

Regulating for Quality in Childcare: The Evidence Base

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During the decade 2002–03 to 2012–13, federal government spending on childcare grew at an average rate of 10.3% per year in real terms. In spite of freezes announced in the federal budget, the Parliamentary Budget Office estimated that annual average growth in childcare spending over the next decade will still amount to 4.9% a year.

In 2013, there were 1,033,214 Australian children aged 0–12 years in some form of Australian Government-approved formal childcare.

The National Quality Agenda (NQA), implemented in 2012, is a Council of Australian Governments (COAG) policy. It applies to all formal childcare settings and encompasses federal and state/territory responsibilities for childcare.

The two most significant parts of the reform are the National Law/National Regulations and the National Quality Standard. The Law and Regulations detail the minimum standards necessary to lawfully operate an approved childcare service; and the National Quality Standard is a ratings system that sits on top of the minimum standards.

Figure 1: Children aged 0–12 attending formal care (excluding preschool) (proportion of resident population); 2008–2013

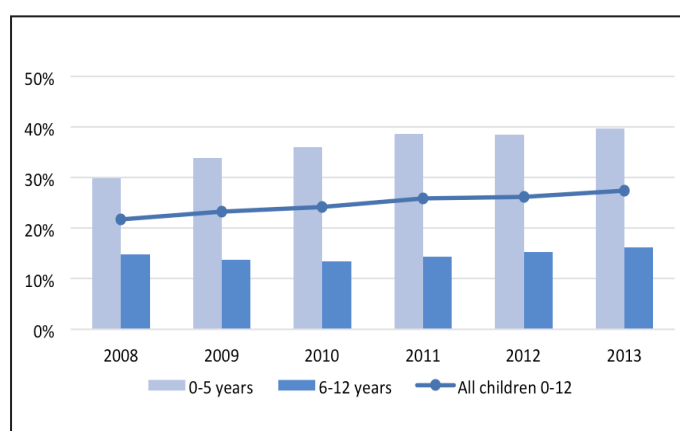


Table 1: Changes to staff-to-child ratios in New South Wales under the NQF

		Before	After
Long Day Care	0–2 year olds	1:5	1:4 (from Jan '12)
	2–3 year olds	1:8	1:5 (from Jan '16)
	3–6 year olds	1:10	1:10 (not superseded by national ratio of 1:11)
Family Day Care	Overall	1:7	1:7
	Under school age	1:5 (under 6 years)	1:4 (from Jan '14)

Table 2: Changes to staff qualifications in New South Wales under the NQF*

	Before	After
Long Day Care	Certificate III in Children's Services	From January 2014: 50% of staff require a diploma 50% of staff require a Certificate III
Family Day Care	No qualifications required	From January 2014: Educators require a Certificate III Coordinators require a diploma

* Here, 'require' means to either hold or working towards.

The improvements in minimum standards for staff-to-child ratios and staff qualifications are the most costly of the reforms and have the most promise of ‘investment’ attached to them. The argument is that these reforms will improve the quality of childcare, and higher-quality childcare will make a measurable difference to children’s short-run and long-run outcomes. These benefits are said to outweigh the increased costs to families and taxpayers.

Unfortunately, there is nothing to suggest that the reforms will result in meaningful benefits for children, and there is even less evidence to suggest the reforms represent value for money.

A review of literature that concerns the link between structural quality (staff-to-child ratios and staff qualifications) and child outcomes suggests it is not at all clear that those aspects of quality that are the subject of regulation necessarily lead to better outcomes for children.

Table 3: Does quality matter?

Quality Type	Does it matter?	Is it relevant to public policy?
Structural (what can be regulated by governments)	Only insofar as it leads to positive outcomes and/or prevents negative ones	Yes, if the salience of structural quality is overstated for actual outcomes then the case for expensive investment is undermined
Process (the depth, warmth etc. of interactions in the childcare environment)	Yes, if it has a significant impact on immediate child well-being Yes, if it leads to positive outcomes and/or prevents negative ones	Yes, if governments both: a) value immediate well-being over and above what parents are willing or able to invest in it and b) can effectively regulate for process quality
Outcome (the extent to which measurable outcomes in behaviour or cognitive skills are improved)	Yes, because it means children are better equipped to handle the school transition and may have longer-lasting impacts as well	Yes, if the outcomes represent quantifiable future savings made over time—pecuniary and non-pecuniary alike. Also provided that governments can regulate for it

Table 4: Summary of studies examining the link between structural quality and child outcomes

	Staff-to-child ratios	Staff qualifications
Australian studies	Small effects; only for socio-emotional and behavioural outcomes—not cognitive outcomes	No consistent effects; with one exception, which found improved behavioural outcomes for older children
Overseas studies	No effects, or effects only for younger children	No consistent effects; with one exception, which found improvement in children’s academic achievement

Are these reforms an investment? For any policy to be considered an investment, it must be costed accurately, its benefits must be clear, and the effect of it not being implemented must result in a greater financial burden than the cost of the policy—in other words, it must generate a return.

The NQA reforms fail on all three counts.

Prior to implementing these reforms, reports were issued on regulatory impact and cost. Unfortunately, they are conservative in their assessment of the costs due to several unrealistic assumptions. There are four kinds of costs that these reports do not adequately take into account: administrative costs, impacts on supply, impacts on female labour force participation, and deadweight loss.

The evidence for clear benefits is limited. Furthermore, by the admission of the Regulation Impact Statement, “it is not possible to provide an accurate measure of the benefits of the proposed NQA reforms.”

Combined, it becomes difficult to argue that the benefits outweigh the costs and that society overall is better off as a result of the program.

The strength of any positive impacts found in the aforementioned studies is disproportionately small compared to the costs borne by families and the government to produce them. In sum, there is little evidence to support the notion that the costly NQF reforms to staff-to-child ratios and staff qualification requirements represent value for money.

Author

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