Working through the NSW and Victorian early education reforms

Paper 2 – Navigating the constraints on growth

December 2022

About this series

New South Wales (NSW) and Victoria are embarking on the biggest early education reform agenda in a generation. The Australian Government has also flagged significant ambitions in ECEC. We'd like to contribute to making it a spectacular success.

Rationale for this series

In June 2022, the Premiers of NSW and Victoria announced "the greatest transformation of early education in a generation" (Perrottet and Andrews, 2022) and committed to a combined investment of $25 billion over the next decade.

These reforms can be transformative for children and families, amplifying children's learning and unlocking additional workforce participation by making it easier to balance work and care responsibilities.

But there will be formidable implementation challenges to overcome and a heightened need to ensure sector funding and operating models are fit-for-purpose for the contemporary context.

Although NSW and Victoria have different…

- starting points
- strengths to build from
- challenges to overcome, and
- sector, policy and political dynamics

…there are many commonalities and opportunities for shared learning, joint approaches, and testing innovations.

We are interested in the opportunities that stem from the joint announcement, the shared reform journey both states have embarked on, and the implications for the wider early childhood education and care (ECEC) sector, particularly for the Australian Government and other jurisdictions.

About the partnership between dandolo and Gowrie

dandolo, Gowrie Victoria and Gowrie NSW have collaborated on this series because of a shared belief in the huge opportunity the reforms represent to improve outcomes for children and families and an interest in better understanding the implications.

This series sets out some of the big questions raised by the reform directions set by NSW and Victoria, including:

- **Paper 1:** Balancing ambitious growth with equity and quality
- **Paper 2:** Navigating constraints on growth
- **Paper 3:** Implications for the size and shape of the sector

We aim to unpack the questions, be honest about the challenges, reflect some of the excitement about the reform, and identify some of the opportunities before us.

We hope the series will:

- Support productive conversations within the sector about what's possible and what's necessary.
- Contribute to emerging thinking for all governments as they work through design and delivery.
- Raise some ideas that we think should be part of the ongoing conversation.

dandolopartners

dandolopartners: dandolo is a specialist public policy consulting firm with significant experience in ECEC policy and research. We seek to contribute to public good outcomes through pro- and low-bono work as well as our commercial engagements

Gowrie VICTORIA

Gowrie Victoria: Since 1939, Gowrie Victoria has been a leader in the ECEC sector and a strong advocate for children. We believe that children flourish as active members of society, and place a high importance on developing strong partnerships with our families and communities.

Gowrie NewSouthWales

Gowrie NSW: Gowrie NSW is a non-profit-organisation founded in 1940, providing diverse education and care, family support and professional development services to the early and middle childhood sector across NSW and ACT.

We use the term 'early education' in this report to include terminology inclusive of NSW (preschool and pre-kinder) and Victoria (kindergarten and pre-prep) – it refers to an early learning program delivered in the two years before school by an Early Childhood Teacher (ECT).

Context

NSW and Victoria's early education reforms are nationally significant.

Investment on this scale and at this level of ambition is a welcome sign that governments can still lead and collaborate on future-focused reform.

The opportunity and the investment is similar in scale to other nation-leading reforms like the Gonski school education reforms and reflects a funding level more usually associated with significant infrastructure investment, like the airport rail link in Melbourne ($10 billion) or the Snowy Hydro 2.0 scheme ($10 billion).

In their joint statement, the NSW and Victorian premiers said that the reforms would take a decade to be realised, reflecting a commitment to long-term and future-focused reforms.

And they represent a step-change for the early education sector.

Together, NSW and Victoria are home to nearly 60% of Australia's 3- to 5-year-olds, and the reforms they have committed to will fundamentally change:

- **How much early education children have access to:** An increase in early education delivery for 4-year-olds, from part-time (15 hours a week) to full-time (30 hours a week), and the introduction of 15 hours a week of early education for all 3-year-olds.
- **What families pay:** A commitment to free / affordable early education for all children.
- **How early education is positioned:** Reframing early education as pre-kindergarten (NSW) and pre-prep (Victoria), plus 3-year-old preschool / kindergarten.
- **The role of state governments:** Both NSW and Victoria have signaled that they are taking a stronger system stewardship stance, and appear to be conceiving their role and scope of interest differently. This includes:
  - A more active role in supply and demand. NSW is establishing a flexible fund to increase the supply of places and trial new service delivery models, and Victoria has committed to building and running 50 services.
  - Enhancing their data capabilities to guide policy and funding settings.
  - Building a stronger understanding of the market dynamics of the ECEC sector.
- **How state and federal governments work together:** The reforms heighten the importance of alignment between federal and state policy goals and funding settings.

