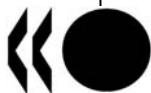


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Organisation de Coopération et de Développement Économiques  
Organisation for Economic Co-operation and Development

**15-Jun-2010**

**English - Or. English**

**DIRECTORATE FOR EDUCATION  
EDUCATION POLICY COMMITTEE**

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**Network on Early Childhood Education and Care**

**RESPONSES ON FINANCING ECEC SERVICES: AUSTRALIA**

**21-22 June 2010  
Conference Centre Room CC4  
OECD, Paris**

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## Collated Responses to the Questionnaire for the 7<sup>th</sup> Meeting of the network on early childhood education and care Financing ECEC Services

### **Part I: Data on ECEC costs and financing and data-related issues**

#### **1.1 General information: types of ECEC services**

**1.1.1.** This question aims to update the information on childcare and early education services<sup>3</sup> presented for your country. Please review Annex A. If updates need to be made, please provide the necessary information below. If existing information is still accurate, simply indicate “No Change”; you do not need to duplicate. **No Change.**

**1.1.2.** This question aims to complement Question 1.1.1 and elicit a fuller picture. Which type of ECEC provision is mostly in use or in operation in your country?

Please indicate in the table below the proportion of:

- Children registered for each type of ECEC provision as a percentage of the total number of children of the age group; and
- Care services, centres or pre-schools for each type of ECEC provision as a percentage of the total number of such services

| Type of provision                             | Early Childcare          |                                     | Pre-primary education    |                                     | Integrated system        |                                     |
|---|--------------------------|-------------------------------------|--------------------------|-------------------------------------|--------------------------|-------------------------------------|
|   | % of registered children | % of services, centres, pre-schools | % of registered children | % of services, centres, pre-schools | % of registered children | % of services, centres, pre-schools |
| Public provision                              | m                        | 3                                   | m                        | 46                                  |                          |                                     |
| Private not for profit provision              | m                        | 22                                  | m                        | 48                                  |                          |                                     |
| Private for profit provision                  | m                        | 75                                  | m                        | 6                                   |                          |                                     |
| Other type of provision:<br>(please indicate) | m                        |                                     | m                        |                                     |                          |                                     |

**Source: Report on Government Services 2010**

**Known data limitations:** The percentage of child care and pre-primary education that is listed as private not for profit is the percentage of community based services in Australia. While it is understood the vast majority of community based services in Australia are not for profit, some are for profit. The available data does not disaggregate community based child care or pre-primary education services on whether they are not for profit or for profit.

Early child care data disaggregated by sector is not currently available at the child level.

The Productivity Commission’s 2010 *Report on Government Services* shows that nationally, for children aged zero to five, the proportion of long day care services that were managed by private for-profit providers increased from 71% in 2004-05 to 75% in 2008-09. During the same period the proportion of the sector that was government managed remained stable at approximately 3% (predominantly local government), while the proportion of community managed services fell from 26% to 22%.

Around 650 centres of a large private long day service are in the process of being sold to a not-for-profit consortium and as a result of this sale, which is expected to be finalised in 2010, the community managed or not-for-profit sector of the market is expected to increase from 22% to 34%. Broadly speaking, the majority of preschool provision in Australia is public or private not-for-profit provision.

The predominant mode of preschool provision varies significantly by jurisdiction:

| Jurisdiction | Mode of provision   |
|--------------|---|
| NSW          | In NSW, preschool provision is predominately community-based preschools owned and operated by private not-for-profit organisations. There are some government preschools and preschool programs are provided in some Long Day Care centres (private for-profit and not-for-profit). |

|                      |   |
|----------------------|---|
| VIC                  | In Victoria preschool is predominantly provided by community based (private not-for-profit) services. Local Government Councils own most of the capital infrastructure preschool is provided in.  |
| QLD                  | Currently preschool provision is mainly through government funded community based preschools (private not-for-profit). Only 30 per cent of children in Queensland attend preschool. In Indigenous communities there is government provision of preschool. There is also some preschool provision through Long Day Care centres (private for-profit and not-for-profit) which will increase over time. |
| SA, WA, TAS, NT, ACT | Overwhelmingly these jurisdictions have government provision of preschool.  |

Of the 4,254 licensed and/or registered preschools in 2008-09, 2,023 (48%) were private not-for-profit managed preschools, while 254 (6%) were private for-profit preschools. The remainder were government managed 1977 (46%) (*Report on Government Services*, Productivity Commission, Canberra 2010). The total number of licensed and/or registered preschools in 2008-09 does not include preschool programs provided through Long Day Care centres. In May 2006 around one-fifth of three and four year olds in Long Day Care centres participated in a preschool program (Source: 2006 Census of Child Care Services) and 1,479 Long Day Care centres (34%) offered an in-house preschool program conducted by a university qualified early childhood teacher.

## 1.2 Public spending on ECEC services

### 1.2.1. Public spending on public and private ECEC services

This question aims to clarify whether public expenditure on ECEC services is spent only on public ECEC provision or on a mixture of public and private provision, which is not currently well understood. Annex B provides the public expenditure data on childcare and early education currently available in the OECD Family Database (those figures are currently being updated through other OECD official channels). The public expenditure does not include cash allowances or tax expenditure such as tax credits, parental leave, etc.; here, you should include only public expenditure spent on ECEC services. Please indicate in the table below the split in public expenditure between public and private ECEC services in your country, indicating the year the data is from.

|                                   | Early childcare |                  | Pre-primary education |                  | Integrated system |                  |
|-----------------------------------|-----------------|------------------|-----------------------|------------------|-------------------|------------------|
|                                   | Public services | Private services | Public services       | Private services | Public services   | Private services |
| Public expenditure (as % of GDP ) | m               | m                | m                     | m                |                   |                  |

