

Ms Lisa Gropp, Mr Martin Stokie & Prof. Deborah Brennan
Productivity Commission
Level 8, Two Melbourne Quarter
697 Collins Street
Docklands Vic 3008

7 June 2023

Re: Productivity Commission Inquiry into Early Childhood Education and Care (2023)

Dear Commissioners,

The Paul Ramsay Foundation (PRF) welcomes the opportunity to provide a submission to the Productivity Commission Inquiry into Early Childhood Education and Care ('Inquiry'). Our purpose is to help end cycles of disadvantage in Australia by enabling equitable opportunity for people and communities to thrive.

As one of Australia's largest philanthropic organisations, PRF has invested more than \$100 million into early childhood initiatives and organisations to break complex cycles of intergenerational disadvantage.

The goal of PRF's investment in early childhood development is for all children in Australia to start school developmentally ready. Most recently, the focus of this work has been on supporting partner organisations who are working to strengthen the developmental foundations of children from conception to two years. There is a strong relationship between a child's experience during this time and outcomes across learning, health and wellbeing. In line with the evidence, we are focusing our investment across a range of domains during this period including early caregiving relationships, parenting and the home learning environment.

While the scope of the Inquiry's Terms of Reference focuses on options to improve Early Childhood Education and Care (ECEC), we note that separate reviews and strategies are underway focusing on different components of the early years, as well as key reforms expanding access to ECEC in several jurisdictions. We encourage the Commission to maintain a broader understanding of child wellbeing and development which will ideally generate more holistic investment in the social determinants of child wellbeing. These determinants are shaped by household and community factors (as well as experience of ECEC), so corresponding investment at these levels is needed to shift the dial on children's outcomes.

We are specifically interested in contributing to the Inquiry in relation to:

Outcomes for children and families experiencing vulnerability and/or disadvantage, First Nations children and families, and children and families experiencing disability.

We welcome the policy intent of the Commonwealth Government's consideration of a 90% universal subsidy for ECEC – all children and families deserve access to high-quality and affordable ECEC. The introduction of a universal 90% subsidy is not an immediate fix to the complex set of challenges facing the sector, including poorly matched demand and supply, the health and wellbeing of the ECEC workforce and structural inequalities.

Without addressing existing system inequalities (particularly in relation to the activity test and eligibility for Child Care Subsidies which excludes and limits access to the children who are most likely to benefit), a 90% subsidy could risk adverse unintended consequences for children, families and communities experiencing entrenched disadvantage. Addressing the factors of access, quality, funding and workforce (as outlined below) should be the highest priority for improving equity and outcomes for all children.

We strongly support reforms that deliver ECEC as a *universal entitlement*, where all children can access and participate in high quality services – regardless of their parents' workforce participation or visa status. PRF seeks to draw the Inquiry's attention to the key considerations needed to ensure that the children who are currently missing out can get the additional targeted supports aligned to need, within universal ECEC settings.

Drawing from our work with our funding partners and the communities they work with, a summary of our key ideas and recommendations is included below. We welcome the opportunity to discuss any of our comments below in more detail.

Key messages

All children deserve access to high-quality, consistent ECEC but there is an uneven access to quality ECEC services. Children and families experiencing socio-economic disadvantage are less likely to attend ECEC, and when they do attend, they are more likely to access poor quality services than their more advantaged peers.

- In 2021, more than 60,000 children were assessed as developmentally vulnerable on the Australian Early Development Census (AEDC) when they started school, and research has identified that the children who start school behind struggle to catch up – they are less likely to finish school, more likely to experience unemployment and poorer health outcomes throughout life.¹
- In Australia, children from low socio-economic status backgrounds, culturally and linguistically diverse (CALD) communities, rural and remote areas, as well as Aboriginal and Torres Strait Islander children, are more likely to experience disadvantage and have a higher risk of poorer developmental outcomes across key developmental domains on the AEDC. Recent research estimates that **nearly one third of communities across Australia (29% of SA2s) experience significant levels of socio-economic disadvantage and developmental vulnerability on two or more of the AEDC domains.**²
- High quality ECEC has been shown to support improved early childhood development and shift the life trajectories of children. The evidence is clear that the right dose of high

