on pupil free days.

OSHC services are usually provided from primary school premises such as the school hall and/or playground. Services may also be located in child care centres, community facilities or other OSHC centres located near the primary school. OSHC services are often provided by parent associations, or not-for-profit organisations.

³ Terminology differs between the states and territories. In Tasmania, a FDC scheme is also referred to as an approved registration body, while the Australian Capital Territory refers to FDC coordination units.

Preschool

Preschool is a planned sessional educational program, primarily aimed at children in the year before they start full-time schooling⁴. Preschool programs are usually play-based educational programs designed and delivered by a degree-qualified early childhood teacher. All states and territories provide funding for eligible children to access a preschool program in the year prior to school entry. In Tasmania, Victoria, Western Australia, and Queensland, the preschool year is known as kindergarten. Preschools are located at government and non-government school sites, LDC centres or local community venues.

In-home care

In Home Care (IHC) is similar to FDC but the professional care is provided in the child's own home. IHC 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.

Occasional care

Occasional care is a centre-based child care service that provides professional 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. This type of care is used by parents who do not need professional child care on a regular basis but would like someone to look after their child occasionally; for example, if they have to attend a medical appointment or take care of personal matters.

Occasional care is often provided as stand-alone services, within LDC services or preschools, at sport and leisure centres, and community centres. Occasional care is sometimes referred to as crèche.

Non-mainstream services

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

- flexible/innovative services
- mobile child care 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.

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 services 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 Standard and Ratings 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

⁴ In the NT, there are 5 licensed services providing sessional programs for children aged 3.

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, 1-2 and 1-3 provide a summary of the number of children attending ECEC services in 2008. Table 1-1 indicates that there were around 830,000 children aged 0 - 12 years attending approved child care services across Australia in the June quarter 2008⁵. Over the financial year 2007-08 an estimated 1,148,000 children attended approved child care⁶.

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 schooling⁷.

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

Jurisdiction	Children attending approved care (June 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.

Preschools: Steering Committee for the Report on Government Services (2009), Table 3A.12 (preschool) - reliability of figures varies according to source, can be problematic, and may include double counting.

Note: This table does not include children attending occasional care services that are not approved care.

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

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 or at the LDC centre they attend.

⁵ 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.

⁶ Centrelink administrative data, 2007-08 financial year, (unpublished).

⁷ 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 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 child care, as not all services are registered or approved for Child Care Benefit (CCB) purposes.

1.4.2 Structure of the ECEC market

Providers of child care services range from small, single-entity crèches 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 and all levels of education.

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 is point in time, and hence is for illustrative purposes only.

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, Victorian, and Queensland child care markets are supported to a large degree by the private sector. In contrast, the Northern Territory, Tasmanian and Australian Capital Territory's 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 is point in time, and hence is for illustrative purposes only.

1.5 What is quality early childhood education and care?

As pointed out by the Organisation for Economic Co-operation and Development (OECD)⁸, quality of ECEC is driven by a number of inter-related indicators, particularly:

1. the quality of interactions and relationships between children and ECEC staff
2. the programs or curricula that support children's learning and development
3. connections with family and community
4. leadership and management
5. the qualifications and training of staff and staff-to-child ratios
6. the physical environment
7. health and safety requirements.

The first three indicators can be considered 'process components' of quality. The final four indicators can be considered as 'structural components' of quality, and create the conditions necessary to achieve high-quality care overall⁹. The OECD notes that structural quality is a government responsibility which can be enforced via legislation or regulations¹⁰.

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

- the most significant indicator affecting quality and outcomes for children appears to be caregiver education, specialised qualifications and training
- lower 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 indicators
- stability in care (low staff turnover) is associated with higher quality child care and positive child outcomes¹¹.

⁸ Organisation for Economic Co-operation and Development (2006), *Starting Strong II: Early Childhood Education and Care*, OECD Publishing: Paris.

⁹ Department of Community Services (2008), *Review of the Children's Services Regulations 2004*, p.11, available at http://www.community.nsw.gov.au/DOCSWR/_assets/main/documents/REG_REVIEW_PAPER.PDF

¹⁰ Organisation for Economic Co-operation and Development (2006), *Starting Strong II: Early Childhood Education and Care*, OECD Publishing: Paris.

¹¹ 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 childcare services
- addressing information asymmetries to enable parents to make well-informed choice regarding childcare
- supporting disadvantaged children.

This chapter briefly examines these issues.

2.1 Enabling positive outcomes for children while 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 children¹².

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, lower staff-to-child ratios and a positive nurturing relationship between the child and a stable caregiver¹³. 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 occur¹⁴.

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 competence¹⁵. 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 workers demonstrated more positive care giving when there were fewer children per staff member¹⁶.

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 for 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 development¹⁷.

¹² 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.

¹³ Waldfogel J (2007), Parental Work Arrangements and Child Development, *Canadian Public Policy* 33(2)

¹⁴ 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

¹⁵ 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.

¹⁶ 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.

¹⁷ 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.

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. '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'¹⁸.

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 problems¹⁹. Other studies also point to the negative effects from long hours in early learning and care on behavioural outcomes for children²⁰.

If families are well-informed and have confidence in the quality of the early learning and care their children are receiving, this will facilitate more informed choices regarding the decisions that they make with regard to their children's development needs and their workforce participation.

2.2 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.

While parents can gather information about the quality of care on offer 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 their or their child's needs
- pay higher than competitive prices for the services they purchase
- not receive the quality of care they believe they have purchased.

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.

¹⁸ 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.

¹⁹ 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.

²⁰ Waldfogel J (2007), Parental Work Arrangements and Child Development, *Canadian Public Policy* 33(2)

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'²¹. 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 perspective²².

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.

2.3 Supporting disadvantaged children

A child's development is affected by a number of multiple risk and protective factors in the child's environment²³. Some of these risk factors are associated with environment that 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/carers and child²⁴.

There is evidence that the early years significantly shapes 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 pathways²⁵.

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.

²¹ 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.

²² 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.

²³ Investing in the Early Years — A National Early Childhood Development Strategy, www.coag.gov.au.

²⁴ 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.

²⁵ 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.

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 community²⁶.

In particular, high-quality ECEC for disadvantaged children in the US has been shown to lead to a range of desirable long-term outcomes. The attendance of disadvantaged children 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 achievement²⁷.

Other high-quality ECEC programs targeted at disadvantaged children, such as the Chicago Child-Parent Centers program (USA), and the Carolina Abecedarian Project, have reported similar findings²⁸.

²⁶ 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.

²⁷ 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>

²⁸ 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 child care services and registered care²⁹
- paying Child Care Tax Rebate (CCTR) to eligible families using approved child care
- funding the National Childcare Accreditation Council (NCAC) to administer quality assurance systems for approved child care services
- funding organisations to provide information, support and training to approved service providers
- providing operational and capital funding to some providers³⁰.

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 non-government 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 processes³¹.

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.

²⁹ 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.

³⁰ Committee for the Review of Government Service Provision (2009), Report on Government Services 2009, p.3.4.

³¹ 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’³².

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 regulations³³. Other USA studies have found a relationship between weak regulation and a higher proportion of poor quality services (see Helburn³⁴, NICHD³⁵ and Whitebook et al³⁶). Similar findings have been made by Tietze et al³⁷ 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 child care 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 schemes must register for and satisfactorily participate in the quality assurance systems.

³² Organisation for Economic Co-operation and Development (2006), *Starting Strong II Early Childhood Education and Care*, OECD Publishing: Paris.

³³ 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.

³⁴ 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.

³⁵ 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.

³⁶ 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.

³⁷ 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.

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:

- 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 assurance³⁸.

3.2.2 Licensing and regulation

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

- staff requirements
- facility requirements
- health and safety requirements
- 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.

³⁸ 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.

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 child care, although this is not the case in Victoria.

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)³⁹. Services licensed since 25 May 2009 are required to meet improved staff-to-child ratios of 1:4, and qualified staff-to-child ratios 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 requirements⁴⁰. 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 staff-to-child ratios 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 be postponed from expiry for 12 months to enable the development of new regulations that align with 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.

³⁹ Department of Education and Early Childhood Development (2009), *Children's Services Regulations 2009 Regulatory Impact Statement*, Victorian Government: Melbourne.

⁴⁰ 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 services types, along with pre school, 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 procedures⁴¹.

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.

⁴¹ 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	97	2257	67	1262	299	101	1062	452	5597
Licensed under state and territory regulations	102	2228*	75*	1415	324	114	1093	563	-

Source: RoGS 2009 (Tables 3A.41, 3A.54, 3A.56, 3A.62, 3A.69, 3A.76, 3A.83, 3A.90)

*Data not available for Government managed providers

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 provides the number of FDC schemes that are registered with the NCAC, and the number of FDC schemes that are licensed under state and territory regulations.

