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Submission to: The Productivity Commission Inquiry into the early childhood education and care (ECEC) sector.

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.

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 and has made numerous important interventions into the public debate on this policy issue. In 2006 the W+FPR convened the first national multidisciplinary research Roundtable on ECEC at The University of Sydney, funded by the Academy of Social Sciences in Australia. Outputs from this event included the book, *Kids Count: Better Early Childhood Education and Care in Australia*¹ and Ten Policy Principles for a National System of Early Childhood Education and Care. These policy principles were included in our submission to the 2013 Productivity Commission ECEC Inquiry and remain highly relevant to the 2023 Inquiry - see Appendix 2.

¹ Hill et al 2007.

In this submission we draw on 18 years of W+FPR research and deliberations on ECEC and related policies² to provide evidence to the Inquiry on:

- the economic and social benefits of a **universal system of high-quality ECEC**;
- investment in a **well-trained ECEC workforce, that is paid professional wages** as a driver of workforce sustainability and service quality;
- maximising the **public value of government investment** in high quality ECEC

In response to the evidence in these three domains, the W+FPR recommends:

1. High-quality, child-centred early childhood education and care be recognised as an essential public good that requires significant public investment.
2. The Productivity Commission model the economic cost/benefit of a free universal ECEC system, taking into account children’s development outcomes, parental workforce participation and macro-economic impact over the short, medium and long term.
3. The Child Care Subsidy activity test be abolished for all families.
4. An interim pay increase, funded by the federal government, be paid immediately to all early childhood educators and implemented in pay classifications in the relevant awards.
5. The federal government, unions and employers work together through the Fair Work Commission to develop wage and skills structures in the relevant awards that fully recognise and reward the attainment of professional qualifications, professional development and experience by the ECEC workforce. Award classifications structures should provide meaningful career progression with decent relativities both between and within classification levels.
6. The distribution of ECEC services be planned to ensure accessibility for all families, especially those living in areas of disadvantage.
7. The dominance of for-profit ECEC providers be reduced by reframing ownership of the sector away from for-profit ownership. Public provision is an important lever for governments seeking to ensure equitable access to high quality services especially for the most disadvantaged.³
8. Increased transparency around finances and labour deployment to ensure public funds are expended on high quality services.
9. Public financing of physical infrastructure for ECEC could prevent ‘leakages’ of public funding for service provision into the profits of corporate providers and their lenders, and corporate owners of the underlying real estate.

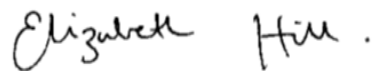
² For relevant W+FPR Federal Election Benchmarks and submissions see:

<https://www.workandfamilypolicyroundtable.org/publications-2>

³ Davidson 2022

The opportunity to build a universal high-quality ECEC system for Australian children and parents, is exciting. Sustainable investment, good design and proper governance and accountability measures are essential for national labour supply, productivity, prosperity, and wellbeing. Universal ECEC will deliver economic security and wellbeing to families, particularly mothers and children, and is a key policy lever for gender equality in work and care.

We commend this submission to the Productivity Commission on behalf of the Work + Family Policy Roundtable members. We are happy to provide further evidence or respond to queries as required.



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1. The Evidence Base for Universal ECEC

The case for a universal system of Early Childhood Education and Care (ECEC) in Australia is strong. In this section we present the evidence for a universal system of ECEC, available to all Australian children under 5 years irrespective of their parent's workforce status, household income level, where they live, cultural and community background, or migrant status. In other words, we make the case for why ECEC should be understood and funded as a *universal public service*, in much the same way as the public education system. Public schools in Australia welcome all children, irrespective of parental income and employment and have well-established institutions of governance, accountability, funding and professions. The universal (and compulsory) nature of schooling is based upon the critical role education plays as a public good where the benefits not only accrue to the child, but also to society and the national economy. Given the well-documented developmental benefits gained by young children through access to high-quality ECEC, most particularly for children from disadvantaged households, we suggest the same approach should be taken to funding and regulating Australia's ECEC system. In the case of ECEC, universal access does not, however, imply compulsory participation – this is an important distinction. Families provide the vast majority of care for pre-school aged children and will continue to do so. Nevertheless, universal access to ECEC is an essential support for children and parents with society-wide benefits.

Australia has a history of universal provision in some social services, the largest being Medicare. Prime Minister Albanese regularly refers to Australia's system of minimum wages, compulsory superannuation and Medicare when outlining his vision for universal ECEC.⁴ Universality was also the foundation of the 2006 Council of Australian Governments (COAG) commitment to improving early childhood development outcomes through its national funding for 15 hours of high-quality ECEC for all Australian children in the year before full-time schooling. In 2022, the NSW and Victorian state governments increased funding for an extended universal program for 3- and 4-year-olds with special provisions for younger children from disadvantaged households.⁵ This reflects the universal provision of schooling for those aged above 4 years. Since part of the pre-school care and education system is already universal for specific age groups, there is no good rationale for why a universal approach should not define Australia's entire early years education and care system.

