

13th February 2024

Early Childhood Education and Care (ECEC)
Productivity Commission
GPO Box 1428
Canberra City
ACT 2601

Productivity Commission – Response to draft report

Thank you for the opportunity to provide comment on the Government’s commitment to examine the early childhood education and care (ECEC) sector, and ways to support better outcomes for children and families. This is a joint submission by ECTARC, Early Childhood Education Services and Training, and Community Industry Group.

About ECTARC: ECTARC, Early Childhood Education Services and Training is a community-owned charitable Organisation based in Warrawong, NSW on Dharawal country supporting children, families and the ECEC sector for over 35 years. We are a National Registered Training Organisation and considered to be a large RTO in NSW (Winner 2022 Large provider of the year). We deliver nationally recognised qualifications in ECEC and OSHC sectors. We specialize in supporting the workforce in regional and remote communities. Over 1500 students access our programs across many regional and remote locations, including 109 Aboriginal and Torres Strait Islander students in NSW. We are also an ECEC service provider operating several services across Illawarra, Shoalhaven, and the south coast of NSW.

About Community Industry Group (CI Group): Community Industry Group is the peak body working for community services and organisations in southern NSW. We support community organisations, promote expertise and innovation in community development, foster industry development and advocate for social justice. For 30 years, Community Industry Group (CI Group) has taken a leadership role in the local community services sector. We regularly engage with those organisations, services and individuals who work with disadvantage and vulnerable children, families, and communities.

We welcome the opportunity to comment on the Australian Government’s commitment to support better outcomes for children and families. We would be happy to elaborate and present the strategies to the commission. We are also happy to provide further information as required.

Nicky Sloan
Community Industry Group



Anita Kumar CEO
ECTARC



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Executive Summary

The Productivity Commissions draft report has identified several challenges to support the ongoing quality, growth and the ongoing sustainability of the ECEC and OOSH sector. The commission has requested information from Service Providers on strategies and practical solutions that would address these challenges. Our submission is focused on two main areas:

- 1. Developing workforce capacity through changes in the VET sector; and**
- 2. Strategies around growing the ECEC sector to ensure the focus on ECEC and government funding is on quality service provision through a professionalised workforce.**

ECEC Workforce

The Strengthening Skills Expert Review of Australia's Vocational Education and Training System (2019) identified that over the past 10 years almost a third of new jobs created are in Education and training.

The report also identified that Diploma and Certificate III qualifications in Early childhood were one of the top qualifications based on enrolment for VET training packages in 2017.

- **93% of the workforce continues to be female.**
- **73% of the workforce have a Certificate or Diploma qualification. They make up significant part of the workforce, of which 15% are currently studying.**

NFP Sector

The nonprofit ECEC sector plays an important place in our society. It is critical in supporting the needs of our society today, fostering civic and social engagement and creating a better future for our nation. The critical role of the ECEC sector was clearly evident during the COVID 19 pandemic and the sector's value is clearer than ever. Extended lockdowns and border closures have created many challenges for the vulnerable, and the not-for-profit ECEC sector has had to support those in need, lessening the financial and social impacts of the pandemic.

In March 2022, The Australian Institute published the economic benefits of ECEC in Australia and in this report, they have clearly articulated the following reasons to fund and grow the NFP ECEC sector.

- 1. If the Government would invest in an affordable high quality non- profit ECEC sector, to increase the participation of women in work to match the Nordic countries, our GDP would increase by \$132 billion per year and the tax revenue would grow by some \$38 million / year.**
- 2. The over-reliance on for-profit ECEC delivery has led to the dissipation of many of the potential macroeconomic and fiscal benefits of expanded ECEC services.**
- 3. Over 50% of Australia's ECEC providers are for-profit private companies, and all the growth in the sector in recent years has been captured by for-profit providers.**

