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Submission to the Productivity Commission Inquiry on
Early Childhood Education and Care

Prepared by: NFAW Social Policy Committee

February 2024

Authorisation

This submission has been authorised by the NFAW Board

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NFAW submission on the Productivity Commission Review of Early Childhood Education and Care draft report released 23 November 2023: *A path to universal early childhood education and care*

The National Foundation for Australian Women (NFAW) is dedicated to promoting and protecting the interests of Australian women, including in intellectual, cultural, political, social, economic, legal, industrial and domestic spheres, and ensuring that the aims and ideals of the women's movement and its collective wisdom are handed on to new generations of women. The NFAW is a feminist organisation, independent of party politics and working in partnership with other women's organisations. In our advocacy work, we acknowledge the traditional custodians of Country throughout Australia and pay our respects to their elders past and present.

Key points

The NFAW supports measures that improve the affordability, accessibility and quality of early childhood education and care (ECEC). **We advocate for:**

- creating workplace conditions that ensure ECEC is a sustainable and attractive career path, which would include better pay, conditions and pathways for professional development and growth for ECEC educators
- more affordable and accessible ECEC for families
- monitoring access to ECEC across Australia (including unmet demand), with a particular focus on families living in disadvantaged, regional or remote areas of Australia, and development of flexible ECEC care models that support women's workforce participation, including outside school hours and vacation care
- children's access to two years of preschool/kindergarten before school
- moving to a free, universal system of ECEC and support for early childhood development.

In line with these priorities, we endorse many of the Productivity Commission's findings and recommendations in its draft report, [*A path to universal early childhood education and care*](#). Some points relate to the Commission's information requests on pp.87-93 of the report.

In particular, we support draft recommendations relating to:

- removing barriers for educator upskilling, support and mentoring on the job, better pathways into the profession, improved registration processes for early childhood teachers to improve recruitment, job satisfaction and retention and help boost the supply of ECEC across Australia (**recommendations 3.1, 3.2, 3.3 and 3.4**), trialling of new pathways for Aboriginal and Torres Strait Islander people to obtain ECEC qualifications (**recommendation 3.5**) and promoting professional development of ECEC educators (**recommendations 3.6 and 3.7**)
- the proposal that all children are entitled to access to affordable 30 hours of ECEC, or at least three days per week (72 hours per fortnight), which underpins options 1-3 of the modelled Child Care Subsidy (CCS) options on p.37
- relaxing, or **preferably abolishing**, the activity test for all families (options 1-4) for at least three days per week, noting that the lower cost option 2 (**recommendation 6.2**) may be more manageable for the Australian Government to implement in the short term, while option 3 (90 per cent subsidy for all families for three days of ECEC per week for all families) could be a longer-term goal for Government to work towards

- in addition, considering whether the \$80,000 annual family income threshold should be raised to \$90,000 or even \$100,000 given cost of living increases in recent years (**not currently a recommendation**)
- monitoring changes in fees and families' out of pocket ECEC costs regularly, feeding in to review of the hourly rate cap (**recommendation 6.1**) to ensure it continues to reflect ECEC operating costs, and in between these reviews, the cap should be indexed at a rate that best reflects changes in the costs of provision (e.g. according to wage indices or CPI)
- considering a higher hourly rate cap for non-standard hours (**recommendation 7.3**) to support shift workers and families who work non-standard hours.
- supporting universal access in persistently thin markets via supply-side funding (**recommendation 5.1**) through supply-side funding, e.g. expansion of the Community Child Care Fund and/or other funding models for ECEC services to ensure the availability of ECEC in regional, remote and very remote areas of Australia.

ECEC is essential to Australia's economic prosperity and human capital development

The NFAW supports quality, affordable ECEC for optimal child development and parents' workforce participation. We were pleased to see this Productivity Commission report addresses the early childhood development (ECD) aspect of human capital development much better than the previous Productivity Commission report on the 2014-15 [Inquiry into child care and early childhood learning](#). That report was focused on ECEC and families' workforce participation from an economic perspective and less on ECD.

