



# INQUIRY INTO EARLY CHILDHOOD EDUCATION AND CARE



SUBMISSION TO:  
THE PRODUCTIVITY COMMISSION

MAY 2023

# Submission to the Productivity Commission inquiry into Early Childhood Education and Care

---

**The Academy of the Social Sciences in Australia (the Academy) is an independent, not-for-profit organisation that draws on the expertise of over 750 Fellows to provide practical, evidence-based advice to governments, businesses, and the community on important social policy issues.**

**As the pre-eminent organisation in Australia representing excellence in the social sciences, we welcome the opportunity to respond to the Productivity Commission inquiry into Early Childhood Education and Care (the Inquiry).**

## Executive summary

Early childhood education and care (ECEC) plays an important social and economic role in Australia. Alongside growing evidence confirming the significant contribution high quality ECEC makes to healthy child development and lifelong outcomes, the system supports workforce participation for primary carers and is central to sustaining decent work for educators and teachers.

The Commonwealth Government takes the leading national role in ECEC, which is a core social service and government responsibility. Over the past decade substantive reviews and reforms have delivered vital features of the current system that should be retained, including the National Quality Framework, the Early Years Learning Framework and Universal Access for all children in the year before school. Broad vision setting should continue to take place at the national level, involving inter-governmental coordination, however, policies must recognise the local contexts of classroom practices.

While participation in ECEC in Australia has risen considerably, significant, and persistent challenges remain in the system, particularly with increasing differences in access and provision. Access to high quality ECEC is of equal priority to universal school education and requires strategic long-term investment, planning and delivery of services.

The Academy welcomes the broad scope of the Inquiry. Combined with consultation on the Early Years Strategy, the draft national vision for ECEC and the Australian Competition and Consumer Commission (ACCC) Child Care Price Inquiry, it presents a unique opportunity to redesign the Australian ECEC system to one which is affordable, accessible, equitable and of high quality.

To maximise the likelihood of effective outcomes reforms must be grounded in the latest research and evidence. A long-standing and substantial body of research shows that common obstacles to high quality ECEC systems are often structural characteristics that are determined by public policy.<sup>1</sup> Research has also identified the attributes of high quality ECEC systems that provide clear and compelling guidance on what future policy reform should involve.

---

<sup>1</sup> Child Care Resource and Research Unit (2005). [Elements of a high quality early learning and child care system.](#)

Our submission makes ten recommendations:

**Recommendation 1:** Place children’s needs and rights at the centre of ECEC policymaking, recognising that high quality early learning is the cornerstone of lifelong learning, with consequent social and economic benefits for the public good.

**Recommendation 2:** Continue to lift the government Child Care Subsidy to deliver free or low-cost ECEC, ensuring that investment is appropriately targeted to drive quality and corresponding measures are implemented to avoid fee increases for families.

**Recommendation 3:** Deliver fair remuneration for early childhood professionals by reviewing the current modern award minimum rates for teachers and educators to ensure ‘invisible’ skills are recognised and financially compensated.

**Recommendation 4:** Enhance public understanding of the skills and professional status of the ECEC workforce and recognise the critical role they play in a child’s earliest introductions to the education system through a national communications campaign.

**Recommendation 5:** Expedite actions under the *National Children’s Education and Care Workforce Strategy* to improve pay and conditions under a holistic strategy that addresses individual, organisational and broader sector level structural barriers.

**Recommendation 6:** Ensure universal access to early intervention within ECEC with proper oversight, consistency and coordination to reduce inefficiencies in across sectors, reduce vulnerabilities, and support children’s life outcomes.

**Recommendation 7:** Recognise the significance of playgroups as amongst the earliest form of ECEC for children and families.

**Recommendation 8:** Establish ongoing public accountability requirements for ECEC providers to increase transparency on the interactions related to supply, cost and the price of provision, and the connection to wages.

**Recommendation 9:** Increase access to ECEC services by directing public investment towards not-for-profit and public provision, particularly in under-served communities. This should include expanding preschool offerings, co-location of services on school sites, and redesigning the Community Child Care Fund eligibility criteria.

