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Baby Steps or Giant Strides?

JUNE 2015

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She co-authored (with Professor Deb Brennan) the journal article 'Social investment or private profit: Diverging Notions of 'Investment' in Early Childhood Education and Care', published in the *International Journal of Early Childhood*. She is also involved in research on the intersection of migration and care policy.

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1 Foreword

In its 2014 review of the child care sector, the Productivity Commission revealed that parents of one in six children were struggling to access child care services in their area, with just over one half of parents indicating that a failure to secure child care was hindering their ability to meet work commitments.

Most policy makers would now accept that an improvement in the availability and affordability of child care services would result in an improvement in Australia's participation rate.

However, it is important that policy makers do not lose sight of the fundamental shift that has occurred in recent years, as countries have moved from viewing childcare as simply child minding to viewing it as an important educational service for young children. In the legitimate rush to expand access to childcare, it is important that we do not unduly undermine the quality of our early childhood education system.

Australia already spends well below the OECD average when it comes to providing early childhood education and funding for kindergartens. We fall even further behind other comparable countries including the United Kingdom, France, New Zealand and Norway. However, this report considers why it is important to focus not just on the quantum of funding provided, but the efficiency and effectiveness of that funding.

It is imperative that action is taken to increase the number of children who are accessing early childhood education. This will be critical to helping boost Australia's participation rate, and just as importantly, to enhancing the future prospects of those future generations and their capacity to contribute to our nation's own prosperity.

There are many different avenues to achieve this, a number of which have been tested in other countries already. This paper considers policy reforms that have already been implemented abroad, and provides a number of key lessons that can be learnt from those policies when designing Australia's own policy framework.

This paper also considers the childcare and family policies currently being considered by the Australian Parliament, and assesses how those policies stack up against the best practice features of other nations.

The Hon John Watkins
CHAIR,
MCKELL INSTITUTE

Sam Crosby
EXECUTIVE DIRECTOR,
MCKELL INSTITUTE

2 Executive Summary

Child and family policies are developing and expanding in dynamic ways around the world, despite the fiscal austerity that enveloped many countries in the wake of the global financial crisis.

Policies that enable parents to balance paid employment and caring responsibilities are increasingly becoming a core issue for policy makers around the world. Unparalleled effort is going into expanding and raising the quality of early childhood education and care (ECEC), extending parental leave and introducing pay and other benefits (such as superannuation and pension credits) for parents and other carers. Many countries are investing in the early childhood workforce, recognising that quality care for children require educators who are appropriately qualified and who have decent jobs and fair pay.

While there are many positive initiatives around the world, some countries have adopted measures with negative consequences for quality or access – or both – especially in the rush to raise maternal labour force participation. There are lessons to be learned from all the countries we have considered in this report.

Child and family policy in Australia is at a crossroads. The Productivity Commission's year long inquiry into childcare and early learning was released to the public in February and the government has now released its response.

A new childcare package was released as part of the 2015 budget, and was framed as being part of a new "holistic families package". Funding for the package is to be secured by abandoning the Abbott government's signature paid parental leave (PPL) scheme, cutting access to the existing government funded PPL scheme, reducing access to Family Tax Benefits and denying ECEC subsidies to children whose parents do not work a certain number of hours per fortnight.

The PPL cuts, designed to remove government support from parents who are already receiving private support from their employers, have yet to pass the parliament. The Federal Government has revealed that any additional funding for childcare will be conditional on the Senate accepting these cuts, in addition to the Coalition's proposed cutbacks in Family Tax Benefits. In this sense, while the package could loosely be described as 'holistic', it would probably be more accurate to describe the childcare measures as funding for one area that is conditional on reductions in funding in other areas. There is no policy rationale for this approach. The investment in Early Childhood Education is worthwhile in its own right, and there is no clear reason why the Abbott Government cannot source its funding from other areas of the budget.

The reforms currently remain in limbo. This hiatus creates an opportunity to consider international developments that go beyond the mechanics of financing. In this report, we consider initiatives that offer either policies Australia might aspire to, or cautionary tales from which we might learn. Policy development is a complex undertaking and is always, at least to some degree, dependent on context. Our aim is to spark ideas and debate about options already used overseas, rather than to provide pre-packaged 'solutions'.

England has experienced a rapid transition in its approach to ECEC, picking up the pace of reform remarkably since the 1990s. A stand-out achievement is the introduction of 15 hours free early childhood education and care for all three and four year old children, and for the most disadvantaged 40 per cent two year olds.

In England, all political parties support these free hours – indeed, eligibility has been extended under both Labour and Conservative administrations. Free hours recognise the importance of children being able to access services regardless of their parents' income or labour force participation.

New Zealand, like England, has introduced 20 hours free early childhood education for all three and four year olds.

Norway provides another interesting example for Australia. Here, service provision has grown rapidly and government has been vigilant to keep fees low for parents while at the same time ensuring quality, especially through measures to strengthen the early childhood workforce.

Canada's French-speaking province Quebec introduced a flat-rate price for childcare in 1997. Initially the price was set at $5 per day but it has since increased to $7 per day. Quebec has experienced spectacular growth in maternal labour force participation – far exceeding growth in labour force participation in other provinces. It has also seen a decline in child poverty and in single parent dependence on income support.

Although there are some very positive features of the Quebec model, it also offers a 'red flag' for Australia, since the rush to expand childcare provision and maximise women's labour force participation appears to have come at the expense of quality.

France has a complex mix of services, leaves and benefits for families. We discuss a number of initiatives that have been taken in the last decade, especially measures to 'individualise' care by offering cash instead of services and by encouraging low-cost nanny care. While offered in the name of expanding choice, these measures have had the opposite effect on many low income families.

In our concluding section we present some 'giant steps' that should productively be debated in the Australian context. They are:

- A strategy for seamless transition from parental leave to a childcare place
- Entitlements that do not exclude children on the basis of their parents' labour force participation, reflecting the trend being pursued internationally
- Capped fees, though not so low that they are unsustainable or unduly risk quality
- Planned provisions to help turn participation targets from ambition to reality
- A preference for early childhood education services, not just cash handouts

The current childcare reforms currently being considered by the Parliament do not reflect the international trends on which these 'giant steps' are based. The cuts to parental leave fail to help create a seamless transition from parental leave to ECEC. The new ECEC funding model is exclusionary rather than inclusionary. There is little proposed to sustainably tackle the issue of affordability for all Australians.

The childcare debate needs to re-set, and this paper hopes to provide some guidance on a better path forward.

	ENTITLEMENT TO ECEC	CAPPED PARENTAL FEES
CANADA (QUEBEC)	No	Yes
UNITED KINGDOM	Yes Free for 15 hours/week for 3- and 4-year olds (and disadvantaged 2-year olds) Nurseries and some childminders	X 15 hours free Entitlement to ECEC No capped fees for additional hours or services for younger children
NEW ZEALAND	Yes 20 hours/week for 3- and 4-year olds, available in mixed settings	No Except for entitlement hours
NORWAY	Yes 1 to 6 year olds, local government responsible for planning	Yes Set between 20-30% of costs of delivery, up to max of approx. AU $400/month; additional subsidies for low-income families.
FRANCE	Yes From 3 years old, full-time in schools	X Yes for crèches (means-tested) No for individualised subsidies (childminders and in-home care)

SUBSIDIES FOR CHILDREN OF NON-WORKFORCE PARTICIPANTS	FUNDING DIRECTED TO SERVICES, NOT PARENTS	SUBSIDIES/CASH ALLOWANCES FOR IN-HOME CHILD CARE
Yes	Yes	X As alternative to subsidies for mainstream services
Yes 3- and 4- year old entitlement; Universal Credit reforms (2016) to extend subsidies for families working less than 16 hours/week	X Funding for entitlement directly to services Funding through tax credits and vouchers (and under new system) directed to parents	Yes Minimal support, income threshold for eligibility to receive tax credits is low
Yes 20 Hours for 3- and 4-year olds (see Entitlement to ECEC) Up to 9 hours/week for younger children	Yes Free ECE (3- and 4-year olds) Childcare Subsidy (additional hours and younger children)	Yes Regulated as part of home-based care services
Yes See Entitlement to ECEC	Yes	Yes Alternative to subsidies for children below 2 years (can use a mix of formal and in-home child care)
X Funding for écoles maternelles and crèches directly to services Subsidies for childminders and other home-based care directed to parents	X Directed to services for e-m and crèches Directed to parents for home-based care	Yes

3 The Coalition's childcare package: Steps in the wrong direction

In addition to examining what lessons Australia can learn by examining international ECEC policies, this report also seeks to examine the childcare reform package currently being considered by the Australian Parliament.

While the scheme will undoubtedly provide an enhanced benefit to some sections of the community, there are several critical flaws within the design which are likely to make the overall package more harmful than beneficial.

The new scheme will likely benefit low and middle income families who have secure and predictable employment, but only if they use childcare services that charge at or below the Government's proposed benchmark fees. Families who attend childcare facilities that charge above this amount are likely to suffer increased costs as a direct result of this package.

In addition, many elements of the scheme hit hard at Indigenous children, children in the poorest families, and children whose parents have casual work, variable hours or insecure jobs.

It also excludes children in families with a household income above $65,000 unless both parents meet a new high-threshold 'activity test', or they fit into a 'safety net' category. This exclusionary policy is likely to remove benefits from a substantial number of families, worsening female participation rates and undermining the overall policy intentions of the package.

Families will face greater uncertainty with their budgets. The scheme introduces a complex, three-tier activity test under which many parents won't know from week to week how much, if any, subsidy they will receive. This test introduces serious risks to families that rely on income from insecure work, further marginalising a section of the workforce that is already undergoing financial hardship.

Disappointingly, the scheme does nothing to address systemic barriers to boosting attendance rates, including the serious shortage of places for infants and toddlers, a workforce racked with staff shortages created in large part by low levels of pay, and a shortage in childcare facilities created by poor planning at a local and regional level.

The scheme also fails to address another key barrier to attendance rates, that is, a lack of flexibility for families that require care outside of traditional hours. The one exception to this is that a small subset of the community will be able to access a nanny pilot program, which will be staffed by untrained caregivers and which will lack the education focus provided in traditional childcare venues.

When considered holistically along with other Government policies, it is particularly concerning that there is no additional subsidy for under 2's, despite the high probability that demand for infant

care will rise if the Federal Government goes ahead with its planned cutbacks on paid parental leave. These cutbacks will reduce entitlements for an expected 48% of recipients, and it is likely that this policy will result in a spike in the number of young infants needing care. There is nothing in the proposed childcare reform package that acknowledges or addresses that probability.

Finally, the reform package effectively undoes about two decades of careful thinking and policy work by excluding the most disadvantaged children, or by forcing their parents to apply for stigmatizing, bureaucratic, and questionable 'safety net' provisions.

Winners

- **Families on household incomes above $185,000 who will see their subsidy cap lifted to $10,000.**
- **Service providers – The Federal Government will pay parental subsidies directly to them and is asking nothing new in return.**
- **Families where both parents have regular hours of employment and who use services that charge the benchmark fee or less.**

Losers

- **Indigenous children and children in poor families – Accessing a 'safety net' is stigmatizing. Low-income parents will be forced to deal with a spider web of bureaucracy, humiliation, form-filling and intrusion.**
- **Parents who work unpredictable hours – Under the new scheme, subsidies will be tied to hours of employment.**
- **Educators – they are invisible in the package, but low pay and high staff turnover are endemic in the sector.**
- **Families who can't find a place – the package does nothing to increase the number of places.**
- **Families who need flexible care but are not eligible for or do not want a nanny.**

What is needed

As policy makers and members of parliament consider the proposed reforms, it is worthwhile outlining what the vast majority of evidence suggests is needed to deliver superior social and economic outcomes.

