



Brotherhood  
of St Laurence

Working for an Australia free of poverty

Response to the  
Productivity Commission's  
draft report  
on  
Childcare and Early Childhood  
Learning

Brotherhood of St Laurence

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# Summary of recommendations from the Brotherhood of St Laurence

## Improve the affordability and accessibility of early childhood education and care

- Introduce the Early Care and Learning Subsidy using the 90% to 30% linear taper model, as this option provides the greatest benefits for lower and middle income families.
- Ensure there is closer correlation between the deemed and the actual cost of care so that low-income families living in higher cost locations or using higher cost services receive an equitable subsidy for their early childhood education and care costs.
- Retain access to up to two days per week of subsidised care that is not tied to an activity test. This could be means-tested to ensure that children from low-income families can access the benefits of early childhood education and care.
- Create flexibility in any future activity test to:
  - support the economic participation of families in precarious employment or seeking to move into employment
  - encourage participation in part-time study or training
  - recognise and encourage volunteering
  - support families with multiple children under school age to access early childhood education and care services to provide the respite and space that can be critical to meeting their needs.
- Retain an incentive like the Jobs Education and Training Child Care Fee Assistance to ensure early childhood education and care costs do not operate as a barrier to participation in activities that may move parents closer to employment.

## Support families and children at times of vulnerability

- Make the proposed Special Early Care and Learning Subsidy uncapped and demand-driven to ensure that children at risk of abuse and neglect are not prevented from accessing early childhood education and care.
- Extend eligibility for the Special Early Care and Learning Subsidy to children in families experiencing financial hardship.
- Ensure that the Special Early Learning and Care Subsidy covers the real cost of early childhood education and care for children at risk of abuse and neglect.

## Support effective early learning programs

- Recognise HIPPO as an effective early learning program and continue to fund it from the early childhood education and care budget.

## Increase investment in integrated approaches to supporting children and families experiencing disadvantage

- Invest in integrated early childhood education and care centres in disadvantaged communities by providing funding to coordinate integration activities.
- Establish a development fund to increase the capacity of integrated early childhood education and care services in disadvantaged communities to foster a two-generation approach. This involves supporting integrated early years service models that also build the civic and economic participation of parents.

## Maintain a strong early childhood education and care sector

- Recognise and value the particular role of not-for-profit early childhood education and care providers by retaining their eligibility for Fringe Benefit Tax exemptions and rebates and payroll tax exemptions.

## Strengthen flexible early childhood education and care models

- Ensure adequate funding for high quality support and coordination of Family Day Care services.
- Use the existing Family Day Care architecture to provide oversight and support for nannies attracting early childhood education and care subsidies.

## About the Brotherhood of St Laurence

Established in the 1930s, the Brotherhood of St Laurence (BSL) is an independent non-government organisation with strong community links that works to build social and economic participation. Based in Melbourne, but with a national profile, the BSL continues to work for an Australia free of poverty and social exclusion. Through a combination of innovative direct service delivery and research, we aim to bring a fresh perspective to issues of poverty and disadvantage.

Australia's future depends on the capacity, skills, confidence and resilience of its youngest citizens. But many children are at high risk of being left behind, and of living lives that fail to meet their potential. The connection between childhood poverty and lifelong disadvantage is well known. It is a cycle the BSL is working to break.

Our aim is to ensure that all children are able to share in the opportunities that Australia offers. Our objective is to ensure that each Australian child has access to services that nurture development. Our programs support parents, families and communities to help provide children with a strong foundation, and support families to access educational and employment opportunities. These include Family Day Care, the Home Interaction Program for Parents and Youngsters (HIPPY), playgroups and family support services. The Brotherhood is also a founding partner in Goodstart Early Learning, an organisation which operates 640 centres catering for more than 73,000 children from 61,000 families around Australia.

## Introduction

The BSL welcomes the Productivity Commission's draft report as it substantially contributes to this important discussion and debate about the future of Early Childhood Education and Care (ECEC) in Australia.

The draft report reaffirms the importance of quality early childhood learning and care. It investigates opportunities to build an effective and sustainable system which delivers the dual outcomes of stronger early learning outcomes for children and increased workforce participation of parents.

The BSL supports the broad directions of the draft report and in particular:

- the additional investment in ECEC
- the recognition of the need for additional funding for ECEC for children experiencing different forms of disadvantage
- funding of coordination activities in integrated services
- the support for maintaining and extending the National Quality Framework
- the continuation of Commonwealth funding for 15 hours of universal access to a preschool program in the year before school
- the importance of ongoing monitoring and evaluation, including longitudinal studies to better understand the impact of early intervention programs for children in disadvantaged circumstances.

The Productivity Commission's draft report is wide-ranging. We have responded to selected draft recommendations and information requests only. The primary focus of our submission is the

impact of the proposed changes on low-income families and others experiencing different forms of disadvantage.

## Response to the Draft Report

### Improve the affordability and accessibility of early childhood education and care

PC draft recommendation 12.2	The Australian Government should combine the current Child Care Rebate, Child Care Benefit and the Jobs Education and Training Child Care Fee Assistance funding streams to support a single child-based subsidy, to be known as the Early Care and Learning Subsidy (ECLS). ECLS would be available for children attending all mainstream approved ECEC services, whether they are centre-based or home-based.
PC draft recommendation 12.4	<p>The Australian Government should fund the ECLS to assist families with the cost of approved centre-based care and home-based care. The program should:</p> <ul style="list-style-type: none"> <li>• provide a means tested subsidy rate between 90% and 30% of the deemed cost of care.</li> <li>• support up to 100 hours of care per fortnight for children of families that meet an activity test of 24 hours of work, study or training per fortnight, or are explicitly exempt.</li> </ul>
PC draft recommendation 12.3	The Australian Government should exempt non-parent primary carers of children, and jobless families where the parents are receiving a Disability Support Pension or a Carer Payment from the activity test. These families should still be subject to the means test applied to other families. The Australian Government should fund the ECLS to assist families with the cost of approved centre-based care and home-based care.

The BSL supports the creation of a single, universal child-based payment. We are pleased that the Commission has listened to the call to make it easier for families to understand their entitlements and how changes in their personal circumstances impact on their childcare costs. We particularly support the following features of the proposed Early Care and Learning Subsidy (ECLS):

- greater assistance to low-income families, with the ECLS providing a means-tested subsidy rate up to 90%. We support the Commission’s preferred option of the 90% to 30% linear model that tapers the subsidy by 1% for every \$4000 of income up to \$300K, as it provides the greatest benefits for lower and middle income families.
- access to up to 100 hours of subsidised care per fortnight
- the exemption of non-parent primary carers of children and jobless families where the parents are receiving a Disability Support Pension or a Carer Payment from the proposed activity test.

