

**Submission to  
the Productivity  
Commission Inquiry  
into Childcare and  
Early Childhood  
Learning**



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# Productivity Commission Inquiry into Childcare and Early Childhood Learning – Submission by Mission Australia

## Executive Summary

Early childhood is the most important phase for development throughout a person's life. Brain and biological development during the first years of life is highly influenced by an infant's environment and their early experiences determine health, education and economic participation for the rest of their life. Early childhood learning provided through quality childcare has a critical role to play in optimising the development of children and providing opportunities for women to work.

In 2012, 22% of Australian children were vulnerable on one developmental domain at school age (Australian Early Development Index (AEDI): 2012)<sup>1</sup>. There are simple and effective ways for families, caregivers and educators to ensure optimal child development and address these vulnerabilities.

Mission Australia aims to contribute to the achievement of an optimal start to a child's life, particularly for disadvantaged children, through our early learning and quality education childcare centres, our social and participatory programs, and our broader work in early intervention and prevention in our services, including job services, affordable housing, and community services.

Mission Australia has undertaken a national survey of parental attitudes to inform this submission (Mission Australia's Childcare Survey). This study, combined with Mission Australia's experience in delivering services and research and evaluation of social policy and programs, has identified the following critical components for successful childhood development in the early years:

- Early intervention, particularly for children from disadvantaged families
- Quality learning and education in the earliest years
- Qualified, caring teachers and educators working with children
- Integrated support for parents, particularly for disadvantaged families

Combined with the significant benefits childcare affords through enabling women to participate in the workforce, early learning and childcare is a critical investment and public policy. Early childhood education has been found to be a sound financial investment, with return on investment ratios being estimated at about 7 to 1 or higher, with positive outcomes remaining into adulthood.<sup>2</sup> High quality early education is amongst the most cost effective educational interventions and is reportedly likely to be a profitable investment for society as a whole.<sup>3</sup> Combined with the contribution of higher

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<sup>1</sup> AEDI (2012) National Report, available at <http://maps.aedi.org.au/>

<sup>2</sup> Hirokazu Yoshikawa, Christina Weiland, Jeanne Brooks-Gunn, Margaret R. Burchinal, Linda M. Espinosa, William T. Gormley, Jens Ludwig, Katherine A. Magnuson, Deborah Phillips, Martha J. Zaslow (2013) Investing in our future: the evidence base on preschool education.

<sup>3</sup> Hirokazu Yoshikawa, Christina Weiland, Jeanne Brooks-Gunn, Margaret R. Burchinal, Linda M. Espinosa, William T. Gormley, Jens Ludwig, Katherine A. Magnuson, Deborah Phillips, Martha J. Zaslow (2013) Investing in our future: the evidence base on preschool education.

participation of women in the workforce, expanding the opportunities for early learning and childcare has the potential to deliver significant returns to the Australian economy.

Australia has a way to go to optimise this potential of early learning through quality childcare. Internationally, Australia does not fare well across a number of key indicators, such as:

- Participation rates in, and public funding for, early childhood education are relatively low in Australia compared with other OECD countries (OECD 2012).
- Pre-primary education is offered less systematically in Australia than in other, particularly European, OECD countries (OECD 2012).
- In 2009, Australia ranked 32nd of 34 OECD and partner countries in terms of its expenditure on early childhood educational institutions as a percentage of GDP (OECD 2012).
- Australian teachers are relatively well paid, but salaries are not increasing as much as they are elsewhere in the OECD (OECD 2012) and childcare workers remain on relatively low wages domestically.<sup>4</sup>
- Families must be encouraged by public policy to bring together family and work life responsibilities.

These findings and circumstances have informed the following recommendations.

## Summary of Recommendations

The Productivity Commission (PC) should recommend the childcare system Australia should aspire to, that would achieve positive outcomes for children and generate the productivity and participation gains made possible with affordable and accessible early learning. Mission Australia recommends that the PC should consider the following:

- Recognising the importance of the early years and women's participation in the workforce, Australia should aspire to quality early learning that is affordable for all families and support allocated where it has the most impact, which is to the most disadvantaged.
- Mission Australia calls for an extension of this level of support to children from disadvantaged families and communities (as well as children with disabilities, or requiring additional support) to have free or almost free early learning childcare. To achieve this we recommend an immediate trial across Australia's most disadvantaged areas of free access to early learning and childcare in the early years.
- Maintaining the National Quality Framework (NQF), noting the extensive evidence and support for quality education.
- Reviewing the current value of childcare subsidies in light of their diminishing value across all income levels. Evidence presented here shows that as the level of subsidies decrease so does workforce participation.

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<sup>4</sup>OECD (2012): Country Note: Education at a Glance: OECD Indicators 2012: Australia

- Simplifying the payment and support system for childcare and where possible harmonising the childcare system across states and territories.
- Provide support for innovative and integrated models of support for disadvantaged families, ensuring parents are engaged and participate.
- Ensuring childcare remains affordable for all families, noting the benefits of early learning and women's participation are public goods, will be necessary to support the Australian economy into the future, and should be funded accordingly.
- Continuing funding of the Australian Educational Development Index (AEDI) as a benchmark on how well we are doing as a Nation for vulnerable children.

The PC review should set out a path to achieving an optimal childcare model for Australia through a staged approach acknowledging the additional cost associated with transitioning to a world leading childcare system. In this regard, Mission Australia calls for a comprehensive consideration of the tax and transfer system to afford expanded early learning and quality childcare in Australia over time. This includes consideration of tax expenditures particularly benefiting higher income earners, superannuation taxes, alcohol taxation, negative gearing, capital gains tax and any number of other areas where there is significant scope for reform. Consideration should also be given to the impact of any changes on a families' ability to afford childcare and funding should not be sought from changes which impact on low or middle income families.

## **Mission Australia – About Us**

Mission Australia is a Christian community service organisation that has been helping people towards independence for over 150 years. Alongside our partners, we help people through early learning and youth services, family support and homelessness initiatives, employment and skills development, and affordable housing. Together we stand with Australians in need, until they can stand for themselves. Our 572 services across metropolitan, rural and regional Australia, in every state and territory assisted 279,000 individuals and 12,000 families in 2013.

Mission Australia Early Learning (MAEL) was founded in 2009 when Mission Australia bought 29 childcare centres operating predominantly in areas of disadvantage where a high percentage of children are considered to be developmentally vulnerable, according to the Australian Early Development Index (AEDI). These centres were former ABC Learning centres located in New South Wales, the Northern Territory, Victoria, South Australia and Western Australia. In May 2012, MAELs was chosen to provide 21 Department of Defence long day care and before and after school services. Mission Australia provides kindergarten, before and after school care and integrated service centres.<sup>5</sup> In New South Wales, Mission Australia also provides family day care (FDC) as well as providing early intervention and prevention services in a variety of settings, including Communities for Children (CfC) sites, as well as other children's community services.

In addition to MAEL, we are also part of Goodstart Early Learning, a not-for-profit consortium made up of Mission Australia, The Benevolent Society, The Brotherhood of St Laurence and Social Ventures

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<sup>5</sup> The majority of outside school hours care centres are approved childcare services, parents and then eligible for a rebate.

Australia. The consortium operates more than 660 former ABC centres nationwide although Mission Australia has no role in the direct operation of these centres.

## **Our Submission**

Mission Australia welcomes the opportunity to make a submission to the Productivity Commission's Inquiry into Childcare and Early Childhood Learning (the Inquiry). We believe all Australians should have access to quality education and the ability to participate in work. The Inquiry provides an opportunity to further inform discussion of the value of early learning and workforce participation particularly for women, and the role both can play in achieving economic and social outcomes for individuals, communities and the Australian economy more generally.

This submission draws on the experience of Mission Australia in delivering early childhood services, its child and early learning programming and policy expertise, as well as the insights of parents and carers who utilise Mission Australia and other childcare services.

## **Our Survey**

Mission Australia conducted a detailed survey of parents' views on a range of areas relevant to the scope of the Inquiry. The survey was conducted online between late December 2013 and January 2014, being emailed directly to parents with children enrolled in Mission Australia's Early Learning centres and also made available to the broader public via the Mission Australia website and social media. The survey results inform this submission. Respondents were asked their opinion on a range of topic areas relevant to the Inquiry, and were also able to make open-ended comments where they felt necessary. We have used both the quantitative and qualitative findings throughout this submission.

In total, 644 individuals from all States and Territories responded to Mission Australia's Childcare Survey. A prerequisite for participation was to have a child currently attending childcare. Overall, three quarters of respondents were parents and carers of children enrolled in MAEL centres, with the remaining quarter comprising members of the general public with a child in childcare.

Respondents were predominantly female, with the vast majority being parents or step parents (96.9%). Small proportions of grandparents (1.9%) and carers (1.2%) also participated in the survey. In terms of marital status, 73.0% of respondents were married, 14.6% were cohabiting/in a de facto relationship, 7.1% were divorced/separated, 2.8% had never married and 0.5% were widowed.

The vast majority of respondents were in some type of employment, with 41.8% employed full time, 40.9% employed part time and 5.3% in casual/shift work. 6.3% of respondents were unemployed (3.9% not looking for work; 2.4% looking for work), 2.2% were studying and 1.6% were in unpaid work only (a few chose not to disclose this information).