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

	ACT	NSW	NT	Qld	SA	Tas	Vic	WA*	Aust.
Registered with NCAC	5	98	5	85	13	11	85	19	316
Licensed under state and territory regulations	5	103	-	85	14	11	-	693	-

Source: RoGS 2009 (Tables 3A.41, 3A.54, 3A.56, 3A.62, 3A.69, 3A.76, 3A.83, 3A.90), supplemented by advice from states and territories.

* 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	0	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	11	21

Source: NCAC, DEEWR research

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

NCAC Quality Area	No. of quality principles	ACT	NSW	NT	Qld	SA	Tas	Vic ⁴²	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

Source: NCAC, DEEWR research

⁴² 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 child care sectors are not licensed in some jurisdictions and some service types, such as home-based or occasional care services, do not participate in the accreditation system. Further, there are a significant number of services that are subject to state and territory licensing and regulation, yet are not subject to any consistent national quality framework. This includes, for example, most state and territory preschools, many budget based services and some registered carers.

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, preschool programs delivered in LDC settings are subject to NCAC assessment processes, while those delivered in stand-alone preschools 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, 2007

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	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 EAP report⁴³) 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:

- For LDC, Queensland and Western Australia have higher staff-to-child ratios for children aged birth to two years of age than other states and territories, but not for the other age groups. South Australia has a lower ratio for two to three year olds than other jurisdictions, while Victoria has a significantly lower ratio for three to five year olds

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

- 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 LDC⁴⁴

	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 FDC⁴⁵

	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)
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 is considering regulating a ratio of 1:7 (maximum of 4 under school age), consistent with the existing National Standards

⁴⁴ 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.

⁴⁵ 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 care⁴⁶. 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 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.

⁴⁶ 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

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 care sought and the age of the child, but consistent across these domains is that parents have a tendency to select child care 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 care. However, issues of affordability, convenience and access may act to constrain parental pursuit of quality care⁴⁷.

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 care 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'⁴⁸.

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 child care 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 licence⁴⁹. 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 child care quality through two sources; the NCAC, and the www.mychild.gov.au website. Both avenues provide information to parents about aspects to consider when looking for a child care service. Parents are also able to access information about their services' accreditation status under the Australian Government quality assurance process.

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 purposes⁵⁰.

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:

- is appropriate to their child
- enables them to evaluate different ECEC facilities

⁴⁷ 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.

⁴⁸ Elliott A (2006), cited in Expert Advisory Panel on Quality Early Childhood Education and Care (2009), op.cit., p.27.

⁴⁹ Department of Community Services (2008), op.cit., p.47.

⁵⁰ Allen Consulting (2007), op.cit., p.46.

- 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 quality⁵¹.

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 child care provision and thus facilitate consumer choice.

⁵¹ Department of Human Services (2006), *Report of the Childcare Taskforce*, Melbourne: Department of Human Services, p.71.

Chapter 5 Government objectives and options

5.1 Objectives of the proposed reforms

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

- to build a high-quality, integrated national quality system, including a quality assurance system, for early learning and care that takes account of setting, diversity of service delivery, and the age and stage of development of children, while supporting the workforce participation of families
- to enhance learning and development outcomes for children in different care settings, with an initial focus on early learning in the years prior to formal schooling.

The National Quality Agenda is intended to deliver:

1. an increase in the quality of services over time, including the professional development of the workforce and a culture of continuous improvement among ECEC services
2. reassurance for families and children about the quality of ECEC services
3. a more consistent and efficient regulatory system
4. certainty for businesses about national regulatory requirements in the provision of services
5. accountability for funding in ECEC services.

5.2 National Quality Agenda

The National Quality Agenda comprises three areas of reform that are under consideration in this RIS. These are:

- a National Quality Standard
- enhanced regulatory arrangements
- a quality rating system.

COAG has sought input from a range of people and organisations, and drawn on key literature in the field, to assist with the development of options in these three areas of reform.

A fourth element of the reform is the development and implementation of a nationally agreed Early Years Learning Framework (EYLF). The EYLF will be encompassed in the proposed new national standard and will underpin COAG's commitment to enhance learning and development from birth to five, particularly access to preschool delivered by a four year university trained early childhood teacher for 15 hours a week, for 40 weeks a year, in the year before formal school. The EYLF has been subject to a parallel development process and will be implemented from July 2009.

A discussion paper released in August 2008 provided an overview of proposals for the National Quality Agenda for ECEC and sought public feedback via written submissions and supporting consultations. The consultation process comprised 48 open public forums around Australia, 35 focus group discussions with families and service providers and 34 in-depth interviews. In addition over 400 written submissions were received⁵². Feedback from this process has informed the development of the options presented in this document.

Independent advice was sought from an Expert Advisory Panel (EAP) whose membership comprises prominent ECEC academics and professionals. The EAP has provided a report containing recommendations for the National Quality Agenda, informed by current research evidence and best practice in Australia and internationally.

⁵² Department of Education, Employment and Workplace Relations (2009), *A National Quality Framework for Early Childhood Education and Care: First wave of public consultations on reform proposals*, August and September 2008 – Summary of outcomes, available at www.deewr.gov.au, accessed 13 February 2009.

Cost benefit analysis undertaken by Access Economics has also informed development of the three options considered in this RIS⁵³. The options presented seek to strike a balance between what is optimal in terms of developmental outcomes for children, and what is possible and affordable.

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

5.3 A National Quality Standard

A new proposed draft National Quality Standard has been developed that integrates the regulatory processes undertaken by the states and territories and the national accreditation system undertaken by the NCAC to simplify the current overlapping arrangements into the one streamlined process.

The draft National Quality Standard and Ratings Framework also combines the National Quality Standard with a rating system. The National Quality Standard and Ratings Framework is intended to communicate a national view about the level of education and care all Australians should expect in the diverse types of ECEC settings available across Australia.

In addition to the draft standard, integrating quality matters currently addressed by regulation as well as aspects of quality currently addressed through accreditation. Implementation of the standard will be supported by assessment and measurement tools specific to different settings.

The draft standard promotes high-quality care and focuses on supporting high-quality outcomes for children. The standard is designed to facilitate continuous improvement and be simple to understand and administer.

The standard is written with an emphasis on outcomes and incorporates some descriptive and process elements where considered necessary. The content of the standard has been informed by the work of the EAP as well as:

- existing national standards for Centre Based LDC, FDC, OSHC and IHC
- current state and territory ECEC regulations
- current NCAC Standards for Centre Based LDC, FDC and OSHC
- reports on preschool quality
- recommendations of the OECD Starting Strong reports (I and II) in relation to the creation of a quality system
- the development of other work such as the Early Childhood Development Strategy, the EYLF, and feedback from the first wave of national consultations in August and September 2008.

The draft standard comprises seven quality areas. These areas capture aspects critical to the provision of quality early childhood education and care 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 based on groupings that were identified in 2008 COAG discussion paper *A national quality framework for ECEC*, the OECD Starting Strong reports as well as recent research on quality in ECEC settings.

The quality areas are:

1 Educational program and practice

The Early Years Learning Framework (or a prescribed curriculum framework) informs the development of a program for each child that enables and supports their learning and development.

2 Children's wellbeing, health and safety

Every child's health and wellbeing is safeguarded and promoted.

⁵³ Access Economics (2009), *An economic analysis of the proposed ECEC National Quality Agenda*, available at www.coag.gov.au.

3 Physical environment

The physical environment is safe, suitable and provides a rich and diverse range of experiences to promote children's learning and development.

4 Staffing arrangements including ratios and qualifications

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.

5 Relationships

Relationships that are responsive, respectful and promote children's sense of security and belonging, freeing them to explore the environment and engage in learning.

6 Collaborative partnerships with families and communities

Respectful supportive relationships with families are developed and maintained. The service also engages with the community.

7 Leadership and service management

Effective leadership contributes to sustained quality relationships and environments that facilitate children's learning and development. This quality area includes service governance, commitment to continuous improvement, planning and evaluation and business management.

The complete draft National Quality Standard and Ratings Framework can be found at Appendix B.

The draft standard includes two prime structural indicators of quality of care; staff-to-child ratios and the educational qualifications of the workforce (discussed in Chapters 1 and 2). There is a large body of evidence that suggests smaller ratios and qualified staff are drivers of quality child care, and the standard aims to achieve access to high-quality services for all Australian children by improving these.

As improving ratios and qualifications are major cost drivers for the sector, a range of options in each care setting has been developed and agreed upon by state, territory and Australian Governments for further analysis and consultation prior to a final decision being taken. This combination of options is based on a range of inputs regarding what is optimal from a developmental perspective and what it is possible to achieve, given the existing arrangements and costs.

Universal Access commitment

The proposed National Quality Standard qualifications requirements are separate from, but complementary to, the Universal Access commitment.

