Working through the NSW and Victorian early education reforms

Paper 3 – Implications for the size and shape of the sector

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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 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.*	**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.*	**Anticipating effects on different parts of the sector** *Understanding the different implications for sessional services, long day care and new government run services.*
Driving growth while sustaining and growing quality *Ensuring that quality is enhanced, not diminished, by the rapid growth of the system.*	**Delivering the infrastructure needed** *Creating the right incentives to meet the increase in demand.*	**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**

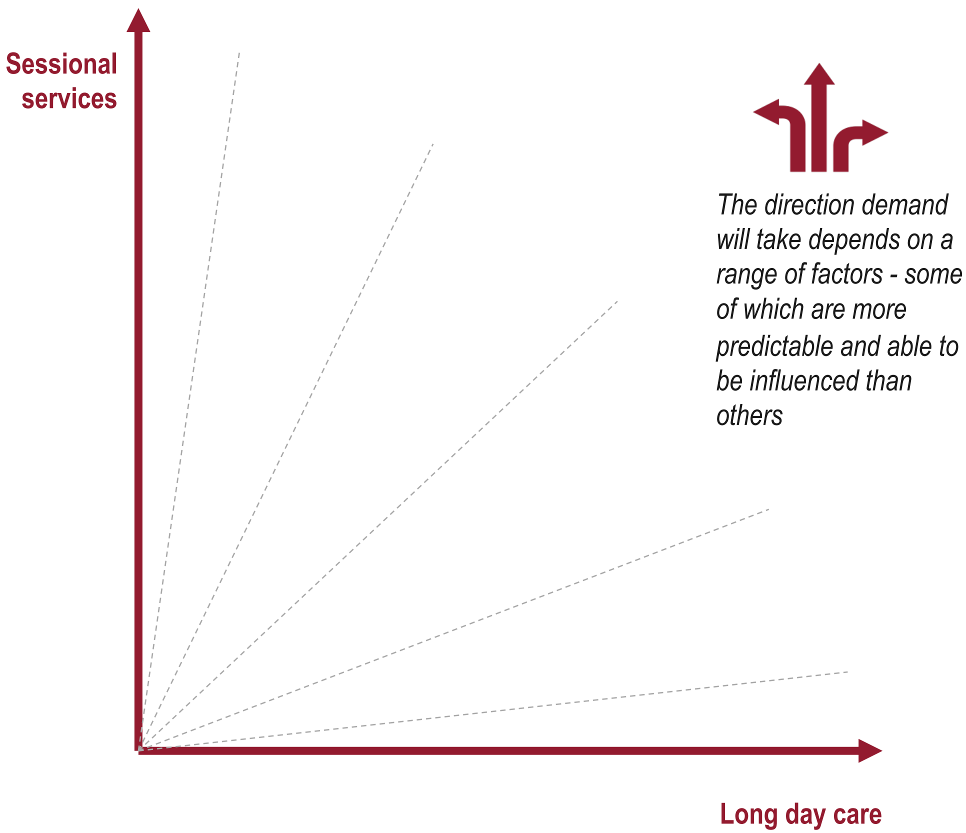
The ECEC sector is complex and dynamic. We have chosen to address these issues separately for clarity, but recognise that they are fundamentally interrelated. For example, how different parts of the sector respond to the reforms will be directly influenced by access to infrastructure and workforce capability.

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.

Implications for the size and shape of the sector

The reforms represent a step-change in the delivery of early education and will inevitably lead to changes in the structure of the sector. But the nature of that change is hard to predict.

Demand for early education will increase but its hard to predict which part of the sector will absorb the increase



This paper addresses:

- The size and shape of the market – the three possible scenarios for where the increase in demand will go:
  - Sessional services take most demand.
  - Growth is shared consistently between sectors.
  - LDCs take most demand.
- Implications for sessional services – space and capacity constraints, changes in delivery approach, and readiness for change
- Long day care and government services – impact of demand for LDCs increasing or decreasing and the role of new government services
- Implications for other jurisdictions – what these changes mean for other states and territories and the Australian Government

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

A key unknown is the direction of Australian Government reforms to the main ECEC funding mechanism, the CCS, as a result of the 2023 pricing inquiry from the Australian Competition and Consumer Commission (ACCC) and the Productivity Commission (PC) inquiry into a universal 90% subsidy, as well as the Early Years Strategy.