¹ The Front Project, 2022. [Supporting all children to thrive.](#)

² Deloitte, 2023. [Exploring need and funding models for a national approach to integrated child and family centres](#)

quality ECEC services can not only accelerate positive outcomes for children but can have a buffering effect for children who are experiencing disadvantage.³

- Modelling by PRF funding partner, The Front Project, has found that investment in high quality programs for children experiencing significant disadvantage produces a return on investment of \$10 to \$17 for every \$1 invested.⁴

We want to see **the nearly one third of Australian communities that are experiencing disadvantage and higher rates of developmental vulnerability** placed at the centre of the development of a blueprint to strengthen the ECEC system, so that they – and all communities across Australia – reap the life-course benefits. We direct the Inquiry to four key priority areas to support improved outcomes for children experiencing disadvantage, and that must be addressed to ensure that any future 90% subsidy reaches children, families and educators working in communities where it will have greatest impact:

1. Access;
2. Quality;
3. Funding; and
4. Workforce.

1. Access: The activity test and eligibility for Child Care Subsidies (CCS) under Family Assistance Law are systemic barriers to accessing ECEC that need to be addressed. The activity test should be abolished and all children living in Australia should have access to at least 3 days of ECEC. The current system leads to lower rates of participation for children and families experiencing disadvantage.

- Children experiencing disadvantage are less likely to be enrolled in ECEC and tend to have lower rates of attendance due to a range of systemic barriers. These include affordability of ECEC fees and direct out of pocket costs, complex subsidy and service eligibility requirements, accumulation of multiple life stresses, lack of accessible information and resources when English is not a first language, inconsistent availability of culturally safe and culturally appropriate care, lack of resources to support children with a disability, and indirect costs such as transport, bonds, food and clothing.⁵
- The current CCS settings are a significant barrier to accessing ECEC for lower-income families that have irregular or insecure work, or who face barriers to employment. This is estimated to lock out 126,000 children from receiving education and care, particularly children from single parent, low-income, Aboriginal and Torres Strait Islander and non-English speaking families.⁶ When the activity test was suspended for all families during

³ Taggart, B., Sylva, K., Melhuish, E., Sammons, P., & Siraj, I., 2015. Effective pre-school, primary and secondary education project (EPPSE 3-16+): How pre-school influences children and young people's attainment and developmental outcomes over time

⁴ The Front Project, 2022. [Supporting all children to thrive](#).

⁵ dandolopartners, 2021. [Links to Early Learning Evaluation Report](#).

⁶ Impact Economics, 2022. [Childcare Subsidy Activity Test: undermining child development and parental participation](#).

COVID-19, Aboriginal and Torres Strait Islander families experienced greater access, and childcare use increased by 12% in 9 months.⁷

Recommendations

- PRF recommends the **full suspension of activity test requirements** to ensure the children with the most to benefit from ECEC can meaningfully access subsidised services. All children should have access to at least 72 hours of subsidy per fortnight, with more available to those who need it.
- The Commission should also consider how to **expand greater subsidy access to children of temporary protection visa-holders** who are not eligible for the CCS, noting they have been excluded from support for some time.
- Recognising the benefits of access to high quality ECEC for all children and for parents, PRF recommends transforming children’s access to ECEC from the current model where eligibility is determined by parents’ workforce participation, to a **universal access model where all children have an entitlement to a minimum number of subsidised ECEC days per week**, in line with the concept of the ‘Guarantee for young children and families.’^{8, 9} This should factor in eligibility for **increased access for children experiencing disadvantage**.
- PRF recommends that reforms to the ECEC system must also address the wider systemic and non-financial barriers to access that families experiencing disadvantage face. Future reforms must include funding at a service or community level to enable services to consistently provide all families with the evidence-based supports that improve access, including:
 - **Outreach** through activities such as home visits, attending services with parents, providing transport to families without cars;
 - **Co-location of ECEC settings** with other health, social, learning and community services;
 - **Provision of service navigators or linkers** to assist families to navigate the wider health, social and financial support systems;
 - **Parent and caregiver engagement strategies** that encourage parents and caregivers to engage with their children’s learning.^{10, 11}

⁷ As above, page. 18.

