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Quality and marketised care: The case of family day care

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Introduction

This chapter examines market-based arrangements in family day care, a system that provides children with formal, regulated and government-subsidised early education and care (ECEC) in the homes of individual educators.[1] Our focus is on family day care coordination—the unique and long-running model of coregulation at the heart of Australia's system. 'Coordination units' are government-approved intermediaries within family day care services that support home-based educators with regulatory compliance, administration and educational programming and practice. Initially the domain of community-based providers, family day care coordination has operated as a mixed market since the 1990s. However, changes in policy, funding and regulation over recent decades reoriented services around market principles and enabled for-profit providers to quickly dominate the sector.

1 Family day care educators are also known as family day carers or 'childminders' in the United Kingdom. In Australia, as part of a move towards professionalising the sector (Cook et al. 2013), all childcare workers, including those in family day care, are referred to by the term 'educators' if they work directly with children to provide early education and care.

The chapter is concerned with two sets of associated issues: first, we chart the policy developments that led for-profit providers to gain and expand their foothold in family day care; and second, we assess how the dominance of for-profit provision impacted on the sector's capacity to deliver high-quality services to children. As family day care is less familiar than centre-based ECEC, we first outline its distinctive characteristics and contribution, focusing on the role of coordination units, which aim to promote compliance and mitigate the safety and quality risks associated with services delivered by individuals in their homes. Next, we identify the main phases along family day care's pathway to a market model. We outline the arrangements established to promote competition and expand supply in the context of low barriers to entry and show how these led to very high levels of for-profit provision and problems of noncompliance and underservicing, which required significant government effort to address. Finally, we use Australia's official benchmark for quality in ECEC, the National Quality Standard (NQS), to assess the impact of these developments and take stock of patterns of performance among different types of services operating in family day care's mixed market.

Our inquiry recognises that while there are compelling moral arguments against providing early education and care on a for-profit basis, for-profit provision may not be universally incompatible with decent quality. This perspective is based on research evidence about the contribution of public, non-profit and for-profit providers in child care and other social services that has shown service ownership can have mixed, context-dependent effects (Meagher and Cortis 2009). In addition, our previous work documenting family day care practice demonstrated how Australia's model of family day care has enabled for-profit as well as government and non-profit providers to develop exemplary models of leadership and practice, and to provide safe and innovative services that enable flourishing among children, families and educators with diverse sets of needs (Blaxland et al. 2016).

However, while for-profit services may have potential to deliver quality services, the national quality data explored in this chapter attest to systemic underperformance among family day care coordination units that operate on a for-profit basis. For-profit providers are less likely than others to meet the NQS overall, and for-profits dominate among the services deemed to require urgent regulatory intervention. Furthermore, while underperformance of for-profits is also evident in centre-based contexts such as long day care, it is more pronounced in family day care. We show

that, while poor-quality for-profit provision grew very quickly after 2010, policy changes and increased enforcement and compliance action by government subsequently reduced the number of underperforming for-profits. Despite this reduction, the problem of poor-quality family day care endures. The analysis raises questions about the appropriateness of market arrangements in family day care and underlines the need to make the quality of services for children the paramount priority of system design and regulation.

Family day care in Australia: A distinctive model of coregulation

Family day care is significant in the provision of children's services in Australia, although it is used by fewer children than long day care or outside school hours care. In 2018, it was accessed by about 162,000 children aged under 12, or 13 per cent of children using approved care (PC 2019: Table 3A.16). Families and educators value the model for offering a personalised approach to education and care, with small groups and home-like environments considered ideal for enabling strong relationships to thrive (Blaxland et al. 2016; Davis et al. 2012). The opportunity to develop close relationships with a single educator is felt to be especially suitable for those who find centre-based settings intimidating or impersonal, such as babies and children with higher care needs, whose requirement for one-on-one support might not be so readily accommodated in centre-based settings (Stratigos et al. 2014). Family day care is also valued for its flexibility in meeting the needs of shift workers and families in sparsely populated communities where there are too few children to maintain long day care centres or preschools (Baxter et al. 2016). Family day care offers flexibility to the overall system of ECEC provision. As establishment costs are low, family day care can help the system rapidly respond to changes in local demand, while traditionally offering more affordable options for families.

Family day care has often been misconstrued as an extension of 'mothering' (Camilleri and Kennedy 1994: 39), but in Australia, it has operated as part of the regulated ECEC system for decades. Since the first community-based schemes were established in the 1970s, coordination units have played a coregulatory role. These units consist of small professional teams

of coordinators qualified at diploma level or above[2] who work to support, monitor and train family day care educators. Educators are required to be attached to a coordination unit to access government childcare subsidies, and this has acted as an incentive for people offering home-based care to join the regulated family day care system. As a result, unregulated paid childminding in educators' homes remains relatively uncommon in Australia.[3] The role of coordination units in upholding standards of quality, safety and accountability has meant Australian family day care is considered relatively well regulated by international standards (Blaxland and Adamson 2017).

Family day care services retain considerable flexibility in the ways their coordination units support educators and resource their activities. Typically, services contract educators[4] and levy fees on them and/or families, although some may receive financial or in-kind support from an auspicing agency such as a local council or non-profit organisation. Services are approved by state or territory regulators on the basis that they will ensure educators are adequately monitored and supported, but their detailed tasks are not prescribed. Accordingly, services determine their own processes of monitoring, supporting and training educators, such that the regulatory approach to family day care has been described as 'outcomes-based' (Education Council 2014: 64).

Usually, coordination units link families to educators, manage enrolments and administer and process government subsidies. Coordination units are also expected to monitor educators' homes to ensure safety, to facilitate access to professional development and to help inform and mentor educators to assist with planning and documenting educational programs (Corr et al. 2014). Coordinators help educators monitor child wellbeing and development, provide strategies for supporting children with additional needs and sometimes link children and families to local health and other services and supports when concerns arise (Blaxland et al. 2016). They often

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2 Coordinators are required to be qualified to diploma level (or working towards a diploma-level qualification). By contrast, family day care educators must have (or be actively working towards) a Certificate III education and care qualification, or above.

