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Submission to NSW Independent Pricing and Regulatory Tribunal review
of early childhood education and care (ECEC)

May 2023

SDN Children's Services
www.sdn.org.au

Recommendations

Recommendation one: that early childhood education and care in NSW be positioned as part of a rights-based system supporting child wellbeing.

Recommendation two: that the early childhood education and care system in NSW be viewed as critical social infrastructure that offers options for families and communities to raise their children to experience wellbeing now and in their future.

Recommendation three: that the National Quality Framework be supported and that current standards that are directly correlated with quality, such as teacher requirements and ratios, be retained in NSW.

Recommendation four: ensure that price mechanisms do not incentivise providers to operate services at minimum standards only, and do incentivise investment in continuous improvement and high quality.

Recommendation five: collect data on supply based on child's age, days of the week and quality ratings as well as location.

Recommendation six: that investment be made to enable providers with a track record of high quality ECEC provision to operate viably in disadvantaged areas.

Recommendation seven: not-for-profit/ government partnerships to improve supply where there are thin or failed markets by giving access to capital and a direct to provider funding model to sustain services in these areas.

Recommendation eight: ensure price benchmarking does not further entrench low wages and poor conditions in the sector.

Recommendation nine: ensure that price mechanisms do not act as a disincentive to providers to include and support children and families with complex needs.

1. Introduction

SDN Children's Services (SDN) is a not-for-profit organisation that has been delivering early childhood education and child care, therapies for children and young people, and family support services since 1905.

Economic opportunities for women were the foundation of SDN. SDN was formed by a group of women from Sydney's affluent inner-Suburbs who recognised the need among working mothers, who found themselves the sole breadwinners for their family, for safe and reliable childcare. They also recognised the need to prevent older girls from having to drop out of school to care for their younger siblings; and the need for learning and development opportunities for the children.

SDN developed the first childcare centre (nursery) in NSW and was the first to integrate childcare and early childhood education in the state.

Our contemporary purpose is to promote and enhance children's wellbeing, learning and development in inclusive environments; recognising that children's wellbeing is dependent on the wellbeing of the family, and capacity to provide for and raise their children in safe and supportive ways.

SDN provides services in greater Sydney, regional NSW and the ACT. We operate 25 early childhood education and care (ECEC) services in NSW – 22 long day care centres and three stand-alone preschools including our autism-specific preschool SDN Beranga located at Rooty Hill.

We are also a registered NDIS provider offering therapies for children and young people across Sydney, and we deliver NSW and Federal government funded family support programs including Family Preservation and supported playgroups.

We operate an integrated model of service delivery using our Pathways Approach that brings together our expertise in mainstream and specialised service delivery. In all, around 5,000 children, families and other service providers benefit from SDN's work each year.

More information about SDN is available at: www.sdn.org.au

2. Children's wellbeing as the objective

The Australian Human Rights Commission believes that the best way to ensure respect for and commitment to the healthy development of all children in Australia is through a rights-based approach. These rights include the right to live a full life, to be safe and healthy, to have a good enough standard of living, to an education, to participate, to have their cultural identity respected and their voices heard; and the right to relax and play.

These concepts can be captured under the umbrella term 'wellbeing'.

SDN has adopted and adapted the evidence-based framework for children's wellbeing developed by the Australian Research Alliance for Children and Youth (ARACY)¹ that puts children at the centre of the core objective of our work, including our early childhood education and care.

¹ <https://www.aracy.org.au/documents/item/700>



Recommendation one: that early childhood education and care in NSW be positioned as part of a rights-based system supporting child wellbeing.

3. Early childhood education and care as social infrastructure

With children’s wellbeing as the core objective, SDN views early childhood education and care as critical *social infrastructure*². This social infrastructure should offer options for families and communities to raise their children to experience wellbeing now and in their future.

As social infrastructure, quality early childhood education and care partners with families and communities to raise children together, including their socialisation³ and education⁴. Different family contexts will demand different levels of engagement with the sector. The value that the early childhood education and care sector can offer a child and their family is dependent on what support and resources the family needs so that they can be the best supportive family they can be to raise their children well.

