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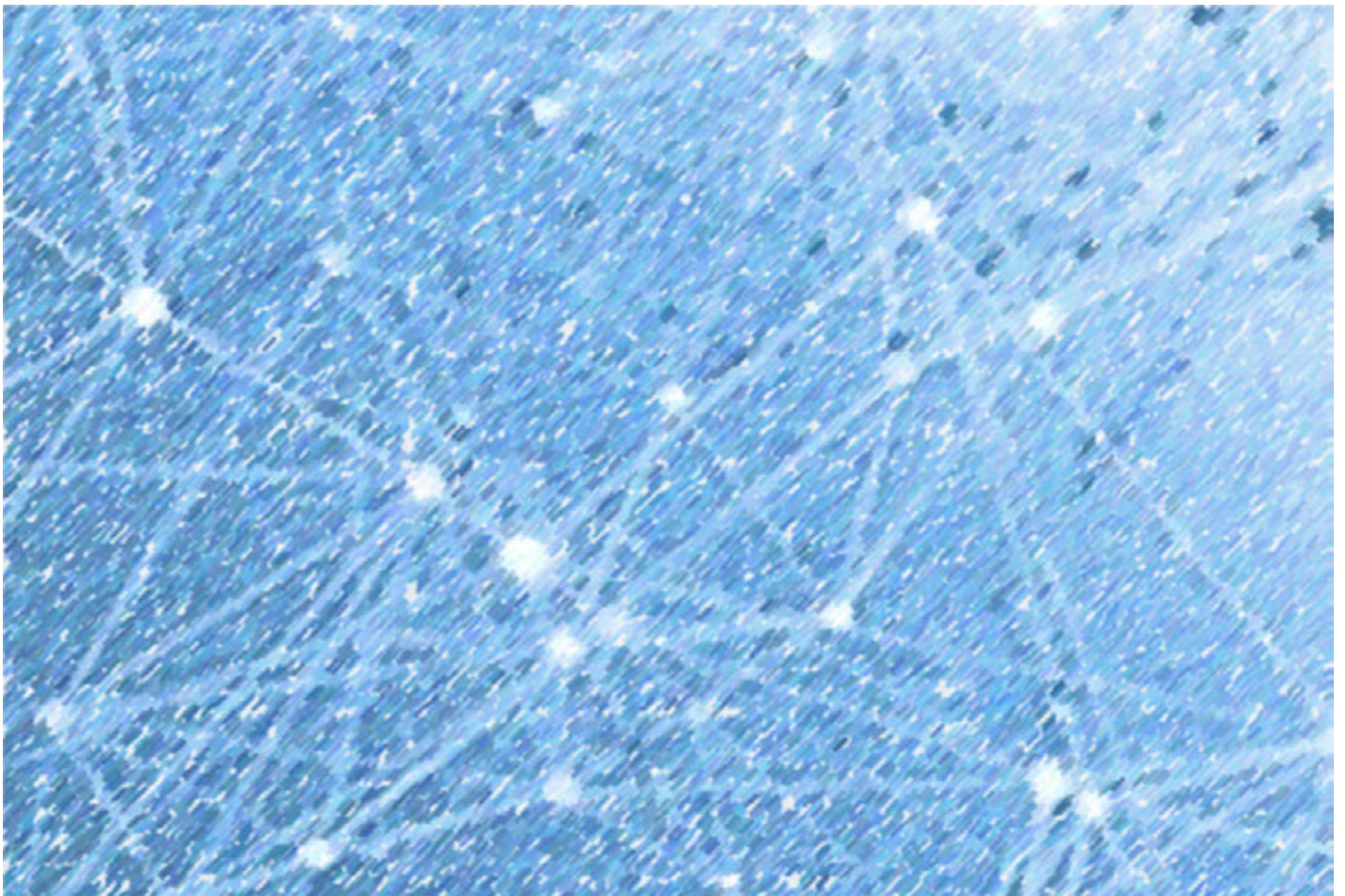
ANU College of Arts & Social Sciences

**Productivity Commission Inquiry into Early Childhood
Education and Care**

Submission

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Reverse cover

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Executive Summary

Childcare provision in Australia has expanded rapidly over the past decades, as has Australian government funding, primarily as fee relief for parents.

The evaluation we undertook of the 2018 ‘Jobs for Families Child Care Package’ found the Package had had a modest positive impact on affordability for a majority of families, with a distributional outcome of increasing financial support to lower and middle income households and a reduction for those on higher incomes. This was consistent with the objectives of the policy change. The evaluation found no significant impact on workforce participation, access to, or flexibility of, childcare services, nor in moderating cost increases for care.

The evaluation findings echoed previously well identified issues around incoherence and fragmentation of the childcare system, including significant gaps in addressing the needs of the most disadvantaged.

While there have been strong government commitments to ensure that “all children have the best start in life” over a decade ago, data on developmental vulnerability of children over this period shows little progress, and a failure for those at most disadvantage.

This submission is directed at these broader issues, identifying priorities which it considers should be the focus of the Productivity Commission in this inquiry. Specifically, we consider:

- There is a need for an explicit and balanced focus of childcare on all of its objectives, including child development, and combating exclusion. The current emphasis on ‘access’ to childcare and preschool fails to address the significant differences in actual participation, especially by those at disadvantage, and at risk of entering educational disadvantage.
- The sector is typified by a fragmentation of Commonwealth and State roles. We present a range of evidence of the consequences of the current division as illustrative of the wider problems. This includes the operation of ACECQA and whether the timeliness and volatility of the quality assessment process is adequate to properly inform parents. We argue that structural change and clear responsibilities and accountability are a priority rather than exhortations to work together, and suggest the reasons for past failure to achieve progress in redressing the well-known problems should be reviewed.
- Outside School Hours Care requires review, both to assess whether it is appropriately aligned with childcare for younger children and a child development focus, and whether the responsibilities of schools should extend to ensure that this service is available to parents. A further complication for this sector is the extent of any expansion of free-standing preschool provision, and the need for parents to rely upon a patchwork of childcare and preschool services.
- A range of specific issues are identified with preschool education and early childhood development.
 - Across Australia there are considerable variations in the degree to which preschool education is delivered through stand-alone preschools or through Centre Based Day Care, and in the latter it is difficult to determine the actual ‘dose’ received. There appears to be little rationale for the two different approaches, or evidence relating to their relative merits.

- Despite commitments to universal access in the year before fulltime school, even with these qualifications, over a quarter of all children do not receive the goal of 600 hours.
 - While the Early Years Learning Framework (EYLF) has been accepted as the curriculum for early childhood education in Australia, the adequacy of this, and the extent to which greater focus on child outcomes may be appropriate, needs consideration. This can be seen in the light of the way it is supplemented in some state preschool systems, and questions as to whether it should more strongly address the areas of child outcomes and school readiness, such as those identified in the Australian Early Development Census (AEDC).
 - While policies with regard to early childhood intervention often claim strong evidence bases, the robustness of these merits critical review.
- Childcare is critical for many parents to enable them to engage in the paid workforce. However the extent to which changes in the childcare system, including its funding arrangements, will further increase participation is unclear, with significant evidence suggesting that the scope to achieve higher participation at both the extensive and intensive margin is relatively small. While many families face high Effective Marginal Tax Rates if they increase their level of employment, these largely emerge from the tax and transfer system, not the cost of childcare.
 - Childcare workers are poorly paid relative to other Australian workers. There are also significant issues to be addressed with regard to training where persistent issues of quality in the Vocational Education and Training system exist, and the limited support for professional development.
 - Two aspects of the Child Care Subsidy require attention: ‘approved hours’; and the ‘hourly rate cap’. The lower categories of approved hours appear problematic in respect to the limited number of parents relegated to them, and the incidence of excess hours, an increase to 48 hours per fortnight would be appropriate. The hourly rate cap has failed to constrain fees and the indexation approach simply operates to transfer increasing costs to parents, rather than government, over time. Moreover we consider that policy needs to recognise that given the cost of childcare is largely driven by labour costs in a regulated system, costs are likely to rise faster than the overall price level over time.
 - Overall the evidence base for many childcare policies, and the quality of data to allow for effective monitoring of the sector and its outcomes is weak. Action is also required to improve transparency and timeliness. To allow for the assessment of contemporary provision a new wave of the Longitudinal Study of Australian Children should be implemented, along with plans for regular future waves.

In identifying these issues we have also highlighted the plethora of past and current reviews and reports. We consider these require systematic attention by the Productivity Commission in its work, including identifying why effective reform has not been achieved.

We recognise this is a challenging work program for the inquiry and one which may lead to findings which in turn challenge existing structures and approaches. We consider the grounds for this to be well-established.

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Glossary

ABS	Australian Bureau of Statistics
ACECQA	Australian Children’s Education and Care Quality Authority
AEDC	Australian Early Development Census
AIHW	Australian Institute of Health and Welfare
ANU	Australian National University
ASQA	Australian Skills Quality Authority
CBDC	Centre Based Day Care
CCB/CCR	Child Care Benefit/Child Care Rebate (Former child care funding assistance)
CCS	Child Care Subsidy
COAG	Council of Australian Governments
CPI	Consumer Price Index
DESE	(Former) Department of Education, Skills and Employment
DET	(Former) Department of Education and Training
ECD	Early Childhood Development
ECEC	Early Childhood Education and Care
ECT	Early Childhood Teacher
EMTR	Effective Marginal Tax Rate
ESB	Education Standards Board (South Australia)
EYLF	Early Years Learning Framework
FDC	Family Day Care
FMW	Federal Minimum Wage
FTB	Family Tax Benefit
GDP	Gross Domestic Product
HILDA	Household Income and Labour Dynamics in Australia (longitudinal survey)
ISP	Inclusion Support Program
IT	Information Technology
LSAC	Longitudinal Study of Australian Children
MADIP	Multi-Agency Data Integration Project
NQS	National Quality Standards
OECD	Organisation for Economic Cooperation and Development
OSHC	Outside School Hours Care
PC	Productivity Commission

QIP	Quality Improvement Plan
RTO	Registered Training Organisation
SEIFA	Socio-Economic Indicators for Areas
SIP	Strategic Inclusion Plan
SRC	Social Research Centre
UANP	Universal Access National Partnership
USI	Universal Student Identifier
VET	Vocational Education and Training
WF Census	Early Childhood Education and Care National Workforce Census
YBFS	Year Before Full-time School

1. Background

We write this submission as two of the principal researchers who undertook the evaluation of the 'Jobs for Families Child Care Package' which was introduced in July 2018¹, along with other colleagues at the ANU, and those from the Australian Institute of Family Studies and the Social Policy Research Centre at the University of New South Wales.

1.1. The 'Jobs for Families Child Care Package' evaluation

In this submission we briefly recap the main findings of the evaluation, but focus mainly on a broader set of issues concerning childcare in Australia. In taking this approach we emphasise that the scope of the evaluation was specifically on the Package, and the impact of the Package on the childcare sector and families using childcare, not an evaluation of the childcare system itself. As detailed in the main report "the focus of the evaluation is comparative. That is, comparing the outcomes and impacts being achieved following the introduction of the Package, relative to those under the previous arrangements" (Bray et al 2021a, 12).

Specifically, the evaluation sought to address 4 outcomes, and 3 impacts:

- Outcome 1: Child care services are accessible and flexible relative to families' needs, including disadvantaged and vulnerable families.
- Outcome 2: Access to child care support is simple for families and services.
- Outcome 3: Child care is affordable to families especially those with limited means.
- Outcome 4: Child care services are viable and sector robust.
- Impact 1: Parents of children can engage in work, education and the community.
- Impact 2: Vulnerable and disadvantaged children are engaged and supported.
- Impact 3: Child care funding is sustainable for government.

The focus on Impact 3 was limited to the extent that the question of sustainability is largely one of the balance of revenue and expenditure priorities of government, rather than an objective measure.

The time period of the evaluation was curtailed due to the impact of COVID-19 and related policy responses. This effectively resulted in the evaluation focusing on an 18-month period of implementation, from July 2018 to December 2019.

1.2. The current policy environment

In making this submission we are acutely aware of the plethora of recent, and current, inquiries into the provision of childcare and early childhood education. While at one level we welcome the policy focus that this implies, at another we are concerned at the potential for it to add to the confusion of policy development and responses which we consider has typified approaches to policy in the past. This is particularly so, given that these have been commissioned by different

¹ Some aspects of the Package were implemented prior to this date, in particular changes to the Inclusion Support Program.

levels of government and agencies within government, and specific and limited aspects of the system, and the commensurate risk of this leading to further fragmentation, and the pattern of unclear responsibilities, which have plagued policy in this field.

Given this, we consider there is merit in the Productivity Commission systematically reviewing the activity that has occurred over recent periods, or is currently being undertaken, and in the case of completed inquiries seeking to summarise what action has been taken, and what issues raised have yet not been addressed.

Given our understanding that many of these inquiries have identified policy directions which have had in principle agreement and support, but have not been effectively implemented, such a review should also seek to build an understanding of why this has been the case. Building an understanding of the barriers to policy reform in this field would in itself provide a specific focus for the Productivity Commission in reporting.

Inquiries we are aware of include:

- Productivity Commission Research Report on the Early Childhood Development Workforce (2011)
- Productivity Commission Inquiry Childcare and Early Childhood Learning (2014)
- Productivity Commission Inquiry National Education Evidence Base (2016)
- The Senate Committee on Work and Care (Final Report March 2023)
- Australian Competition and Consumer Commission Inquiry into the market for the supply of childcare services (Final Report due 31 December 2023)
- SA Royal Commission into Early Childhood Education and Care (Reporting August 2023)
- The National Cabinet “National vision for early childhood education and care” process (Draft vision issued in March 2023)
- The Early Years Strategy including the National Early Years Summit (February 2023)

Additionally, there are other projects such as:

- Preschool Outcomes Measure Ministerial Expert Advisory Group (appointed to end 2023)

1.3. Context – Failure to achieve improved child outcomes

The National Early Childhood Development Strategy “Investing in the Early Years” was developed under the auspices of the Council of Australian Governments (COAG), and agreed by COAG in July 2009. Its goal was “to ensure that by 2020 all children have the best start in life to create a better future for themselves and for the nation” (COAG 2009, 4).

1.3.1. Current outcomes

Data from the Australian Early Development Census (AEDC) which measures the degree of early childhood development at the time that children commence their first year of full-time school clearly shows that this goal has failed.

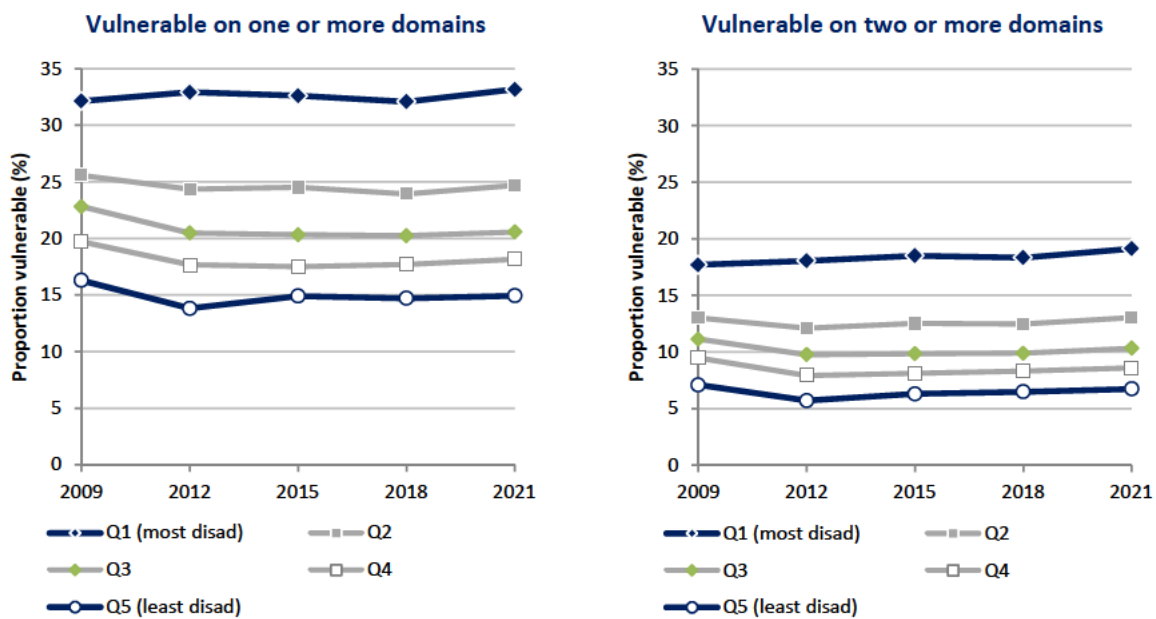
- While at the national level there has been a slight decline between 2009 and 2021 in the proportion of children identified as being vulnerable in one or more domains, from 23.6 per cent to 22.0 per cent, there has been no decline since 2012.

- Similarly, while the proportion identified as being vulnerable in two or more domains has marginally declined from 11.8 per cent in 2009 to 11.4 per cent in 2021, this gain was again only in the earlier period, and since 2012 it has increased. (DESE 2022, 14)

More significantly, as illustrated in Figure 1, there is:

- a very large difference in vulnerability by the socio-economic characteristics of where children live, with the incidence of one or more vulnerabilities in the most disadvantaged quintiles of location being more than double that of the least disadvantaged, and the incidence of two or more being almost triple.
- over the period, while there have been small reductions in vulnerability in the least disadvantaged locations, the most disadvantaged locations have seen a marked increase.²

Figure 1. Proportion of children developmentally vulnerable by SEIFA quintile, 2009-2021



Source: AEDC 2022

That is, on these measures, the COAG commitment has not only not been met, but in fact almost no progress towards the commitment has been achieved, and indeed for the most disadvantaged their situation has worsened. In public policy terms, not only is this clear evidence of policy failure but it may be considered equally as concerning that this failure has had no attention.

1.3.2. Implications for the Productivity Commission Inquiry

While the detailed Terms of Reference for this inquiry largely focus on operational aspects of the ECEC sector and workforce participation, the broader framing: “The Australian Government is taking the next step in considering how to build an affordable, accessible, high quality, universal early education system”, and the above results, emphasise a need for a critical

² This cannot be ascribed to just a COVID related effect. Although there was a very slight improvement for the most disadvantage quintile in terms of vulnerability on one or more domains of 0.06 of a percentage point between 2009 and 2018 this compared with an average of 1.95 of a percentage point across the other locations. With regard to the measure of more severe vulnerability – on two or more domains – the period between 2009 and 2018 saw a worsening in the most disadvantaged locations of 0.64 percentage points – relative to an average improvement of 0.88 percentage points across the others.

assessment of the child development outcomes. That is, there is a need for the Inquiry to address the focus in the Ministerial statement:

“to improve or support”:

- “developmental and educational outcomes for Australian children, including preparation for school”
- “outcomes for children and families experiencing vulnerability and/or disadvantage, First Nations children and families, and children and families experiencing disability” (Chalmers, Clare and Aly 2023).

We would also emphasise the importance of measuring, monitoring, reporting and evaluation these outcomes.

2. Findings from the evaluation of the ‘Jobs for Families Child Care Package’

As indicated in the introduction the evaluation of this Package, introduced in 2018, primarily focused on the evaluation of the Package, rather than the childcare system as a whole. Within this a specific orientation was towards measuring the actual change with respect to the identified outcomes and impacts, which were related to the changes introduced by the Package.

2.1. The nature of the Package

Notwithstanding the broad rhetoric of the policy being “the most significant reform to the early education and care system in 40 years” (Turnbull et al 2017), and “once in a generation reform to child care” (Porter 2017), the Package was relatively limited.

Essentially it introduced a new subsidy structure (the Child Care Subsidy (CCS)) with a more generous rate for lower and middle income earners, but with a requirement for a co-payment, along with tighter activity testing of the number of hours of subsidised care that could be accessed. CPI indexation of the cap on the hourly rate of fees that were subsidised was seen as the key instrument for constraining cost increases.