The Benefits of Universal ECEC

A universal approach to the provision of ECEC has significant benefits for children; parents, especially mothers; local communities; for the sustainability of the ECEC system; for governments; society and the national economy.

a) For children:

High-quality ECEC provides children with opportunities to enhance a broad range of cognitive, social, emotional and behavioural skills.⁶ However, universal access is often criticised as unnecessary, overly generous and sometimes as a wasteful form of 'middle-class welfare'. Some argue that a system targeted at vulnerable children, who predominantly come from low-income families, is the most efficient use of public funds, since this is the cohort that research shows will benefit most from high-quality ECEC.⁷

Access to ECEC for vulnerable children should be a top priority for government, but not all vulnerable children live in low-income households. A large share of vulnerable children live in less disadvantaged households. The 2021 Australian Early Development Census Report finds more than half of all

⁴ See for example, Albanese 2022.

⁵ New South Wales Government 2022, Victorian Government 2022.

⁶ Pascoe and Brennan 2017.

⁷ Vandell et al 2010, Heckman 2013, Melhuish 2014.

Australian children (53.6%) who are developmentally vulnerable on one or more domain(s) reside in the more advantaged SEIFA quintiles 3, 4 and 5⁸ and one in four children (25.6%) in these three quintiles are developmentally vulnerable on two or more domains.⁹ Only a universal system of ECEC will deliver services to all vulnerable children.

Vulnerable children who stand to benefit the most from high-quality ECEC do not only live in low-income households. They can be found across the household income spectrum. Only a universal system will include all vulnerable children.

In addition to where vulnerable children are located, complex rules and administrative processes that are part of targeted systems often make it hard for parents to access, even when eligible. Australian research shows that complex bureaucratic processes designed to target children from socially disadvantaged families are unlikely to be effective.¹⁰ For example, the requirement to apply for the childcare subsidy (CCS) online is a significant barrier to families with language and literacy difficulties, to disadvantaged groups who face high internet costs and those in remote and regional Australia, especially Aboriginal and Torres Strait Islander families.¹¹ Families without jobs and those with insecure or sporadic employment face particular hurdles negotiating the administrative requirements and activity testing in our current system. In addition, the child care subsidy activity test penalises children whose parents are not in the workforce or who work only occasionally – the very children who stand to gain the most to gain from quality ECEC.¹² Current targeted arrangements provide no subsidised care to parents looking for work or seeking to make the transition from providing stay-at-home care to employment. Recent research suggests that at least 126,000 children from the poorest households are unable to access subsidised ECEC due to parental employment status.¹³

b) For parents, especially mothers', workforce participation and economic security:

Universal access will increase the number of parents, and women in particular, who are able to engage in or increase their participation in paid work outside the home. Universal low-cost or free ECEC is a key policy lever used to support maternal employment in most OECD countries.¹⁴ A lack of accessible, affordable and high-quality ECEC has been documented over decades as putting a brake on Australian women's labour supply. Where ECEC is not available women do not enter the labour market, remain out of the labour market for longer than they would like when they have small children, and face limits on the number of days and total hours of work they are able to do.¹⁵ Reduced labour market engagement has a cumulative negative impact on women's income and career progression with significant implications for retirement savings and economic security in old age.¹⁶

⁸ AEDC 2021: 88. The Socio-Economic Indexes for Areas (SEIFA) is an Australian Bureau of Statistics tool used to rank geographical areas in Australia according to their relative socio-economic advantage and disadvantage. <https://www.abs.gov.au/websitedbs/censushome.nsf/home/seifa>

⁹ Domains include: Physical health and wellbeing; Social Competence; Emotional Maturity; Language and cognitive skills; Communication skills and general knowledge.

¹⁰ Skattebol et al 2014.

¹¹ Thomas et al 2018.

¹² Pascoe and Brennan 2017.

¹³ Impact Economics & Policy 2022.

¹⁴ Bousselin 2022; Lefebvre and Merrigan 2008; Lefebvre et al 2009.

¹⁵ KPMG 2020; Productivity Commission 2014, Volume 1, Chapter 6, Stewart 2017, 2022.

¹⁶ Commonwealth of Australia 2016; Samardzija et al 2022. Recent estimates by Preston and Wright (2023) show that having children has a statistically negative effect on female (but not male) superannuation savings. Women with children, on average, have 16% lower superannuation savings than women without children. This reflects, in large part, time out of the labour market. There is an additional large and significant superannuation savings penalty that comes with working part-time.

Recent analysis shows that reducing the activity test alone could potentially release an additional 40,000 women with children under 5 years of age into the labour market, with the biggest participation gains for women from low-income households.¹⁷

Universal access to ECEC maximises women's labour supply and enhances women's opportunities to engage in the labour market at a level commensurate with their level of education and aspiration, with considerable positive macro-economic impacts.

c) For Local Communities

A universal approach to ECEC provides a platform for bringing parents and children from across the community together, and the delivery of additional high-quality social services. This aspect of universal provision was highlighted in our 2006 Policy Principles for a National System of Early Childhood Education and Care:

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.¹⁸

Universal high-quality and child-centred ECEC services that are designed as part of local family service networks will provide an important public service and contribute to community wellbeing.

d) For the ECEC system

A universal system will lift the demand and delivery of high-quality services and care for all children, promoting standards of excellence in ECEC across the sector. This contrasts with a targeted approach that risks development of a multi-track service, providing different quality services for children depending on their income-level and targeted inclusion/exclusion in the national system. It is likely that many high-income families will be able to afford high-quality high-cost services, with families targeted for inclusion in a national system also receiving relatively high-quality services. But children from non-target households, even middle-class households, are vulnerable to being restricted to lower-quality, low-cost services.¹⁹ This type of fragmented system has the potential to embed structural disadvantage in the early years with long-term social and economic consequences. Only a universal system has the best chance of providing sustained high-quality services for all children across the income spectrum.

e) For Governments

Universal systems are typically easier for government to administer than targeted systems and eliminate the need to determine eligibility and track participation. This can be time-consuming and costly, reducing the amount of money that goes into direct care and education with children. A universal approach to the public delivery of ECEC is more efficient, equitable and effective.

