

the  
Front  
Project



# The case for system stewardship in Australia's Early Childhood Education and Care System

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October 2022

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The Front Project respectfully acknowledges the Traditional Owners of the land on which we work and learn, and pay respect to First Nations Peoples, and their Elders, past, present, and emerging.

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## Foreword from CEO

Early Childhood Education and Care (ECEC) plays a profound role in the learning and development of children in Australia. It makes significant contributions to workforce participation and social equity. And yet, the sector faces systemic challenges as it attempts to meet the growing and changing needs of Australian children and families.

Every day Australian families come face to face with the challenges of access to and participation in quality ECEC. As the social inequality gap widens, some children are being left behind. At present there is no clear pathway towards sustainably improving the system. In creating a solution, we must address the most pressing issues of quality, unequal geographic and demographic access, affordability and family choice.



Australia's ECEC system is diverse and complex. The current market-based system limits family choice and presents a highly diverse range of operating models. It does not clearly measure quality or outcomes for children and struggles to balance a demand-driven market with the societal benefits of participation in early childhood education.

Drawing from literature reviews, international and domestic case studies as well as consultation with experts in systems thinking, governance reform, and ECEC, this report explores whether the concept of system stewardship could address these shortcomings to provide an opportunity for a sustainable, quality, responsive and equitable ECEC system in Australia. Some elements of system stewardship are already evident within Australia's ECEC system – such as, rules and minimum standards, national partnerships, forums for coordination and cooperation, and mechanisms for feedback. As such, the movement towards system stewardship can be conceptualised as a process that leverages these solid foundations and discrete stewardship approaches into a nationally cohesive vision. Embarking on such a journey could galvanise all actors in the system to come together under a common goal, to clearly articulate roles and responsibilities and, most importantly, to place children and families at the centre of decision-making.

So, how do we regenerate a complex system which has supported Australia for over 130 years? We must take our time to refocus on an agreed purpose, make considered allocations of roles and responsibilities, and recognise the importance of local expertise in ensuring system sustainability and strength.

With continual iteration, ECEC can harness the sense of possibility to create systemic change while remaining dynamic and responsive.

ECEC is a foundational pillar of Australian society. To address the needs of all children and families in Australia, we should explore the opportunities that system stewardship, consistent consultations with the sector and regular analysis offer.

I thank all those who contributed to this report and look towards a bright future where meeting the needs of children, families and ECEC professionals is not only an ideal but a reality.

A handwritten signature in blue ink, which appears to read 'Jane Hunt'. The signature is fluid and cursive, with a large loop at the end.

**Jane Hunt**  
**CEO, the Front Project**

## Executive Summary

Australia has a proud history of ECEC and has lifted participation and quality through significant reform over the past 15 years. Across Australia, the ECEC system fulfills three critical imperatives:

- contributing to the developmental and educational outcomes of Australian children
- offering opportunities for increased social equity by reducing the impact of disadvantage, and at the same time
- contributing to workforce participation outcomes for Australian parents – in particular, mothers.

The significant role that ECEC plays in improving the social determinants of health in contemporary Australian society is well documented. However, the Australian ECEC system faces many challenges. Access to and participation in quality ECEC is unequal, contributing to widening social inequity where some children experience greater disadvantage. This is reflective of unequal geographic and demographic provision, issues of affordability and family choice in a non-compulsory sector. The ECEC workforce is also experiencing low retention and workforce shortages which are impeding quality and placing stress on the system.

Drawing on peer-reviewed literature, international and intersectoral case studies, as well as more than 40 consultations spanning experts and leaders across systems thinking, public administration and ECEC, this report examines the current challenges and significant opportunities which confront the Australian ECEC sector. Considering these challenges and opportunities through a systems change approach, this research explores the concept of system stewardship and how its application could benefit the ECEC system.

## System stewardship and Australia's ECEC system

System stewardship is a networked form of governance with a strong focus on collaboration and the horizontal ties between individuals and agencies (Dickinson 2016). It is a holistic approach that acknowledges the complex and adaptive nature of policy when working in a system's context. At its core, it involves a steward (typically government) or stewards steering all participants within a system, including service providers and users, towards high-quality, long-term outcomes.

What makes the case for system stewardship so compelling is its ability to address many of the shortcomings that have resulted from the spread of market reforms against a backdrop of increasingly complex societal needs. The unique nature of human services, such as ECEC, means their system-wide management and delivery requires approaches which reflect the specific market forces at play. A system stewardship approach can also help guide the ECEC system towards favourable outcomes for its beneficiaries, including children, families and the workforce.

For a system stewardship approach to be successful in the ECEC system, research from other human services systems shows that several conditions need to be in place:

- a clear and unified purpose
- rich and transparent information
- strong governance
- appropriate devolution
- agility and adaptability.

System stewardship is a collective effort carried out at all levels. It is achieved through the mutual recognition by all actors of their joint responsibility for the health and performance of the system. As such, system stewardship enables the distribution of responsibilities between multiple stewards at different levels within the system, rather than a single entity.

In the context of ECEC, the market-based model is challenged by limitations to family choice, a highly

diverse range of operating models, difficulty understanding quality or outcomes for children, and balancing a demand-driven market with societal benefits of participation in early childhood education.

Given these challenges and associated opportunities in Australia's ECEC system, it is relevant, necessary and timely to consider options for reform at a system level. System stewardship provides an opportunity to improve the health, performance and efficiency of the ECEC system by uniting the sector towards common goals.

Consultees in this research project crafted a vision for the system under a stewardship model that aligned with the key components of a system stewardship framework found in the literature. The aspects of this framework that consistently emerged as the most likely to strengthen the ECEC system include:

- creating a clear and collectively endorsed vision for the ECEC system
- increasing data and information sharing
- actively facilitating the ECEC market
- responding to the ECEC workforce challenges more considerately
- developing clear lines of responsibility
- ensuring that local, place-based approaches can be adapted to meet specific local needs, without sacrificing regulatory quality standards.

Some elements of system stewardship are already evident within Australia's ECEC system – such as, rules and minimum standards, national partnerships, forums for coordination and cooperation, and mechanisms for feedback. Several states and territories have formally adopted tenets of stewardship for ECEC systems, incorporating both the language and the principles found in the literature.

As such, the movement towards system stewardship can be conceptualised as a process that connects discrete stewardship approaches with these existing foundations, into a nationally coherent vision. It has the potential to further galvanise all system actors in Australia under a common goal. A system stewardship model would require all actors to define their stewardship responsibilities in relation to each other – working to optimise roles collectively.

## **A model of system stewardship for the ECEC system**

A move towards stewardship requires all system stakeholders to arrive at a shared vision and mutually agreed upon responsibilities for meeting the system's objectives. Articulating this shared vision will support the coordination and cohesiveness of an incredibly diverse sector with a range of motivations, capabilities, service models and histories. However, the challenge of uniting all parties is not to be underestimated and this needs to be considered in any movement towards a system stewardship model.

Indeed, there are several potential risks and limitations that will need to be considered when planning a system stewardship approach. However, system stewardship is by its nature an iterative process. This allows for adaptation, modification and correction as changes are implemented and throughout the life of the system.

## Conclusion

Australia's ECEC system experiences multiple challenges. These include limitations to family choice, a highly diverse range of operating models, difficulty understanding quality or outcomes for children, and balancing a demand-driven market with societal benefits of participation in early childhood education. System stewardship has strong merit as an approach to address these and other challenges of the ECEC system and guide it towards the desired outcomes.

System stewardship is a holistic approach to governance. It acknowledges the complex and adaptive nature of developing policy and delivering human services in a systems context. At its core, it involves a steward or collection of stewards steering all system participants, including service providers and users, towards high quality, long-term outcomes.

A move towards a system stewardship approach in the ECEC system will need to address a number of considerations. For system stewardship to be effective there needs to be a decision on who the stewards are. For ECEC, this is likely to be a group that takes up a stewardship role, including all levels of Government, the regulator and families. Other important elements to consider in a system stewardship model include developing the shared vision for the sector and the level of devolution of power with accountability and feedback loops. To support the transition, there needs to be a commitment to the process and acceptance that it will take time and require significant investment, patience and willingness to influence perspectives and ways of working across all stakeholders. This may require incremental and cumulative shifts to build capacity and retain engagement.

Given the critical role that the ECEC system plays as a foundational pillar for Australian society, and the potential for transformative change if appropriately implemented, this research shows that there is a clear case for a movement towards system stewardship.

# Early Childhood Education and Care in Australia

## Summary

Early Childhood Education and Care (ECEC) in Australia fulfils three critical imperatives:

- contributing to the developmental and educational outcomes of Australian children
- offering opportunities for increased social equity by reducing the impact of disadvantage
- contributing to workforce participation outcomes for Australian parents – in particular, mothers.

Australia has a proud history of excellence in ECEC. Through significant reform over the past 15 years, governments and sector stakeholders have worked together to lift participation and quality, providing universal access to preschool/kindergarten and implementing the landmark National Quality Framework (NQF).

All systems require ongoing revision to ensure they are fit-for-purpose. Revision also helps to identify and achieve desired outcomes for a system within its given context. This is true of the Australian ECEC system.

In 2022, the Australian ECEC system faces many challenges. Access to and participation in quality ECEC is unequal, contributing to widening social inequity where some children experience greater disadvantage. This is reflective of unequal geographic and demographic provision, issues of affordability and family choice in a non-compulsory sector. The ECEC workforce is also experiencing low retention and workforce shortages which are impeding quality and placing stress on the system.

The Australian ECEC system has an opportunity to adapt to meet the emerging challenges highlighted above, to be recognised as a foundational pillar to our society, and to continue to deliver for generations to come.

## The Early Childhood Education and Care System

The ECEC system in Australia is comprised of a complex array of actors. The relationship between these actors creates a mixed market which means services are provided by for-profit commercial businesses as well as not-for-profit social impact organisations, family providers, state and territory governments, schools and local councils. Service providers vary in size, from single 'standalone' providers to large, listed companies.

Service providers vary in their approach, hours and settings. ECEC providers broadly include:<sup>1</sup>

- **Sessional kindergartens/preschools** – Qualified early childhood teachers, with the support of early childhood educators, deliver a structured, play-based learning program for children in the year or two before school. The program usually has limited hours (for example, 9am to 3pm or shorter) and occurs during school terms. Preschool programs can be delivered as a standalone service or part of another ECEC service or school.
- **Long day care centres (LDCs)** (or centre-based care) – Qualified early childhood professionals educate and care for children from birth to school age. These services typically operate over extended hours (for example, 7am to 6pm) for five days a week. LDCs can also deliver a kindergarten/preschool program to children in the year or two before school, consistent with sessional kindergartens/preschools.
- **Home based care** – Family Day Care<sup>2</sup> or home-based services where qualified early childhood professionals educate and care for children from birth in the educator's home.

