

Productivity Commission Inquiry into Early Childhood Education and Care 2023

SUBMISSION

About the Parenthood

The Parenthood is an independent, not-for-profit advocacy organisation that represents more than 77,000 parents, carers and supporters nationally. Our mission is to make Australia the best place in the world to be a parent because when parents and caregivers are supported, children can thrive and our communities will be stronger.

The Parenthood welcomes the establishment of this inquiry as the commencement of the next stage of reform for Early Childhood Education and Care (ECEC) in Australia. It is profound and exciting that that we have a Federal Government willing to consider bold changes to policy to ensure that all children and their families in their early years are optimally supported.

Access to totally affordable, high-quality ECEC is crucial to supporting social equity by giving all children the best possible start to learning and life and the opportunity to realise their full potential. It is crucial, also, for their parents and carers – especially women – to have the opportunity to access the dignity and freedom of financial security by facilitating their participation in the paid workforce. This is a fundamental priority for The Parenthood and our members.

A universal ECEC system that is affordable, high quality, inclusive and accessible

The Commission has been tasked with identifying solutions that will chart the course for a universal, affordable, quality ECEC system. As the Prime Minister Anthony Albanese said when he first committed to holding this Inquiry back in October 2020 as Opposition Leader:

“Labor created Medicare – universal health care. We created the NDIS – universal support for people with a disability. We created superannuation – universal retirement savings for workers. And if I’m Prime Minister, I will make quality, affordable childcare universal too.”¹

Universality is key with critical benefits particularly for children and families experiencing disadvantage. Countries with legal entitlements to universal ECEC tend to have high attendance rates from the age of entitlement. By reducing administrative barriers and stigma, and creating a simple and reliable system that families understand and feel confident to use, universal services are effective in removing obstacles to entry².

¹ Anthony Albanese, Budget Address in Reply 8/10/2020

² See, for example, Fox and Geddes (2016) Preschool - Two Years are Better than One, Mitchell Institute, McIsaac et al (2022) The Perceived Value of a Universal Early Learning Program: A Parent Perspective, Journal of Child and Family Studies, Cleveland (2022) Accessibility and quality of child care services in Quebec.

Quality is fundamental because ECEC needs to be high quality to make a positive difference to child development outcomes. The evidence is very clear on that.³ The evidence is also clear that it takes a professional ECEC workforce to deliver a quality ECEC service.⁴

Affordability is paramount because cost should not be a barrier to accessing the benefits of quality ECEC. Cost locks too many children out of ECEC – the children most likely to benefit are those who are experiencing vulnerability or disadvantage and yet these are the children least likely to attend ECEC.⁵ High out of pocket costs for ECEC contribute to a punitive effective marginal tax rate for too many women which has pushed them out of the paid workforce altogether or locked them into part time work.⁶

Inclusive is important because universal should not mean ‘one size fits all’. Every child should receive the support that they need to fully participate in ECEC.⁷ Universal is not uniform. ‘Proportionate universalism’, whereby services are available to all children, but delivered with an intensity and a scale that is proportionate to their level of need and using a delivery model that works for their circumstances, is key.

Accessible should mean that every child is able to access a place in a quality service suitable to their needs – regardless of their postcode or parents’ employment. One in three Australian children currently live in communities regarded as ‘child care deserts’ with insufficient supply.⁸ Children and families accessing ECEC in disadvantaged communities (low SEIFA) are more likely to be accessing services that are not meeting the NQS.⁹

Accessible means that children are entitled to a place in ECEC regardless of their parent’s work, income or study activities.¹⁰

The Parenthood recommends:

That a universal ECEC system should offer every child access to affordable, quality and inclusive ECEC that supports them to have the best start in life and learning.

³ Sylva, K., E. Melhuish, P. Sammons, I. Siraj-Blatchford, and B. Taggart. (2004) *The Effective Provision of Pre-School Education (EPPE) Project: Final Report*. London, England: University of London

⁴ OECD (2018), *Engaging Young Children: Lessons from Research about Quality in Early Childhood Education and Care*, Starting Strong, OECD Publishing, Paris, <https://dx.doi.org/10.1787/9789264085145-en>.

⁵ Impact Economics (2022) *Undermining Child Development and Parental Participation*

⁶ Grattan Institute 2020, *Cheaper Childcare: a practical plan to boost workforce participation*.

⁷ Children’s Commissioner for England (2022) *Vision for Childcare*.