¹⁷ Impact Economics & Policy 2023.

¹⁸ See Appendix 2.

¹⁹ Phillips et al 1994.

f) For Society

A universal approach that brings all children together in a common ECEC system provides an important environment for children and parents across the income spectrum to interact positively and productively together. This provides opportunities to build social inclusion and a cohesive and equitable community. Societies that are more equitable have been demonstrated to be more productive, prosperous, healthy and less politically polarised.²⁰

A universal system of ECEC accessible by all Australian families is an important way to build broad-based support for sustained high-quality ECEC, and social policy in general.

The positive impact of universal ECEC on women's labour supply could also contribute to a more gender equitable society, as it supports a more equitable distribution of work and care between parents. A recent study using HILDA data shows that there has been a 6.5 percentage point convergence in the gender gap in labour force participation between 2001/05 and 2015/19, with one third of that convergence due to changes in gender role attitudes, with the faster adoption of more egalitarian attitudes by women. A universal system of ECEC could be expected to see a further erosion of traditional attitudes towards mothering and caring and further narrow the gender gap in labour force participation.²¹

g) For the Economy

The impact of universal ECEC on women's expanded labour supply will deliver strong macro-economic and fiscal benefits. Increased family incomes produced through women's increased workforce participation will generate greater tax revenue through income tax and GST due to increased consumption by households, and lower government transfers and other tax credits. There are numerous studies that point to the positive fiscal impact of universal ECEC, including those from Canada.

Quebec, Canada, has had a universal ECEC system for more than 25 years. This has delivered a significant boost to women's labour market participation and generated fiscal surplus for the Province and the national government through income tax in excess of total government subsidies.²² A study on the annual impact of universal low-fee ECEC in Quebec on government revenue in 2008 concluded that the net fiscal benefits of the scheme were about 50 percent higher than the net spending of the programme, showing the new low-fee universal system more than paid for itself and generated a fiscal surplus that can be used on other government priorities.²³ This is not to suggest that ECEC should be designed to be a revenue source, but to show that there are significant economic benefits in the short term, as well as the long term, from expanded investment in universal ECEC.

The macro-economic impact of universal ECEC has also been calculated in terms of the fiscal and employment effects in the UK and other OECD economies. Investment in ECEC is found to be an employment rich strategy compared with other investment options such as construction.²⁴ Labour-rich policy settings in turn support improved economic activity and greater tax revenue.²⁵ These studies show that universal ECEC can be expected to maximise women's labour supply and deliver strong employment and fiscal outcomes.²⁶

²⁰ Wilkinson and Pickett 2009.

²¹ Preston (forthcoming).

²² Lefebvre and Merrigan 2008; Lefebvre et al 2009.

²³ Fortin et al 2013.

²⁴ De Henau and Himmelweit 2021.

²⁵ De Henau et al 2019.

²⁶ De Henau 2022, 2017; Grudnoff 2022.

Other Australian research points to the essential role that work/care policy settings such as affordable, accessible and high-quality ECEC play in promoting young workers' future success at work and family formation.²⁷ ECEC is essential for workers and families across the income spectrum, supporting women to undertake jobs and pursue careers at a level commensurate with their education, training and aspiration. Australia has one of the best educated female cohorts in the OECD, with one in two women aged 25-44 holding a Bachelors degree or above.²⁸ Access to universal ECEC will allow Australia's well-educated and skilled women to participate fully in the labour market and enhance economic productivity through more efficient use of national human capital. Access to universal ECEC is also vital for women and children in poorer families. The Interim Economic Inclusion Advisory Committee recommended the activity test on the Child Care Subsidy be abolished, drawing on a range of evidence including that the activity test contributes to children from the poorest households missing out on subsidised ECEC and leaves low-income families most likely to be paying extra for unsubsidised care.²⁹

Numerous estimations of the impact of wider, if not universal, access to ECEC on economic growth have been widely circulated in recent years. Grattan Institute modelling of an increase in the CCS concludes that the boost to women's workforce participation from the additional investment in childcare would boost GDP by more than twice the budget cost.³⁰ More recent analysis by Impact Economics suggests that removing the activity test alone could add up to \$4.5 Billion per year to GDP as a result of increased women's labour force participation.³¹ The cost of abolishing the activity test is estimated to be much less than the corresponding increase in GDP, and offset by higher taxation receipts and lower government payments.

The fiscal sustainability of Universal ECEC is further underpinned by the political value of universalism. Services that are attractive to the middle class are more likely to receive broad political support and have their quality and availability maintained. This is evident in the broad-based popular support for Medicare.

Challenges

The development of a universal ECEC system comes with several challenges. Children's access to ECEC is always mediated by institutional dynamics, including the adequate supply of services where they are needed, in a form that matches parental working hours, delivered by a trained workforce. The shift to universal ECEC access in Australia will require significant expansion in the number of services available, especially in locations defined as childcare 'deserts'³², a much larger workforce, and new forms of flexible service provision. Rapid upscaling of the system must not compromise the delivery of a high-quality service by professionally trained staff. Excellent system stewardship will form a critical foundation of a universal service.