Under the Universal Access initiative, four- year university-trained teachers will deliver preschool, making it accessible to all Australian children in the year before formal schooling for 15 hours per week, 40 weeks in each year by 2013 (across a range of settings including stand alone preschool, long day care and family day care). The proposed changes to staff qualification requirements as part of a National Quality Standard are designed to improve on existing arrangements, and are intended to deliver educational leadership across services and the ECEC sector. The same staff member could be used to deliver both Universal Access preschool, and provide educational leadership across a service as required by the proposed standard.

5.3.1 Long Day Care, Preschool and Family Day Care

The options for consideration for LDC and preschool are outlined in Table 5-1 below.

Option 1 – Baseline for LDC, preschool and FDC represents the fact that, in the absence of the National Quality Standard, ECEC services in some jurisdictions may demonstrate improvement in quality over time, partly due to the market augmented improvement in quality levels and partly due to state-initiated reforms. Detailed assumptions that make up this baseline are found in Section 6.2.

TABLE 5-1: 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 ratios, 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.
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 25-59 children on any day, are required to employ 1 full-time university qualified early childhood teacher by 2013. 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).

The options for consideration for FDC are outlined in Table 5-2 below.

TABLE 5-2: NATIONAL QUALITY STANDARD OPTIONS FOR FAMILY DAY CARE

Option	Staff-to-child ratio	Qualifications
FDC Option 1 – Baseline	<p>No COAG Policy change.</p> <p>Under this option states and territories will be free to choose whether or not to make their own changes to ratios.</p> <p>Many jurisdictions will operate at a ratio of 1:7, with variable restrictions on the age composition of children receiving care.</p>	<p>No COAG Policy change.</p> <p>Under this option states and territories will be free to choose whether or not to make their own changes to qualification requirements.</p> <p>A broad range of standards for qualifications will exist between jurisdictions.</p>
FDC Option 2	<p>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.</p>	<p>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.</p>

The options for LDC and preschool present a range of ratio changes that move from the less aspirational (and lower cost) to more aspirational (and higher cost). While in some cases the ratio options are consistent with the current Australian standards, overall, they represent an improvement. Moreover, the option that is eventually agreed will represent a nationally consistent approach. Where a jurisdiction is above the agreed National Quality Standard, that jurisdiction will not be required to change.

These have been developed with consideration to the recommendations made by the EAP, stakeholder feedback from public consultations, workforce modelling undertaken as part of a Cost Benefit Analysis, and the current and proposed ratios in each jurisdiction.

The qualification requirements presented for LDC and preschool have been informed by the EAP, which recommended ‘that every ECEC service must have at a minimum one university-degree qualified and registered early childhood teacher⁵⁴. Degree qualified early childhood teachers would be supported by appropriately trained diploma and certificate staff, with a minimum qualification of Certificate III.

All options proposed for preschool bring arrangements across states and territories into alignment. The proposed staff-to-child ratio for preschool is consistent with LDC in a similar age group. This is in line with the EAP preference for an integrated approach to ECEC, with consistency across different service types. This approach builds on a strong base system in each jurisdiction to further improve the quality of education provided to Australian children and will ensure that preschool aged children have the benefit of an education from university qualified teachers in all settings.

The options presented for FDC are consistent with a recommendation by FDC Australia, the national peak body for FDC, which advocates as a minimum a Certificate III qualification in ECEC for family day carers,⁵⁵ and also with existing or planned arrangements in a number of jurisdictions. Further, the proposal improves on the 1995 National Standards for FDC which specify carer competencies rather than qualification requirements.

Implementation of the qualification requirements will be supported by the development of recognised prior learning modules to recognise current competencies. Temporary exemptions may be considered where appropriate. For example, in areas classified as remote or very remote by the Australian Bureau of Statistics remoteness indicator where they can demonstrate they have been unable to source appropriately qualified staff, they may be granted an exemption to use less or differently qualified staff.

⁵⁴ Expert Advisory Panel (2009), op.cit.

⁵⁵ Family Day Care Australia (2008), *submission in response to Discussion Paper on a National Quality Framework for Early Childhood Education and Care*, unpublished.

It is also recognised that the mix of professionals in an early childhood setting is relevant. For example, in a setting with a high number of birth to three year old children, the second professional may hold a qualification other than a teaching qualification such as a degree in psychology (where it might be anticipated there would be a comprehensive understanding of early childhood development).

Further work is being undertaken to develop a list of qualifications appropriate for the professionals required to deliver educational and early childhood development leadership.

5.3.2 Outside School Hours Care

The National Quality Standard and Ratings Framework will apply to OSHC services currently covered by national standards and/or state/territory licensing and regulation. However, inclusion of OSHC in the system will not result in changes to staffing arrangements, qualifications and staff-to-child ratios at this stage.

5.3.3 In Home Care, Occasional Care and Budget Based Funded Services

IHC, OC and non-mainstream services are not covered by this RIS. The COAG working group recognises the importance of incorporating all service types into the new quality system and further work, including cost benefit analyses, will be undertaken to identify how other services such as IHC, OC and non-mainstream services will be incorporated in the future.

5.4 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 Standard and Ratings Framework creates a more efficient and less burdensome regulatory environment for ECEC providers.

Two regulatory options for assuring the quality of ECEC services are outlined below.

Option 1: No COAG policy change in regulation

The Australian Government is responsible for accreditation of child care services through an Australian Government body. States and territories regulate child care through their own regulatory and licensing systems including building and safety requirements, staff to child ratios and staff qualifications. The NCAC or similar national body will remain responsible for administering the Australian Government quality assurance system.

This option would not maximise opportunities to streamline the system, as services would still interact with two levels of government, and three levels in some cases where local council is involved in the delivery of ECEC services.

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.

5.5 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

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 at Appendix B 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.

5.6 Legislative amendments

State, territory and Australian Government legislative change, including for CCB approval, will be required to implement the options outlined above. The relevant Australian Government legislation are *A New Tax System (Family Assistance) Act 1999* and *A New Tax System (Family Assistance) (Administration) Act 1999*.

As discussed in Chapter 2, CCB approval for eligible services is currently linked to participation in the Child Care Quality Assurance System, as administered by the NCAC. For all options under consideration, the Quality Assurance System would be replaced by the National Quality Standard and Ratings Framework. Therefore, in order to implement the National Quality Standard and Ratings Framework, the current legislation that details the requirements for eligibility for CCB approval would need to reflect the new requirements for CCB approval for LDC, FDC and OSHC. This may require formal amendment.

Chapter 6 Analysis of options

This section is intended to assess all potential quantifiable and non-quantifiable costs and benefits of the options for change, and provide a basis for the proposed approach. It analyses the net economic impact of the options for ECEC quality reform outlined in above Chapter 5, as well as the impact on key industry stakeholders. The analysis draws on the findings of the cost-benefit analysis (CBA) undertaken by Access Economics⁵⁶ to demonstrate the estimated impacts of the three core components of the proposed ECEC reforms.

Given that the CBA has been made publicly available as part of this process, the RIS itself has focussed on the high-level outcomes and assumptions from the analysis. For detailed descriptions of the findings, assumptions, and modelling approach, please refer to the CBA, available at www.coag.gov.au.

6.1 Approach to the analysis

The core components of the analysis reflect the three key elements of the proposed reforms, namely:

- A National Quality Standard: incremental benefits (i.e. relative to 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 and higher staff wages.
- 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 arrangements (i.e. relative to option 1 – No COAG policy change in regulation).
- A quality rating system: costs of administering the system and benefits arising from more informed decision making by parents.

The economic impacts of the proposed reforms have been analysed in a conventional cost-benefit analysis 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.

Given the significant amount of industry data available on costs and cost-drivers, the quantification of the reforms' costs is relatively comprehensive. However, though some of the key benefits such as reduced regulatory burden and administrative cost savings can be estimated with a satisfactory degree of confidence, in other areas there is inadequate data or research to inform a reliable quantification. In particular, there is an absence of a sufficiently robust evidence base on which to quantify the benefits of the National Quality Standard options (relating to staff-to-child ratios and staff qualifications for LDC, preschool and FDC). This means that while there are clearly benefits from with improving staff-to-child ratios and staff qualifications, the direct attribution of each of the separate components to a benefit cannot be quantified at the same level as the costs.

6.2 Assumptions for the analysis

Option 1 – baseline comprises a range of assumptions which mean that it is not without cost. While the detailed modelling assumptions, parameters and data sources underpinning the analysis are contained in the CBA, in general, the modelling assumes:

- A number of LDC services in each jurisdiction currently operate at or above the proposed new National Quality Standard.
- After an announcement on the quality reforms, services would gradually improve ratios and qualifications in the lead up to implementation of the National Quality Standard.
- In the absence of the National Quality Standard, ECEC services in some jurisdictions may demonstrate improvement in quality over time, partly due to the market augmented improvement in quality levels and partly due to state-initiated reforms.