1 There are other services available not discussed in this document. They include Outside School Hours Care (OSHC), usually for school aged children (and therefore not included here). Another service not discussed here is in home care, where staff care for children in remote areas or with complex needs in the child's home. Informal care, which includes family and nannies, is an important part of the ECEC system in practice, although is not regulated or funded in the same ways as other providers.

2 The National Quality Framework (NQF) notes that 'A family day care service is delivered through the use of two or more educators to provide education and care to children and operates from two or more residences.' In addition, there are some instances in remote areas where family day care is not in the educator's own home.

ECEC is not compulsory in Australia and families have a choice in which service to use, if they choose to send their child to an ECEC service at all. The factors which may influence this decision include price, proximity, flexibility of hours, provider type and cultural fit. Ideally, this ability to choose ensures that the ECEC market is responsive to families' needs and priorities.

In practice, however, markets are highly localised and supply, capacity and waiting lists impact many families' ability to choose. For some Australian localities choice is limited as there are only thin markets, or a complete absence of provision (Hurley, Matthews, Pennicuik, 2022). In other localities, where demand far exceeds supply long waiting lists can force families to accept any available place without affording them a preference.

### Preschool and childcare

In 2020, 84.7 per cent of children were enrolled in a preschool program in the year before school, referred to as four-year-old kindergarten (Productivity Commission 2022). The high preschool participation rate reflects sector-wide efforts to improve access to and participation in quality preschool programs. This follows the 2009 National Partnership Agreement on Early Childhood Education and subsequent intergovernmental agreements on universal access.<sup>3, 4</sup> Through the Preschool Reform Funding Agreement,<sup>5</sup> children are guaranteed access to 15 free hours a week of quality preschool in the year before school.

The preschool delivery profile varies across states and territories. In some states, long day care centres are crucial to delivering preschool services, with New South Wales and Queensland LDCs accounting for 80 per cent and 74 per cent of preschool program providers respectively.<sup>6</sup> In contrast, dedicated preschools make up the highest proportion of providers in Tasmania (62 per cent), Western Australia (56 per cent), and the Northern Territory (54 per cent) (ABS 2021). This can be attributed to historic differences in state provision and funding of preschool, such as allowing Australian Government funding for preschool to be allocated to LDCs, or not (Productivity Commission 2014). In 2022, both New South Wales and Victoria announced a phased increase to the number of hours for children accessing preschool in the year before school from 15 hours to 30 hours.

In 2021, just under half of all children aged 0–5 years (47.2 per cent) attended Australian Government Child Care Subsidy (CCS) approved childcare services (SCRGSP 2022). Many families who do not utilise government-subsidised childcare services are likely to rely upon informal childcare instead. This may include parental care (including paid parental leave), support from extended family, nannies or au pairs.<sup>7</sup>

Within ECEC participation trends, clear disparities exist across socioeconomic and geographical contexts. Children from regional and rural areas and from low socioeconomic status families are less likely to access preschool or childcare services or both (Hurley et al. 2022). This has developmental and wellbeing implications for these children, entrenching existing disadvantage and simultaneously affecting female workforce participation.

### Three-year-old kindergarten

Several states and territories have expanded kindergarten provision to younger age groups, following research that demonstrates the benefits of an additional year of preschool (Fox et al. 2016). New South Wales was the first to offer subsidised three-year-old preschool places, and the Australian Capital

3 There is no guaranteed access to ECEC for most families until the year before formal schooling (YBFS). In the YBFS, universal access to 15 free hours a week of preschool is guaranteed under the UANP. Before the YBFS and outside of the 15 hours of preschool, it is families' responsibility to source ECEC.

4 A clear participation goal of 95 per cent, including 95 per cent of Indigenous and disadvantaged families, has explicitly set a shared vision for the sector. There is no general participation goal for ECEC as a whole.

5 Prior to 2022 this was the National Partnership on Universal Access to Early Childhood Education Agreement.

6 Statistics for Victoria are not available.

7 This considerable amount of labour is largely unregulated, and does not receive financial support at any government level. Typically, financial support to families is from the Commonwealth Government through the CCS. The CCS itself is administered as a subsidy through approved service providers. If families are unable to source appropriate and approved ECEC, they are not able to access this financial support.

Territory and Victoria have committed to universal three-year-old kindergarten, with the rollout already underway in Victoria. Other states are trialling programs, pilots and undertaking feasibility research, such as the KindyLinQ program in Queensland, the WT3 initiative in Tasmania, a Royal Commission in South Australia, and a targeted trial in the Northern Territory. Most programs mirror the 15 hours a week commitment guaranteed for children in the year before school provided through the Preschool Reform Funding Agreement.

## Funding and governance arrangements

The Australian Government has traditionally been responsible for subsidising childcare fees for families, while states and territories have typically focused on funding kindergarten/preschool programs.

The Australian Government subsidises childcare through the Child Care Subsidy (CCS). This is paid directly to providers and allows them to offer families reduced fees for childcare. Vulnerable and disadvantaged families receive financial assistance through service subsidies administered by providers, which effectively creates a demand driven funding system. These are grouped under the Child Care Package and include:

- additional CCS, which provides extra help with fees to families facing barriers to ECEC
- the Community Child Care Fund, which helps services address barriers to participation (with a focus on disadvantaged, regional, remote and Indigenous communities)
- the Inclusion Support Program, which helps services care for children with additional needs.

Some grants and programs provide funding to service providers operating in thin markets or serving particular demographics. However, most providers must operate close to capacity to be sustainable.

Prior to the 2009 National Partnership Agreement on Early Childhood Education,<sup>8</sup> the provision of kindergarten/preschool in Australia was the responsibility of state and territory governments. Through the National Partnership and the current Preschool Reform Funding Agreement, the Australian Government provides funding for preschool to state and territory governments, who work with local councils and other preschool providers to ensure provision and access.

Each jurisdiction has legislation or an Application Act corresponding to the *Education and Care Services National Law Act (2010)*. Together with the national regulations, they set out legal obligations for providers, services, and educators. They also outline the powers and responsibilities of the state and territory regulatory bodies, which include monitoring services and ensuring compliance with the national law and regulations. Therefore, while enforcement takes place at a state level, the standards against which services are assessed are set nationally. The National Quality Framework (NQF) outlines these standards, and the Australian Children's Education and Care Quality Agency assists governments to implement the NQF.

## Regulation and quality

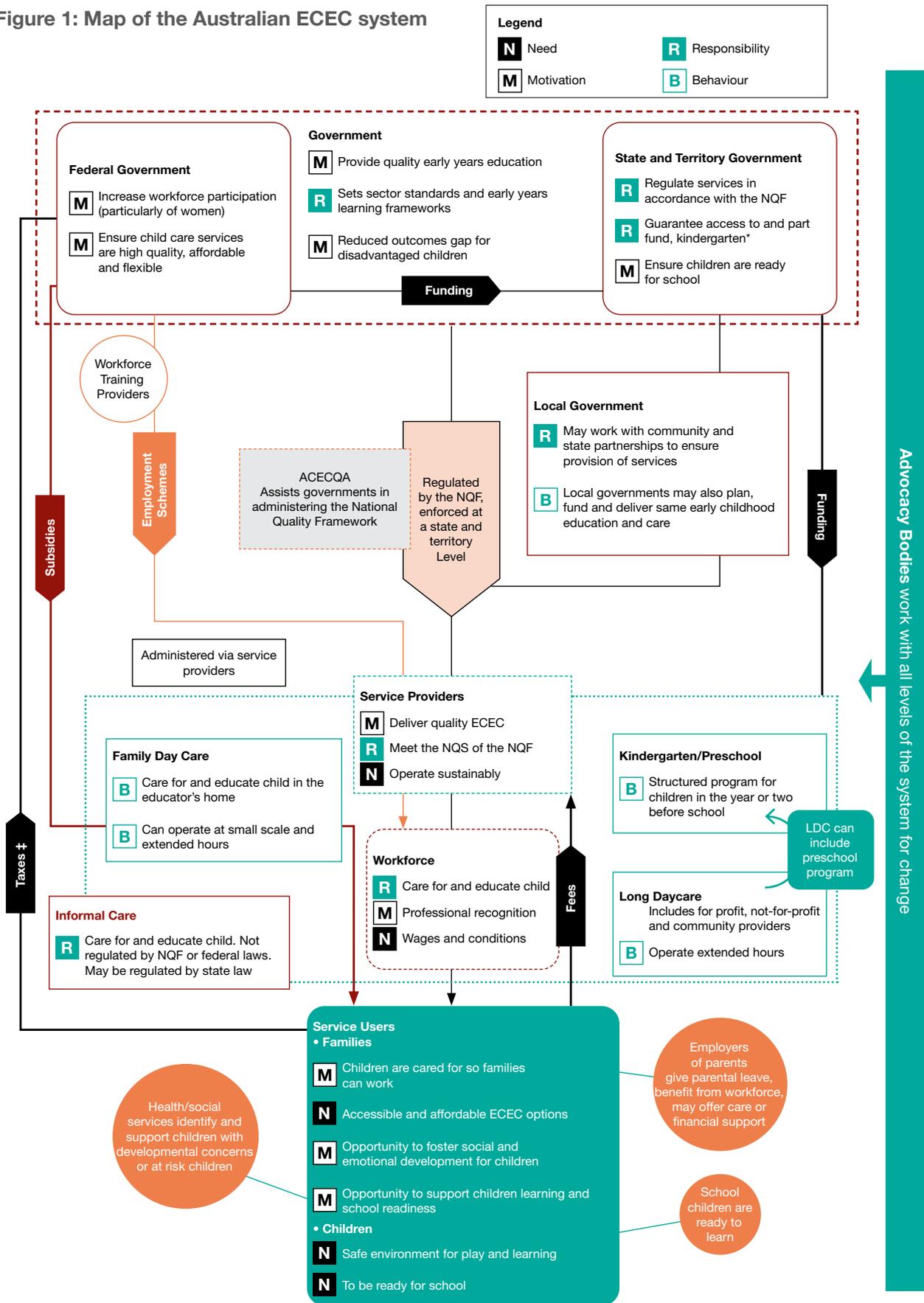
The NQF took effect in 2012. The NQF aims to raise the quality of ECEC in Australia through monitoring service providers. Part of the NQF is the National Quality Standard (NQS) which sets a national benchmark, allowing services to be assessed against seven areas. The NQF aims to ensure children attending ECEC are safe and well, improve developmental outcomes for children, and build trust in the sector. Ratings can help families to make decisions on which services are most appropriate and lift quality through regulation and competition between providers.