Pathways to building high-quality services supported by a professionally paid workforce that will deliver universal access are addressed in sections 2 and 3 below. But alongside these developments, we need to consider the service mix. A commitment to universal access to ECEC will require a flexible approach to service provision that pays attention to the cultural background of families and the sectors in which parents are employed. For example, Australia's current ECEC system does not meet the needs of families where parents are employed in sectors dominated by shift work. A 2021 study of retail, online retail, warehousing and fast-food workers shows that Australia's current ECEC system

²⁷ Hill et al 2019, 2023.

²⁸ ABS 2022.

²⁹ Interim Economic Inclusion Advisory Committee 2023.

³⁰ Grattan 2022.

³¹ Impact Economics and Policy 2023.

³² Hurley et al 2022

is out of step with and not flexible enough to match the working time arrangements of those employed in these sectors. Mainstream long day care and family day care services and their funding models are too rigid to support the changing work/care needs of shift workers, especially those employed in low-paid precarious flexible working arrangements.³³ Universal access will require new, more flexible forms of ECEC be developed to ensure ECEC for all children, irrespective of their parent's work arrangements.

In summary, universal access and provision of ECEC will promote an inclusive society and economy, ameliorate inequality, build community expectations for high-quality ECEC services, reduce administrative costs, maximise women's labour supply, national productivity and outcomes for children.

The Roundtable recommends:

1. High-quality, child-centred early childhood education and care be recognised as an essential public good that requires significant public investment.
2. The Productivity Commission model the economic cost/benefit of a free universal ECEC system, taking into account children's development outcomes, parental workforce participation and macro-economic impact over the short, medium and long term.
3. The Child Care Subsidy activity test be abolished for all families.

2. Building a well-trained and professionally paid ECEC workforce

The highly feminised ECEC workforce is under significant pressure. Low wages and declining conditions of work, particularly in the majority for-profit sector, are linked directly to the burnout of early childhood educators, leading to high turnover rates and intention to quit, especially in centre-based care.³⁴ This workforce crisis is not a new phenomenon. It is a systemic feature of the funding and feminised history of the ECEC sector. Indeed, the ECEC workforce is one of the most sex-segregated workforces globally and despite significant efforts in OECD countries across the past two decades,³⁵ men comprise approximately 3% of all staff.³⁶

The urgency of addressing low wages and declining work conditions has been noted in successive Roundtable submissions to various inquiries and in every set of its Federal Election Benchmarks since 2010. In its 2013 Federal Election Benchmarks, the Roundtable stated that:

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.

³³ Cortis et al 2021.

³⁴ Irvine et al 2018.

³⁵ Peeters et al 2015.

³⁶ OECD 2021.

In its submission to the 2014 Productivity Commission Inquiry into ECEC, the Roundtable set out 10 policy principles for a National System of Early Childhood Education and Care (See Appendix 2). One of these principles focuses on good employment practices in the following terms:

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.

In its submission in response to the 2014 Productivity Commission's Draft Inquiry Report, the Roundtable stated:

The W+FPR is disappointed the Commission has been largely silent on the very significant issues facing the ECEC workforce. Professional wages for educators and teachers are critical for the development and sustainability of a high quality early childhood education and care sector. They will also assist in reducing the persistent gender-based undervaluation of caring work and make visible the considerable complex skills needed to deliver care.

We note that the Productivity Commission Final Inquiry Report, while accepting evidence on the shortages of ECEC workers and the role that low wages played in these shortages, failed to give adequate weight to the government's potential role in addressing this shortage including through wage subsidies.³⁷ Instead the Commission focused more on 'market-based' options such as reducing NQF staff ratios and qualification requirements to help alleviate staff shortages 'either increasing the potential pool of workers that satisfy regulatory requirements or reducing the number of staff that must be employed (or both).'³⁸ Workforce challenges can only be effectively addressed alongside measures to maintain and improve the provision of high-quality ECEC services. Australian and international research clearly shows the positive relationship between properly paid ECEC workers and the delivery of high-quality ECEC.³⁹ The W+FPR has consistently made this point.

In its 2017, 2019 and 2022 Federal Election benchmarks⁴⁰, the Roundtable continued to press for decent wages for ECEC educators and teachers to attract and retain a skilled workforce so crucial to the development and sustainability of a high quality ECEC sector. In our 2019 Benchmarks we also proposed that care workforce strategies, such as in ECEC, include decent work for care workers as an objective and that workforce strategies be developed implemented and evaluated in consultation with all parties including workers and their unions.

In our 2022 Benchmarks we proposed, in addition, that the federal government invest in sustainable decent care jobs. Care workers should be directly employed by service providers with decent wages and conditions that develop, recognise and reward skills used via training, career pathways permanent and secure jobs, and industry-based collective bargaining. The Supported Bargaining stream

³⁷ Productivity Commission 2014.

³⁸ Productivity Commission 2014: 332.

³⁹ OECD 2021; Cumming et al 2021; Barnes et al 2021.

⁴⁰ <https://www.workandfamilypolicyroundtable.org/publications-2>.

introduced in 2022 amendments to the Fair Work Act provides for multi-employer bargaining, rather than industry-wide bargaining. The use of this stream to address low wages in ECEC may be limited by the underlying poor wages and conditions in the Children Services Award on which any multi-employer enterprise agreement would sit. That is, there is little to bargain with given the poor wages and conditions in that Award as we set out below.

