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Productivity Commission Inquiry into the early childhood education and care (ECEC) sector in Australia.

Response to Draft Report: A path to universal early childhood education and care

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Overview

We consider that the Productivity Commission has brought some important insights to this report, in particular the strength of the child focus which introduces a valuable balance to public policy on ECEC services in Australia which traditionally has been primarily focused on seeking to increase parental workforce participation. Acknowledgement of this dual role is central to an effective ECEC system.

We broadly support the direction of many of the findings and recommendations, in particular increasing the subsidy rate to 100 per cent for low income families, and addressing the inappropriateness of the current activity testing and hourly rate cap. We do, however, consider more work is required in designing the subsidy structure especially for couples and middle income earners. As childcare is not the key driver of the high EMTRs many experience, attention needs to be given to the other elements of the tax and transfer system, to address the barriers which confront many parents, especially mothers.

We also reiterate our concerns that there is a need to move beyond the question of access to ECEC services, but rather to focus on participation, especially for those at disadvantage, and what is needed to achieve this.

While we appreciate the intent of the proposal for an ECEC Commission, we have significant reservations about the extent to which this will resolve the problems of government roles and responsibilities which have plagued the development of coherent policy over the past half century. If a Commission is to be considered, more consideration needs to be given to its actual role and responsibilities.

We consider that the PC should go further in addressing the question of wages in the sector. This is important not just with respect to current staffing problems and ensuring that quality staff are attracted and retained so they can provide high quality care, but also on equity grounds and reflecting the value of the work that those in the sector perform. We do not consider the existing wage structure can be seen as anything other than discriminatory, locked into historical perspectives of “women’s work”. It is clear that neither the market nor the wages system are performing. Redressing this will have implications for funding if the objective of affordability is to be met.

We highlight in this response two significant concerns about specific aspects of the Draft Report. The first is the assessment of the evidence base. We argue strongly that a more robust approach to this is required than what is currently presented in Supplementary Paper 1. A realistic assessment of the impact of ECEC, in the Australian environment, and understanding which instruments achieve this, is critical to good policy. The second relates to the introduction, with little substantive evidence or understanding of the operation of services, of the concept of ‘unused childcare’.

This response also encompasses responses with respect to the role of the Inclusion Support Program, more comprehensive approaches to Outside School Hours Care, training, and better building the evidence base.

Summary of responses

1. There is a need for the PC to move beyond a focus on “access” towards policies which focus on achieving actual participation of children at most disadvantage.
2. The PC should undertake a systematic analysis of existing roles and responsibilities across governments in funding, providing and regulating childcare to fully identify gaps and overlaps, and should provide options as to the most effective allocation of these with clear and defined responsibilities.
3. Reflecting this, Draft recommendation 9.1 should be more explicit in stating the areas of responsibility, rather than the existing language which allows for the significant issues including around quality assessment and preschool to be passed over.
4. If the PC is to recommend the establishment of an ECEC Commission there is a need for a very clear statement of its role and accountability framework, and details on its cost. Given the range of possible roles cited by the PC we consider that it is appropriate for the PC to propose a range of options reflecting the sets of specific functions which could be undertaken under different formulations, and the structure this would entail.
5. The PC should draw more robust conclusions in its considerations of quality and the institutions engaged in this. This should encompass an independent review of the NQF, and ACECQA, including with respect to effectiveness, and addressing how improved and more timely assessments should be conducted.
6. The proposal in draft Recommendation 8.3 that the Australian government should provide additional funding to state and territory regulatory authorities should be removed.
7. Draft Recommendation 9.1 should be reviewed, and more rigorous analysis of current preschool provision is required. The PC should:
 - More systematically analyse the current provision of preschool including the nature and “dose” of preschool delivered through Centre Based Day Care.
 - Address the question of curriculums and outcomes including a focus on the relative effectiveness of modes of delivery.
8. Draft Recommendation 7.6 should be revised to require all state government preschools to provide on-site Before and After School Care, and Vacation Care, to ensure that parents have wrap-around ECEC.
9. The PC should recommend that:
 - Pre-school should be fee free for all parents, except where such provision is made in the public sector and there is a small private school sector where fees may apply.
 - Governments take a proactive stance to ensure that those children at need attend preschool, including priority placement.
10. The PC should recommend that States and Territories have an obligation to ensure that all government schools offer outside school hours care including vacation care.
11. The PC recognise that even with possible changes to the CCS the cost of childcare adds to the EMTRs faced by households, and impact particularly many second earners. It should recommend that the Australian Government should review the EMTRs

which are driven by the tax/transfer system with a view to reducing these, and the PC may wish to make recommendations on how this could be done.

12. The PC discussion of wages in the sector should draw a stronger conclusion around the extent to which wage rates are inappropriately low, and that this is a structural bias reflecting the fact of this employment being seen as a ‘female care-giver’ role. It should identify that, if the objective of reduction in parental childcare costs is to be achieved, along with fairer and more equitable remuneration in the sector, then this will require additional public investment.

13. We note that the PC has several information requests with respect to training, including issues arising with VET training. Given the persistence of these issues over an extended period, and depending upon what additional information is derived, we consider that the PC should be more proactive in its inquiry into these matters.

14. We note also a need for draft Recommendations 3.1 and 3.2 to more strongly identify the need for financial support for those undertaking ECEC studies.

15. We support the PC proposals to increase the subsidy rate to 100 per cent for low income families, reform the activity test, and to appropriately index the fees cap, and argue this should be based on the median cost of producing services, and as recommended by the ACCC (2023, 9). However, we consider that:

- The PC needs to examine the issues of the CSS rate above their low income cut-off point. This includes a closer review of the actual cut-off point, including the appropriate level of for couples relative to single parents, and the transition structure from the full subsidy. We consider that the PC has been overly dismissive of options to increase the level of support to middle and higher income earners by simply relying upon a welfare approach, rather than acknowledging the role of childcare in supporting workforce participation, in particular for women, for whom it is necessary, and in some cases under the PC proposals financially burdensome.
- The PC should provide more extensive analysis of the distribution of costs and EMTRs across the population of families using childcare for a range of possible restructurings of the CSS.

16. There is a critical need for improved research, monitoring and evaluation of ECEC in Australia. Currently there is no specific recommendation from the Inquiry in this regard although draft Finding 1.2 contains some suggestions. We consider that such a recommendation should be included and that within this:

- The PC should explicitly identify some of the key data gaps, including the nature of preschool provision in CBDC, and from this have findings which allocate responsibility for addressing these. Additionally this should address governments ensuring that there is effective access by stakeholders and external researchers to the data which they collect, including appropriate access to administrative data.
- While the PC identifies a need to establish a research agenda, and nominates the Australian Education Research Organisation (AERO) in the first instance, and then the proposed Commission, as the key bodies to develop this, there is a need to go beyond this approach and recognise the need for a more dynamic process including the role of support for bottom up research.
- There is also a need for an explicit reference to the importance of evaluation, and the obligations of governments to ensure that policies and programs are regularly, and publicly, evaluated.

- The PC should recommend a systematic approach to the collection of new samples for the Longitudinal Study of Australian Children.

17. There is a need for the PC to reconsider the discussion of the Inclusion Support Program (ISP). This should encompass recognition of the intent, included in the NQS, for all childcare services to be inclusive and of the role of the ISP as a supplementary program where specific additional resources are needed to achieve the objective of inclusion, rather than a universal supplementary program for children with additional needs.

18. Attention also needs to be given to the effectiveness and equity of the ISP, including whether previously identified geographic variation has been addressed.

19. The PC should closely re-examine the premise upon which draft Finding 7.5 is based, in particular the extent to which there is actual unused capacity within the actual operation of services, as well as introducing an understanding of how CBDC services operate within the sessional structure.

20. Supplementary paper 1 should be revised. This needs to be based on a comprehensive and systematic literature review and better address the heterogeneity in treatments, the treated population, and outcomes.

Glossary

ABS	Australian Bureau of Statistics
ACCC	Australian Competition & Consumer Commission
ACECQA	Australian Children’s Education and Care Quality Authority
AERO	Australian Education Research Organisation
ASQA	Australian Skills Quality Authority
CBDC	Centre Based Day Care
CCB/CCR	Child Care Benefit/Child Care Rebate
CCCF	Community Child Care Fund
CCS	Child Care Subsidy
CPI	Consumer Price Index
DF	Draft Finding
DR	Draft Recommendation
ECEC	Early Childhood Education and Care
EMTR	Effective Marginal Tax Rate
FDC	Family Day Care
FDR	False Discovery Rate
FTB	Family Tax Benefit
HCA	Home Care Allowance, Finland
IA	Inclusion Agency
IPART	Independent Pricing and Regulatory Tribunal (NSW)
ISP	Inclusion Support Program
K1	Four-year old Kindergarten (Boston, US)
LSAC	Longitudinal Study of Australian Children
NBER	National Bureau for Economic Research
NPA	National Partnership Agreement
NQF	National Quality Framework
NQS	National Quality Standards
OECD	Organisation for Economic Cooperation and Development
OSHC	Outside School Hours Care
PC	Productivity Commission
SAT	(Formerly) Scholastic Assessment Test, US
TSMIT	Temporary Skilled Migration Income Threshold
UPK	Universal Pre-Kindergarten (Oklahoma, US)
VET	Vocational Education and Training

1. Overview

We thank the Productivity Commission (PC) for the opportunity to provide a response to the Draft Report “A path to universal early childhood education and care”.

1.1. Our approach

In our initial submission we identified seven priorities for the PC to consider in this Inquiry:

- The need for a clear and balanced focus on the dual role of childcare and for the better formulation of policies to achieve the child development goals for those children who have the highest need for this. Underlying this, the ‘dual role’ should be further considered to include a central social inclusion objective.
- Addressing the complexity of Australian and State government roles in the sector, with a view to simplifying, potentially through the reassignment of responsibilities, or at a minimum, making clear lines of accountability and responsibility.
- Developing a more cohesive approach to preschool and early childhood education.
- Building a cautious and realistic approach to the labour force participation potential of changes to the childcare system, including identifying, and addressing the other policy settings which may inappropriately inhibit higher levels of participation.
- Addressing the question of the childcare workforce, including with regard to training and remuneration.
- A limited number of potential changes to existing funding arrangements.
- Proposing a clear agenda and strategy for the development of improved and linked data, underpinning a systematic research and evaluation agenda to best understand which policies are the most effective, and to monitor the extent to which programs effectively meet priority needs, including the participation of the least advantaged.

It is through the lens of these priorities that we respond to the findings and recommendations of the Draft Report in section 2 of this submission.

Additionally, we draw attention to two additional areas of significant concern we have:

- The first is with regard to the concept of “Unused childcare” which the PC reports on, that is the discrepancy between hours charged and hours used. This is in section 3.
- The second is a critical review, in section 4, of aspects of Supplementary Paper 1: “Children’s outcomes” which is concerned with the evidence base on ECEC.

