



Brief Overview

Quality-based Contracting (QBC) for ECE Governance and Service Provision

Interested? Please also see the full discussion paper for this proposal at
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Fixed-price for volume, quality-based contracting (QBC) for early childhood care and education (ECCE)

The quality-based contracting (QBC) model is designed for an environment of ECCE provision that is already operating substantially as a regulated business market. This is the situation in many countries, including New Zealand, Australia, the US, Canada, the UK, and a number of European countries. The model does not promote 'marketisation', or suggest that a market model is either a preferred or even good mechanism for ECCE. It simply recognises it as a reality.

In this model, the government is the provider, contracting services from private and community organisations. The government has a mandate and obligation to assess quality, and to choose better quality services where choice exists. It is obligated to minimise risk, for example by avoiding locations adverse to child health. Government choice is the essential difference between licencing and contract. It is fixed price for volume, so no negotiation occurs that erodes quality by way of cheaper deals. All competition is quality-based, as assessed through a well-designed quality assessment system, rather than relying *only* on parent perceptions. Almost all contracting is standard form, with very similar transaction costs to licencing for both government and contractor.

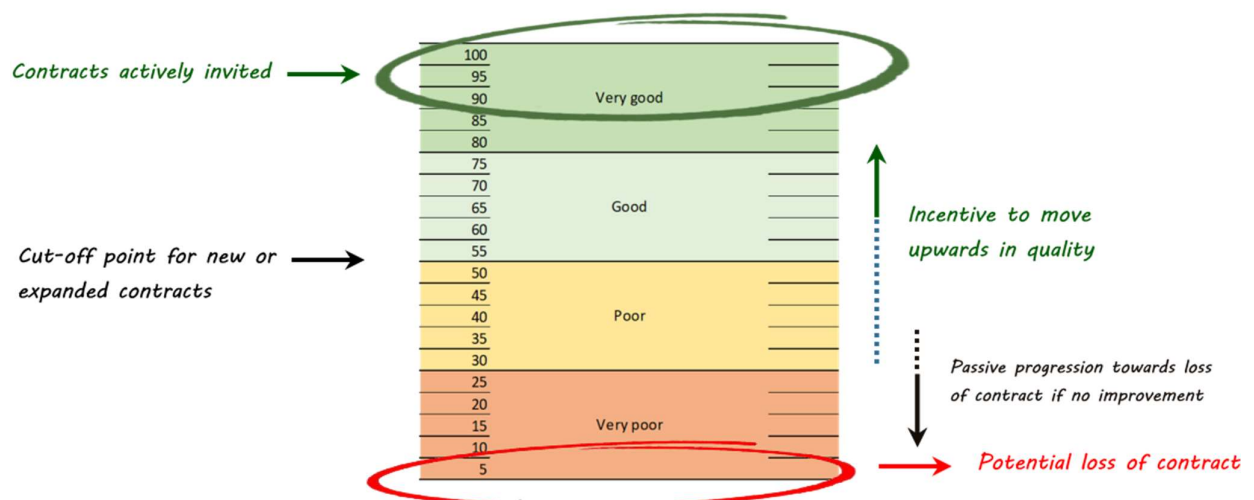
Regulated licensing	Fixed price for volume, quality-based contracting
Government is not directly responsible for quality.	Government is directly responsible for quality.
The government cannot choose providers - all comers accepted as long as regulations are met, even those with a previous poor track record.	The government is obligated to select higher quality providers where a choice exists.
Any organisation can own, operate and expand ECCE provision, irrespective of qualifications or track record.	New or extended contracts are only awarded to providers with either a) a good quality track record (e.g. above the 50th percentile), or b) for new entrants to the system, a clearly demonstrated understanding of, and demonstrable planning to provide, good quality management and facilities.
Loss of license is dependent on proven breach of regulations, or proof of harm.	Loss of contract can result from relatively poor quality performance, or unreasonable risk of harm, (e.g. high staff turnover, or poor teacher feedback on quality).
There are no quality incentives (unless a quality-rating-based funding split is applied).	High quality equals opportunity for growth, in partnership with government (contracts invited).
There are financial incentives for maximum child-dollars per square metre per day for gross income, coupled with minimised expenditure. Crowding, poor facilities, poor food and low pay provide maximum profit.	Poor quality stops growth, with risk of loss of contract, either for individual locations, or as a provider in entirety.

The government has a mandate for, and obligation to ensure:

- **Stability** – avoidance of unnecessary disruption by sudden closure of services or an uncertain provider environment
- **Capacity** – forecasting and meeting community needs
- **Diversity** – supporting a range of ECCE provision, including sessional ECE, various pedagogies, and services that may be culturally or ethnically based. (In New Zealand this includes Te Kohanga Reo and Pasifika centres).

Quality rating

The system produces strong incentives for quality, as shown in the following diagramme, in which quality ratings are shown in percentiles.



Quality rating applies to providers and locations. In this way, a provider could continue to operate, but could lose a poor quality location in a particular community. Providers with any centres below the 50th percentile would not grow until they improved quality of their existing centres. This system strongly favours good quality providers and positive innovators. It puts an immediate stop to poor quality growth-based business models.

A combination of quality assessment systems are employed including:

- Quality assessment visits by reviewers trained in ECCE assessment
- Teacher feedback (compulsory) and parent feedback (voluntary)
- Environmental monitoring (noise, temperature, CO₂)
- Spot checks for ratios, crowding, group size and qualifications (including qualification distribution across rooms).

Quality is not pedagogically prescriptive, but is based on three domains of quality: 1) quality of care; 2) quality of environment; and 3) added value for learning and development. In this system teachers are regarded as colleagues of the government agency, and are essential to quality monitoring.

For the full discussion paper, go to www.ecereform.org