Conditions of Work in ECEC: Low Wages & Limited Career Pathways

The National Children’s Education and Care Workforce Strategy 2022-2031 identifies low pay and poor conditions as an impediment to the professional recognition of ECEC workers as well as contributing to the skills shortage in ECEC.⁴¹ One of its recommended actions in the next three years is to ‘investigate options for improving workforce pay and conditions’ to explore and identify the structural barriers to, and strategies for, improving pay and conditions in the sector. In the implementation and evaluation plan for the strategy, reference is made to research to be commissioned ‘to review the existing body of evidence and explore examples and case studies of supportive settings across the sector.’⁴² The elephant in the room – the role of the federal government as the key funder and regulator of ECEC with a large degree of both direct and indirect control over the terms of work in the sector – is yet again ignored. As we outline below the time has come for significant government investment and intervention to rectify market failure in the ECEC sector.

A recent systematic review of the literature found that early childhood educators had a high risk of burnout, that is of recurring physical and psychological fatigue relating to their work.⁴³ This risk was both exacerbated and realised during the COVID-19 pandemic. Two key determinants of burnout were low wages and poor work organisation in services which produced high job demands, high workloads and a lack of resources. Leadership development opportunities are also crucial in addressing retention in ECEC. Many educators say they feel unprepared to take on a leadership role⁴⁴, yet positive management strategies, including democratic practices, collaborative decision-making, employee voice, and appreciation of the professional nature of educators’ work, can nurture a climate of mutual respect and support educator retention.⁴⁵ Such organisational level of support, respect and voice is vital, but can only be effective where it is underpinned by rights to decent wages and conditions.

Low Wages

Important steps have been taken in Australian ECEC to ensure a professional workforce with minimum qualification standards. Yet professional status linked to mandatory qualifications has provided little protection against low wages. The *Children’s Services Award* provides the minimum conditions for the majority of ECEC employees in Australia, except for family day care workers⁴⁶ and qualified preschool and early childhood teachers.⁴⁷ Wages set out in this Award have only increased via the flow-on from annual minimum wage increases decided on by the Fair Work Commission’s minimum wage panel.

⁴¹ ACECQA 2021.

⁴² ACECQA 2022a.

⁴³ Ng, Rogers & McNamara 2023

⁴⁴ Sims et al 2015.

⁴⁵ McDonald et al 2018.

⁴⁶ Family Day Care employees are covered by the Social Community and Home Care Disability Services Award.

⁴⁷ Qualified preschool and early childhood teachers are covered by the Education Services (Teachers) Award.

Table 1: Children’s Services Award: Pay Rates for Children’s Services Employees May 2023

	Qualification minima	Hourly rate of pay (min - max) ⁴⁸	Difference <u>within</u> levels	Difference between top of previous level & bottom of next level	Difference from NMW (\$21.38)
Level 1	No formal qualifications	\$21.85	N/A		\$0.47
Level 2 (2 steps)	1 year at Level 1 or Cert 11	\$22.64 - \$23.39	\$0.75	\$0.79	\$1.26-\$2.01
Level 3 (2 steps)	Cert 111	\$24.76-\$26.42	\$1.66	\$1.37	\$3.38-\$5.04
Level 4 (3 steps)	Diploma in CS	\$29.17-\$30.05	\$0.88	\$2.75	\$7.79-\$8.67

Examining the pay rates for employees under the Children’s Services Award highlights:

- Low wage rates at level 1 and level 2 relative to the national minimum wage, which the lowest wage any employee can be paid in Australia;
- Very small increases within levels 2-4 depending on years of service;
- A compressed wage structure with only \$8.20 per hour difference between employees with no formal qualifications and those who are Diploma-qualified with three years’ experience at the top step of level 4; and
- Compressed wage rates within levels. For example a Level 4 employee who holds a Diploma is entitled to a pay increase of only \$0.88 after three years at that level.

Not surprisingly, low award wages are a major issue in the skill shortage crisis of early childhood educators. The 2021 ECEC National Workforce Census, which surveyed only providers, reported that in centre-based care 57% of paid contact staff were paid at the award wage only with a further 26% being paid up to 10% above the award.⁴⁹ The impact of any such over award pay on income is limited by the low award rates of pay on which they are based and the fact ECEC workers work short hours as highlighted below. Opportunities for career progression or advancement in ECEC are also limited for early childhood educators as highlighted in Table 1 above. They may also be limited by working in single-service businesses. In Australia, 34% of approved services are single-service businesses.⁵⁰

There has been a decline over time in the number of family day care workers, who work in the main as independent contractors. Where they are employed by a service, family day care employees who are directly engaged with the education and care of children, rather than mainly in administration and coordination, are paid mainly across three Award levels, with hourly wages ranging from \$23.18 to \$32.20 at the top of level 3. In 2021 the Independent Education Union won a work value case in respect of early childhood teachers in the Fair Work Commission where pay rises of between 3-14% were awarded for those dependent on the award.⁵¹ The award wage increases and new classification structure across five levels came into effect from 1 January 2022, with rates of pay as of May 2023 ranging from \$32.19 per hour for graduate teachers at level 1 to highly accomplished/lead teachers at \$44.54 per hour at level 5.