The outcomes of these inquiries could lead to transformative change in the economics of ECEC provision – with even more significant flow-on effects on the size and shape of the ECEC sector.

The size and shape of the sector

Understanding the effects on the sector

The reforms are likely to have significant ripple effects on the size, shape, and make up of the early education sector and market.

NSW and Victoria have mixed models of provision for early education

The sector includes diverse providers with different operating models, drivers, strengths, and levels of capability

Victoria

69% attend early education in sessional services.[1]

- 90% of sessional services are NFP, including ~10% local government and ~2.5% Catholic and independent schools.
- 46% of sessional services are part of an Early Years Management (EYM) body.[2]

31% attend early education in LDCs.[1]

- 35% NFP.
- 65% for-profit. [2]

NSW

28% attend sessional services.[1]

- 13% Department of Education.
- 80% NFPs.
- 4% local government.
- 3% Catholic and independent schools.[3]

66% of children attend early education in LDCs.[1]

- 75% private.
- 17% NFP.
- 6% local government.
- 2% Catholic / independent schools.[3]

Across the wider ECEC sector, scale tends to be small: 80% of ECEC providers only operate one service, and there are only 67 providers nationally that run more than 25 services, although collectively they provide 35% of all services.

The reforms represent a significant step-change

And they will influence:

Different provider types differently

Sessional services

Slide 7-11

Long day care

Slide 12-13

New government run / commissioned services

Slide 14

Parent preferences and decisions

Its unclear what effects the reforms and post-pandemic workplace norms will have on parent preferences.

Parents might:

- Prefer the perceived educational focus of sessional services.
- Continue the trend towards preferring long day care and hours that are a good fit for working families.
- Prefer settings that are less like formal schooling (or more like formal schooling).
- Be influenced by higher costs in long day care.

The overall shape of the market

The reforms may change the:

- Mix of providers.
- Characteristics and quality of providers.
- Size and scale of service and providers.

Slide 5-6

And other jurisdictions

There are implications for:

- The Australian Government.
- Other states and territories.