⁵⁶ Access Economics, 2009

- Therefore, the costs associated with LDC (maintaining the baseline) incorporate a number of baseline adjustments, comprising:
 - VIC – moving to 1:4 for ages 0-36 months by 2011 and minimum certificate III requirement for all staff
 - NSW – moving to 1:4 for ages 0-24 months by 2011 and minimum certificate III requirement for all staff
 - SA – moving to 1:4 for ages 0-24 months by 2015 and minimum certificate III requirement for all staff
 - All other states moving to a 1:4 ratio for ages 0-24 months by end-2015
 - Victoria moving to a 1:12 ratio for ages 36+ months by end-2015 (long day care only)
 - NSW moving to a 1:6 ratio for ages 25-35 months by end-2015
 - South Australia moving to a 1:8 ratio for ages 25-35 months by end-2015
 - From 2015, phasing in of a qualified teacher in every centre-based service of 20 or more and minimum Certificate III for all staff.

Because ECEC workforce constraints are a significant issue for implementation of the new National Quality Standard, the following workforce assumptions have been adopted:

- where implementation out-paces anticipated growth in the qualified workforce, this has the effect of reducing costs relative to what would be expected given full availability of qualified labour.
- in the absence of availability of qualified labour of any level, an unqualified carer is appointed until trained staff are available. Labour is assumed to be transferable across service types within each state, and hence surplus labour from one segment of the industry can transfer to meet excess demand elsewhere.

It should be noted that the analysis provided is based on the available data at the time of modelling. A full discussion of the modelling assumptions and limitations can be found in the CBA available at www.coag.gov.au.

6.3 Analysis of costs – National Quality Standard

6.3.1 Real costs over time and impact on cost per child per day

The most significant cost associated with the National Quality Agenda is the new National Quality Standard. With labour costs representing up to 70% of services' total operating costs, mandating additional and more highly qualified staff will add to the cost of providing ECEC in Australia.

Table 6-1 below outlines the real cost over time of each of the options for the National Quality Standard, relative to the baseline option, for LDC, FDC and preschool. 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 workforce to the required level. Table 6-2 looks at the estimated impact on the cost per child per day. This shows the impact, on average, on the daily cost of an ECEC place, taking into account only those factors which impact on services' costs.

As the baseline assumptions have an impact on costs, it is important to add the baseline to the costs for a particular option to get an indication of the total change in costs for the economy.

As the table illustrates, there are costs associated with implementing new staff-to-child ratios and staff qualifications.

As most elements of the proposed National Quality Standard are already assessed, no additional compliance costs are borne by industry under any of the options. Changes to compliance costs flowing from implementation of the National Quality Standard under the proposed enhanced regulatory arrangements are discussed in the analysis of that element of the reforms.

More detailed analysis of the impacts on real costs over time and cost per child per day in each state and territory is available in the CBA available at www.coag.gov.au.

Long day care and preschool

Costs of reform are highest for LDC, where the net present cost over ten years (relative to the baseline option) ranges from \$1,181.2 million under option 2, to \$2,157.4 million under the more aspirational option 4. The costs are greatest in this service type as it has the largest number of children attending, and the largest magnitude of improvement compared to current practice nation-wide. Under all options, services will be required to meet the same minimum qualification standards for ECEC workers.

While options 2 and 3 have the same staff-to-child ratios, option 3 requires these to be implemented more quickly than option 2, resulting in the higher overall cost of \$1,247.0 million. Option 4 is significantly more aspirational both in terms of the ratios proposed, and the timing for implementing them, and this is reflected in the significantly higher cost.

The estimated cost attributed to improving quality standards for preschool are more modest than for LDC, but still substantial. Options 2 and 3 are of similar cost, with option 2 (\$314.4 million) costing slightly less over ten years, than option 3 (\$332.3 million), due to the later implementation time. As with LDC, option 4 is more aspirational and the cost is larger (\$473.3 million).

Table 6-2 below reflects the estimated increase in the real cost per child per day for each of the National Quality Standard options for LDC and preschool, relative to the baseline option. In order to understand the total impact compared with current costs it is necessary to add the baseline to each of Options 2, 3 and 4. Reflecting the pattern of implementation under each option, costs increase sharply over the first six years, then more slowly thereafter. This is due to the National Quality Standard being predominantly phased-in over a period of five years. The slower growth in costs between 2015 and 2020 reflects the fact that under most options, new ratios have been met and the only additional costs are those associated with training and with paying higher wages as more highly qualified staff become available.

By 2020, in real terms, the cost per child per day in LDC is estimated to have increased by around \$4.02 under option 2 to \$7.86 under option 4. Costs are significantly higher under option 4 than option 2 or 3 due to the 1:3 ratio in the 0-24 months age group, which impacts on costs in all jurisdictions (that is, no state or territory is currently operating a staff to child ratio above 1:4). In preschool, the cost per child per day is estimated to have increased by around \$3.01 under options 2 and 3, and \$3.74 in option 4, by 2020.

Family day care

Unlike the new National Quality Standard for LDC and preschool, the proposed new standards for FDC do not require large changes in a number of jurisdictions. The costs of improving quality standards for FDC are significantly less than for LDC and preschool, with the estimated real cost (NPC) \$18.3 million over ten years for option 2 relative to option 1 - baseline. There are no costs associated with moving to a better staff to child ratio for each of the options proposed, given that, in most cases, the options do not improve on current minimum standards. The only costs observed will be the cost of training the workforce to Certificate III qualification level.

The majority of costs in the FDC sector are also incurred in the first four years. This is due to the requirement that currently unqualified FDC staff will be required to reach a minimum Certificate III qualification level by 2013.

TABLE 6-1: REAL COSTS OF OPTIONS FOR REFORM TO THE NATIONAL QUALITY STANDARDS (\$MILLIONS)

Quality Standard Option	10 year Net Present Cost (\$m)	Year										
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
<i>Long day care and preschool</i>												
Option 1 – Baseline												
– LDC	1,108.3	46.4	107.5	126.5	146.2	162.3	181.4	192.9	206.1	221.8	240.0	
– preschool	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Option 2 *												
– LDC	1,181.2	33.2	86.2	123.6	163.5	188.2	203.9	220.1	232.7	247.9	261.0	
– preschool	314.4	13.7	20.2	27.5	35.8	42.9	53.9	65.4	69.9	76.3	79.7	
Option 3 *												
– LDC	1,247.0	42.4	102.6	141.2	179.8	203.7	207.9	220.1	232.7	247.9	261.0	
– preschool	332.3	14.6	22.0	30.5	40.1	48.7	61.5	65.4	69.9	76.3	79.7	
Option 4 *												
– LDC	2,157.4	99.3	150.1	215.3	284.4	322.9	359.2	390.5	426.3	464.1	502.9	
– preschool	473.3	21.9	36.9	53.7	72.1	76.5	78.5	84.2	89.7	94.8	99.6	
<i>Family day care</i>												
Option 1 – Baseline	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Option 2	18.3	4.7	4.9	4.9	5.0	0.3	0.3	0.3	0.3	0.4	0.4	

Source: Access Economics (2009a)

*To calculate the indicative cost of change in the quality Standard the baseline cost needs to be added. The baseline increase is assumed to occur irrespective of a change in Standard.

Note: Real costs include 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 workforce to the required level. The costs would be borne by industry, government and the community.

Note: Cost estimates for Victoria are based on 53,000 enrolments in standalone preschools and do not include 9,000 government-funded enrolments in LDC centres (which are captured in the LDC modelling).

Note: The cost estimates for options 2,3 and 4 reflect the incremental cost of reform and do not include the cost of current or anticipated reforms outlined in option 1. When considering the overall impact on the economy, the costs for options 2,3 and 4 should be added to the costs shown in option 1.

TABLE 6-2: INCREASE IN THE REAL COST PER CHILD PER DAY (REAL \$/DAY)

Quality Standard Option	Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<i>Long day care and preschool</i>										
Option 1 – Baseline										
– LDC	0.88	1.79	2.11	2.44	2.70	3.03	3.18	3.36	3.58	3.84
– preschool	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Option 2										
– LDC	0.61	1.20	1.82	2.48	2.85	3.20	3.42	3.58	3.78	4.02
– preschool	0.24	0.50	0.79	1.11	1.48	1.91	2.39	2.58	2.80	3.01
Option 3										
– LDC	0.78	1.50	2.13	2.76	3.12	3.26	3.42	3.58	3.78	4.02
– preschool	0.28	0.58	0.92	1.30	1.73	2.23	2.39	2.58	2.80	3.01
Option 4										
– LDC	1.83	2.35	3.44	4.58	5.17	5.69	6.28	6.78	7.31	7.86
– preschool	0.59	1.23	1.92	2.67	2.79	2.94	3.12	3.29	3.50	3.74

Source: Access Economics (2009)

*To calculate the indicative cost of change in the quality Standard the baseline cost needs to be added. The baseline increase is assumed to occur irrespective of a change in Standard.