ECEC services are assessed and provided an NQS rating by state and territory regulatory authorities. The Commonwealth provides funding to support this process. These assessments involve a visit to the service and a report issued by the regulatory authority, with an opportunity for the service to provide feedback. The frequency of the assessment varies based on factors such as a past rating, a change in service attributes and specific events that occur at a service.

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<sup>8</sup> The initial program which has now transformed into the Preschool Reform Agreement.

Figure 1: Map of the Australian ECEC system



\* In some cases this means state and territory governments provide funds to local councils  
 † Local councils have diverse approaches to ECEC, meaning this may not be true for all jurisdictions  
 ‡ Services providers and workforce also contribute taxes

## ECEC system challenges and opportunities

The ECEC system is complex and continues to evolve in response to the changing needs of children, families and society. In that context, a range of current system challenges and opportunities have been identified. Many of these challenges have been exacerbated through the COVID-19 pandemic.<sup>9</sup> However, these challenges provide corresponding opportunities. They include:

- **Ensuring equity in access and participation** to achieve high participation rates, particularly in regional and rural areas and for children from areas of disadvantage. These issues are often intersectional and multiplied.<sup>10</sup> Greater participation rates in ECEC, particularly for children and families experiencing disadvantage, are expected to have a large impact on the learning and developmental outcomes of Australian children.
- **Ensuring outcomes for children** which support social and emotional development, alongside their education/readiness for school. Greater access and participation must be paired with high quality ECEC delivery. This is likely to have the greatest impact on educational outcomes for children experiencing disadvantage, particularly those living in areas where quality of delivery is compounded by other identified underlying factors.
- **Managing the ECEC workforce** in a way which addresses shortages, high levels of attrition, difficulties in providing professional development, regional and rural recruitment/training, and builds a diverse, culturally competent workforce.<sup>11</sup> A larger workforce is required to underpin the delivery of ECEC, particularly in regional and rural areas. Lower attrition paired with greater professional development opportunities are expected to improve the quality of delivery.
- **Reducing system complexity** such that navigating the system, including its various forms of support and eligibility requirements, is not confusing and confronting for families.<sup>12</sup> This can minimise the number of families becoming disengaged from the ECEC sector.
- **Improving system coherence** to identify opportunities for early intervention. Viewing the system as a cohesive entity will improve alignment with other sectors, such as health and schooling. Poor alignment or pathways between sectors can create barriers for families accessing the services necessary for the development and health of children. More transparent sharing of data may support improved system cohesion and allow different sectors to benefit from a shared understanding.

Given these challenges and opportunities in Australia's ECEC sector, it is relevant, necessary and timely to consider options for reform at a system level.

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9 Other external shocks, alongside the pandemic, are likely to challenge services ability to respond and be resilient to changes. This may include climate-related shocks, such as fires or flooding.

10 In areas where markets are thin, the system does not always have the ability, capacity, or responsibility to intervene. This can lead to price volatility, impacting family access and provider delivery. The problem is exacerbated by the fact that many providers need to operate close to capacity to be sustainable, and therefore generally have little flexibility in response to demand. Research has found that 35.2 per cent of the population live in neighbourhoods classified as 'childcare deserts' (Hurley, P., Matthews, H., & Pennicuik, S. 2022). Childcare deserts are defined as populated areas with less than one childcare place for every three children.

11 A 2022 report found that the sector reported over 6,000 vacancies (around double the vacancies for the three years prior to the pandemic), and that over 11 per cent of providers by early 2022 required waivers exempting them from normal staff ratios (Dean, M 2022). The National Children's Education and Care Workforce Strategy (2022–2031) aims to address some of these challenges.

13 One example is the eligibility of CCS for standalone preschools. Currently, so it is children in standalone preschools are not eligible for CCS, but those in centre-based day care services are. Both families and service providers need high levels of system literacy to understand how this affects their services.

## What is systems thinking? How can it be used?

The above section defined the challenges and opportunities that exist within Australia's (ECEC) system. As we have outlined, Australia's ECEC system is complex and continues to evolve with the changing needs of children, families, and society. The most significant issues facing the ECEC system are:

- ensuring equity in access and participation to achieve high participation rates
- ensuring outcomes for children which support social and emotional development, alongside their education/readiness for school
- managing the ECEC workforce in a way which addresses shortages, high levels of attrition, difficulties in providing professional development, regional and rural recruitment/training, and builds a diverse, culturally competent workforce
- reducing system complexity to improve service access and navigation
- improving system coherence to view the 'system' as a cohesive entity so that it can better align with other sectors, such as health and education.

This section provides an overview of systems thinking and a guide for leveraging change within a system. When combined with the previous paper on the ECEC system within Australia, this will provide a foundation for the subsequent exploration of a system stewardship model which follows. It will also highlight how in this circumstance this approach represents the most comprehensive way to respond to the challenges and opportunities identified above.

## What is a system?

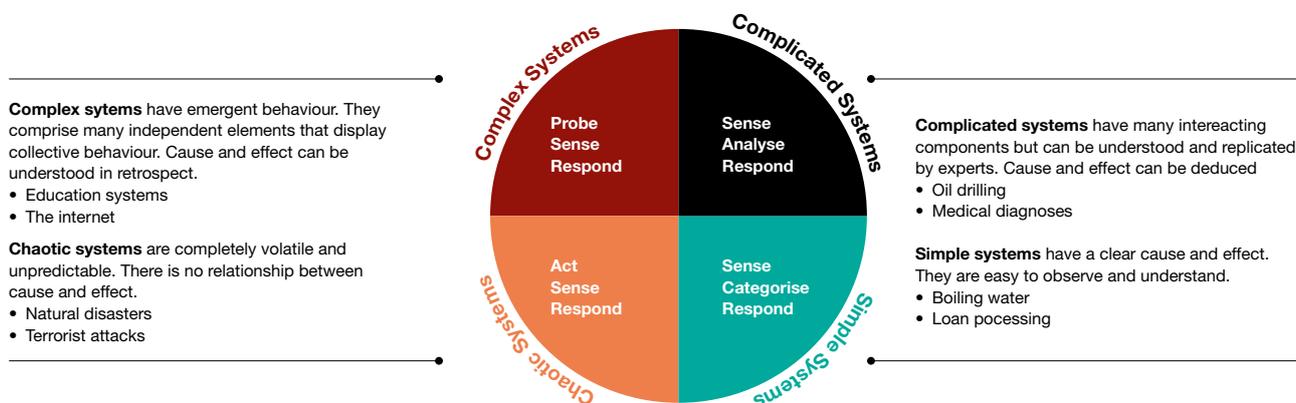
A system can be defined as an *interconnected* set of organised actors that work together to produce a characteristic set of behaviours that achieves a system's *purpose* (Meadows 2008).

**Figure 2: System components**



## Properties of systems

Figure 3: System properties



Systems exhibit different properties. The Cynefin model (depicted above) suggests four key groupings of system properties: simple, complicated, complex and chaotic. Systems may adopt different properties at different times.

**Simple systems** are stable and easy to understand. There is a clear path to identify cause and effect, which means problems are usually easy to identify and solve. They are often process oriented, whether physical like boiling water or administrative like processing loans. Managing simple systems typically requires assessing and categorising the facts of a situation. Decisions are then made on these facts, usually based on best practice.

**Complicated systems** have a greater number of interacting components. While they are more difficult to understand, they usually operate in patterned ways. Appropriate management often relies on expert knowledge to assess the best course of action. However, there may be several possible solutions that require analysis before selecting the best response.

**Complex systems** are more difficult to predict because of their emergent and often dynamic or reactive behaviours. They may operate in patterned ways, but interactions are constantly changing. The same starting conditions may result in different outcomes depending on the interactions between the actors in the system. As interactions adjust, its actors change in relation to each other. Management often relies on adaptive leadership and diverse thinking to respond to the emergence of new challenges and opportunities as the result of change.

**Chaotic systems** are unpredictable. Management may require preventive and restorative actions which may not always completely address the challenges experienced due to a chaotic event.

## ECEC as a complex system

Complex systems are particularly evident in the following circumstances:

- The problem is not completely understood, so solutions may not be evident or appear to be fully realisable.
- There is significant diversity of opinion which may involve conflict between stakeholders and experts.
- The problem and the broader context are interconnected in diverse, dynamic and often unstable ways. The broader context is also likely to be complex, dynamic and unstable (such as a political system). This positions a complex system within a complex system.
- The goal for change within the system is to make broad, sustained change at large scale (Omidyar Group ND).

As the overview of Australia's ECEC system suggests, the system currently displays all these properties. Some of the complex problems identified in the paper demonstrate that the system is not working as well as

it could be. Additionally, most identified solutions fail to sufficiently address the issues, largely because they fail to account for the whole of the system, focusing instead on an immediate problem.

The context within which ECEC operates is unstable and dynamic, with political and social systems having their own inherent complexities. Applying a systems thinking approach to Australia's ECEC system could address this complexity and guide the system towards desired outcomes.

## Why use systems thinking?

Systems thinking is useful when attempting to improve complex systems (like Australia's ECEC system) because it enables us to see the whole picture, including the explicit (such as policies and funding) and implicit (such as mental models, power and relationships) factors that the system must navigate in order to deliver outcomes. The intent of working systematically is to create deep, sustained, and long-term change for greater impact.

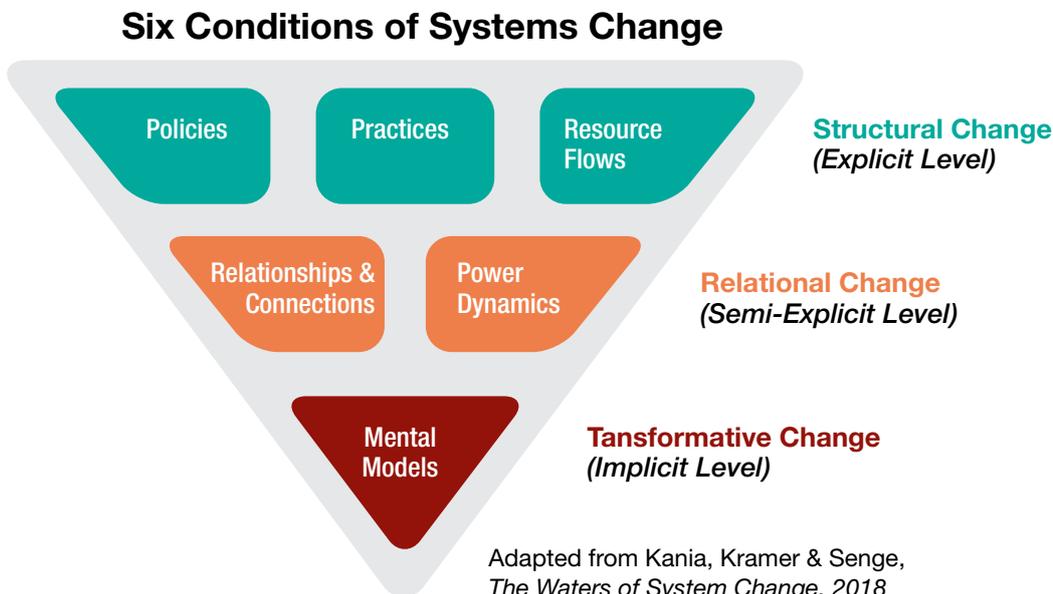
This model recognises that no one program, organisation or person can make long lasting change at scale. All parts of the system (the interconnected set of actors) have a role to play in creating better outcomes.