Of particular relevance to this submission is the comparison between parents from different socio-economic groups and the effect this has on childcare choices and priorities. To analyse survey responses by level of relative advantage or disadvantage, the Australian Bureau of Statistics Socio Economic Indexes for Areas – Index of Relative Socio-economic Advantage and Disadvantage (ABS

SEIFA IRSAD) was used. This index ‘summarises information about the economic and social conditions of people and households within an area, including both relative advantage and disadvantage measures.’<sup>6</sup>

Our categorisation was based on home postcode for respondents participating in the public survey and centre postcode for those attending MAEL services. Responses were grouped by SEIFA IRSAD quintiles providing the following sample sizes in each category.

Table 1: Survey responses by SEIFA IRSAD Quintiles

SEIFA IRSAD quintile	Sample size (n)
5 – Most advantaged	195
4	119
3	96
2	173
1 – Most disadvantaged	48

\*Note: Due to missing postcode data 13 respondents could not be classified by SEIFA IRSAD quintile and have thus been excluded from this part of the analysis.

### Key Survey Findings:

- Respondents’ top motivation for sending their child to childcare was that it enables them to work (84.6%). Other motivations include socialising with other children (75.5%), learning (59.8%) and being prepared for school (34.6%).
- Eight in ten respondents (79.3%) noted that someone else regularly provides care for their child outside of a childcare centre, most commonly their partner or spouse (62.1%). 38.0% indicated that they rely on grandparents for regular childcare, while a very small minority (2.2%) employ a nanny or au pair.
- When thinking about their child’s years between birth and three, 79.0% of parents noted that education during this period is ‘extremely’ or ‘very’ important.
- In deciding upon a childcare/early learning centre, respondents indicated considering and valuing a variety of attributes including friendly staff, cleanliness and well maintained facilities.
- Nearly all respondents (94.5%) rated qualified staff as either ‘extremely’ or ‘very’ important in their decision around childcare.

<sup>6</sup>ABS 2039.0 - An Introduction to Socio-Economic Indexes for Areas, available at: <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/2033.0.55.001main+features100042011>.

- A vast majority also rated a focus on learning (91.4%) and a high staff child ratio (88.8%) as ‘extremely’ or ‘very’ important.
- Just over six in ten (61.7%) said low cost was ‘extremely’ or ‘very’ important to them when choosing a childcare centre. Differences were observed across SEIFA IRSAD quintiles though, with 47.9% of respondents in the most disadvantaged quintile rating low cost as ‘extremely’ important compared to 29.9% in the most advantaged quintile.
- Nearly half (44.5%) of parents indicated that they felt childcare is currently affordable, with a similar proportion suggesting that it isn’t (44.7%) – the remaining 10.8% were undecided. Importantly, those in the most disadvantaged quintile were notably less likely to consider childcare to be affordable currently (only 27.1% indicating feeling that childcare is currently affordable compared to 50.3% amongst the most advantaged quintile).
- 59.1% indicated the government subsidy for childcare influences their decisions around work (e.g. whether or not to work, how many hours to work etc.).
- Only one in five respondents (19.9%) said they would maintain their current childcare arrangements if the government subsidy was reduced. 50.8% said they would reduce their use of paid childcare, 37.4% would reduce their work hours and 23.0% would stop working altogether. Those in the most disadvantaged quintile were the most likely to say they would stop working if the childcare subsidy was reduced (with 33.3% saying they would do so).

## Key Facts

### *Women’s participation and the economy*

Fundamental to our discussion on childcare and early childhood learning is the recognition of the role that childcare plays not only in child development but also in household finances, as well as national GDP and reducing welfare payments. More women are returning to work after having children than in the past, although participation rates for women in the workforce have been decreasing since 2012.<sup>7</sup> In Australia the average age of a child is a little over six months when a woman returns to work, with nearly three quarters returning to work when the child turns one.<sup>8</sup> For many families a second income is needed to stay above the national poverty line, with many women returning to work as an economic necessity as opposed to a career decision. Likewise, women returning to the workforce increases the tax base, as well as increasing GDP and decreasing welfare costs (UNICEF 2008).<sup>9</sup> The majority of women with childcare responsibilities return part time to work in the first instance, with the percentage in full time work increasing as the child grows older.<sup>10</sup>

<sup>7</sup> ABS 6202.0 - Labour Force, Australia, Dec 2013.

<sup>8</sup> Baxter, J. (2013) Parents working out work Australian Institute of Family Studies.

<sup>9</sup> UNICEF (2008) The childcare transition: A league table of early childhood education and care in economically advanced countries.

<sup>10</sup> Baxter, J. (2013) Parents working out work Australian Institute of Family Studies.

### *International comparison of access to early learning*

Despite this understanding, pre-primary education is offered less systematically in Australia than in other, particularly European, OECD countries. The financial crisis and subsequent recession suffered by most OECD countries had relatively little impact on the Australian economy, while Australia's proportion of national income spent on pre-primary education is amongst the lowest in the developed world and enrolment rates remain low.<sup>11</sup>

Table 2: Educational access across age groups

	Australia	OECD average	Australia rank
Indicator: Educational Access and Output			
Enrolment rates			
3-year-olds (in early childhood education)	10%	66%	32 of 36 countries
4-year-olds (in early childhood and primary education)	52%	81%	34 of 38 countries
5-14 year-olds (all levels)	99%	96%	18 of 39 countries

### *Financial support for childcare*

Despite a significant increase in the level and quantum of financial support for childcare, the value of government subsidies continues to diminish. The current design of the Child Care Benefit (CCB) and Child Care Rebate (CCR) means the support for families diminishes over time.<sup>12</sup>

It is difficult to get a complete picture of early learning funding given the split in funding between the Federal and State Governments. Expenditure on the CCR and the CCB accounted for \$5.05 billion of spending in 2013-14. It is projected to rise to \$5.98 billion in 2016-17.<sup>13</sup> The Federal Government also funds a range of other childcare related expenditures, State and Territory Governments are responsible for preschool costs and many local governments also provide financial support for childcare. This creates a complex funding model for a critical area of public policy.

<sup>11</sup> The OECD's Education at a Glance 2008 (EAG 2008) NOTE: OECD does not include long day care in the analysis.

<sup>12</sup> The federal 2013–14 Budget provides \$660.1 million in the provision of Early Childhood Education.

<sup>13</sup> Australian Government, Budget Papers 2013-14, Table 9.2 Available here: [http://www.budget.gov.au/2013-14/content/bp1/html/bp1\\_bst6-01.htm](http://www.budget.gov.au/2013-14/content/bp1/html/bp1_bst6-01.htm)

## Mission Australia's Response to the Terms of Reference

### The contribution that access to affordable, high quality childcare can make to optimising children's learning and development

The years from pre-birth to seven, and particularly those to the age of three, are crucial in terms of a child's mental, emotional and educational development – quite literally this is the time during which a young child's brain is sculpted and their brain circuits develop. The more effective we are in those years, in providing nurturing and responsive relationships and preventing toxic stress, the less likelihood there is of children needing help later in life in relation to a number of issues including mental health, violence and anti-social behaviour, and welfare dependency (Oberklaid, 2008).<sup>14</sup> Importantly, it is well documented that investment in early years learning and development can generate more benefits than costs later in life.<sup>15</sup>

The Council of Australian Governments (2009) acknowledged the importance of these early years in the National Early Childhood Development Strategy. The strategy represents a landmark document in providing a shared vision for the development of young children in Australia, namely, that 'by 2020 all children have the best start in life to create a better future for themselves and for the nation' (p.4).<sup>16</sup>

Mission Australia's Childcare Survey found significant concern amongst parents and carers about the education of their children between birth and three years of age. Almost eight in ten respondents (79.0%) indicated that education of their child during this age period was either 'extremely' or 'very' important to them. Moreover, the survey found that parents were motivated to place their child in childcare both to enable socialisation with other children (75.5%) and for early learning and education (59.8%). These results confirm that many parents believe that preschool care is beneficial and recognise the contribution access to affordable, high quality childcare can make to optimising children's learning and development. The survey found that those in the more disadvantaged SEIFA IRSAD quintiles were even more likely than other parents and carers to choose to send their child to childcare to benefit from the early learning and education on offer.

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<sup>14</sup> Oberklaid F., (2008) It's time: The future of school health in Australia *Journal of Paediatrics and Child Health* Volume 26, Issue 5, pages 244–251, (October 1990).

<sup>15</sup> Hirokazu Yoshikawa, Christina Weiland, Jeanne Brooks-Gunn, Margaret R. Burchinal, Linda M. Espinosa, William T. Gormley, Jens Ludwig, Katherine A. Magnuson, Deborah Phillips, Martha J. Zaslow *Investing in Our Future: the evidence base on preschool education* (October 2013).

<sup>16</sup> National Partnership Agreement on the National Quality Agenda for Early Childhood Education and Care (2009).

Table 3: Reasons for sending child to an early learning/childcare centre

Why did you choose to send your child to an early learning/childcare centre?	%
It enables me to work	84.6
It allows my child to socialise with other children	75.5
For early learning and education	59.8
To prepare my child for school	34.6
Lack of alternate childcare options	10.6
To enable me to fit in other activities	8.2

Note: Respondents could select more than one response.

Comments made by respondents in Mission Australia’s Childcare Survey demonstrate that beyond allowing them to work, childcare is perceived to offer numerous benefits for a child’s education and development.

