Evidence Brief on Two Days of Subsidised Early Childhood Education and Care for all Children

March 2016

About us

Early Childhood Australia (ECA) is the national peak early childhood advocacy organisation, acting in the interests of young children and their families. ECA advocates for quality in early childhood education and care as well as social justice and equity for children from birth to eight years. We have a federated structure with Branches in each State and Territory. ECA has more than 5,000 members encompassing individuals, early childhood services and organisations (including not-for-profit, public and private entities). ECA has proudly served the Australian community for over 75 years.

Background

The Australian Parliament is currently considering the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015. As currently presented in the package, a proposed activity test will mean that families with one or more parents not working for more than 8 hours per fortnight will lose their eligibility for subsidy altogether. Low income families will still have access to 12 hours per week but this is a significant reduction from their current entitlement to 24 hours per week and it is insufficient to cover two days in most long day care centres.

The rationale for the Government’s proposed activity test is to more closely align the subsidy to activity and encourage increased parental workforce participation. The early childhood education and care sector has been supporting families to participate in the workforce since before federation and is absolutely committed to this goal. There is a shared understanding of the economic benefits for families and ultimately children, as well as the social and economic benefits for the country. At the same time the sector is committed to children’s wellbeing and longer term educational outcomes – which actually deliver a higher economic return over the long term than increasing workforce participation. These are not competing priorities but rather complementary policy goals.

Existing research and professional experience in the early learning sector demonstrates that all children should have access to at least two days of subsidised care per week, independent of the activity test. This is more important for children who are vulnerable of from economically poorer backgrounds. The government’s proposal as it currently stands will reduce access for many of these children. For example, one of ECA’s provider members has identified thousands of children who may have access reduced or eliminated:

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Across a national network of 643 centres, [Goodstart Early Learning] identified around 7,800 children whose parents may not meet the proposed activity test. Of this group:

- 56% are from very low income families (i.e. receiving the maximum entitlement of CCB)
- 68% of children from families receiving the maximum entitlement of CCB attend for two or more days of care

The families most affected by these proposals tend to live in communities where the labour market is least likely to provide opportunities to meet the activity test, particularly in rural and regional centres or in low SEIFA outer metropolitan areas. (Goodstart Early Learning, 2016 p. 14)

To prevent children missing out on early learning, ECA believes that the package should be amended. The changes being proposed in the Child Care Package are complex, and there are several intersecting reasons why the proposal should be altered. These relate to:

- the benefits of early learning for children;
- the benefits of consistent availability of care for parents and families; and
- the effects of how care is subsidised on staffing and quality of care.

**The benefits of early learning for children**

Research and analysis by the Organisation for Economic Cooperation and Development (OECD) endorses the importance of early learning for children, the community and the economy:

A growing body of research recognises that early childhood education and care (ECEC) brings a wide range of benefits, for example, better child wellbeing and learning outcomes as a foundation for lifelong learning; more equitable child outcomes and reduction of poverty; increased intergenerational social mobility; more female labour market participation; increased fertility rates; and better social and economic development for the society at large (OECD 2012)

The evidence is particularly strong in relation to children in the 1-2 years before transition into school education (typically 3-4 year olds) but it is not only limited to the older age groups. Internationally there is growing awareness of the importance of providing earlier access. Nobel Prize-winning economist James Heckman argues that investment in young children from birth is economically and developmentally highly effective, that starting at ages 3-4 is “too late”, and that “Investing in early childhood education is a cost-effective strategy—even during a budget crisis” (Heckman n.d.). Across Australia several State/Territory Governments are looking to extend preschool to 3 year olds to reduce vulnerability and improve successful school transition.

For children in the birth to 2 years cohort competent parental care is best and paid parental leave is an important policy for supporting child development outcomes. However, once paid parental leave ends a growing number of parents are relying on early childhood education and care in order to re-enter the workforce and secure their financial future, or sometimes to have respite or support (e.g. single parents and parents with children with additional needs). It is important that very young children attending services have regular attendance in order to form stable relationships with educators.
Dosage / Minimum Hours

The benefits of early learning come from sufficient exposure to early learning that is of high quality. The UK’s Effective Provision of Pre-School Education project (EPPE), one of the most comprehensive and widely regarded longitudinal studies, examined the difference between 10 hours of provision and 15 hours and found that children benefited more when they attended for 15 hours. Moreover, they found that disadvantaged children benefited even more from having even greater access (Sylva et al., 2004; Melhuish et al., 2015). We know that at least fifteen hours of early learning readies children for school and that the benefits persist (data cited in Goodstart 2015).