The income of those in the ECEC sector is highly dependent on the quantum of hours worked. The 2021 Workforce Census reported that in centre-based care a majority of the workforce (56%) work less than fulltime hours: a fifth of the workforce worked between 1-19 hours with 36% of the

⁴⁸ Progression up the 2-3 steps within each classification level depends on years of service.

⁴⁹ We note that for 9.2% of CBDC staff, the basis of their wage was unknown (Social Research Centre 2022): 13.

⁵⁰ ACECQA 2022b.

⁵¹ [2021] FWCFB 6038 at: <https://www.fwc.gov.au/documents/decisionssigned/html/2021fwcfb6038.htm>.

workforce working between 20-34 hours.⁵² Worker reports reflected in 2016 Australian Bureau of Statistics Census data for workers in the 'child carer' occupational classification (ANZSCO 4211) are consistent with these provider reports. The 2016 Census showed that a higher proportion of child carers worked very short part-time weekly hours (1-15 hours) compared to the total workforce (17% vs 12%). Child carers were also much more likely to work short part-time hours (16-24 hours) than is the case for the total workforce (16% vs 10%).⁵³ Low wages combined with short part-time hours makes it difficult to earn a liveable wage. In the 2016 Census, child carers reported a lower median weekly income than other workers. They had a median income of \$500- \$649 per week, half of the then median income of \$1,000-\$1,249 per week for the total workforce.⁵⁴

The United Workers Union surveyed almost 4000 current and former ECEC staff in 2021.⁵⁵ Well over two thirds (70%) of survey respondents said they 'always' or 'often' worry about their financial situation, with 84% reporting they would find it difficult to cover an unexpected, emergency \$400 expense. The ECEC sector is effectively propped up financially by members of educators' households—their partners and parents, but also the educators themselves who, without additional financial resources, struggle to meet everyday living expenses.⁵⁶ This 'care gap' in public funding⁵⁷ has implications for financial issues at the household level, especially how income is shared and distributed. It also raises questions about fairness, especially when considering the disproportionate impact of low-wage jobs that are shouldered by women.

Low rates of pay in ECEC are directly linked to the difficulty of attracting and retaining ECEC educators. Low pay is also a significant barrier to men's participation in ECEC; a workforce that is one of the most sex-segregated globally. Low pay is a significant barrier to men's inclusion in terms of earning expectations and because low pay signals that the work of educating and caring for young children is not valued.⁵⁸

We note that an interim pay increase for *all* early childhood educators was one of the six key recommendations in the Women's Economic Equality Taskforce's May 2023 budget advice to the federal government.⁵⁹ This recommendation, which was made in recognition of the historical undervaluation of early childhood educators work and the urgent need to retain and attract workers to the sector, was not taken up in the 2023 Federal Budget.

To address the shortage of ECEC educators across developed economies, the OECD has focused on 8 key strategies. Two of these strategies are improved remuneration and improved working conditions in ECEC, including improved career pathways.⁶⁰ In 2013 unions took action to address wages for early childhood educators and early childhood teachers via seeking an equal remuneration order (ERO) in Fair Work Commission (FWC) to increase workers' wages by between 27.5% to 80% depending on the classification.⁶¹ This ERO claim dragged on for five years. It proved ultimately unsuccessful for several technical reasons in 2018. The case was highly resource and time intensive for the unions involved. Even under the recent reforms to the equal remuneration provisions in the Fair Work Act via the

⁵² Social Research Centre 2022.

⁵³ Eastman et al 2018.

⁵⁴ Eastman et al 2018.

⁵⁵ United Workers Union 2021.

⁵⁶ McDonald et al 2018.

⁵⁷ Daly and Armstrong 2016.

⁵⁸ Brody et al 2021.

⁵⁹ Women's Economic Equality Taskforce 2023. <https://www.pmc.gov.au/office-women/womens-economic-equality/womens-economic-equality-taskforce/letter-minister-women>.

⁶⁰ OECD 2019

⁶¹ Smith and Whitehouse 2020.

Secure Jobs Better Pay Act 2022, a positive outcome in any future equal remuneration claim in ECEC may still a very expensive and lengthy process. It may also delay the urgent action needed to address wages in the sector. Other than the multi-employer supported bargaining process outlined above, immediate action could be taken by the parties in partnership with the federal government to increase wages via seeking an award variation. Following the 2022 Fair Work Act amendments, the Fair Work Commission is obliged under the Modern Award objective (s134(1)), including when varying an award, to take into account a number of factors, including 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.

Given the federal government is the main funder of ECEC services in Australia, the W+FPR believes it is critical that an interim wage increase be made immediately by the Government to prevent further workers leaving the sector and implemented via a variation to relevant sector awards. Following this action, as with the Early Childhood Educators work value case outlined above, further work should be undertaken by the parties and the Commission to develop wage and skills structures in the other relevant ECEC awards that reward the attainment of professional qualifications, professional development and experience, and also provide for meaningful career progression with decent relativities both between and within classification levels.

