

NSW Government submission

Productivity Commission Inquiry into Early Childhood Education and Care

Introduction

NSW welcomes the opportunity to contribute to the Productivity Commission Inquiry into Early Childhood Education and Care (ECEC). It is timely, as the importance of early childhood education and care is being increasingly recognised by both the Australian and State governments through increased investment and there is a chance to ensure this funding delivers better outcomes for children, families and the economy.

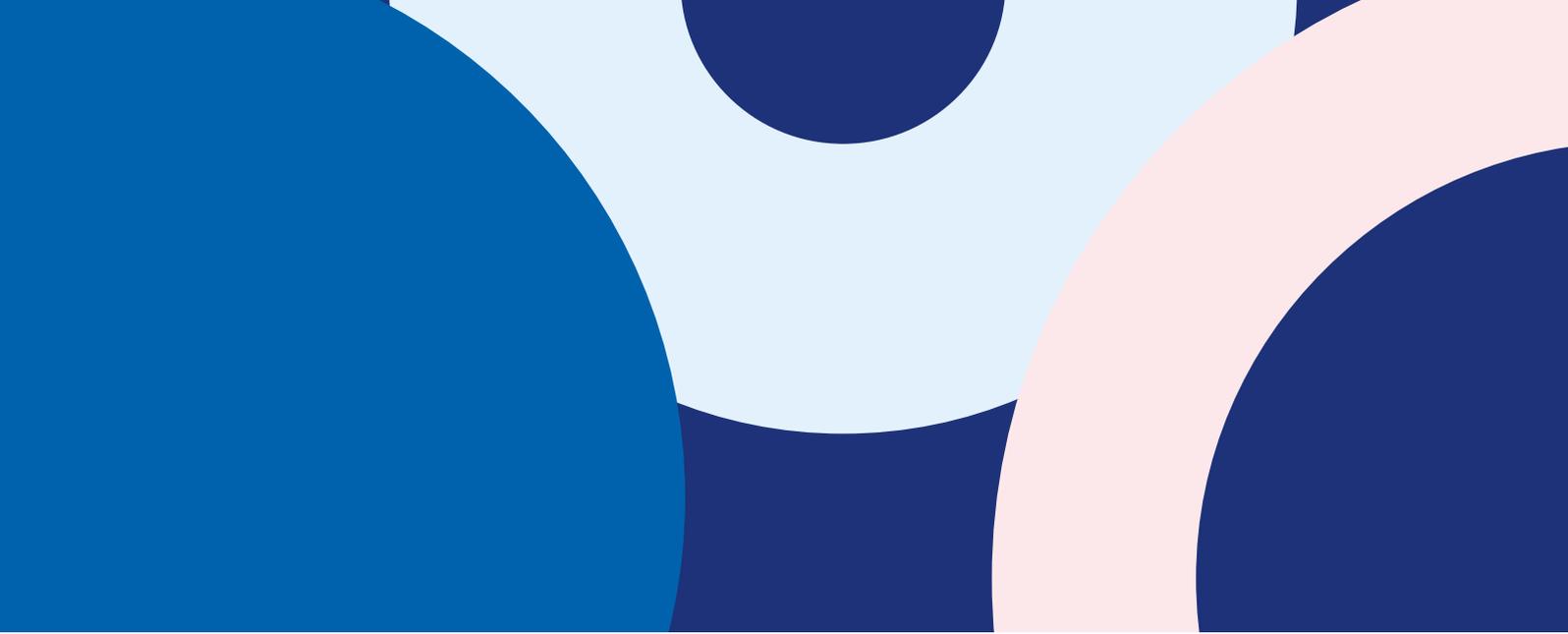
There is robust evidence that access to high quality, inclusive and culturally appropriate ECEC has positive outcomes for children, families and the economy. Research has found that each dollar invested to support children to attend an early childhood program in the year before school often generates \$2 over a child's life¹

High-quality ECEC helps children, especially those experiencing disadvantage, to build the cognitive and socioemotional skills necessary to navigate through life's challenges. These skills lead to stronger academic performance, with Organisation for Economic Co-operation and Development (OECD) data demonstrating a strong correlation between participation in high quality ECEC programmes and later Programme for International Student Assessment (PISA) reading scores assessed in Year 9.² Attending quality ECEC also leads to a greater likelihood of school completion and further education, with benefits reflected in higher earnings and workforce participation, increased tax revenue and considerable savings in health, education and justice budgets.³

¹ The Front Project. (2019). [A smart investment for a smarter Australia.](#)

² OECD. (2018). [Early learning matters.](#)

³ The Front Project. (2019). [A smart investment for a smarter Australia.](#)



There are also benefits for parents, carers and the economy, as affordable early childhood education and care facilitates workforce participation, particularly for women.⁴ Currently, early childhood education and care is too expensive for 39 per cent of all families and 48 per cent of low-income families.⁵ Further, 52 per cent of families say that once the cost of care was considered, it was “hardly worth working”.⁶ Almost 140,000 Australians who wanted paid employment did not pursue it, citing childcare as the reason for their choice.⁷ Nine out of 10 of these Australians were women.⁸

Growing recognition of the value of ECEC has led to significant improvements to the ECEC system in the last decade. These include enhanced quality standards and safeguards through the introduction of the National Quality Framework; increasing professionalisation of the ECEC workforce; significant funding by governments to enable children and families to access more affordable ECEC services; a new national agreement to increase participation in preschool; and commitment from a wide range of stakeholders, including academics and philanthropy, to work together to support children to get the best start in life.

Despite this, not all Australian children are able to access the quality early childhood education that can support them to thrive, and that parents need to work, study or volunteer. The early childhood system has several gaps and is overly complex for families and service providers to navigate. The early childhood workforce is also not growing sustainably. The Productivity Commission Inquiry is therefore a pivotal opportunity to lay the groundwork for further reform.

There are few easy answers. This submission therefore largely suggests broad challenges and opportunities that the Productivity Commission could examine in its inquiry, while making some suggestions for more immediate steps to consider. The submission has five key focus areas: (a) funding; (b) system stewardship; (c) ECEC workforce; (d) quality uplift; and (e) improving equity, access and inclusion.

The issues highlighted under each focus area do not constitute commitments by the NSW Government to fund new programs. Further analysis and collaboration with the Australian Governments, including negotiated funding agreements would be required for NSW to implement any recommendations arising from the Inquiry.

⁴ The Front Project. (2021). *Work and play: Understanding how Australian families experience early childhood education and care*.

⁵ Noble, K., & Hurley, P. (2021). *Counting the cost to families: assessing childcare affordability in Australia*. Mitchell Institute. Victoria University.

⁶ The Front Project. (2021). *Work and play: Understanding how Australian families experience early childhood education and care*.

⁷ Hutchens. (2021). *Meet the millions of people who aren't employed, who aren't considered 'unemployed'*. ABC News.

⁸ Centre for Policy Development. (2021). *Starting better: a guarantee for young children and families*.

Funding reform

Early childhood education and care in Australia is complex, with responsibility for funding, regulating and delivering different service types, split across different levels of Government. There may be benefit in exploring options for making the roles and responsibilities of the Australian and State and Territory Governments clearer, simpler and more streamlined.

The ECEC system consists of a range of policy, regulatory, funding and delivery arrangements across various tiers of Government. This leads to complexity and at times confusion for families and service providers, and constraining Governments' ability to drive outcomes.

Currently, the Australian Government's primary role is funder of Long Day Care (LDC), Outside School Hours Care (OSHC) and Family Day Care. Funding is primarily directed to these services through the means-tested Child Care Subsidy (CCS), which provides fee relief for parents and carers to facilitate workforce participation. Through the Preschool Reform Agreement (PRA), the Australian Government also provides funding to State and Territory Governments to support the delivery of 600 hours of preschool education for children in the year before school. In 2022/23, the Australian Government will spend \$10.6 billion on the Child Care Subsidy in NSW and a further \$458 million on the Preschool Reform Agreement nationally. The Australian Government has also delivered operational and capital funding to some providers.

In contrast, State and Territory Governments, including NSW, have historically funded community and State-run preschools from PRA funding and own-source revenue, and this is their primary revenue source. In NSW, it is anticipated \$3.5 billion will be spent on preschool delivery over the period 2022/23 to 2025/26. This includes up to \$560 million in Commonwealth funding provided under the PRA, and nearly \$3 billion in State funding. Community and State-run preschools are not eligible for Child Care Subsidy, as section 194D of *A New Tax System (Family Assistance) (Administration) Act 1999* precludes Child Care Subsidy eligibility for services which primarily provide an early educational program to children in the year that is 2 years before grade 1 of school (such as a preschool or kindergarten).

States and Territories are required to direct PRA funds proportionately to the service type in which children access preschool, meaning that long day care centres concurrently receive Commonwealth PRA funding and CCS for many children. State Governments may also fully fund state-run preschools and provide direct funding to ECEC services in their jurisdictions, for example, to support preschool delivery, access and inclusion of children experiencing vulnerability, and affordability. See [Appendix A](#) for an illustration of this.