Source:

Known data limitations: **Data on early child care funding is not currently available by public and private provider as Commonwealth child care assistance is provided to families who may use a mix of approved private, public and not for profit services. The Australian Government is the major funder of early child care through its provision of assistance to parents via Child Care Benefit (CCB) and Child Care Rebate (CCR), of which funding for each totalled \$2.1b and \$1.2b respectively in 2008-09. Support for services was provided directly via the Child Care Services Support Program with funding of \$376.5m in 2008-09. National data also does not allow for reliable reporting by public/private split for pre-primary education.**

### 1.2.2. Public spending on ECEC services at different levels of government

This question aims to clarify funding arrangements between national and sub-national governments. While Annex B provides overall public expenditure data on ECEC services, we do not currently have figures for

what is spent by national governments versus what is spent at sub-national levels (e.g. regional and/or local).

Please provide the most recent data for public spending for national and sub-national levels of government. Please note that “fiscal transfers” between levels of government should be netted out in order to avoid double-counting. Please also note that the question focuses on direct public spending on ECEC services, excluding cash benefits or tax credits.

|                            | Early childcare (2008-09)        |            | Pre-primary education (2007)     |             | Integrated system             |          |
|----------------------------|----------------------------------|------------|----------------------------------|-------------|-------------------------------|----------|
|                            | Total amount (local currency)    | % of GDP   | Total amount (local currency)    | % of GDP    | Total amount (local currency) | % of GDP |
| National/Federal           | <b>\$3.7 billion<sup>1</sup></b> | <b>0.3</b> | <b>0</b>                         | <b>0</b>    |                               |          |
| State/Provincial/ Regional | <b>m</b>                         | <b>m</b>   | <b>\$398 million<sup>2</sup></b> | <b>0.04</b> |                               |          |
| Local/Municipal            | <b>m</b>                         | <b>m</b>   | <b>m</b>                         | <b>m</b>    |                               |          |

Source(s) <sup>1</sup> DEEWR administrative data – 2008-09

<sup>2</sup> Australian Bureau of Statistics, Government Finance Statistics, 2007 data

Data on early child care and pre-primary education comes from separate data sources and, consequently, from separate years.

To maintain consistency with OECD financial reporting standards (ISCED 0 (pre-primary education)) and with data previously provided to the OECD for inclusion in Education at a Glance, data on pre-primary expenditure has been sourced from the ABS, Government Finance Statistics publication. The latest Australian data that has been processed according to international reporting requirements is from 2007. Due to limitations in national data collection, Australian data reported in the international context does not include pre-school programmes delivered in long day care centres.

Data on early child care expenditure, where the Australian Government is the major funder through its provision of assistance to parents via Child Care Benefit (CCB) and Child Care Rebate (CCR), has been sourced from DEEWR administrative data. The most recent data available is for 2008-09. It should be noted that the data includes assistance provided directly to parents as this is the major form of Australian Government support for child care in Australia. Data includes all expenditure on child care for children aged predominately zero to twelve, including outside school hours care.

As data on pre-primary expenditure is from 2007, it does not reflect more recent advice from state and territory governments as to their expenditure on pre-primary education. Although not consistent with the OECD’s financial reporting standards, the *Report on Government Services* (Productivity Commission, Canberra 2010) indicates state and territory governments contributed \$627 million to preschool services in 2008-09.

It should also be noted that in November 2008, the Australian Government committed an additional \$970 million over five years to 30 June 2013 to work in partnership with the state and territory governments to achieve universal access to early childhood education in the year before formal schooling. Of this major investment, \$955 million will go directly to the states and territories. Federal transfers to the states and territories to achieve universal access to early childhood education are as follows:

| Financial year | 2008-2009    | 2009-2010    | 2010-2011    | 2011-2012     | 2012-2013     |
|----------------|--------------|--------------|--------------|---------------|---------------|
| \$AU           | \$37 million | \$77 million | \$97 million | \$297 million | \$447 million |

Data on the amount of funding spent by local governments on early child care and pre-primary education and for state government on early child care is not available.

### 1.2.3. What is covered by public spending?

This question aims to understand what the public money is specifically spent on. Please indicate the estimated share, as a percentage of total ECEC public spending, for each category in the table below. The total should add up to 100%.

| Service category   | % of total public expenditure on |                       |                   |
|--|----------------------------------|-----------------------|-------------------|
|  | Early childcare                  | Pre-primary education | Integrated system |
| Infrastructure   | m                                | m                     |                   |
| Workforce supply (e.g. salaries, recruitment etc.)                                 | m                                | m                     |                   |
| Workforce development (e.g. in-service training, support services for staff, etc.) | m                                | m                     |                   |
| Curriculum and pedagogical materials   | m                                | m                     |                   |
| Ancillary services (transport, meals, etc.)  | m                                | m                     |                   |
| Research on ECEC   | m                                | m                     |                   |
| Others, please specify   | m                                | m                     |                   |
| Total  | 100%                             | 100%                  | 100%              |

Source(s):

Known data limitations: **Expenditure at this level of detail is not available for early child care or pre-primary education.**

Note: **Most support for child care is provided through assistance to families rather than direct support to services. For details of funding that is provided to services directly see answer to question 3.3.2.**

### 1.3 Private spending on ECEC services

This question aims to give a comprehensive picture of private spending relative to public spending, covering both childcare services and early education, which has long been wished for by many countries. The UOE (UNESCO-UIS/OECD/EUROSTAT) has attempted to answer this question with regard to early education and is in the process of updating the data (See Annex C).