Childcare policies should be inclusive, not exclusionary. Any future proposal needs to ensure that there is high quality early learning and care available for ALL children in order to create opportunity, reduce inequality and boost the educational achievement of the rising generation – a win for society AND the economy.

Ideally, childcare policies should be seamlessly integrated with paid parental leave. This is likely to have the maximum benefit in terms of lifting female participation rates. Weakening existing paid parental leave provisions goes against this principle, and is likely to create substantial problems for the childcare sector as well as the 48% of recipients impact by the proposed changes to paid parental leave.

Policymakers need to acknowledge that there is a critical problem of high staff turnover within the sector, which is feeding into a staffing and services shortage that is driving up costs and leading to worse outcomes for children in care. Decent wages and conditions for educators in all types of children's services will be critical to countering this issue.

Finally, there needs to be substantial investment in a comprehensive, long-term program of community led services for Indigenous children and families – as per the Productivity Commission's recommendation for $200 million to be invested in a Community Early Learning Program. The existing proposal unfairly hurts indigenous families, and is likely to leave many indigenous families substantially worse off.

The proposed reforms will now be considered in greater detail, and it is the report authors' hope that policy makers and members of parliament will take these concerns seriously when deciding on an appropriate path forward.

The Coalition's rebate gives less to many low income families and more to wealthier

Under the reforms currently being considered by the Australian Parliament, a new Child Care Subsidy will replace the Child Care Benefit and Child Care Rebate. This subsidy will be based on hourly benchmark rates of $11.55 for Long Day Care (LDC), $10.70 for Family Day care (FDC), $10.10 for out-of-school hours care and $7 for the in-home nannies pilot. These figures were calculated based on a projected median price of childcare services, with an added bonus of 17.5% for LDC and 5.75% for FDC.

For working families with household incomes below $65,000, the subsidy will be 85% of these benchmark rates, or 85% of the fee charged by the service provider (whichever is lower). The subsidy is reduced to 50% for families on incomes above $170,000.

Working families on incomes between $65,000 and $170,000 will be about $30 a week better off if the fee they are charged is at or below benchmark. However, a huge number of families will now face higher fees, because by definition, 50% of services will be charged at above the median benchmark cost. Parents accessing services priced above the median will now have to absorb a larger portion of their childcare costs; however, this will depend on various factors including the number of hours per week the child attends.

While many low-income and Indigenous families will have their subsidies reduced or eliminated, working families with incomes above $185,000 will be substantially better off. These high-income families will see their subsidy cap increased from $7,500 to $10,000, effectively granting them an additional cash bonus of $2,500 per year.

	NEW SYSTEM	CURRENT SYSTEM
HOURS WORKED (PER FORTNIGHT)	HOURS OF SUBSIDY (PER FORTNIGHT)	
8 or less with a family income under $65,000	24 hours per fortnight (equal to 1 day per week)	Families who do not meet the proposed activity test can still access up to 24 hours per week
8 or less with a family income over $65,000	0	As above
8-16	Up to 36	Up to 100
17-48	Up to 72	Up to 100
49 hours	Up to 100	Up to 100

The reforms will effectively mean that working families earning less than $185,000 in household income will no longer have a cap placed on their subsidies.

The level of subsidy that each family receives will be determined through a new 3-tier activity test. The differences between the proposed scheme and the existing scheme can be seen above.

Under the proposed reforms, up to 24 hours a fortnight of subsidised care will be provided for children from families earning less than $65,000 per year and whose parents do not meet the working hours activity test.

While such a concession may appear generous, in reality, the new scheme is likely to equate to just two days of care per fortnight, effectively halving the current entitlement.

In addition, children in families above this income who do not meet the activity test will be excluded entirely. This will damage families with underemployed parents who seek additional work but are unable to secure it. Punishing parents in this category is cruel and lacks policy credibility.

It attempts to force parents back to work by cutting their support, but such a policy fails to acknowledge that in many cases, additional work simply may not be available.

This report also notes that there is some $843 million which will be allocated over two years for the extension of the National Partnership Agreement on Universal Access to Early Childhood Education. Nevertheless, this report remains highly concerned that Indigenous children and children from poor families are significantly underrepresented in this program.

A safety net full of holes

One component of the Coalition's proposed childcare reforms has been the inclusion of a so-called 'Safety Net'. This safety net can will be split into three components:

1. **$409 million for a new Inclusion Support Programme** – to provide more funding so mainstream childcare centres can afford staff and equipment for kids with special needs.
2. **$156 million for an Additional Child Care Subsidy** – to offer top-up subsidies for childcare to assist children at risk of serious abuse or neglect, irrespective of family income. Support will be provided for six weeks and then in 13-week blocks afterwards. It will also help families at financial risk and those in which the parent or parents are moving from welfare to work.
3. **$304 million for a new Community Child Care Fund** - targeted to families and communities that are remote major urban centres, such as remote indigenous communities. However, this report is highly concerned that the 270 existing Budget Based Funded services that mainly serve Indigenous communities in remote parts of Australia will now be expected to transition to market-oriented, 'mainstream' funding. Such a reform represents a huge blow to the Secretariat of National Aboriginal and Islander Child Care, which has been lobbying for a $250 million Community Early Learning Program to provide safe, culturally appropriate early learning and family support.

A nanny scheme with low training requirements

Another key feature of the Coalition's childcare reform package was the announcement of some $246 million in funding over 2 years for a new Interim Home Based Carer Subsidy Programme. The pilot is expected to fund some 4,000 nannies who will work with an estimated 10,000 children.

However, there remain serious concerns about the training requirements attached to this scheme.

In a move that radically departs from the higher training requirements introduced for ECEC staffers working in child care centres, the Coalition has announced that the nannies operating under the scheme will not even be required to hold a Certificate III in their relevant discipline.

The nanny pilot will not require its staffers to meet any of the requirements that are currently mandated in the National Quality Framework applied to the rest of the childcare sector. Instead, all that will be required is that they must be at least 18 years old, have a Working with Children Check, and have a first aid certificate.

By setting the bar so low, the proposed reforms effectively abandon the policy goal of transitioning childcare into an early education service.

Another point of concern is that the 'new' pilot is virtually identical to current In-home Care (IHC) Program that has been operating since 2000.

IHC is a small, capped program catering for approximately 5,600 children to whom one or more of the following applies:

- The work hours of the child's guardian (or guardian's partner) are hours when no other approved child care service is available
- The child lives in a rural or remote area
- The child has, or lives with another child who has an illness or a disability
- The child's guardian (or guardian's partner) has an illness or disability that affects their ability to care for the child
- The child's guardian (or guardian's partner) is caring for three or more children who have not yet started school

Effectively, the new pilot scheme represents an expansion in a scheme which already exists. However, the IHC has already adopted voluntary national standards and many schemes choose to employ educators with at least a Certificate III, so the creation of this new scheme actually represents a massive step backwards with regards to progressing the quality of training expected of nannies.

By taking the educational element out of child minding services, the nanny program risks substantially undermining childhood development, and the program is likely to fall foul of similar policies experienced with comparable programs in overseas countries. Many of these will be examined in later sections of this report.

A halving of entitlements for some, and an activity test that will hurt families in crisis

The Federal Government has claimed that the 24 hours of subsidy per fortnight proposed under the new scheme will give kids the equivalent of 2 days in school per week. However, this will likely not be true for many families. Most LDC centres charge a daily rate, meaning that a 24 hours subsidy will more likely buy just one day per week.

Critically, this would effectively halve the current entitlement for kids in poor jobless families, driving up their costs and creating a larger disincentive to entering the workforce. Such proposals risk decreasing the participation rate amongst low income families, effectively undermining the policy intention of the reform package.

This authors of this report also hold substantial concerns about the proposed activity test that will be placed on access to childcare support. While the 8 hours of workforce activity per fortnight may sound like an easy hurdle to pass, this will not be the case for all groups.

In particular, many families facing crisis, including bereavement, ill health (including mental health), and parents fleeing from domestic violence will likely find this hurdle impossible to meet on a consistent basis. Increasing uncertainty and reducing funding for families in crisis hurts a subsection of the community that is already experiencing significant difficulty.

The Federal Government has attempted to address this through the inclusion of a new 'Safety Net'. However, it is the firm view of this report that simply saying that these families can apply for exemptions under a complex, bureaucratic 'Safety Net' is not a satisfactory answer.

When faced with form filling, bureaucracy and more government intrusion, it is far more likely that families facing crisis will simply be locked out of the system. It would be far more efficient and fair to provide 2 days subsidised care as a minimum for every child as is currently the case.

4 Introduction: The state of play in Australia

Progress on expanding and developing quality childcare in Australia has stalled. In 2013, the Australian government initiated an inquiry into childcare and early childhood learning, asking the Productivity Commission to develop options for 'a more flexible, affordable and accessible' system [1].

Parents, service providers, unions, business organisations and non-government organisations engaged enthusiastically with the inquiry, making 468 submissions before the release of the Draft Report and a further 455 afterwards. More than a thousand written comments were posted on the Commission's website and hundreds of individuals and groups participated public hearings in Sydney, Melbourne, Canberra, Perth and Port Macquarie. By any measure, this was an intensive consultation.

The Commission had an unenviable task. In addition to making ECEC more 'accessible, affordable and flexible' it had to consider the extension of support to nannies and au pairs – and its recommendations were to fit within 'current funding parameters'.

The Productivity Commission has since handed down its final report, and the Federal Government has responded by releasing its new childcare package, which is examined in the prior section of this report. The decision to constrain the Productivity Commission's terms of reference to only consider recommendations that would fit within 'current funding parameters' has arguably limited the overall scope of reforms now being considered by the parliament.

While this report accepts that spending must be both targeted and efficient, it should also be recognised that Australia is spending less than most other comparable countries on ECEC. Given that spending on ECEC represents a critical investment in the cognitive development of future generations, it is critical that policymakers and members of parliament consider not just whether Australia could be investing more efficiently, but also whether it should be investing more overall.

4.1 Spending more but not spending smarter

Australia is spending more on early childhood education and care (ECEC) than ever before, but it is not necessarily spending smarter. Since 1996-97, there has been a significant increase in expenditure on ECEC in real terms. Australian, state and territory government spending rose from a total of $2.2 billion in 1996-97 to $6.8 billion in 2013-14. Most of the increase has resulted from the introduction and subsequent expansion of the Child Care Rebate. According to the Productivity Commission's final report, annual expenditure on in ECEC is expected to reach $8.5 billion by 2018.

In 2012-13, over 950,000 families received fee assistance, either through means-tested Child Care Benefit or the non-means-tested Child Care Rebate (which rebates 50 per cent of out of pocket costs for parents using approved services for work-related reasons) or a combination of both. The Productivity Commission anticipates that the balance of funding between Child Care Benefit and Child Care Rebate will reverse in the 2014-15 financial year, with the Rebate becoming the largest assistance payment to families [2].