1.2. Wider context

Concurrently with the work of the PC the Australian Competition & Consumer Commission (ACCC) has concluded its Childcare Inquiry. As well as identifying the need for clear objectives and priorities, this has in terms of the broad approach to the sector, two significant findings:

- The first, in the words of the Report (ACCC 2023), was that “on average, profits do not appear to be excessive across the childcare sector” (p. 125). This we consider is a critical finding as it refocuses the policy questions around childcare back to the central, and hard, questions of structure and funding, rather than a diversion off in search of easy answers such as ‘excess profits’ or regulated price control.

Essentially we consider the ACCC Inquiry findings emphasises that quality childcare is expensive to provide.

- The second is that reliance upon market mechanisms is not sufficient to ensure appropriate provision in some locations. While there are already some tools to potentially address this through the Community Child Care Fund (CCCF), the strong message which emerges from the ACCC is that tools are not sufficient, but rather there is also a requirement for strategies, and clear policy objectives.

In this latter regard the ACCC, as with the PC, introduces the question of stewardship, although given the context of its Inquiry this is directed at ‘market stewardship’. This is an issue we consider further in this response.

With respect to the first, as we detail in section 3, it is our concern that the PC risks making ‘unused childcare’ into a similar straw man which acts to distract from the central issues which need to be addressed.

1.3. Broad response to PC draft

The Draft Report has, in our reading, two major recommendations. The first concerns the structure of the Childcare Subsidy, the second is roles and responsibilities which the PC addresses through a proposal for a Childcare Commission.

- With regard to structure of the Childcare Subsidy, while we support much of the PC proposal, including reform to, or potentially, elimination of the activity test, and the management of the cap in a way which recognises costs of provision, we consider that there are a number of important aspects to the design of the subsidy structure which require further consideration, as well as the wider question of the tax and transfer system impact on EMTRs.
- Although only limited information is contained in the Draft Report on the proposal, we have significant concerns as to whether the proposed ECEC Commission and the proposed National Partnership Arrangement adequately responds to the critical need for a cohesive approach to ECEC provision in Australia.

We also address a number of other aspects of the Draft Report. Two of these are as identified above, the evidence base and the concept of ‘unused hours’. Additionally we argue for a more robust approach to redressing the question of remuneration of those who work in the industry, and to training, greater attention to questions of inclusion, and for a more comprehensive approach to outside school hours care, including its interaction with standalone preschool, as well as to preschool provision itself.

Sitting across all of these is that the concept of ‘access’ is not sufficient to achieve an effective child-centred ECEC system, rather the focus needs to be on participation.

2. Priority areas

2.1. Need for a balanced approach to the dual role of childcare

In our initial submission we argued:

There is a need for an explicit and balanced focus of childcare on all of its objectives, including child development, and combating exclusion. The current emphasis on ‘access’ to childcare and preschool fails to address the significant differences in actual participation, especially by those at disadvantage, and at risk of entering educational disadvantage. (Bray and Gray 2023, i)

The PC has brought to this Inquiry a strong and positive orientation to child outcomes in the Draft Report, this we support. We consider however that less attention has been paid to the specifics of the child development role, in particular with regard to “the better formulation of policies to achieve the child development goals for those children who have the highest need for this” and the central role of a “social inclusion objective”.

While the subsidy proposal in Draft recommendation 6.2 “families with annual income at or below \$80,000 should be eligible for a subsidy rate of 100% of the fee, up to the hourly rate cap” (PC 2023, 404) can be seen as addressing the initial affordability barrier, we consider that this is not a sufficient response.

This is particularly so with regard to ensuring that these children do benefit from preschool, and childcare more generally. We consider that the PC should, in addition to addressing policies focused on ensuring availability, complement this with specific recommendations on the need for supplementary policies to seek to maximise the engagement of potentially disadvantaged groups. This could involve proactive highly targeted campaigns to encourage the use of childcare by those who could best benefit, as well as its more specific interventions in the case of child neglect and child health concerns, and so forth. Such messaging is appropriate given the strong bias that has been given previously to the link between childcare and parental employment, and the way in which, under the existing activity test, access is described in terms of a ‘Safety Net’, rather than a positive measure.

The Inclusion Support Program which is identified by the PC as a major instrument for improving access is discussed separately below.

Response to report

1. **There is a need for the PC to move beyond a focus on “access” towards policies which focus on achieving actual participation of children at most disadvantage.**

2.2. Commonwealth and State roles and institutional framework

The PC reports “Meaningful coordination and collaboration between jurisdictions and levels of government is missing from the current ECEC policy landscape” (p. 53).¹

The key elements of the PC’s proposed response to this are:

- A National Partnership Agreement for Early Childhood Education and Care, which contains:
 - A stewardship model – where the Australian, state and territory governments better coordinate their roles in the ECEC system and share accountability for sector outcomes.
- An ECEC Commission which would “support the Australian, state and territory governments to better coordinate and deliver ECEC policies, by providing information and advice” and “provide a

¹ Where we consider that reference to the PC Draft Report is implicit in the text we simply report page numbers, or the number of the draft Finding (DF) or draft Recommendation (DR) rather than formally citing the source.

mechanism to hold the system stewards publicly accountable for achieving the objectives of ECEC policy”.

We consider that the PC statement understates the extent of the structural problems underlying Australia’s ECEC system, and have strong reservations as to whether the proposed response is adequate, and, in the case of the ‘Commission’, the extent to which the model can effectively play the role envisaged.

2.2.1. Role of governments

The PC notes that “Historic arrangements remain a feature in today’s ECEC system” (p. 500). We do not consider that such a structure of arrangements should drive the policies and programs required today.

We further consider that the PC declaration that these arrangements involve “a relatively clear delineation of roles and responsibilities with respect to policies primarily aimed at labour force participation and those primarily aimed at childhood development” (p. 500), despite the further qualification “there are areas of policy where roles, responsibilities and priorities of governments either have not been, or risk not being, clear”, significantly overstates the situation. It is also a descriptor which does not take account of the key imbalances between responsibility for funding, as well as variations in the nature and extent of Australian Government policies over time, nor the extent to which the simple division stated by the PC, while having some meaning at the conceptual level, actually would come together at the operational level where services are engaged in supporting parental workforce participation and children’s development.

Specifically the PC recommends:

The Australian, state and territory governments should form a new National Partnership Agreement (NPA) for Early Childhood Education and Care (ECEC) by 2026. The NPA should articulate the national vision for ECEC and clarify roles and responsibilities between all governments.

- The Australian Government should remain responsible for early childhood policies in the years before preschool and for associated funding responsibilities and for the funding of outside school hours care through the CCS.
- State and territory governments should remain responsible for preschool, school readiness and take on the responsibility of ensuring the delivery of outside school hours care in government schools.... [draft Recommendation 9.1]

Essentially this effectively suggests maintaining the status quo in the current Australian and state government roles, with the PC complementing this by introducing the concept of “A stewardship model – where the Australian, state and territory governments better coordinate their roles in the ECEC system and share accountability for sector outcomes” (p. 86), with the ECEC Commission. The Commission is suggested as a means of supporting governments to “better coordinate and deliver ECEC policies, by providing information and advice ... [and] provide a mechanism to hold the system stewards publicly accountable for achieving the objectives of ECEC policy”.

We have significant reservations as to whether this prescription will address the inherent problems of lack of coordination and responsibility within the existing arrangements. Specifically, we consider that without clear attribution of responsibility (and structures and processes to ensure that clashes between areas of responsibility are minimised and addressed), the idea of joint ‘stewardship’ and ‘shared responsibility’ is not sustainable. Rather shared responsibility tends towards buck-passing and avoidance of responsibility, while simply urging coordination, without mechanisms which actually require this, on the history of provision in Australia, is highly unlikely to achieve this outcome.

We do not consider that these concerns would be constrained through an ECEC Commission which has neither any control of the system, nor of the quantum, or direction, of resources flowing to ECEC.

In the first instance there is a need for the PC to undertake a more systematic analysis of existing roles and responsibilities with reference to the full range of ECEC activities and responsibilities for outcomes. In this respect we note that the areas of responsibility identified by the PC: Australian Government: early

childhood policies and funding in the years before preschool, and funding of outside school hours care; and that of states and territories: responsible for preschool and the delivery of outside school hours care in government schools, omits extensive areas of policy and programs. This includes service approval and monitoring, the provision of non-(freestanding?) preschool care for children of preschool age, OSHC for children attending freestanding preschools, and so forth. Such a mapping of all functions and responsibilities is a necessary starting point.

Once this detailed mapping is undertaken the PC needs to:

- Identify those areas which involve split, or partial, responsibility, and gaps of responsibility, taking into account both funding responsibility and accountability.
- Consider the options for a better allocation of responsibilities between levels of government and specific areas which need to be clearly identified as a responsibility. This would in turn lead to a much more explicit statement of responsibilities in Draft recommendation 9.1.
 - This detailed analysis of role is also important, given the proposed role of the ECEC commission, as discussed below, to ensure that functions are appropriately allocated and to minimise overlaps and gaps.

. Response to report

2. The PC should undertake a systematic analysis of existing roles and responsibilities across governments in funding, providing and regulating childcare to fully identify gaps and overlaps, and should provide options as to the most effective allocation of these with clear and defined responsibilities.

3. Reflecting this, Draft recommendation 9.1 should be more explicit in stating the areas of responsibility, rather than the existing language which allows for the significant issues including around quality assessment and preschool to be passed over.

2.2.2. ECEC Commission

Along with changes to CCS the establishment of an ECEC Commission is the major recommendation of the Draft Report. However in large part the nature of the proposed Commission is not detailed, other than that it be “jointly established by the Australian, state and territory governments as part of a new National Partnership Agreement” (p. 517) with the PC in Information request 9.2 asking for views on:

- “how the proposed ECEC Commission should be structured,
- what the scope of its functions should be,
- whether it should include the national regulator, the Australian Children's Education and Care Quality Authority (ACECQA).”

Notwithstanding the lack of an actual proposed structure and scope for the Commission, a number of potential functions are identified in the Draft Report.