Slide 15-16

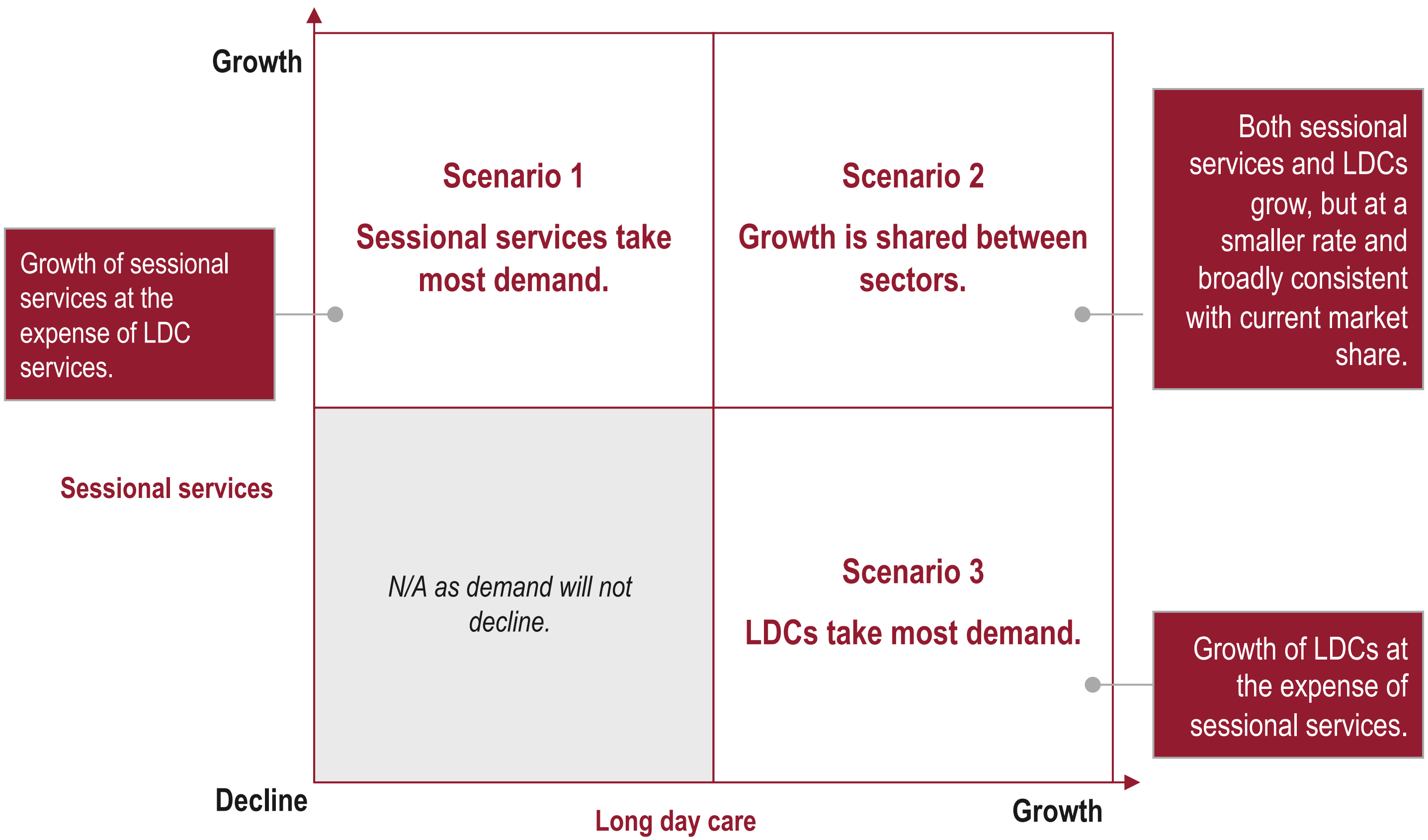
Source: [1] ROGS 2022 | [2] VAGO 2020 | [3] NSW Government 2022

Shape of the sector

Under the reforms, demand for early education will increase. It's unlikely that current market shares will stay the same, but we don't yet know where the increased demand will go.

We are substantially increasing the dose and duration of early education, which will significantly increase demand. We estimate an increase of up to 45,000 children attending teacher-led early education programs, and an additional 2.2 million hours of early education demanded each year. It's unlikely that the current distribution of demand between sessional and LDC services will be maintained. It is more likely that we'll see the growth of LDC provision at the expense of sessional services, or vice versa.

There are three indicative scenarios for where the increase in demand for early education will go.



In practice, the direction of change is likely to be variable – shaped by how localised ECEC markets are – and will likely unfold over time.

The factors that are likely to shape these different trajectories include:

Cost of access in different settings.

Parent preferences and priorities.

Government interventions to support market diversity or particular policy objectives (like quality or equity).

Local market conditions.

Policy and funding decisions.

Existing service footprints.

Readiness and capability of different parts of the sector.

New providers entering the market.

Drivers of change

It's unclear which of these scenarios will occur – but the direction will be determined by the readiness/capacity of each provider type to adapt and expand capacity, by parent preferences and priorities, and by other market dynamics.

Sessional services taking most demand is more likely if:

Scenario 1

- Sessional services can grow their footprint and expand their capacity.
- Sessional services can innovate, becoming more flexible and more aligned with the needs of working families, OR if the needs of working families change due to changes in workplace flexibility.
- Parents perceive sessional services to be better for children (e.g. more like schools and therefore better for 'school readiness' or because of long-held assumptions about the differences between kinder/preschool and 'childcare').

Growth being shared consistently between sectors is more likely if:

Scenario 2

- Government explicitly intervenes to maintain the current market share.
- Current market share reflects underlying parent preferences.