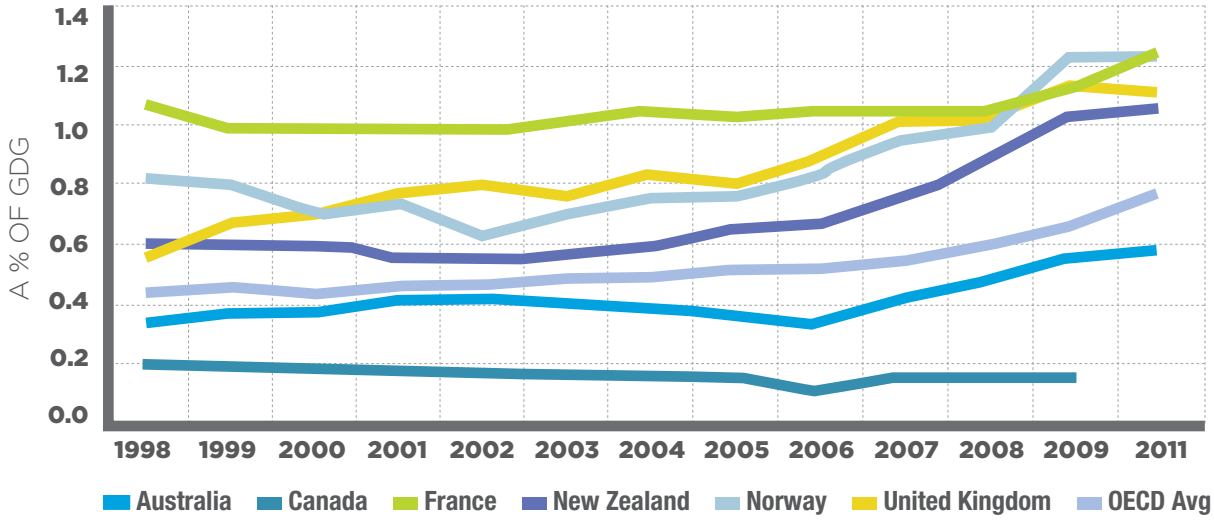
Australia's investment in ECEC falls somewhere between that of countries considered comparable (such as Canada, the UK and New Zealand) and those that are admired for their expansive provision (Norway and France, for example). All countries in this group, except Canada* , have increased their spending over the past fifteen years (Table 1).

Despite increased investment by Australia since 2006-07 this country still remains behind, since others have increased spending their spending too, and from a higher starting point.

> **Many Australians would be shocked to know that their governments spends less on childcare and preschool as a % of GDP than New Zealand did in 1998. Even today, New Zealand spends almost double what Australia does in these areas.**

Australia remains well below the OECD average, and miles behind countries like the United Kingdom, France and Norway. However, as the analysis in this report will emphasise, the design of ECEC policy and funding is as important as the total amount of expenditure.

TABLE 2: PUBLIC SPENDING ON CHILDCARE AND PRESCHOOL, AS A % OF GDP, 1998-2011



Source: Organisation for Economic Co-operation and Development [3], PF3.1

* The figure for Canada does not include spending on kindergarten (available free to all 5-year olds and 4-year olds in some provinces) because kindergarten is regarded as part of the schooling system.

4.2 Types of ECEC and childcare usage

According to the Productivity Commission's report, there has been a steady increase in the number and proportion of children using formal ECEC services in Australia over the past fifteen years. Approximately one-third of parents using non-parental care for children 0 to 4 years still use informal care as the primary care arrangement (especially for children under one year) or in combination with formal care [2]. The overwhelming majority of 0 to 4 year olds using approved care attend Long Day Care (LDC), and the proportion of children in this age group using approved care increases with age [2].

Overall, parents contribute around 37% of the costs of ECEC in Australia, the Child Care Benefit (CCB) and the Child Care Rebate (CCR) contributing 34% and 28% [2]. Out of pocket costs are, by far, the highest for families using Long Day Care, which is explained by the higher parental fees (compared with Family Day Care) and also the fact that children typically attend Long Day Care (FDC) for more hours per week, compared to other types of approved care.*

Significant rises in fees and out-of-pocket costs for approved care were central issues in the Productivity Commission's inquiry into Childcare and Early Childhood Learning. Several key recommendations included in the final report, released in July 2014, are outlined below.

4.3 Productivity Commission recommendations

The Commission's final report included numerous recommendations. Some, but not all of these, have made their way into the Government's 2015 Child Care Package. Some other recommendations – particularly those relating to reducing the qualifications of educators working with children below the age of three – would have affected Australia's ECEC system in fundamental ways and by undermining the quality standards that have been carefully built and designed over the past decade. Thankfully, these have not been adopted in the Child Care Package.

We strongly urge, however, that any shifts in financing be designed to take account of the National Quality Framework and to recognise the vital contribution that appropriately qualified, fairly remunerated educators make to quality service provision.

The overarching recommendation in the Productivity Commission's final report was a proposal to integrate the current Child Care Benefit and Child Care Rebate into a single means-tested payment for families using approved care.

Under the current arrangements, the Child Care Benefit is means-tested and the Child Care Rebate is activity-tested (but not means tested). Child Care Rebate enables all eligible families, regardless of income, to claim 50% of out-of-pocket costs, up to an annual limit of $15,000.

The new Child Care Subsidy announced in the 2015 budget for implementation in mid-2017 is similar to the Productivity Commission's proposed Early Care and Learning Subsidy. It would be structured so that the most support is provided to low-income families (85% of the benchmark price of service provision for the lowest income group), with assistance provided on a sliding scale falling to 50% of the benchmark price for families earning over $250,000 per year.

Reactions to the funding model have varied: the increased support for low-income families has been welcomed, however there is concern by providers and parent lobby groups that the 'benchmark price' and reduced subsidy (from 50% to 20% for higher income families) would be detrimental to many families. Overall, there have been calls for increased investment in the system in order to achieve a more equitable outcome for all families.

* Hourly fees for Occasional Care and In Home Care are higher than Long Day Care, however children are more likely to use these services for fewer hours, so median annual out of pocket costs are lower than for LDC (Productivity Commission, 2014, 386-389).

4.4 Coalition's Child Care Package

The Child Care arrangements currently being considered by Parliament have some surface appeal but, on closer analysis, represent a major step backward for Australia. If implemented, they would propel Australia back to a policy approach that other advanced countries abandoned decades ago. Research on ECEC consistently indicates strong social and economic benefits associated with supporting children from disadvantaged and low-income families to participate in ECEC. This package excludes most children from subsidised ECEC unless their parents work. Exceptions are made for families with incomes below $65,000 and certain others who fall into a 'safety net' category but the general intent is to cement ECEC as a labour force measure, rather than to promote early learning and child development.

The central initiative is a new Child Care Subsidy (CCS) to come into effect in July 2017. The CCS will be based on hourly benchmark rates of $11.55 for Long Day Care (LDC), $10.70 for Family Day care (FDC), $10.10 for out-of-school hours care and $7 for the in-home care Nanny Trial. The benchmarks are based on projected median (or middle) prices for 2017, plus 17.5% for LDC and 5.75% for FDC.

Working families with household incomes below $65,000 will be eligible for 85% of the relevant benchmark rate or 85% of the fee charged by the service provider (whichever is lower). CCS will be withdrawn as income rises but all families with employed parents will be eligible for a subsidy if they use approved care. Families on incomes above $170,000 will be eligible for 50% of the benchmark and will not face an annual cap until their income reaches $185,000. Families above $185,000 will have their annual cap lifted to $10,000. As well as being income-tested, the level of subsidy that each family receives will be determined through a new 3-tier activity test. Families who have insecure, unpredictable or varying hours of employment are likely to be disadvantaged.

The government predicts that working families on incomes between $65,000 and $170,000 will be about $30 a week better off if their fees are at or below the benchmark. Families paying fees above the benchmark may have to absorb a larger portion of their childcare costs than at present. Despite some uncertainty, the principle of the benchmark addresses one key concern about the current CCR, which is that Government funding supports high discretionary fees and profit-making. However, there is still need for further sector consultation about the varying costs faced by parents for infant care and care offered in expensive locations (e.g. inner city sites and some remote areas).

Perversely, the Package provides unprecedented assistance to children in high-income families (up to $10,000 per year) while stripping benefits away from Indigenous children and children in low-income families.

The proposed changes are to be paid for by cuts to Family Benefits as well as by reductions to Paid Parental Leave. Taken together, these changes seem designed to push mothers of infants and toddlers back to work at an earlier stage in their children's lives yet there are no corresponding measures in the Child Care Package will result in more child care places for this age group.

4.5 Removing access for disadvantaged children – a backward step for Australia

Under current subsidy arrangements, all families are eligible for up to 24 hours Child Care Benefit per child per week regardless of parental labour force participation. Children whose parents are engaged in work related activity (e.g. being employed, studying or training) for at least fifteen hours per week are eligible for up to 50 hours per week Child Care Benefit plus Child Care Rebate. This arrangement allows families who have limited connection to the workforce, including families experiencing complex vulnerabilities such as domestic violence and mental health issues, and those who have recently migrated to Australia and who are outside the labour force, to participate in ECEC services such as long day care or family day care. Recent research conducted at the Social Policy Research Centre shows the vital importance of inclusive, rather than exclusive, subsidy systems for ECEC [6].

The Productivity Commission recommended denying subsidies to children unless both their parents were working, studying or training for at least 24 hours per fortnight, with some exceptions. This would have excluded considerable numbers of children whose mothers work short, part-time hours and would have represented a major change from current policy. The vast majority (84%) of mothers who return to work within two years of the birth of their child work part-time and 39% of these work less than 15 hour per week and most of these would miss out entirely on childcare subsidies.

Denying subsidised ECEC to children whose parents are not employed, or are working just a few hours per week, would be particularly perverse since these children are likely to benefit strongly from access to high quality ECEC.

The Government has adopted this recommendation in a modified form, reducing the activity test to 8 hours per fortnight for each parent. While this is a welcome change from the Productivity Commission's harsh suggestion, it will still result in many children in low income and disadvantaged circumstances missing out on early learning. It is thus a clear backward step for Australia.

As the country studies below indicate, using a parental work or activity test to exclude children is out of step with a growing international trend to encourage and support access by such children by providing free or low-cost ECEC services.

Early in 2015, the Government suggested that it would bring together a response to the Productivity Commission inquiry into child care and a recalibrated paid parental leave policy in a wholistic families package.[7] The Child Care package does not deliver on this promise, especially as it relies on severe cuts to paid parental leave and family tax benefits. Trading off policies in this way as if it is too much to deliver both a decent paid parental leave scheme and access to ECEC puts Australia out of step with developments in many similar countries.

Around the world, child and family policies are developing and expanding in exciting ways – despite the fiscal austerity that has enveloped many countries in the wake of the global financial crisis. Unparalleled effort is going into raising the quality of early childhood education and care, extending paid leave and introducing benefits such as superannuation and pension credits for parents and other carers. These developments are not confined to governments of any particular persuasion, nor are they limited to wealthy countries [8].

In this paper we consider five countries that have restructured their ECEC systems to a greater or lesser extent in the past decade. Each of these, we argue, has lessons for Australia.

Giant strides are being made internationally. Australia, by contrast, is taking baby steps.

5 Free hours for all 3 and 4 year olds: United Kingdom

Key lessons from the UK

- **Complete opposite to Australia's current direction which will exclude the most vulnerable and disadvantaged families.**
- **All 3 and 4 year olds have access to 15 hours FREE, regardless of parents workforce participation.**
- **Recently elected Conservative government has announced an increase in the number of FREE childcare hours from 15 to 30 hours for working parents in 2016. not address issues of equity in access and quality.**

The United Kingdom* (UK) has made significant changes to the financing, management and delivery of ECEC over the last two decades. In the mid-1990s, it was considered a laggard among European countries, spending approximately 0.6% GDP. Today, it spends 1.1% of GPD – notably above the OECD average [9].

Reforms introduced since 1997 have involved: i) direct investment to expand universal provision for children in particular age groups; ii) vouchers and financial assistance to help families with the cost of care, and; iii) targeted funding designed to address the needs of children and families in the most disadvantaged neighbourhoods.