3 There is, however, an unregulated market for nannies and au pairs, though unlike family day care, nannies and au pairs typically work in families' homes and do not attract childcare subsidies (Berg and Meagher 2018).

4 Educators may be employed, as in South Australia where many are employed by the state government's family day care service. However, contracting is standard; family day care educators are almost universally self-employed and set their own fees. For further discussion of family day care workers' employment arrangements, see Delaney et al. (2018).

help educators' families understand the nature of the work, provide practical resources such as equipment and toy libraries and organise play sessions to bring together groups of educators and the children for whom they care. Well-performing coordinators act as bridges between educators otherwise working alone, providing them with workplace companionship and support and enhancing their health and wellbeing (Corr et al. 2014). Providing essential supports to what is otherwise difficult and risky work, coordination units make it possible for the family day care system to deliver acceptable standards of quality care to children.

Marketisation in family day care

Over the past decade, family day care services have been reshaped around a competitive, self-financing model.[5] As for centre-based care (Brennan 2007), for-profit family day care provision has offered governments a source of additional capacity and enabled childcare system expansion. However, market-based dynamics in family day care played out in different ways than in long day care, which saw the rapid growth and collapse of what was the world's largest listed long day care provider, ABC Learning, in 2008 (Brennan 2007; Sumsion 2012). Rather than growing commercial involvement in direct provision of services to children, the growth of for-profit provision of family day care occurred among the coordination units operating as small businesses regulating networks of educators.

Here, we chart the distinctive set of arrangements through which family day care coordination became a highly competitive market dominated by a myriad of new for-profit providers. Our account shows that whereas public and government concerns about the growth of for-profit provision in centre-based ECEC focused on levels of market dominance by a small number of providers and the risk of corporate collapse, concerns about for-profits in family day care related primarily to cases of unscrupulous activity, poor quality and fraud among small businesses (Ley 2014; Worthington et al. 2017). We outline these developments by identifying five phases through which a mix of intersecting, overlapping dynamics have shaped family day care around a market model. These are summarised in Figure 1.1.

5 This has broadly followed a policy logic applied across ECEC. For family day care policy to follow in the footsteps of long day care is common in Australia, where home-based care typically appears to be an afterthought in the policy process or subsumed in ECEC policy.

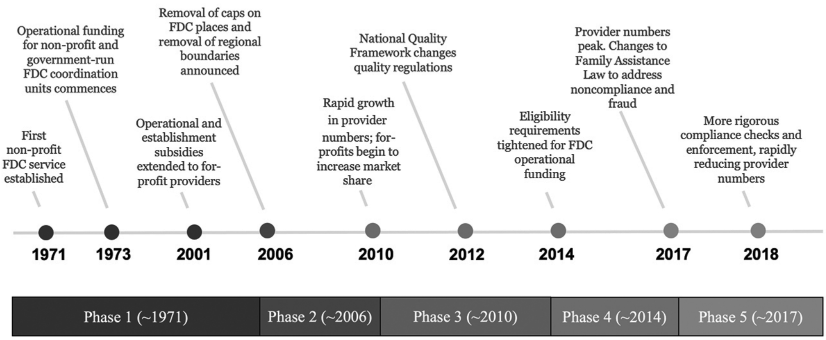

Figure 1.1 Timeline of key milestones in the marketisation of family day care (FDC)

Source: Based on authors' research.

Phase 1: Relative stability in a mixed market

Family day care was established as a non-profit model and operated on this basis, with little change, for a quarter of a century. In 1971, the Brotherhood of St Laurence set up what is recognised as the first service in Australia, after which a series of community-based pilots was undertaken to develop ways to provide flexible care for working parents. Government funds were essential to establishing the model.

The Australian Government first undertook to fund centre-based child care in the *Child Care Act 1972*, which laid the groundwork for funding family day care services. From 1974, non-profit and government-run coordination units were eligible for operational funding under the Commonwealth's Children's Services Program, which supported the establishment of formal, regulated, subsidised home-based care as an ECEC option (Brennan 1998; Jones 1987: 90; Tohme and Darley 2013). Early iterations of operational funding arrangements involved a standard formula that directed Commonwealth support to help meet the costs of administration and regulatory support provided by the coordination units. The rate of financial support increased through the 1980s, in recognition of growing regulatory demands (Jones 1987). Widespread access to operational funding was not significantly tightened until 2014. While information about the numbers and types of providers is not available for the early decades of the program, the number of family day care places is reported to have grown in the 1970s and 1980s (McIntosh and Phillips 2002). Information available from the 1990s shows the number of family day care services remained steady throughout the 1990s and early 2000s and did not start to grow until later (Figure 1.2).

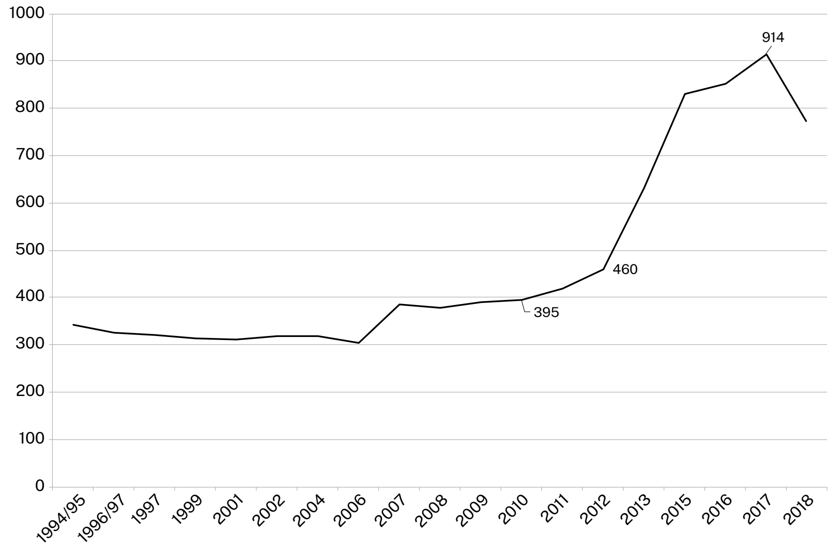

Figure 1.2 Number of family day care services, 1994–2018

Note: These figures include a small but unspecified number of in-home care services, which are routinely counted with family day care in departmental reporting.

