



BUDGET SUBMISSION

to the Baillieu Government
for 2011–12

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In a time of scarce public resources, the care and education of young children will continue to fall to the bottom of the priority list until there is a shift in public understanding about the economics of raising the next generation. High-quality early childhood education is too vital to be brushed aside as a social services expenditure for only a few families or as too expensive to consider in tight budgetary times. Early education is important for all children. And study after study shows that it is not too expensive. Quite the contrary.

Quote from the Massachusetts Institute of Technology, Sloan School of Management conference 'The Economic Impacts of Child Care and Early Education' held in December 2004.

EXECUTIVE SUMMARY

A. PRIORITY AREAS FOR INVESTMENT

PRIORITY AREAS FOR INVESTMENT		KPV'S ASK
Fully fund 15 hours of kindergarten for all 4-year old children and 5 hours of kindergarten for all 3-year old children in Victoria.	➤	<ul style="list-style-type: none"> • Increase to 15 hours of 4-year old programming – additional \$50 million • Fully funded 5 hours of 3-year old programming – \$92 million
Make kindergarten services more sustainable.	➤	<ul style="list-style-type: none"> • Commit to a review of funding provided to cluster managers • Cover costs incurred by cluster managers to wind up Associations
Invest in infrastructure to meet the demand for space when universal access to 15 hours of kindergarten is introduced in 2013, and ensure that programs for 3-year old children does not get displaced as a result.	➤	<ul style="list-style-type: none"> • To be costed in consultation with KPV members, MAV and LGAs
Assist kindergartens improve the quality of services provided.	➤	<ul style="list-style-type: none"> • Universal Access Increased staff/child ratios – cost \$48 million • Universal Access Increased staff qualifications – cost \$1.6 million

B. RATIONALE AND EVIDENCE

- The promotion of healthy child development is both a moral responsibility and an essential social investment to secure sustainable economic productivity and a viable democratic society (Shonkoff, J.P).
- The educational, economic and social benefits to individuals and the economic returns to the community justify investment in early childhood education.
- School failure is not limited to the poor or disadvantaged children. All children gain from high quality preschool education, but disadvantaged children gain more. Research demonstrates that middle class children also have high rates of failures, and reducing these problems, though they come at a higher cost, provide a larger net benefit (Barnett, W.S).
- The substantial fiscal payoffs from investing in young children would become available to governments just as the wave of new retirements puts the greatest pressure on government resources (Lynch, R.G).
- The savings arise from investing in quality programs which are designed to be educationally effective, and delivered by qualified and supported staff, with a good staff – student ratio. The best early education is delivered by well-trained and well compensated teachers.

CONTEXT

Over the past 20 years, KPV has worked with parents, kindergarten committees of management, government and other key stakeholders and peak bodies in the early childhood services sector to ensure that Victoria is leading the way in the provision of quality early childhood services to children, and these services are accessible and affordable for families.

ABOUT KPV

KPV is the peak organisation representing the voice of parents in quality early childhood education for Victorian children. Our membership represents over 1,200 early education and care providers such as independent kindergartens, cluster managers, long day care services, integrated services and local governments. We advocate for quality early childhood education for over 200,000 children and their families.

Our vision for the strategic development of early childhood education, that reflects the intrinsic value of family and community involvement, includes six core elements:

- education for life
- universal participation
- excellence and innovation
- a cohesive service system
- involved community
- responsive and flexible

Over the past 20 years, KPV has worked with parents, kindergarten committees of management, government and other key stakeholders and peak bodies in the early childhood services sector to ensure that Victoria is leading the way in the provision of quality early childhood services to children, and these services are accessible and affordable for families.

KPV's strong relationship with Government both at the Federal and State levels ensures that we are an effective voice for the sector and are engaging proactively with government to ensure that services are funded realistically to deliver high quality early childhood education to Victorian children.

Our collaborative approach to advocacy and service development has ensured that KPV is working alongside organisations such as the Victorian Council of Social Services (VCOSS), Gowrie Victoria, FKA Children's Services, Municipal Association of Victoria (MAV), Australian Education Union, Early Childhood Intervention Association, Noah's Ark, Playgroup Victoria, Community Childcare Victoria, WorkSafe Victoria, Monash University and Berry Street to provide a unified voice for change and development. KPV is a well respected organisation within the early childhood education sector, ranked highly for its commitment, professionalism and expertise on all matters relating to early childhood services.

