

# STARTING BETTER

NOVEMBER 2021

A GUARANTEE FOR YOUNG CHILDREN AND FAMILIES







## Acknowledgements

This is a CPD report marking the end of the first year of our Early Childhood Development (ECD) Initiative. The report draws on the two central components of the Initiative: an informal inter-governmental ECD Council comprising senior officials from all jurisdictions, ECD experts and sector leaders, and a scoping study to provide evidence on policy options to improve the design and delivery of ECD services. While the principles and proposals in this report are informed by valuable insights from Council participants, they do not represent an endorsed ECD Council view.

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This report supports the use of innovative, evidence-informed policy models to advance the shared task of ECD reform. The ECD Initiative is part of CPD's Effective Government Program, which examines the role of government and public policy in the 21st Century, including the role and delivery of effective services in addressing social and economic disadvantage in Australia.

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# Executive Summary

Raising children is the most important thing we do — not just as families, but as a society. It is an act of love and faith in the future. Whether or not we are parents, we share a duty of care for children. We must do all we can to help them grow and flourish.

The evidence is clear that a child's earliest experiences establish foundations for life. In their first years, children form more than one million new neural connections every second as they learn the skills that make for healthy, happy humans. Ninety per cent of brain growth occurs by the age of five. Evidence shows that children who get high-quality early education are more likely to thrive throughout schooling, enjoy healthier development, be employed and earn higher wages as adults, and raise happier families themselves.

Australian children are supported through this crucial early development phase in many essential ways, including through access to universal healthcare, paid parental leave, a national framework that underpins the quality of early childhood education and care, minimum standards for child and maternal health services, and a shared government commitment to universal access to one year of preschool for every four-year-old. These are solid foundations to build on, but they are not sufficient in scale, quality or coherence to give children the best possible start in life at a price that families can afford.

**To ensure that every young child has what they need to thrive, and make early childhood an essential element of Australia's social and economic infrastructure, we need a new nationwide guarantee for young children and families.**

As part of our social deal, Australia already offers well-functioning and highly valued guarantees to all citizens — including the guarantee of free quality schooling through to the end of Year 12 and the guarantee of free health care. In *Starting Better*, we lay out the evidence for why Australia needs a new guarantee — a guarantee for young children (from birth to age eight) and their families, based on the principle that cost should never be a barrier to essential early childhood services.

## The core elements of the guarantee are:

- **more paid parental leave**, shared between partners.
- **universal access to maternal and child health care**, consistent across all states and territories, with additional home visits for families needing extra support.
- **three days (up to 30 hours) of free or low-cost high-quality early childhood education and care** per week as soon as families want it, with additional days for those who need it at minimal cost.
- **three days (up to 30 hours) of free or low-cost high-quality preschool** per week for the two years before children start school, with additional days for those who need it at minimal cost.
- a wraparound “navigator” service for families who need extra help to find and access suitable supports, as part of **integrated whole-of-family early childhood service delivery**.
- developing better mechanisms to provide **seamless support for children** from the day they are born, including more effective transitions from early learning to primary school.

The guarantee is based on evidence of what has the greatest impact and what will work best for Australian children and families. It combines universal services to help all children thrive, with bespoke support to meet families' needs and aspirations.

All governments should commit to this guarantee, building a coalition of service providers, unions, businesses and communities to collectively own and deliver it.

Right now, Australia's early childhood development system is nowhere near as good as it could be and should be.

More than one in five children still start school developmentally vulnerable, with these figures even higher for Aboriginal and Torres Strait Islander children and children in remote areas. This rises to two in five for children who don't enjoy the benefits of early childhood education and care.





The early childhood sector is expensive and underfunded. As a share of family income, the costs of early childhood education and care in Australia are among the highest in the developed world. Many children are locked out of services altogether, with almost two thirds of families citing expense as a problem. Mothers who want to work say that looking after children is the main reason why they can't look for a job.

Only when a child is four years old do all governments commit to providing access to 15 hours of early learning each week. By this point, though, inequalities are entrenched. Despite vulnerable children benefiting the most from high-quality education and care, disadvantaged areas are the least likely to have high-quality services. For some families, particularly those living in regional and remote communities, the services they need simply aren't available.

All families must navigate a confusing and fragmented system. Many children attend both state- and territory-funded preschool and Commonwealth-funded early childhood education and care with little sense of shared responsibility for their learning. Though they are working with the same children, maternal and child health nurses often have little contact with staff in early childhood education and care. The transition from preschool to primary school can be bumpy for children because educational approaches and curricula are poorly aligned.

Australia's dedicated early childhood workforce is mostly made up of women. Conditions vary, but generally, they are among our lowest paid professionals. Underinvestment in skills development and limited options for career progression has led to high staff turnover. This workforce churn holds back the quality of education and care.

**COVID-19 has highlighted how important early childhood services are in families' lives; while government intervention temporarily rescued the sector, its flaws and fragility were exposed.**

Many young children have spent formative months in lockdown, unable to attend early childhood education and care and preschool, or even play with friends. The pandemic brought the early childhood sector to the brink of collapse, risking devastating effects on children, families and early childhood professionals.

Addressing these issues through a new guarantee for young children and families is a significant investment, which experts agree will return substantial positive economic and social benefits.

We estimate an extra \$1 to \$2 billion annual investment is needed in the first 12 months of implementing the guarantee, rising to between \$11 and \$20 billion annually once the guarantee is fully realised in 2030. These estimates are based on the guarantee's largest components. All levels of government would have responsibility for funding aspects of the guarantee, in partnership with business.

Benefits of the guarantee are substantial, and include additional economic growth, tax revenue and reduced government spending on welfare, health and the justice system. Similar proposals aligned with the guarantee have projected even larger returns.

We estimate the costs and benefits of the guarantee will break even when fully rolled out. By 2045, all benefits of the guarantee will be realised as children who attend high-quality ECD services move into the workforce, leading to an estimated yearly return on investment of \$15 billion.

A guarantee for young children and families is one of the best ways to address disadvantage because it increases the prospects for children to thrive, learn and earn throughout their lifetimes. By making it easier for women to balance work and family, and by improving wages and conditions in the female-dominated early childhood sector, the guarantee also drives gender equality.

## Starting now, it will take a decade of sustained effort to deliver the guarantee in this ambitious form.

Meaningful ECD reform to deliver the guarantee will take significant, nation-building work. The relevant policy and delivery levers are scattered across different levels of government, jurisdictions and portfolios. Governments must also work in partnership with communities at every step.

We propose the establishment of a National Federation Reform Council Taskforce on Early Childhood Development that reports within 12 months on the most effective way to implement the guarantee over the next decade. We suggest a reform pathway to implement the guarantee in three sequential phases — over the first 12 months, by 2025, and by 2030.

If we fail to guarantee a better start for Australian children, then we are holding back the entire country. Raising children well is not just the business of families, but a collective investment in Australia's economic and social wellbeing.

## It takes more than a village to raise a child; it takes a nation.



## Glossary

### **AEDC** Australian Early Development Census

A holistic national measure of early childhood development at the time children start school. Data is collected every three years. For more information visit [www.aedc.gov.au](http://www.aedc.gov.au).

### **ECD** Early Childhood Development

All services and supports provided specifically to young children and families, including early childhood education and care, maternal and child health, paid parental leave and other services that may exist within communities, such as playgroups and First Nations services.

### **ECEC** Early Childhood Education and Care

All education and care services approved under the National Law and Regulations, including preschool, long day care, school age care and family day care.

### **EYLF** Early Years Learning Framework

The national curriculum framework for approved education and care services. ECEC services may also use approved learning frameworks for their state or territory, where available.

### **MCH** Maternal and Child Health

State and territory funded nursing services provided to young children and families. These services have different names across states and territories, such as Child and Family Health. In this report, MCH is used to refer to all services performing this role for Australian families.

### **NFRC** National Federation Reform Council

The NFRC comprises the Prime Minister, Premiers, Chief Ministers, Treasurers and President of the Australian Local Government Association. National Cabinet is at the centre of NFRC. NFRC was established in June 2020 to replace the Council of Australian Governments (COAG).

### **PPL** Paid Parental Leave

A scheme for all Australians who have a baby or adopt a child under 16, while in paid employment, which includes government-funded Parental Leave Pay, as well as employer-funded and unpaid leave.



# The Problem



Australia fails too many children in the years before school and the pandemic has made things worse



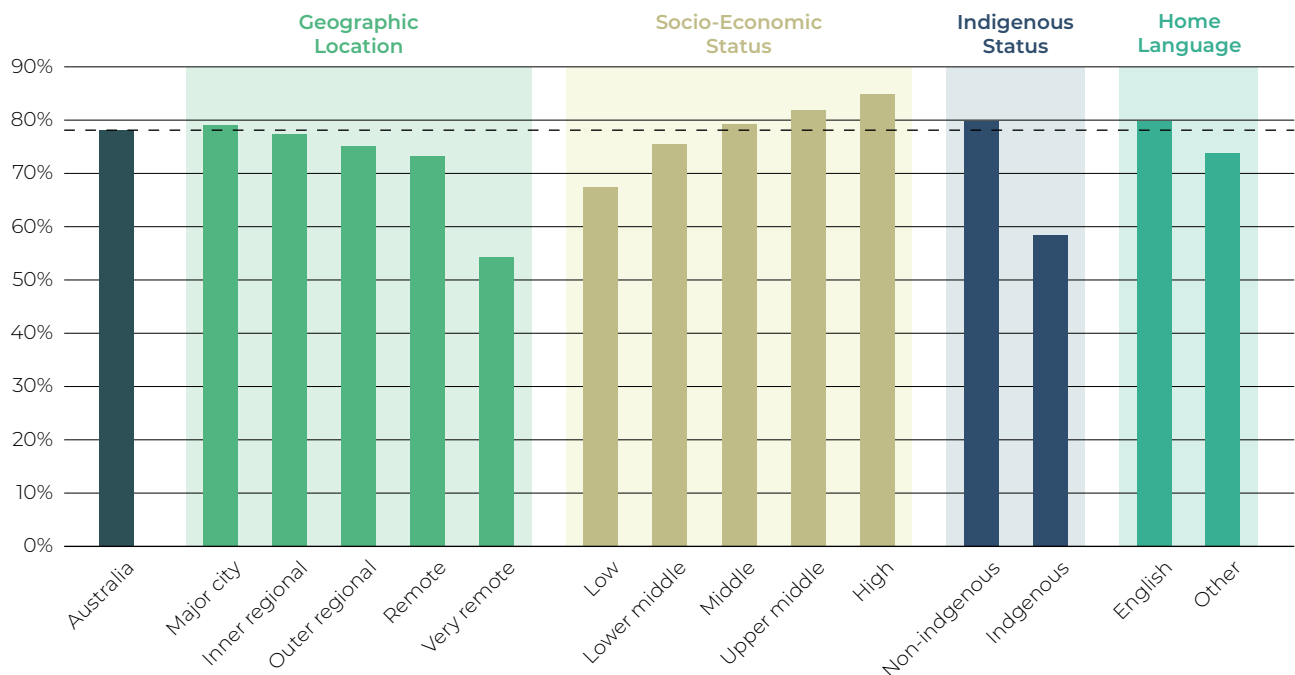
## You can judge a country by how it treats its children. COVID-19 has revealed both what a crucial time early childhood is, and how neglected it is in public policy.

While all Australian children are guaranteed free primary and secondary schooling, in the early years, families are left to juggle child rearing, paid work and the high costs of education and care unassisted. The confetti of services exacerbates stress and confusion. What's more, our undervalued and underpaid early childhood workforce are denied the rewarding, high-quality careers they deserve. The COVID-19 chaos adds to the urgency of re-imagining our early childhood development system. We must decide what we guarantee young children and families so Australia can be the best place in the world to be a child, and to be a parent.

Every child deserves a good start in life. This report shows Australia fails to guarantee that good start for all children, and how we can do much better. Each year around 300,000 children are born in Australia.<sup>1</sup> Yet one in five of these children start school developmentally vulnerable. For children who do not receive early childhood education and care (ECEC) it's two in five.<sup>2</sup> The Australian Early Development Census (AEDC) assesses children across five developmental domains: physical health and wellbeing; social competence; emotional maturity; language and cognitive skills; and communication skills and general knowledge. The Census shows that some Australian children get a much better start than others. This initial inequality widens over time into major inequalities in school outcomes and employment prospects.

At the age of five there are significant gaps in developmental progress between children in different states and territories, between children in remote and metropolitan locations, between children from higher or lower socioeconomic areas, and between Indigenous and non-Indigenous children. Across rural and remote Australia, for example, more than 180,000 children need developmental support.<sup>3</sup> Too many children never catch up.<sup>4</sup>

### PROPORTION OF CHILDREN WHOSE DEVELOPMENT IS ON TRACK IN THE FIRST YEAR OF SCHOOL



Source Adapted from Lamb et al. (2020), *Educational Opportunity in Australia*, constructed with AEDC data.

1 Australian Bureau of Statistics (2020) *Births, Australia*.  
 2 Exact figures are 21.7% of all children, and 39.8% of children who do not receive early childhood education and care  
 Productivity Commission (2021) *Report on government services 2021 — Part B, section 3*.

3 Royal Far West (2021) *The Need*.  
 4 Lamb et al. (2015) *Educational opportunity in Australia 2015: Who succeeds and who missed out*, Mitchell Institute.

## Compounding inequality

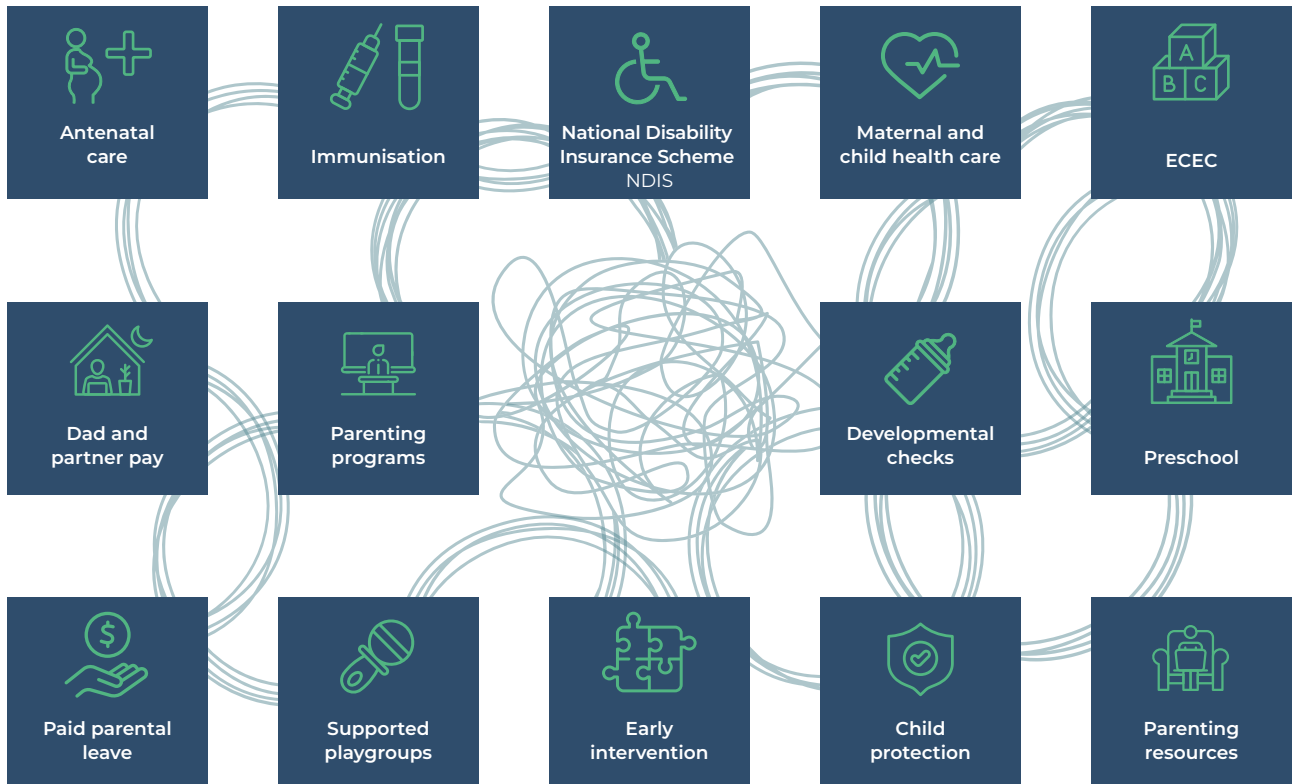
Inconsistencies in the services and support that families receive embeds inequality. Our Paid Parental Leave (PPL) system is well behind comparable countries, and new parents must often return to work early or struggle to take any time off, depending on the adequacy of their employer's parental leave policies.<sup>5</sup> Lopsided leave entitlements dictating primary and secondary carers' leave entrench gender inequality in parenting and the workforce.

There is no nationally consistent approach in our Maternal and Child Health (MCH) services. The number of free MCH checks ranges from 6 to 15, depending on the state or territory a child lives in.<sup>6</sup> MCH services and GPs often work in healthcare silos, each unaware of what the other is doing. Despite their best efforts to coordinate care, many families are left without the support they need. When children are identified as developmentally vulnerable, their parents often cannot afford to pay for private paediatric specialists or allied health professionals. As they sit on long public waiting lists, their children's developmental vulnerabilities worsen.

When families want to access ECEC, cost, quality and availability vary widely. Many families living in regional areas find it hard to access appropriate ECEC, and the likelihood of a service being rated high quality decreases with distance from major centres.<sup>7</sup> Despite rising ECEC quality overall, there is a growing gap between the quality of services in the most and least disadvantaged areas of Australia.<sup>8</sup> Preschool subsidies and places available for three- and four-year-olds vary between different states and territories.

Our Early Childhood Development (ECD) system remains difficult, expensive, and confusing for everyone to navigate. The range of services available for parents to choose from often does not reflect what would best meet the needs of children and families. In fact, it's misleading to call this collection of services a "system" at all since the parts rarely connect well.

## AUSTRALIA'S ECD SYSTEM IS CONFUSING FOR EVERYONE



<sup>5</sup> The Parenthood (2021) *Making Australia the best place in the world to be a parent*.

<sup>6</sup> Unpublished report, Telethon Kids Institute, provided in confidence.

<sup>7</sup> McLennan (2021) *Australia Talks* finds six out of 10 regional families can't easily access child care, *ABC News*; Australian Children's Education & Care Quality Authority (ACECQA) (2020) *NQF Annual Performance Report*.

<sup>8</sup> ACECQA (2020) *NQF Annual Performance Report*.

