

Productivity Commission

Education and Training Workforce Study
Specifically with respect to

The Early Childhood Development
Workforce

Initial Submission by
Child Care National Association

January 2011

Introduction

The Productivity Commission has invited submissions in relation to their 'Education and Training Workforce Study' in relation to the early childhood development workforce, the schooling workforce and the VET workforces. The Commission has been asked by the Assistant Treasurer to provide advice on factors affecting:- current and future demand, supply, structure, planning and development for these workforces, the required mix of skills and knowledge to meet service needs and workforce efficiency and effectiveness in the short, medium and long terms.

Child Care National Association (CCNA) is pleased to make this initial submission to the Commission and our submission provides views on the matters raised in the issues paper and in relation to the terms of reference with the background of the COAG National Early Childhood Development (ECD) Strategy, National Partnerships, the National Education Agreement and the National Indigenous Reform Agreement.

Needs

CCNA agrees with the Government's ECD policy directions which seek to promote better early childhood education for Australian children. This outcome coincides with CCNA objects. There is evidence such policy can deliver positive future outcomes for Australia. CCNA reviews all aspects of ECD policies that same are in fact constructively delivered. A risk is that good objectives can be lost via poor implementation with sometimes disastrous results. This study reviews workforce demand and supply which need to be met for successful policy delivery. Very often projects succeed or fail on the basis of big picture good or bad project assumptions or consideration omissions. CCNA suggests a review of the current big picture.

Firstly the Commission Reports on Government Services 2011, 2010 and 2009 reveal ECD 0-5 year old Utilization Rates for centre based long day care at around 65 percent with family day care even lower. Only with national utilizations 80 percent and above could demand be considered high. CCNA view based upon observations of long term national utilization trends is that the current relatively poor utilization specifically relates to the Global Financial Crisis (GFC) and the ABC childcare event. Furthermore, nationally only around 41 percent of Australian 0-5 year old children actually attended approved childcare services. With most Australian parents wanting the best for their children, legislators should reconsider why these outcomes are actual family choices. Current COAG policy would seem to be to increase these utilization percentages. CCNA suggests however that ill-considered policy implementation may actually produce reductions in these percentage demand outcomes with a corollary being reduced workforce requirements. A worst policy outcome could be that Australian children's educational outcomes would also be lower than those currently existing nationally.

Secondly there are many views upon the current costs of ECD programs for Australian children and families. This area is so complex CCNA does not propose to canvas that issue or the merits of same here but will contain CCNA comments to simple high level economic concepts. The COAG Decision documents clearly confirm their decisions will increase the costs for families with children. Many families have also seen their ECD costs rise following the implementation of Modern awards. Policy makers should be considering the future potential for ECD cost rises from the current federal equal pay case and any additional ECD accreditation increased costs must also be paid for. CCNA also draw the Commissions attention to the October 2010 Salvation Army report – Perceptions of Poverty which seems to suggest around 10 percent of Australian families were in poverty in late 2010 before the more recent floods, cyclones and bushfires around the nation. Complicating this picture natural disaster unscheduled demands upon government have led some to suggest reducing

government family payments. Now a simple concept is that ECD costs are only paid for by families and by government. At this time and for the medium term, based upon the first point above, without increased government contributions planners should reasonably expect ECD demand is likely to fall.

Thirdly and finally the Commission might consider recommending a delay in 2009 ECD COAG Decisions while allowing resolution of issues in the first and second points above. This might be done in the knowledge that ECD in Australia is very much better than the 2006 OECD report suggested and therefore any implementation delay in today's ECD should be considered a very good reconsideration COAG policy review. CCNA refer the Commission to the A. Robson September 2009 review - How Much Do We Actually Spend on Early Childhood and to the 2010 Grattan Institute Ben Jensen report affirming - Teacher effectiveness the key: not class sizes.

Cross Sectoral and Integrated Service Delivery

CCNA would submit differences or divides across early childhood, schooling and VET sectors are adequately significant that any reduction of boundaries would seem counter-productive to effective and efficient sectoral training and big picture unnecessarily. For such changes to be considered significant benefits via increased efficiencies or effectiveness would need to be predetermined. Appropriate skill sets and experience are truly age and function dependent.

A further point would be that all armies need foot soldiers through to generals and cannot work without either. The ECD workforce needs teachers and non-teachers, entry level positions and senior management positions and we should not expect beginners to be senior managers. Blurring of all of the necessary roles would be counter-productive.

The Early Childhood Development Workforce

Recent eastern Australian flooding has reconfirmed to CCNA the calibre and capacity of the ECD workforce to rise to all challenges with mentors leading those workforce members with lesser experience and/or training. The community counselling skills within the ECD workforce remain under recognised by many outside observers. Perhaps the most elusive sought after skill and attribute is still commonsense. Via recent natural disaster tragedies many in the ECD workforce learnt new desirable skill sets needed for broader service leadership and administration.

ECD Workforce Training

For many years VET professionals have ineffectively expanded the grab bag of course subjects within ECD workforce training often poorly targeting workforce needs. Expanding course subjects often either exceed or are deficient for the needs of trainees. Entry level trainees for example are not required to be service 'brain surgeons' with brain cluttering perhaps one day useful subjects while high level service staff lack necessary business management skills. This subject mis-match often comes from well meaning VET professionals with less than satisfactory graduation and production skills. These effects can result in lower than desirable graduation numbers at entry levels and unnecessarily floundering graduates at higher service levels where personnel management, prioritising and time management become essential skills. COAG and all Governments need to improve the planning and performance rolls of VET if the increasing demands created by COAG are to be met in a timely fashion. VET professionals should have and meet Key Performance Indicators (KPI) especially with respect to the number and quality of graduates delivered. If this is not done, a slowing of the COAG increasing ECD workforce requirements should be considered.

ECD Workforce Attraction and Retention

From around the nation CCNA receives complaints and groans about the 'paperwork' which is seen as not significantly useful to their ECD workforce tasks. Many ECD workforce members abandon their roles for 'easier' lives away from the ECD workforce. COAG would assist ECD workforce attraction and retention by 'paperwork' (especially accreditation requirements) reductions. Better management of 'unnannounced' inspectorial visits for example by use of other flags would also be appreciated by many doing very fine jobs in the ECD workforce.

While it could be challenging to find many Australians who would not like a pay increase, some years ago a Queensland Government originated NCVER study confirmed that the ECD workforce was indeed a generally satisfied workforce which debunked oft peddled dissatisfaction myths. CCNA anecdotal evidence agreed with the NCVER study findings. Importantly that study ought to be reanalysed so the positive findings, focussing upon the positives rather than negatives as a small minority does, might be usefully used to 'make' ECD the generally satisfying profession the report found ECD to be.

ECD Workforce 2011 -2015 Demand and Labour Market Failures

For some years there have been national ECD workforce shortage difficulties. CCNA has been advised of occasions around the nation where State authorities have insisted upon services closing and sending parents away in instances where statutory qualified staffing was unavailable. Since the recent Queensland flooding a more enlightened position has been experienced where provided child health and safety could be assured, services have been able to operate with less than statutory qualified staffing. There have also been many occasions and cases where staffing have been statutorily deemed to hold qualifications yet to be acquired.

There is little disagreement regarding the desirability of up-skilling the national ECD workforce. The questions relate to details and impact upon the costs for families and government.

The 18th October 2010 Salvation Army report Perceptions of Poverty (details attached) again confirmed the financial stresses Australian families are under even before the more recent floods, droughts and bushfires.

The 2010 Grattan Institute Ben Jensen report affirmed Teacher effectiveness the key: not class sizes – (details attached) the quality of teaching was more effective and efficient for learning outcomes than more teachers or smaller class sizes.

The 2009 COAG ECD workforce decisions for reduced child to staff numbers were heavily influenced by the 2006 OECD report Starting Stronger II. The Commission and COAG members should be aware that report was reviewed in 2009 and found to be quite misleading. CCNA refer the Commissioners to the A. Robson September 2009 review How Much Do We Actually Spend on Early Childhood (copy attached).

It should also be understood that mining industry workforce demands on families, flooding impacts upon families and even housing rental costs already impact upon the ECD workforce availability and will into at least the medium future. Similarly VET place or opportunity shortages and difficulties of acquiring qualifications impact upon ECD service provision. Of course ECD providers and employers will work constructively within all realities.

Overall, a slowing of the COAG increasing ECD workforce requirements would seem a very sound prudent idea while we are continuing to move forward.

Summary for the Productivity Commission

- Reconsider all aspects of the big picture ECD workforce demand assumptions
- Blurring of workforces across ECD, Schooling and VET would seem counter-productive as would be blurring within each of those sectoral groups.
- The ECD workforce is well developed with many unrecognised necessary skills often learnt from field experiences
- Any reduction in ECD workforce paperwork especially with respect to accreditation would assist workforce attraction and retention. Improved unannounced visit management would similarly be positively received.
- ECD workforce VET courses need thorough review to meet real service demands at each professional level
- VET professionals should have KPI's for graduands delivered
- ECD positive studies should be revisited for COAG opportunities
- Previously tried temporary fixes are second best ECD workforce solutions
- Australian families are already under financial stresses
- Overall a slowing of the COAG increasing ECD workforce requirements would seem a very sound idea while we are continuing to move forward.

CCNA always seeking ways for the betterment for Australian children and families.

Yours sincerely

Child Care National Association – the national children's services business organisation

Reference:

Productivity Commission - Review of Government Services 2011, 2010 and 2009

Attachments:

A] Salvation Army Media Release 18th October 2010 – Perceptions of Poverty

B] Grattan Institute Media Release 2010 – Ben Jensen - Teacher effectiveness the key: not class size

C] Institute of Public Affairs September 2009 – How much do we spend on early childhood – a review of international comparisons and the OECD's Starting Strong II – by Dr A Robson



**MEDIA RELEASE – EMBARGOED AND NOT FOR USE BY MEDIA
UNTIL MONDAY OCTOBER 18TH, 2010**

SUMMARY OF STORY: New Roy Morgan Research being released by The Salvation Army shows 9.5 million Australians feel that taking action to reduce poverty should be a “very high priority” as The Salvation Army releases a new report on poverty.