These reforms also demonstrate a renewed commitment to a universal early education system, an approach that ensures early education programs are available in every community, at every service, and for every child.

They also reflect a heightened interest from the States in using levers for economic growth, with the announcements framed around cost of living and growing workforce participation. This is a departure from the traditional split in policy responsibilities in early education, where states and territories have focused on education and the Australian Government has focused on workforce participation – contributing to different models of delivery and, at times, a misalignment of policy objectives.

The reforms are outlined in more detail in Appendix A.

Context

The reforms promise transformation. But it won't be easy to deliver.

Effectively tripling the amount of teacher-led early education children receive will:

- radically shift the demand and supply equation,
- change the shape and requirements of the workforce, services and the sector,
- require a different role for all levels of government in the ECEC market.

These are complex reforms, and the states don't hold all the levers they need to achieve it, because:

Early education doesn't exist in isolation

State-funded early education is part of a wider ECEC system in which all levels of government hold key levers, play different roles, and sometimes optimise for different outcomes. NSW and Victoria's policy ambitions have significant interactions with:

- Australian Government funding mechanisms, including the Child Care Subsidy (CCS), which will reach more than $12bn over the forward estimates, and the Preschool Reform Agreement (PRA).
- A shared national regulatory framework.
- Local government planning priorities.
- Upcoming inquiries from the Australian Competition and Consumer Commission (ACCC) and Productivity Commission (PC), as well as a new Early Years Strategy. These are likely to lead to fundamental changes to the funding and operating models for ECEC services.

There are different levels of readiness for change

The early education sector is diverse and complex. The sector is a mixed market, with providers spanning standalone services run by volunteer parent committees, to small family businesses, to local governments, to large national corporations. These providers have different incentives, operating models, levels of capability, and differences in appetite for the changes required.

Not everyone is on-board

While there's been a groundswell of support from the community to fix a system that is complex, costly and hard to navigate, full-time early education hasn't been part of the advocacy agenda and there's variable levels of support in the community and in the sector.

Context

There are big questions to work through on the pathway to delivery. Some are pragmatic questions about implementation. Others are larger questions about how to fix some of the fundamental problems with how the early education system is structured. There may also be opportunities to maximise the impact of the investment to realise some long-held aspirations for quality, equity and impact.

This series steps through three key issues:

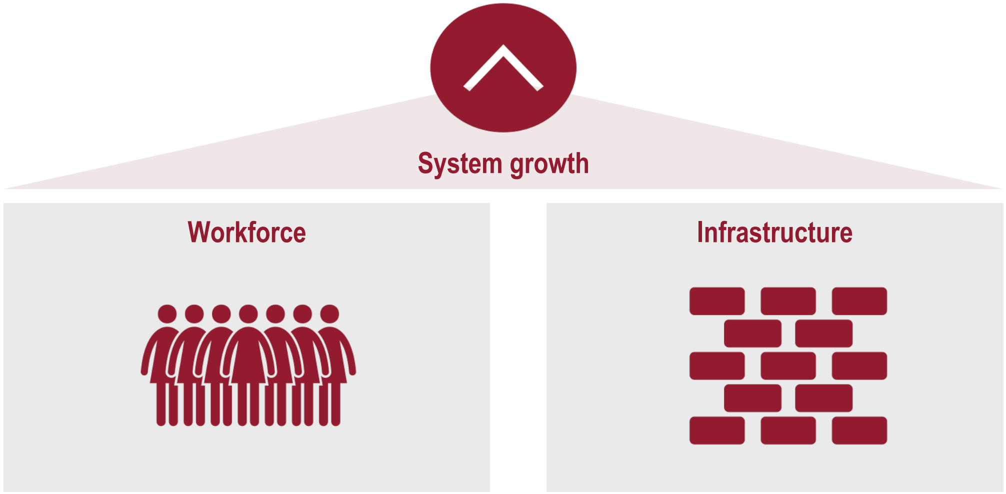
Balancing ambitious growth with equity and quality	Navigating the constraints on growth	*Implications for the size and shape of the sector*
Ensuring equity in a universal system *Designing the system so the inequalities embedded in the current system are reduced, not increased or extended.* **Driving growth while sustaining quality** *Ensuring that quality is enhanced, not diminished, by the rapid growth of the system.*	**Attracting, sustaining and strengthening the workforce** *The reform is taking place in the context of crippling workforce shortages, and all the 'low hanging fruit' options have been tried.* **Delivering the infrastructure needed** *Creating the right incentives to meet the increase in demand.*	**Anticipating effects on different parts of the sector** *Understanding the different implications for sessional services, long day care and new government run services.* **Accounting for the implications for other jurisdictions** *Addressing the challenge of Australian children having very different levels of access to early education.*
Paper 1	**Paper 2**	**Paper 3**