By acknowledging that systems are dynamic and that change is not linear, systems thinking provides a framework to look beyond the immediate problems. It guides actors or those working on system change to see underlying patterns, opportunities to leverage aspects of the system and ultimately to adapt as the system changes. Through this framework, it is possible to embrace the complexity of a system (such as the ECEC system) and work toward a healthier one (Omidyar Group ND).

## System conditions

How systems are maintained and how they experience change is dependent on emerging conditions. This commonly used model categorises six conditions of systems change (Kania et al. 2018).

**Figure 4: Conditions of systems change**



## Definitions of systems change conditions

### **Mental models**

Habits of thought are deeply held beliefs and assumptions, which along with taken-for-granted ways of operating, influence how we think, what we do, and how we talk. Mental models underpin all systems and other conditions of system change.

### **Relationships and connections**

This refers to the quality of connections and communication occurring among actors in the system, especially among those with differing histories and viewpoints.

### **Power dynamics**

This concerns the distribution of decision-making power, authority, and both formal and informal influence among individuals and organisations.

### **Policies**

These are governmental, institutional and organisational rules, regulations, and priorities that guide the entity's own and others' actions.

### **Practices**

This includes activities undertaken by institutions, coalitions, networks, and other entities to improve social and environmental progress and help the system achieve its purpose. Also, within the entity, this involves the procedures, guidelines, or informal shared habits that comprise their work.

### **Resource flows**

This accounts for how money, people, knowledge, information, and other assets such as infrastructure are allocated and distributed.

(Kania et al. 2018)

## Creating change within systems

If a system is not producing the desired outcomes, the conditions of the system need to be changed. Identifying places in the system that may be amenable to intervention is necessary to achieve change and these places are known as leverage points. Leverage points can be powerful because a small change to a leverage point can create a ripple effect, resulting in larger change within the system (Meadows ND). Organisations that use a systems change approach, such as the Front Project, utilise a variety of methods to identify and understand leverage points and other aspects of systems that might be amenable to change.

Across systems there are several models and conceptualisations of leverage points. Leverage points in those models include information flows, rules, goals and paradigms as opportunities to affect change (Meadows ND). The leverage point with the greatest potential to affect change is a paradigm. This aligns with the mental model concept discussed above because mindsets are so essential to the way systems are maintained or changed.

In addition to working with leverage points, collaborating with others and supporting learning are important to affect change within systems. Working with others enables multiple actors from across the system to work collaboratively for positive change. Different actors may have access to different leverage points which can be used collectively to achieve change. Supporting learning within the system includes understanding the context, generating knowledge about what is and is not working, considering how things are changing, and using the learnings to adapt and improve the system (Abercrombie et al. 2015).

## How we apply systems thinking at the Front Project

The Front Project draws on the development and practice of systems thinking for social change. Our systems thinking approach looks at the big picture to find out what we can do to ensure our ECEC system becomes the best it can be today and continues to deliver for generations to come.

We fill two distinct, and at times overlapping, roles to create impact. Firstly, as an actor and stakeholder we directly fill gaps in the ECEC sector (such as, upskilling the workforce) and as a system intermediary we build and develop the sector as a whole. Primarily, system intermediaries work to amplify the efforts of others.

Our experience in the ECEC sector has helped us develop the following systems thinking leverage points, which include:

- building and shaping narratives around ECEC
- contributing to shifts and major changes in the policy landscape
- supporting the sector's ability to innovate and influence
- increasing the number of professionals in ECEC
- increasing the awareness and demonstration of quality in ECEC settings.

As part of focusing on these leverage points, the Front Project implements the following activities to achieve systems change:

- **The Apiary:** the Apiary Fellowship leads collective action on complex systemic challenges in early learning underneath a shared vision for change co-designed with children and families. The Apiary brings together systems leaders and influencers around key system leverage points, building their capacity to understand and engage with different perspectives and complex systems.
- **Online Community and Upskill Program:** The Online Community is a place for early childhood professionals to build networks, combat feelings of isolation and grow professionalism and quality in a safe, virtual forum. The Upskill Program supports high achieving diploma-educated educators to complete university degrees to become qualified teachers, helping them to increase their impact and deepen their skillset around teaching young children.
- **Early Learning Impact Hub:** The Early Learning Impact Hub is comprised of an 'evidence to action lab' and an 'innovation lab' and focuses on developing the sector's capability to collaborate and innovate, facilitate evidence into action and scale initiatives in ECEC.
- **Advocacy, Government Relations and Campaigns:** The Front Project will support and equip the ECEC sector, families and business leaders, along with the government, to confidently and collaboratively advocate for ECEC, ensuring that more voices form part of the public conversation.

More information about the Front Project's approach to systems change can be found on its website and its latest impact report.

## Opportunities to change Australia's ECEC system

An opportunity to bring about change in a complex system such as ECEC in a way which meaningfully responds to the challenges and opportunities outlined here is to adopt a system stewardship approach. What makes the case for system stewardship so compelling is its ability to address many of the shortcomings that have resulted from the spread of market reforms against a backdrop of increasingly complex societal needs. The unique nature of human services, such as ECEC, means their system-wide management and delivery requires approaches which reflect the specific market forces at play. The next section explores this concept in depth.

## What is system stewardship?

*Complex problems require nuanced and adaptable responses. System stewardship is potentially a powerful way to address the modern realities of volatility, uncertainty, complexity and ambiguity.*

This section outlines general aspects of system stewardship and explores the conditions required for a stewardship model to be successful. Building on the foundations already laid out in this report, this section explores the conditions for effective implementation and considerations for application specific to the ECEC sector in Australia.

### Defining system stewardship

System stewardship is a holistic approach to governance. It acknowledges the complex and adaptive nature of developing policy and delivering human services in a systems context. At its core, it involves a steward or collection of stewards steering all system participants, including service providers and users, towards high quality, long-term outcomes.

The concept of system stewardship developed from recognising the complex environment in which policy plays out – from designing policy through to providing varied services to a range of people with unique needs and preferences. The systems approach recognises that a system is made up of actors, interconnections and purpose, and that all parts of the system have a role to play in creating better outcomes.

### What does stewardship mean?

A broad definition of stewardship involves responsible management and supervision, exercising care and consideration. In a policy context, all models of stewardship involve taking responsibility within a context of constrained resources and for a set of defined beneficiaries (Moon et al. 2017). However, there is less consensus on the activities that make up stewardship and the decision-making processes which determine who should take the role of the steward, how the steward should operate, and what it should achieve (Ibid.).

The concept of stewardship is closely related to that of responsibility. A steward internalises the responsibility for a given remit, combining accountability and duty. A steward provides a form of leadership while working to build trust and capacity with other actors in the system. The goals of a steward must involve a long-term vision. This allows the ultimate purpose of the system they steward to inform the parameters which guide the everyday behaviours of actors within the system.

#### **Market stewardship**

Market stewardship refers to the role of governments 'shaping' markets in the provision of public services. This approach focuses on inputs, such as funding and resources, and outputs, such as profits and service availability (Meltzer et al. 2021). This differs from a system stewardship approach which measures performance based on the outcomes which impact the system's beneficiaries. System stewardship takes an active responsibility for system outcomes and steering the system towards these outcomes if appropriate.

### The system stewardship role

The literature on system stewardship suggests that it is a collective effort. Each actor is aware of their own unique but complementary stewardship role and carries this out in a way which best contributes to the overall health and performance of the system. In practice, achieving this ideal vision may require a larger oversight role to be ascribed to one or a small number of stewards. However many stewards are active in a system, there are several clear and vital roles they must fulfil.

In a departure from the linear approach to policy design and implementation that has existed previously, stewardship is cyclical and iterative. Stewardship requires constant redefinition and rearticulation of the purpose of the system it is overseeing. By defining their purpose, stewards determine the goals the system must work towards. It is then the responsibility of the stewards to ensure that the system achieves this purpose (Hallsworth 2011; Lowe & Plimmer 2019).

By prioritising purpose, the role of stewardship can be conceptualised as a continuous cycle of three phases: design, delivery, and improvement (Productivity Commission 2017).

## Design

Stewardship requires stewards to design the system and articulate the rules which govern it, so that it meets the needs of the end users of the system. This involves developing policy and internal regulations that identify and address the needs of the community.

As most ECEC policy making mechanisms take place far from the families and children that they ultimately affect, effective stewardship must incorporate co-design principles that keep users at the centre of the process by embedding a place for their feedback.

From this foundation, effective design must ensure that:

- resources are allocated effectively with scope to evolve over time
- equitable access is achievable for users who live with complex needs and in remote areas
- roles and responsibilities are clearly articulated between actors, particularly to aid effective communication between different levels of government.

A system steward or collection of stewards will develop the performance frameworks for a system which can assess performance against system goals. These frameworks should be focussed on achieving outcomes and designed and measured with data. Performance feedback should be provided regularly, to drive improvements by providers.

The iterative design process relies on adequate data to make improvements. By setting out specific goals at the beginning of the design process, a steward can monitor progress and ensure data collection is embedded within the system from the outset.

Rules define how different actors within the system will interact. They may consist of:

- incentives
- principles
- minimum standards.

In complex systems, rules are best used to guide actors and set boundaries, rather than be prescriptive (Hallsworth 2011). Rules should also be used to ensure that active participation is afforded to all.

## Delivery

The delivery of services must be able to adapt to changing needs over time. Effective stewardship promotes quality service delivery through flexible policy frameworks that enable actors to incorporate condition-specific changes across different jurisdictions.

Stewards play a key role in disseminating information to the public and to service providers. This allows for demand to be appropriately met by supply. It also helps users make informed choices on what will meet their individual needs.

Effective stewardship must coordinate actors across all levels of the system so that services are delivered efficiently. This includes ensuring the different levels of government, service providers and others are aware of their individual roles within the system and that all these actors are working towards a common goal.

Delivery is an iterative process. It should continue to provide feedback to the stewards on the overall performance of the system. Stewardship involves monitoring the system to identify how it can be realigned towards desired outcomes.

A stewardship model requires constant feedback that provides information on whether the system is meeting its goals.

This information should be used to understand how the system is evolving. If feedback indicates undesirable outcomes, this information should be incorporated to re-design the system where necessary.