- Foremost is that of supporting governments through information and advice, and to “hold the system stewards publicly accountable for achieving the objectives of ECEC policy” (DR 9.2)

Additionally, the Draft Report proposes that:

- “The role of this Commission would encompass supporting the development of a knowledge base to guide ECEC policy and practice, working with researchers and policymakers to identify priorities, address gaps in the availability (and existence) of data and coordinate and fund research. (p. 121)
- The Commission “should consider a community’s preference for a playgroup when assessing ECEC availability” (DF 7.2)

- The Commission “should be responsible for advising on the need for additional investments in occasional care and the communities in which these services are needed.” (DR 7.5)
- The Commission be tasked with reviewing regulatory arrangements for out-of-scope services receiving direct Australian Government ECEC funding to ensure they meet the needs of children. (DR 2.1)
- “As part of this ... should undertake a process of joint decision-making with Aboriginal and Torres Strait Islander services, communities and peaks to determine the appropriate way to regulate the quality of Aboriginal and Torres Strait Islander services out-of-scope of the National Quality Framework.” (DR 2.1)
- That “oversight and reporting arrangements for the [National Children’s Education and Care Workforce] strategy [should be] shifted to the proposed ECEC Commission.” (p. 197)
- “The ECEC Commission would be well placed to monitor this risk [of falling availability of places for children aged 0-2 because of reduced scope for cross-subsidisation]”. (p. 351)
- The Commission “should be responsible for advising governments on the need for integrated early years services involving ECEC and the communities in which they are needed”. (DR 7.1)
- The Commission “should be responsible for examining connections between ECEC and other child and family services and identifying the most suitable way to address any gaps”. (DR 7.2)
- The Commission “should be responsible for advising on the need for additional investments in occasional care and the communities in which these services are needed. Where additional investments are required, funding should be available through a more flexible Community Child Care Fund”. (DR 7.5)
- “System-level quality could be included as an explicit responsibility in the proposed ECEC Commission”. (p. 463)

This list of tasks would suggest that the Commission would not just be required to take a broad strategic overview of the system and its outcomes but would also have a significant operational role including extensive local and community-based consultation, assessment and planning and advising government on detailed on the ground program decisions. This has significant implications. One is the level of resourcing that the Commission would require to undertake the range of functions identified. The second concerns duplication of roles and activities. One dimension of this is that the proposed role of the Commission in a number of areas relates to advising the government on very specific investments and priorities. This does not though obviate the need for governments to undertake their own assessments of this advice so as to take informed decisions, and the resources required for this.

An additional tension is likely between the detailed advisory function relating to specific programs and services which would involve close operational engagement with government, and the wider, and effectively political, role to “hold the system stewards publicly accountable”.

As the PC does not propose in this report anything beyond that the body be jointly established by the Australian and state governments, it is not possible to specifically comment upon the feasibility of the organisation’s structure and role.

With regard to the relationship with ACECQA the key question concerning placement is the actual role of the Commission. That is whether this is as an operational part of the ECEC system, or if it acts as external scrutiny. Underlying this are questions of scrutiny and accountability. That is, if the purpose of the Commission is that of holding the “system stewards publicly accountable” then it would be inappropriate for it to include ACECQA as this is part of the system it needs to hold to account, and it is as critical that bodies such as ACECQA are subject to clear and independent review. This issue of accountability is also important for the Commission itself. In this regard we consider that the establishment of a body by a Ministerial council, with board members appointed by the council and reporting to the council, is unlikely to have the degree of independence which would be appropriate.

If a Commission is to be established, we would consider it critical that:

- It has a strong management structure including a robust board which reflects the breadth of different perspectives regarding ECEC, and a strong critical evaluative focus.
- The Commission's operations be transparent, with most of its products, including data, analysis and advice being publicly accessible.
- It is subject to, at a minimum, regular, possibly 5 yearly, external independent reviews, but with the need for external review and scrutiny to be significantly higher if it is to take on more of an operational role.

More specifically we consider that if the PC is to recommend the establishment of a commission it should consider providing a range of options as to the form such a commission could take including: the specific range of activities it would undertake, in particular with regard to whether it is an external scrutiny body, an operational advisory body, or an organisation that also has a direct organisational role; the budget required to undertake this, and proposals as to how this would be funded; and, reflecting the above points, its proposed management and accountability arrangements.

Response to report

4. If the PC is to recommend the establishment of an ECEC Commission there is a need for a very clear statement of its role and accountability framework, and details on its cost. Given the range of possible roles cited by the PC we consider that it is appropriate for the PC to propose a range of options reflecting the sets of specific functions which could be undertaken under different formulations, and the structure this would entail.

2.2.3. ACECQA and quality

While the Inquiry devotes significant attention to the question of quality, including the role of the NQF and ACECQA, we consider that a more robust approach is required.

In addressing this we note that the PC was deferring taking a position on this until the final report.

At the system level, there is no entity with clear responsibility for quality. It appears that both ACECQA and the state regulatory authorities influence quality, though this creates a risk of diluting the overall level of accountability for quality in the system. There may be some merits to states having primary responsibility for ECEC quality in their jurisdiction - as recommended by the South Australian Royal Commission into Early Childhood Education and Care – given that states also regulate ECEC quality in their own jurisdiction (SA Government 2023, p. 6). However, the Commission considers that there are also merits to the Australian government having overarching responsibility for quality in the sector, given that it is part of a national system, and there is a need for consistency across jurisdictions. System-level quality could be included as an explicit responsibility in the proposed ECEC Commission, as is considered in paper 9. This will be explored further in the final inquiry report (p. 463)

This makes it difficult to specifically address this aspect, although we consider that the existing split responsibilities highlights the need, as discussed earlier, for a clear focus on roles and responsibilities.

We also note that the PC has received evidence of “gaming’ of assessment and rating visits”, we consider that this is worthy of much stronger attention. Essentially this is fraudulent behaviour and should be treated as such. More specifically it raises significant questions about the operation of the current

arrangements in particular the conduct of state authorities and authorised officers, that this is not identified and responded to.^{2, 3}

Specifically:

- With respect to the review of the NQF (DR 8.2) we consider:
 - It would be appropriate for this review to be undertaken independently, rather than as proposed being commissioned from ACECQA, with the independent review comprising a range of expertise including from the industry. This would also permit the role, activities, efficiency and effectiveness of ACECQA to be reviewed, including the extent to which the NQS reflect the outcome focus of the NQF.
 - It is also unclear as to whether ACECQA is the appropriate body to undertake a review of state government practices.
 - The current language poses the review task as assessing “if assessments could be made more accurate, consistent and efficient’. This language seems to be weak and does not respond to the potential extent to which these are currently impacted by ‘gaming’:
 - the emphasis suggested by the PC on ‘if’, rather than be put on ‘how’ the problems with assessments can be addressed.
 - there should be explicit reference to the need to address some of the specific problems with the current process including the focus on inputs rather than outcomes, reported behaviours such as providers moving staff in from other services for assessments and the extent that the assessments can be influenced by services ‘knowing the talk’.
- Concerning the frequency of assessment, we agree with draft Finding 8.1 that the time period between assessments is too long.
 - We consider that it is appropriate for them to be conducted annually and that the PC should recommend a maximum interval between assessments, and period before a new service is assessed.
 - We disagree with the element of DR 8.3 “the Australian Government should ensure additional funding is provided to state and territory regulatory authorities, to provide updated assessments within agreed timeframes” (p. 471). Reflecting our perspective on the roles of the Australian and State governments, if the states are to retain a responsibility within the childcare sector, then part of their responsibility is to provide adequate funding to their agencies to undertake their roles. A system where the Australian government needs to step in to provide funding to some states which have failed to do so is inappropriate.

Response to report

5. The PC should draw more robust conclusions in its considerations of quality and the institutions engaged in this. This should encompass an independent review of the NQF, and ACECQA, including with respect to effectiveness, and addressing how improved and more timely assessments should be conducted.

² While this may not be illegal activity, it is clearly a misrepresentation of the service at the point of assessment, and some activities – such as bringing in other staff – should be able to be identified from staff rosters and other documentation, and provide grounds for deferral of any assessment, or the imposition of a regime of regular higher intensity inspection.

³ In raising this matter we reiterate our concerns as to the need for rigour in regulation and monitoring, noting as we raised in our initial submission the extent to which fraud and other non-compliance was allowed to proliferate in the Family Day Care sector in the 2010s. As we reported in the submission no systematic analysis of this is publicly available, but it can only be seen as a failure of the then Australian and state governments in monitoring and enforcement.

6. The proposal in draft Recommendation 8.3 that the Australian government should provide additional funding to state and territory regulatory authorities should be removed.

2.3. Cohesive approach to preschool and ECEC

In our initial submission we indicated:

...the development of informed and cohesive policies is critical. Key dimensions which should be addressed by the Productivity Commission include:

- The evidence base, and in particular what works and for whom.
- A focus on approaches which target those who have the greatest need, and can potentially obtain the greatest benefit, in particular to the extent early intervention may address the question of educational, and whole of life disadvantage.
 - That is, a shift away from policies just seeking to provide access.
- The question of curriculum and the specific child educational outcomes which preschool should achieve.
- The rationale behind different delivery modes, including in the shorter term:
 - An understanding of what is actually being delivered in preschool through Centre Based Day Care, and
 - Approaches to providing continuity of childcare for those using separate preschool facilities, where this is required by parents.
- A framework, based on the evidence base, for the future delivery structure of preschool education, and clarity of governmental roles. (Bray and Gray 2023, 34)

We consider that these have only been partially addressed.

We address the evidence base further with regard to the literature review.

With regard to targeting those with greatest need the PC has primarily restricted consideration to that of access, rather than proactive policies to achieve participation. Additionally, while reporting on the costs to parents, it does not address the more fundamental question of whether or not there should be fees for pre-school at all, or whether it should be seen as part of a publicly funded education system.

The issue of actual levels of participation are only partially addressed, while reference is made to elements of the Preschool Reform Agenda such as the development of preschool attendance measures it is unclear as to whether this also includes preschool delivered in CBDC, nor whether in that sector any attempt will be made to measure the actual 'preschool' component delivered during periods of attendance.

More generally, the question of the mode of delivery appears to be under analysed, leading to a quite equivocal conclusion in initial Draft recommendation 9.1 "Governments should build upon the Preschool Reform Agreement to ensure funding supports the desired outcomes, regardless of the preschool delivery model adopted in each jurisdiction". It then states that "State and territory governments should remain responsible for preschool", which as we note above does not address the question of whether this included preschool within childcare services. The question of relative curriculum is not discussed.

Similarly while addressing the problem of allowing standalone preschools accessing CCS for non-preschool care provision, it is unclear as to whether the second element of Draft recommendation 7.6 "make it easier for providers to establish a CCS-eligible 'outside preschool hours' service, by creating a separate 'outside preschool hours' care type that would cater primarily to preschool aged children and would not be subject to the minimum 48-week operating period" represents the best strategy for parents

and fully addresses the question of continuity of care for these children. As with the school sector an obligation to provide the equivalent of OSHC would appear to be a stronger, and more appropriate, response, in particular for those states which favour standalone preschool provision.

The need to go beyond the historical approach embedded in DR 9.1 which we raised as the need for “A framework, based on the evidence base, for the future delivery structure of preschool education, and clarity of governmental roles”, is we consider also identified in the NSW government submission cited on page 501:

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. (NSW Government, sub. 158, p. 3)

Response to report

7. Draft Recommendation 9.1 should be reviewed, and more rigorous analysis of current preschool provision is required. The PC should:

- **More systematically analyse the current provision of preschool including the nature and “dose” of preschool delivered through Centre Based Day Care.**
- **Address the question of curriculums and outcomes including a focus on the relative effectiveness of modes of delivery.**

8. Draft Recommendation 7.6 should be revised to require all state government preschools to provide on-site Before and After School Care, and Vacation Care, to ensure that parents have wrap-around ECEC.

