

# FutureWomen

## Submission on

### *A path to universal early childhood education and care – draft report*

February 2024

Future Women (FW) thanks the Productivity Commission for the opportunity to comment on the Commission's draft report *A path to universal early childhood education and care*.

FW is a national leader in workplace gender equity education and advocacy. Our evidence-based programs have been developed with an intersectional lens and address the individual and structural issues surrounding gender equity.

Since 2020, FW has supported almost 9,000 people and over 200 organisations through our evidence-based and outcomes-driven programs to achieve gender equity. Our work creating cultural change in workplaces tackles systemic barriers that contribute to discrimination and bias.

FW welcome a number of the draft recommendations from the Commission in considering the impact of early childhood education and care (ECEC) on women in particular, including:

- Streamlining and simplifying the ECEC application process to increase accessibility
- Supporting a more inclusive approach within the sector
- Creating flexible access points for ECEC services
- Increasing the availability of Out of School Hours Care (OSHC)
- Amending the *Disability Standards for Education 2005* to include ECEC services

In this submission, FW provides commentary on the Draft Report and its recommendations. Our reflections are based on our experience delivering programs for professional women with children, as well as unemployed and underemployed women with children. This includes women who face additional and intersecting barriers to accessing work or study.

## Barriers to accessing ECEC

FW works with many women who face barriers accessing quality ECEC, and for whom this impedes workforce participation. The most commonly cited barriers are:

- Affordability – ECEC can be prohibitively expensive, particularly for low income families. This creates educational inequality and limits opportunities for children. Even for middle income families, the cost of ECEC and design of the subsidy system can be a disincentive to the primary carer returning to work full time.
- Type of care – there are limited ECEC options for parents whose children have additional needs, or who work unusual hours or shift patterns. For women working as nurses or in aged care, there are few mainstream care arrangements available that accommodate their unpredictable timetables and overnight hours.
- Location – many parents cannot return to work when they wish to because the supply of ECEC is insufficient to meet local demand. This is particularly true in rural areas, where there are limited care choices available and in cities where demand continues to outstrip supply.
- Application processes – without government subsidies, ECEC would be unaffordable for most Australian families, particularly those with more than one child under school age. However, the application process to access these subsidies can be a barrier in itself and can be excessively complex to navigate.

## The importance of quality ECEC for children

FW recognises that ECEC is of paramount importance, with potential to have a profound impact on a child's development, well-being, and future success. Quality ECEC provides stimulating environments and experiences that support cognitive, social, emotional, and physical development. It lays the foundation for future learning and shapes lifelong outcomes.

Early childhood is a critical period for brain development, with research showing that child brain development in the first 5 years accounts for 90–95 percent of their lifetime brain development.<sup>1</sup> Investing in early childhood pays dividends in terms of social and economic well-being.<sup>2</sup>

Access to quality ECEC can mitigate the effects of socioeconomic disadvantage and promote equity. It provides children, regardless of their background, with equal opportunities to thrive, reducing disparities in educational outcomes later in life.

---

<sup>1</sup> UNICEF (2017), *Early Moments Matter for every child*.

<sup>2</sup> Matt Grudnoff (2022), *The Economic Benefits of High-Quality Universal Early Child Education*.

As the Draft Report reflects, children from low-income families are the least likely to access ECEC. That is, many of the children who would benefit most from ECEC are missing out on this critical period of education. Closing this gap on access to early education would have a significant impact on inequality in the long term.

## **ECEC as an enabler of women’s participation in paid work**

ECEC is of critical importance to children’s development and a mitigator of long term inequality. However it should not be viewed through the lens of the child only. ECEC, along with care options for older children, is a critical enabler of women’s workforce participation and should equally be framed by governments as a driver of gender equity.

In FW’s experience administering programs for unemployed and underemployed women, we observe that access to quality care can be a significant barrier to undertaking job search activities, accessing study opportunities, and returning to the paid workforce.

For professional women who have taken parental leave, securing affordable, quality care can be difficult and stressful. This can disrupt a woman’s intended return to work timetable, impacting her ability to earn an income and secure her economic future.