There are also studies that show that longer exposure to early learning each week can produce better outcomes for children, and that those outcomes are maintained through school years (Robin & Barnett, 2006; Chang & Singh, 2008; Kay & Pennucci, 2014).

Evidence shows that the longer children have spent in early learning before school, the better their performance on reading, maths and science tests (COAG Reform Council 2013). Australian researcher Professor Guyonne Kalb at the University of Melbourne has summarised her team’s research that found “an amount of in between 15 and 29 hours per week to have the largest beneficial impact on later learning outcomes (age 4-5). This would translate to 2-3 days per week of care” (Kalb 2016, p. 1). Evidence has also shown that the benefits of early learning, well-established for children 3-4, are present at younger ages:

[children] experiencing EEC ... at approximately age 2, was positively associated with children’s cognitive functioning. Specifically, children who attended centre-based care at age 2 had significantly higher teacher-rated maths skills and literature skills, higher matrix reasoning scores, and marginally higher vocabulary skills than their peers who were in parental care... (Coley et al. 2013, p. 43)

What is most clear from all the research is that children from lower income families and children who face various risk factors receive the greatest benefits from early learning. This has been most famously proved through ongoing monitoring of the participants in the Perry trial, an experiment initiated in the 1960s among disadvantaged children attending the Perry school in Michigan, who were then followed up through until they were 40 years old. The benefits of early educational support for this cohort of three-year old children have been demonstrated to improve outcomes in adult life (see, eg, Heckman et al., 2013). Similarly, one of the most recent Australian studies concluded saying:

The first step needs to be encouraging disadvantaged families to make use of high-quality child care. Disadvantaged families currently appear to make less use of formal child care than advantaged families. Although other factors could play a role as well, this means that ensuring that this type of child care is affordable to these families is important given the low incomes of these families. (Kalb et al., 2014, p.8)

In this environment, it is vital that childcare subsidies favour attendance for at least two days by vulnerable children and children of lower income families. As researchers from the University of New South Wales Social Policy Research Centre (SPRC) have noted, “One day is not sufficient for children to settle into a service, develop bonds with educators and peers”. (SPRC 2016, p. 4)

The proposed reforms would not provide adequate access to services. The activity test, and the inadequate hours of subsidy, will both ensure tens of thousands of children who would benefit from early learning will miss out.
Given the strong evidence to support universal and early access to early learning, it is no surprise that changes that may reduce access are moving against international trends and good practice. Examples include the significant expansion in access and quality in Norway (Engel et al., 2015). As the Australian Council for Social Services noted:

this proposed shift to impose more stringent activity requirements is at odds with moves in comparative countries to increase access to free childcare for all children. For example, the UK Government currently provides access to 2 days free childcare for children aged 3+ years regardless of parental workforce participation, with both major parties pledging to increase access to at least 25 hours per week. (Australian Council for Social Services 2016, p. 2)

**Consistency of access – the benefits for families**

The provision of at least two days a week of care, rather than just twelve hours, independent of any means or activity tests, should create greater stability for families. It will provide better relationships to service staff, and better access to the labour market. It should also ensure that families better understand their entitlements, and will reduce the complexity for everyone.

There are several key groups of families who stand to be negatively affected by the changes. These include those families where only one parent is working and who earns an income that is modest, but higher than $65,710. These families will often be struggling economically, but will receive no subsidy at all. However, there are problems for other groups as well:

- Families where only one parent meets the activity test and who anticipate they will earn under $65,710 in a financial year, but earn more than that. The children in these families will have no access to subsidy.

- Families where only one parent meets the activity test and who earn under $65,710 in a financial year, BUT in some fortnights earn at a rate greater than that. Seasonal workers, or people with insecure employment could easily have this experience. The children in these families will lose access to subsidy every time their family notifies the department of higher income earning estimates.

Experts from the SPRC are very concerned about the outcome of the activity tests and their complexity:

Families eligible for the ACCS (low-income) are faced with reduced access (from 48 to 24 hours per fortnight), and increased complexity. Families with unpredictable employment will face uncertainty as to whether they will be eligible for the CCS. Families with very casualised work may be on the cusp of $65,000 and also on the cusp of meeting the 8-hour per fortnight activity test. Families risk the possibility of NOT meeting either the means-test or the activity test, thereby being liable for the full-cost of child care. Faced with insecure work and the need to navigate a means-test and an activity test, some families may simply choose not to put their children in child care. (SPRC 2016, p. 3)
The SPRC’s analysis is borne out by the experience of service providers. Anglicare Australia, whose members operate child care centres in three states, have concluded:

While the proposed Additional Child Care Subsidy provides 24 hours of child care per fortnight (equivalent to two six-hour sessions each week) for some families with an income of less than $65,710, this significantly reduced access is unlikely to provide enough access to child care for the needs of parents and children alike. Feedback from our members indicates that a six-hour session of child care is unlikely to be sufficient, given that it does not cover a standard business day, nor does it take into account parental travel time to and from work. This makes it particularly difficult for low income families who are engaged in very casual work, who may earn slightly more than $65,710 but not meet the activity test, thereby removing their access to child care under the Jobs for Families Child Care Package. In this scenario, it is highly unlikely that families in this position will enrol their children in child care, as they are simply unable to afford non-subsidised placements. (Anglicare Australia 2016, p. 4)

The national organisation representing parents, The Parenthood, surveyed over a thousand of its members and found this issue to be significant concern. It reported:

placing such a stringent workforce participation and income requirement on subsidy eligibility fails to recognise that the cost for the number childcare days you have remains a constant through the course of a year, whereas work activity and income can suddenly and significantly change...This is a concern for most parents, but especially true of families who have at least one parent in insecure, casual or irregular work. (The Parenthood 2016, p. 5)

The proposed eligibility restrictions and cutoffs are going to create complexity and uncertainty from families, and are going to increase the chances that children will miss out. For some children this will create interrupted patterns of care: one month they are in early learning services, the next they are not, as parental eligibility varies. However the evidence that shows the benefits of early learning comes from consistent, ongoing education.

Impacts on the workforce and quality of care

Inadequate hours of subsidised care, combined with an hourly subsidy model, could put service delivery at risk by undermining service viability or by putting pressure on staff recruitment, retention and quality. If this happens, children will not get the early education they deserve, and parents working or studying may lose access to the services they need.

Research is unequivocal on the importance of recruiting and retaining highly qualified staff to ensure improved outcomes for children in early childhood education and care programs. A comprehensive review of the literature on Determinants of quality in child care (Huntsman, 2008 p. iii) concluded that across age groups and service settings ‘the most significant factor affecting quality appears to be caregiver education, qualifications, and training’. The UK EPPE study found that settings which have staff with higher qualifications have higher quality scores on quality rating systems and children make more progress as learners; American research produced similar results (Vandell & Wolfe, 2000). Strong qualifications, training and skills among early childhood educators ensure they have the capacity to meet the complex needs of an increasing number of families and children (McDonald, 2010; CCCH, 2006; Moore, 2005). The reverse is also true. Educators with
low qualifications and limited training, as Shonkoff (2011) and Hamre & Pianta (2004) and others identified, are at high risk of burning out, suffering from depression and poor emotional health.

We also know that the stability of child care providers appears to be particularly important for young children’s social development, an association that is attributable to the attachments that are established between young children and more stable providers (Shonkoff & Phillips, 2000, p. 314). There is long-term continuity in care shown in staff turnover rate, time with primary caregiver, and the length of time children spend with the same peers (De Schipper, 2003, p. 302). The daily stability of the child’s experience in staffing and grouping patterns in a given day in an ECEC service is also relevant (Morrissey, 2008). Quality care can be beneficial and certainly will not be harmful for younger children but this relies on their regular attendance in order to form attached relationships with educators and to some extent other children in the group.

In this context, reforms that make work less secure for employees and more administratively complex for service managers are likely to work against early learning objectives. The National Centre for Epidemiology and Population Health concluded:

Hourly child care subsidies will impact on the employment conditions of workers through increasing the likelihood of replacing part-time and full-time workers with casual staff, increasing time pressure, financial insecurity and unpredictable hours. Underemployment, unpredictable work, time pressure and financial insecurity all present significant risks to workers’ mental health and physical health through direct and indirect (unhealthy behaviours) means.

Proposed changes will impact on the mental and physical health of workers, which has a flow on effect for children’s outcomes. It will also increase the administrative burden for service directors and managers significantly, an outcome opposed by the current government. (National Centre for Epidemiology and Population Health 2016)


One of Australia’s foremost research teams in this field at the SPRC have observed:

The 12 hours subsidy for children whose parents do not meet the activity test introduces a new rigidity into the system. Most centres charge a full day rate, so families limited to 12 hours subsidy will typically have access to only one day of early learning and care. (SPRC 2016)

Most service providers are concerned about the effect of these changes on their ability to maintain effective staffing. For example KU, one of the largest early learning providers, has stated:

KU understands the proposed ‘use only what you need / pay only for what you use’, approach to child care fees and funding, including sessional care arrangements and hourly fee subsidy payments, is intended to encourage the market to deliver more flexibility and value for families (and the Government). However, KU believes this approach has the potential to deliver unintended consequences for providers, and in turn families, not least of which include:

- The creation of workforce issues such as contraventions to existing Enterprise Bargaining Agreements and Award conditions;
• Undermining the viability of the services;
• Increased ‘out of pocket’ cost of fees for families; and
• Reduced workforce participation amongst teachers and educators working in the childcare sector. (KU 2016)

Churches of Christ care indicated it is:

concerned that the proposed hourly benefit rates could lead to less stability for providers and shift the industry towards a more casualised workforce. These shifts could negatively impact on the ability to recruit and retain qualified early childhood educators. (Churches of Christ care 2016, p. 1)

Peak body the Australian Childcare Alliance similarly has indicated that providing shorter sessions of care “will challenge affordability for families and for services” as fixed costs, and the costs of providing flexibility, have to be rolled into fees. They have also reasoned that this more “flexible” environment “does not fully consider the educational impact on outcomes for children and how it would impact the early learning environment of a service. Short sessions will reduce the number of work hours for ECEC educators and significantly impact the operating costs and viability of a service.” (Australian Childcare Alliance 2016, pp. 18-19)

All players in the early learning sector – providers, parents, employees – have concerns around the combined effects of hourly subsidies and the twelve hour care subsidy for some low-income families. As UnitingCare Australia explains:

Any attempt to make twelve hours of care represent two days will require rejection of existing business models, in favour of arrangements that risk reducing flexibility and increasing hourly costs. (UnitingCare Australia 2016, p. 8)

UnitingCare’s analysis of their services suggests that there could be as much as a 25 percent increase in hourly cost of operation if a service sought to provide shorter days to meet a desire to spread twelve hours of care across two days. It also indicates that across the service, the economic return to the service per day may fall, thus increasing the hourly rate that will need to be charged across all families to ensure viability (UnitingCare 2016, pp. 8-9).

In order not to undermine staff quality and service affordability, the minimum subsidy entitlement, prior to any activity test, should meet the costs of providing two full days of early learning. At a minimum this should be eighteen hours of subsidy.

**Economic benefits**

The economic benefits of good early learning services are strong. When the Council of Australian Governments released the National Early Childhood Development Strategy in 2009, it indicated that early childhood development is linked to better economic outcomes for families and greater economic growth in the community as a whole (COAG 2009, p. 34)

These investments, as well as improving opportunities for children and their quality of life, will pay for themselves over time. This was the experience in Quebec, when a new subsidy system was introduced there, that resulted in increased female workforce participation. (Fortin et al., 2012) Australian modelling by Price
Waterhouse Coopers similarly estimates net savings to government from proposed reforms that increase workforce participation (PWC & Goodstart 2016). The investment in subsidies to support the participation of very young children (birth to 3 years) may come primarily from lifting workforce participation, but also arises through increasing tax revenue, and reducing longer term welfare dependency. The investment to support the participation of children 3-4 combines both long term educational benefits and workforce participation benefits.

These investments will be vital. The OECD in its 2016 report Going for Growth has said of Australia: “Improving all levels of education will be crucial to boosting the long-term productive and innovative capacity of the economy. Reform should be geared towards increasing the supply and quality of early childhood education” (OECD 2016)

Conclusion

Early childhood experts including children’s advocates, parent bodies and providers agree that all children should be eligible for at least two days of subsidised early learning. Note this is subsidised access not free access; parents pay a co-contribution fee according to the means test on the subsidy (as they do currently). The activity test would then apply to additional days and hours above the 2 day base entitlement.

There are also significant concerns amongst experts that the activity test as proposed may result in confusion and complexity, with families likely to withdraw children from services if they lose access to subsidised hours – either because or irregular, insecure or variable work or because they reach the income cap on the first tier - effectively falling from 12 hours to no hours if they cannot maintain consistent levels of activity.

Early Childhood Australia also believes services may struggle to maintain viable offerings for families of the government’s subsidy isn't designed well and for enough hours. There are clear economic benefits from child care subsidy: it is an investment in innovation, not a welfare cost. Now is the time to get the investment right.

Accordingly, we are recommending that the package:

1) Provide all children with subsidised access to at least 2 days of approved early learning on a means tested basis.

2) Safeguard access for low income families and vulnerable/disadvantaged children, who the evidence says will benefit most from access to early learning.

3) Include additional flexibility in the activity test to maintain continuity of care for children and ensure parents who have an unexpected change in their employment conditions have time to adjust their circumstances and don’t incur sudden reductions in their entitlements or significant increases in their out-of-pocket costs (e.g. a six week transition period).
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