Shifting patterns of work and caring and the introduction of the National Quality Framework (NQF) have changed the expectations and demands on ECEC services. The historical division of funding responsibility, whereby the Australian Government funds long day care to support parents' workforce participation, and States fund state and/or community preschool to support children to transition to school has increasingly become blurred. This division does not reflect the diversity of parental needs and preferences, with many parents combining different types of care arrangements for their children and facing complex trade-offs when deciding when, where and how much to use ECEC services. Long day care centres deliver preschool programs for children in the years before school, and community preschools can and do support parental workforce participation. All ECEC services can and should support the dual objectives of supporting workforce participation of parents as well as delivering quality educational and play-based programs for children.

Overlapping roles and responsibilities can create uncertainty about who is responsible for system outcomes, and whether they have the levers to influence access, affordability and quality. Funding flows vary between ECEC settings, resulting in confusion for families, skewing market signals and leading to inefficient service delivery. For example:

- The quantum of fee relief available for children attending ECEC in the year before school varies significantly depending on whether the child attends long day care or a preschool, with different eligibility criteria and maximum funded hours available.
- There is no shared responsibility for children's learning and outcomes, despite 45,363 children (14 per cent of all children enrolled) attending both state-funded preschool and Australian Government funded ECEC across Australia in 2022.⁹

⁹ Australian Bureau of Statistics. (2022). [Preschool Education](#). ABS.

- ECEC services are managing multiple streams of funding, particularly long day care services that deliver an integrated preschool program.¹⁰

NSW has recently moved beyond its traditional use of State funds for community and state-run preschools, in direct response to limitations in Australian Government funding and subsidies, sector workforce shortages, and strong calls for action, including through the recent NSW Women's Economic Opportunity Review, to boost women's paid workforce participation to benefit both families and the broader NSW economy. On top of providing funding to community and state-run preschools, NSW has committed to providing extra fee relief to families accessing preschool in the long day care sector as well as support for priority cohorts. The NSW Government has also delivered support for the ECEC sector workforce and capital works. Through the Women's Opportunity Statement in the 2022/23 Budget, the NSW Government also introduced measures to address barriers to workforce participation for women, moving beyond the traditional State role to benefit families and the broader NSW economy. Whilst these measures are having a positive impact for families and services, they may create administrative complexity within the sector and amongst families who must navigate a range of available services and fee assistance.

Preschool offerings and funding also vary significantly between jurisdictions, with a child's access to preschool contingent on the State they happen to reside.

Whilst the PRA funds all States and Territories to deliver 600 hours of preschool in the year before school, some jurisdictions have allocated extra funding to increase this entitlement or extend it beyond the year before school. For example, NSW has committed funding for 3-year-olds in community preschools, and for mobile preschools servicing rural areas. NSW is also undertaking a trial to support the provision of preschool programs to 3-year-olds in long day care settings, especially those from priority cohorts.

The Productivity Commission should consider the benefits of a harmonised preschool entitlement to ensure all Australian children have equitable access to preschool.

^{10,11} Hurley, P., Noble, K., & Jackson, J. *Australian investment in education: early childhood education and care*. (n.d.). The Mitchell Institute, Victoria University.

^{12,13} Australian Children's Education and Care Quality Authority. (2022). *NQF annual performance report*.

There is also significant variance in National Quality Standard ratings across the sector,¹¹ with uneven distribution of services with higher quality ratings. Across Australia in 2022:

- 15 per cent of services in SEIFA Quintile 1 (most disadvantaged areas) were rated as working towards the NQS, compared to just 10% of services in SEIFA Quintile 5 (most advantaged areas).¹²
- 47 per cent of preschools/kindergartens in the most disadvantaged areas were rated exceeding NQS, compared with 67% in the most advantaged areas.¹³

NSW has also invested in workforce initiatives. However, whilst the NSW Government is the majority employer for State-run preschools, it has no direct funding levers to influence the pay and conditions of educators in the long day care sector. Attraction and retention of educators in all service types in the ECEC sector remains an acute issue for national consideration.

The impacts of the patchwork approach to ECEC funding are particularly apparent for Aboriginal Community Controlled Organisations (ACCOs). Current arrangements mean that services often need to seek funding from multiple sources across varying timeframes. This approach means that ACCOs experience barriers to delivering stable, high-quality, efficient and effective services, and as well as retaining staff and building service capacity and capability.

The Early Childhood Care and Development Policy Partnership under Closing the Gap is currently considering this issue and has agreed to commission a research project in 2023 on funding model options for ACCOs that deliver early childhood education and care and other integrated early years services for children and families. The project aligns with Priority Reform Two and clause 45 of the National Agreement on Closing the Gap, which sets out objectives to build the community-controlled sector with dedicated, reliable and consistent funding models that are responsive to community needs. Considerations under this work include modelling for future ACCO sector growth, the intersections with workforce availability and capability, and funding needs for rural and remote contexts.

The Productivity Commission is asked to consider clearer, more streamlined roles and responsibilities for the Australian and State and Territory Governments to reduce misalignment between objectives, and minimise confusion for families and inefficiencies in service delivery. This could include consideration of the benefits of a harmonised ECEC entitlement across different jurisdictions and care settings.

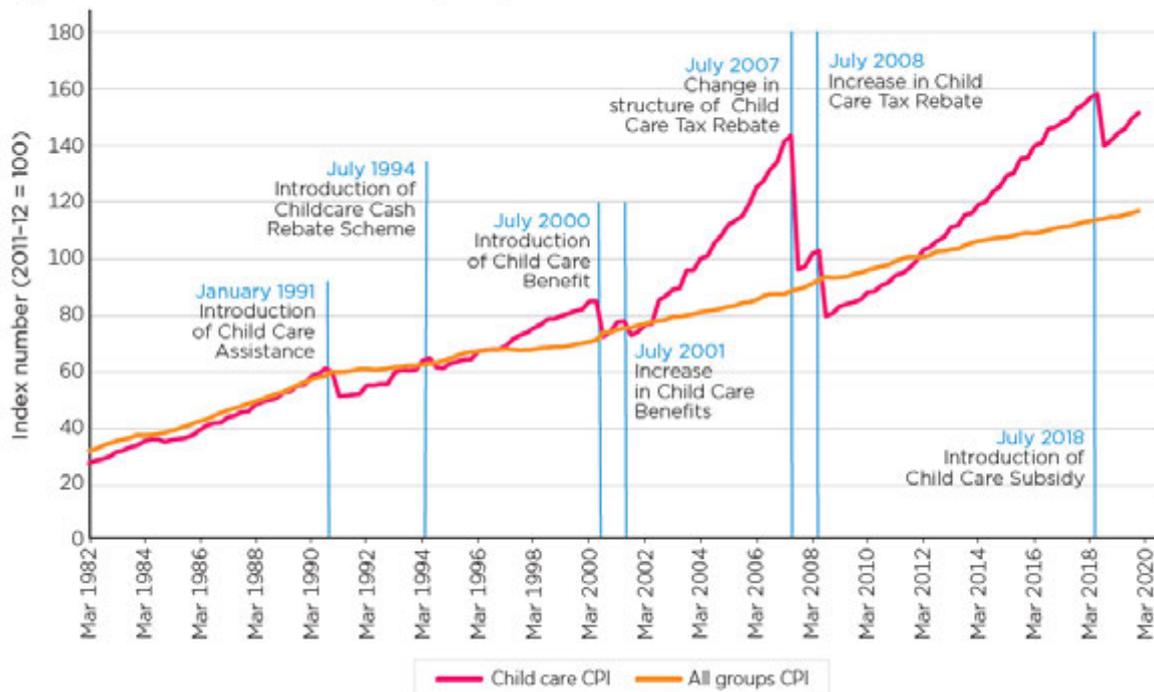
Current funding and policy arrangements have not significantly reduced ECEC cost or access barriers for households

Australian families consistently report difficulties in accessing the care that they need, when and where they need it. In 2022/23 the Australian Government will spend \$10.6 billion on the Child Care Subsidy in NSW and a further \$458 million on the Preschool Reform Agreement nationally. Modelling from Victoria University suggests 39 per cent of Australian families cannot afford early childhood education and care.¹⁴ Further, 52 per cent of families say that once the cost of care was considered, it was “hardly worth working”.¹⁵ In 2020-21, the ABS reported that 96,000 Australian women wanted and were available to start more work, but cited caring for children as their main barrier. Of these, approximately 15,000 (15.7 per cent) reported the cost of childcare as the main reason they did not utilise ECEC.¹⁶ In addition, current models of ECEC delivery do not necessarily support parent and carer workforce participation outside of the typical daytime, Monday to Friday work week.

Modelling from NSW Treasury’s Women’s Economic Opportunities Technical Paper found that the cost of ECEC services payable by households in New South Wales and Australia is amongst the highest in the OECD, and that the high cost of ECEC services in New South Wales is a key driver of lower levels of labour force engagement amongst women with young children, and all women more generally.¹⁷ This suggests there is scope to improve women’s labour market outcomes through policy reforms that lower the out-of-pocket cost of ECEC.

