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Submission to: The Productivity Commission Inquiry into the early childhood education and care (ECEC) sector, response to the draft report: *A path to universal early childhood education and care*

From: The Australian Work + Family Policy Roundtable

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The Work and Family Policy Roundtable (W+FPR) is pleased to make this submission to The Productivity Commission Inquiry into the Early Childhood Education and Care Sector in response to the draft report - *A path to universal early childhood education and care*

The W+FPR is a network of 36 academics from 20 universities and research institutions with expertise on work, care and family policy. The goal of the W+FPR is to propose, comment upon, collect and disseminate research to inform good evidence-based public policy in Australia. Our membership and the policy principles that inform our work are set out in Appendix 1 to this submission.

The W+FPR was established in 2005 and has a long-held interest in Early Childhood Education and Care (ECEC) as a key work and family policy. For the past 18 years, the W+FPR has been translating the research evidence on the economic and social benefits of ECEC into the public debate and has made numerous important interventions on this policy issue. These include: *Kids Count: Better Early Childhood Education and Care in Australia*¹; Ten Policy Principles for a National System of Early Childhood Education and Care (see Appendix 2); [Federal Election Benchmarks](#) for Work, Care and

¹ Hill, E., Pocock, B., Elliott, A. (2007). *Kids Count: Better early childhood education and care in Australia*. Sydney: Sydney University Press.

Family 2010, 2013, 2016, 2019 and 2022; and most recently *At a Turning Point: Work, Care and Family policies in Australia (2024)*, which argues ECEC is a crucial part of Australia's work and care infrastructure and needs to be invested in as such.²

We begin our response to the Draft Report by noting that the overarching principles underpinning the recommendations are sound, as far as they go. As presented on page 58, these are that:

- Affordability and availability gaps need to be addressed to achieve universal access.
- Availability can only improve if workforce challenges are resolved.
- A universal ECEC system has to be inclusive of all children.
- ECEC services do not consistently respond to family needs.
- Quality is paramount to achieving the benefits of ECEC.
- New coordination mechanisms will support universal access.

However, we find this set of principles incomplete, and we do not believe that the analysis and recommendations developed in the Draft Report adequately address the stated principles. Moreover, we are disappointed that the findings and recommendations of the Draft report do not appear to have been informed by substantive structural issues raised in many submissions, including by the Roundtable. We therefore refer the Commission back to the W+FPR's original submission, alongside this additional submission.

In this brief response to the Draft Report we argue the Commission has failed to adequately address four issues that are foundational to the need for 'affordable, accessible, equitable and high-quality ECEC that reduces barriers to workforce participation and supports children's learning and development', as outlined in the Treasurer's Terms of Reference to the Commission.³ These issues include:

1. Lack of a detailed plan for how Australia could build a universal system of accessible, affordable and high-quality ECEC over the next 10-20 years, including a plan to build workforce sustainability.
2. Failure to recognise gender equality as a core principle underpinning ECEC reform that meets the Australian Government's wider policy goals; access to high quality ECEC is a gender equality measure with positive benefits for the wellbeing and economic security of Australian women and men, children and households as well as national productivity and prosperity.
3. Failure to take a proactive position on the poor working conditions and low pay, underpinned by gender undervaluation, that characterise employment in the ECEC sector and contribute directly to the sector's current workforce challenges.
4. Inadequate attention to the negative impact of leaving critical decisions, such as service distribution within the ECEC system, to market forces and to the impact of commercialisation and the unbalanced growth of for-profit provision on service quality, accessibility, and cost.

² Hill, E., Baird, M. (2024). The Australian Policy Context: Opportunities for a new social and gender contract. in Baird, M., Hill, E., and Colussi, S (Eds.), *At a Turning Point: Work, Care and Family policies in Australia*. Australia: Sydney University Press.

³ Treasurer, 2023, Terms of Reference <https://www.pc.gov.au/inquiries/current/childhood/terms-of-reference>

1. Urgent need for a detailed plan on how to build an Australian system of universal early childhood education and care.

The Treasurer, Jim Chalmers MP, in the terms of reference drafted for this Inquiry, says ‘The Government is committed to identifying solutions that will *chart the course for universal, affordable ECEC* – in the great tradition of universal Medicare and universal superannuation.’

We are surprised and disappointed by the limited scope of the Draft Report and do not think it has delivered on the expressed request of the Treasurer.

The Draft Report does consider a number of measures that reorientate Australia’s targeted approach to the delivery of ECEC and extend public support for a larger group of 0–5-year-olds than are currently covered by the scheme. We welcome these recommendations.

However, we expected the Commission to provide a plan, outlining in detail, key stepping stones toward a genuinely Universal ECEC system for Australian children and their parents, within a set time period – perhaps 10 years plus. We are disappointed the Commission has not carried out this important work, as requested in the Inquiry Terms of Reference.

