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22 April, 2014

**Work and Family Policy Roundtable Submission to the Productivity Commission**

Email: [childcare@pc.gov.au](mailto:childcare@pc.gov.au)  
Childcare Inquiry  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2600

The Work and Family Policy Roundtable (W+FP) is pleased to make a submission to the current Inquiry into Childcare and Early Childhood Learning.

The W+FP has had a long interest in Early Childhood Education and Care (ECEC). ECEC is a key work and family policy. It is important for the wellbeing of women, men and especially children and essential to labour supply and the productivity of our workplaces and economy.

As previously advised to the Commission, we conducted a one day policy and evidence seminar at the University of Sydney on March 25<sup>th</sup> 2014. The attached submission draws on that seminar and our previous research and deliberations on ECEC.

Yours sincerely,

Three handwritten signatures are shown in black ink. From left to right, they appear to be 'Elizabeth Hill', 'Sara Charlesworth', and 'Barbara Pocock'. Each signature is followed by a period.

Dr Elizabeth Hill, A/Professor Sara Charlesworth, Professor Barbara Pocock  
(Co-convenors W+FP)

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## 1. What is the Australian Work + Family Policy Roundtable?

The Roundtable is made up of researchers with expertise on work and family policy. Its goal is to propose, comment upon, collect and disseminate research to inform good evidence-based public policy in Australia.

The W+FPR held its first meeting in 2004. Since then the W+FPR has actively participated in public debate about work and family policy in Australia providing research-based submissions to relevant public inquiries, disseminating current research through publications for public commentary and through the media.

The Roundtable is a network of 31 academics from 18 universities and research institutions with expertise on work, care and family policy.

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**Prof Rowena Barrett**, Edith Cowan University  
**Dr Dina Bowman**, Brotherhood of St Laurence & University of Melbourne  
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## 2. Key Principles of the W+PR

The aim of the Australian Work + Family Policy Roundtable is to propose, comment upon, collect and disseminate relevant policy research in order to inform good, evidence-based public policy in Australia. In undertaking this task, the Roundtable is guided by the following principles:

- People’s lives involve differing mixes of paid work and unpaid work as carers. The Roundtable is committed to promoting public policy initiatives that engage with and creatively manage the intersections between the spheres of paid work, workers’ responsibilities for the care of others, and community well-being.
- We support and will work towards policies that improve the quality of life for working people and those they care for: to reduce the tensions for working people; increase the well-being of both carers and those who rely on their care; and ensure productive and sustainable workplaces and labour markets.
- We recognise that the quality of Australian workplaces and employment practices affect family formation. To ensure workers have access to both quality of life and productive work, we will investigate employment practices that support family formation.
- Women perform the majority of unpaid household and caring work. They also bear a disproportionate burden of the cost of work and family tension. Secure families and productive workplaces require that women and men are equally able to manage their work and caring responsibilities.
- Wages, welfare and family policies should not discriminate on the basis of gender, and should recognise the particular disadvantages affecting women.
- We recognise that an effective work and family regime should promote gender equality in the workplace and counter informal and formal modes of discrimination against women and carers.
- An equitable work and care regime should be available to all Australians, not just the well off or those on higher incomes. This includes access to good quality and affordable childcare and elder care services.
- The Roundtable will focus in particular on how policies affect low paid workers and those who are disadvantaged in the labour market or under welfare arrangements to ensure that policies enhance life chances and do not add to discrimination or other forms of disadvantage.
- An effective work and family regime will promote social equity and enhance people’s capacities to be both good family members and productive workers.

### 3. W+FPR 2006: Key Policy Principles for ECEC

Reflecting the priority that Australian Work and Family researchers accord issues related to Early Childhood Education and Care (ECEC), one of the first research activities convened by the WFPR was a national roundtable on ECEC in 2006, funded by the Academy of Social Sciences.

This resulted in a book summarising recent research on ECEC in Australia – see <http://www.workandfamilypolicyroundtable.org/publications>. That book summarises key principles that should underpin a national system of ECEC.