The ECEC sector is complex and dynamic. We have chosen to address these issues separately for clarity, but recognise that they are fundamentally interrelated. For example, providing the conditions that attract and sustain the workforce will be influenced by investments in equity and by the characteristics of the providers.

There are also opportunities for innovation: The reforms also create the opportunity not just to expand access to early education, but to innovate, transform and better leverage this significant investment in social infrastructure to drive outcomes for children, families and communities.

Navigating constraints on growth

The success of the reforms will be influenced by many factors, but the two hard constraints on growth are people and bricks and mortar – and there are barriers to work through for both the workforce and infrastructure.



This paper addresses:

- Attracting, sustaining and strengthening the workforce – why it's a challenge, what's been tried, and what's needed
- Delivering the required infrastructure – constraints on expansion, underpinning issues and challenges, and opportunities for innovation.

For each, we identify ideas that should be part of the ongoing conversation.

Attracting, sustaining and strengthening the workforce

Overview of workforce challenges

Thousands of additional teachers and educators are needed to meet the increase in demand from the expansion of early education…

To meet the increase in demand, there needs to be a huge increase in the number of teachers and educators.

This requires:

- Increasing the size of the pipeline of new teachers and educators.
- Retaining the existing workforce – already under pressure and exhausted following the pandemic.

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… but the ‘low hanging fruit’ options have already been implemented.

There are longstanding challenges for the early childhood workforce.

Victoria has implemented a raft of initiatives to boost the workforce to enable 3-year-old kindergarten – spanning incentives, alternative initial teacher education (ITE) program delivery, and promotional campaigns. NSW has announced some similar scholarships and free training initiatives.

On their own, these efforts are unlikely to be sufficient to meet the extra demand created by the reforms.

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More difficult and more ambitious effort to expand the supply of teachers and educations is needed.

There are three priorities:

Addressing pay issues

Creating contemporary workplaces

Ensuring teachers and educators feel valued

And real opportunities to leapfrog current practice in schools and leverage the strengths and flexibility of early education provision.

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Workforce gaps

The reforms require a significant expansion of the early childhood workforce, and are likely to put the existing workforce under additional strain.

Attracting and retaining the workforce is already a significant challenge.

The pipeline of early childhood teachers and educators has remained static over the last decade, with a sharp 20% decline in initial teacher education program completions in some states. The decline in the workforce is attributed to low pay, high levels of unpaid overtime, challenging workplace conditions, and a perception of being undervalued – exacerbated by a changing labour market that provides more and better choices for some teachers and educators.

These challenges have become acute in the wake of the pandemic, with early childhood education and care vacancies doubling from pre-pandemic levels. In the past 12 months alone, vacancies have grown to over 300,000 across the sector (NSC, 2022).

The reforms will require an additional~14,000 teachers and ~7,000 educators* and will see increased demand for the inclusion support workforce, leadership roles in services/ for providers.

Victoria will need approximately 4,000 teachers and 2,000 educators, on top of the 6000 teachers and educators required for the 3 year old kinder roll-out.