**“I prefer to work and try to give my child a better life as well as an education”**

**“The subsidy allows me to return to work to earn a good income while my son is taken care of in a fun, friendly environment with children his own age and gaining skills to make the transition to school easier”**

**“...As a mother I have always been part of the workforce and would like to remain that way, I do not think that I would be doing what is best for my children by denying them interaction with others and early childhood learning which is a very specialised field. I would be a good child minder but I am no educator. Childhood education up to the age of three is crucial and therefore the government should continue to subsidise this”**

In Australia all but a small percentage of children experience some form of regular non-parental early childhood education and/or care in the year before entering formal full-time school (such as family day care, preschool or kindergarten, or care by a grandparent) (AEDI: 2012). The evidence on the effectiveness of quality early childhood care in the preschool years shows positive academic effects on language, learning and literacy.<sup>17</sup> While the evidence of the effectiveness of preschool education on social-emotional development is less clear, higher levels of attentiveness and engagement in the school class room are reported for those children who attended preschool.

<sup>17</sup> [www.rch.org.au/aedi](http://www.rch.org.au/aedi)

High quality preschool programs have a greater impact on children's development than those that are not of high quality and the positive impacts achieved can be felt after the child leaves preschool. High quality education and care provide positive and stimulating interactions which are the most important contributors to children's gains in language, literacy and numeracy, as well as their social skills. The environments in which these interactions take place help create the conditions for positive interactions. Positive preschool environments, which include features such as small group sizes and higher ratios of staff to children, allow positive interactions, however these interactions are also influenced by the qualifications of the staff. The right environment for positive childhood development is therefore made up of positive interactions, the right environment as well as well qualified and supported staff.

The longer a child spends in childcare the more beneficial it appears to be. Most studies which focus on the length of time spent in preschool programs consider the differential gains between one and two years, with the majority of studies focusing on disadvantaged children. Evidence to date suggests that there are greater increases related to a lengthier time period spent in preschool programs, although the impact of the second year is often smaller than for those who only do one year at the age of 4.<sup>18</sup>

As well as preparing children for school and increasing children's readiness for school, evidence also suggests that those children who attended a preschool program have long term positive outcomes.<sup>19</sup> While the explanation for this is still a matter for researchers, clearly the benefits of early education and care have a long lasting effect on outcomes into adulthood.

Early childhood education has also been found to be a sound financial investment with return on investment ratios being estimated at about 7 to 1 or higher, with positive outcomes remaining into adulthood. High quality early education is amongst the most cost effective educational interventions and is reportedly likely to be a profitable investment for society as a whole.<sup>20</sup>

## The contribution that access to affordable, high quality childcare can make to increased participation in the workforce, particularly for women

Extensive research has demonstrated the value of women's participation in the workforce. As Australia's female participation rate slows (since 2012) and the population ages, ensuring public policies incentivise and support women's participation in the workforce will be critical to the future of the Australian economy.

As previously identified by both the Henry Review and Productivity Commission:

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<sup>18</sup> However this is dependent upon the curriculum during the second year of preschool.

<sup>19</sup> HighScope Perry Preschool Study shows that a reduction in the incidence of crime, higher earning, higher educational attainment and positive social relations are all positively correlated with preschool attendance.

<sup>20</sup> Hirokazu Yoshikawa, Christina Weiland, Jeanne Brooks-Gunn, Margaret R. Burchinal, Linda M. Espinosa, William T. Gormley, Jens Ludwig, Katherine A. Magnuson, Deborah Phillips, Martha J. Zaslow (2013) Investing in our future: the evidence base on preschool education (2013) Investing in our future: the evidence base on preschool education.

*‘Pro-growth policies, focused on participation and productivity, offer the best prospects of meeting the looming fiscal challenge without compromising the living standards of future generations’ (Henry 2004, p. 81 quoted in Productivity Commission (2006).*

In addition to the positive contribution women’s participation makes, there are also significant costs associated with excluding women from participation. The World Bank has undertaken extensive research on the value of increased participation of women and concluded that:

*“Gender inequalities impose costs on productivity, efficiency and economic progress. By hindering the accumulation of human capital in the home and the labour market, and systematically excluding women or men from access to resources, public services, or productive activities, gender discrimination diminishes an economy’s capacity to grow and raise living standards.”<sup>21</sup>*

The availability of accessible and affordable childcare is critical to avoiding these costs and prompting gender equity in the workplace. Mission Australia’s Childcare Survey revealed that 84.6% of respondents chose to send their child to childcare as it enables them to work. This was the most frequently cited reason for using childcare among respondents from all SEIFA IRSAD quintiles. Without the current level of financial support for childcare, 37.4% of respondents indicated they would reduce their hours of work and 23.0% would cease to participate in the workforce all together. Importantly, those in the most disadvantaged quintile were the most likely to say they would stop working if the childcare subsidy was reduced (with 33.3% saying they would do so).

Table 4: Impact of a reduction in the government childcare subsidy

If the government subsidy for childcare was reduced, how would this impact on you?	%
Would reduce use of paid childcare	50.8
Would reduce work hours	37.4
Would cut back on household spending	35.4
Would rely on unpaid carers (grandparents etc.)	27.2
Would stop working	23.0
Would maintain current childcare arrangements	19.9

Note: Respondents could select more than one response.

<sup>21</sup> World Bank Engendering Development, available at: [http://pdf.usaid.gov/pdf\\_docs/PNADJ328.pdf](http://pdf.usaid.gov/pdf_docs/PNADJ328.pdf)

Open-ended responses to Mission Australia’s Childcare Survey strongly highlighted the importance of the current government subsidies for childcare in enabling parents and carers to participate in the workforce.

**“If we did not receive the subsidy then the full cost of childcare would outweigh my daily wages therefore it would be cheaper for me not to work”**

**“If there was no subsidy it would not be worthwhile to be going to work, by the time you add travel and petrol etc. I would be behind before I even started”**

**“I am studying to enable me to work and the subsidy means that I can afford some childcare. Without it I would be unable to even do that”**

**“Work is a necessity both financially and career wise. I’m old and don’t have enough money for retirement so I wouldn’t be able to work if the subsidy didn’t exist”**

In terms of affordability and childcare enrolment a Treasury working paper (2012-01) found that, on average, a one percent increase in the price of childcare leads to a decrease in hours of labour provided by partnered women and a decrease in the employment rate of women.<sup>22</sup> In line with Mission Australia’s Childcare Survey results, this paper also found that these trends are felt more acutely for women who are on low incomes with lower wages and lower educational attainment. Hence, the labour supply of partnered women with young children responds (negatively) to childcare price. Bluntly, the more expensive childcare is the fewer hours women work.

Despite this research and an awareness of the workforce challenges Australia faces into the future, participation in the workforce for child-bearing aged females (25 to 44 years), is ranked 11th lowest in the OECD, with participation rates higher in Canada, the US and the UK.<sup>23</sup> Additionally, 46.3% of Australian female employment is part-time (ABS Labour Force Survey: 2013).

Government has a critical role in ensuring the policy framework supports women’s participation in the workforce. This requires consideration of a wide array of government policies and institutional arrangements, such as rules applying to welfare benefits and labour market regulations, as well as the cultural and social issues that surround the participation of women in the workforce (COAG quoted in Productivity Commission (2006)).<sup>24</sup> The challenge for policy makers is to ensure that

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<sup>22</sup> Xiaodong Gong and Robert Breunig (2012) Estimating new childcare price elasticities of partnered women with pre-school children using a discrete structural labour supply-child care model Australian Treasury.

<sup>23</sup> Productivity Commission (2006) Workforce Participation Rates – How Does Australia Compare?

<sup>24</sup> Productivity Commission (2006-07) Annual Report.

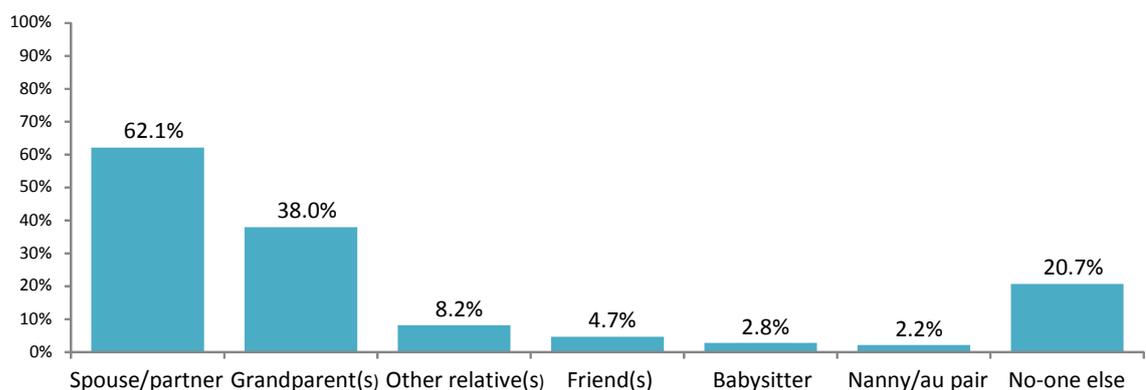
participation decisions are not distorted by policies that artificially discourage or encourage participation.

However, features of the current policy environment are distorting those choices. For instance, the intersection of childcare and family support payments with the marginal tax rates on personal incomes is arguably reducing the incentives for women to work at various points on the income scale. This is not to say that family payments and personal income tax are the only areas requiring reform in Australia, nor would reducing current levels of support in these areas be appropriate (and in fact Mission Australia would support a great proportion of government expenditure and tax expenditure being directed to childcare). But improving the overall design of the childcare and family payment system would be appropriate if it ensured support for low and middle income earners did not fall, and if designed in such a way to improve the incentives to work.