Operationally a new IT system was implemented, along with changes to a number of the safety-net elements of the program, and more significant change to the small In Home Care program. The specific childcare elements of the Package were complemented by further investment in the national partnerships on universal access to early childhood education.³

The key findings of the evaluation with regard to affordability, workforce participation, access and flexibility are considered below, along with broader reflections on the childcare system.

2.2. Affordability

The modelling⁴ undertaken by the evaluation estimated that the cost of childcare subsidies under the Package was \$7.7 billion, \$453 million higher than the \$7.2 billion which would have been paid under the previous policy settings. The key distributional findings were:

- 62.2 per cent of families, or about 686,000 families, were estimated to have received more childcare subsidy under the CCS than they would have received under the old Child Care Benefit/Child Care Rebate (CCB/CCR). For this majority of families the estimated net average annual cost of childcare fell by \$1,386, from \$5,412 to \$4,026, and for the median family by \$1,036 from \$3,472 to \$2,436.

These families were in general lower to middle income, with an average adjusted family annual taxable income of \$95,848. They were more likely to be single parents, to have

³ The partnership and the universal access commitment dates to the 2009 COAG agreement to the National Partnership Agreement on Early Childhood Education which described the commitment as: “The universal access commitment is that by 2013 every child will have access to a preschool program in the 12 months prior to full-time schooling. The preschool program is to be delivered by a four year university qualified early childhood teacher, in accordance with a national early years learning framework, for 15 hours a week, 40 weeks a year” (Harrington 2014).

⁴ The evaluation used a static model with a focus on the level of subsidy families were entitled to under the old and new funding arrangements. The use of a static rather than dynamic model was chosen given the focus on the relative levels of assistance. It was also appropriate, given the lack of dynamic response identified.

multiple children in care, and to use high care hours. By service type there was a particular gain for those using for-profit Family Day Care. On average, following the Package, these families faced a net cost of childcare equivalent to 4.5 per cent of their gross income, and a median of 3.2 per cent.

- 8.6 per cent of families, some 95,000 families, were estimated to have had the same net cost of childcare under both policies.⁵ On average their family income was \$170,406. For these the average net cost, post-Package, of childcare was 2.8 per cent of gross family income and the median proportion was 2.0 per cent.
- 29.2 per cent of families, or about 323,000 families, received a lower subsidy under the CCS than they would have received under CCB/CCR. These families saw their annual net cost of childcare increase on average by \$1,261 from \$4,043 to \$5,304, and for the median family in this group by \$786 from \$1,941 to \$2,727.

These families had, on average, a family income of \$177,240, tended to use fewer hours of care, and to use Outside School Hours Care and In Home Care. Notwithstanding the increased cost of childcare for these families as a result of the introduction of the CCS the average proportion of gross income they paid for childcare was 4.0 per cent and the median 2.1 per cent, both below the proportions paid by those that had an increased level of subsidy.

As such, while the number of ‘winners’ did not quite meet the government’s pre policy change estimate that one million families would have lower child care costs⁶, a majority of families gained. The overall distributional outcome was however in line with the objective to increase support to lower and middle income families and reduce the amount provided to those on higher incomes.⁷

2.3. Workforce participation

Reflecting the legislative title – Jobs for Families – a key objective of the Package was that of increasing participation, in particular in paid employment. This was further specified as “that the Package will encourage more than 230,000 families to increase their involvement in paid employment” (Porter 2016).

The evaluation found most parents reported that they had not changed their level of participation in response to the Package, although some did, with both increased and decreased levels of participation being reported.

On balance the evaluation found that, while neither wholly consistent across surveys, nor statistically significant, the data in the Departmental surveys suggested a slight balance of responses of some 1.5 to 1.9 percentage points towards families reporting increased paid employment, relative to those reporting a reduction. This pattern of diverse responses was seen as being consistent with both the variation in impact of the Package on affordability for different

⁵ The same was defined as having a subsidy under the CCS within 1 per cent of the subsidy they would have received under CCB/CCR.

⁶ Turnbull et al. (2017) state that “our reforms will give around one million Australian families relief from out-of-pocket child care cost pressures”.

⁷ While having these distributional outcomes overall, it is emphasised that across all income ranges there were both families which received higher, and lower levels, of subsidy. This was because the level of subsidy did not just depend upon income but also upon their actual usage of childcare relative to their ‘approved hours’, and the actual cost of the childcare they used.

families, with some gaining higher levels of assistance, and others a decrease, and with economic expectations.

A slight tendency towards increased levels of activity was also seen in administrative data which suggested an annual increase in hours of activity (which also encompassed study and some other activities) of 1.4 per cent for single parents and 0.3 per cent for couples.

Looking at aggregate data on workforce participation the evaluation found that while parents had increased their rate of participation in employment, the rate of increase in the period following the introduction of the Package was not inconsistent with the pattern of growth in preceding years. This was also the case with data on receipt of income support payments.

In summary the evaluation reported:

the evidence suggests that the Package has had diverse impacts on parents' participation in employment. While, on balance, positive, the extent of this is small, and the overall trends are not inconsistent with historical trends in the workforce participation of families with children. (Bray et al 2021a, viii)

Analysis of the Effective Marginal Tax Rates (EMTR) reported that these had been reduced as a consequence of the Package, but notwithstanding this they continued to be very high for many families. In general, however, the magnitude of the EMTRs families faced was more a function of the tax and transfer system, not childcare costs.

To the extent parents reported barriers to higher workforce participation, these were rarely just restricted to childcare related issues, and where childcare was identified, this was usually raised in terms of the cost. The Departmental surveys indicated that of the population of parents just 16.8 per cent wanted to work more hours, some 128,000 families, and only 11.1 per cent of these cited solely childcare barriers (flexibility, availability and cost) as their impediment. Of those who wanted to increase their engagement the average desired increase was 16.5 hours per week and the median 13.0 hours per week.

The evaluation found that while there were marked differences in the balance of parental attitudes about values such as the importance of careers, and parents staying home to care for young children, between those parents in employment and those not, there was equally considerable cross over, suggesting that while beliefs appeared important in the choices that families made they were not strictly determinant of participation.

2.4. Access

Overall the evaluation found that the introduction of the Package had little impact on access to childcare.

- Detailed modelling of lower to middle income families in receipt of Family Tax Benefit (FTB)⁸ found marginal shifts in participation. Specifically, there was an increase in participation in childcare for children aged 5 years and under of 0.2 percentage points, and a decrease of 0.6 of a percentage point for older children.
- While there was concern expressed by some that the introduction of the more stringent activity test would see a number of children limited to attending one day a week, no such impact was able to be identified.

⁸ This population encompassed 42.5 per cent of the population of children using childcare.

- Most families reported that their level of approved subsidy hours was adequate, although just over a quarter disagreed, with 9.5 per cent of families using care in excess of their approved hours. This was most frequent for those with either 24 or 36 hours of approved care per fortnight, but also impacted on those with a 100 hours of approved care (7.7 per cent).
- While children with health and disability conditions from lower and middle income families participated at similar rates to those without such conditions⁹, parents of children with additional needs were much more likely to report that a child was excluded from or asked to leave a service, with 5.2 per cent of these parents reporting such an experience, compared to 0.7 per cent of parents without a child with additional needs.

Although the Package had no significant impact on changing access, there are marked differences in rates of access to childcare for some population groups. These included Aboriginal and Torres Strait Islander children, low income families, especially those on income support, some groups of children from non-English speaking backgrounds and those in more socio-economic disadvantaged areas, including some regional locations, and remote and very remote locations.

2.5. Flexibility

The evaluation found, other than in the In Home Care sector, no evidence of changes in operating hours of services associated with the introduction of the Package.

It did find that there had been an increase in services in the Centre Based Day Care sector offering a range of different session lengths, including shorter sessions. Analysis indicated that these sessions were largely introduced as a device to allow parents to maximise subsidies, rather than to align the cost of care with the time children spent in care. It found a systematic, although not universal, practice for the hourly cost of shorter sessions to be substantially higher than those of longer sessions, and in many cases for the total cost of shorter and longer sessions to be very similar.

This approach appeared to have been adopted as it was more beneficial for families to be charged for a shorter session at a higher rate, even when the rate exceeded the fees hourly rate cap, rather than for families to have to pay the full, unsubsidised, cost of hours of care which exceeded their approved hours. A consequence was that these shorter sessions offered to parents frequently had a smaller window of care that they could use.¹⁰ While this may have been suitable for some parents, overall it was assessed as potentially reducing, rather than enhancing, flexibility.

The evaluation concluded that, to the extent there was a lack of 'flexibility', especially in Centre Based Day Care, this did not reflect a market failure, but rather reflected the economic cost of providing such flexible arrangements. This included the need for services to structure employment to meet the needs of staff and statutory requirements such as child to educator ratios.

⁹ One potential reason for this is the extent to which some children with conditions were more likely to have a condition first identified in a childcare setting.

¹⁰ That is, while a 10-hour session may have involved children being able to use care between 8 am and 6 pm, an 8-hour session could involve care only being available between 9 am and 5 pm, with no flexibility to drop off or pick up children outside these times.

2.6. The childcare system

Although focused on the Package, the evaluation also identified a range of more fundamental issues with the childcare system overall. Many of these arose because of the conflicting objectives of childcare provision in Australia, and the fragmented policy and delivery environment. It concluded that these:

highlight the importance of having a clear, coherent and comprehensive policy environment for child care, linking the important goals of the Package relating to workforce participation and other policies related to quality of care and the critical role of measures such as Universal Access to preschool in child development and in preparation for schooling, including strategies which account for Commonwealth/State divisions in responsibility.

As pointed out by the Productivity Commission, the objectives they identify in government policy are not mutually consistent. For the effective implementation of policy, there is, therefore, a need for a clear articulation of what the balance of policy goals is, of the specific outcomes that are sought against each of these goals and of the trade-offs which are inherent in this. We do not consider that such a framework exists nor are the specific objectives of aspects of the Package articulated against such a set of goals. Specifically, while some of the rationale is articulated in aspirational terms, this fails to reflect the reality of needing a more precise specification to both guide the program and provide a basis for performance to be judged.

This is further exacerbated by the division of responsibility between governments and the extent to which much of the responsibility for the child wellbeing element is largely seen as a state responsibility (although under the broader overview of the Education Council), while the Australian Government largely determines the financial resources available. (Bray et al 2017, 345-346)

These concerns are central to this submission.

3. Key policy questions for consideration

3.1. Context and priorities

As we noted above, this inquiry is far from the first into the provision of early education and care in Australia, and indeed the history of the sector is littered by past inquiries and their recommendations, battles of ideological stances and priorities, and frequently little, if any, fundamental change.

3.1.1. The ‘wicked policy problem’

As such early childhood education and care, both as a whole, and with respect to more defined questions such as funding and subsidies, can clearly be seen as a ‘wicked’ policy problem. Problems which are typified by a plethora of players with different priorities and world views, fragmented responsibility between levels of government, and at times within these levels, and many ‘unknowns’, especially with respect to policy outcomes.

This history is reflected in the 2011 report by PwC *A practical vision for early childhood education and care* which noted in its introduction:

However despite considerable policy attention and significant advances in recent decades, Australia’s ECEC services remain fragmented. Australian services continue to be shaped by divisions between education and care systems; between child development and workforce participation objectives; and between Commonwealth, State and Territory Governments. (PwC 2011, 8)

A decade later the 2021 evaluation of the Package considered that “this perspective remains valid” (Bray et al 2021a, 347). The statement and the failure of policy initiatives since then to address the issues raised underlies much of what we consider the Productivity Commission should be addressing.

At the same time, we recognise that the nature of the inquiry, and indeed the approach of the Productivity Commission in itself, poses a key challenge. As detailed by Head:

modern social problems are ‘wicked’ problems, because stakeholders disagree about the nature of these problems, about possible solutions, and about the values or principles that should guide improvements. Hence, policies addressing social problems can never be optimal in the engineering sense. (Head 2022, 21)

As we present further here, this is further compounded by a limited knowledge base in particular with regard to “what works for whom”, as well as more fundamental questions as to the validity of claims as to what the evidence actually shows.

While one response to this would be for the Inquiry to primarily focus on the ‘tractable’ aspects of policy – such as the structure of subsidies – we would urge that the focus go beyond this to consider the more structural issues associated with ECEC in Australia.

3.1.2. Priorities

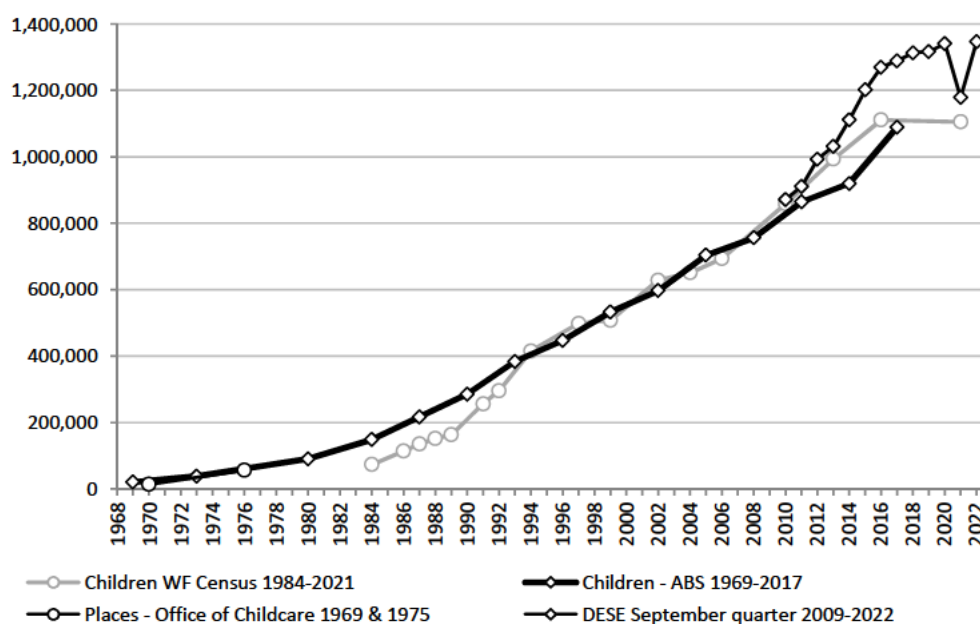
Specifically, we identify key priorities in the following sections:

- The need for a clear and balanced focus on the dual role of childcare and for the better formulation of policies to achieve the child development goals for those children who have the highest need for this. Underlying this, the ‘dual role’ should be further considered to include a central social inclusion objective.
- Addressing the complexity of Australian and State government roles in the sector with a view to simplifying, potentially through the reassignment of responsibilities, or at a minimum, making clear lines of accountability and responsibility.
- Developing a more cohesive approach to preschool and early childhood education.
- Building a cautious and realistic approach to the labour force participation potential of changes to the childcare system, including identifying, and addressing the other policy settings which may inappropriately inhibit higher levels of participation.
- Addressing the question of the childcare workforce, including with regard to training and remuneration.
- A limited number of potential changes to existing funding arrangements.
- Proposing a clear agenda and strategy for the development of improved and linked data, underpinning a systematic research and evaluation agenda to best understand which policies are the most effective, and to monitor the extent to which programs effectively meet priority needs, including the participation of the least advantaged.

3.1.3. The Australian childcare system

While wholly consistent data is not available, the provision of childcare has expanded steadily in Australia since the 1970s (Figure 2).

Figure 2. Children using formal childcare, 1968-2022



Source: Bray 2023 (forthcoming)

Childcare is currently provided through four types of services, as detailed in Table 1:

- Centre Based Day Care which provide care primarily for younger children;
- Outside School Hours Care services providing before and after school and vacation care;
- Family Day Care where children, predominantly younger, but with around a third being of school age, are cared for as one of a small group of children, by an educator usually in the educator’s home;
- and a small In Home Care program directed at children whose childcare needs are not able to be met through these mainstream services.

Table 1. Relative size of childcare sectors, 2019

	Services	Children - % -	Hours
Centre Based Day Care	61.8	57.6	79.5
Outside School Hours Care	34.4	34.4	11.2
Family Day Care	3.5	7.8	9.1
In Home Care	0.3	0.2	0.2
Total	100.0	100.0	100.0

Source: Bray et al 2021a, p.17

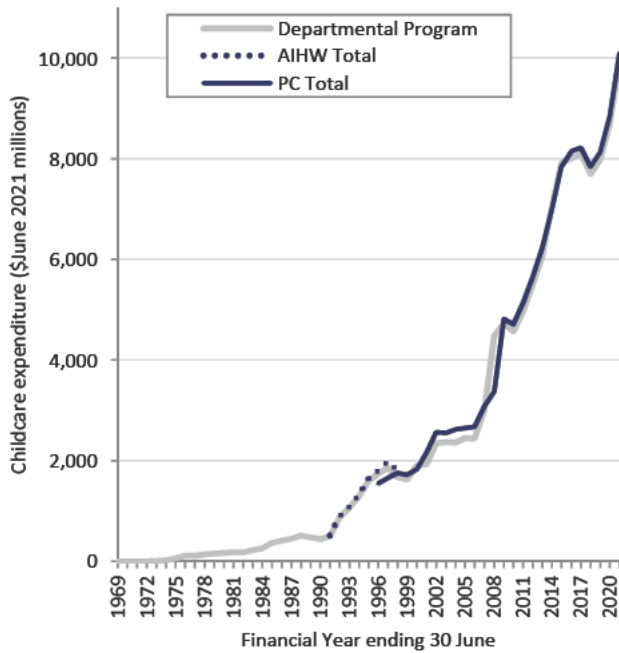
As illustrated the relative magnitude of the sectors is dependent upon the metric chosen, in particular whether viewed from the perspective of children attending, or the hours of care they use.

3.1.4. Budgetary implications

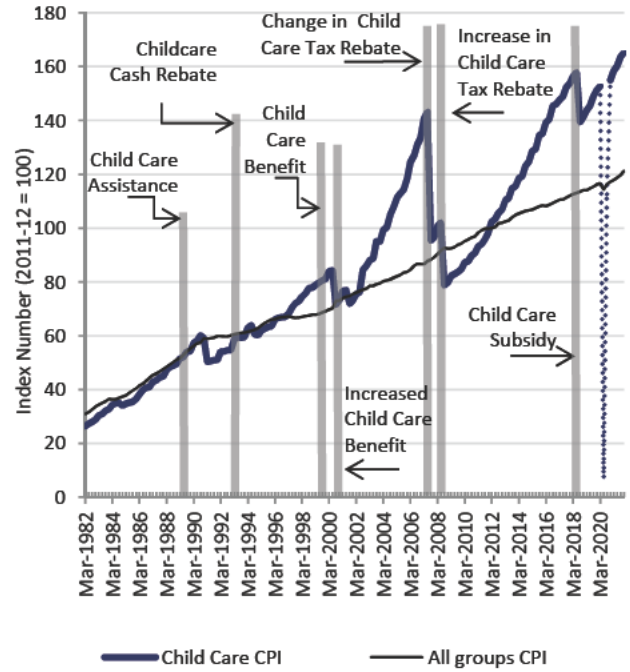
In part reflecting this growth in use, as shown in Figure 3, since the 1970s Australian Government spending on childcare has increased dramatically, and while the increasing cost to families as measured through the childcare component of the CPI has been moderated through various policy initiatives, it has grown faster than prices overall.