The report - “Perceptions of Poverty” - shows 2 million Australians now live in poverty – 1 in 10 of us. The Salvos commissioned the report to have a closer look at the true impact poverty is having on people and their families. They highlight poverty is a complex phenomenon.

It highlights 70% of poor children in Australia live in jobless families.

12% of all children aged 0 to 17 live in ‘relative poverty’. The Salvos are calling on the Australian Government to develop a national child poverty strategy to help all children. Australia now has one of the highest levels of joblessness among families with children in an OECD country.

The Salvation Army says traditional stereotypes of people in poverty are simply inaccurate citing drastic increases in one particular group – “the working poor”. The Salvos say at least 80,000 Australians needed their help for the first time last year.

The report also reveals many single parent families are experiencing poverty with 57% saying they could not pay utility bills in the past 12 months and 12% went without meals.

STORY IN FULL: A major new report being launched on poverty by The Salvation Army highlights that two million Australians now live in poverty – 1 in 10 of us – with more than half a million children living in jobless families.

The report estimates around 12% of children aged 0 to 17 live in ‘relative poverty’, which can then have an adverse effect on a child’s emotional/social development.

The Salvation Army’s new report - “Perceptions of Poverty” - points out Australia now has one of the highest levels of joblessness among families with children. Across OECD countries (on average) around 30% of poor families with children are jobless.

In Australia around 70% of poor children live in jobless families. This equates to 1 in 7 children growing up in a family where no-one works.

New Roy Morgan Research being released by The Salvation Army shows 9.5 million Australians feel that taking action to reduce poverty should be a “very high priority”. The research also indicates that 11.6 million Australians agree (or strongly agree) that just about anyone can find themselves living in poverty.

The research shows that 8.9 million Australians agree or strongly agree not nearly enough has been done to reduce poverty in Aboriginal/Indigenous communities.

Amongst The Salvation Army’s calls are that the Federal Government instigates a national child poverty strategy to ensure all children thrive academically and emotionally and a significant expansion for mental health services across Australia as well as a root and branch reform of the social security payment system.

The Salvation Army says there is a new emerging group of people getting bigger – the working poor. They say around half of the country’s low income households report experiencing cash flow problems, with more than a quarter of them needing to increase credit card debt and exhaust savings and borrow money from friends and family.

The Salvos estimate that at least 80,000 Australians needed their assistance for the first time last year. They highlight that they can provide hope to people in need and that poverty is a complex phenomenon.

The new report follows a University of Sydney report which shows full-time jobs are dramatically dropping – full-time jobs with paid leave now make up slightly more than 55% of jobs – down from nearly 75% in the early 1990s.

Major Marina Randall, Territorial Consultant, Community and Support Services said, “The “Perceptions of Poverty” report is alarming. It highlights that poverty is a major issue for our community – and the issues are entrenched. We are seeing families where there is inter-generational poverty. The cycle just isn’t being broken. This report was commissioned so we could have a much closer look at the factors that are causing poverty and the impact of poverty on people and their families. The report highlights there needs to be more understanding about poverty rather than judging – often on misinformed stereotypes.”

The ‘Perceptions of Poverty’ report also highlights many single parent families now experience poverty with 57% reporting in the past 12 months they could not pay a utility bill and 54% saying they could not pay necessary dental treatment. 47% of single parent families have sought financial help from friends and families and 12% have gone without meals. A number of these figures are from ACOSS – The Australian Council of Social Service.

Report author Wilma Gallet said, “People living in poverty struggle every day to make ends meet. They deal daily with misinformed negative attitudes. It’s obvious that the absence of positive relationships and social connectedness can increase the stigma and sense of exclusion people feel when they are facing poverty.”

“This report challenges us to consider the causes of poverty in a country like Australia, considered a ‘wealthy country’. Statistics show the rich are getting richer. The poor are getting poorer. In 2007 Australia’s richest 200 people had a combined wealth of over \$128 billion – a jump of 27% on the wealth just 12 months earlier.”

Salvation Army Community Support Services report it is becoming increasingly more difficult for individuals and families to make ends meet, pointing out that factors include the rising cost of living, increased property prices and a lack of affordable housing, which are all increasing financial stress for low income families. The Salvation Army highlights that there is always hope for people and it is important they seek assistance before any situation becomes chronic. The Salvos point out that while the road to recovery can sometimes be a long journey, for many it is just a temporary setback.

The Salvation Army highlights child poverty is a significant issue and of deep concern because of the huge affect poverty can have on a child’s social, emotional and intellectual development. The Salvation Army says poverty has continued to remain largely hidden in Australia and has become more visible because of the global financial crisis.

The Salvation Army highlights a range of key issues need to be considered including:

- The Australian Government should develop a national child poverty strategy to ensure children thrive emotionally, physically, academically and socially.
- An examination of the full extent of under-employed workers in Australia should be commissioned with strategies following to reduce under-employment and to address dis-incentives for people taking up full time work.
- They say there should be a root and branch reform of Australia’s social security payment system.
- They are calling for a national disability insurance scheme to be put in place to give life-time care and support for people with disabilities.
- A 10 year action plan to expand mental health services across Australia should be instigated. Numerous disadvantaged people experience poor mental health.
- Governments should work more flexibly and supportively with Aboriginal and Torres Strait Islander agencies across all areas of the community sector, with an expansion of programs to encourage community involvement/development in addressing Indigenous poverty.
- The Salvation Army wants to see more education models that engage disconnected young people and create learning environments to assist them. It says governments should ensure these models are adequately funded to keep young people who are struggling in education.

- The Salvation Army recommends the Australian Government adopts a program that focuses on enhancing the skills and careers of single parents, pointing out there is a growing number of single parent women in low paid, part-time jobs.
- The Salvos want to see an expansion of financial counselling and support programs.
- The Salvos say there is a need to increase funding to the emergency sector so more integrated/intensive support programs can be offered to clients to reduce the chances of inter-generational poverty.

The Salvation Army's new report also highlights that Australia's Indigenous population – estimated at around 517,000 – experiences a much higher level of poverty than the broader community.

It also highlights most single parents are, in fact, middle aged separated mothers – not single teenagers. Less than 3% of single parents are teenagers. Most are 30 to 50 years old and were previously married.

Anyone wanting more information should visit www.salvos.org.au.

Major Marina Randall added, “The impacts of poverty can't ultimately be measured. This report shows there's so much to do. It also highlights many people in the community want to see action. That is central. Children from poor families may often end up feeling judged and may be reluctant to go to school for all kinds of reasons linked to the financial struggles of the families. Parents may feel very distressed that their children can't take part in clubs or sport.”

“There can be a very big social stigma. People may ultimately feel they are being looked down on or they are useless. Housing options may diminish and people may feel isolated. The report says all this. We need action. We need a much bigger focus on tackling this issue.”

Media enquiries to: Ross Woodward or Homira Samadi on 03 9769 6488

The Salvation Army's new Roy Morgan Research was a CATIBus telephone survey of a nationally representative sample of 669 Australians aged 14 and over carried out in May 2010.

MEDIA RELEASE

Teacher effectiveness the key: not class sizes

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"Measures to improve teacher effectiveness will deliver better value for our children's learning outcomes, improve Australia's economic productivity and be a better use of public funds than reducing class sizes," Dr Ben Jensen, the Education Program Director of Grattan Institute said today on the release of a report entitled *Investing in Our Teachers, Investing in Our Economy*.
http://www.grattan.edu.au/pub_page/057_report_investing_teachers.html

"Improving teacher effectiveness benefits our children. Young people who stay in school longer can expect to earn an additional 8-10% per year for each additional year of education they undertake. A 10% improvement in teacher effectiveness would improve student performance and productivity, increasing Australia's GDP by \$90 billion by 2050."

The drive to reduce class sizes, whilst well intentioned and politically popular, is found to be without impact in producing better education outcomes for students. Studies around the world have shown that class size reductions do not significantly improve schooling and student outcomes. For example, recent evidence from Florida shows that policies reducing average class size by about 2.5-3 students had no impact on improved schooling, but cost over \$1 million dollars per school per year. We need to spend our education dollar where it will have the most impact and where it matters: on our children's future.

Parents have a clear desire to provide the best for their children. Teacher effectiveness is the key: not class sizes. This is the best policy lever for improving schooling for students and giving parents what they want. It will provide more bang for our education buck.

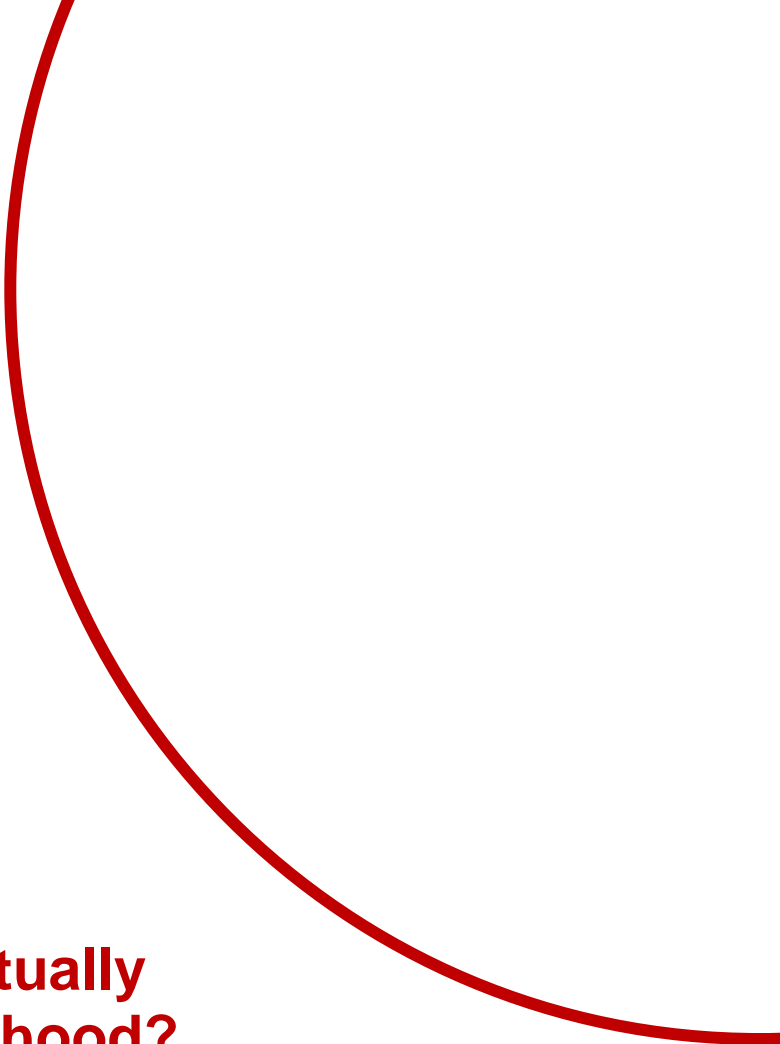
Australia increased its education expenditure by 41% between 1995 and 2006. However, between 2000 and 2006, Australian student performance stagnated in mathematics and significantly declined in reading. Our current public funding targets are misguided and links to improvements non-existent.