Our March 2014 W+FPR seminar confirmed the importance of these principles, which are:

#### **Ten Policy Principles for a National System of Early Childhood Education and Care**

##### **1. Promote the well-being of all children**

*The primary goal and guiding principle of a national system of early childhood education and care (ECEC) should be the well-being of all children.*

A system of high quality education and care should emphasise children's development and well-being. This will have measurable positive effects on the health and well-being of children in the present and into the future and promote social equity.

##### **2. Early Childhood Care and Education is a Public Good**

*A high quality early childhood education and care system is a public good, and so requires significant public investment.*

The benefits of high quality early childhood education and care accrue to children and their families, but they also accrue to society more broadly. High quality early childhood education and care that prioritises the needs of children will have a positive impact on women's participation in employment, gender equity, human capital development and economic growth. This 'public good' property of high quality ECEC means that significant, ongoing government investment is required to ensure adequate resources are devoted to it.

##### **3. Universal Early Childhood Education and Care**

*Australian governments should implement a national, universal and integrated early childhood education and care system, particularly for children in the two years prior to starting school, and up to three years for children from disadvantaged backgrounds.*

International evidence about the positive role that early childhood education and care plays in the development and well-being of all young children provides a strong case for this. The evidence supports access to at least two years early childhood education for all children under school age, and access from the age of two for children in disadvantaged households. Education and care interventions in the early years have a demonstrated capacity to narrow social inequity and improve the health, educational and economic outcomes of children from disadvantaged backgrounds over the life course. Universal access to a guaranteed option of education and care prior to starting formal schooling will complement the services available to babies and infants under a nationally integrated ECEC system.

#### **4. Rational Planning of ECEC System Growth**

*Governments must collaborate to plan a rational expansion of the ECEC system in order to meet the needs of all children equitably, to ensure that service quality is high, and to maintain diversity in provision to give parents genuine choice.*

Private investment decisions, rather than need, increasingly determine the distribution of ECEC services in Australia. Further, increasing rates of corporate provision of ECEC services in Australia, especially long day care, pose a significant challenge to accessible, high quality outcomes for children, especially without any community based controls. A growing body of international and Australian evidence suggests that quality is threatened where the interests of shareholders conflict with the interests of children. Government support should therefore be adjusted to expand public ECEC services, especially those linked to other services and community-capacity-building activities, in the context of a rationally planned expansion of provision. This includes renewed support for capital grants and/or the provision of land at concessional rates to encourage public services to be built in poorly serviced areas and integrated with other public services.

Given the prevalence of commercial services, however, we note that changes to the current funding model that create a contractual agreement premised on meeting children and family requirements can mitigate some of the problems associated with for-profit provision.

#### **5. High Quality Standards**

*High quality education and care, especially a high ratio of university or TAFE trained and appropriately qualified staff to children, is the priority issue in ensuring positive outcomes for children.*

An accumulating body of international evidence suggests that positive outcomes for children arising from early childhood education and care are directly related to the quality of these environments. High quality is a function of staffing ratios, carer and teacher skills and qualifications, and the size of the care group. National quality standards must reflect international best practice. Research supports staff/child ratios of at least 1 adult to 3 children for infants (1:3); at least one adult to four children for one to two year olds (1:4), and at least one adult to eight children for three to five year olds (1:8). A commitment to high quality care requires implementation of these ratios in all sectors of ECEC. Teachers and other ECEC staff must be appropriately trained and qualified. To be effective, these standards must be linked to a robust regulatory and compliance regime. These criteria for quality become the justification for continuing and even increasing the very substantial public subsidies available to reduce costs.

#### **6. Good Employment Practices**

*High quality care depends upon stable, qualified, appropriately rewarded staff.*

Children and parents benefit from long-term care relationships. Stable care relationships, and the recruitment and retention of skilled teachers and carers, requires secure jobs, attractive pay and conditions, and rewards for higher education and training. Wages in the sector remain too low despite recent increases, and many services lack enough skilled teachers and carers. Professional qualifications and wages for carers and teachers must be upgraded. Trained and qualified staff must be rewarded commensurate with other comparable workers. Resources must be made available to allow teachers and other staff adequate time to undertake program design, documentation, reporting and in-service training. Government has a strategic role to play in developing a workforce planning strategy to meet current critical shortages of appropriately qualified ECEC teachers.