**Recommendation 1**

**Introduce the Early Care and Learning Subsidy using the 90% to 30% linear taper model, as this option provides the greatest benefits for lower and middle income families**

While the Commission acknowledges the benefits of ECEC, particularly for children and families who are disadvantaged, the BSL is concerned that some features of the proposed Early Care and Learning Subsidy will have negative consequences for that same target group. Our major concerns, discussed further below, include:

- that the subsidy will not be based on the actual cost of care. This will leave many low-income families with significant out-of-pocket expenses
- that universal access to subsidised childcare will be removed through the imposition of a stringent activity test, which will leave many children unable to attend childcare, and will act as barrier to the economic and civic participation of some parents
- that the removal of the Jobs Education Training Child Care Fee Assistance will be a disincentive for parents to participate in activities that could move them closer to work.

**Subsidies that reflect a deemed cost rather than the real cost of childcare**

The Commission proposes to peg the ECLS to a deemed cost of care. This may be calculated by identifying a benchmark price or by determining an efficient price to deliver ECEC. There is a strong likelihood that the median cost of care will eventually be used to set the deemed cost. According to the Commission's report, the median cost of long day care (LDC) is \$7.53 per hour, and of family day care (FDC) is \$6.84 per hour.

We understand the need to ensure that subsidies do not serve to encourage providers to raise their fees if they perceive families can afford to bear higher out-of-pocket expenses. A deemed cost model could be an effective way of achieving this; however it is critical that fee subsidies are capable of reflecting the varying costs of delivering ECEC services to different communities.

A location-blind approach would fail to accommodate the vastly different cost bases and resulting fee structures of ECEC services operating in diverse locations. It would leave families living on low incomes but in areas with higher cost ECEC services to shoulder a heavy financial load.

We are aware of many locations with significant numbers of low-income families where long day care services are charging well in excess of the median rate identified by the Commission. In Melbourne, for example, there are many public and social housing residents and low-income families living in the gentrified inner suburbs of Fitzroy, Richmond, Carlton, Prahran and North Melbourne. We gathered a sample of long day care fees in these areas:

- The cheapest fee we could identify was \$92.10 per day.
- Council centres were typically charging \$95–\$98 per day.
- Fees of \$104–\$115 per day were common for other providers.
- Some providers were charging in excess of \$120 a day.

Families living in these areas face a sizeable gap between the actual cost of long day care services and the identified median cost of \$75.30 per day (based on a 10-hour service). For example, a low-income family attending a Council service in North Melbourne (at \$98 per day) would face over

\$30 a day in out-of-pocket expenses. Although this low-income family would be nominally entitled to a 90% subsidy under the changes proposed by the Commission, in reality they would be subsidised for just 69% of their costs. If they were attending a \$110/day service, the real subsidy would fall to just 61.6 per cent of their costs, leaving a gap of nearly \$43 per day. This gap could effectively put long day care out of the reach of low-income families.

Moving between services on the basis of cost is rarely an option in inner-urban areas, because there is intense competition for childcare places, reflected in long waiting lists. Even if families had the luxury of choice, there do not appear to be low-cost options: of the services we sampled, all are charging well above the median rate.

The deemed cost model is also problematic in the Family Day Care (FDC) setting. We estimate that many parents are currently paying around \$8.75 (or more) per hour, well above the median cost of \$6.84 per hour identified by the Commission. For a low-income family accessing 10 hours of care, this leaves a gap of \$26 per day, over four times the out-of-pocket cost they would face if they were actually subsidised for 90% of their real costs.

These calculations are based on our own experience, complemented by national data. The per child hourly rate of educators working in the FDC program coordinated by the Brotherhood varies between \$6 and \$9 per hour. In addition, families pay \$1 per hour to contribute to the coordination and support services that underpin the operation of the program. This aligns with Department of Education data which reveals that in the September quarter 2013, the average hourly rate for FDC services was \$7.75. A further fee for coordination services of between 50 cents and \$1.50 per hour is also paid by families. A substantial increase in the FDC rate is expected from 1 July 2015 following the Australian Government's recent decision to cease contributing towards the costs of operating FDC support and coordination services. This will impact on all but a handful of FDC providers (as discussed in a later section). A further consideration is the need for flexibility in the deemed rate to provide incentives for the provision of out-of-hours care, recognising that weekend and evening work generally attracts higher rates of remuneration.

The deemed cost approach is also problematic where ECEC costs fall below the median. By calculating the subsidy on the basis of a deemed fee, rather than the real fee, there will be circumstances where a family will receive overly generous subsidies. This approach represents an inefficient use of scarce resources. It might also encourage lower-cost services to increase their prices, motivated by a perception that families could afford additional out-of-pocket expenses for their childcare.

To ensure that the policy objective of recompensing families for between 30% and 90% of their ECEC costs are realised, there needs to be a more flexible approach to calculating the deemed cost, that is able to take account of the costs of providing care in different circumstances.

In the absence of a more flexible approach to determining the deemed cost of care, an alternative might be to introduce a cap on the level of fees that would be subsidised at the 30% to 90% rate. This would ensure that subsidies better reflect the real costs of ECEC services, while at the same time not encouraging excessive profits or inefficient operations by ECEC providers.

**Recommendation 2**

**Ensure there is closer correlation between the deemed and the actual cost of care so that low-income families living in higher cost locations or using higher cost services receive an equitable subsidy for their early childhood education and care costs.**

## The need to satisfy an activity test to receive the Early Care and Learning Subsidy

The Commission's proposal to link eligibility for the ECLS to an activity test of 24 hours of work, study or training per fortnight represents a major policy shift that will significantly impact on both parents and children.

It will present a barrier to economic participation for families who are in casual, short-term or other precarious forms of employment. A quarter of Australian workers are now engaged in casual work, up from 15.8% in 1984 (ACTU 2011). Women in particular, as well as low-wage workers, are overrepresented among those with insecure work (F Azpitarte 2014, pers. comm).

Many of the families the BSL works with have a marginal attachment to the workforce. They are working irregular hours, often in casual, short-term or shift work. Typically, these parents do not have advance notice of their hours of work from week to week. They may have work some weeks, but not others. Accordingly, their need for childcare will vary and may not be known until the last minute.

If families are uncertain whether they can consistently meet the activity test, they will be reluctant to take up childcare places, or even to register their children with ECEC providers, because they will face considerable childcare costs if unable to attract the ECLS. Without childcare, families will be unable to take up work opportunities. The activity test may therefore create a poverty trap for those with uncertain employment arrangements and for jobless parents whose entry into paid work is likely to be through casual or insecure work.

The proposed activity test will equally operate as a barrier to taking on part-time training or further education. For example, a parent participating in a course delivered one day per week, or over a couple of sessions each week, would not meet the activity test.