The current system is characterised by a complex distribution of responsibility and opaque lines of accountability within and between different levels of government that oversee a poorly functioning quasi-market. The system and service planning needed to enable universal accessibility is currently lacking. The Draft report notes that coherent and appropriately resourced infrastructure to ensure and drive high ECEC quality is also underdeveloped. The Draft report recognises these problems to varying extents. However, the Draft recommendations for resolving them through ‘stewardship’ of the system are underdeveloped. A major problem is that the Draft recommendations do not rest on a comprehensive analysis and evaluation of the weaknesses and gaps in the current governance of the ECEC system. The Commission should develop this analysis and evaluation and use it to underpin a design and timeline for reform to ensure that the ECEC system can deliver universal, high quality services.

As outlined in our original submission there are many reasons why universal provision of high quality ECEC will optimise the positive impact for all children and all families across the socio-economic spectrum. A universal system will also deliver strong economic impact. A universal system of ECEC will deliver an essential public good guided by the principles of fairness and equality in public service delivery and will support Australia’s commitment to various international conventions and commitments, in particular the UN Sustainable Development Goals 1 (no poverty), 3 (good health and wellbeing), 4 (quality education), 5 (gender equality), 8 (decent work and economic growth) and 10 (reduced inequalities).

Recommendation 1: The Commission’s final report should include a detailed plan for how a national universal system of accessible, affordable and high-quality ECEC could be achieved over the next 10 to 20 years. This should include key milestones.

2. Analysis of ECEC as a gender equality measure

In light of the Commonwealth government’s commitment to promoting gender equality⁴ we are extremely disappointed with the Commission’s failure to include a serious analysis of the significant

⁴ See Women’s Budget Statement 2023-24 https://budget.gov.au/content/womens-statement/download/womens_budget_statement_2023-24.pdf, May 2023.

gender impact of ECEC policy in the draft report. Early childhood education and care policy is a highly gendered issue. Government investment in an improved ECEC system provides a significant opportunity to promote gender equality at work, home and in the community. Easy to access and affordable, high-quality ECEC allows women to deepen their participation in the labour market at a level commensurate with their economic needs and skill level.

Support for women's paid economic opportunities through delivery of a universal ECEC system is foundational for a more gender equal division of paid and unpaid work, with potential to improve men's opportunities to value and share the family care load. In this respect the 'norm' of three days CCS support for children is problematic, suggesting that this is the optimum number of paid workdays for mothers with young children. This does not take into account women's aspirations for paid work or the economic imperative that drives the rapid increase in households in which both parents work full-time.⁵ The Draft report relies on a theoretically outmoded concept of families' 'stated preferences' for a certain number of work hours. The Commission needs to take seriously its occasional recognition of the 'complex range of factors' that affect preferences and decisions (page 266) and develop a plan for a contemporary ECEC system that will deliver maximum choice for all families that aligns with the Australian Government's commitment to advancing women's economic equality.⁶

Recommendation 2: The Commission's final report should include sophisticated gender analysis woven throughout the report highlighting how a universal system of ECEC will support government aspirations for gender equality – at work, home and in the community.

3. Supporting decent work for ECEC workers

There have been significant changes to Australian industrial relations settings to ensure that considerations of both gender equality and job security inform the work of the Fair Work Commission. Both are highly relevant to employees in the ECEC sector.

These changes to the Fair Work Act 2009 (FW Act) came into effect in 2023. They include the insertion of 'promoting job security and gender equality' into the objects of the Act more broadly. Further, the FW Act's Modern Award Objective, which informs the Commission's exercise of its powers in relation to modern awards such as the Children's Services Award, was amended to include the need to achieve gender equality in the workplace by ensuring equal remuneration for work of equal or comparable value, eliminating gender-based undervaluation of work and providing workplace conditions that facilitate women's full economic participation; and the need to improve access to secure work across the economy.

Other gender equality reforms to the FW Act include significant changes to the equal remuneration or pay equity provisions and the work value provisions that are designed to enable the FWC to tackle entrenched gender undervaluation in sectors such as ECEC. However, given the Australian government is the main funder of ECEC services in Australia, little will be achieved without a much more proactive role taken by the Government in investing in sustainable decent ECEC jobs as the key

⁵ Baxter (2023) Employment patterns and trends for families with children, Australian Institute of Family Studies, Australian Government. <https://aifs.gov.au/research/research-reports/employment-patterns-and-trends-families-children>

⁶ See <https://www.pmc.gov.au/office-women/womens-economic-equality>

way to address the critical issues of attraction and retention of the ECEC workforce. This is an issue we would have expected the Productivity Commission to directly address in its Draft Report.