New South Wales will need approximately 10,000 teachers and 5,000 educators.

Growing the workforce by this scale poses significant challenges:

- In the past 12 years, the early childhood teacher workforce has only grown by around 5000 (NWC, 2010, 2022) – so tripling this growth in the next five years will not be simple.
- For many graduates, working as a primary school teacher offers better pay and conditions, greater professional status and superior career progression.
- Pressure to attract and graduate many more students may put training providers and initial teacher education (ITE) providers under greater pressure.
- Some providers are already reporting that fewer graduates are starting without the foundational skills and knowledge they need to be provide quality early learning programs for children.

Expectations on the workforce are going to increase, and large-scale change will bring additional strain.

The reforms will bring significant change for the workforce – including the move to full-time attendance, the delivery of a 30 hour a week learning program, and – for some services – teaching 3-year-old children for the first time.

The early education workforce is deeply committed, but may struggle with the scale of the change.

The workforce:

- Is experiencing reform fatigue and high levels of exhaustion and burn-out in the wake of the pandemic.
- Can be resistant to change, with past reforms sometimes being met with anxiety or hostility (for example, the 2009 move from 12 to 15 hours of early education or the introduction of 3-year-old programs).
- Has less access to the kinds of support structures and leadership support than exist in other parts of the education system, which means they have less help to navigate change.

Attracting and sustaining sector leaders is an additional component of the workforce challenge. The influx of so many new teachers and educators (potentially of variable quality) also creates more need for, and pressure on, leadership positions – in rooms, in services, and in central management teams.

Source: Approximate estimates based on the 6000 teachers and educators Victoria needs to implement 3-year-old kinder, extrapolated to the additional 15 hours required to move to 30 hours of early education in the year before school, and also adjusted for NSW's higher population.

The challenge

Governments have already picked the 'low hanging fruit'. To meet the additional demand for more teachers and educators, harder changes will be needed.

'Low-hanging fruit' options have mostly been implemented.

Victoria is already focused on growing the workforce to support the roll-out of 3-year-old kindergarten, and has made considerable efforts to boost the workforce. This means they have already implemented many of the 'low hanging fruit' options, including:

- Investments in scholarships for early childhood teachers and educators, and bonus payments for attraction and retention.
- Offering additional funding to sessional services contingent on specific pay and conditions being met, via multi-employer bargaining. This delivered an industrial agreement that provided pay parity between early childhood and primary teachers – although only for teachers in sessional services.
- Free TAFE programs for Certificate and Diploma courses.
- Retention bonuses, incentives to work in 'hard to staff' areas, and relocation grants.
- Innovating in the design and delivery of ITE, including shorter and more intensive university courses.
- Collaborating with universities and other initiatives to support diploma educators seeking to upskill.
- Social marketing campaigns to build the profile of early childhood teaching.

NSW has also announced higher education and VET scholarships, access to additional and free training, and various initiatives to support retention of the existing workforce.

The initiatives already being implemented by NSW and Victoria are necessary but will not be sufficient on their own.

They will only achieve limited traction while some of the underpinning challenges around pay and conditions remain unaddressed. There is also a need to navigate the trade-off between boosting supply of teachers and educators and ensuring the quality of the workforce – for example, more time 'off the floor' for professional learning and more leadership roles is important for quality and impact, but also increases the need to attract more teachers and educators.

It's time to address the big challenges and make early education services workplaces of choice.

There's often a call for early education to have the same conditions as schools – but there's an opportunity to leapfrog the practice in schools.

In school contexts, there are barriers to some of the workplace and industrial arrangements that underpin quality teaching practice – like peer coaching, team teaching, observing the teaching practice of others, and collaborative planning.

The child-led, play and inquiry-based, and differentiated pedagogy in quality early learning services is cutting-edge – and there's a real opportunity to build workplace conditions that match.

But delivering contemporary early childhood workplaces requires movement on the underlying structural issues that make it difficult to attract and retain teachers and educators.

What's required

Addressing the pay gap is critical, but there is also significant scope to improve workplace conditions in ways that enhance professional practice and sustain a quality workforce.