Nor would a parent undertaking volunteering as a way to keep up their skills, transition into paid work, or simply give back to their community be eligible for the ECLS. The prohibitive costs of unsubsidised childcare would put participation in such activities out of their reach.

Creating barriers for parents to take up employment, study, and even volunteering will significantly impact on the immediate earning capacity of families, as well as potentially having adverse long-term impacts on their financial situation.

Parents using ECEC services for their toddlers or preschoolers as they care for their babies will not meet the activity test, unless they remain connected to the workforce through formal parental leave arrangements. They will no longer be able to access subsidised ECEC services for a day or two a week, to enable the respite and space that can be critical to supporting the arrival of a new baby into a family that is busy juggling the needs of other young children.

Strong consideration needs to be given to the impacts on children from the introduction of a stringent activity test. Children will find themselves moving in and out of ECEC settings as their parents' situation changes. For some, it will mean missing out on the developmental benefits of attending ECEC altogether.



**Recommendation 3**

**Retain access to up to two days per week of subsidised care that is not tied to an activity test. This could be means-tested to ensure that children from low-income families can access the benefits of attending early childhood education and care.**

**Recommendation 4**

**Create flexibility in any future activity test to:**

- **support the economic participation of families in precarious employment or seeking to move into employment**
- **encourage participation in part-time study or training**
- **recognise and encourage volunteering**
- **support families with multiple children under school age to access early childhood education and care services to provide the respite and space that can be critical to meeting the needs of multiple young children**

**Jobs Education and Training Child Care Fee Assistance subsidy (JETCCFA)**

The existing JETCCFA subsidy assists parents on social security payments who are undertaking job search, work, study, training or employment-related rehabilitation activities. Families attracting this subsidy make a very small contribution (around \$1 per hour) to the cost of care. By almost eliminating the financial cost of childcare, the subsidy makes it possible for parents to participate in activities that will help them to transition into employment, without a financial penalty. We understand that those attracting JETCCFA are predominantly single mothers on parenting payments who are voluntarily taking up training or study.

As part of the proposal to combine existing subsidies into the single ECLS, the JETCCFA subsidy will be abolished.

For families living on finely balanced budgets, the availability or removal of the JETCCFA subsidy may be the critical factor in determining whether they can afford to take part in activities that move them closer to work. We believe there is a real danger that removal of this subsidy will create a barrier for parents to participate in activities that may strengthen their employability.

This impact is compounded by the proposed activity test to be eligible for the ECLS, which requires 24 hours of participation in work or study per fortnight—a high bar to hurdle for the reasons outlined above.

For those families who can jump over the activity test bar, removal of JETCCFA combined with the pegging of subsidies to deemed rather than actual costs will result in much higher out-of-pocket costs. This will be exacerbated in higher cost areas, such as our earlier example of North Melbourne, where the Council service charges \$98 per day. For a current JETCCFA recipient, the service would cost around \$10 a day. Under the proposed changes, it would cost over \$30 a day—a tripling of out-of-pocket expenses.

**Recommendation 5**

**Retain an incentive like the Jobs Education Training Child Care Fee Assistance to ensure childcare costs do not operate as a barrier to participation in activities that may move parents closer to work.**

## Support families and children at times of vulnerability

<p>PC draft recommendation 12.6</p>	<p>The Australian Government should establish three capped programs to support access of children with additional needs to ECEC services:</p> <ul style="list-style-type: none"> <li>• The Special Early Care and Learning Subsidy would fund the deemed cost of meeting additional needs for those children who are assessed as eligible for the subsidy. This includes funding a means-tested proportion of the deemed cost of mainstream services and the ‘top-up’ deemed cost of delivering services to specific groups of children based on their needs, notably children assessed as at risk, and children with a diagnosed disability.</li> <li>• The Disadvantaged Communities Program would block fund providers, in full or in part, to deliver services to specific highly disadvantaged community groups, most notably Indigenous children.</li> <li>• The Inclusion Support Program would provide once-off grants to ECEC providers to build the capacity to provide services to additional needs children.</li> </ul>
<p>PC draft recommendation 12.7</p>	<p>The Australian Government should continue to support children who are assessed as ‘at risk’ to access ECEC services, providing:</p> <ul style="list-style-type: none"> <li>• a 100% subsidy for the deemed cost of ECEC services, which includes any additional ‘special’ services at their deemed cost, funded from the Special Early Care and Learning Subsidy program</li> <li>• up to 100 hours a fortnight, regardless of whether the families meet an activity test</li> <li>• support initially for 13 weeks; then, after assessment by the relevant state or territory department and approval by the Department of Human Services, for up to 26 weeks.</li> </ul>

Currently, the Special Childcare Benefit (SCCB) is available to improve access to childcare services for families experiencing temporary financial difficulties and for children at risk of neglect or abuse. SCCB covers the gap between other subsidies and the full cost of care so families do not have out-of-pocket costs.

The Commission’s report proposes that SCCB be replaced by the new Special Early Care and Learning Subsidy (SECLS).

The BSL supports a subsidy that provides targeted support for children at risk of abuse and neglect. However we are concerned that some features of the proposed SECLS will have adverse impacts for vulnerable children and families.

## SECLS would be capped and not demand driven

The protective benefits that children at risk of abuse and neglect receive from accessing high quality ECEC have been well documented (Department of Education, Employment and Workplace Relations 2011). They include:

- reducing the amount of time the child spends in the risk environment
- maintaining or increasing the amount of time the child spends in a stable and developmentally beneficial environment
- keeping the child ‘visible’ in the community and increasing opportunities to link the family with other appropriate services
- providing an opportunity for respite to the parent/carer or to seek assistance from other agencies such as health and family support services.

The BSL acknowledges the importance of a thorough and rigorous assessment process for the proposed SECLS. However, the principal concern of the SECLS should be children’s safety, health and wellbeing. The Commission proposes to cap and ration the SECLS if funding is not adequate to meet demand. The means that some at risk children could miss out on care or the appropriate level of care.

### **Recommendation 6**

**Make the proposed Special Early Care and Learning Subsidy uncapped and demand-driven to ensure that children at risk of abuse and neglect are not prevented from accessing ECEC.**

## No SECLS for families experiencing financial hardship

The Commission estimates that around half of the children currently accessing SCCB are in families that have been assessed as facing financial hardship. This group will not be eligible for SECLS under the proposed arrangements.

We understand that families accessing the SCCB on the basis of financial hardship are typically experiencing complex circumstances such as illness, death of a loved one, or parents fleeing domestic violence. For children in these families, access to high quality ECEC at such tumultuous times is critical to their healthy development, safety and wellbeing.

It is of concern that families in these circumstances will be excluded from SECLS. These families risk being shut out of ECEC altogether unless they are able to:

- meet the activity test of 24 hours per fortnight—which is highly unlikely given their circumstances
- meet out-of-pocket expenses resulting from the gap between the deemed cost of care and the actual fees. For families living in areas with higher cost services, this will be a substantial expense.