The United Kingdom provides a powerful comparison for Australia because, while it has a similar market-based approach to ECEC, with tax credits and vouchers the predominant financing mechanisms, it has introduced an entitlement to free part-time ECEC for large numbers of children in the years before school. Australia, by contrast, has an aspiration that all children will have access to 15 hours per week pre-school for one year before starting school, but there is no entitlement or service guarantee.

Australia can learn not only from the positive initiatives taken in the UK, but also from some of the challenges that have been confronted as a result of the expansion of different services in a marketised context.

* Most of the discussion in this section refers to England; however, broadly similar developments have occurred in the other nations.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5.1 Key features of UK's ECEC 2015 policy

PART-TIME ENTITLEMENT	ADDITIONAL HOURS AND YOUNGER CHILDREN
► Free part-time (15 hours) for 3-, 4- and some 2-year olds ► Flexible take-up of hours over 2 to 5 days (min 2.5 hours per day, max 10 hours per day) ► Public and private providers (maintained and private nurseries) ► Funded through Early Years Single Funding Formula (EYSFF) ► Mixed settings (nurseries, playgroups, childminders) ► Both parties committed to increase FREE childcare from 15 to 30 hours for children with working parents	► Childcare Vouchers and Tax Credits* ► Income tested ► Work-tested (being phased out under Universal Credit in 2015) ► Other arrangements eligible for subsidisation (i.e. registered nannies), but not Early Years Entitlement

As in Australia, a variety of service types is available for children 0 to 5 years and their families in the UK. These are generally divided into the state sector (known in England as the 'maintained sector') and the private, voluntary and independent (PVI) sector. Maintained services include those delivered in schools and children's services run by local councils. Maintained services are generally targeted at 3- and 4-year olds, while the private for-profit sector dominates provision of childcare for children below 3 years [10].

A key feature of the UK system is the Early Years Entitlement. This provides all three and four-year children with an entitlement to 570 hours of free early education or childcare per year, regardless of family income.

The entitlement is often taken as 15 hours per week for 38 weeks per year. Since September 2014, the 40% most disadvantaged 2-year-olds have also been eligible for 570 hours of free early education and childcare each year. In addition to children with special needs or a disability, the 2-year-olds covered by this measure include those whose families have a low income or receive income support, children who are looked after by the state and children under special guardianship, for example in adoption or foster care [11].

Parents can choose to take the free entitlement in any service that follows the Early Years Foundation Stage (EYFS) curriculum. This includes a mix of public and private providers such as nursery schools and classes (some of which are offered on school premises), children's centres, day nurseries, child-minders, some playgroups and preschools, and Sure Start Children's Centres [12]. The available options differ across local councils. Recent figures suggest that 98 per cent of four-year olds and 94 per cent of three-year olds take up the free entitlement [13].

Vouchers and tax credits are used to subsidise costs for children not eligible for the Early Years Entitlement (i.e. younger children and ineligible 2-year olds) and families who require care beyond the 15 hours free entitlement.

* Policy reform announced to take effect in 2014. The new reforms are intended to simplify the childcare subsidy system; however they maintain a mixed model approach to funding.

5.2 UK ECEC policy developments (1997-2014)

5.2.1 Free entitlement

1998	The government introduces free entitlement for four-year-olds, offering five 2.5-hour sessions per week for 33 weeks per year
2004	The entitlement is extended to three-year-olds
2006	The duration of the entitlement is extended to 38 weeks per year Extensions of the free entitlement to two-year-olds is piloted
2010	Local funding formula introduced in 71 pathfinder local authorities for the entitlement, to improve the fairness and transparency of funding allocations to providers
2011	All remaining local authorities introduce local funding formulae
2013	The free entitlement is extended to disadvantaged two-year-olds (from the most deprived 20 per cent of families), covering approximately 130,000 children
2013	The next phase of the extension of the offer to disadvantaged two-year-olds, to cover from the most deprived 40 per cent of families.

Source: Adapted from Ben-Galim, Pearce and Thompson (2014, p9)

The free entitlement is funded through the Dedicated Schools Grant allocated to local authorities [14]. Since 2011, all local authorities have been required to use the Early Years Single Funding Formula (EYSFF) to determine the distribution of funds to services. The EYSFF is designed to ensure more consistent funding arrangements between the maintained and non-maintained sectors, and to improve transparency in the way that funding is allocated. There is, however, some variation across local authorities. Most local authorities determine the funding rates by the age of children and provide additional supplements. For example, Hampshire City Council provides a base rate for three- and four-year-olds and additional supplements available to services to support flexibility and quality (staff qualifications and Ofsted ratings), and to recognise high levels of deprivation.

There are, however, concerns from the sector that the funding allocated from Government is too low, which leads to higher fees for additional hours (above the 15 free hours) and for younger children who are not eligible for the free entitlement.

5.2.2 Child care element of Working Tax Credit (WTC)

The free Early Years Entitlement underpins provision to children in the UK. It is supplemented by other measures more clearly designed to support parental labour force participation. Chief among these is the childcare element of Working Tax Credit, introduced in 1999 (named the Working Families' Tax Credit until 2003). This replaced the previous policy that allowed families to deduct up to £100 of child care costs per week from their taxable income. The tax credit introduced in 1999 was initially set at 70 per cent of child care costs up to £100 per week for families with one child, and £150 per week for families with two or more children. The value increased steadily until, by 2010, families were able to receive 80% of up to £175 per week for one child and 80% of up to £300 for two or more children [13]. The level of support was reduced to 70% under the Coalition government, which came to power in 2010.

Under the current policy, families can receive up to £122.50 per week (70% of £175) for one child

and £210 per week (70% of £300) for two or more children. Parents must work a combined 24 hours per week, with at least one parent working 16 hours per week [15]. It was estimated that in December 2013 that families received an average of £59 per week through the Working Tax Credit.

Families are eligible for the maximum rate of the childcare element of the Working Tax Credit if their income is less than £6,420 per year. Above this, there is a withdrawal rate of 41% (or 0.41 pence per pound) [15] up to a maximum income threshold of £41,000 for one child [13].

For families earning above this, a system of employer-sponsored tax-free childcare vouchers is available, as discussed below.

5.2.3 Employment sponsored childcare vouchers

The UK government encourages employers to help employees with the cost of childcare in two ways. First, if an employer establishes a nursery or play scheme for their employees, the employees who use it are not taxed on the value of this benefit.

Second, if an employer subsidises employees' childcare costs through a contract with an approved provider or by providing childcare vouchers enabling parents to purchase services from an approved carer, tax relief is given up to a set weekly limit. Vouchers are only available to families employed by companies who participate in the scheme.

Employer sponsored childcare vouchers were introduced in 2005, and meant that employees' income would not be taxed on the first £50 per week of childcare vouchers. The weekly limit increased to £55 in 2006 (or £243 per month). In April 2011 the higher rate taxpayers were restricted in the value of the tax relief they could claim on eligible amounts, from 40 per cent (high rate of income tax) to 20 per cent paid by basic rate taxpayers [11, 13].

The maximum savings per year for an employee is £1,196 per year. The amount of savings depends on your childcare costs and tax and National Insurance contributions [16].

This scheme will be abolished when Tax-Free Childcare is introduced in 2015, as outlined in the next section.

5.2.4 Home Childcare Register (Ofsted in England)

The Home Childcare Register was announced in 2004 in England. The Home Childcare Register is a voluntary registration scheme managed by Ofsted (the Office for Standards in Education), the regulatory body in England. Individual child carers (namely nannies and au pairs) can register with Ofsted, which then allows the families hiring these home childcare providers to access financial assistance such as the childcare element of the Working Tax Credit and Childcare Vouchers described in the previous section. In order to register, home childcare workers must meet minimum requirements, which are: a first Aid Certificate; qualification at minimum level 2 in area of work relevant to childcare, or training in Common Core of skills and knowledge for the children's workforce; a Criminal Records Bureau Check; and they must be covered by their own insurance.

Many training organisations and nanny agencies offer insurance to nannies and other home childcare workers registered with Ofsted [17, 18].

This model of registering in-home childcare differs in other UK jurisdictions. In Scotland, in-home childcare workers must be hired through an approved Childcare Agency in order for families to be eligible for financial assistance.

5.2.5 Early Years Foundation Stage

Under the Child Care Act 2006, each nation within the UK is required to have an early years national curriculum, similar to Australia's Early Years Learning Framework.

The national curricula are key components of the regulatory framework, which also includes structural quality measures (e.g. staff qualifications) and inspection systems. In England, the Early Years Foundation Stage (EYFS) must be implemented in all early years settings that provide childcare to children 0 to 5 years, regardless of whether they receive public funding [10].

5.3 Reforms and policy inquiries

5.3.1 Childcare commission

In 2012, the Government established a commission on childcare to look at how to reduce the costs of childcare and to reduce burdens on childcare providers. There are some similarities with the terms of reference given to this commission and those given to Australia's Productivity Commission inquiry in 2014. The UK commission focused on: ways to encourage the provision of wrap-around and holiday childcare for children of school age, to identify any regulations that burden childcare providers unnecessarily and to examine how childcare supports families to move into sustained employment and out of poverty [19].

5.3.2 Quality regulations

In 2012, an independent review of quality was conducted by Professor Cathy Nutbrown (University of Sheffield). The government responded to this review in 2013 with a report entitled More Great Childcare. Following criticism regarding the watering down of ratios for day nurseries and childminders, and a recommendation to establish childminder agencies for regulation (rather than independent Ofsted registration), the Children and Families Act 2014 introduced a number of changes to the regulation of early years services in the UK. There were controversial reforms. However, following a successful sector campaign, the initial recommendation to relax child-minder ratios was not implemented.

5.3.3 Universal credit

Universal Credit was announced in 2012, and is expected to be fully rolled out by 2017. Similar to the Working Tax Credit system, the Universal Credit will provide an additional component to assist with childcare costs. Under current plans, working parents (lone or both parents in couple) will be eligible to receive up to 85 per cent of their child care costs, and the monthly limits will increase to £532.29 for one child and £912.50 for two or more children. A key difference is that parents working fewer than 16 hours per week will be eligible for assistance with the costs of childcare. It is also expected that Universal Credit will help with the upfront costs of childcare in the month before work begins and will continue for the first month after someone becomes unemployed (Gheera et al., 2014, p15). The removal of the 16 hours/week work test is intended "to provide an important financial incentive to those taking their first steps into paid employment".

5.3.4 Tax free childcare

The Government has announced a system of 'tax-free childcare' to be introduced in September 2015. This will replace the childcare element of the Working Tax Credit and the Childcare vouchers system. Under the new scheme, families will receive tax relief for 20 per cent of child care expenditure up to a maximum of £2,000 a year per child. Parents would need to spend £10,000 per year to receive the maximum benefit of £2,000. To be eligible, both parents (or the sole parent) must be employed and total household income must be less that £150,000 per year. Parents on paid maternity, paternity or adoption leave will be eligible to continue receiving Tax-free childcare for any children they already have. It is expected the scheme will be delivered through online voucher accounts run by private sector voucher providers. The stated objective of the scheme is for parents to have a choice of voucher providers and for them to be able to switch between them if desired[11].

5.3.5 Extended funding for free early years entitlement

Most recently, the UK Conservative Government committed to an expansion of free childcare from 15 to 30 hours for children in working families. The 15 hours is retained for all children, regardless of parents' workforce participation. They have also committed to a review of the funding formula, following sector concerns that the subsidy to services is too low to cover the costs of service delivery.