As demonstrated in the graph below, historically Child Care Subsidy has struggled to constrain the growth in fees being charged by (mostly private) child care services, with gross and net costs rising faster than both inflation and average wages in recent years.¹⁸

Figure 1: ABS Child Care and All Groups CPI, March 1982 to March 2020



Source: ABS (various years). 'Consumer Price Index, Australia', ABS Catalogue No. 6401.0, ABS, Canberra.

¹⁴ Noble, K., & Hurley, P. (2021). *Counting the cost to families: assessing childcare affordability in Australia*. Mitchell Institute, Victoria University.

¹⁵ The Front Project. (2021). *It's hard work for families to make sure kids can learn and play*.

¹⁶ Australian Bureau of Statistics. (2020-21). *Barriers and Incentives to Labour Force Participation*. Australia. ABS.

¹⁷ Tan, A., Brown, E., Wood, N., Sathanapally, S. (2022). *Women's economic opportunities in the NSW labour market and the impact of early childhood education and care*. NSW Treasury.

¹⁸ Impact Economics and Policy. (2022). *Child Care Subsidy Activity Test: Undermining child development and parental participation*.

In July 2023, the Australian Government will raise the maximum Child Care Subsidy rate to 90 per cent for families earning under \$80,000, and increase rates for families with a child in care earning under \$530,000, amounting to around 96 per cent of all families. Whilst the impact of these changes is yet to be seen, there remains a risk that increases to CCS will exacerbate access challenges by fuelling increased demand for services, without an increase in workforce supply or reduction in system complexity. Changes would require further analysis on the impact to market demand and capacity of the sector to deliver at the pace of such reforms.

It is important that all fee relief and funding streams promote equity of access to ECEC for all families, and support workforce participation.

NSW supports examining that all funding streams and fee assistance avenues support all children and families to experience the benefits of ECEC through equitable access to affordable, accessible, and quality ECEC services and support families’ needs and preferences.

This may include examining the effectiveness of the CCS eligibility and activity tests, which require parents to complete a minimum amount of work, study or job seeking activity per fortnight to qualify for CCS. The activity test’s focus on working parents can negatively impact children from vulnerable families, including families with high support needs due to disabilities, intergenerational trauma and women fleeing domestic violence who may benefit the most from subsidised ECEC.

A 2022 Impact Economics and Policy report found that prior to the new activity test being implemented in 2018, 54,300 families were estimated to be entitled to the minimum hours of subsidised care a week.¹⁹ By June 2021, this number had dropped to just 12,110 families.²⁰ As a result, 126,000 children from the poorest households are missing out on critical ECEC.²¹ The report also found:

- First Nations families are over 5 times more likely to be limited to one day of subsidised child care per week;
- Non-English-speaking families are over 6 times more likely to be limited to one day of subsidised child care per week; and

- Low-income families earning between \$50,000-\$100,000 are over 6 times more likely to be limited to one day of subsidised child care per week.

Recent changes to the activity test in the Cheaper Child Care Bill go some way to improving this by enabling all Aboriginal and Torres Strait Islander children to access 36 hours of subsidised childcare a fortnight from July 2023. However, there is merit in considering the extension of this arrangement to all families to reduce barriers to access and provide all children the opportunity to access a minimum number of ECEC hours regardless of parental workforce participation.

The CCS activity test has also contributed to significant uncertainty for parents in casual employment or a range of changing employment arrangements due to the ongoing risk that they will fail to meet the activity test and generate over-payment debts. In its current form the activity test is not inclusive of shift workers and casual workers who experience uncertain work hours. The Impact Economics and Policy Report states that removing the activity test would increase Australia’s GDP by up to \$4.5 billion, whilst also reducing red tape for the Government and providers, improving the efficiency of the system.²²

The CCS is not effectively supporting women to work. The NSW Women’s Economic Outcomes Review found that work disincentive rates remain high despite the CCS, noting that “for a family with a combined income of \$120,000 a year with two children, where the father earns \$70,000 and the mother earns \$50,000, the mother only takes home around 25 cents of each additional dollar earned when she works more than one day a week”. Promoting female workforce participation could lead to significant improvements in labour market outcomes. NSW Treasury’s Women’s Economic Opportunities Technical Paper estimates that if women’s economic outcomes in the labour market were equal with those of men in 2022-23:

- The NSW economy could be 15 per cent or \$111 billion larger;
- Average income per household could be \$33,000 higher; and
- An additional 307,000 women – who are among the most highly educated in the world – could be in the labour force.²⁵

^{19, 20, 21, 22} Impact Economics and Policy. (2022). [Child Care Subsidy Activity Test: Undermining child development and parental participation.](#)

^{23, 24} Women’s Opportunity Statement (2022). [NSW Budget 2022-23 Women’s Opportunity Statement.](#) NSW Budget 2022-23.

²⁵ Tan, A., Brown, E., Wood, N., Sathanapally, S. (2022). [Women’s economic opportunities in the NSW labour market and the impact of early childhood education and care.](#) NSW Treasury.

It is also important that ECEC funding settings acknowledge parental choice and preferences and the specific barriers and perceptions that exist for different cohorts. A NSW Productivity Commission 2023 survey of NSW households ([Appendix B](#)) found that perceived barriers and preferred policy options differ according to the level of ECEC usage (non, low, and high users) of parents/guardians and where they live. In particular:

- Non users (who do not use formal ECEC services) value additional subsidies the least, particularly in Sydney. This reflects the large array of access challenges this group faces. Parental role perceptions are more of a barrier to accessing ECEC services for this group.
- Low users (who typically use formal ECEC less than 15 hours per week) value price reductions the most; however, this group also experiences access issues.
- High users (use formal ECEC more than 15 hours per week) place more value on choice of ECEC rather than direct subsidies compared with low users.

At the State level, the Childcare and Economic Opportunity Fund (the Fund) is established under the *Childcare and Economic Opportunity Fund Act 2022*, with the principal objective to increase participation in the State's workforce, particularly for women, by making quality ECEC more affordable and accessible. It will aim to achieve this by reducing barriers to parents and carers participating in work, improving affordability and accessibility of ECEC, and supporting the workforce and sector. The NSW Department of Education is in the process of developing the first round of initiatives and detailed guidelines for accessing the Fund, which will be available from early financial year 2023-24.

The Productivity Commission is asked to explore the effectiveness of current fee assistance, including the CCS activity test, to improve access to early childhood education and care for all children, particularly families with complex needs. In the longer term, funding mechanisms that promote equity of access to ECEC for all families and support the workforce participation of parents as well as educational outcomes of children, should be explored as part of a reformed national funding approach (see below).

Any new funding approach should also consider the impact of current tax and income support arrangements on the workforce disincentive rate (the amount of take home pay a person receives for each additional day of work, after the withdrawal of income tax, family tax benefits and childcare costs), particularly for the secondary income earners within families.

Revised national funding arrangements will likely be required to deliver on the National Vision for ECEC, support a thriving and sustainable ECEC workforce, and improve access, equity, quality and outcomes for children.

In August 2022, National Cabinet tasked Education Ministers to work together to develop a long-term, national vision to support parents' workforce participation and children's education and development outcomes, underpinned by key principles of quality, affordability, accessibility and equity. The draft vision, currently the subject of consultation, contemplates ECEC as an entitlement for all families and lays the groundwork for all Governments to invest in the early years to achieve an effective, sustainable ECEC system that supports children to thrive, families to work and a strong and sustainable ECEC workforce.

It is unclear how Governments, the ECEC Sector and the community will deliver on this collective ambition and commitment to ECEC reform under current funding settings. As noted above, fee assistance has not effectively supported families to access affordable care when and where they need it. The current PRA covers only 600 hours (or two days a week) of preschool education for children in the year before school, even as there is growing evidence of the benefits of children attending two years of preschool and the value of increased hours of preschool, particularly for children experiencing vulnerability. The PRA does not provide scope for more flexible delivery of preschool hours to align with parents' work hours. Additionally, the per child funding amount (\$1,378 in 2023 for NSW) does not provide any equity loadings to support access by children with particular needs or any capital funding. Neither the CCS nor the PRA encompass funding for the ECEC workforce. Without a national approach to funding the workforce, fragmented pay and conditions and investment in capability uplift will continue.

Consideration of a new national funding approach is recommended to make more efficient and effective use of Governments' investment in ECEC. Principles for the new funding approach could include:

- a universal access, needs-based funding model that takes account of socio-economic need and inclusion;
- support for children's educational and developmental outcomes as well as parents' workforce participation;

- quality uplift across the sector;
- provision of capital funding for the sector;
- a harmonised preschool entitlement across all jurisdictions to ensure all children have equitable access to preschool, while ensuring no State or Territory is disadvantaged by having made investments ahead of a new agreement; and
- implementing funding consistently across different ECEC settings, in recognition that all ECEC services play a role in supporting child education and development outcomes and the workforce participation of parents, particularly women.