Teacher effectiveness should be measured in a variety of ways. These include: student progress and student outcome measures, student feedback, teamwork and peer evaluation, classroom observation from senior teachers and the school principal, self-evaluation, teacher development and improvement.

This report does not point the finger at teachers. On the contrary, this report argues for improved investments in teacher effectiveness. This will have the greatest benefit for our students and is the most effective method to make Australia's school education the best in the world.

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**How much do we actually
spend on early childhood?**

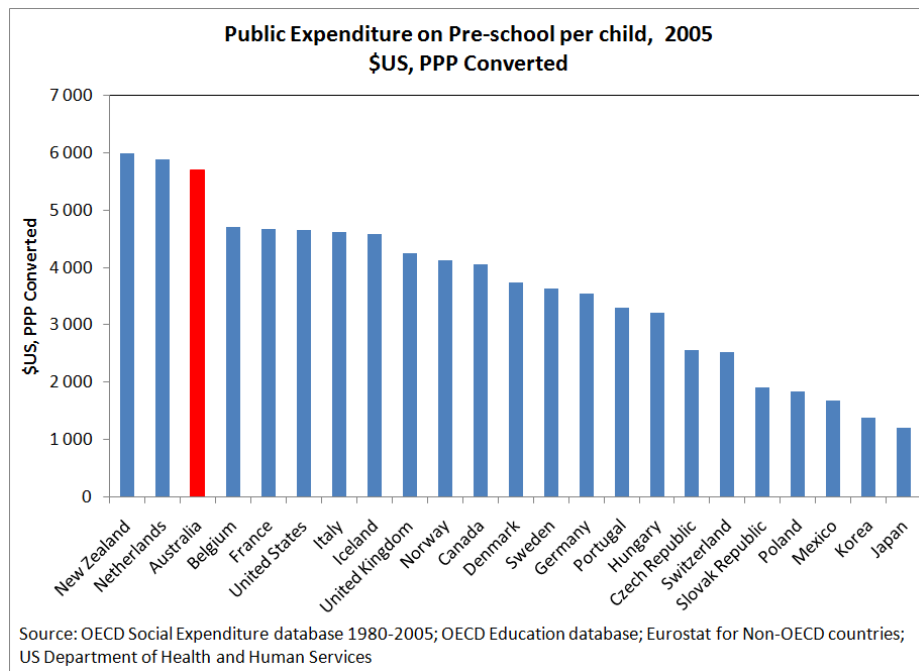
**A review of international
comparisons and the
OECD's *Starting Strong II***

Dr Alex Robson

Research Paper
September 2009

Executive Summary

- The 2006 OECD report *Starting Strong II* (2006 SSII) has been widely used in Australia as evidence that Australia lags behind the rest of the world when it comes to public spending on early childhood education and care (ECEC.)
- This paper shows that the OECD report should be treated with great caution by policymakers. On many ECEC spending indicators Australia ranks well ahead of most other OECD economies.
 - In 2005 Australia ranked third in the OECD on public expenditure on pre-school per child.



- The 2006 report does not take into account recent policy developments such as the government's recently introduced 50 per cent Child Care Rebate for out-of-pocket ECEC expenses.
- The aggregate amount of public spending on early childhood and education is a poor indicator of the health, robustness and vibrancy of a nation's ECEC sector:
 - Aggregate government spending is a poor measure of the efficiency and efficacy of individual spending initiatives.
 - Measures of public spending do not take into account the value of tax rebates and tax concessions, or the large proportion of ECEC spending that occurs in the private, rather than public sector, or unpaid ECEC by parents or relatives.
- The results of this review indicate that there is little doubt that Australia rates highly against OECD 2006 SSII countries. There is a risk that the publicity surrounding 2006 SSII may significantly mislead Australian policy makers.

About the Institute of Public Affairs

The Institute of Public Affairs, founded in 1943, is the world's oldest free market think tank. The IPA is a not-for-profit research and advocacy institute based in Melbourne, Australia with staff and associates based around Australia.

About the author

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1 Introduction

International comparisons of public spending data are ubiquitous in economics. But what do such exercises actually tell us? When performed correctly by economists, international comparisons can often provide useful information and insights into similarities and differences between countries, and suggest future broad directions for economic reform. However, because every country and every set of policies and data sets are different, it is important to take care when drawing policy conclusions from such international comparisons.

Consider, for example, the 2006 international comparisons of public spending on childcare and related services. The Organisation for Economic Cooperation and Development (OECD) defines *early childhood education and care* (ECEC) as services that include “all arrangements providing care and education for children under compulsory school age, regardless of setting, funding, opening hours, or programme content.”¹

How does public ECEC spending in Australia compare with that provided in other countries? Meaningful international comparisons of the amount of taxpayer funded support for ECEC services are fraught with difficulty. Indeed, the OECD’s 2006 SSII publication notes that “*current investments of OECD countries in early childhood education and care services are difficult to calculate, as reliable figures for child care expenditure by governments are often not available.*”²

The OECD’s international comparisons of public ECEC spending are no theoretical curio. On the contrary, the data - particularly aggregate spending data, expressed as a percentage of GDP - has attracted a great deal of attention and impacts on public policy. Media reports constantly cite the 2006 quoted data, and policymakers refer to 2006 SSII regularly. During the 2007 election campaign, for example, the Australian Labor Party repeatedly cited the OECD’s public ECEC spending figures in its policy documents, calling for a universal, taxpayer funded early education scheme for all 4 year olds which, when fully implemented, is expected to cost taxpayers \$450 million per year.³ This review is therefore proper and timely with data set updates covering changes in the intervening years since 2006 SSII data collection and publication.

However, such international comparisons are complicated by the fact that Australia is the only country in the OECD for which subsidies to parents are the main form of funding for ECEC services.⁴ In contrast, the majority of OECD countries’ public funding is in the form of government provision or direct funding to service providers.

It is significant that Australia’s method of funding these services is almost unique in the OECD, and this has important implications for interpreting international comparisons. This paper examines the OECD’s public spending data on ECEC services and explores some of the issues that can arise as a result of our rather unique funding arrangements. We examine the Australian public spending data from a variety of different angles, and compare it with the OECD’s data, particularly that presented in Figure 5.3 in 2006 SSII.

¹ See *Starting Strong* (2001), Executive Summary, page 7.

² *Starting Strong II*, page 103.

³ See

<http://pandora.nla.gov.au/pan/22093/200711240102/www.alp.org.au/media/0807/msedutfcs100150.html> and <http://pandora.nla.gov.au/pan/22093/20071124-0102/www.alp.org.au/media/0807/msedutfcs310.html>

⁴ See, for example, OECD (2009) *Education Today: The OECD Perspective*, page 12.

We find that extreme caution should be exercised in relation to this particular data, which appears to subjectively position Australia in an unflattering light. When considering more appropriate, up-to-date spending indicators, particularly including direct subsidies to parents delivering ECEC government and private provider choices to families, Australia is in fact a world leader.

2 Is Aggregate Public Spending on ECEC a Useful Indicator?

Spending on any economic activity is a cost, not a benefit, and is not a comprehensive measure of actual outcomes.

The OECD places a great deal of weight on data of aggregate public and private education spending in general, and on ECEC spending in particular. Indeed, the OECD's recently published *Education at a Glance* report states that "expenditure on educational institutions as a percentage of GDP shows how a country prioritises education in relation to its overall allocation of resources."

However, there are several problems with the OECD's general approach and with this conclusion in particular.

Firstly, spending is a means to an end, not an end in itself, and as such it is a poor measure of the net economic benefits of a particular activity. This is particularly true for taxpayer funded in-kind services, which are typically valued at the cost of their provision to taxpayers, not their value to families and children. Often the cost can be less than the value as a result of willingness to pay. However for the purposes of public policy, it is net benefits that are the most important factor; indeed, for a given quantity of services, the cost to taxpayers is something that policymakers should strive to minimise, not maximise.

By definition, spending is equal to the price of a service multiplied by its quantity. If prices are higher in different countries for the same or lower quality-adjusted service, then higher aggregate spending across countries could be an indicator of *lower* consumer value for money, and could indicate a relatively uncompetitive ECEC sector.

Secondly, *aggregate* government spending is a poor measure of efficiency and efficacy of *individual* spending initiatives. What matters for policy is the efficacy and efficiency of individual programs and the value to taxpayers of those programs.

Thirdly, aggregate ECEC spending figures should not ignore important factors that determine individual ECEC choices in an economy such as, for example, demographic and geographic factors, including a country's age profile; the size distribution of families, parents' wages, and other potentially important demand and supply side factors such as social and cultural norms and informal institutions and traditions. To ignore such factors would be similar to expecting that Australia spend the same percentage of GDP on snowploughing as European countries, despite our very different climate.

Fourthly, observed spending on ECEC does not take account of the value of unpaid ECEC that is supplied by parents or by relatives. In 2007-08, the vast majority of children aged 0-5 years did *not* use Australian government approved or State/Territory government funded or provided child care, with only 35.4 per cent of children in this age group using

these services. Indeed, if public spending tends to crowd out private spending and privately supplied unpaid ECEC, then there is no reason to expect that higher public spending leads to a greater proportion of *actual* economic resources being devoted to ECEC.

Many measures of direct public spending on ECEC do not take account of the value of tax rebates and other tax concessions. Nor do they take into account the fact that such items are exempt from income tax and so are effectively supplemented by so-called “tax expenditures” that must be added to tax concessions to compute the grossed-up value of indirect ECEC benefits. For if tax expenditures are regarded as government spending by another name in the Treasury’s annual Tax Expenditure Survey (as they often are by policymakers and media commentators), then for consistency purposes they should also be counted when assessing public spending on ECEC services.