5.3.6 Concluding views on England's ECEC policies

The UK has been grappling with a set of issues not dissimilar from those faced in Australia. While a complex array of vouchers, tax subsidies and tax credit remain in operation in the UK, the 'stand out' initiative is the availability of universal, free childcare for 15 hour per week for all children aged three and four years, plus the 40% most disadvantaged 2-year olds.

Fifteen hours free education and care provides a basic, child-focused entitlement and also gives parents a basic number of hours free care to support workforce participation.

6 Integrated, culturally sensitive services: New Zealand

Key lessons from New Zealand

- **Local planning and adequate funding necessary in the expansion of free or low-cost ECEC for all children**
- **Cost containment measures (such as capped parent fees) a possible solution to high costs of additional fees for parents (outside the 20 Hours ECE).**
- **Integrated funding structure for different service types can provide a more equitable system, which recognizes the costs associated with delivering higher quality ECEC.**

New Zealand, like the UK and Norway, experienced rapid transformation of its ECEC services and policy framework in the 1990s and 2000s. ECEC provision has been driven by increased investment and the establishment and diversification of services to meet community needs [20].

As in the UK, it was not until the 1980s that the national government began to invest seriously in the expansion of ECEC services for children below school age and these measures began to bear fruit in the following decade. Between 1992 and 1999, the proportion of children under five years attending a licensed institution rose from 42% to 59%. By 2011, participation rates had reached 18% for infants less than one year old, 40% for one year-olds, 60% for two year-olds, more than 90% for three-year-olds and 100% for four-year olds [21]. The figures for one and two-year olds are comparable with Australia in 2011, where approximately 36% of 1 year olds and 55% of 2 year olds were attending formal services. However, the figures for 3- and 4-year olds are much lower in Australia than in New Zealand, with only just 52% of 3-year olds attending formal care [22], and in 2012 approximately 75% of 4-year olds were attending a preschool program (stand alone or in a LDC service) [23].

New Zealand's culturally sensitive approach to ECEC, promulgated through its national curriculum, *Te Whäriki*, is recognised internationally for its holistic approach to ECEC and for the consistency of its implementation across all ECEC settings for children from birth to five years. New Zealand is also noted for the integration of ECEC services across ages and across centre- and home-based settings.

There are three funding components to New Zealand's ECEC system: 20 Hours ECE in provided at a nominal fee for 3- and 4-year olds; the ECE Funding Subsidy which is distributed directly to ECEC services to reduce the cost for families; and the Childcare Subsidy provided directly to families according to income and number of children in ECE services.

6.1 Key features of New Zealand's ECEC system

- **Integrated services for children below school age**
- **Part-time (20 hours) free ECEC for 3- and 4-year olds (up to 6 hours per day as part of free hours)**
- **Flexible options (including playgroups, drop-in centres, and home-based network services) *divided into parent-led and teacher-led settings**
- **National curriculum followed in all settings**
- **Additional funding provided to services based on qualifications of staff ***
- **Child Care Subsidy for working parents (as alternative to Free ECEC, or for additional hours)**

Early childhood education and care services in New Zealand are categorised as either **parent-led or teacher-led services**, and a key feature is the variety of service types.

Another notable feature is that there are no Government owned ECEC services in New Zealand; all services are community-based or private, however the government develops and administers policy, provides grants and funding, and regulates and reviews ECEC services.

* Funding has recently been cut and concerns about decreasing quality have been raised 24. Mitchell, L., Markets and childcare provision in New Zealand: toward a fairer alternative, in Childcare markets: Can they deliver an equitable service?, E. Lloyd and H. Penn, Editors. 2012, The Policy Press: Bristol.

6.2 Development of New Zealand's integrated ECE system

New Zealand is noted as a world leader in the development of an integrated ECEC system [25]. Early childhood education and care were formally integrated in 1986 when responsibility for both were transferred to the Department of Education.

The table below outlines the key reforms since the integration of ECEC.

1986	Reports of the Working Party on Childcare Training and Kindergarten training
1987	New policy: integrated three-year training for childcare and kindergarten services
1988	Education to be More: Report of the Early Childhood Care and Education Working Group (green paper) Before Five: Early Childhood Care and Education in New Zealand (white paper)
1990	Funding formula common to all ECS, including kōhanga reo, introduced, with commitment to increases in stages Staged plan for common qualifications requirements for childcare and kindergarten services
1993	Draft document, early childhood curriculum Te Whāriki, published following wide consultation with the ECE sector
1994	The Combined Early Childhood Union o Aotearoa was merged into the New Zealand Education Institute (a union for primary teachers and school support staff)
1996	The early childhood curriculum, Te Whāriki, published.
2002	Pathways to the Future launched: a 10-year strategic plan for ECE
2004	ECE teachers in education and care centres began a staged process towards pay parity where negotiated by their union
2007	20 hours free ECE implemented (announced 2005)
2008	Legislation of the principles and strands of Te Whāriki

Source: Meade & Podmore [26]

The integration of funding across service types is a key feature of New Zealand's integrated system. As mentioned, there are teacher-led and parent-led services. Teacher-led services include Care and Education Centres, Kindergartens and Home-based services (in the care provider and child's home).

1. Teachers in home-based services are not required to have the same level qualifications as those in Care and Education Centres or kindergartens, but are visited by the service coordinator, who must hold an early childhood qualification, at least twice each month.
2. Parent-led services include playgroups, playcentres, and Te Kōhanga Reo, a Māori immersion program. Teacher-led and parent-led services are differentiated for operational requirements and funding entitlements, with parent-led services eligible for lower levels of funding [24].

Children using any of these services are eligible for subsidies that help with the cost of the program. The amount of funding depends on various factors, discussed below.

6.2.1 ECE Funding Subsidy

The New Zealand ECE Funding Subsidy is the primary form of government funding for licensed ECE services. It underpins operating costs by paying for part of each hour that every child spends in ECE, up to a maximum of six hours per child per day, or 30 hours per week [27].

The funding rates depend on the type of service (teacher-led or parent-led), the ages of children attending (under and over two years), the number of children receiving 20 Hours ECE, and the number of registered teachers [27]. Services with a high proportion of 'Registered Teacher Hours' as a ratio of 'regulated staff hours' receive higher funding rates [27].

For an Education and Care centre, the rates range from $12.12 per hour for a child under 2 years with 80% registered teachers and to $3.83 for a child over 2 years with less than 25% registered teachers. These rates are lower for teacher-led home-based services, and significantly lower for parent-led services [27].

An additional funding stream for ECE services is Equity Funding, which is available to all licensed ECE services in targeted communities that meet certain criteria. There are also additional top-ups for isolated services and support grants for provisionally registered teachers [27].

6.2.2 Childcare Subsidy

Childcare Subsidy is delivered by the Department of Work and Family (not Education), and is similar in some respects to the childcare element of the Working Tax Credit in the UK.

The subsidy is means-tested and designed to make services more affordable for low-income families.

The main factors determining the rate of subsidy are the type of ECE service used, the number of children in the family, the age of the children, and the family's income. The amount ranges from up to $199 per week ($3.98 per hour) for 50 hours of care for one child for families with a gross income of less than $1,200. This amount tapers to $77 per week (or $1.54 per hour) for families earning up to $1,799 per week. Families with income above $1,800 per week are not eligible for Childcare Subsidy.

All children are eligible to receive the subsidy for up to 6 hours per day and 30 hours per week. Families participating in work or study or another approved activity can access up to 50 hours per week.

Where 3- and 4-year olds are accessing the 20 Hours ECE, families can access the Childcare Subsidy in addition to 20 hours ECE, but not in combination with it. For example, if a family is using 30 hours of ECE for their 3- or 4-year-old, the subsidy can be used for the 10 hours not covered by the 20 hours ECE scheme [27].

6.2.3 20 Hours ECE

The other key funding scheme for ECE services is the 20 Hours ECE for 3- and 4-year olds. This initiative was implemented in 2007 to provide part-time universal ECE at no cost to all children in the two years before starting school. This represented a significant ideological shift in thinking about ECEC as a 'public good and a governmental responsibility' (Mitchell, 2012, p. 102). The 20 free hours were implemented by a substantial increase in funding rates for 3- and 4-year olds, as outlined in the ECE Funding Subsidy.

This reform was initially intended only for community based teacher-led services, however the private for-profit sector' campaigned for inclusion, and the scheme was extended to all services in 2010 [21, 24]. Like the Childcare Subsidy, the 20 Hours ECE can be used in teacher-led or parent-led services. It should be pointed out that, while the hours are considered 'free', it is not an entitlement as in Norway (discussed below).

An evaluation of the program found that the 20 hours ECE contributed to parental decisions to use ECEC. This finding was particularly evident for lower-income families, earning less than $30,000, compared with higher income families, earning more than $90,000 per year [24].

The introduction of the free 20 hours of ECE led to considerable increases in the number of 3- and 4-year olds attending and has helped to diminish inequities [24].

6.2.4 National curriculum

The national curriculum, *Te Whäriki*, is a key strength of New Zealand's ECE system. The development of the curriculum involved broad consultation with services and organisations [28]. The first draft of *Te Whäriki* was launched by the Prime Minister in 1996.

There are five strands of curriculum (Well-being, belonging, contribution, communication, exploration), with parallel domains for Maori culture [20]. The implementation of the national curriculum is overall considered a great achievement for the early childhood sector in its tying together of traditional cultures and languages in a way that can be practiced in all ECE settings.

There is some criticism that centres do not always have the resources or staff the professional training and guidance to implement to implement the curriculum properly [20]. It is, however, still seen as the foundation for New Zealand's integrated approach to ECEC, as the curriculum is followed in all ECE settings.

6.3 Recent reforms, evaluations and debates

6.3.1 Cuts to regulation and funding

New Zealand's experience illustrates the ability to transform early childhood services over a relatively short period of time. There are, however, challenges facing the sector, including proposals to cut funding and to reduce regulation, for example by increasing the maximum number of children permitted to attend a centre. The 2002 target to have all teachers in Education and Care Centres to be qualified and registered by 2012 was changed to 80% in 2010 when the National Government came into power.

7 Capped fees to make services affordable: Norway

Key lessons from Norway

- **Capped parent fees effective way to increase demand for formal ECEC amongst lower-paid workers**
- **Entitlement, or child's right to place, necessary to ensure children across income level and locations have access to place. Local planning essential to implementing such an entitlement.**
- **Cash for care schemes, for parental or non-parental care, can have negative consequences for mothers and children from low socioeconomic backgrounds.**

Unlike its neighbours, Sweden and Denmark, which are widely regarded as exemplars of public investment in ECEC, Norway has been seen, until the last decade, as a relative laggard. Government support for ECEC in Sweden and Denmark rested on social democratic ideals of gender equality and children's rights. In Norway, traditional ideas about motherhood held sway and expanded ECEC services did not have the same priority.

However, from the late 1980s and 1990s, Norway has undergone a transformation, especially in terms of the public and official views about the desirability of mothers' workforce participation. Over half of Norway's ECEC services (known as kindergartens) are privately owned, and this has been the case since expansion began in the late 1980s. Only recently has there been concern about the large proportion of private ownership, stemming from an increase in the emergence of larger for-profit private services.

These developments are discussed in relation to the key features and components of its system, which makes it a compelling case study in international context.

Norway provides a fascinating comparison for Australia because it has rapidly expanded the number of child care places and introduced other reforms in the context of a system in which private, for-profit businesses play a major role.

While approximately half of kindergartens are run by private providers [28], measures have been introduced to limit profits and to ensure that fees are affordable for families. Norway, like some

other Nordic countries, has recently introduced cash allowances for child care.