Addressing pay gaps

This requires removing the pay gap between early childhood teachers and primary teachers, and addressing low award rates for early childhood educators.

Pay gaps are not an issue across the whole sector:

- 25% of teachers and educators are paid at least 10% above the Award.
- Victoria has achieved pay parity and strong conditions for teachers in sessional services.

However, as long as teachers are paid different rates for the same work in different settings, it will be difficult to recruit and sustain a skilled and capable workforce.

The differences between sessional and LDC services may diminish with these reforms (with longer sessions/days and broader age ranges), heightening the imperative for more consistency in conditions.

Creating contemporary workplace conditions

There is an opportunity for providers, unions and governments to work together to create the conditions for effective professional practice, by:

- Embedding the conditions that enable quality teaching in Awards – like sufficient time for planning, professional learning and collaboration.
- Addressing the challenge of multiple and inconsistent industrial agreements that entrench significant differences in pay, conditions and entitlements between different service types.
- Creating career pathways and opportunities for specialisation in early education – providing training, remuneration, and value for specialist skills like inclusion support, leadership, business management, literacy, or self-regulation.
- Being innovative about job design – for example, establishing roles like business managers, resourcing educational leaders to lead planning and coaching.
- Setting clear norms about what 'good employers' look like.
- Fixing the simple things, like ensuring all early education services provide spaces for adults (space for lunch, access to computers), and providing competitive leave conditions.

Ensuring early childhood teachers and educators feel recognised and valued

Addressing pay and conditions will go a long way towards demonstrating the value of the early childhood workforce, but this also requires:

- Employers, peak bodies, and unions working together to strengthen the professional identity of teachers and educators.
- Consistent use of positive language and framing about the workforce from governments.

An additional complexity here is understanding the role that state and territory governments should play in solving these challenges across all settings. The most significant challenges lie in long day care services, which receive most of their funding via the Commonwealth.

Ideas that should be part of the ongoing conversation

There are three key ideas that deserve further inquiry in considering how to attract, retain, and sustain the early education workforce – addressing pay gaps, innovation in industrial arrangements, and improving job design.

Addressing pay and conditions

Designing a funding model for early education that both enables and requires all early education providers to offer:

- Appropriate and adequate wages for teachers and educators.
- More consistent conditions and entitlements across all early education settings.

Industrial reforms

Identifying opportunities for:

- Embedding the conditions for quality teaching practice in Awards – including time for planning, professional learning, and collaboration.
- Creating recognised and remunerated career pathways and progressions.
- Bringing the key parties to the table (states, Commonwealth, providers / employer representatives and unions) to work through the shared responsibility for a solution to pay and conditions.

Innovating around job design

Identifying where there are opportunities to work differently in early education and what's required to enable this – including the role that employers can play in creating safe, supportive and innovative workplaces.

Australian Government reform initiatives in 2023 provide crucial opportunities to shape systemic financing arrangements and industrial settings, including through the ACCC price inquiry, the PC review, Early Years Strategy and the Secure Jobs, Better Pay legislation.

Delivering the required infrastructure

Overview of infrastructure

The supply of places for children will also influence the pace of the scale-up. There is some capacity within existing provision to meet demand, but it's unlikely to be enough.

There is variability in capacity and readiness to expand.

The variability is partly explained by provider type and operating context, and points to the need for different policy levers and approaches to unlock supply.

Limited or no capacity to expand	~10% - 20% of services
Potential to expand	~20% - 50% of services
Strong capacity to expand	~40% -60% of services

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And four overarching issues likely to play a critical role in enabling or constraining the increase in supply.

Visibility of the alignment between demand and supply

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Property market dynamics

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Infrastructure innovations

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The role of local government

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Capacity to expand

Different settings and different provider types face starkly different challenges and incentives to expand to meet the increase in demand.

In both NSW and Victoria, there is significant variability in capacity for services to respond to the increase in demand, by expanding operational capacity of services, the physical capacity of existing services, or building new services. Different policy approaches, different levers and tailored support for individual services will be needed to unlock additional supply of places for children.