LDCs taking most demand is more likely if:

Scenario 3

- LDCs can grow their footprint and capacity faster, or if sessional services do not expand and exist only to service a small proportion of overall demand.
- Sessional services do not adapt to meet the needs of working families, OR if the needs of working families change.
- Parents are confident early education in LDCs is of the same quality and value as sessional services.
- Australian Government funding changes decrease out-of-pocket costs.

… and there are other factors, which are hard to predict, that may influence the shape of the market. These include:

New providers entering the market:

- The reforms may alter the economics of providing early education services and incentivise new entrants.
- Catholic and independent schools have long held around a 4% market share – but this may increase.
- States may seek to expand their share of the market over time.
- Changes to CCS requirements may also incentivise new providers.

Interventions to support market diversity:

- Governments may see value in diversity in the market or in using specific funding or regulatory levers to achieve a desired policy outcome – for example, because it creates competition in quality and price, or enables greater choice for parents.
- It may be that the risk of losing any supply in the system is too high because it would compromise roll-out commitments. In this event, governments may also intervene to sustain particular services / service types.

Changes in parent work patterns and requirements:

- More flexibility in working arrangements may increase demand for sessional services or where places are demanded.
- In the event of an economic downturn, an increase in casual / part-time / multiple jobs may increase demand for the longer hours offered in LDCs.

Implications for sessional services

Future of sessional services

Changes in the definition and delivery of preschool will have the greatest impacts on sessional services. The scale of these changes mean it is guaranteed that this part of the sector will not look the same in the future.

The combination of the increase in demand, the move to full time programs and the inclusion of 3-year-olds will change some of the fundamental drivers of how sessional services operate.

The market share for sessional services has been declining over time. This is largely because working parents have been choosing the greater flexibility of long day care services, and because the shorter hours of sessional services / closure during school holidays does not align with working hours and requirements.

The trend towards a declining market share could be significantly accelerated by the reforms – although conversely, the move to full-time provision might make sessional services more feasible for working families.

The size, shape, and share of the sessional sector into the future will be influenced by how rapidly and effectively sessional services respond to changed requirements. There is a risk that sessional services will not be able to adapt.

The future of sessional services will be influenced by:

Space and capacity

Whether sessional services respond to the increase in demand by:

- Staying largely the same.
- Optimising the available space.
- Increasing the available space.

Slide 10

Delivery approach

Whether the changed use of space requires sessional services to become more like schools, or more like LDC services.

Slide 11

Readiness for change

This will be influenced by:

- Resources for growth.
- Provider incentives.
- Organisational capacity.
- Workforce availability.

Slide 12

Space and capacity

The key challenge sessional services face is how to fit more children in the same service for more hours.

There are three broad options for how sessional services can respond to the increase in demand.

Direction of change	**Don't seek to expand** Serving fewer children for longer hours (i.e. one 30-hour session rather than two 15-hour sessions).	**Optimise available space** Run different session times to maximise capacity (i.e two long sessions a day) or mixed age groups.	**Increase available space** Build additional rooms (building out or building up) or expand the number of sites.
Impact on market share	A decrease in market share and a significant decrease in the number of children at the service.	An overall decrease in market share likely. May increase capacity, but potentially not enough to meet the increase in demand.	Sustain or grow market share.
More likely for …	• Single room services. • Victorian services that have already adapted/optimised their available space to accommodate 3-year-old kinder.	• Services not at full utilisation. • NSW services. • Victorian services with capacity to optimise further.	• Services where land is available (regional services, growth corridors) • Large providers. • Local government.

Delivery approach

Depending on how services adapt to create more space and capacity, they may need to also change their delivery approach.

The changed approach to delivery may result in sessional services becoming…

…more like schools

Services continuing to offer consistent classrooms and cohorts, operating for full days (~ 9am to 3pm), and potentially adding an out-of-school-hours care equivalent.

…more like long day care services

Services begin operating with different cohorts of children, running longer days and more flexible sessions, although still only targeting 3- and 4-year-old children.

Currently, sessional services are explicitly excluded from CCS funding. The shift to full-time provision for 4-year-olds might prompt some providers to transition to long day care provision.

This may disrupt the unique features of sessional services or cause some to close.