**Recommendation 10:** Abolish the Child Care Subsidy activity test, which is inconsistent with the objectives of an accessible and equitable ECEC system.

## High quality early learning is a human right which delivers substantial social and economic benefits for the public good

### Access to high quality ECEC is a human right

ECEC has a significantly positive impact on the development of children from birth.<sup>2</sup> Research findings unequivocally show that these years are a critical period of intense learning for children

---

<sup>2</sup> See OECD (2022) [Quality assurance and improvement in the early education and care sector](#)

that provides the foundation for later academic and social success.<sup>3</sup> However, quality is critical to realising positive outcomes.<sup>4</sup>

Longitudinal studies show the impact that programs have on reducing the effects of social disadvantage and preparing children for school in cohorts aged 3-5 years.<sup>5,6</sup> In essence, the earlier that children and families have access to high quality ECEC services, the better. These services should support students to be the best they can be, wherever they live, whatever their family circumstances, and no matter the learning challenges they face.

ECEC as a human right must be the cornerstone of Australia's education provision. The overwhelming and incontrovertible evidence that high quality ECEC has an impact on children's long term educational and life outcomes supports this stand and it is in line with Australia's international obligations under the United Nations (UN) Convention on the Rights of the Child, the UN Declaration on the Rights of Indigenous Peoples and the UN Declaration on the Rights of Persons with Disabilities.

The United Nations Sustainable Development Goals seek to realise human rights and goal 4.2 specifically refers to early childhood education.<sup>7</sup> Australia's indicator of achievement for this goal — 'proportion of children who are developmentally vulnerable in two or more domains'—is assessed as underperforming and in need of a breakthrough.<sup>8</sup> Children who access some ECEC are less likely to be developmentally vulnerable compared to children who received no ECEC.<sup>9</sup> Children's needs and rights must be placed at the centre of policymaking to optimise their lifelong outcomes.

**Recommendation 1:** Place children's needs and rights at the centre of ECEC policymaking, recognising that high quality early learning is the cornerstone of lifelong learning, with consequent social and economic benefits for the public good.

## Investment in ECEC delivers substantial social and economic benefits

Academic research identifies potential ways to innovate our conventional economic systems to value the foundational importance of the ECEC sector as enabler of workforce participation, human capital development and efficient skill allocation across the economy.<sup>10</sup> Properly recognising the full value of ECEC requires a long-term horizon that treats the provision of early learning as a long-term investment.

The economic benefits of access to high quality ECEC and the costs avoided in late intervention are substantial. Although the specific calculations vary, analyses consistently recognise that significant benefits accrue to:

---

<sup>3</sup> See AIWH (2015) [Literature review of the impact of early childhood education and care on learning and development: working paper](#), Belsky et al. (2007) [Are there long-term effects of early child care?](#) and Moore et al. (2017) [The First Thousand Days: An Evidence Paper](#)

<sup>4</sup> Productivity Commission (2014) [Childcare and Early Childhood Learning Final Report](#).

<sup>5</sup> OECD (2022) [Quality assurance and improvement in the early education and care sector](#)

<sup>6</sup> Sylva et al. (2004) [The Effective Provision of Pre-School Education \(EPPE\) Project: final report](#).

<sup>7</sup> SDG 4.2: 'By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education'

<sup>8</sup> [Sustainable Development Goals Transforming Australia, 2020 update](#). Monash Sustainable Development Institute.

<sup>9</sup> Productivity Commission (2022) [Report on Government Services, Early childhood education and care](#)

<sup>10</sup> See Mazzucato (2019) *The Value of Everything*, Waring (1999) *Counting for Nothing: What Men Value and What Women are Worth* and Waring (2018) *Still Counting: Wellbeing, Women's Work and Policy-making*

- Children over their life course, particularly children from disadvantaged backgrounds, leading to better health and education outcomes, reduced reliance on social security and reduced incarceration rates.<sup>11</sup> The economic return on investment in the early years is estimated to be higher than the return on investment at any other time during childhood<sup>12</sup>
- Women, by enabling labour market participation, enhancing life choices, and building a more gender equal economy.<sup>13</sup> Affordability and accessibility of ECEC is linked to female workforce participation. Many women in families with children under the age of five would like to re-engage with work but cite caring for children as the main barrier to entering the job market.<sup>14</sup> The choices women make between caring roles and re-entering the workforce have direct consequences for their long-term economic security
- Society and governments broadly, by lifting GDP, produce productivity gains and income and consumption tax revenue and reducing other forms of social expenditure.<sup>15</sup>