Beyond the payment system and financial support for childcare, there are numerous other areas of policy impacting on women’s participation in the workforce. While traditional models of caring for children through extended family members continue to play an important role in supporting women’s participation in the workforce, changing family structures, geographically dispersed extended families, and changing workplace practices all impact on a women’s decision to participate. The availability and affordability of childcare is critical to supporting changes in these areas.

Grandparents and other family members, as well as friends, play an important role in allowing parents to participate in activities outside of their childcare responsibilities. Mission Australia’s Childcare Survey found that while over a third of children were regularly cared for by grandparents, one in five of our respondents had no available care other than the childcare centre, highlighting the importance of childcare not only in terms of childhood development but also participation in out of home activities for parents.

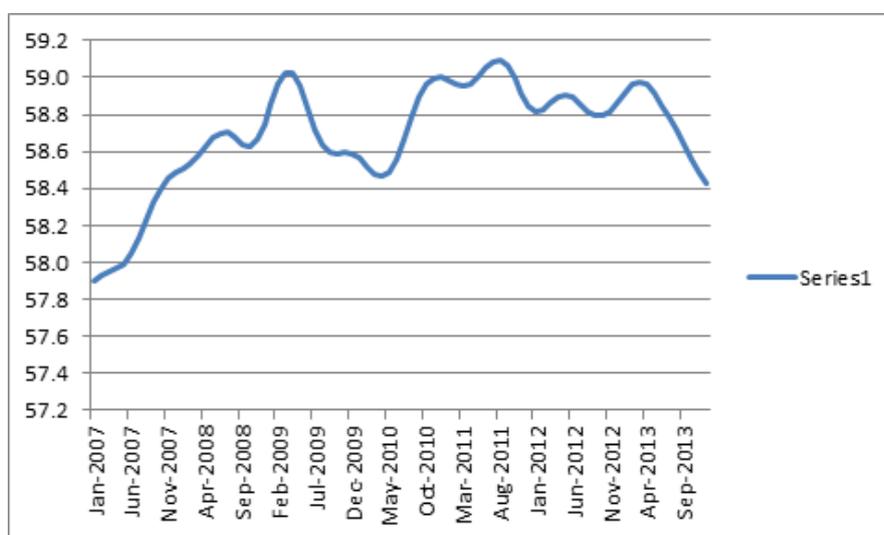
Figure 1: Other regular childcare providers used (outside childcare centres)



Childcare also has a role to play in addressing the ongoing inequality faced by women in the

workforce. While women’s participation in the workforce has increased,<sup>25</sup> rising from 55% in 1991 to 65% in 2011 (AIFS 2013),<sup>26</sup> more recently a decline has become evident (see chart below), and inequality continues to exist in pay, levels of seniority, Board representation and superannuation. Women continue to earn 17.5 percent less than men in work (ABS. 6302.0 - Average Weekly Earnings, Australia, May 2013). Further, fewer women than men reach the highest levels in their chosen field of work, particularly in the more highly paid professional and managerial positions.<sup>27</sup> Women also have far lower superannuation balances and retire with less financial security (Clare 2013).<sup>28</sup> While the solution to these problems are many and complex, childcare has a role to play in enabling the participation of women and contributing to redressing the inequality faced by women in the workforce.

Figure 2: Female participation rates in Australia – trend from pre-GFC to today<sup>29</sup>



## The current and future need for childcare in Australia

### a) Hours parents work or study, or wish to work or study

Amongst the predominantly female respondents to Mission Australia’s Childcare Survey, 41.8% were working full time, with a further 40.9% in part time work. Respondents’ partners or spouses (where applicable) were generally working full-time (84.5%), with the majority of these partners working at least 40 hours per week, and one fifth working 50 hours or more. Small proportions of respondents were currently in either full time study (0.8%) or part time study (1.4%).

<sup>25</sup> As noted, this has shown a decline since 2012.

<sup>26</sup> Parents working out work (2013) AIFS.

<sup>27</sup> Ross-Smith & McGraw 2010, accessed here: <http://apo.org.au/guide/women-and-work-australia>

<sup>28</sup> Clare R. (2013) Australian superannuation: an equitable and sustainable arrangement in a post crisis world? The Association of Superannuation Funds of Australia Limited.

<sup>29</sup> ABS (2014). 6291.0.55.001 - Labour Force, Australia, Dec 2013.

## b) The particular needs of rural, regional and remote parents, as well as shift workers

Some of the poorer outcomes experienced by Australian children are experienced by those living in remote and very remote areas. In addition to those outcomes, the AEDI (2009) report found high vulnerability levels associated with children living in remote areas. An increased vulnerability was also observed among children in Queensland and the Northern Territory which may relate to the remote areas in these states.

There is obviously a need to do more to improve outcomes for children in remote and rural areas. We argue that increasing participation in early childhood education and care (ECEC) in rural and remote areas is vital given these children are less likely to attend than their metropolitan peers. Clearly where the issue of participation is one of a lack of services, there is a need to increase the number of services available.

Around two thirds of respondents to Mission Australia's Childcare Survey rated childcare being located close to home as 'extremely' or 'very' important. Despite modest sample sizes, indicative results suggest that being located close to home is a particularly important centre attribute for casual/shift workers and the unemployed.

One way to increase participation in services, particular in rural and remote areas, is through more integrated service provision. The aim of such a model is to deliver services which cross traditional organisational boundaries and bring together a combination of health, education and family support services. The Australian Research Alliance for Children and Youth (ARACY) recognises that an integrated approach is the most efficient way of promoting optimal child development, ameliorating family risk factors and enhancing child and family wellbeing (Brechman, Tousaint and Kogler 2010).<sup>30</sup> These services often operate as 'one stop shops' where services are jointly delivered or co-located. Evidence also shows that outreach and mobile units are particularly useful for rural and remote settings and can be supplemented by the improved use of technology within services to increase the service options without the need to travel additional distance.<sup>31</sup>

## c) Accessibility of affordable care

Access to affordable, high-quality childcare services is a major concern for both parents and government. As we have noted, childcare and early education has an important role to play in childhood development, as well as in workforce participation and GDP. Childcare services importantly have a role in early intervention and prevention for both vulnerable and disadvantaged children.

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<sup>30</sup> Brechman-Toussaint, M & Kogler, E (2010), Review of international and national integrated service models for young people in the preadolescent and adolescent years: benefits, barriers and enablers, paper prepared from an ARACY Seed Funding Collaboration.,

<[http://www.aracy.org.au/cmsdocuments/Review\\_of\\_international\\_and\\_national\\_integrated\\_service\\_models.pdf](http://www.aracy.org.au/cmsdocuments/Review_of_international_and_national_integrated_service_models.pdf)>.

<sup>31</sup> Elly Robinson, Debbie Scott, Veronica Meredith, Lalitha Nair & Daryl Higgins (2012) Good and innovative practice in service delivery to vulnerable and disadvantaged families and children.

The affordability of childcare has received considerable attention in recent years. Interestingly, however, parents responding to questions in Mission Australia's Childcare Survey on their priorities in finding and selecting childcare for their children rated the quality of facilities, friendly and qualified staff, and early learning well above low costs in their responses (as is discussed in further detail below).

When asked to assess the affordability of childcare, respondents were fairly evenly divided in their views. Nearly half (44.5%) of respondents indicated that they feel childcare is currently affordable, with a similar proportion feeling that it is not affordable (44.7%). The remaining 10.8% of respondents were undecided. One third (33.7%) of respondents to Mission Australia's Childcare Survey indicated that they would increase how often their child attends childcare if they could afford to.

When survey results are broken down by SEIFA IRSAD quintiles, however, it is clear that those in the most disadvantaged quintile are notably less likely to consider childcare to be affordable currently. Only 27.1% of those in the most disadvantaged SEIFA IRSAD quintile indicated feeling that childcare is currently affordable compared to 50.3% of those in the most advantaged quintile. Similarly, those in the two most disadvantaged SEIFA IRSAD quintiles were the most likely to say that they would increase how often their child attends childcare if they could afford to (approximately 44% compared to 25.1% of those in the most advantaged quintile).

Mission Australia's own experience as a major provider of childcare suggests that supply of childcare is not the key driver to the cost of childcare services or accessibility. This is supported by findings from the then Department of Education, Employment and Workplace Relations, that childcare is available, with supply largely keeping pace with demand.<sup>32</sup>

In Mission Australia's experience, the cost of providing childcare is largely driven by rent, building maintenance/utilities and labour costs. Labour costs remain a significant factor in the cost of delivering childcare, despite childcare workers being on arguably very low incomes.

While the National Quality Framework has increased the qualification requirements and some costs involved in childcare, Mission Australia has found these costs can be met while maintaining viable services and improved outcomes for children. Mission Australia does not consider the NQF to have increased costs significantly.

Mission Australia does not support the view that the ambition of the NQF should be reduced or the timetable to deliver the framework pushed back. Mission Australia and other not-for-profits have managed to budget and plan for staffing changes under the new quality framework and the impact of these improvements on childcare costs has been constrained. Mission Australia points to the capacity of not-for-profits to deliver on the NQF.

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<sup>32</sup> DEEWR 2010, Report on State of Child Care in Australia. Sited in Australian Social Inclusion Board, Addressing barriers for jobless families.