Figure 3. Australian Government expenditure and costs of childcare to families

Australian Government Childcare expenditure, alternative estimates, 1969-2021



Childcare CPI, 1982-2022



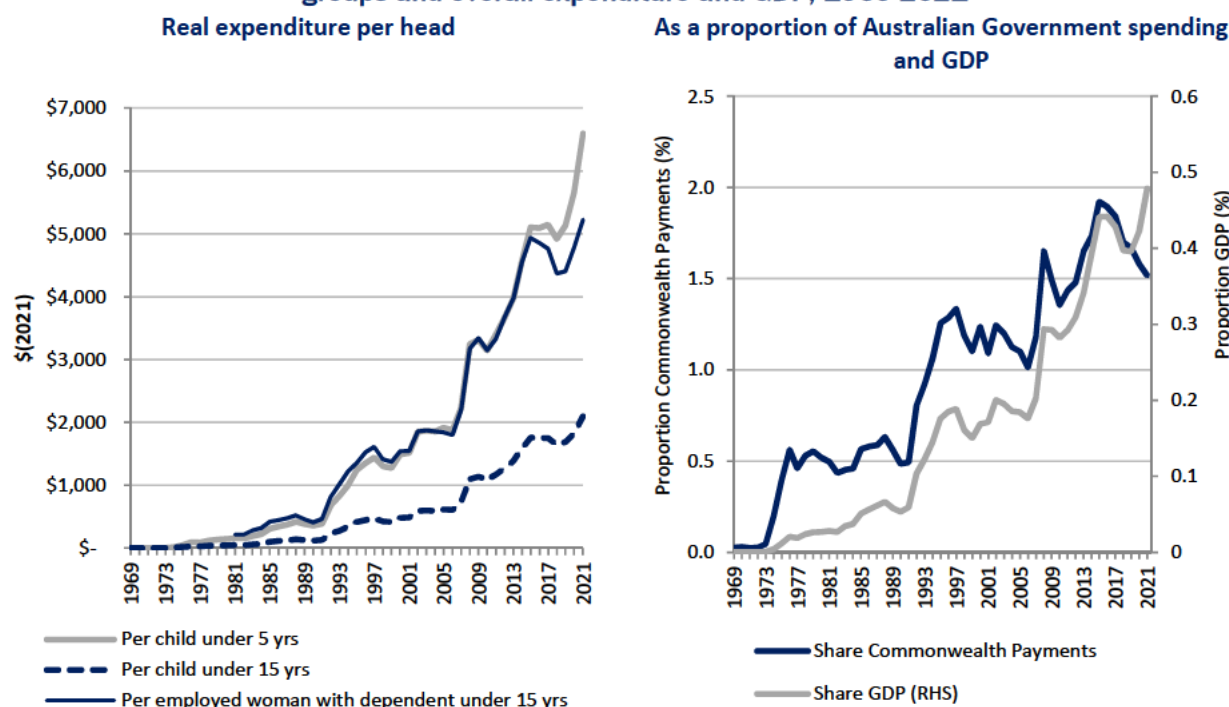
Note: 'Departmental' derived from annual reports and other sources, tracks actual program spending excluding administrative costs, the AIHW and Productivity Commission series include administration.

Source: Bray 2023 (forthcoming)

Some alternative metrics of Australian Government expenditure on childcare are detailed in Figure 4. The first panel shows the real level of spending relative to three measures of the potential population – children aged under 5 years, children aged under 15 years, and employed women with a dependent child aged under 15 years. All of these show a marked increase in spending.

The second panel shows Australian government childcare expenditure as a proportion of all Commonwealth spending, and as a proportion of GDP. As a share of government spending a number of rising plateaus become apparent. The first is between the mid-1970s to mid-1980s with childcare spending accounting for about half a percent of expenditure, and a second between the mid-1990s and mid-2000s at a level just above 1 per cent. Spending on childcare reached levels of 1.9 per cent of all Australian government spending in the mid-2010s before a decline at the end of the decade.

Figure 4. Australian Government expenditure of childcare relative to potential user groups and overall expenditure and GDP, 1969-2021



Expenditure from Bray (2023 forthcoming)
 Population estimates from ABS Cat No 3105.0.65.001
 Australian Historical Population Statistics, 2019 and ABS
 Cat No 3101.0 National, state and territory population,
 Table 59, 2022

Expenditure from Bray (2023 forthcoming).
 Government expenditure: Budget Paper No1, Budget
 2022-23 table 10.1 and Budget Paper No 1 Budget 1996-
 97, Table 7. Note: Data for 1969 and 1970 are based on
 actual budget classifications at the time.
 GDP from ABS Cat No 5204.0 Australian System of
 National Accounts, Table 1. Key National Accounts
 Aggregates, 2022

The trend of increasing costs in childcare is one which we would expect to continue into the future. The more substantive question is how this cost is distributed. As we discuss with respect to the current subsidy arrangements, it is one which we consider should be addressed directly, not as it is under existing program parameters where it occurs by stealth.

3.2. The role of childcare

Childcare is generally seen as having two main functions. One is to enable parental labour market participation. The second is child development through early childhood education and care. Our perspective is that, while government pronouncements frequently pay lip service to the second, policies are primarily directed at the first¹¹. This focus was seen for example in the naming of the ‘Jobs for Families Child Care Package’.

We consider there is a need for much greater balance, and in particular a focus on targeting those children who have the highest need for this support. More so we emphasise, as indicated by the Productivity Commission in the 2016 Inquiry, “the two policy objectives that the Australian Government is seeking to meet — child development and workforce participation — are not always mutually consistent and their interaction needs to be carefully considered in

¹¹ And, as discussed later, the focus on labour market participation tends to be simply from a labour supply perspective, rather than a richer social context of recognising its role in enabling a balance of paid workforce participation and caring, in particular by women, and indeed the broader context of the “long-standing distributional struggle over who should pay the costs of rearing and maintaining the next generation of workers and citizens” (Folbre and Himmelweit 2000, 1).

ECEC policy design” (PC 2016, 16). The potential inconsistency of the two objectives, and the need to explicitly recognise and address the trade-offs between the goals in policy, is critical for government to clearly articulate priorities.

3.2.1. International focus

In considering the balance of these goals, the Australian approach to the role of childcare can be contrasted with the direction of policies internationally. This was discussed in the report on the Inclusion Support Program (ISP) (Bray et al 2021b) undertaken as part of our evaluation activities:

A strong emergent theme across Europe is that the core role of Early Childhood Education and Care (ECEC) services should be on the development of all children as an integral element of the education system, with a key focus on those at disadvantage and seeking to redress this, rather than being seen primarily as a mechanism to support workforce participation. This is echoed extensively across the literature including van Belle (2016, 5) and Alexiadou and Altmann (2020, 89) and is presented by Bellour, Bartolo & Kyriazopoulou (2017) as:

The focus of European education policies has, however, shifted. Initially, they focused on increasing the quantity of childcare and pre-primary places to enable more parents to join the labour market. Now, they focus on the educative and formative effects of ECEC for young children in their development. (p. 20)

The Council of the European Union in their recent ‘Council Recommendation of 22 May 2019 on High-Quality Early Childhood Education and Care Systems’ emphasises:

the role of early childhood education and care in laying solid foundations for learning at school and throughout life ... [and that] participating in early childhood education and care is beneficial for all children and especially for children in a disadvantaged situation ... early childhood education and care provision needs to be part of an integrated child-rights based package of policy measures to improve outcomes for children and break intergenerational cycles of disadvantage ... participating in early childhood education and care has multiple benefits both for individuals and for society as a whole, from improved educational attainment and labour market outcomes to fewer social and educational interventions and more cohesive and inclusive societies. (Council of the European Union 2019, paras 2-5)

The OECD reports this in terms of:

Early childhood education and care has experienced a surge of policy attention in OECD countries in recent decades ... the nature of the public debate has also significantly evolved over this period. Policy makers have recognised that equitable access to quality ECEC can strengthen the foundations of lifelong learning for all children and support the broad educational and social needs of families, and they have therefore increased the resources allocated to this sector over the last decade. With this trend, governments have taken recent initiatives that aim to enhance the quality of ECEC services and improve the

equity of access to ECEC settings. This is in contrast to the public debates of the past. (OECD 2017, 16) (Bray et al 2021b, 15)

In some countries these policies are rigorously implemented, most notably in Denmark which has made it:

mandatory for children between the [ages of] 1-2 years, who live in marginalised residential areas, to attend an independent and integrated learning offer consisting of 25 hours a week if they do not already attend an ECEC setting or a regulated home-based provision ...

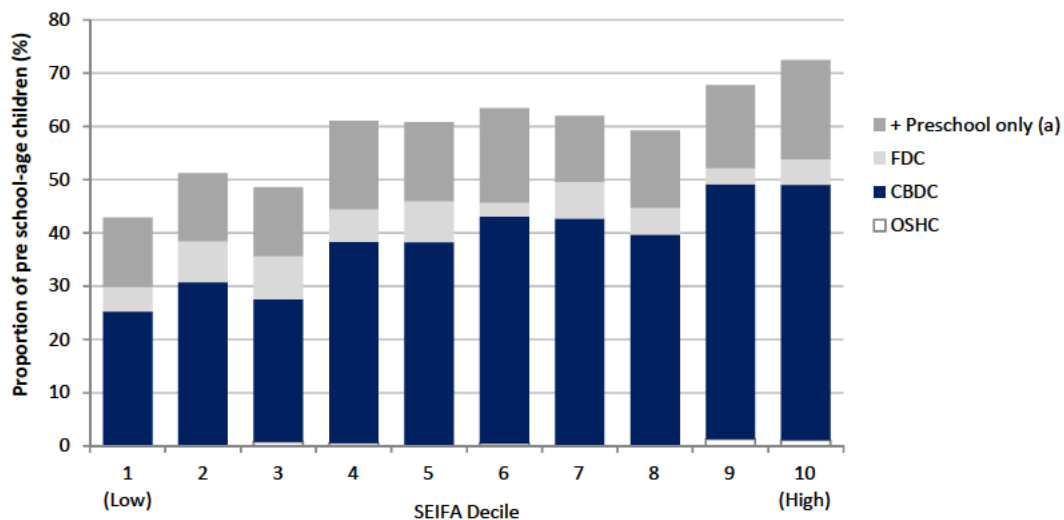
The purpose of the learning offer is to ensure that children’s Danish-language competences are strengthened and that they are introduced to Danish traditions, democratic norms and values from an early age. The children must attend the learning offer until the municipality has made a language assessment. (Eurydice 2020)

3.2.2. The weakness of ‘access’

Reflecting the above, and as discussed in section 3.5.2, a particular weakness of the existing Australian approach is that it focuses on the provision of childcare and early education for those children whose parents seek to access it for employment or other purposes, as opposed to focusing the provision on the basis of the needs of children.

This is reflected in the marked variations in the use of childcare and preschool across locations ranked by socio-economic status in 2017, as illustrated in Figure 5.¹²

Figure 5. Proportion of pre-school-age children using childcare and preschool by socio-economic status of location, 2017



Notes: (a) These are children who only attend preschool. Children who attend both childcare and preschool are classified by the type of childcare used.

‘Children aged 0-2 years’ and ‘Children aged 3-6 years who do not attend school’

SEIFA = Index of Relative Socio-Economic Advantage/Disadvantage.

Source: ABS, Childhood Education and Care 2017, TableBuilder

¹² While ABS undertook household based childcare surveys between 1969 and 2017, their current data collection has been constructed around some childcare cost and household use of childcare in the Survey of Income and Housing, and the administrative based preschool collection. This has resulted in far more limited data available for analysis.

That is, policies such as the Universal Access National Partnership which “aimed to ensure every child **could** participate in a quality preschool program 15 hours per week (or 600 hours per year) in the year before school”, miss the mark of ensuring that those children who could most benefit actually do participate.

A further limitation of simply looking at the question in terms of “access” relates to the quality of services which can be accessed. In the evaluation (Bray et al 2021a, 22) we reported on the existence of a gradient of quality of services, as reported by ACECQA, especially in Centre Based Day Care, with regard to household income. Table 2 presents the distribution of quality ratings of the three main service types by broad groupings of the SEIFA measure of Relative Socio-Economic Advantage/Disadvantage of locations. As illustrated, not only is there considerable variation in the quality of services, but the quality rating of services in disadvantaged areas is markedly lower than that of advantaged areas. The table also shows a number of other contrasts in quality. Across all the SEIFA groupings for-profit Centre Based Day Care services had only around half the proportion of services ranked as ‘Exceeding’, and double the proportion ‘Not Meeting’, that is rated as either ‘Working Towards’ or ‘Significant Improvement Required’, relative to those in the not-for-profit sector.

The issue of low quality services is most marked in the Family Day Care sector where over half of the for-profit services were rated as either ‘Working Towards’ or ‘Significant Improvement Required’.

Table 2. ACECQA overall quality ratings by service type, sector and SEIFA, January 2023.

	Not for-profit				For-profit			
	SEIFA of location (a)				SEIFA of location (a)			
	Bottom 20%	Middle 60%	Top 20%	Total	Bottom 20%	Middle 60%	Top 20%	Total
	- % -							
	Centre Based Day Care							
Exceeding (b)	27.5	35.0	46.8	34.9	12.2	18.7	23.7	18.1
Meeting	63.3	58.3	49.4	58.2	69.3	69.6	65.9	68.8
Not meeting (c)	9.3	6.7	3.9	6.9	18.5	11.8	10.5	13.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Outside School Hours Care							
Exceeding	9.5	13.2	17.2	13.3	8.9	9.7	7.1	9.0
Meeting	73.5	70.4	66.9	70.3	77.7	79.2	82.8	79.8
Not meeting	17.1	16.4	15.9	16.4	13.4	11.1	10.1	11.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Family Day Care (d)							
Exceeding	20.5	18.8	27.3	20.1	1.2	8.7	5.6	5.5
Meeting	56.4	63.8	63.6	60.4	39.5	44.4	61.1	43.8
Not meeting	23.1	17.5	9.1	19.5	59.3	47.0	33.3	50.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: (a) SEIFA = Index of Relative Socio-Economic Advantage and Disadvantage. Table shows grouped decile data, Bottom = Deciles 1 & 2; Middle: Deciles 3-8; Top Deciles 9 & 10.
 (b) Services rated as “Exceeding NQS” and “Excellent”.
 (c) Services rated as “Significant Improvement Required” and “Working Towards NQS”.
 (d) As the SEIFA classification is based on the location of the service the classification may not accurately reflect the SEIFA of individual educators.

Source: ACECQA 2023a

3.2.3. Implications for the direction of Australian provision

Reflecting these issues, we consider that there is a need for policies, in particular those directed at early childhood education, to move beyond the use of the concept of access, but rather focus

on actual participation in quality services, including a priority focus on achieving participation by children at a disadvantage.

It is also appropriate to consider that social inclusion should be an additional explicit driving principle of early childhood education and care in Australia.

3.3. Commonwealth and state roles

Both the Commonwealth and State Governments have a significant role in the policy and delivery of childcare and early education services. These roles are complex and intertwined but frequently lack common purpose, and coordination, as well as having unclear accountability.

From both an efficiency and an effectiveness perspective we consider that the Productivity Commission should specifically address this question, firstly to unpick the actual roles, and secondly to consider where the sector would be better served by changes such as greater transparency and/or reallocation of functions. In this regard we note that the 2016 Productivity Commission Inquiry, while reporting that:

The delineation of the roles of state/territory governments and the Commonwealth Government is similarly unclear — particularly ECEC in the preschool year immediately prior to the start of formal schooling ... The interaction of ECEC assistance policies with family welfare and income tax system (both Commonwealth Government responsibilities) and the drive for formal ECEC services to include an educational component, facilitate transition to school (both state/territory responsibilities) and be reasonably integrated — or at least coordinated — with state/territory health and community services provision compounds the complexities

did not address the issue in substance, but rather deferred:

The Commission considers that the appropriate role of each level of government in ECEC should be addressed in the 2015 White Paper on the Reform of the Federation (PC 2014, 72.)

Because of the nature of the evaluation we were involved in, which as discussed above was directed at the impact of the 'Package', this was outside of our remit. We however did observe a range of issues and identify some examples which we consider are indicative of more fundamental issues. These are addressed below and relate to the extent to which existing arrangements may have impeded monitoring and allowed for extensive fraud and non-compliance in the Family Day Care Sector, the operation of inclusion support and other direct contact and support for services, and the operation of the joint Australian and State Government agency the Australian Children's Education and Care Quality Authority (ACECQA).

3.3.1. Family Day Care

Between 2017 and 2019 the number of children attending a for-profit Family Day Care service more than halved. This was primarily due to service exits, with 84.4 per cent of exiting services doing so after being sanctioned as being non-compliant. These sanctioned and exited services had a recorded level of care for 68,000 children in February 2017 – some 60 per cent of all children who were attending for-profit services at that time. (It is noted that action to address fraud and other non-compliance in the sector commenced in 2014.)

While only limited data is available on this, and, as we understand it, no publicly available analysis of how this level of non-compliance and fraud arose, the magnitude of the sanction action within the sector can only raise very significant questions about the oversight of the sector – and speculation that the division of responsibility, between States with the responsibility for service monitoring, and the Australian government for funding, may have given rise to a classic principal-agent problem.

3.3.2. Operation of inclusion

A further insight into the lack of connection between spheres of government arose in the evaluation of the Inclusion Support Program (ISP). Two specific illustrations of this were:

- the substantial duplication of work for services in having to prepare a QIP (Quality Improvement Plan) for the service ACECQA rating, and the preparation of a SIP (Strategic Inclusion Plan) for eligibility for ISP funding and for improving inclusionary practice; and
- the lack of interaction between the Commonwealth funded state based Inclusion Agencies and their Inclusion Professionals, with State government State Authorised Officers.¹³

Commonwealth funded state based Inclusion Agencies and their Inclusion Professionals and State government State Authorised Officers, are, we understand, the two main external bodies which have regular contact with services, including being responsible to varying degrees for monitoring and providing support. Notwithstanding this the evaluation found that only 4.6 per cent of Inclusion Professionals reported regular contact with Authorised Officers, 48.2 per cent occasional contact and 46.3 per cent no contact. The rate of no contact, by state, varied between 11.5 per cent and 76.6 per cent (Bray et al 2021b, 139).

The evaluation also found that the approach to inclusion fostered by the Inclusion Agencies was one based on encouragement and support, without reference to legal obligations under anti-discrimination legislation. This was further complicated by the exclusion of the childcare sector from the Disability Standards for Education. This latter, and a broader range of issues relating to the childcare sector was addressed in the 2020 review (Department of Education, Skills and Employment 2020) which recommended that “By 2023, the Australian Government will prepare draft amendments to the Standards to incorporate ECEC for sector consultation” (p. 62).

3.3.3. Preschool education

The broader range of issues with preschool education are discussed further in section 3.5. Here we note four specific aspects which we consider to be problematic with regard to the consequence of divisions in Commonwealth/State roles:

- Different approaches. There is considerable diversity in approaches to the provision of preschool across Australia. This includes the actual age of children upon whom policy is focused, and as discussed below the place of provision. There appears to be little explanation of the rationale for the approaches, or of the merits of the approaches in terms

¹³ Inclusion Professionals have a role in promoting inclusive practice and providing support to services with regard to inclusion. They typically have contact with between 85 and 95 per cent of services in each six month period, with about half of these involving multiple visits, or on-line and phone contact.

The role of state Authorised Officers is described in Victoria as: “The role of an Authorised Officer is a rewarding job that suits people who enjoy working with the community, engaging with people, visiting services while balancing time in an office environment as part of a team. ... The roles and responsibilities of an Authorised Officer involve: Monitoring early childhood education and care services and enforce compliance; Conducting regulatory activities, including service visits; Investigating incidents and complaints; Providing advice and guidance” (Victoria 2023)

of outcomes, and the diversity suggests strong incoherence in policy at the national and state level.

- The place of provision, that is, whether preschool is delivered in a freestanding preschool or in Centre Based Day Care. The essentially state based decisions on this have marked implications:
 - It is quite unclear as to the actual ‘dose’ of preschool education that occurs in Centre Based Day Care and the degree, if at all, to which this is monitored, other than at the level of services saying they use the EYLF and have appropriately qualified staff (or potentially waivers).
 - The provision of preschool in free-standing institutions can create major coordination tasks for parents where childcare is required for employment, and there are no systematic obligations on the preschool sector for wrap around Outside School Hours Care.
- Content. This concerns the adequacy of the Early Years Learning Framework, as well as the implications of a number of state curricula which go beyond this.
- Scope of the measure. The dual strategies of the Australian and State governments both would appear to fail to ensure that preschool education is received by those children who have the highest need.