Finally, in many countries a large proportion even the majority of spending on early childhood education occurs in the private sector, not in the public sector. Thus direct public spending will only be a partial indicator of overall spending. With some 80 per cent of centre-based formal ECEC provided by private providers in Australia, the large amounts of capital and recurrent expenditure by these service providers should also be correctly assessed and added to total ECEC expenditures to get a better idea of the amount of resources devoted to the ECEC sector.

Indeed, as the OECD itself notes in its recently released report *Doing Better For Children* (2009):

*“Public social expenditure is not the only input to child well-being. Private determinants include a nurturing family environment, access to informal support in the community for families, opportunity for participation in the community and society for children, and the quality of the living environment, such as safety and access to outdoor spaces. The quantity and quality of parental time invested in children...are obviously important omissions from consideration of investment in children.”*⁵

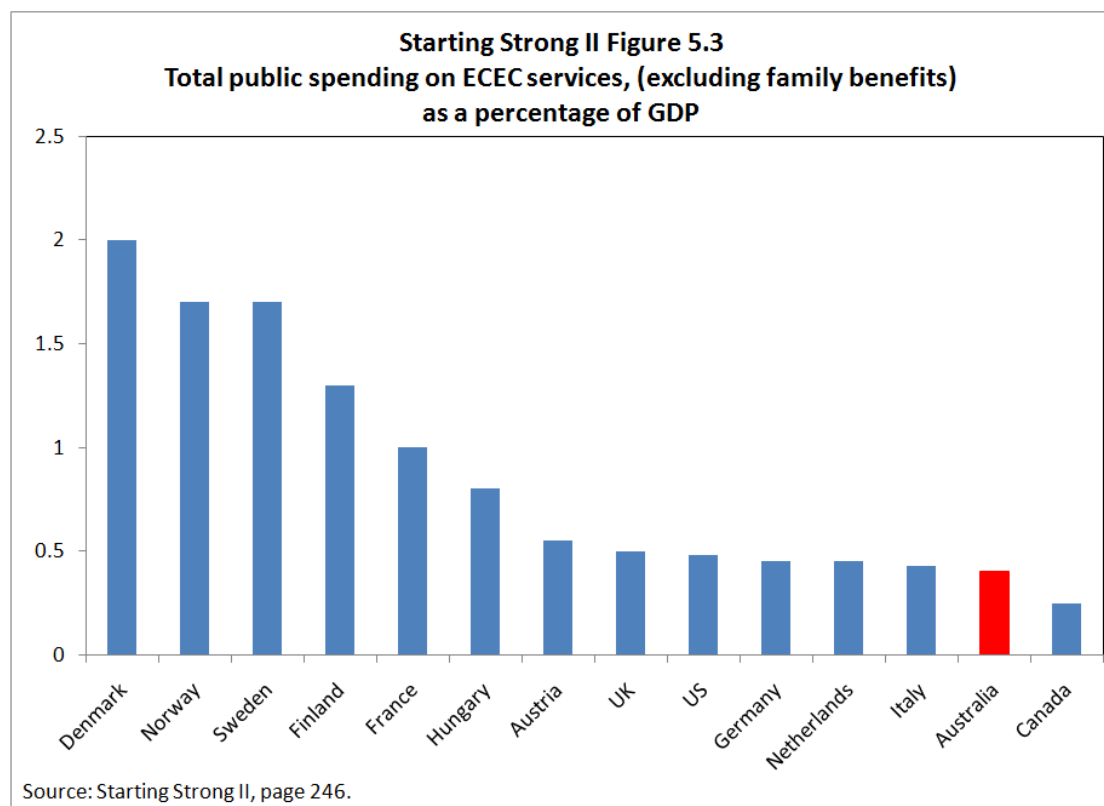
For all of these reasons, the aggregate amount of public spending on early childhood and education is often a poor indicator of the health, robustness and vibrancy of a nation’s ECEC sector. In short, when it comes to ECEC, aggregate direct public ECEC spending as a proportion of GDP tells us very little about the things that policymakers are interested in, particularly when subjective decisions and judgements are made in different countries as to what exactly is included in these aggregate spending figures.

⁵ *Doing Better For Children*, page 71.

3 *Starting Strong II's* International Comparisons

As an example of the kinds of problems that can arise with international comparisons of public ECEC spending, consider the OECD's 2006 SSII Pages 105 and 246 of this report present data on public spending on ECEC services for children aged 0-6 for a group of 14 OECD economies. The data, which excludes family benefits, finds that public spending in Australia on ECEC services in 2004 was 0.4 per cent of GDP, which results in Australia receiving an unflattering ranking of second last in the group on 2004 data (see Fig. 3.1).

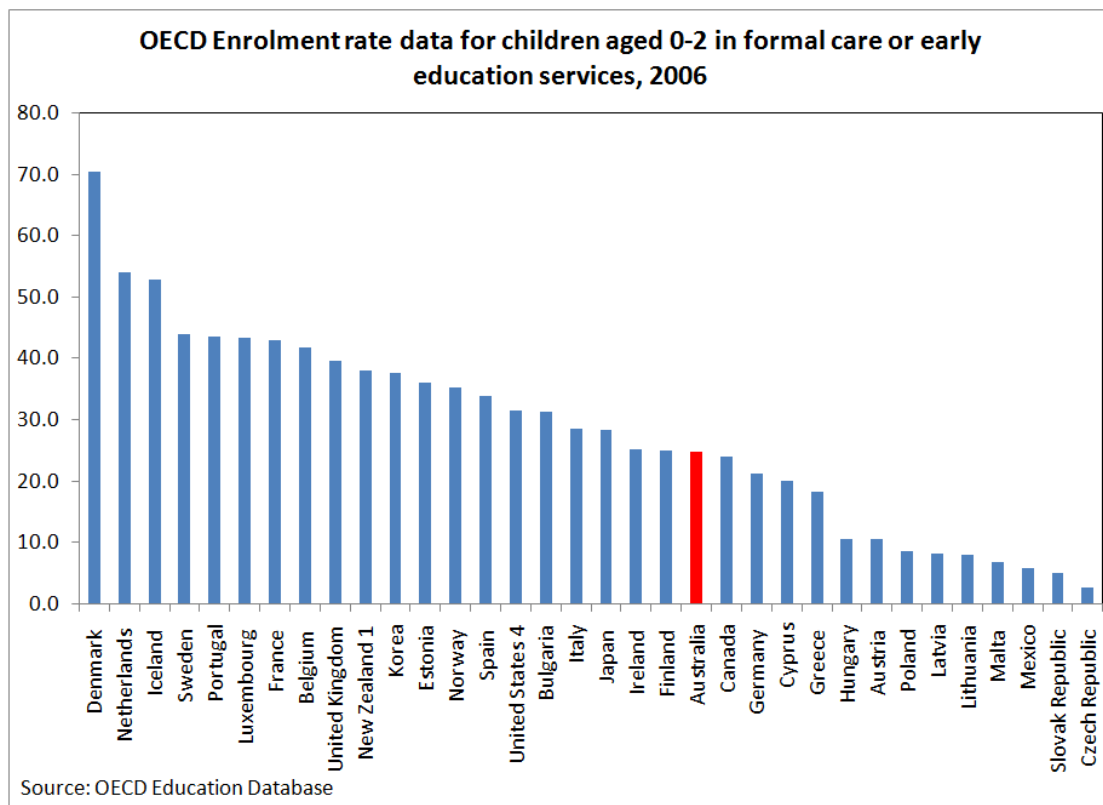
Figure 3.1



3.1 Who Attends Formal ECEC?

The first thing to note about this data is that not all countries are equal when it comes to ECEC attendance. (See Figure 3.2). Most 0-2 year olds in Denmark (70 per cent), for example, attend some kind of formal care or early education; the OECD's figure for Australia is only 24.8 per cent, and as indicated in Section 2 above there would be many different reasons for this, including local society norms and climates which affect such family choices. With such different patterns of attendance, it would be very odd if Australia's aggregate public spending per dollar of GDP was exactly identical to that of Denmark's.

Figure 3.2



3.2 2006 SSII Apparent Child Number Inconsistencies

A second and related key point is what is actually being counted in 2006 SSII's data. In all Australian states and territories the age at which a child's attendance at school becomes compulsory is 6 years (except Tasmania where it is 5 years). However, pre-year 1 schooling is also offered in each state and territory, with many children enrolling between four and a half to five at the beginning of the Pre-year 1 school year.⁶

The key point is that in Australia the pre-primary year of schooling is not compulsory and encompasses children aged less than 6 years. Thus, it appears to fall within the OECD's definition of ECEC.

How many students are enrolled in pre-year 1 schools in Australia? Recent data is available to 2008, but for the purposes of comparison with later OECD figures that will be analysed, we consider 2005 data. According to the Australian Bureau of Statistics, there were 217,543 full time equivalent students enrolled in pre-year 1 schooling in 2005. Note that this pre-primary education sector appears to be separate from the preschool sector in each state and territory.

The OECD's *Education Database* and other publications provide details of full time equivalent enrolments in pre-primary education at all types of institutions. For Australia, the OECD's data shows that in 2005, only 131,488.5 full time equivalent students were enrolled in pre-primary education.