## **Opportunities of increasing women’s participation in work**

The participation of women with children in paid work has increased significantly over the past four decades, such that Australia now boasts a comparatively high rate of women’s workforce participation.<sup>3</sup> However we also have a comparatively high rate of women who work part-time. 37 percent of Australian women work less than 30 hours per week, compared with an OECD average of 25 percent.<sup>4</sup>

We have a distinctly gendered part-time workforce. Indeed, analysis by the Workplace Gender Equality Agency in 2022 found that women are twice as likely as men to be working part-time and casually from age 35.<sup>5</sup> The main reason that Australian men work part-time is to pursue study opportunities, but the main reason women work part-time is to care for children.<sup>6</sup>

This difference in experience is driven by entrenched gender norms around child rearing. While FW wholly supports the right of every family to decide what arrangements work best for them, it is undeniable that time spent outside the paid workforce raising children has a direct and negative impact on women’s career progression and

---

<sup>3</sup> Grattan Institute (2020), *Cheaper childcare: A practical plan to boost female workforce participation*.

<sup>4</sup> OECD (2018), *Labour force participation rate, by sex and age group*.

<sup>5</sup> WGEA (2022), *Gender Equality Scorecard*.

<sup>6</sup> Cassidy, N. and Parsons, S. (2017), *The Rising Share of Part-time Employment*. Bulletin – September Quarter. Reserve Bank of Australia.

development. Leadership opportunities are foregone, skills become out-of-date, superannuation goes unearned and the gender pay gap widens.<sup>7</sup>

The potential return on boosting the number of Australian women in paid work – and the hours they do work – is significant. Australia is experiencing a major skills shortage for which immigration alone will not be the solution. Building a high-skilled, service based economy that will meet our country's future needs is going to require more people in paid work, and working more hours.

Closing the workforce participation gap by half would increase Australia's annual GDP by \$60 million and cumulative living standards by \$140 billion over 20 years.<sup>8</sup> Not to mention the household level benefit to these women and their families of increased income and economic security.

Experts have dubbed women 'the country's most untapped resource'. To take advantage of this resource, we must better enable women with children to return to work and work more hours if they wish to do so. And the primary avenue through which this can be achieved in the short and medium term is ensuring access to affordable and quality early childhood education and care.

## **ECEC as a barrier to women's workforce participation**

The Draft Report acknowledges that '*ECEC enables mothers in particular to maintain a connection to the labour force*' and estimates an additional 118,000 workers could be added to labour supply by removing ECEC-related barriers.<sup>9</sup>

The impact of an inadequate supply of appropriate, affordable and quality ECEC disproportionately impacts women. ABS data indicates that caring for children is the largest barrier for women who want to gain employment or additional working hours (at almost 25 percent for women compared with 0.2 percent for men).<sup>10</sup>

The Draft Report appears to align with the ABS data, indicating that the cost and availability of ECEC is a significant barrier to parents' participation in work. Noting specifically that '*190,000 parents did not want a job or to work more hours but reported ECEC barriers as their main reason for this position*'. Despite this, finding 4.3 in the Draft Report states that '*ECEC is not the main barrier for most women who want a job or more hours*'.

This pair of statements are confusing and appear somewhat contradictory. If parents do not want a job, or to work more hours, *by virtue* of barriers to accessing ECEC, surely this

---

<sup>7</sup> Australian Bureau of Statistics (2022), *Labour Force Status of Families*.

<sup>8</sup> KPMG (2017), *Ending Workforce Discrimination Against Women*.

<sup>9</sup> Productivity Commission (2023), *A path to universal early childhood education and care*, Draft report, pp 12–13.

<sup>10</sup> Australian Bureau of Statistics (2022), *Childcare still largest barrier to female participation*

is essentially similar to wanting a job or more hours but being unable because of barriers to ECEC. The distinction does not seem substantially relevant.

FW's experience is that access to ECEC is the main barrier to women participating in work, or working additional hours. Quantitative data, cited above, as well as qualitative data collected by FW through our Jobs Academy program, consistently suggests that if ECEC were accessible and affordable, many women would return to work or increase their workforce participation.