Sources: DEEWR (2008, 2011a, 2011b, 2012, 2013, 2014, 2015, 2016, 2017, 2018); FACS (1999, 2000, 2001, 2003, 2005).

Changes in government subsidy rules for family day care lagged behind those for centre-based child care. For example, whereas operational subsidies were extended to for-profit long day care services under Labor in 1991, it was not until 2001, under the Howard Coalition government, that for-profit family day care services became eligible for operational and establishment assistance (AIHW 2003). Further, while an early move of the Howard government was to promote a demand-driven system by removing direct federal support to childcare centres and redirecting subsidies to parents in 1996–97 (Brennan 1998; Meagher 2007), in family day care, although parents could also access fee subsidies, operational funding to coordination units was maintained. Despite having access to operate in family day care, it appears that few for-profits took up opportunities to establish services and access subsidies at this time, and the family day care sector remained relatively unchanged for many years. For-profit providers retained a small market share. Unlike in long day care, where for-profit operators controlled three-quarters of childcare places from 2004, only one in 20 family day care coordination units was for-profit at that time (Meagher 2007).

From 2004, support for coordination units came via the Australian Government's Community Support Program, which was designed to help childcare services establish themselves and operate, especially in rural and remote communities or areas of market failure. Family day care services were able to access funds at specific hourly rates per place. These were more generous than the fixed annual amounts available to long day care and outside school hours care. All family day care services were also able to access an extra component of the program to assist with expenses incurred in supporting and monitoring compliance across their networks of educators. Changes to funding arrangements did not appear to immediately expand supply or attract new providers because the number of places for children was capped.

Phase 2: Promoting competition, system expansion and choice

In 2006, the Coalition Government announced it would remove caps on family day care places to expand supply and provide more choices for families (Tohme and Darley 2013). This policy development followed principles introduced for centre-based services, with the federal government justifying the changes to bring family day care into line with arrangements already in place for long day care (Brough 2006). Later, the removal of caps was criticised by the Australian National Audit Office, for both being poorly targeted and for facilitating a stream of unchecked government spending (ANAO 2012).

While it removed the cap on places, the federal government also removed the regional boundaries that had previously restricted coordination units to operating in defined local areas (Tohme and Darley 2013). Local boundaries had acted to constrain competition by limiting the reach of a coordination unit and the size of each unit's network. Lifting geographic restrictions enabled family day care services to contract educators operating at some distance from their service and expanded the scale at which units could operate. Thus, the geographic coverage of services was now allowed to overlap, which enhanced the prospects for competition for educators and families. This created opportunities for services to reduce fees but still make profits by supporting larger numbers of educators remotely, and by thinning the supports provided.

Unlike for centre-based care, for family day care, government approvals do not specify maximum numbers of places per service. Further, the activities of family day care coordinators were never closely specified by the government. This enabled rapid growth, with providers able to profit through economies of scale or underservicing, without regulatory oversight (Education Council 2017: 61). Reporting of data on the number of educators attached to each unit was not routinely required, making it difficult to clearly assess the effects of lifting the boundaries. Nonetheless, a dramatic expansion in the numbers of services is evident.

Phase 3: Rapid growth of for-profit provision

For reasons that are still unclear, family day care's phase of rapid growth did not occur immediately after 2006.[6] Rather, it happened from 2010, with the number of services more than doubling, from 395 in September that year to 914 in 2017 (see Figure 1.2). Access to operational and establishment funding and other government subsidies, which seemed to assure ongoing viability to new providers, contributed to this growth, coupled with the absence of regulation of the number of educators serviced by each unit. Access to apparently 'easy funding' from the Commonwealth may have enabled new market entrants to quickly dominate family day care. State and territory regulators, who retained responsibility for approving new services, failed to stem the trend. Transformation of the sector was rapid. In 2014, more than 80 per cent of family day care services had been operating for less than three years (PC 2014: 351–52). These new entrants were primarily privately run small businesses. In 2012, the Gillard Labor government introduced the National Quality Framework (NQF) for ECEC, which required family day care coordinators and educators to obtain specified educational qualifications. At least initially, the NQF did not appear to constrain new entrants, who may have been somewhat naive as to the significant resources and commitment required to meet standards and perform properly all aspects of their coregulatory role.

6 Family day care is a very under-researched element of the Australian early childhood sector. Despite extensive investigation and discussions with family day care professionals, the authors were not able to determine why this expansion was slow to start. We speculate that it took some time for the business opportunity that family day care offered to be discovered.

The large number of for-profit providers among new players is evident in NQS data, which are part of the NQF and include information about each service's date of approval (see Figure 1.3).[7] Corroborating the trends evident in Figure 1.2, there was massive growth in new service approvals between 2012 and 2015. When analysed by provider type, the surge was driven by approvals of new for-profits after 2010, and more quickly after 2012. For-profits made up 42 per cent of new approvals in 2011, but this rose to 59 per cent in 2012 and more than 90 per cent of those approved between 2013 and 2016. In 2013, 295 new services were approved. These services dramatically swelled a sector that, as shown in Figure 1.2, had numbered 460 in September 2012 and doubled in the years that followed.