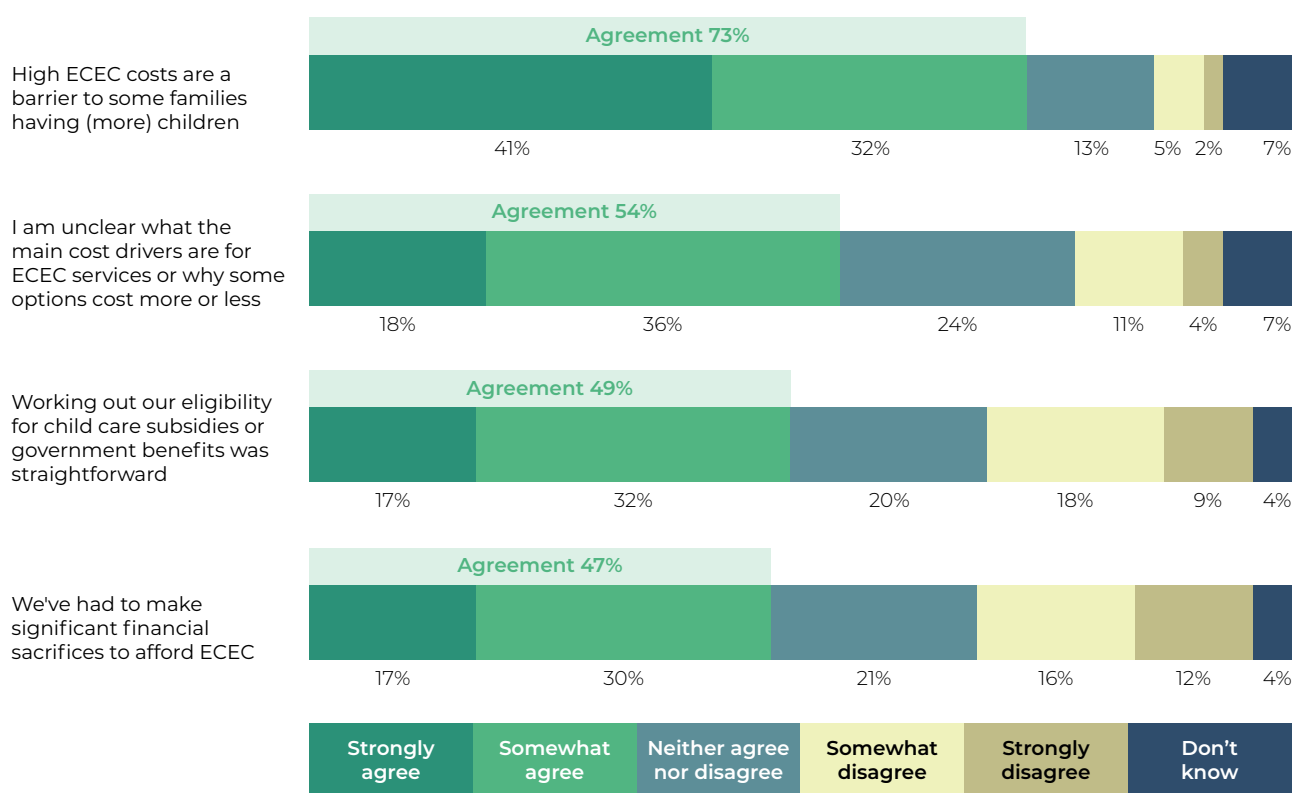


## Families struggle to balance paid work and access to quality education and care

The science tells us that the size of a child’s brain reaches 90 per cent of an adult’s by the age of five.<sup>9</sup> The pace of learning is mindboggling — more than one million new neural connections every second. We know that high-quality early childhood education and care can be a crucial part of a child’s development as they learn to communicate, get along with others, and manage their behaviour and emotions.<sup>10</sup> High-quality interactions with teachers and educators can help build these neural pathways. Yet for many families, early childhood education and care is too expensive.<sup>11</sup> In a recent survey of almost 1,700 parents, The Front Project found almost half had made significant financial sacrifices to use ECEC services.<sup>12</sup> A similar proportion found the system of subsidies difficult to understand, and the costs of services opaque. Most strikingly, almost three quarters of parents said the cost of education and care was a barrier to having (more) children.

Often, these costs are enough to keep parents, usually mothers, out of work. In addition to costs, availability can also be a barrier to workforce participation. In February 2021, almost 140,000 people in Australia who wanted paid employment cited “childcare” as the main reason they couldn’t look for work.<sup>13</sup> Nine out of ten were women. Analysis by CPD and PricewaterhouseCoopers found that on average, wealthier communities pay higher fees for early childhood education and care, and are more likely to have higher quality services. This can create a cycle of inequality where the most skilled early childhood professionals work in the highest quality facilities, out of the reach of the children they could most benefit. The labour shortages afflicting the entire early childhood sector are most pronounced in remote communities and those facing disadvantage, where many services struggle to meet demand and quality standards.

### EARLY CHILDHOOD EDUCATION AND CARE (ECEC) COSTS AND AFFORDABILITY



Source The Front Project (2021) *Work and play*, Fig. 15, p. 44.

9 Fox et al. (2015) *Better systems, better changes: A review of research and practice for prevention and early intervention*, Australian Research Alliance for Children and Youth (ARACY), Canberra.

10 Pascoe and Brennan (2017) *Lifting our Game: Report of the Review to achieve educational excellence in Australian schools through early childhood interventions*.

11 A recent survey of nearly 6,500 SDA members found that for those with a child under 5, affording childcare was the most

common difficulty experienced by those using ECEC services (63%). See Cortis et al. (2021) *Challenges of work, family and care for Australia's retail, online retail, warehousing and fast food workers*, Social Policy Research Centre, UNSW Sydney.

12 The Front Project (2021), *Work and play: Understanding how Australian families experience early childhood education and care*.

13 Hutchens (2021) Meet the millions of people who aren't employed, *ABC online*, October.

Currently, there is a disparity in what Australian children can access, often because of where they live or the type of jobs their parents have. For example:

If your parents are casual employees in retail, warehousing or fast food services, they may not take any paid or unpaid parental leave. If they do, they may experience difficulties returning to the same position or schedule.<sup>14</sup>

If your parents work at a number of big law firms in Australia, they will likely be able to take 18-36 weeks parental leave from their employer, paid at their full replacement wage.<sup>15</sup>

If you are born in Queensland, preschool is only free if you are in out-of-home care or if you are from an Aboriginal or Torres Strait Islander family.<sup>16</sup> Other families generally pay fees.

If you are born in Canberra, preschool is free for all families.<sup>17</sup>

If you live in a regional town like Crystal Brook in South Australia (population 1,500) you may have to drive up to 120 kms to access an early childhood education and care centre.<sup>18</sup>

If you work at or attend a major university in Sydney, you can access an ECEC service directly on campus.<sup>19</sup>

If you're born in Western Australia, you can have six health and development checks from when you're born till age four and a half, with four in the first year of life.<sup>20</sup>

If you're born in the Northern Territory, you can have 14 health and development checks in the same time period, with seven in the first year of life.

If you live in a lower socioeconomic area you are likely to have fewer ECEC services to choose from and they are more likely to be working towards the National Quality Standards.<sup>21</sup>

If you live in a high socioeconomic area you are likely to have several services to choose from that are meeting or exceeding the National Quality Standards.

<sup>14</sup> Cortis et al. (2021) *Challenges of work, family and care for Australia's retail, online retail, warehousing and fast food workers*, Social Policy Research Centre, UNSW Sydney.

<sup>15</sup> Many firms have also removed the distinction between 'primary' and 'secondary' carer in their leave policies as well. Niesche (2021) Australian firm duo offer 26 weeks paid parental leave in Australia and Singapore, *Law.com*; Scott (2021) Clayton Utz staff to receive up to 36 weeks' paid parental leave, *Clayton Utz*; Herbert Smith Freehills (2021) *At Herbert Smith Freehills, we understand the importance of balance and a fulfilling work environment*.

<sup>16</sup> Queensland Government (2018) *Rebates and financial assistance*.

<sup>17</sup> Raising Children (2021) *Preschool in your state*.

<sup>18</sup> McLennan (2021) *Australia talks*.

<sup>19</sup> University of Sydney (2021) *Childcare centres*; University of Technology Sydney (2021) *About UTS Child Care*; University of New South Wales (2017) *Early Childhood Education and Care*.

<sup>20</sup> Unpublished report, Telethon Kids Institute, provided in confidence.

<sup>21</sup> Australian Children's Education and Care Quality Authority (2020) *Quality ratings by socio-economic status of areas*.



# The Promise



A guarantee for young children and families



In September 2008, the Commonwealth Government received a report it had commissioned on a national early childhood development strategy. The report began with a vision for 2020:

“ By 2020, every Australian child should be developing to their full potential — physically, cognitively and socially — within a robust family and integrated community. From pregnancy to starting school, families will feel supported in making choices which encourage their children’s development. Services will be integrated across disciplinary boundaries in a child-centric approach, with seamless transitions between health, education and care experiences. To facilitate this vision, every family will have flexible access to a core platform of high-quality effective early childhood services, developed on a strong base of local and international evidence.<sup>22</sup> ”

For many reasons, including the Global Financial Crisis, this vision did not become reality. There has been progress, particularly improvements to parental leave, a National Quality Framework for ECEC, and universal access with recurrent funding for preschool in the year before school. But in 2020, Australia was ranked near the bottom (32/38) of a UNICEF league table showing child wellbeing outcomes in rich countries.<sup>23</sup> It is now 2021, and many young children have spent months in lockdown, exposed to the risks of the COVID-19 pandemic for which they cannot currently be vaccinated. We cannot waste another opportunity to make Australia the best place in the world to be a child, and to raise one.

**Australia’s strongest service systems, including health and school education, are underpinned by a guarantee from governments to the community. No such commitment exists for young children. We all stand to gain from establishing a nationwide guarantee for young children and families, with a clear purpose, and well-defined government roles to deliver it.**

A guarantee for young children and families will make Australia healthier, happier and more prosperous. The guarantee is based on evidence of what has the greatest impact (see Appendix 1) and what will work best for Australian children and families. It connects all parts of the ECD system from the day a child is born until the early years of primary school. This important grouping of supports builds the foundation for success at school, helps develop neurological and cognitive building blocks, and builds confidence, social engagement, agency, and the capability to live a flourishing life.

The guarantee combines universal services to help all children thrive (parental leave in line with global best practice, maternal and child health, early childhood education and care, including preschool and the early years of primary school), with bespoke layers of support for families to customise to their needs and aspirations. It retains the flexibility to accommodate each child’s unique journey, and vulnerable families and children (including, for example, those experiencing disadvantage, involved in the child protection system, or with developmental delay or disability) can access greater support when they need it. The guarantee recognises no single service can give children and families everything that they need in the early years of life, and that all services must work together with the shared goal of a better start and better outcomes for children. A common understanding of the importance of quality early learning and development would drive all services, with information readily available to help families make the choices that are best for them. The guarantee can be a game changer in clarifying, simplifying and amplifying public expectations for children’s early years — and how we can work together to meet and exceed them.

<sup>22</sup> 2008 report provided in confidence.

<sup>23</sup> UNICEF Innocenti (2020) *Worlds of influence: Understanding what shapes child well-being in rich countries.*



# The guarantee for young children and families

The guarantee is an entitlement, delivering several core elements that children and families need to thrive



**Supported parents and families**



**Early childhood education and care**



**Maternal and child health services**



**In the first year of a child's life**, it's easier for families to spend time with their child at home

## Babies

**6 to 12 months paid parental leave** per family, shared between partners



**Young children can play, learn and grow** while families find the balance between paid work and child rearing that works for them

## Toddlers

**Three days free or low-cost high-quality early childhood education and care** as soon as families want it — more days at minimal cost if needed



**Before children start school**, they build early literacy and numeracy, alongside holistic development and wellbeing

## Preschool

**Two years free or low-cost high-quality preschool**, connected to other services and school



**When children start school**, they are developmentally on track and continue to thrive

## School

**Preschool flows seamlessly into primary school**

## Locally embedded support at all points

- Access to up to 25 high-quality maternal and child health checks.
- Support navigating the system, particularly for families facing disadvantage, with links to early intervention, child protection and the NDIS.
- Easy access to services such as playgroups and parenting support.
- Aboriginal and Torres Strait Islander histories and cultures are valued and celebrated. Culturally appropriate support is provided to all.



**Reports to government have repeatedly highlighted the need for a connected ECD system:**

- The 2008 report for the Commonwealth Government described a “broad public expectation that at least a minimum set of early childhood services should be available to all children”, and that they should be seamlessly integrated:

“Each of the platforms is absolutely necessary — they are not alternatives, but integral components of the overall package. Failure to develop any one level will lead to a misallocation of resources to the varying levels of need experienced. From a child and family perspective, however, the platforms will be experienced as one system at the local level.”<sup>24</sup> ¶¶

- In 2009, the aspiration for Australia’s National Early Childhood Development Strategy was that “by 2020 all children have the best start in life to create a better future for themselves and for the nation.”<sup>25</sup>
- The 2017 *Lifting our Game* report for all Australian State and Territory Governments found objectives at different levels of government were poorly aligned, there were inconsistencies in eligibility for services and parents struggled to navigate the complexity of the sector.<sup>26</sup>
- The 2020 *Nous Group* review of preschool concluded that “for a system to become greater than the sum of its parts, integration and coordination is key”.<sup>27</sup>



The COVID-19 pandemic has consolidated an understanding that early childhood services are “essential services”. With commitment from all governments to visionary reform, early childhood development can be the backbone of Australia’s future wellbeing and economic prosperity. The guarantee demands commitment and collaboration from governments, communities, businesses and services, and the benefits will justify the challenges and costs.

<sup>24</sup> 2008 report provided in confidence.

<sup>25</sup> Commonwealth of Australia (2009) *Investing in the early years – A national early childhood development strategy*.

<sup>26</sup> Pascoe and Brennan (2017) *Lifting our game*.

<sup>27</sup> *Nous Group (2020) UANP Review: Final review report*.

# The Proposal



Delivering the guarantee for young children and families over the next decade



**A reform as big as the guarantee for young children and families cannot happen overnight. It will take a decade of sustained effort by different levels of government through multiple electoral cycles. This report suggests a reform roadmap to deliver the guarantee, starting now and building through to 2030.**

In signing up to the guarantee, governments, service providers, businesses, unions, communities, and philanthropists can create a shared mission, driving innovation, collaboration, collective ownership, and accountability.

Under the guarantee, a commitment to learning and development outcomes for children will be the driving force of early childhood development in Australia. The vision of all Australian children thriving can become a reality if governments place outcomes for children at the centre of ECD policy and orient the collective efforts of families, service providers, businesses and communities towards this goal. It must be a shared responsibility.

Children thrive when the adults who educate and care for them thrive. If you want to support a child, you must also support their family. Improving the quality of family life and creating more rewarding careers for early childhood professionals are secondary goals of ECD reform that are preconditions for a better start and better outcomes for children.

The package of reforms to deliver on the guarantee is designed to break down the false dichotomy between policy focused on improving outcomes for children, and policy focused on increasing parents' participation in the workforce. Realising the potential of the early childhood development system requires both priorities to be pursued as inseparable elements of the single mission to provide what children need to thrive, through complementary, connected reforms.


Delivery of the guarantee is within our reach because we have a solid foundational service system built by successive governments over the last few decades. Investment in reforms to establish minimum standards for child and maternal health services, paid parental leave and the National Quality Framework delivered significant improvements for children and families and strengthened systems in many communities. The guarantee will provide the resources and support to both strengthen individual services and build links between services to create a seamless web of support through the early years of a child's life.

We suggest a reform pathway to implement the guarantee in three sequential phases — the first over 12 months, the second by 2025, and the third by 2030. The draft pathway is intended to prompt further discussion about the key components of the guarantee, and how they can be secured in the next decade to benefit all Australians. Success will be measured by how well each component delivers on its own targets and by how each contributes to the shared goal of a better start and better outcomes for children and families.



# Delivering on the guarantee for young children and families

The table below sets out a sequence of reforms for each component of the guarantee to be achieved in the first 12 months, by 2025, and by 2030.



	First 12 months	By 2025	By 2030
Paid parental leave	Families receive 26 weeks paid leave, with some portion allocated to each parent to encourage equal sharing. Sole parents receive the full 26 weeks.	Families receive 30 weeks paid leave, with some portion of leave allocated to each parent. Sole parents receive the full 30 weeks.	Grow towards 18 weeks paid leave for each parent, plus an additional 16 weeks to be used as best suits the family. Leave paid at a similar rate to pre-birth wage.
Maternal and child health	Vulnerable families are supported by healthcare professionals to access up to 25 MCH checks, with additional checks delivered through nurse home visits.	Roll out access to 10 to 25 MCH checks for all families, creating national consistency. Vulnerable families are supported to access the full 25 checks.	n/a
Wraparound services and supports	Trial options to integrate navigator support within ECD systems.	Roll out effective options across Australia.	Innovative local approaches are integrated and inform systems reform.
ECEC services	National commitment to a new funding model integrating ECEC and preschool. Vulnerable children (birth to four) are entitled to three free or low-cost days of high-quality ECEC a week — more if they need it.	All children (birth to four) are entitled to three days of free or low-cost high-quality ECEC a week. Vulnerable children can attend up to five days of ECEC a week at minimal cost.	The new funding model guarantees three days of free or low-cost high-quality ECEC a week and embeds two years of preschool (three days) within ECEC. Funding is available regardless of setting. Cost is no barrier for any child anywhere in Australia.
Preschool	National commitment to two years of preschool in the years before school.	All jurisdictions have started implementing two years of preschool (at three days a week).	
Early years of primary school	Trial options to strengthen the role of schools in the transition from early learning to school.	Develop assessments to connect learning in ECEC and schools. Improve alignment of the Australian Curriculum and EYLF.	Expand co-location models as part of local ECD service planning.

The comprehensive evidence base for each proposal is outlined in Appendix 1.

## Paid parental leave is guaranteed to...

### Encourage shared care between parents for 26 weeks (short-term)

The first phase of reform would extend the amount of government-funded leave available to families from 18 to 26 weeks and create incentives for leave to be shared more equally (such as use-it-or-lose-it entitlements for each partner). There is strong evidence that children benefit when both parents are involved in care. The earlier parents share responsibilities, the more those patterns are established, reducing long-term pay disparities for women. Entitlements for each partner would be designed to ensure that no partner receives less parental leave than they do under the current scheme. Ongoing monitoring and evaluation of the scheme would allow sharing incentives to be responsive to actual behaviour change.

### Grow PPL from 30 to 52 weeks available for every family (medium-long term)

The first year of life is a critical time for establishing a child's attachment style and determining later health and wellbeing. More generous paid leave is also linked to better maternal health and reduced poverty for single parents. Incentives for more equal sharing would ensure that parents can balance work and home life together. This phase would bring Australia into line with global best practice and the OECD average of 51.5 weeks' parental leave.

### Ensure families are not financially disadvantaged (long-term)

Lost wages are a significant barrier to caring for children at home in the crucial first year of life. This is especially true for low-income families. One of the guarantee's important goals is to ensure that no family is financially disadvantaged by choosing to stay home and care for an infant. The final phase of reform would create partnerships between government and employers so public funding and business' co-contributions ensure more parental leave is paid at a similar rate to pre-birth wages.

## Maternal and child health services are guaranteed to...

### Scale up intensive support for families who need it (short-term)

Evidence shows that from a child's conception, quality nurse home visiting programs provide effective support to families experiencing adversity, and that comprehensive and culturally appropriate services deliver better outcomes for children. GPs, hospital staff, and MCH nurses would work together to identify vulnerable families using agreed measures or risk screening tools. Vulnerable families would be offered up to 25 MCH checks in the first four years of their child's life depending on their needs, delivered through nurse home visits in combination with their regular immunisation schedule and check-ups with their local GP. This would ensure that vulnerable families don't slip through the cracks, and that families in lower socioeconomic areas or remote regions don't miss out.

### Be universal across Australia (medium-long term)

Universal MCH services catering to all families will foster trusted relationships and identify additional needs early to prevent problems compounding later in life. All families will be able to access 10 to 25 checks based on their child's health and development needs (including regular immunisation visits, advice and referral), with additional capacity delivered either through home visits or an MCH clinic. A network of healthcare professionals would work together to encourage participation based on need. Although the majority of families will not need all 25 checks, expanded clinic and home visit capacity would give families more flexibility and better access to services. This phase could also include expanded allied health capacity to capture additional referrals, and better links to other services such as parents' groups and playgroups.



## Wraparound services and supports are guaranteed to...

### **Include “navigator” support to help families access additional services (short-medium term)**

The current system can be very hard to navigate. Embedding a “navigator” function within existing systems would encourage more consistent follow-through on referrals and better connections with early intervention, health, and early learning services.

This navigation support could be delivered through different mechanisms depending on local need. Existing service providers who already have system expertise and relationships with the community could be resourced to deliver additional navigation support. Alternatively, a dedicated ‘navigator’ role could work across services as needed. Phase 1 would involve trials to establish successful models across different contexts.

For vulnerable families, a navigator could provide dedicated outreach and be a trusted point of contact for families to link to other ECD professionals and services. This would provide continuity of support and access to the right services at the right time. For other families, a navigator could simply provide targeted information so they understand what local services and government supports are available, why they may be useful, and how to access them.

### **Local approaches are integrated and inform systems reform (long term)**

An integrated, responsive early childhood development system improves outcomes and reduces family stress. Universal services also act as entry points to targeted services. Integrated wraparound services have already been established in some communities and provide sophisticated support to their local families, but this is not available everywhere. Community-led services, including in First Nations communities, can provide wraparound support delivering significant benefits. Any new services would be planned and integrated with MCH, GPs and ECEC at the local level. Navigators could use their knowledge of what local families need to assist in service planning.

