

Creating viable childcare services in rural areas



An investment that can deliver big economic returns.

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Thousands of rural families cannot access childcare



Image: MilosStankovic – iStock

Over 19,000 children under the age of 4 live in rural areas in Victoria's Loddon Mallee region, to the north of Melbourne.

Many of these areas have such poor access to childcare, the Mitchell Institute has described them as “childcare deserts”.¹ The region currently has:

- 100 children per childcare service, which is among the worst rates in the State.²

This lack of childcare is a primary barrier to workforce participation, particularly for women. A Loddon Campaspe Regional Partnership commissioned analysis has shown that within our region:

- women’s workforce participation (at 57%) is lower than men’s (65%), and is much lower in our rural areas (down to 43% in one lower socio-economic rural LGA)
- women are more likely to be working part-time and casual than women in the rest of Victoria.²

At the same time, the Skills Commissioner has reported significant skills shortages. For example, in the Mallee alone, we need:

- up to 2,000 workers across nine key industries, including agriculture, tourism, and health.³

These issues create a cycle of disadvantage in our rural communities where:

- families persist with lower incomes
- the region’s businesses and GDP are adversely affected, and
- children are less likely to participate in early education, with up to 1 in 3 arriving in the first year of school not ready to learn.⁴

“We have considered trying to get our kids into care, but the closest are 45 minutes to an hour away. It’s more likely I will leave my job.”⁵

1 Hurley P, Matthews H, & Pennicuik S (2022). *Deserts and oases: How accessible is childcare?* Mitchell Institute, Victoria University

2 Unpublished Loddon Campaspe Regional Partnership commissioned internal research (2020)

3 Nous Group (2020) Mallee Regional Skills Demand Profile Pulse Check

4 Australian Early Development Census 2021 data

5 Lawrence S, Darling A & Lowe R (2021) Young families in Edenhope, Western Victoria, face life without childcare again. *ABC Wimmera*, 04 06.

Every \$1 on rural childcare, returns \$1.32 in benefits



High-quality early childhood education and care has a dramatic positive impact on children, families and the economy.

- **For children**, the positive impacts persist across their lifetime – increasing literacy, skills, school completion and lifetime earnings and decreasing unemployment and welfare dependency.⁶ In countries that have long provided early education and childcare as a universal service, the benefits have been greatest for children in disadvantaged families.⁷
- **For families**, a Grattan Institute report has shown that childcare has the potential to improve family disadvantage by allowing adults to return to paid work. They estimate modest increases in child care subsidies would boost the lifetime earnings of a woman with children on average by \$150,000.⁸
- **For the economy**, the Grattan Institute has estimated that a 90% universal subsidy (costing about \$10 billion a year) would boost GDP by \$24 billion a year. A cost-benefit analysis in our difficult-to-service rural communities across three Local Government Areas (LGAs), has shown costs of \$52.8 million would generate benefits of \$70.1 million.¹⁰

“Access to quality childcare is increasingly critical to Australian children, families and the economy.”

Mitchell Institute



6 Centre for Policy Development (2021) *Starting Better / A Guarantee for Young Children and Families*, Sydney, Australia: Centre for Policy Development
7 Havnes T & Mogstad M (2011) *No Child Left Behind: Subsidized Child Care and Children's Long-Run Outcomes*, s.l.: American Economic Association
8 Wood D, Griffiths K, Emslie O (2020) *Cheaper Childcare: a practical plan to boost female workforce participation*. The Grattan Institute: Melbourne
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There are unique barriers in rural areas

All levels of government are committed

There are significant barriers to creating viable and reliable childcare services in rural areas including:

- **Demand is spread across wide geographic areas making services unprofitable.** Commercial services cannot generate the economies of scale and higher fees that promote business development and investment in urban areas.¹
- **There are not enough early educators to keep services open.** Victoria has a shortfall of 2,916 early years educators, and workers are hard to attract due to the low pay. Workers in rural areas cannot work across a number of services to increase hours.⁹

- **Regulatory barriers** (arising from the disconnected funding systems across the Commonwealth and State) hinder the development of the novel joint-use solutions required in rural areas.
- **Families face higher travel costs** and the current funding arrangements leave them out of pocket.

“Early childhood educators are some of the lowest paid people in Australia” ... earning 50% of average weekly earnings.¹⁰



All levels of government are committed to reforming early years education and childcare.

- **The Victorian Government** will spend \$9 billion over the next decade to:
 - roll out 5 hours per week of 3-year-old kindergarten in 2022, on its way to 15-hours per week by 2029
 - make 3- and 4-year-old kindergarten free, and
 - establish 50 new government-owned and affordable early learning centres.¹¹
- **The Commonwealth Government** has indicated its “support to deliver affordable, quality childcare and before and after school care, and will consider changes to tax, superannuation, work and industry arrangements to support this”.¹²

9 Rogers M (2022) COVID chaos has shed light on many issues in the Australian childcare sector. Here are 4 of them. [Online] The Conversation. January 13, 2022

10 SGS Economics and Planning (2022) *Enabling Early Childhood Education and Childcare in Rural Areas*. investloddonmallee.com.au/reports

11 Department of Education and Training (2017) *Early Childhood Reform Plan*. Victorian Government: Melbourne.

12 ALP National Platform 2021

Actions fall short for rural childcare

- **Many rural Local Governments** have made finding a workable model of childcare their early-years priority. A partnership between local government and other agencies in our rural areas has attempted short-term childcare pilots, but cannot make them financially viable, and parents are reluctant to use them because they are not secure.