## **7. A Robust Regulatory System**

*High quality early childhood education and care requires a robust and integrated system of monitoring and compliance that is based on best practice standards and which targets structural, process and adult work quality dimensions.*

Government regulation can play a critical role in promoting and safeguarding high quality ECEC. Australian research suggests that the current national accreditation system and state regulations have limited capacity to effect high quality ECEC. An effective regulatory framework will promote high structural standards (ie. staff to child ratios, small group sizes, and qualified teachers); standards of excellence in children's experiences whilst in ECEC services; and best practice adult work experience (eg. job satisfaction, work conditions, staff retention rates). A robust system must be able to identify and enforce sanctions on centres that provide poor quality care, whilst also actively recognising and supporting ECEC teachers and staff committed to providing high quality education and care. An effective regulatory system will be transparent and subject to ongoing independent review by appropriately qualified reviewers.

## **8. Affordable and Equitable ECEC Services**

*Access to ECEC and good outcomes for children depends upon affordable services.*

Evidence suggests that the costs of ECEC are increasing much faster than inflation in Australia. The cost of high quality care makes affordability a significant and ongoing concern for parents and ECEC providers. An investigation into alternative funding methods to ensure affordability and sustain the growth of ECEC provision into the future must be undertaken. COAG is urged, as part of its National Reform Agenda addressing the promotion of Human Capital, to investigate the feasibility of pooling public sector funding for early childhood infrastructure and funding from different jurisdictions and government agencies to create a more affordable, equitable and integrated system of ECEC.

## **9. Supportive Parental Leave and Tax Policies**

*A high quality ECEC care system requires supportive, complementary policies.*

International evidence shows that significant benefit will flow to children and working carers from Australia's adoption of a universal system of paid parental leave that gives parents and primary carers the practical opportunity to take leave from work for at least a year, and preferably up to eighteen months, to care for infants and young children. This requires a payment system that confers a living wage during the period of leave, allows it to be combined with other forms of leave (including the opportunity to request to return to work part-time) and allows parents to share leave (and requires fathers to use a portion of it on a 'use it or lose it basis'). The effective and efficient use of parental leave policies requires a progressive individual tax system that does not penalise parents who move between paid work and caring duties or disadvantage dual-income households.

## **10. Building Healthy Communities and Social Capital**

*Well resourced ECEC centres provide a focal point or 'hub' for multiple community services that support families with young children and strengthen community capacity.*

Co-locating ECEC services with other educational and child and parent health clinics and services facilitates important 'social joins' and strengthens social connections for both children and parents. These settings can be sites for other universal family support services for families with babies and very young children. This will ensure that all adults responsible for the care of young children are able to access the support they need to offer young children the best possible experiences for nurture and learning. ECEC services that link with schooling facilities help to build child and parent communities and create natural bridges for children into formal education and social life. These are cost effective and transport and time efficient.

## 4. Election priorities and benchmarks 2013

The WFPR published Election Benchmarks at each of the past four national elections.<sup>1</sup> The 2013 Benchmarks recommended the following in relation to ECEC:

### **Accessible, affordable quality childcare**

Since the 2010 election there have been positive changes in childcare. The National Quality Framework (NQF) has been introduced to: improve the quality of service provision through better child/teacher ratios; improve staff training requirements; and develop an early years learning framework which includes the employment of a university-qualified early childhood education teacher in all centres with more than 25 children. The National Partnership Agreement on Early Childhood Education and Care (ECEC) has also continued to be rolled out, with a mid-2013 deadline for universal access to 15 hours of pre-school education for all children in the year before they start school.

These are important developments for Australian children, parents and childcare workers. However, public concern about the affordability of childcare is acute. Official data shows the price paid for childcare by consumers has increased at three times the general rate of inflation since 2009 (Megalogenis 2012). This is despite growing government subsidies and support for the early childhood education and care sector which is budgeted to reach \$22.3 billion over the next four years (Commonwealth Budget 2012-13). Public concern about the lack of flexibility and affordability of childcare services in Australia highlights the patchwork nature of policy development in this area.