Family needs generally fall into three categories:

- the family needs for their own wellbeing, as individual family members and as a group as this has the biggest influence on their children’s wellbeing,
- the skills the family has, and what they need from a service system to enable their children’s learning and development; and
- their capacity to provide for their children’s basic needs.

Evidence indicates that children in those families with the least capacity within the family in these three areas benefit most from quality early childhood education and care⁵.

A social infrastructure approach makes redundant the false, but deeply ingrained and unhelpful, education/ workforce participation dichotomy.

² Social infrastructure is comprised of the facilities, spaces, services and networks that support the quality of life and wellbeing of our communities². Social infrastructure supports people’s daily lives and has a significant influence on their standard of living. Australian Infrastructure Audit, 2019.

³ Ongoing process of learning expected behaviour, values norms and social skills

⁴ Imparting of knowledge, skills and judgement

⁵ AIHW (2015). Literature review of the impact of early childhood education and care on learning and development working paper.

Recommendation two: that the early childhood education and care system in NSW be viewed as critical social infrastructure that offers options for families and communities to raise their children to experience wellbeing now and in their future.

4. Quality for all

Early childhood education and care as critical social infrastructure can only be effective if it can deliver the outcomes that are part of the social contract. If children’s wellbeing, as defined earlier, is the core outcome then families and communities must be able to rely on the sector to implement evidence-based inputs that are designed to achieve that outcome.

The Australian National Quality Framework provides the evidence-based framework that, if implemented and regulated consistently, helps to make the sector reliable for children, families and communities.

There is no doubt that delivering high quality costs more than poor quality at the time of delivery. However, poor quality, low cost services for children that do not promote the wellbeing of children are harmful for children costing the community significantly later in the child’s life.

The contributors to high quality are:

Early childhood teachers	The higher the qualification, the greater the experience, the more there are in a centre, and the more direct teaching they engage in, the higher the quality.
Well prepared educators	The higher the quality training, the higher the quality of service provision.
Programming and reflection time	Teaching is a profession that requires critical reflection, planning and evaluation away from children.
Time to engage with families	ECEC is a partnership with families and community. When teachers and educators have time to engage with families and community, the quality of the service increases.
Paid time for professional learning	Teaching and educating is a profession, not a technical job. Ongoing professional learning is required to maintain currency, reduce professional isolation and to manage risk.
Professional support	Professional supervision, and compliance and quality improvement support correlates with higher quality.
Diversity and inclusion	High quality requires that children and families from diverse backgrounds and with diverse needs have access and are fully included. Inclusive practices lift quality for everyone.
Fit for purpose environments	Physical environments that facilitate learning, create a sense of belonging, that are safe and environmentally responsible are essential.

Recommendation three: that National Quality Framework be supported and that current standards that are directly correlated with quality, such as teacher requirements and ratios, be retained in NSW.

Recommendation four: ensure that price mechanisms do not incentivise providers to operate services at minimum standards only, and do incentivise investment in continuous improvement and high quality.

5. Demand and supply of services

Quality early childhood education and care as social infrastructure is currently not available for all children to use. There are location, age-specific places and quality gaps.

The supply data is unreliable and not sufficiently granular. In addition, it is outdated given the increase in hybrid working that is changing the choices families are making about required days and the location of the service they want (near to home or near to work).

General vacancy data does not reflect the more complex picture and will not reflect the impact that NSW Government funded free or near-free services for children in the two years before school will have on the long day care segment.

5.1 Supply by age group

Waiting lists can be long for infants and toddlers but often non-existent for preschoolers. Viable business models that control costs for families typically have more places for older children (1:10 ratios in NSW) and less for younger children (1:4 and 1:5 ratios). Places for infants and toddlers are generally loss leaders due to the adult:child ratio and group size requirements to deliver quality. Therefore this can mean less infant and toddler places in the market than preschooler places.

5.2 Supply by day of the week

Mondays and Fridays, particularly in the greater Sydney area, are hard to fill. This is impacting viability.