## Early childhood education and care, including preschool, is guaranteed to...

### **Be available for free or at a low cost for at least three days per week as soon as families want it, with more available at minimal cost for those who need it (short-medium term)**

High-quality early childhood education and care has positive effects on child development, particularly in the years before school, and reduces parental stress. The way Australian families currently use ECEC indicates that an entitlement to three days a week — up to 30 hours — would ease cost pressure on families, reduce confusion about how the system works and lift participation in the labour market by parents who would like to work but whose available hours are currently limited due to caring responsibilities. An entitlement means that at least three days of ECEC a week would be available when a family decides to use it. This mirrors the 30 hours a week offered to working families in the UK.

In Phase 1, vulnerable children would be entitled to at least three days a week of free or low-cost ECEC, with more days available at minimal cost if families wanted them. Currently under the Child Care Safety Net, low income families can access 24 hours a fortnight of care, with a subsidy covering 85 per cent of fees. But for many, 12 hours a week of subsidised ECEC doesn't cover two full days, requiring families to pay for additional hours at the full rate. Even when services offer shorter sessions to these families, fixed overhead costs lead to increased hourly rates. These increased and additional fees can make even 85 per cent subsidised ECEC unaffordable and difficult to access.<sup>28</sup> Expanding ECEC entitlements for these families in the first 12 months would ensure their children don't miss out. ECEC would continue to be free for five days for children at risk of serious abuse or neglect.

Phase 2 would expand this three-day entitlement to all children, embedding a universal entitlement to quality ECEC.

Quality and capacity would be driven by the workforce and governance reforms outlined in the sections below. A “sector stewardship” approach, combined with a secure and skilled workforce, would drive reform to ensure access and quality improve together.

<sup>28</sup> Goodstart Early Learning (2021) 2021–22 Pre-Budget Submission to the Australian Treasury.

## Continued: Early childhood education and care, including preschool, is guaranteed to...

### Include a quality preschool program in the two years before school (short-medium term)

Young children's learning and development improves in line with the quality of the education and care they experience outside the family. Two years of quality preschool benefits children more than one year (this is especially true for vulnerable children). Preschool programs are delivered by Bachelor-qualified early childhood teachers, so a guaranteed two years of preschool will lead to an increase in the overall size of this workforce and provide more opportunities for career progression in the early years, creating additional rewarding careers. While some states and territories in Australia have started to offer two years of subsidised preschool, a national commitment and rollout means all children would benefit from two years no matter where they live.

### Be integrated and easy to access for all families (long-term)

A new model would integrate funding and delivery for ECEC and preschool to simplify the system while still offering diverse services. The three-day entitlement would enable babies and toddlers to use services such as long day care or family day care. Once a child reaches preschool age, their three days would consist of a program delivered by a Bachelor-qualified early childhood teacher. Families wanting to access more days could do so at minimal cost and their child would engage in a similar educational program on those extra days. This means a child's entitlement would be consistent as they age, supporting parents to plan careers and home lives. With three days free or low-cost ECEC a week, families would be better placed to realise their preferences around work and raising children.



## The early years of school are guaranteed to...

### Flow seamlessly from ECEC, including for curriculum and pedagogy (short-term)

If children have a smooth transition to school, then they feel more positive about it, attend more regularly and their family is more involved in their education. As things stand, though, ECD services and schools often struggle to communicate, with many ECEC services driving support for transition. Strengthening the role of primary schools in transition activities, in collaboration and building strong relationships with ECEC services, would give them a clear line of sight over each child expected to start at their school the next year. Successful local and state-based transition programs could be trialled and scaled as needed.

### Build on learning that has been demonstrated in the early years (medium-term)

We currently have little insight into how learning and development continues from the early years into primary school. Connected formative assessment tools that measure foundational skills such as executive function, combined with existing measures, would fill this gap and help with school transitions.

Stronger connections between the Early Years Learning Framework and the Australian Curriculum would also help schools respond better to each child's learning needs. This would build on work already underway through the Approved Learning Frameworks Update commissioned by Education Ministers and the Review of the Australian Curriculum.

### Share locations and access points with ECD services to facilitate transitions (long-term)

We know that co-located services are more likely to be accessed by vulnerable families. Co-location of ECEC services, preschools and schools, or shared use of facilities, can improve connections and transitions. Place-based planning and asset management can ensure that schools and early childhood services are readily accessible to everyone in the community, and provide support for those who most need it. Co-located services could also offer significant benefits in delivering integrated, wraparound services.



# The Prize



The “triple dividend”  
from a better ECD system



**The guarantee goes to the heart of what matters most — nurturing children so we can build a healthier, happier and more prosperous Australia. It is deliberately bold and ambitious, and the prize for all Australians would be enormous.**

Another decade of failure to embrace ambitious, systemic reform will hold us back. It will not deliver the better start and better outcomes children and families deserve. The guarantee can provide the foundation for Australia's post-pandemic recovery and future prosperity.

Australia's faith in democracy is based on a presumption of fair and equal treatment, with the most vulnerable getting the extra support they need.<sup>29</sup> The guarantee gives substance to this vision of a good society, by drawing on the evidence of what produces the best outcomes for children. In the early years, children develop rapidly across cognitive, social, physical and emotional domains. A well-connected service system gives the greatest possible support to build all these attributes and brings public investment in children's lifelong wellbeing to well before they start school.<sup>30</sup>



The guarantee is an investment in our future. It requires significant public investment and generates significant returns. Right now, Australia is not family friendly. We fail too many children and parents. The question is not whether we can afford greater investment in the early years, but the cost to the nation through the 21st century if we fail to invest to give all children a better start in life. Establishing and delivering on a guarantee for young children and families would return a triple dividend to society and the economy:

- Improved early learning and better care means children grow up healthier and happier and lead more productive and fulfilling lives, particularly those from families experiencing disadvantage. When children thrive, the community benefits from greater productivity and workforce participation, while governments avoid the costs of crisis services, now and in the future.
- More paid, shared parental leave and greater access to quality care and early learning means less stress for families and greater opportunities to work, especially for women. When families thrive, our earning potential grows and recovery from crises like COVID-19 accelerates.
- More secure jobs and enhanced skills and qualifications mean more rewarding careers for early childhood professionals and higher quality education and care. Expanding the early childhood workforce and supporting educator training and qualifications will open new opportunities for people who lost work in the pandemic.

The guarantee will give gender equality a huge boost. Women are disproportionately disadvantaged when early childhood services are costly or hard to access, or when hard choices must be made about balancing work and raising children. The guarantee will also grow the wages and conditions of undervalued staff in the female-dominated early childhood sector. With more women succeeding at work and more men in caring roles, gender attitudes will change for good.

<sup>29</sup> McLeod (2020) *Democracy can never be subtle*, The Australian, 13 July; Centre for Policy Development (2017) *What do Australians want? Active and effective government fit for the ages*.

<sup>30</sup> Edwards et al. (2009) *Stronger families in Australia study: the impact of Communities for Children*, Occasional paper no. 25; Wong et al. (2012) *Collaborative Practice in Victorian Early Years Services*, Charles Sturt University.

## Additional investment to implement the guarantee and estimated returns

We estimate an extra \$1.3 to \$2.3 billion of investment is needed in the first 12 months to start putting the guarantee in place. This would rise to between \$10.7 and \$19.7 billion in additional annual costs once the guarantee is fully realised in 2030. All levels of government would have responsibility for funding aspects of the guarantee, in partnership with business.

We have estimated additional costs based on the largest components of the guarantee and available public data not accounting for population growth (see Appendix 2). A detailed cost analysis would need to be conducted by governments to confirm these figures.

Phase	Phase 1 (first 12 months)	Phase 2 (by 2025)	Phase 3 (by 2030)
<b>Additional annual cost</b>	<b>\$1.3 – \$2.3 billion</b>	<b>\$5 – \$9.2 billion</b>	<b>\$10.7 – \$19.7 billion</b>

All figures are in 2020 dollars.

There is no doubt the economic and social impact of investing in the guarantee will be positive. It is the smartest way for Australia to invest after COVID-19 because it will make our nation fit for the future. Investing in children enables them to thrive in the present and prevents problems from emerging in later life that would be costly to address.

Our conservative estimates suggest that from 2030, there would be \$4.3 – \$4.9 billion of annual benefits in tax revenue and service and business savings, and up to \$13.2 billion added to GDP per year. Similar proposals aligned with the guarantee have predicted even higher benefits.<sup>31</sup> By 2045, there would be additional tax and savings benefits of up to \$18.8 billion each year, and an annual boost to GDP of up to \$10 billion as children who attend high-quality ECD services move into the workforce. These figures may not cover all benefits as they are based only on available public data and past research (see Appendix 2 for further detail).

Calculating for a discount rate of 3.5 per cent, based on conservative assumptions we estimate the policy will break even by the time it is fully rolled out, and result in an annual return on investment of \$15 billion by 2045. By this time, all of the benefits of the guarantee will be realised as children who attend high-quality ECD services move into the workforce. A detailed cost benefit analysis would need to be conducted by governments to further develop these figures and assumptions.

The broader evidence base for this “triple dividend” to children, families and the ECD workforce is summarised below and detailed in Appendix 2.

Time period	From 2030 to 2045	Additional from 2045
<b>Annual benefits</b>	<p><b>\$4.3 – \$4.9 billion</b> in higher tax revenue, and service and business savings.</p> <p><b>\$11.9 – \$13.2 billion</b> added to GDP.</p>	<p><b>\$6.4 – \$18.8 billion</b> in additional higher tax revenue and service savings.</p> <p><b>\$2.9 – \$10.9 billion</b> in additional GDP.</p>
<b>Driven by...</b>	Increased parental workforce participation (particularly for women), growth in wages and demand for ECD professionals, and turnover savings for ECD services.	Reduced government spending on welfare, health and the justice system, children who attended quality ECEC working more hours in adulthood, and parents increasing their earnings from working more.

All figures are in 2020 dollars.

<sup>31</sup> For example: Grattan Institute analysis estimated that lifting the Child Care Subsidy to 95 per cent would improve GDP by \$27 billion a year. See: Wood et al. (2020) *Cheaper Childcare*, Grattan Institute.



### Children who access quality early childhood services are

- More likely to be healthy and happy in early childhood, reducing the need to invest in intensive and remedial support, and preparing them to succeed at later stages of life.
- More likely to succeed in their learning, attaining higher levels of literacy, getting higher grades at school, staying in school longer, and obtaining higher post-school qualifications that lead to better careers.
- More likely to work more hours and have higher lifetime earnings across their careers.
- Less likely to develop health issues such as childhood obesity, and less likely to smoke and consume excess alcohol as adults, reducing the lifetime costs of health interventions.
- Less likely to commit crimes or interact with law enforcement, further reducing social costs.



### Families that can balance child-rearing and work through paid parental leave and ECEC are

- More likely to have better overall health, including better maternal mental and physical health, reducing the social and economic costs of health interventions.
- More likely to feel confident in their roles as parents, and enjoy stable family relationships, especially because of more gender-equal child-rearing.
- More likely to increase their labour force participation as a direct response to improved affordability of ECEC services, leading to an increase in GDP and productivity.
- More likely to achieve their preferred level of maternal workforce participation, reducing the gender pay gap, increasing economic security, lifetime earnings and retirement savings, and improving the returns on Australia's investment in women's education.



### Broader evidence of the economic benefits of thriving children

- Recent Australian analysis found early intervention can save up to \$15.2 billion annually otherwise spent on late intervention.
- In the US, every \$1 invested in education and healthcare for disadvantaged children from birth to 5 years has been estimated to deliver a long-term return of \$7.30.
- In Australia, The Front Project has estimated that high-quality early education in the year before school would generate \$4.1 billion in healthcare savings, \$1.1 billion in reduced crime costs and \$1.7 billion in higher tax revenue from additional earnings.
- PwC estimates that improved ECEC affordability would increase Australia's GDP by \$6 billion, that children receiving high-quality ECEC would increase GDP by \$10.3 billion, and that increased participation from vulnerable children would lead to an additional \$13.3 billion in GDP (all totals cumulative to 2050).



### Broader evidence of the economic benefits of thriving families

- The Parenthood estimates that providing 12 months of paid parental leave equally shared among two parents at full pay would lead to a GDP increase of \$116 billion by 2050 from higher maternal workforce participation.
- Grattan Institute has calculated that a PPL scheme where two-parent families receive up to 26 weeks (with incentives for equitable sharing) could increase Australia's GDP by \$900 million a year and boost women's lifetime earnings by \$30,000.
- If the gender gap in workforce participation was halved through more generous, equitable PPL, KPMG estimates that Australian GDP would increase by \$60 billion over 20 years.
- More affordable preschool in the year before school leading to additional hours of work and more parents joining the workforce has been estimated by The Front Project to lift taxation revenue by more than \$292 million in one year. Provision of free, high-quality ECEC could boost Australian GDP by up to \$47.2 billion by 2050.
- KPMG analysis shows that removing the Child Care Subsidy cap (recently passed as legislation) and the income ceiling could produce a \$495 million annual GDP increase, if more women work.
- According to Grattan Institute, a 95 per cent subsidy for ECEC with a flatter, simpler taper could lead to 13 per cent more hours worked and an \$11 billion annual GDP boost.
- US analysis estimates that high-quality, affordable ECEC would boost lifetime earnings of 1.3 million women by \$130 billion and reduce poverty among retired women by about 21 per cent.





### A skilled and sustainable ECD workforce delivers

- Thousands more jobs for the predominantly female workforce and increased income tax revenue for the government if ECD supply meets predicted demand.
- Improved wellbeing and productivity of ECD staff through more secure and rewarding jobs.
- A boost to GDP and women's economic security through higher wages for a traditionally gender-segregated sector that pays low wages relative to comparable occupations.
- Higher quality ECD services and savings to providers and governments through improved staff retention rates.
- Better learning outcomes for children.



### Broader evidence of the economic benefits of a thriving ECD workforce

- Canadian analysis estimates that recruiting 211,000 new educators over 10 years to staff a hypothetical universal ECEC system would add around \$1 billion annually to Canada's GDP.
- Australian Parliamentary Budget Office analysis estimates that increasing the salaries of private sector early childhood educators in Australia by 20 per cent over eight years would generate an average of \$517.3 million in annual additional tax revenue.



# The Process



Working together to  
achieve ambitious reform



Meaningful ECD reform to deliver the guarantee will take significant, nation-building work. The relevant policy and delivery levers are scattered across different levels of government, jurisdictions and portfolios. No single agency or level of government has the capacity or breadth of services to meet the needs of children and families.

National collaboration must be based on the understanding that all Australian governments shape the ECD system through strategic vision, policy settings, quality assurance, budgetary priorities, and investment. National Cabinet is the right place to kickstart the reform process.

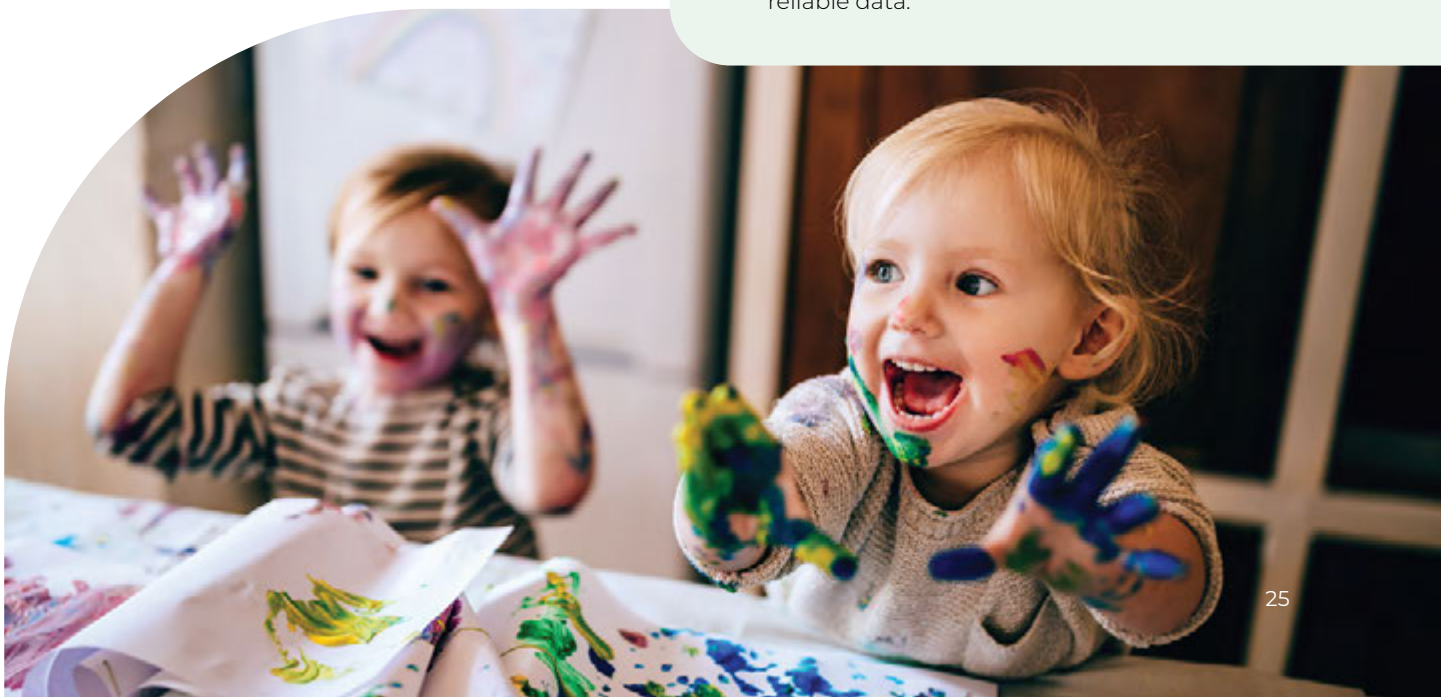
A focus on outcomes for children demands new ways of thinking about ECD policy and how it's implemented. A focus on outcomes can shift the policy conversation from *what is being delivered* to *what is being achieved*. It can catalyse effort across diverse ECD delivery models and policy settings and help secure bipartisan long-term commitment.

Acclaimed economist Mariana Mazzucato challenges governments to exercise mission-led leadership that mobilises efforts from multiple stakeholders, including business and the not-for-profit sector, to achieve shared economic and social goals. A mission-led approach to early childhood development would drive innovation in response to the questions: *what would make Australia the best place in the world to be a child and to raise one, and, who needs to contribute?*

A sense of collective ownership and accountability for delivering the guarantee would focus collaborative effort. Collaborative, mission-led reform must be anchored in promises and principles, not in prescriptions. The guarantee provides the promise, which builds on guiding design principles for early reform already developed by the former Council of Australian Governments (COAG). As COAG is replaced by a new architecture for delivering national policy across the states and territories, it is time to translate these principles to action.

### COAG Design Principles for Early Learning Reform

- 1 All jurisdictions are committed to cooperation and shared responsibility for early learning.
- 2 All jurisdictions maintain flexibility to deliver services in a way that adapts to local circumstances, encourages innovation, and supports choice for families.
- 3 National arrangements for early childhood are cohesive, effective and efficient; funding is sustainable and transparent; and services are high quality, accessible, equitable and inclusive.
- 4 Reforms are evidence-based, child and family-centred, and complement existing arrangements.
- 5 Roles and responsibilities are clear, and jurisdictions are accountable under agreed and measurable evaluation frameworks, which are supported by accessible, meaningful and reliable data.





The table below sets out policy proposals that embrace the five COAG Design Principles for Early Learning Reform to build the system architecture that can bind core elements of the guarantee and ensure sustainable reform.

Strong system architecture will improve the efficiency of the ECD system and make it more resilient to future risks. We propose that the process starts at National Cabinet, with the formation of a National Federation Reform Council Taskforce that is asked to report within 12 months on the most effective way to implement the guarantee over the next decade.