Mission Australia is on track to meet the NQF targets, including qualified teachers, while keeping the cost of childcare competitive with other providers. It is a major achievement for Mission Australia and quality early learning in Australia. To compromise on the NQF at this stage would not only reduce developmental outcomes for children, it would not see a reduction in prices.

Importantly this is reflected in the findings of Mission Australia’s Childcare Survey which suggest parents and carers hold a similar view on the need to maintain the NQF. The results of Mission Australia’s Childcare Survey clearly reveal that the vast majority of parents place great importance on centre quality. Nearly all (94.5%) rated qualified staff as an ‘extremely’ or ‘very’ important centre characteristic, 91.4% highly valued a focus on learning/childhood development and 88.8% placed great importance on a high staff-child ratio. Issues like the cost of centre rated notably lower down their list of priorities, with only 61.7% comparatively rating low cost as an ‘extremely’ or ‘very’ important centre attribute.

Table 5: Perceived importance of centre attributes

How important are each of the following aspects of an early learning/childcare centre to you?	% extremely/very important
Friendly staff	99.4%
Clean, well maintained facilities	98.3%
Qualified staff	94.5%
Focus on learning (childhood development)	91.4%
High staff-child ratio	88.8%
Offers programs for transitioning to school	73.5%
Located close to home	66.0%
Low cost	61.7%
Flexible hours (outside business hours)	61.6%
Food provided by centre	60.5%
Opportunities for parent involvement	52.7%

Open ended responses to Mission Australia’s Childcare Survey also highlighted the importance of maintaining childcare quality standards to parents and carers.

**“Affordable childcare is important, but quality childcare and stability of childcare workers is equally important”**

**“Professional development would improve any centre and ensure our future generations are led by example... they are learning centres after all”**

**“I am hoping assessments are done on all childcare facilities by a governance body to ensure adequate education and care is provided”**

**“The government needs to look at the importance of the role that childcare educators make to the children and the families. Childcare educators need to be paid accordingly, a review needs to take place to ensure that educators get a pay rise that they so rightly deserve. At my son’s childcare, the educators have put in a huge effort to ensure that they are complying with the regulations, EYLF and the NQS, childcare has changed, and so should the hourly rate of pay”**

The contribution of the NQF to childhood outcomes is discussed further below.

### **The Experience of a Childcare Worker**

Mission Australia appreciates that there is an unequivocal link between staff qualifications and training and improved outcomes for children. Mission Australia constantly seeks opportunities to up skill staff where possible in order to develop each individual staff member, and the business as a whole. In 2013 Mission Australia was awarded \$140,000 from Origin Energy to help 10 Early Learning staff expand their early learning qualifications and expertise. As one member of staff who benefited from this award noted:

*“Obtaining a degree in Early Childcare will benefit me in my career, strengthen my resolve to teach and guide young people. I now think of my role in children’s education in a broader sense, and I have opened my mind to the possibilities of teaching young children for a purpose and not just child minding.”*

Many of our workers have years of experience and knowledge of childcare and opportunities to formalise their skills and bring change to the sector are valued by Mission Australia.

#### d) Types of childcare available

The majority of childcare in Australia is provided by community not-for-profit or private providers. Nearly a million children attend childcare, which supports women’s labour force participation, which as we have seen until 2012 has been on the increase.

Outside of parental or carers' care, there are a variety of childcare options available, with outcomes depending on the quality of that care. As touched upon earlier, grandparents, relatives and friends are common informal providers of childcare. Nannies and babysitters are most commonly used to care for children in the home environment, while out of the home environment more formal childcare is used. Long day care, family day care, occasional care, out of school hours care (OSHC), kindergarten and preschool are commonly the formal care that most children access. A child may experience a range of these services during their preschool years and often out of school hours care and informal care once of school age.

As noted in the 'Mission Australia – About Us' section, Mission Australia is a major provider across many of these, including MAEL and also family day care (FDC). FDC has the advantage of being provided in a family environment, which can be appropriate for some children. FDC can also be appropriate for children at risk and disadvantaged children, where personal relationships are vital to the child's development.

FDC provides an opportunity for people who may not otherwise work to run their own small business. This can be particularly well-suited to cultural environments where women are able to work in the family home, so FDC provides an opportunity for more women to participate in the workforce.

Mission Australia's Childcare Survey found low level usage of nannies amongst those with children currently attending childcare (2.2%). When asked what they would do should the government extend childcare benefits to cover the use of nannies, 12.4% indicated that they would choose a nanny instead of a childcare centre. Employment status was found to influence respondents' likelihood of preferring a nanny, with 16.9% of full time workers indicating they would choose a nanny if benefits were extended compared to 9.2% of part time workers. While still favoured by only a minority, nannies were also more attractive to casual/shift workers (14.7%).

Importantly, while types of care such as nannies, au pairs or friends caring for children *may* have good outcomes for child development, they do not provide the protective factors that childcare and preschool do. Nannies also operate in a non-regulated manner which means they are not protected in the same way childcare workers are. For example, identifying a child with developmental issues is more likely to occur in a formal childcare setting, and as the research informs us, the earlier development issues are identified the better the outcomes in any management or treatment.<sup>33</sup>

#### e) The role and potential for employer provided childcare

Employer related childcare has a role to play in the provision of childcare as it can be flexible to the needs of the business and the workers (such as shift workers) and provide innovative work arrangements for employees with family responsibilities. Employer provided childcare facilities may enable employees to participate in the workforce while fulfilling family obligations. This may be cost

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<sup>33</sup> Margetts, K. (2002) Child care arrangements, personal, family and school influences on children's adjustment to the first year of schooling

effective and also increase productivity. However, it is ultimately a business decision based on the circumstances of that employer and employee.

MAEL has a role in employer provided childcare through its relationship with the Australian Defence Force (ADF). In July 2012 MAEL took over the management and operation of 22 ADF childcare services (18 long day care centres and four out of school hours care services). These facilities are located in every jurisdiction bar South Australia and Tasmania. While the ADF does not directly subsidise childcare for its members, their centres are located primarily on ADF bases, so that when families are transferred in their employment, they are able to locate to the centre at their new base. ADF members are able to salary sacrifice the cost of their childcare fees if they wish. In addition, the ADF provides MAEL with a Viability Support Payment (VSP) to defray the costs associated with fluctuating occupancy due to troops being moved out of an area. Over 2,000 children attend the ADF centres throughout Australia.

While the ADF employer provided childcare is somewhat unique by virtue of its size and scope, MA is aware of many such arrangements that exist especially in the major cities where large hospitals and universities have historically provided employer based childcare.

#### f) Usual hours of operation of each type of care

Commonly formal childcare services operate to allow participation in the workforce by those using the services. Consequently, MA's services usually operate from 6.30am to 6pm offering early learning and long day care. Mission Australia's Childcare Survey found that offering flexible hours (outside business hours) was deemed 'extremely' or 'very' important by 61.6% of parents in relation to early learning/childcare centres. When asked if they would regularly use out of hours childcare if it was available (e.g. overnight care), 15.7% said that they would do so, with a further 20.7% undecided. Those in full time work were more likely to say that they would regularly use out of hours care if it was available (20.2% of full time workers compared to 11.1% of part time workers). While sample sizes were only modest, indicative results suggest that out of hours care was also more likely to be used by casual/shift workers (17.6%) and those who are unemployed but looking for work (33.3%). Of those who indicated that they would utilise out of hours care if available, 60.6% said that they would be prepared to pay a premium for this.

While there appears to be demand from a sizeable minority of parents for out of hours care, Mission Australia does not support, in a constrained fiscal environment, expanding available subsidies to 24 hour care. Not only would this be an inefficient allocation of limited resources, we believe it is not in the best interests of a child to regularly be placed in extended or overnight childcare.

As noted, workforce participation is influenced by the affordability and accessibility of childcare. In offering different opening hours (such as long day care) as well as kindergarten and preschool care in which children are able to access care from 6am to 6pm, the majority of working parents' hours are generally accommodated. However, after a child enters formal school at the age of 5, the number of hours is reduced to usually from 8.45am to 3.30pm. Before and after these operating hours, out-of-school care is often available within the school environment which is subject to out-of-pocket payment and the families may be eligible for the CCB and CCR. Approved services must also show

that they are meeting certain quality standards. Costs vary depending on the provider and location but are generally between \$15 to \$29 per session. Once a child has commenced school, there are also school holidays to consider, with vacation care and holiday programs being on offer again often with an out of pocket cost, which later is rebated, but frequently lacking the flexibility of preschool care.

#### g) The out of pocket cost of childcare to families

Financial support for low income parents to not only obtain but also maintain work has become critical. Childcare subsidies are the lynch-pin in supporting parents' childcare decisions and hence their employment. As reported in *The Age* (9/02/2013) parents face a complicated system of payments that makes it difficult for parents to determine the real out-of-pocket cost of childcare.

Early Childhood Australia (ECA), which represents most private long day care centre operators, says parents would effectively have their fees halved if the rebate was paid directly to centres rather than as a refund.