Understaffing

The National Qualification Framework provides minimum staffing qualification standards in ECEC. In centre-based care at least 50% of educators must be diploma qualified or higher and all other educators must be Certificate 111 level qualified. Depending on the number of children in attendance, services must also employ at an early childhood teacher. There are also educator to child ratio mandates. Across Australia that ratio for children up to 2 years is 1:4, and for children between 2-3 years it is 1:5, except in Victoria where it is 1:4. For children aged 3 years and over including preschool age the current ratio is 1:11 in all states except NSW and Tasmania where it is 1:10.⁶²

However these mandatory minimum educator to children ratios operate in most centres as a *ceiling rather than a floor* with staffing adjusted on a day to day basis around children in attendance. These ratios can be whittled down through mixed age ratios or 'under the roof ratios' where providers ensure there are enough educators within a centre to meet aggregate NQF mandated ratios but not necessarily the specific ratios for different age cohorts of children in a centre. While the regulations provide that educators counted in these ratios must be physically present and directly working with children,⁶³ this requirement may not always be observed.⁶⁴ The 2021 survey of United Workers Union ECEC members suggests that the misuse of 'under-the-roof' ratios is widespread with 90% of respondents stating that such ratios and the consequent understaffing means they do not have time to provide quality early learning. More than 9 out of 10 respondents (92%) stated such ratios compromised the safety and well-being of children.⁶⁵

Providers can also apply for a waiver from meeting legislated staffing requirements by applying for a service waiver where an issue is likely to be ongoing, or a temporary waiver, where the issue can be addressed within 12 months.⁶⁶ While legislated staffing requirements have changed over time, the proportion of services with a staffing waiver has grown from just over 3.2% in 2013 to 8.9% in 2022.⁶⁷

⁶² ACECQA Educator to Child ratios: <https://www.acecqa.gov.au/nqf/educator-to-child-ratios>.

⁶³ Aussie Childcare Network 2023.

⁶⁴ CELA 2021.

⁶⁵ United Workers Union 2021.

⁶⁶ ACECQA 2023.

⁶⁷ ACECQA 2023 at Table W10.

Waivers are most common in long day care services where the proportion of services with a staffing waiver has increased from 6.7% in 2016 to 16.2% in 2023.⁶⁸ Staffing waivers are more common in private for-profit long day care services. While constituting 68.9% of services, 80.8% of for-profit services currently have a staffing waiver. This compares to 7% of not-for-profit community managed services, which make up 11.3% of services, and 1.4% of government managed services, which make up 3.8% of services.⁶⁹

This data hints at the poorer investment in workers and children in for-profit childcare. A report undertaken for United Workers Union found in comparing the share of revenue expended on employees by the 8 largest ECEC providers that in 2019, the five for-profit providers spent a smaller share of revenue on employee expenses (ranging from 54-68%) than the three non-profit providers which spent between 70-87% of their revenue on employees.⁷⁰

In the 2023 Federal Budget, the government committed to invest \$72.4 million to retain and recruit more early childhood educators, including subsidising services to backfill up to 75,000 educators, early childhood teachers and centre directors to undertake mandatory or recommended training and to pay an allowance to educators if training is undertaken outside workhours. While such an investment is very welcome, it does not *directly* address the key issues underpinning the crisis in ECEC including low rates of pay, limited career paths and understaffing, which are leading to high rates of turnover.

The Roundtable recommends:

4. An interim pay increase, funded by the federal government, be paid immediately to all early childhood educators and implemented in pay classifications in the relevant awards.
5. The federal government, unions and employers work together through the Fair Work Commission to develop wage and skills structures in the relevant awards that fully recognise and reward the attainment of professional qualifications, professional development and experience. Award classifications structures should provide meaningful career progression with decent relativities both between and within classification levels.

3. Maximising the value of public investment in ECEC

The Commonwealth Childcare Subsidy is budgeted to cost more than \$14 billion by 2025-26, making it one of the top 20 Commonwealth programs by expense.⁷¹ However, existing arrangements do not maximise the value of the considerable outlays governments currently make. There are several systemic challenges: ECEC services are not equitably distributed, remain expensive for many parents, are of variable quality, and are not universally accessible. A major driver of these sub-optimal outcomes is how the ECEC system is organised as a market. There is limited planning at the system level, over-reliance on private investment to develop and run services and a lack of transparency around providers' financial and labour practices.

There is currently no coordinated system of planning ECEC provision across regional, state or national levels. Leaving it to providers and 'the market' to decide where to locate services has resulted in 'child care deserts', leaving one million Australians with no access to ECEC services. Evidence suggests that providers establish services in areas where they are likely to make greater profits, not where there is

⁶⁸ ACECQA 2023 at Table W11.

⁶⁹ ACECQA 2023 at Table W12.

⁷⁰ United Workers Union 2022.

⁷¹ Budget 2023-24, Budget paper no. 1, Statement 6: Expenses and Net Capital Investment, Table 6.3.1, p 202.

most need.⁷² Despite the weighting of child care subsidies towards parents with lower earnings, services are more likely to be available in areas with low levels of social and economic disadvantage. In areas below the median level of relative social disadvantage, there are approximately 35 ECEC places per 100 children. The number of places climbs steadily as social disadvantage declines, such that in the least disadvantaged areas, there are 46 places per 100 children.⁷³

As we outline in section 1, research has established that disadvantaged children have the most to gain from high quality ECEC services. Yet in the Australian ECEC system, not only are there more services in less disadvantaged areas, but these services are more likely to be of higher quality. Further, the socioeconomic maldistribution of service quality has been getting worse over time. In 2018, in the most disadvantaged areas, 22% of services did not meet the national quality standards (NQS), and 31% exceeded them. In 2022, 15% did not meet the NQS but only 23% exceeded them. In the most advantaged areas, 19% of services did not meet the national quality standards in 2018, and 39% exceeded them. In 2022, 10% did not meet the NQS and 31% exceeded them.⁷⁴