Strategies: ECEC / OSHC related vocational education and training

- 1.** The Diploma in Early Childhood Education should be a standalone course, with a course duration of 24 months without any prerequisites. In its current format someone who has completed a Diploma would have undertaken education for approx. 3.5 years. The Bachelor degree (3 to 4 years) in Early Childhood is generally completed by students straight from school. While this is full time program, the course load allows majority of students to work part time while studying. Several universities also offer the same 4 years degree to cover both Early childhood and primary (birth to 8 years).
- 2.** Regarding Certificate III qualifications, consideration should be given either to streamline the course structure to enable completion within 12 months or adjust pay rates to better reflect the educational level attained. This measure aims to incentivise completion and acknowledge the skills acquired by Certificate III holders. The Cert III was originally a 12-month program with many students extending the course timeline due to work / life commitments. The new course (July 2021) includes increased units and is a 18 month program which the trainees find hard to engage and they continue to be extend the course time.
- 3.** Aligning Certificate III and Diploma qualifications in Early Childhood and OOSH with similar units and elective options is suggested to provide greater flexibility and career pathways for educators. By offering diverse elective choices, individuals can tailor their qualifications to meet their specific career goals and interests.
- 4.** Consideration should be given to incorporating other elective units to work as Teacher's aid, NDIS specific services with children with disability, playgroups, community centres etc.
- 5.** Certificate III credentials should be taken into consideration for an accelerated Diploma course.
- 6.** In terms of addressing issues within the VET sector, strict actions are proposed against Registered Training Organisations (RTOs) that provide qualifications with falsified documentation or inadequate training.
- 7.** A fully funded Recognition of Prior Learning (RPL) program is recommended to support educators with older Certificate III qualifications in advancing their careers without facing arduous obstacles.
- 8.** Technology innovation funding is suggested to be made available to the VET sector to incorporate the use of AI and other innovative technologies to enhance student engagement and support, with a focus on personalised learning, simulation for learning and assessment, and creating social connections around course modules.
- 9.** Fund opportunities for regional and remote students to experience learning outside their workplace are also emphasised, aiming to provide equal educational opportunities regardless of geographical location.
- 10.** Improving pay and working conditions for educators in the sector is deemed essential for attracting and retaining skilled professionals.
- 11.** Enhancing pathways for international students can contribute to expanding the workforce size and diversity within the sector.

Strategies to grow the NFP sector.

1. NFPs should be selected for a particular project and provided with sufficient time and development funds to create a shovel ready project. Once the DA is approved, they should be provided with capital funds in priority areas to support communities. This is critical especially in communities with lower socio economics or in regional and remote locations.
2. Higher levels of government contribution towards capital should be considered in Priority areas.
3. Where there is a gap / need identified in the community, vacant government owned land should be rezoned to allow for ECEC.
4. Any large-scale commercial development should have ECEC facilities included at a nominal rent, as these are essential services.
5. The emphasis on the amount of co-funding expected from NFPs should be reconsidered. Most good quality nonprofits do not make a huge surplus, instead they try to ensure that the cost of their service is reasonable, the quality is good, subsidies families who can't afford, and the staff are well cared for. Which does not leave them with a huge amount of funds to reinvest. Moreover, unlike for-profit services any assets owned by non for profits will at the end of the day support the community even if the NFP no longer is able to provide the service (Constitutions of these organisations ensures this). The NFP's do not collect a property portfolio to benefit any individual or private stakeholders.
6. States and Commonwealth funding should be aligned. For instance, the States should provide the land in priority areas along with some capital, and the Commonwealth should provide matching capital and funds towards VET training allowing people in the region to work in those services making the communities sustainable and connected.
7. Higher CCS should be considered for babies and toddlers in comparison to the kindergarten aged group based on ratios. This will allow for women to reenter the workforce as there will be more babies and toddler spaces. Also, this is fair given the cost structure.
8. The DA approval process by local governments should be aligned with a pre licensing process with the state and any approvals for CCS from the Commonwealth. This will ensure that new services are established where there is a real need in the community (stops over servicing which impacts quality and viability) and checks if the services have the capacity to attract staff (which is critical for care and education) and history of the operator. The current process does not consider any of this and operates independently to the detriment of the sector.

Background:

ECEC Workforce

Access to ECEC greatly impacts parents' ability to work. Quality childcare services enable parents to work or pursue careers, improving their financial stability and well-being. This is especially important for working parents who need support for their children during working hours. However, inadequate access to reliable childcare is a significant barrier to employment. Without accessible options, parents struggle to balance work with ensuring their children are well-cared for and engaged in learning activities. This often leads to tough choices like reducing work hours or leaving the workforce entirely to prioritise childcare.