In order to complement what is already known from the UOE data, please provide in the table below figures on private spending for early childcare (please indicate the year the data is from).

If your country has an integrated system, please provide the figures, which have not been asked by the UOE data collection process.

|                              |                                       | Total spent, in local currency |                              |                   |
|------------------------------|---------------------------------------|--------------------------------|------------------------------|-------------------|
|                              |                                       | Early childcare                | Pre-primary education        | Integrated system |
| Private sources              | Household expenditure                 | \$1.1 billion <sup>1</sup>     | \$581.0 million <sup>2</sup> |                   |
|                              | Expenditure of other private entities | m                              | \$4.2 million <sup>3</sup>   |                   |
|                              | All private sources                   | m                              | \$585.2 million              |                   |
| Private: of which subsidised |                                       | m                              | \$55.0 million <sup>4</sup>  |                   |
| Others, please specify       |                                       | m                              | m                            |                   |

Sources: <sup>1</sup> DEEWR administrative data, 2008-09.

<sup>2</sup> Australian Bureau of Statistics (ABS), Household Expenditure Survey 2003-04, inflated to 2007 prices using the consumer price index.

<sup>3</sup> Department of Education, Employment and Workplace Relations school finance data (private institutions), unpublished data.

<sup>4</sup> ABS Government Finance Statistics, unpublished data.

Known data limitations: **Early childhood:** The \$1.1B value reported for household expenditure in early child care is an estimate of the out of pocket costs calculated as (Total fees charged – CCB fee reduction)/2 for Long day care, Family day care and In-home-care. This therefore takes into account the effects of CCB and CCR on family contributions to the cost of child care.

There is currently no method to estimate the expenditure of other private entities for early child care as contributions to costs of care. For example contributions that may be paid by employers as part of salary packaging, or paid directly to services from community welfare organisations; state/territory or local governments are not collected.

These early child care estimates do not include registered care costs, (which refers to child care provided by grandparents or other relatives, friends or nannies), as there is no data available on fees charged by registered care providers.

**Pre-Primary education:** Subsidies include only payments related to pre-primary education delivered in pre-primary institutions; expenditure of other private entities only includes expenditure of private pre-primary institutions.

#### **1.4 Issues on data collection**

Some network members have expressed their concern that data on ECEC in general are collected based on availability rather than policy needs.

**1.4.1 What are the most critical gaps in national data and international comparisons? [Max 200 words]**

**The key gaps in existing data on early child care and pre-primary education that make national and international comparisons difficult include:**

- Fees and costs of care
- Workforce
- Supply and demand
- Definition and measurement of a quality service
- Dissemination of common data
- Government investment – direct & through subsidies.
- Delivery of pre-primary programs in Long Day Care centres
- Child Care vacancies
- Disadvantaged groups.

**In terms of pre-primary education expenditure, the most critical data gaps are:**

- No central data source
- Public expenditure data can be sourced from either the Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) or the Report on Government Services (ROGS):
  - Both sources have very limited capacity to report expenses by category
  - GFS underreports expenditure as it is based on an 'institutional' rather than an 'activity' basis (i.e. excludes Long Day care Centres because the preschool program is an 'activity')
  - ROGS does not reconcile transfers between different levels of government and does not report separately on expenditure on institutions
- Private expenditure is largely sourced from the ABS Household Expenditure Survey
  - The survey is only run every seven years
  - Detailed information on ECEC (e.g. by category) is unavailable

**1.4.2 Bearing in mind the possible quality limitations of comparative data, what internationally comparable data on financing ECEC would be most relevant for policy making in your country? [Maximum 200 words]**

**At a macro level, the level and type of investment by governments, non government entities and families; and how this investment has changed over the last 10 years. In addition, information about the levels and sources of private sector investment, and whether this is changing. Any forecast future investment would be valuable to ascertain intentions.**

**At a service level, the cost per child of services across different delivery settings, any variations over time to ascertain benchmark measures and to consider the relative efficiencies across different service types.**

**At a family level, the total expenditure on early childhood education and care and per child expenses across care, education and school settings. Included in this the data on affordability within their country context.**

**1.4.3** *Where quantitative data is not available, what kind of qualitative information – at a national and international level – on financing ECEC would be most useful for policy making in your country? [Maximum 200 words]*

**There are three core areas of interest: policy directions; family insights; and services infrastructure. In regards to policy, insights on what are the likely future directions and investments related to financing services and supporting families. In particular how this relates to vulnerable children and families.**

**In regards to families and carers, Australia would be interested in: 1) family perceptions of and attitudes to quality and cost for ECEC services; 2) preferences of families about the nature of financial support; and 3) the changing nature of expenditure of families (what do they spend on now, that they didn't in the past, and what do they see as important into the future).**

**In regards to services, what underpins investment and service cost decisions ie when will they invest to enhance services; and the sources and levels of investment gained outside their service.**

**1.4.4** *What are the biggest challenges in collecting data on financial aspects of ECEC services in your country (e.g. low policy priority, jurisdictional, lack of resources and capacity, fragmentation of ECEC services, lack of agreed common definitions of ECEC services within a country, etc.)?*

**The key challenge for collecting data on financial aspects of early childhood education and care services in Australia is the fragmentation of early childhood education and care services. For instance, states and territories have different models of delivery in terms of public and private or a mix and it is becoming progressively more difficult to report on the distinction between early child care and pre-primary education in the Australian policy context, as the universal access to preschool goal states that preschool programs need to be delivered in a diversity of settings to support the needs of parents, which can include early child care.**