Note: Cost per child per day is the estimated average impact on the daily cost of an ECEC place, taking into account only those factors which impact on services' costs. The cost would be borne by industry, governments and the community.

Note: Cost estimates for Victoria are based on 53,000 enrolments in standalone preschools and do not include 9,000 government-funded enrolments in LDC centres (which are captured in the LDC modelling).

Note: The cost estimates for options 2,3 and 4 reflect the incremental cost of reform and do not include the cost of current or anticipated reforms outlined in option 1. When considering the overall impact on the economy, the costs for for each option 2,3 or 4 should be added to the costs shown in option 1.

6.3.3 Distribution of costs

The cost per child per day associated with the proposed National Quality Standard will be distributed among state, territory and the Australian governments, ECEC service providers and families.

No firm conclusions can be made regarding who will bear this increase in cost. Some of the increase in cost will be met by government through existing funding or subsidy arrangements. For example where state and territory governments fund the cost of providing preschool they would continue to do so. However, the implications of the new quality system on the costs of delivering preschool will be further clarified in the decision RIS. For LDC, increases in the cost per child per day may or may not result in fee increases. The extent to which services would pass on the full cost of fees to parents is difficult to determine. Current comparisons between jurisdictions do not support a strong correlation between ratios and fee structures. To the extent that services do pass on the increased cost per child per day to families via fee increases, the Australian Government subsidises this through CCB and CCTR under the current arrangements.

Anecdotally, the impact of the new National Quality Standard on small providers and large business entities will be comparable, as there are limited economies of scale associated with meeting the additional labour costs.

6.3.4 Potential impact on families – illustrative example for LDC

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

Over time there will be increases in child care fees, and hence out-of-pocket costs for Australian families if a new National Quality Standard is adopted. Even without the proposed changes outlined in options 2 to 4 there would be an increase over time in the cost of care for families as state and territory governments improve standards of their own accord.

Table 6-3 shows the potential effect of each LDC option on the weekly out-of-pocket expenses (after government benefits and rebates) for the average family (with one or two children utilising LDC for 30 or 50 hours per week)⁵⁷. The values presented include the estimated costs of the proposed changes by the states (option 1) and the additional out-of-pocket costs under the National Quality Agenda options 2 to 4.

Under the proposed quality options for reform, the increase in fees will be higher. LDC option 3 is estimated to result in a potential *additional* out-of-pocket expense of \$4.68 for the average Australian family on a combined income of \$80 000 with one child in 30 hours of care per week in 2015, in addition to increased costs due to Option 1 - baseline. For options 2 and 3 the additional out-of-pocket expenses for parents will be the same by 2020, but would impact sooner under option 3. Out-of-pocket costs to families are largest under option 4, the highest quality option.

⁵⁷ DEEWR unpublished data, based on an average family with a combined income of \$80,000 per annum.

TABLE 6-3: ESTIMATED ADDITIONAL OUT-OF-POCKET COST TO FAMILIES (REAL \$/WEEK) OF NATIONAL QUALITY STANDARD REFORM

Quality Standard Option	Year			Year		
	2011	2015	2020	2011	2015	2020
<i>Long Day Care – 50 hrs per week</i>	<i>One child</i>			<i>Two children</i>		
Option 1 – Baseline	2.20	6.74	9.60	4.39	13.48	19.21
Option 2*	1.53	7.13	10.05	3.05	14.25	20.10
Option 3*	1.95	7.80	10.05	3.90	15.60	20.10
Option 4*	4.57	12.93	19.65	9.15	25.85	39.30
<i>Long Day Care – 30 hrs per week</i>	<i>One child</i>			<i>Two children</i>		
Option 1 – Baseline	1.32	4.04	5.76	2.64	8.09	11.53
Option 2*	0.92	4.28	6.03	1.83	8.55	12.06
Option 3*	1.17	4.68	6.03	2.34	9.36	12.06
Option 4*	2.75	7.76	11.79	5.49	15.51	23.58

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

*To calculate the indicative cost of change in the quality Standard the baseline cost needs to be added. The baseline increase is assumed to occur irrespective of a change in Standard.

Note: Based on a combined family income of \$80,000 per annum.

Note: The cost estimates for options 2,3 and 4 reflect the incremental cost of reform and do not include the cost of current or anticipated reforms outlined in option 1. When considering the overall impact on the economy, the costs for options 2,3 and 4 should be added to the costs shown in option 1.

The government assistance available through CCB and CCTR tends to even out the affordability across all income ranges. The net impact of government assistance results in the actual out-of-pocket expenses to families for child care decreasing as the level of family income falls.

It will be important to monitor the impact of increased childcare fees on low income families. It is possible there will be a larger impact on this population, affecting use of services, workforce participation patterns, or use of alternative care.

6.3.5 Costs not included in the modelling

The nature of the additional costs of the National Quality Standard options and the availability of quality data means there are few costs which have not been quantified and of those that were not quantified, their omission is unlikely to change the results significantly.

The main unquantified cost is the additional cost from a slightly higher proportion of children attending higher education as a result of improved learning outcomes – that is, the cost analysis quantifies students' increased earnings from higher educational attainment, but not the time spent out of the workforce, or the cost to the education system from their additional time spent studying.

The National Quality Standard will include use of the EYLF, currently being phased in across Australia with training and resources available for ECEC services. While it is recognised there may be costs to some services of implementing the EYLF, these cannot be reliably quantified, and as the majority of services have an existing process for curriculum or programming, the EYLF is not considered to be a significant cost driver in these reforms.

6.4 Comparison of options – National Quality Standard

As described in earlier chapters, it is clear from the literature that benefits can be derived from the introduction of a National Quality Standard and higher quality ECEC provision.

However, as noted above, it has not been possible to complete a full cost-benefit analysis for the National Quality Standard options, given there are a range of benefits of the reforms that are not able to be quantified to an acceptable level of certainty. Likewise, there is uncertainty around the relative size of social versus private benefits from higher ECEC. As such, this section is based on a qualitative discussion of the relative benefits of each of the options.

A summary of the qualitative assessment of the benefits of each of the National Quality Standard options is outlined in Table 6-4 below (along with the estimated additional cost of the option, as outlined in the previous section), and further discussed in the following below.

Table 6-4 below summarises the estimated real cost of implementing the National Quality Standard options in relation to LDC and preschool, and FDC (as outlined in section 5.5.2), along with a summary, qualitative assessment of the benefits of each option as discussed in the previous section. The options have been assessed against three main areas of benefit:

- Enabling positive outcomes for children while supporting workforce participation
- Addressing information asymmetries
- Supporting disadvantaged children.

Options are assigned between one and three ticks, based on a qualitative assessment of the extent to which each criterion is met. There is no basis for quantifying the relative impacts of one scenario over another, so this has been done based on their relative features (see Access Economics 2009 for a more detailed discussion of comparative benefits of each option).

TABLE 6-4: SUMMARY OF COSTS AND SUMMARY ASSESSMENT OF BENEFITS OF EACH NATIONAL QUALITY STANDARD OPTION

Option	10 year Net Present Cost (\$m)	Supports workforce participation	Addresses information asymmetries	Supports disadvantaged children
Long day care and preschool				
Option 1 - Baseline	1,108.3	✓	✓	✓
Option 2	1,495.6	✓✓	✓✓	✓✓
Option 3	1,579.3	✓✓✓	✓✓	✓✓✓
Option 4	2,630.7	✓✓✓	✓✓	✓✓✓
Family day care				
Option 1 – Baseline	...	✓	✓	✓
Option 2	18.3	✓✓	✓✓	✓✓

Note: Table is for illustrative purposes only. The ticks represent incremental differences only; for example, two ticks do not represent twice the benefit compared with one tick.

Note: The cost estimates for options 2,3 and 4 reflect the incremental cost of reform and do not include the cost of current or anticipated reforms outlined in option 1. When considering the overall impact on the economy, the costs for options 2,3 and 4 should be added to the costs shown in option 1.

6.4.1 Enabling positive outcomes for children while supporting workforce participation

As outlined in chapter 2, the benefits of high-quality early learning and care extend beyond the individual child; without high-quality early learning and care environments there are risks that the benefits of increased workforce participation of many mothers may adversely affect children. Therefore, we need to ensure that all children in ECEC services have access to high-quality care so that they have the best possible outcomes, including learning, behavioural, emotional and mental wellbeing, and health.