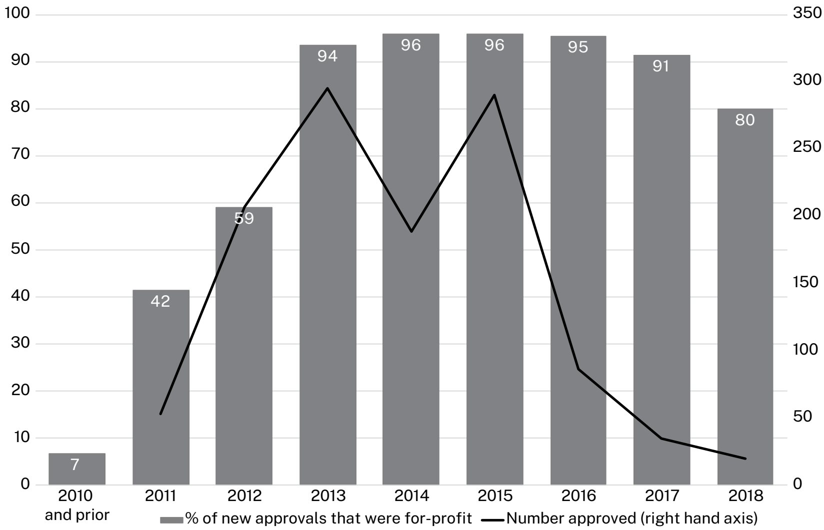

Figure 1.3 Composition of newly approved family day care services

Note: Data for approvals in 2012 and earlier were drawn from the detailed dataset for services, as of Q3 2013. For each year from 2013, the number of services approved is based on Q4 in that year. In and before 2015, small numbers of services did not state their provider type but were manually recoded.

Source: Authors' calculations based on NQS detailed dataset for Q3 2013 to Q3 2017 (ACECQA 2018).

7 These approvals reflect approval by regulatory authorities in the states and territories and Commonwealth approval to receive federal subsidies.

Phase 4: Policy reform to contain rising costs

The rapid growth of family day care raised several challenges for government to address, particularly the rising costs of subsidies to services. As the number of services approved by state and territory regulatory authorities escalated, Commonwealth spending on the operational subsidies accessed by coordination units rose. In 2012, the ANAO released a review of the Community Support Program that was critical of its poor targeting to areas of need. It found family day care services were receiving $191,000 per service, on average, which represented 71 per cent of total program funding, and most funding was accessed by family day care providers in major cities, which was considered poorly aligned with the original program objectives of supporting access and provision in areas of market failure (ANAO 2012: 16, 31).

In response, the Abbott Coalition government announced changes aimed at stemming sector growth and containing spending. First, new rules dramatically restricted family day care's access to operational support. From April 2014, tight eligibility requirements for operational funding were introduced, which removed the ability of most services to draw on government funding to cover coordination costs. Eligibility was restricted to circumstances in which there was just one service in the most disadvantaged urban areas or in regional, rural and remote areas. In announcing the changes, the then assistant minister for education, Sussan Ley, framed the development once again in terms of bringing funding for family day care into line with that for long day care. She explained that, while exempting family day care services from the stricter criteria applying to centres had helped support family day care as a viable childcare model, the government was now refocusing financial support on provision in regional, remote and disadvantaged areas (Ley 2014). Budget papers indicated the tighter criteria would provide savings of $157.1 million over three years (Hockey and Cormann 2014: 81).

Figures 1.2 and 1.3 indicate that after operational funding was curtailed, service approvals and overall sectoral growth slowed. The total number of newly approved services dropped sharply after 2015, as reforms to contain costs and unscrupulous practices took effect. However, for-profits continued to make up almost all new approvals, albeit in smaller numbers than a few years earlier. In 2018, after growth in approvals slowed, private for-profit providers were operating 71 per cent of family day care services (see Table 1.1), compared with 65 per cent of long day care and 48 per cent of outside school hours care.

Table 1.1 Proportion of for-profit, government and non-profit ECEC services, 2018 (per cent)

	Private for-profit	Government[a]	Non-profit community-managed[b]	Other non-profit[c]	Total
Family day care (n = 756)	71	12	10	7	**100**
Long day care (n = 7,455)	65	5	13	17	**100**
Outside school hours care (n = 5,286)	48	11	20	21	**100**
Preschool (n = 3,934)	15	26	42	17	**100**
All (n = 15,763)[d]	47	13	27	13	**100**

[a] Includes government schools.

[b] Non-profit community-managed refers to those managed by a parent association or cooperative.

[c] This category also includes services operated by independent and Catholic schools, school councils or school boards.

[d] 'All' is not the sum of family day care, long day care, preschool and outside school hours care, as some centre-based services may provide more than one service type.

Note: Counts are of services, not providers.

Source: NQS detailed quarterly dataset (ACECQA 2018).

Phase 5: Addressing underservicing and fraud

As most services had relied heavily on the Community Support Program until 2014, removal of access to funding meant services needed to quickly shift their resource base to fund activities through levies on educators and families. Many services found this to be very difficult as the timing converged with the NQF reforms introduced under Labor. Discussed in more detail in the next section, these changes included new ratios that reduced the numbers of children for whom an educator could care, qualification requirements for educators and coordinators and requirements for educators to document children's learning (DEEWR 2009; Sumsion et al. 2009). In the months that followed the announcement of changes in 2014, many long-running services were unsure how they would fund their activities and remain viable, and flagged plans to change the way they supported educators and their fee structures (Cortis et al. 2014).

Concerns emerged, following the sector's rapid growth, that new for-profit providers were offering coordination services to educators for very low or no fees and delivering minimal support, contributing to a downward quality spiral. Price-based competition was felt acutely by council-run and non-profit providers wanting to maintain a high-quality service but needing to charge educators and families accordingly. Several family day care providers and peak bodies raised concerns that the combined effects of the changes to the regulatory environment associated with the NQF and Community Support Program risked limiting the flexibility of family day care business models and reducing the viability and sustainability of high-quality services (Education Council 2017).

Around the same time, evidence was also growing of serious problems with noncompliance among some for-profit providers. Even after changes to limit operational funding, services were reportedly able to attract up to $200 per child per week in government fee subsidies based on fraudulent enrolment of children who were not in their care (Worthington et al. 2017). Some appeared to be taking advantage of a loophole in childcare subsidy arrangements whereby educators would claim fee subsidies for caring for each other's children, when in fact they each just cared for their own children.