KPV welcomes the opportunity to present this submission outlining key priority areas for investment in the early childhood education sector. KPV hopes that a realistic investment in the early childhood education area will continue to be government priority under the new Coalition government to consolidate on the gains made over the past few years in Victoria.

ABOUT THIS BUDGET SUBMISSION

Significant initiatives to improve the quality of early childhood education have been introduced by government in the past couple of years significant among them being the introduction of:

- universal access to 15 hours of kindergarten for 4-year old children, and
- the national quality framework for kindergarten services

This budget submission is based on KPV's assessment of the investment that is required in this sector during 2011–12 to ensure these initiatives are implemented successfully. This submission makes an economic argument for the investment to be made sooner rather than later, so that the returns on this investment, though long-term, can benefit all Victorians.

KEY PRIORITY AREAS FOR INVESTMENT

KPV nominates the following areas as priority areas for investment in early childhood services, by the newly elected Coalition government:

1

PRIORITY
AREA

FULLY FUND 4-YEAR OLD AND 3-YEAR OLD
KINDERGARTEN FOR VICTORIAN CHILDREN

- KPV calls on the Victorian Government to fully fund 15 hours of kindergarten for 4-year old children and a minimum of five hours of kindergarten for 3-year old children in Victoria.
- Kindergarten for 3-year old children is currently unfunded unless children are known to child protection or have an Aboriginal or Torres Strait Islander background. As the research evidence presented in this budget submission demonstrates, the considerable benefits of high quality early childhood education should be made available to all children at the earliest possible opportunity in their lives.
- KPV believes that access to high quality early childhood education should be a right, not a privilege. Education doesn't commence once a child reaches school. It commences from birth and 'ability gaps between advantaged and other children open up early before schooling begins. Conventional school based policies start too late to completely remedy early deficits,

although they can do some good. Children who start ahead keep accelerating past their peers, widening the gap.... Early advantages accumulate, so do early disadvantages... The best way to improve the schools is to improve the early environments of the children sent to them'. (Heckman and Masterov 2005)

INVESTMENT REQUIRED

- Increase to 15 hours of 4-year old programming - additional \$50 million
- Fully funded 5 hours of 3-year old programming - \$92 million

KEY PRIORITY AREAS FOR INVESTMENT *continued*

2

PRIORITY AREA

SUSTAINABILITY OF SERVICES

Standalone kindergartens

- The operation of a kindergarten is as much a business operation as any other commercial business and the funding provided to enable the professional management of kindergartens needs to reflect this reality.
- The management of many standalone early childhood services continues to rely heavily on the contribution of volunteer labour. Parents and families are critical partners in the provision of early childhood education; however the reliance on volunteer business management in the provision of education programs would simply be unacceptable in any other educational domain.
- Realistic financial support must be provided to **ALL** early childhood service providers to assist with the complexities of managing services.

Cluster managers

- Over the past few years, government has increasingly encouraged cluster management as the preferred business model for the delivery of kindergarten services. Cluster managers have increasingly taken on the management role for kindergartens in their local area, assuming a role as the employer of staff, business manager and financial manager of the kindergartens.
- The establishment costs for new cluster managers and costs of taking on new kindergartens into their cluster are enormous. Current funding that cluster managers receive for the management of each location in their cluster is woefully inadequate and does not reflect the actual cost of providing this service.

It will be true to say that almost all cluster managers cross-subsidise the funding of early childhood services through other business operations of their organisations, and this situation needs to be addressed on an urgent basis. The inadequacy of the per capita cost of taking on additional services is a real deterrent for many cluster managers to take on new services.

- KPV calls on the Coalition government to review the costs of delivery of professional and sustainable cluster management services. Cluster management funding should be increased in line with the recommendations of the price review, to make it sustainable.

Services in rural communities

- The provision of early childhood services in rural communities remains vital to ensure that early childhood education is genuinely accessible and affordable to all Victorian children. With the difficulties in attracting and retaining qualified staff, and overhead costs, many rural communities struggle to access a viable kindergarten program for their children.
- KPV calls for kindergartens serving small rural and remote communities to be supported with funding for a minimum of 10 places plus an operational grant for services with 15 or less children.