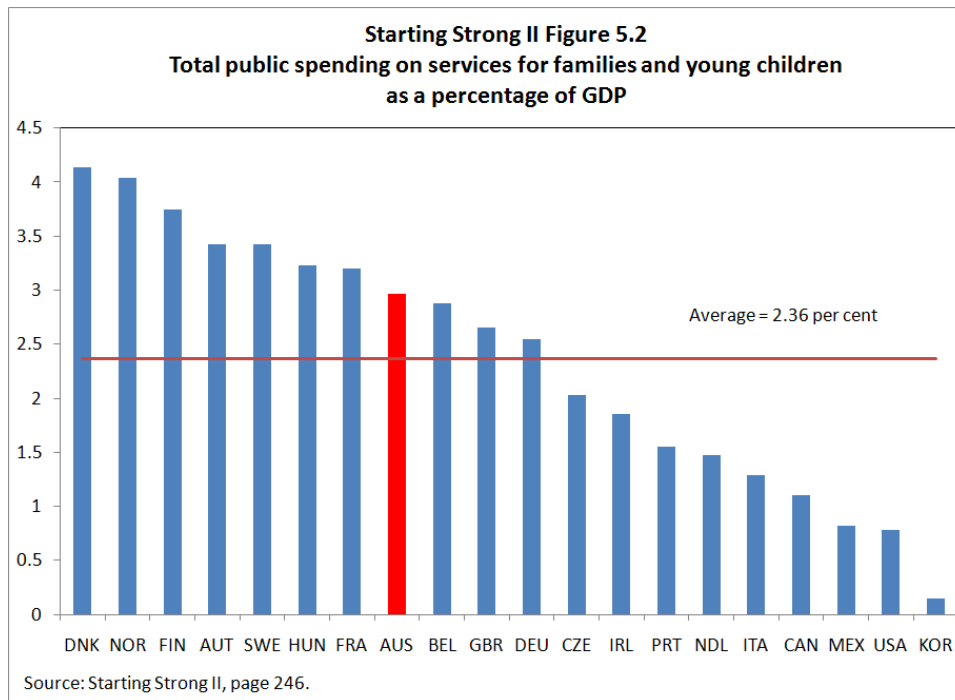
It is unclear how 2006 SSII deals with this difference and it is difficult to reconcile the two sets of data. The OECD's number does not even come close to the number of full time equivalent students enrolled in pre-primary education in *government* schools in Australia in 2005, which was 153,636. A simple cross check of the population data suggests that the ABS data may be more accurate. Most Australian children attend pre-primary education, and in 2005 there were 262,092 children aged between 5 and 6, which is close to the ABS number for full-time equivalent pre-primary students. Thus, OECD data appears to undercount enrolments in pre-primary education, and hence appears to have undercounted the number of children in the ECEC sector.

⁶ In NSW and the ACT Pre-Year 1 is called Kindergarten. In Victoria, Tasmania and Queensland it is called Preparatory and in NT it is called Transition. In SA it is called Reception and in WA it is called Pre-Primary.

3.3 In 2006 SSII, What what is the money being spent on?

A third key point is the composition of spending. *2006 SSII* also presents data on “public investment in services for families and young children” [including cash benefits, public expenditure family services, and public spending on International Standard Classification of Education (ISCED) Level 0 programmes] as a proportion of GDP. These figures, which are based on data collected in 2002 and published by the OECD in 2005, are reproduced below. (See Fig 3.3).

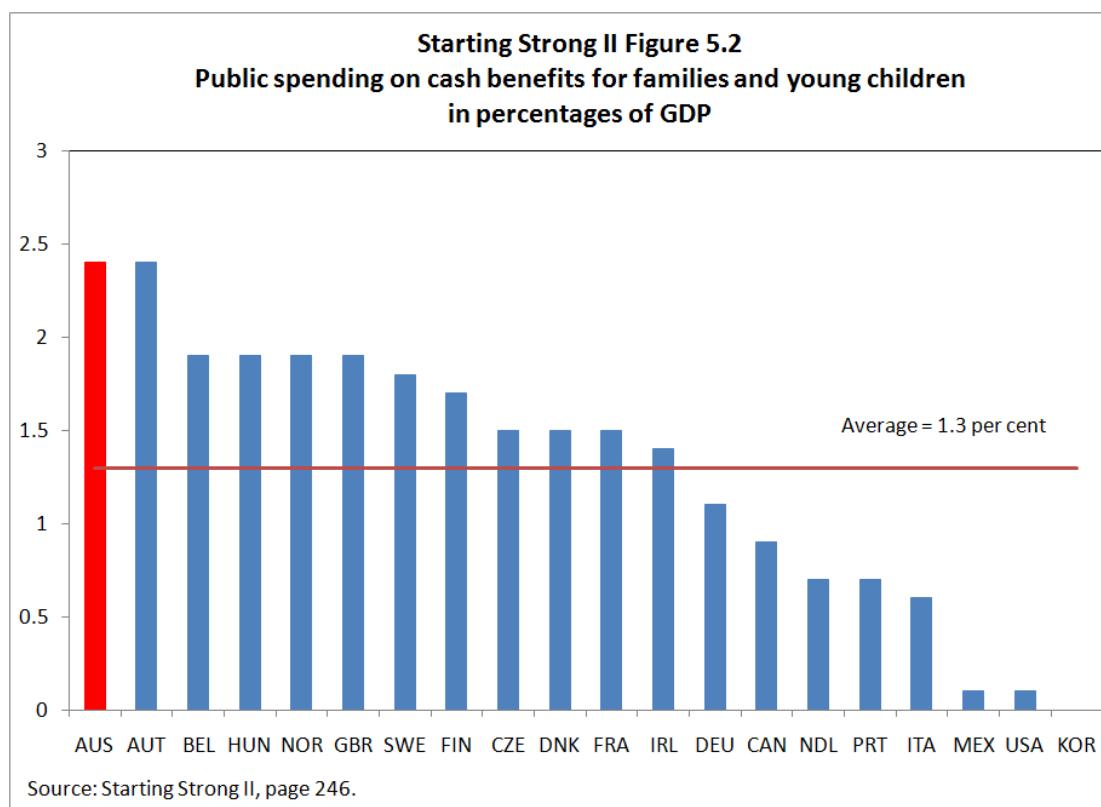
Figure 3.3



While total 2006 SSII expenditure appears incomplete, the data shows that public spending on families and young children in Australia was nearly 3 per cent of GDP in 2002, giving us an overall ranking of eighth and well above the average of this group of developed countries.

The key difference between *2006 SSII*'s two comparisons, of course, is the inclusion of taxpayer funded family benefits, where Australia was the OECD frontrunner in 2002. To see this, note that the data in Figure 5.2 can also be broken down into its constituent parts. Consider, for example, *2006 SSII*'s estimates of public spending on cash benefits for families and young children in 2002. This data is reproduced below. (See Figure 3.4).

Figure 3.4



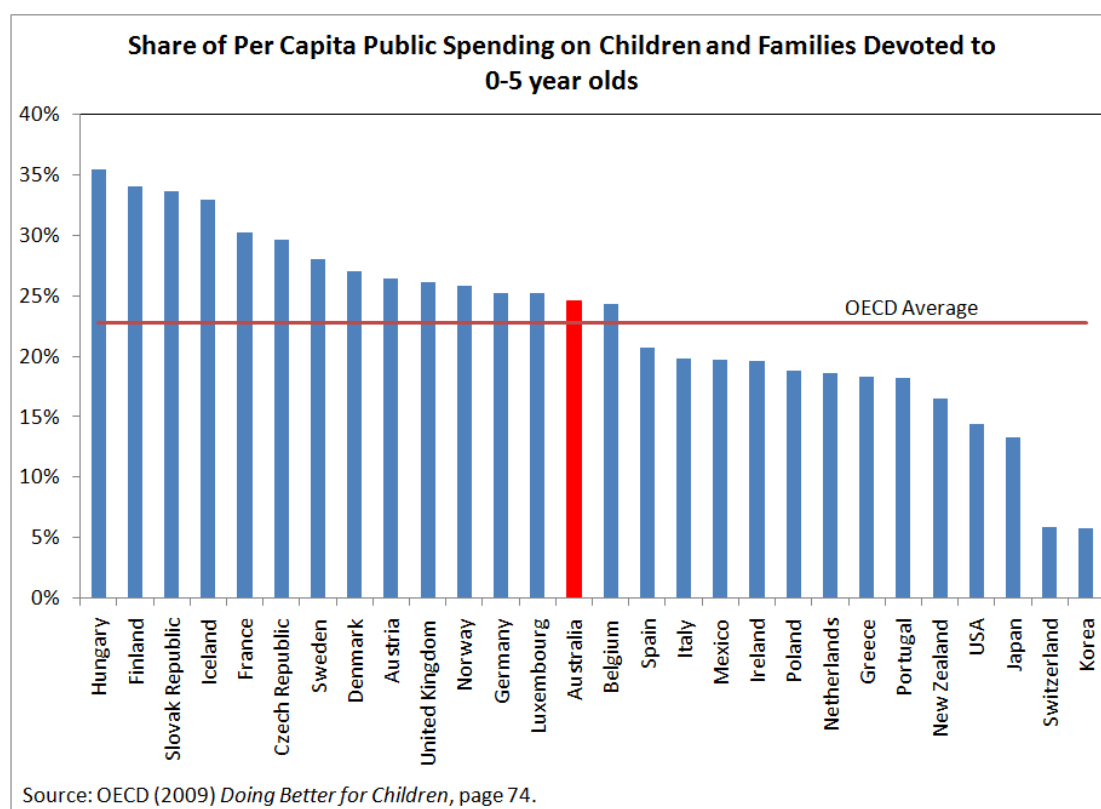
The data shows that in 2002 Australia had the most generous system of taxpayer funded cash benefits (in terms of percentage of GDP) in the entire group.⁷

Section 4 of this review provides further details of these payments, their expected budgetary cost in 2009-10, their size relative to other OECD economies, and the effect on out-of-pocket childcare expenses.

⁷ The most recently available data is for 2005, and shows that Australia devotes 2.2 per cent of GDP towards family cash benefits, placing us fifth in the entire OECD and well above the average of 1.3 per cent of GDP.

So exactly how much of this family spending goes to families with young children? The Boston Consulting Group recently (2008) estimated that \$11 billion – 1 per cent of GDP – is paid annually to families of children aged between 0 and 5.⁸ In its recent *Doing Better for Children* (2009) report, the OECD published estimates of each country's share of per capita public spending on families and children that is devoted to children aged 0-5. This data, which is presented in the Figure 3.5 below, shows that Australia devotes a high share (25 per cent) of each dollar of public spending on families and children towards children in the early stages of childhood, relative to the OECD average (22.8 per cent). None of these factors seem to be accounted for in the data presented in Figure 5.3 of *2006 SSII*.

Figure 3.5



2006 SSII also makes other problematic international comparisons. For example, the report's estimates suggest that Australia devotes relatively little public spending to ISCED Level 0 programmes (0.07 per cent of GDP, the lowest of the group), which again suggests that public spending on ECEC in Australia is low, relative to other developed countries.