The Productivity Commission could explore broad, staged reform to national funding for ECEC which incorporates both current CCS and PRA-based funding arrangements. Consideration could be given to a new national funding approach which is based on a universal needs-based funding model; supports participation and outcomes for all children aged 0 to 5 years; provides capital funding for the sector; addresses cost of living pressures and enables the workforce participation of parents; supports a sustainable ECEC workforce; and delivers consistent funding arrangements across ECEC regardless of the setting.

NSW suggests investigating whether the cost base provided by the CCS and PRA funding should more explicitly encompass ECEC workforce pay and conditions.

The Commission could also explore options for flexible models of care to ensure carers, particularly women and shift workers, have choice in hours of work and access to affordable and quality care, including outside school hours care.

The South Australia Royal Commission Interim Report could also be considered, including its recommendation that states adopt the role of supporting quality in the ECEC system, with ECEC services forming the "backbone" of an early child development system, and the Australian Government's role being to support accessibility, with a significant focus on reducing the cost for families.²⁶

²⁶ Royal Commission into Early Childhood Education and Care. (2023). *Interim report*. April 2023.

System stewardship

Active system and market stewardship is required by Governments, in partnership with the ECEC sector

As noted above, there are overlaps between the roles, responsibilities and priorities of the Australian and State and Territory governments in the ECEC system. No one level of government holds all the key levers to influence system outcomes. This makes it essential for different levels of government to effectively collaborate in their ongoing work to influence the ECEC system and improve child, family and sector outcomes. Governments also need to regularly engage with other system actors, including service providers.

With many ECEC national reform discussions underway, it is timely to consider the roles and responsibilities for different levels of government and also what co-stewardship could look like in practice, recognising the varied funding, regulatory and policy levers available to different players in the ECEC system. Without sufficient alignment of stewardship activities, there is a risk of making the ECEC system more complex and missing opportunities to improve child, family and system outcomes.

The National Vision on ECEC will also provide an opportunity to establish a national approach to system stewardship, encompassing Governments, the ECEC sector, and families. The NSW Government looks forward to further collaboration with Governments, ECEC providers, families and peak bodies on the development of the Vision.

Governments should consider how they can enable ECEC markets to operate more effectively and remove barriers to access

Children and families continue to experience barriers to accessing ECEC services, with some regions in NSW and across Australia particularly affected by a lack of ECEC services. The capacity of ECEC providers to deliver increased supply is constrained by several factors, including the current workforce shortages, existing levels of physical infrastructure, access to capital, and planning and other regulatory barriers. These constraints are often more severe in areas with thin markets.

The Mitchell Institute (2022) has conducted preliminary research on this issue, finding that about one third of the Australian population live in neighbourhoods classified as ‘childcare deserts’ where there are less than 0.33 childcare places per child.²⁷ The report noted childcare ‘deserts’ are far more common in regional communities than in cities, where childcare deserts may mean a total absence of services. In a NSW context, data suggests that the vacancy rate of ECEC places in 46% of Local Government Areas (LGAs) in NSW is less than 5 percent.²⁸ To target policy responses effectively, further research and market intelligence is required to better understand the drivers of low availability and low vacancy rates within particular geographic areas.

Thin market conditions, including in areas classified as ‘childcare deserts’, often result in market inefficiencies such as price volatility, undersupply of infrastructure, and limited flexibility and choice in service offerings to meet the different needs of families. This means that it is difficult for families to find services for the days and times they prefer, at an affordable cost, within a reasonable travel distance and at an appropriate level of quality.

There are also instances where existing ECEC services do not sufficiently meet families’ needs and preferences, creating a “matching” problem. The local service mix may not reflect family preferences or create appropriate competition on price or quality. This limited flexibility is a key barrier to ECEC usage, particularly in regional areas, as found in the NSW Productivity Commission ECEC survey ([Appendix B](#)). We note from a previous Commonwealth pilot of flexible ECEC hours in 2013-14 that the design of innovative services must account for access flexibility (on-demand nature due to shift changes), impacts to educator wellbeing, parental affordability and service viability. The NSW Productivity Commission survey also found that uncertainty of costs is a large barrier to ECEC usage. Families do not have clear visibility of their ECEC costs given the multiple funding streams coming from different levels of Government.

These ECEC service gaps not only have direct impacts on child development outcomes and workforce participation, particularly for families experiencing vulnerability and disadvantage, but also on the basic functioning and economic prosperity of many regional communities. In these communities, availability of childcare spaces and ECEC services are a critical success factor for the attraction and retention of skilled workers.

²⁷ Hurley, P. (2022). *Childcare deserts & oases: how accessible is childcare in Australia?* The Mitchell Institute, Victoria University.

²⁸ Analysis based on National Workforce Census (2021) and ABS Census (2021) data

To support a strategic response to these challenges, there is a need to improve information and data about the type of ECEC services families require across Australia, and identify the socio-economic and demographic characteristics where thin markets are present. The NSW Government has made a \$3 million election commitment to undertake an outcomes study, which will gather evidence on early childhood delivery models to improve the availability and efficacy of early childhood education. This research will include a focus on a strong workforce pipeline, with work underway to explore potential options for delivery.

We suggest that further work could examine the impact of planning regulations on the ability of parents to access flexible ECEC services, the interaction with policies relating to out of hours care services, and funding models and refinements to the activity test criteria for remote and shift working households. There may also be opportunities to improve the provision of information to families on how to navigate the complex ECEC system. This could include enhancements to centralised sources of information and coordination with all actors in the system, for reliable, up to date sources of truth.

The Productivity Commission could consider options for appropriate system stewardship approaches to support a reformed ECEC system. For example, stakeholders including the Centre for Policy Development, have proposed universal ECEC as the backbone of an integrated early childhood development system. This system would maximise social and economic benefits for children, families and society and requires a holistic approach from all levels of government.³⁰

Another perspective comes from the Interim Report from the South Australian Royal Commission into ECEC, which sets out an option to frame the role of the states as one of supporting quality, with consequential impacts on increased equity of learning outcomes.³¹ ECEC services would form the “backbone” of an early child development system, with the Commonwealth’s role then being to support accessibility, with a significant focus on reducing the cost for families. Whilst the NSW Government is yet to consider the recommendations of the Commission, it is supportive of engagement between the Australian and State and Territory Governments to explore roles and responsibilities.

The Productivity Commission could consider the merits of a clear system stewardship framework, including options to stimulate supply and evidence-based incentives and supports to attract ECEC professionals to live and work in thin markets. This could include exploration of the levers available to governments and how they can coordinate their responses to develop effective, sustainable solutions in partnership with the sector.

Options to collect, coordinate and improve provision of information on supply and demand dynamics could also be explored. Improved information will allow service providers to better understand where sufficient demand exists to maintain viable services, and support governments to design and deliver programs to promote equitable access.

There is also merit for the Productivity Commission to explore the use of information portals to effectively match families with providers and provide improved information on service waitlists and costs.

^{29,30} Centre for Policy Development. (2022). *Submission to the Select Committee on Work and Care*.

³¹ Royal Commission into Early Childhood Education and Care. (2023). *Interim report*. April 2023.

Good system stewardship relies on effective data sharing arrangements between Governments and the sector

There is considerable scope for increased data and information sharing to strengthen decision-making, practice and behaviours for policymakers, ECEC services and ECEC users. The Australian Government is the largest custodian of administrative data through the tax and income support system. The NSW Government currently has limited and irregular access to comprehensive data on the ECEC sector.

States require access to the right data and insights in a timely manner to effectively act as system stewards, for policy design and delivery, and to make more effective and efficient investment decisions. Regular and timely access to CCS data would enhance State and Territory oversight over which children are attending preschool programs in which setting and allow for NSW to act more effectively as system steward across all service types. Other system actors, including existing and prospective service providers, would also benefit from access to quality, transparent and timely data, to inform operational and investment decisions. The NSW Government would welcome support for more comprehensive data sharing arrangements from the Australian Government Department of Education, Skills and Employment.

Similarly, there is limited publicly available information on the sector's economic, market dynamics and business models:

- the cost of service delivery is not well understood, including across different demographics and geographies;
- it is unclear what the optimal scale of service delivery is and if some service provider business models deliver better or worse outcomes;
- financial and operational data and information on service providers is limited, which can make it difficult to assess the viability of service providers; and
- there is limited visibility of key inputs and enablers of the market, such as property market dynamics.

Experiences from other sectors such as the National Disability Insurance Scheme indicate limited public information on market dynamics and business models can contribute to poor child and family, sector and system outcomes. In addition to making data more available, support may be needed to ensure this is accessible to the sector.

The current reform environment provides an opportunity to establish future-proofed data sharing agreements between the Australian Government, States and Territories and the sector in a streamlined manner that benefits all parties. There is an opportunity to explore a strategy on the regulation and sharing of data collected from the jurisdictions and the non-government sector. This will assist governments in identifying and addressing market and service delivery deficiencies to allow for innovation and provide a better understanding of the effectiveness of different ECEC settings.