⁸ See Goodstart submission to the Productivity Commission, 2023.

⁹ Centre for Policy Development, 2021. [Starting Better: a guarantee for young children and families](#).

¹⁰ Grace, R., Woodrow, C., Johnston, C., & Ballantyne, C., 2022. [Check-ups Before School \(Cubs\): Final Report of the Pilot Study](#).

¹¹ dandolopartners, 2022. [Understanding 'Linkers'](#).

2. *Quality: Under current ECEC policy settings, children from low-income families are more likely to experience lower quality ECEC than their more advantaged peers, contributing to a significant disparity in outcomes across the life course.*

- Participation in high quality ECEC supports children to develop life-long skills for learning and leads to improved academic and wellbeing outcomes.¹² Several studies have also reported that participation in high quality ECEC programs has greater benefit for children experiencing disadvantage, compared to their more advantaged peers.¹³
- Under current policy settings, children with the most to gain from high quality ECEC are more likely to miss out. The E4Kids research found that there are fewer ECEC services available in low SES areas in Australia, and those programs provide on average lower quality ECEC than in more advantaged neighbourhoods.¹⁴
- Programs such as the Early Years Education Program trial demonstrate the transformative impact of high quality ECEC programs on children experiencing significant disadvantage. A longer duration and higher quality of provision are a specific focus of the trial. Higher quality was delivered through “**better ratios of adults to children, higher qualification levels for all staff, small group sizes, and the enactment of relational pedagogy.**”¹⁵ Large and statistically significant impacts of the Early Years Education Program trial were identified on children’s cognitive and language development, as well as a large impact on social and emotional development.
- High quality ECEC requires more resources – especially when being delivered in rural and remote communities – and is not effectively costed into the overall ECEC funding model. Some services make this work, but it is not systemic and relies largely on good will and additional time donated by educators and teachers.
- Not-for-profit providers have been shown to deliver higher quality ECEC with lower fees for families, and are more likely to pay staff above the award rate and to serve communities experiencing disadvantage.¹⁶ Under current settings, the not-for-profit share of the ECEC market has been shrinking.

Recommendations

- **Lifting quality is a critical requirement alongside any scaling of access to ECEC, to ensure that children’s learning and development outcomes improve with greater access to ECEC.** Reforms must ensure that the ECEC funding model incentivises the delivery of high quality ECEC programs, and prioritises investments to improve quality in communities experiencing high levels of socioeconomic

¹² Molloy C., Quinn, P., Perini, N., Harrop C., Goldfeld S., 2018. [Restacking the Odds – Technical Report: Early childhood education and care: An evidence based review of indicators to assess quality, quantity, and participation.](#)

¹³ As above.

¹⁴ Cloney, D., Cleveland, G., Hattie, J. & Tayler, C., 2016. Variations in the Availability and Quality of Early Childhood Education and Care by Socioeconomic Status of Neighborhoods, *Early Education and Development*, 27:3, 384-401.

¹⁵ Tseng, Y. P., Jordan, B., Borland, J., Clark, M., Coombs, N., Cotter, K., ... Sheehan, J., 2022. [Changing the Life Trajectories of Australia’s Most Vulnerable Children - Report No. 5: 36 months in the Early Years Education Program: Assessment of the impact on children and their primary caregivers.](#)

¹⁶ See Goodstart submission 2023.

disadvantage and developmental vulnerability on the AEDC. Improving the quality of ECEC will predominantly be achieved through:

- Investments in the workforce and creating the conditions in ECEC services that support effective pedagogy.¹⁷
- Support for growth in provision of ECEC by high quality and inclusive providers who have lower fees, pay staff above award rates and serve communities experiencing disadvantage.
- The ability to measure and track children's outcomes, both at the individual ECEC program-level as a way to support improvement of teaching strategies, and over the long-term at the system level, will be a critical enabler for improving the quality of ECEC services. We would welcome an accelerated development of a nationally consistent early years outcomes data strategy, which builds on the existing efforts of the Federal Department of Education's Preschools Outcomes Measurement Expert Advisory Group.