INVESTMENT REQUIRED

- To be costed

KEY PRIORITY AREAS FOR INVESTMENT *continued*

3

PRIORITY AREA INVESTMENT IN INFRASTRUCTURE

- KPV calls for increased funding for infrastructure to enable all kindergarten services to provide places for two years of kindergarten.
- Evidence is already emerging that Victoria is facing a shortage of kindergarten facilities in parts of the state. With birth rates booming since the early 2000's, Local Government Authorities are struggling to meet the demand for kindergarten places and fear that the introduction of the Federal Government's universal access program which provides access to 15 hours of kindergarten to 4-year old children will result in the axing of preschool programs for 3-year old children. They are warning that the first casualties of the kindergarten crisis in Victoria are already emerging.
- It is imperative that 3-year old kindergarten programs and play groups are not displaced as a consequence of the valuable Universal Access initiative.
- Further investment in bricks and mortar is imperative to enable the early childhood sector to maintain existing services and achieve sector reform objectives. It is critical that all children have access to services and the opportunity to participate in high quality early childhood education.

INVESTMENT REQUIRED

- An urgent investment in infrastructure to ensure the universal access program does not replace the existing kindergarten programs for 3-year olds.

4

PRIORITY AREA ASSIST KINDERGARTENS WITH QUALITY IMPROVEMENT

- Research evidence provided earlier in this submission points to the importance of quality in the services provided in order to reap the long-term economic benefits from early childhood services. Appropriate child/staff ratios, and programs delivered by appropriately qualified staff are critical if the economic benefits are to be achieved. The best early education is delivered by well-trained and well compensated teachers. The need for coherent, statewide systems that supports the training, education and compensation of a highly trained workforce, with incentives to move from certificate to associate degree to bachelor's degree is considered an important determinant of the quality of the program delivered.
- During 2010, the Council of Australian Governments (COAG) endorsed national quality reforms and in particular, universal access to kindergarten programs for 4-year old children in Australia. The National Quality Framework is being phased in from 2011 in Victoria, with trials already underway in a few centres to assess the impact on services.
- KPV calls on the Victorian Government to appropriately fund the implementation of the quality process, so that services are able to employ suitably qualified staff to achieve staff/child ratios, and improve their processes and education programs delivered to children.

INVESTMENT REQUIRED

- Universal Access increased staff/child ratios – \$48 million
- Universal Access increased staff qualifications – \$1.6 million

THE ECONOMIC RATIONALE FOR INVESTING IN THE EARLY YEARS

Research emanating worldwide since the turn of this century has consistently demonstrated that there is not only a social benefit in investing well in the early years of a child, there is also an economic benefit that will in the long-term, lead to economic productivity and a viable society. Brandeis Professor Jack P Shonkoff, in his famous talk in 2005 titled *'The Science of Early Childhood Development: Closing the Gap between What We Know and What We Do'* argues that 'the promotion of healthy child development is both a moral responsibility and an essential social investment to secure sustainable economic productivity and a viable democratic society'. Through his neurobiological research, he was able to demonstrate that the interaction between genetics and experience during the first few years of a child's life shapes the emerging brain architecture, which in turn serves as a foundation for all subsequent learning and behaviour.

The economic benefits of investing in the early years are clearly brought out in many well known longitudinal research studies in this area. A summary of three of these economic cost/benefit studies is summed up by Barnett S¹ in his meta-analysis of US research since 1960 as follows:

Program profile

	ABECEDARIAN STUDY	CHICAGO	HIGH/SCOPE (PERRY)
Year of commencement	1972	1985	1962
Location	Chapel Hill, North Carolina	Chicago, Illinois	Ypsilanti, Michigan
Sample size	111	1,539	123
Design	RCT	Matched neighbourhood	RCT
Age of children	6 weeks – age 5	3 to 4-year olds	3 to 4-year olds
Program schedule	Full-day, year round	Half day, school year	Half day, school year

Economic returns (in 2006 US dollars, 3% discount rate)