There is variability in capacity and readiness to expand	Limited or no capacity to expand	Potential to expand	Strong capacity to expand
The variability is partly explained by provider type and operating context	Contexts like: • Single room services. • Volunteer parent committee governance. • Inner metro areas with limited land available or high land costs.	Providers with gaps in: • **Will** – well-resourced sessional services with significant cash reserves but no clear incentive to expand, as well as some local councils. • **Skill** – NFP sessional and long day care (LDC) services interested in expanding capacity but with limited experience / capability to implement. • **Capital** – NFP providers and small private providers services with interest and capacity, but with few reserves, limited access to capital to drive expansion, and/or resistance to the private rental market.	Providers with: • **Significant scale and access to capital** – particularly large private LDC providers and some local councils. • **Significant reserves** – potentially because they are freehold owners of their property, they are in high demand and are highly profitable, or because they have invested less in workforce.
	~10% - 20% of services*	**~20% - 50% of services***	**~40% -60% of services***
Which means …	Services with little capacity to absorb increased demand, and few options to change models of provision to adapt to full-time delivery, may become unviable over time.	There are options for driving or incentivising expansion but different levers will be required to address will, skill, and access to capital and unlock this potential capacity.	These providers will be the first movers in responding to the increase in demand. Larger providers will take a larger share of the market over time.

Source: dandolo estimates

Infrastructure

A key challenge is knowledge gaps in how the ECEC market more broadly is operating – including visibility of changing patterns of supply and demand, and the property market factors influencing the shape and size of growth.

Visibility of supply and demand misalignment

Insights into the location and scale of increased demand is critical to stimulating expansion across the early education market. However, there are significant information asymmetries in the market. For example:

- Large providers have access to sophisticated supply and demand data that is difficult for smaller and standalone services to afford or to have the management capacity or bandwith to seek out.
- Local governments often hold data on the factors that drive demand – the scale, direction and location of population growth, and local employment and transport dynamics – but do not always make this publicly available.
- There is no combined data source that shows total capacity and current utilisation within and across LDCs and sessional services.

Victoria has taken a very active approach to identifying and communicating supply and demand gaps to support the roll-out of 3-year-old kinder. This has been an intensive process requiring both detailed modeling and local insights gathered via the network of early education implementation leads embedded in the Department's regional offices – and more efficient approaches would be possible with improved data. NSW's work in this space is just starting.

There is a real opportunity to strengthen visibility and transparency about supply and demand dynamics.

Property market dynamics

Property arrangements vary significantly across the early childhood education system, spanning peppercorn rent to outright ownership to commercial rent arrangements. The sector is also characterised by highly localised markets, and building requirements are tightly regulated under the NQF.

ECEC property dynamics are poorly understood and data is limited, but there are concerns within the sector and parts of government with the way the property market operates may be distorting the early childhood sector. Key concerns include:

- A market-based approach to supply, with few controls over where new services operate and limited direct engagement in to ensure alignment between supply and demand, leads to inefficiencies (oversupply in some areas, undersupply in others).
- The terms of commercial leases benefit large providers and restrict entry into the market by smaller providers – thereby incentivising larger scale providers and contributing to a change in the profile of the sector.
- Additional investments into the early education sector are eaten up by increases in rent – with commercial landlords the ultimate beneficiary.
- Property investors investing in early learning services primarily for the land value increases, and not having incentives to invest in high quality services.
- Some providers have more access to capital to drive expansion than others, with NFP providers particularly struggling to raise capital.
- There are areas where rent is high but capacity of the community to pay fees is low – creating significant disincentives to expand in some low-SES areas.

On the other hand, the major policy driver behind extending government subsidies to private providers was the assumption that the private sector was more effective at being responsive to demand – which appears to have been true.

Infrastructure innovations

Given there is likely to be significant investment into expanding early education provision, there is an opportunity to consider leveraging this investment to foster innovation in the provision of social infrastructure.

Innovative approaches to social infrastructure might include:

Enabling wrap around provision

There is growing evidence on the impact of early years hubs that bring together the range of resources, services and supports young children and families need.

- This could look like joint health / education / community services investment in multi-purpose spaces.

Workplace provision

Creating incentives for employers to build and co-locate early education services on site.