Community discussion amongst our program participants cites lack of access to ECEC as the reason women are delaying their return to work until all their children begin school. This extended period of time outside of the paid workforce makes it more difficult for women to return to work, limits their long term earning potential and means they retire with lower superannuation balances.

FW would welcome the Final Report taking a more intentional gender responsive lens to its recommendations. This might include articulating the gender equality benefits that could be realised through ECEC policy options. FW would welcome the opportunity to discuss the data we have collated through – and the experiences of participants in – our Jobs Academy program.

## **Cost of ECEC**

The Draft Report cites affordability of ECEC as a key barrier to access and models a range of policy options for subsidy arrangements to address this. The Commission's recommended option removes the current activity test for three days of ECEC per week, but retains the activity test for any care beyond three days (option two).

The Commission notes that higher levels of support (options three through five in the Draft Report) would generate a greater labour market response from parents while costing taxpayers more. While this is true, the modelling is limited by only comparing the cost to the taxpayer with the potential revenue generated from income tax.

As noted later in the Draft Report, this approach does not capture other productivity and economic gains. Nor does it explore the considerable social benefits of reducing the gender gap in participation and lifetime earnings. Similarly, this approach does not account for mental health benefits associated with the dignity and self-worth that come from having a job.<sup>11</sup>

Qualitative evidence from participants in FW's Jobs Academy program, suggest that unemployed and underemployed women struggle with confidence. Being outside the paid workforce for an extended period can have implications for motivation and self-worth. International studies show unemployment as a predictor of current and

---

<sup>11</sup>Australia Psychiatry (2016) *The mental health benefits of employment: Results of a systematic meta-review*.

future mental health decline.<sup>12</sup> The preventative health benefits of achieving job or study success are greater than a simple equation of income tax earned versus taxpayer costs.

FW would welcome further analysis or amendment to the Final Report to recognise the broader range of benefits to women's participation in paid work, including consideration of productivity and economic gains. A more holistic approach would provide a clearer picture of the opportunities flowing from each of the canvassed options. This would also ensure the benefits for individuals, as well as the broader economy, are fully considered.

## Implications of the activity test

Jobs Academy participants can face a catch-22 when looking to return to work or study. ECEC is a necessary requirement for many women job seekers. Women need the time and headspace to prepare their job search resources, for example tailoring resumes, cover letters and building a LinkedIn profile. As well as the capacity to prepare and likely to leave home for job interviews.

For some women in our program, the process of returning to work has taken many months or even years. It can be demoralising and expensive. Especially when the cost of accessing ECEC is only marginally less than the income they might earn, in the circumstances that they acquire the job they've applied for.

Indeed, the structure of child care subsidies can make the decision to return to work in the first place less financially attractive. For low and middle income women in particular, there can also be insufficient incentive to work additional hours, or consider full time paid work.

FW appreciates that the Commission does not recommend a 90 percent subsidy for all families because this policy would disproportionately benefit higher income families, most while lower income families benefit from relaxing the activity test and targeted subsidies.<sup>13</sup>

While our programs also support women on middle and higher incomes, we agree the government should prioritise targeted assistance to lower income families, that enables women's participation in paid work. The complementary benefit of these targeted assistance is increased enrolment in ECEC amongst families where cost is likely a prohibitive factor.

We note that the Commission has not provided a modelled option for abolishing the activity test, while *also* providing an increased subsidy for lower income families. A model which combines abolishing the activity test entirely (rather than retaining it for

---

<sup>12</sup> Scandinavian Journal of Public Health (2019). *Unemployment among young people and mental health: A systematic review*.

<sup>13</sup> Productivity Commission (2023), p 42.

days four and five of care as currently modelled) with the CCS rate settings of options two or three would provide a better understanding of the full range of options.

## **Impacts of subsidies on workforce participation**

Current policy settings for child care subsidies mean that women are disincentivised from working full time. Financial barriers are compounded by the design of the subsidies, which effectively penalise the ‘primary caregiver’ – usually women – when seeking paid employment or additional hours.

The current approach does not recognise that ECEC is essential for women to *find* work as well as to go for work. Finding meaningful and suitable employment requires a significant time commitment, which is not adequately accounted for in the policy.