This lack of childcare options affects broader societal factors like workforce productivity, economic growth, and gender equality. Women, who often shoulder more caregiving responsibilities, are disproportionately affected, leading to disparities in career advancement and income.

Limited access to ECEC hinders children's skill development and early learning. Quality programs not only provide a safe environment but also enhance cognitive, social, and emotional development, leading to better educational outcomes and personal achievement. Accessible ECEC are essential not only for supporting working parents but also for economic growth and developing a skilled workforce. Efforts to improve access to quality childcare services are crucial for empowering families and promoting overall societal development.

The draft report reveals a concerning shortage of qualified professionals in early childhood education, with over 5,000 vacancies nationwide. This shortage not only affects access to vital educational services for young children but also signals deeper systemic issues leading to educators leaving the field. The report suggests that the actual shortage might be even worse due to unaccounted closures and silent withdrawals from advertising.

Passionate and well-trained educators are leaving their roles in large numbers, surpassing vacancy rates seen in other sectors. This trend highlights the challenges faced by ECEC providers in Australia. The departure of these educators reflects various challenges like burnout, inadequate support, unfavourable working conditions, and low pay. This impacts not only the educators but also the children who miss out on stable and nurturing early education environments.

The high vacancies and unreported closures emphasise the urgent need for comprehensive reforms in the ECEC sector. Addressing the root causes of educator turnover, improving working conditions, providing support, and offering competitive compensation are crucial steps to tackle this crisis.

While the report acknowledges workforce challenges and mentions issues with pay and working conditions, it overlooks the well-being of educators. This exclusion is significant as the sustained well-being of educators is essential for effective and sustainable ECEC services.

The report highlights the vital role of ECEC in society but also draws attention to ongoing workforce-related issues. It calls for a more thorough understanding of the challenges faced by frontline educators in providing critical services to young children.

- The ECEC workforce has experienced significant growth across various jurisdictions and service types in recent years, as highlighted by census data from the Department of Education. Between 2016 and 2021, there was a notable increase in the number of workers in Centre-based day care (up by 34%), Outside School Hours Care (up by 13.1%), and Vacation Care (up by 4.7%). Despite this growth, the workforce remains predominantly female, with women making up 93% of the workforce.
- A large portion of the ECEC workforce, approximately 73%, holds Certificate or Diploma qualifications, with 15% currently pursuing further education. However, approximately 10% of workers in Centre-based care and 5% in Outside School Hours Care have waivers or exemptions allowing them to work without the required ECEC qualifications.
- The average tenure for paid contact staff in the ECEC sector is 3.6 years, but this drops significantly to 1.4 years for staff without ECEC qualifications.
- Additionally, the Diploma in ECEC saw the highest enrolment nationally across all VET courses, while the Certificate in ECEC ranked third.
- However, completion rates in VET courses remain a challenge, with only 40% completing Certificate courses and 51% completing Diploma courses in 2017.
- Despite the growth in the sector, 35% of ECEC staff have three or fewer years of experience, indicating a relatively high turnover rate.
- Furthermore, Certificate III trainees earn lower wages compared to other industries, with many unable to afford independent living due to their study and work commitments. The ECEC workforce is considered 'essential key workers' despite low wages and financial challenges.
- The number of for-profit ECEC providers has doubled over the past decade, leading to an increase in services operating with waivers.
- There remains a lack of ECEC services in regional and remote communities, making it difficult for families in these areas to access childcare services.
- Additionally, services for babies and toddlers are limited as they are less profitable due to the higher staff-to-child ratio required.

