# Australian Government Productivity Commission Draft Report

Published July 2014

This is a draft report prepared for further public consultation and input. The Commission will finalise its report after these processes have taken place..

Commonwealth of Australia 2014

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**Publications Inquiries:**

Media and Publications

Productivity Commission

Locked Bag 2 Collins Street East

Melbourne VIC 8003

Tel: (03) 9653 2244

Fax: (03) 9653 2303  
Email: maps@pc.gov.au

**General Inquiries:**

Tel: (03) 9653 2100 or (02) 6240 3200

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The Productivity Commission

The Productivity Commission is the Australian Government’s independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission’s independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Further information on the Productivity Commission can be obtained from the Commission’s website (www.pc.gov.au) or by contacting Media and Publications on (03) 9653 2244 or email: maps@pc.gov.au

# Opportunity for further comment

You are invited to examine this draft inquiry report and comment on it by written submission to the Productivity Commission, preferably in electronic format, by **Friday** **5** **September 2014** and/or by attending a public hearing.

The final report will be prepared after submissions have been received and public hearings have been held, and will be forwarded to the Australian Government by the 31 October 2014.

**Public hearing date and venues**

|  |  |  |
| --- | --- | --- |
| **Location** | **Date** | **Venue** |
| Perth | Thursday 7 August 2014 | Mercure Perth 10 Irwin Street |
| Port Macquarie | Monday 11 August 2014 | Mercure Centro Hotel 103 William Street |
| Sydney | Thursday 14 August 2014 Friday 15 August 2014 | The Grace Hotel 77 York Street |
| Melbourne | Monday 18 August 2014 Tuesday 19 August 2014 | Productivity Commission Level 12 530 Collins Street |
| Canberra | Monday 25 August 2014 Tuesday 26 August 2014 | Productivity Commission Level 2 15 Moore Street |

**Commissioners**

For the purposes of this inquiry and draft report, in accordance with section 40 of the *Productivity Commission Act 1998* the powers of the Productivity Commission have been exercised by:

|  |  |
| --- | --- |
| Wendy Craik | Presiding Commissioner |
| Jonathon Coppel | Commissioner |

# Terms of reference

I, Joseph Benedict Hockey, Treasurer, pursuant to Parts 2 and 3 of the *Productivity Commission Act 1998*, hereby request that the Productivity Commission undertake an Inquiry into Child Care and Early Childhood Learning.

### Background

The Australian Government is committed to establishing a sustainable future for a more flexible, affordable and accessible child care and early childhood learning market that helps underpin the national economy and supports the community, especially parent's choices to participate in work and learning and children's growth, welfare, learning and development.

The market for child care and early childhood learning services is large, diverse and growing, and it touches the lives of practically every family in Australia. Almost all children in Australia participate in some form of child care or early learning service at some point in the years before starting school. In 2012, around 19,400 child care and early learning services enrolled over 1.3 million children in at least one child care or preschool programme (comprising around 15,100 approved child care services and 4,300 preschools). The Australian Government is the largest funder of the sector, with outlays exceeding $5 billion a year and growing. It is important that this expenditure achieves the best possible impact in terms of benefits to families and children as well as the wider economy.

The child care and early learning system can be improved because:

* families are struggling to find quality child care and early learning that is flexible and affordable enough to meet their needs and to participate in the workforce
* a small but significant number of children start school with learning and developmental delays
* there are shortfalls in reaching and properly supporting the needs of children with disabilities and vulnerable children, regional and rural families and parents who are moving from income support into study and employment
* services need to operate in a system that has clear and sustainable business arrangements, including regulation, planning and funding
* there is a need to ensure that public expenditure on child care and early childhood learning is both efficient and effective in addressing the needs of families and children.

The Australian Government's objectives in commissioning this Inquiry are to examine and identify future options for a child care and early childhood learning system that:

* supports workforce participation, particularly for women
* addresses children's learning and development needs, including the transition to schooling
* is more flexible to suit the needs of families, including families with non-standard work hours, disadvantaged children, and regional families
* is based on appropriate and fiscally sustainable funding arrangements that better support flexible, affordable and accessible quality child care and early childhood learning.