Further research is required on market capacity, the need for better data on waitlists and informational barriers, and a better understanding of the short and long-term impacts of policies to ensure reform success.

There are substantial benefits to ongoing data sharing arrangements between the Australian Government, States and Territories and the sector.

Quality and outcomes

High quality ECEC is a strong predictor of positive outcomes for children, but access to quality services varies. Quality uplift could significantly improve cognitive, social and emotional outcomes for children.

High-quality early education and care benefits all children's developmental outcomes and predispositions to learning, with children living with disadvantage experiencing significant long-lasting benefits.³² ECEC must be high quality to deliver good outcomes for children. NSW Treasury analysis shows that those who attend a quality early childhood education service are more likely to be employed and will earn an average of 2.3 per cent more per hour.³³

Despite this, quality ECEC is not guaranteed, with some children attending services that do not meet the national standard. In NSW, 89 per cent of services are rated as meeting or above the National Quality Standard, in line with the national average.³⁴ However, high quality services are not evenly dispersed. While variation exists, services in low socio-economic status areas are more likely to be rated lower on the National Quality Framework than high socio-economic status areas; 27% of services rated significant improvement required or "working towards" the NQS are located in just five Local Government Areas, all in lower socio-economic areas.

Quality varies substantially across different provider types, between centre-based day care and preschools/ kindergartens, and geographically.³⁴ Across Australia in Quarter 4 of 2022:

- 11% of LDCs were rated as working towards the NQS, compared to just 4% of preschools/ kindergartens; and
- 24% of LDCs were rated as exceeding the NQS, compared to 56% of preschools/kindergartens.

Educator qualifications and educator to child ratios are key dimensions of quality.³⁵ Higher qualified educators have a greater understanding of child development, health and safety issues, lead activities that inspire and engage and use strategies to extend and support learning, all of which improve children's learning and development outcomes.³⁶

In Australia, analysis of data linked during the pilot for the National Disability Data Asset (NDDA)³⁷ suggests a link between more than 600 hours of community preschool in the year before school and decreased chances of developmental vulnerability. Internationally, benchmarking tests like PISA suggest that students who have attended at least two years of preschool achieve much higher scores.³⁸ Meanwhile, the Murdoch Children's Research Institute³⁹ found 'promising' evidence that the physical environment influences quality. However, more data on both of these aspects is required.

Targeted investment requires examination of the evidence base and further research into the educational benefits of the number of days per week a child attends an ECEC service (dosage), drivers of quality and the interaction of ECEC participation with household characteristics.

NSW encourages the Productivity Commission to examine the current evidence base and identify data gaps to help guide future research, in particular, further research on the drivers of quality including geographic disparities; educational benefits of the dosage of ECEC; investigation of the link between staffing and quality and the interaction of ECEC participation to household characteristics. Examination could also include consideration of strategic information needs and what nationally coordinated capabilities would be needed to meet these needs, noting the coordination work being done by the Australian Institute of Health and Welfare on a child wellbeing data asset and development of enduring national data linkage infrastructure as part of the NDDA.

³² Royal Commission into Early Childhood Education and Care. (2023). *Interim report*. April 2023.

³³ NSW Government. (2022). *2022-23 Half-yearly review*. NSW Budget.

³⁴ Australian Children's Education and Care Quality Authority. (2023). *NQF Snapshot Q4 2022*.

^{35,36} Australian Children's Education and Care Quality Authority. (2014). *Why improving qualifications is so important*.

³⁷ Green, M.J, Harris, F., Cheung, K, Hindmarsh, G., Giorgio, J., Gummersall, D., Gibbs, S., Walker, C. (2022). *NSW Early Childhood Test Case – Final Report. Prevalence, Supports and Outcomes for children with disability in New South Wales*. NSW Department of Education.

³⁸ Mitchell Institute. (2016). *International preschool programs for 3 year olds: two years are better than one*. Victoria University.

³⁹ Molloy, C., Quinn, P., Harrop, C., Perini, N., Goldfeld, S. (n.d.). *Restacking the odds: technical report*. Murdoch Children's Research Institute.

ECEC workforce

The ECEC workforce is the primary enabler of the sector and should be recognised as such. Pay and conditions are key determinants of workforce supply.

The Inquiry Terms of Reference note the Commission will consider ECEC sector requirements and the capacity to meet these within current Australian, State and Territory Government initiatives. The most pressing issue, and the one Sector stakeholders (including services, individual educators, and teachers) are calling upon governments to urgently address is the need to improve pay and working conditions for ECEC professionals, including to be commensurate with school workforce peers.

The ECEC workforce is experiencing entrenched and worsening shortages across Australia. Prior to the pandemic, it was predicted that 39,000 additional educators would be needed nationally by 2023, equating to 10,500 educators and 3,150 degree-qualified early childhood teachers in NSW.^{40,41} Since 2019, job vacancies in the ECEC sector have more than doubled, with over 6,000 jobs being advertised in August 2022.⁴²

The existing workforce is not sufficiently incentivised to remain in the sector under the current award, due to low pay and working conditions relative to qualifications, skills and experience; high workloads and burnout; lack of clear career pathways; and community perceptions of the sector. Community demand for ECEC services is increasing as a result of national and state-based reforms, and the ECEC sector is in competition with other sectors for skilled workers.

The most cited reason for workforce shortages is pay and conditions, with the ECEC workforce as a whole earning below the general workforce average, with a high proportion of casual or part-time workers.⁴³ Uncompetitive pay, excessive workloads and high employee turnover leaves educators consistently reporting working conditions that are high in stress and detrimental to their mental health.⁴⁴ It is also important to note that the highly feminised nature of the ECEC workforce and the corresponding low pay contributes to the gender pay gap, occupational segregation and unequal family responsibilities.

As the Inquiry Terms of Reference recognise ECEC as a key lever for increasing workforce participation – in particular, for women – it is worth noting that ECEC continues to be a female-dominated sector (approximately 92 per cent of the ECEC sector identifies as female⁴⁵), poorly paid relative to other highly qualified sectors, or indeed industries such as retail which require no or minimal qualifications. Over the past 20 years, the proportion of women in traditionally ‘female-dominated’ industries (health care and social assistance and education and training) has increased, while average remuneration in female-dominated organisations remains lower than in male-dominated organisations. This trend, coupled with unpaid care work still being largely performed by women, continues to exacerbate the gender pay gap, occupational segregation and unequal family responsibilities.⁴⁶

Work is being progressed under Focus Area 1-1 of the National Children’s Education and Care Workforce Strategy 2022-2031⁴⁷ to investigate options for improving workforce pay and conditions, though the timeframes for this work do not attend to the immediate need to address workforce shortages. Through the Early Childhood Policy Group, the Commonwealth and State and Territory Governments are working to develop options for short term action and advice to National Cabinet to address immediate pressures.

⁴⁰ Australian Children’s Education and Care Quality Authority. (2019). [Progressing a National Approach to the Children’s Education and Care Workforce](#). Workforce Report November 2019.

⁴¹ Women’s Opportunity Statement (2022). [NSW Budget 2022-23 Women’s Opportunity Statement](#). NSW Budget 2022-23

⁴² Australian Children’s Education and Care Quality Authority. (2023). [Workforce snapshot March 2023](#). *National Children’s Education and Care Workforce Strategy*.

⁴³ NSW Department of Education Early Childhood, Early Childhood Directorate. (n.d.). [National Literature Review: Early Childhood Education Workforce Issues in Australian and international contexts](#).

⁴⁴ United Workers Union. (2021). [Exhausted, undervalued and leaving: the crisis in early education](#).

⁴⁵ Australian Government. (2021). [National workforce census](#). Department of Education.

⁴⁶ Workplace Gender Equality Agency. (2019). [Gender segregation in Australia’s workforce](#).

⁴⁷ Australian Children’s Education and Care Quality Authority. (2021). [Shaping our future: a ten-year strategy to ensure a sustainable, high-quality children’s education and care workforce 2022-2031](#). *National Children’s Education and Care Workforce Strategy*.

Existing NSW interventions include measures to stimulate the supply of ECEC services as well as investment in the ECEC workforce through higher education scholarships and accelerated skills pathways. These are important initiatives; however, they do not impact on improved pay and conditions. Minimum wages for many ECEC workers are set by their award and any pay above that is set by employers, often through an Enterprise Agreement. This contrasts with that of the primary and high school sectors where the NSW Government is the primary employer. NSW welcomes national collaboration to consider coordinated strategies to address these challenges.

NSW recognises that shortages in ECEC need to be considered in the context of overall teacher and educator shortages, and shortages in the wider care sector. We would support further consideration of options to attract and retain ECEC professionals, including support for pay and conditions, as part of a broader care workforce discussion. NSW would encourage policies to create opportunities for skill development and career progression, as well as addressing gender diversity in the sector. NSW also recognises the tension and considerations at play, particularly as increasing pay has significant, flow on implications for cost drivers, labour markets, State budgets and the broader economy.