The economic focus of the previous report contributed to policy settings in the Government's Child Care Package introduced in July 2018. In spite of this, we are aware that disincentives to greater workforce participation still exist – principally, the cost and availability of ECEC. Families may have unsubsidised ECEC hours if both parents are working full-time (owing to the 100 hours per fortnight limit on subsidised care and the length of sessions of care being generally 10-12 hours per day). This effectively acts as a disincentive for women to increase their hours of care or work full-time and it needs to be addressed.

The NFAW supports the proposal to introduce a higher hourly rate cap for **non-standard hours of care (recommendation 7.3)** and examine planning regulations to ensure they do not necessarily restrict the ability of services to provide non-standard hours of care (**recommendation 7.4**). This would support parents who work shifts and have difficulties balancing workforce participation and family care.

In relation to the issue of more affordable and flexible ECEC to suit families' needs, we note the report's finding (p. 79, **finding 7.5** on unused capacity) that families are only using around 60 per cent of the hours of care for which they are charged, the usual session of care being 10-12 hours per day. We suggest that the **length of the 'session of care' needs further consideration**. Many working families with children in ECEC and school would appreciate a more flexible approach whereby 'core hours' of care (say, six hours a day are around school hours) and any additional care used before and after school hours is an extra charge and based on a booking system. This idea is captured in draft **recommendation 7.6** regarding wrap-around care for children attending preschool/kindergartens. We agree that Family Assistance Law needs to be amended with regard to eligibility of preschools and kindergartens for subsidised ECEC (i.e. for before and after school hours). This will help meet the needs of working families and reduce the impact of patchwork care arrangements to access sessional government or community preschool/kindergarten.

We further suggest that the 30 hours per week of ECEC recommended in the report could be **configured as 5 x 6 hour sessions a week**, with before and after care hours optional and bookable for those families

who need additional hours of ECEC. Shorter hours per day, five days a week, would be particularly suitable for children in the 1-2 years before school. Preschool five days per week is the norm in many countries for children from age three, with shorter hours of attendance each day.

ECEC workforce issues need to be addressed as a priority

The post-COVID period has demonstrated that the availability of ECEC is constrained by workforce shortages. This needs to be addressed through a **properly funded [National Workforce Strategy](#)** and recommendations set out in the report (**recommendations 3.1, 3.2, 3.3 and 3.4**). The current situation whereby educators have to become casual employees to access a higher rate of pay will likely drive up wage costs for the sector, but it may add to workforce instability for ECEC services, as well as a loss of working conditions and more job insecurity for ECEC educators.

We note that **ways of increasing educator wages have not been considered** in great detail in the report. The report confirms that wages are a large proportion of ECEC operating costs and, in general, there are some differences in educator pay between for-profit and not-for-profit providers. There is passing reference to Fair Work Commission (FWC) work on pay issues and collective bargaining. Government(s) need to plan for and support pay increases for ECEC educators and teachers. This would support future FWC decisions on remuneration and help ease workforce shortages.

As a predominantly female, low paid workforce that supports the caring economy, women's workforce participation and children's early development through the provision of quality ECEC, we feel that wages cannot be left to the vagaries of 'the market' or provider preferences. The NFAW strongly support calls from the sector for **government(s) to provide an interim wage supplement for educators**, to be funded from the savings achieved through changes introduced in July 2023. A 10-15% Australian Government wage supplement for ECEC educators and early childhood teachers (ECTs) has been suggested by a number of child care providers and organisations (including [Goodstart](#) and [The Front Project](#)).

ECEC must be reviewed from an intersectional perspective

The NFAW strongly supports draft recommendations which facilitate and promote the inclusion of vulnerable children, including those with a disability (**recommendations 2.3, 2.4, 2.5, 2.6 and 2.7**). It is not acceptable that children with a disability can end up excluded from ECEC. Better support for services through the Inclusion Support Program (ISP) needs to be accessible longer term than is currently the case under ISP guidelines. We also support connections between ECEC and other child and family services and identifying the most suitable way to address any gaps (**recommendation 7.2**).