3.3.4. ACECQA

We are cautious in our comments with regard to ACECQA given we do not have direct experience with the organisation, but are aware of a range of issues we heard of, in particular in our work with regard to the Inclusion Support Program, some of which are noted above, as well as other analysis reported here.

In undertaking our work on the evaluation we were surprised to find that data from ACECQA ratings was not integrated within the childcare administrative IT system, and indeed it was only quite late in the evaluation process that we could obtain a look-up table which permitted us to undertake such a linkage. This suggests a highly siloed approach of the management of the sector.

In our discussions with services we found a reasonable degree of scepticism about the quality assessments, and indeed quite a number of views that the assessments as well as being frequently quite out of date, were gamed by some providers. This latter was facilitated through the structured approach to the assessment and rating process. In addition, as discussed above, there were issues of duplication with respect to the QIP and SIP.

The ISP evaluation also questioned Inclusion Agencies and Professionals about their assessment as to whether the ACECQA quality ratings provide a good reflection of the extent to which services are inclusive. While inclusivity is only one dimension of service quality, it is one which can reasonably be expected to permeate many elements of the quality ratings. The responses were not strongly supportive of there being congruence. Among Inclusion Professionals just 10.7 per cent said the quality ratings fully reflected inclusion quality, 64.3 per cent that they partially reflected, and 25.0 per cent that they did not at all reflect inclusivity. Indeed, in commentary there were quite a number of responses suggesting that they were aware of high rated services who were exclusionary in their enrolment processes.

In the wider literature we have seen a range of other critiques, including that identified by Phillips (2020), that educator attributes and capability as well as service context were not well

incorporated into the NQS, and Molloy et al (2020) who raise a range of questions, including around the evidence base for aspects of the NQS.

With specific regard to the quality ratings we note:

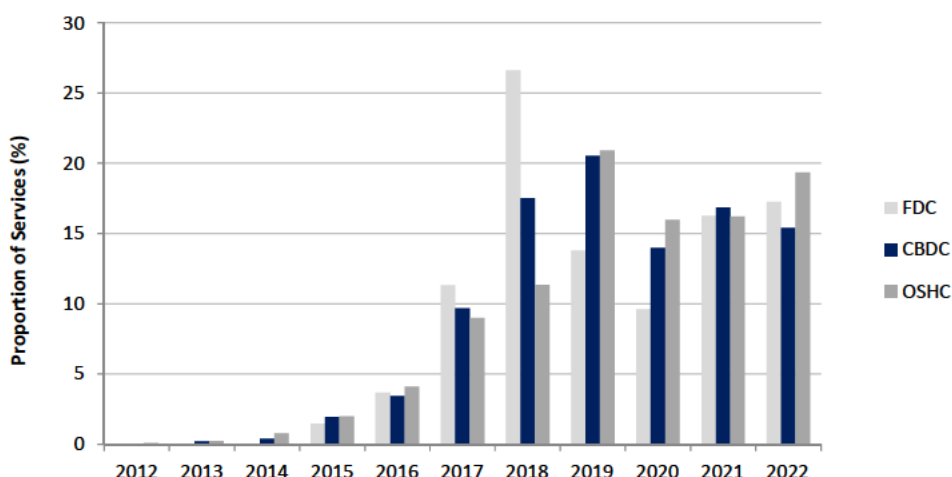
- Figure 6 presents the distribution of 'Final Report Sent Date' which is defined by ACECQA as 'The date that the final assessment and rating report, including the ratings and judgments, was issued', for services from the most recent (Q4 2022) ACECQA ratings for approved services. These indicate that 53.8 per cent of Centre Based Day Care services, 56.9 per cent of Family Day Care services and 48.5 per cent of Outside School Hours Care services with a rating, were last rated in 2019 or earlier, with a significant proportion having a rating dated in 2017 or 2018.

The question of timeliness was also reported on in the SA Royal Commission Interim Report "The ESB [SA Education Standards Board] advises that the rating cycle in South Australia is approximately 8-10 years, against a national average of three years" (2023, 72). Very clearly the rating cycle in South Australia, and even the reported national average cycle, is insufficient to provide parents with the information they require to make an informed choice on quality, or to ensure that all services adequately focus on quality, and should be reviewed with a view to being conducted at least biennially.

- There are a significant proportion of services without a rating. By state the proportion of Centre Based Day Care services with a quality rating varies from 84 per cent in WA to 95 per cent in NSW and Queensland, for Outside School Hours Care the range is 80 per cent to 95 per cent, and for Family Day Care 81 per cent to 100 per cent. (ACECQA 2023b, QR4).
- There is a considerable dynamic in the ratings awarded to individual services over time, with quite a proportion of services receiving a different rating following re-rating. In the most recent data reported by ACECQA (including preschools, and with no detail on the re-rating period being reported on) this includes:
 - Of those services previously rated as Exceeding only just over half maintained this rating, with 41.0 per cent downgraded to Meeting and 9.4 per cent to Working Towards.
 - Of those previously rated as Meeting 2/3 maintained this rating, 15.6 per cent were up-rated to Exceeding, and 16.5 per cent down-rated to Working Towards. (ACECQA 2023b, QI1).

This dynamic would suggest that either there are quite large fluctuations in quality over time, which raises the potential need for more regular assessments to ensure that the reported rating actually reflects service quality, or that the measurement of quality is a noisy process and actual ratings include quite a margin for error. Clearly these issues need further attention and resolution.

Figure 6. Apparent date of last ACECQA rating, Q4 2022



Source: ACECQA 2023b, QR4

Although there was a review of the frameworks in 2022, these did not address the more fundamental issues we outline in section 3.5.3, but rather were largely operational relating to additional safety requirements, oversight and compliance processes, workforce requirements and regulatory guidance concerning best practice.

Reflecting these issues, we consider that the role and performance of the ACECQA, and the broader question of the extent to which the current rating system is effective in providing information to parents, and indeed whether the rating system adequately addresses quality, would merit some attention by the Productivity Commission in the course of this Inquiry.

3.3.5. Commonwealth/state - directions

As noted we consider it important for the Australian government and state roles in early education and care to be clearly considered with regard to the effectiveness and coherence of current arrangements.

In approaching this we consider that strategies such as subsidiarity (see for example PC 2014, 72) to be inadequate in a policy field where the Australian government is the main funder and where national goals of social inclusion, including addressing educational disadvantage, workforce participation, and having an educated workforce into the future, are central, and as such where a cohesive rather than fragmented approach, is necessary.

As indicated in the introduction to this section, we consider that the Productivity Commission should address this as a priority, clearly identifying roles and considering approaches to introduce greater transparency and potentially reallocation of responsibilities. In doing so it may also be appropriate to review why, despite the long history of policies to address the issues arising from the current structural divisions, change has not occurred and consider, as noted above, the extent structural change, rather than exhortation to cooperate, may be an appropriate response.

In making these observations we are aware that there is an Australian Government sponsored “Piloting Joint Monitoring and Data Sharing Project” which is being undertaken between

January 2022 and June 2023. Information on this and how the pilot is to be assessed does not appear to be widely available.¹⁴

3.4. Outside School Hours Care

The Outside School Hours Care sector accounts for 34.3 per cent of the children who use childcare and 11.2 per cent of the hours of care. While the proportion of hours of care point to this being a relative minor component of the childcare system, the proportion of children using these services points to its importance in the system from the perspective of parents using care. One consequence of this imbalance is that approaches which concentrate on funding (closely linked to the hours of care) tend to neglect the importance of the sector from alternative perspectives such as workforce participation.

Here we consider two issues. The first is the role of the sector, in particular the extent to which it should be considered as part of 'early childhood education', the second are a range of questions around the actual provision.

The care and education role

While it is recognised that there is both an education and care role for young children in childcare, the rationale for the educative component (or the nature of this) for school age children is somewhat different.

Despite having different educator requirements, and a separate curriculum – “My Time, Our Place”, the sector is still heavily embedded in the childcare framework designed for younger children. Indeed “My Time, Our Place” appears to be more an adaptation of the EYLF, rather than being specifically developed for the provision of a substitute childcare environment for children’s home environments, and the range and nature of activities they would engage in in these in their time outside of school. In this regard the OECD describes the function of the sector as: “They provide activities for children who may use the time to do homework and/or engage in recreational activities” (OECD 2023, PF4.3).

It is though recognised that there are alternative views. Cartmel and Hurst (2021), for example suggest an evolution of the sector towards a more educational model: “Government regards OSHC as primarily a service that provides safe custodial care of children to support parents’ workforce participation. However, OSHC is increasingly also seen as a site of play and education, purposes that are foremost in My Time, Our Place” (p. 5).

From the literature it is possible to identify four possible roles for Outside School Hours Care:

- Custodial care for children’s recreational activity
- Custodial care, with potentially some limited support, for children’s self-directed educational activity – such as homework and reading
- Extended education – moving more towards supported tutoring to advance students’ learning

¹⁴ While the Department describes the purpose of this project as “to deliver a range of benefits for the early childhood education and care sector” (Department of Education 2022c), other material on the website suggests this is mainly being undertaken as an anti-fraud measure. Given that the need for enhanced anti-fraud policies has been recognised for over a decade, as have concerns about the adequacy of information on the sector, suggests this is a rather belated as well as a minimal response to the exploration of the merits of better coordination of oversight of the sector and of integrated data.

- Remedial education – especially where directed at children at disadvantage and with additional needs to enable them to better progress in their normal education environment.

We consider there is a need for a clearer understanding of which of these functions can, or should, be undertaken within Outside School Hours Care, and for curriculum and staffing requirements to follow. This fundamental question is echoed in the Issues Paper issued by the current South Australian Royal Commission which asks: “What is the core purpose of out of school hours care?” (SA Royal Commission 2023a, 2). It is a question which we recognise becomes more complex given the range of ages for which this care caters, especially given the potential need for outside school hours care provision, in combination with preschool education, for younger age groups.

Broader issues concerning Outside School Hours Care

For many parents Outside School Hours Care plays an important complementary role to the formal education system in providing them with the capacity to engage in the workforce. Notwithstanding this, provision is sporadic. While, as we understand it, no national figures are available, for example, in South Australia, only 77 per cent of non-government schools and 58 per cent of government schools enrolling primary school age children provide an OSHC service. (p. 3)

In this regard we consider, in addition to the question of the purpose, and curriculum, there are two broad issues for consideration by the Productivity Commission:

- The overall framework for the coordination of schools and Outside School Hours Care is one in which there is generally no responsibility upon schools to provide this service, but rather it appears to be an option. This has clear implications for parents and workforce engagement.
- As discussed, the expansion of preschool education in separate preschool facilities raises both this question of coordination, and also, given the age group, the question of appropriate staffing and activities.

In considering these the nature of the sector is also relevant:

- The sector was the most concentrated at the provider level (Bray et al 2021, 294).
- This is exacerbated by Outside School Hours Care services being quasi location/school specific monopolies. While some states identify specific requirements for re-tendering, for example every 9 years in Queensland State Schools (Queensland Government 2016), the situation in other settings is not clear.

3.5. Childcare and preschool education

Over recent periods, in particular following the Universal Access National Partnership (UANP) which operated between 2008 and 2021, there has been increasing attention to preschool education. This has been further stimulated by more recent initiatives by some state governments to extend the ambit of provision to younger children.

Notwithstanding this attention, and the range of the policy initiatives taken, there are a number of significant issues which require consideration.

3.5.1. Current provision

Preschool education is delivered in Australia through two main delivery channels, Centre Based Day Care, and freestanding preschools, terminology we use here inclusive of those attached to other educational institutions.

In 2022 of the estimated 318,934 children in the Year Before Full-time School (YBFS) age cohort an estimated 284,086 (89.1 per cent) were reported as being enrolled in preschool education, however only 275,912 were reported as enrolled for 600 hours per year, and just 227,124 are reported to have attended for this period – 71.2 per cent of the YBFS age cohort, see Table 3. (The table also provides summary 2019 data which suggests that these figures are not significantly impacted by COVID-19.)

The proportion of YBFS children who actually attend 600 hours of preschool varied by state, from 57.6 per cent in South Australia, to 79.6 per cent in the ACT. Also marked is the variation of the balance of forms of delivery across the states. Taking account of those who attend both a preschool and Centre Based Day Care, the proportion of children enrolled in a preschool varies between 97.3 per cent in Western Australia and 29.8 per cent in Queensland.

In presenting this data, and in later discussion, a range of caveats need to be applied. These in particular related to the extent children attending Centre Based Day Care Services actually can be considered to have been provided with deliberative preschool education.¹⁵

¹⁵ The ABS report: “It is assumed that all centre based day care services are delivering a preschool program in accordance with requirements contained within the National Quality Framework”, and “as attended hours is relatively new data, hours enrolled has been used as a proxy for attended and offered hours” (ABS 2023b).

Table 3. Use of preschool and Centre Based Day Care by children in the Year Before Full-time School, 2019 and 2022

	2022									Australia 2019
	NSW	Vic.	Qld	SA	WA	Tas.	NT	ACT	Australia	
YBFS Children	106,323	81,777	62,092	19,066	34,868	6,042	3,431	5,335	318,934	330,847
Enrolled in preschool (Children)										
Preschool	23,288	33,431	13,374	8,470	23,351	4,443	1,521	2,189	110,088	125,019
Centre Based Day Care	57,985	30,435	37,993	4,153	900	414	493	1,496	133,872	134,749
Both preschool & CBDC	9,259	11,329	2,729	4,159	8,984	1,108	863	1,688	40,126	30,402
Total	90,530	75,197	54,094	16,779	33,235	5,965	2,878	5,370	284,086	290,168
Distribution of enrolments (%)										
Preschool	25.7	44.5	24.7	50.5	70.3	74.5	52.8	40.8	38.8	43.1
Centre Based Day Care	64.1	40.5	70.2	24.8	2.7	6.9	17.1	27.9	47.1	46.4
Both preschool & CBDC	10.2	15.1	5.0	24.8	27.0	18.6	30.0	31.4	14.1	10.5
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Proportion of YBFS children enrolled	85.1	92.0	87.1	88.0	95.3	98.7	83.9	100.7	89.1	87.7
Children enrolled for 600 hours per year										
Children	87,412	72,313	53,099	16,170	32,834	5,922	2,840	5,289	275,912	280,990
Proportion of enrolled children (%)	96.6	96.2	98.2	96.4	98.8	99.3	98.7	98.5	97.1	96.8
Children attending 600 hours per year										
Children	79,483	57,786	46,196	10,975	21,802	4,486	2,122	4,246	227,124	241,183
Children attending 600 hours per year as a proportion of enrolled children (%)										
Preschool	64.9	62.8	66.8	38.8	52.1	68.8	52.7	58.2	59.6	70.9
Centre Based Day Care	95.2	84.6	91.0	86.0	90.0	79.5	93.3	86.3	91.1	90.9
Both preschool & CBDC	99.1	97.4	97.8	99.0	98.3	98.6	99.1	99.5	98.4	98.9
Total	87.8	76.8	85.4	65.4	65.6	75.2	73.7	79.1	79.9	83.1
Proportion all YBFS children attending 600 hours per week (%)	74.8	70.7	74.4	57.6	62.5	74.2	61.8	79.6	71.2	72.9

Source: 2022: ABS (2023a, Table 28) and (2023b, Table A5), 2019: ABS (2021, Table 28) and (2020, Table A5)

The above data suggests that across the states between 20 to 40 per cent of children are not receiving 600 hours of preschool in their year before full-time school.

This gap however frequently seems to be underplayed in many of the official statistics and statements about the sector. This includes in the Productivity Commission Report on Government Services which simply reports the overall enrolment proportion, without reference to the number enrolled for 600 hours, let alone the proportion actually attending (PC 2023, Table 3A.19).¹⁶

¹⁶ There appears to be a history of potentially over-optimistic reporting of attendance. An earlier example is in the reporting on the initial National Partnership Agreement on Universal Access to Early Childhood Education notionally having a target of 95 per cent for “The proportion of children enrolled in the year before full-time school in quality early childhood education program(s)” (DET 2018, 5). This though was measured and reported on the basis that: “National Partnership enrolment figures are calculated using ‘the number of children aged 4 and 5 years, as at 1 July of the collection year [enrolled in a preschool program]’ divided by the ‘estimated residential population (ERP) of children aged 4, as at 30 June of the collection year’” (p.6). As a consequence it then made claims such as “In both 2016 and 2017, all jurisdictions exceeded the 95 per cent benchmark for children enrolled in a preschool program” (p. 7), despite the fact that actual enrolments by children in the year before full-time school frequently fell well below this.

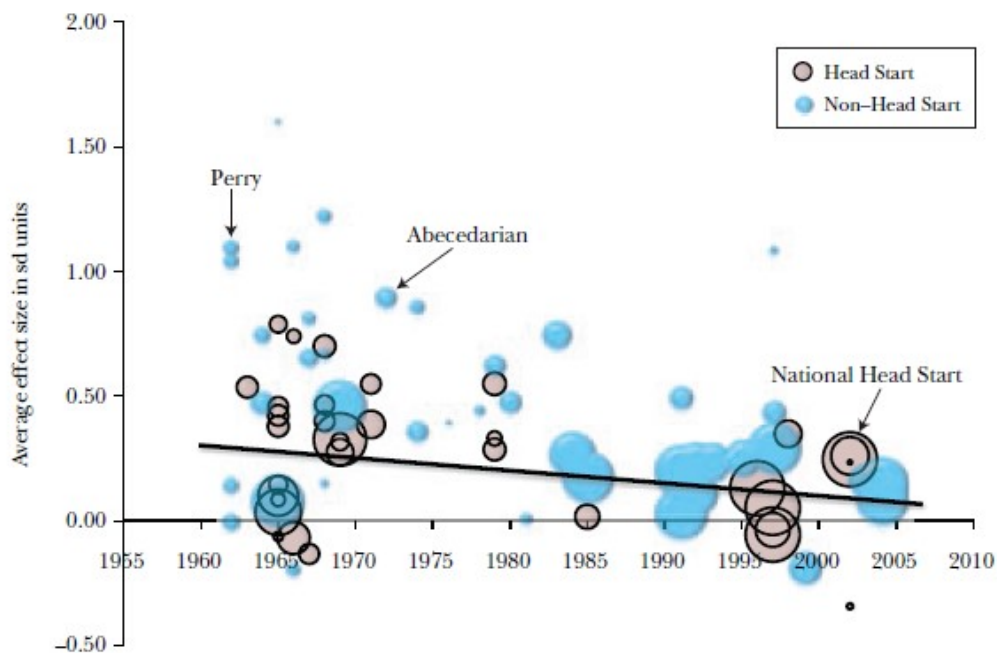
3.5.2. The benefits of early childhood education

There is an extensive literature on the question of the actual returns from early childhood education and care. We consider a need for caution in approaching this. The need for this is highlighted in Duncan and Magnuson (2013) who analyse the reported impacts of early childcare programs in the US from a range of studies. In particular, they plot the gains recorded from 84 “evaluations of preschool programs conducted over the course of the last half-century that are based on strong experimental or quasi-experimental methods and provide impact estimates for cognitive or achievement-related outcomes” (p. 112), over time. Their results are shown in Figure 7. Three broad conclusions can be drawn from this:

- The two most cited studies – Perry Preschool and the Abecedarian project are clear outliers in terms of the magnitude of their apparent impacts.
- The actual effect size of most programs is relatively modest, although on balance usually positive.
- There appears to be a decline in the effect size over time, with programs implemented in the 1990s onwards appearing to have smaller impacts than those implemented in the 1960s and 1970s.