While the benefits of increased workforce and educational participation of parents may lead to higher productivity and less reliance on welfare there is no reliable evidence to suggest that incremental increases in the quality of ECEC results in significant behavioural responses of parents (when both quality and the countervailing impacts of price are considered), including workforce participation⁵⁸. As a result, the benefits in terms of parental workforce and educational participation from improvements in quality are unlikely to be significantly different for each of the National Quality Standard options being considered.

Options 2 and 3 represent a similar nation-wide improvement in quality, with Option 2 having more immediate benefits due to quicker implementation timeframes. While option 4 provides more aspirational ratios the available evidence does not indicate that the outcomes for children across the board would be significantly different compared to options 2 and 3.

6.4.2 Addressing information asymmetries

The provision of information for parents can help them make informed decisions about care and provide greater incentives for service providers to increase quality. The introduction of a quality rating system will address the difficulties that parents may have in determining the overall quality of care providers by providing enhanced information for parents based on the new National Quality Standard

The introduction of a rating system may also help to improve parents understanding and valuing of what early child experts consider to constitute high-quality care.

While it is difficult to ascertain the extent and impact of the problem of information asymmetry in the ECEC sector, the provision of improved information may improve competition in the market for child care; better enable parents to purchase the services their child needs; and give them confidence in the quality of those services being provided for their children.

Each of the options has the same positive impact on the availability of consistent information for families across Australia.

6.4.3 Supporting disadvantaged children

There is a wealth of evidence to suggest that attendance of disadvantaged children in high-quality ECEC can ameliorate the impact of a disadvantaged home life for young children, including contributing to long-term, positive outcomes in terms of enhanced development, educational attainment, physical, emotional and mental health, and social interactions⁵⁹.

⁵⁸ Access Economics (2009).

⁵⁹ 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>; 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*, No. 26, pp. 126 – 144.

In assessing the relative benefits of the National Quality Standard options, the literature suggests that improvements in quality resulting from improving staff-to-child ratios and staff qualifications is likely to incrementally increase the long-term, positive impacts on children, primarily disadvantaged children, provided they participate in early learning and care. The size of these impacts is not known however.

Based on the more aspirational timeframes, LDC and preschool options 3 and 4 are deemed to better support the needs of disadvantaged children by providing access to high-quality care more quickly than Option 2.

6.5 Costs and benefits of reform to regulatory roles and responsibilities

The details of the new regulatory system are yet to be finalised, so it is not possible to give a full cost benefit analysis of the reform at this stage. However, the new system will be a genuinely national system with reforms based upon the key features:

- a single national standard to replace current licensing and quality assurance processes, and which apply to all relevant services regardless of location
- joint governance of the national quality framework, to allow the perspective of all jurisdictions to be taken into account in the setting of and the consideration of changes to the standard and assessment processes
- a national body with joint governance arrangements to oversight the administration of the national standard
- no duplication of regulation across government or sectors, with individual services needing to deal with only one organisation for regulation against the standard.

The new system will be designed with best contemporary practice in mind, and thus is expected to be cost effective and reduce the regulatory burden on industry.

There are expected cost savings for service providers flowing from the reduced administrative burden as the result of a fully integrated approach to licensing, regulation and quality assurance. It is anticipated that savings generated within services would be re-invested into improved services for children and their families using that service.

6.6 Costs and benefits of reform to information provision

The reforms to information provision - including consideration of a quality rating system - are estimated to have negligible costs. This is because the functions required to bring about a quality rating system have been accounted for in the development of a single integrated national quality standards and ratings framework.

It is intended that the assessment of the National Quality Standard will guide the allocation of a rating as the functions will be undertaken together and not as two separate processes.

As well as assisting families to choose the right service for their needs, improved information provision is intended to increase parental awareness of what constitutes high quality ECEC. This may result in a number of flow-on effects, including an increased demand for high quality services. The benefits flow onto services also inasmuch as services are able to identify how their service rating compares to service of a similar setting and size, thereby creating an awareness and interest in quality improvement processes.

6.7 Potential impacts on service supply and demand

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 on higher costs incurred as a result of the reforms. The nature of the ECEC market suggests the service providers can pass on a large proportion of the costs incurred by increasing fees.

Research internationally shows that demand for child care is 'inelastic' (that is, it does not vary significantly) when costs rise, though there is an understandably greater impact on lower income earners than higher income earners. Research shows that child care demand in Australia is particularly unchanged by cost increases.

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 National Quality Agenda. The standards will be higher in some 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 (for example, through highlighting differences between providers in relation to details of what types of services are provided for the same price). This is the key area where competition impacts are likely to arise under the National Quality Agenda, and indeed enhanced competition leading to natural quality improvements over time is one of the primary rationales for introducing a Quality Rating System.

Over time, it does not seem that the incentives to enter the market will be any weaker or stronger than at present. Given the competition-enhancing role of the Quality Rating System, it is likely that, over time, the National Quality Agenda will increase scope for competition in the ECEC services.

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. Alternatively, if grandparent care or nannies are seen as a close substitute for LDC then there may be some transfer of demand to other areas in the ECEC sector.

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. 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 therefore cannot be 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 Proposed Approach and Implementation Arrangements

7.1 Proposed Approach

This consultation RIS provides an assessment of the proposed National Quality Agenda, and the costs and benefits of the options for the National Quality Standard, regulatory arrangements and the quality rating system.

The proposed approach summarised below is a combination of the options for the National Quality Standard; regulatory roles and responsibilities; and a quality rating system that offer the greatest potential to deliver on the objectives of reform, taking into account the cost and benefits discussed in chapter 6.

Ratios and qualifications

The consultation RIS includes four options for staff-to-child ratios and staff qualifications for LDC, preschool and FDC. COAG is interested in exploring the relative merits of the options through the consultations. In particular, COAG is mindful of the costs to parents and governments and is interested in views about how the national standards could be implemented in the most efficient and sustainable manner having regard to other early childhood priorities and the current economic environment.

Enhanced regulatory arrangements – Option 2

The proposed option is a genuinely integrated national system.

A quality rating system – Option 2

The proposed option is a National Quality Standard and Ratings Framework in which services receive a rating of Excellent, High Quality, National Quality Standard, Operating Level and Unsatisfactory.

7.2 Implementation Arrangements

Detail of how the new National Quality Agenda will be implemented will depend on the outcomes from the public consultations, and will differ depending on the options chosen. Implementation of the National Quality Agenda will commence on an incremental basis from July 2009 with the implementation of the Early Years Learning Framework being a significant first step. New ratio and qualification requirements and regulatory arrangements will be implemented progressively in order to allow the sector time to adjust to any new requirements. As an example, Table 7-1 shows proposed implementation timeframes for option 3 for LDC and preschool and option 2 for FDC.

A range of implementation issues have already been identified and these will be investigated more fully as feedback on the consultation RIS becomes available, and governments agree on a final policy position. For example, services will need to understand implementation issues such as:

- When their current assessment processes change, (state and territory and NCAC assessments) and who will be undertaking them in the future
- When they will be required to meet the new National Quality Standard, and what it entails
- What arrangements will prevail if they do not meet the new National Quality Standard within the agreed timeframe
- What training and development opportunities will be available
- How CCB and CCTR eligibility links with the new system.

A detailed transition plan for all jurisdictions and service types will be available when a decision is made on the National Quality Agenda.

COAG is continuing to work on the best way to bring ECEC services that have not been considered in this RIS under the National Quality Standard and Ratings Framework. Governments will continue to engage with the sector in order for all stakeholders fully understand transition requirements.

As the ECEC sector transitions to the new ratios and qualification requirements, it will need a sufficient supply of qualified staff.