	COST	BENEFITS	B/C RATIO
High/Scope	\$17,599	\$284,086	16
Abecedarian	\$70,697	\$176,284	2.5
Chicago	\$8,224	\$83,511	10

Other effects High/Scope program^{2,3}

	PROGRAM GROUP	NON-PROGRAM GROUP
Numbers accessing special education	15%	34%
Age 14 achievement at 10th percentile	49%	15%
Earn \$2000+ monthly	29%	7%
Own home	36%	13%
Never on welfare as an adult	41%	20%

1 Barnett, W.S. (2002) Early childhood education, in A. Molnar (Ed.) *School reform proposals: The research evidence* (pp.1-26), Greenwich, CT: Information Age Publishing.

2 Berrueta-Clement, J.R., Schweinhart, L.J., Barnett, W.S., Epstein, A.S., and Weikart, D.P. (1984) *Changed lives: The effects of the Perry Preschool Program on youths through age 19*, Ypsilanti, MI: High/Scope Press.

3 Barnett, W.S. (1996) *Lives in the balance: Benefit-cost analysis of the Perry Preschool Program through age 27*, Monographs of the High/Scope Educational Research Foundation, Ypsilanti, MI: High/Scope Press.

THE ECONOMIC RATIONALE FOR INVESTING IN THE EARLY YEARS *continued*

DOES PRESCHOOL EDUCATION BENEFIT ONLY DISADVANTAGED CHILDREN?

The focus of the above mentioned studies on children assessed at risk of school failure leads to the question whether the benefits of investment in preschool education benefits only disadvantaged children. Barnett⁴ argues that school failure is not limited to the poor. In his view, all children gain from high quality preschool education, but disadvantaged children gain more. His research demonstrates middle class children also have high rates of failures, and reducing these problems, though they come at a higher cost, provide a larger net benefit.

FAMILY INCOME	RETENTION (2004)	DROPOUT (2005)
Lowest 20%	12%	18%
20-80%	8%	9%
Highest 20%	4%	2%

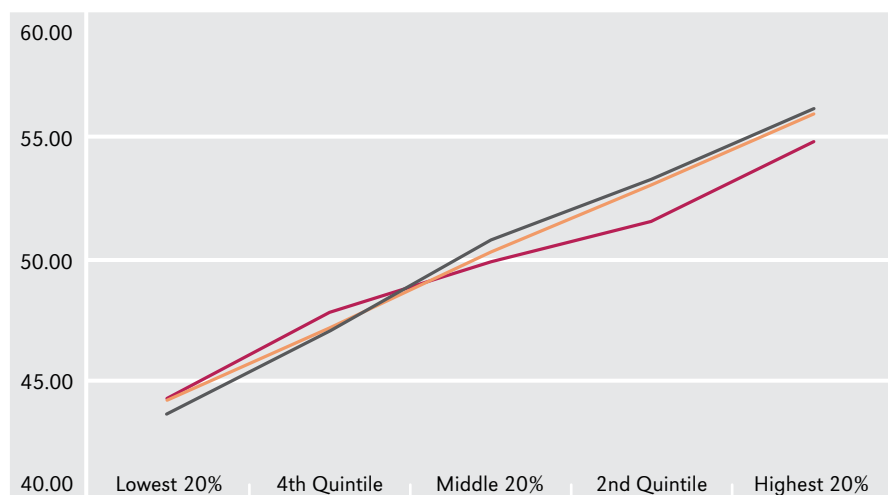
Barnett, W.S. Benefits and costs of quality early childhood education. *The Children's Legal Rights Journal (CLRJ)*, Spring 2007. US Department of Commerce, Census Bureau, Current Population Survey, October 2004 and October 2005.