### **Recommendation 7**

**Extend eligibility for the Special Early Care and Learning Subsidy to children in families experiencing financial hardship.**

## SECLS only covers the deemed cost of care for children at risk

The proposed SECLS will subsidise 100% of the deemed cost of care, rather than 100% of the actual fees. The impact will be that at risk children whose families live in high-cost locations or attend higher cost services could face prohibitive new out-of-pocket costs. Revisiting our previous example from North Melbourne, where the Council service costs \$98 per day, a family whose child is assessed as at risk may currently access childcare at this service with no out-of-pocket expense. However, under the proposed SECLS, the same family will only receive 100% of the deemed cost of care, and will face an out-of-pocket expense of \$22.70 per day.

### **Recommendation 8**

**Ensure that the Special Early Learning and Care Subsidy covers the real cost of ECEC for children at risk of abuse or neglect.**

## Support effective early learning programs

PC draft recommendation 5.3	Australian Government ECEC funding should be limited to funding approved ECEC services and those closely integrated with approved ECEC services, and not be allocated to fund social services that largely support parents, families and communities. Any further Australian Government support for the HIPPY program should be outside of the ECEC budget allocation.
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The BSL disagrees with the Commission’s draft recommendation to fund HIPPY outside the early childhood education and care budget.

HIPPY is an early learning program, which also delivers tangible benefits for parents and for the broader community. HIPPY is an important component of the continuum of early learning programs for children from families experiencing disadvantage, and for communities with limited access to other ECEC services.

In a recent discussion with staff from the Commission, we were asked to provide information in this submission about:

- HIPPY as an early learning model
- the reach of the Australian HIPPY program
- the relationships between HIPPY and other ECEC services
- the outcomes of HIPPY in Australia.

### HIPPY as an early learning model

Children from families experiencing disadvantage are less likely to be exposed to rich, supportive and stimulating home learning environments, and consequently they tend to perform worse in school and life than their peers. These children tend to read fewer books, hear fewer words, and receive less cognitive stimulation than children from higher-income families (Reeves & Gannis 2014). Well-designed, accessible and nurturing early intervention programs are therefore recognised as improving children’s chances.

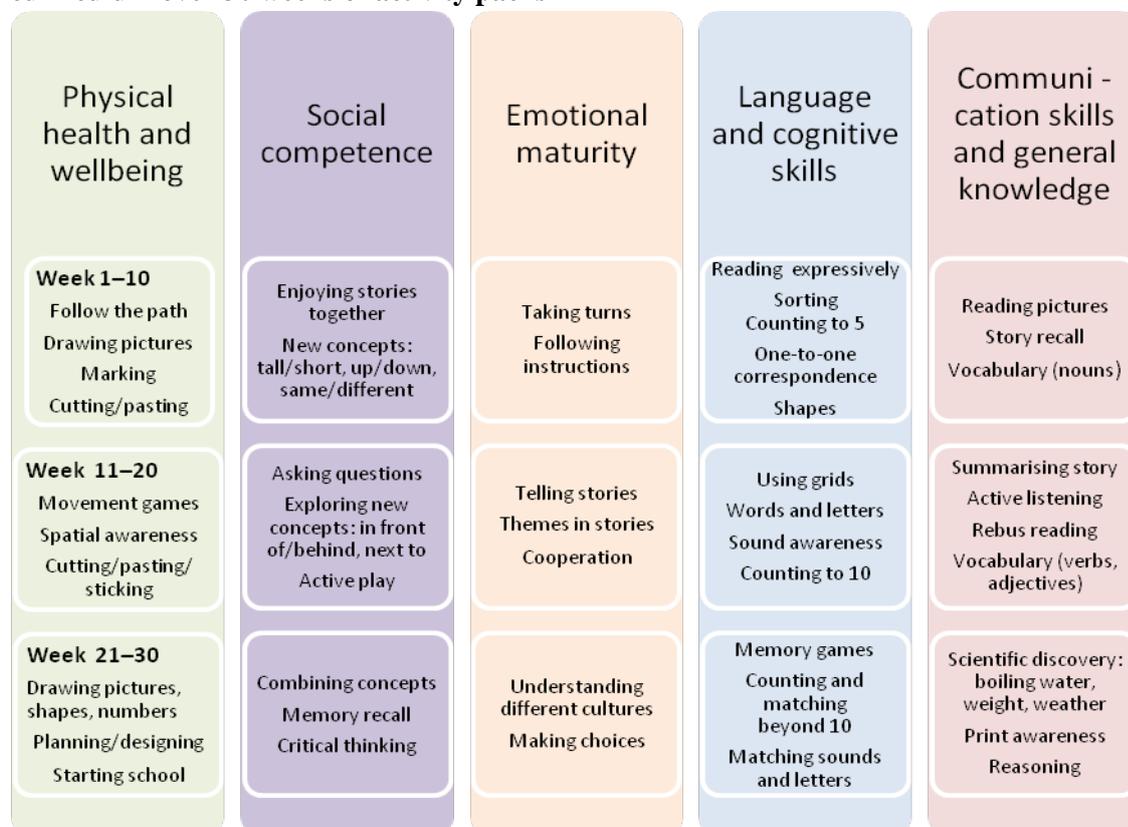
HIPPY is an internationally recognised early child development program grounded in strong evidence. HIPPY was specifically developed to target children living in disadvantaged circumstances (Lombard 1981). Its design recognises that among the strongest predictors of child development outcomes are parental educational attainment, income levels and the quality of the home learning environment, including parenting behaviours and attitudes.

The Australian HIPPY model is targeted to 4 and 5-year-old children in disadvantaged communities, and is aimed at families who need to build their capacity to provide the learning environment needed for their child to develop and thrive.

Delivered over two years, HIPPY supports the learning of children by building the skills of parents (or carers) to be their child’s first teacher. The child is engaged in a home-based structured learning program which incorporates a specifically designed and sequenced curriculum that is consistent with the Australian Early Learning Framework and the Australian Early Development Census (AEDC) domains. Parents are supported by HIPPY home tutors to create a positive learning environment and to help their child prepare for school. The home tutors are local parents, most of whom were previously HIPPY parents.

Families are provided with 45 activity packs delivered over 60 weeks, as well as 15 storybooks to encourage families to engage in regular shared reading experiences that promote language and vocabulary development. The first year of HIPPY (age 4) focuses on a range of learning areas such as sound, print and letter awareness, concept development, numeracy, shapes, colours, problem solving, social and emotional development, active listening, and active play (see Figure 1).