<https://www.childrenscommissioner.gov.uk/blog/the-childrens-commissioners-vision-for-childcare/>

⁸ Hurley, P., Matthews, H., & Pennicuik, S. (2022). *Deserts and oases: How accessible is childcare?* Mitchell Institute, Victoria University

⁹ ACECQA [2022 NQF Annual Performance Report](#), p. 32.

¹⁰ Impact Economics (2022) *ibid*

A child-based entitlement/guarantee to 3 days a week of ECEC

Building a universal ECEC system should start with the developmental needs of the child. Most OECD countries offer children a legal entitlement to ECEC, recognising ECEC as a foundational stage of the education system.¹¹

Universal access should offer every child access to a minimum entitlement to 3 days of free or very low cost per week of quality, inclusive ECEC.¹² This should start when the parent's period of paid parental leave ends (six months by 2026) and continue through to school. Longer term, TPH advocates a world-leading PPL that offers 52 weeks, at a replacement wage rate, with paid superannuation, and shared between parents where there are two parents - and the full 52 weeks for a single parent. If such a scheme was introduced, the ECEC guarantee could begin at age 1.

Extending the entitlement to children in their first three years is particularly important as this is the period when a child's brain develops the fastest. The skills that a child develops in emotional regulation and language development in the first three years provide a critical base on which successful preschool, primary and secondary education are built.¹³ A failure to intervene early to support children experiencing vulnerability can result in much higher costs to society later on.¹⁴

The current activity test should be abolished as a failed piece of policy that has restricted access to ECEC for children who would benefit most, while creating another administrative barrier to workforce participation for many vulnerable parents.¹⁵ A simple threshold should be established for families needing to access more than 3 days.

Children experiencing vulnerability or disadvantage benefit from more access to ECEC and should be entitled to up to 5 days of ECEC per week. Similarly, parents who require more than 3 days of ECEC to support their work or study commitments should be able to access the days that they need.

Recommendation:

All children and families should have universal access to an entitlement of 3 days of ECEC each week. Families who need more to meet work or study commitments, or for children experiencing vulnerability or disadvantage, should be able to access up to 5 days of ECEC.

The current activity test should be abolished.

¹¹ OECD (2017) Starting Strong: Key OECD Indicators on Early Childhood education and Care, Paris

¹² Centre for Policy Development (2021) [Starting Better: A Guarantee for Young Children and Families](#).

¹³ Allen G., Duncan-Smith I, (2008) "Early Intervention: Good Parents, Great Kids, Better Citizens" Centre for Social Justice, London, p.60 <https://www.centreforsocialjustice.org.uk/wp-content/uploads/2008/09/EarlyInterventionFirstEdition.pdf>

¹⁴ William Teager, Stacey Fox and Neil Stafford, How Australia can invest early and return more: A new look at the \$15b cost and opportunity. Early Intervention Foundation, The Front Project and CoLab at the Telethon Kids Institute, Australia, 2019.

¹⁵ Impact Economics (2023) Child Care Subsidy Activity Test: Incentive or Barrier to Labour Force Participation

Universal ECEC must be high quality

Australia's National Quality Framework (NQF) for ECEC is world class and has had a significant impact improving the quality of ECEC in Australia. But, after 10 years of the NQF it should be unacceptable that 11% of long day care services, 14% of outside school hours care services and 36% of family day care services do not meet the National Quality Standard (NQS).¹⁶ That means that 1 in 11 children and families can only access services that do not meet the NQS. That is not universal access to quality ECEC.

At the moment, providers do not face any consequences when a service fails to meet the NQS, though there may be negative consequences for children accessing a low quality service.¹⁷ There should be consequences for providers who are not up to standards. State regulators should be requiring providers to work harder to get up to meeting the NQS by proactively supporting them to update and implement effective Quality Improvement Plans, invest in their staff and get reassessed.

Quality assessment outcomes need to be reported to families and must be more frequent, conducted at least every three years for all services and within twelve months to check on progress of services assessed as Working Towards the NQS.

All of this requires State regulators to be empowered and resourced to act as true 'stewards' of the system, ensuring that the offer of universal ECEC is quality everywhere.

That should also include making sure that new service approvals only go to providers with a proven record of delivering quality services. The NFP and public sector generally provide higher levels of quality at lower fees than the private sector but has hardly grown in the last decade. That needs to change.

Recommendation:

That the National Quality Framework be supported and strengthened.

