Early childhood, vocational education and the danger of history repeating [1]

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EXCERPTS

Market forces proved disastrous for the VET sector, but there is time to ensure similar changes to early childhood education and care sector do not cause a similar crisis. Researchers from the Mitchell Institute explore the lessons for the Commonwealth's childcare plan.

There have been some well-recognised public policy missteps in the private vocational education and training (VET) market, so it is troubling to see similarities emerging in the early childhood education and care (ECEC) sector.

Like VET Fee-HELP, ECEC has public subsidies flowing to private providers, rising fees and under-resourced regulatory bodies.

As the early childhood sector continues its rapid growth, are we in danger of repeating the same public policy mistakes with our most important resource for the future, our youngest and most vulnerable learners?

Early childhood education and care is growing, at a cost

The ECEC sector in Australia is growing, reflecting the needs of the workforce, priorities of families, and increasing recognition of the benefits of high quality early education for children's development.

This growth comes at a cost to governments and families. Public investment is high (just over $8.5b in 2014-15) and Australian parents pay for a higher proportion of the cost of child care than other OECD countries (nearly 40% of the total cost).

Fees have been rising rapidly over the last decade, and show no signs of slowing.

Paradoxically, early childhood educators remain one of the lowest paid professions in the country in spite of the massive expansion of public and private investment.

Early education is unequivocally worth investing in — the social and economic benefits for children, families and workforce participation are enormous.

The issue to consider then is: are we spending wisely, and is our investment delivering the outcomes the community seeks for our children.

Who provides early education and care?

ECEC services are provided by a mix of for-profit (49%), not-for-profit (36%) and government and school-based (17%) providers spanning small, stand-alone kindergartens through to large national chains.

Private providers are not necessarily a bad thing. Australia's largest private ECEC service is a social enterprise that ploughs its profit back into improving quality and outcomes for children. There are many private ECEC services providing exceptional services, and management type isn't a guarantee of quality.

Let the market take care of itself, right?

Some might argue that the runaway success of many of the private operators in the sector is testament to an effective market, with services delivering parents what they want and responding to demand.

But market models are more complex in practice — especially when they are heavily subsidised and underpinned by taxpayer money.

Given significant public investment in ECEC and VET, there is a role for government in ensuring money is being spent on the right things, that quality standards are met and, arguably, capping or regulating fees to some degree.

With great funding comes great responsibility

Public policy 101 would tell you that any sector receiving significant public subsidies should be subject to a robust regulatory regime, designed at minimum to prevent fraud and ensure basic standards are met, and ideally drive improvements in quality and deliver appropriate returns on investment.

When designed well, policy, funding and regulatory functions work together effectively to protect consumers and ensure public money goes toward policy goals.

By contrast, the VET market has been a lesson in what not to do. There has been an under-resourced regulator (which moved slowly and in a rear-guard action), a lack of real-time information on providers to help students make informed choices, and a division of funding and policy responsibility — not only across agencies but also across state and commonwealth lines.

Vast sums of money were out the door to shonky providers before the regulator could catch up. Thousands of students suffered when they were sold valueless courses. Some incurred huge debts and, in the worst cases, had qualifications withdrawn.

Are we in danger of repeating VET mistakes in ECEC?

In the ECEC sector we are seeing a worryingly familiar package of potential to make big profits, little consumer information to guide decision-making about quality, under-resourced and slow regulation, and an entitlement funding model.

Some early childhood operators and the real estate companies that build and own the sites are becoming highly profitable companies.

According to an IBISWorld report, the childcare industry in Australia made close to $1 billion profit last year, not including the real estate owners. This is one eighth of the government's investment.

Australian governments have recognised the importance of regulating ECEC. In 2012, a nationally consistent quality framework was implemented for the whole sector, with state-based regulatory authorities assessing each service against the National Quality Standard.

The intention was the services "working towards" meeting the standard would be assessed once a year (every three years for those exceeding the standard).

In practice, services have only just started to be re-assessed — a five year gap between assessments. This is partly because the regulators have been under-resourced and partly because of huge sector growth.

A five year gap between assessments isn't enough to maintain base-level quality assurance, let alone drive the kind of improvements in learning environments that could transform outcomes for children.

Can we turn things around?

In the school sector, non-government schools are not allowed to turn a profit. All fees are required to go towards school operations.

Yet for-profit providers have become a significant part of the tertiary and early childhood sectors. That genie is unlikely to go back in the bottle.

To make a mixed ECEC market work — for children, families and taxpayers — it is absolutely essential that regulators are resourced appropriately.

Let's hope that any further investment or policy change in this sector keeps the (very recent) lessons of VET in mind and gets things right, so parents and children — and perhaps even taxpayers — become the biggest winners.

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