**The universal access to preschool goal is currently being implemented under the National Partnership Agreement on Early Childhood Education (NP ECE). To ascertain whether universal access is being achieved, performance information required under the NP ECE needs to cover all services regardless of whether government funding is provided to the service. This is a difficult requirement and to help improve performance information for the NP ECE, a National Information Agreement on Early Childhood Education and Care (NIA ECEC) has been developed and signed by all states and territories, the Commonwealth and relevant national data agencies. While the focus of data improvement will be on children accessing preschool initially, the work plan attached to the NIA ECEC aims to improve reporting on expenditure in the future.**

**1.4.5** *If you have taken some actions to improve data on financial aspects or ECEC in general, please describe your country experience. [Maximum 200 words]*

**There is currently a range of initiatives and activities being undertaken in Australia to address data gaps and improve both the range and quality of early childhood education and care data and information.**

**The roll-out of the Child Care Management System (CCMS) has recently been completed. CCMS manages the payment of Child Care Benefit (CCB) fee reductions to service providers. It also provides information on child care supply and usage to government to help inform child care policy decisions. Services provide information to the Australian Government via the internet to allow calculation and payment of CCB fee reductions. The CCMS assists parents to manage their CCB entitlements by providing them with access to an online statement from the online services section of the Centrelink website ([www.centrelink.gov.au](http://www.centrelink.gov.au)).**

**A substantial investment in data warehousing is leading to greater capacity to identify and report on financial aspects relating to direct cash transfers to early child care services and the ability to model future investments. The data warehouse also provides information concerning indirect transfers made to services on behalf of parents (in lieu of fee reductions).**

**The 'Information for Families' initiative is making available substantial information on fees, vacancies and the location of child care to families, service providers, industry bodies and policy makers. This**

work has been supported by activities ranging from the introduction of standard vacancy definitions through undertaking survey's of parent's child care choices to actively working with services to provide information on their fees.

The National Information Agreement on Early Childhood Education and Care (NIA ECEC) is being implemented to allow standardised data to be collected across the state and territory and federal levels of government on preschool enrolments and attendances, and will lead to greater capacity to report on the cost of preschool provision.

Data from an early childhood workforce census which will be collected in 2010 will add additional capacity to existing data sources in terms of staffing levels, qualifications of carers, participation of special needs groups across early childhood education and child care.

## ***Part II. Why invest in ECEC? Research on benefits of ECEC***

This section aims to gather updated information on existing research from network member countries relating to ECEC participation and children's outcomes.

Please provide details of research NOT already included in Starting Strong II, which you do not need to duplicate. List relevant references and attach corresponding documents if available. If articles/reports are not in English or French, please provide abstracts in English or French.

2.1 What research has been carried out in your own country on:

- Net benefits to children, parents and society of public and private investment in ECEC
- Net benefits or evaluations of specific ECEC programmes or initiatives

**The Regulation Impact Statement for Early Childhood Education and Care Quality Reforms, found at [http://www.coag.gov.au/coag\\_meeting\\_outcomes/2009-12-07/index.cfm](http://www.coag.gov.au/coag_meeting_outcomes/2009-12-07/index.cfm) contains new Australian cost-benefit analyses of streamlining ECEC regulation, increasing staff to child ratios and improving staff qualifications.**

2.2 What research has been carried out in your country on the relative benefits of public ECEC investment to increase accessibility (i.e. children's enrolment) versus increasing quality of services (e.g. raising staff qualifications, improving staff/ child ratio, etc.)?

**There has been little research or evaluation undertaken that examines these questions in Australia to date. However, it is anticipated that a range of current initiatives and their associated research and evaluation activities - for example the Longitudinal Study of Australian Children (LSAC), the Home Interaction Program for Parents and Youngsters (HIPPY), the Australian Early Development Index (AEDI), the National Partnership on Early Childhood Education (NP ECE) and the National Quality Agenda – will provide insights to these questions in the medium to long term.**

## ***Part III. Financing mechanisms and funding strategies***

This section aims to elicit:

1. information on overall policy contexts and trade-offs between different policy alternatives;
2. where resources on ECEC come from;
3. how the resources are managed; and
4. other policy issues.

### ***3.1 Overall policy contexts***

#### ***3.1.1 Policy objectives***

Starting Strong II identified 5 main policy objectives for public investment in ECEC:

1. Responding to the rise of the service economy and the influx of women into salaried employment
2. Reconciling work and family responsibilities in a manner more equitable for women;
3. Managing demographic challenges: falling fertility and continuing immigration;
4. Acting against child poverty and educational disadvantage;
5. Early childhood education and care as a public good.



Please indicate which of the above can explain the current policy objectives, underpinning your country's public investment in ECEC. If there has been a shift of policy focus in recent years, please describe how policy thinking has evolved. [Maximum 400 words]

**Most of the above policy objectives play some part in the current rationale for public investment in ECEC in Australia. In broad terms, the Australian Government's objectives in early childhood education and care are twofold:**

- to support early development for all children to lay the foundations for learning, health and wellbeing across the life course; and
- to support the workforce participation choices of families.