SDN's portfolio, for example, has Mondays and Fridays with a 10 percentage point lower occupancy than Tuesdays, Wednesdays and Thursdays. Mondays and Fridays have always had lower occupancy in the sector. This has been driven primarily by women working part-time in the middle of the week. This trend has become more entrenched since the COVID-19 pandemic with hybrid working where families are combining childcare with working from home or choosing short-hours community preschool for their preschoolers and managing drop-off and pick-up with working from home.

It is yet to be seen how changes to the Child Care Subsidy from July 2023 will impact occupancy.

5.3 Supply by location

Factors influencing family choices are changing and currently unpredictable. Three key factors are:

- Hybrid working influencing decisions about having ECEC for their children near home or near work. Some families are splitting their children's week across two services- one near home and one near work.
- State funded free or near free community preschool influencing decisions to maximise financial benefit leading to children being enrolled in two or three different services in a week.

In Australia, children living in the most disadvantaged areas are more likely to be offered the lowest quality, low cost services. These services offer a low price but also low value to children, families and communities. The sector needs investment to enable providers with a track record of high quality provision to operate viably in those areas.

The market driven approach that is dependent on access to capital that can generate a reasonable return on investment has led to thin markets, and concentrations in highly populated areas. The market approach has not delivered sufficient high quality services in remote, highly disadvantaged and some regional areas due to the higher cost of supporting the children and families and of recruiting and retaining staff. There is little or no financial return on investment and providers are unable to sustain ongoing losses.

Increasingly services need to be large to support fixed costs and overheads. Services less than 60 places are challenging to make viable. Smaller regional towns and remote areas cannot fill a service of this size to make it viable.

SDN believes that the not-for-profit part of the sector is well-placed to partner with governments to improve supply where there are thin or failed markets. This will require access to capital and a direct to provider funding model to sustain services in these areas, which are often where the most disadvantaged children live.

Recommendation five: collect data on supply based on child's age, days of the week and quality ratings as well as location.

Recommendation six: that investment be made to enable providers with a track record of high quality ECEC provision to operate viably in disadvantaged areas.

Recommendation seven: not-for-profit/ government partnerships to improve supply where there are thin or failed markets by giving access to capital and a direct to provider funding model to sustain services in these areas.

6. Growth decision-making

As a not-for-profit SDN makes the decision to establish or expand an early childhood service based on the value that can be created and shared between the children (in terms of capacity to deliver high quality and social impact), the families (as consumers: capacity and willingness to pay any out of pocket costs), property owners (willingness to negotiate on rent and lease conditions), workforce (willingness to 'sell' their time and skills for the pay, conditions and location being offered); and the organisation (the profit required to maintain a strong balance sheet, to be sustainable over time and be able to re-invest in value creation).

Providers with service portfolios tend to balance the portfolio with profit-making and non-profit-making services. In locations where there is high willingness to pay combined with higher capacity to pay a provider is likely to charge a higher fee. In a balanced portfolio these locations are required to offset low or no profit margins in locations where there is lower capacity to pay.

More than ever, proximity to workforce is essential. A service cannot operate without the required workforce as per the Regulations. The workforce shortage has become the highest risk to be considered in growth decision-making.

7. Workforce

Quality early childhood education and care relies on qualified and skilled teachers and educators. However, the sector has been experiencing a growing workforce shortage that has been exacerbated by the COVID-19 pandemic.

The current workforce shortages reflect low wages, a lack of respect for the profession (often represented as just babysitting to allow other, more highly paid women to return to work), better pay and conditions in the school sector, and tertiary courses more focused on school-aged children. In addition, there is a scarcity of a qualified workforce in some regional areas, in remote

areas and in cities where cost of accommodation is too high (eg. Sydney and Melbourne). Any actions to increase accessibility of early childhood services for children and families needs to include a solid plan to:

- increase the number of teachers and educators in line with the expected increase in demand
- increase pay across the sector
- improve conditions to ensure sufficient time to plan for and evaluate programs and children's learning, to engage in partnership with families and community, and to participate in regular professional learning.