But what exactly is ISCED Level 0 spending? *2006 SSII* notes on page 69 that:

“International Standard Classification of Education (ISCED) Level 0 programmes are defined as centre or school-based programmes that are designed to meet the educational and developmental needs of children at least 3 years of age, and that have staff that are adequately trained (i.e. qualified) to provide an educational

⁸ See page 15 of BCG (2008) *National Early Childhood Development Strategy*, Report to the ECD Subgroup of the Productivity Agenda Working Group, COAG, September.

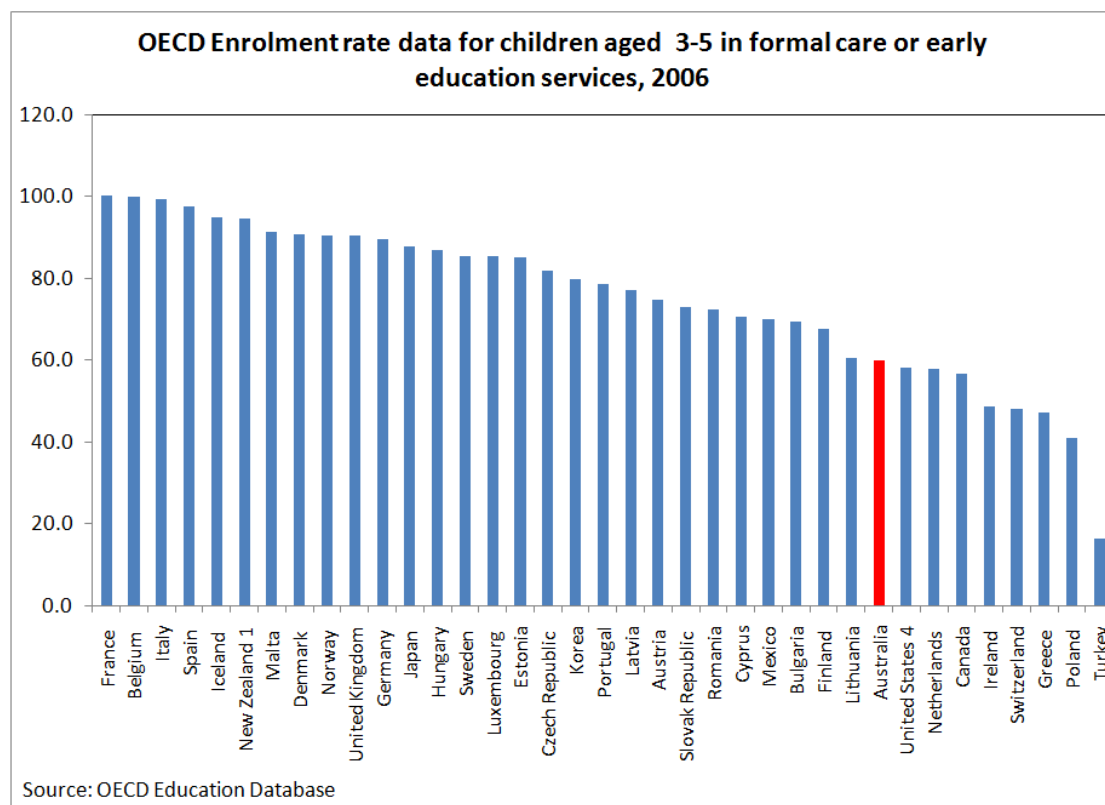
programme for the children. (Subjectively) *Programmes devoted to early childhood care or play are not included in this definition.*"

Recall that the OECD defines ECEC as "*all arrangements providing care and education for children under compulsory school age, regardless of setting, funding, opening hours, or programme content.*"

In other words, by the OECD's own definition of ECEC, the data used in 2006 SSII Figure 5.2 on ISCED Level 0 programmes is not a fair indicator of public ECEC spending, because ISCED Level 0 spending is only a small subset of all relevant public spending on ECEC educational arrangements. It is therefore improper to make international comparisons on the basis of such an incomplete data set.

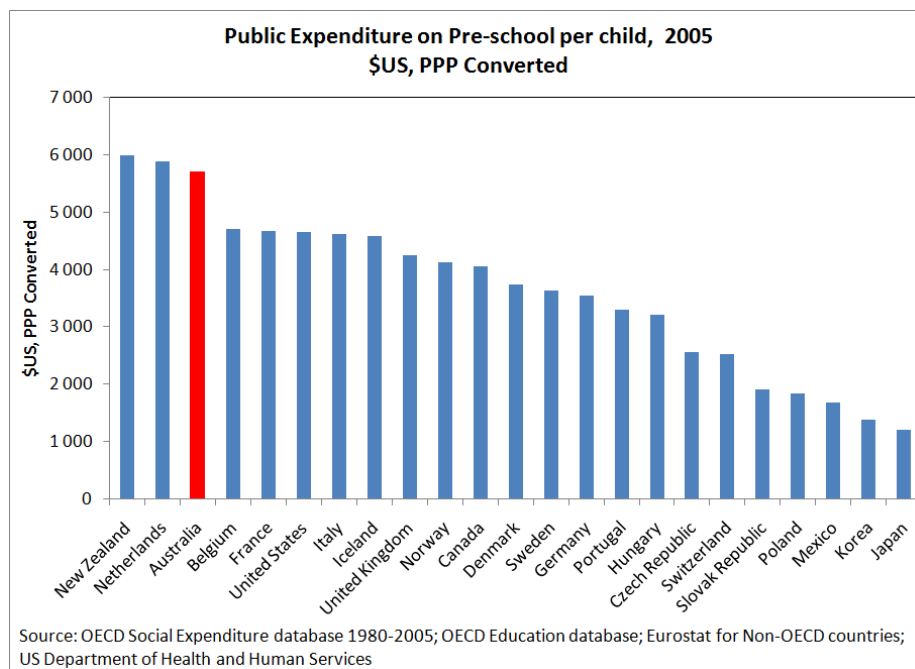
Finally, let us come back to the difference between aggregate spending data and the amount spent per child. If enrolment rates in formal early childhood education are low because such forms of education are not compulsory or because subsidies encourage other forms of care (such as parents staying at home with their children), then international comparisons of aggregate spending figures on formal ECEC will not show the complete picture of what is happening in different countries. Take public expenditure on preschool, for example. According to the OECD, Australia devotes a relatively low proportion of GDP to public spending in this area. But as the Figure 3.6 below shows, the OECD's measured enrolment rates for this form of education are relatively low for Australia with previously indicated valid reasons.

Figure 3.6



The result is the data in the Figure 3.7 below, which provides details of public expenditure on pre-school per child in 2005. Using this measure, Australia ranks third in the OECD.

Figure 3.7



4 Australian Taxpayer Support for Families and Children: A Brief Overview

For completeness, for policy comparison and as a data update, a comprehensive data set of 2009 government funding for families and children is provided in Table 1 below, with details of the most significant family and childcare related Federal Government programs (in terms of overall budgetary costs) that are currently in place in Australia. The largest programs are as follows:

- **Family Tax Benefit Part A:** For a child under the age of 13, the maximum fortnightly rate of FTB (A) is \$156.94, or \$4803.4 per year, and is gradually phased out at a rate of 20 cents in the dollar once annual family income reaches \$44,165.⁹
- **Family Tax Benefit Part B:** This is paid to one and two parent families with one main income, and where one parent stays at home and combines part time work with caring for their children. For children under the age of 5, the maximum rate of FTB (B) is \$3828.85 per year.
- **The Baby Bonus:** This is a series of 13 fortnightly payments totalling \$5185 per eligible child, and is payable to families whose adjusted taxable income is \$75,000 or less in the six months following the birth of the child.

⁹ All details of these payments are taken from the Australian Government publication, *A Guide to Australian Family Payments*, and are current to 31 December 2009.

- **The Child Care Benefit:** The maximum amount of Child Care Benefit (CCB) is \$180 per child per week, and this rate is available to families with family income of \$37,960, and is subject to a work, training or study test.
- **The Child Care Tax Rebate:** This is now known as the Child Care Rebate, and covers 50 per cent of out of pocket childcare expenses for approved childcare, up to an annual total of \$7778 for 2009-10.
- **Parenting Payment:** The single and partnered Parenting Payment is paid to parents of young children at a rate of either \$574.50 per fortnight, or \$411.50 per fortnight for partnered parents, and is subject to an income test.

Table 1: Estimated Budgetary Cost of Federal Taxpayer-Funded Direct Family and Childcare Related Payments, 2009-10

Policy	Estimated Budgetary Cost in 2009-10
Family Tax Benefit (Parts A and B)	\$17,424 million
Baby Bonus	\$1,416 million
Child Care Benefit (CCB)	\$2,021 million
Child Care Tax Rebate	\$1,071 million
Parenting Payment (Single & Partnered)	\$5,252 million

Source: 2009-10 Budget Paper No. 1 and 2009-10 FAHCSIA and DEEWR Portfolio Budget Estimates.

It is important to note that these payments are exempt from income tax. In addition, childcare supplied by an approved provider in Australia is not subject to the Goods and Services Tax (GST). To arrive at an expenditure-equivalent of these benefits, the so-called “tax expenditures” associated with the payments must also be taken into account. The aggregate value of these tax expenditures is reported in Table 2 below.

Table 2: Family/Childcare-Related Tax Expenditures, 2009-10

Policy	Estimated Cost in 2009-10
Exemption of FTB (A) and FTB (B) from Income Tax	\$1,940 million
GST Exemption for Eligible Childcare	\$430 million
Exemption of Child Care Tax Rebate from Income Tax	\$195 million
Exemption of the Baby Bonus from Income Tax	\$155 million
Exemption of Child Care Benefit from Income Tax	\$445 million

Source: Commonwealth Treasury, 2008-09 Tax Expenditure Statement.

What are the effects of these benefits on out-of-pocket childcare costs in Australia? The figures 4.1 and 4.2 below show that the effect is substantial. For a family with two children in full time centre-based long day care, taxpayer funded subsidies equate to nearly 50 per cent of disposable income for very low income earners. The effects are similar for full time family day care.