Recommendation 7.3 for different funding frameworks of ECEC for Aboriginal and Torres Strait Islander children, families and services is appropriate from a cultural and financial perspective (e.g. removing the activity test, support for families in navigating Services Australia and more grants to support service viability and expansion). **Recommendation 2.4** focuses appropriately on the need for cultural safety to be addressed. A key way to do this is to **employ more Aboriginal and Torres Strait Islander educators** to provide a culturally safe environment (**recommendation 3.5**). The Australian Government's review of the [Community Development Program](#) (CDP) might provide opportunities for people living in remote areas to access pathways to ECEC qualifications and work in the formal care sector.¹

¹ CDP aims to support job seekers in remote Australia to build skills, address barriers to employment and contribute to their communities through activities and training.

The ECEC 'system' needs to be easier for families and services to navigate

NFAW agrees with recommendations regarding reducing the complexity of navigating the ECEC system and funding and the need to improve the information available to families on government websites and [Starting Blocks](#) and the child care calculator (**recommendations 6.2, 6.3, 6.4, 6.5 and 6.6**). The interaction between families' activity, total family income, work patterns and ECEC preferences has been complex for families to manage, let alone the issue of finding available and suitable ECEC to meet families' needs.

ECEC requires more coordination and collaboration between different levels of government

While we appreciate the need for greater coordination, collaboration and stewardship by all levels of government on matters related the ECEC sector, we are not convinced this would be achieved through the establishment of a proposed ECEC Commission (**recommendation 9.2**). We feel that the funding which would be needed to staff and manage an ECEC Commission could be used more appropriately to improve current coordination and oversight mechanisms between state and territory regulatory authorities in the states and the Australian Children's Education and Care Quality Authority (ACECQA), as well as an enhanced role for early childhood costs and price monitoring through the Australian Competition and Consumer Commission (ACCC) and performance monitoring through inter-governmental Ministerial Council standing committees, together could improve stewardship, oversight of quality, regulation and price monitoring within the sector. With regard to stewardship of research on ECEC, the Australian Education Research Organisation (AERO) could continue to play a role supporting the ACECQA and Ministerial Council standing committees.

If the mixed-market system (for profit, not-for-profit providers, community and government providers) is 'here to stay', the Australian Government, state and territory and local governments need to intervene more in planning, monitoring and regulation of the sector – for example, via review of provider and service approval processes, building approvals, allocation of real estate, leases and rental regulation. This would help ensure that there is not oversupply of child care in profitable areas and under (or no) supply in other areas where families badly need access to ECEC. A better way to monitor demand for ECEC also needs to be developed as listing of vacancies is not a reliable indication of supply, let alone demand.

Final points

NFAW's comments above in relation to Productivity Commission's recommendations are in addition to those made in our initial Productivity Commission submission in April 2023 (submission 10 on the Commission's [website](#)). **In summary, we are concerned that the complexity of Australia's ECEC system, persistent workforce shortages, lack of affordability and availability of ECEC places are key barriers and disincentives for women's workforce participation and human capital development.**

The NFAW commends the Productivity Commission on its comprehensive draft report. Five years on from the introduction of the Australian Government's *Child Care Package* in July 2018 (the last major set of changes to ECEC funding), it is timely that the report has addressed key issues affecting the child care sector and families: how key Child Care Package policy settings are working (activity test, hourly fee caps), workforce shortages and pressing issues related to the inclusivity, affordability and availability of ECEC. We have also reviewed the ACCC's final report on its [Childcare Inquiry](#) and note that there are intersections and overlaps between the ACCC report and the Productivity Commission report that need to be carefully considered and integrated as consolidated advice to government(s). The two reports provide a thorough analysis of key issues for Government to consider and respond to as a priority.