This shift may challenge some of the unique features of sessional services.

For example, key characteristics of sessional services are that:

- They focus on 3- and 4-year-old children.
- They generally offer an annual intake.
- Children typically attend two 7.5-hour sessions a week or three five-hour sessions during school terms.
- They operate during school terms – and are closed during the holidays.
- Children usually arrive and leave at the same time.
- Children are usually with the same group, and the same teachers and educators, each week and across the year.
- Sessional services typically have between one and three rooms, with around 22 children per room.
- Many early education teachers work part-time and mostly teach the same cohort of children across the year.
- Sessional services are often perceived by families and the community as distinct from ‘day care’.

Aspects of this approach may need to change.

Readiness for change

There are physical, financial, capability, and workforce factors that may constrain the capacity of sessional services to adapt to the significant changes in the operating environment.

Sessional services' readiness for change will be influenced by:

Resources for growth

Capacity to grow is largely a function of space and financial resources, including:

- Access to land to expand current footprint, or ability to build a second storey.
- Financial reserves to fund expansion.
- Access to capital to fund expansion.

Some sessional services have significant reserves, but most have limited or no access to capital.

Most growth in recent years has been in the long day care market, not sessional services – because this is where demand has been and where there's opportunity for profit.

Provider incentives

Providers have different incentives and may respond in different ways. For example:

- Community focused sessional services may not be motivated to expand their footprint, even if they have financial reserves.
- Local government plays a significant role as planner and provider of early education – but the scale of this role differs substantially between councils. Some councils have opted out of direct provision, and this trend may be accelerated by the reforms.
- New providers may enter the market – for example, Catholic and independent schools may scale up their provision of early education.

Organisational capacity

There is significant variability in capacity to respond to significant change. For example:

- Volunteer parent committees are already under significant strain. The legal obligations of being an Approved Provider, let alone the change management and strategic view required for expansion, can be greater than is feasible for a volunteer committee to manage – especially one that changes every year.
- Victoria's Early Years Management (EYM) model goes some way to addressing these challenges – but EYMs are themselves variable in quality and capacity, and the fundamentals of this model are also under strain. EYMs are also unwilling to take on services with compromised viability.

Most sessional services are small-scale, have small leadership teams, and have limited access to specialist skills.

Workforce

The new delivery model will require teachers and educators to work in different ways – a level of change many will not have seen before.

These changes include:

- More team teaching, with new requirements to collaborate and coordinate.
- A pull towards more full-time hours, when a high proportion of the sector works part-time.
- Developing programming that spans two years, requiring new approaches, strategies and ways of working.

There are some constraints built into current industrial agreements that will need to be worked through as well.

The scale of the change is substantial and these constraints on readiness for change are significant and widespread. There is a real possibility that sessional services will not be sustainable in the long-term if they do not adapt their operating models or better meet the needs of working families.

Implications for long day care and government services

Demand for long day care

The impact on LDC providers will be shaped by the flow of increased demand. While LDC providers are generally more ready to respond to changes in demand, a significant decrease in demand would impact their economic viability.

LDC providers will also be impacted by the reforms, but the size and seriousness of these effects will differ depending on market dynamics and where the increased demand goes. The LDC sector has a longer history of being responsive to changes in demand. Providers face a different set of incentives and are generally better equipped to adapt to the reforms.

If demand for early education in LDCs <u>increases</u>

Demand for LDCs is likely to increase to some degree under any scenario, though will be accelerated if sessional services do not adapt and most of the increased demand is funneled into LDC services. In this case, LDCs will need to be ready for the increased demand and changing expectations for early education, including:

- **Attracting and retaining more teachers and educators** – traditionally, early childhood teachers have preferred working in sessional services because of the better pay, consistent hours and cohorts of children, and because teaching in sessional services is closer to the experience of working in schools.
- **Ensuring teachers are 'delivering the early education program'** – there is likely to be more pressure to ensure there are consistent teachers directly teaching a specific cohort of 3- or 4-year-old children. This is usual practice for many services (and a requirement for funding in Victoria), but does not happen consistently in all services.
- **Expanding or reorganising to create capacity** – services are also likely to need to further optimise their current delivery or expand their footprint to support a longer teacher-led program.
- **Changes in programming and practice** – responding to the heightened expectations likely to be associated with full-time early learning, and the provision of two years of early education.