9. The PC should recommend that:

- **Pre-school should be fee free for all parents, except where such provision is made in the public sector and there is a small private school sector where fees may apply.**
- **Governments take a proactive stance to ensure that those children at need attend preschool, including priority placement.**

2.4. Childcare and workforce participation

We consider that the PC is correct in its finding that “tackling only ECEC expenses might have marginal impacts on labour supply” (p. 264) and specifically its finding that key issues include:

- Flexible work and family-friendly policies (p. 304) and
- the role of the tax transfer system in generating high EMTRs, especially for second earners in families with children (p. 306).

With regard to this second issue, we would again draw the attention of the PC to our initial submission where we argued that:

the key scope for reducing EMTRs is addressing those in the tax-transfer system. Specifically, we consider one priority area is to consider reverting FTB(A) to a universal payment to parents of children, or at a minimum, for younger children. (Bray and Gray 2023, 41)

In discussing workforce participation we would suggest that some further attention be given to the role of OSHC including vacation care. While these may play a lesser role in incentives, they can be seen as having a very important role in supporting the wellbeing of those parents who seek to engage in employment.

While the language of Draft Recommendation 9.1 that States and Territories “take on the responsibility of ensuring the delivery of outside school hours care in government schools”, can be considered to address this issue, we consider a more direct statement which places an obligation on the states to ensure that all schools provide appropriate OSHC including vacation care which meets parental needs, where there is any parental demand for this, is required.

We consider that the PC should supplement the modelling which is presented in Appendix F to include EMTR analysis, including the impact of additional days of employment. The results of this modelling should be released during the ongoing consultation period to allow for informed discussion of the options.

Response to report

10. The PC should recommend that States and Territories have an obligation to ensure that all government schools offer outside school hours care including vacation care.

11. The PC recognise that even with possible changes to the CCS the cost of childcare adds to the EMTRs faced by households, and impact particularly many second earners. It should recommend that the Australian Government should review the EMTRs which are driven by the tax/transfer system with a view to reducing these, and the PC may wish to make recommendations on how this could be done.

2.5. Childcare workforce

Workforce constraints have emerged as a major concern in the ECEC sector in the post-COVID period. This can be seen as crystallisation of a number of more fundamental problems including with regard to pay and training.

2.5.1. Pay

The PC makes a draft Finding:

The pay and conditions offered to the ECEC workforce – long at the heart of recruitment and retention challenges – may be addressed through processes arising out of recent changes to the Fair Work Act 2009 (Cth), including approval from the Fair Work Commission for a significant number of employers in the sector to commence supported multi-employer bargaining.

Any increase in wages will need to be funded by families or governments, or a combination of both. It is a decision for governments whether funding a wage increase for ECEC workers is a priority use of public funds. [DF 3.1]

Our view is that the PC should make a stronger finding both with regard to the fact that the rates of pay are inappropriately low, given the nature of the work undertaken including the range of specific, and frequently legal responsibilities of these employees and that a key reason for this is gender based.

In terms of the latter, while the PC states “However, it is difficult to definitively identify which of these factors – or combination of them – has the most significant effect” (p. 206), we consider it is reasonable to consider that gender based pay discrimination does exist and that this needs to be acknowledged.

The second part of the draft finding with regard to the source of funding of any increase of wages, while correct in an abstract sense, in particular given the ACCC report that “on average, profits do not appear excessive across the childcare sector” (ACCC 2023, 125), it is a finding which needs to be placed in the context of the overall findings of the Inquiry, in particular the affordability of childcare for families. That is, if the objective of reducing costs to parents is to be achieved, then it is a cost which needs to be absorbed by government. In this regard a useful addition to the report would be to attempt to estimate the potential additional cost which may arise.

Response to report

12. The PC discussion of wages in the sector should draw a stronger conclusion around the extent to which wage rates are inappropriately low, and that this is a structural bias reflecting the fact of this employment being seen as a ‘female care-giver’ role. It should identify that, if the objective of reduction in parental childcare costs is to be achieved, along with fairer and more equitable remuneration in the sector, then this will require additional public investment.

2.5.2. Training

The PC Draft Report highlights the need to address a number of dimensions of training. We specifically address the question of VET and Professional Development below, along with comment regarding the observation in the Draft Report with respect to Sweden. Additionally we would note:

- DR 3.1: We consider that stronger emphasis should be given to the provision of financial support (both living expenses and fee relief) rather than on accelerated degree programs.
- DR 3.2: We would suggest ‘appropriate’, rather than the somewhat patronising concept of ‘modest’ financial incentives for innovation.
- We support the PC conclusion (p. 252) that there should not be any specific exemptions to the TSMIT settings for the sector.

VET

In our submission we raised a number of concerns about the adequacy of VET training including variability, and the high dropout rate in courses. We note that these matters are the subject of a number of information requests:

The Commission is seeking information on the quality of ECEC-related vocational education and training (VET). In particular, the Commission would welcome views on:

- the impact of recent and ongoing reform – both to VET ECEC qualifications and the VET sector more broadly – on the quality of qualifications and the job readiness of ECEC graduates
- whether there are widespread problems with the quality of VET ECEC courses, and if so, what these problems are, why they exist and what should be done to address them. [Information request 3.1]

And:

The Commission is seeking views on the factors that have led to a decline in completion rates of early childhood teaching qualifications. [Information request 3.3]

While we agree with these requests, we consider that a more proactive approach to these matters should be considered, with direct data collection and appropriate consultations including with ASQA as to the issues associated with the citation of the ECEC diploma and Certificate III courses as “higher risk products”. In this regard we note that the PC concludes, on the basis of “reform initiatives underway” (p. 217) that “the VET system is significantly different today to the system that was in place when the Commission (in 2010 and 2014) and ASQA (in 2015) found significant shortcomings in the quality of VET ECEC courses” (p. 218). This conclusion we consider needs to actually be tested in terms of outcomes, not just the presence of “reform initiatives”.

Professional development

We strongly support draft Recommendation 3.6 that “The Australian and state and territory governments should provide support for the ECEC workforce to undertake professional development activities. This should take the form of a contribution towards the cost of professional development.” We note that this is in contrast to the previous PC Inquiry which argued that government funding for professional

development ‘should be limited to assisting educators meet the cost of meeting new regulatory qualifications as a transitional arrangement and to assist staff in mainstream ECEC services to provide inclusion services’ (PC 2014, 341), and government decisions which limited scope for using funding for professional development, until the issuance of the ‘refreshed’ guidelines for the ISP.⁴

Reference to Sweden

The Draft Report currently contains the following text with regard to staff qualifications in Sweden:

There are no minimum qualification requirements for staff in Sweden in most preschools, but staff should have relevant training or experience, and there must be at least one person with a relevant university degree in the service. All staff in Sweden’s preschool classes that specifically cater to 6-year-olds, however, must have a university degree. (PC 2023, 548)

This citation omits the further text which, in the current version of the webpage, reports that while there is not a formal requirement most staff are qualified:

In 2019 the share of staff working with children at preschools⁵ having a degree in Preschool education was 39.5 percent (statistics database of the Swedish National Agency for Education). An additional 1.6 percent had a degree in other School education. Another important group of employees (18%) at preschools are childminders with a vocational degree on secondary level. (European Commission 2023)

Lohmander (2017) further details the situation as:

According to the Education Act (SFS 2010:800, chapter 2, §13) the work in the preschool should be carried out by educated/qualified Preschool Teachers. In addition, staff with relevant training and/or experience may also work in the preschool as long as they can support children’s development and learning and work towards reaching the goals in the curriculum (p. 6).

We consider that the text should be revised to provide this fuller context and avoid the risk of this statement being misconstrued.

Response to report

13. We note that the PC has several information requests with respect to training, including issues arising with VET training. Given the persistence of these issues over an extended period, and depending upon what additional information is derived, we consider that the PC should be more proactive in its inquiry into these matters.

14. We note also a need for draft Recommendations 3.1 and 3.2 to more strongly identify the need for financial support for those undertaking ECEC studies.

2.6. Funding arrangements⁶

We would support the options proposed by the PC with regard to:

- Relaxing, if not eliminating (on the basis of the cost effectiveness of maintaining) the activity test, to allow for 30 hours of participation per week.

⁴ The initial change was explicit in the change in the program title as detailed by the Department in its advice to services ‘that as at 30 June 2016 the Inclusion and Professional Support Program (IPSP) will cease. The IPSP will be replaced by the new Inclusion Support Programme (ISP), which will begin on 1 July 2016’ (DET 2016, 1).

⁵ Preschool here refers to förskola (services for children aged 1-5 years).

⁶ The PC on page 55 states “The CCS was rolled out in 2018, redefining the way services are funded”. The claim of ‘redefining’ would appear to substantially overstate the difference between the CCS and the former CCB/CCR funding approach, which combined essentially had all of the elements of the CCS – a subsidy usually paid to services based upon a degree of income and activity testing.

- Increasing the CCS rate to 100 per cent for low income households.
- Revisions to the cap “based on the average efficient costs of providing early childhood education and care services” (DR 6.2). We would though note that the concept of an ‘hourly rate cap’ requires some caution for those sectors which operate on the basis of sessional charges, and that there is value in considering stating the cap also on a sessional basis as this then links directly with the actual experience of users.
 - As such we agree with the ACCC approach for a daily fee cap for CBDC.

As regards the level of subsidy for those families with incomes above \$80,000 per annum we consider that the PC should explore further options and present a broader discussion of the rationales for different approaches. On our reading of the Draft Report it appears that the main arguments against consideration of other options is because “Nearly 60% of the increase in government outlays would accrue to the 20% of families on the highest incomes (those earning \$200,000 and above) and nearly 30% to the second highest 20% (those earning between about \$150,000 and \$200,000)”. (DF 6.5).

While this argument can be considered valid if changes in the subsidy arrangements are simply focused on a welfare goal, other approaches to considering why support should be extended to middle and higher income families can also be considered. In particular as we have noted earlier with respect to FTB the merits of higher subsidies for these families using childcare need to be considered in the context of alternative policies which might benefit these households such as the previously proposed stage 3 tax cuts.

More generally there are other issues which need to be detailed including:

- The rationale for the \$80,000 cut off, and its applicability to both single parents and couples. For example, while median full time female earnings in August 2023 of \$78,000 is below the \$80,000 threshold, a couple who both work full-time and earn their gender specific earnings at the 10th percentile of the earnings distribution would have earnings of \$95,264, and hence be significantly above the threshold.
 - This is further considered in Table 1 which considers the subsidy rate under option 2 across the earnings distribution.
- A discussion of the transition proposed between the 100 per cent subsidy and the lesser rate of subsidy proposed to be paid above this point.