3. *Funding: The current funding model for ECEC should be redesigned to work better for children experiencing disadvantage and reflect the diverse needs of services working in rural, remote and Aboriginal and Torres Strait Islander communities.*

- As the primary funding mechanism for ECEC services, the Commonwealth Government's Child Care Package has had limited effectiveness in supporting children from low income or disadvantaged families. The measures within the Child Care Package that are targeted at families facing barriers to ECEC, effectively translate to only one day of subsidised care per week, which is seen as insufficient to support children's learning, development and preparation for school readiness.¹⁸
- Services funded under the CCS report struggling to support children with additional needs and over 10% of services had to decline enrolments because they could not meet the needs of the child.¹⁹ Aboriginal and Torres Strait Islander children are 30% more likely to have a physical disability, and are at higher risk of developmental delays, compared with non-Aboriginal and Torres Strait Islander children. Families are found to experience "intersectional disadvantage and double discrimination" in their ability to access quality ECEC that meets their needs.²⁰
- Provision of locally responsive and community controlled Aboriginal and Torres Strait Islander early years services are critical to meeting Aboriginal and Torres Strait Islander community needs. Providers have faced persistent operational and viability challenges, with most services funded through the CCS.²¹

¹⁷ dandolopartners, 2022. [Working through the NSW and Victorian early education reforms – Paper 1 Balancing ambitious growth with equity and quality.](#)

¹⁸ Bray, J. R., Baxter, J., Hand, K., Gray, M., Carroll, M., Webster, R., Phillips, B., Budinski, M., Warren, D., Katz, I., Jones, A., 2021. [Child Care Package Evaluation: Final Report.](#) Melbourne: Australian Institute of Family Studies (page 186).

¹⁹ As above (page 339).

²⁰ See SNAICC Productivity Commission submission, 2023.

²¹ SNAICC, 2023. Submission to the Early Years Strategy.

- This serves as a barrier to providing the holistic services needed in First Nations communities, as well as limiting services' capacity to support workforce challenges, navigate additional compliance requirements and engage with policy and funding decision-making processes. Innovative pilot models, such as the THRYVE project, have been established to better support community controlled early years services in a coordinated way, however, this is not currently available in all states and territories and current pilots do not have recurrent funding.²²
- ECEC services that integrate early learning with early intervention supports such as supported playgroups, health, allied health, mental health and parenting programs are supported by emerging evidence,²³ however, the current ECEC funding framework does not consistently fund integrated models, meaning that the growth of these centres is fragmented, and the longer-term sustainability of integrated ECEC delivery is limited.

Recommendations

- PRF supports calls for an increased, flexible and long-term funding commitment to enable Aboriginal and Torres Strait Islander community-controlled services to deliver culturally safe and holistic ECEC services.²⁴ A unique funding stream should be designed for Aboriginal and Torres Strait Islander community-controlled organisations to enable First Nations families to access culturally safe and appropriate care within their communities.²⁵
- Broader reforms to the ECEC funding approach are needed to improve equity and affordability for families. The Inquiry should consider a future funding model that is responsive to the varying costs of delivery to children and families experiencing disadvantage, and adequately covers the costs for services to provide high quality, inclusive and integrated ECEC.