NFP Sector

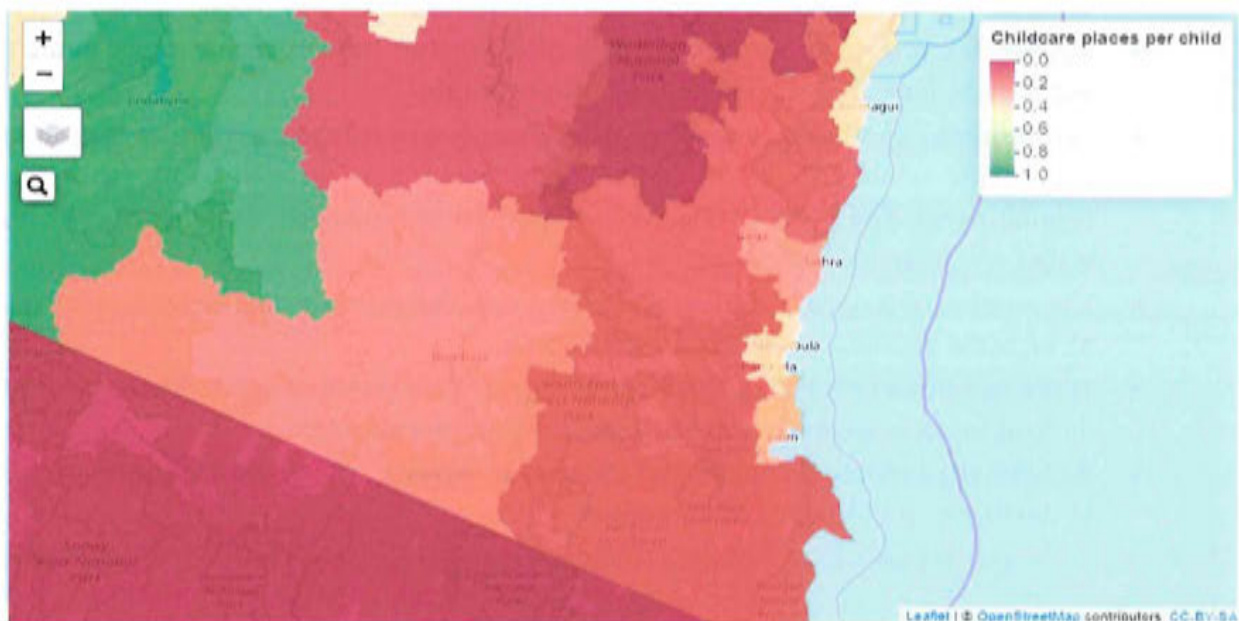
The 2022 Mitchell Institute report titled *'Deserts and Oases: How Accessible is Childcare?'* revealed that around nine million Australians live in what's called a 'childcare desert.' In these areas, the demand for ECEC spots greatly exceeds the available capacity, with three or more children competing for each spot. Rural communities, especially those outside cities, are hit hardest, with towns under 1,500 people, particularly in regional areas, most likely to have no accessible childcare within a twenty-minute drive.