### STRENGTHENING THE SYSTEM ARCHITECTURE TO DELIVER THE GUARANTEE

	First 12 months	By 2025	By 2030
Governance	Establish a National Federation Reform Council Taskforce on ECD, reporting to National Cabinet.	Design sector stewardship role for states and territories.	Embed locally coordinated approaches for ECD in all communities.
Workforce	Implement the National Children’s Education and Care Workforce Strategy as the first step in growing rewarding ECD careers, including agreement to improve the wages of low-paid ECEC roles as a key driver of quality.	Extend this approach across the ECD workforce, using a collaborative “stewardship” model.	Embed workforce attraction, teaching standards and career pathways into funding model and local planning.
Investment	Establish a National Commission to develop options for new ECEC funding models, working in conjunction with the NFRC Taskforce.	Use insights to develop and trial new funding models for quality ECEC, including innovative place-based approaches and capacity-building in vulnerable communities.	Optimise public, private, and philanthropic investment to pursue shared goals with a new national funding model.
Outcomes and Data	Establish a national ECD data champion and ECD outcomes framework to complement the preschool outcomes measure.	Embed data sharing and analysis between all levels of government, including regular intergenerational reports focussed on children.	Create sophisticated data and insight tools to drive policy and practice, improving outcomes and the health of the system.

## Governance:

### National, state and territory and local collaboration

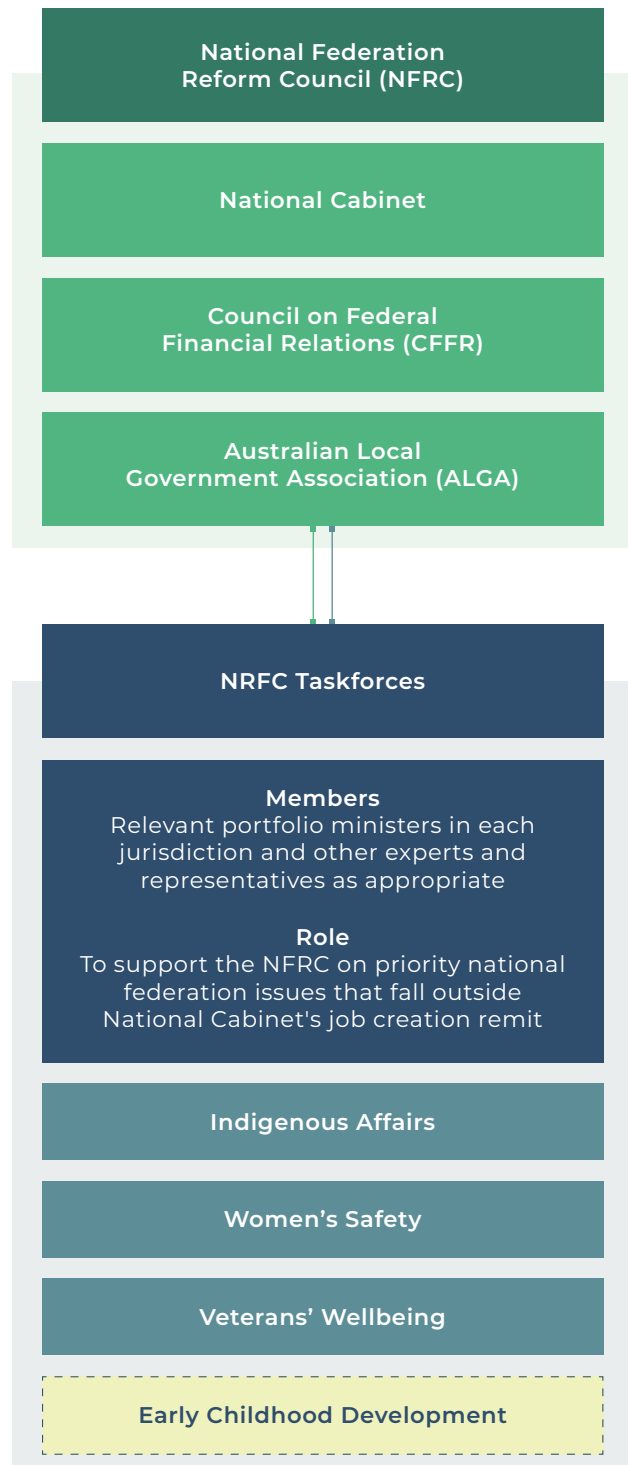
#### National leadership by a National Federation Reform Council (NFRC) Taskforce (short-term)

In May 2020, the COVID-19 crisis prompted an overhaul in Australia's national policy architecture. COAG was replaced with a National Federation Reform Council which brings National Cabinet together with the Council of Federal Financial Relations and the Australian Local Government Association. Under this arrangement, the NFRC creates taskforces to tackle specific issues. So far there are taskforces for Indigenous Affairs, Women's Safety and Veterans' Wellbeing (see diagram).

An Early Childhood Development Taskforce would advance the national conversation about how best to deliver the guarantee by 2030. It can consider some of the more complex design issues around funding, governance, and accountability, suggest how best to connect systemic and local reforms, and recommend which federal entity (possibly a new statutory agency) should coordinate the reform roadmap in partnership with other governments, services providers, businesses, unions and local communities. One priority for the taskforce would be a new National Early Childhood Reform Agreement to complement the Preschool Funding Reform Agreement. This would drive a multi-year strategy to deliver the guarantee and underpin collaboration between local, state, territory and national governments, including on funding.

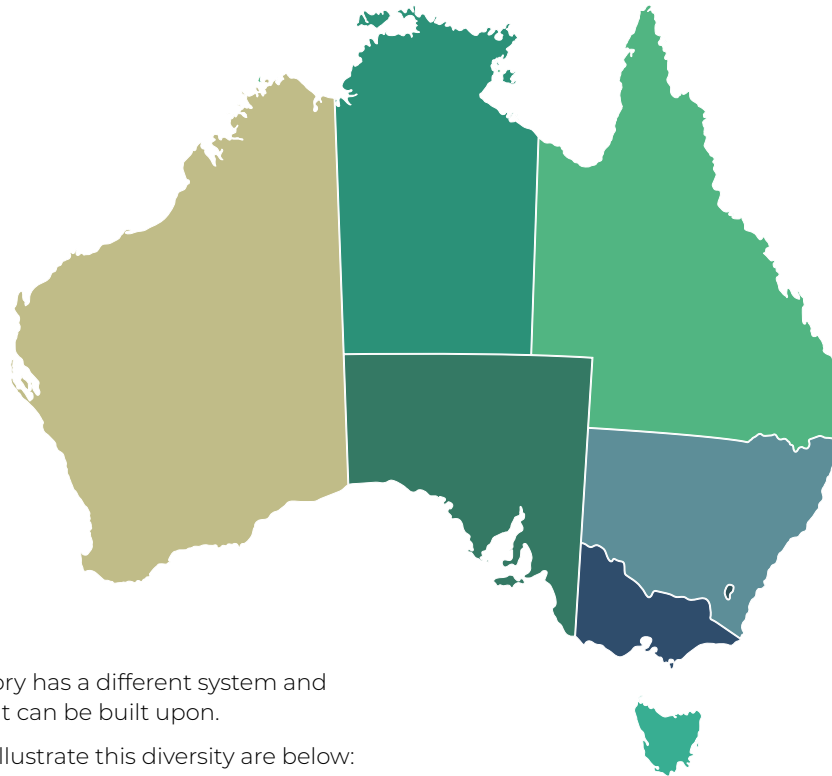


#### AUSTRALIAN FEDERATION REFORM COUNCIL STRUCTURE



Source Adapted from federation.gov.au (2020) *Australian Federal Relations Architecture*.

THERE IS REMARKABLE DIVERSITY IN AUSTRALIA'S ECD SYSTEM ACROSS STATES AND TERRITORIES



Each state and territory has a different system and unique strengths that can be built upon.

Several examples to illustrate this diversity are below:

<p><b>Northern Territory</b></p> <p>Families as First Teachers program offers free early learning and family support for remote Indigenous families, linking up services in local communities.</p> <p>Healthy Under 5 Kids program offers universal standardised health services, 14 key age contacts in the first five years, information and advice.</p>	<p><b>Queensland</b></p> <p>Children living in remote or isolated communities can access eKindy, a distance education program.</p> <p>KindyLinQ is a facilitated playgroup for three-year olds for six hours per week, operating in 50 schools in 2021.</p>	<p><b>New South Wales</b></p> <p>Extending universal access to community preschool in the year before school to three-year-olds.</p> <p>NSW Health's First 2,000 Days Framework encourages partnerships to promote health and wellbeing of children, including links to ECD and school.</p>	<p><b>Australian Capital Territory</b></p> <p>MACH Universal Home Visit, plus parenting and support groups, including new parents groups and early days and sleep groups, eligible to all families with a child aged 0-3.</p> <p>Set Up for Success outlines phased transition to universal three-year-old kinder over the next decade.</p>
<p><b>Western Australia</b></p> <p>Key Age Checks (Purple Book) Appointments offer all families five child health appointments with their community child health nurse, at 334 child health centres across the state.</p> <p>KindiLink program operates facilitated playgroups for Aboriginal children in the year before preschool, where children attend for six hours a week with a parent or carer.</p>	<p><b>South Australia</b></p> <p>Child and Family Health Service (CaFHS) provide a universal contact visit at home, plus free health checks from birth to six years.</p> <p>Aboriginal and Torres Strait Islander children, and children who have been in care, are eligible for 12 hours of free kindergarten from the age of three, and 15 hours in the year before starting school.</p>	<p><b>Victoria</b></p> <p>Universal Maternal and Child Health Service offers free services including visits to local MCH nurse at 10 key development ages.</p> <p>Currently phasing in universal three-year-old kinder, expecting to reach universal 15 hour provision for three year olds by 2029.</p>	<p><b>Tasmania</b></p> <p>Child Health and Parenting Service (CHaPS) provides free child health and development assessments for all children 0-5, and intensive parenting support</p> <p>The Working Together program supports disadvantaged children to participate in early learning in the year before kindergarten.</p>



### Stewardship by states and territories (medium-term)

COAG's Early Learning Reform principles recognise diversity as a strength enabling ECD systems to respond to communities' needs. State and territory governments have an important role in translating nationally agreed reform directions into workable models for their communities.

A "sector stewardship" approach would see state and territory governments play a stronger role in leading ECD planning and delivery. Governments would use levers available in their jurisdiction to ensure access and quality increase together, building on the work already done through the National Quality Framework. This new role for states and territories would require appropriate accountabilities in the National Agreement, to ensure early childhood funding is invested well. State and territory governments already act on behalf of national interests in regulating ECEC services, so a similar model of partnership and autonomy could apply to the stewardship role for the entire sector.



### Locally coordinated approaches to ECD in all communities (long-term)

Important knowledge about what young children and families need can be found in their communities. "Place-based" approaches to ECD can deliver:

- Connected services designed with the child and their family at the centre of the system.
- Responsive services that meet cultural, economic and social needs.
- Targeted services delivered directly at the site of need for greatest impact.

Regional and local governance arrangements can ensure that the universal guarantee is delivered in a way that makes sense on the ground for diverse communities across Australia.

CPD research has highlighted the role governance arrangements can play in designing and delivering successful locally and regionally tailored approaches to social and economic policy.<sup>32</sup> Local governance builds connective tissue between diverse stakeholders, and enables resources and effort to be coordinated in response to local needs and opportunities. Day-to-day work, such as the design and delivery of targeted services, is driven forward by "backbone" teams. These governance arrangements are unlocked by key skills and capabilities across actors in the local ECD system.

Creating these governance arrangements in key communities, such as those with high concentrations of disadvantage, will ensure that implementation of the guarantee is responsive to community contexts by harnessing local networks, knowledge and experience.

The best organisations to lead will vary depending on the community. Current examples of local "backbone" organisations include schools, dedicated ECD hubs (such as Child and Family Centres), local governments, and Aboriginal and Torres Strait Islander community-controlled organisations. Some are ECD-focused, others have a broader community development interest. The task is to work collaboratively to identify the right governance model for each community and ensure that leading organisations have the capabilities and resources (strategic and financial) to fulfil their role.

<sup>32</sup> Centre for Policy Development (2020) *Blueprint: Regional and community job deals*.

## Workforce: Embedding sustainable workforce development

### Implementation of the National Workforce Strategy, including improved wages of low-paid ECEC roles (short-term)

In October 2021, Australian governments in collaboration with national sector stakeholders released a ten-year National Children’s Education and Care Workforce Strategy. Covering areas such as professional recognition, wellbeing, career pathways and leadership, the strategy represents a commitment to rewarding ECD careers. The 13 actions it identifies as short-term priorities should be implemented immediately to stem current attrition as staff leave the sector.

Delivering workforce reform will also require substantial, sustained investment from governments and employers alike. The National Workforce Strategy recommends immediate action to develop options to improve wages and conditions. While the Fair Work Commission’s October 2021 confirmation of a pay rise of up to 13 per cent for early childhood teachers was a welcome first step, it only covers staff with Bachelor-level qualifications.<sup>33</sup> The United Workers Union found that educators with Diploma qualifications are just as unlikely as their Bachelor-qualified peers to want to stay in ECEC long term.<sup>34</sup>

Action on workforce issues must therefore be backed by a dedicated funding source. A new funding model, and greater transparency in how new funding is used, will help ensure that investment in ECEC services translates to improved outcomes for skilled ECEC staff. Clear expectations should be set for government funding to be used for workforce development. A recent model for this can be found in recommendations made by the Royal Commission into Aged Care Quality and Safety report, where funding specific to workforce development was recommended to ensure the availability of an appropriate number of skilled staff to meet the needs of people using the services the sector provides.

### Extend this approach across the ECD workforce, using a collaborative “stewardship” model (medium-term)

Enduring and responsive workforce reform can be delivered when governments, ECEC services, MCH clinics, hospitals, universities, unions and vocational educational and training (VET) organisations build a shared understanding of how they can make the most effective change. The governance reforms proposed in this report can help develop a stewardship approach to addressing workforce issues across the ECD sector.

<sup>33</sup> Lucas (2021) *Fair Work Commission ratifies increase in ECT award pay rate*, The Sector.

<sup>34</sup> United Workers Union (2021) *Exhausted, undervalued and leaving: The crisis in early education*.

### Local planning embeds ECD workforce considerations (long-term)

The Australian Government’s Local Jobs Program is an example of a place-based approach to jobs and skills. It brings together business, industry, government, and civil society to support local job seekers into local employment and industries. It tailors support and offers the chance to develop a workforce aligned with the future needs of the community. CPD’s previous work on locally and regionally tailored approaches to unemployment shows these models can build collaboration:

“ In the long run, a regional approach will enable multiple levels of government to team up on a tailored approach to unemployment within communities, build capability to unleash more effective approaches and accelerate reforms to the national and state employment service systems. Australian governments have delivered successful responses to unemployment crises before through genuine, collaborative government and non-government partnerships, and regionally and locally tailored approaches.<sup>35</sup> ”

Prioritising the ECD sector within local jobs and skills programs addresses multiple policy priorities, and offers pathways into meaningful, rewarding ECD careers. Local governance arrangements can link employers and job seekers to create pathways to work that are responsive to local demand. This will be vital in Australia’s post-pandemic recovery as people experiencing un- and under-employment seek new opportunities, providing a talent pool to expand and diversify the ECD workforce.

Local leadership and innovation to build the ECD workforce may involve:

- Facilitating local collaboration to enable employment across service providers, especially in “thin markets” or communities where appropriate cultural knowledge is required.
- Prioritising ECD workforce development in local jobs and skills initiatives, including identifying potential groups for recruitment and offering supported training pathways.
- Creating communities of practice in which diverse ECD professionals learn together and share knowledge about the unique challenges and strengths of their local community, including for progression into leadership positions, particularly for women.

<sup>35</sup> CPD (2020) *Blueprint: Regional and Community Job Deals*.

## Investment: Funding to deliver quality, access and equity

### Design a new funding model (short-medium term)

ECD accounts for a significant and growing proportion of Australia's social investment. Given the level of public investment in the sector, it is important to get the funding model right.

Australia's ECD funding arrangements are currently fragmented, with the system too often held together by the actions of individual providers, investors and staff rather than a coordinated effort to serve the public interest.

### AUSTRALIA'S ECD FUNDING ARRANGEMENTS ARE CURRENTLY FRAGMENTED



Source Report on Government Services (2021), Commonwealth, State and Territory Budget Papers.



### Design a new funding model (short-medium term)

The COVID-19 crisis accentuated the fragility of funding arrangements, especially for ECEC, as services struggled to retain staff and stay open during lockdowns. A new investment model is needed to deliver stability. Coordinated ECD investment must be informed by a whole-of-sector view of costs and benefits. Inadequate expenditure in one part of the ECD sector often shifts costs elsewhere, whereas investment in quality universal services can reduce the need for costly clinical or specialist support down the track. Smart investment amplifies dividends at each link in the ECD service chain: for example, quality maternal and child health equips children to gain more from preschool, and playgroups can help build parenting capacity, which enhances the benefits of quality ECEC.

The split between preschool funding and funding for other ECEC services squanders valuable opportunities to orient investment towards better outcomes for children, families and early childhood staff across both platforms. Many children attend state-funded preschool and Commonwealth-funded ECEC at the same time, yet there is no shared responsibility for their learning.

The establishment of a new National Commission would enable options for a new ECEC funding model to be developed that embeds the guarantee across Australia, working in conjunction with the NFRC Taskforce. This work would take into account different service provision across states and territories and streamline funding for ECEC and preschool, reducing complexity and red tape for governments, providers, and families.

A new ECEC funding model should balance the following fundamental principles, in the same way that funding for school education in Australia is based on a balance between entitlement and need, underpinned by a longstanding bipartisan commitment to universal school education.<sup>36</sup>

**Universalism** delivering a universal system means investing well. Understanding the cost of quality provision is an important condition of effective universal funding. It requires greater transparency in how funding is currently used and the expenditure profiles of high-quality services. Every public dollar spent on ECD should contribute to achieving shared goals for the sector. This principle of “conditionality” underpins mission-led approaches to system reform and is transforming public investment in the private sector to drive post-pandemic recovery.<sup>37</sup> In ECEC, it may mean that funding is tied to incentives to innovate and deliver public value.

**Entitlement** could be reflected in a new funding model by retaining choices for families in the amount of ECEC and type of provider that they access. This requires a fair model for sharing costs if families’ choices fall outside the base funding model. Currently, families pay a much larger share of the costs of ECEC than the costs of schooling. (This is true even for families sending children to mid-range private schools.)<sup>38</sup> A new benchmark may be needed for families’ share of ECEC costs, which reflects a fair contribution from government, and minimal, low or no fees from ECEC providers.

**Need** could be reflected in a new needs-based funding model that provides funding for additional needs above a base-level cost. Existing minimum standards for staff-to-child ratios would determine how funding is scaled for children of different ages. Adjustments or loadings may be made for geographic location, the socioeconomic status of children and families, low English language proficiency, educational disadvantage, or the presence of children with disability or developmental delays. Aboriginal and Torres Strait Islander children may also attract differential funding to ensure that they can be nurtured with connections to Country and culture.

36 Keating and Klatt (2013) Australian concurrent federalism and its implications for the Gonski Review, *Journal of Education Policy*, vol. 28, issue 4, pp. 411–426.

37 Mazzucato and Andreoni (2020) *No more free-lunch bailouts*, Project Syndicate.

38 Jackson (2020) Quality childcare has become a necessity for Australian families, and for society. It’s time the government paid up, *The Conversation*.



### Develop and trial new funding models, including innovative place-based approaches and capacity-building (medium-term)

The insights from the first phase could be used to develop and trial new funding models for quality ECEC.

This should include innovative place-based approaches and capacity-building in vulnerable communities, potentially through the use of a dedicated innovation fund to accelerate local innovation by creating incentives for ECD services to work together. Access to the fund may be conditional on engagement in capacity-building and co-design activities to ensure the extra money is used to go beyond business-as-usual activities. The fund may prioritise communities in need, or places with a demonstrated readiness for innovation. It may involve regulatory exemptions or “sandboxes”,<sup>39</sup> to ensure that red tape does not impede experimentation.

Local innovation funds could also be targeted at capital investment, to deliver the “place-based planning and asset management best practice” recommended by Infrastructure Australia for ECD as essential social infrastructure.<sup>40</sup> Funding may address under-supply in “thin markets” where children lack access to quality ECD, and innovative solutions to tackle over-supply in “dense markets” to match local infrastructure with local needs.