- The public service is well-placed to lead and model this approach – particularly in large government departments and facilities like hospitals that have particular requirements for accessing early education services.
- With the right incentives, including tax provisions, this would also be attractive to private sector employers. There may be a role for government to promote or broker collaborations between employers and quality providers.

Alternative financing models

Applying innovations in financing to early education provision, including:

- Extending Build/Operate/Transfer, co-investment or value capture approaches.
- Creating the means for providers locked out of capital markets to access government-backed loans to support expansion or other facilities to unlock capital – enabling providers to buy land, build centres and grow their asset base.
- Partnerships with social investment funds.

Case study: Walter and Elizabeth Hall Institute (WEHI)

WEHI built Australia's first early learning service owned by an independent medical research institute.

The decision to build an early learning service was driven by WEHI's commitment to gender equity. It was a core part of its strategy to overcome gender imbalances at the senior level and create pathways for female scientists. WEHI recognised that the critical period for emerging scientific leaders often coincides with raising young families – and found that the effectiveness of their other strategies to retain promising female scientists were blunted because parents couldn't access early learning.

WEHI's main building is located in an inner-city research precinct, where access to land is limited and space is at a premium, but they were able to innovate. WEHI repurposed an interior courtyard and worked with architects to build a five-story 100 place service embedded within their existing building.

The service is operated by a not-for-profit provider and is open to the wider community – although WEHI staff have priority of access. The service is currently Exceeding the NQS.

Role of local government

Local government plays three critical roles in early education – but there is significant variability in appetite and capability.

In both NSW and Victoria, local government holds four key responsibilities in the early education market:

- **Planner** – monitoring demand, approving service builds, and incentivising particular provision models.
- **Data holder** – collecting community social and economic data.
- **Provider** – direct provider of services (mostly sessional services but some LDCs, and sometimes they lead early years services integrated with maternal and child health / family services).
- **Landlord** – land owners renting land to mostly NFP providers, often at peppercorn rates.

There are three key challenges associated with the role of local government:

Variability in how councils choose to fulfil their roles.

Variations in levels of commitment and resourcing contribute to vastly different early education offerings between communities.

Some councils choose to take on a significant leadership role – proactively anticipating and meeting changes in demand, providing 'best practice' services, prioritising inclusion and access for vulnerable children, integrating maternal and child health and early education services, and providing networks and professional learning opportunities for all local providers.

Others choose to play a much more limited role, with a narrow interpretation of planning responsibilities and/or a small role in direct provision.

With state governments 'stepping up' in significant ways, this may give local governments permission to 'step back'.

Complexity in the different responsibilities held by local government.

There is scope for conflicts of interest in the dual roles of planner and provider. For example, some councils appear reluctant to share data on local supply and demand dynamics, but they use that information to inform their own provision decisions. Some charge peppercorn rents or charge below market rate for some provider or service types.

In addition, the provision of peppercorn rent can be highly inequitable. It means some services have much greater capacity to charge low fees and provide good wages and conditions to teachers and educators, because – for historical reasons – they do not pay any property costs. These benefits are not uniformly targeted at disadvantaged children and families, and in fact, often it is more advantaged families who are benefiting because they tend to be located in higher socio-economic status areas.

Further, planning legislation may not give councils all the levers they need to ensure early education provision meets the needs of their communities.

Shifting appetites for funding and delivering early education.

There are signs that the appetite of local government to be a key actor in early education provision may be shifting. For example,

- Some councils are moving away from peppercorn rents and are starting to charge market rates
  - This is fundamentally changing the economics of some sessional services, and creates an insecure basis for rapid expansion.
- Others are transitioning out of direct provision because of the increased cost and complexity, or because it is not perceived to be a community priority.

If these trends accelerate, they could have a material impact on the shape of the early education market.

Ideas that should be part of the ongoing conversation

There are three key ideas that deserve further inquiry in considering how to increase supply – improving access to data, considering the role of local government, and identifying the levers needed to unlock supply.

Increase accuracy and availability of supply and demand data.

Leveraging existing data more effectively – including more streamlined and consistent sharing of data between the Commonwealth, states and territories, and local governments.

Public release of supply and demand data to address information asymmetries between different parts of the market.