Australia has one of the most expensive childcare services in the OECD, with only those in Ireland and the Netherlands paying a greater percentage of their income in childcare fees (OECD 2008).<sup>34</sup> The costs of childcare in Australia necessitate that subsidies be substantial and widespread. Nevertheless, even after accounting for government support, overall costs remain high and in practice these are often out of pocket requiring upfront payment by parents and caregivers before being rebated. The net childcare cost for a sole-parent family is 12% of family income.<sup>35</sup>

Despite increases, the value of the CCB and CCR has declined over time and is less progressive, at the same time as costs are increasing. There is a need to review the support for childcare in order to ensure support maintains its value to families and childcare providers. It should also continue to adequately address the needs of families, particularly disadvantaged families.

#### h) Rebates and subsidies available for each type of care

Mission Australia supports greater targeting of financial support for childcare and early learning towards disadvantaged families. At the same time, affordability across all income levels needs to be considered given its impact on women's participation.

Mission Australia broadly supports the recommendations of the Henry Review, however noting that reform should not reduce the overall level of affordability for families. In particular, Mission Australia supports the Henry Review recommendations (copied below) as they relate to low-income families:

*“Child Care Benefit and Child Care Rebate should be combined into a single payment to parents or childcare centres in respect of each child based on a percentage of childcare costs and the following features*

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<sup>34</sup> OECD Tax-Benefit model 2010.

<sup>35</sup> OECD Tax-Benefit model 2010 with full-time earnings of 67% of the average wage.

- a. *a high rate of subsidy for low-income families that covers most of the costs of childcare (up to 90 per cent). This would involve a small co-payment for low-income families;*
- b. *base rate of assistance for all families that use childcare to facilitate parental engagement in the workforce. The base rate of assistance should be set as a proportion of childcare costs, with reference to the marginal tax rate faced by the majority of taxpayers. (Based on the indicative personal income tax rates scale, this would indicate a rate of assistance of 35 per cent);*
- c. *access to the base rate of assistance subject to a requirement that parents participate in work, education or training. Where parents are not participating, the maximum rate of assistance should be available for a limited number of hours. The number of hours subsidised without a participation requirement should be the same as the number of hours of universal access to pre-school (15 hours by 2013); and*
- d. *coverage of the full costs of childcare for at-risk children and children facing multiple disadvantages, without participation requirements on parents.”*

*Recommendation 100:*

*The childcare payment should be means tested down to the base rate of assistance based on family income and should have regard to the interaction with other means tested payments (income support and family payments) and marginal tax rates, to ensure that effective marginal rates of tax are not excessive.*

*Recommendation 101:*

*The fringe benefits tax exemption for childcare facilities provided on an employer's business premises for the benefit of employees should be removed<sup>36</sup>.*

Irrespective of the proposed changes to the taxation system, Mission Australia does not support any decreases in the affordability of childcare. Recommendation b above, reducing the rate of assistance to 35 per cent, would reduce affordability for many families.

Australia, as noted, already has an expensive childcare sector compared to other OECD nations and any increase in the cost of childcare will reduce female participation in the labour force and thus the tax revenue. Open-ended responses to Mission Australia’s Childcare Survey highlight the important role that current subsidies also play in ensuring families are able to meet household financial demands and live independently.

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<sup>36</sup> Australian Government, Australia’s Future Tax System, Accessed at: [http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/Papers/Final\\_Report\\_Part\\_2/chapter\\_f4-3.htm](http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/Papers/Final_Report_Part_2/chapter_f4-3.htm)

“In the last year I have paid \$11,960 in day care fees - this has made our year very tight. Looking forward to relief in 2014 when the youngest starts school - however we will still need to access before and after school care. Due to my husband having a disability, I am the main bread winner and he only works 8 hours. The subsidy is hugely important. We would be in trouble if this is not available”

“It helps to pay the bills so I can support my family, so we are not on welfare”

“Work is a viable option thanks to government subsidies. If childcare payments weren't subsidised, then there would be virtually no money left over, after pay-day, to put toward household needs”

A universal system where all parents are able to afford services is additionally a protective factor in child development as vulnerability (unlike disadvantage) is not geographically or economically distributed. While we see merit in many of the Henry recommendations the final subsidy will depend on the scope of reform, including whether a single payment can be achieved without significantly impacting on affordability across all income levels.

Likewise, Mission Australia does not support expanding subsidies to other types of care, such as nannies or au pairs; the reason for this is the lack of guaranteed quality as well as the unregulated nature of employment. As discussed earlier, while Mission Australia's Childcare Survey respondents were users of childcare centres (and thus probably less likely to be employing a nanny), just 2.2% of our respondents indicated currently using a nanny, with only a minority suggesting that they would choose this method of childcare even if subsidies were extended to cover this area.

Central to Mission Australia's preference for maintaining financial support in qualified early learning environments is feedback from parents on the type of childcare services they require and the priority of supporting the childcare and early learning needs of disadvantaged children which are not typically being provided by nannies. Spreading the available financial and workplace resources more thinly to include nannies would not advance the priority of an affordable and accessible childcare system for all Australians.

In Mission Australia's Childcare Survey, around six in ten respondents (59.1%) reported that the current government subsidy for childcare influenced their decisions around work, with 80.1% noting that they would not maintain their current childcare arrangements if the subsidy were to be reduced. Expanding financial support to nannies or other similar services within the resources currently available for childcare, as per the terms of reference for this Inquiry, would reduce the support currently received by families and exacerbate the regressive nature of the system, which runs against both the early learning and participation objectives support for childcare is seeking to achieve.

Beyond the financial implication of any expansion of childcare support to nannies are concerns around whether the early learning outcomes from childcare delivered by nannies achieve the same outcomes.

Child development outcomes are a result of childcare and learning experiences. As Bronfenbrenner states ‘in order to develop normally, a child requires progressively more complex joint activity with one or more adults who have an irrational emotional relationship with the child. Somebody’s got to be crazy about that kid. That’s number one. First, last, and always.’<sup>37</sup> Mission Australia recognises the important role that relationships play and that children thrive in the context of a safe and nurturing environment. We understand that the quality of relationship between a child and their primary caregiver provides a critical platform from which children explore the world. We know that a well attached child, who feels safe, will investigate, hypothesize and develop new skills, using their primary caregiver as a basis for this discovery.

Mission Australia’s Childcare Survey results reveal that if the current government childcare subsidy was reduced there would be both a significant reduction in the workforce and sequentially there would be significantly fewer children in childcare, thus negating the benefits of early childhood education and care. Those in the most disadvantaged quintile were the most likely to indicate that they would cut their use of paid childcare if the subsidy was reduced (58.3%). Given this vulnerable group has potentially the most to gain from early childhood education, it is critical that childcare remains affordable for these families.

i) The capacity of the existing childcare system to ensure children are transitioning from childcare to school with a satisfactory level of school preparedness

Early childhood education and care should prepare children to transition to school. This is important for both children and their families, as early experiences in education can alter education, emotional and social outcomes throughout children’s time at school and beyond. Children’s readiness for school in Australia is measured by the Australian Early Development Index (AEDI) which measures children across 5 life domains.<sup>38</sup>

While most children are doing well, a quarter of Australian children are developmentally vulnerable on one domain and 12% on two domains, indicating they are high risk developmentally. Children in Queensland and Northern Territories stand out as more vulnerable than other states. Indigenous children were more likely to be developmentally vulnerable compared to non-Indigenous children. Additionally, children who spoke a language other than English at home and children living in remote areas also recorded higher vulnerability levels. Children living in the lowest socio-economic status generally had the highest rates of AEDI vulnerability (AEDI 2009).

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<sup>37</sup> Bronfenbrenner, U. (1994) Ecological models of human development. International Encyclopaedia of Education Vol. 3 2<sup>nd</sup> Ed.

<sup>38</sup> The domains are physical health and wellbeing, social competence, emotional maturity, language and cognitive skills, communication skills and general knowledge and are seen as critical in affecting children’s transition to primary school.

For families with complex needs, the start of schooling can amplify existing challenges and affect a child's progression through key developmental stages (Newman and Blackburn 2002). Mission Australia's children and families services work with families who may need specific strategies to support the child's transition into school. Recognising that parental involvement is a predictor of a child's success at school, Mission Australia's children and families services take a strength based approach to working with the entire family.

Those responding to Mission Australia's Childcare Survey understood the role that childcare played in preparing children for school, with 91.4% rating a childcare centre's focus on learning and childhood development as 'extremely' or 'very' important. Parents also recognised the support childcare provides in transitioning their child to school. Over one third indicated that they chose to send their child to childcare in order to prepare them for school, with 73.5% suggesting that offering programs for transitioning to school was a critical factor in their choice of a childcare centre (valuing this as 'extremely' or 'very' important). These findings reveal a widespread understanding of the benefits not only for early learning and child development but also for longer term outcomes and the transition to school. Importantly, a childcare centre's ability to impart learning and school preparedness appears to be universally valued, although survey results revealed these attributes to be most greatly valued by those in the most disadvantaged SEIFA IRSAD quintile.

j) Opportunities to improve connections and transitions across early childhood services (including between childcare and preschool/kindergarten services)

Mission Australia understands the important role that parents play in childhood development, and the significance of the interactions between family and childcare settings.<sup>39</sup> Mission Australia in partnership with Griffith University undertook a 10 year longitudinal study 'Pathways to Prevention' on the important role that multiple childcare services play in child development.<sup>40</sup> The project focused on the transition to school in one of the most disadvantaged urban areas in Queensland. It combined child-focused programs delivered through state preschools (the Preschool Intervention Program (PIP) with services for families (the Family Independence Program (FIP)), within a community development framework. The analyses of this approach showed that the most critical changes that occurred in the lives of families and children were the result of the strengthening of links between families and schools.