Table 1. Earnings of full-time employee families and Option 2 childcare subsidy rate, August 2023

Full-time Employee earnings at the:	Full-time earnings (\$ per annum)		Childcare subsidy rate (%) (a)	
	Single woman (b)	Couple	Single woman (b)	Couple
10th percentile	46,800	95,264	100.0	86.9
20th percentile	54,860	113,360	100.0	83.3
25th percentile	59,280	121,680	100.0	81.7
30th percentile	62,400	130,000	100.0	80.0
40th percentile	69,801	147,801	100.0	76.4
Median earnings	78,000	165,984	100.0	72.8
60th percentile	88,253	188,249	88.3	68.4
70th percentile	99,684	216,514	86.1	62.7
75th percentile	106,707	232,807	84.7	59.4
80th percentile	117,000	254,592	82.6	55.1
90th percentile	145,568	321,117	76.9	41.8

Notes:

1. Assumes families have one child under the age of 5.
2. Table presents gross earnings only and does not take into account Parenting Payment, FTB or taxation. To the extent Parenting Payment Single is exhausted by the 40th percentile of female full-time earnings its inclusion is not sufficient to raise the incomes of these parents to above the \$80,000 threshold, while FTB is excluded from the income test.
3. In this table it is assumed that a single parent is a female who earns at the identified percentile point of female earnings, and that couples comprise one partner earning at the percentile point for women and one at that for men.
 - (a) Due to the withholding of 5 per cent of the subsidy the actual out of pocket costs to parents will be higher.
 - (b) As gender specific earnings percentiles have been used it is assumed that a single parent is female or earning at the female rate, see note 3 above.

Source: Derived using ABS Employee Earnings August 2023.

More generally we are concerned that much of the analysis presented upon which the impact of policies can be considered has been based on the pre-July 2023 changes in the subsidy arrangements. We consider that the PC should provide revised analysis incorporating the new rates of subsidy. Additionally, while the PC includes some charts on the distribution of childcare costs as a proportion of disposable household incomes, this is an avenue which would merit further attention. This would include identifying the reasons why some middle and higher income families appear to have high out of pocket expenses (from Figure 6.1 it would appear that a quarter of households in the top decile of income who use centre based care spend more than 10 per cent of their disposable income on childcare), and whether it is appropriate to also consider funding structures which place a cap on this.

Indexation

As noted above we support an increase in the rate of hourly cap. The PC further, Information request 6.3, seeks input into how the daily rate cap should be indexed. We consider that the basis of indexation should be a measure of the cost of provision. While it might be argued that using a point in the distribution – such as the median charge – may make the cap endogenous to the actual fees charged and could lead to it being manipulated, we consider the use of a moment such as the median would avoid this.

Specifically we consider that measures such as CPI, or the Wage Price Index, should not be used as the basis of indexation as these are not necessarily related to the actual cost of producing childcare services.

There are also issues around the indexation of other elements of the childcare system. These, including the proposed use of an earnings threshold (such as the \$80,000 in the current draft), should be systematically identified by the PC along with appropriate indexation mechanisms.

OECD relative net cost

The Draft Report reports “OECD data suggests that Australian families where both parents are working and earning 67% of the average wage, who have two children attending ECEC full-time, would have net out-of-pocket ECEC expenses of 17% of income” (p. 23) and this is further detailed on pages 370 and 371, including Figure 6.7.

While the PC notes that these figures do not take account of the July 2023 subsidy changes, it ignores a more significant issue which is the OECD’s use of 40 hours care (using an average hourly cost based upon a 50 hour session) in lieu of a full sessional fee. This is a change which it appears resulted from Australian pressure to reduce the high ranking of Australia in comparative childcare costs as published by the OECD. It would be appropriate for the PC to investigate this matter further and seek to ensure that the Australian modelling is performed appropriately in the future.

Response to report

15. We support the PC proposals to increase the subsidy rate to 100 per cent for low income families, reform the activity test, and to appropriately index the fees cap, and argue this should be based on the median cost of producing services, and as recommended by the ACCC (2023, 9). However, we consider that:

- **The PC needs to examine the issues of the CSS rate above their low income cut-off point. This includes a closer review of the actual cut-off point, including the appropriate level of for couples relative to single parents, and the transition structure from the full subsidy. We consider that the PC has been overly dismissive of options to increase the level of support to middle and higher income earners by simply relying upon a welfare approach, rather than acknowledging the role of childcare in supporting workforce participation, in particular for women, for whom it is necessary, and in some cases under the PC proposals financially burdensome.**
- **The PC should provide more extensive analysis of the distribution of costs and EMTRs across the population of families using childcare for a range of possible restructurings of the CSS.**

2.7. Improved data and research

The Draft Report summarises the current situation as: “Governments collect vast amounts of data – but there are still many gaps in knowledge”, we would agree with this and the more specific findings concerning these gaps including “For example, how many hours of preschool education children receive when they are attending CBDC in the year before full-time school is not known ... Not enough is known about the ECEC experiences that make a difference to children, including, for example, the influence of staff qualifications or ratios on children’s outcomes (p.17), as well as the finding that “Governments have not set a clear agenda for research into ECEC to address these and other knowledge gaps”.

In response the PC recommends that: “The Early Childhood Education and Care Commission should implement a comprehensive research agenda to address some of the significant knowledge gaps around the factors that affect ECEC quality and their implications for children”. p3), and that prior to this: “The Australian Education Research Organisation could commence the process of developing and overseeing the implementation of a research agenda in the short term. [Draft Finding 1.2]

We consider that the approach should go beyond this:

- It is appropriate for all of the different bodies, including the Australian Government Department of Education, as well as state departments, to have systematic research and evaluation programs.
 - It is also unclear as to whether AERO alone is best placed for the initial development of an agenda which should encompass questions including, the economic structure of the ECEC sector, parental workforce participation and industrial relations issues in particular remuneration within the sector.

- Additionally, while a ‘research agenda’ is important to guide some investments and to ensure that there are no major gaps, the approach also needs to recognise the importance of bottom up research priorities and initiatives, and the provision of support for this. Indeed in Australia many of the major analysis of the Australian childcare – including the work of KPMG, Mitchell Institute, the FrontProject, and Grattan, has taken this form.
- Those bodies which currently hold data should ensure that this is shared not only with other parties involved in the operation of ECEC, but with academic and other researchers.
- There should be specific recommendations on the integration of administrative data, including for example the extension of the ‘Unique Student Identifier’ to ECEC to enable this and the construction of longitudinal datasets across the whole of the care and education systems.

2.7.1. LSAC

The paper notes “Most Australian studies on ECEC and children’s outcomes use the Longitudinal Study of Australian Children, which began in 2003, and may consider services at substantially different quality levels to those today.” (p. 108), and on page 487: “Without longitudinal studies, impacts such as higher income, reduced welfare dependency and lower involvement in crime cannot be fully assessed.”

Although improved longitudinal administrative data, and the development of linked data will provide an important resource for future analysis, there is also an important role for longitudinal survey data. This includes for the collection of a much wider range of covariates which are often irrelevant for administrative purposes, as well as options for including biological collections and delving into attitudinal and behavioural aspects of children’s and families’ experiences.

For this reason we urged in our initial submission:

that the Productivity Commission recommend the establishment of a new wave of the Longitudinal Study of Australian Children. As an individual child based collection this would allow for the inclusion of a range of important social characteristics as well as biological and other data. ... There is a clear need for a survey to extend to a new cohort of children, and for the implementation of a strategy for regular – say 5 yearly – cohort intakes to provide contemporary information and to enable the impact of changes in the delivery and use of ECEC to be monitored and assessed. (Bray and Gray 2023, 51-52)

We reiterate this call in this response to the Draft Report.

Response to report

16. There is a critical need for improved research, monitoring and evaluation of ECEC in Australia. Currently there is no specific recommendation from the Inquiry in this regard although draft Finding 1.2 contains some suggestions. We consider that such a recommendation should be included and that within this:

- **The PC should explicitly identify some of the key data gaps, including the nature of preschool provision in CBDC, and from this have findings which allocate responsibility for addressing these. Additionally this should address governments ensuring that there is effective access by stakeholders and external researchers to the data which they collect, including appropriate access to administrative data.**
- **While the PC identifies a need to establish a research agenda, and nominates the Australian Education Research Organisation (AERO) in the first instance, and then the proposed Commission, as the key bodies to develop this, there is a need to go beyond this approach and recognise the need for a more dynamic process including the role of support for bottom up research.**
- **There is also a need for an explicit reference to the importance of evaluation, and the obligations of governments to ensure that policies and programs are regularly, and publicly, evaluated.**

- **The PC should recommend a systematic approach to the collection of new samples for the Longitudinal Study of Australian Children.**

2.8. Inclusion Support Program

We consider there is a need for the PC to further consider the issues of inclusion and the operation of the Inclusion Support Program. The philosophical, policy and program issues concerned with inclusion are complex, while the ISP itself which has operated, in various guises, effectively since 1983.

Specifically we consider that caution needs to be exercised with grandiose statements such as “Only 1% of children in ECEC services (excluding dedicated preschools and In Home Care) are supported by funding from the ISP ... It is difficult to see how a program with such limited reach can achieve this intended outcome” (p. 46) and “Only a small proportion of children with inclusion needs receive support” (p. 58). This approach ignores the fact that the underlying basis of all ECEC provision is that it should be inclusive, as discussed by the PC on pages 150-151. That is inclusion is not an add-on to service provision, but an essential element of it. In this context the role of the ISP is rather focused on those cases where the circumstances of particular children are such that providing inclusive care for these children, along with their peers, requires additional resources.

In making this observation we note that the PC reports it “has not undertaken an in-depth review of the ISP but has focussed on three key issues” (p. 156). While with the breadth of this inquiry such a restriction is understandable, at the same time it is one which we consider means that the full scope of the question of inclusion and the nature of the ISP have not been considered, and the specific elements of the inquiry and recommendations have tended to be treated in isolation.⁷

Some issues which we consider need to be addressed are:

- Program information and transparency: The PC notes “Publicly available data on the ISP is limited” (p. 157). There would appear strong grounds for the PC to make an explicit finding and recommendation concerning the inadequacy of public accountability with respect to the limited availability of this type of information.^{8,9}
- The extent to which there appear to be significant and unexplained variations in ISP funding and Inclusion Agency (IA) activities across locations.¹⁰
- The role of specialist services including for example the apparent funding of some childcare services through the NDIS, and the limitations on access to ISP funding for children attending other specialist

⁷ A useful resource for the PC to grapple with the complexities of inclusion is the *Team Meeting Package - Disability Discrimination Act 1992* (ACECQA 2023). While this only addresses inclusion with respect to disability, it provides some useful insights.

⁸ It is noted that in the Deloitte review of the ISP (Deloitte Access Economics 2023) there is no information provided on the overall program budget and expenditure, no statistical information on the operations of the Inclusion Agencies, and to the extent administrative data was made available it reports “The existing data is complex, incomplete, cannot be reconciled, or fully matched across the datasets” (p. 34) and “There is limited documentation for the datasets, which leads to difficulties in analysing the data and ensuring appropriate conclusions are drawn” (p. 35).