Strategic consideration of the role of local government in early education planning and provision.

Further consideration of the role of local government could help identify the opportunities and manage potential risks.

This could include the opportunity to take a stronger place-based approach to early education provision.

Identify the range of levers needed to unlock supply.

This could include:

- Incentives for employers to build and provide early education services – including the public service.
- Innovative financing models.
- Cross-portfolio infrastructure investment to support the growth of wrap-around models and integrated hubs.
- Tailored support / incentives to providers with the capacity to expand (like that provided by local kindergarten advisors in Victoria).

Appendix A – Summary of NSW and Victorian reforms

Victoria early childhood reforms

Victoria's commitments extend the planned roll-out of 3 year old kinder – committing to free early education, introducing 'pre-prep' in the year before school and key infrastructure investments.

The Victorian Government has now committed $9 billion to expand the provision of kinder, which includes:

- **Continuing 3-year-old kinder rollout:** Ongoing funding for 3-year-old kinder.
- **Increasing 4-year-old kinder:** Increase in funding to cover 30 hours kinder for the 4-year-olds, commencing 2025. Four-year-old kinder will be recast as 'pre-prep'.
- **Introducing free 3- and 4-year-old kinder**: Covering the full cost of kinder so parents will no longer pay fees.
- **Establishing 50 new centres.** Establishment of 50 government operated centres in areas of unmet demand, including those with long waiting lists. The first of the centres will open in 2025 and, when all are completed, it is estimated that the new centres will boost the overall supply of places by between 3 and 5 per cent.
- **Infrastructure investments**: Committing to expanding or building 180 new kindergartens.

The new reform announcements build on earlier commitments to universal 3-year-old kinder, quality improvement initiatives, and a raft of workforce incentives. These include:

- **Workforce initiatives**: Scholarships to study Bachelor's degrees, incentives to work at 'hard-to-staff' centres, relocation incentives for teachers to move to Victoria, and Grants up to $30k to support workplace initiatives that improve retention.
- **Infrastructure investment:** A $1.6b investment on infrastructure, to build new kindergartens, upgrade or expand existing services.
- **School Readiness Funding:** Introduction of additional funding, based on need, to provide additional resources to support services to support children with higher levels of need.
- **Kindergarten Quality Improvement Program**: Targeted support to services in need of quality improvement support, providing diagnostic tools, intensive mentoring support, online and in person professional development, networking opportunities and a facilitated community of practice. This support is provided to educators, Approved Providers and leadership teams.
- **Kindergarten Improvement Advisors**: Establishing new roles in Department of Education and Training Regional/Area offices to support improvement, help coordinate Industry Forums and Network events, and provide targeted support for services.

New South Wales early childhood reforms

The NSW Government has committed to extend the provision of affordable early education within the State, alongside a range of complimentary initiatives to support implementation.

NSW Government has now committed $15.9 billion to ECEC over the next decade. This includes:

Increasing 4-year-old kinder provision

Investing $5.8 billion to introduce a universal pre-kindergarten year for children in the year before primary school by 2030.

The Affordable Childcare Fund

Investing $5 billion over 10 years to make ECEC more accessible and affordable. Specifically, the Fund will provide incentives to providers to extend the services they offer to families, improve the quality and viability of existing services, and help attract and retain the next generation of early childhood teachers and educators.

Affordable Preschool initiative

- Investing $1.3 billion over four years for preschool fee relief for 4- and 5-year-old children in long day care services
- Investing $64.1 million for a trial of 3-year-old preschool delivery in long day care services over 2 years.

Implementation for both will commence in early 2023.

Brighter Beginnings

Investing $376.5 million over four years to scale up the suite of evidence-based programs that support children from prenatal to age 5, including developmental checks in all early learning services.

Workforce investment

Investing $281.6 million over four years in a package of measures to attract more staff to the sector and retain current teachers and educators. The commitment is expected to benefit over 18,000 future and current early childhood teachers and educators.

Sector review

NSW Government has commissioned the Independent Pricing and Regulatory Tribunal (IPART) to review the sector. IPART will consult the public and sector on the review's terms of reference to inform its findings.

Appendix B - References

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