**When the Commonwealth Government first became financially involved with child care in the early 1970's, the primary policy rationale was to support workforce participation, particularly by women. Until recently, policy development has largely focussed on designing payments that support this objective, especially to ensure that care remains affordable.**

**Support for workforce participation by parents continues to be of central importance, as the effective development and retention of human capital are critical to Australia's future success and prosperity. At the same time, there is increasing recognition of the importance of quality early childhood education and care in laying the foundations for development, health and wellbeing across the life course. It is important that the services are age appropriate and meet the individual needs of children. There is also a recognition that children from disadvantaged backgrounds may have particular benefits from early participation in quality education and care experiences.**

**There has also been a growing recognition that the type of appropriate care should reflect the age of the child. For children up to and including three years, the priority for child care is high quality provision for those who choose to use it, noting that government is also supporting parental care for children under one year through the introduction of paid parental leave complimenting provisions for unpaid leave and other forms of family assistance. There is a general consensus that all children in the year before school should be encouraged to access a level of high quality early learning. The Government's commitment to Universal Access to Early Childhood Education establishes the benchmark of 15 hours a week of early childhood education for 40 weeks a year in the year before formal schooling.**

### ***3.1.2 Political debate – balance between parental leave benefits and childcare services***

Countries often look to find a balance between encouraging parents with young children to stay home to care for their children and encouraging parents, especially mothers, to maintain an attachment to the labour market by providing ECEC services. Policy instruments – which can be used in combination – include:

- Paying parents through “parental leave”, “child-rearing leave” with low flat-rate payment, etc.
- Giving universal child/ family allowances;
- Giving targeted child/ family allowances by income level,
- Giving targeted child/ family allowances by work status, etc.

Regarding public investment in childcare services *versus* parental leave benefits, what are the current challenges and trade offs in your country? Are these underpinned by specific policy objectives? [Maximum 200 words]

**Australian families are increasingly balancing work and family responsibilities, with the workforce participation rate of secondary earners rising steadily over the past few decades.**

**Australia is introducing a government funded Paid Parental Leave (PPL) Scheme which is intended to provide greater financial support to families, encourage greater workforce participation by parents and enhance maternal and child health and development. The Scheme will provide 18 weeks of payment at the National Minimum Wage level to eligible working parents who are the primary carers of children born or adopted on or after 1 January 2011.**

The introduction of the PPL scheme is expected to increase the average length of leave taken by employed women after childbirth by around 10 weeks, and coupled with other leave arrangements, and will allow most infants to be exclusively cared for by a parent for the first six months of life without undue financial stress. This is expected to improve child development outcomes, enhance support for breastfeeding with its health benefits for mothers and infants, and provide a reasonable period of leave for maternal recovery from childbirth, while encouraging primary carers to maintain their attachment to the workforce.<sup>1</sup>

Families which do not meet the workforce participation test for paid parental leave may receive the Baby Bonus, currently worth \$5,185.

Eligible parents also benefit from the unpaid parental leave provisions in the Fair Work Act 2009. The Fair Work Act 2009 also provide eligible employees with responsibility for the care of a child under school age or a child with a disability under the age of 18 years to request flexible working arrangements, such as part-time work or flexible working hours.

Beyond this period, the Government's policy is to facilitate choice among families in terms of their workforce participation and types of child care. For lower income families, with both parents choosing to participate in the workforce, Child Care Benefit assistance is offered to offset the financial cost of care – with families able to take advantage of the benefits of quality child care for their children for up to 24 hours per week before a work, training or study test is applied for eligibility for assistance over 24 hours per week. Middle to higher income families may also be eligible for Child Care Benefit dependent on household income. Parents are also eligible to receive the Child Care Rebate regardless of income – if they are participating in work, training and study - which is calculated at 50% of total out of pocket costs of care. This was increased from 30% to 50% from 1 July 2008 with an annual cap of \$7500 per child.

Regardless of workforce participation choices, families may also be eligible for family assistance through Family Tax Benefit Part A subject to a household income test. Families who choose to have a parent care at home for their own children may also be eligible for Family Tax Benefit Part B subject to separate income tests on the primary and secondary earners' income.

The role of child care in early childhood development remains a contested area of research and public policy debate. Noting caveats around length of time in care, the broad conclusions are that quality of care makes a difference to outcomes, and it is particularly important in supporting the development of children from families experiencing, or at risk of experiencing social exclusion.

The trade-offs and challenges in relation to family assistance in the Australian context have been recently canvassed in a report on Australia's future tax system. The link to this review is included below: [http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs\\_reports.htm](http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs_reports.htm)

## **3.2 Main sources of financing ECEC – where do resources come from?**

### **3.2.1 Various sources**

This question aims to give a fuller picture of the main sources of financing ECEC services in your country to complement your responses in questions under 1.1.2 and 1.3. Six major sources of financial resources have been identified in past research:

1. governments (See question 3.2.2);
2. parents;
3. for-profit providers;
4. ECEC as business communities;
5. Social organisations; and
6. International organisations.

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<sup>1</sup> Australian Government (2009). Australia's Paid Parental Leave Scheme: Supporting working Australian families. Commonwealth of Australia: Canberra. (p. 12).

Please indicate which of the above is applicable in your country and describe challenges and advantages associated with the current financing mechanism. Feel free to answer separately for the childcare and early education sectors if more appropriate in countries with the “split systems”. [Maximum 200 words]

**The Australian Government is the main source of financial support for early child care via:**

- **Child Care Benefit that assists parents with the cost of approved and registered child care. The payment of Child Care Benefit (CCB) varies depending on family income, the number of children in care, the hours of care, and the type of child care used. Funding for 2008-09 totalled \$2.1b.**
- **Child Care Rebate, an additional non-means tested payment to help families with their out-of-pocket costs after CCB has been received. This assistance helps eligible working parents with the cost of child care, if they are using approved child care for work-related reasons. Out-of-pocket expenses are child care fees for approved care not already covered by CCB. Funding for 2008-09 totalled \$1.2b.**
- **the Child Care Services Support Program which supports and promotes access to quality child care for children, families and communities through strategies that complement the significant assistance provided to families through the Child Care Benefit and Child Care Rebate. Funding for 2008-09 totalled \$376.5m**

Parents also play a role in meeting the costs associated with childcare. For most families with one child in Long Day Care full time, the out of pocket child care costs are estimated in 2009 to be approximately 7% of disposable income<sup>2</sup>. According to the *ABS Childhood Education and Care Survey*, conducted in 2008, for 75 per cent of all children who usually attend child care, the cost of care after the Child Care benefit and the 30 per cent Child Care Rebate was less than \$40 per week.