Duplication and inconsistencies between the state/territory and federal governments are continuing problems in urgent need of a response. Concerns about the costs associated with implementation of the NQF make a review of funding arrangements essential. Direct payments to childcare services that are linked to high quality provision would be a positive policy change, but would need to be accompanied by appropriate safeguards.

Decent wages for educators and teachers are critical for the development and sustainability of a high quality early childhood education and care sector. The low wages that are endemic in the sector must rise to attract and retain a skilled workforce. Currently the sector faces labour shortages, unfilled vacancies and difficulties in recruitment with around 180 educators leaving the sector each week (DEEWR 2011). Early childhood qualified teachers should be paid at parity with their colleagues in the school system.

### **We recommend:**

1. Increasing direct Australian Government funding to approved services to enable them to meet the increased wages and other costs associated with the NQF;
2. Improving pay and conditions for all ECEC staff, including pay parity for teachers;

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<sup>1</sup> <http://www.workandfamilypolicyroundtable.org/wp-content/uploads/2012/04/Benchmarks-2010.pdf>;  
<http://www.workandfamilypolicyroundtable.org/wp-content/uploads/2013/04/Benchmarks-2013-for-website.pdf>;  
<http://www.workandfamilypolicyroundtable.org/wp-content/uploads/2012/04/benchmarks20071.pdf>

3. Adopting the Henry Tax Review recommendations for combining the Child Care Benefit and Child Care Rebate and reducing the withdrawal rate to ensure that the greatest level of assistance is directed to families in greatest need;
4. Conducting an inquiry into the development of a national model of funding for an integrated, high quality, flexible and equitable ECEC system that meets the needs of contemporary families and workplaces; and
5. Evaluating the implementation of universal provision of 15 hours of pre-school for all children in the year before they enter school, with a view to progressively extending guaranteed access to high quality care and education to 3 year old children and then to 2 year old children.

## 5. Submission on the key issues facing the Productivity Commission Inquiry.

The March 2014 Work + Family Policy Roundtable seminar on the future of ECEC in Australia drew attention to the following points of relevance to the PC's current Inquiry:

### ➤ **The goal of early childhood education and care**

The provision of high quality children's services is fundamental to good social and economic outcomes in Australia. While much has been made of the economic benefits of such services, such as improved female workforce participation and children's educational outcomes, it is vital to remember that good societies are created by good care systems and economic benefits are a means not an end in this context.

Children and their wellbeing and development should be the central concern of Australia's early childhood education and care system. Further, the benefits of women's labour market participation (and men's) need to be considered in relation to their care responsibilities over the life course. Having a paid job should not be a compulsory activity when care responsibilities are substantial. To this end, we do not believe the goal of an early childhood system should be labour market participation. A system that balances the activity of work with the activity of care over the life-course is preferable.

### ➤ **A service not a market**

ECEC is a social and community service that directly and indirectly contributes to the provisioning of social and economic needs. While some elements of ECEC have been commodified, ECEC cannot be understood in market terms any more than can the provision of health or education needs. Attempts to apply market principles to the allocation of ECEC resources will result in inefficiency due to the public goods characteristics of ECEC; pervasive asymmetries in information and bargaining power; and the limited number of providers in most geographical locations.

The costs of inefficient resource allocation are borne not only by individual children, parents, families and communities but also by the public sector and the state - in the form of the cognitive, emotional and social costs for children affected by poor quality care and their use of services in the longer term, such as remedial education, community support, prisons and other related services.



➤ **The funding envelope**

While we recognise the funding limitations placed upon the PC Inquiry, we do not accept that these limitations are supported by good evidence. It is essential that ECEC is high quality, affordable and universal. This will require a significant level of public spending. The OECD benchmark of 1% of GDP expenditure on ECEC is a reasonable aspiration for Australia (Bennett 2008: 18; UNICEF 2008). We currently fall well short of this. In the medium term, we need to increase public support for ECEC and move toward the 1% GDP public funding benchmark that will allow Australia to build the high quality sector that will meet the needs of children, parents and Australia more broadly.