Figure 7. Effect size of early intervention initiatives 1960-2007

Average Impact of Early Child Care Programs at End of Treatment
(standard deviation units)



Source: Duncan and Magnuson (2013, 113 Figure2)

The authors conclude:

Most evaluations of early education programs show that such programs improve children’s school readiness, specifically their pre-academic skills, although the distribution of impact estimates is extremely wide, and gains on achievement tests typically fade over time. Some studies of children who attended preschool 20 or more years ago find that early childhood education programs also have lasting effects

on children's later life chances, improving educational attainment and earnings and, in some cases, reducing criminal activity. High-quality early childhood education programs thus have the potential to generate benefits well in excess of costs. (p. 127)

Writing more recently Duncan et al (2022) take a more cautious approach, concluding "Although much progress has been made, existing research on early childhood education falls short of answering fundamental questions about what works for whom and why" (p. 91).

Howells et al (2022) in their paper for the South Australian Royal Commission in reviewing the 'Recent Evidence' summarise the results of a more recent major meta-analysis as "The evidence supports high quality programs as the most critical factor for positive outcomes, with the greatest benefits seen for children from lower socio-economic backgrounds" (p. 20).

This summary, along with the caution of avoiding overly strong claims based on particular early programs, accords with our understanding and more specifically raises two key questions which we consider below: is the Australian system delivering for those children who can most benefit; and what constitutes high quality (including whether this is actually measured within the Australian framework)?

Child development

In addressing this question attention should also be cast more widely with regard to the criticality of early childhood education and care – in particular the period before preschool as being directly related to brain development. Here we recognise that there is also some contention.

Studies such as Duncan and Sojourner (2013) report key gains from early intervention, and many postulate that the earliest years are critical to human brain development including those related to language and higher cognitive functions (see for example National Scientific Council on the Developing Child 2007 & 2017). This latter is also reflected in the rationale of many Australian and State government policy initiatives. On the other hand these claims are disputed by others such as Bruer (1999 & 2011) and Rutter (2002)¹⁷ who, in addressing the claims of the relative role of early versus later intervention, states:

The last decade or so has been accompanied by a different type of evangelism—namely, claims on the extent to which early experiences determine brain development ... There has been a misleading extrapolation of the findings on experience expectant development to the entirely different notion that higher quality psychosocial experiences in the first 2 or 3 years of life will have a much greater effect than similar experiences later on, because the early experiences bring about a lasting change in brain structure. (p. 13)

The issue of extrapolation of results was one we drew attention to in our literature review on the Inclusion Support Program (Bray 2020). Here it was found that very specific research findings on particular interventions for specific populations were claimed as conclusive evidence for broader approaches for a much more diverse group of children. In addition, it was found that much of the literature is highly derivative.

The divergence of views on this would suggest two paths for the Productivity Commission.

¹⁷ See also Cairney (2019, 9) on the role of this material in the context of evidence based policy development in the UK, and Beddoe and Joy (2017, 66-69) in New Zealand. Snoek and Horstkötter (2021, 394-396) review some of the evidence in the context of family policy of "neuropsychology".

- The first, which we address later in this submission, is a need to build better data and promote research into the evidence.¹⁸
- The second is that, while the critique of the focus on early years should be treated as a caution not to wholly rely upon strategies aimed at this age group, at the same time a precautionary approach to policy may be warranted. That is, while it is not known whether interventions will be as powerful as some would suggest, to the extent they do not generate other negative outcomes, such as drawing resources away from other activities, it can be considered that there is sufficient suggestive evidence of policies, in particular those targeted at the most disadvantaged, can produce positive impacts. As such they can be seen as one of the few tools available for addressing educational disadvantage which tends to be perpetuated into lifetime disadvantage, even if the mechanisms may not be fully understood. Implicit in this is that policies should primarily focus on this group.

3.5.3. Curriculum

Central to the question of building “an affordable, accessible, high quality, universal early education system” is the educational content.

Through our work on the evaluation a number of issues arose which we consider merit further attention:

- The first is the actual nature of ‘preschool education’ delivered in Centre Based Day Care services. It is our understanding, both from our own work, and the ABS documentation in the ‘Preschool Education’ series, that this, as noted above, is effectively deemed to occur on the basis of services using an approved learning framework, and the staffing requirement that at least half of educators have a diploma or higher qualification, is met. However, it is noted that, even with regard to the issue of qualified staff: “The Education and Care Services National Regulations do not specify what roles or responsibilities an ECT [Early Childhood Teacher] must undertake. This is up to the approved provider of each education and care service” (ACECQA 2023c)

This leaves many unanswered questions around the actual content of the preschool service delivered to children in Centre Based Day Care, and the actual ‘dosage’ of preschool service delivered where children only attend for a limited number of days, or hours in the day. (These questions are amplified by the marked increase in the proportion of Centre Based Day Care services with staffing waivers since 2018. While this rate was around 7 per cent in this earlier period, as of the 4th quarter 2022 it had increased to 16.4 per cent and 19.3 per cent of all for-profit Centre Based Day Care services held a staffing waiver (ACECQA 2023d).)¹⁹

¹⁸ Another option which could be considered is commissioning some expert reviews of the literature to seek to identify the strength of the more fundamental claims, in particular given the ongoing research in these fields, and the highly technical nature of much of this.

If this is to be undertaken we would counsel utilising several independent reviewers from different professional fields, given the divergence in interpretation between these, and for the reviews to concentrate on the primary research base. These pieces of work could then be brought together in a forum which could seek to identify the extent to which there is consensus on particular findings, or what insights can be gained from the differences.

¹⁹ This is a question which also needs to be considered in the light of the intent of the Universal Access partnerships to provide preschool education by a “four year university qualified early childhood teacher (see footnote 3). In 2021 just 9.9 per cent of CBDC staff held this level of education (SRC 2022, 14) and their role in the actual delivery of preschool is unclear.

These issues were also reflected in anecdotal material from parents who cited quite different learning outcomes, and degrees of school readiness, for children attending different services.

- The second, and potentially more contested question, is that of the curriculum, including the role of instructional learning relative to play based learning which is the core of the Early Years Learning Framework which constitutes the basis of the approved learning framework.

The learning outcomes identified in the EYLF are expressed, in what can be considered as 'developmental' terms, as "Children have a strong sense of identity; Children are connected with and contribute to their world; Children have a strong sense of wellbeing; Children are confident and involved learners; Children are effective communicators" (Department of Education 2022a, 7).²⁰

Relative to the approach of the EYLF the NT Preschool Curriculum (NT Government 2018), which describes itself as "A supportive resource for the Early Years Learning Framework", explicitly contains objectives such as to "begin to develop reading and writing" (p. 102) and contains direct statements such as "recite number names in order, initially to five, then to 10 or beyond consistently; recognise numerals initially to five, and then to ten or beyond and begin to order them; identify and name the numeral that matches a given collection – initially to five and then up to ten" (p. 113). This explicit reference compares with the EYLF which just gives, as an example for educators to promote mathematical skills, "count out loud" (Department of Education 2022a, 53). Also relevant are some of the international approaches discussed below.

The role of the NT curriculum, and its more explicit focus on learning relative to the EYLF is highlighted in a number of quotes included in the document "Implementing the curriculum is really about making the EYLF more explicit and defined. (Alekarengge Preschool)" and "It is an additional resource that helps us to focus on specific literacy and numeracy skills. (Larapinta Preschool)" (NT Government 2018, 20).

We also note a range of different approaches internationally, including as detailed in section 3.2.1, a strong orientation towards the role of preschool in social inclusion. In some cases this approach is highly socially normative, or addresses issues such as language.²¹ This latter is seen, for example in Norway, Denmark, Germany, and the Netherlands which place a specific emphasis on the role of ECEC services in achieving national language competency for those from different linguistic backgrounds.

The social normative approach is seen very explicitly in a number of countries, with as noted earlier the Danish approach emphasising "Danish traditions, democratic norms and values". Similarly, the Norwegian Kindergarten Act (Norway 2019) details a responsibility for the sector to reflect certain foundational social values:

The Kindergarten must be based on fundamental values in the Christian and humanist heritage and tradition, such as respect for human dignity and nature, on intellectual freedom, charity, forgiveness, equality and solidarity, values that also appear in different religions and beliefs and are rooted in human rights. (Section 1).

²⁰ In many ways the EYLF, rather than providing a curriculum with specific outcomes for children to achieve, is more of a guide to educators on how to approach the subjects.

²¹ The issue of language, and English as a second language, is discussed in the NT curriculum, as well as supporting material prepared by the NT Department of Education.

Such normative values are also seen, although in a more generalised form, in the EYLF including “Children develop a sense of connectedness to groups and communities and an understanding of their reciprocal rights and responsibilities as active and informed citizens; Children respond to diversity with respect; Children become aware of fairness; Children become socially responsible and show respect for the environment” (Department of Education 2022a, 39).

A further framework for considering the curriculum is provided by the AEDC. This can be seen in contemplating questions such as: “Does the EYLF directly and wholly address all of the dimensions of child development identified in the AEDC?”.²² This question becomes even more important if the role of childcare and preschool is seen as addressing disadvantage, and providing remedial care and development, to ensure that all children are adequately prepared to enter education. In making this observation we note that central to the AEDC is its evaluative focus, with clear specification of benchmarks: “The AEDC measures whether children are developmentally ‘on track’, ‘at risk’ or ‘vulnerable’ with respect to meeting age-appropriate developmental milestones as they begin school” (AEDC 2023), which is lacking in the EYLF.

In raising these issues and approaches we emphasise that we are not seeking to advocate one approach or another, but rather consider that there is a need for a clear consideration of the issues and reviews of the merit of the approaches. This includes whether the EYLF is sufficient, or whether more explicit statements of learning goals and outcomes, possibly aligned with the AEDC, is required.

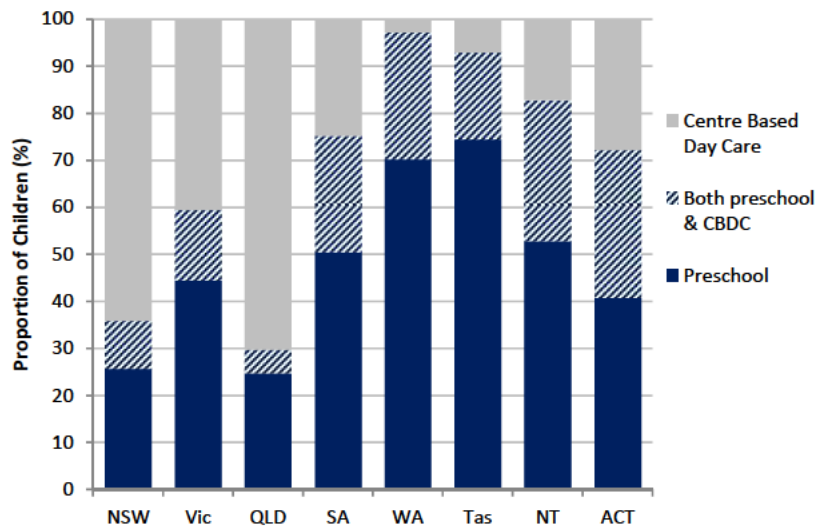
Consideration of these issues is potentially clouded by the different conceptual and ideological approaches of various players. This was something we identified in our work on the Inclusion Support Program (Bray 2020, 6-10), where there was a clear divide between those who saw inclusion as being a tool to maximise child outcomes, and those who saw it from a rights based approach – the rights of all children to be included equally with their age peers. In the broader childcare environment such a difference may be seen between those approaches which focus on the extent to which children achieve certain outcomes, and those who are primarily concerned with providing an environment within which children can develop. As we reported while the two different approaches may at times have common strategies, in other cases there are distinct conflicts – including in the dimensions of measurement and the evaluative focus.

3.5.4. Form of delivery

As detailed above, and illustrated in Figure 8, there is considerable divergence between states in the proportion of children who obtain preschool education within Centre Based Day Care and in separate preschool environments.

²² While we note that both the AEDC and to a lesser degree ACECQA have material on their websites which seek to illustrate the relationship between the two measures, in our reading, this does not appear to get to the substance of the differences in approach.

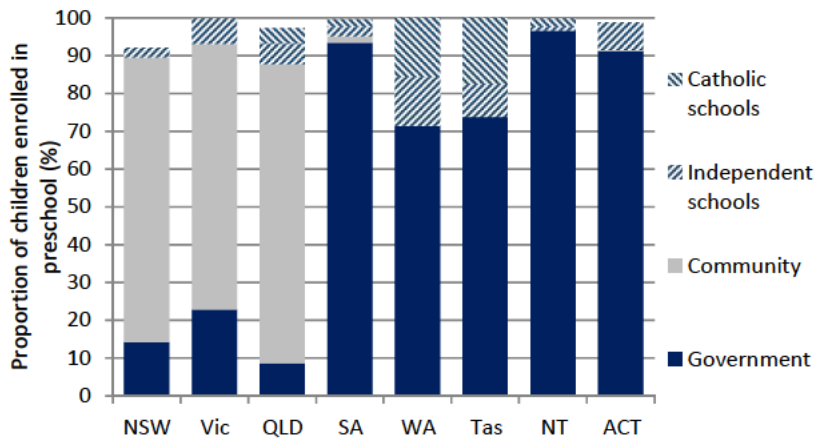
Figure 8. Distribution of place of receipt of YBFS preschool education, 2022



Note: Based on enrolment
Source: Table 3

This in turn is complemented by divergence in the actual institutions attended at the preschool level. As illustrated in Figure 9, while in NSW, Victoria and Queensland where children are enrolled in a separate preschool, this is predominantly a community based preschool, and in other states it is a government institution.

Figure 9. YBFS preschool enrolment by type of institution, 2022



Notes: Based on distribution of children solely attending preschool (ie excludes children attending both a preschool and CBDC)
Distribution shown excludes those children attending multiple preschools and private for-profit institutions.
Source: ABS (2023a, Table 28)

As we understand it these differences are largely a reflection of historical developments rather than deliberate, evidence based, policy.

It may well be that in terms of child outcomes the differences in the channels through which preschool is delivered are immaterial, however we consider that it is important to actually establish whether or not this is the case. As we have identified in earlier discussion, a key question relates to the actual nature of preschool education in Centre Based Day Care where receipt of this education is effectively assumed on the basis of attendance and attendance is based on sessional hours and not actual hours of attendance.

Fragmentation

A second issue which arises from the different frameworks for delivering preschool education, is as identified in section 3.4, the extent to which they provide a coherent childcare system for parents who require this for workforce participation or other reasons. While delivery of preschool in Centre Based Day Care enables this, delivery through a separate preschool system introduces the strong risk of a 'patchwork' which needs to be negotiated by parents.

3.5.5. Development of a cohesive approach

In an environment where there are strong emerging priorities around the expansion of preschool education we consider that the development of informed and cohesive policies is critical. Key dimensions which should be addressed by the Productivity Commission include:

- The evidence base, and in particular what works and for whom.
- A focus on approaches which target those who have the greatest need, and can potentially obtain the greatest benefit, in particular to the extent early intervention may address the question of educational, and whole of life disadvantage.
 - That is, a shift away from policies just seeking to provide access.
- The question of curriculum and the specific child educational outcomes which preschool should achieve.
- The rationale behind different delivery modes, including in the shorter term:
 - An understanding of what is actually being delivered in preschool through Centre Based Day Care, and
 - Approaches to providing continuity of childcare for those using separate preschool facilities, where this is required by parents.
- A framework, based on the evidence base, for the future delivery structure of preschool education, and clarity of governmental roles.

3.6. Childcare and employment

The nexus between childcare and employment can be viewed through several lenses. One is from the economic perspective of maximising workforce engagement and hence national production. An alternative is enabling those who have a responsibility for caring for children who wish to engage in employment and receive appropriate remuneration for this, to do so. In particular, in this latter, is the need for this to be provided in a way in which they can be assured that their children are being well looked after, and where children have the opportunity for personal development. Also critical from this lens is that the twin roles of market participation and caring do not become a double burden on women who traditionally have carried much of the responsibility for caring and raising children. It also raises the question of the allocation of responsibility across society for the raising and development of children and the role of the funding of childcare in the distribution of its cost.

Changing Australian workforce participation

The role of childcare in supporting parental workforce participation has been the primary factor driving the expansion of the sector and the provision of Australian Government financial support. We have documented this expansion in Bray (2023 forthcoming), which records how the expansion of the sector has been accompanied, or driven by, changes in the workforce

participation of women, and a shift from the use of informal care to formal care. Specifically, drawing on data from the ABS Survey on Income and Housing:

- While the traditional “Single Male Full-time Breadwinner” model accounted for the majority of couple families with dependent children aged under 15 years up until the early 1980s, in 2021 this form was seen only in 18.9 per cent of such families, with the dominant forms being one full-time and one part-time worker (36.6 per cent) and two full-time workers (30.8 per cent).
 - Since 1982 the proportion of mothers in couple families with a youngest dependent child aged under 5 years in employment has more than doubled, from 31.6 per cent in 1982 to 64.0 per cent in 2020. A similar strong rise has been seen amongst female single parents where the proportion employed has increased from 20.8 per cent to 46.9 per cent over the same period.
 - Strong growth has also occurred amongst women with a youngest child aged 5-9 years. For mothers in couples the proportion employed had increased from 49.9 per cent in 1982, to 77.9 per cent in 2020, and amongst single mothers from 36.2 per cent to 61.1 per cent.
- Data on the use of formal and informal care from the ABS Child Care survey indicates that in 1984 18.9 per cent of preschool aged children of couple families with both members employed and employed single parent families used formal care and 47.8 per cent used informal care, by 2017 these proportions were effectively reversed, at 56.4 per cent and 17.5 per cent respectively.

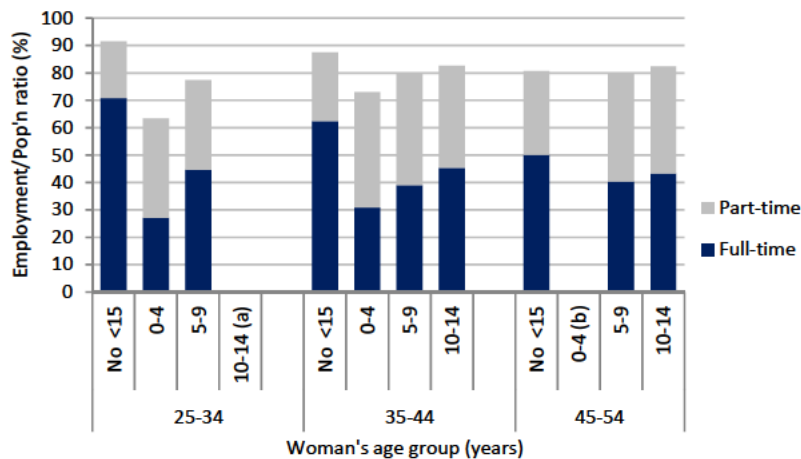
The current pattern of employment of women in couples by the presence of a dependent child is shown in Figure 10. This shows that while there are gaps between the employment to population ratios of partnered women by the presence, and age, of a child, these are, for the most part relatively small, although those women with children under the age of 15, and those with younger children in particular, are more likely to be working part-time. This latter, while quite noticeable for women in the 25-34 year and 35-44 year age groups, largely disappears in the 45-54 year age group.²³

²³ The high level of part-time employment amongst women with dependent children in Australia is often cited as anomalous. Australia is however not the only country with this pattern of employment:

Employment to population ratio, women with at least one child aged under 15 years, 2019			
	Part-time	Full-time	Total
	(%)		
Australia	37.0	31.8	68.8
Austria	41.8	35.8	77.6
Germany	37.5	35.7	73.2
Netherlands	50.0	30.1	80.1
Switzerland	62.5	15.2	77.7
United Kingdom	33.7	39.7	74.2

OECD 2023, Chart LMF1.2.A

Figure 10. Partnered women, employment to population rates by age group and age group of youngest child, June 2021



Notes: Data is only shown for those combinations of age which represent major population subgroups.
 (a) Excluded as represents only 0.9 per cent of women in this age group.
 (b) Excluded as represents only 1.6 per cent of women in this age group
 Source: ABS Labour Force Status of Families, 2009 to 2021, TableBuilder

3.6.1. Childcare and boosting employment

While childcare plays a critical role in supporting the workforce participation of parents, and given traditional roles, the workforce participation of mothers, we consider that caution needs to be exercised with regard to it being seen as a major instrument for increasing workforce participation in Australia. That is, childcare provision can be seen as a necessary, but not sufficient condition, to employment of those with responsibility for the care of children.