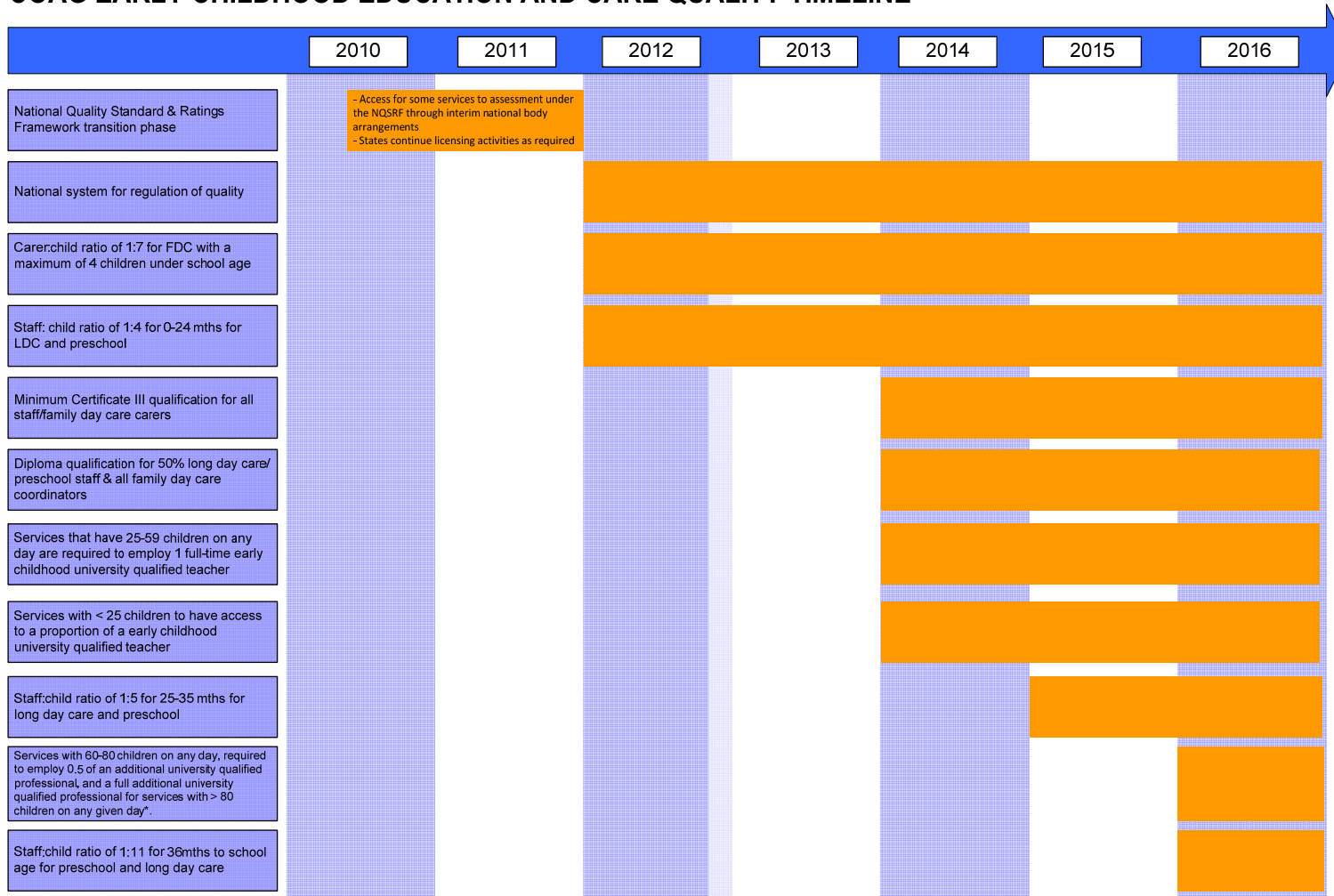
Reform of the ECEC workforce will take time and some major actions – such as lifting the status of the profession – will take a number of years. However, modelling of the options presented, suggest that the workforce demands can reasonably be met, but will need strategies to improve recruitment and retention and increase training.

Australian, and state and territory governments are committed to training and retaining the workforce needed to support the National Quality Agenda. Governments already have a range of initiatives to support the ECEC workforce, including, for example, specific initiatives and workforce targets agreed through Universal Access.

Workforce development is a key element of the Early Childhood Development Strategy, which has proposed a range of additional and immediate workforce initiatives including developing training and materials to support the release of the EYLF. Further, COAG has agreed, through the Early Childhood Development Strategy, to examine workforce development for the broader Early Childhood Development workforce, including the ECEC workforce.

Table 7-1 COAG EARLY CHILDHOOD EDUCATION AND CARE QUALITY TIMELINE

COAG EARLY CHILDHOOD EDUCATION AND CARE QUALITY TIMELINE



Note: As an example, the timeline is based on option 3 for LDC and preschool and option 2 for FDC.
 * With exact qualification requirements for additional professionals to be determined

Chapter 8 Consultation

This consultation RIS has proposed reforms under the National Quality Agenda for ECEC for consideration by COAG. This RIS has been prepared in order to elicit views from a range of stakeholders who may be affected by the proposed reforms, prior to the development of final recommendations for COAG.

Feedback provided by stakeholders on the elements of the National Quality Agenda via the consultation RIS will be taken into account by governments before a final decision is made. Feedback will also assist with the development of comprehensive transition and implementation arrangements.

Consultation ensures that both COAG and stakeholders who may be affected by the policy proposal have a good understanding of the issues being addressed, alternative options to address these issues, associated benefits, and costs of these options, and possible administrative and compliance mechanisms.

Stakeholders can provide comment on the RIS through a range of mechanisms. These include through participation at public forums, making a written submission or taking part in an online survey. Further information about the public forums and online survey is available on the DEEWR website (at www.deewr.gov.au).

Forums for public consultation will be held in capital cities in each state and territory and a number of regional centres in July 2009. Details of the forums will be published on the DEEWR website (at www.deewr.gov.au), with links to the relevant state and territory government department websites. Advertisements will also appear in metropolitan daily and relevant regional newspapers.

Stakeholders wishing to make written submissions should outline the nature of their interest in the ECEC sector, as this may assist in understanding the feedback received. Written submissions should be e-mailed to **ECECQualityReformSubmissions@deewr.gov.au** or posted to:

Ms Joan ten Brummelaar
National Early Childhood Development Steering Committee Secretariat
Department of Education, Employment and Workplace Relations
(L1, 17 Mort St - C17MT1)
GPO Box 9880
CANBERRA ACT 2601

Consultation questions

National Quality Standard and Ratings Framework

1. Governments are proposing to implement consistent minimum standards of care across Australia. Do you agree with this approach? Why or why not?
2. For each care type, which of the options set out in Chapter 5.3 do you believe would best achieve a good balance between meeting the government's objective of enhancing learning and development outcomes for children, and affordability for parents, and why?
3. Do the proposed standards address different cultural and diversity requirements and considerations adequately? If not, do you have any suggestions for how the standard could be further improved?
4. What would be the impacts of changes to FDC arrangements?
5. What would be the impacts of the proposed changes to staff qualifications on services, particularly small, or rural or remote services?
6. Do you think the proposed quality rating system would be an effective indicator of service quality?
7. Would the quality rating system help to drive continuous improvement in the ECEC sector? If not, do you have any suggestions for how the quality rating system could be further improved?
8. What criteria do you think should be used to rate a service as Excellent? How should the rating be assessed and by whom?

Licensing and regulatory arrangements

9. Do you think integrating the existing regulatory arrangements will reduce costs for the industry and for governments? Do you think this approach will be sufficient to ensure ECEC provided is high-quality?

Implementation

10. What do you consider to be the key advantages and disadvantages of the proposed reforms?
11. What do you consider to be the key challenges associated with the implementation of the proposed reforms?
12. What factors may impact on the ability of ECEC services to implement the reforms?
13. What transition arrangements do you consider appropriate for implementing the proposed staff-to-child ratios and staff qualifications?
14. What is the overall impact of the proposed changes on you and what would be your response?

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 size⁶⁰. 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* provides the overarching legislative framework for the regulation of ECEC in the Australian Capital Territory. The Act requires the development of ACT Childcare Service 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), 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*⁶¹. Preschool programs are guided by the Australian Capital Territory curriculum framework, *Every chance to learn*.

⁶⁰ 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.

⁶¹ ACT Department of Education and Training (2008), *Annual Report 2007 – 08*, p.5.

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	A FDC scheme must employ one qualified staff member for every three coordinators
OSHC	1:11	1:33
IHC	Not prescribed	
Preschool (independent)	2:25	1:25
Preschool (government)	Not prescribed	Not prescribed

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 Service Standards 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 Department of Education does not prescribe maximum group sizes for government preschools, however has a policy that there are no more than 21 children in a group.

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 parents⁶².

⁶² 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. Mobile services may offer occasional care, preschool or LDC. 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 29 children in attendance, and an additional teaching staff member must be employed for every 20 children thereafter. 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	0 – 2 years, 1:5 (if applicable) 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	

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 Department.

Group size

The New South Wales Children's Services Regulations stipulate 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 children⁶³.

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 Regulatory Impact Statement will be developed in mid-2009, followed by second stage consultations. It is anticipated that the revised regulations will take effect in 2010.

Regulation is also being developed for OSHC in parallel to the development of the new Children's Services Regulations⁶⁴.

⁶³ 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.

⁶⁴ 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 *Community Welfare Act 1983* and the *Community Welfare (Child Care) Regulations 1987* provide the overarching legislative framework for the regulation of ECEC in the Northern Territory. Further guidelines are contained in the Standards for Northern Territory Child Care Centres.

The Act defines a child care centre as premises in which more than five children who are under the age of six years and who are not enrolled for at a school, are cared for in the absence of their parents or guardians, and requires such premises to be licensed. This includes LDC, occasional care, and sessional kindergarten programs provided for three year olds. Preschool is provided by the government, and is not licensed. However, non-government independent preschools are licensed under the provisions of the Act.