The other interesting element of Norway's ECEC policy is that is has a fully integrated approach to service provision for all children from the end of parental leave to the beginning of school (1 to 5 years) rather than having separate care and early education systems. There is a strong emphasis on local responsibility, which provides lessons for Australia in terms of the need to plan services to meet local needs. Similar to other Nordic countries, there is a strong focus on gender equality and democracy, which is embedded in its pedagogical framework for teaching.

7.1 Key features of Norway's ECEC system

Integrated, low-fee kindergartens for 1 to 5 years

- **Entitlement to full-time ECEC for all children aged 1 to 5 years**
- **Mixed market with public and private providers**
- **Government imposed cap on parent fees**
- **Integrated services in mixed settings: Part-time and full-time kindergartens; family kindergartens, open kindergartens**
- **Strong municipal involvement with financing and planning**

Norway is part of a growing group of developed and developing countries that have introduced a universal entitlement to ECEC.

The private sector played a big role in the expansion of formal services in the late 1990s and early 2000s. In order to prevent prices from increasing, the Norwegian Government established measures to prevent parent fees from becoming unaffordable. This included capped parent fees, in addition to mean-tested fee subsidies.

As an alternative to formal care services, families can access a cash-for-care benefit equivalent to approximately $AU 500 per month for children under 2 years (the maximum age was 3 years until 2012) if they do not attend a publicly subsidised kindergarten.

Families can also access the benefit on a part-time basis, combining it with the use of formal centre-based or family-based kindergarten. Surveys find that there continues to be unmet demand for the youngest children, and the childcare cash allowance available to parents with children less than two years not using a publicly subsidised kindergarten addresses this gap to some extent [29].

Another feature of Norway's system is the significant role played by local government in delivering and regulating kindergartens. There has been considerable growth in private kindergartens (non-municipal) since 2005, however the private kindergartens are covered by the same national and municipal legislation as publicly provided kindergartens [30].

7.2 Development of key features

Norway provides an interesting example of an ECEC system that has established financing mechanisms to provide low-cost ECEC within a sector with a high proportion of private providers. Traditionally, there has been a significant role for private providers in Norway and, even with the expansion of public investment in the 1990s and 2000s, there remains approximately a fifty-fifty split between public and private ownership. This means there is a substantial amount of public funding going to private institutions [31]. Although there is considerable criticism of the extent of private provision within Norway, the government has implemented measures to mitigate some the key concerns of private ownership of ECEC centres. This includes the capping of parent fees.

7.2.1 Capped parent fees

From the 1980s onwards, Norway experienced pressure to expand daycare places. However, with a large proportion of services offered by private providers, places continued to be expensive through the 1990s. Around the time of the introduction of the childcare allowance (discussed below) parent fees were approximately NOK 3500 (AUS $560) per month. The high cost of care partly contributed to demands for a childcare allowance to subsidise informal parental or non-parental care [29]. It was with the introduction of capped parental fees and the universal entitlement (discussed above) that participation rates increased rapidly. The introduction of capped fees in 2004, followed by expansion of public funding by the left-centre government in 2005, improved affordability of child care and moved Norway closer to 'full coverage' for children 1 to 5 years. Much of the expansion of childcare places was in family childcare.

In 2003, the major parties came to an agreement on reform to introduce a maximum payment for daycare from May 2004. The goal of the agreement was to ensure equal economic treatment for public and private kindergartens, affordable prices for parents and full coverage of high quality kindergarten for all children whose parents wanted [30]. The reform prevented private kindergartens from setting parental fees at their own discretion [30].

Parents pay between 20-30% of running costs. The maximum fee was gradually reduced to NOK 2250 by 2006, or about AU $400 per month [29].

According to Statistics Norway the lowest average fee in 2010 was NOK 1,573 (AU $ 263) per month, and the maximum national fee for one child in public kindergartens was NOK 2,297 ($ 395) [28].

Additional fee subsidies are available according to the number of children attending kindergarten (30% and 50% for 2nd and 3rd child, respectively). A higher proportion is covered for lower income families. The universal entitlement can be taken up in mixed settings, including part-time and full-time kindergartens, family kindergartens and open kindergartens (where a parent or caregiver attends with the child).

7.2.2 Universal entitlement

The universal entitlement in Norway was introduced in 2008 by a Social Democratic-led coalition. Since 2009, all children aged 1 to 5 years have a legal right to kindergarten (the term used to identify the mix of ECEC settings for children below school age). The entitlement extends up till the end of August for children who turn one by 1 September.

The entitlement is independent of parents' labour market status and fees are means-tested based on income. Thus, the child is entitled to a place and parents pay fees according to their income, up to a cap determined by government.

It was not until the late 1980s that 'full coverage' of childcare services was a unified policy aim [29]. Prior to the establishment of the legal entitlement in 2008, Norway was a laggard among the Nordic countries, with approximately 31% of 1-year-olds and 50% of 2-year-olds in kindergarten. These are similar to 2011 figures of formal ECEC use in Australia, where approximately 36% of 1 year olds and 55% of 2 year olds attending formal services [22].

In Norway, only a few years after the introduction of the entitlement in 2011 these figures had increased to 71% and 89% for 1 and 2-year olds, respectively, and to over 95% for 3- to 5-year olds [32]. Driven by changes in ideological beliefs about mothers' employment by the government and public, the 'catch up' is attributed to positive feedback effects between rising provision and rising demand for child care [33].

7.2.3 Local financing and management

The financing of kindergartens is shared by central government, municipalities and parents. The municipalities are responsible for distribution and allocation of places.

As mentioned, services for children are integrated, in that children 1 to 5 years can attend centre-based kindergartens, family kindergartens or open kindergartens under the same funding and regulatory framework. Since 2011, state funding grants flow through the municipalities who provide operational funding to municipal and non-municipal providers [30]. Block grants are transferred to municipalities according to potential demand, based on the number of children aged three to five, and the number of children aged one and two who do not receive the cash-for-care benefit. There are additional earmarked grants for children who need additional resources [34].

Municipalities have the autonomy to set the proportion of fees paid by parents (between 20% and 30%), however, as mentioned; the amount is capped at the national level. In addition, municipalities have an obligation (since the 2009 reform) to offer childcare services to all families who want a space for their child [34]. Municipalities also act as the local authorities for kindergartens, and must approve kindergartens, provide guidance to them and ensure they are operating within the existing rules [34].

Changes to regulating quality in Norwegian kindergartens are discussed below.

7.3 Recent reforms and issues of policy debate

7.3.1 Quality reform

In addition to government commitment to offer full-coverage, the quality of services has also emerged as a key policy issue in Norway [34]. In 2006, a Framework Plan was implemented, giving kindergartens responsibility for developing individual plans. Municipalities are required to supervise the operation of public and private kindergartens [34].

In June of 2012, the Norwegian Ministry of Education and Research established new national regulations and curricula for kindergarten teacher education. Amongst other changes, the title "preschool teacher" is changed to "kindergarten teacher". This can be seen in the light of a political and a professional agreement that the kindergarten as such is an important arena for children aged 1-5 [28].

7.3.2 Private and for-profit provision

More than half of kindergarten services in Norway are privately owned but the structure of the market is different from Australia's. A substantial proportion (24%), of Norwegian kindergartens are owned parent co-ooperatives and 37% are owned by individuals. Company owned kindergartens constitute 10% of privately owned institution, religious organisations 8% and social pedagogical or voluntary organisations owned 5%. The remainder are owned by other organisational types [34].

For-profit provision is increasing in Norway and has emerged as a key debate in the kindergarten sector. In 1999-2000 there were discussions about imposing regulations to ensure that public funding was not contributing to private profits for kindergarten providers. In 2013, the government introduced new regulations under the Kindergarten Act intended to limit the profit private institutions can generate to 'a reasonable annual result'. However, the reform was not accepted by the opposition, and it remains an issue for potential reform in the future [34].

7.3.3 Cash-for-care benefit (home childcare allowance)

In addition to the universal entitlement, parents in Norway have the option to receive a cash-for-care benefit. The benefit was introduced in 1998, more than a decade before the universal entitlement to kindergarten. The benefit provides families an allowance to use toward parental or non-parental child care in their own home until the child is 3 years, as an alternative to formal care. The proportion of families taking up this option has decreased as availability of formal kindergarten services has increased [32]. Families are able to use part-time formal care and receive a partial home-care allowance; this pattern is most common amongst parents of younger children [33]. In 2012, the government discontinued the benefit for 2-year-olds and restructured the benefit for one-year-olds [34].

The introduction of the cash-for-childcare benefit in 1998 was controversial. The childcare benefit was introduced to allow parents with children under 3 years without access to a subsidised daycare place an allowance to pay for private care, whether by the parent, or private childminder/nanny in or outside the family home. A decade and a half later, following significant expansion of public subsidies for kindergarten, there continues to be policy debate about the cash-for-care benefit [29].

Much of the controversy relates to the consequences for gender equality, workforce participation, and a shift from professional to informal care. Critics of the allowance argue that it discourages women from returning to work and that the incentive to stay at home has especially negative consequences for mothers from low socioeconomic backgrounds. Studies show mixed findings about the impacts of the childcare allowance, indicating there may be a short-term negative impact on workforce participation, especially for women from low socioeconomic backgrounds, including immigrants.

However, when parental fees were capped and daycare centres became more affordable, the effect of the home childcare allowance disappeared, which leads to the conclusion that the negative effects were only experienced when there was poor provision of formal childcare [29].

Since the expansion of public subsidies for daycare, the government has gradually reduced the cash allowance, making it less attractive for parents. The falling take-up of the cash-for-care benefit is, arguably, linked to the increased


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8 High maternal workforce participation: Quebec

Key lessons from Quebec

- **Low-fee ECEC effective way to increase mothers' workforce participation**
- **Planning is necessary to ensure children from low-income neighbourhoods have access to high quality services**

Despite the propensity for Australian analysts and politicians to sing the praises of the 'Canadian' system of childcare, there is no national approach to ECEC provision in Canada and thus no Canadian 'system'.

Two federal funding mechanisms assist families with the costs of non-parental child are. These are: the Child Care Expense Deduction (CCED), which allows families to deduct up to $7,000 in childcare costs for each child under 6 years and Universal Child Care Benefit (UCCB) which provides a cash benefit of $100 per month for each child under 6 years. UCCB is a broad general-related benefit, not linked to childcare usage in any way.

Changes introduced in 2015 will increase the benefit to $160 per month for children up to 6 years old and add a lower amount ($60 per month) for children aged 6-17 for whom no subsidy is currently available.

Canada spends less on ECEC than just about every other country in the OECD; at the national level its record is dire. The federal government transfers block funds to the provinces but these funds are not ring-fenced for ECEC. Each province has its own history, its own policy debates and its own programs. Interesting experiments and initiatives are underway in several provinces including Manitoba and Prince Edward Island.

When Australian commentators praise 'Canadian' childcare policy and 'Canadian' women's labour force participation, it is likely that, knowingly or not, they are referring to Quebec. Far from being representative of Canada, however, Quebec is the only province that provides universal low-cost services to all children under school age [35]. The province is 'unique' in the number of 'regulated, fixed-fee, reduced-contribution child care places' [36].

Quebec stands out for its European-style child care policy - heavily influenced by French social policy traditions. The overhaul of its ECEC financing model undertaken in 1997 attracted international interest.

Quebec offers universal, low-cost ECEC to children from birth to school age, and there is strong evidence that is has had a significant impact on mothers' labour force participation.