⁹ More broadly there are a number of issues concerning the overall operation of the program which suggest some possible inadequacies in program management. We note for example that the ISP guidelines issued in July 2023 (DE 2023a) still state, section 1.6, “The program will be evaluated as part of the broader evaluation of the Child Care Package”, despite the fact that the package evaluation was delivered in August 2021, and the ISP evaluation in November 2021. Similarly is the report in the Annual Report “The department has identified significant non-compliance relating to the Inclusion Support Program (ISP). Grant agreements were entered into by a third party under a contractual arrangement, but without appropriate delegations in place. This occurred from the commencement of the program in 2016 until 31 August 2023, involving payments totalling approximately \$541.5 million. The appropriate delegations and processes are now in place” (DE 2023b, 86).

¹⁰ While this was examined in Bray et al (2021b) it does not appear to have been addressed in Deloitte Access Economics (2023).

services on the basis that “the environment does not provide an opportunity for the inclusion of children with additional needs in a mainstream care environment with their typically developing peers, which is a key objective of the program” DE 2023a, 15)

- The role of the ISP and social inclusion. The PC has noted that the focus of inclusion and the ISP has predominantly been on the inclusion of children with a disability. A major consequence of this is that with inclusion being seen in this way the ECEC sector, and policies related to the sector, have tended to avoid the larger question of social inclusion. As we discussed in our submission to this Inquiry, sections 3.2.1 to 3.2.3, the question of social inclusion has emerged as a very strong element of ECEC policy in many countries, and it would be appropriate for it to be considered further.

Notwithstanding the above we support the findings of the PC concerning the rate of the Additional Educator hourly subsidy and revisions to the allocation of approved hours (DR 2.4), the need for more efficient processes for the ISP, including the portal (DR 2.8) and the need for better coordination with states (DR 2.6). However in the latter we also note the need for better coordination between the IAs and states.

In other cases we consider that the draft findings of the PC need some further consideration. For example in draft Finding 2.7 the PC considers that the rules for additional educators are ‘restrictive’ citing “additional educators must meet National Quality Framework qualification requirements – meaning services cannot employ people with relevant experience and expertise in adjacent sectors, such as allied health, unless they also meet National Quality Framework qualification requirements” (p. 161). Such a conclusion might be valid if the role of the additional educator is seen as a support worker for the particular child, however under the philosophy of the program, this is not the purpose of the additional educator. Rather they are an additional educator for the group of children which includes a child who is seen as having additional needs, and they need to fulfil the full role of an educator for all of these children, including achieving full inclusion.¹¹

We also note that the PC reports data, Figure 2.2, that indicates that children aged under 6 years with a disability participate in childcare at higher rates than their share of the population, but this markedly reverses for those aged 6 to 12. In this regard we urge caution with this, given that the identification of ‘disability’ is independent in the denominator and numerator and the extent to which the classifications are consistent is not clear, as well as the degree to which specific age profiles for many types of disability identification are quite sharp. We draw the attention of the PC to analysis in Bray et al (2021a) which indicates that for children whose parents are in receipt of FTB and where the child has an identified health or disability on their record the relative rates of participation of these children is higher for children aged under 5 years (49.0 per cent for those with a condition compared with 39.4 per cent for those without), and for those aged 10-12 years (11.2 per cent compared with 9.3 per cent), although slightly lower (22.5 per cent compared with 23.1 per cent) for those aged 5-9 years (p. 244) While these records do not necessarily provide information on the full array of possible disabling conditions and may be confounded by identification occurring within childcare services, they nevertheless give an insight into participation.

Given the balance of these issues, we consider that caution should be exercised in DR 2.5 as regards “Increasing the funding allocated to the ISP”. While this may be merited, a more fundamental review to that undertaken to date by the PC and the Deloitte study would be warranted to justify this.

Response to report

17. There is a need for the PC to reconsider the discussion of the Inclusion Support Program (ISP). This should encompass recognition of the intent, included in the NQS, for all childcare services to be inclusive and of the role of the ISP as a supplementary program where specific additional resources are needed to achieve the objective of inclusion, rather than a universal supplementary program for children with additional needs.

¹¹ There is of course a more fundamental question relating to the specific concept of inclusion which the program embodies, and which raises questions around policies such as the strict requirement that children are only supported when included with their age specific peers, rather than developmental peers.

18. Attention also needs to be given to the effectiveness and equity of the ISP, including whether previously identified geographic variation has been addressed.

3. 'Unused childcare'

The PC presents in Draft finding 7.5 the claim “Families do not use a significant amount of the ECEC they pay for ...Children’s attendance patterns often do not align with hours charged for, meaning families and taxpayers pay for ECEC that is unused” (PC 2023, 443). We consider that a finding such as this requires much more robust analysis than currently provided by the PC.

The issue of the disjunction between ‘charged’ and ‘used’ hours was considered in the 2021 evaluation of the Child Care Package and we addressed it in our submission to the PC, noting that this was an integral element of the sessional basis of most centre-based childcare provision. Essentially parents are charged for the right to use childcare over the duration of the session – a charging approach which is common with some other industries such as gyms. The evaluation specifically reported with regard to service viability that this “reflects the underlying sessional structure of care, and charging regimes based on this. This means that the apparent hourly rate of a session is not an accurate reflection of the actual hourly cost of the provision of care to a child” (Bray et al 2021, 320). This was further reflected in the higher hourly rates for shorter sessions for those services which operated these, and the higher fees charged in the old ‘Occasional Care’ sector.

For the PC to make a claim that “families and taxpayers pay for ECEC that is unused” requires at a minimum some evidence that there is in fact “unused” childcare as a result of the sessional charging approach. This, as we understand it, is not the case. That is, there is little evidence of staff (who represent the major cost of childcare services) being idle, or allocated to non-necessary duties – ie being “unused”.¹² Rather to the extent staff may not necessarily be needed to maintain appropriate staffing levels in particular rooms, they are undertaking other necessary activities such as record keeping, training, and so forth, as well as relieving other staff for breaks. And indeed during periods of the day in which occupancy may be low, rooms might be combined to allow staff to be allocated to these other activities while maintaining adequate staffing ratios.

We note that related to this draft finding is Information request 7.3:

The Commission is seeking information on barriers and potential solutions to providing shorter sessions of ECEC that more closely mirror attendance patterns and are less expensive than full-day sessions, particularly in centre-based day care. Suggestions for ways that unused hours (‘air pockets’ in the system) might be made available to families who want access to ECEC on an occasional basis are also sought. (PC 2023, 443)

This request is we consider somewhat ill-conceived in that it does not ask the essential question of whether or not what are described as “unused hours (‘air pockets’...)” actually exist in terms of staffing. As such we would be sceptical about responses which are not grounded in the actual facts about provision.

While the use of sessional structures may be considered to involve some cross-subsidisation between groups of users, to the extent these consumers have choices of services and service types, this is a question about consumer choice. As cited by the PC we note that one alternative is the FDC sector where the nature of provision by individual educators, without the need to schedule the employment of employees, has led the sector the largely shift to an hourly use charging regime.

¹² Although services may be considered to have ‘spare capacity’, when measured against their maximum occupancy and hence some of the capital infrastructure of services may be underused, the relative contribution of this to cost is likely to be quite small, given the findings of the ACCC (2023, 42-43) and IPART (2023, 144). Further ‘spare capacity’ in this sense is currently driven by an inability of some services to recruit staff, rather than being spare capacity of the actual staff they employ to provide care.

We consider that the PC should revise its analysis of this issue, and should be cautious in presenting it in emotive terms.¹³

Response to report

19. The PC should closely re-examine the premise upon which draft Finding 7.5 is based, in particular the extent to which there is actual unused capacity within the actual operation of services, as well as introducing an understanding of how CBDC services operate within the sessional structure.

¹³ The presentation of the concept of not obtaining the value of the ‘service they pay for’ appears to echo the claim of the former Minister for Education Birmingham, who declared ‘it is unacceptable that families who routinely need and use only four, 6 or 8 hours of care are charged for 10 or 12 hours’ (Bita, 2015).

4. Draft supplementary paper 1 “Children’s outcomes”

We have a number of significant concerns with Draft Supplementary Paper 1 “Children’s outcomes”, which at its core is a literature review. We raise these because we consider it is critical that Australian ECEC policy is based on a realistic assessment of its impact, and that the PC has a very important role in the Australian policy environment in providing accessible and authoritative assessments of the evidence.

4.1. Overall approach

At a broad level we consider that the overall tenor of the paper is slanted towards attempting to extract positive findings, or to use the language of the paper, while some studies show that “ECEC can ...”, this is a long way from an evidence base which by and large does not go beyond “ECEC is associated with”.

In reviewing the literature in this field what becomes clear is the heterogeneity of results. While some studies find particular gains in some domains, others fail to do so. While some find results only for males, others find then only for females, or for very specific socioeconomic groups. While some find results fade, others do not, and studies in one country do not replicate those in another, and so forth. Essentially there is a lack of coherence across studies. This we consider has very strong implications for the broad validity of the research base. If the range of interventions considered produce quite different patterns of results, this suggests that either the natures of the interventions are different, or that the population which they relate to is different. We note in this context the recent Australian research on multilingual children in ECEC which posits the existence of quite strong mode effects (Lampe et al 2023).

There are also questions around causal pathways which require very careful consideration. This has several elements. The first is that many of the ECEC related initiatives have a number of elements which go well beyond the provision of ECEC such as home visiting, health screening and so forth. The second, especially for studies which use natural experiments, is that the counterfactual is frequently not known. That is whether the ECEC initiative is the substitution of higher quality care, for poorer quality formal or informal care, or a substitution of parental care. Similarly the mechanisms involved are often unclear. For example, where the initiative leads to higher parental employment and earnings, are the outcomes associated with higher family incomes, or the actual content of the ECEC service? For these reasons, for a substantial body of research the strongest conclusion which can be drawn is that of association not causation.

Addressing this requires a much more systematic approach than that currently contained in the paper. Central to this is to clearly identify the treatments in the study (and where possible their analogues in the Australian ECEC sector) and the population under study.

The question of type of treatment is only discussed at the end of the PC paper where it is noted that “It is plausible that CBDC and preschool could have different effects on children’s outcomes” (p. 117), and it is claimed that: “The international evidence has not identified clear differences between the effects of CBDC and preschool. In the studies examined by the Commission, the two models seem to lead to similarly consistent effects of broadly comparable magnitudes”, yet in the actual description of these studies there is no reference to the nature of the treatment to permit such claims to be verified.

As such the approach of the PC, in addition to the more specific issues we identify below appears to have proceeded without consideration of the key issue in Box 1.1 on page 100:

the relevance of a particular finding about an ECEC program for a specific policy question will depend on the similarity of the interventions and the cohorts between the two contexts, which must be carefully considered.

We do not see any evidence of the PC providing this type of consideration in this chapter, including in the applicability of the “range of potential benefits” identified on page 102.