## Improvement

System stewardship is a learning process and consistently seeks to improve the design and rules of the system. This is enabled by the feedback and data that has been incorporated into the system design and collected during delivery.

To drive improvement in service quality, timely evaluation and feedback to providers is essential. These assessments should be based on outcomes which are most important for the beneficiaries of the system and that align with the overall purpose of the system, rather than just compliance.

If the system is not achieving its goals, a response is needed to steer the system back towards the desired outcomes (Hallsworth 2011). This may include:

- signalling and advocacy
- changing rules and incentives
- capacity building
- direct intervention.

More information about the Front Project's approach to systems change can be found on its [website](#) and its latest [impact report](#)

## Conditions for successful stewardship

For a system stewardship approach to be successful, several conditions need to be in place. The following conditions have been identified in the existing literature. Ensuring these are in place provides the greatest chance of success for a stewardship model in Australia's ECEC sector.

### A clear and unified purpose

Identifying clear objectives is essential for success. This begins with outlining the purpose of system stewardship and the goals it seeks to achieve. The stewards must also have a clear picture of the benefits and beneficiaries of the system. Broad objectives may be set to allow for consistency across many different types of services. Specific objectives must be set to guide service design and delivery (Moon et al. 2017; Productivity Commission 2017).

### Rich and transparent information

Information is essential for a healthy functioning system (Meadows 2008). Data informs critical decisions made at all points in the stewardship cycle – from service design and targeting to outcome assessment and improvement. Effective system stewardship embeds data collection from the outset which is both comparable and able to be shared across jurisdictions.

## **Strong governance**

Dysfunctional system outcomes are likely to stem from a lack of communication about the roles and responsibilities of different actors. Large systems are likely to have multiple stewards fulfilling different roles. These may include different levels of government as well as private and not-for-profit service providers. Successful stewardship depends on these roles being appropriately coordinated and stewards accepting the responsibility to act when system goals are not being met.

## **Appropriate devolution**

System stewardship recognises that decentralisation – the delegation of decision-making responsibility from a central government to another level of administration – is not always the best solution to a policy problem (Hallsworth 2011). Stewardship seeks a balance between decentralisation and a more regulated top-down delivery model which recognises the strengths of different actors by empowering them in targeted roles.

Previous attempts to create choice and drive efficiency in public services have seen many government-provided services decentralised through markets to private provision (Le Grand 1991). Despite its potential to create choice and efficiency, the use of markets in this way has led to problematic outcomes for many human services systems users (Carey et al. 2020).

The challenge is to determine the level of system that is best suited to managing a problem, because different actors across a system have different strengths. Central governments, for example, have significant funding and resources, while organisations and services have specific knowledge of market conditions and relationships with local communities.

## **Agility and adaptability**

Due to the inherent system uncertainty, stewardship must be flexible enough to adapt to changing needs and situations. This capacity is enabled by a continuous learning approach, which allows stewards to steer the system in a more responsive and dynamic fashion (Lowe and Plimmer, 2019).

## **A collective effort**

System stewardship is a collective effort carried out at all levels of a system. It is achieved through the recognition of all actors that they are jointly responsible for the health and performance of the system. As such, true system stewardship requires these responsibilities to be distributed across multiple stewards, rather than a single entity.

In nation-wide markets such as health and education, the research on implementation suggests bringing on board a national level steward to address funding, policy setting and regulatory decisions. Where national markets consist of a collection of interconnected local markets, stewardship at the local level is just as important. For example, Malbon et al. (2020) found that local disability markets in the National Disability Insurance Scheme (NDIS) functioned significantly better as a result of knowledge about local market conditions being informally disseminated by local area coordinators. Local authorities are also likely to have a better understanding of the need in their community.

## Case study – Increasing stewardship in the NDIS

The NDIS is an ambitious reform in Australian social policy. The design and implementation of the scheme followed the findings of the Productivity Commission's Disability Care and Support report, released in 2011. The scheme was designed as a market-driven policy with private businesses providing disability support services to promote competition and innovation.

Participants in the NDIS develop unique plans to support their individual needs. The NDIS then allocates a budget to this plan, which can be spent by participants on any private or not-for-profit service providers of their choosing. The scheme aims to support individual needs by facilitating greater choice and control in disability services.

The National Disability Insurance Agency (NDIA) is the market steward, which acts as the statutory agency responsible for the implementation of the NDIS (NDIS 2016). Its role is to 'create an efficient and sustainable marketplace through a diverse and competitive range of suppliers who are able to meet the structural changes created by a consumer driven market' (Ibid.) The NDIA's stewardship responsibilities were particularly important during initial rollout of the scheme, as they pursued specific goals to 'minimise market failures, information gaps, and perceived regulatory risks' while the marketplace matured (Ibid.).

The NDIS currently supports over 500,000 people with permanent or significant disability and has provided over \$17 billion of paid support so far in the 2021–22 financial year (NDIS 2022).

While its stewardship role is recognised in NDIA documents, the Productivity Commission designed the scheme so that the NDIA would only need to intervene when there had been a clear market failure. However, the original design did acknowledge the need for greater stewardship functions in remote areas. As the market was expected to eventually self-regulate, the Productivity Commission forecasted that this role would diminish over time (Productivity Commission 2011).

The scheme has faced a range of implementation challenges including thin markets and market gaps. These challenges are particularly acute for participants in remote areas or with less common needs. In these instances, there are either not enough services to provide participants with choice and control – the key policy aim of the scheme – or there are no services at all (Carey et al. 2018b).

To date, the NDIA has performed more of a market regulation role, limited to registering providers and ensuring minimum protections by removing fraudulent providers from the market (Carey et al. 2018a). This role is more closely characterised by the similar concept of market stewardship discussed in the market stewardship textbox above.

Rather than just setting minimum market standards for service users, system stewardship is concerned with ensuring long-term outcomes and maximising public value. Recent proposed reforms to the NDIS Act demonstrate increasing consensus that human service markets require greater government involvement. The NDIS Amendment (Participant Service Guarantee and Other Matters) Bill 2021 introduces reforms clearly derived from stewardship and Human Learning Systems theory. In particular, embedding people with a disability into the co-design of disability policy is rooted in systems stewardship.

More recommendations have been made to improve the effectiveness of the NDIS market in line with system stewardship principles, particularly in the areas of information sharing, price setting and capacity building. These include:

- overseeing the collection, distribution and transparency of data on market conditions to inform service providers where market gaps exist
- allowing pricing arrangements for NDIS services to be flexible enough to respond to local market conditions, which is currently limited for providers
- bringing in the government to act as the last resort provider
- building government capacity to carry out market stewardship duties by removing staffing caps within the NDIA (Malbon et al. 2019).

## Where is system stewardship most likely to be effective?

What makes the case for system stewardship so compelling is its ability to address many of the shortcomings that have resulted from the spread of market reforms against a backdrop of increasingly complex societal needs. The unique nature of human services, such as ECEC, means their system-wide management and delivery requires approaches which reflect the specific market forces at play. This is because:

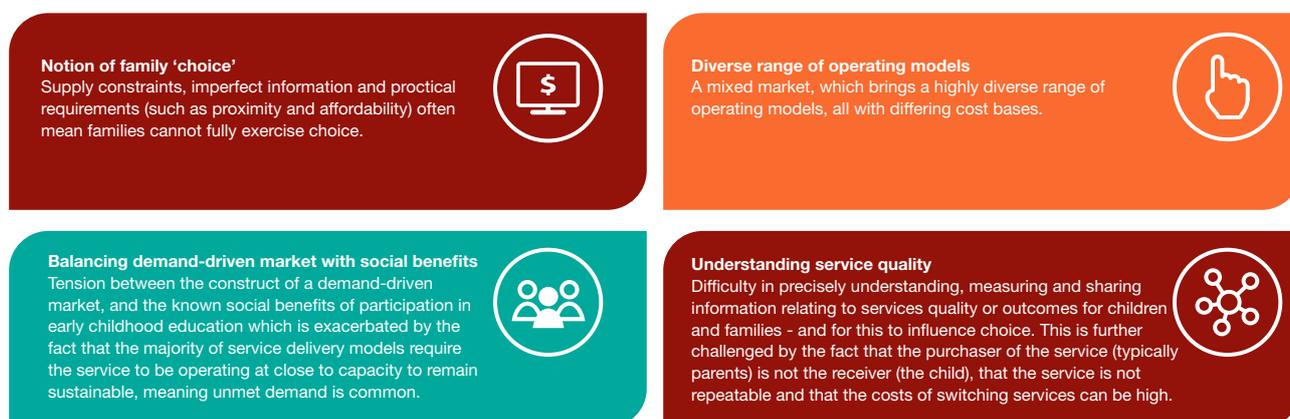
- A service is not a manufactured item but an **intangible** process. The process of how services are delivered and the impact this has on the users themselves is an important marker of quality.
- Rather than being made, sold, and then consumed, services are **co-produced**. Both the deliverer and the consumer are part of the production process, so its quality is influenced by each (Osborne 2013).

Taken together, these features have several important implications:

- **Competition can be beneficial, but if competition drives costs down it is likely to be detrimental to service quality.** Additionally, areas with a small number of potential users will struggle to support a viable market (Osborne 2013). In essential services such as healthcare and education where high quality and access is desired for all users, competition requires careful management.
- **Users should be kept at the centre of service design and delivery.** This is because the effectiveness of a service is dependent on feedback provided by users and the knowledge which can be gained from their experience.

System stewardship presents an opportunity to address failings of market-based human services against the backdrop of increasingly complex societal needs. In the context of early childhood, research suggests the market-based model is challenged by limitations to family choice, a highly diverse range of operating models, difficulty understanding quality or outcomes for children, and balancing a demand-driven market with societal benefits of participation in early childhood education. An overview of these failings of the market-based model is provided in Figure 5.

**Figure 5: Characteristics of ECEC service challenges and opportunities**



These features do not rule out the possibility of market forces providing positive outcomes for actors within the ECEC system, but it becomes increasingly important to judge when and where these outcomes are unlikely to be achieved. Equally, stewards must acknowledge that the system requires careful monitoring, adjustments and in some cases intervention to reach the desired outcomes. This is one of the key components of system stewardship.

## Potential risks and limitations

A system stewardship approach is a relatively new model being applied to complex systems. Accordingly, the evidence base for system stewardship is still emerging and this is one of the model's limitations. However, systems stewardship is iterative by nature and allows for changes and corrections to be applied throughout the life of the system.