8.1 Key features of Quebec's system

FULL-TIME ENTITLEMENT WITH CAPPED FEES

- Capped fees ($7/day)
- Mixed settings
- Integrated care and education
- Public and private providers
- Supply side funding

ALTERNATIVE FUNDING OPTION

- Tax deduction for children that do not attend publicly funded services

Services are administered by public Centres des petites Enfant, which provide public centre-based services and act as the hub for home-based carers and other centre-based providers. Parents pay $7.30 per day for ECEC, regardless of the setting [37]. Services are subsidised according to a formula that takes into account the type of setting, occupancy and ages of children [38]. ECEC in Quebec is affordable for all families, and parents on social assistance who are not in the labour force can access 23.5 hours per week at no cost.

However, not even Quebec represents ECEC nirvana: there are concerns about the quality of services and children from low-income families are still the least likely to participate in ECEC. When they do attend, they are more likely to take part in lower-quality services, including home-based and for-profit centre based services [37].

8.2 Quebec's $5 per day initiative

The Quebec reforms eliminated demand-side funding (largely used in the rest of Canada) and introduced a universal supply-side funded system using the existing mix of providers. It offered some incentives for home-based providers and private for-profit services to restructure into not-for-profit centres. Between 1997 and 2011, the proportion of children aged 0 to 4 years attending regulated daycare increased from 18% to 53% (compared with a participation rate of about 20% amongst 0-4 year olds in the rest of Canada) [39]. Participation is split across daycare centres (38%) (Centre de la Petite Enfance, or CPE), home daycare providers (43%), and other subsidised daycare services (19%) [39].

When introduced in 1997, the fee was a flat $5 per day. This was increased to $7 per day in 2004 (with $5 the fee for a half-day). Quebec's experience suggests that the costs of investing in universal low-fee ECEC services may be outweighed by the benefits generated through increased in tax revenue from mothers' workforce participation. However, there are also some cautionary tales from Quebec that cannot be ignored. These include the impact on the quality of ECEC services [37].

Policy makers in Quebec have recently begun to discuss increasing parent fees on a sliding

scale up to $20 per day for high earning families. Not unexpectedly, the announcement has been controversial [40]. However, some observers regard the increase as necessary for the sustainability of the program. When the policy was introduced in 1997, the $5 per day parent fees covered 20% of the cost of delivery; in 2014 the $7 parent fee only covered 13% of the cost [41].

8.3 Maternal labour force participation

Numerous studies have investigated the impact of Quebec's flat-rate, low-fee system on the rate of women's workforce participation [39, 42-44]. The participation rate of women with children less than 6 years increased from 63.1% to 74.3% between 1996 and 2008 (Fortin, Godbout and St-Cerny [39]. This compared to an increase from 65.3% to 70.9% in across all of Canada. Thus, mother's labour force participation was lower in Quebec than the rest of Canada in 1996, and higher by 2008. The program had a significant and positive impact on the poverty rate among single mothers with preschool aged children. Over this period, the relative poverty rate of single-mother families decreased from 35% to 22%, and their median after-tax income increased by 81% [39]. The additional 70,000 mothers in employment are estimated to have increased Quebec's GDP by approximately $5 billion, or 1.7% [39].

Taking a slightly longer view, Fortin and his colleagues (2012) show that the labour force participation rate of women aged 15–64 in Quebec increased from 63% in 1996 to 75% in 2011. Though the participation rate of women in this age group increased in other provinces as well, the pace in Quebec was faster than the national average. The 6-point participation rate gap that existed between women in Quebec and those in other parts of Canada in 1996 had closed completely by 2011. Indeed, Quebec women's rate of participation was 3.4 percentage points higher than that of women in the rest of Canada.

To illustrate the significance of this increase, it is worth noting that the Productivity Commission anticipated that its reforms, if implemented, would raise labour supply by about 0.4 per cent.

8.4 Impacts on children

Despite the positive impacts on labour force participation, concerns have been raised about the quality of childcare in Canada and the consequences of this rapid shift. Initial evaluations of the policy suggested numerous negative outcomes in terms of children's health and developmental outcomes [44]. Critics of this research pointed to important flaws in its design, for example the study examined the impact of access to childcare, rather than usage [45]. Subsequent research, however, appears to confirm at least some of the initial concerns, suggesting significant declines in 'child, parent, and family outcomes' [46].

Two large-scale studies have suggested the quality overall is minimal and that the system, overall, 'has not attained the general level of quality needed to have a larger impact on the social, emotional and cognitive development of all children'. Quality varies, with non-profit services offering higher quality services than for-profits [36].

9 Individualisation and workforce participation: France

Key lessons from France

- **Potential trade-off between flexible, 24-hours care and quality provision**
- **Benefits of integrating services for 3- and 4-year olds within education system**
- **Childcare allowances can be an effective supplementary ECEC option, however adequate funding for formal ECEC services still necessary to meet parents' demand for high quality services.**
- **Childcare allowances that can be used for parental or non-parental care have consequences for inequality – where non-parental care is usually unaffordable for lower-income families, leading to a disincentive to return to work for low-paid mothers.**

France is regarded as a high performer in ECEC and is often noted for its high rates of ECEC participation. France's system of support for children under three years is characterised by a mix of funding arrangements that differ across various ECEC settings. Reforms introduced from the mid-1980s through to the 2000s shifted the balance of provision from collective crèches to individualised arrangements, including childminders and nannies.

France's ECEC system consists of a mix of public services and funding to assist with the costs of private services. Each component was established in a different political context, resulting in numerous critiques and public debates.

Écoles maternelles for children three to six years old, were established in the 19th century. Regarded as a French institution, they are largely separate from debates about and reforms to other early childhood education and care services.

Crèches (called 'collective services') are the most common centre-based setting for children under three years. These have provided means-tested, and relatively low fee provision since the 1970s. Crèches have, however, experienced recent restructuring as demands for affordable, flexible and non-standard hours collective services increased in the 2000s.

Other key components of France's ECEC system are **cash benefits** and assistance through tax deductions for parental and non-parental home-based (or individualised services), including for **private childminders and nannies.** These components have been the centre of various debates and reform since they were initially established in the late 1980s.

9.1 Key features of France's ECEC system

- **Écoles maternelles attended by almost 100% of 3-6 year olds (free)**
- **Crèches open at a low-fee for children below 3 years**
- **Home-based care options (family day care and nannies) alternative option for 0 to 3 year olds**
- **Parents offered a generous parental leave scheme for children up to 3 years**
- **Tax deductions available for families to use family day care or nannies if they choose not to extend parental leave**

9.2 Development of key features

9.2.1 Écoles maternelles

France has a long tradition of providing écoles maternelles (nursery school or preschool). This French institution was established in 1881, and offers free early education to children aged three to six years. Offered on either a full-time or part-time basis, it is integrated into the school system under the national Ministry of Education, with the teachers qualified to the same level as school teachers and employed as public servants [47]. In 2014, écoles maternelles were used by over 95% three- to six-year-olds, and approximately 44% of two-year-olds, many of whom attend part-time [48].

The number of very young children participating in écoles maternelles has decreased since 2000 [49]. Children who attend école maternelle part-time may also use additional child care arrangements, such as licensed childminders or nannies [47]. This system of public early education is quite separate from child care services for children below three years.

9.2.2 Crēches and childcare centres (EAJE)

Crèches are the main form of centre-based ECEC for French children under three-years of age. Public funding for crèches expanded in the 1970s in response to demand for more child care options for (most) professional women returning to work after having children. National and local governments, and also employers, took responsibility for expanding childcare services, including crèches [49]. Crèches are usually open for 11 hours per day.

Following the rapid expansion of funding for individual and home-based options (discussed below) some pressure for increased collective child care options, and the government increased spending on crèches between 2003 and 2007 [50]. This has led to the expansion and diversification of options for flexible care through early childhood care centres (EAJE*).

EAJEs are designed as multi-purpose childcare centres, where a mix of services are based, including crèches, rooms for childminders, and jardins d'enfants (short term or drop in centres) and crèches parentales (where parents are involved in management and provision). Approximately 75% of crèches are based in such centres [47].

In 2012, approximately 18% of children under three years attended crèches as either their main or supplementary child care arrangement. Children from families in the highest quintile are more likely (16%) to attend crèches than those in the lowest quintile (4%).

This is compared with individualised options, discussed next.

* *Establissements d'accueil du jeune enfants* (Previously called multi-accueil or 'multi-centres')

9.2.3 Individualised care (childminders and other home care)

The current funding scheme that supports individualised child care arrangements is called PAJE*. This allowance promotes individualised care in the child's home by a registered childminder. PAJE was introduced in 2004 and replaced three previous allowances [51]:

At the time of its introduction, there were two components: a basic cash allowance provided up to the child's third birthday, designed as a "financial supplement for child care" until the child is six years; and a supplemental allowance aimed at 'enabling freedom of choice' for parents who want to reduce their working hours or stop working entirely up to their child's third birthday.

In 2006, an additional component, the free choice supplement, was introduced for parents with three or more children. The supplement varies by status and remuneration of the childminder, the child's age and the household income, and can be between €162 and €378 per month for a household with one child under the age of three [48].

Overall, throughout the latter half of the 1990s and early 2000s, the proportion of public funding spent on supporting individual forms of care (childminders and nannies) increased, while spending on crèches and other group services decreased.

The number of families receiving the childcare allowance associated with a registered childminder increased from 110,000 in 1991 to 663,000 in 2008 [Cited in 49]. Childminders, therefore, are the primary means by which government has addressed the child care shortage in the 1980s and 1990s. For parents who work full-time childminders are the primary form of care arrangement for under threes, with 37% being looked after by childminders (compared with 18% in crèches) [47].

This equates to approximately two-thirds of children under three years who are cared for in a licensed care setting [48].

Childminders in France are supervised by the Protection Maternelle et Infantile, which is responsible for the health care of children under six years old and plays a supervisory role for all public and private child care provisions. Childminders are required to register with local authorities, which then allows parents to receive the childcare allowance [50].

9.3 Controversies and debates

9.3.1 Cash benefits for extended parental leave

Government funding for child care shifted dramatically from collective, centre-based arrangements in the 1970s and 1980s toward individualised payments that support different forms of home-based parental and non-parental care. The expansion of individualised funding was promoted as supporting 'choice' about whether and how much mothers worked. However, cash benefits and extended parental leave have been subject to sustained criticism because of their impacts on mothers and children from low-socioeconomic backgrounds.

First, the promotion of individualised arrangements undermined previous efforts to develop centre-based, professional child care in many areas [51]. Related to this, in socioeconomically disadvantaged areas, mothers have been encouraged to become childminders, which is much less expensive for government than creating spaces in crèches and also creates employment opportunities for the women providing care [47].

* *Prestation d'accueil du jeune enfant* (literally translated as 'premium for the birth of the provision of services for young children').

A second controversy relates to the negative impacts of parental cash payments on mothers' workforce participation. Such payments creative a disincentive, especially for low-income women, to return to work.

In 2009, there was a suggestion that parental leave would be reduced from 3 years to 1 year because of the detrimental effects of extended leave on women's employment [50]. This did not occur. Instead, the government has sought ways to create low-cost options for formal non-parental care. Some of these are discussed below.

9.3.2 Reduction of quality in childcare centres

The recent concerns about a lack of spaces available for children under 3 years have led to pressure for more group childcare spaces (crèches and childcare centres). The French government has committed to creating an additional 275,000 places for children under 3 years by 2017. The places will be distributed across crèches, individual care (home-based) and écoles maternelles. This commitment also aims to address some of the regional inequalities, by prioritising resources to the poorest areas [48].