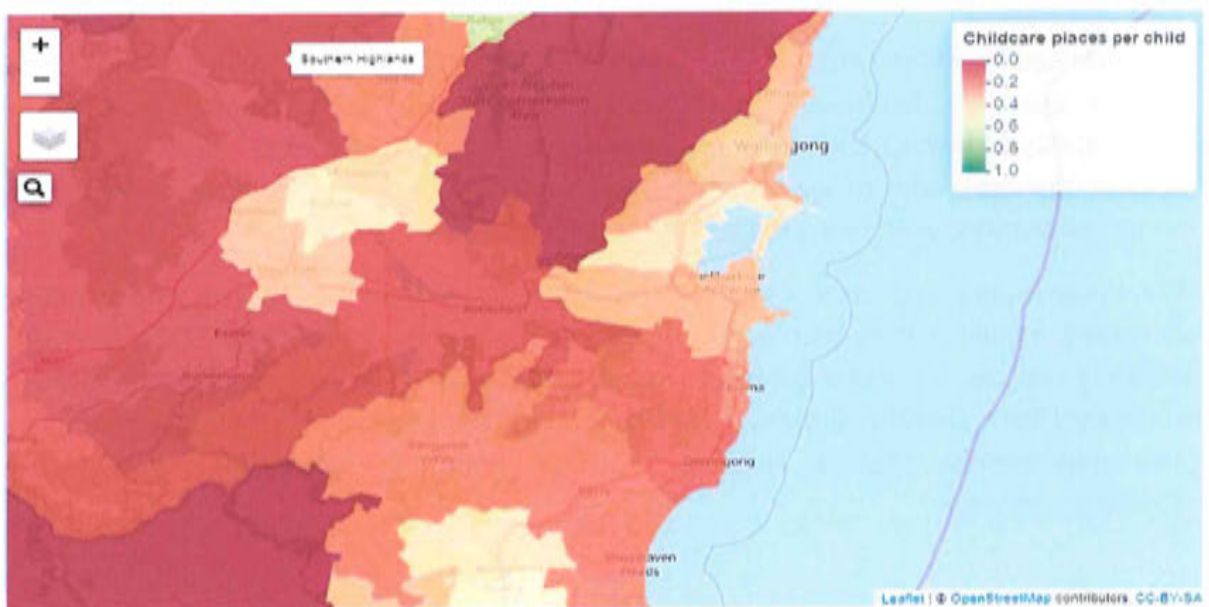
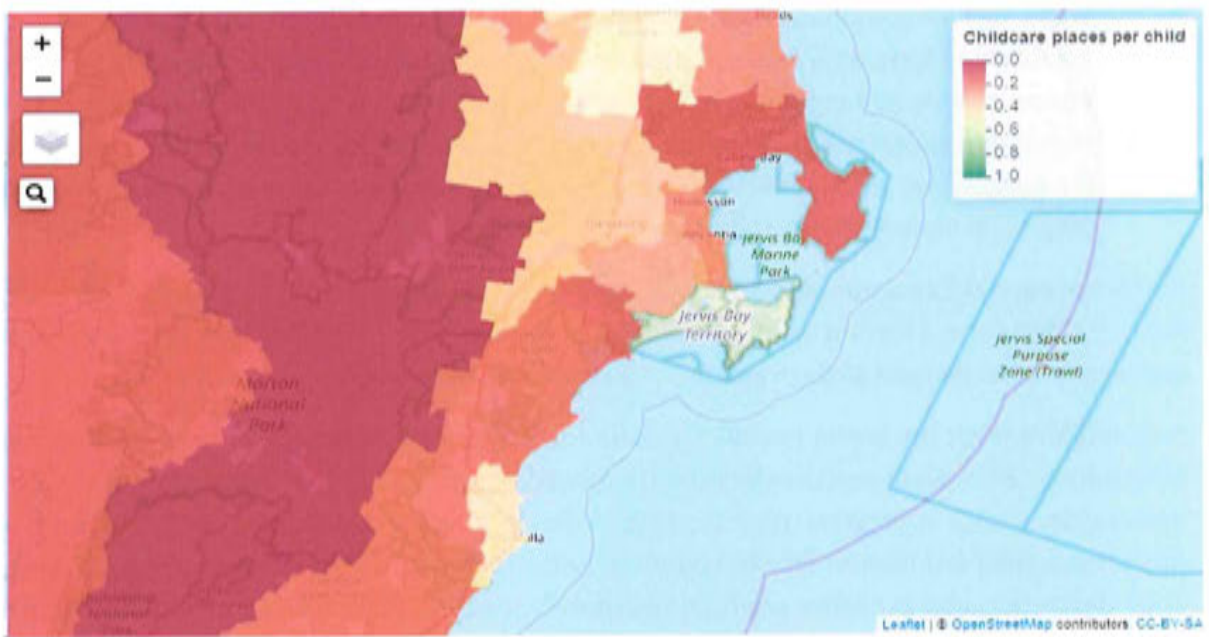
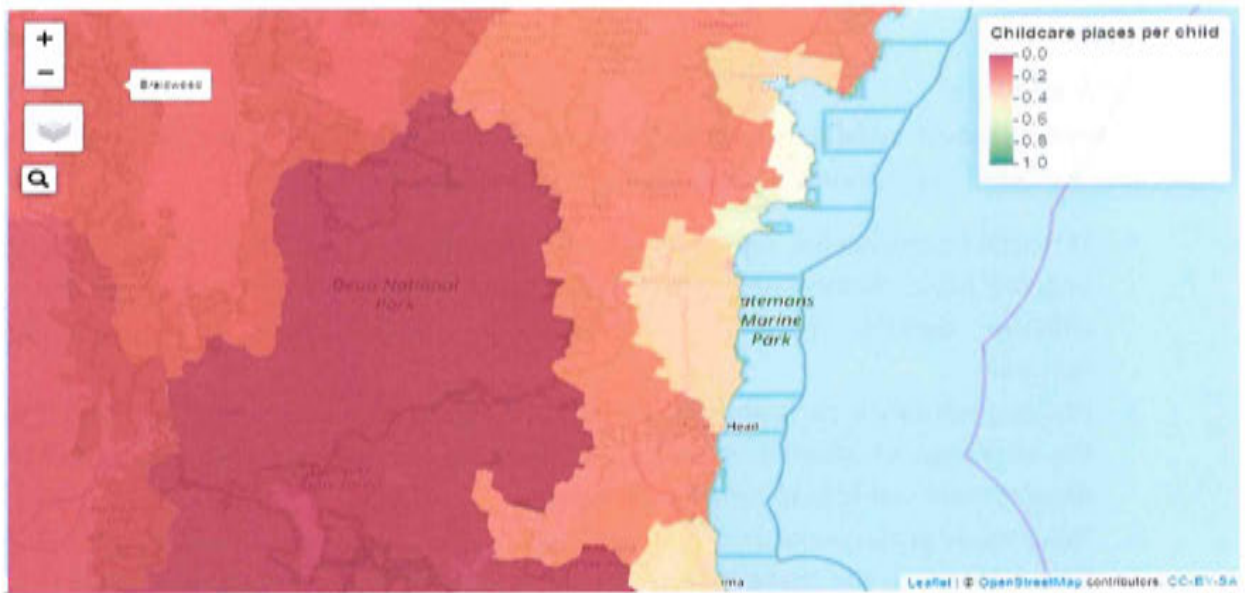
The report also found that approximately 453 towns with populations under 3,000 lack centre-based daycare facilities, making early learning resources even scarcer in these regions. This scarcity doesn't just affect families seeking childcare; it also limits the development and educational opportunities for young children in these areas.