The main source of funding for early childhood education services in Australia are the state and territory governments. In 2007, state and territory governments contributed \$398 million to preschool services. Parents make various contributions depending on the state or territory they live in ranging from almost free in some states, up to around half the cost in some settings in New South Wales. Under the National Partnership Agreement on Early Childhood Education, which aims to achieve universal access to early childhood education for children in the year prior to formal schooling by 2013, the Australian Government is increasing transfers significantly to state and territory governments to \$450 million per year from 2012-2013. No significant funding is provided by sources 3-6 above.

### 3.2.2 Sources from governments

This question aims to identify what kind of public revenue sources are allocated to ECEC services at different levels of governments. Please complete the table below, indicating “x” in the columns applicable in your country.

| Types of public finance   | Federal/national | State/province/region | Local/municipal |
|---|------------------|-----------------------|-----------------|
| General tax revenues  |                  |                       |                 |
| Ear-marked tax revenues for ECEC sector   |                  |                       |                 |
| Earmarked tax revenues for specific ECEC programmes, type of services or categories of expenditure                              |                  |                       |                 |
| Transfers from other levels of government as part of general block grants   |                  |                       |                 |
| Transfers from other levels of government as block grants to ECEC sector  |                  |                       |                 |
| Transfers from other levels of government earmarked for specific ECEC programmes, type of services or categories of expenditure |                  |                       |                 |

Source(s):

Known data limitations: **At the Australian Government level funding for early childhood education and care services comes from general tax revenue. The Australian Government provides funding to states and territories for early childhood education and care services under three National Partnerships**

<sup>2</sup>Australian Government (2010) *State of Child Care in Australia*. Commonwealth of Australia, Canberra

(National Partnership on Early Childhood Education, National Partnership on Indigenous Early Childhood Development and the National Quality Agenda for early childhood education and care and outside school hours care.)

### 3.3 Funding strategy – how to manage financial resources for ECEC

#### 3.3.1 Strategies to increase public spending on ECEC

Has there been an increase in public spending on ECEC services since 2005?<sup>17</sup> If yes, how much increase? What were the driving forces in making a case for increased spending on ECEC? Feel free to answer separately for the childcare and early education sectors if more appropriate in countries with the “split systems” [Maximum 400 words].

Please share your country experience such as:

- where the increased resources came from;
- strategies or research evidence that helped the argument for the increase;
- challenges associated with the increase and policy lessons you have learnt in tackling them;
- key political debates among politicians, general public, and the media of the time;
- how the increased budget was spent (e.g. to build more childcare places, increase the number of staff, increase staff salaries, increase participation of low-income families, etc.); etc.

**In recognition of the widespread international research of the merits of investing in early childhood services, on children’s outcomes throughout life, and the desire to increase the productivity and prosperity of Australia, the federal and state and territory governments have committed to making early childhood an area for national reform.**

**All governments have endorsed an early childhood reform agenda that includes action to:**

- **provide universal access to early childhood education for children in the year prior to primary school**
- **create a national approach to quality and regulation of early childhood education and child care**
- **increase developmental and educational outcomes of Indigenous children**
- **address early childhood workforce issues**
- **establish a national Early Years Learning Framework**
- **improve data and performance information in early childhood**
- **develop a national early childhood development strategy.**

**Australian Government funding for early childhood education and care has increased from \$1.8b in 2005-06 to \$3.7b in 2008-09. This increase was largely related to a significant increase in child care fee relief to parents over this period.**

#### 3.3.2 Distribution of public resources to the providers (supply-side subsidies)

Past research categorises supply-side subsidies broadly into two types:

- government-run and subsidised non-profit private ECEC services; and
- subsidies to for-profit private providers

Please fill in the table below with relevant information. Examples are provided in Annex E.18 Where information is missing, please enter “m”. If your country has the “split system” for childcare and early education sectors, please prepare separate tables; one table for childcare and another for early education.

|  | Government-run and subsidised non-profit private ECEC services | Subsidies to for-profit private providers <sup>19</sup> | Others (Specify) |
|--|--|---|------------------|
| Name/ type of scheme   | m  | m   | m                |
| Duration of programme - hours per day, days per week, hours per year | m  | m   | m                |
| Purpose of subsidies   | m  | m   | m                |
| Universal or targeted  | m  | m   | m                |
| Parents’ share (e.g. %, free, set ceiling, etc.)                     | m  | m   | m                |
| Annual costs of programme per child/family (in local currency, year) | m  | m   | m                |

Source(s):

Known data limitations: **The majority of the assistance the Australian Government provides for early childhood education and care is payments to families to assist with the cost of child care through means tested Child Care Benefit (CCB) and non-means tested Child Care Rebate. Long Day Care and Family Day Care services approved for CCB are generally required to operate a minimum of 50 hours per week for 48 weeks per year. The Child Care Services Support Program funding of \$376.5m for 2008-09 supports and promotes access to quality child care for children, families and communities through strategies that complement the significant assistance provided to families through the Child Care Benefit and Child Care Rebate.**

**The Child Care Services Support Program comprises a number of components that provide assistance directly to child care service providers, including the Community Support Program and the Inclusion and Professional Support Program.**

**The Community Support Program includes a range of payments designed to deliver improved access to child care through support for establishment of new services and maintenance of services especially in areas where the market would otherwise fail to provide child care services. It consists of the following elements:**

