



Dr Wendy Craik AIM  
Commissioner  
Inquiry into Childcare and Early Childhood Learning  
Productivity Commission  
GPO Box 1428  
CANBERRA ACT 2600

5 September 2014

Dear Wendy

### ***Inquiry into Childcare and Early Childhood Learning***

PricewaterhouseCoopers (PwC) is pleased to make a further submission to the Productivity Commission's Inquiry into Childcare and Early Childhood Learning ('the Inquiry').

PwC is passionate about improving social outcomes, and regularly assists government departments and the private sector by applying an economic lens to inform the development of public policy and organisational strategy.

In our submission to this Inquiry in February, we indicated that PwC would contribute further by expanding on the work undertaken in our previous ECEC thought leadership paper.

In 2011 PwC released *A Practical Vision for Early Childhood Education and Care*. At the time we argued that Australia had a fragmented Early Childhood Education and Care (ECEC) system involving all three levels of government, community groups and the private sector. We reflected that there was no overall system design on a national basis, that there was significant variation between jurisdictions and that what was needed was a vision and road map for ECEC in Australia.

While this remains largely true, significant headway has been made over the last three years in implementing universal access to 15 hours of preschool as well as commencing the implementation of the National Quality Agenda in ECEC settings.

In 2014, future arrangements for ECEC are subject to significant uncertainties. Even though these uncertainties are challenging the capacity of the nation to define the pathway that will be taken for Australia's ECEC system, they provide a rare opportunity to shape future directions.

Too often we measure success or failure on too short a time horizon when we know that the gains that are likely to accrue from high quality ECEC will be realised over a longer time period.

We have access to good international evidence (including robust longitudinal studies) about the value of ECEC. This evidence has supported increased investment in the early years in Australia in recent years. Work is now well underway to continue to build an Australian evidence base for the early years.

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What has been missing, however, is a more thorough analysis of the role and contribution that ECEC plays in the Australian economy, both:

- now, in enabling families to participate in the labour market, and
- into the future, through improved productivity of the children who have experienced quality ECEC, through improved earnings and overall national productivity when children reach their economically active years.

We have captured the economy-wide impacts using computable general equilibrium (CGE) modelling. Using publicly available information the CGE model contains a number of data sets and inputs which form a baseline for the modelling. Inputs are carefully calibrated with reference to this baseline. Through these input 'shocks', the CGE model is then able to measure the difference between the current state and the effect size or impact of the change.

In summary our findings demonstrate that there are potential benefits across the board for providing quality ECEC. These include:

- growing Australia's GDP
- improving workforce participation choices for parents, and in particular women
- helping realise the full potential of Australian children
- reducing the impacts of disadvantage.

Our modelling results show that all of these benefits can be achieved with a net saving to government.

I am pleased to provide you with our findings which are contained in the report *Putting a Value on Early Childhood Education and Care in Australia*.

I would be pleased to meet to discuss the report in more detail, including taking you through our technical approach, and can be contacted on 03 8603 4814.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. van Smeerdijk', with a long, sweeping flourish extending to the right.

James van Smeerdijk  
Partner, Economics and Policy