In 2017, the Family Assistance Law was changed to limit this practice. Educators could no longer receive subsidies for their own children to attend family day care on the same day they provided family day care for other children. Additional responses were to establish more frequent compliance checks, suspend fraudulent providers' access to further subsidies, establish a public register of enforcement actions and publicise crackdowns on 'dodgy operators'. In the minister's words, the aim was to ensure that funding flowing into the sector would not be 'stolen by rorters and shonks' (Birmingham 2018).

Further regulatory reform in 2018 included more detailed registers and checks on family day care educators and service providers. It was noticed that noncompliant family day care services often had very high numbers of educators (Education Council 2017). In efforts to ensure family day care services were operating with staffing levels that would allow them to realistically support a network of educators, in 2018, the Education and Care Services National Law was changed to require state and territory governments to set coordinator to educator ratios (most commonly, these were 1:20) and to cap the number of educators at services. In addition,

as part of the new Child Care Package in July 2018, family day care services were required for the first time to lodge contact details for each educator.[8] While these changes, combined with increased enforcement action by regulatory authorities, likely went some way towards closing loopholes and increasing public scrutiny of noncompliant services, the changes did not preclude services subject to enforcement actions from later establishing new family day care services or from moving into other market-based service systems where demand-driven approaches underpin opportunities for profit, such as the NDIS (Begley 2018).

Assessing quality across the mixed market

Changes in the structure of the family day care market, and the dominance of for-profit provision, can be assessed using data collected as part of the NQF. Introduced in 2012, the NQF requires long day care, family day care and outside school hours care services to meet nationally consistent standards (ACECQA 2019b). Assessments and ratings against the NQS were introduced as part of a suite of Labor government–initiated reforms that also sought to improve quality, safety and children's outcomes through changes to ratios and staff qualification requirements. The system was developed under the auspices of the Council of Australian Governments and involved extensive consultation with state regulatory authorities, the early childhood sector and its peak bodies. As well as driving performance improvement, publicly available ratings were intended to make quality more visible to families to assist them to exercise choice.

The NQS brought the Australian early childhood sector closer to international benchmarks for quality early education and care (Pascoe and Brennan 2017). Independent evaluation found the NQS assessment and rating instrument had 'very high internal reliability' and was 'fit for purpose' (Rothman et al. 2012: ii). Shortly after implementation, a national consultation confirmed it continued to have broad support and had introduced a focus on continuous improvement, strengthened the focus on outcomes for children and provided national consistency in

8 The effectiveness of these efforts is not yet apparent and requires closer analysis. However, as indicated in our Epilogue, they do appear to have helped reduce the number of poor-quality family day care providers in operation.

quality standards (Woolcott Research 2014). However, some claimed the NQS appeared more tailored to long day care than to either family day care or outside school hours care (Woolcott Research 2014: 5). Others took issue with deeming 'minimum standards' to be 'good enough' for children and suggested the prospects for a robust quality framework were undermined by overreliance on for-profit provision (Fenech et al. 2012). Notwithstanding, the NQS is now well established as a national benchmark.

Assessment involves state and territory regulatory authorities visiting services to rate their performance in seven broad areas and their subareas. The seven quality areas—treated as equal in importance for assessment purposes—are:

1. educational program and practice
2. children's health and safety
3. physical environment
4. staffing arrangements
5. relationships with children
6. collaborative partnerships with families and communities
7. governance and leadership.[9]

An overall rating of 'Meeting the National Quality Standard' reflects quality education and care in all seven quality areas. Authorities can also rate services as 'Exceeding the National Quality Standard' if they achieve standards beyond requirements in four of seven areas. 'Working towards the National Quality Standard' indicates that, while the service provides a safe education and care program, one or more areas have been identified for improvement and the next assessment will be scheduled sooner than if the NQS was met. 'Significant improvement required' indicates the service does not meet one or more quality areas or does not comply with relevant legislation, giving rise to significant risk to the safety, health and wellbeing of children. This requires regulatory authorities to take immediate action; services must quickly comply or lose the ability to operate. Finally, services with very high quality can apply for an 'excellent' rating, which can only be achieved via application and reflects exceptional education and care, sector leadership and commitment to continual improvement.

9 See the National Quality Standard (available from: www.acecqa.gov.au/nqf/national-quality-standard).

Quality in family day care and centre-based care

Early information indicated family day care was performing well compared with other service types in all but two areas: educational programming and the physical environment (Rothman et al. 2012). Subsequent data call this apparent success into question, perhaps due to the changes in the structure of the sector after 2012. Indeed, data from the second quarter of 2018 show only slightly more than one-quarter of for-profit family day care services had an overall rating of at least 'meeting' the NQS or higher (27 per cent; see Figure 1.4). By contrast, 87 per cent of government services were rated as at least meeting the standard (in family day care, most government providers are local governments),[10] while 75 per cent of community-managed non-profits and 80 per cent of other non-profits met the standard overall. Most often, services failed to meet standards relating to educational programs and practice, the physical environment and governance and leadership.

Poorer quality among for-profits is of course not unique to family day care; Figure 1.4 confirms for-profit long day care services and preschools are also less likely to meet the NQS. However, in family day care, for-profit providers perform comparatively worse against the standards than they do in other ECEC service types. Three-quarters of long day care for-profits met the standards overall, compared with 92 per cent of government and 85 per cent or higher for each type of non-profit, demonstrating a narrower 'provider gap' than in family day care, in which a much lower proportion meets the standard. In outside school hours care, by contrast, provider type appears to have little association with quality, for reasons that have not been explored.

Advocates have suggested that family day care performance against these measures may reflect assessors' poor understanding of the uniqueness of family day care compared with centre-based services (Woolcott Research 2014). On this reasoning, lack of specialised assessment for family day care might explain some of the sector's poorer performance in recent assessments compared with long day care (Family Day Care Australia 2018). Indeed, whereas assessments for long day care take place at each centre, for family day care, the ratings process requires assessors to visit the coordination unit and four randomly selected educators. For large services, this could represent a

10 Local council providers are not distinguished from state and territory providers in the dataset; however, the provider name indicates the majority in the category 'State/Territory and Local Government Managed' are councils. Another category, 'State/Territory Government Schools', captures another area of state and territory provision, but these do not provide family day care.

very small proportion of ECEC provision within their operations. As such, ratings may not capture the variability of quality across a family day care service, especially for those supporting very large numbers of educators. However, assessor capacity and assessment method cannot explain the wide gap in quality by provider type within the family day care system.