FDC and OSHC services are not regulated, however, the Department of Education and Training has developed recommended guidelines for OSHC.

The Department of Education and Training is responsible for administering the Act, Regulations and Standards. Standards exist for child care centres with a capacity of six to 16 places, and 17 to 75 places. Licensed centres are monitored by the Children's Services Unit on an annual basis to ensure that services comply with licensing standards. The Unit also investigates complaints and concerns.

Preschools are required to operate under the requirements of the Education Act. The majority of preschools are physically co-located with a primary school. *Strong beginnings: an Explicit Guide to Quality Practice in the Early Years* guides the provision of preschool programs and has strong links with the Northern Territory Curriculum Framework.

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	0 – 3 years, 1:10 > 3 years, 1:22 Mixed ages, 1:16
Occasional care	0 – 3 years, 1:5 > 3 years, 1:11	0 – 3 years, 1:10 > 3 years, 1:22 Mixed ages, 1:16
FDC	n/a	
OSHC	Not prescribed, recommend 1:15	
IHC	n/a	
Preschool	1:11	A teacher and an assistant teacher are required to be present at all times.

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 must hold:

- two-year accredited post secondary course in child care
- three-year accredited tertiary course in early childhood care or education
- 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.

Group size

The Northern Territory does not regulate group size; however, the prescribed maximum capacity of a licensed child care centre is 75.

A.3.3 Regulatory reform

The Northern Territory is currently reviewing the legislative framework for the licensing and regulation of children's services. The *Community Welfare Act 1983* was repealed by the *Care and Protection of Children Act 2007* on 8 December 2008. Part 4 of the *Care and Protection of Children Act 2007* provides for the regulation of children's services. The *Care and Protection of Children (Children's Services) regulations* commenced on 9 June 2009.

The new legislative framework redefines a children's service and now includes FDC and OSHC. It also introduces a system of registration for home based care and a mechanism that allows children services in remote areas of the NT to work towards compliance with licensing requirements. Transitional provisions provide for the *Community Welfare Act* to continue to have effect for a period of time for LDC services and the gradual inclusion of FDC and OSHC.

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 up to six 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 leader⁶⁵.

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
- 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

A review of the Child Care Regulation 2003 is pending. DET and the Office for ECEC is currently determining the scope and timing of the review to ensure the review aligns with and supports the COAG reform agenda.

⁶⁵ Queensland Government, Qualifications, Queensland Department of Communities, Last updated: 9 January 2009, Available at: http://www.communities.qld.gov.au/childcare/cclegislation/infopaper/ip_qualifications.html accessed 28 May 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'⁶⁶. 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 License 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 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.

⁶⁶ 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 hold a Certificate II 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.

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 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	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	1:30
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, acceptable qualification 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) and any field worker with the primary role of advising carers about direct care provision, must hold a minimum of a two-year full-time or equivalent accredited post-secondary education or tertiary qualification in child care (early childhood) or education (early childhood); 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 are yet to be implemented (see note below), however, under the draft standards, a staff member occupying a qualified position must hold a minimum qualification of OSHC (Certificate IV or equivalent); or Child Care (Diploma or equivalent); or Recreation/Youth (Diploma or equivalent); or a qualification in primary or early childhood education or human movement/sports science (minimum of two years).

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. The Standards for Centre Based Services are currently under review and two of the changes proposed are reflected in the comments above. In addition:

- 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)
- Conditions for exempting adjunct care from licensing are also being finalised in 2009.

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 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 ⁶⁷	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% 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.

⁶⁷ For previously licensed services new ratios come into effect on 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.

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 typically 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*⁶⁸.

The Department for Communities is also undertaking reforms to the *Child Care Services Act 2007*.

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
IHC	n/a	n/a
Preschool (Not child care regulations)	2:20	2:20 (one teacher and one assistant per 20 children)

⁶⁸ Child Care Workforce Study (2006), p.330.

Minimum qualifications

Western Australia does not prescribe a minimum entry-level qualification. 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 20⁶⁹.

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.

⁶⁹ Western Australia Department of Education and Training (n.d.), *The early years phase of schooling (K-3) guidelines*, p.13.

Appendices

Appendix B Draft National Quality Standard and Rating Framework

Rating	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	Leadership and Service Management
Excellent	<ul style="list-style-type: none"> ‘Excellent’ services should demonstrate excellence by actively fostering innovation, for example, through ECEC integration, social inclusion, or community engagement. There would be an expectation that services demonstrate leadership and share knowledge and practice with other services. The ‘Excellent’ Level to be determined following self nomination by service or nomination by the community, families or other services. An assessment panel (i.e. academics, practitioners, policy makers) reviews the submission against specified criteria and then visits the service to confirm the submission 						
High Quality	<p>The service’s program results in positive outcomes for children’s learning and development and is recognised as high quality.</p> <p>The service supports parents in their parenting role and develops and shares resources with families to extend children’s learning and development.</p> <p>The program is enriched with resources from the</p>	<p>The service provides opportunities for families to be supported and have access to additional resources on Children’s Wellbeing, Health and Safety.</p> <p>The service supports other Early Childhood Education and Care providers to develop and implement a high quality approach to Children’s Wellbeing, Health and Safety.</p> <p>The service assists families’ access to</p>	<p>The service stands out in its effectiveness of design, arrangement of space and suitability of purpose.</p> <p>The physical environment reflects a deep understanding of children’s learning through play and active interaction with their environment.</p>	<p>The service’s staffing arrangements facilitate high quality programs and services directed towards improved outcomes for children and families.</p> <p>The service has a commitment to innovative workforce development practices.</p>	<p>Strong and warm relationships between adults and children are recognised as exemplary.</p> <p>The service supports children to develop high levels of social competence.</p> <p>Adults model social competence and a uniformity of professional purpose.</p>	<p>The service proactively builds strong links between the service and home.</p> <p>The service builds respectful partnerships and shares decision making with families.</p> <p>The service proactively builds strong links with other services for families and children.</p> <p>The service proactively promotes the</p>	<p>The service’s leadership and management are recognised as high quality.</p> <p>The service acts as a mentor to other services.</p> <p>The service demonstrates that it is a learning organisation.</p>

Rating	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	Leadership and Service Management
	community. Service provides access to Universal Access requirements for children of appropriate age.	additional support to meet the particular needs of each child.				profession and the importance of early childhood learning and development.	
National Quality Standard	<p>The Early Years Learning Framework (or a prescribed curriculum framework) informs the development of a program for each child that enables their learning and development.</p> <p>The program for each child takes into account their strengths, capabilities, interests and experiences.</p>	<p>Each child's wellbeing is enhanced.</p> <p>Each child's health is promoted.</p> <p>Healthy eating and physical activity are embedded in the programs for children.</p> <p>Providers, educators, coordinators and staff act to protect children.</p>	<p>The design and location of the premises is appropriate for the operation of a service.</p> <p>The environment is inclusive, promotes competence, active independent exploration and learning through play.</p>	<p>Staffing arrangements enhance children's learning and development and ensure their safety and wellbeing.</p> <p>Educators, coordinators and staff have the skills and knowledge to support children's learning, health, safety and wellbeing.</p> <p>Educators, coordinators and staff are respectful and ethical.</p>	<p>Respectful and equitable relationships are developed and maintained with each child.</p> <p>Each child is supported to build and maintain sensitive and responsive relationships with other children and adults.</p> <p>Each child's behaviour, interactions and relationships are guided effectively.</p> <p>Educators, coordinators and staff communicate effectively to promote respect and professionalism</p>	<p>Respectful supportive relationships with families are developed and maintained.</p> <p>Families are supported in their parenting role and their values and beliefs about child rearing are respected.</p> <p>The service collaborates with other organisations and service providers to enhance children's learning and wellbeing.</p> <p>The service participates in the community.</p>	<p>Effective leadership promotes a positive organisational culture and builds a professional learning community.</p> <p>There is a commitment to continuous improvement.</p> <p>Management and administrative systems enable the effective provision of a quality service.</p> <p>Adults working with children, engaged in management of the service or residing on the premises are fit and proper.</p> <p>Grievances and complaints are managed effectively.</p> <p>Information is exchanged with families on a regular basis.</p>

Rating	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	Leadership and Service Management
Operating Requirements	<p>From 2012, this category includes</p> <ul style="list-style-type: none"> a) new services to allow them to operate prior to formal assessment against the National Quality Standard; and b) services that are not currently meeting the National Quality Standard but have a plan which works toward meeting the required standard. <p>Additionally, prior to 2012 this includes:</p> <p>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. This level recognises that licensing requirements will not be nationally consistent during the transition phase to the new National Quality Standard.</p>						
Unsatisfactory	<p>From 2012, this category includes services that do not meet the National Quality Standard. Additionally, prior to 2012 this includes services that do not meet relevant state or territory licensing requirements.</p>						

Appendix C References

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