4. *Workforce: A capable and valued professional workforce is essential to deliver high quality ECEC to all children, however, ECEC educators require a broad skill set to engage with children and families experiencing entrenched disadvantage and intergenerational trauma.*

- The ECEC workforce attrition and vacancy rates are running much higher than they were pre-pandemic. All governments need to take steps to ensure ECEC educators, teachers and Centre Directors are valued and that wages and conditions for the ECEC workforce are improved.
- A review of 'what works' to improve outcomes for Aboriginal and Torres Strait Islander children in the early childhood years found that access to services that are culturally safe, community-led and employ Aboriginal and Torres Strait Islander people have a positive

²² SNAICC. [National Intermediary THRYVE Pilot Project](#)

²³ National Child and Family Hubs Network, 2023. [Child and Family Hubs: an important 'front door' for equitable support for families across Australia.](#)

²⁴ SNAICC, 2023. Submission to the Early Years Strategy.

²⁵ SNAICC, 2021. [Targeted early years support essential for Aboriginal and Torres Strait Islander children - SNAICC](#)

impact. However, there is a critical shortage of qualified ECEC staff to support this, particularly in rural and remote areas.

- The development of training programs that support Aboriginal and Torres Strait Islander people from the local communities to train as ECEC educators is gaining traction, however, further funding support for these approaches is needed.²⁶
- We are encouraged by the Federal Government's \$72.4 million investment in supporting the Aboriginal and Torres Strait Islander early years workforce, and close partnership with SNAICC so that First Nations children and families get the most of out of increased access to subsidised care (at least 36 hours per fortnight).²⁷

Recommendations

- PRF supports sector calls to address the ECEC workforce crisis, including through long-term investment and planning that:
 - Brings governments together to fund a substantial wage rise for early childhood educators;
 - Brings wages and conditions up to be comparable with rates payable in the rest of the education sector (i.e. schools);
 - Grows the pipeline for new educators through Free TAFE and funding for traineeships;
 - Expands the pool of early childhood teachers through accelerated pathways (scaling of The Front Project's Upskill Program would support an additional 3,289 students into a career as an early childhood teacher);²⁸
 - Enhances the professional recognition and support for early childhood teachers and educators.
- PRF supports SNAICC's identification of the need to grow the Aboriginal and Torres Strait Islander ECEC workforce through targeted attraction and retention measures:²⁹
 - Funding the co-design, with ECEC services, of education and training models which support community-led training of local Aboriginal and Torres Strait Islander people on Country; and
 - Subsidising or covering the cost of wage increases for Aboriginal and Torres Strait Islander ECEC staff.

Other matters

The implementation of any future reforms to improve the equity of Australia's ECEC system must be accompanied by a commensurate investment in addressing the gaps in available data and ensuring that policy-makers and practitioners have access to meaningful data about the quality and efficacy of ECEC services.

²⁶ As above.

²⁷ SNAICC, 2023. [Support for Aboriginal and Torres Strait Islander workforce welcome](#)

²⁸ The Front Project, 2023. [2023–24 Pre-Budget Submission](#).

²⁹ SNAICC, 2023. Submission to the Early Years Strategy.

Further, the draft national vision to drive future early years reform currently in development by Federal, state and territory education and early years ministers highlights the enabling role of philanthropic investment. PRF is pleased to have joined with government and philanthropic partners to develop the **Investment Dialogue for Australia's Children** (Investment Dialogue) which will invest in community-led innovation and reform efforts that make a positive difference for children, families and the communities in which they live.

In addition to the Federal Budget commitments made by the Commonwealth Government, philanthropy will contribute \$100 million over the next four years to begin the Investment Dialogue, as we work towards a ten-year commitment of sustained investment, innovation, policy and data reform efforts. The Investment Dialogue recognises that reforming the ECEC system to overcome the complex challenges in communities facing entrenched disadvantage requires long-term investments and collaboration that draws on the evidence of what works, as well as listening to the diverse voices in the community.

PRF welcomes the opportunity to engage with the Productivity Commission in future consultations to further elaborate on the points above.

Regards,

Professor Kristy Muir
Chief Executive Officer
Paul Ramsay Foundation