It is important to note that in addressing pay and conditions matters:

- The makeup of the sector varies greatly across jurisdictions. Some state governments are the major employer of its preschool workforce, while others are minority employers for both preschool and the broader market. The Child Care Subsidy provides the vast majority of government funding to ECEC services other than preschool in all jurisdictions.
- There are federal and state-based Industrial Relations instruments which add to the complexity of the workforce and in how greater consistency is achieved.
- The need to avoid creating further fragmentation by addressing fair pay and conditions within some parts of the education and care sector and not others.
- Consideration is required on how future pay gaps may be funded.

- A focus on conditions is important – with varying degrees of allowances, penalties and approach to aspects such as ordinary hours and overtime.
- We need to avoid unintended consequences for children and families, such as pass on of cost associated with higher wages, or lower service quality associated with urgent need to address skills shortages.

Governments should explore further supports for ECEC workers that are offered to other essential workers, including teachers, doctors, and nurses

The Inquiry Terms of Reference note that “the Australian Government recognises that ECEC is an essential part of Australia’s education system and is integral to Australia’s economic prosperity as a powerful lever for increasing workforce participation”.

Throughout the COVID-19 pandemic, ECEC services remained open to support parents’ and carers’ ongoing workforce participation and children’s access to early learning, highlighting the essential social and economic contributions of such services. While there is no clear definition of a ‘key’ or ‘essential’ worker at the NSW level (including in public health orders in place throughout the pandemic), National Cabinet recognised ECEC professionals as a critical sector and professionals as essential workers.⁴⁸

Migration and regulatory settings should also be reviewed with a view to addressing critical skills shortages while alleviating pressures on the existing workforce. Despite significant Government investments to support Australians to obtain ECEC qualifications and undertake training, demand for early childhood educators and teachers cannot be met from within Australia. Overseas trained early childhood professionals are required, with the National Skills Commission’s Skills Priority List noting shortages in all States and Territories for ‘child care workers’ and ‘early childhood (pre-primary) teachers’. ECEC migrant workers are also beneficial in contributing to a culturally aware and competent workforce that can ensure the implementation of strategic interventions are culturally inclusive and responsive to the diverse needs of NSW communities.

⁴⁸ Morrison, S. (2022). [National Cabinet press release](#). 13 January.

There is a need for simplified skills recognition requirements for overseas trained early childhood teachers. Currently, recognition of international qualifications in early childhood education and care can require case-by-case engagement with the Australian Children's Education and Care Quality Authority (ACECQA) and the Australian Institute for Teaching and School Leadership (AITSL) depending on the length of their degree and where it was obtained.

If an individual seeks to obtain a qualification in Australia, they face a higher cost than a domestic student. Service providers also face barriers in sponsorship, whether it be employee eligibility, the complexity of the paperwork or the cost of sponsorship. Recent calls for action from NSW sector stakeholders have included the need for streamlined visa sponsorship processes (including for certificate III and diploma qualified educators) and streamlined approaches to recognition of international qualifications.

The Review of Australia's Migration System has also raised concerns with immigration backlogs and the overall complexity of the system. There are over 100 different visas as well as tailored labour agreements. Coupled with the detailed admission requirements, these act as deterrents to potential migrants.

NSW notes the Productivity Commission's recent report, *Advancing Prosperity: Recommendations and Reform Directives*, includes recommendation 7.4 relating to the need to meet the needs of human services without stifling wage increases. NSW considers that there is scope to include ECEC occupations in this pilot, should it proceed.

Further, the 2023-24 Federal Budget announced increases to international student visa fees, and reintroduction of pre-COVID working caps at 48 hours per fortnight. Student visa holders already working in the aged care sector on 9 May 2023 can continue to work unrestricted hours in the aged care sector until 31 December 2023. There is no such provision for other care sectors, including ECEC.

NSW notes that quality outcomes for children should remain front and centre when considering reforms to address workforce attraction and retention.

NSW encourages the Productivity Commission to investigate:

- **Options to attract and retain ECEC professionals, including ways to sustainably support improved pay and conditions. This should include consideration of the impacts such as costs on households, governments and the broader economy.**
- **The impact of migration settings and how these could better address ECEC workforce shortages, including through the new national migration strategy.**
- **Non-pay related reforms such as the inclusion of ECEC professionals within the definition of 'key' or 'essential' workers and exploration of measures to reduce regulatory burden on the workforce.**

Equity, access and inclusion

Governments should prioritise improving equity, access and inclusion for all children regardless of ability, cultural or socio-economic background.

Aboriginal and Torres Strait Islander children, children from multicultural backgrounds, children with disability and children experiencing vulnerability and disadvantage often encounter a range of barriers in accessing and receiving quality ECEC, despite evidence showing they have the most to gain. Governments should prioritise removing or reducing barriers to these children's enrolment, attendance and participation in ECEC.

Children from multicultural backgrounds are less likely to participate in ECEC and more likely to be developmentally vulnerable when they start school.⁴⁹ Aboriginal and Torres Strait Islander children and children from the most disadvantaged socio-economic areas are twice as likely to be developmentally vulnerable in at least one of the Australian Early Development Census (AEDC) domains by the time they start school.⁵⁰ Further, AEDC data suggests rates of developmental vulnerability rise with increased distance from metropolitan areas.⁵¹

There is evidence of an increase in the number of children with disability accessing early childhood services. In NSW, there has been an increase in requests for support for children with disability through the NSW Disability Inclusion Program. Whilst data indicates many children with a disability are enrolled in ECEC and the proportion of children with disability enrolled in/attending ECEC remains slightly below representation levels in the population, there are a number of ongoing barriers to participation, including for children with very high support needs, limitations on the physical adjustments or

modifications that can be made to services, staffing availability and capability which can be exacerbated in rural and remote areas, and overall complexity in coordinating support arrangements across ECEC and early intervention pathways. There is anecdotal evidence of service refusal in relation to enrolment for children with a disability, and in some cases limitations or reduction in attendance where a child's inclusion is not fully supported.^{52,53} Further investigation and research into these areas is warranted.

Quality ECEC is a protective factor for children experiencing vulnerability, and can buffer the impact of stress and support health development. Targeted income and service support is key for children experiencing vulnerability and disadvantage, who would otherwise risk missing the support they need through more universal service provision. The South Australia Royal Commission Interim Report into ECEC details the results of an intensive early childhood educational trial in Melbourne that targeted highly disadvantaged families. Within this study, participating children experienced improvements in IQ, language, and social emotional development.⁵⁴ Prevention and early intervention services can particularly benefit vulnerable cohorts and lead to better outcomes for families involved.

While not all Aboriginal and Torres Strait Islander children or children from multicultural backgrounds experience disadvantage, it is important that policies lead to the provision of culturally informed ECEC services to enable children to benefit from, and connect to, their cultural backgrounds. Policies should also support the Aboriginal Community Controlled Sector, be consistent with the Closing the Gap framework, and work in partnership with First Nations communities.

⁴⁹ Settlement Services International. (2021). [Stronger starts, brighter futures: exploring trends in the early development of children from culturally and linguistically diverse backgrounds in Australia](#). Occasional paper number 3.

⁵⁰ SNAICC (n.d.). [Early childhood](#).

⁵¹ Australian Early Development Census. (2021). [Australian Early Development Census National Report 2021](#).

⁵² Australian Children's Education and Care Quality Authority. (n.d.). [Children with disability in ECEC and school age education and care discussion paper](#).

⁵³ Productivity Commission. (2022). [Report on government services](#). Australian Government.

⁵⁴ Royal Commission into Early Childhood Education and Care. (2023). [Interim report](#). April 2023.

ECEC should be culturally appropriate and inclusive for all children, as well as accessible and affordable, to remove barriers to participation.

ECEC services should recognise and value a child's diversity and provide physically and culturally inclusive spaces for all children regardless of their background, ability or circumstances. Barriers to participation may include a lack of cultural safety⁵⁵, logistical barriers such as transport issues, language barriers, trauma experiences⁵⁶ or barriers associated with meeting additional needs. Further, children living in rural and remote areas are more likely to access ECEC services of lesser quality, with preschool programs in some locations and service categories more likely to need waivers from NQF workforce requirements.⁵⁷

Accessing culturally inclusive ECEC that recognises and values diverse cultural beliefs and experiences is crucial to overcoming barriers to participation. Experiences of 'culturally unsafe' services may lead to disengagement, negative perceptions of service provision, and mistrust in government.⁵⁸

Creating culturally inclusive spaces for Aboriginal and Torres Strait Islander children

A lack of cultural awareness at early childhood services is a key barrier to participation for Aboriginal and Torres Strait Islander children.