### Coordinate or integrate ECD funding sources to pursue shared goals with a new national funding model (long-term)

A coordinated or integrated investment model would hold all parts of the ECD sector accountable for their direct and indirect costs and benefits, and reward policy and funding proposals that pooled effort across multiple ECD services.

The logical way to start building this collective accountability is by coordinating state, territory and Commonwealth investment in ECEC as well as private and philanthropic investment to pursue shared goals with a new national funding model.

Coordinated investment in the ECD sector can also ensure that its total impact is greater than the sum of its parts. Siloed ECD services create costly gaps and slippages and move the focus away from what matters most — children and families. Stronger local governance is an important ingredient in coordinating investment in ECD services, but this task should not be left to local leadership groups alone. Coordinated models for planning and funding ECD services at system level will flow through to better local coordination and delivery.

<sup>39</sup> ANZSOG (2019) *Today's problems, yesterday's toolkit: Restoring trust in government by reinventing how the public service works.*

<sup>40</sup> Australian Government Infrastructure Australia (2021) *Reforms to meet Australia's future infrastructure needs*, pp. 102, 504, 526 and 530.

## Outcomes and Data: From accountability to continuous system improvement

### Establish a national data champion and ECD outcomes framework (short-term)

A new ECD outcomes framework is necessary to complement the preschool outcomes measure currently being developed. It would be the guiding light of the new national Early Childhood Reform Agreement and orient policy towards delivering the “triple dividend” for children, families, and the early childhood workforce. A new national ECD data champion would take responsibility for the framework, collate data and generate insights about system performance. This champion could be a new independent body that acts as a custodian for ECD reform, or an existing trusted organisation with a mandate to drive evidence-based improvement. A report similar to the Australian Early Development Census could be prepared every three to five years to show how the ECD system is contributing to social and economic goals — a kind of Intergenerational Report focussed on children.

### Embed data-sharing and collaborative analysis across all levels of government (medium-term)

Connected data from all levels of government can capture the cumulative effect of multiple ECD services, concurrently and over time. A comprehensive outcomes framework would link the AEDC to the new preschool outcomes measure and also cover the early years by collecting data from universal service platforms. It may also include a comprehensive longitudinal, sample-based study to monitor the impact of different kinds and combinations of early childhood experiences on developmental outcomes. Such a study could track the benefits of early learning through to adulthood and build on existing research to establish which ECD approaches are most effective at shifting outcomes, particularly for vulnerable children.

Better data sharing would improve evidence about the range and quality of services provided to children the early years. This includes better monitoring of preschool participation and attendance at other ECD services from birth to primary school. Sharing data between all levels of government will help to identify gaps in service delivery and determine which combinations of ECD services lead to improved outcomes. This could unlock greater precision in the design of tailored place-based responses. Sharing information with service providers could also help to drive improvement

### Create sophisticated data and insight tools to drive policy and practice (long-term)

Achieving the guarantee for young children and families is a long-term aspiration. Policymakers and the sector must be ready to stay the course, celebrate successes, and adapt reform trajectories to new evidence and insights. Data will be critical for monitoring progress and sustaining a strong evidence base over decades of reform.

Creating a sophisticated data strategy that combines system data with evidence from regular consultations with ECD providers, families and children would enable ECD reforms to be viewed from multiple perspectives, and help translate new insights into action. Data can fuel shared ownership of reforms by generating questions and insights to catalyse collaboration, and by making outcomes everyone’s business. This is far more effective at inspiring innovation and continuous system improvement than using data punitively to compel compliance.





# The Precedents



Learning from Australia's  
evolving “social deal”

At the heart of the guarantee is the idea that early childhood development should be a central component of the Australian “social deal”. The social deal consists of citizens’ reasonable expectations about what governments can and will provide, and enduring commitments from governments to meet those expectations across political cycles.

The social deal evolves as successive governments strengthen the bedrock of our society. Drawing on lessons from prior national reform efforts to build this social deal will help to make the guarantee a reality.

Large-scale, connected system reform takes time, creativity and effort. It must span ministerial portfolios, electoral cycles, and interstate politics. We can learn from past success and failure as previous national reforms offer precedents for thinking through how the guarantee can be achieved. History helps us draw out common principles for embedding changes to Australia’s social deal:

- A strong, simple vision
- Long-term reform achieved in stages
- Clear funding, governance and accountability, with effective national collaboration
- A compelling evidence-based reform narrative
- Balancing universal entitlement, need and choice
- Bipartisan support
- Local leadership to deliver complex reforms
- A strong, diverse coalition of grassroots support

## Precedents for reform

### Medicare: a strong vision implemented through long-term, staged reform and strong national architecture

Medicare (initially Medibank) is a longstanding pillar of Australia’s social deal, providing all Australians with guaranteed access to affordable basic healthcare. The initial Medibank reforms shifted the focus from delivering services to financing access to a diverse health system.<sup>41</sup> This reduced the complexity of the previous health insurance scheme, which was “beyond the comprehension of many”.<sup>42</sup> A “social wage” model informed the initial policy design.<sup>43</sup> Initially a Labor policy, Medicare achieved bipartisan support in the mid-1990s.<sup>44</sup>

Medicare shows how lasting reforms take time to build. There was a 17-year timeframe between the initial development of the idea (1967), to the Medibank legislation (1974) to the implementation of the full scheme (1984). If we frame the National Quality Framework, first Universal Access National Partnership, and PPL scheme (2009/10) as the bedrock for a lasting commitment to quality and to universal access, then the timeframe for ECD reform could be similar.

In 2011, the Independent Hospital Pricing Authority was charged with setting a national efficient price for hospital services.<sup>45</sup> Health is an extremely complex sector to price and fund, and a strong national architecture is essential to ensure funds are allocated where they are most needed and to maintain consistency in what Australians pay for healthcare.

The 2020–2025 National Health Reform Agreement provides opportunities for states to trial new models of funding and care, offering greater flexibility in how they pay for health services.<sup>46</sup> It also connects state and local leadership through joint planning and funding models to improve the local delivery of healthcare. All governments agreed to progress long-term, system-wide reforms, and examine how well the different components of the system interact to deliver better health outcomes. There are parallels here for the implementation of a guarantee for young children and families that combines national coordination, funding and target setting with local placed-based innovation.

41 Menadue (2000) Down a different path in Melbourne: How Medibank was conceived, *Medical Journal of Australia*, vol. 173, 3 July, pp. 12-14.

42 Parliament of Australia (1969) *Health Insurance: Report of the Commonwealth Committee of Enquiry*, Commonwealth Government Printing Office, Canberra.

43 Boxall (2019) Chapter 11: Medicare: the making and consolidation of an Australian institution, in *Successful Public Policy: Lessons from Australia and New Zealand* (eds Luetjens et al) ANZSOG and ANU Press, pp. 257-278.

44 *Ibid.*

45 IHPA (2012) *National Efficient Price Determination 2012-13*.

46 Department of Health (2020) *2020-25 National Health Reform Agreement (NHRA)*.

## National Disability Insurance Scheme: building grassroots and bipartisan support to provide a universal entitlement

The NDIS, legislated in 2013, is a world-leading “social insurance” model, in which all Australians contribute via a tax to a guaranteed entitlement of support for people living with a disability.<sup>47</sup> Bipartisan political support for the NDIS was achieved early.<sup>48</sup> The NDIS created a common cause for people with disability, families and carers, and service providers, which quickly translated into overwhelming community enthusiasm for the scheme.<sup>49</sup> In many respects, the speed with which the NDIS attracted support was faster than the speed of policy design and implementation.

The entitlement model has reframed disability as an issue affecting all Australians, moving it from the margins of policy to a universal concern.<sup>50</sup> It also repositioned disability support as a way to maximise people’s abilities and reduce wasted potential,<sup>51</sup> recasting the NDIS as a boost to our society and to our economy.

## National School Reform Agreement: universal needs-based funding delivered through national collaboration

The 2011 Gonski Review of Funding for Schooling was designed to ensure that differences in educational outcomes were not the result of differences in wealth and income.<sup>52</sup> It produced a Schooling Resource Standard for quality education (public and private), which aimed to provide all schools with baseline funding that would be topped up with extra resources to meet needs arising from geographic and demographic differences between schools.

The National School Reform Agreement commits all jurisdictions to shared priorities for reform, with implementation a condition of funding.<sup>53</sup> These priorities were informed by a strong evidence base, and agreement on a shared vision to lift student outcomes. This provides a model for setting early childhood priorities in a schedule to the new Preschool Funding Reform Agreement and realising them cooperatively through a combination of systemic policy shifts and local innovation.

<sup>47</sup> Purcal et al (2016) Chapter 9: Social insurance for individualised disability support: Implementing the Australian National Disability Insurance Scheme (NDIS) *Social Policy review 28: Analysis and Debate in Social Policy*.

<sup>48</sup> Buckmaster and Clark (2018) *The National Disability Insurance Scheme: a chronology*, Parliament of Australia; Carey et al. (2019) Institutional Legacies and “Sticky Layers”: What Happens in Cases of Transformative Policy Change? *Administration & Society*, vol. 51, issue 3, pp.491–509.

<sup>49</sup> Dodd and Wilson (2016) Change agents: Rhonda Galbally and Bruce Bonyhady on the birth of the NDIS, *The Conversation*, 10 August.

## Place-based approaches: learning from (and with) communities and local leaders

There is much to learn from the experience of place-based initiatives in navigating silos between ECD services and delivering programs that respond to communities’ needs. The policy and practice landscape in Australia is well-stocked with initiatives that promote place-based ECD approaches. One of the better known initiatives is Logan Together.



### Case study: Logan Together

Logan Together is a place-based initiative to improve outcomes for children from birth to eight in the local government area of Logan, Queensland. It aims to help 5,000 more children in Logan thrive by 2025, using collective impact and community leadership. The initiative uses a collaborative governance model involving community groups (to provide community voice), government networks (to help enable reform) and a leadership table (to provide strategic direction). Guided by the Board, a backbone team provides expert skills and supports collaboration. The Logan Together Action Group also provides operational coordination and supports the project working groups.<sup>54</sup>

Through this model they are delivering multiple projects in partnership with community organisations and governments, including reducing barriers to regular preschool attendance, facilitating a smooth transition to school, building networks of community ‘hubs’ or ‘gateways’ to amplify their work, building the capacity of parents and ECEC services to support children in their first three years of life, developing parents’ understanding of child development, providing targeted support to parents under the age of 19, and working together with ParentsNext providers.<sup>55</sup>

<sup>50</sup> Needham and Dickinson (2018) ‘Any one of us could be among that number’: Comparing the Policy Narratives for Individualized Disability Funding in Australia and England. *Social Policy & Administration*, vol. 52, issue 3, pp.731–749.

<sup>51</sup> *Supra* note 46.

<sup>52</sup> Gonski (2012) *Review of funding for schooling: Final report*.

<sup>53</sup> DESE (2018) *National School Reform Agreement*.

<sup>54</sup> Logan Together (2021) *Governance*. <sup>55</sup> *Ibid*.





### Continued Place-based approaches: learning from (and with) communities and local leaders

Place-based approaches work within local communities to focus early childhood services on the needs of children and their families. They provide proof of concept that the scale of reform envisioned in the guarantee is desirable and achievable, and can deliver tangible benefits, especially for children and families who are vulnerable or need extra support.

Place-based ECD models are too often characterised as “special programs” for high-needs communities, rather than seen as a way of designing system change. But the hard work that communities do in joining up the local ECD ecosystem can be extended to the whole system. It requires policymakers to listen carefully to communities and translate their experiences and suggestions into imperatives for the design and implementation of reform, drawing out innovations that are scalable and sustainable. It will require policymakers to take the recommendations of the 2019 Australian Public Service review seriously and find new ways of working with communities during recovery from the pandemic and beyond.

### Aboriginal and Torres Strait Islander People: joining up systems through effective collaboration

The guarantee is closely aligned with the framework informing the development of a National Aboriginal and Torres Strait Islander Early Childhood Strategy.<sup>56</sup> The framework reflects “a resolute commitment to support healing so that all Aboriginal and Torres Strait Islander children grow up loved and cared for within their families, communities and cultures.”<sup>57</sup> The framework “encompasses current evidence across all aspects of young children’s lives, including early learning, health, disability, wellbeing, care, and development”. It offers a clear pathway to improve the lives of young children and families, while also making the reform challenge clear:

“ [I]mproving outcomes requires a coordinated, whole of governments, and whole of community response to children’s needs. This response must span fields including maternal and child health, housing, early education and care, disability, family, and parenting supports, ensuring child and family safety, and promoting cultural identity development. It must also seek to align cross portfolio investments to address early development holistically.<sup>58</sup> ”

The collective effort described in the strategy is exactly what is required to deliver on the guarantee for young children and families. It is fitting that what the First Australians know works for children is a beacon for all Australian children and an orientation point for building an early childhood development system that enables all Australians to flourish.

<sup>56</sup> SNAICC and National Indigenous Australians Agency (2021) *Framework to inform the development of a national Aboriginal and Torres Strait Islander early childhood strategy*, p. 4.

<sup>57</sup> *Ibid.*, p. 4. <sup>58</sup> *Ibid.*, p. 4.



## Next steps

Mustering the courage and persistence to deliver the guarantee will not be easy. A better Australian early childhood development system will be worth the journey and will deliver a better start and better outcomes for all Australian children and their families.

*Starting Better* has explained why this is the time to embark on that journey, what it would entail, and why the guarantee for young children and families should be a priority investment as Australia recovers from COVID-19. A pathway for reform to deliver the guarantee over the next decade has been suggested.

CPD's ECD Initiative will continue to build the case for the guarantee. We will expand on the key components and turn our attention to critical questions of implementation. We look forward to working with all those who are inspired by the guarantee and believe it can make Australia the best place in the world to be a child, and to raise one.

# Evidence supporting the guarantee

## Paid parental leave

### Why does paid parental leave matter, and why increase the dosage?

- Parenting in the first 1000 days is critical to establishing a child's attachment style, and later health and wellbeing outcomes in life. Regardless of family structure, the quality of care a child receives in infancy is a powerful determinant of their future wellbeing.<sup>59</sup>
- Paid parental leave has been linked to improved infant and child health, including breastfeeding in first six months of life,<sup>60</sup> and reducing the risk of multiple health problems, particularly for children from low socioeconomic backgrounds.<sup>61</sup> Longer paid parental leave has been associated with a reduction of infant mortality.<sup>62</sup>
- Longer paid parental leave has long-term benefits for children. Increasing parental leave to 4-12 months has been linked to an increase in high school graduation rates (+2%), college attendance (+3.5%) and earnings (+5%) in adulthood.<sup>63</sup>
- More generous paid parental leave has been effective at reducing poverty among single parents.<sup>64</sup>
- Australia is behind international standards, with mothers in OECD countries entitled to an average of 51.5 weeks paid leave.<sup>65</sup>

### Why incentivise sharing care within the family?

- Evidence is growing about the benefits of fathers' involvement in their children's lives both for children in infancy, and for fathers themselves. Involved fathering is associated with better socioemotional behaviour for their child at age three<sup>66</sup> and a higher chance of parents sharing the care work further down the track.<sup>67</sup>
- Internationally, fathers have been found to be more likely to take leave if it is incentivised, i.e., if there is an additional 'use it or lose it' non-transferrable leave component. Fathers are also more likely to use it if it is close to wage-replacement level.
- International evidence shows that shared parental leave has positive impacts for gender equality. When men take leave, women are both more likely to return to work and more likely to earn more money.<sup>68</sup> A Swedish study found that for each month that the father stays on parental leave, maternal earnings increase by 6.7%, a greater positive effect than mothers reducing their leave by the same amount.<sup>69</sup>
- As companies offer more equal PPL, dads are showing they value it. One company saw a 300% increase in male employees taking parental leave after the company began to encourage sharing.<sup>70</sup>

59 Moore et al. (2017) *The first thousand days: An evidence paper*, Centre for Community and Child Health, p. 32.

60 Mirkovic et al. (2016) Paid maternity leave and breastfeeding outcomes, *Birth* vol. 43, no. 3, pp. 233-9.

61 Broadway et al. (2015) *The effect of paid parental leave on child health in Australia*, Melbourne Institute Working Paper 9/15.

62 Nandi et al (2018) The impact of parental and medical leave policies on socioeconomic and health outcomes in OECD countries: A systematic review of the empirical literature, *Milbank Quarterly*, vol. 96, no. 3, pp. 434-471; Ruhm (2000) Parental leave and child health, *Journal of Health Economics*, vol. 19, no. 6, pp. 931-960.

63 Carneiro et al. (2015) A flying start? Maternity leave benefits and long-run outcomes of children, *Journal of Political Economy*, vol. 123, no. 2 pp. 365-412.

64 Jou et al. (2018) Paid parental leave policies for single parent houses: an examination of legislative approaches in 34 OECD countries, *Community, Work & Family*, vol. 23, no. 2, pp. 184-200.

65 OECD (2019) PF2.1 Parental leave systems, OECD Family Database, p. 3.

66 Broadway et al. (2015) *The effect of paid parental leave on child health in Australia*.

67 Norman et al. (2014) Which fathers are the most involved in taking care of their toddlers in the UK? An investigation of the predictors of paternal involvement, *Community, Work & Family*, vol. 17, no. 2, p. 174.

68 Tito (2016) Maternity leave and the gender wage gap: An analysis of New Jersey family leave insurance. Washington: Board of Governors of the Federal Reserve System.

69 Johansson (2010) *The effect of own and spousal parental leave on earnings*, Institute for Labour Market Policy Evaluation, Swedish Ministry of Employment.

70 KPMG (2021) *A better system of paid parental leave*.



**Why ensure families are not financially disadvantaged by making this choice?**

- When governments support paid parental leave, low-income families are more likely to take it up,<sup>71</sup> and therefore receive the social, cognitive and health benefits listed above.
- In the long term this choice is better for society and the economy. The Parenthood's proposed 12 months equally shared parental leave at full pay would yield a GDP increase of \$116 bn (2.9%) by 2050 from higher female workforce participation, while costing \$10.2 bn per year by 2050.<sup>72</sup>

**Maternal and child health (MCH)****Why does it matter?**

- MCH supports a critical period in a child's development: more than one million new neural connections form every second and 90% of brain growth occurs before age five.<sup>73</sup>
- Universal MCH services reach parents at the start of their journey and can play a critical role in trust building for the whole ECD system.<sup>74</sup> Effective universal services like MCH can identify and address needs before they become problems later in life.<sup>75</sup>

**Why scale MCH services for families in need?**

- More frequent contact in the early years facilitates strong and trusting relationships between families and service providers, leading to a higher likelihood of consistent follow up.<sup>76</sup>
- Research has shown that the effectiveness of targeted interventions is related to the strength of and their relationship with universal platforms.<sup>77</sup>

**Why support home visiting alongside effective on-site services?**

- While past evidence has been mixed on the efficacy of home visiting,<sup>78</sup> recent Australian research shows a quality home visiting program is effective for vulnerable families.<sup>79</sup>
- Sustained home visiting programs that are culturally adapted and comprehensive can support better child outcomes in Aboriginal and Torres Strait Islander communities.<sup>80</sup>

71 McMunn et al. (2017) Fathers' involvement: Correlates and consequences for child socioemotional behavior in the United Kingdom, *Journal of Family Issues*, vol. 38 no. 8, pp 1109–31.

72 The Parenthood (2021) *Making Australia the best place in the world to be a parent*.

73 Fox et al. (2015) *Better systems, better chances: A review of research and practice for prevention and early intervention*, Australian Research Alliance for Children and Youth (ARACY), Canberra.

74 Moore and McDonald (2013) *Acting early, changing lives: How prevention and early action saves money and improves wellbeing*, The Benevolent Society, Victoria. p. 27.

75 Oberklaid et al. (2014) Children's health and development: Approaches to early identification and intervention, *Archives of Disease in Childhood*, 2013, vol. 98, pp. 1008-1011.

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78 Segal et al (2012) Theory! The missing link in understanding the performance of neonate/infant home-visiting programs to prevent child maltreatment, A systematic review, *Milbank Quarterly*, vol. 90, no. 1, pp. 47-106.

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80 Kemp et al. (2018) The effectiveness of a sustained nurse home visiting intervention for Aboriginal infants receiving usual child health care: a quasi-experimental trial – the Bulundidi Gudaga study, *BMC Health Services Research*, vol. 18.