International evidence

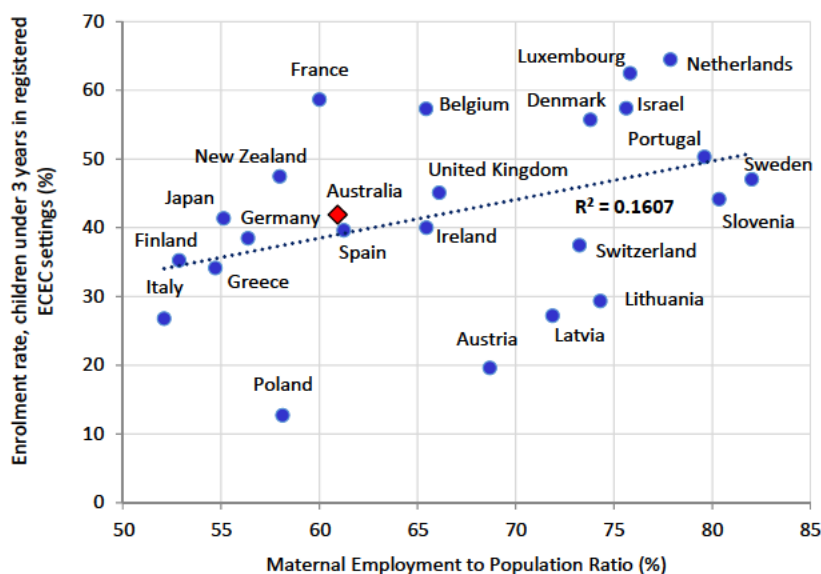
The OECD have summarised their interpretation of international data as indicating “Affordable and high-quality ECEC with an adequate number of hours per week can contribute to an increase in the participation of women in the labour force” (OECD 2017, 30) and accompany this with a graph showing “Relationship between mother’s labour market participation (with the youngest child under the age of 3) and enrolment rates of children under the age of 3 in formal childcare (2014)”. This relationship was summarised by a linear trend line with an associated R^2 of 0.4801. We would argue that some caution is needed in accepting this finding. Specifically in the material they publish much of the result appears to be driven by a number of generally lower income countries²⁴ with low rates of maternal employment, or those with very generous parental leave conditions which are likely to have a marked impact on both workforce participation and childcare demand for families with children aged under 3 years.

When restricted to those countries which recorded at least 50 per cent participation in employment by these women (24 countries out of the 30 for which data are available), and spanning a range in participation from 52.1 per cent to 82.0 per cent, the relationship, using more recent data, see Figure 11, while still positive becomes somewhat weaker.

There also remains a question of interpretation as to whether the rates of use of childcare reflects demand or supply constraints. The variation in reported use by countries with similar rates of workforce participation also suggests that other factors may be in play.

²⁴ Hungary, Slovak Republic, Czech Republic, Estonia, and Mexico. The OECD reports that Hungary has the equivalent of 109.2 full-rate equivalent weeks of leave available to mothers, the Slovak Republic 68 weeks, the Czech Republic 53.7 weeks, and Estonia 82.1 weeks (OECD 2023, PF2.1. Parental leave systems).

Figure 11. Mothers with youngest child aged under 3 years, employment to population ratio, and rate of ECEC usage by children aged under 3, around 2019



Notes: Employment to population – OECD: ‘Maternal employment rates by age of youngest child, 2019 or latest available year’ Australia: ABS, Labour Force Status of families 2021, TableBuilder. Childcare: OECD “Children (0 to 2-year-olds) participating in early childhood education and care, average 2018-2020 where years available.

Source: OECD Chart PF3.2.A, Chart LMF1.2.C. Family Database. 2023.

Notwithstanding this, the chart however does indicate that Australia is at the lower end of levels of childcare provision and workforce participation of mothers with children in this age range.

Australia

As we have discussed above, the findings of the evaluation of the ‘Jobs for Families Child Care Package’ were that it had little substantive net impact on participation.

In part this was due to the fact that, while the change increased the level of subsidy for some families, it decreased it for others. It also reflected economic drivers (see below) and the divergent views of parents as to whether they were wanting to increase or decrease their level of workforce activity.

As reported in the evaluation, in the surveys conducted by the Department, in which responses were obtained from both childcare users and non-users: “between 20 and 24 per cent of respondents said they wanted to work fewer hours, 39–44 per cent that they wanted to work the same hours, and 17–20 per cent that they wanted to work more hours. Some 15–22 per cent said they did not know what their preference was” (Bray et al 2021a, 270).

This is considered further in Table 4 which draws upon data from the HILDA survey. This again points to mixed preferences across the population although with those currently working short hours generally indicating a desire to increase, and those working full-time or longer hours a decrease. What though is significant is that the preferences of women with children tend to be less inclined to increased hours than those of women without children.

Table 4. Employed women aged 25–49 years by marital status and age of youngest dependent child, hours worked and preference for changing hours, HILDA, 2021.

Hours worked	No dependent children				Youngest child 0-9 years				Youngest child 10+ years			
	Women	Fewer	Same	More	Women	Fewer	Same	More	Women	Fewer	Same	More
	No.	-%-			No.	-%-			No.	-%-		
Partnered Women												
<10	18,644	0.0	20.5	79.5	45,089	0.0	55.5	44.5	4,578	0.0	48.3	51.7
10-<20	23,756	0.0	39.1	60.9	137,215	2.4	71.3	26.2	53,974	0.0	41.9	58.1
20<35	128,476	2.8	60.7	36.5	446,032	13.2	74.2	12.6	152,311	15.3	66.7	18.0
35+	590,747	38.2	58.8	3.0	560,587	41.7	54.2	4.1	290,816	40.3	58.5	1.3
Single Women												
<10	14,355	0.0	28.1	71.9	4,835	0.0	62.8	37.2	852	0.0	0.0	100.0
10-<20	39,379	0.0	51.5	48.5	19,886	3.6	63.7	32.8	6,175	0.0	70.9	29.1
20<35	150,160	3.8	73.6	22.6	51,124	8.1	69.9	22.1	37,229	0.0	77.6	22.4
35+	430,170	22.6	71.1	6.3	66,222	36.7	60.6	2.7	74,916	25.6	70.6	3.8

Source: HILDA Wave 21.

In considering the labour market responses to changes in childcare provision, in particular its cost to families, account needs also to be given to the economic drivers of parental responses. As reported in the evaluation, a change in the subsidy received by parents can have ambiguous impacts on employment. This is as a result of incentive, or substitution, effects, and income effects. Under the first a higher subsidy may lead to increased participation in paid employment, while under the second it may result in a reduction. Actual individual responses will depend upon the relative weight individuals place on the value of time in and out of paid employment.

Barriers

The evaluation also considered the extent to which aspects of childcare provision generated barriers to employment. This noted that while childcare barriers were cited by a number of those wanting to work more, these parents usually also cited a number of other barriers including the suitability of employment and the ability to work flexibly. Overall it reported that “Just 4.3 per cent of non-child care users cited only child care related barriers, as did 13.8 per cent of child care users, with these proportions, in turn, relating to just 20.0 per cent of non-child care users and 17.2 per cent of child care users indicating that they wanted to work more” (Bray et al 2021a, 273).

While data from the most recent ABS Barriers and Incentives to Labour Force Participation Survey had not been able to be systematically analysed for this submission,²⁵ the main child related reason recorded in this was not the availability of childcare nor its cost, but rather a preference to look after their children themselves.

To the extent one of the barriers which is at times cited is a lack of flexibility in operating hours of services, as noted earlier, the evaluation found that this was, from the perspective of Centre Based Day Care services, more an issue of the economics of provision of such extended hours, rather than a reluctance to provide such provision. As also noted in the evaluation report the nature of the Family Day Care sector may be more amenable to meeting some of these needs.

²⁵ The analysis of this data is complex in part because of a large number of responses which have the reasons for childcare coded as ‘Not determined’ and others that children are “too young or too old” for childcare.

It can also be suggested there is a larger question as to whether all of the responses in this type of mismatch should appropriately be met by childcare, or whether there is also a need for employers to offer more flexible working arrangements which are more amenable to the caring responsibilities of parents, including their need to coordinate their employment with their use of childcare.

A further question which can be asked is if there are informational gaps which act as a barrier. Recent research in Germany (Hermes et al 2022) suggests that workforce participation gains can be achieved through targeted information and support programs.²⁶

3.6.2. Effective Marginal Tax Rates

The evaluation found that many parents, in particular single parents and second earners in couples, faced high EMTRs on their additional earnings if they increased their participation in paid employment, and these were particularly steep for those part-time workers who increased their level of participation and use of childcare. It reported however that for the most part these were generated by the tax-transfer system, and not childcare.

While the Package produced a spectrum of changes to EMTRs it generally reduced EMTRs with the July 2023 changes introducing a further reduction. Across a limited number of the scenarios presented in the evaluation we estimate that while the Package saw a reduction in average EMTRs²⁷ from 75 per cent to around 65 per cent, the July 2023 changes will reduce this to around 60 per cent.

Figure 12 presents a number of illustrations of the effective marginal tax rates faced by a couple family with one child aged 2 years using Centre Based Day care at a cost of \$120 a day, with earnings at the 10th, 25th, 50th, and 75th percentile of earnings as drawn from the distribution of earnings as reported by the ABS for August 2022 (ABS 2022, Table 2.1).²⁸ For the two lower income groups the EMTRs are shown separately for those in receipt of Rent Assistance and those not.

These results show:

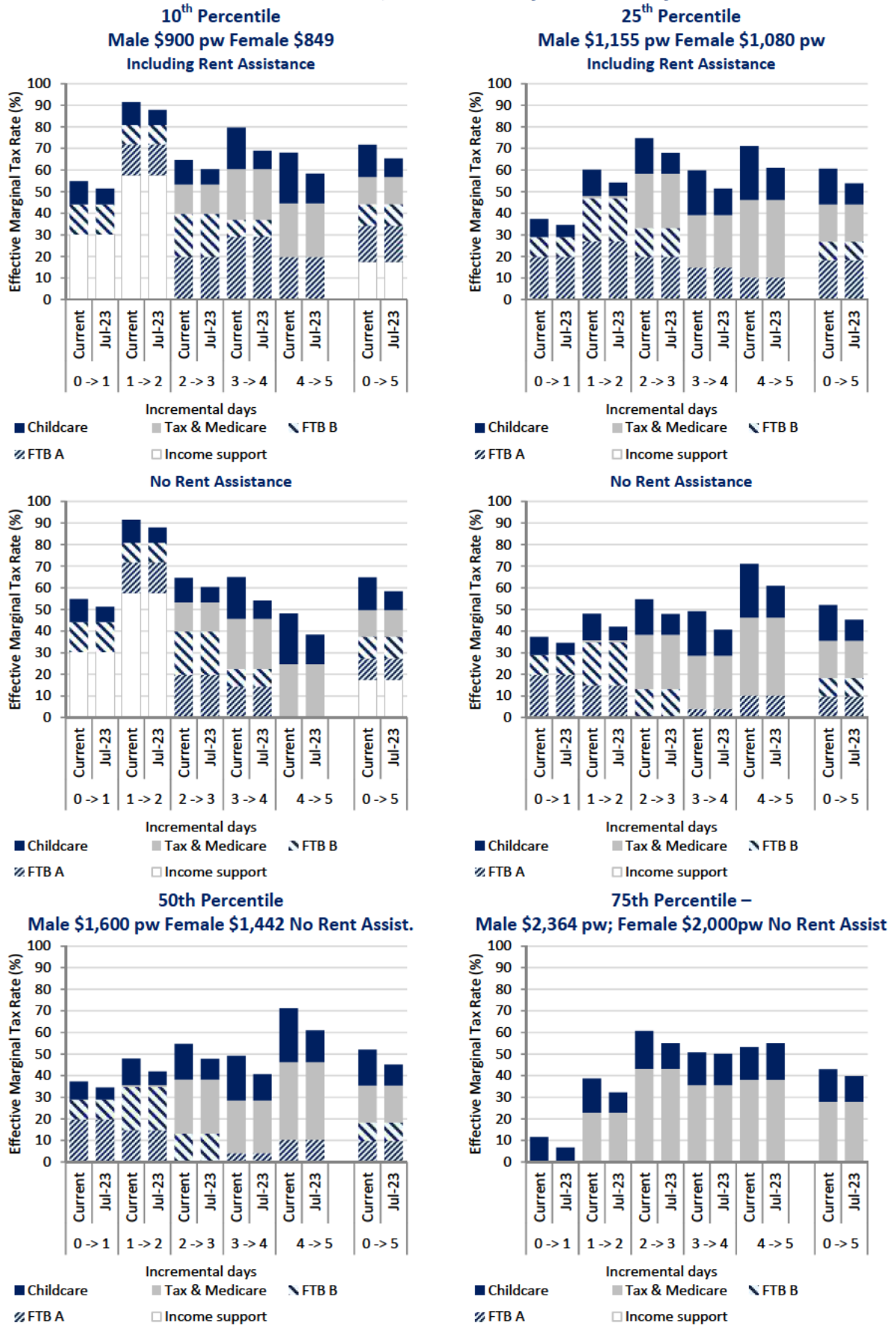
- On average the largest EMTRs are encountered by low income earners, due initially to the withdrawal of income support, and then by the income testing of Family Tax Benefit.
 - In the cases illustrated the lowest EMTRs are experienced by those families who are at the 75th percentile of earnings.
 - The additional withdrawal of Rent Assistance impacts on the two lower income families as the increase employment at the intensive margin

²⁶ Whether this also applies to Australia is not clear. The authors of the research note that in Germany “the allocation of slots in early child care is decentralized, unstructured, and non-transparent, giving well-informed and well-organized parents an advantage in securing a child care slot” (p.5). It would also be expected that in Australia that programs such as “ParentsNext” already provide this information and support.

²⁷ All EMTRs cited here are ‘full year effects’ – that is they compare being at one state relative to the other assuming that the state is stable over a full financial year. Because taxation thresholds and some income testing is annual shorter term transitions may result in different immediate EMTRs.

²⁸ In each model it is assumed that one member of the couple is working full time at the male earnings rate and that the second member increments employment in one day blocks at the female earnings rate.

Figure 12. Couple families with a single child using full-time Centre Based Day Care: Estimated effective marginal tax rates of an incremental 1 day of employment and use of childcare, current and July 2023 subsidy rates



Notes: Income points taken from ABS 2022, Earnings of for a full-time employee in their main job. Childcare fee \$120 per week

Source: Plunkett model for March 2023, and manual derivation of childcare subsidies.

- For most of the increases in work activity under each of the scenarios the EMTR associated with childcare only represents a lesser part of the overall EMTR, currently constituting on average across the scenarios (excluding those with Rent Assistance), an EMTR of 16.2 per cent, reducing to 10.2 per cent under the July 2023 changes. This is relative to total EMTRs of 52.2 per cent and 46.2 per cent.
- The patterns of the EMTRs across incremental days of work vary considerably. Across all the scenarios they are lowest on the move from no employment to a single day, but after this they vary across the different levels of income.

Given this, the key scope for reducing EMTRs is addressing those in the tax-transfer system. Specifically, we consider one priority area is to consider reverting FTB(A) to a universal payment to parents of children, or at a minimum, for younger children.

- This would essentially reverse the treatment of this payment, as simply being a welfare payment, to its original heritage – in both the transfer system as child endowment, from 1941, and the taxation system as an income tax deduction rebate for children, which featured in Commonwealth income tax until 1976. The universality of these payments continued with Family Allowance until 1987.
- This approach we consider is appropriate on horizontal equity grounds, recognising the lower capacity of families with children to pay tax at the same rate as those without, and recognises that children also have a ‘public good’ value to the society.
- While alternative changes to the tax and transfer systems could be considered, such as adjustments to the income testing of benefits and pensions, or with regard to income threshold for income tax, or tax rates, we consider that these need to be approached with some caution:
 - Changing the income test for income support payments weakens the role of these payments as support in the absence of earned income to become more of a wage supplement for persons on the payment. Placing these payments in this role in turn raises a range of questions about their design, including eligibility, the appropriateness of any mutual obligations, and conditionality. It is primarily also a benefit at the marginal extensive margin and not at the intensive margin.
 - The tax threshold already highly favours part-time employment. This, as well as being seen as inequitable in terms of taxation relative to effort, does not address the issue substantially at the intensive margin. Indeed to better address the current favouring of low levels of part-time work, attention should be given to approaches such as the New Zealand tax scale which operates at a low level, from the first dollar of income.
- The significant role of part-time employment in Australia, and its already tax advantaged status, we also consider, limits the scope for quite different approaches such as Earned Income Tax Credits, unless for example these are targeted simply at full-time workers, an approach which in turn would raise significant equity, including gender equity, questions.
- While we recognise that much of the benefit of universal FTB(A) would flow to upper middle and higher income earners, we would consider that this should be considered as a substitute for alternatives such as the stage 3 tax cuts.

3.7. Childcare workforce

At the time of our evaluation the labour market for childcare workers could be considered as being largely in balance – but with some locational shortages. More recent data suggests however it has now moved to a situation of relatively widespread shortages. The evaluation specifically identified that the sector was characterised by very low wages and with significant issues related to training. These we address below.

3.7.1. Training

There are two major aspects of the training of the childcare workforce which were identified in the evaluation. The first related to VET training, concerning both the adequacy of Certificate III training, and completion rates; the second was professional development.

In both these cases we also draw attention to the cost of training in the light of wages paid in the sector. Given the relative wages paid we see little merit in the argument that those undertaking training in this field can achieve an economic return for such an investment, and indeed on the wages paid there is little capacity for many to pay for any additional training. While it is recognised that some larger providers are in a position to provide in house training and related support, this is not the case for many smaller services.

VET training

The evaluation documented very low apparent completion rates for Certificate III students of under one in three commencements, and of one in four Diploma students. Qualitative material also suggested that the actual quality of training varied significantly across providers including specific concerns about that provided by some training organisations, in particular where courses are provided online.

This finding suggested that little has changed from the time of the 2011 Productivity Commission Research Report into the Early Childhood Development Workforce which reported in its key points that:

Study participants report that the quality of ECEC training delivered by registered training organisations (RTOs) is highly variable. While there are examples of excellence, concerns about poor quality training from RTOs are widespread. Unless the issue of quality is addressed, a significant proportion of increased expenditure on VET could be wasted.

- A comprehensive review of the relevant training package is required, to ensure it reflects current ECEC practice and contains rigorous assessment requirements. (PC 2011, 203)

The Productivity Commission in its 2014 report discussed the need for greater oversight of the sector. Following this the Australian Skills Quality Authority undertook a national strategic review of training for early childhood education and care. This reported that:

the main findings in this report—of inadequate assessment and the delivery of too many courses in a very short time—is common across the rest of the VET sector, giving rise to two key concerns. The first concern is that trainees are not being fully skilled and properly assessed, meaning that employers are not always getting fully skilled employees. The second concern relates to those RTOs that are trying to provide high-quality programs that are capable of delivering the skills and

competencies required in a meaningful way—these RTOs are being faced with unfair competition (in terms of downward pressure, or the lowering of costs or prices to unrealistic levels) from those RTOs that are providing ‘cheap’ and unrealistically short training programs. (ASQA 2015, 3)

This review included a significant number of audits of providers and made a series of recommendation to improve these outcomes. We note however, notwithstanding this earlier activity, that in the ASQA regulatory risk priorities for 2022-23, two of the six qualifications identified as ‘higher risk products’, with risk being based on criteria such as “performance assessment outcomes, complaint reports and product growth” (ASQA 2022) are: CHC50121: Diploma of Early Childhood Education and Care; and CHC30121: Certificate III in Early Childhood Education and Care.