***The Establishment Sub-program***

- **Set-Up Assistance Grant: This is a one time only payment that is designed to help organisations establish new Outside School Hours Care, In Home Care and Family Day Care services. It is also available for Long Day Care services only in exceptional circumstances.**

***The Sustainability Sub-Program***

- **Sustainability Assistance: This funding is intended to assist Child Care Benefit approved Long Day Care and Outside School Hours Care services especially in regional and remote locations and areas of need as determined by the Department. It aims to help communities retain access to child care where the operation of a child care service is not likely to be financially viable without this assistance.**
- **Operational Support: This funding is provided to Child Care Benefit approved Family Day Care, In Home Care and Occasional Care services as a contribution to assist them to deliver flexible services. These payments are calculated on a rate-per-place and increases as remoteness increases. This is in recognition of the higher costs of service delivery in regional and remote areas.**

***Non-mainstream Sub-program***

- **Budget Based Funding and Non-formula Funding: Non-mainstream Services provide access to child care in regional, remote and/or Indigenous communities where mainstream child care services are not available or not appropriate. Services receive block grant funding under this sub-program, and are generally not able to administer CCB on behalf of families.**

**The Inclusion and Professional Support Program (IPSP) supports child care services to be inclusive of all children. The IPSP comprises the following elements:**

- **Inclusion Support Program funds the Inclusion Support Agencies and National Inclusion Support Subsidy Provider to support child care services to improve access and inclusion for children with additional needs.**
- **Professional Support Program which funds the Professional Support Coordinators and Indigenous Professional Support Units to provide professional development, advice or resources to assist child care services to provide quality child care.**

**Most of the government funding for preschool in Australia is made by state and territory governments to either government-run services or subsidise non-profit preschool services. The type and scope of state and territory government funding for preschool varies in each jurisdiction. Data on costs to parents is included in answer to question 3.2. There are no ceilings on the fees services may charge.**

### **3.4 Other policy issues**

Market mechanisms to widen access to, and ensure quality of, ECEC services

#### **3.4.1 How are ECEC services regulated by public authorities?**

Please detail minimum quality standards. How are these statutory quality standards set? Who polices them and how? How is the quality (e.g. curriculum, staff qualifications, staff-child ratio, space, etc.) of individual services communicated to parents? [Maximum 400 words]

**The state and territory governments are responsible for the licensing and regulation for child care within their jurisdictions. State regulations cover a range of factors including space, equipment, staff-child ratios and staff qualifications.**

**Currently, the Government funds the National Child care Accreditation Council (NCAC) to administer its quality assurance systems for Long Day Care, Family Day Care and Outside School Hours Care. Each service has specific quality areas and underlying principles by which quality care is defined. These quality areas form the framework for measuring quality practices within services. Parents and families can obtain information and resources from the NCAC website [www.ncac.gov.au](http://www.ncac.gov.au) and the government website [www.mychild.gov.au](http://www.mychild.gov.au).**

**In December 2009 COAG agreed to a new National Quality Agenda (NQA) for early childhood education and care and outside school hours care. The Australian Government, in partnership with all state and territory governments, is making important changes to early childhood education and care in Australia through the introduction of a National Quality Framework and a new National Quality Standard and rating system for services.**

**This new national approach will replace the current licensing and accreditation processes undertaken by states and territories and the commonwealth. Under the new national framework, individual services will only deal with one organisation for quality assessment, reducing the regulatory burden on a service. Implementation of the Framework has now commenced.**

**A new ratings system will be introduced with each service being rated on the quality of the service they provide. Each service will be assessed on their performance across seven areas that make up the new quality standard and given one overall rating. This overall rating is determined by the rating for each of the seven quality areas.**

**The first changes start in July 2010 during a transition phase where selected services will begin to undergo assessment against the new standard. From 1 January 2012, all services will be assessed against the new National Quality Standard. The new framework will be in place by 1 January 2012, with changes to staff-to-child ratios and qualifications being phased in over a number of years.**

#### **3.4.2 Are the for-profit providers eligible for public funding in your country?**

If yes, besides the financial incentives, what other incentives do you give to stimulate them to provide more and better ECEC services (e.g. regulation or deregulation on the minimum standards)? [Maximum: 200 words]

**Under the Community Support Program, for-profit providers are eligible for the Set-Up Assistance Grant, which is a one time only payment that is designed to help organisations establish new Outside School Hours Care, In Home Care and Family Day Care services. It is also available for Long Day Care services in exceptional circumstances.**

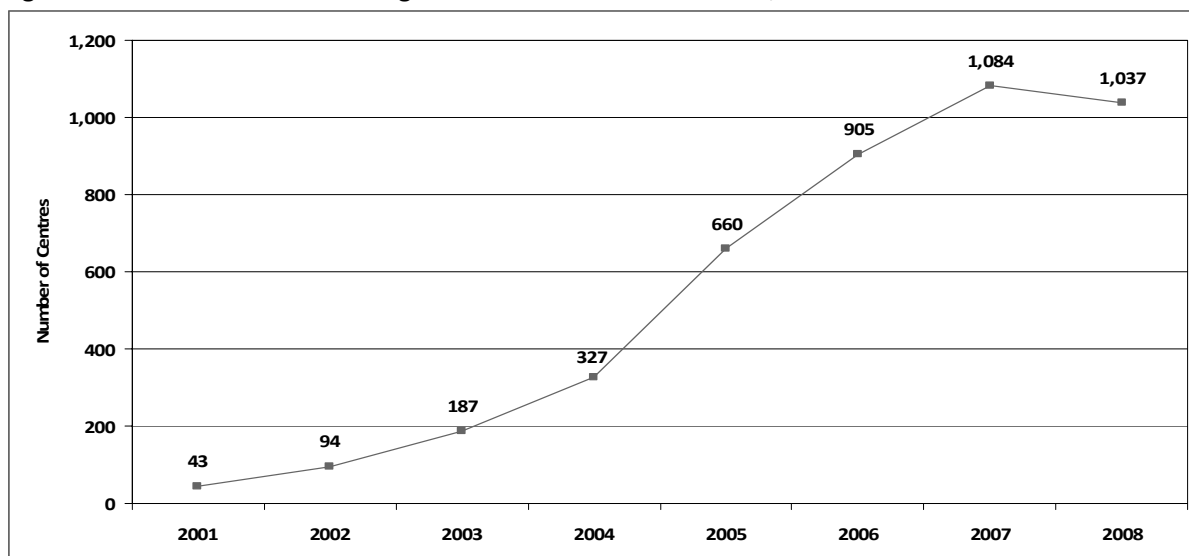
**Both not-for-profit and for profit providers can be assessed and 'CCB approved' so that parents who use that service are eligible to receive Child Care Benefit and Child Care Rebate.**