That the Pathways to Prevention approach was successful for children and families is attributable to offering a holistic family service that provides universal or 'soft' entry points, such as playgroups, which link participants with the range of services they may require. These links are specifically designed so that people who might find services hard to reach are able and encouraged to access

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<sup>39</sup> Bronfenbrenner, U. (1994) Ecological models of human development. International Encyclopaedia of Education Vol. 3 2<sup>nd</sup> Ed. Mission Australia also recognises the important of interactions between children from their peer groups as well as more complex contexts.

<sup>40</sup> Mission Australia (2004) Social Innovation in Action The Pathways to Prevention Project: The first 5 years 1999-2004 Ross Homel, Kate Freiberg, Cherie Lamb, Marie Leech, Angela Carr, Anne Hampshire, Ian Hay, Gordon Elias, Matthew Manning, Rosie Teague and Sam Batchelor

the support they need and to connect with the service system in their area. The direct involvement with the school and the strong relationships built between the community service and the schools provide the project with long-term sustainability within the community and facilitate a better functioning developmental system (Homel, Freiberg et al. 2006).

More recently MAEL has partnered with Victoria University to pilot transition to school statements in NSW. This was a result of a tender offered by the NSW State Government; the statements were trialled at the end of the 2013 school year and will be evaluated during the first quarter of the 2014 calendar year. Mission Australia's interest in this project stems from our belief in the importance of the transition of children to school.

In terms of children's school readiness there has never been a strong emphasis on the school's readiness for the child. A similar transition to school statement initiative in Victoria found primary school teachers less receptive of the statements than the preschool teachers' willingness and hard work in preparing the statements.

#### k) The needs of vulnerable or at risk children

The research is clear - if we provide our children with quality education and learning opportunities early in life, their chances of success in school and adult life are significantly boosted. This is particularly true among children from disadvantaged backgrounds where a quality early learning curriculum can address significant learning deficits in the home and prevent them from starting ten steps behind their classmates when they begin school.

Importantly, recent evidence suggests that high quality preschool positively contributes to the academic skills mentioned above for both middle and low income children, but has the greatest impact on children living in or near poverty.<sup>41</sup> Few studies have been able to show the positive effects of preschool on children from different income groups. However, Weiland and Yoshikawa's study found that while there were positive impacts across the entire academic spectrum of preschool for other low and middle income children, the impacts were larger for children in or near the poverty line.<sup>42</sup>

Additionally, there is also evidence to suggest that children from disadvantaged backgrounds who attend early childhood education and care environments which are socially and economically mixed gain more in literacy and maths than disadvantaged children in targeted classrooms.<sup>43</sup>

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<sup>41</sup> Investing in Our Future: the evidence base on preschool education (2013)

<sup>42</sup> Also see for the effect of two years education on disadvantaged children Celene E. Domitrovich, Nicole R. Morgan, Julia E. Moore, Brittany R. Cooper, Harshini K. Shah, Linda Jacobson and Mark T. Greenberg (2013) One versus two years: Does length of exposure to an enhanced preschool program impact the academic functioning of disadvantaged children in kindergarten? *Early Childhood Research Quarterly* pp. 704–713.

<sup>43</sup> Annika de Haana, Ed Elbersa, Huub Hoofsa & Paul Lesemana (2013) Targeted versus mixed preschools and kindergartens: effects of class composition and teacher-managed activities on disadvantaged children's emergent academic skills *School Effectiveness and School Improvement: An International Journal of Research, Policy and Practice* Vol. 24, Issue 2, pp. 177-194

Investing in the Early Years – a National Early Childhood Development Strategy (COAG, 2009) seeks to embed targeted and intensive services into universal provision. In this model universal services are provided for all, while targeted services are provided for children, families and communities with a higher need than the general population, and intensive services and support then being tailored to particular situations.<sup>44</sup> The value of universal services is that they may result in greater uptake due to an increased knowledge in the community of services, including the benefits of those services. Additionally, as noted disadvantaged and vulnerable children and families live in all socioeconomic areas, and therefore a universal approach is needed to reach these groups. However, as participation by those disadvantaged and vulnerable may be low, COAG (2009) propose that to be effective and efficient, the development of an integrated service system of universal, targeted and intensive services based on a strong prevention focus is needed (COAG 2009).

Collaboration between services is increasingly important to policy and practice as a basis for delivering more effective services for children and young people. If properly linked to other services, early childhood services can be expected to deliver additional outcomes, such as enhanced maternal employment, less family poverty, better parenting skills and greater family and community cohesion (Brooks-Gunn 2003). Sustained integration requires both ‘top down’ and ‘bottom up’ activities, including changes at policy, planning and practice levels. Again, for integration to get the best outcomes a quality of services must be guaranteed for the best outcomes.<sup>45</sup>

For Mission Australia adopting an integrated service model in a childcare setting is critical if we are to service those who are disadvantaged and vulnerable, as children and their families from these groups often need access to a broad range of services including education, health and financial assistance. The childcare setting for Mission Australia is one where connections can be made between services in order to work together to provide services that are comprehensive and cohesive, as well as services being more accessible and more responsive to the needs of families and their children. This means that children and families who need support from other organisations receive it in a seamless manner. An integrated model for Mission Australia means that in some service sites we provide multiple services for children and their families (Elizabeth Vale: South Australia), while for others it is about the relationships and referrals to other services so that a seamless process can occur when external agencies need to be involved.

In developing service models to address the challenges that many of those accessing our services need, we argue it is critical to establish integrated service pathways between ECEC providers and the broad suite of other services available, such as educational, financial and health related services.

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<sup>44</sup> Investing in the early years (2009) COAG

<sup>45</sup> kylie valentine, Ilan Katz and Megan Griffiths (2007) Early Childhood Services: Models of Integration and Collaboration ARACY

## UK model

All 3 and 4 year olds in England are entitled to 15 hours of free early education each week for 38 weeks of the year, with some 2 year olds also being eligible. The eligibility criteria to access care from the age of 2 are based predominantly on being in a low income household, as well as on asylum seeker status. Known as 'The Fairness Premium' the UK government aims to narrow educational attainment gaps by directing funding towards disadvantaged children at key points: at aged 2, during the school years, and when moving into Higher Education. Evaluation of the first cohort of children aged 2 years found early signs that the families were very positive about their parenting capability, reporting high levels of warm parenting and low levels of harsh discipline.<sup>46</sup>

### Triggers for additional support for disadvantaged children:

In addition to universal access to early education, additional resources need to be allocated to go into ensuring the most disadvantaged children attend childcare and benefit from early education. As shown, there are disproportionately greater positive outcomes for children from disadvantaged backgrounds from early children learning and care, while provision to this group at this early age also goes some way in reducing the educational gap between socio-economic groups which present later in their education. Disadvantage should not be a barrier to educational attainment and the provision of early education and care is a means to ensure positive outcomes for children from these groups. Additionally, for those children who are vulnerable and disadvantaged early education and care can provide a platform for additional services to be activated when needed, and act as a protective factor. For disadvantaged and vulnerable children this could be achieved through free or almost free childcare for any child with a disability, children in jobless families, and children at risk or known to child protection as seen in the UK model.

However, these families are often underrepresented in using ECEC, as are those on low incomes, sole parents, Indigenous families, those experiencing homelessness or unstable housing, those with a disability, mental or physical health issues or those who have been in contact with child protection services. There is also evidence to suggest that while children and families from these groups may access services, their retention rates are poor.

Paradoxically, many families who should be able to access a service or program are often unable to do so for a variety of reasons (Barrett 2008 quoted in Cortis, Katz and Patulny 2009). Contextual, spatial and temporal factors all influence families and their ability to access or be accessed by services. These are often the marginalised, economically disadvantaged or socially excluded, whose

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<sup>46</sup>UK Department for Work and Pensions Department for Education (2011): A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives.

disengagement from opportunities makes them underrepresented in programs. Social, economic and cultural structures of disadvantage and exclusion all contribute to ensuring that interventions fail to reach particular groups. Some families may slip through the net when providers fail to provide services to meet their needs, leaving some groups not catered for and left out, with the responsibility for this on the service provider. Other families choose not to engage, including those who may feel wary about any engagement with services due to issues such as child protection. This means that there may be an unwillingness to engage with services whereby the responsibility is on the families to engage, which risks stigmatising the hard to reach as difficult and unresponsive (Cortis, Katz and Patulny 2009).<sup>47</sup>

While provision of childcare is critical, so are the policies and procedures to ensure not only enrolment but also attendance at childcare centres. Many studies show the importance of wrap-around services to keep families attending services when some hardship or difficulty may have normally prevented this. Playford Secure Families is a unique Mission Australia early intervention program at its Early Learning Centre at Elizabeth Vale (South Australia) providing support to parents within the family home as well as at the centre. This is an innovative program to provide children with high-quality early learning as well as offering parents help on the home front. The three tier program includes a free weekly playgroup, confidential support and volunteer in-home support whilst operating from the MAEL centre, with referrals from the centre encouraged when staff recognise difficulties which could prevent attendance.

As noted, quality early childcare depends on a number of factors (qualification, child to carer ratio and programming), one of which is the support that staff receive from their employers. Mission Australia adopts a strengths based approach to working with vulnerable and disadvantaged children and families. In this approach Mission Australia childcare workers explore 'what's working well' in the client's parenting and family functioning styles and experience. This creates a platform to work with children and their families to achieve positive outcomes. However, this is often challenging for staff who often require support from employers. Recognising this, Mission Australia offers training and support which is critical in achieving good quality childcare. Mission Australia also provides pastoral care for all workers.