This would suggest that despite the long history of concerns and calls for action, major issues remain to be addressed.

Not only do these issues need to be addressed, but there is also a need to understand the failure to address them effectively to date. As such the Inquiry should seek to identify a process, and lines of accountability, to ensure that change is achieved, including options such as a restriction of the range of organisations that can deliver these courses, and ensuring appropriate modes of delivery.

Professional Development

A recurrent theme from services is a need for additional Professional Development, in particular with regard to higher needs children. This was considered in some detail in the Inclusion Support Program evaluation where 74.5 per cent of services reported a need for additional staff training to provide inclusive care and over half (55.3 per cent) of the inclusion professionals considered that there were inadequate opportunities for staff to undertake Professional Development in inclusive care (Bray et al 2021b, 66-67).

In this regard the evaluation concluded:

Inclusion Professionals consider that a lack of skills, knowledge and confidence amongst educators is the primary barrier to achieving inclusion. Both services and Inclusion Professionals have strong concerns about the adequacy of the coverage of inclusion in current baseline training of educators and a need for ongoing Professional Development. Achieving this in the current environment is, however, very difficult, with individual educators largely having to allocate their own time and resources to purchase and undertake such training. (p. 168)

And recommended that

Recommendation 10.

The Department should review the need for more explicit attention to professional development as an integral component of the ISP and, in any future reviews of standards for child care provision, that the question of the level of qualifications, the extent to which qualifications should include effective coverage of inclusion matters ... (p. 169)

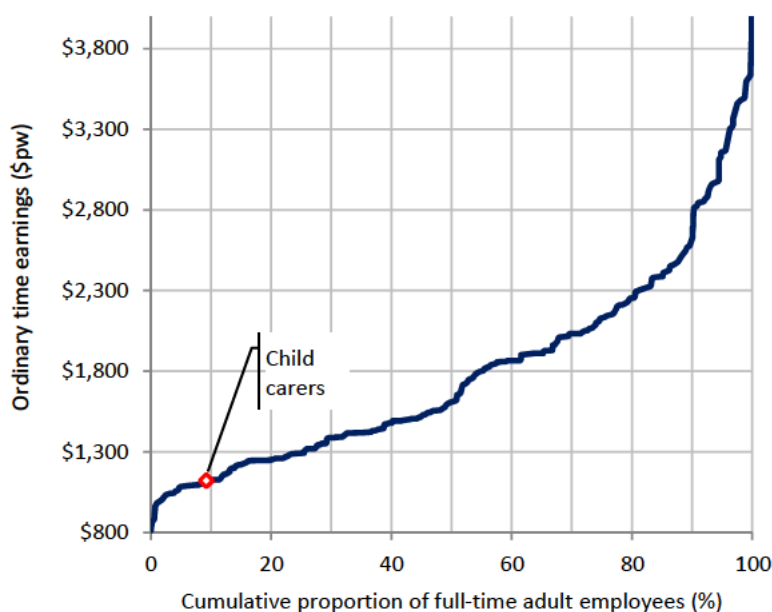
3.7.2. Pay

Childcare is a low paid sector. In the 2021 ABS Survey of Employee Earnings and Hours the average full-time employed Child Carer was paid \$1,091.10 per week placing them at just under the 10th decile of earnings, as illustrated in Figure 13. The current award rate for a Certificate III qualified worker on commencement is \$926.40 per week rising to \$940.90 per week after a year. While some services pay at above these rates, many do not. The Social Research Centre (2022) reports from the 2021 National Workforce Census that:

Services reported that more than half of all paid staff received the award wage, one in five staff were paid up to 10 per cent above the award, 5.4 per cent were paid between 10 per cent and 25 per cent above the award and 1.9 per cent were paid more than 25 per cent above the award (p. vii)²⁹

The incidence of over-award payments was reported as being more frequent in Centre Based Day Care than other forms of care. The South Australian Royal Commission reports “in long day care 76 per cent of employees in the not-for-profit sector are paid above award wage, while in almost an exact inversion, 74 per cent of employees in the for-profit sector are paid only award wage” (SA Royal Commission 2023b, 72).

Figure 13. Childcare workers' position in the cumulative distribution of earnings, May 2021



Notes: Ordinary time earnings, full-time employees paid at adult rates. (In the original data plasterers are recorded as having an income of \$592.30 pw, this has been reset to the level of the FMW, \$812.60. The chart also excludes Specialist Physicians with reported average earnings of \$6,030.40 pw.)

Source: ABS Employees and Earnings May 2021, TableBuilder

Given the role and responsibilities of these workers with regard to the safety, care and education of children, these rates can only be considered as low.

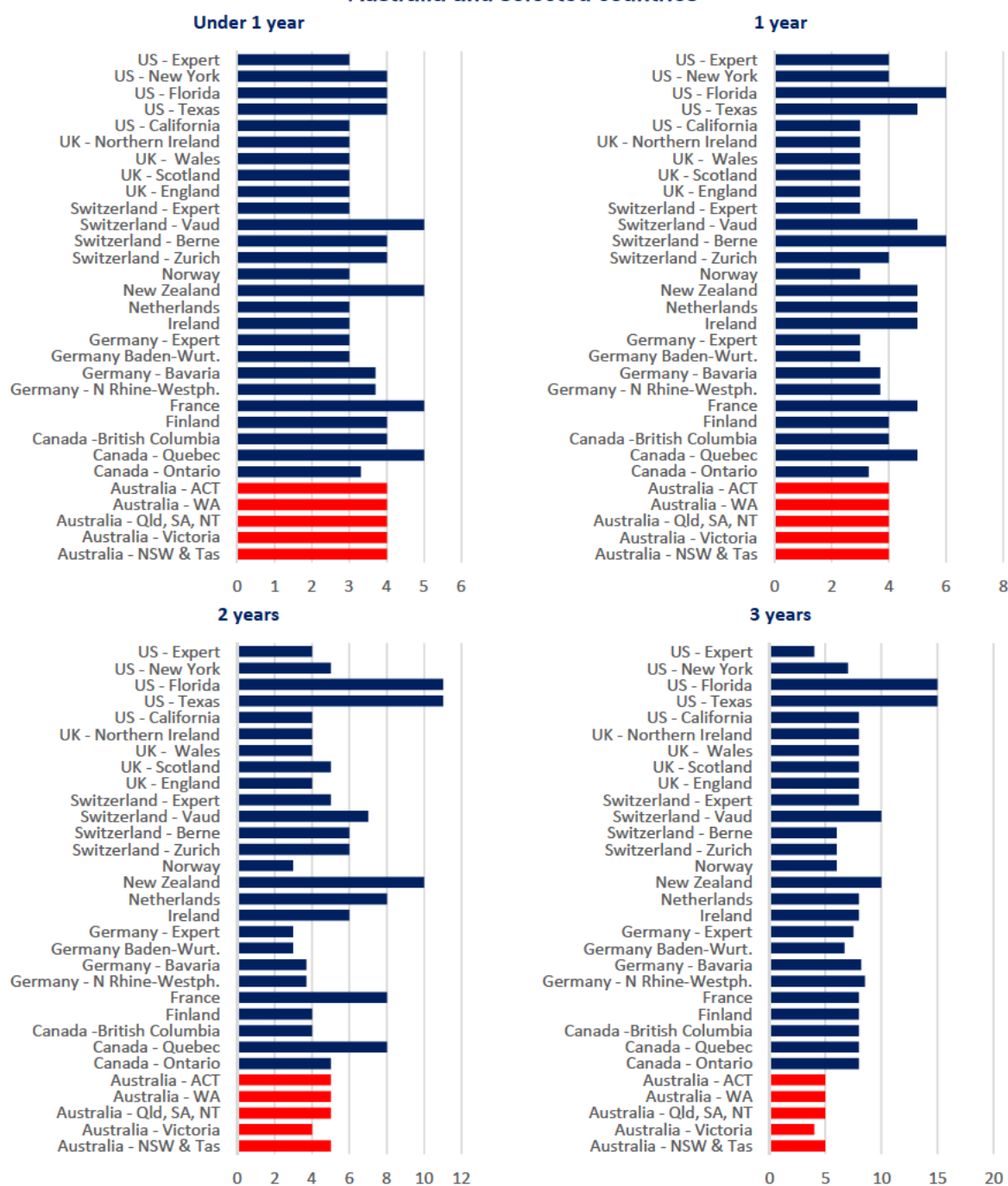
²⁹ These proportions may be higher as 14.0 per cent of services reported they did not know the rate at which the workers were paid (Social Research Centre 2022, 13).

3.7.3. Staffing

The childcare sector operates under strict regulations with regard to staffing. While introducing rigidity into the cost structures of provision, they are designed to ensure child safety, wellbeing and development.

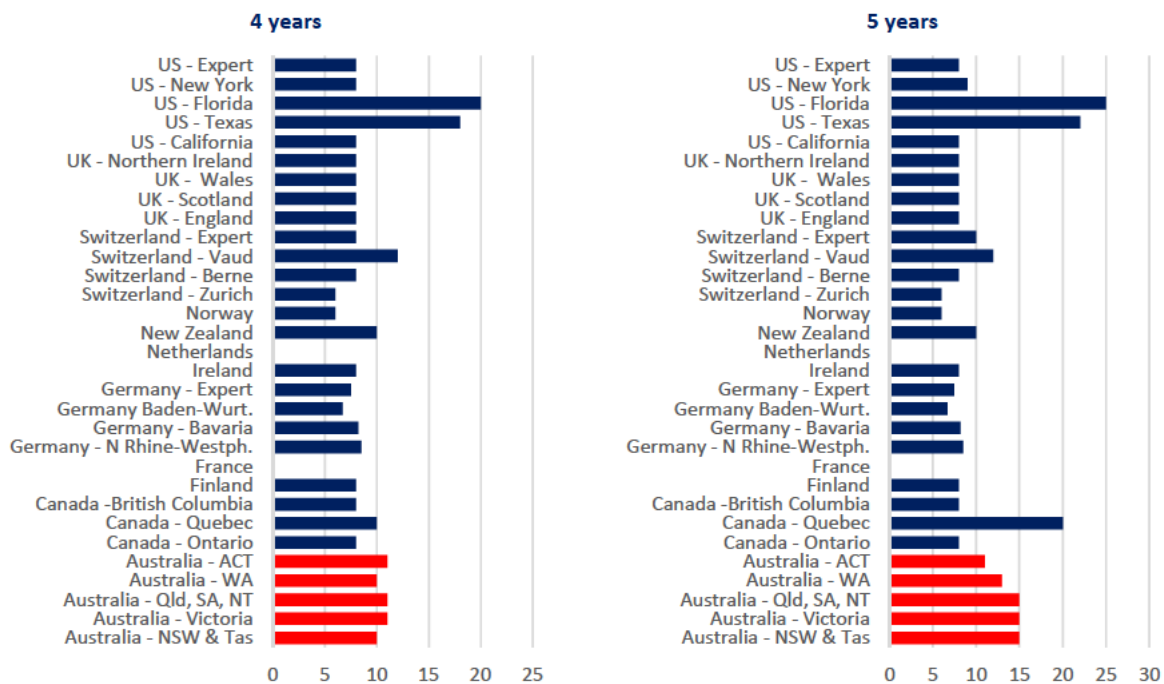
Across countries, as illustrated in Figure 14, there is considerable variation in these requirements, with comparisons made more complex when attention is also given to the level of qualifications required and in some cases specific additional requirements for other supporting staff. Also notable is the extent to which most federal nations show considerable divergence between member states/cantons/countries.

Figure 14. Comparison of staffing ratios (number of children per staff member), Australia and selected countries



Continued.

Figure 14 continued: Comparison of staffing ratios (number of children per staff member), Australia and selected countries



Notes: Data for Germany are average staffing levels per child, not regulatory requirements.
 Source: See Attachment A.

On balance this visual comparison would suggest that, Australian ratios are not inconsistent with other national regulatory frameworks, for children in their earlier years. Australian ratios of children to staff then tend to be below those of other countries for 3 year olds, but above for those aged 4 and 5 years.

3.8. Operation of the Child Care Subsidy

In the evaluation of the ‘Jobs for Families Child Care Package’ we identified a range of issues with regard to the subsidy structure. The most significant of these were the “approved” hours and the operation of the hourly rate cap. In addition we reflect here on the objective, impacted by both of these measures, to increase ‘flexibility’ in provision, especially in Centre Based Day Care.

3.8.1. Approved hours

Approved hours are the hours of care for which Child Care Subsidy can be paid for a child. To the extent families use hours in excess of their approved hours they are required to pay the full fee for this period. The number of approved hours a family has is determined by activity testing related to employment and other approved activities, a safety-net provision for low income families, and some exemptions for those eligible for the targeted Additional Child Care Subsidy. The ‘Jobs for Families Child Care Package’ introduced tighter activity testing of approved hours and a reduction in the safety-net hours from 24 hours per week to 24 hours per fortnight. The evaluation reported that “In Q4 2019 the majority (66.3 per cent) of parents with approved hours of subsidy are entitled to 100 hours care per fortnight, followed by 26.9 per cent entitled to 72 hours, 4.1 per cent to 36 hours, and 1.9 per cent to 24 hours” (Bray et al 2021, 207).

It also found that while most families, as noted in section 2.4, reported that they considered their approved hours adequate, a quarter did not and some 9.5 per cent of families were recorded as being charged for hours of care in excess of their approved hours. The incidence of

such excess hours was higher for high income families, couples with two members in the workforce, especially where one worked part-time, and those in very remote locations.

The evaluation concluded that “the 24 hours limit is not particularly significant as a cost constraint on program spending, nor as a factor to change either service or family behaviour, but disproportionately impacts more vulnerable children” (p. 346). Reflecting this we consider that this aspect of the subsidy structure should be reviewed with the intent of restoring the 24 hours per week safety-net. Along with this, the 36 hour per fortnight allocation, which again is only used by a small proportion of families, should be increased to 48 to maintain parity for those families who have a level of activity, but incomes too high to qualify for the safety-net provision.

3.8.2. Hourly rate cap

The hourly rate cap on the value of childcare fees subject to subsidy, including the principle that it be indexed by the CPI, was introduced as a device to restrain cost increases: “The reforms will place downward pressure on what have been incessant child care fee increases through an hourly rate cap” (Birmingham 2017). Our interpretation is that the hourly rate cap does not constrain fee increases, but rather constrains government spending by decreasing the proportion of the fee which is subsidised, and hence transfers the burden of fee increases to parents.

The evaluation found, using detailed data at the individual level, that “about 15–17 per cent of hours in the second half of 2019 [were] charged above the hourly fee cap (Bray et al 2021a, 142).

The Department does publish some data on this, albeit using a service wide, average hourly fee, which tends to understate the proportion of families who face excess costs. This shows, Table 5, an increasing proportion of services charging fees that are on average above the cap over time³⁰.

Table 5. Proportion of services by service type with an average fee above the cap, December 2018 – June 2022

	December 2018	June 2019	March 2020	June 2021	June 2022
			- % -		
Centre Based Day Care	11.0	12.7	13.9	14.9	21.4
Family Day Care	20.6	24.5	25.6	29.0	41.2
Outside School Hours Care	14.8	16.6	14.6	14.4	16.1

Source: DET Child Care in Australia, selected quarterly reports.

This phenomenon has particular locational impacts as shown in Table 6 which lists the regions (at the SA4 level) where more than half the Centre Based Day Care Services charge above the hourly rate cap.

³⁰ In looking at this proportion over time caution is required as the Hourly Rate Cap is indexed as of July each year and hence the proportion tends to build up over the financial year and then decline in the September quarter, before again trending upwards.

Table 6. Regions with more than half of Centre Based Day Care services with an average fee above the cap, June 2022

Region	Proportion charging above Cap	Total Services
	- % -	
Sydney – Eastern Suburbs	82.8	134
Sydney – North Sydney and Hornsby	79.8	208
Perth – Inner	73.8	65
Sydney – Inner West	71.6	141
Sydney - Ryde	71.6	88
Sydney – City and Inner South	69.7	152
Melbourne - Inner	68.6	204
Melbourne - Inner East	66.4	116
Melbourne - Inner South	63.1	149
Sydney – Northern Beaches	61.5	109
Australian Capital Territory	57.6	177
Western Australia - Outback (North)	53.1	32

Note: Excludes any SA3 regions within these regions which have fewer than 5 services.

Source: DET Child Care in Australia, June Quarter 2022

This data would appear to support the evaluation finding that the hourly rate cap is not operating to reduce fee increases over time, nor in reducing the cost of care in high cost and demand locations.

Indexation of the cap

In considering the role of the cap over time the evaluation noted that childcare wages, as with other wages have increased over time more rapidly than prices. This is a trend which is consistent across the working population as a whole and is reflected in increasing national living standards. Indeed, given the earlier discussion in section 3.7.2 there are strong grounds for wages in this sector to grow more strongly. As wages represent the main cost of care provision and quality standards impose requirements on staffing levels, this means that childcare costs can be expected to increase more strongly than other prices over time into the future. As such the maintenance of a CPI based indexation factor can only be seen as an instrument to transfer a higher proportion of costs to parents.

3.8.3. Flexibility

Most Centre Based Day Care Services operate on a sessional basis. That is, they allow the use of the service by parents over a fixed time window – for example between 8am and 6pm – a 10 hour session. Actual use of care tends to be for a lesser period. The evaluation found that in Centre Based Day Care, for children aged under 6 years the average session length was 10.6 hours and the average period attended 7.3 hours. One of the policy objectives of government was to make services ‘more flexible’, and to offer shorter sessions.

As noted earlier this did occur, however the evaluation found that while there was an increase in the number of shorter sessions offered, these were frequently charged at the same rate as longer sessions. At times this resulted in the hourly fee (which is the sessional fee divided by the session length) exceeding the hourly rate cap. The reason for this approach was that the cost to parents was less with the shorter sessions, even if they had to pay the full amount of the fee above the cap, rather than having excess hours of care relative to their approved hours, in which case they had to pay for the full cost of the excess hours.

In many cases however these shorter sessions effectively provided parents with a shorter window of usage – for example an 8-hour session running from 8am to 4pm, and effectively reduced the flexibility of the service available to them.

In considering this the evaluation noted that the sessional structure of the Centre Based Day Care sector reflected the operational needs of services to roster staff to meet their staffing ratios across the day – that is, it is a characteristic of the business model. This is further the case where the services have a structured approach to the delivery of preschool education. The evaluation reported that similar economic reasons constrained services providing other forms of flexibility such as extended opening hours.

In contrast the evaluation noted that Family Day Care where these type of decisions could simply be made by individual educators on the basis of the time they were willing to offer childcare was inherently more flexible, and was reflected in the move toward hourly charging in the sector.

3.8.4. Policy responses on the structure of the Child Care Subsidy

From the above we consider:

- There is scope for a revision to the approved hours of care under the activity test, including restoring the safety-net provision to 24 hours of care per week.
- The Hourly Rate Cap is not an effective mechanism to control childcare costs, rather it acts to transfer the increasing cost of care to parents. While in the short term this may not cause major increases in costs, over time any attempt to simply maintain indexation of the cap by the CPI will have a significant impact and result in increasing costs of care to parents.
- Attention needs to be given to the structural needs of Centre Based Day Care services to operate on a sessional basis, and any proposals which seek to promote ‘flexibility’ in the sector need to ensure that they reflect the underlying economics of provision of this service, and the potential adverse consequences of inappropriate policy decisions.

3.9. Data and the evidence base

Underpinning many of the issues identified above is a need for improved data and research. This is particularly important given that there are many questions around the effectiveness of existing policies. This has several dimensions including: improvements to administrative data and in access to this; a close review of the current ABS program, including with respect to household surveys; and constructing new longitudinal datasets which allow children to be tracked over time. Additionally there is a need to enhance research and evaluation activity in these fields.