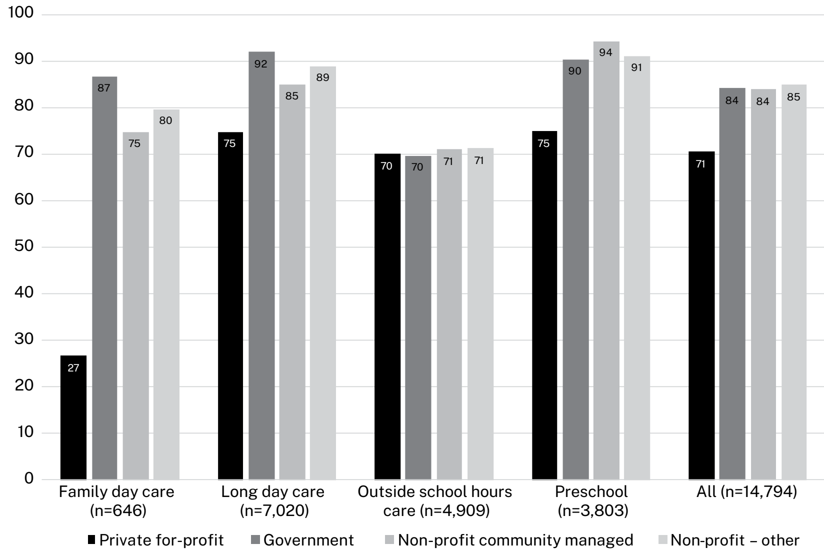

Figure 1.4 Proportion of ECEC services with an overall rating of at least meeting the NQS, by provider type, Q2 2018

Note: 'Government' includes government schools; 'Non-profit community-managed' includes those run by parent associations and cooperatives; 'Other non-profit' includes independent and Catholic schools and services auspiced by school councils or boards.

Source: Detailed dataset for Q2 2018 (ACECQA 2018).

Ratings by provider type in family day care

Figure 1.5 shows overall ratings for family day care in the second quarter of 2018. Public providers achieved the highest standards, although more than one in eight (13 per cent) publicly provided services also failed to meet the NQS. For-profits were more likely to be rated in the lower quality categories ('Working towards' or 'Significant improvement required') and were much less likely than other types of family day care services to achieve ratings of meeting the NQS or above. Further, the only providers that fell into the 'Significant improvement required' category were for-profits. Correspondingly, for-profit family day care providers dominate the Australian Government's register of enforcement actions (see, for example, DET 2019).

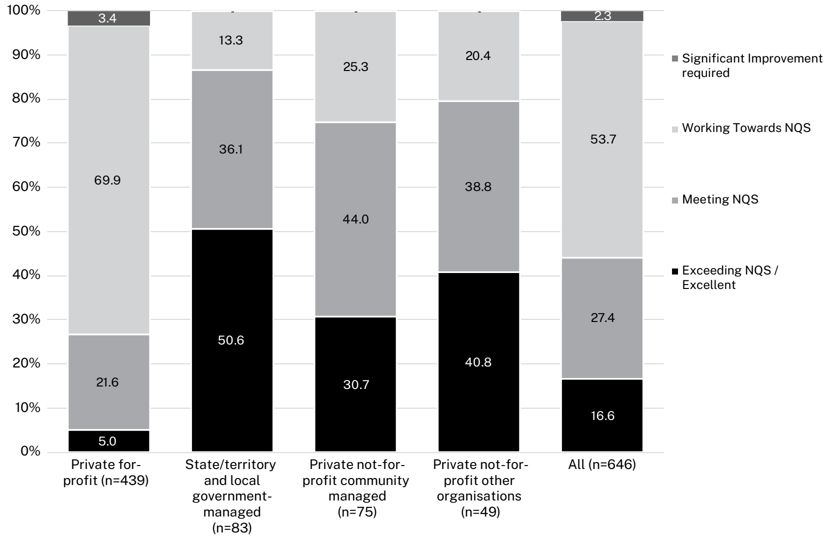

Figure 1.5 Overall quality rating, family day care, by provider type, 2018

Source: Detailed dataset for Q2 2018 (ACECQA 2018), based on the 646 services with a quality rating in that quarter.

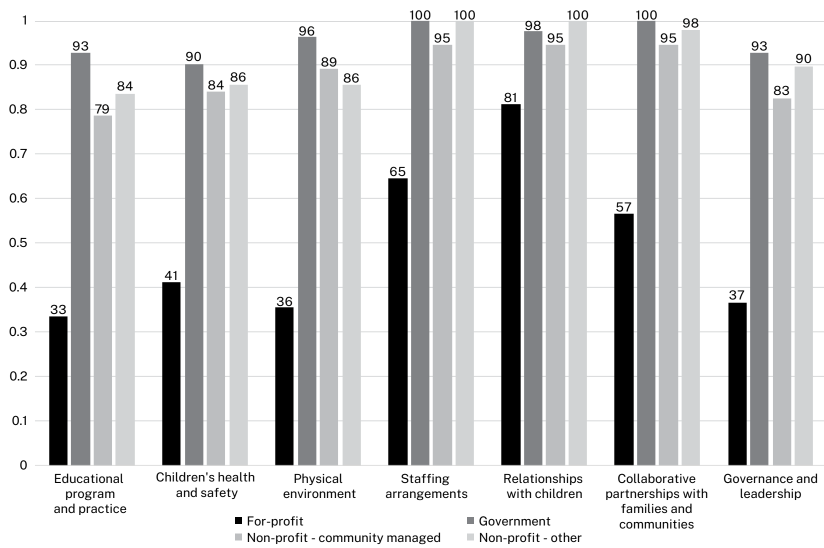

Figure 1.6 Proportion of family day care providers that met each quality area

Source: Detailed dataset for Q2 2018 (ACECQA 2018), based on the 646 services with a quality rating in that quarter.