## Wraparound services and supports

<p><b>Why support families to navigate the ECD system?</b></p>	<ul style="list-style-type: none"> <li>• International evidence shows ‘navigators’ encourage follow through on referrals.<sup>81</sup></li> <li>• Navigator programs have also been shown to have positive impacts on children facing intergenerational disadvantage.<sup>82</sup> Navigation support can be part of integrated service delivery.</li> <li>• Co-location of ECEC services, preschools and schools, or shared use of facilities, can improve connections and transitions.<sup>83</sup></li> </ul>
<p><b>Why does it matter?</b></p>	<ul style="list-style-type: none"> <li>• Well-connected, responsive ECD services improve outcomes; including better parenting, improved child vocabulary, parental employment and greater engagement of parents with community service activities.<sup>84</sup></li> <li>• Collaborative services reduce family stress by minimising double handling and making parents confident that professionals know their child.<sup>85</sup></li> <li>• Culturally appropriate services are a key factor in increasing engagement of Aboriginal and Torres Strait Islander children and families in ECEC services.<sup>86</sup></li> </ul>
<p><b>Why connect ECD services with a universal ‘anchor’ of MCH and ECEC?</b></p>	<ul style="list-style-type: none"> <li>• Effective place-based connected approaches are currently being scaled up with government support, including Logan (Queensland), Doveton (Victoria) and Challis (WA).<sup>87</sup></li> <li>• Services that are better linked up, communicate well and have a ‘no wrong door’ approach have been found to be more appealing to parents facing disadvantage.<sup>88</sup></li> <li>• Community and supported playgroups are an important part of the ECD landscape in Australia and can act as ‘soft entry points’ for access to other services. While research is limited, what studies are available show benefits for both children and families.<sup>89</sup></li> </ul>
<p><b>Why are community-led responses, facilitated and supported by government, important?</b></p>	<ul style="list-style-type: none"> <li>• Community organisation and engagement, and a shared sense of need for change, have been identified as critical for effective place-based responses; as well as flexible funding, Indigenous capacity for early childhood development, and a strategic action framework.<sup>90</sup></li> <li>• Government is recognised as having an important role to play in ‘walking alongside’ communities to support local responses.<sup>91</sup></li> <li>• Aboriginal-led services, such as Multifunctional Aboriginal Children’s Services (MACS) are a high-impact example of wraparound services provided to and led by communities.<sup>92</sup></li> </ul>

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82 Schilling et al. (2019) Health status of children enrolled in a family navigator program to eliminate intergenerational poverty, *Clinical Pediatrics*, vol. 58, no. 6, pp. 647-655.

83 McLoughlin (2006) *Linking schools and early years services: Final report*, prepared for R.E. Ross Trust.

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86 Hytten and Sydenham (2012) *Cultural competence in early childhood education and care services*, SNAICC Consultation, June.

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89 Supra note 85.

90 Supra note 87.

91 McKenzie (2019) *What it means to walk alongside: Exploring the Our Place partnership*, Our Place, Doveton, Victoria, October.

92 VAEAI (Victorian Aboriginal Education Association Incorporated). (2014) *Response to the Productivity Commission Review Childcare and Early Childhood Learning*, September, Northcote.

## ECEC services and preschool

### Why does quality matter?

- The quality of ECEC, especially the educational program and relationships with children, determines whether ECEC improves children's learning and development.<sup>93</sup>
- Having a skilled, qualified workforce is well-established as critical for ensuring quality ECEC. More recently, the importance of educator diversity has also been recognised.<sup>94</sup>
- First Nations families are more likely to trust a service that employs First Nations educators.<sup>95</sup>
- Studies have found spending time in poor quality ECEC services can have negative outcomes for children.<sup>96</sup>

### Why ensure a reliably high standard of ECEC?

- Service quality is unlikely to be driven by market forces, as parents are often unable to access a quality service; and only 55% say that it is easy to know how to identify one.<sup>97</sup>
- As 85% of ECEC services now meet the National Quality Standard (and 30% exceed it), it is reasonable to expect that all ECEC services can achieve at least this level of quality.<sup>98</sup>

### Why improve the attraction and retention of qualified educators?

- A stable ECEC workforce will enable quality to be sustained, promote stable relationships with children, and enable educators and teachers to pursue rewarding careers.<sup>99</sup>
- The complexity of employment arrangements in ECEC means that government leadership is likely to be beneficial in mobilising a diverse range of employers and stakeholders.
- A consistent understanding of child development, and the practices that support it, could help overcome knowledge gaps caused by different early childhood teacher preparation programs. When educators understand quality pedagogy for babies (such as responding to non-verbal cues, or integrating learning in routines), they build their skills with all age groups.<sup>100</sup>
- Most parents (72%) support improving wages and conditions of teachers and educators, and 83% recognise their significant impact on young children's learning and wellbeing.<sup>101</sup>
- Before COVID-19, an additional 39,000 educators were expected to be required by 2023,<sup>102</sup> and pre-COVID-19 employment projections to 2024 predicted educator positions to increase by 20%.<sup>103</sup>

93 Torii et al. (2017) *Quality is key in early childhood education in Australia*, Mitchell Institute Paper No. 01/2017.

94 Jackson (2020) *Every educator matters*. Mitchell Institute, Victoria University.

95 Irvine et al. (2016). *Money, love and identity: Initial findings from the National ECEC Workforce Study. Summary report from the national ECEC Workforce Development Policy Workshop*, Brisbane, Queensland: QUTAIHW (2020) Australia's Children.

96 Melhuish et al. (2015) *A review of research on the effects of ECEC upon child development*, Care Project; OECD (n.d) Encouraging quality in ECEC, Research brief.

97 Hall and Partners (2018) *Families qualitative research project – Stage 2 Final Report*, 21 June; The Front Project (2021) *Work and play*.

98 ACECQA (2021) *NQF Snapshot Q1 2021*; ACECQA (2019) *Progressing a national approach to the children's education and care workforce*, November.

99 Jackson (2020) *Every educator matters*. Mitchell Institute, Victoria University.

100 Stonehouse (2011) *The more you know, the more you see: Babies' and toddlers' learning and the EYLF*, Deakin, ACT.

101 The Front Project (2021) *Work and play*.

102 ACECQA (2019) *Progressing a national approach*.

103 LMIP (2020) *2020 Employment projections*.



### Why three days, with more for vulnerable children?

- There is no “right” amount of ECEC, as it depends on service quality and children’s needs.<sup>104</sup>
- However, regular, predictable hours would reduce the amount of stress for families, and therefore the stress that children experience early in life. This is shown to have benefits for healthy brain development.<sup>105</sup>
- Evidence supports at least 15 hours of high-quality ECEC — but vulnerable children may benefit from more. Increasing the total number of hours in ECEC for vulnerable children has been associated with greater learning progress.<sup>106</sup>
- Over half of families who access ECEC because parents work use between 3-5 days, while parents who access ECEC for other reasons typically only use 1-2 days.<sup>107</sup>
- Three days also mirrors the 30 hours of free childcare the UK offers to working families.<sup>108</sup>

### Why make ECEC low or no cost for families?

- Making services more affordable would remove financial barriers and allow more children to benefit from ECEC, particularly those who stand to benefit most.<sup>109</sup>
- In a recent survey of almost 1,700 parents, The Front Project found almost half had made significant financial sacrifices to access ECEC services.<sup>110</sup>
- 82% of parents supported government funded free universal access in the year before school, and 72% supported the same in the two years before school.<sup>111</sup>
- Compared to other sectors (housing, energy etc.), ‘childcare affordability’ has been less well explored in Australia, despite being a significant expense.<sup>112</sup>
- ECEC is already low or no cost in many countries.<sup>113</sup> In the US President Biden has set an affordability target for childcare at 7% of disposable income for a low-middle income family.<sup>114</sup>
- Using the US metric, Mitchell Institute research found that about 40% of families using ECEC, or 386,000 Australians, find it unaffordable. This includes many families using three full days (30 hours) of ECEC, especially if they have more than one child.<sup>115</sup>

### Why two years of preschool?

- Evidence shows that two years of high-quality preschool are better than one, with the greatest benefits being felt by those who are most vulnerable. International evidence has also shown two years of preschool to be a key factor in national academic performance.<sup>116</sup>
- The Lifting our Game report argued for progressively expanded access to quality ECEC including preschool for three-year-olds, describing it as “the single most impactful reform Australia could undertake.”<sup>117</sup>

<sup>104</sup> Gilley et al. (2015) Too late and not enough for some children: early childhood education and care program usage patterns in the years before school in Australia. *International Journal of Child Care and Education Policy*, vol. 9, no. 9.

<sup>105</sup> Wong et al. (2012) *Collaborative Practice*.

<sup>106</sup> Evidence for Learning (n.d.) *Extra hours*; Molloy et al. (2019) *Restacking the odds: Early Childhood Education and Care*.

<sup>107</sup> Baxter (2015) *Child care and early childhood education in Australia*, Australian Institute of Family Studies.

<sup>108</sup> UK Government (2021) 30 hours free childcare.

<sup>109</sup> HCDC (2007) *InBrief: The Science of Early Childhood Development*.

<sup>110</sup> The Front Project (2021) *Work and play*, A recent survey of nearly 6500 SDA members found that for those with a child under 5, affording childcare was the most common difficulty experienced by those using ECEC services (reported by 63% of participants engaged with ECEC services). See Cortis et al. (2021) *Challenges of work*.

<sup>111</sup> The Front Project (2021) *Work and play*.

<sup>112</sup> Noble and Hurley (2021) *Counting the cost to families: Assessing childcare affordability in Australia*. Mitchell Institute, p. 3.

<sup>113</sup> In Berlin, ECEC is free, with a nominal contribution families pay per month which is capped at 60 Euros. In Norway, ECEC is publicly subsidised from one year of age and therefore very affordable. The Parenthood (2021) *Making Australia the best place in the world to be a parent*.

<sup>114</sup> US White House (2021) Fact sheet: The American families plan, 28 April.

<sup>115</sup> Noble and Hurley (2021) *Counting the cost to families*.

<sup>116</sup> Fox and Geddes (2016) *Preschool – Two years are better than one*, Mitchell Institute.

<sup>117</sup> Pascoe and Brennan *Lifting our game*, p. 8.

## Early years of primary school

### Why does it matter?

- A smooth transition to school results in children feeling more positive about school, attending more regularly, and having more family involvement in their education.<sup>118</sup>
- Australian children who accessed some ECEC are less likely to be developmentally vulnerable compared to those who did not (21.7% vs 39.8%).<sup>119</sup> If schools do not build on the foundation laid in early childhood education those gains may be lost.<sup>120</sup>
- Evidence supports a gradual transition from play-based learning to structured teaching, as sudden changes in pedagogy can be very disruptive for children.<sup>121</sup>

### Why is a smooth transition from ECEC to school important?

- Child-centred curriculum and play-based learning can be valuable strategies for primary school, as well as actively making links between learning at ECEC and at school.<sup>122</sup>
- Common understandings of learning can strengthen relationships between ECEC and primary school teachers and educators, and address challenges arising from professionals 'considering their own ways of working to be superior' that have been found in research.<sup>123</sup>

### Why schools need to be ready to meet all children's learning and development needs?

- High-quality ECEC services know children well, and sharing formative assessment information about a child's learning and development with schools could help with transition.<sup>124</sup>
- Knowing the child when they arrive at school involves more than data sharing; it involves adopting assessments that take into account the whole of the child's emotional, social, creative and physical skills, in addition to their cognitive skills.<sup>125</sup>
- Schools can also benefit from cultural and family background information about the child, to overcome any distinct transitional challenges experienced by culturally and linguistically diverse<sup>126</sup> and First Nations children.<sup>127</sup>

<sup>118</sup> CCH (2008) *Policy Brief 11: Rethinking the transition to school: Linking schools and early years services*.

<sup>119</sup> Productivity Commission (2021) *Report on government services 2021 – Part B*, section 3.

<sup>120</sup> Supra note 118.

<sup>121</sup> Stagnitti et al. (2015) An investigation into the effect of play-based instruction on the development of play skills and oral language, *Journal of Early Childhood Research*.

<sup>122</sup> Robertson et al. (2018) Play-based learning can set your child up for success at school and beyond, *The Conversation*.

<sup>123</sup> González-Moreira, A. et al (2021) Comparative analysis of the transition from early childhood education to primary education: Factors affecting continuity between stages, *European Journal of Educational Research*, vol. 10, issue 1, pp. 441-454.

<sup>124</sup> NSW Education Department (2020) *Transition to school resources for educators*, 25 November.

<sup>125</sup> Parker and Thomsen (2019) *Learning through play at school*, Lego Foundation, March, p. 10.

<sup>126</sup> Ma (2019) The complex trajectory of children's transition to school within a bi-cultural context: a case of a Chinese immigrant child in Australia, *European Early Childhood Education Research Journal*, vol., 27, no. 1, pp. 81-99.

<sup>127</sup> Taylor (2011) Coming, ready or not: Aboriginal children's transition to school in urban Australia and the policy push, *International Journal of Early Years Education*, vol. 19, no. 2, June, pp. 145-161.

# Calculations and evidence for costs and benefits

## Cost-benefit analysis

Our cost-benefit analysis estimates that, using a discount rate of 3.5%, the guarantee would generate an annual return on investment of approximately \$15 billion by 2045.<sup>128</sup> Sensitivity analysis using the highest social discount rate (10%) recommended by the Productivity Commission estimates that the returns would be at least \$6 billion in 2045.

We used 2030 as the base year for our calculations. Future costs and benefits were calculated in real 2030 values (benefits were calculated based on a fully rolled out guarantee in 2030).

Timing for benefits realisation was determined as:

- From 2030 to 2045: Benefits from increased parental workforce participation (particularly for women), growth in wages and demand for ECD professionals, and turnover savings for ECD services.
- From 2042 (conservative estimate of when a child born in 2022 would be entering the workforce) to 2045: Reduced government spending on welfare, health and the justice system, children who attended quality ECEC working more hours in adulthood, and parents increasing their earnings from working more.

## Estimating additional costs

Note: costs for 'Early years of schooling' were not included, as they are not expected to be significant.

All costs and benefits are presented in 2020 dollars and are annual figures.

## Paid parental leave

Phase	Phase 1 (first 12 months)	Phase 2 (by 2025)	Phase 3 (by 2030)
Roadmap	Families receive 26 weeks leave	Families receive 30 weeks leave	18 weeks leave for each parent, plus an additional 16 weeks to be shared, paid at a rate similar to pre-birth wage
Annual cost	\$600 – \$680 million (Commonwealth)	\$1.2 – \$1.4 billion (Commonwealth)	\$3.4 – \$8.1 billion (Commonwealth and business co-contributions)

Costs broadly align with similar proposals in Grattan Institute analysis — they estimated \$600 million for a policy similar to Phase 1, and \$2 billion for a policy slightly more generous than Phase 2.<sup>129</sup>

Families who currently access PPL generally take close to the full amount available (around 97% of weeks available). We have held this assumption across our cost calculations.

There are two key cost drivers for this element of the guarantee — increase to weeks used, and more parents accessing PPL incentivised by the more generous offering.

To measure the impact of **increased weeks**, we calculated the percentage increase from the current weeks used to the new policy scenario, and then multiplied this by total program expenditure 2019-20.<sup>130</sup>

To measure the impact of **additional take-up**, we first estimated how many families use PPL a year as a percentage of all births, using the average projected number of 0-year-old children in 2018, 2019 and 2020.<sup>131</sup> This aligns with the Department of Social Services methodology.

<sup>128</sup> Australian Government Productivity Commission (2010) Valuing the Future: the social discount rate in cost-benefit analysis.

<sup>129</sup> Wood and Emslie (2021) *Dad days*, Grattan Institute.

<sup>130</sup> Australian Government Department of Social Services (2021) *Annual Report 2019–20*.

<sup>131</sup> Australian Bureau of Statistics (2013) *Population Projections, Australia 2012*.



We then benchmarked assumed additional take-up based on national and international examples:

- Phase 1: Based on a similar Grattan Institute proposal for a total of 26 weeks PPL, to be shared amongst partners. This estimates that the numbers of mothers would remain the same, but the number of fathers (as a percentage of total births) would increase slightly.<sup>132</sup>
- Phase 2: Based on a slightly more generous Grattan Institute proposal for 36 weeks PPL, moderated to account for Phase 2 policy settings — to arrive at 54% of mothers and 38% of fathers, as a percentage of total births.<sup>133</sup>
- Phase 3: Based on similar policies in Norway (15-19 weeks each for the mother and father, plus 16-18 weeks to share as a family, paid at 80-100% of earnings) and Iceland (each parent receives six months leave but can transfer six weeks to the other parent, paid at 80% of earnings), where almost all eligible mothers and about 85% of eligible fathers use PPL.<sup>134</sup> To account for cultural differences to Australia, we have moderated father take-up by 5%. Because the international measures are of eligible parents not total parents, we transpose them to a percentage of all births based on extrapolations from Grattan Institute analysis.

The range is calculated assuming that the ‘low’ scenario means take-up remains the same as the previous phase (or current use, for Phase 1). The ‘high’ scenario reflects the predicted higher take-up. Number of additional parents using PPL was then multiplied by the assumed number of weeks used, and the minimum weekly wage 2019–20 (\$740.80).

To estimate **business co-contributions** for Phase 3, we assume that Phase 3 would pay parents at 80% of their pre-birth wage. We calculated 80% of average household income for families with dependent children and subtracted the amount they would receive for the same number of weeks receiving PPL — a difference of approximately \$5,500 a year per household.<sup>135</sup> This measures the average only — there is likely to be greater variation in actual salary. We then multiplied this wage top-up with the total number of parents using PPL in Phase 3 divided by two (to account for the total number of households).

These costs are estimates only, as they only account for two parent families with a mother and a father. Single parent families and gender diverse parents may use PPL differently, though we do not expect this would have a significant impact on costs. These costs also do not take into account additional administrative expenses of implementing the policy.

## Maternal and Child Health

Phase	Phase 1 (first 12 months)	Phase 2 (by 2025)	Phase 3 (by 2030)
Roadmap	Vulnerable families access up to 25 MCH checks, additional capacity delivered through home visits	Roll out 10–25 checks for all families	n/a
Annual cost	<b>\$30 – \$40 million</b> (States and Territories)	<b>\$70 – \$90 million</b> (States and Territories)	Ongoing

Unit cost of home visits and clinic checks are based on average weekly wages for a senior nurse for home visits (\$2,200) and an early career nurse for clinic checks (\$1,500), using NSW as an example.<sup>136</sup> Wage costs were then doubled to account for additional administrative and infrastructure costs for expansion of services.

Based on stakeholder consultation, we assume that nurses in urban areas can make approximately 20–25 home visits a week, or around four to five a day. We have moderated this for regional and remote areas, assuming nurses in regional areas could make two to three visits a day, and in remote areas could make one visit a day. Using the wage costs above, this gives us a unit cost per home visit for families in urban, regional and remote areas.

MCH clinic checks are also based on the doubled hourly rate for an early career nurse (to account for administrative and infrastructure costs), assuming that each check takes approximately an hour of the staff’s time.

Not all families will use the full 25 checks. We assume that all families access a baseline level of eight to ten checks from a child’s birth until age four (minimum for immunisation, plus one to two home visits immediately after birth). Around 40% of families will have a moderate need (e.g. first time parents) and access an additional three to eight checks, through a mix of home visits and clinic visits. Approximately 10% of families will require an additional 15–17 home visit checks from the baseline to reach the full 25 checks.

<sup>132</sup> Wood and Emslie (2021) *Dad days*, Grattan Institute.

<sup>133</sup> Ibid.

<sup>134</sup> Koslowski et al. (2021) *17th International Review of Leave Policies and Related Research 2021*, International Network on Leave Policies and Research.

<sup>135</sup> Australian Bureau of Statistics (2019) *Household Income and Wealth, Australia*.

<sup>136</sup> NSW Health (2021) *Public Health System Nurses’ and Midwives’ (State) Award 2021*.