Recommendation eight: ensure price benchmarking does not further entrench low wages and poor conditions in the sector.

8. Cost of high quality delivery

8.1 Employee costs

Employee costs are by far the most challenging costs for providers.

High quality early childhood education and care requires a qualified, well-trained, professional workforce. To deliver high quality, employee costs should be the highest cost to the provider as percentage of revenue.

Across a balanced portfolio of profitable and non-profitable individual centre employee costs as a percentage of revenue can vary between 55%- 78%. SDN suggests that a consolidated portfolio employee to revenue percentage greater than 70% would make a portfolio unviable for the long term unless property costs, including maintenance and outgoings, are peppercorn or nil.

In the current employee market 5-10% above award wages has not retained staff in the city. Additional location-based allowances have been required to offset city commuting time and costs and to encourage employees to trade off family time for pay. These costs must be passed on to families through fees in order to sustain viability.

The growth of labour hire companies and the increased desire for flexible working conditions have reduced supply of a permanent workforce, thus increasing the cost of remaining open while also increasing the risk to children.

To maintain a viable employee costs to revenue ratio while paying above award wages and benefits and with reasonable professional development and support for career development, fees need to be above the current hourly long day care Child Care Subsidy cap.

8.2 Property costs

Early childhood education and care is a highly regulated sector. The physical environment must be fit for purpose, properly maintained and well-equipped.

The impact of property developers on the sector must not be underestimated. In many cases they are extracting a disproportionate amount of the value created by the sector. Property costs are a barrier to entry into new locations. Commercial rents have risen significantly, local governments are introducing commercial rent where previously peppercorn arrangements were made with not-for-profit providers as part of their support for social services.

As a not-for profit, access to capital for growth, particularly in areas of no interest to property developers, is a barrier. Properties owned by old not-for-profits are not fit for purpose and are very expensive to maintain. This requires a charge back of a reasonable occupancy charge in order to maintain properties.

8.3 Operating costs

Early childhood education and care has high inherent risks to children. Providers must invest continually to reduce and manage risk, to ensure they are child safe and comply with the NSW child safe standards.

Direct provision of early childhood education and care is physically and emotionally demanding. This is reflected in workers compensation premiums and the costs incurred in injury prevention, management and return to work.

Early childhood education and care awards and enterprise agreements are complex. This is reflected in the cost of resourcing required to ensure there is no wage theft by error.

Property maintenance and upgrades are an essential part of delivery. These costs have increased significantly in the last year.

8.4 Cost of high quality for children and families with complex needs

There is strong evidence that wrap around supports while children are enrolled in early childhood education and care gives the best opportunity to influence outcomes, especially for those with more complex needs.

There are additional costs incurred when providing wrap around and inclusive services for children and families with additional support needs. This either means a reduced profit margin for the provider, making the service/s unviable, or higher fees shared across all families. It is for this reason that some not-for-profit fees, who are more likely to cater for these cohorts, are higher than others if they are providing the additional value of wrap around services for cohorts of children and families with support needs.

For example, children with disabilities, developmental delay, awaiting diagnosis or under observation, Aboriginal children, refugee children and children at risk make up 12% of children enrolled in SDN centres. The cost of providing additional support, including the gap between the cost of additional educators and the inclusion subsidy, is shared between the fees of all families.

SDN estimates high quality provision for children with complex needs to ensure these cohorts can access and attend adds between 3.25%-5% cost.

Recommendation nine: ensure that price mechanisms do not act as a disincentive to providers to include and support children and families with complex needs.

Two SDN case studies describing wrap around supports are at Appendix 1 and 2.

For more information

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SDN — Case Studies

May 2023

SDN [REDACTED] Children's Education and Care Centre

SDN [REDACTED] is a 60-place long day care centre located in [REDACTED] NSW.

The centre was established in 1947 when the NSW Housing Commission asked Sydney Day Nursery and Nursery Schools Association (now SDN Children's Services) to operate a nursery in the [REDACTED] (now [REDACTED]) Housing Settlement, where many families experienced poverty and poor living conditions.