➤ **Simplicity, affordability**

The current funding system is complex and hard for users to understand. Parents do not have an accurate view of the true cost of ECEC services to themselves, and they find the subsidy system very hard to understand. Simplicity and transparency about the true cost to parents is a virtue of good policy. It is illustrated in the Canadian proposals for ‘\$10-a day’ childcare, where parents know the true cost (see [http://www.cccabc.bc.ca/plan/Community\\_Plan\\_ECL.pdf](http://www.cccabc.bc.ca/plan/Community_Plan_ECL.pdf)) The dual provision of both an income tested direct payment, and a non-means tested cash rebate must be simplified and redesigned to support the delivery of affordable care for parents.

➤ **Fees, funding and reasonable cost**

We need to ensure the **reasonable** cost of care (Brennan & Adamson 2014). The current system amounts in part to a subsidy or voucher system where public subsidies chase higher fees in an inefficient circuit of rising costs. Some services charge very high fees for ‘luxury’ care with add-ons that are not critical to quality early childhood education and care. Instead, services should receive direct funding for the provision of quality services up to the level of reasonable costs, but not beyond them. Some services for children with additional needs should be subsidised at a higher level.

We submit that a more effective funding model should include the following features:

1. It should be simple and easily understood by all users;
2. It should be equitable between different socio-economic cohorts;
3. It should reflect the principle of a basic contract between approved services and government which recognises quality obligations and responds to undersupply.
4. Such contracts could cover obligations to provide agreed numbers and types of places and age groups, hours of operation, flexibility and fee levels;
5. Redirect the Child Care Rebate funding to centres (not parents) in the form of a basic subsidy, weighted to reflect the numbers and ages of children;
6. Encourage approved services to include home-based and after hours services for household’s that require flexible care arrangements. The provision of in-home care through established ECEC centres will ensure appropriate regulation of the quality care for children, avoid exploitation of workers in private homes and provide the opportunity for integration between in home and centre based care;
7. Avoid any public funding and/or tax deductions for the private employment of home-based carers as the quality, safety and risks associated with private in-home care cannot be effectively managed or assured;

8. Fees should be set by centres on the basis of reasonable cost for service (to be agreed) with a margin of agreed profit on capital investment. Fee relief for service users would be calculated accordingly;
9. All services should be required to have a parental/community committee to establish links with local communities and related services as a condition of funding.

### ➤ **High Quality Services**

A high quality framework for ECEC is fundamental for children's early cognitive, social, and emotional development, and for parents using ECEC services (Dalli et al 2011; Degotardi 2010; OECD 2006 & 2012; Sims 2007). Poor quality provision will affect labour supply as parents will be unwilling to put their children into care which they recognise as poor quality. Public expenditure on ECEC must be closely connected with the monitoring and guarantee of high quality care.

The carefully drafted National Quality Framework (NQF), and its timely implementation, must not be compromised by the Inquiry's findings. Reasonable concerns about affordability must not be addressed by reducing or slowing down the implementation of the NQF. We strongly support the six principles underpinning the NQF and believe that the long process of careful consideration and design of this system must not be undermined. In particular, unsubstantiated anecdotes about the cost of meeting the NQF should not be taken at face value as evidence of unacceptable cost of implementation, given that the costs of failing to implement a high quality system are also very large, and fall particularly to the public purse in terms of higher social service provisions in the long run.

We also recommend that the improved accountability for quality that the NQF affords be supplemented by increased transparency. We support rigorous data collection pertaining to services' profit status and governance, and the publishing of such data.

### ➤ **Accountability and Funding**

We support the direct funding of ECEC services via providers. Public funding demands accountability and transparency. All services in receipt of public funds must be accountable for such funds, and must meet reasonable quality standards.

There is no evidence that making childcare costs tax deductible will improve either equity or efficiency in the system. The submission by ECA to the Inquiry shows that tax deductibility will leave all groups worse off. As other Productivity Commission Inquiries into service provision have shown, tax deductibility is not a desirable means of ensuring access on fair terms.

A key principle for public support (through direct payments or any tax benefit) must be a transparent, measurable and reliable system of quality management. Any publicly subsidised areas of ECEC provision – including centre-based or in-home care – must meet high standards of quality provision, and these standards must be transparently and reliably vetted. This is the main reason why private household decisions to directly employ in-home carers must remain the decision and responsibility of parents, and not be eligible for public funding. It must be a requirement of publicly allocated ECEC expenditure that it funds assured quality provision. Direct employment of sole-carers (ie nannies – even where they are qualified) who are not associated with a quality assured system of supervision cannot meet this requirement.