We are also concerned by the use of language such as “findings from rigorous evidence” and “credible studies” where there is no reference to the methodologies of the studies, nor any specification of which may be credible, and on what criteria. If this sort of language is to be used there needs to be a clear statement of the criteria used, and evidence of this being applied to the specific study.

We would also emphasise that in almost all studies, the focus has been on average treatment effects (or intention to treat), at best broken down by broad demographics and social characteristics, and are not individual outcomes. As such particular care needs to be given to ensure that the plurality of ‘children’ is not used in ways that suggest all may have such an outcome.

4.2. Examination of some elements

We are also concerned that in the paper the PC has not well reported some of the literature and overgeneralised many of the findings. To illustrate this we consider two extracts from the paper and the literature cited. The first concerns educational attainment, the second crime. In giving these two examples we note that we have also looked at some other elements, including on the distribution of outcomes, and found similar issues, but have not systematically documented these. As such we stress these are just two examples, and reiterate the need for the whole of the paper to be reviewed.

4.2.1. Educational attainment

On page 105 the PC reports, under the heading of “Educational Attainment”:

... However, others considered less targeted (Deming 2009; Gray-Lobe et al. 2023) or universal programs (Bingley et al. 2018; Dumas and Lefranc 2010; Gruber et al. 2023; Havnes and Mogstad 2015; Silliman and Mäkinen 2022) that were implemented more recently, and still found substantial benefits. (p. 104)

As detailed in the table below there are a number of issues which require attention:

- The concept of Deming 2009; Gray-Lobe et al. 2023 being ‘less targeted’ is only credible at the margin relative to very highly targeted programs.
- The concept of the other papers being ‘more recent’ is questionable as most of them relate to policies in the 1970s, with one at least including the 1960s.
- While the language of ‘universal’ is used, a number of the programs are restricted to children aged 3 years and over.
- The nature of the programs vary considerably with some being highly pedagogical (such as the French École Maternelle see attachment A) and
 - This also raises a broader question as to whether or not the formal preschool and childcare are equivalent services, and the extent these programs have specific educational objectives.
- The concept of ‘substantial benefits’ does not appropriately reflect the actual findings of the studies cited. In particular the extent to which a number find:
 - Positive outcomes are only, or predominantly, recorded by males.
 - Strong heterogeneity by parental status or income.

Reflecting this, we consider that there are strong grounds for the reporting by the PC to be much more qualified.

Table 2. Literature cited by PC regarding educational attainment

Study	Population	Treatment	Findings	Comments
Deming, David. 2009. "Early Childhood Intervention and Life-Cycle Skill Development: Evidence from Head Start" American Economic Journal: Applied Economics 2009, 1:3, 111–134	US Headstart 1984-1990 90 percent of participants at or below the federal poverty level, on public assistance, or be foster children. Usually 3 year olds	9 month full- or part-day program (usually 1 year, some 2) In addition to preschool education, Head Start provides services such as medical, dental, and mental health care (including nutrition), and child development assistance and education for parents	"long-term impact of Head Start is about 0.23 standard deviations on a summary index of young adult outcomes, with larger impacts for African Americans and relatively disadvantaged children" (p129) "no impact of Head Start on criminal activity" (p. 112)	It is difficult to see this as being 'less targeted'. Unclear which educational attainment is being described, as a range are considered, for example high school graduation only for males, black and low education mothers, and indeed for non-black participants all of the reported educational outcomes (Table 5) were insignificant, despite being half the participants. Test results generally fade. Benefits flow mainly to disadvantaged
Gray-Lobe, Guthrie, Parag A. Pathak Christopher R. Walters. 2022. The Long-Term Effects of Universal Preschool in Boston. The Quarterly Journal of Economics, 363–411	Boston 1997 to 2003 "US Public preschool in Boston is universal in the sense that eligibility extends to all children residing in Boston ... in practice the program is rationed and enrolls a relatively disadvantaged student population with high shares of nonwhite and low-income students" 4 year old children	K1, mix of half-day (2.5hrs and full-day 6hr) kindergarten	"Fewer disciplinary incidents in high school, take the SAT and graduate high school at higher rates, and are more likely to enroll in college. (p. 405) Effects "generally larger for boys than for girls" Differences in estimates by race and income are mostly statistically insignificant (p. 399). "Estimates for low- and higher-income students are generally not statistically distinguishable (p. 399) [but this is within the population which is relatively disadvantaged].	Again 'less targeted' is a relative term given targeting of program. Impact mainly for males

Study	Population	Treatment	Findings	Comments
<p>Bingley, Paul, Vibeke Myrup Jensen and Sarah Sander Nielsen. 2018. Effects of day care on long run child and mother outcomes.</p> <p>This reference is not fully cited by the PC, although there is a 2017 PowerPoint presentation with this title and a related 2015 manuscript. “Maternal employment, child care, and long-run child outcomes” (Bingley Jensen and Sander Nielsen 2015), and a related paper by Sander (2021)</p>	<p>Denmark 1963 to 1975</p> <p>Transition from targeted to universal care increase in daycare centres</p>	<p>Childcare expansion</p> <p>No information provided on actual service types.</p> <p>[Sander (2021, 6) notes “the focus of the institutions changed from being a place where children could stay during work hours to institutions with a focus on child development”</p>	<p>Education – years, high school and university all increase (Slide 13)</p> <p>“Effects are found ONLY for boys, NOT for girls” (Slide 15), and positively linked to mother’s schooling.</p> <p>Mechanism: “substitution from informal (nonmaternal) to institutional day care for college mothers who were already working (Slide 16) and “long run schooling & earnings benefits – Day care itself & via increased household resources”</p> <p>[note Sander (2021) also identifies impact on lower fertility]</p>	<p>Positive educational outcomes but only impacts males.</p> <p>For educated mothers the program impact is that of higher quality care relative to low quality care, not the impact of childcare per se. and for others driven by income.</p>
<p>Dumas, Christelle and Arnaud Lefranc 2010. Early schooling and later outcomes: Evidence from pre-school extension in France. Thema Working Paper n°2010-07</p>	<p>France Universal Expansion of École Maternelle in 1960s & 1970s</p> <p>3 to 5 year olds</p> <p>Enrolment rate of 3 years old rose from 35% to 90% and of 4 years old rose from 60% to virtually 100%</p>	<p>Considers both access and duration (1- 3 years)</p> <p>Formal preschool in École Maternelle</p>	<p>Positive outcomes on grade repeat, graduation and earnings.</p> <p>“The effect is almost entirely driven by children from middle and lower social classes while those from upper social groups hardly gain anything from preschool (but do not suffer from it neither” (p. 23)</p>	<p>Positive outcomes.</p> <p>Benefits only for lower and middle, although top do not have negative.</p> <p>Treatment only from age 3 onwards</p> <p>École maternelle is a formal education system not comparable with Australian ECEC (see Attachment A)</p>

Study	Population	Treatment	Findings	Comments
Gruber, Jonathan, Tuomas Kosonen, and Kristiina Huttunen. 2023. Paying Moms to Stay Home: Short and Long Run Effects on Parents and Children NBER Working Paper 30931	Finland Universal 1988-2019	Home Care Allowance (HCA) payment to mothers to enable them to stay home with children. Reform of Day Care Fees (focus on fee reductions)	[Note reverse direction as if for HCA]: “negative effects on child cognitive outcomes in the short term, and corresponding indicators of worse long term outcomes in terms of educational attainment and crime. These negative effects may arise through either a shift in the locus of care from relatively high-quality publicly provided market to home, or through reduced labor market attachment of mothers in the long run (and associated reduced income)”. No evidence of heterogeneity – education or prior income	Negative HCA implies positive for alternative (confirmed by additional analysis on fee reform) No evidence of heterogeneity However, authors note the potential for this to either be a parental income effect or a substitution of poor for higher quality childcare, hence raising questions as to the counterfactual.
Havnes, Tarjei and Magne Mogstad. 2015. Is universal child care leveling the playing field? Journal of Public Economics 127: 100–114	Norway Expansion of childcare from 1976, Universal for children 3 to 6 year olds	“Childcare - regulated on educational content and activities, group size, staff skill composition and physical environment ... comparable to universal child care programs in other countries, but substantially lower than in most targeted programs” (p. 103)	“While there is a positive mean impact on years of schooling, the effect is largely driven by children of low income parents. There is no change in the educational attainment of upper-class children.” (p. 108) “estimates on test scores are close to zero, and they are sufficiently precise to rule out any economically relevant effect” (p 108) “We find that most of the gains in earnings associated with the universal child care program relate to children of low income parents, whereas upper-class children actually experience a loss in earnings”	Positive but only for children with low income parents This analysis has been expanded by Andreoli, Havnes and Lefanc (2019) which notes: “Among lower-class children, the reform had a small positive effect in the bottom of the distribution but an increasingly large and positive effect as we move up the conditional earnings distribution ... “within the middleclass, effects are positive at the bottom of the earnings distribution and turn negative at the upper end of the distribution” “upper-class children. In this group, the reform has a modest positive impact for children in the bottom of the conditional distribution but a large negative impact in the top of the distribution” (p. 364) If education is not the mechanism for the lower performance of higher income question of other factors – negative non-cognitive?

Study	Population	Treatment	Findings	Comments
<p>Siliman, Mikko and Juuso Mäkinen. 2022. Childcare, social skills, and the labor market (Currently under revision)</p>	<p>Finland 1973 Childcare law, affecting children born between 1970 and 1976</p>	<p>Childcare expansion in rural municipalities</p>	<p>Educational outcomes (Table 6)</p> <p>At 10th percentile of parental earnings</p> <p>-ive*** dropout rate – ie it drops</p> <p>+ive*** :High school graduation, Tertiary education and Years of education.</p> <p>At 50th percentile</p> <p>All effects small and not significant</p> <p>At 90th percentile</p> <p>+ive ns dropout rate</p> <p>-ive : High school graduation**, Tertiary education***, years of education**</p> <p>Similar pattern for visual spatial, academic and social skills (limited to male sample only)</p> <p>Conclusion: “Our evaluation of the effects of the policy suggests that public childcare access benefits children from poor families, and increases intergenerational mobility, but may even hurt children from more affluent families. (p.33)</p>	<p>Very strong heterogeneity in educational outcomes:</p> <p>Positive at bottom</p> <p>Neutral in middle</p> <p>Negative at top</p> <p>But authors note “we lack data on the counterfactual mode of care” (p. 5)</p>

4.2.2. Crime

The second example we would cite is with regard to the impact on crime. The text in the draft says:

Contact with the justice system

Effects on contact with the justice system are usually found to be strong when they are measured, but these outcomes are only measured infrequently. The Perry Preschool Program and the Abecedarian Project have both been found to reduce offending by very significant margins (García et al. 2020, 2021), but significant caveats around their relevance to Australia apply. Less targeted or universal preschool programs in the US have also been found to reduce criminal convictions (Anders et al. 2023; Gray-Lobe et al. 2023; Smith 2015).