One concerning trend highlighted in the report is that areas facing higher levels of socioeconomic disadvantage have even greater difficulties accessing ECEC services. This presents a dual challenge for Australia's regional, rural, and remote communities, where limited accessibility intersects with socio-economic disparities. Addressing this issue requires effective pathways to early learning and care in these regions.

Childcare deserts, especially in smaller towns and rural areas, create barriers to early learning for a significant portion of the Australian population. This not only poses logistical challenges but also worsens existing inequalities. It's crucial for policymakers and stakeholders to focus on strategies that address both the geographical and socio-economic aspects of this challenge to create a more equitable and accessible early childhood education landscape for all communities.

[Childcare deserts & oases: interactive maps | Victoria University \(vu.edu.au\)](#) shows the spatial accessibility of childcare across Australia. The pictures below highlight the Southern Regions of NSW. The areas in orange and red indicate childcare deserts. Areas of yellow and green indicate where there is greater relatively supply.





Analysis:

ECEC Workforce

Implementing robust incentives to attract and retain early childhood educators in childcare deserts is crucial. This requires a comprehensive and targeted strategy:

- Financial incentives like signing bonuses, higher salaries, and financial assistance for ongoing professional development can motivate educators to choose and stay in childcare deserts, recognising the additional responsibilities and commitment required.
- Housing assistance, through subsidised housing programs or rental support, addresses the challenge of affordable housing in these areas, making positions in childcare deserts more viable long-term career options.
- Tailor-made professional development opportunities equip educators with specialised skills relevant to the challenges of working in remote or economically disadvantaged areas, including training in community engagement and cultural competency.
- Establishing formal recognition programs, such as awards or public acknowledgments, boosts morale and communicates the value placed on educators in childcare deserts.
- Promoting career advancement opportunities within childcare deserts, like pathways for progression and leadership roles, encourages experienced educators to invest in long-term commitments to these communities.