That regulators be empowered and resourced to be stewards of quality in the ECEC system, ensuring all children and families have access to high quality services, with consequences for services that do not meet the NQS. Families should be informed of quality ratings, when assessments are conducted.

New service approvals should only go to providers with a proven record of delivering quality ECEC, including direct investment to start growing the high quality NFP and public sector share of ECEC.

An ECEC workforce paid fairly and supported to deliver quality

¹⁶ <https://snapshots.acecqa.gov.au/Snapshot/overallratings.html>

¹⁷ Britto, PR., Yoshikawa, H. and Boller, K. (2011), Quality of Early Childhood Development Programs in Global Contexts: Rationale for Investment, Conceptual Framework and Implications for Equity and commentaries, accessed [here](#); Howes et al (2008), Measures of Classroom Quality in Prekindergarten and Children's Development of Academic, Language, and Social Skills, accessed [here](#).

There can be no universal quality ECEC system without a professional workforce to deliver it. Yet, the ECEC workforce is in crisis, with more than 20,000 vacancies across the sector and educators leaving in record numbers due to burnout, workload and low pay.¹⁸ More and more services are having to cap enrolments or shut rooms because they can't find enough educators, forcing parents to scramble to make alternative arrangements.¹⁹ The Parenthood is hearing more and more stories from our members of services struggling to meet demand for places because of staffing shortages.

Staffing shortages are happening right across the economy but few other workforce shortages have the flow-on impacts of the shortage of ECEC educators and teachers. Every unfilled educator role means as many as 15 families are unable to go to work that week because they can't access reliable care. The broader ramifications for the wider economy is profound. This is why business groups like Chief Executive Women have strongly supported increasing wages and support for the ECEC workforce,²⁰ as did the Women's Economic Equality Taskforce.²¹

The pipeline for new educators and teachers into ECEC also needs to be addressed, so that there are sufficient workers in the system to meet future demand for places. The current inadequate national workforce strategy should be overhauled and replaced with a plan with real actions and real funding commitments that give educators a reason to want to work, and continue to work, in ECEC.²²

In June, the UWU will commence supported bargaining for new wage rates for the ECEC sector. We would urge the Federal Government to fund a substantial wage rise for educators to bring rates up to be comparable with those paid in the schooling sector because the role of early childhood educators and teachers is just as important to children's development.

Recommendation:

That the ECEC workforce be recognised as being as important as educators in schools and offered comparable wages and conditions, funded by the Federal Government.

That a comprehensive and fully funded workforce strategy be developed for the sector to build the professional capability of the workforce and generate a pipeline of new teachers and educators needed to meet future demand for ECEC.

A universal ECEC system must be inclusive

¹⁸ <https://bigsteps.org.au/union-members-vote-to-shut-down-early-learning/>

¹⁹ <https://www.theguardian.com/australia-news/2023/may/11/the-labour-shortage-in-regional-towns-forced-our-daughter-out-of-childcare>

²⁰ CEW Pre Budget Submission 2023 <https://cew.org.au/wp-content/uploads/CEW-BUDGET-2023.pdf>

²¹ Women's Economic Equality Taskforce, [Letter to the Minister for Women](#), 24 March 2023; SNAICC [Media Release: Childcare test costing families and the economy](#), 6 March 2023

²² Thorpe K., Panthi N., Houen S., Horwood M, Staton S., (2023) Support to stay and thrive: mapping challenges faced by Australia's early years educators to the national workforce strategy 2022–2031 *The Australian Educational Researcher* <https://doi.org/10.1007/s13384-022-00607-3>

Universal access doesn't mean uniform delivery. Every child should receive the support they need to participate fully in ECEC that meets their needs. That means addressing the chronic underfunding of the Inclusion Support program for children with additional needs, where the additional educator funding rate hasn't been increased since 2015. Too often, parents with children with additional support needs are turned away from services because the service does not have the resources to support them and cannot rely on the Inclusion Support Program to provide timely or adequate funding. The Parenthood commends NFP providers like Goodstart and KU that go out of their way to welcome children with additional needs and cross-subsidise their participation because Government funding falls short. The funding system needs to be fixed.

It means providing additional funding to services to better support the developmental needs of children who are vulnerable, such as Victoria provides with the School Readiness Funding scheme and as schools receive through the Schooling Resource Standard needs-based loadings. New Zealand provides a great example of how such a funding system could work.²³

And inclusive means direct funding of outreach services to reach the 40% of children not currently attending ECEC. While there is good research on the barriers to access to ECEC,²⁴ there is not a lot on exactly which children are not attending, where and why. This analysis needs to be done to build and fund place-based solution to engage with these children and their families and carers and bring them into ECEC.