A closer look at each of the seven quality domains attests to the underperformance of for-profit family day care services (Figure 1.6). Relationships with children (Quality Area 5) appear to be a relatively strong area for family day care. This standard was met by 86 per cent of providers and the gap between for-profits and others was relatively narrow. In terms of educational program and practice, physical environment and governance and leadership,[11] for-profit providers achieved much lower ratings relative to other providers.

In addition to being less likely to meet the NQS overall and performing worse on each of the seven quality areas, high proportions of for-profit family day care services have failed to meet national standards in multiple quality areas. Table 1.2 shows that, in 2018, most government and non-profit services met standards in each quality area. Where these failed, they were more likely to fail in one or two areas only. By contrast, two-thirds of for-profit providers did not meet quality standards in three or more of the seven quality areas, compared with only 5 per cent of government-run services and 15 per cent of non-profits. Of the 200 services that did not meet five or more quality areas, almost all were for-profits. One in eight (12 per cent) for-profit providers did not meet standards in any of the seven quality areas, while no non-profits or government services failed on all seven measures.

As this evidence shows, meeting quality standards has been a challenge in family day care. While at the aggregate level family day care seems to exhibit systemic problems against the quality standards, this breakdown by provider type has shown quality outcomes across the sector are driven by sector composition—namely, the dominance of poorly performing for-profit providers. There are, nonetheless, some poor-performing public and non-profit services and some high-quality services that are operated on a for-profit basis. Indeed, there were 22 for-profits among the 107 services that were rated as ‘Exceeding National Quality Standard’ or ‘Excellent’. NQS data are not sufficiently detailed to demonstrate the common characteristics of these high-performing services. The possibility for some for-profits to meet and exceed high standards acts as a reminder that family day care has the potential to operate effectively as a mixed market in which diverse models of provision can thrive. But while for-profit provision does not necessarily preclude high quality, the NQS

11 ‘Governance and leadership’ includes standards relating to organisational cultures fostering professional learning, internal administrative systems and commitment to continuous improvement.

provides the clearest indication yet of the way policy changes that enabled dominance by for-profits have also resulted in lower overall levels of quality for children.

Table 1.2 Proportion of family day care services with unmet quality areas, by provider type, 2018 (per cent)

	For-profit (n = 439)	Government (n = 83)	Non-profit community-managed (n = 75)	Other non-profit (n = 49)	All (n = 646)
All quality areas met	27	87	75	80	44
1 or more unmet quality areas	73	13	25	20	56
2 or more unmet quality areas	71	8	21	20	53
3 or more unmet quality areas	65	5	15	14	48
4 or more unmet quality areas	58	4	9	2	41
5 or more unmet quality areas	45	0	7	0	31
6 or more unmet quality areas	27	0	4	0	18
7 unmet quality areas	12	0	0	0	8

Note: Proportions reported are cumulative percentages.

Source: Detailed dataset for Q2 2018 (ACECQA 2018), based on the 646 services with a quality rating in that quarter.

Conclusion

This chapter has charted the main changes that have reshaped family day care around a market model in recent years, revealing the alarmingly low standards of service provision that have emerged after a period of significant growth and change in the provider mix. For family day care coordination, poor quality is particularly concerning, given the role of these units as coregulators and conduits between government and educators, and in providing practical support and oversight to educators who otherwise work alone with children. National data have shown that after a phase of market expansion, low proportions of for-profit providers met the

NQS. The very large proportion of for-profit services underperforming in multiple domains indicates the provider mix that emerged in this period enabled standards to deteriorate to unacceptable levels across the sector, limiting families' ability to choose high-quality services.

The development of these arrangements reflects a 'quality blindness' in ECEC policy and reform, which is characterised by acceptance of variable quality and the failure of regulatory authorities to manage approvals and funding arrangements in ways that promote quality in the period we examined. The funding and regulatory strategies that were in place in a period of rapid growth were not designed to balance market dynamics with the need for a quality, sustainable sector. First, removing regional boundaries and caps on child enrolments, while offering blanket government support, led to a massive expansion of for-profit family day care services. The subsequent withdrawal of operational funding provided an incentive for profit-seeking services to cut quality. Policy and funding reform failed to differentiate between high-quality services and low-quality profiteers, enabling patterns of sectoral growth that were heavily distorted towards poorer-quality services.

The capacity to correct this was initially left to the choices made by educators in selecting their coordination unit and by parents selecting educators attached to better-quality providers. However, choice is unlikely to correct the market. Family day care educators typically receive very low incomes and may choose to attach themselves to the cheapest family day care service available, even if these do not provide comprehensive professional development or other supports for quality. Families can access information about quality through the NQS, but public reporting of quality standards does not appear to deter choice of lower-performing services. When asked to rank factors that shape their childcare decisions, parents rank quality ratings at the bottom, below considerations of location, cost, educators and the general 'feel' of the service (ACECQA 2017: 62).

In contrast, our discussion of family day care's development demonstrates the impact that decisive government intervention can have on the composition and nature of family day care provision. Enforcement action to curb fraudulent practice has had a positive effect and many unscrupulous family day care services closed as a result (DET 2019). While addressing fraud has no doubt resulted in the closure of poor-quality services, not all such services are also noncompliant with regulations. Further government

action is needed with regards to quality, and with repeated failure to meet national standards. At present, only those services considered to pose a significant risk to the safety, health and wellbeing of children, and rated as 'Significant improvement required', face potential closure as a result of poor quality. Stricter action could also address poor quality among services persistently rated as 'Working towards' the NQS but which fail to improve. Indeed, while the NQS is built on an ethos of continuous improvement, this appears to be largely aspirational. Although those rated as 'Working towards' standards are prioritised for reassessment, improvement against the standards has not been required, enabling services to repeatedly—perhaps even perpetually—perform below the NQS.