**3.4.3 If your country has any case studies of a provider failure, inspectorate reports, and/or research on low quality of the private ECEC services, please list references and attach relevant documents, if available.**

**ABC Learning was the first child care operator to be listed on the Australian Stock Exchange in 2001 and it grew rapidly to become by far the largest operator in Australia. Figure 1 demonstrates the growth in**

the number of ABC Learning child care centres in Australia from 2001 to 2008. The company entered into an agreement in July 2007 to sell 45 of its child care centres, which contributed to a reduction in the number of centres in 2008.

Figure 1: Number of ABC Learning child care centres in Australia, 2001 - 2008



Source: ABC Annual Report 2007: ABC Receiver Update 2008.

By 2008, ABC Learning represented around 20 per cent of the long day care market in Australia, providing care to more than 100,000 children and employing around 16,000 staff. At its peak, ABC Learning had about 300 child care centres in both Queensland and Victoria, around 250 centres in New South Wales, and a significant presence in all states and territories.

ABC Learning's rapid growth, not only in Australia but overseas, was sustained by very substantial borrowing. During the course of 2008, speculation intensified about the financial circumstances of ABC Learning. The Directors of the company placed it in the hands of voluntary administrators on 6 November 2008 and receivers were appointed by ABC Learning's banking syndicate on the same day. The insolvency of ABC Learning is the greatest ever shock the Australian child care market has experienced. A large number of ABC Learning centres could have ceased operating. Given the substantial disruption this would have caused, the Commonwealth Government provided support to the receivers to keep the centres operating for a transitional period.

The Government later supported the appointment and operations of a Court Appointed Receiver whose task was to manage the orderly sale of the 262 centres judged by the receiver to be unviable.

Since the ABC Learning receivership commenced, the following outcomes have been achieved:

- 90 per cent of all ABC Learning centres continue to operate today.
- 236 of the 262 centres that were deemed to be unviable were sold or transitioned to new operators, thereby increasing the diversity of the sector.
- A not-for-profit consortium, GoodStart, comprising Mission Australia, the Benevolent Society, the Brotherhood of St Laurence and Social Ventures Australia, has exchanged contracts with the receiver to purchase up to 678 of the remaining ABC Learning centres. Settlement of the purchase is expected to occur in the near future.
- The emergence of GoodStart is expected to increase the community managed or not-for-profit share of long day care provision from 22 per cent to about 34 per cent, thereby materially rebalancing the structure of the child care market. This is being assisted through the provision

of a fully repayable loan of \$15 million from the Commonwealth to GoodStart, subject to final settlement.

- In the minority of locations where ABC Learning centres have closed, alternate care was identified at nearby services for the affected families.

As the ABC Learning insolvency moves towards its conclusion, the following lessons can be learnt:

- In many locations, ABC Learning's growth appears to have created an over-supply in long day care provision. There is considerable scope for occupancy of the remaining centres to grow and where centres closed alternative care was readily available.
- Unfettered growth in the provision of corporate child care created an unacceptable risk of serious disruption in the market.
- The market will benefit from a period of stability after the uncertainties created by the ABC Learning insolvency.

Through the 2010-11 Budget the Government is providing \$1.9 million to support new regulatory measures to help achieve ongoing stability in the child care market in the wake of the ABC collapse. This includes developing measures that require large child care providers entering the market to prove their financial viability. There will also be new powers for the responsible Minister to commission an independent, confidential investigation or audit of particular provider where there are concerns about their financial viability. These new measures will be the subject of consultation with the sector through 2010.

Financial crisis and ECEC

*3.4.4 Please share your country experience with an increase/ decrease on the budget on ECEC services as a result of, or in response to, the economic crisis. Was there a budget cut on ECEC as a result of the crisis; if yes, how much? Has ECEC been included in the stimulus package; if yes, what was the rationale/ policy thinking behind the decision? [Maximum: 400 words]*

There was no decrease in the Australian Government budget for early childhood education and care following the economic crisis.

The Australian Government implemented a \$42 billion Nation Building and Economic Stimulus Plan from March 2009, which aims to provide economic stimulus by supporting employment through local infrastructure projects. The purpose of the Plan was to cushion the effects of the global recession and support the recovery in the Australian economy.

Within the Nation Building - Economic Stimulus Plan, the Government is spending \$16.2 billion on Building the Education Revolution. Building the Education Revolution aims to provide world-class educational facilities, through new infrastructure and refurbishments, to all eligible Australian schools. Some of the Building the Education Revolution funding is supporting early childhood education infrastructure, however, the actual amount is yet to be quantified.