Medium and large LDC providers are likely to have greater capacity for change, in part because the greater profitability of LDCs gives them more resources to be responsive to changing market conditions. Larger LDC providers often have a stronger orientation towards growth, including dedicated and specialist property teams and access to capital.

There is a possibility that demand for places for 3- and 4-year-olds will crowd out provision for birth to 2-year-olds, which have higher costs of delivery. This would have negative flow-on effects for families and accessibility.

Increased use of LDCs for early education may also heighten concerns about 'double dipping' across the Child Care Subsidy and the Commonwealth-State funding agreement for early education.

Standalone LDCs experience some of the constraints as sessional services – they may have limited will or capacity to expand. Where they do seek to expand, they are unlikely to be able to buy land and build.

If demand for early education in LDCs <u>decreases</u>

Demand for LDCs may decrease if sessional services expand their footprint and adapt to become more aligned with parent needs and preferences. In this case, there could be significant consequences and risks for the wider ECEC sector.

Provider viability

LDC business models depend on utilizing all rooms . 3- and 4-year-old children cross-subsidise the greater cost of educating and caring for birth–2-year-olds. Virtually all LDC services rely on having a mix of children of different ages to maintain viability.

Affordability, accessibility and quality

If there is a significant reduction in demand for 3- and 4-year-old places, the cost of ECEC for birth-2-year-olds may increase significantly.

It may also create incentives for LDC services with few or no places for birth -2-year-olds.

This could result in return to a two-tier system with a care/education divide, and where lower-income working families have less choice.

Government services

NSW and Victoria have committed to playing a more direct role in delivering early education services. However, the role they could or should play is not yet known.

Both NSW and Victoria are signaling an appetite to play a stronger role as system stewards, including as a direct provider and commissioner of early education services.

Opportunities

A stronger role for government in thin markets

Viability of services in communities without sufficient demand has long been a challenge for early education provision. These communities are more likely to be in regional and remote areas, or in communities experiencing disadvantage. There are indications that the NSW and Victorian governments are interested in a stronger role in addressing this challenge – although they stop short of an explicit commitment to support viability in thin markets or to guarantee every child a place (as is the case for schools).

Competition on price

Both jurisdictions appear to be prioritising affordability. Early education markets are highly localised, however, and the current commitments appear unlikely to have a whole-of-market effect. It's also not clear whether the intent is providing a low-fee alternative in disadvantaged communities, or a market intervention intended to provide competition on price.

Driving quality improvement

Currently there is significant variability in quality across the system, and few incentives for some providers to move beyond Meeting the NQS. There is potential for Victoria's new government-run services and NSW's additional investment to both showcase high-quality practice, to ensure inclusion of children with additional needs, and to create greater competition in the market on quality of provision (although parent demand is the biggest and yet most underutilised lever here). However, neither state currently has the infrastructure to directly run early education services.

Innovation

Developing new service models is an explicit aim of NSW's approach, and there is real potential for Victoria's government run services to be set up as exemplar services and hubs of innovation or to meet the needs of particular parts of the workforce (healthcare workers, for example).

Implications

The role of government in boosting supply

The NSW and Victorian governments have taken different approaches to ensuring an adequate supply of early education services that are high-quality, affordable, and meeting the needs of working families:

- The Victorian Government is becoming a direct provider of these services and will soon have a ~2% market share – a departure from the previous approach of building services on school sites and outsourcing operation.
- The NSW Government is becoming a more direct commissioner of new services and is planning targeted investments in new services / service model innovations.

It will be interesting to track which of these approaches is more effective, and if either government experiments with other innovating financing models.

Competitive neutrality

There are complexities and potential conflicts of interest involved with government being a funder, regulator *and* provider in a mixed market – and potential risks to competitive neutrality. It is not yet clear how these dynamics will be managed.