Current activity providing kindergarten, while helpful, will not solve the problem of rural childcare provision without further action.

“Our Loddon Shire pilot showed those with the highest need for childcare, had the lowest take up. Parents did not want to risk losing their informal childcare arrangements by taking up a short-term pilot.”¹³

To create the same opportunities for rural families, reduce disadvantage, and address workforce shortages locally, we need a rural model of childcare that delivers viable, high-quality services.

A recent data analysis commissioned by the Loddon Mallee RDA and Regional Partnerships, has demonstrated the childcare shortfalls in our rural Loddon, Buloke and Gannawarra LGAs, as an example for all rural areas.¹⁰

“Being born in the regions shouldn’t disadvantage any Australian child, hold back their development, or make it tougher for families.”

Jacqui Emery, Chief Executive, Royal Far West

The analysis shows that in these areas:

- The Commonwealth Government childcare subsidies would need to increase 9% to services to address the running cost shortfalls.
- There will likely still be shortfall in capital funding for infrastructure – even with co-location with other early education services – once childcare is considered.

Cost effective intervention would create sustainable rural childcare



To create a rural model of childcare we need to:

- **Incentivise rural staff accreditation and retention** by:
 - Improving wages and conditions for rural educators
 - Financially incentivising rural staff accreditation and retention.
- **Provide medium term assurance of service availability and reliability** by:
 - Funding rural service leadership, administration and facilities maintenance
 - Coordinating a 'shared service' model for collaborative service delivery
 - Building confidence in the availability and reliability of rural services.

- **Harmonise regulation and funding across government** by:
 - Piloting the flexible application of staffing and building regulations.
- **Flexibly operate and price rural service delivery** by:
 - Improving the rate and flexibility of childcare subsidies
 - Providing additional childcare subsidies for at-risk children
 - Developing integrated early childhood facilities in priority rural locations.

The cost of servicing unmet demand, at \$52.8 million over 10 years, would generate \$70.1 million of benefits from:

- improved education outcomes
- increased workforce participation and earnings
- profits generated by rural business that employ the expanded rural workforce
- reduced disadvantage for at risk rural children.¹⁰

The benefits (\$70.1 million) generated by a rural childcare model outweigh the costs (\$52.8 million).

What is needed now

Our region, and other rural areas across Victoria, have well established placed-based early years initiatives, with leadership partnerships and networks of community organisations and services, ready to work through the barriers to create a viable operating model that would guarantee delivery of childcare services over the medium term (5 years).

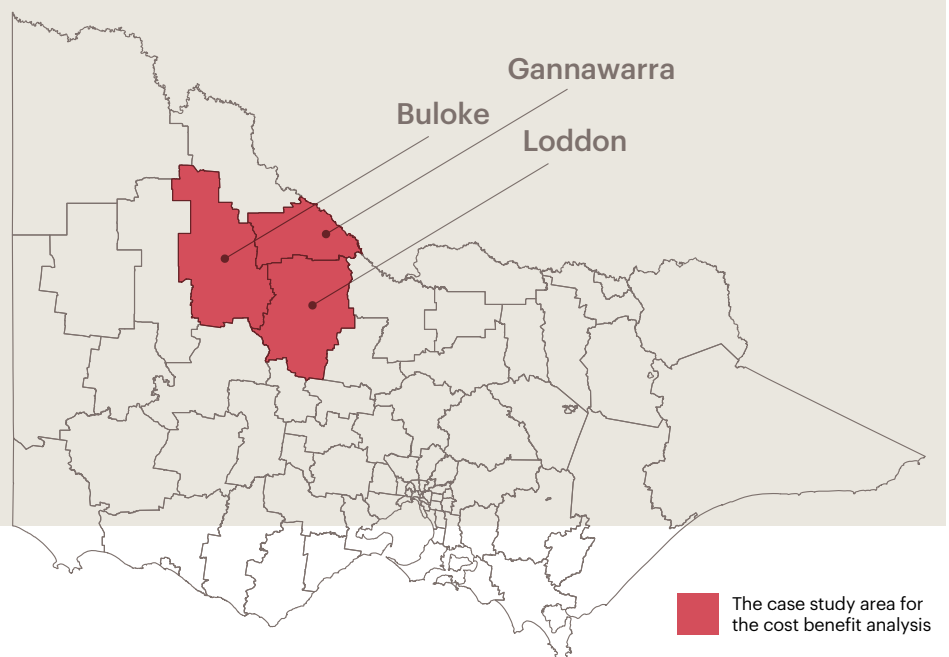
We are asking:

1. The Commonwealth Government to:

- **Increase the subsidies for rural areas* in its Child Care Subsidies Program by 9% to services** to improve wages, conditions, retention of educators and fund service leadership and administration.
- **Ensure the additional Child Care Subsidy for disadvantaged families (over and above the 9%) is maintained at its current rate,** and promoted in rural areas.
- Find solutions to regulatory barriers.

2. The Victorian Government to:

- Support the co-location of childcare services with primary schools, kindergartens and potentially Maternal and Child Health or other services.
- Find solutions to regulatory barriers.



* We are referring to areas classified as 'Area 5' by the Commonwealth's Modified Monash Model.

This project has the support of:



Written by Jeanette Pope. First released in September 2022. For brevity, this report uses the term 'childcare' when referring to early childhood education and care. It focuses on education and care services for children aged 0-3 years.

Read more

Report and cost benefit analysis –
Enabling Early Childhood Education
and Childcare in Rural Areas:

investloddonmallee.com.au/reports/

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