These percentages of families with moderate — high need broadly align with risk factors identified in the evidence base for the guarantee.<sup>137</sup> For example, smoking during pregnancy is identified as a risk factor that may qualify participants for additional home visits. Our analysis shows that mothers who smoked made up about 10% of all births in 2019, while first time mothers who didn't smoke made up around 40% of all births.<sup>138</sup> They also broadly align with VIC government advice to local governments on populations needing additional MCH program funding.<sup>139</sup>

Phase 1 additional costs were calculated by dividing the number of additional checks for vulnerable families (15-17) by four to arrive at the yearly amount, multiplied by the unit cost per home visit, applied to 10% of all births proportional to whether they were born in an urban, regional or remote area. Our analysis indicates that of total births per year, approximately 65% are in major cities, 25% are in regional areas, and 10% are in remote areas.<sup>140</sup> The denominator was the number of births in 2019.<sup>141</sup>

Phase 2 costs were calculated by dividing the three to eight additional checks for moderate-need families by four to also arrive at an annual amount. We assume half of the checks would be done via home visits, and half would be done via a clinic visit. Home visits were moderated to account for geographic isolation as above.

## Wraparound services and supports

Phase	Phase 1 (first 12 months)	Phase 2 (by 2025)	Phase 3 (by 2030)
Roadmap	Trial options to integrate navigator support.	Roll out effective options across Australia.	Innovative local approaches are integrated and inform systems reform.
Annual cost	\$22 – \$39 million (joint Commonwealth and State and Territory funding)	\$45 – \$80 million (joint Commonwealth and State and Territory funding)	Ongoing

Costs are estimated based on trials of the *Australian Aged Care System Navigator Measure*. The program used existing community organisations to deliver navigation services to individuals who needed additional support to understand, choose and access aged care services; who had difficulty engaging through existing channels; or had not yet accessed aged care services. There were multiple methods of delivery — for the purpose of these cost estimates, we have chosen the integrated information hub and specialist support workers as the closest comparisons to this element of the guarantee. These hubs used existing organisations to provide a combination of locally targeted information and one-on-one support, and outreach to more vulnerable families. It is unclear from the information available how many times each individual accessed support, so we have made an estimate of one as a baseline as these options are trialled.<sup>142</sup>

We assume the same percentage split of low, moderate and high-need families as per the MCH costs above, and assumed activity type according to need:

- 50% of families would receive targeted information from their local navigator service

- 40% of families would receive a more intensive service where a navigator would provide one-on-one support
- 10% of families would receive the highest intensity support, where the navigator would proactively reach out to vulnerable families.

Note that these activity type allocations have been made for the purpose of costing the reform, and do not necessarily represent what final implementation could look like.

Unit cost ranges for each activity type are taken from *Appendix D* of the program's Final Report.<sup>143</sup> Number of mothers in 2019 is used as a proxy for the number of families that would use a service in a given year.<sup>144</sup>

Phase 1 costs were calculated by multiplying unit cost for that activity by percentage of mothers in each category, assuming that each family interacts with the navigator service once. Phase 2 assumes that each family interacts with the navigator service twice (i.e. as the program is scaled up).

While unit costs include in-kind costs (e.g. time spent liaising with other services, training staff), total costs are likely at the lower end of the range as they do not account for implementation costs to set up and roll out the program.

<sup>137</sup> Goldfeld et al (2019) Nurse Home Visiting for Families Experiencing Adversity: A Randomised Trial, *Pediatrics* vol. 143 no. 1.

<sup>138</sup> Australian Institute of Health and Welfare (2019) *Data tables: Australia's mothers and babies 2019*.

<sup>139</sup> Victorian Government (2018) *Fact Sheet: Universal Maternal and Child Health Program – Funding 2018–19*.

<sup>140</sup> Supra note 138.

<sup>141</sup> Ibid.

<sup>142</sup> Australian Government Department of Health (2021) *Evaluation of the Aged Care System Navigator Measure: Final Report*.

<sup>143</sup> Australian Government Department of Health (2021) *Evaluation of the Aged Care System Navigator Measure: Appendices*.

<sup>144</sup> Supra note 138.

## ECEC services and preschool

Phase	Phase 1 (first 12 months)	Phase 2 (by 2025)	Phase 3 (by 2030)
<b>Roadmap</b>	Vulnerable children are entitled to three free or low-cost days of ECEC per week, more if they need it.	All children are entitled to three free or low-cost days of ECEC per week, more if they need it.  All jurisdictions have started to implement two years of preschool.	The new funding model guarantees three days of free or low-cost ECEC a week and embeds two years of preschool within ECEC.
<b>Annual cost</b>	<b>\$690 million – \$1.6 billion</b> (joint Commonwealth and State and Territory funding)	<b>\$3.7 – \$7.6 billion</b> (joint Commonwealth and State and Territory funding)	<b>\$7.2 – \$11.5 billion</b> (joint Commonwealth and State and Territory funding)

Phase 3 costs are similar to the cost range for other proposals to increase the Child Care Subsidy to 95% — between \$6.7 – \$12 billion a year.<sup>145</sup> Phase 3 costs are also similar to a proposal by The Parenthood to provide free, high-quality ECEC — \$9.6 billion a year.<sup>146</sup>

Almost all figures are calculated based on 2017/18 data and costs (the earliest common reference year for all sources), then converted to 2020 dollars in the final table.

### Step 1: Unit cost for 'free or low-cost' and 'minimal' cost ECEC

Calculating the unit cost for 'free and low-cost' and 'minimal' cost ECEC will allow us to find the total cost for all children currently using ECEC.

Note that costs assume universal provision rather than the policy settings under the current Child Care Subsidy (means tests, activity test, etc.).

The first three days of ECEC would be free or low cost for all children by Phase 3. The per child, per hour cost to provide this is estimated at \$9.43, based on combined government and parental contributions for one hour of long day care.<sup>147</sup> Assuming one day is approximately 10 hours, this unit cost was multiplied by 10 to arrive at the per-day unit cost. Because this represents the total cost to deliver ECEC per child, we assume that admin and infrastructure costs are already built in. Costs do not account for the different costs of providing ECEC to different age groups due to difficulties in breaking data down into age groups with precision — the cost is therefore presented as an average. This unit cost makes a more generous assumption that all three of the ECEC days will be free.

We have included a 10% pay rise for all staff, to account for attraction and retention to meet demand, and as a key driver of service quality. The Productivity Commission estimates that staff costs make up 55-80% of service delivery costs.<sup>148</sup> Taking a midpoint of approximately 70%, we apply the 10% pay rise to 70% of the unit cost, then add this back to the unit cost to arrive at the total 'free or low-cost' unit cost per day with a 10% staff pay rise — about \$100 per child (2017 dollars).

The 4th and 5th days are to be provided at 'minimal' costs to families. We calculate this at 95% of the 'free or low cost' unit cost, based on other similar proposals to lower the cost of ECEC using a 95% Child Care Subsidy.<sup>149</sup>

### Step 2: Calculating current costs

This step estimates the number of children currently using or not using ECEC, and for how many days a week. These numbers then provide a based to apply the unit costs found in Step One, to arrive at the current use costs.

Children generally use about 40 weeks of preschool a year (the current 600 hours/year entitlement is calculated at 40 weeks of 15 hours per week). Long day care and family day care services generally operate between 49-52 weeks a year. We have used 49 weeks as a benchmark for the amount of ECEC accessed per year, given that a greater proportion of children birth to five years old attend a long day care or family day care service.

To calculate the number of children currently using long day care or family day care, we use sample data that provides estimated proportions of use by grouped hours of usual attendance.<sup>150</sup> We transposed hours used per week into days as:

- 1 day: 1-9 hours
- 2 days: 10-19 hours
- 3 days: 20-29 hours
- 4 days: 30-39 hours
- 5 days: 40+ hours

<sup>145</sup> KPMG (2020) *The child care subsidy*; Wood et al. (2020) *Cheaper Childcare*.

<sup>146</sup> The Parenthood (2021) *Making Australia the best place in the world to be a parent*.

<sup>147</sup> Hurley et al. (2020) *Australian Investment in Education: Early Childhood Education and Care*, Mitchell Institute.

<sup>148</sup> Productivity Commission (2015) *Appendix H: The costs and viability of ECEC services*.

<sup>149</sup> Supra note 145.

<sup>150</sup> Australian Bureau of Statistics (2018) *Childhood Education and Care Australia*.

This is a best estimate and does not capture children who may attend longer (e.g. 12 hour days) or shorter sessions, due to limitations in how the data is presented. We used these proportions and their margin of error to estimate a range of actual use numbers for one to five days long day care and family day care, as a proportion of total children using those services in a similar reference period.<sup>151</sup>

Actual use data is available for preschool attendance in hour groups.<sup>152</sup> So as to not double count children who attend a preschool program at a long day care centre, we only used the number of four- and five-year-olds receiving a preschool program at a dedicated preschool service. This dataset is conservative because it doesn't capture children aged three who attended a preschool program. However, given the reference year (2017) was prior to the introduction of preschool subsidies for all three-year-olds in NSW, VIC and the ACT, we do not expect this number to be large. Hour groups for this dataset are less precise, so we transposed it as:

- 1 day: less than 10 hours
- 2 days: 10-15+ hours

This likely over-counts the number of children using two days and under-counts the number of children using three or more days. However, given preschool subsidies are only available for 15 hours/week, we do not expect the number of children using more than three preschool days to be large.

To calculate costs for current use, we multiplied the 'free or low-cost' unit cost for children attending any ECEC for one, two or three days a week, multiplied by 49 weeks. For children currently attending any ECEC for four to five days a week, the 'free or low-cost' unit cost was used as a multiplier for the first three days, and the 'minimal' unit cost was used for days four and five.

We assume that any children birth to three years old not captured in the long day care, family day care or preschool numbers would not be using formal ECEC, but cannot make the same assumption for four and five-year-olds given that some of them would be in school. To account for this, we calculated the total number of children eligible for year before full-time schooling subsidies for 2017 (based on month and year of birth), and added it to the estimated residential population of children birth to three years old for the same year.<sup>153</sup> This gave us a total population of children birth to five years old eligible for ECEC and not yet in school. We then subtracted the total number of children using long day care, family day care and preschool from this number to arrive at the estimated number of children using no ECEC.

### Step 3: Estimating age-based proportions

This is the first step in estimating the cost of increased use of ECEC because of the guarantee. We need to break current use data down into some age groupings because we later apply different behaviour change assumptions for children attending preschool.

Because ABS data is not broken into age groups, we estimate current use proportions for children birth to two years old based on the spread of ages in the estimated residential population.<sup>154</sup> This likely overcounts younger children, as we know older children are more likely to attend ECEC. We then subtract this from the total number of children attending for that many days to arrive at the cohort of three- to five-year-olds.

### Step 4: Estimating behaviour change — preschool

This step calculates behaviour change for families with preschool aged children.

Of the children aged three to five who would be eligible for additional days of preschool (i.e. currently using no, one or two days ECEC), we assume that 78% would increase their days to three days. 78% is a mid-way point between the current 56% average preschool participation rate for three-year-olds in NSW and VIC (both offer subsidised three-year-old preschool) and the participation rate for four- and five-year-olds in preschool (99%).<sup>155</sup>

Phase 1 involves no change to current preschool offering (see notes vulnerable children on following page).

Phase 2 involves starting to roll-out preschool for two years across the country. We estimate that for this initial roll-out, that 78% of children using no ECEC or one day a week would increase to two days a week (similar to the current 15 hours/week). The number of children (current and additional) and number of days were the multiplied by the 'free or low-cost' unit cost and 49 weeks/year, to arrive at the cost of Phase 2 for this cohort.

Phase 3 involves two years of preschool at three days a week fully rolled out across Australia. Similar to above, we assume that 78% of families using no ECEC or one to two days a week would increase to three days, and then multiplied this by 'free or low' unit cost.

<sup>151</sup> Australian Government Department of Education, Skills and Employment (2018) *Early Childhood and Child Care in Summary June quarter 2017*.

<sup>152</sup> Australian Bureau of Statistics (2018) *Preschool Education Australia 2017*.

<sup>153</sup> Australian Bureau of Statistics (2018) *Preschool Education Australia 2017: Appendix 4*; Australian Bureau of Statistics (2017) *Australian Demographic Statistics, June 2017*.

<sup>154</sup> Australian Bureau of Statistics (2017) *Australian Demographic Statistics, June 2017*.

<sup>155</sup> Australian Bureau of Statistics (2021) *Preschool Education, Australia*.



### Step 5: Estimating behaviour change — ECEC

This step calculates behaviour change for children from birth to two years old, plus any preschool-aged children already using ECEC for three or more days.

Not every family currently using less than three days would choose to use additional ECEC, even if it was available and affordable. We assume an increase in days would generally align with the main caregiver's preference to work more hours. Research indicates that of mothers who don't work or work part time, 34% would prefer to work more hours. Of this 34%, 30% cited the main barrier as the cost of ECEC; a further 30% said the main barrier was other ECEC-related issues.<sup>156</sup>

Of this portion of families with mothers who want to work more but aren't because of ECEC-related issues, we assume that families with children not already captured in the above preschool calculation using no ECEC, one day or two days would increase their days up to three days. For families already using three or four days but wanting to work more, we assume that they would increase to five days. This could be an overestimate, but in the absence of access to linked ECEC attendance data showing household income per child, we could not use price elasticity as a method of estimating behaviour change.

We do not assume that children born that year who are not currently in ECEC increase their days, as these children likely represent the cohort of parents using PPL. Assumed behaviour change is only applied to children born that year who are already in ECEC for at least one day a week.

Calculating ECEC behaviour change for the cohort of children whose mothers want to work more therefore assumes:

- three- four- and five-year-olds currently using three or four days increase to five days (minimal cost rate)
- one- and two-year-olds using no ECEC increase to three days (free or low-cost rate)
- children birth to two years old using one or two days increase to three days (free or low-cost rate)
- children birth to two years old using three or four days increase to five days (minimal cost rate).

### Step 6: Estimating behaviour change — vulnerable children

Because Phase 1 provides the three-day entitlement to vulnerable children only, this phase was calculated as a portion of the Phase 3 costs.

Under the current Universal Access National Partnership (UANP), 'vulnerable' children are defined as all children residing in the lowest SEIFA Index of Relative Socio-Economic Disadvantage quintile.<sup>157</sup> To estimate this, we calculated the number of children enrolled in a preschool program who resided in Quintile 1 as a proportion of all preschool enrolments (approximately 17%), and used this as a proxy for the proportion of vulnerable children across ages from birth to five years old.<sup>158</sup>

To determine Phase 1 costs, we took 17% of the Phase 3 costs for current use and additional use (barring additional preschool use).

### Step 7: Final additional costs

Additional cost was determined by summing the 2018/19 government contributions to the UANP and the 2018/19 total spend on the Child Care Benefit and Child Care Rebate, to arrive at the total government spend on ECEC for the reference year.<sup>159</sup> We then subtracted the new costs from the current costs.

The range in the final cost captures the margin of error for the datasets on long day care and family day care.

<sup>156</sup> Wood et al. (2020) *Cheaper Childcare*, Grattan Institute.

<sup>157</sup> Australian Government (2018) *National Partnership on Universal Access to Early Childhood Education – 2018–2021*.

<sup>158</sup> Australian Bureau of Statistics (2021) *Preschool Education, Australia*.

<sup>159</sup> Australian Government Department of Education, Skills and Employment (2020) *UANP Review: Final Review Report*; Australian Government Department of Education, Skills and Employment (2019) *Education and Training Portfolio Budget Statements 2018–19*.

## Evidence and estimates for benefits

### Estimating annual benefits for children

Note: Benefits calculations for children were applied at a population level and are based on effects found in the literature rather than specific impacts of the guarantee.

Figure	Source	Key inputs and methodology	Comparisons
<b>\$1.3b - \$5.1b in annual additional income tax revenue, and \$2.9b - \$10.9b annual GDP increase from children who attended ECEC working more hours in adulthood.</b>	Internal	<p>Adults who participated in the Head Start program worked 6-9% more hours in adulthood, with a possible range of 4-15%.<sup>160</sup> Head Start is a one- to two-year program for disadvantaged families in the US covering preschool education, healthcare, nutrition and development support. We have moderated for this program being targeted by using the full range of impact provided in the literature.</p> <p>Analysis assumes all adults attended a similar ECEC program, and that only people working part-time could increase their hours. Total part-time hours worked across Australia derived from ABS data for 2020.<sup>161</sup></p> <p>Based on a minimum wage of \$19.34 using 2018/19 tax rates, converted to 2020 dollars.</p> <p>GDP increase calculated as equal to increase in household income.<sup>162</sup></p>	\$1.7 billion in tax revenue from children's additional earnings based on one year of quality preschool. <sup>163</sup>
<b>\$290m - \$6.7b in savings on annual crime expenditure from ECD participants' lower probability of committing crime</b>	Internal	<p>Crime savings based on participants in Head Start and HighScope Perry seeing a 0.4–9.3% reduction in committing crime.<sup>164</sup></p> <p>HighScope Perry provided centre-based preschool for disadvantaged families in the US in the two years before school. We have moderated for these programs being targeted by using the full range of impact provided in the literature.</p> <p>Based on number of offenders in ABS Recorded Crime – Offenders data for 2018–19.<sup>165</sup></p> <p>Cost of crime extrapolated to 2020 from 2011 costs.<sup>166</sup></p>	\$1.1 billion reduction in crime-related expenditure based on one year of quality preschool. <sup>167</sup>

<sup>160</sup> Bailey et al. (2020) Prep school for poor kids: The long-run impacts of Head Start on human capital and economic self-sufficiency, *National Bureau of Economic Research*.

<sup>161</sup> Australian Bureau of Statistics (2020) *Labour Force, Australia*.

<sup>162</sup> Wood et al. (2020) *Cheaper Childcare*, Grattan Institute.

<sup>163</sup> The Front Project (2019) *A Smart Investment for a Smarter Australia: Economic analysis of universal early childhood education in the year before school in Australia*.

<sup>164</sup> Bailey et al. (2020) Prep school for poor kids; Garcia et al (2018) Gender differences in the benefits of an influential early childhood program, *European Economic Review*, 109, pp. 9-22.

<sup>165</sup> Australian Bureau of Statistics (2021) *Recorded Crime – Offenders*.

<sup>166</sup> Australian Government Institute of Criminology (2011) *Counting the costs of crime in Australia: A 2011 estimate*.

<sup>167</sup> Supra note 163.

Figure	Source	Key inputs and methodology	Comparisons
\$570m - \$2.7b in welfare savings from the overall impact of ECD attendance on likelihood to access welfare in adulthood	Internal	<p>Based on evidence of a 27% average reduction in the likelihood of receiving welfare in adulthood from participants of Head Start, with a range of 10–48%.<sup>168</sup></p> <p>Number of recipients and average welfare payment derived from average of Newstart and Austudy payments in December 2019 from Department of Social Services data.<sup>169</sup></p> <p>We have moderated for this program being targeted by using the full range of impact provided in the literature. Impact moderated by 50% to account for Australian welfare context.</p>	\$212 million in reduced welfare expenditure based on one year of quality preschool. <sup>170</sup>
\$4.1b in annual reduced healthcare expenditure	The Front Project	<p>Drawn from The Front Project analysis, nominal values.<sup>171</sup> Likely an underestimate because The Front Project only looks at one year of early childhood education. We have drawn on this analysis because of a lack of robust public data on healthcare expenditure for smoking.</p> <p>Health savings account for health benefits from increase to high school graduation, decreased rates of obesity, and decreased rates of smoking.</p> <p>Based on reduced costs to governments from reduced emergency hospital visits, expenditure on obesity related illness, and on smoking-related illness.</p>	n/a

<sup>168</sup> Bailey et al. (2020) Prep school for poor kids; Garcia et al (2018) Gender differences in the benefits of an influential early childhood program, *European Economic Review*, 109, pp. 9-22.

<sup>169</sup> Australian Government Department of Social Services (2019). DSS Demographics December 2019.

<sup>170</sup> The Front Project (2019) *A Smart Investment for a Smarter Australia: Economic analysis of universal early childhood education in the year before school in Australia*.

<sup>171</sup> Ibid.