3.9.1. Preschool education statistics

As detailed in Section 1.2 a Preschool Outcomes Measure Ministerial Expert Advisory Group has been established to address a range of issues including:

- the elements or factors in preschool participation that improve or impact transition to school (noting preparation for school is not limited to numeracy and literacy skills),
- the feasibility of measuring these elements to formulate an overall measure of school readiness,

- existing measurement tools used in Australia,
- the international experience, including existing measurement tools,
- potential new outcome measures, or adaptation of existing measures, that could be trialled in 2023 with a view to measuring outcomes from 2025,
- design of validation studies and trials, and
- implementation considerations including stakeholder engagement.
(Department of Education 2022b)

While this has the potential to provide direction and impetus to the collection and analysis of data related to preschool education, we note some concerns. These include the degree to which the work of the Group is internally directed to the Department, including the requirement of members to sign confidentiality agreements. While this may be appropriate for some of its activities, a stronger external focus is appropriate, and should be written into the Terms of Reference. This should include the Group producing regular public reports on its progress in developing measures aligned with the above functions, complemented by government reporting on what is being done to implement proposed changes.

In considering this it is also unclear as to what the actual relationship is with existing measures of 'school readiness', in particular the AEDC³¹, and whether the "elements or factors in preschool participation that improve or impact transition to school" include a review of the EYLF, or if the outcome is to seek to identify measures which can be incorporated into the EYLF as outcome measures for the curriculum.

There is also a need for improved preschool data from the ABS. We have identified a range of problems with the existing collection and the extent to which this is underpinned by very large assumptions around what actually occurs within preschool in Centre Based Day Care services. Resolving this should be a key priority.

3.9.2. Published Departmental Statistics

While the Department publishes some quarterly data on childcare, it is notable that, for example, the most recent publication available at the time of commencing preparing this submission was March 2022 – with the publication date being some 10 months after the end of the quarter. Subsequently the June 2022 publication has been released with only a 9 month delay. As this data is drawn from the CCS which reflects real time activity, there appears to be no reason why it cannot be produced on a more timely basis.

With regard to this publication it is further noted:

- Most detailed data on In Home Care is not provided. While there may be grounds for non-publication of some statistics, such as Indigenous children by state, for this sector, it is considered that publication of this data for other classifications is possible without breaching privacy.
- The publication of data on fees exceeding the cap is restricted to services where the average fee exceeds the cap. This does not provide a clear picture of the extent to which families are

³¹ It would be of particular concern if this mechanism, without direct scrutiny and public discussion were to result in changes to the AEDC, in particular any which may result in it losing some of its focus on particular aspects of school readiness, and continuity over time.

facing fees above the cap and the publication should provide data on the incidence of this as well as that relating to the average fee.

- While the publication contains some retrospective data on the previous four quarters a more comprehensive set of historical data would be a useful complement.
- It would also be useful for the regular publication to publish data on the distribution of children by approved hours of care, and by the actual subsidy rate for which parents are eligible.
- The service level tables should also be provided with some detail relating to the type of operator.

3.9.3. Greater use of administrative data

In the evaluation we became aware of the very substantial value of the data held in the Child Care System, especially when this was able to be matched with data from the Department of Social Services, in particular on families in receipt of FTB.

We consider that this type of data should be more accessible to researchers. While there is also merit in considering attaching some data to existing integrated products such as MADIP, we note that the individual person based structure of these files may limit the utility of the data, and consideration should be given to the development of alternative structures as well.

Additionally the Department should consider the publication of regular, for example annual, reports on the program which replicate and update some of the analysis provided in the evaluation, including with regard to matched data with the FTB file.

National Unique Student Identifier (USI)

While the USI was to be introduced “by 2023” (DESE 2021), as we understand it, this has yet to occur. It would be appropriate for this to extend to include preschool education, and with a linkage to child level data in the Child Care System. This would put in place the capacity to commence building a powerful administrative longitudinal dataset which would allow children, and their educational outcomes to be tracked over time and allow for analysis of the relationship between their experience in childcare and preschool, and their later academic outcomes. Such a link, along with the data on the characteristics of the childcare and preschool experience, would provide an important tool to answer a number of the questions which remain open.

3.9.4. LSAC – new wave

Complementing, and indeed supplemented by such a longitudinal dataset, we would propose that the Productivity Commission recommend the establishment of a new wave of the Longitudinal Study of Australian Children. As an individual child based collection this would allow for the inclusion of a range of important social characteristics as well as biological and other data.

The need for a new survey is important given the lapse of time since the original survey was conducted. The Longitudinal Study of Australian Children commenced, almost 20 years ago, in 2004 with 2 cohorts of 5,000 children each, aged 4-5 and 0-1 years. While the data from this has provided valuable insights into the role of ECEC in that era its relevance to today’s environment is limited. This is noted for example in Runions, Cahile and Markham (2022) “The Longitudinal Study of Australian Children (LSAC) provides another exemplar of assessing service usage ...

these data are now old, and the LSAC does not provide a snapshot of contemporary ECD [Early Childhood Development] service usage”.

There is a clear need for a survey to extend to a new cohort of children, and for the implementation of a strategy for regular – say 5 yearly – cohort intakes to provide contemporary information and to enable the impact of changes in the delivery and use of ECEC to be monitored and assessed.

3.9.5. Research

Our considerations, above, have identified many substantial gaps in knowledge relating to childcare and preschool. Answering these not only requires the development of improved data as discussed, but also resources to enable research to be undertaken, including options such as Randomised Control Trials of specific initiatives.

We would invite the Productivity Commission to consider, from their work in this Inquiry, the priorities they see for such future research, along with proposals for how this should be undertaken.

3.10. Concluding remarks

As we have indicated, this inquiry is one of a long series of inquiries and reports on early education and care in Australia. While some of these have had some impact, this has frequently been partial only, and much that has been identified has foundered in the fragmented roles and responsibilities of governments and others, as well as the multiple objectives of the sector, and the divergent conceptual approaches which cut across the fields of child development, and the often weak, and potentially distorted, evidence base.

We urge the Productivity Commission in this current Inquiry to reflect upon this and to consider the need for deeper reforms which will allow for a more integrated approach into the future.

Specifically we would argue that to have a primary focus on the funding mechanisms without addressing the deeper structural questions would be misplaced.

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Appendix A: International Child to Educator ratios

This appendix outlines the sources and additional notes on the staff to child ratios in childcare services in selected countries, as it relates to the equivalent to Centre Based Day Care.

It is noted that this information is presented here in a reduced format only. In most countries the specification of the ratios is complemented by:

- Specification of the educational requirements of staff.
- Maximum group sizes of children.
- More complex ratios where groups may comprise children of different age ranges.
- Additional staffing requirements beyond those directly engaged in providing services to children, such as service directors, educator supervisors and so forth.

As detailed, there is also considerable variation in the way age ranges are specified. In some cases by actual age, and in others by developmental stage, such as whether a child is walking, and in others by level of education undertaken.

In addition consideration also needs to be given to the nature of the childcare provision to which the ratios apply. For example, where countries use a more instructional teaching style with a disciplined environment, the ratios can be different to supporting play based learning.

In federal countries details are given for the largest component states/provinces/etc. Information is given on the population share of these.

Australia

Child age/group	Ratio	State/Territory
Birth - 24 months	1:4	All states
24>-<36 months	1:4	Vic
	1:5	All other states
36 months and over & preschool	1:10	NSW, WA, Tas
	1:11	Vic, Qld SA, NT, ACT
Preschool program	2:25	Tas
Over preschool age	1:15	NSW, Vic, Qld, SA, Tas, NT
	1:11	ACT
	1:10 for up to 13 children 1:13 over	WA

Source:

2023. ACECQA. "Educator to child ratios" <https://www.acecqa.gov.au/nqf/educator-to-child-ratios>

Canada

Three largest provinces Ontario (38.3% of Canadian population), Quebec (23.0%) and British Columbia (13.5%)

Child age/ group	Ontario(a)	Quebec	British Columbia
	Ratio		
0-18 months	3:10	1:5	1:4
18-30 months	1:5		1:4 (b)
18 months-<4yrs		1:8	
30mths – 6 years	1:8		1:8
4-<5 years		1:10	
Up to and including grade 1			1:12
Grade 2 +			1:15
To 13 years	1:15		
5 years and over		1:20	
Junior School	1:20		

(a) The schedule contains a number of overlapping age/school ranges. The main ones are shown here.

(b) Up to 36 months if not kindergarten

Source:

Ontario. 2022. "Child care rules in Ontario" <https://www.ontario.ca/page/child-care-rules-ontario#section-3>

Quebec. 2022. "A sufficient number of qualified staff" <https://www.mfa.gouv.qc.ca/en/services-de-garde/legal-illegal-reconnu/services-garde-reconnus/Pages/personnel-en-nombre-suffisant-et-qualifie.aspx>

British Columbia. 2022. "Understand the different types of child care in B.C." <https://www2.gov.bc.ca/gov/content/family-social-supports/caring-for-young-children/how-to-access-child-care/licensed-unlicensed-child-care>

Finland

Child Age	Ratio
<3 years	1:4
3 years and over (a)	1:8

(a) up to 2016 the ratio was 1:7 for children over age 3. The Authors indicate however, not all municipalities, particularly the larger cities, have changed the former ratio requirement.

Source:

Schreyer, I. and P. Oberhuemer. 2017. "Finland – Key Contextual Data". In P. Oberhuemer and I. Schreyer (eds) *Workforce Profiles in Systems of Early Childhood Education and Care in Europe*. www.seepro.eu/English/Country_Reports.htm

France

Note in France at age 3 children move out of the crèche and related sector to attend formal preschool "École maternelle" for 3 years. In addition to the crèche services for which data is provided France also has halte-garderies – effectively occasional care, and jardins d'enfant. These latter were described as being halfway between crèches and école maternelle, however it appears that their preschool role is terminating at the end of 2023-24.

Child group	Ratio
Babies (not walking)	1:5
Toddlers on and older	1:8
Alternative all ages	1:6

In addition centres must have admin staff: 0.2 up to 12 children, 0.5 up to 24, 0.75 up to 39, 1 60 and above, and a supervisory educator 12-24 children:0.5, 25-39:0.75; 40-60:1; 60children+: 1 + .5*((kids-60)/20)

Source:

Service Public. 2022. *Accueil en crèche*. <https://www.service-public.fr/particuliers/vosdroits/F607>

Germany

Largest Länder: North Rhine Westphalia (21.5%), Bavaria (15.8%), Baden-Württemberg (13.4%).

Note data are average staffing levels (a)

Child age	North Rhine Westphalia p. 205	Bavaria p. 38	Baden-Württemberg p. 25	Recommended Bertelsmann Stiftung
Average number of children per contact staff member (a)				
Kinderkrippe (<3 years)	3.7	3.7	3.0	3.0
Kindergarten (3-6 years)	8.5	8.2	6.7	7.5

- (a) The covering material indicates “The staffing ratios mentioned in the press release refer to the ratio of full-time employees to children in full-time care. The staffing formula takes into account all work hours, both time spent directly with children and time required for other tasks, such as parent conferences, team meetings, professional development and/or working with other institutions. **These tasks account for at least 25 percent of an educator's time. A staffing formula of 1 to 3 therefore corresponds to an educator-child ratio of one full-time employee to four children in full-time care.**”

<https://www.bertelsmann-stiftung.de/en/press/press-releases/press-release/pid/with-too-few-educators-at-early-childhood-education-centers-quality-is-often-compromised>

- (b) Bertelsmann Stiftung – the Bertelsmann Foundation – is a German think tank.

Source:

Bock-Famulla, Kathrin, Anne Münchow, Felicitas Sander, Davin Patrick Akko, and Julia Schutz. 2021. *Länderreport Frühkindliche Bildungssysteme 2021 Transparenz schaffen - Governance stärken*. Gütersloh, Germany: Verlag Bertelsmann Stiftung. "State by State: Monitoring Early Childhood Education."

Ireland

Child age	Ratio
0-1 year	1:3
1-2 years	1:5
2-3 years	1:6
3-6 years	1:8

Ratios relate to “Full day care services or part-time day care services”.

Source:

Child Care Act 1991 (Early Years Services) Regulations 2016, S.I. No. 221 of 2016, p.48

<https://www.tusla.ie/uploads/content/20160510ChildCareActEarlyYrsRegs2016SI221of2016.pdf>

Netherlands

Child age:	Ratio
0-1years	1:3
1-2 years	1:5
2-3 years	1:8
3-4 years	1:8

Additional notes on calculation for mixed groups:

- If a child aged 0 to 1 year is present in a core group, the following calculation formula is also applied in addition to table 1. If Z yields a number that is greater than the minimum number of professionals to be deployed based on table 1, the minimum number of professionals to be deployed based on table 1 is increased to Z. The calculation formula is as follows: $Z = (A + ((B + C + D) / 1.2))$, rounded up. A = number of children aged 0 to 1 / 3. B = number of children aged 1 to 2 / 5. C = number of children aged 2 to 3 / 6. D = number of children aged 3 to 4 / 8.
- In a situation in which adding 1 child leads to a smaller number of required professionals based on table 1 and calculation rule 1, the number of required professionals is increased by 1.

Source:

Central Government, 2023. *Rekentool beroepskracht-kindratio (BKR) in de kinderopvang*

<https://1ratio.nl/bkr/#/rekenregels/3>

New Zealand

Child age	Ratio
0-<2 years	1:5
2 years and over	1:6 for first six 2: 7, 8, 9,10 -20 1:10 above

Source:

Education (Early Childhood Services) Regulations 2008, (SR 2008/204), Version as at 1 February 2023, p. 46.

<https://www.legislation.govt.nz/regulation/public/2008/0204/latest/DLM1412501.html>

Norway

Kindergartens in Norway are for children aged 0-5 years. Children start compulsory school the year they turn six.

Child age	Ratio
0-<3 years	1:3
3-5 years	1:6

Additional Notes: According to regulations there must be one pedagogical leader per 7 children under the age of three and per 14 children over the age of three. Pedagogical leaders work in teams with assistants to provide for groups of children. In addition to the regulation of children to teacher ratios, there is a regulation for the ratio of children to staff. According to regulations there shall be maximum 3 children per staff when the children are under three years of age and maximum 6 children per staff when the children are over three years of age. Assistants can have a vocational training as child care and youth workers on upper secondary level.

Source:

Government.no. 2023. Early Childhood Education and Care <https://www.regjeringen.no/en/topics/families-and-children/kindergarten/early-childhood-education-and-care-polit/id491283/>

Switzerland

Largest Cantons: Zurich (19.9%), Berne (12.0%) & Vaud (9.4%)

Child age (years)	Zurich	Berne	Vaud	Kibesuisse recommended (b)
	Ratio			
0	1:4	1:4	1:5	1:3
1	1:4 (a)	1:6	1:5	1:3
2	1:6	1:6	1:7	1:5
3	1:6	1:6	1:10	1:8
4	1:6	1:8	1:12	1:8
5	1:6	1:8	1:12	1:10

(a) Switch from 1:4 to 1:6 occurs at 18 months.

(b) Kibesuisse is the national non-profit peak child care organisation in Switzerland

Source:

Ecoplan. 2020. *Überblick zur Situation der familienergänzenden Betreuung in den Kantonen*. Bern: Konferenz der kantonalen Sozialdirektorinnen und Sozialdirektoren (SODK), p. 33.

United Kingdom

Child age/ group	England	Scotland	Wales	Northern Ireland
	Ratio			
Under 2 years	1:3	1:3	1:3	1:3
2 years	1:4	1:5	1:4	
2-3 years				1:4
3 years+ not in education	1:8	1:8		
3 years+ short session		1:10		
3 years +Early Years Teacher Status or another approved level 6 qualification, is working directly with the children	1:13			
3-7 years			1:8	
3-12 years				1:8
	§3.41. Where the provision is solely before/after school It is for providers to determine how many staff are needed to ensure the safety and welfare of children,(a)			
8-12 years		1:10	1:10	

(a) Other parts of the provision suggest a maximum ratio of 30 children per educator reflecting class size.

Source:

England: Department of Education. 2021. *Statutory framework for the early years foundation stage*, p. 28-29.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/974907/EYFS_framework_-_March_2021.pdf

Scotland: The Scottish Government. 2009. *National Care Standards Early Education and Childcare up to the age of 16, revised September 2009*, p. 31.

<https://www.gov.scot/binaries/content/documents/govscot/publications/advice-and-guidance/2011/05/national-cares-tandards-early-education-childcare-up-age-16/documents/0116828-pdf/0116828-pdf/govscot%3Adocument/0116828.pdf>

Wales: Childcare Development Division Education and Public Services Welsh Government. 2016. *National Minimum Standards for Regulated Childcare for children up to the age of 12 years*. Cardiff: Welsh Government, p. 40. <https://www.careinspectorate.wales/sites/default/files/2018-01/160411regchildcareen.pdf>

Northern Ireland: Department of Health. 2018. *Childminding and day care for Children Under Age 12 Minimum Standards July 2012 (amended October 2018)*. Belfast, p. 32. <https://nicma.org/NICMA/media/NICMA-Documents/For%20Childminders/early-years-standards-full-version.pdf>

United States

Largest states: California (11.9%), Texas (8.9%), Florida (6.5%) New York (6.0%)

Child age	California (Title 5) (a)	Texas (b)	Florida	New York	American Academy of Pediatrics recommended (c)
Ratio					
<6wks				1:3	
0-11 months		1:4	1:4		1:3
0-18 months	1:3			1:4	
1 yearr			1:6		1:4
12-17 months		1:5			
18-23 months		1:9			
18-36 months	1:4			1:5	
2 years		1:11	1:11		1:4
3 year		1:15	1:15	1:7	1:4
3-6 years	1:8				
4 years		1:18	1:20	1:8	1:8
5 years		1:22		1:9	1:8
5 years and over			1:25		
6-8 years		1:26			1:10
6-9 years				1:10	
6-14 years	1:14				
9-13 years		1:26			1:12
10-12 years				1:15	

Notes:

- (a) Title 5 child care is subsidised childcare provision. Different and lower staff ratios are applied to regulated but not financially supported private childcare providers (Title 22). Adult to child ratios shown, there are also regulated ratios for teachers.
- (b) Requirements for services licensed to care for 13 or more children.
- (c) These ratios are cited on the Federal Government site as recommended levels

Sources:

- California: Title 5. Education Division 1. California Department of Education Chapter 19. Early Learning and Care Programs Subchapter 13. Staffing Ratios 5 CCR § 18290. Staffing Ratios for Early Learning and Care Programs.
[https://govt.westlaw.com/calregs/Document/I49956F934C6911EC93A8000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=\(sc.Default](https://govt.westlaw.com/calregs/Document/I49956F934C6911EC93A8000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default)
- Texas. Texas Health and Human Services. 2023. *Minimum Standards for Child-Care Centers, March 2023*. p. 105.
<https://www.hhs.texas.gov/sites/default/files/documents/doing-business-with-hhs/provider-portal/protective-services/ccl/min-standards/chapter-746-centers.pdf>
- Florida: Florida State. 2023. *The 2022 Florida Statutes (including 2022 Special Session A and 2023 Special Session B) Title Xxix Public Health Chapter 402 Health and Human Services: Miscellaneous Provisions 402.305 Licensing standards; child care facilities*.
http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&URL=0400-0499/0402/Sections/0402.305.html
- New York: New York State. 2021. *New York State Child Day Care Regulations Effective October 13, 2021*. Part 418-1.8(j). <https://ocfs.ny.gov/programs/childcare/regulations/418-1-DCC.pdf>
- American Academy of Pediatrics: Office of Child Care, Administration for Children and Families. 2023. *Recommended Staff: Child ratio and Group Size: Child Care Centres*. <https://childcare.gov/consumer-education/ratios-and-group-sizes>