Integrating local Aboriginal knowledge into the classroom is essential to creating a culturally safe learning environment and increasing engagement and outcomes of Aboriginal children in ECEC.⁵⁹ Aboriginal communities should be involved in the design and delivery of their local ECEC, through both formal and informal structures, to ensure Aboriginal culture is being recognised and valued. By providing appropriate teacher training and support, educators can be equipped with the knowledge and skills to appropriately understand and work with Aboriginal children. Whilst curriculum and training packages could be adapted for new scholars, national requirements for continuing professional development could be made available for all other ECEC professionals to ensure

continuity of understanding, capability and practice across the sector. Strategies are needed to encourage a greater number of Aboriginal educators into ECEC (especially males who make up very low numbers), with just over 2% of the workforce identifying as Aboriginal or Torres Strait Islander.⁶⁰

Specialised organisations, specifically Aboriginal Community Controlled Organisations, currently experience difficulty with funding under a fragmented funding model and would be better able to serve children and communities with a more joined-up approach. Cost of care is also a key barrier to participation for Aboriginal and Torres Strait Islander children.

The NSW Government is currently driving innovative work to create culturally safe environments for Aboriginal and Torres Strait Islander children and the families through the development of the first ever Cultural Safety Framework for ECEC providers and services in NSW, with aspirations to roll out nationally with support from partner jurisdictions and ACECQA. This Framework will ensure a culturally safe ECEC journey for all Aboriginal and Torres Strait Islander children and has strong linkages to the national agreement for Closing the Gap.

Governments should prioritise removing or reducing barriers to enrolment, attendance and participation in ECEC for Aboriginal and Torres Strait Islander children, children from multicultural backgrounds, children with a disability and children experiencing vulnerability and disadvantage.

Further research is needed to identify population groups that are not currently participating in early childhood education.

There is a need for governments to better understand how and to what extent culturally and linguistically diverse communities engage with early childhood development and family support systems, and understand and address barriers to access.

⁵⁵ Lamb, C. (2019). Constructing early childhood services as culturally credible trauma-recovery environments: Participatory barriers and enablers for refugee families. *European Early Childhood Education Research Journal*, 28(2), 1-20.

⁵⁶ Bove, C., Sharmahd, N. (2020). Beyond invisibility: Welcoming children and families with migrant and refugee background in ECEC settings. *European Early Childhood Education Research Journal*, 28(1), 1-9. DOI: [10.1080/1350293X.2020.1707940](https://doi.org/10.1080/1350293X.2020.1707940)

⁵⁷ COAG Education Council (2020). *UANP Review: Final Review Report*.

⁵⁸ Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability. (2021). *The experiences of culturally and linguistically diverse people with disability Issues paper*.

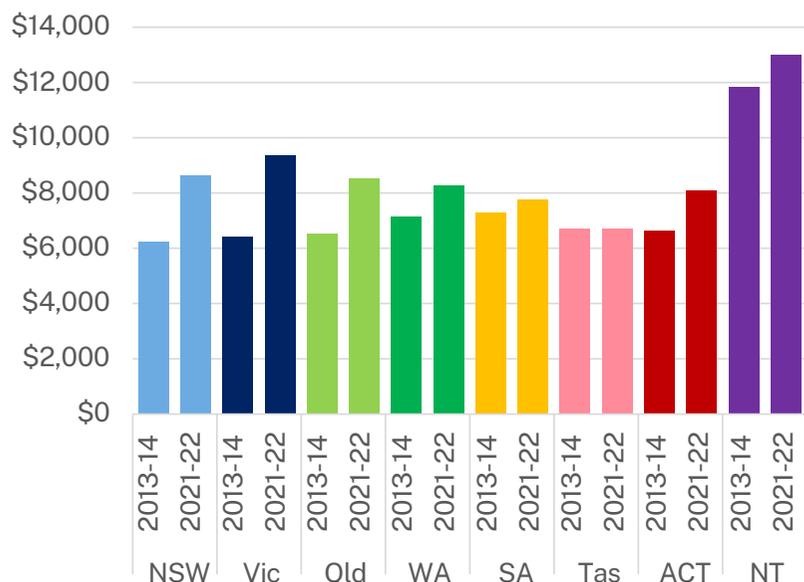
⁵⁹ Krakouer, J. (2016). *Aboriginal Early Childhood Education: Why attendance and true engagement are equally important*. Australian Council for Educational Research. Melbourne.

⁶⁰ Australian Children's Education and Care Quality Authority. (2021). *Shaping our future: a ten-year strategy to ensure a sustainable, high-quality children's education and care workforce 2022-2031*. National Children's Education and Care Workforce Strategy.

Appendix A – Commonwealth and NSW funding for ECEC



State recurrent government expenditure on ECEC services per child (2021-22 dollars)



Commonwealth contributions to NSW Early Childhood Education and Care

- \$3.6 billion in Child Care Subsidy (21/22, ages 0 to 12)
- \$140.8 million in Preschool Reform Agreement (2022, Year Before School)



NSW Investment in Early Childhood Education and Care

- NSW funding has increased by 40% from 2021/22 (\$725.9 million) to 2022/23 (\$1.1 billion)
- NSW has traditionally focused on funding the community and government preschool sectors as long day care attracts the commonwealth child care subsidy. However, the 2021-22 investment takes a sector agnostic approach, recognising that the majority of children are accessing ECEC through long day care.

Data Note: Source for 2014-15 to 2021-22 expenditure is the 2023 Report on Government Services. Includes recurrent expenditure only (not capital), NSW spend includes preschool and child care, and including funding provided by Commonwealth through National Partnership on Universal Access to Early Education. Spend includes Out of School Hours Care and Family Day Care. Future growth in Commonwealth expenditure in NSW does not account for any displacement by state investment. NSW Budget data is nominal 21-22 (actual), 22-23 (budget) and 23-25 (indicative only, averaging of \$15.9 billion over ten years).

Appendix B – NSW Productivity Commission Early Childhood Education and Care survey

NSW Treasury



Early Childhood Education and Care (ECEC) survey What affects a household's decision to access ECEC?

Friday, 21 April 2023

Survey background

- The Commonwealth and state governments have made substantial policy commitments to help improve the affordability and accessibility of ECEC. Understanding the barriers parents face in accessing ECEC, and the policy options they value most, is important to ensure government investment in the sector is effective.
- Policies that support ECEC usage among vulnerable cohorts also tend to yield larger economic benefits; however, there is little detailed information on their barriers and preferences for ECEC services, particularly for those who do not currently access the ECEC market.
- In turn, the NSW Treasury commissioned a survey of over 2,000 NSW families with children aged 0 to 5 years in early 2023. The survey addressed the following questions:
 - What are the main barriers to accessing or utilising formal ECEC services?
 - What policy levers are valued the most by parents?
 - Do the barriers and values placed on policy levers differ across varying household types?
- The survey design was informed based on a literature review, household interviews, and a pilot survey.

Key takeaways

- Perceived barriers and preferred policy options differ according to the level of ECEC usage (non, low, and high users) of parents/guardians and where they live. In particular:
 - Non users (do not use formal ECEC services) value additional subsidies the least, particularly in Sydney. This reflects the large array of access challenges this group faces. Parental role perceptions are more of a barrier to accessing ECEC services.
 - Low users (typically use formal ECEC less than 15 hours per week) value price reductions the most; however, this group also experiences access issues. This group struggles more with juggling childcare arrangements, likely because they have more children on average.
 - High users (use formal ECEC more than 15 hours per week) place more value on choice of ECEC rather than direct subsidies compared with low users.
- Other common observations across households:
 - Many parents are willing to trade off lower subsidies for improved ECEC access.
 - Parents/guardians value flexibility and choice in ECEC services.

Appendix B – NSW Productivity Commission Early Childhood Education and Care survey

- Regional households face larger ECEC access issues and are more concerned about quality; however, quality of care is generally not a large barrier to ECEC usage.
- The uncertainty of out-of-pocket costs is a barrier to ECEC usage, potentially reflecting the complexity of the Child Care Subsidy payments.
- Half of families report ECEC access and affordability issues are barriers to seeking more employment.
- Successfully addressing barriers to ECEC usage will boost workforce participation.

Next steps

- A report and detailed technical appendix will be published in mid-2023, which will provide further details around the survey design and key takeaways.
- The survey questionnaire and raw survey data will be uploaded to Data NSW.