Cognitive development gap (by family income)

Median Abilities of Entering Kindergarteners by Family Income

- Reading
- Math
- General Knowledge

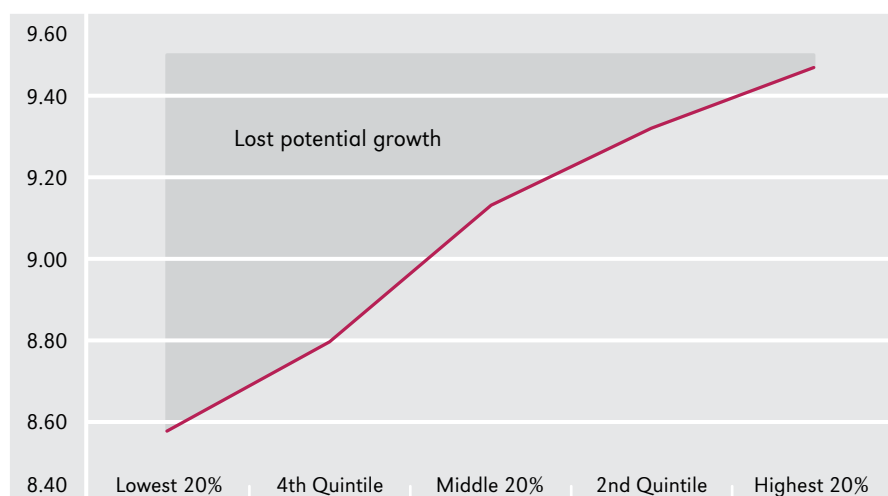
Barnett, W.S. (2007) Original analysis of data from the US Department of Education, National Center for Educational Statistics, ECLS-K Base Year Data files and Electronic Codebook (2002).



Social skills gap

Median Social Skills of Entering Kindergarteners by Income

Barnett, W.S. (2007) Original analysis of data from the US Department of Education, National Center for Educational Statistics, ECLS-K Base Year Data files and Electronic Codebook (2002).



4 Barnett, W.S. (2002) Early childhood education, in A. Molnar (Ed.) *School reform proposals: The research evidence* (pp.1-26), Greenwich, CT: Information Age Publishing.

THE ECONOMIC RATIONALE FOR INVESTING IN THE EARLY YEARS *continued*

The short term and long term economic benefits of investing in high quality early childhood services was also brought out at a conference held by the Massachusetts Institute of Technology, Sloan School of Management on the economic impacts of child care and early education. The conference heard that the short term gains included employment opportunities, taxes collected as a result of increased employment, revenue generated into the economy through purchase of goods and services, and increased productivity. Longer term, the economic benefits included lower cost for remedial and special education and grade repetition, higher rate of school completion and increased skills, better job preparedness and ability to meet future labour force demands, higher incomes and tax revenue due to higher employment potential, lower criminal justice and prison costs, and fewer welfare payments.

US economist Robert Lynch⁵ argued in 2004 that a publicly financed, comprehensive ECD program in the US for all children from low-income families would cost billions of dollars annually, but would create much larger budget savings over time. He estimated that by about the 17-year mark, the net effect on budgets for all levels of government combined would turn positive. Within 25 years, by 2030 if a nationwide program were started in 2005, he estimated that the budget benefits would exceed costs by \$31 billion (in 2004 dollars). By 2050, the net budget savings would reach \$61 billion (in 2004 dollars).

The timing of these fiscal benefits resulting from a nationwide early childhood development program he argued, should appeal to those concerned about the fiscal difficulties posed by the impending surge of retiring baby boomers. The substantial fiscal payoffs from investing in young children would become available to governments just as the wave of new retirements puts the greatest pressure on government resources.

QUALITY MATTERS

The importance of quality preschool education is stressed in all of the research on the cost/benefit of investing in the early years. There seems to be a consensus view amongst researchers that the savings comes from investing in quality programs which are designed to be educationally effective, and delivered by qualified and supported staff, with a good staff – student ratio. The best early education is delivered by well-trained and well compensated teachers. The need for coherent, statewide systems that supports the training, education and compensation of a highly trained workforce, with incentives to move from certificate to associate degree to bachelor's degree is considered an important determinant of the quality of the program delivered.

There is no denying the strong research evidence that an investment in early childhood can be a strong public investment, which will decrease social problems and inequality in the long term and increase productivity and GDP growth. The quality leading to educational effectiveness is the key to achieving this gain, and it is also important to bear in mind that while the return is greater if the investment is made in children from a disadvantaged background, children from middle class backgrounds require equal attention given the demonstrated high rates of failure in that cohort of children.

5 Lynch, R.G. (2004) Exceptional Returns, Economic, Fiscal, and Social Benefits of Investment in Early Childhood Development, Economic Policy Institute, Washington.



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