Ghate et al. (2013) suggest the following as the main forces that restrict people leading systems from achieving their system's stated purpose or outcomes:

- **Operating capacity** denotes the practical feasibility of leading a more dynamic, connected system. Leaders and stewards need staff and organisations that can operate effectively within complex systems. Characteristics which flourish within these ambiguous environments include an intellectual curiosity and ability to perceive one's role and organisation within a broader system, an understanding of the importance of innovation as well as resilience, and willingness to take risks within limits. As outcomes are inherently uncertain, humility is also required to recognise where proposed solutions have not worked out as planned.
- A system's **purpose and mission** ultimately define its value to the public. Without this being clear and compelling, the case for stewardship will be limited. System stewardship aims to serve its beneficiaries and in the ECEC system, this is children. Therefore, the system's tangible benefits must be clearly communicated in order to receive adequate support from system actors.
- The **authorising environment** refers to the organisational context in which systems leadership takes place and how this reflects a systems-minded culture. This culture recognises the connectedness of organisations, is tolerant of appropriate risk, and rewards experimentation and innovation that contributes to the health of the system. If this culture does not exist, then those behaviours needed to support system stewardship will not be rewarded. For example, a system stewardship approach seeks to generate norms that value performance which contributes to the goals and vision of the system as a whole. Without an appropriate authorising environment, norms may instead value effectiveness based more narrowly on tasks performed and competencies demonstrated.

## System stewardship in the current ECEC system

The section titled *Early childhood education and care in Australia* provided a summary of the current, complex ECEC system, including its inherent challenges and opportunities. These include:

- **Ensuring equity in access and participation** to achieve high participation rates, particularly in regional and rural areas and for children from areas of disadvantage.
- **Ensuring outcomes for children** which support social and emotional development, alongside their education/readiness for school. Greater access and participation must be paired with high quality ECEC delivery.
- **Managing the ECEC workforce** in a way which addresses shortages, high levels of attrition, difficulties in providing professional development, regional and rural recruitment/training, and builds a diverse, culturally competent workforce.
- **Reducing system complexity** such that navigating the system, including its various forms of support and eligibility requirements, is not confusing and confronting for families.
- **Improving system coherence** to identify opportunities for early intervention. Viewing the system as a cohesive entity will improve alignment with other sectors, such as health and schooling.

Given these challenges and opportunities in Australia's ECEC sector, it is relevant, necessary and timely to consider options for reform at a system level. System stewardship provides an opportunity to improve the health, performance and efficiency of the ECEC system. The next section will explore how system stewardship may be applied within the ECEC system in Australia.

## Opportunities for system stewardship in early childhood education and care

The earlier *What is system stewardship?* section outlined general aspects of system stewardship and explored the conditions required for a stewardship model to be successful. This section presents findings from the literature review, case studies and consultations conducted with stakeholders across the ECEC system. It presents considerations for how those findings may be applied within the ECEC system in Australia.

### The pathway towards system stewardship for ECEC in Australia

Some elements of system stewardship are already evident within Australia's ECEC system, such as rules and minimum standards, national partnerships, forums for coordination and cooperation, and mechanisms for feedback. Within several states and territories, tenets of stewardship have been formally adopted under the guise, and using the language, of system stewardship.

The movement towards system stewardship can be conceptualised as a process that leverages these solid foundations and discrete stewardship approaches into a cohesive and national journey. This could galvanise all system actors under a common goal and vision. A system stewardship model would require all actors to define their stewardship responsibilities in relation to each other – working to optimise roles collectively.

There is potential for the elements of stewardship to be increased within current system structures, and gains to be made across the challenges and opportunities outlined above. However, system stewardship presents a more fundamental shift, and requires a reimagining and redefining of the roles, relationships and rules across all elements of the system.

### The two phases of the enquiry process

The process that informed this report occurred in two phases. First, a robust review of existing evidence about systems stewardship was undertaken. This included Australian and international evidence in academic journals and grey literature.

Second, 46 stakeholders with expertise in systems thinking, governance reform and ECEC were consulted to provide their views on the potential of system stewardship as an opportunity for the Australian ECEC system. The stakeholders consulted included representatives from industry bodies, private ECEC service providers, advocacy groups, academia and government. This resource combines findings from published evidence and consultees' views about the opportunity to adopt a system stewardship model for the ECEC system.

Individuals consulted for this work were consistently advocates of ECEC and recognised the crucial role ECEC plays in Australia. Quality, access and workforce were the three most raised topics. Many consultees spoke about the deficits of the market-based ECEC model, fragmentation across both governance and service delivery, the impact of the complex system on child and family experiences, and the ability to enact reform.

Across the consultations, there was consensus on many of the challenges facing ECEC and the limitations of the current mixed-market model of provision. In response to this, system stewardship was generally seen as an opportunity to unite system participants through a common vision and support sustainable positive change. In this context, movement towards a system stewardship approach – to the extent this is characterised by a united vision, a cohesive decision-making environment and a clear articulation of how actors are expected to work together – may help to mitigate these ECEC system challenges.

## Reactions to system stewardship

Many consultees reflected an appetite for wholesale system change within ECEC and reported a shift in conversations within the sector, with increasing attention being paid to the future of the sector. Several stakeholders suggested there is a sector-wide sentiment for change that is reminiscent of the periods of transformative reform in 2008–09. This mood was reflected in the high level of engagement and interest in this research by consultees.

Some representatives from the sector reflected on the critical risks of inaction, with fears the status quo may lead to instability or even a collapse of parts of the ECEC system.

The language and concept of system stewardship resonated strongly with most consultees. Many viewed themselves as playing a stewardship role already or recognised where the system had benefited from stewardship in the past.

While there was appetite for wholesale system change, caution was raised by several consultees on the risks that this carried, including the potential to damage areas of the system that are currently working well. Consultees largely agreed that incremental change towards a system stewardship model would be most effective. This would reduce the apparent magnitude of the task and allow measured, iterative change, which may better leverage existing strengths and respond to unintended consequences.

## Opportunities for system stewardship

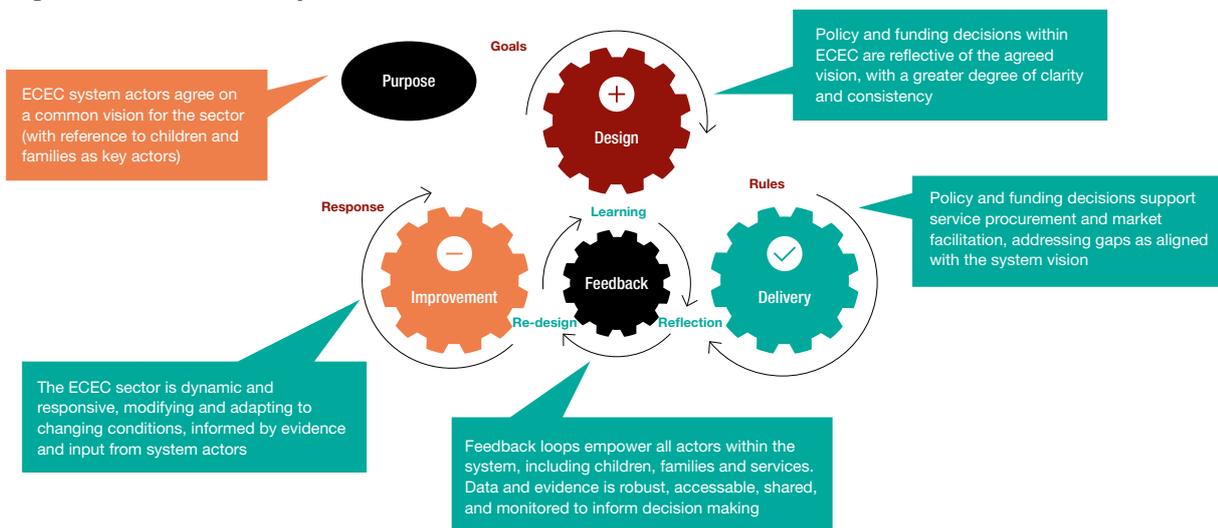
Consultees reported a sense of building momentum for change in the ECEC sector, with a window of opportunity currently open. Through consultation and reviewing published evidence, six components of system stewardship consistently emerged as important and the most likely to strengthen the ECEC system.



The below diagram shows how these six components can set the foundation for a system stewardship framework when viewed holistically and as intersecting components.

## A stewardship framework

Figure 6: A stewardship framework



The following sections interrogate each of these six components and integrate findings from the evidence and consultations.

## Leadership and vision

There was some uncertainty among consultees about the definition of the ECEC system. It was felt there is a need to clearly define the parameters of the ECEC system and how this sits in the continua of care and education services for children and families.

Consultees also raised the need for:

- the creation of a clear and collectively endorsed vision for the ECEC system, resulting in the impetus and roadmap for reform, as system settings are reoriented towards this vision
- consistent policy objectives, governance arrangements and strategic alignment across levels of government, which would support a more effective system delivery and reform environment
- clarity on the responsibility of the system to meet child and family needs that would create clear benchmarks and parameters for intervention, where objectives are not being met
- re-establishing a point of connection and pride for system participants, reducing fragmentation and uniting momentum towards a common goal.

One clear tension regarding the definition of the ECEC system was whether it should be viewed from a **delivery perspective**, or whether the system should be defined from the view of the **consumers of the system** (children and their families).

In the latter case, a child-centred model is likely to broaden beyond ECEC and include a suite of child development actors and activities. These would create a significant opportunity for early identification and intervention in a child's life, although a wider scope may pose challenges for system stewardship. This may include the challenge of defining and articulating a sufficiently targeted and unifying vision, and managing the coordination and integration of a much larger number of actors.

If the definition of the system was to extend into the early years of primary school, the challenge of ECEC workers leaving the sector to work in early primary education would change from being one of workers exiting the system to one of movement within the system. This would likely change the perception and actions of a system steward or stewards.

The diversity of the ECEC sector supports simultaneously realising three objectives of:

- children's learning and development
- workforce participation (particularly female workforce participation)
- socioeconomic equity through reducing the impact of vulnerability on a child's development, education and subsequent life outcomes.

However, the extent to which one objective is prioritised above another holds significant implications for system settings. For example, the activity test that is required to be met to access the Child Care Subsidy can be viewed as favouring workforce participation objectives above child development or social equity objectives. Conversely, the often shortened hours of sessional kindergarten may be incompatible with some forms of workforce participation.

Movement towards a system stewardship model would require a clear and unified vision for what the ECEC system should be striving for – including where the priorities across these objectives lie. This would help lessen tensions between the different objectives and orient the system towards a common goal.

Practically, creating such a vision could result in:

- a clear vision and framework for system reform by establishing system objectives and supporting strategic alignment within the sector and across levels of government
- clear guidance for the market on what is required from service delivery, which could reduce tensions

in the mixed-market model (where these are caused by differing objectives)

- a collective and co-designed vision forming a point of connection and pride for system participants. This could reduce fragmentation and help to unite the energy and innovation of system actors towards a common goal.