In the Vocational Education and Training (VET) sector dedicated to ECEC and Out of School Hours (OOSH) care, a myriad of critical issues has come to light, shedding light on the intricate challenges faced by educators, trainees, and service providers alike.

First and foremost, the sector heavily relies on the presence of highly skilled and well-trained educators to effectively nurture the growth, development, and overall well-being of children nationwide. These educators play a pivotal role in shaping the future of the nation by providing a solid foundation for the cognitive, social, and emotional growth of young minds. Their dedication and expertise are fundamental to ensuring that children receive the quality care and education they need during their formative years.

The sustainability of the workforce within the ECEC sector holds significant importance for the broader economic landscape, as it directly impacts the establishment, growth, and sustainability of various industries and businesses. A robust and stable workforce not only ensures the continuity of essential childcare services but also contributes to workforce participation rates, economic productivity, and societal well-being.

There is growing recognition of the potential of the ECEC sector to enhance productivity by increasing female participation in the workforce. By providing accessible and high-quality childcare services, the sector empowers parents, particularly mothers, to actively participate in the workforce, thereby contributing to economic growth and stability. This underscores the interconnectedness between childcare provision, workforce participation, and broader economic outcomes.

The findings from the *Strengthening Skills Expert Review of Australia's VET System* (2019) further highlight the critical role of the education and training sector in driving job growth and economic development. Over the past decade, the sector has witnessed a substantial increase in job opportunities, emphasising the importance of investing in high-quality training and education programs to meet the growing demands of the labour market.

Despite the imperative role of the ECEC sector, numerous challenges persist, hindering the effective functioning of the VET system.

- Disparities in training quality, assessments, and support among different providers pose significant obstacles for both educators and trainees.
- Unrealistic workloads for training officers and inadequate support mechanisms further exacerbate the issue, leading to frustration and dropout rates among trainees.
- The recent changes in course structures, such as the revision of the Certificate III in Early Childhood, have raised concerns about increased difficulty levels and dropout rates among trainees.
- The duration and prerequisites for higher qualifications like the Diploma in Early Childhood also present challenges, particularly compared to pathways offered by traditional university degrees.
- Access issues for regional, remote, and Indigenous communities compound the problem, highlighting the need for tailored solutions to address geographical disparities in training and education opportunities.
- Despite efforts to address regional education disparities through initiatives like the National Regional, Rural, and Remote Education Strategy, there remains a notable gap in focusing on VET pathways specifically within the ECEC and OOSH sectors.

As employer satisfaction with the VET system declines, urgent attention is required to reform and strengthen the sector to meet the growing demands and complexities of ECEC. By addressing these critical issues and investing in high-quality training and support programs, Australia can ensure that every child has access to the quality care and education they deserve, laying a solid foundation for future success and societal well-being.

The funding landscape within the VET sector presents a myriad of challenges, particularly in its complexity and inconsistency. Providers, especially those in regional and remote communities, struggle to navigate and understand the intricate funding system, which ultimately hinders their ability to deliver high-quality training programs.

- TAFE, for instance, received approximately 72% of government funding in 2017, yet trained only about 49% of total government-funded VET students. Non-TAFE providers, on the other hand, received roughly 28% of government funding but trained just over half of government-funded students. This disparity in funding allocation highlights the need for a more equitable distribution of resources to support all providers in delivering quality training across diverse communities.
- The timing of funding disbursement adds another layer of complexity to the financial management of VET providers. The current funding model entails receiving payments in three instalments: approximately 20% upon enrolment, 40% midway through the

course, and the remaining 40% upon course completion. This structure significantly impacts cash flow for providers, making it challenging to cover operational expenses and sustain quality training programs effectively. The uneven distribution of funds throughout the course duration creates financial strain and limits the flexibility of providers to adapt and innovate in response to evolving training needs.

- The financial incentives provided to employers for supporting trainees undertaking Certificate III courses fall short of adequately compensating for the additional resources and support required. Employers are required to provide three hours off the floor for full-time trainees to engage in their studies, yet the incentive provided, approximately \$1500 per quarter or \$125 per week, often fails to cover the costs associated with providing adequate coverage by casual staff during study time. This amount does not account for the time and effort of directors involved in monitoring trainee progress or the educational support provided by services to help trainees succeed.