However, in 2009, the government introduced support for a new type of collective arrangement called jardins d'evieil, to address demand for places for 2- and 3-year olds. This type of care has been criticized on both cost and quality grounds. First, there are fewer places now than previously for 2-year-olds in écoles maternelles (free to parents), shifting the financial burden from the Ministry of Education to parents. The percentage of children aged 2 and 3 who attend écoles maternelles decreased from 37% in 2000 to 6.2% in 2009. Second, the quality of care provided in the jardins d'evieil is lower than crèches, with ratios of 12:1 compared to 8:1, respectively [49].

The jardins d'evieil were introduced around the same time as other changes that undermine quality regulations for crèches and childminders. In 2010, new legislation was passed that decreased from 50% to 40% the minimum proportion of staff in crèches and EAJEs (childcare centres) that are required to hold qualifications.

Also, in 2011, in light of the fact that many children do not attend crèches everyday, the government increased the number of children that can be accepted into childcare centres, which means that there may be more than the maximum number of children allowed in crèches.

Finally, the number of children childminders are allowed to care for increased from three to four [49].

The recent changes are attributed to a shift in focus towards a workforce participation rationale, rather than providing quality ECEC to enhance children's development and wellbeing [47, 49, 51-53].

France's support for care for children below school age has changed significantly since the 1980s. While France is often applauded for its longstanding commitment to free early education for three-year-olds through écoles maternelles, several features of France's ECEC system are matters of concern.

In particular, the shift from group services, such crèches (or day care centres) toward a more individualised system of cash payments and tax measures has raised issues about equity and quality of service provision. As in other countries, payments to support parental care have had negative consequences for low-income mothers, discouraging them from returning to work [50].

Individualised care allowances and subsidies (for parental and non-parental care alike) have been resisted recently, with corresponding calls for more affordable and flexible group care options for two- and three-year-olds. However, the increased funding for group care arrangements has been accompanied by changes to legislation that reduce the quality of care provided, through the reduction in qualifications and the increase in ratios of children to care workers [49].

Initiatives to improve female workforce participation rates through the provision of greater access to childcare services are undoubtedly commendable in their own right. However, an expansion of access must not be associated with an unacceptable decline in the quality of service provision, particularly with regards to the educational value contained within these services. The consequences of the reforms in France, as in other countries considered throughout this report, are not likely to be felt for many years.

While this report has primarily considered overseas initiatives which enhance public access to ECEC, policy makers seeking to expand access for Australian families should nevertheless be highly mindful of the need to maintain quality while expanding access.

A number of options worthy of further consideration are contained in the next section of this report.

10 Giant steps

This brief survey of ECEC policy developments in five countries suggests a number of ideas that could be considered in the context of Australia's stalled ECEC policy debate.

It also raises some red flags about the potential emphasis on labour force participation as the primary rationale for ECEC, especially when accompanied by a shift from service provision to cash in hand.

This is not an exhaustive survey of developments in ECEC policy, nor does it cover every aspect of service delivery. The focus is on access, provision and fees, rather than quality and educational standards.

Its purpose is to contribute new ideas beyond the restraints imposed by the terms of reference of the Productivity Commission inquiry (especially the requirement to stay within current funding parameters). The Commission itself clearly chafed against that restraint, suggesting to government that it re-allocate funds from Paid Parental Leave to childcare.

In the spirit of a more open approach to reform of early childhood education and care, we suggest the following ideas for consideration:

1. Seamless transitions from parental leave to early care and learning

One of the most important elements in a comprehensive family policy is the provision of a seamless transition from parental leave to a guaranteed childcare place.

The availability of such an option does not mean that children must be enrolled in childcare as soon as their parents return to work; parents may wish to explore other options such as sharing the care between themselves or with another family or working reduced hours. Nor does it mean that the place must be free. It simply means that parents can be assured that an affordable, accessible, high quality place is available for their children, even if their transition (back) to paid employment is a gradual one.

The option of a subsidised, high quality childcare place when parents are return to return to work is an essential component of a family policy that genuinely seeks to maximise choice and flexibility for parents.

Of the countries we have explored in this analysis, Norway is the only one that offers such an option as an entitlement. Many other countries outside the scope of our analysis do so, however, for example Sweden, Germany, Denmark and Finland.

UK policy is, arguably, moving in that direction, providing limited free hours for older pre-school aged children and progressively increasing this entitlement to younger age groups of children.

While the Federal Government is yet to release its holistic approach to childcare and parental relief, this paper suggests that the seamless programs being pursued in both Norway and the UK should be closely considered.

2. Entitlements and targets

Entitlement to some free hours of provision is a feature of a growing number of ECEC systems around the world.

Our paper has illustrated how such hours are organised in England and New Zealand. England

provides 15 hours per week free ECEC to all three- and four-year-olds (and some two-year-olds) – a development that has been embraced by both Conservative and Labour politicians. This contrasts with Australia where, to date, neither side of politics has embraced free provision for the early years as a political principle. Some State governments provide free preschool but – with occasional exceptions – free preschool has not generally not been an electoral issue at either the State or Commonwealth level since the Whitlam years.

New Zealand provides twenty hours of free ECEC for all children aged 3- and 4-years regardless of parental income. The free entitlement can be taken in a range of settings – including both centre-based and home-based options. It has had a very positive impact on the use of formal services. There are, however, lessons that can be learned from New Zealand's experience.

Entitlements are focused on the child's right to participate in ECEC, regardless of parental workforce participation and are in line with the UN Convention on the Rights of the Child. Currently, Australian policy permits children of non-workforce participants to access subsidies to attend approved care for up to 24 hours, effectively two days, per week. This has been halved to 12 hours per week in the 2015 budget, which will result in access to only one day of subsidised ECEC for many children in low-income families.

The Australian Government's initiative goes against the international trend to provide free or low cost part-time ECEC for all children in the year or two before formal schooling. State government funded preschool is an option for some parents who work limited hours, but it is rarely adequate to enable workforce participation beyond a minimum.

There are lessons to be drawn from the UK and New Zealand experience. In particular, unless the subsidy for 'free' hours is adequate, the cost of hours beyond the free threshold may be very high, as providers seek to recoup real or perceived losses. This can result in perverse consequences such as parents limiting their work hours to coincide with the free hours.

Another potential consequence is that providers may charge very high fees for hours beyond the free threshold or for children too young to access any free entitlement.

Unless governments are both fair in their subsidies and vigilant in observing provider behaviour, fees may be 'loaded' in order to cross-subsidise the provision of the free entitlement.

3. Capped fees

The system of capped fees introduced by several governments is also relevant to Australian debate, especially in light of the evidence given to the Productivity Commission about the impact of high fees on women's labour force participation.

In two of the examples discussed here – Norway and Quebec – capped fees have been introduced in contexts where private, for-profit providers provide a high proportion of services.

In Norway, fees have been capped by law since 2004, with the aim of keeping childcare affordable for parents at all income levels. Capped fees have increased demand for services and this has been followed by increased public investment to make spaces available for all children under school age whose families wish to access them. The introduction of capped fees was the first step in developing a system of universal provision in Norway.

The implementation of low-cost flat-rate parent fees in Quebec has had a significant and positive, even dramatic, impact on women's workforce participation and it often referred to in Australian debates. However, there is widespread concern that the quality of ECEC in Quebec is not consistent across settings (centre-based versus home-based) and across regions (high versus low-income neighbourhoods) and that the workforce participation of mothers has come at the cost of quality provision for children and decent employment standards and pay for educators.

The rapid expansion of low-cost ECEC is complex and there is undoubtedly a trade-off, at least in the short-term, between access and quality.

4. Planned provision

Entitlements or 'aspirations' (such as the COAG aspiration that every child should have access to 15 hours preschool per week for at least one year before school) are ineffective, even meaningless, if services are not available and/or accessible.

Governments need to assume some responsibility for planning and co-ordinating services. No country that is primarily reliant on the market to deliver services has an equitable, affordable, quality ECEC system.

Thus, while this report supports the view that an entitlement to an affordable place should be considered necessary, it will insufficient unless places are actually there.

Strategies that consider the impact local planning, transport, and cultural sensitivities are all essential to making such entitlements 'real'.

5. Services, not subsidies

This report suggests that the focus of ECEC policy needs to be on the provision of education services, not simply cash payments to parents.

A number of European governments have experimented with 'cash for care' schemes that cut in after the end of maternity and/or parental leave. Such schemes can have a variety of policy goals ranging from encouraging women's withdrawal from paid employment for ideological/cultural reasons, to reducing demand for publicly subsidised childcare. In some cases, cash is provided on condition that parents do not access publicly funded ECEC.

The general experience with cash for care payments in Europe – illustrated here with reference to Norway – is, not surprisingly, that they are most likely to be taken up by women from low socioeconomic backgrounds who have few skills and limited employment opportunities. They are often accessed by low-income immigrant families, with the result that children do not have opportunities to mix with peers and to learn the local language before commencing school.

This has three potential negative consequences: (i) it provides a disincentive for low-income mothers to return to work, thus compromising future employability; (ii) it means that children living in families with a low-socioeconomic background are less likely to attend formal ECEC and (iii) it can mean that a high proportion of children from poor families, including immigrant and refugees, start school at a disadvantage.

This report suggests that the focus of ECEC policy needs to be on the provision of services, not simply cash payments to parents. Given the significant budget challenges facing governments at present, ensuring that taxpayer funding is appropriately directed towards quality service provision is essential.

11 Concluding Remarks

This paper does not seek to provide government with a pre-packaged solution to ECEC. Rather it provides a solid comparative study of the various policy options being considered abroad. Where possible, the paper has sought to provide the lessons that can be learnt from these policies, while also highlighting the successes and challenges associated with each.

Australia's female participation rate lags well behind that of other comparable countries. Improved access to affordable childcare would go a long way towards addressing that issue.

Nevertheless, there has been a major shift from viewing early childhood education and care simply as childminding services, to viewing them as early childhood education services.

While this report has not been predominantly focussed on the issue of quality, it should be acknowledged that some policies pursued in other countries to expand access have come at a notable cost in the quality of those services. As such, it is appropriate that policy makers consider both factors when developing an appropriate policy strategy for Australia.

Australia differs from other countries in that our targets for childcare access remain largely aspirational, rather than set in legislation. There is no entitlement for a child to receive quality early childhood education. Such entitlements could be considered only after there has been a substantial improvement in the supply of childcare facilities.

It is important that accessibility not be viewed simply through the lens of workforce participation. The Productivity Commission's recommendations would exclude large numbers of children and families that currently receive support. This goes against the international trend of providing early childhood education services to all families, regardless of employment status. Such a trend has developed in recognition of the fact that early childhood education is likely to result in substantial benefits for the child and the economy many years into the future.

As such, Australia's childcare policy should, where possible, seek to be as inclusive as possible.

Affordability also remains a crucial consideration in the development of childcare policy. Other countries have imposed caps and restrictions to help ensure that childcare costs remain reasonable for most incomes. While strategies should be put in place to ensure that affordability is tackled, policymakers should be mindful not to pursue a Quebec style model which ensures high levels of affordability but at highly questionable levels of quality.

Such outcomes are made even more likely when a childcare model is centred on cash payments rather than payments for services, particularly if that cash is directed to services that are provided outside of a formal ECEC setting. There has been recent consideration recently of au pairs and other options outside of Australia's hard won National Quality Framework. There are substantial warning signs that can be found with pursuing such policies abroad, even if there is a perceived attempt to ensure that such options include a similar degree of educational focus.

Where possible, government should ensure that taxpayer money is directly focussed on delivering high quality services, at a reasonable price, and in a way that is accessible to as many households as possible.

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