## Data and evidence

Consultees highlighted the need to have increased **data and information sharing** to strengthen decision-making, practice and behaviours across the system. They also observed there is a need within the system for greater transparency and utilisation of data on:

- demand and supply
- access and participation
- practice and quality
- service operational models and cost structures
- child outcomes.

A system steward would facilitate this as a key part of their role in ensuring the capture, analysis and sharing of data, as well as monitoring and responding in service of system objectives. Under a system stewardship model, data and evidence are made available to all participants, in a valid and accessible way, in efforts to empower all actors to contribute to continual improvement.

For the sector to work effectively, evidence must be generated and shared so it can inform decisions at all levels. Consultees provided many examples where they felt increased availability of data and information would have significant benefits on system functioning, enabling evidence-driven decision-making and informing nuanced policy development.

Specific examples included:

- the nature of demand and unmet demand
- the service delivery supply pipeline
- cohorts that are not accessing or engaging as desired with ECEC services
- understanding and measuring quality
- child outcomes, including over time.

Consultees raised the central importance of data being monitored and responded to, with clear lines of oversight and responsibility required. This is applicable both in local contexts and across the system more broadly. Both top-down and bottom-up approaches are likely to be needed.

### **Example of data collection and the role of system stewards**

Data collection on participation may identify that a particular demographic of children is not participating in ECEC within a local geography. A local service provider may notice that their cohort of enrolled children is not representative of the community, or that some children who are enrolled are less regularly attending the service.

A system steward would be responsible for monitoring these data and identifying the gap, taking steps to investigate why it is the case, and determining how it could be best addressed. Local input would be critical in both the identification of the problem and contributing to its solution in a place-based, contextually informed way. Data should also be considered from a broader perspective (for example, statewide or nationally) to identify more structural challenges and solutions.

## Market facilitation

The ability for a steward to steer the market effectively relies on having clear goals and expectations around what the system should deliver. It is also necessary to understand where markets are likely to fail to provide adequate service and be able to intervene accordingly. Consultees identified a range of limitations and challenges within the current market-based model for ECEC that could be addressed with the introduction of a system stewardship approach.

These include:

- **Family 'choice'** – constraints on the supply of ECEC, having limited information about services and/or the benefits of ECEC, and being limited by practical requirements (such as proximity and affordability), often mean that families cannot fully exercise choice.
- **Information limitations** – there is a high degree of difficulty in precisely understanding, measuring and sharing information relating to service quality or outcomes for children and families. This leads to a limited ability for these considerations to influence choice. Complicating this further are the facts that the purchaser of the service (typically parents) is not the recipient (the child), the service is not repeatable and the costs of switching services can be high.
- **Access in a demand-driven context** – the structure of ECEC subsidies is aligned with demand, not the cost of supply. This can create disincentives to service young children and children with higher needs, for whom there are higher ratios. Most service delivery models require the service to be operating at close to capacity to remain sustainable, meaning unmet demand is common. This creates a tension between the demand-driven market and known benefits of ECEC participation.
- **Provision in thin markets** – due to the need for many services to operate at or close to capacity, there is limited incentive to operate in thin markets, reducing access for some families.
- **Infrastructure and workforce constraints** – currently, there is a lack of infrastructure or workforce for ECEC, creating challenges for service delivery.

Intervention could range from adjustments to market settings, such as policy guidance or the funding model, to altering procurement processes to ensure greater alignment with system objectives or direct delivery.

Both the research and consultees highlighted that some of the tensions within the mixed-market provision should dissipate if:

- the vision, objectives and expectations of ECEC were made clearer through system stewardship
- the system settings were geared towards these outcomes
- system contributions and outcomes were clearly monitored.

## Workforce and capability

The quality of ECEC is directly proportional to the quality and distribution of its workforce. Consultees agreed that the current market model is failing to address enduring challenges within the ECEC workforce, with concerns about wages and conditions, retention, attraction and training.

Wages in the ECEC workforce are low relative to other sectors, with average weekly earnings for early childhood teachers at 10 per cent less than the national weekly average (ABS, 2022). Wages and conditions are seen as a barrier to attracting and retaining staff.

The inability to retain workers in the long term also has implications for quality. High workforce turnover and a lack of retention of skilled and experienced ECEC teachers and educators was cited as a key barrier to services exceeding the NQF and maintaining an excellent rating. This acknowledges the vital importance of educator-child relationships and experience. Research shows that high-quality adult-child interactions, determined in part by the quality of these relationships, is vitally important to children's social and academic development (Tayler et al, 2016).

Given the natural relationship between quality delivery and workforce, the consequences of poor wages and conditions have impacts across the whole system, making them a clear focus for stewardship.

A system stewardship approach could help to improve workforce challenges through several means, including:

- clarity in the vision for the sector that may help to better define workforce needs
- achieving coordination in the system overall, facilitated by the system steward, which is important to finding shared solutions
- greater accountability within the sector, which would increase the impetus to find solutions, with clear responsibilities for creating change.

## Accountability and empowerment

For the system to consistently achieve its objectives, there must be clear lines of responsibility across the diverse range of system participants, and a reframing of the relationship between government and service providers, to emphasise trust, support and empowerment.

Particular facets include that:

- fragmented and complex governance within the current system means it can be difficult to identify which actor or combination of actors is responsible for system outcomes, and whether they have the levers to influence change
- there is a potential to lift quality through a shared responsibility for system outcomes between funders and service providers, and empowering relationships (rather than transactional or hierarchical) that allow for flexibility and responsiveness in service delivery.

Leadership does not need to equate to higher-order power or a hierarchical approach. Leadership is the responsibility to ensure the stewardship model and functioning system operates in accordance with the system vision. Many consultees noted that effective system stewardship would require an upending of the notion that provision of funding is equal to policy influence and decision-making power. This would be a fundamental and challenging shift for the sector.

The tenets of system stewardship include a degree of devolution of power. For system actors, including governments, this may be a challenging move towards greater power sharing and less control. For a successful model of stewardship, trust, support and empowerment must be central. However, this must be balanced with accountability and power devolved in a way that ensures minimum safety and standards are always met.

## Local and community-based delivery

The ECEC system is both diverse and complex, combining many small, local markets under a single system. The demand for certain services is dependent on context, with needs changing across locations and communities.

A steward has the responsibility of ensuring system flexibility so that place-based approaches can be adapted to meet specific local needs, without sacrificing regulatory quality standards.

Tailoring services to meet local requirements requires flexibility in the system and trust in local providers. Stewardship was viewed by many consultees to promote this approach, rather than a more rigid, one-size-fits-all approach. Flexibility would allow for adaptation and learning, and support approaches and service types that most effectively meet the needs of the child and their families and communities.

An effective system is underpinned by successful relationships between system actors, structured around a joint knowledge of what constitutes system success.

Some consultees voiced concerns about past governments attempting to roll out consistent approaches that worked in one community to a broader network of communities. It was suggested that any place-based approach should include extensive community consultation and be flexible to changes in line with that community's needs. The challenges inherent in this approach lie in achieving flexibility without sacrificing minimum regulatory quality standards.

The possibility for integrated service hubs was also raised as an example of various local actors coming together to support children and families. These combined education with other health and family supports, such as maternal health, allied health and employment support, as well as offering services that are culturally appropriate.

The Maari Ma Health Aboriginal Corporation provides an example of a place-based approach that integrates health with the delivery of ECEC to support families. A focus on building trust and relationships with families in the region has contributed to greater participation in preschool programs and broader health, wellbeing and educational outcomes.

### Case study – Maari Ma Health Aboriginal Corporation: intensive supported playgroups

Maari Ma is a community-controlled organisation operating two culturally sustaining and culturally safe playgroups for Aboriginal and Torres Strait Islander children and families in far western New South Wales. Maari Ma provides holistic support to families, and has achieved positive outcomes in health, wellbeing and education, including preschool enrolment.

A majority (70 per cent) of Maari Ma employees are Aboriginal and Torres Strait Islander peoples. The local Aboriginal language, Barkindji, is used throughout the day, and all new staff have a cultural orientation, with non-Indigenous staff buddied up and mentored (SNAICC, 2021).

A range of health professionals are integrated into the program, including a social worker, nurses, a mental health professional, a dietitian and a dental assistant. These staff, along with ECEC staff, build trust and positive relationships with families. This means that in addition to providing services, they act as navigators for other services, including addressing misconceptions about preschool, and increasing enrolments and attendance.

From 2006 to 2016, the percentage of Maari Ma region's Aboriginal children attending preschool increased by 17 per cent (Sumithra et al, 2019). Further data on the success of the program is not publicly available, and more engagement with local providers should be considered to explore their learnings in delivering innovative multidisciplinary and cross-sectoral ECEC more deeply.

## A model of stewardship for the sector

A move towards stewardship is centred in a shared vision and mutual responsibility for the system objectives across all system stakeholders. Articulating a shared vision will support the coordination and cohesiveness of an incredibly diverse sector with a range of motivations, capabilities, service models and histories. However, the challenge of uniting all parties is not to be underestimated and this needs to be considered in any movements toward a system stewardship model.

There is not yet consensus on who would be best placed to be a steward – the process will take time, and require significant investment, patience and a willingness to influence perspectives and ways of working across all stakeholders. This may require incremental and cumulative shifts to build capacity and retain engagement. Given the critical role that the ECEC system plays as a foundational pillar for Australian society, and the potential for transformative change if appropriately implemented, there is a clear case for movement towards system stewardship.

Conversations on the topic of how a stewardship model could look yielded vastly differing, and often contradictory, suggestions. Several key considerations for the pathway towards system stewardship in ECEC are outlined below.

## **An aspirational and unifying vision**

In discussions held for this research, the immediate priorities for stewardship in ECEC have differed, considering both the attributes of system stewardship being adopted, and the challenges within the sector that might warrant early attention.

What does not differ, however, is the requirement to start a movement towards system stewardship through the development and adoption of an aspirational and unifying vision of the ECEC system. The vision forms the foundation for system settings and provides a necessary point of connection between system participants. These are preconditions for the strength of system relationships that will be required to develop and implement a system stewardship model.

This step is an opportunity to clearly define the boundaries of the ECEC system, and for all actors within the system to come together to help build shared aspirations, mutual recognition and understanding, as well as strengthening relationships within the system.

Once this vision has been established, the model of stewardship for the sector must be decided, including the roles and responsibilities of all actors, their expected contributions to the system vision, and how these are to be maintained and improved over time.

*Stewardship is different to reform. It is a mindset, achieved through the thousands of small decisions made each day.*

**An achievable pathway to the vision is critical.** Any paradigm shift must be staged and gradual, with adequate time for consultation and capacity building. There is a risk of the sector disengaging with the concept of system stewardship if the task of transitioning appears too challenging. Having clear, incremental and cumulative shifts towards system stewardship is likely to be met with greater success.