Public investment is crucial for establishing well-designed learning environments and, as outlined above, the returns are substantial. In the last decade, the Australian government has considerably increased its expenditure on ECEC, partly driven by higher participation rates.<sup>16</sup>

However, there is a notable disparity in the level of support governments provide to primary school children compared to children in equivalent ECEC settings.<sup>17</sup> As a result, households are left to bridge the financial gap in covering the overall per-child costs. Compared to global counterparts, Australian families bear a substantial portion of the ECEC expenses.

The recent increases to the Child Care Subsidy (CCS) and related improvements to the scheme design are welcome changes. The Academy recommends further increases are essential to deliver ECEC at a fair price for families.

Previously, increases to the CCS have resulted in increased fees for families. Findings from the ACCC Child Care Price Inquiry will be important to understand current drivers of ECEC price increases and identifying corresponding measures to ensuring public funding is well-directed to drive quality and affordability objectives.

**Recommendation 2:** Continue to lift the government Child Care Subsidy to deliver free or low-cost ECEC, ensuring that investment is appropriately targeted to drive quality and corresponding measures are implemented to avoid fee increases for families.

<sup>11</sup> Pascoe and Brennan (2017) [Lifting our Game](#)

<sup>12</sup> Heckman (2006) [Skill Formation and the Economics of Investing in Disadvantaged Children](#)

<sup>13</sup> See Wood et al. (2020) [Cheaper Childcare: A practical plan to boost female workforce participation](#), PwC for The Front Project (2019) [A Smart Investment for a Smarter Australia](#), Bahar et al. (2022) [Children and the gender earnings gap](#), De Hanau and Himmelweit (2021) [A care-led recovery from COVID-19: Investing in high-quality care to stimulate and rebalance the economy](#) and Dixon (2020) [Simulations of increased government expenditure in the care sectors](#)

<sup>14</sup> Australian Bureau of Statistics (2020-21), [Barriers and Incentives to Labour Force Participation, Australia](#), ABS Website, accessed 23 May 2023.

<sup>15</sup> See Dixon (2020) [Simulations of increased government expenditure in the care sectors](#), PwC for The Front Project (2019) [A Smart Investment for a Smarter Australia](#) and Benison (2023) [The wage cost of a lack of access to affordable childcare in Aotearoa New Zealand](#)

<sup>16</sup> Hurley et al. (2020) [Australian investment in early childhood education and care](#)

<sup>17</sup> OECD Education Policy Perspectives (2023) No. 67 [Education Policy Outlook in Australia](#).



## Highly skilled early childhood professionals are essential to achieving quality

The single most important determinant of quality in early childhood education and care is the interaction between educator and child. Attracting and retaining highly skilled early childhood professionals is therefore essential to a high quality system.<sup>18</sup>

### There is a critical shortage of early childhood professionals

The early childhood workforce has grown significantly over the past two decades, yet they remain in short supply in the labour market. Both educator and teacher roles appear in the top 20 occupations in demand nationally with above-average levels of job mobility.<sup>19</sup> More than one in ten (16 per cent) long day care services have sought a temporary exemption from the national quality standards (NQS) for staffing reasons.<sup>20</sup> Already considered to be at a crisis point, the workforce situation is set to worsen. Over 70 per cent of early childhood staff have indicated they intend to leave the profession within the next three years.<sup>21</sup> At the same time, the National Skills Commission has projected demand for workers in the sector will continue to grow.