**Figure 1: Australian Early Development Census (AEDC): progression of HIPPY age 4 curriculum over 30 weeks of activity packs**



The second year (age 5) is designed to support children's learning as they make the transition into formal schooling. Children and parents are engaged in learning experiences that focus on five AEDC aligned learning areas: Social and Emotional Development, Creativity, Thinking and Reasoning, Communication and Active Play.

HIPPY supports children to arrive at school with a range of skills and knowledge that provide a basis for success.

### The reach of the Australian HIPPY program

First established in Israel in 1969, HIPPY is now widely delivered in the United States, Canada, Europe, Australia and New Zealand.

Since 1998, the BSL has held an exclusive licence to run the HIPPY model in Australia. We set up a number of HIPPY sites, some of them operated by the BSL, and some delivered by other community providers.

The Australian Government has recently funded a substantial expansion of HIPPY. This year, HIPPY is being delivered in 75 communities, and it will expand to 100 communities in 2015. When HIPPY is fully rolled out in 100 communities it will be delivered to around 4000 families.

HIPPY is delivered in communities experiencing disadvantage and those with high numbers of children assessed as developmentally vulnerable. Sites for the current roll-out have been selected by the Australian Government's Department of Education. Of the 100 communities that will have HIPPY services by next year, half are in locations with substantial Aboriginal and Torres Strait Islander communities. Over 70% of HIPPY sites will be in rural and remote areas, where there are fewer ECEC services.

As noted in the Commission's draft report, children who are less prepared to commence formal schooling include those living in socioeconomically disadvantaged communities, Aboriginal and Torres Strait Islander children, those from non-English speaking backgrounds, and those living in remote areas. These are the very locations in which HIPPY is delivered.

To date, HIPPY has been well targeted to families experiencing disadvantage:

- Over 30% of HIPPY children are in 'out of home care', or are the subject of a Children's Court or Family Court order.
- Around 60% of HIPPY parents have a Commonwealth Health Care Card.
- The rate of unemployment among HIPPY parents (both women and men) is twice the national average.
- Nearly 30% of HIPPY families speak a language other than English at home.
- Around 10% of HIPPY children have a diagnosed behavioural, communication or learning issue.
- In HIPPY communities such as East Kimberley, Frankston North, Murray Bridge, Logan and Sheffield over 30% of children are developmentally vulnerable in two or more AEDC domains (compared with the Australian average of 10.8%).

## The relationship between HIPPY and other ECEC services

Many of the families participating in HIPPY either do not have good access to, or do not take advantage of, other ECEC services. Many live in locations where it is difficult to access ECEC services. Others may be reluctant to engage with ECEC services, even preschool, for personal or cultural reasons. Their children are at heightened risk of poor developmental outcomes. For these families, HIPPY fills a critical gap by supporting the early learning needs of the children.

The Commission report notes that the home learning environment is among the strongest predictors of children's development outcomes. It follows then that home-based instructional programs delivered by trained and supported parents are an ideal mechanism to enrich and enhance the home learning environment. A major process and impact evaluation undertaken through Monash University revealed that the home learning environment is attractive to many parents, and the program is cost-effective (Liddell et al. 2011).

Research demonstrates that parental engagement in early childhood education and care enhances children's achievements and adaptation (Blok et al. 2005; Desforges & Abouchaar 2003; Edwards, Sheridan & Knoche 2008; Harris & Goodall 2006; Powell et al. 2010; Sylva et al. 2004; Weiss, Caspe & Lopez 2008). Parental engagement also leads to improved academic performance, improved self-regulation, fewer discipline problems, stronger homework and study habits, improved work orientation, more positive attitudes toward school and higher educational aspirations (Fan & Chen 2001; Masten & Coatsworth 1998). Supporting parents to actively engage in children's learning activities at home is the most effective approach to boosting children's achievement and adjustment (OECD 2012).

For those families who are also engaged with other ECEC services, HIPPY provides a very different, but complementary approach. It brings structured early childhood education into the home, rather than confining it to an external ECEC setting. Further, it equips parents to deliver this learning on a sustained basis, rather than relying on trained educators to do so.

It is likely that some of the HIPPY families who currently attend other ECEC services will be unable to access the Early Learning and Care Subsidy if the proposed activity test is introduced. This will further heighten the importance of HIPPY to their child's learning and development.

## Outcomes of HIPPY in Australia

With Australian Research Council funding, academics from Victoria University undertook a series of research studies on HIPPY from 1998 to 2007. This included process, impact and outcome evaluations, and some follow-up studies. Key findings included the following:

- There were significant group effects for HIPPY children, when compared with both control groups and Australian norms, in reading and maths performance, overall adjustment to school, and academic self-esteem (Gilley 2002; Dean & Leung 2009).
- A factor of key relevance to children's learning outcomes was the degree of parental involvement, with those parents showing the greatest engagement and involvement with HIPPY also achieving the best learning and school readiness outcomes for their children (Gilley 2002; Dean & Leung 2009).
- There were statistically significant gains in Australian HIPPY children's socio-emotional functioning including their interpersonal relationships, play and coping skills, as well as in their concrete early school skills and readiness (Godfrey 2006). Children commencing the HIPPY program were approximately three points below their age norm at baseline, but

over time the gap closed so that, at exit and follow-up, the HIPPY children were functioning at a similar level to their age peers. These gains were maintained into their third year (relative to population norms). Developmentally delayed children involved in the HIPPY program experienced the same pattern of improvements as the main HIPPY group (Godfrey 2007).

- Improved social development outcomes (compared with a group of more advantaged peers) were sustained, and in many cases enhanced, well beyond the duration of the HIPPY program, as well as similar though less striking improvements in academic development (Green 2007).

The national evaluation report (Liddell et al. 2011) identified many strengths of the HIPPY program in terms of its functionality, maturity, fidelity, reach and cost benefits, and documented impressive improvements in parenting skills and child socio-emotional outcomes. Key findings include the following:

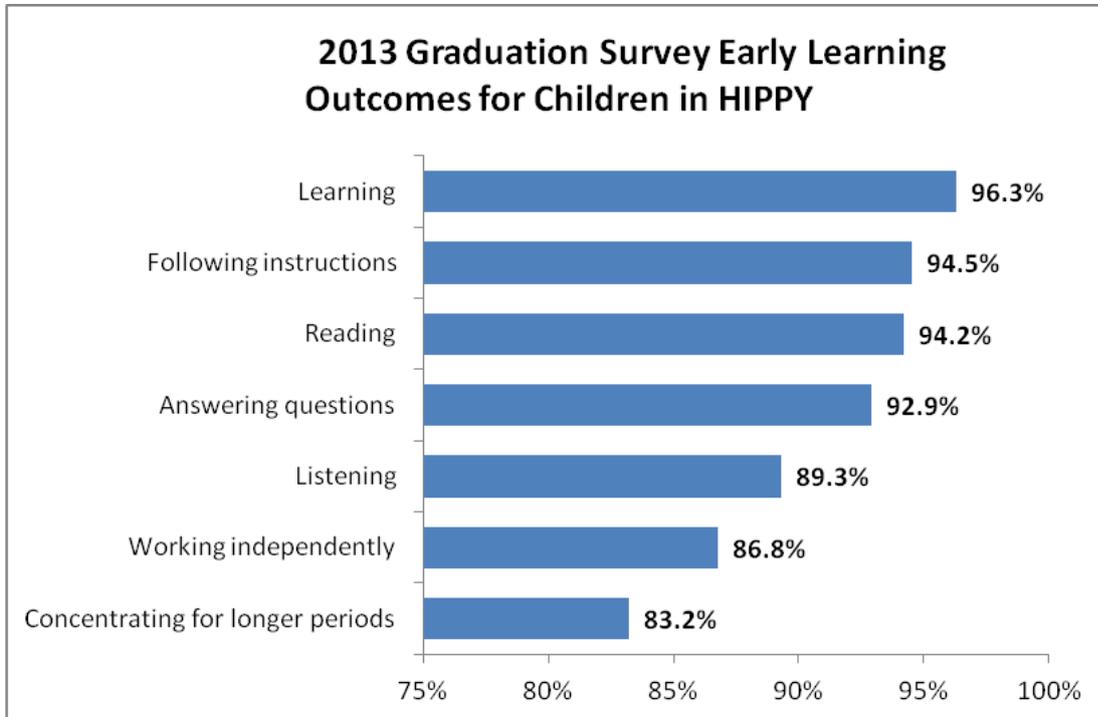
- HIPPY children improved significantly on the School Readiness Score as measured by changes in their pre-literacy and pre-numeracy scores on the 'Who Am I?' test when compared with (age-relevant) national norms. 'Who Am I?' is an Australian validated school readiness score (de Lemos & Doig 1999). While HIPPY children scored some eight points below the Australian norm on the 'Who Am I?' test at the beginning of the HIPPY program, after two years of HIPPY, this gap had been closed (Liddell et al., p. 66).
- There was an overall improvement in the HIPPY children's pre-numeracy and pre-literacy skills that was both large and statistically significant. (Liddell et al., p. 24)
- There was a bigger improvement in the HIPPY group, by comparison with the control group, in terms of parents' perceptions of the problems their child has with peers (p. 27).
- There were significant improvements in the HIPPY group between the start and end of the program on four out of the five Strengths & Difficulties Questionnaire (SDQ) subscales. After two years in HIPPY, children's scores on conduct, hyperactivity and peer problems had all significantly decreased, and there was an 18% improvement in the number of children in the HIPPY group experiencing low levels of socio-emotional difficulties, as reported by parents.
- The HIPPY group's mean socio-emotional difficulties score fell below the Australian population norm by the end of the program, despite these children having started HIPPY with a mean total difficulties score that was higher (worse) than the Australian norm.

This study also highlighted some of the broader program benefits, including improvements in parenting skills and parent-child relationships. It found that HIPPY parents adopted less hostile, and more warm and nurturing parenting styles by comparison with a matched LSAC sample. When compared with non-HIPPY parents, HIPPY parents reported that their child liked being read to for longer periods of time in any one sitting, and the parents did significantly more in-home and out-of-home activities with their child. In addition, teachers reported that HIPPY parents were more involved in their child's learning and development and had greater contact with the school than non-HIPPY parents (Liddell et al. 2011).

HIPPY Australia's program data confirms the positive early learning impacts for children. After two years of HIPPY, parents and carers report that their child has improved their interest in learning (96.3%), reading (94.2%), listening (89.3%), following instructions (94.5%) and

answering questions (92.9%) (see Figure 2). Within five weeks of a child commencing HIPPY, the percentage of parents reading to their child daily had improved by 30 percentage points. More than 90% of parents reported their child enjoyed doing HIPPY. In 2013, almost 85 per cent of those who commenced, graduated after completing two years of HIPPY.

**Figure 2**



Source: HIPPY Australia 2014

HIPPY has more than 200 case studies that provide personal accounts of the positive impacts experienced by HIPPY children. For example:

Initially my child was not ready. Since the HIPPY activity books I really can't believe how much she has matured and her development skills have improved. My child was able to start school confidently this year and this is all due to being in the HIPPY Program.

HIPPY is such a great program. I'd recommend it to other parents. It makes your child get ready to start school. Your child's more advanced than other kids who haven't done HIPPY.

I have watched him learn and grow with HIPPY. It was great learning the sounds and letters and also counting.

The BSL is keen to establish a longitudinal study of the impacts of HIPPY, and is currently in consultation with the Department of Education about this.

**Recommendation 9**

**Recognise HIPPY as an effective early learning program and continue to fund it from the early childhood education and care budget.**

## Increase investment in integrated approaches to supporting children and families experiencing disadvantage

PC draft recommendation 5.2	Governments should plan for greater use of integrated ECEC and childhood services in disadvantaged communities to help identify children with additional needs (particularly at risk and developmentally vulnerable children) and ensure that the necessary support services, such as health, family support and any additional early learning and development programs, are available.
PC information request 8.2	<p>The Commission is seeking feedback on the role that integrated services can play in making ECEC more accessible for families. In particular, the Commission is interested in:</p> <ul style="list-style-type: none"> <li>• the extent to which integrating ECEC services with other family services and schools will deliver benefits to families and/or ECEC providers, and in particular, Indigenous and potentially other disadvantaged communities</li> <li>• views on the best way to fund integrated services that provide ECEC, including whether child-based funding would be an appropriate funding model</li> <li>• how funding could be apportioned across activities operating within an integrated service, including for the coordination of services, the management of administrative data and an evaluation of outcomes.</li> </ul>

The BSL agrees that governments should plan for greater use of integrated ECEC in disadvantaged communities. We endorse the Commission’s view that:

integrating ECEC services with other family and community services can be a more efficient approach to service delivery ... and a useful introduction into a service environment for some families while for others it may be other services that provide an entry point for accessing ECEC services (PC draft report p.550).

Integrated service delivery addresses the need for easy access to services, lessens the possibility of children ‘falling through the gaps’, and provides more coordinated and holistic responses to identified need. Greater investment in integrated services can produce additional benefits including:

- eliminating the need for families to report their stories to different services, as data is shared across services
- reducing duplication between services and identifying service gaps
- varying the services mix to reflect community needs
- reducing transport costs and travel time costs for families
- reducing infrastructure and recurrent costs.

For families facing multiple challenges, mere co-location of agencies and services in a centre or hub represents a missed opportunity. Integration of services, rather than co-location, is one of the important keys to assisting these families.