The current activity test only counts 16 hours per fortnight of ‘actively looking for work’ as a recognised activity under CCS eligibility criteria. Additionally, the subsidised hours accessible are determined by the lower activity level in a family with two carers.

This approach places additional barriers to increasing workforce participation for the person in a family with the lower activity level – usually women – and is not well suited to the employment situation of many families, such as FIFO workers.

FW consistently hears from participants of the FW Jobs Academy, composed of unemployed and underemployed women, that the cost and availability of ECEC is a persistent barrier for them in attaining paid employment.

Participants in our Jobs Academy program regularly cite being unable to attend a job interview or training session because of caring responsibilities. They explain that seeking work is incredibly difficult without additional ECEC attendance, yet they are often unable to afford the needed additional days.

This creates a catch-22 situation for women – where they cannot access either the employment they need to pay for ECEC, or the ECEC days required for them to have the time to train for, find and commence paid employment.

Retaining the activity test, even for only two days per week, disadvantages women actively seeking paid employment or additional hours. It fails to acknowledge the time required to attain new employment, and the crucial role of ECEC in supporting women to find a job or additional hours.

This is particularly important during an increasing cost-of-living crisis where, during periods of financial strain for many families, ECEC becomes a greater share of the household budget. Many participants in the Jobs Academy program report needing to withdraw from study, training or employment due to the prohibitive costs of ECEC – many not returning to the paid workforce until their children are in school.

This means many women are spending longer periods of time out of the paid workforce as a result of ECEC-related barriers, which in turn makes it even more difficult for them to re-enter the workforce. This creates a perverse outcome, reducing women's paid work opportunities rather than providing additional support to increase workforce participation.

FW would strongly recommend the activity test be abolished in order to further support women's workplace participation and ease administrative burdens on families.

Beyond the negative impacts of the activity test, the application process for subsidies also creates barriers to accessing ECEC. Through the FW Jobs Academy and FW community discussion forums, FW has noted the challenges parents face navigating ECEC subsidies. Awareness of eligibility appears to be an issue, particularly around subsidies for outside of school hours care and for parents looking for work.

Participants report needing to become 'experts' in the logistics and systems that underpin the welfare system, and often missing critical support opportunities due to complex, dispersed and inaccessible advice or information.

FW advises that the subsidy application process should be revised to increase accessibility of ECEC and awareness of available support. Addressing the barriers presented by the application system will further ease the difficulties women face in accessing ECEC required to support their return to the paid workforce.

FW would welcome a more robust articulation of the full impact of the subsidies in the Final Report. This should include a particular focus on the intersection of women's workforce participation with the activity test and subsidies as barriers to accessibility of ECEC.

## **The experience of ECEC workers**

The ECEC workforce is facing critical skills shortages. FW acknowledges the workforce challenges facing the sector, most acutely seen in the paucity of qualified educators.

Early childhood educators are predominantly women and, in the case of similarly gender segregated industries dominated by women, care workers are significantly underpaid and undervalued. The underpayment of care workers can be largely attributed to flow-on effects from the undervaluing more broadly of women's work and care work.

However, the gender segregation of the sector is a contributing factor not only to skills shortages but also to the national gender pay gap. Analysis by UNSW on behalf of the Fair Work Commission indicated that the Early Childhood workforce is 97.5% female and the Preschool Education workforce is 97.2% female.<sup>14</sup> Recommendations to address the gender segregation of the ECEC workforce should also be considered in the Final Report.

---

<sup>14</sup> UNSW | FWC (2023), *Gender-based occupational segregation*.

FW welcomes the Commission's draft recommendations to address the workforce challenges facing the sector, particularly addressing the remuneration for workers in the sector. As we've seen national pay increases for aged care workers, ECEC educator wages must be similarly improved in recognition of the critical role they undertake.

## **Contact**

FW thanks you for the opportunity to comment on the Draft Report *A path to universal early childhood education and care*. We welcome any further questions or discussions on our submission.

Our key contacts for this submission are:

### **Helen McCabe**

Managing Director

[Redacted]

### **Jamila Rizvi**

Deputy Managing Director

[Redacted]

### **Lauren Beckman**

Head of Canberra Learning Program

[Redacted]