Figure 4.1

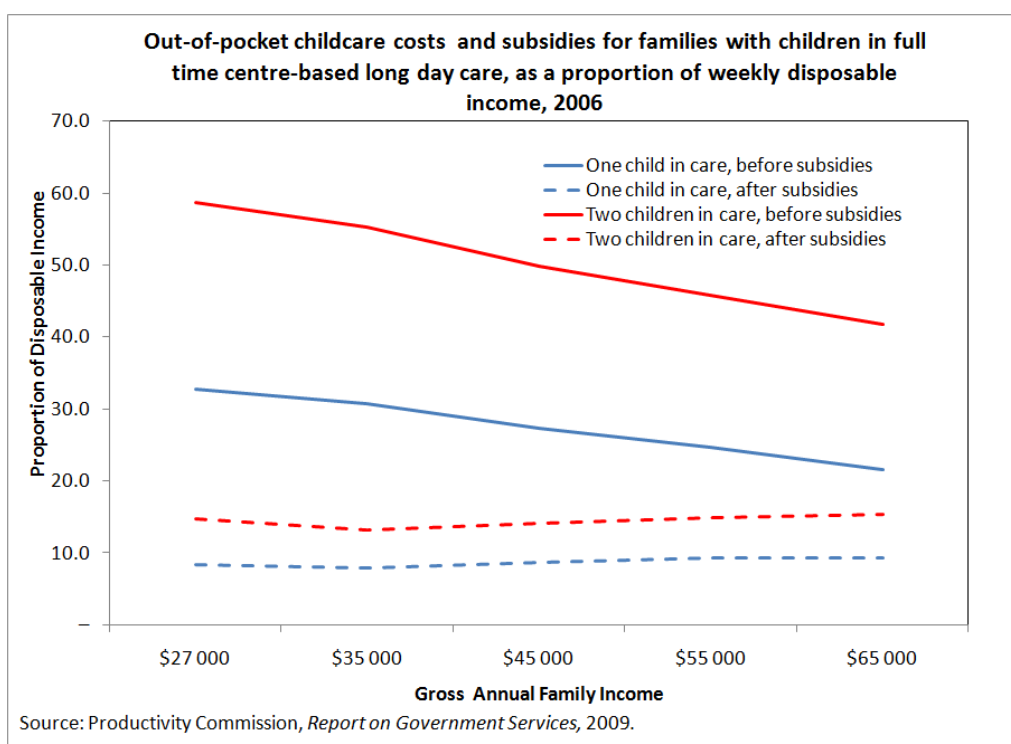
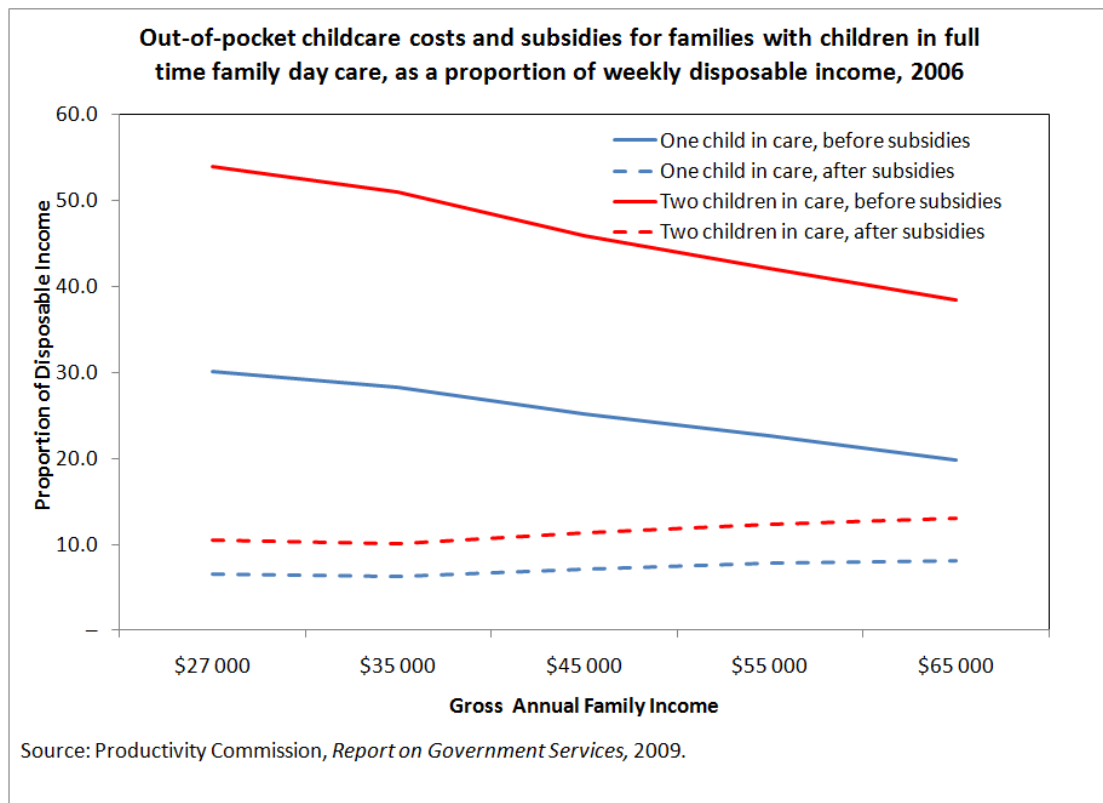


Figure 4.2



How generous are these individual subsidies, relative to those provided in other OECD economies? The Figures 4.3 and 4.4 below give us a reasonable idea. The first two figures provide an OECD-wide comparison of tax benefits for dual and single income families with full-time childcare arrangements, and show that Australia leads the world in these tax benefits.

Figure 4.3

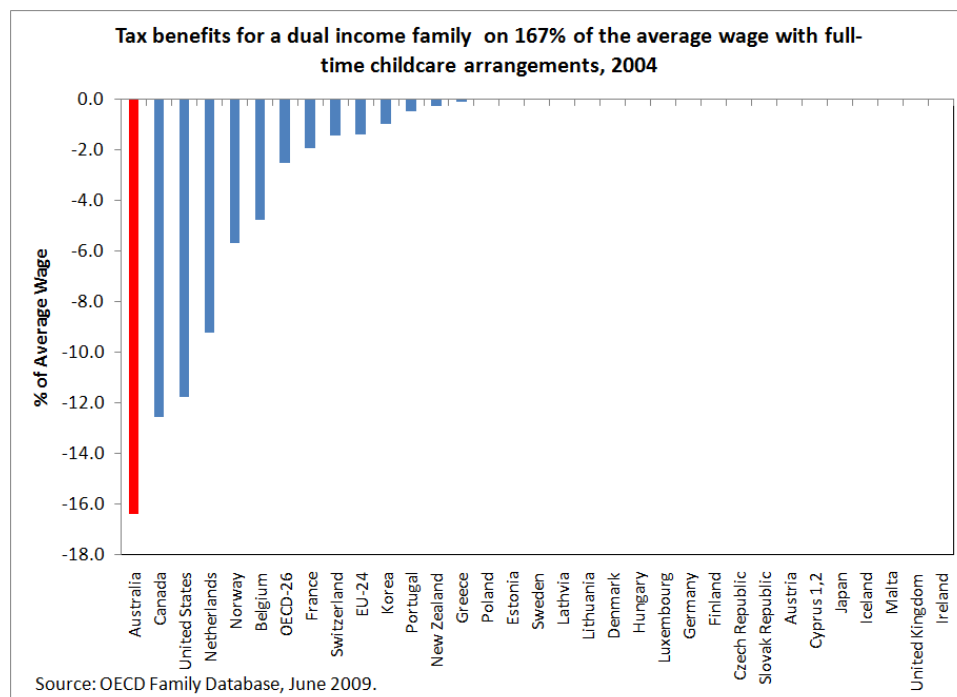
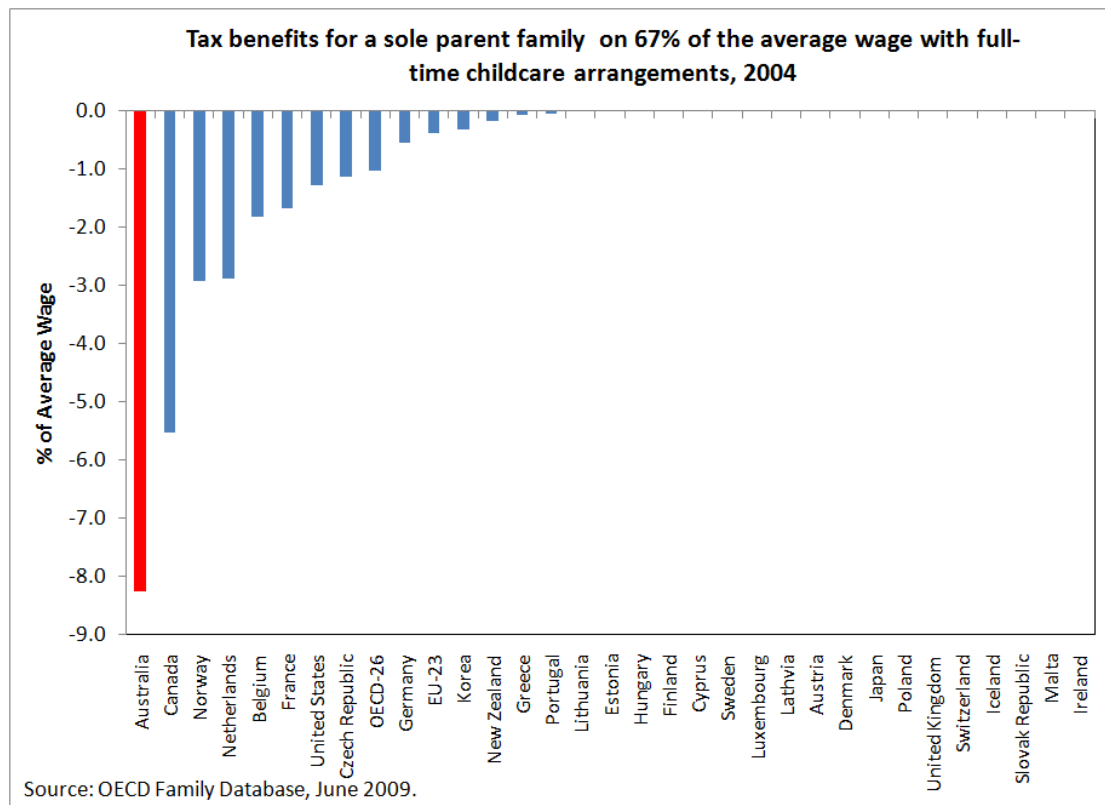


Figure 4.4



The second set of Figures 4.5 and 4.6 provide a comparison of childcare benefits for dual and single income families with full-time childcare arrangements, and again show Australia is very generous by world standards.