### Achieving integrated ECEC services

There are some key principles that underpin integrated service delivery that we have drawn from a number of international and Australian studies of successful approaches to working with families (see, for example, Murdoch Children's Research Institute 2009). They include:

- the need for a shared vision and mission agreed by all agencies involved
- joint identification of desired outcomes and measures that agencies are working towards
- shared leadership, to drive the vision, access resources and build relationships both within a centre and across the community
- 'coordination' to drive integration at the service level, encourage and trial integrated approaches internally and then extend this approach externally to engage the community
- a single entry point, preferably through a universal service
- shared data and a common case management system.

In order to realise the true benefits of integration for children and families, funding needs to be provided to services in disadvantaged communities to coordinate the range of activities required to make integration happen.

#### **Recommendation 10**

**Invest in integrated early childhood education and care centres in disadvantaged communities by providing funding to coordinate integration activities.**

### A two-generation approach to supporting disadvantaged families

Children's life chances are affected by their parents' education and employment status.

Accordingly there is a sound social and economic case for fostering opportunities for employment, education and training for parents in communities with high concentrations of unemployment, low skills attainment, or affected by structural change, such as loss of manufacturing industries.

Services that focus exclusively on children will not comprehensively address the factors which hold children in poverty and disadvantage. While we acknowledge the valuable work done by existing child and family centres, an explicit focus on supporting the educational and workforce participation of parents is a critical missing link. Universal early learning and care services (kindergartens, child and maternal health care) can provide the crucial soft entry point for families to access the support they need to address family issues, complex needs, and/or barriers to workforce participation.

That is why the BSL is working with others to develop a model that takes a two-generation approach and intentionally addresses the needs of children and parents at the same time (see Table 1). The two-generational model brings together:

- high quality early learning and care for 0–5 year olds
- family support and parent engagement to support the wellbeing of families

- career planning, training and employment opportunities
- financial programs to build the economic participation and assets of parents
- a focus on building civic engagement and community connections.

**Table 1: Elements of the two-generational approach**

<b>Early childhood education and care</b> Kindergarten Long day care Occasional care Maternal and child health and nutrition  Autism support Occupational therapy Speech therapy Intentional playgroups	<b>Parent and family support</b> Wellbeing Parenting skills Homework clubs Peer support	<b>Economic participation</b> Career planning Foundation skills Vocational training Work preparation  Work placements  Financial education Saving and budgeting	<b>Civic and community connections</b> Volunteering Social connections Business links Community capacity  Collaborative and connected services
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Source: Brotherhood of St Laurence 2014

Communities that would particularly benefit from a two-generation approach include urban areas with concentrated pockets of disadvantage and regional and remote areas. The approach would also be well suited to communities on the fringes of our cities, where other civic institutions and supports are not yet well established.

Early warning signs are present in many growth corridor communities. For example, in Melbourne growth corridor suburbs such as Werribee, Hoppers Crossing, Melton West and Melton South, the percentage of children who are developmentally vulnerable on two or more domains of the Australian Early Development Census (AEDC) is around 14.5%, compared with the national average of 10.8%. These areas are also characterised by lower levels of education, skills and employment. A critical factor in preventing children in these communities from slipping into poverty is to ensure an intentional focus on the education, employment, financial capacity and participation of their parents.

**Recommendation 11**

**Establish a development fund to increase the capacity of integrated ECEC services in disadvantaged communities to foster a two-generation approach. This involves supporting integrated early years service models that also build the civic and economic participation of parents.**

## Maintain a strong, early childhood education and care sector

PC draft recommendation 10.1	The Australian Government should remove eligibility of not-for-profit ECEC providers to Fringe Benefit Tax exemptions and rebates. State and territory governments should remove eligibility of all not-for-profit childcare providers to payroll tax exemptions. If governments choose to retain some assistance, eligibility for a payroll tax exemption should be restricted to childcare activities where it can be clearly demonstrated that the activity would be unviable and the provider has no potential commercial competitors.
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The BSL disagrees with the Commission’s proposal to remove preferential tax arrangements for not-for-profit (NFP) providers of ECEC services. Existing exemptions and rebates should be retained given the significant community benefits delivered by NFP operators.

Concessional tax treatment for NFPs shows a recognition from governments of the broader role community organisations play in the advancement of their local communities. Community organisations which are embedded in and trusted by their local community are a key part of Australia’s service delivery architecture. They play a valuable role in the development and delivery of innovative approaches to tackling complex social challenges. They are uniquely positioned to harness local skills, altruism and resources, and to strengthen the capacity of families and communities.

The Commission has voiced concerns that these tax concessions for NFP providers of ECEC services may be causing distortions to efficient market operation, with uncertain benefits.

It is the BSL’s view that a vibrant NFP sector is fundamental to the provision of high-quality, competitive and socially inclusive ECEC services. Community organisations essentially operate as an extension of their local community, and establish services that are responsive to local needs. They exist to advance social objectives. For example, the BSL is a founding partner of Goodstart Early Learning, whose main objectives are to raise the quality of early learning, and improve social inclusion.

The Commission’s draft report acknowledges some key values and strengths that NFP providers contribute to the delivery of ECEC services. These include:

- a willingness to open up more higher cost (often loss-making) places for 0–2 year olds, compared with commercial providers
- the provision of more places in outer regional and remote areas (where occupancy rates are lower) than commercial providers
- cross-subsidising between centres to support lower fees or services in low SEIFA areas or regional centres with low occupancy
- the employment of more qualified staff
- a stronger record of being assessed as meeting or exceeding National Quality Standards than commercial providers.

We would add to this list:

- the investment of NFP providers in quality improvements through research, pedagogy, and the development of innovative practices
- a strong agenda for social inclusion in service design, delivery and involvement of families using the service
- the direct involvement of the local community in ECEC services through committees, and through engagement with local community groups and businesses
- a commitment to quality training and ongoing professional development of staff
- the willingness of NFP providers to enrol children that need additional support.

While commercial operators are increasingly moving into the provision of ECEC services, they necessarily operate from a different starting point. Services are established in areas they anticipate will yield good commercial returns through high usage rates, and services have to be designed in a way that maximises shareholder returns. The collapse of the ABC childcare empire highlights the risks of concentrating large parts of the ECEC sector in commercial hands.

In many locations, NFP, commercial and public providers operate in the same markets. While we acknowledge that many commercial providers also place a strong emphasis on quality, the strong presence of NFP providers ensures that quality remains an important element in the ECEC market. By being able to reinvest proceeds into their operations, NFP providers are able to place a strong emphasis on quality, and invest in research, innovation and improved practices. This informs the broader ECEC sector, as well as early years pedagogy. It also offers parents an element of choice and differentiation between services.

The Commission raises concerns that tax exemptions and rebates are inefficient instruments to achieve social goals, yet they also note that:

because not-for-profit childcare providers are very close to the communities they serve, they may arguably be better placed to address community level issues than a Commonwealth or state funded and run program.