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<sup>47</sup> Cortis, N., Katz, I. and Patulny, R. (2009), Engaging hard-to-reach families and children (PDF) [481 Kb], Occasional Paper Number 26, Australian Government Department of Families, Housing, Community Services and Indigenous Affairs.

### Case Study: supporting vulnerable children through childcare services and programs

Parent engagement is a critical element of our commitment to improving positive student outcomes, as evidenced by some of our current initiatives and established partnerships. For example, just over a quarter of students at Broadmeadows Valley Primary School are of Pacific Islander heritage, a figure that has steadily increased since the school's inception in 2009. Mission Australia noted that these students were consistently underachieving academically, and were over represented in the lowest 30% of student outcomes at this school. Anecdotal evidence from Hume Central Secondary College also notes high levels of disengagement among Pacific Islander young people. This is supported by Mission Australia findings that indicate an overrepresentation of this community group in Juvenile Justice Programs.

In response to these findings, Broadmeadows Valley Primary School set out to improve outcomes for this cohort by sending a small group of teachers to New Zealand to observe teaching practices with Pacific Islanders. Furthermore, a partnership was developed with Bridging Worx, a NFP community service which is leading the way in developing culturally responsive ways of engaging with Pacific Islander youth and families.

The result of this work has been the establishment of *Tagnata Pacifika* – a group of parents to act as a steering committee to guide the school processes, and help improve our trust within the Pacific Island community. The aim of this is to develop a better cultural understanding of the Pacific Islanders who attend the school and design appropriate strategies and transition programs for them. It is hoped that as a result of these processes student outcomes of this group of pupils will improve and have lasting effects into senior school and beyond.

### l) Interactions with relevant Australian Government policies and programmes.

The availability and affordability of childcare and the participation of women interacts with a range of other areas of government policy. This includes the intersection of childcare support with family payments and the personal income tax system, employment policy and the regulation of workplaces, broader education policy, paid parental leave, and even transport and infrastructure policy. These, amongst other areas, all impact on women's participation in the workforce.

The intersection of financial support for childcare with the family and tax system is discussed earlier in this submission. Briefly, Mission Australia supports a review of these systems to ensure incentives to work are not diminished by the intersection of these policies. Mission Australia, however, does not support a reduction in the current support available for childcare to disadvantaged families through any reform of the tax and transfer system.

Workplace policies such as flexible working arrangements and family friendly employment provisions could also be improved to encourage and support women in work. As noted, for large organisations such as the defence force, universities and hospitals, the provision of childcare on site may help with productivity, as well as children's outcomes.

The Paid Parental Leave (PPL) Scheme is an important investment in women's connection to work and family and should be maintained. While Mission Australia supports the proposed improvements to the PPL Scheme, including the extension from 18 to 26 weeks and inclusion of superannuation in PPL, concerns exist around the cost of increasing the payment to full salaries and paying up to \$75,000 subject to a woman's income and whether this is the best policy design to increase participation. Mission Australia would support consideration of applying those funds beyond delivering the extension to 26 weeks and superannuation, to fund an improved childcare system which will have a much larger impact on women's participation. Women are telling us that access to affordable childcare is central to their returning to work after childbirth. Multiple approaches are recognised as increasing female participation in the work place including:

- Availability of flexible work arrangements which allow women to better balance their formal employment with other demands on their time.
- Policies which encourage a more gender-neutral use of flexible work arrangements and a larger uptake of parental leave benefits by fathers.
- Part-time employment which has become an entry point to the labour market for women whose labour supply is constrained by family responsibilities.
- Facilitating the eventual transition from part-time to full-time employment could help to mitigate the lower pay and benefits and the more limited career opportunities associated with part-time work.
- Regulatory reform that supports child and elderly care can also promote gender equality.
- Enhanced access to finance and training and more developed support networks among females.
- Social acceptance of women in the labour market and in high-level positions contributes to higher female participation in the formal labour force and in entrepreneurship.
- Policies to promote economic opportunities for women have been shown to correlate positively with women's economic success.<sup>48</sup>

## Models of care that should be considered for trial in Australia that specifically target vulnerable or at risk children and their families

As noted above, Mission Australia is calling for an extension of the level of support to children from disadvantaged families and communities (as well as children with disabilities, or requiring additional support) to have free or almost free early learning care.

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<sup>48</sup> Women, Work, and the Economy: Macroeconomic Gains from Gender Equity (2013) Katrin Elborgh-Woytek, Monique Newiak, Kalpana Kochhar, Stefania Fabrizio, Kangni Kpodar, Philippe Wingender, Benedict Clements, and Gerd Schwartz International Labour Office

To achieve this we recommend an immediate trial of free universal access to childcare in Australia's most disadvantaged areas.

In addition to the additional financial support for vulnerable children, Mission Australia recommends additional investment in innovative and integrated models of support for disadvantaged families; ensuring parents are engaged and participate. Mission Australia adopts an integrated service model in the delivery of its services, which aims to address the range of issues confronting families and individuals, including employment services, housing, childcare and support to address other needs. Childcare presents opportunities to integrate services for families with vulnerable or at risk children. This may simply be through support for programs that engage and involve parents, or more comprehensive coordinated services involving childcare services.

Mission Australia also notes that a range of programs designed to support particularly disadvantaged children require ongoing budget funding. This includes programs like Budget Based funded services, a program of support for rural and Indigenous centres to help those centres meet basic standards. Such programs require ongoing and sustained budget funding, based on a demand-driven model. Importantly though, we acknowledge the long term cost benefit of these in terms of child outcomes and female workforce participation, as well as savings on the welfare system.

## The benefits and other impacts of regulatory changes in childcare over the past decade, including the implementation of the National Quality Framework (NQF) in States and Territories

Mission Australia supports the NQF as we know early learning is critical to outcomes for children, particularly disadvantaged children. We are a not-for-profit provider compliant with the NQF, which has not significantly increased the cost of services. Parents who undertook our survey are telling us they support this approach.

Mission Australia does not support stalling the NQF having managed to budget and plan for staffing changes under the new framework. Mission Australia is on track to meet the targets of the quality agenda, as are many other not for profit providers. Mission Australia is on track to meet the NQF targets, including qualified teachers, while keeping the cost of childcare competitive with other providers. It is a major achievement for Mission Australia and quality early learning in Australia.

While the NQF has increased the qualification requirements of staff, which obviously involves some additional costs, Mission Australia has found these costs can be met while maintaining viable services and improved outcomes for children.

Mission Australia does not support the view that the ambition of the NQF should be reduced or the timetable to deliver the framework pushed back. Mission Australia and other not-for-profits have managed to budget and plan for staffing changes under the new quality framework and the impact of these improvements on childcare costs have been constrained. Mission Australia points to the capacity of not-for-profits to deliver on the NQF.

There are some possible areas for improvement within the framework, but its rollout must not be put on hold. For example, it may be necessary to consider some extensions in relation to changes affecting family day care ratios, phasing in the NQF requirements.<sup>49</sup> However, we should not back away from the commitment of the ratio of staff to children set out in the NQF, as well qualified staff in centres.

### **Workforce issues and the effects of the National Quality framework**

- *Effect of increased staff qualifications and staff ratios on outcomes for children*

As MAEL is a national provider of childcare services we deal with the different ratio and qualification requirements across the states. Our New South Wales services have the requirement of an early childhood teacher (ECT) for every 28 children in the centre, where it was not until January 2014 that Victoria had a requirement for one ECT per centre. The difference in the quality of programs provided between these two states is remarkable. In services with a higher staff-child ratio we expect higher results for quality.

- *ECEC providers are handling the pace of implementation*

The majority of MAEL centres are in New South Wales and we meet the requirements for staffing as of 2014 except for one centre at Stockton where one educator has yet to complete her Diploma. In the Northern Territory finding appropriately qualified educators to meet the new requirements is a challenge but we have obtained waivers in the interim.

- *Impact of staff changes on cost of employing ECEC workers*

The cost associated with the reforms has meant increased fees for parents but this has been done incrementally and we do not shy away from this. In addition our parents support fee increases that are associated with improved qualifications and increased ratios. This has been evidenced by our recent survey results.

Being a national provider, the differences in industrial awards by state for ECT's is a challenge, particularly in Victoria. MAEL has its own EBA which we attempt to apply across all states. However, to attract an ECT to long day care in Victoria we need to compete with stand-alone kindergarten services who pay under the Victorian Early Childhood Teachers and Assistants Award (VECCTA).

The conditions for teachers employed under the VECCTA include 11 weeks annual leave and a 60:40 ratio of contact and non-contact time, that is, for every hour worked in contact with children the teacher receives 40 minutes of non-contact or planning time. Compare this to the Diploma trained educator who under most awards gets 2 hours planning time per week, although at MA we allow 3 hours as a condition under our EBA. These educators also get 4 weeks annual leave. Both cohorts of educators are expected to provide the same standard of programming for their children. Moreover, an early childhood trained teacher is qualified to teach in primary school and the sector loses many teachers to the school system where the pay and conditions are better.

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<sup>49</sup> This may be the case where programs are provided by disadvantaged women running small micro-businesses for likewise disadvantaged families.