In an environment characterised by high regulation, low wages, and challenging circumstances, the financial burden imposed on employers further exacerbates the strain on resources and limits the capacity of providers to deliver quality training programs effectively.

The complex and inconsistent funding system within the VET sector poses significant challenges for providers, particularly those operating in regional and remote communities. The uneven distribution of funds, coupled with inadequate financial incentives for employers, undermines the quality and accessibility of training programs, ultimately hindering the sector's ability to meet the diverse needs of learners and communities. Addressing these funding challenges is essential to ensure equitable access to high-quality vocational training and support the development of a skilled and capable workforce across all regions.

NFP Sector

The nonprofit ECEC sector plays a prominent place in our society. It is critical in supporting the needs of our society today, fostering civic and social engagement and creating a better future for our nation.

The critical role of the ECEC sector was clearly evident during the COVID 19 pandemic and the sector's value is clearer than ever. Extended lockdowns and border closures have created many challenges for the vulnerable, and the not-for-profit ECEC sector has had to support those in need, lessening the financial and social impacts of the pandemic.

- The nonprofit ECEC services generally spend most of their budget on staffing followed by operation and Rent / capital debt repayment. Nonprofit services generally tend to spend around **80% in staffing**. They tend to pay staff over the award, provide better working conditions and professional learning opportunities, in comparison with the large for-profit centres which **spend between 50% -55% on staffing**. [Strength-of-Community-based-ECEC-Services-March-2021-2.pdf \(ela.org.au\)](#) The impact of this can be seen in quality. 18% of Private for-profit services were rated exceeding in comparison with the nonprofit and the public sector which was between 42% - 55%.

In March 2022, The Australian Institute published the economic benefits of ECEC in Australia and in this report, they have clearly articulated the following reasons to fund and grow the NFP ECEC sector.

- If the Government would invest in an affordable high quality non- profit ECEC sector, to increase the participation of women in work to match the Nordic countries, our GDP would increase by \$132 billion per year and the tax revenue would grow by some \$38 million / year.
- The over-reliance on for-profit ECEC delivery has led to the dissipation of many of the potential macroeconomic and fiscal benefits of expanded ECEC services.
- Over 50% of Australia’s ECEC providers are for-profit private companies, and all the growth in the sector in recent years has been captured by for-profit providers.
 - a. For-profit ECEC centres must pay out profits to their owners (thus diverting resources away from the core goal of service provision),
 - b. They pay much higher executive compensation, and they face financial incentives to cut corners (with resulting consequences for ECEC quality).
- The report provides evidence from numerous sources showing service levels are inferior in private for-profit ECEC centres, compared to not-for-profit or public providers. This poor-quality record arises in large part from
 - a. the inferior working conditions faced by ECEC workers in for-profit centres: in ECEC,
 - b. The quality of care directly reflects the quality, training, compensation, and stability of jobs for care providers.
 - c. The focus of private ECEC companies on cutting costs and maximising profit results in more poorly-paid, insecure jobs for ECEC workers – with resulting consequences for the quality of education and care they can provide.

If the nonprofit sector doesn’t grow or continues to reduce, **Australia is in a real risk.**

1. Spending public money which does not provide a substantial ROI (Children’s wellbeing and development, women participation, increase tax revenue, GDP growth etc)
2. According to the recent ABS data nearly 64.5% of students go to Government schools. This clearly highlights the importance of having an affordable ECEC sector so all children can participate.
3. Australia may lag in improving women’s participation in the workforce and the capacity to improve productivity like other developed countries.
4. The ECEC sector, quality, outcomes, and impact measurements will start lagging behind other developed countries across the OECG.

5. A lack of services in areas with lower socio economics or vulnerabilities, and in regional and remote communities. These services often struggle to break even let alone have the make a profit.
6. Access, affordability, and engagement will become complex issues in general especially for children living in vulnerable backgrounds or with complex issues.
7. The ECEC sector may not be attracting good quality staff, and the professionalization of the sector will fall behind other developed countries.
8. Continue to improve profits for companies rather than concentrate on wellbeing, development and quality education and care for children and families.