References

- Australian Bureau of Statistics. (2020-21). *Barriers and Incentives to Labour Force Participation*. Australia. ABS. <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/barriers-and-incentives-labour-force-participation-australia/latest-release>
- Australian Bureau of Statistics. (2022). *Preschool Education*. ABS. <https://www.abs.gov.au/statistics/people/education/preschool-education/latest-release>.
- Australian Children's Education and Care Quality Authority. (2014). *Why improving qualifications is so important*. <https://www.acecqa.gov.au/latest-news/blog/why-improving-qualifications-so-important>
- Australian Children's Education and Care Quality Authority. (2019). *Progressing a National Approach to the Children's Education and Care Workforce*. Workforce Report November 2019. <https://www.acecqa.gov.au/sites/default/files/2022-01/ProgressingNationalApproachChildrensEducationCareWorkforce.pdf>
- Australian Children's Education and Care Quality Authority. (2021). *Shaping our future: a ten-year strategy to ensure a sustainable, high-quality children's education and care workforce 2022-2031*. *National Children's Education and Care Workforce Strategy*. <https://www.acecqa.gov.au/sites/default/files/2021-10/ShapingOurFutureChildrensEducationandCareNationalWorkforceStrategy-September2021.pdf>
- Australian Children's Education and Care Quality Authority. (2022). *NQF annual performance report*. <https://www.acecqa.gov.au/sites/default/files/2022-12/NQFAnnualPerformanceReport2022FINAL.pdf>
- Australian Children's Education and Care Quality Authority. (2023). *NQF Snapshot Q4 2022*. [NQF_Snapshot_Q4_2022.pdf](https://www.acecqa.gov.au/sites/default/files/2023-04/NQFSnapshotQ42022.pdf) ([acecqa.gov.au](https://www.acecqa.gov.au))
- Australian Children's Education and Care Quality Authority. (2023). *Workforce snapshot March 2023*. *National Children's Education and Care Workforce Strategy*. <https://snapshots.acecqa.gov.au/workforcedata/wfglance.html>
- Australian Children's Education and Care Quality Authority. (n.d.). *Children with disability in ECEC and school age education and care discussion paper*. https://www.acecqa.gov.au/sites/default/files/2020-08/ACECQA-DiscussionPaper-DSEConsultation_1.pdf
- Australian Government. (2021). *National workforce census*. Department of Education. <https://www.education.gov.au/child-care-package/early-childhood-data-and-reports/national-workforce-census>
- Australian Early Development Census. (2021). *Australian Early Development Census National Report 2021*. <https://www.aedc.gov.au/resources/detail/2021-aedc-national-report>
- Bove, C., Sharmahd, N. (2020). Beyond invisibility: Welcoming children and families with migrant and refugee background in ECEC settings. *European Early Childhood Education Research Journal*, 28(1), 1-9. DOI: [10.1080/1350293X.2020.1707940](https://doi.org/10.1080/1350293X.2020.1707940)
- Centre for Policy Development. (2021). *Starting better: a guarantee for young children and families*. <https://cpd.org.au/wp-content/uploads/2021/11/CPD-Starting-Better-Report.pdf>
- Centre for Policy Development. (2022). *Submission to the Select Committee on Work and Care*. <https://cpd.org.au/wp-content/uploads/2022/09/Submission-13-Centre-for-Policy-Development-1.pdf>
- COAG Education Council (2020). *UANP Review: Final Review Report*. <https://www.education.gov.au/education-ministers-meeting/resources/uanp-review-final-review-report>
- Green, M.J, Harris, F., Cheung, K. Hindmarsh, G., Giorgio, J., Gummersall, D., Gibbs, S., Walker, C. (2022). *NSW Early Childhood Test Case – Final Report*. *Prevalence, Supports and Outcomes for children with disability in New South Wales*. NSW Department of Education.
- Hurley, P., Noble, K., & Jackson, J. *Australian investment in education: early childhood education and care*. (n.d.). The Mitchell Institute, Victoria University. <https://www.vu.edu.au/sites/default/files/australian-investment-in-education-ecec-report-mitchell-institute.pdf>
- Hurley, P. (2022). *Childcare deserts & oases: how accessible is childcare in Australia?* The Mitchell Institute, Victoria University. <https://www.vu.edu.au/mitchell-institute/early-learning/childcare-deserts-oases-how-accessible-is-childcare-in-australia>
- Hutchens. (2021). *Meet the millions of people who aren't employed, who aren't considered 'unemployed'*. ABC News. https://www.abc.net.au/news/2021-10-31/meet-the-millions-of-people-who-are-not-employed/100582656?fbclid=IwAR3G6dDRnrx4_na2Ni6CwDgvBzFLkE5daGCMUmF6F1cUjegaG-cnZ2C55Hs

Impact Economics and Policy. (2022). *Child Care Subsidy Activity Test: Undermining child development and parental participation*. https://static1.squarespace.com/static/61e32e62c8c8337e6fd7a1e6/t/630de5c741a8de08ad48d593/1661855185396Undermining+Child+Development+And+Parental+Participation+Report_FINAL.pdf

Impact Economics and Policy. (2023). *Child care subsidy activity test: incentive or barrier to labour force participation?*. <https://apo.org.au/sites/default/files/resource-files/2023-03/apo-nid321776.pdf>

Krakouer, J. (2016). *Aboriginal Early Childhood Education: Why attendance and true engagement are equally important*. Australian Council for Educational Research. Melbourne.

Lamb, C. (2019). Constructing early childhood services as culturally credible trauma-recovery environments: Participatory barriers and enablers for refugee families. *European Early Childhood Education Research Journal*, 28(2), 1-20

Mitchell Institute. (2016). *International preschool programs for 3 year olds: two years are better than one*. Victoria University. <https://content.vu.edu.au/sites/default/files/media/factsheet-international-preschool-programs-for-3-year-olds-mitchell-institute.pdf>

Molloy, C., Quinn, P., Harrop, C., Perini, N., Goldfeld, S. (n.d.). *Restacking the odds: technical report*. Murdoch Children's Research Institute. https://www.royalcommissionecec.sa.gov.au/documents/submissions/session-4/Att-4-Restacking_The_Odds_ECEC_Technical-Report.pdf

Morrison, S. (2022). *National Cabinet press release*. 13 January. <https://pmtranscripts.pmc.gov.au/release/transcript-44151>

Noble, K., & Hurley, P. (2021). *Counting the cost to families: assessing childcare affordability in Australia*. Mitchell Institute. Victoria University. <https://www.vu.edu.au/sites/default/files/mitchell-institute-assessing-childcare-affordability-in-Australia.pdf>

NSW Department of Education Early Childhood, Early Childhood Directorate. (n.d.). *National Literature Review: Early Childhood Education Workforce Issues in Australian and international contexts*. <https://education.nsw.gov.au/content/dam/main-education/early-childhood-education/working-in-early-childhood-education/media/documents/Workforce-Literature-Review.pdf>

NSW Government. (2022). *2022-23 Half-yearly review*. NSW Budget. <https://www.budget.nsw.gov.au/sites/default/files/2023-02/2022-23-Half-Yearly-Budget-Review.pdf>

Productivity Commission. (2022). *Report on government services*. Australian Government. <https://www.pc.gov.au/ongoing/report-on-government-services/2022/child-care-education-and-training/early-childhood-education-and-care>

OECD. (2018). *Early learning matters*. <https://www.oecd.org/education/school/Early-Learning-Matters-Project-Brochure.pdf>

Royal Commission into Early Childhood Education and Care. (2023). *Interim report*. April 2023. <https://www.royalcommissionecec.sa.gov.au/documents/RCECEC-Interim-Report-Version-2-Website.pdf>

Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability. (2021). *The experiences of culturally and linguistically diverse people with disability* Issues paper.

Settlement Services International. (2021). *Stronger starts, brighter futures: exploring trends in the early development of children from culturally and linguistically diverse backgrounds in Australia*. Occasional paper number 3. https://www.ssi.org.au/images/Publications/Stronger_Starts_final_screen_with_link.pdf

SNAICC (n.d.). *Early childhood*. <https://www.snaicc.org.au/policy-and-research/early-childhood/>

Tan, A., Brown, E., Wood, N., Sathanapally, S. (2022). *Women's economic opportunities in the NSW labour market and the impact of early childhood education and care*. NSW Treasury. https://www.treasury.nsw.gov.au/sites/default/files/2022-06/trp22_19-weo-in-labour-market-and-impact-of-ecec.pdf

The Front Project. (2019). *A smart investment for a smarter Australia*. https://www.thefrontproject.org.au/images/downloads/Cost-benefit-analysis_brochure.pdf

The Front Project. (2021). *It's hard work for families to make sure kids can learn and play*. <https://www.thefrontproject.org.au/media-releases/89-it-s-hard-work-for-families-to-make-sure-kids-can-learn-and-play>

The Front Project. (2021). *Work and play: Understanding how Australian families experience early childhood education and care*. <https://www.thefrontproject.org.au/media/attachments/2021/11/24/work-and-play-report-final.pdf>

United Workers Union. (2021). *Exhausted, undervalued and leaving: the crisis in early education*. <https://bigsteps.org.au/wp-content/uploads/2022/08/the-crisis-in-early-education-uwu-report.pdf>

Women's Opportunity Statement (2022). *NSW Budget 2022-23 Women's Opportunity Statement*. NSW Budget 2022-23. https://www.budget.nsw.gov.au/sites/default/files/2022-07/20220701_01_2022-23-Budget-Paper-Womens-Opportunity-Statement-Glossy.pdf

Workplace Gender Equality Agency. (2019). *Gender segregation in Australia's workforce*. <https://www.wgea.gov.au/publications/gender-segregation-in-australias-workforce>