### Further evidence on the benefits for children:

- Early intervention can save up to \$15.2 billion annually otherwise spent on late intervention.<sup>172</sup>
- In the US, every \$1 invested in education and healthcare for disadvantaged children from birth to five years has been estimated to deliver a long-term return of \$7.30.<sup>173</sup>
- In Australia, high-quality early education in the year before school has been estimated to generate \$4.1 billion in healthcare savings, \$1.1 billion in reduced crime costs and \$1.7 billion in higher taxes from additional earnings.<sup>174</sup>
- PwC estimates that improved ECEC affordability would increase Australia's GDP by \$6 billion; that children receiving high-quality ECEC would increase GDP by \$10.3 billion; and increased participation from vulnerable children would lead to an additional \$13.3 billion in GDP (all totals cumulative to 2050).<sup>175</sup>
- Children who attend preschool are significantly less likely to be developmentally vulnerable when they start school, with the largest impact flowing to children from disadvantaged communities. Preschool participation has a direct impact on Year Three NAPLAN outcomes, equivalent to 15 to 20 additional weeks of schooling.<sup>176</sup>
- Participants of early childhood education programs in the US were less likely to repeat a grade, and had between 2.8–11.41% greater likelihood of completing high school by age 19.<sup>177</sup>
- Early school leavers currently cost the Australian government approximately \$315.3 million each year, with HILDA data reporting that around 32% of early school leavers receive welfare payments.<sup>178</sup>
- Both Head Start and the HighScope Perry Preschool

Program report welfare impacts from program attendance, estimating a 10-48% reduction in the likelihood of receiving welfare in adulthood.<sup>179</sup>

- Analysis of Head Start data (noting that the program provided nutritional support) found participants had a 24.9% reduction in the probability of childhood obesity between ages five to 19. Participants were also less likely to smoke in adulthood and had better self-reported health in their 30s compared to non-participants.<sup>180</sup>
- Head Start and HighScope Perry Preschool data both found participants had fewer encounters with law enforcement through a lower probability of committing crime and fewer lifetime arrests.<sup>181</sup>
- Although long-term studies of participants in specific maternal home visit programs are limited, a US program that provided nurse home visits to at-risk first-time mothers showed similar benefits at a 15-year follow up - the children were less likely to have been arrested, smoked fewer cigarettes and spent less time consuming alcohol.<sup>182</sup>
- Head Start data shows that participants worked an additional 0.6 to 5.36 hours per week in adulthood compared to non-participants, with the highest returns coming from participants who attended the highest quality centres.<sup>183</sup>
- Both the Perry Preschool Program and the Effective Preschool, Primary and Secondary Education Project (a longitudinal study of over 3,000 children in England who either did or did not attend preschool) found that preschool attendance was also linked to higher lifetime earnings.<sup>184</sup>

<sup>172</sup> Teager et al. (2019) *How Australia can invest in children and return more: A new look at the \$15b cost of late action*, Early Intervention Foundation, The Front Project and CoLab at the Telethon Kids Institute.

<sup>173</sup> Garcia et al. (2016) *The life-cycle benefits of an influential early childhood program*. National Bureau of Economic Research.

<sup>174</sup> The Front Project (2019) *A smart investment for a smarter Australia: Economic analysis of universal early childhood education in the year before school in Australia*.

<sup>175</sup> PricewaterhouseCoopers (2014) *Putting a value on early childhood education and care in Australia*.

<sup>176</sup> Pascoe and Brennan (2017) *Lifting our game*.

<sup>177</sup> Gormley et al. (2017) The effects of Tulsa's pre-k program on middle school student performance, *Journal of Policy Analysis and Management*, vol. 37, no. 1, pp. 63-87; McCoy et al. (2017) Impacts of early childhood education on medium- and long-term educational outcomes. *Educational Researcher*, vol. 46, no. 8, pp.474–487; Heckman et al. (2010) Analyzing social experiments as implemented: A reexamination of the evidence from the HighScope Perry Preschool Program. *National Bureau of Economic Research*; Deming (2009) Early childhood intervention and life-cycle skill development: Evidence from Head Start. *American Economic Journal: Applied Economics*, vol. 1, no. 3, pp.111–34; Garcia et al. (2018) Gender differences in the benefits of an influential early childhood program. *European Economic Review*, 109, pp. 9–22; Bailey et al. (2020) Prep School for Poor Kids.

<sup>178</sup> Lamb and Huo (2017). *Counting the costs of lost opportunity in Australian education*. Mitchell Institute.

<sup>179</sup> Bailey et al. (2020) Prep School for Poor Kids: The Long-Run Impacts of Head Start on Human Capital and Economic Self-Sufficiency. *National Bureau of Economic Research*; Schweinhart et al. (2014). *The High/Scope Perry Preschool Study Through Age 40*.

<sup>180</sup> Anderson et al. (2009) Investing in Health: The long-term impact of Head Start on smoking, *Economic Inquiry*, 48(3), pp.587–602.; Deming (2009). Early Childhood Intervention and Life-Cycle Skill Development: Evidence from Head Start. *American Economic Journal: Applied Economics*, 1(3), pp.111–34.

<sup>181</sup> Garces et al. (2002). Longer-Term Effects of Head Start. *American Economic Review*, 92(4), pp.999–1012.; Deming (2009). Early Childhood Intervention and Life-Cycle Skill Development: Evidence from Head Start. *American Economic Journal: Applied Economics*, 1(3), pp.111–34.; Bailey et al. (2020) Prep School for Poor Kids: The Long-Run Impacts of Head Start on Human Capital and Economic Self-Sufficiency, *National Bureau of Economic Research*; Schweinhart et al. (2014). *The High/Scope Perry Preschool Study Through Age 40*.

<sup>182</sup> Olds et al. (1998) Long-term Effects of Nurse Home Visitation on Children's Criminal and Antisocial Behavior. *JAMA*, 280(14), p.1238.

<sup>183</sup> Bailey et al. (2020) Prep School for Poor Kids: The Long-Run Impacts of Head Start on Human Capital and Economic Self-Sufficiency, *National Bureau of Economic Research*.

<sup>184</sup> Cattan et al. (2014). *The economic effects of pre-school education and quality*, Institute for Fiscal Studies; Schweinhart et al. (2014). *The High/Scope Perry Preschool Study Through Age 40*.



## Estimating benefits for families

Figure	Source	Key inputs and methodology	Comparisons
\$2.9b - \$3.2b in additional annual tax revenue and \$6.2b to \$6.9 billion in annual GDP increase from parents working more hours incentivised by free or low-cost ECEC.	Internal	<p>Based on calculations in cost estimates, 595,000 – 600,000 children would use either one, two or three additional days of ECEC in Phase 3 of the guarantee.</p> <p>This was moderated by 80% to account for approximately 20% of families who have more than one child in childcare,<sup>185</sup> and again by 95% to account for approximately 5% of families sending their child to additional ECEC but not necessarily increasing their working hours.<sup>186</sup></p> <p>One day's increase in ECEC is assumed to equal eight hours of work. Pay is conservatively based on minimum wage of \$19.84.</p>	Within the range of GDP increase per year estimated by The Parenthood (\$1.57b), KPMG (\$6-7.5b) and Grattan Institute (\$27b) for similar policies. <sup>187</sup>
\$36m in additional taxes from parents who are working more increasing their earnings	The Front Project	<p>The Front Project estimates the total tax revenue (from increased hours and better pay) at \$328 million. Minus the \$292 million from increased hours, this leaves \$36 million from increased earnings (nominal value).<sup>188</sup></p> <p>This is likely conservative as it only measures the impact of one year of quality preschool. This analysis was used in place of publicly available data to calculate this benefit.</p>	\$1.1 billion reduction in crime-related expenditure based on one year of quality preschool.
\$3.8b - \$4.7b in annual GDP increase from higher participation and productivity from mothers due to more equal sharing of PPL.	Mixed	<p>Lower bound derived from estimates by The Parenthood for providing families 12 months of PPL at full pay.<sup>189</sup></p> <p>Upper bound derived from moderating estimates by Grattan Institute for 36 weeks PPL at 80% pay, to align with 52 weeks instead (Phase 3 of the guarantee).<sup>190</sup></p> <p>Moderation of existing analysis was done due to lack of publicly available data linking mothers' PPL use, workforce participation and income. Tax savings are also not calculated for the same reason.</p>	Similar to KPMG analysis (\$3 billion in GDP a year). <sup>191</sup>

<sup>185</sup> Klapdor (2021) *Child Care Subsidy changes*, Parliament of Australia.

<sup>186</sup> Similar to approach used in: Wood et al. (2020) *Cheaper Childcare*, Grattan Institute.

<sup>187</sup> The Parenthood (2021) *Making Australia the best place in the world to be a parent.*; KPMG (2020) *The child care subsidy: Options for increasing support for caregivers*; Wood et al. (2020) *Cheaper Childcare*, Grattan Institute.

<sup>188</sup> The Front Project (2019) *A Smart Investment for a Smarter Australia: Economic analysis of universal early childhood education in the year before school in Australia.*

<sup>189</sup> The Parenthood (2021) *Making Australia the best place in the world to be a parent.*

<sup>190</sup> Wood and Emslie (2021) *Dad days*, Grattan Institute.

<sup>191</sup> KPMG (2021) *Enhancing work-life balance: a better system of paid parental leave.*

### Further evidence on the benefits for families:

- Providing 12 months of paid parental leave equally shared among two parents at full pay would lead to a GDP increase of \$116 billion by 2050 from higher maternal workforce participation.<sup>192</sup> A PPL scheme where two-parent families receive up to 26 weeks (with incentives for equitable sharing) could increase Australia's GDP by \$900 million a year and boost women's lifetime earnings by \$30,000.<sup>193</sup>
- If the gender gap in workforce participation was halved through more generous, equitable PPL, Australian GDP would increase by an estimated \$60 billion over 20 years.<sup>194</sup>
- More affordable preschool in the year before school leading to additional hours of work and more parents joining the workforce has been estimated to lift taxation revenue by more than \$292 million.<sup>195</sup> Provision of free, high-quality ECEC could boost Australian GDP by up to \$47.2 billion by 2050.<sup>196</sup>
- Removing the Child Care Subsidy cap (recently passed as legislation) and the income ceiling could produce a \$495 million annual GDP increase, if more women work.<sup>197</sup> A 95% subsidy for ECEC with a flatter, simpler taper could lead to 13% more hours worked and an \$11 billion annual GDP boost.<sup>198</sup>
- US analysis estimates that high-quality, affordable ECEC would boost lifetime earnings of 1.3 million women by \$130 billion and reduce poverty among retired women by about 21%.<sup>199</sup>
- In Australia, access to PPL reduces the likelihood of maternal depression by 14%, increasing to an 18.5% reduction if the mother's partner accesses Dad and Partner Pay.<sup>200</sup>
- Equitable leave can foster lasting equality in household division of caring responsibilities, allows fathers to gain confidence in their parenting, improves the health of both parents, reduces parenting stress, and improves relationship stability.<sup>201</sup>
- Analysis of international PPL schemes has found that paid maternity and family leave provisions of up to one year can increase the likelihood of maternal employment after childbirth, partly due to better job continuity (some research found that schemes longer than 12 months can have an adverse impact through reduction in a mother's human capital).<sup>202</sup>
- International evidence tells us that even though gender-equal paid parental leave reduces labour force participation for fathers, it still results in a net overall increase in hours of paid work.<sup>203</sup>
- Data from the American ABC/CARE program, which provided centre-based early childhood education, healthcare and nutritional support for low-income children from birth to five years old, showed a 15 to 28 percentage point increase in labour force participation for parents whose children attended.<sup>204</sup>
- Other US analysis shows that expanding access to affordable, high-quality ECEC would increase the number of women with young children working full-time by 17%.<sup>205</sup>
- The maternal labour force participation rate in Washington D.C. increased by 10 percentage points as a result of the city rolling out two years of universal preschool in 2009.<sup>206</sup>
- For women in heterosexual couples, estimates of price elasticity in Australia show that a 1% increase in the average cost of ECEC would decrease a partnered mother's rate of employment by 0.29% and her working hours by 0.65% (assuming her partner's working hours are fixed).<sup>207</sup>

<sup>192</sup> The Parenthood (2021) *Making Australia the best place in the world to be a parent*.

<sup>193</sup> Wood and Emslie (2021) *Dad days: How more gender-equal parental leave could improve the lives of Australian families*, Grattan Institute.

<sup>194</sup> KPMG (2021) *Enhancing work-life balance: a better system of paid parental leave*.

<sup>195</sup> The Front Project (2019) *A smart investment for a smarter Australia*.

<sup>196</sup> Supra note 192.

<sup>197</sup> KPMG (2018) *The cost of coming back: Achieving a better deal for working mothers*.

<sup>198</sup> Wood et al. (2020) *Cheaper childcare: A practical plan to boost female workforce participation*, Grattan Institute.

<sup>199</sup> Hartley et al. (2021) *A lifetime's worth of benefits: The effects of affordable, high-quality child care on family income, the gender earnings gap, and women's retirement security*, National Women's Law Center.

<sup>200</sup> Bilgrami et al. (2020) The impact of introducing a national scheme for paid parental leave on maternal mental health outcomes. *Health Economics*.

<sup>201</sup> Supra note 193.

<sup>202</sup> Rossin-Slater (2017) Maternity and Family Leave Policy. *The Oxford Handbook of Women and the Economy*, pp.322–342.

<sup>203</sup> Supra note 193.

<sup>204</sup> García et al. (2018) Gender differences in the benefits of an influential early childhood program. *European Economic Review*, 109, pp.9–22.

<sup>205</sup> Supra note 199.

<sup>206</sup> Malik (2018) *The Effects of Universal Preschool in Washington, D.C.*, Center for American Progress.

<sup>207</sup> Breunig et al. (2012). Partnered Women's Labour Supply and Child-Care Costs in Australia: Measurement Error and the Child-Care Price. *Economic Record*, 88, pp.51–69.

## Estimating benefits for the workforce

Figure	Source	Key inputs and methodology	Comparisons
\$600m - \$1.1b in increased annual tax revenue and \$1.1b - \$2.3b in GDP increase from ECEC staff receiving a 10% pay rise, and accounting for additional growth from the guarantee.	Internal	<p>Based on Labour Market Information Portal 2020 industry predictions of increase in ECEC jobs (classified under 'child carers', 'preschool education' and 'childcare managers') to 2025, extrapolated to 2030.<sup>208</sup> Based on cost analysis, the guarantee will grow the sector by 35-57%. We took the lower bound of this estimate as a conservative estimate, and to account for staff ratios. We calculated the difference in number of educators from 2020 to 2030, accounting for both predicted growth and growth from the guarantee.</p> <p>Pay rise based on the salary range in 2020 of an ECEC staff member from Certificate III qualified to a Director, increased by 10%.<sup>209</sup> 10% increase benchmarked against the Fair Work Commission 10% pay increase for early childhood teachers, applied across the whole sector.<sup>210</sup> Increased 2020 rate multiplied to find additional income for current staff and for new staff as above.</p> <p>GDP is assumed to be equivalent to annual increase to household income.</p>	Australian Parliamentary Budget Office analysis estimates that increasing the salaries of private sector early childhood educators in Australia by 20% over eight years would generate an average of \$517.3 million in annual additional tax revenue. <sup>211</sup>
\$450m - \$920m in annual savings to ECEC services from lower turnover costs from better quality, more stable jobs.	Internal	<p>Based on the same Labour Market Information Portal 2020 figures and salary ranges as above.</p> <p>Turnover rates based on an estimate of the current sector average (30%) being reduced to 8.5% (average for Australia).<sup>212</sup></p> <p>Cost of turnover for each employee estimated at 20-33% of their salary.<sup>213</sup></p>	

<sup>208</sup> Australian Government Labour Market Information Portal (2020) *2020 Employment Projections – for the five years to November 2025*.

<sup>209</sup> Australian Government Fair Work Ombudsman (2021) *Pay and Conditions Tool*.

<sup>210</sup> Australian Government Fair Work Commission (2021) *Equal Remuneration and Work Value Case*.

<sup>211</sup> Parliament of Australia (2019) *Policy costing - Better pay for early childhood educators*, Parliamentary Budget Office.

<sup>212</sup> Early Learning Everyone Benefits (2019) *State of Early Learning in Australia 2019*, AI Group (2019) *Labour turnover in 2019*.

<sup>213</sup> Sears (2017) *2017 Retention Report*, Work Institute; Boushey and Glynn (2012) *There Are Significant Business Costs to Replacing Employees*, Center for American Progress.

## Further evidence on the benefits for the ECD workforce:

- Canadian analysis estimates that the recruitment of 211,000 new staff over 10 years to staff a hypothetical universal ECEC system would add around \$1 billion annually to Canada's GDP.<sup>214</sup>
- Australian Parliamentary Budget Office analysis estimates that increasing the salaries of private sector early childhood educators in Australia by 20% over eight years would generate an average of \$517.3 million in annual additional tax revenue.<sup>215</sup>
- The quality of these jobs, not just the quantity, also matters. 'Good jobs' are defined by the OECD as a combination of earnings quality, labour market security and quality of the working environment. This is a helpful lens for understanding the economic impact of ECD workforce reform.<sup>216</sup>
- Given that the spending propensity for low-wage earners is higher, a pay rise for the ECEC workforce would proportionally increase consumer spending, which constitutes over half of Australia's GDP.<sup>217</sup>
- Better pay would also increase the economic security of women in the ECEC workforce, many of whom can only work in the sector because a family member or partner financially supports them.<sup>218</sup>
- Data analysis from multiple sectors in the UK shows the potential impact of high-quality working environments on labour productivity (measured as output per person per hour):
  - Workers who were satisfied with their pay, whose jobs were designed well, and felt their jobs had good social support and cohesion were all 8% more productive than the least satisfied.
  - Workers who had a strong voice and good representation in their workplace were 14% more productive than those who reported weak voice and representation.
  - There was 2% higher productivity for those most satisfied with their work-life balance.<sup>219</sup>
- Higher wages and better working conditions are also associated with lower staff turnover and less need for employee monitoring, decreasing costs for businesses.<sup>220</sup>
- Evaluation of a program in Wisconsin designed to improve the qualifications, wages and retention of ECEC staff found that the turnover rate of participants was more than two thirds lower than the average state turnover rate.<sup>221</sup>
- Multiple studies have also linked elements of 'good jobs' with increased wellbeing, including greater life satisfaction and reduced stress.<sup>222</sup>
- In addition to parents and carers, the most influential factors on a child's development and learning are their educators and pedagogies. A longitudinal Australian study confirmed that the quality of adult-child interactions is the most significant driver of child development.<sup>223</sup> In this way, a secure and skilled workforce has positive effects on children.

<sup>214</sup> Stanford (2020) *The Role of Early Learning and Child Care in Rebuilding Canada's Economy after COVID-19*, Centre for Future Work.

<sup>215</sup> Parliament of Australia (2019) *Policy costing – Better pay for early childhood educators*, Parliamentary Budget Office.

<sup>216</sup> OECD (2018). *Good Jobs for All in a Changing World of Work The OECD Jobs Strategy*. Paris: OECD Publishing.

<sup>217</sup> Stanford (2019). *Kick-Starting Wage Growth: What the Commonwealth Government Could do NOW*, The Australia Institute.

<sup>218</sup> Irvine et al. (2016). *Money, Love and Identity: Initial findings from the National ECEC Workforce Study*. Summary report from the national ECEC Workforce Development Policy Workshop, Brisbane, Queensland: QUT.

<sup>219</sup> Bosworth and Warhurst (2020). *Does good work have a positive effect on productivity?* Carnegie UK Trust, pp.10–19.

<sup>220</sup> Wolfers and Zilinsky (2015). *Higher wages for low-income workers lead to higher productivity*. Peterson Institute for International Economics, pp.6–8; OECD (2018). Chapter 7: Fostering worker productivity. In: *Good Jobs for All in a Changing World of Work The OECD Jobs Strategy*. Paris: OECD Publishing.

<sup>221</sup> Adams et al. (2003) *T.E.A.C.H. Early Childhood Wisconsin Evaluation Report (August 1999 – June 2003)*. [online] University of Wisconsin-Extension.

<sup>222</sup> Congdon et al. (2020) *Understanding Good Jobs*, Urban Institute.

<sup>223</sup> Pascoe and Brennan (2017). *Lifting Our Game: Report of the Review to Achieve Educational Excellence in Australian Schools Through Early Childhood Interventions*.