➤ **Access and equity**

Access to services for disadvantaged children and families (including children with disability, parents with disability, and services for Aboriginal and Torres Strait Islander children as well as families in regional and remote localities) should be a requirement of public support, in order to prevent ‘creaming’ by providers (ie. the preference to provide services with higher returns over high cost, lower profit services that serve high needs children). International research is clear that poor quality care has particularly negative impacts on disadvantaged children. On the other hand high quality care creates extremely positive impacts for children in general and disadvantaged children in particular.

We support the maintenance and enhancement of the current Budget Based Funding model which currently supports many services that meet the above needs, at least until it can be replaced by an alternative funding system that directly funds diverse needs. The direct funding of such services is necessary to ensure they can meet complex needs of children and parents beyond mainstream service models.

A need for national planning is evident: the provision of various forms of care requires detailed planning and oversight to ensure appropriate locations for care, and to match demand to supply, ensuring adequate numbers of places for different age groups. The funding system needs to be restructured to meet diverse needs. Fees and funding need to be matched appropriately, via appropriate contracts between government and provider to deliver the types of service that match the needs of particular areas and families.

➤ **Women’s workforce participation, childcare and the tax system**

Evidence about the effect of childcare provision and costs on marginal labour supply decisions is incomplete and unclear. First, it is important to distinguish between mothers of preschool aged children, mothers in general, and women over all.

Preschool mothers’ workforce decisions are affected by multiple factors including – at the very least - access to quality affordable care, access to suitable work and working hours, partner’s work patterns, the distance between work and home, transport services, and the location of extended family and other supports, as well as net income.

There is little evidence about how and if women calculate their effective marginal tax (EMTR) and the wider costs of returning to work, let alone the relationship between their level of knowledge and their participation levels. There is, however, strong evidence that policy changes in Canada, which expanded provision of low cost childcare, have been associated with very significant increases in mothers’ labour supply (Tsounta 2006). Australian data also suggests that lack of affordable and accessible childcare does limit women’s labour market participation — but by how much is unclear, as noted above.

➤ **Flexibility**

The time gap between the end of paid (and unpaid) parental leave, and access to early childhood education and care is critical for most parents, especially those with infants under one, and is often met by informal in-home care. Some families need forms of care that are not easily accessed in their local communities, whether for particular hours, infants and children at particular ages, or special care needs.

It is important that workers who provide in-home care, where supported by public funds, are appropriately paid, with appropriate and safe working conditions. It is also important that they receive adequate supervision and support to deliver quality care.

More flexible in-home care might be provided by funding in-home carers based out of childcare and children's services centres that are coordinated, supported, supervised, trained and regulated from such services. This would meet the key principle of 'no public support without public accountability' for quality and outcomes. It would also minimise risks for associated with the expenditure of public funds, and ensure appropriate insurances.

#### ➤ **A seamless and connected ECEC system**

The ECEC system needs to be considered in relation to other critical elements of the education and care of infants and young children. Even when the parental leave payment (PPL) is extended to 26 weeks in Australia from 1 July 2015, many parents will continue to experience a long gap between when PPL concludes and the time they want or can access appropriate formal early childhood education and care. A robust system of ECEC that promotes children's wellbeing and parents' workforce participation must be integrated into the PPL system in a seamless manner.

Building a connected and coherent system of ECEC can be achieved by extending upward the period of paid leave to a year (as the W+FPR recommends) and extending downward access to infant and toddler ECEC services. The creation of clear pathways of care and support for all families and workers is essential, but particularly for sole-parent households. Alongside these provisions it is also vital that workplaces adopt family responsive practices including provision of flexible working conditions that meet the needs of an increasingly diverse workforce with many care demands over the life course.

#### ➤ **Universal provision**

International research supports a national system of ECEC that provides services for all families, rather than a welfare-oriented, targeted program of provision which particularly services the disadvantaged (UNICEF 2008). There is a very strong case for a good social mix in childcare services, not the least of which is the effectiveness of universal ECEC in promoting social inclusion and ameliorating social and economic inequality.

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