## **System stewardship requirements**

*System stewardship must allow long-term thinking, iteration, and a balance between leadership and the devolution of power.*

A key challenge for system stewardship within ECEC will be balancing a degree of devolution in decision-making that allows experimentation and local autonomy with the need to have strict controls in domains of safety and inclusion. System strengths must be leveraged (that is, quality reforms and sector diversity must be maintained) and protected through transformation.

Within this, there must be agreement to learn and develop together – for such a complex and paradigm shifting transition, there are likely to be setbacks and mistakes along the way. The process of vision setting is seen as a powerful tool. The more engaged and invested system actors are in the journey towards stewardship, the more likely they are to forgive setbacks and remain committed, feeling shared responsibility for success.

System stewardship must be able to rise above politics and decision-making, with an ability to harness long-term vision and aligned incentives. This poses a particular challenge where decision-making may be tied to budget processes or election cycles, and key stakeholders can have high turnover (for example, government ministers). In this environment, statutory authorities or sector and community stakeholders may have the capacity for championing longer-term objectives.

## **Potential options for stewards in the ECEC sector**

Consultees proposed several different models for system stewardship within the ECEC sector. These included:

- the Commonwealth Government acting as steward, with any other model viewed as a neglect of its ultimate responsibility. For some aspects of ECEC, such as minimum standards, having a national approach is important, and coordination is well aligned to the Commonwealth Government's remit and powers

- state and territory governments being best placed to steward the system, within a model more aligned to the approach to the schooling system. States and territories were seen to 'live and breathe' the system, placing them in a good position to steward ECEC and potentially elevate outcomes through increased integration with schooling
- that the attempt of any one single government (or individual entity) to act as steward would be arrogant and foolhardy. The system is complex and has a long history of involvement by governments, alongside various national, state and territory bodies responsible for parts of the system (for example, regulation). In this sense, stewardship would need to be guided by a collaborative approach across all levels of government
- localised models of stewardship run in international jurisdictions could be a potential option for Australia's ECEC system, suggested one consultee. However, they noted the capacity is not presently there for this to be achieved in most states and territories
- that for some consultees, especially those reflecting a First Nations perspective, any act that increases power at a distance from children, families and communities (that is, through government), would be counter to the objectives of the model and potentially a further act of violence (understood as an act of violence echoing historical colonial policies). Stewardship must not be hierarchical or top-down in this view. A model of stewardship with many stewards, including at a local community level, could mitigate this risk
- a taskforce, which could be set up with a stewardship remit
- existing entities that could be given greater responsibilities and powers (for example, the Australian Children's Education and Care Quality Agency (ACECQA)).

## Leadership and clear lines of responsibility

A key risk of system stewardship is to lose sight of the ultimate goals of stewardship in the attempt to find consensus on 'the steward.' There is also a risk of immediately concluding there must be only one entity acting as a steward. While the system needs to have overall leadership and clear responsibilities, there can be multiple actors stewarding the system.

Considering a networked form of governance, having a single steward need not be the answer. Australia's current ECEC system already sees multiple entities positioning themselves in a stewardship role and seeking to influence different components of the system.

Australia's ECEC sector is comprised of hundreds of hyper-localised markets, a diversity of providers, and complex relationships between actors. In this context – acknowledging the strengths that this complexity brings and the differing challenges informed by each market context – actors throughout the system must see themselves as contributing to the stewardship of their local market and, by extension, the overall system.

Such a networked interpretation of stewardship would involve the many actors in the system – children and families, teachers, educators, service directors, centre owners, local government, states and territories, and the Commonwealth Government – all contributing to a degree of stewardship and to the overall health of the system. A strong sense of individual and collective responsibility is necessary, with a clear guiding vision and purpose to align incentives and actions, and steer towards intended outcomes.

***A steward (or stewards) has responsibility on behalf of others and can be held to account. The faithful steward internalises that and knows they are responsible for the system's welfare and that of those within it.***

The risk in such a networked and inclusive approach is that there is no clear owner of ultimate responsibility. There is still a role for leadership, which may be best placed emerging from the Commonwealth Government or a collection of governments, aligning with the capacity of government to bring all actors together, operate nationally and hold many of the levers for change.

## **Tensions between leadership and networked governance**

At its core, system stewardship is a collective effort. It is achieved through recognition that all actors are jointly responsible for the health of the system. Under true system stewardship, responsibility is distributed across the multitude of system participants. For example, an educator may see their stewardship role as ensuring a quality educational experience for the children within their care, while a family may see their role as ensuring their children participate in quality early learning, and that this learning is supported at home.

Governments (at all levels) may see their role as ensuring equitable access to safe and quality services. In this frame, all participants have a clear sense of purpose and responsibility to the system.

If the settings are correct and the responsibilities are appropriately distributed, the stewardship role – of reinforcing the system's vision and purpose, setting and maintaining the system rules and design, of service delivery and continual improvement – would occur organically and collaboratively.

While government bodies may continue to hold leadership responsibilities, the role of government within a system stewardship model would look different to what it does now. System stewardship would require government to conceptualise its role in a very different way, moving from relationships characterised by transactions to relationships characterised by:

- mutual responsibility
- adaptability and learning
- committing to local flexibility
- relinquishing power to enable that power and autonomy in others.

Regardless of who the steward (or stewards) is, relationships across the system will need to be reimaged and redefined. This provides opportunities to place children and their families at the centre of the system. It also provides opportunities for deliberate consideration on which elements of decision-making should be localised and which should be universal.

## **The iterative nature of system stewardship**

By nature, system stewardship rests on continual iteration and improvement. The system must remain dynamic and responsive to the changes and challenges it faces, and a part of this can include revision or evolution of the model of stewardship.

While consensus and buy-in to the concept and model of stewardship will be important to progress towards system stewardship in ECEC, it should not be 'set and forget', and can be improved on.

If indecision remains about who should play a steward role following further consultation and coordination within the sector, there is an opportunity to amend the model and stewards over time.

The case study below highlights how New Zealand's education sector utilised a co-design approach to adopt a stewardship model with multiple identified stewards and to put learners at the centre of decision-making.

## Case study – System stewardship in New Zealand's education sector

In 2016, seven government agencies identified weaknesses in the New Zealand education system. These agencies identified systemic problems in the use of funding, information and talent across the New Zealand education sector. This resulted in successful outcomes relying on individual factors outside of the system itself. In response, they proposed a [Blueprint for Education System Stewardship](#) (the Blueprint).

The seven agencies were the Ministry of Education, the Education Review Office, the New Zealand Qualifications Authority, the Tertiary Education Commission, Careers New Zealand, Education New Zealand and the Education Council.

The Blueprint recommended a system stewardship approach, laid out for 2016–20. It recognises the seven agencies as stewards, with the Ministry of Education as the overall steward. It originated from the agencies' request for a more cohesive approach to their respective stewardship roles and was developed in a series of iterative co-creation workshops. There is no publicly available documentation regarding other options that were considered alongside a system stewardship approach, but the concept of stewardship is being increasingly adopted across the New Zealand Government.

Underpinning strategies of the approach include:

- **effective collaboration** – agencies working together, digital advancements and shared systems, and seeing ECEC as part of community
- **advising government** – focusing on policy analysis and advice that looked at the system, not individual parts
- **sharing data** – assisted by giving national student numbers to children in ECEC and seeking a new IT vendor for payment processing
- **tailored services** – recognising and building on culture and identity, partnering with Iwi and Māori groups, better use of existing funding and managing property portfolio.

Consultations for this report sought the views and experience of NZ ECEC government representatives on their transition to a system stewardship model. To begin the transition, they were clear on the overarching objectives for the system and how long it would take to achieve them. There was an understanding that shaping strong change in the education system was going to be a 30-year plan.

Policy makers took a systems approach that put the learner at the centre. Every decision for the sector was made taking its impact on children into account. Interestingly, the key focus was on the longevity of children's learning and tracking this through each stage of education. There was a deliberate move away from measuring specific outcomes. There were also specific strategies for Māori and Pacifica communities to promote equity within the system.

Increasing the size and quality of the workforce was a primary strategy for improving the quality of ECEC. This included realising pay parity for educators and increasing their minimum qualification requirements. This was achieved through a shift in funding structures that focused a dedicated stream on workforce issues.

The consultation participants suggested that the biggest challenge for Australia in achieving similar improvements was the diversity between the states and territories, an issue that was not present in New Zealand. To move forward, they cited the need for consistency on objectives. All states needed to be aligned under the same goals. However, individual strategies could differ, and each state could identify the most appropriate pathways to reaching the overall system goals.

No comprehensive evaluation of the program has been published yet, likely due to the long-term nature and goals of the reform. Early findings regarding system performance have been mixed. One positive finding is anecdotal reports of the Early Learning Information system resulting in better data being available in real time. As a new system, results cannot be compared prior to 2017, although all groups (by ages three and four, ethnicity, and separated into attending early education for over 10 hours a week) increased the percentage of participation between 2017 and 2020, with a decrease in 2021, most likely due to the COVID-19 pandemic (Ministry of Education NZ, 2021).

## Conclusion

The Australian ECEC system is diverse and complex with a vast range of service models, stakeholders, motivations and capabilities, as well as a complex array of actors, relationships and activities. At its core, the system seeks to fulfill three critical imperatives of contributing to the development and educational outcomes of children, offering opportunities for increased social equity and contributing to workforce participation outcomes.

However, the Australian ECEC system faces a number of challenges, including unequal access to and participation in quality ECEC, issues of affordability, and critical workforce issues of low retention and workforce shortages.

All systems require ongoing revision to ensure they are fit for purpose to identify and achieve desired outcomes for the context they operate in. This is true of the Australian ECEC system. Through literature reviews, international and inter-sectoral case studies and consultations with experts across a number of fields, this report has illustrated that by thinking systemically about Australia's ECEC system, a systems stewardship approach provides a timely opportunity to improve the health, performance and efficiency of the ECEC system.

A move towards a system stewardship approach in the ECEC system will need to account for a number of considerations. For system stewardship to be effective there needs to be a decision on who the steward(s) are. For ECEC, this is likely to be a group that takes up a stewardship role, including all levels of Government, the regulator and families. Agreement also needs to be reached on the model of system stewardship required to best achieve the three primary imperatives of the ECEC system. There needs to be a commitment to the process and acceptance that it will take time and require significant investment, patience and willingness to influence perspectives and ways of working across all stakeholders. This may require incremental and cumulative shifts to build capacity and retain engagement.

Given the critical role that the ECEC system plays as a foundational pillar for Australian society, now is the time to explore possibilities for transformative change through system stewardship to ensure that all children across Australia are able to access affordable and accessible, high-quality ECEC, for their benefit and that of their families, their community and Australia more broadly.

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