NFP providers reinvest their proceeds to support social inclusion and use ECEC as a platform to strengthen the capacity of children, families and the surrounding community. The BSL's related entity, Goodstart, expects to invest around \$4m this financial year in social inclusion activities.

NFPs do not receive an additional stream of funding to undertake this capacity building work. It is enabled, in part, by the provision of tax exemptions and rebates.

Removal of tax concessions would have detrimental consequences. It would mean that NFP providers might struggle to attract high quality staff. Their capacity to drive quality improvements and innovation would be compromised—a poor outcome for the whole ECEC sector. They would have a reduced ability to do the heavy lifting associated with supporting disadvantaged families, or to cross-subsidise delivery of services in less viable locations. They would also be unable to use ECEC services as a platform for broader social inclusion and community development activities.

If the tax exemptions and rebates were removed for NFP providers of ECEC services, it would establish a precedent for removing these from all other community organisations delivering vital community services. Given the adverse consequences that would flow from such a move, we are doubtful this would be acceptable to the Australian community.

## Payroll tax exemptions

The Commission has proposed the abolition of payroll tax exemptions for NFP providers of ECEC services. We understand that only a minority (around 20%) of the ECEC sector currently pay payroll tax. This is because 60% of centres (long day care and preschools) are covered by charities, schools, and state and local government exemptions, while around half of the remaining 40% of centres are privately owned, stand-alone centres, with staffing numbers below the payroll tax thresholds. If large NFPs lost their payroll tax exemptions, they would be put at a tax disadvantage compared with many other ECEC providers, including smaller commercial providers.

The Commission suggests that an alternative approach could be for state governments to provide payroll tax exemptions in circumstances where an ECEC service would be commercially unviable, and where there are no potential commercial competitors. We believe this is unworkable because:

- other ECEC providers in the area may already be getting a payroll tax exemption (as discussed above)
- there are few, if any, metropolitan or regional (other than rural) locations where there are no potential commercial competitors
- it would be difficult to determine whether a service was commercially unviable before it was established
- this approach would create additional red tape, cost and bureaucracy to determine if and when the exemption could be applied .

### **Recommendation 12**

**Recognise and value the particular role of not-for-profit early childhood education and care providers by retaining their eligibility for Fringe Benefit Tax exemptions and rebates and payroll tax exemptions.**

## Strengthen flexible early childhood education and care models

Family Day Care—one of the most flexible, affordable and accessible models of care—needs to be given greater consideration by the Commission in its final report.

According to data from Family Day Care Australia’s submission to the Productivity Commission in January this year, family day care services almost 85,000 families across Australia, accounting for 135,000 children and just over 13% of the childcare sector. Their submission outlines how in recent years there has been a strong growth in the FDC sector, with an increase of over 15% in the year to March 2013. FDC is particularly prevalent in rural and remote communities, and in some instances it is the only form of approved childcare available to families.

The BSL pioneered the FDC model back in the early 1970s. FDC provides a different approach to other ECEC services, offering an alternative between centre-based care and mother-care. Other factors that differentiate FDC include:

- flexibility and responsiveness. Families can access care at short notice, and on weekends, evenings, and other non-standard hours
- a family, home-like environment which provides a different feel to centre-based care

- siblings of different ages can be cared for together, including school-aged children requiring care before or after school hours
- the capacity for families to develop a consistent, secure and ongoing relationship with the FDC educator
- the ability to match families to individual educators taking into account cultural, linguistic and other factors. This can support improved communication between parents and educators and successful transitions for children
- the opportunity for mothers to participate in the paid workforce in their own homes as FDC educators while also caring for their own children. For some, FDC provides a stepping stone into the workforce, and can offer a long-term career, reliable income, training and professional development opportunities, and future career pathways.

FDC is a form of regulated ECEC and operates under the National Quality Framework. FDC educators are early childhood education and care professionals (at a Certificate III level) who must be registered with an approved FDC Coordination Unit that is responsible for registering, supporting, training, monitoring and advising its educators.

FDC Coordination Units play a critical role in supporting and monitoring the delivery of quality FDC services. FDC coordinators, who are required to hold a Diploma in Children's Services (or equivalent), provide face-to-face in-field support, professional development and mentoring to FDC educators.

The BSL currently runs an FDC program in Hume, a growth area on Melbourne's northern fringe. As well as ensuring compliance with regulatory requirements and standards, our Coordination Unit provides a range of supports to underpin high quality FDC operations, such as:

- a rigorous screening and recruitment process for potential FDC educators. This is a phased process to ensure that only candidates who have the necessary skills, attributes and commitment to delivering high quality ECEC to children are recruited to our FDC program. Having a certificate III is not of itself sufficient.
- a comprehensive induction process which includes assisting new educators to plan appropriate learning activities. New educators are also linked to more experienced educators for peer support
- ongoing professional development, including a weekly facilitated playgroup for educators and children in their care. This is a key opportunity for the FDC educators to learn about developments in theory and practice and to apply that learning with the children in their care with the support of the FDC coordinators
- supporting FDC educators and their families in assisting children's transition to school. This is particularly important for children who have not attended preschool
- frequent home visits (at least monthly) to support and mentor educators
- a contact point for families seeking advice, needing referral support or with issues regarding their FDC service that need to be resolved.

To fund these services, we rely on an Australian Government contribution through the Community Support Program, a levy on parents and investment of our own discretionary funds.

The vital work that FDC Coordination Units provide is at risk as a result of cuts to the Community Support Program. From 1 July 2015, most approved Coordination Units will lose this funding. This will inevitably mean higher costs for parents, many of whom are on low incomes, and a drop in the level of support that Coordination Units are able to provide. We do not want to see the quality of the FDC sector put at risk. Adequate funding for the architecture of FDC needs to be a priority for ECEC funding.

**Recommendation 13**

**Ensure adequate funding for high quality support and coordination of Family Day Care Services.**

**Extending early childhood education and care subsidises to nannies**

The Commission proposes a major policy change that would allow families employing nannies to attract ECEC subsidies. Subsidies will be available where nannies have a Certificate III (or equivalent), and meet requirements under the NQF.

The Commission has identified the need to consider how these publicly subsidised nannies could be regulated so that the quality of their service can be monitored. Without proper scaffolding, nannies will be operating in isolation, without access to the mentoring, professional development or quality oversight that we know is critical to high quality ECEC services.

A logical approach would be to bring subsidised nannies under the umbrella of Family Day Care Coordination Units. This would be an efficient use of existing infrastructure and ensure that nannies are supported to meet quality and regulatory requirements. It would enable a close alignment between flexible, home-based, personalised ECEC services.

**Recommendation 14**

**Use the existing Family Day Care architecture to provide oversight and support for nannies attracting early childhood education and care subsidies.**

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