As family day care receives too little research or policy attention, there is a strong risk the poor quality delivered by so many services could continue to go unaddressed. This is particularly concerning when government commitment to continuing the National Partnership Agreement on the National Quality Agenda for Early Childhood Education and Care has been in question (Early Childhood Australia 2018) and influential conservative lobbyists have called for reductions in the staffing and qualification requirements in the NQF (Joseph 2018). Moreover, the coregulatory role of coordination units can only be effective if those units genuinely understand and are committed and resourced to perform that function. If market incentives push some services to reduce costs by reducing the level of service they provide to educators, the model cannot remain effective and, in this scenario, incentives to achieve a high NQS rating would appear insufficient.

Evidence from case studies with family day care services that do provide high-quality education and care demonstrates the importance of service leadership (Blaxland et al. 2016). High-quality family day care services start with a commitment to quality that affects all aspects of their work, from selecting the most experienced and well-trained educators to high levels of supervision, mentorship and professional development, and to a lack of tolerance of noncompliance and poor-quality education and care. Continuous quality improvement is most likely in family day care services where the unit is led by experienced staff focused on improving quality. For this reason, high-quality leadership is a fundamental underpinning of good-quality practice and should be required and fostered in coordination units. One response would be to set higher standards for leadership, especially among new services and those that are not meeting quality

standards, along with additional training, qualification requirements, mentoring or leadership support as a basis for instilling better practices throughout family day care networks.

In some ways, our findings of poor-quality for-profit provision are unsurprising, as there is some empirical research from centre-based settings suggesting for-profits may divert resources from service delivery, skimp on learning programs and staff ratios, and underservice (Meagher and Cortis 2009; Brogaard and Petersen 2021). This chapter suggests that although much reform has been justified in terms of bringing funding and regulation of family day care into line with other areas of early education and care, the strong differentials in performance by provider type suggest for-profit provision may be especially inappropriate for family day care coordination. This may reflect the newness of many providers or the fact the types of profit-based providers emerging are particularly poorly suited to a coregulatory role. In any case, our research provides additional insight into the ways market-based reforms have unfolded in Australia and the implications of making quality considerations too low a priority in the process of system expansion. In the context of low barriers to entry and standards that are difficult to enforce, change can occur very rapidly in this area of ECEC. Quality cannot be a second-order concern. Coordination units should be required to demonstrate commitment to quality and real improvement, regardless of their ownership. By taking tougher action in response to repeated poor quality, the NQS could be used to place quality at the forefront of all family day care provision.

Epilogue

Since preparing this chapter, significant progress has been made in stemming the growth of for-profit family day care provision and addressing the quality issues that became evident in preceding years. Unlike the number of centre-based services (which continued to grow), the number of family day care services has decreased significantly since 2017, as has the number of children using family day care (DESE 2020). The contraction of family day care initially evident in 2018 (Figure 1.2) has effectively returned service numbers to 2012 levels: by the end of the 2019–20 financial year, just 507 NQF-approved family day care services were operating, after reaching more than 900 in 2017 (ACECQA 2020: 5). Moreover, for-profits' share of family day care fell from 71 per

cent in 2018 to 61 per cent in 2020 (ACECQA 2020: 4). At the same time, half of all family day care services that had been assessed were at least meeting the NQS overall—up from 44 per cent in 2018. ACECQA (2020: 19) noted improvements in children's health and safety (Quality Area Two), which it considered 'the first and most important objective under the Education and Care Services National Law'. For this quality area, two-thirds of services met the standards—'the highest proportion for more than four years' (ACECQA 2020: 19).

While the family day care sector has again experienced massive transformation, these changes have not fully addressed the problems of quality that emerged over the past decade. Those for-profits still in operation have continued to perform worse relative to other provider types. In the second quarter of 2020, only 35 per cent of for-profits with a quality rating met the NQS, compared with more than two-thirds of non-profit and government services.[12] Developments nonetheless underline the effectiveness of committed state action to tackle the quality problems associated with the rapid growth of poor-quality providers. Reducing for-profits' market share appears to have played a major role in improving quality across the sector. While a more comprehensive account of the drivers of change is warranted, the composition of the family day care market appears to have changed, at least in part because of improved attention to service quality in policy and regulation. In particular, the introduction of coordinator-to-educator ratios and enhanced reporting requirements is likely to have reduced the attractiveness of family day care to services motivated by profit.

Concerted efforts by authorities to identify and address fraudulent and noncompliant services have been essential in turning the sector around. The *Report on Government Services 2021* records the number of confirmed breaches—that is, instances of a regulatory authority finding a provider, supervisor or educator failed to abide by relevant legislation, regulations or conditions. There were just less than 300 confirmed breaches per 100 family day care services in both 2017–18 and 2018–19, but this increased to a staggering 690 breaches per 100 services in 2019–20 (PC 2021:

12 Authors' calculations, NQS time-series data for Q2 2020 from the ACECQA's *NQF Snapshots* (available from: www.acecqa.gov.au/nqf/snapshots).

Table 3A.33).[13] While this may reflect some changes in how breaches in family day care are counted, it nonetheless reflects the massive increase in regulatory attention to identify and address quality problems. Further, these data attest to the huge ongoing task of addressing problems in the sector to stabilise provision at decent standards of quality.

The dramatic changes in the structure and quality of Australia's family day care system evident after 2017 could not have been achieved if such matters were left to the choices of individual educators and families in a marketised system. Choice does not offer a plausible mechanism for maintaining or improving standards of quality. It was not until policymakers and regulatory authorities took more strongly interventionist actions that the challenges that too quickly emerged under a market-based approach began to turn around. Deliberate policy and government intervention appears to be both deterring and removing unscrupulous and poor-quality performers and garnering stronger commitment to quality practices across the system. Yet quality risks remain. The dominance of for-profit provision continues to constrain the prospects for quality and will require ongoing policy and regulatory attention in coming years.

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13 By contrast, the numbers of breaches for long day care were 182 per 100 services, and 92 per 100 for outside school hours services (PC 2021: Table 3A.33). The most common breaches related to protecting children from harm and hazards; supervising children; emergency and evacuation procedures; and upkeep of premises, furniture and equipment (ACECQA 2019a: 15).

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