Investment in high-quality universal ECEC would necessarily include professional pay and improved conditions, particularly in terms of working time and job security, for ECEC workers.⁷ This will help to reduce the widespread problem of gendered undervaluation of care work across Australia's care and support economy, which has been recognized in several recent work value cases in the Fair Work Commission, most recently for aged care workers.⁸ Addressing the gendered undervaluation of ECEC work will support the economic security, wellbeing and career progression of the overwhelmingly female ECEC workforce, which in turn will improve progress towards gender equality indicators across the Australian labour market – a stated public policy goal.

Recommendation 3: The Commission's final report should include recommendations to the Australian government in terms of its direct role in ensuring conditions for sustainable decent work in the ECEC sector that underpin a sustainable high quality ECEC system.

4. Reduce reliance on the market – invest in public and not-for-profit providers.

The market is not the best way to deliver universal ECEC. As the recent ACCC inquiry has demonstrated, Australia's ECEC market is rife with market failure. The ACCC's report finds that the behaviour of non-profit and for-profit providers diverges in ways that suggest concerted policy effort is required to reverse the unbalanced growth of for-profit provision.

In relation to capital investment, the ACCC's report finds that 'land developers are driving the development of new centres', who choose sites based on assessment of potential returns. The problems of undersupply caused by this reliance on commercial developers is addressed in the Commission's Draft Report with recommendation 5.1, which proposes a grant scheme for 'thin markets'. This proposal leaves too much responsibility to underserved communities to organise supply. Instead, ongoing public investment in public and non-profit providers in underserved communities is urgently needed. Governments could partner with 'cornerstone' non-profits with demonstrated records of excellence in quality, governance and inclusiveness to develop new services.

In relation to operation costs, high quality ECEC does not come cheap, and ensuring that public and parent funds are well-spent is essential. The ACCC's reports also include further data on the higher prices, lower wages and lower quality of service provision among for-profit providers. The Commission's Draft report notes concerns about gaming the system for quality regulation. Assuming the ongoing existence of a mix of providers of different kinds, regulatory incentives and enforcement must be aligned children's and families' best interests and evidence-based, prudent use of funds. Thorough, independent review of the current regulatory systems is needed. More frequent assessment on research-based, outcome measures should be a part of any strong regulatory system.

Significant new public investment in public and not-for-profit provision will best support the delivery of high-quality services, help address inequalities in ECEC access and maximise the public value

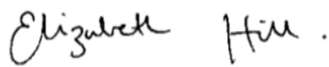
⁷ The deficit of which was outlined in our original submission to this Inquiry. See attached submission.

⁸See <https://www.fwc.gov.au/hearings-decisions/major-cases/work-value-case-aged-care-industry/decisions-statements-work-value>.

return on public investment. This will be best supported via new systems of public management and financial accountability.

Recommendation 4: The Commission’s final report should address the problems raised by the commercialisation of ECEC, and develop a detailed proposal for system expansion through public investment in proven high-quality providers.

We commend this submission to the Productivity Commission on behalf of the Work + Family Policy Roundtable members, and hope that the issues discussed above might be addressed in the Commission’s final report, along with the full set of recommendations made in our original submission (W+FPR 2023).



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W+FPR Policy Principles

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.

The Roundtable believes work, care and family policy proposals should be guided by sound policy principles which:

- Recognise that good management of the work-life interface is a key characteristic of good labour law and social policy;
- Adopt a life-cycle approach to facilitating effective work-family interaction;
- Support both women and men to be paid workers and to share unpaid work and care;
- Protect the well-being of children, people with disabilities and frail older people who require care;
- Promote social justice and the fair distribution of social risk;
- Ensure gender equality, including pay equity;
- Treat individuals fairly, regardless of their household circumstances;
- Ensure sustainable workplaces and workers (e.g. through 'do-able', quality jobs and appropriate staffing levels);
- Ensure predictable hours, earnings and job security;
- Ensure flexible working rights are available in practice, not just in policy, to all workers through effective regulation, education and enforcement;
- Facilitate employee voice and influence over work arrangements;
- Recognise and support the ongoing need for income support where earnings capacities are limited by care responsibilities or other social contributions;
- Recognise the particular cultural and social needs of groups who have been excluded and discriminated against, such as Indigenous peoples and newly arrived migrants and refugees, who may require diverse responses to participate effectively; and
- Adopt policy and action based on rigorous, independent evidence.

Informed by these principles, the W+FPR will advance public debate and policy initiatives that promote a secure and living wage for workers; reasonable work hours and working time; appropriate and adequate leave provisions; quality care services; a fair tax and benefits regime and other measures that assist workers and carers to better combine these two spheres of essential human activity.

Appendix 2

Ten Policy Principles for a National System of Early Childhood Education and Care⁹

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 wellbeing. 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

⁹ These Ten Policy Principles are the outcome of the *Childcare: A Better Policy Framework for Australia* research workshop held at The University of Sydney in July 2006.

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.