No one size fits all, so the ECEC guarantee must accommodate flexibility. Expansion of a quality NFP family day care system may be part of this solution.

Recommendation:

That a universal ECEC system be inclusive, with children with additional needs fully funded to participate and extra support for children facing vulnerability.

That Governments analyse and report more on which children are not attending ECEC and why – and use that to support place-based solutions to engage these children and their families and carers in ECEC.

A universal ECEC system must be affordable

The CCS is not fit for purpose to deliver a truly universal affordable ECEC system. Australian families pay more for ECEC than families in most OECD countries.²⁵ This is not surprising – OECD data shows that parental costs are always higher in ECEC systems that rely heavily on private sector provision. Indeed, NFP provision in Australia is cheaper²⁶ and higher quality

²³ <https://www.education.govt.nz/early-childhood/funding-and-data/equity-funding-for-early-learning-services/>

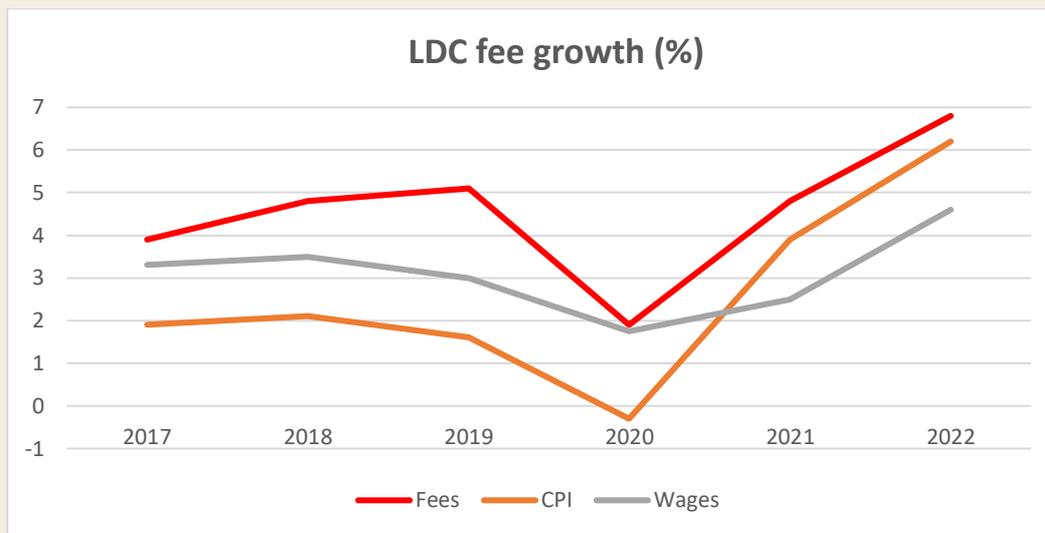
²⁴ Beatson R., Molloy C., Felhberg Z., Perini N, Harrop C., Goldfeld S., (2022) Early Childhood Education Participation: A Mixed Methods Study of Parent & Provider Perceived Barriers & Facilitators Journal of Child and Family Studies (2022) 31:2929-2946 <https://doi.org/10.1007/s10826-022-02274-5>

²⁵ OECD net childcare costs https://www.oecd-ilibrary.org/employment/net-childcare-costs/indicator/english_e328a9ee-en

²⁶ AIFS Child Care Package Evaluation Aug 2021 p.122

than private provision²⁷, but virtually all new services built in the last decade have been privately owned. This means that families have fewer and fewer options to choose from when they seek high quality, affordable NFP services. The Parenthood would like to see families offered more choice in provision.

Even with an hourly fee cap on subsidy, the Child Care Subsidy (CCS) has failed to prevent excessive fee increases, with fees rising faster than inflation every year. More pointedly, even though wages are the biggest single cost of ECEC, fees have risen faster than wages growth:



Source: Fees average hourly fee CBDC annual growth to Sep Qtr (Dept Education child care statistics); CPI (year to June), % increase in award wage rates (NWC)

Parents want to know why fees continue to rise faster than inflation and faster than wages. We look forward to the report from the ACCC on cost drivers and also its recommendations on how to bring excessive fee increases under control.