### Scope of the inquiry

In undertaking this Inquiry, the Productivity Commission should use evidence from Australia and overseas to report on and make recommendations about the following:

1. The contribution that access to affordable, high quality child care can make to:
   1. increased participation in the workforce, particularly for women
   2. optimising children's learning and development.
2. The current and future need for child care in Australia, including consideration of the following:
   1. hours parents work or study, or wish to work or study
   2. the particular needs of rural, regional and remote parents, as well as shift workers
   3. accessibility of affordable care
   4. types of child care available including but not limited to: long day care, family day care, in home care including nannies and au pairs, mobile care, occasional care, and outside school hours care
   5. the role and potential for employer provided child care
   6. usual hours of operation of each type of care
   7. the out of pocket cost of child care to families
   8. rebates and subsidies available for each type of care
   9. the capacity of the existing child care system to ensure children are transitioning from child care to school with a satisfactory level of school preparedness
   10. opportunities to improve connections and transitions across early childhood services (including between child care and preschool/kindergarten services)
   11. the needs of vulnerable or at risk children
   12. interactions with relevant Australian Government policies and programmes.
3. Whether there are any specific models of care that should be considered for trial or implementation in Australia, with consideration given to international models, such as the home based care model in New Zealand and models that specifically target vulnerable or at risk children and their families.
4. Options for enhancing the choices available to Australian families as to how they receive child care support, so that this can occur in the manner most suitable to their individual family circumstances. Mechanisms to be considered include subsidies, rebates and tax deductions, to improve the accessibility, flexibility and affordability of child care for families facing diverse individual circumstances.
5. The benefits and other impacts of regulatory changes in child care over the past decade, including the implementation of the National Quality Framework (NQF) in States and Territories, with specific consideration given to compliance costs, taking into account the Government's planned work with States and Territories to streamline the NQF.
6. In making any recommendations for future Australian Government policy settings, the Commission will consider options within current funding parameters.

### Process

The Commission is to undertake an appropriate public consultation process including holding hearings, inviting public submissions and releasing a draft report to the public.

The final report should be provided before the end of October 2014.

J. B. Hockey  
Treasurer

[Received 22 November 2013]

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Technical supplement on modelling (forthcoming)

# Acknowledgments

The Commission acknowledges the outstanding contribution of its staff in preparing this draft report and the underlying analysis.

The Commission is also grateful for the assistance it received from the Australian Government Department of Education, the Australian Government Department of Human Services, the Australian Children’s Education and Care Quality Authority, and State and Territory Governments, including through the provision of unpublished administration data and helpful responses to many questions about existing arrangements.

This report has benefited from comments on the overview by Dr Gordon Cleveland, an economist from the University of Toronto and Honorary Senior Fellow, University of Melbourne.

This report used data from a number of Australian Bureau of Statistics (ABS) collections and unit record data, customised projections prepared for the Australian Government Department of Social Services by the ABS, and from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA project was initiated and is funded by the Department of Social Services, and is managed by the Melbourne Institute of Applied Economic and Social Research.

The findings, analysis and views in this report, however, remain (except where otherwise noted) those of the Commission.

# Abbreviations and explanations

Abbreviations

ABS Australian Bureau of Statistics

ACECQA Australian Children’s Education and Care Quality Authority

ACFC Aboriginal and Torres Strait Islander Children and Family Centres

AEDI Australian Early Development Index

ANP Additional Needs Program

BBF Budget Based Funding

CALD culturally and linguistically diverse

CBC centre‑based care

CCB Child Care Benefit

CCR Child Care Rebate

CSP Community Support Program

DCP Disadvantaged Communities Program

DHS Department of Human Services

DEEWR (former) Department of Education, Employment and Workplace Relations

ECEC early childhood education and care

ECLS Early Care and Learning Subsidy

ECT early childhood teacher

EMTR effective marginal tax rate

FDC family day care

FTB Family Tax Benefit

GCCB Grandparent Child Care Benefit

GDP gross domestic product

HBC Home–based care

HILDA Household, Income and Labour Dynamics in Australia Survey

HIPPY Home Interaction Program for Parents and Youngsters

IHC In–Home Care

IPSP Inclusion and Professional Support Program

ISP Inclusion Support Program

ISS Inclusion Support Subsidy

JET Jobs, Education and Training program

JETCCFA Jobs, Education and Training Child Care Fee Assistance

LDC long day care

LSAC Longitudinal Study of Australian Children

MACS Multifunctional Aboriginal Children’s services

NESB non‑English speaking background

NDIS National Disability Insurance Scheme

NPA National Partnership Agreement

NQF National Quality Framework

NQS National Quality Standard

OCC occasional childcare

OECD Organisation for Economic Co‑operation and Development

OSHC outside school hours care

PC Productivity Commission

PPL paid parental leave

PSC Professional Support Coordinator

QIP Quality Improvement Plan

ROGS Report on Government Services

SCCB Special Child Care Benefit

SECLS Special Early Care and Learning Subsidy

SEIFA Socio-Economic Index for Areas

Explanations

|  |  |
| --- | --- |
| Billion | The convention used for a billion is a thousand million (109). |
| Findings | *Findings in the body of the report are paragraphs high­lighted using italics, as this is.* |
| Recommendations | ***Recommendations in the body of the report are high­lighted using bold italics, as this is.*** |
| Requests for further information | *Information requests are paragraphs highlighted using italics, as this is.* |