Role of schools

The reforms promise a year of full-time early education and may indicate an interest in early education becoming part of school provision over time. This raises whole other set of questions, challenges, opportunities and risks, including significant concerns about 'schoolification' of early years.

Implications for other jurisdictions

Implications for other jurisdictions

As a result of the reforms in NSW and Victoria, some Australian children will have access to far more early education than others – with implications for the Australian Government and other states and territories.

The Australian Government

The reforms carry financial and strategic implications for the Australian Government.

Financial implications

There are three factors that could increase costs for the Australian Government:

- If the increase in demand is largely absorbed through LDCs, this may result in more families drawing on the Child Care Subsidy (CCS). Conversely, if demand is absorbed through sessional services, CCS outlays could decrease.
- Currently, the Australian Government co-funds the delivery of early education through the Preschool Reform Agreement – but they currently only contribute to 600 hours in the year before school.
- Further increasing the pressure on attraction and retention of early childhood teachers and educators will drive up wage costs / overall costs of delivery, likely to flow through into increased fees.

Strategic implications

These strategic implications span operational issues through to fundamentals around the role of the Australian Government in ECEC:

- The reforms may reignite debate about the mixed roles and responsibilities between the Australian Government, states and territories, and local government.
- The Australian Government may come under increasing pressure to support other jurisdictions to offer the same entitlement to early education. Or to offer the same access to early education funding to all settings and providers (for example, extending CCS to sessional services).
- There are significant opportunities to strengthen the way that data is collected, shared, and used to inform policy and practice in early education – especially because the value of this data is heightened in a period of significant reform and innovation.

Upcoming ACCC / PC inquiries, the development of a market stewardship strategy and the Early Years Strategy are critical opportunities for the Australian Government to crystalise its policy objectives for ECEC and the role/s it can play in pursuing those objectives.

Other states and territories

There are two major implications for other states and territories.

Workforce

- Other states and territories risk losing a proportion their early education workforce – as NSW and Victoria compete for talent and offer incentives to attract more teachers and educators.

Pressure to catch up

- 40% of Australian children will have considerably less access to early education. Other states and territories may come under increasing pressure to match the direction that governments in NSW and Victoria have set.
- This will be a considerable challenge for the states that largely offer school-based early education – where the infrastructure challenges will be even more acute.

Spotlight on South Australia (SA)

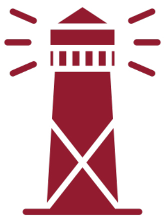
SA recently announced a Royal Commission into ECEC to examine:

- Support for children and families in the first 1000 days, focused on better leveraging the ECEC system.
- Design of a universal early education offer for 3- and 4-year-old children that is affordable, accessible and high quality.

The Royal Commission may provide a roadmap for other states with school-based early education, and may also offer options for alternative approaches to the current division between Australian Government and state responsibilities in this space.

Ideas that should be part of the ongoing conversation

There are two key ideas that deserve further inquiry in considering the implications for the sector.



Lighthouse services

Investment in exemplars or 'lighthouse' services to lead quality and innovation across the sector.

For example, investing in services that have a remit to:

- Model high-quality and innovative practice.
- Provide learning opportunities for other services.
- Offer secondments to promising leaders from other services.
- Support traineeships.
- Train and provide mentors.

Strategic planning for sector futures

A strategic and well-managed transformation of the sector is considerably more optimal than a disorganised collapse – particularly when its critical to maintain current supply.

Responsibility for navigating a pathway through the change lies with providers and peaks, but governments can also play a significant enabling role.

For states signalling a stronger appetite to play a stewardship role, this is an opportunity to set the policy vision and work collaboratively over the next decade to deliver it.

In particular, the plan for the sector needs to resolve the issues that underpin variability in quality and sustainability, including:

- More consistency in pay and conditions between different parts of the sector – to ensure it's possible to attract and retain a high-quality workforce.
- Ensuring services meet the needs of families and that hours of operation don't constrain working families.

There's an opportunity to combine the strengths of all parts of the sector – the pay and conditions that sessional services offer with the flexibility and responsiveness LDCs to the needs of families.

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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