There is less evidence outside of the US. An analysis of two Finnish reforms that affected ECEC use suggested that accessing ECEC services reduced youth criminal convictions (Gruber et al. 2023). And an expansion of universal preschool in Japan reduced juvenile arrests, particularly for violent crime, and teenage pregnancy – despite the very low baseline rates of these outcomes (Ando et al. 2023). (p. 106)

This then leads the PC to declare in their summary of the evidence:

Contact with the justice system

What has been found?: Fewer offences committed and less contact with the criminal justice system.

How strong is the evidence?: Evidence is strong where it exists, but relatively rare. It is mostly limited to targeted programs. (p. 102)

The reporting of the research in the text on page 106 is considered in more detail below:

Abecedarian

The claim that the Abecedarian program has “been found to reduce offending by very significant margins” is very tenuous.

The major studies on the Abecedarian program find no impact on crime. These are considered further below. The García study referenced (García et al 2020)¹⁴ relies extensively upon modelled work. More specifically while the first two studies look at criminality up to the age of 21, García seeks to distance the analysis by extending the age range. The paper reports that it considers “crimes that participants commit through their mid-30s; and we use microdata specific to the states in which participants grew up, as well as other national data sets, to forecast criminal activity from the mid-30s to 50”. Notwithstanding the issues of the extended time period of the modelling process, the implication that there was no excess criminality up to the age of 21, but burgeoning criminal conduct after this seems implausible, given usual patterns of offending.

Turning to the other studies Clarke and Campbell (1998) undertook a specific study into the impact of the program on crime and summarised this, and their findings, as:

The Abecedarian Youth Crime Study considered whether the project affected adult crime of participants from age 16 to 21. In terms of the amount and type of arrests and of charges filed, no significant differences were found either in comparing preschool with no preschool, or in comparing preschool plus school-age in-home services with no service. No effects on crime appeared in either males or females. (Clarke and Campbell 1998, 319)

Campbell et al (2012) report on a comprehensive ‘age 30’ follow up of Abecedarian participants, reporting “Overall, the findings provide strong evidence for educational benefits, mixed evidence for economic benefits and little evidence for social-adjustment outcomes (pp 1-2). More specifically they report:

¹⁴ While the PC also cites García (2021) this paper appears to be solely concerned with follow up of Perry not Abecedarian.

Criminal activity: The selected key outcome for the social-emotional domain was whether the individual had been convicted of a crime. No evidence emerged indicating treatment differences in criminal activity. The percentages within the treated and control groups were virtually identical: 27.45% and 28.27% for the treated and control groups respectively. (p. 11)

Barnett and Masse (2007) in their examination of the benefit-cost of the Abecedarian project, while not drawing on additional research, discuss some possible reasons why there was this null effect on crime, including reference to Schweinhart & Weikart (1997). This latter compares Perry Preschool with traditional ‘nursery school’ and ‘direct instruction’ preschool, finding the lowest rate of crime for Perry, followed by nursery, and then direct instruction, and considers curriculum to be a key factor. It needs to be recalled that all of these were initiatives in the late 1960s, with disadvantaged children with an average Child Stanford-Binet IQ at program entry of around 78 (borderline impaired or delayed).

The findings for both Perry and Abecedarian have also been questioned on methodological grounds, with Anderson (2008) reanalysing the data focusing on statistical inference. This finds the only crime effect is for females who participated in Perry:

No adult Perry crime effect rejects when controlling FDR [false discovery rate] at the 5% level, and only one rejects at the 10% level (adult female arrests). It is thus unsurprising that these effects fail to replicate in the Abecedarian study. (p. 1493).

Other US Anders et al. 2023; Gray-Lobe et al. 2023; Smith 2015

The Anders, Barr and Smith (2023) finding is one which needs some qualification as the impact was quite specific. The analysis reported:

We find that Head Start availability in the 1960s and 1970s reduces the likelihood of a serious conviction by age 35 by 1.3 percentage points in high- poverty counties but has no measurable effect in low-poverty counties. Implemented two-to-three decades later, Smart Start¹⁵ generates similar reductions in adult criminal behavior, with effects similarly concentrated in high- poverty counties and among Black children ... We also find that Smart Start’s effects are largest in counties without Head Start access, which suggests that there are diminishing returns to early childhood education funding. (pp 66-67)

It is also important to note that this was not an overall analysis of the Head Start program, but was restricted to North Carolina with the authors indicating:

While North Carolina is the ninth most populous state and has a similar age distribution (and percentage of young children) as the rest of the country, the state has a much higher percentage of Black individuals. This is advantageous for studying the effects of early childhood education on the criminality of Black individuals (who are both more likely to be affected by these programs and more likely to be convicted of a crime) but may limit the generalizability of the resulting estimates to states with smaller minority populations. (p. 66)

At the item level Gray-Lobe, Pathak and Walters (2023) find some effects for the number of suspensions in high school, and juvenile incarceration, and an overall disciplinary index formed from all of the individual items, only the latter is strongly significant (p. 395). In subgroup analysis the results are only significant for boys, for Blacks and those eligible for free lunches (p. 398), again pointing to a very specific, rather than general, result.

Smith (2015) again comes to a very specific conclusion regarding the impact of Oklahoma’s universal prekindergarten program:

¹⁵ Smart Start is a North Carolina public-private partnership which supports community based ECEC initiatives. In addition to supporting the provision of accessible quality ECEC services the program supports these through ancillary initiatives in areas such as child health screening, early literacy programs and home visiting and parenting education. (Smart Start 2023)

I find a significant negative impact of UPK [Universal Pre-Kindergarten] availability on the likelihood that black children are later charged with a crime at age 18 or 19, but no impact on the likelihood of later charges for white children. (p. 28)

Missing US literature:

We have not undertaken any significant review of the literature but would note a number of US studies which appear to have been omitted, including Deming (2009) who reports “no impact of Head Start on criminal activity” (p. 112), and Miller, Shenhav and Grosz (2019) who conclude: “We do not find that Head Start meaningfully reduces the probability of committing a crime” (p. 22).

Evidence outside of the US

While Gruber et al (2023) is cited as providing evidence of the impact of ECEC on crime the question of crime does not feature in the specific study of ECEC in that paper, but rather only with respect to the HCA and as such the treatment is the impact of mothers staying at home. To ascribe it to childcare requires one to first assume that childcare was the counterfactual activity for children, and secondly to dismiss the possibility that it is a family income effect as a result of the mother staying at home on the allowance rather than working.

We note that the PC has omitted some studies which suggest that ECEC in Norway (Wentzel 2023), and Spain (Brutti and Montolio 2021), have a moderating impact on crime. This again indicates a need for this type of review to consider the literature systematically.

4.3. Directions for the PC

We consider that the issues we have raised warrant a total rewriting of the “Children’s outcomes” chapter.

A first step for this would be a systematic literature review. There are a number of existing reviews some of which are cited in the work of Howells et al (2022) for the South Australian Royal Commission, which can be used as exemplars. This type of systematic review is important in bringing the evidence together coherently to allow consistent consideration of issues such as: defining the treatment, the population impacted, and defining the methodology used in the study, as well as the outcomes. It is also an approach which seeks to minimise the risk of bias in the selection of studies. A central focus of this, as well as an appreciation of the methodology, needs to be on the questions of “what program types impact on who”, rather than broad generalisations. This then requires a careful and considered approach to which of the studies may be relevant to Australian institutions and Australia’s economic and social context.

The PC Draft Report also contributes two findings based on this material:

- Draft Finding 1.1: “Evidence shows children benefit from attending high-quality ECEC”.
We consider that, in addition to the need to remove the loaded terminology of ‘credibly evaluated’, unless this is underpinned and documented by an appropriate methodology, needs to replace blanket absolute statements such as “have been found to benefit children” with more appropriate language, for example, “has: frequently/in some but not all studies: been found to be associated with more positive outcomes for most children/ some children/ some specific highly disadvantaged groups of children”.
- Draft Finding 1.2: “There is more to learn about how ECEC programs can best improve children’s outcomes”.

While the statement is correct, it is also asymmetrical in that there is also as much to learn about how these programs can avoid having negative effects. This asymmetry also appears in the first dot point which speculates on the value of inclusion of some for the outcomes of others. The third dot point which indicates that “Predictions of how children’s outcomes will be affected” by characteristics of provision is critical, and as we have indicated above, there is a need for caution in seeking to summarise the results of the existing body so as not to make such predictions about the impact of programs.

Response to report

20. Supplementary paper 1 should be revised. This needs to be based on a comprehensive and systematic literature review and better address the heterogeneity in treatments, the treated population, and outcomes.

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Attachment A: French École Maternelle

This is an extract from the curriculum of the French école maternelle and details the expected outcomes with respect to language and mathematics. As it illustrates the pedagogy is much more directed at formal learning than Australian preschool, and educational outcomes achieved from participation need to be seen through this lens.

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<https://www.education.gouv.fr/bo/15/Special2/MENE1504759A.htm>

Language

1.3. What is expected of children at the end of l'école maternelle

- Communicate with adults and other children through language, making yourself understood.
- Express yourself in syntactically correct and precise language. Rephrase to make yourself better understood.
- Practice various uses of oral language: tell a story, describe, evoke, explain, question, propose solutions, discuss a point of view.
- Recite several nursery rhymes and poems expressively from memory.
- Understand written texts without any help other than the language heard.
- Show curiosity about the written word. Be able to repeat the words of a written sentence after it has been read by the adult, the words of the known title of a book or text.
- Contribute verbally in the production of writing. Knowing that we don't write the way we speak.
- Identify regularities in the language when spoken in French (possibly in another language).
- Manipulate syllables.
- Discriminate sounds (syllables, vowel sounds; some consonant sounds apart from plosive consonants).
- Recognize the letters of the alphabet and know the relationships between the three ways of writing them: cursive, script, capitals. Copy written text using a keyboard.
- Write your first name in cursive writing, without an example.
- Write a word alone using letters or groups of letters borrowed from known words.

4.1.2. What is expected of children at the end of l'école maternelle

Use numbers

- Evaluate and compare collections of objects with numerical and non-numerical methods.
- Create a collection to match a given number. Use counting to compare two quantities, to form a collection of a given size or to make a collection of quantity equal to the proposed collection.
- Use a number to express the position of an object or a person in a game, in an organized situation, in a rank or to compare positions.
- Use analogue, verbal or written, conventional or unconventional symbols to communicate oral and written information about a quantity.

Study numbers

- Understand that the number does not change if we modify the spatial arrangement or the nature of the elements.
- Understand that any number is obtained by adding one to the previous number and that this corresponds to adding one unit to the previous quantity.
- Quantify collections up to at least ten; compose and decompose them through actual and then mental manipulations. Say how much must be added or subtracted to obtain quantities not exceeding ten.
- Talk about numbers using their factors.
- Recite the sequence of numbers up to thirty. Read numbers written in digits up to ten.