Figure 4.5

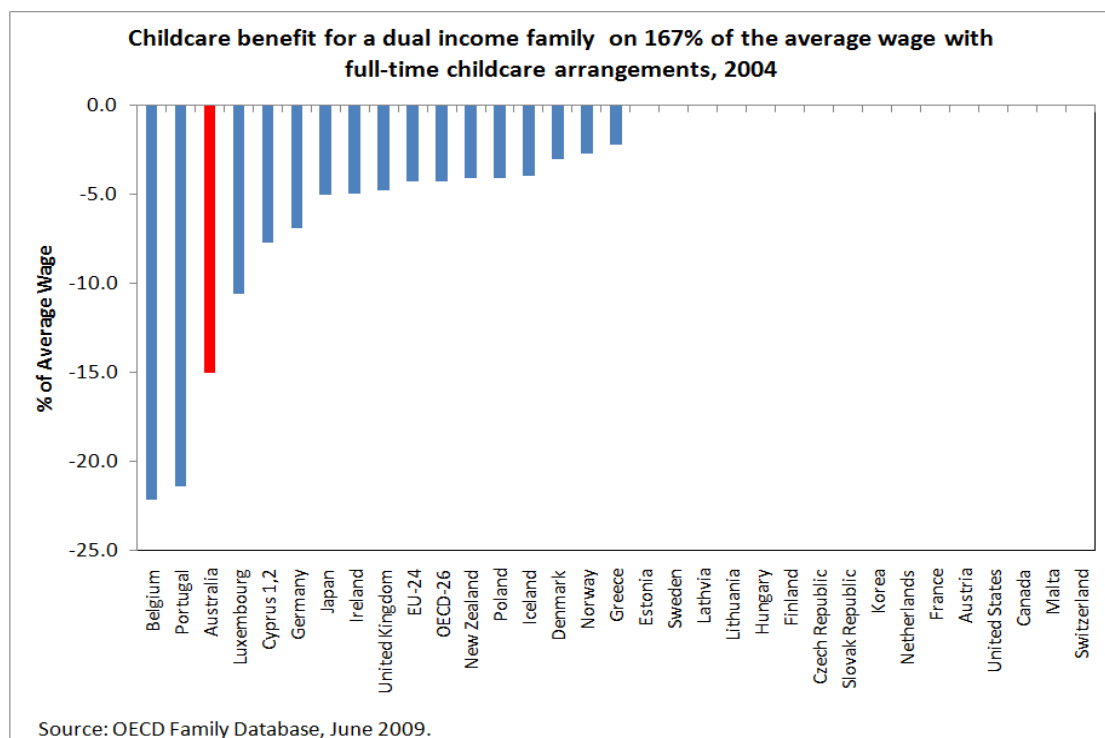
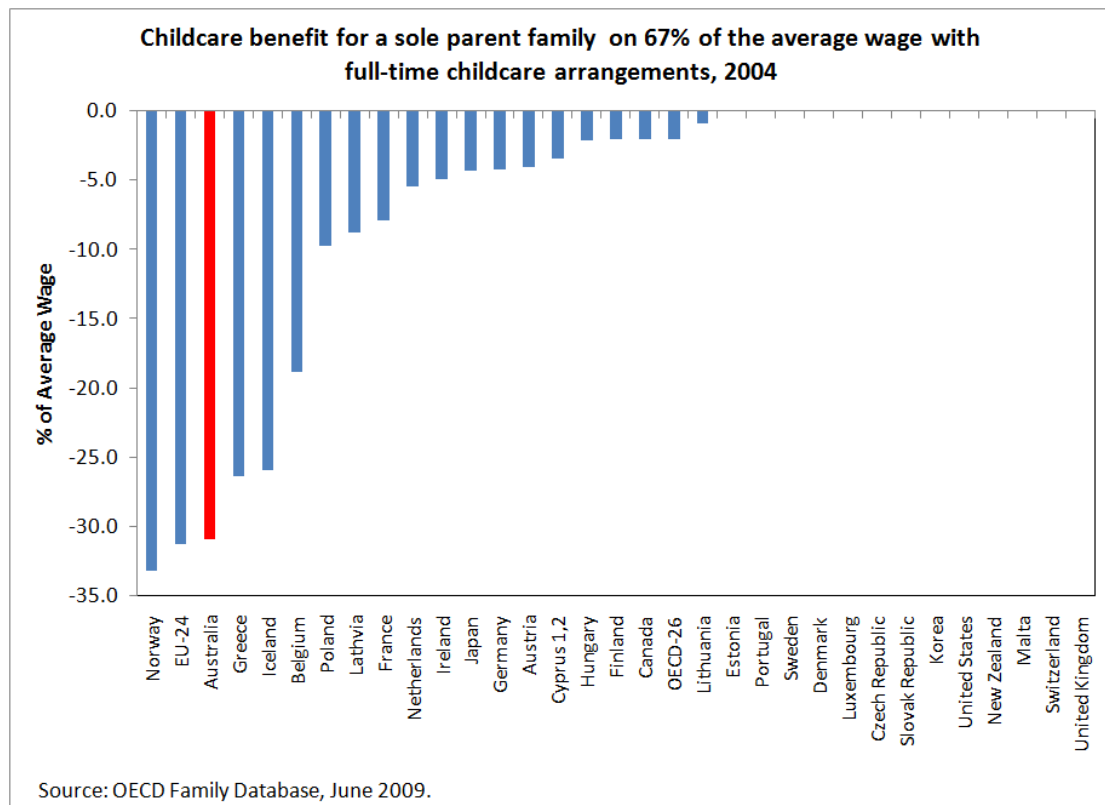
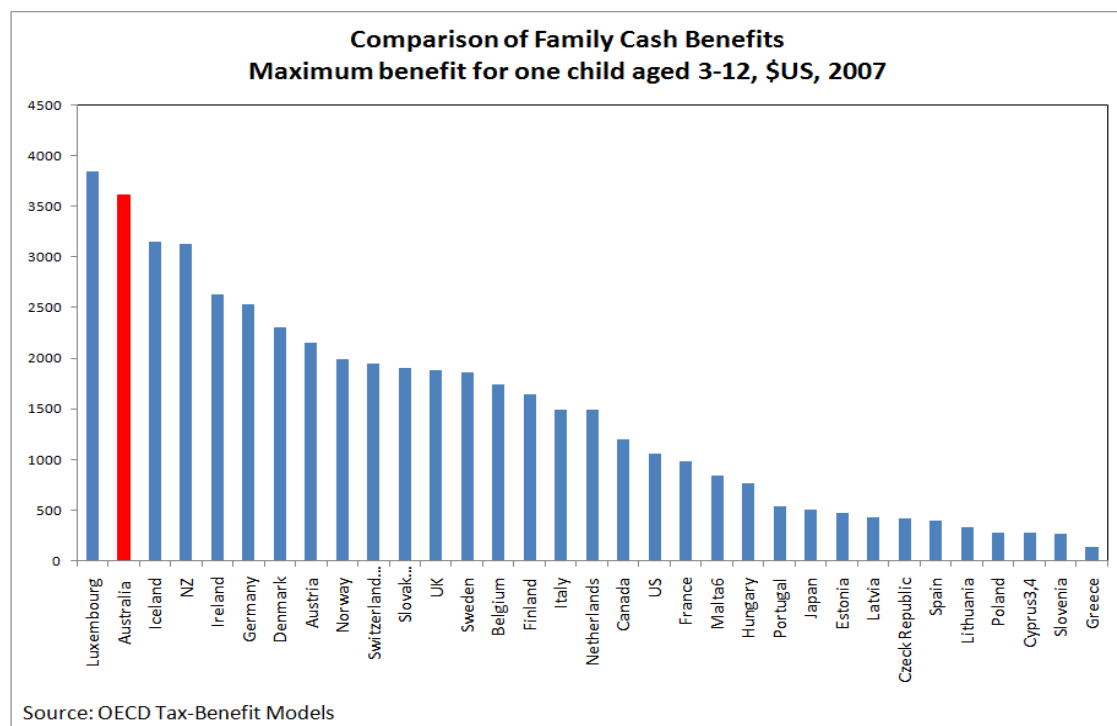


Figure 4.6



Finally, the Figure 4.7 below provides a comparison of the maximum annual family benefit (in \$US) available for a child aged 3-12 in different countries in 2007. Again, according to this data, Australia does well on this measure, ranking second in this group of countries.

Figure 4.7



5 Conclusions

In a world where at least the appearance of developing and implementing “evidence-based policy” is becoming increasingly fashionable in policy circles, obtaining the right evidence and interpreting it correctly is crucial.

Even under the best of circumstances, aggregate public spending is an imperfect economic indicator. But when such data is used to make international comparisons and draw policy conclusions, a whole new set of problems may arise.

Aggregate spending masks important differences in prices, quality of service, and demographic, geographic and cultural factors, as well as other policies that may drive public spending up or down, relative to other countries.

International comparisons of early childhood education and care provide an interesting case study of the kinds of problems that can arise and what can go wrong in these kinds of comparative exercises.

Direct subsidies to providers are not necessarily directly equivalent to cash benefits, tax breaks and other forms of funding to parents, but all of these matters affect families choices with their ECEC mix. In the Australian case, most public ECEC funding occurs through the latter mechanisms, whereas spending in various areas of the OECD there is a focus on the former. This makes international comparisons difficult, and unless a great deal of care is taken, incorrect conclusions can be drawn from the data.

Ultimately, any decision to increase public spending on early childhood education and care should confront the issue of whether there are positive net benefits from such forms of spending, and should examine the net incremental benefits of a range of policy options, relative to a baseline in which no such spending occurs. International comparisons of spending data, even when done correctly, are no doubt very interesting and challenging but they may shed very little light on the efficacy and efficiency of individual policy programs and spending proposals.

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