The underlying impediments to attracting and retaining early childhood professionals are clear and well documented over time. Australia's early childhood workforce is typically low-paid and often employed in conditions and organisational arrangements that do not reflect the benchmarks of decent work.<sup>22,23</sup> In addition to remuneration that in many cases barely meets minimum wage thresholds, early childhood professionals face challenging working conditions,<sup>24</sup> unsustainable workloads, undertake unpaid work and have limited opportunities for career progression.<sup>25</sup> Many early childhood professionals rely on economic support from other family members to cover life necessities.<sup>26</sup> The result is a workforce that feels generally undervalued and overloaded.<sup>27,28</sup> Public perception and discourse which undervalues the status of ECEC professionals also contributes to fewer students pursuing careers in the sector.<sup>29</sup>

Given the early childhood workforce is over 90 per cent female, these conditions perpetuate gender and economic inequalities, creating a poverty trap for many women. Decent, well-designed work can have a significant positive influence on an individual's health and wellbeing, and policy plays a vital role in ensuring work is designed to enhance wellbeing, not compromise it.<sup>30</sup>

---

<sup>18</sup> Pascoe and Brennan (2017) [Lifting our Game](#)

<sup>19</sup> Jobs and Skills Australia, [Labour Market Update, February 2023](#)

<sup>20</sup> Australian Childhood Education and Care Quality Authority, [NQF Snapshot, Waivers, April 2023](#)

<sup>21</sup> United Workers Union (2021) [Exhausted, undervalued and leaving: the crisis in early education](#)

<sup>22</sup> 'Decent work' defined by the International Labour Organization

<sup>23</sup> Cumming et al. (2021) 'Insulting' and 'degrading': Budget funding for childcare may help families but educators are still being paid pennies. *The Conversation*.

<sup>24</sup> See Fenech et al. (2022) [Attracting, retaining and sustaining early childhood teachers: an ecological conceptualisation of workforce issues and future research directions](#) and Logan et al. (2020). [Sustaining the work-related wellbeing of early childhood educators: Perspectives from key stakeholders in early childhood organisations](#).

<sup>25</sup> Future Tracks. (2019). Upskilling in early childhood education: Opportunities for the current workforce

<sup>26</sup> McDonald et al. (2018). [Low pay but still we stay: Retention in early childhood education and care](#).

<sup>27</sup> Irvine et al. (2016). [Money, love and identity: Initial findings from the National ECEC Workforce Study](#).

<sup>28</sup> Rogers (2023). [Early educators around the world feel burnt out and devalued. Here's how we can help](#). *The Sector*.

<sup>29</sup> [The Global Report on the Status of Teachers](#), 2021

<sup>30</sup> Forthcoming Academy of the Social Sciences in Australia policy roundtable summary: [Developments in work and wellbeing for contemporary Australia](#)

Against this backdrop is substantial policy reform directed towards making ECEC more affordable, widely available and to uplift workforce capacity and qualifications. The sequencing of reform is critical. For access, affordability and quality measured to succeed, the wages and labour supply issues must be prioritised and urgently addressed.

## Decent work is the foundation of high quality care

What is clear is that the complexity of education, skills and experience required by early childhood professionals is currently undervalued and under-resourced. A key challenge is that comparatively lower pay and less favourable conditions contribute to attrition of qualified educators and teachers to other sectors, notably the school sector.<sup>31</sup> The issue of pay parity has an enormous impact on career choices.<sup>32</sup>

Expert evidence presented in the recent Fair Work Commission work value case for the aged care sector and resulting decision demonstrates that we can and should recognise and value skills including 'invisible skills' in care sector workforces, through the application of frameworks such as the Spotlight Skills Recognition tool.<sup>33</sup> The National Children's Education and Care Workforce Strategy 'Shaping our future' has also committed to commissioning research on the structural barriers to, and strategies for, improving pay and conditions in the sector as the top priority for action.

Over 70 per cent of early childhood professionals are award-dependent, and shaping staffing arrangements is a major instrument of market stewardship. Government support for universal improvement is critical. Provider-level strategies will merely provide a competitive edge at the provider, not system, level and under current funding arrangements may also have unintended consequences such as increasing the costs of ECEC for parents.<sup>34</sup>

**Recommendation 3:** Deliver fair remuneration for early childhood professionals by reviewing the current modern award minimum rates for teachers and educators to ensure 'invisible' skills are recognised and financially compensated.