We would also like to see the Federal Government's Starting Blocks website overhauled to provide real time information on fees. Too many fees reported on the site by services are not current.

We would like to see a funding system for ECEC that delivers against three critical benchmarks:

- Improved participation in quality ECEC & child outcomes
- A strong and sustainable workforce paid rates comparable to schools
- Families having access to the ECEC they need.

This will require direct investment to increase wages, an enhanced inclusion funding stream that supports children with additional needs, and a funding mechanism that makes child care more affordable for all families.

²⁷ <https://snapshots.acecqa.gov.au/Snapshot/overallratings.html>

The Parenthood's 2021 report, "Making Australia the best place in the world to be a parent,"²⁸ called for a system of free and high quality ECEC for all Australian children. Universal access to high quality ECEC would deliver benefits in the form of:

- Increasing the number of children attending early learning;
- Supporting parents to increase the number of paid hours of work; and
- Reducing the financial pressure on families with young children.

Modelling by The Australia Institute found that a free, high quality ECEC system that succeeded in bringing parental workforce participation up to Nordic country averages would increase GDP by a staggering \$167.8 billion.²⁹ The Grattan Institute³⁰ and KPMG³¹ modelled 95% flat rate CCS systems and found that economic benefits would exceed the cost by around 2:1.

The Commission has been expressly asked to consider a 90% CCS rate for all families. The Parenthood would welcome such a reform on the way to a truly universal system of ECEC that is free for all families, as public schools are, and as ECEC is in many OECD countries.

But to get to 90%, or 95% or 100%, the Government needs to bring fees under control, and that means addressing the high profits and excessive fees being made by too many private providers in the sector. Unless the tension between Government funding and private profit is resolved, any increase in subsidy could end up benefitting private providers more than the parents and children it was intended for.

Recommendation:

That the current CCS be reformed in a new funding system that:

- **Supports improved participation in quality ECEC;**
- **Directly funds improved wages for educators;**
- **Directly funds children with additional needs;**
- **Removes cost as a barrier to access to ECEC; and**
- **Ensures increases in subsidies are not eroded by excessive fees and profits.**

The pathway to universal access to quality, affordable ECEC

The reforms outlined in this submission are substantial and would require concerted Government policy investment and commitment over several years to achieve. But everything doesn't need to be done at once. It can be staged, starting with the most urgent priorities and building from there.

Some of the building blocks for a universal ECEC system are already in place – the National Quality Framework, the Cheaper Childcare reforms and the success of the National Partnership Agreements on Universal Access to Preschool provide a strong base to build on.

²⁸ The Parenthood 2021 <https://www.theparenthood.org.au/make-australia-the-best>

²⁹ Grudnoff M., (2022) "The economic benefits of High Quality Universal Early Child Education" The Australia Institute, Canberra

³⁰ Grattan (2020) *ibid*;

³¹ KPMG (2020) The child care subsidy: Options for increasing support for caregivers who want to work

Australia can learn lessons from overseas. Quebec embarked on a highly successful reform agenda to make childcare more affordable and increase its low rate of female participation in 1997. The reforms succeeded in attracting 70,000 mothers back to work but the quality of the child care provided was not satisfactory and child outcomes suffered.³² The Trudeau Government has now committed to rolling out a Quebec-style child care system nationally but with a strong agenda to ensure that quality of ECEC is improved as well.³³

A sequenced reform agenda in Australia should be:

1. **First, fix the ECEC workforce**, fund decent wages and build the pipeline.
2. **Second, fix access** with a child entitlement to ECEC not tied to their parent's work activity.
3. **Third, fix inclusion**, so that children who need additional support to participate get what they need.
4. **Fourth, fix quality**, so that poor quality providers are held to account and new services are always operated by high quality providers (including NFP and public providers)
5. **Fifth, fix availability**, so that all children have access to ECEC regardless of where they live
6. **Sixth, fix cost** and make it free (or near free), but only when the system is robust enough to accommodate the huge increase in demand it will create.

Then, Australia can join the top half on the OECD countries with a universal ECEC system to be proud of; one that gives children and their families every opportunity to succeed.

³²Pierre Fortin 2018 "Quebec's Childcare Program at 20" Insights issue 42 Spring
<https://inroadsjournal.ca/issues/issue-42-winter-spring-2018/>

³³ Canadian Government Budget 2021 Chapter 3 <https://www.budget.canada.ca/2021/report-rapport/p2-en.html#chap3>