Relocated to nearby land leased from the Housing Commission (now Dept. of Communities and Justice Housing), SDN [REDACTED] continues to provide high quality early childhood education and care to a culturally and linguistically diverse community, and includes many children referred by the Dept. of Communities and Justice (DCJ) and other agencies.

Michael* is vision-impaired and was referred to SDN [REDACTED] as a toddler by the Royal Institute of Deaf and Blind Children (now NextSense). Having experienced complex trauma, Michael was the subject of a child protection order and supported by DCJ. He was living with his grandparents who needed support to progress his early development, to keep him safe, and for respite. The only language spoken at home was Mandarin, and there were no Mandarin-speakers working at SDN [REDACTED].

Significant preparations were made for Michael's inclusion, at a time when a range of other children were enrolled with varying needs and vulnerabilities. Throughout his enrolment, the Director, his grandparents, and NextSense and DCJ representatives met to discuss Michael's development and the critical need for early childhood education and care.

NextSense coordinated an environmental assessment by an ophthalmologist who identified adaptations to the centre to minimise accident or injury to Michael.

Orientation visits were arranged (at no cost) so Michael could familiarise himself with the physical space and get to know his educators. The Additional Childcare Subsidy Grandparent was also arranged for fee payment.

Michael's vulnerabilities meant the usual age-based ratios were not sufficient to include him in the service, and Inclusion Support Program funding was obtained to employ an additional educator. Recruiting a Mandarin-speaking educator to communicate with Michael and translate for the family took some time. Staff also committed to learning key words in Mandarin.

Coordinated rosters were developed to ensure familiar educators for Michael to build trust and attachment. Targeted support during meals and transitions was also required, and when trauma was triggered, Michael needed up to three staff members to work with him.

The Director and educators undertook professional development to build their knowledge and capacity. Topics included Mental Health Awareness, Trauma-Informed Practice, Responding to Domestic & Family Violence and Accidental Counselling.

Over time, educators' confidence to support and include Michael grew, as did his relationships with staff and his peers. Michael attended SDN [REDACTED] for three years, from toddlerhood through to kindergarten.

APPENDIX 2

SDN ██████████ Children's Education and Care Centre

SDN ██████████ is a purpose-built long day care service located in the grounds of ██████████ Public School.

Initially a 'satellite' centre receiving outreach support from SDN Beranga Autism-specific Early Years Demonstration Service (now SDN Beranga Autism-specific Preschool), SDN ██████████ is known for its integrated approach to inclusion in its mainstream early childhood education and care program.

The service has strong links with ██████████ school staff, use the facilities regularly and collaborate to support transition of children into kindergarten.

Maya* is four years old and was born with hearing and vision impairments. One of Maya's allied health therapists recommended SDN ██████████ to her family.

After confirming Maya had a place, orientation visits ensured Maya and her family could become familiar with the physical environment and learn about the program. It also allowed staff to conduct an environmental assessment of the centre.

Upon enrolment, Maya's family and therapists met with staff to develop an individualised learning plan aligned with her NDIS goals. Maintaining a typical classroom environment was important with integrated strategies that focussed on auditory, or touch communications suited to Maya's learning style.

Maya's interests and needs are always considered, and the team looks for innovative ways she can participate. This has empowered Maya to actively engage in her class environment. It also shows Maya's peers that everyone is different, and there are many ways of knowing, learning and being in the world.

Staff meet regularly to gather information, brainstorm, and reflect on their approach to inclusion. They also meet with Maya's family and therapists to discuss her learning goals and progress. This supports on-the-job professional development for the entire team.

Staff have furthered their professional development by accessing Dept. of Education webinars, resources from the NSW/ACT Inclusion Agency and sourcing relevant literature.

SDN ██████████ includes several children with diverse needs, including those with autism, hearing and/or vision impairment, global developmental delay, speech delay, sensory processing disorder, chromosomal deletion, and children from culturally and linguistically diverse backgrounds.

Thanks to the extensive support and resources at SDN ██████████, Maya and others have made significant progress in their development.