**Recommendation 4:** Enhance public understanding of the skills and professional status of the ECEC workforce and recognise the critical role they play in a child's earliest introductions to the education system through a national communications campaign.

**Recommendation 5:** Expedite actions under the *National Children's Education and Care Workforce Strategy* to improve pay and conditions under a holistic strategy which addresses individual, organisational and broader sector level structural barriers.

---

<sup>31</sup> ['Shaping Our Future'](#) A ten-year strategy to ensure a sustainable, high-quality children's education and care workforce 2022–2031

<sup>32</sup> Fenech et al. (2022) [Attracting, retaining and sustaining early childhood teachers: an ecological conceptualisation of workforce issues and future research directions](#)

<sup>33</sup> [The Spotlight Skills Recognition Tool](#)

<sup>34</sup> McDonald et al. (2018). [Low pay but still we stay: Retention in early childhood education and care.](#)

## High quality ECEC supports all Australian children

Early intervention for children with vulnerabilities has the highest impact in the early years and reduces persistent achievement gaps throughout schooling and life. For example, the Longitudinal Study of Australian Children demonstrates the significant association between the communication capacity of children 4-5 years and their long term educational and social outcomes, impacting not only literacy skills but also bullying, peer relationships and enjoyment of school. When children do not receive adequate early intervention, long term consequences can follow for literacy, education, socialisation, behaviour, relationships, identity, wellbeing, and employment. Early, evidence-based interventions can change the trajectory of the child's life outcomes.

Currently access to early intervention lacks coordination and is inefficient. Early intervention is delivered through a wide range of agencies: speech pathologists supporting children in ECEC settings may be employed by education, health, disability, private practice, NDIS, and NGOs. One setting may have several different speech pathologists visiting from different agencies. Waiting for speech pathology poses a major challenge with some children waiting years for intervention.

**Recommendation 6:** Ensure universal access to early intervention within ECEC with proper oversight, consistency and coordination to reduce inefficiencies in across sectors, reduce vulnerabilities, and support children's life outcomes.

Playgroups are central to local communities and participation contributes to family support and early childhood development outcomes.<sup>35</sup> However, the absence of proper oversight, consistency, and coordination in the delivery, access, and funding arrangements for playgroups, as well as their integration with Family Support services and formal ECEC, poses a significant obstacle to achieving equitable participation. Playgroups are well-placed to expand the benefits of children's participation in ECEC, but their full potential remains untapped due to these barriers.

**Recommendation 7:** Recognise the significance of playgroups as amongst the earliest form of ECEC for children and families.

## Public investment must be well-directed to deliver public good

### The current market-based system is failing to deliver

Since the 1990s, governments have responded to increasing demand for early childhood education and care by creating publicly subsidised markets. This approach has resulted in a market dominated by for-profit providers that has failed to deliver consistent high quality, equitably distributed and efficient services.<sup>36</sup> Across the globe, a number of countries that also shifted to market-based systems have experienced similar outcomes including Canada, Germany, the United Kingdom and the Netherlands.<sup>37</sup>

There are meaningful distinctions between for-profit and not-for profit operators in terms of access, cost and quality. The expansion of for-profit service provision, coupled with a lack of

---

<sup>35</sup> Playgroup Australia (2022) [Playgroup Statement](#)

<sup>36</sup> Considine, Mark (2022) *The Careless State: Reforming Australia's Social Services*

<sup>37</sup> van der Werf et al. (2020) [Hybrid organizations in the privatized and harmonized Dutch ECEC system: Relations with quality of education and care.](#)



government planning at the system level has led to serious structural issues in the ECEC system including:

- Access is not distributed equally: The market-driven distribution of services has led to 'childcare deserts' that are more likely to be in low-income, rural or regional areas.<sup>38</sup> Our current system is also one of the most expensive in the developed world for families. The high cost of ECEC is a barrier for families who want to work more.<sup>39</sup>
- Quality is not distributed equally: High quality services are more likely to be available in more socio-economically advantaged areas.<sup>40</sup> Children from low socio-economic backgrounds and those who are developmentally vulnerable, who stand most to gain from high quality ECEC, are currently being left behind.<sup>41</sup> The socio-economic maldistribution of service quality has been getting worse over time.<sup>42</sup>
- There is a compliance mentality: Compared to not-for-profit and public providers, for-profit providers are more likely to be working towards or meeting rather than exceeding the NQS.<sup>43</sup> This is consistent with economic theory where there is no market reward for overachievement.
- There is a lack of transparency: Little is known about how the public money paid to for-profit providers is being used, and the extent to which it flows through to families and the workforce, in terms of fees and wages. The ACCC inquiry will be critical to understanding how the market is currently operating nationally. However, analysis undertaken by Deloitte for the South Australian Royal Commission found not-for-profit services have lower average hourly fees and pay above award wages much more commonly than for profit services. Consistent with regular financial reporting requirements in the aged care sector, provider discretion in ECEC needs to be transparent and subject to review on a regular basis.

**Recommendation 8:** Establish ongoing public accountability requirements for ECEC providers to increase transparency on the interactions related to supply, cost and the price of provision and the connection to wages.

## Excellent market stewardship puts service users and public benefit at the centre of system design

There is a strong case for policy reform that puts children, families and public good at the centre of system design. The current market will need to be better managed by the Commonwealth, in partnership with States and Territories, to work effectively and fully realise the social and economic potential of a world-class ECEC system. The solution is not to ban or expel for-profit providers but to deploy appropriate market stewardship levers. Canada provides a relevant

<sup>38</sup> Hurley (2022) [Deserts and Oasis: How accessible is childcare in Australia?](#)

<sup>39</sup> Centre for Policy Development (2021) [Starting Better: A Guarantee for Young Children and Families](#)

<sup>40</sup> Hurley (2022) [Deserts and Oasis: How accessible is childcare in Australia?](#)

<sup>41</sup> Cloney, et al. (2016) [The selection of ECEC programs by Australian families: Quality, availability, usage and family demographics.](#)

<sup>42</sup> Australian Children's Education and Care Quality Authority (2022) National Quality Framework Annual Performance Report

<sup>43</sup> Australian Children's Education and Care Quality Authority (2023) [National Quality Framework Snapshot, Q1 2023](#)

example of a national effort to develop quality ECEC, which is increasingly relying on public and not-for-profit provision.<sup>44</sup>

Recently announced measures including the \$18 million expansion of the Community Child Care Fund and the Restricted Program to deliver new services in areas of need, particularly in First Nations communities are welcome initiatives. This is a significant step toward the longer-term reforms that will be required. However, the scope of the Fund should specifically encourage not-for-profit and public provision to avoid increasing the share of for-profit provision of services in the market to prevent 'leakages' of public funding.

Preschools, as opposed to long day care centres, are primarily run by non-profits and local and state governments. Direct supply-side interventions to promote growth in the preschool sector and to expand its offering to cover longer hours and more services for infants and toddlers, an age group that is underrepresented in many ECEC services, is one method to expand provision without further increasing the share of for-profit provision.

Internationally, higher funding for services in low-SES neighbourhoods is linked with significantly increases ECEC quality and ratings.<sup>45</sup>

**Recommendation 9:** Increase access to ECEC services by directing public investment towards not-for-profit and public provision, particularly in under-served communities. This should include expanding preschool offerings, co-location of services on school sites, and redesigning the Community Child Care Fund eligibility criteria.

Consistent with the recommendations in the Economic Inclusion Advisory Committee Report, the Select Committee on Work and Care Final Report and the Women's Economic Equality Taskforce advice, the Academy supports calls to abolish the Child Care Subsidy activity test. This policy is inconsistent with the objectives of an accessible and equitable ECEC system and causes additional hardship for disadvantaged children.

**Recommendation 10:** Abolish the Child Care Subsidy activity test, which is inconsistent with the objectives of an accessible and equitable ECEC system.

To discuss any matters raised in this submission, please contact Andrea Verdich, Policy Manager

---

<sup>44</sup> Friendly et al. (2020) [Moving from Private to Public Child Care in Canada](#)

<sup>45</sup> Hatfield et al. (2015) [Inequities in access to quality early care and education: Associations with funding and community context.](#)