Lack of planning at the system level and the funding instruments governments have used have promoted the growth of private for-profit provision and the relative decline of public provision. Between 1994 and 2020, during which time the size of the ECEC sector has grown significantly, the share of private for-profit providers of long day care services increased from 58% to 68%, while the share of public provision fell from 16% to 4%.⁷⁵ Private for-profit operators now run the majority of family day care services (62%),⁷⁶ up from less than 10% in 2010.⁷⁷

The growing share of private for-profit providers has negative consequences for service quality. For-profit providers are over-represented among lower quality services and under-represented among high quality services. In 2022, 15% of for-profit providers did not meet the NQS, compared to 9% of private not-for-profit providers and 6% of state/local government providers. For-profit providers were least likely to exceed the NQS (16%) compared to community-managed not-for-profits (39%), other not-for-profits (28%), and public (state or local government) providers (51%).

Further, the lower average quality of for-profit provision is more pronounced in areas of high disadvantage. The most recent data from 2019 show that in the most disadvantaged areas, 33% of private for-profit providers did not meet the NQS, compared to 16% of both not-for-profit and public providers. In the most advantaged areas, 23% of for-profit providers did not meet the NQS, compared to 14% of not-for-profit providers and 10% of public providers.⁷⁸ The inverse pattern is evident for high quality services: for-profit services were much less likely to exceed NQS in the most disadvantaged areas (13%) compared to not-for-profit (34%) and public (43%) providers.

⁷² Hurley et al. 2022: 8.

⁷³ Hurley et al. 2022: 31; the authors use deciles of the Index of Relative Social Disadvantage. The least disadvantaged areas fall in the 10th decile.

⁷⁴ ACECQA 2022c:32; this report uses quintiles of the Socioeconomic Index for Areas.

The impact of maldistribution of service quality may go beyond failing to achieve the cognitive and psychosocial developmental enhancements ECEC can offer and extend into areas within the province of public health. Australian researchers have found that meals are less likely to be provided in ECEC settings for children in disadvantaged areas, most notably in rural and regional areas but also in metropolitan services. Despite the higher likelihood of food insecurity in these children's families, their parents lack of capacity to pay fees to ensure provision of high quality meals. (For more on the impact of the market system on access to meals in ECEC see Thorpe et al. 2022).

⁷⁵ Stebbing and Meagher 2022: 384.

⁷⁶ ACECQA 2022c: 4.

⁷⁷ Cortis et al. 2022: 45.

⁷⁸ ACECQA 2020:20. Note that these data are for 2019; ACECQA does not routinely report data using socioeconomic categories.

Alongside the growing share of private for-profit provision is the growing size of for-profit providers. Several large corporations have emerged and grown by acquisition, including G8 Education (listed on the Australian Stock Exchange), Affinity Childcare Holdings Pty Limited and Guardian Child Care Pty Ltd (both majority-owned by private equity firms).⁷⁹ A major driver of corporate entry and growth into ECEC is the opportunity for real estate development with a secure public funding stream via government subsidies and capacity to charge parents on top of subsidies for services in which it is difficult to observe important aspects of quality.⁸⁰ At worst, the presence of large corporate providers leaves the ECEC system vulnerable to instability, as the case of ABC Learning Pty Ltd showed.⁸¹ However, under 'business-as-usual' conditions, lack of transparency about the use of public funds by private providers creates opportunities for cost-cutting and rent-seeking, enabled by current Australian policy settings.⁸² Analysis of for-profit business models gives insight into why quality is lower on average. International evidence shows that for-profit providers, especially those owned by private equity, spend more on debts and less on staff.⁸³

In order to deliver the maximum social and economic benefit from large scale public investment in ECEC, government support should be adjusted to grow public ECEC services in a rationally planned expansion of provision with appropriate quality standards and regulatory provisions that emphasise ECEC as a public service. The costs of inefficient resource allocation are currently borne not only by individual children, parents, families and communities but also by the public sector and the state.

The Roundtable Recommends:

6. Distribution of services be planned to ensure accessibility for all families, especially those living in areas of disadvantage.
7. The dominance of for-profit providers be reduced by reframing ownership of the sector away from for-profit ownership. Public provision is an important lever for governments seeking to ensure equitable access to high quality services especially for the most disadvantaged.⁸⁴
8. Increased transparency around finances and labour deployment to ensure public funds are expended on high quality services.
9. Public financing of physical infrastructure for ECEC could prevent 'leakages' of public funding for service provision into profits of corporate providers and their lenders, and corporate owners of the underlying real estate.

⁷⁹ Richardson 2022.

⁸⁰ In addition to listed and private companies operating ECEC services (so-called 'opcos') are companies who own child care centres but do not operate services (so-called 'propcos'). These typically take the form of real estate investment trusts and are ASX-listed (e.g. Charter Hall Group and Arena REIT) or private equity owned (e.g. Federation's Sentinel Childcare REIT).

⁸¹ Newberry and Brennan 2013. This is not an isolated case in the social services internationally. Corporate collapses in residential aged care in the UK and in school education in Sweden have also occurred in recent years.

⁸² Stebbing 2022.

⁸³ Simon et al. 2022.

⁸⁴ Davidson 2022

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Appendix 1

Australian Work + Family Policy Roundtable Members

- Prof Emerita Siobhan Austen, Curtin University
- Dr Megan Blaxland, University of NSW
- Dr Dina Bowman, University of Melbourne/Brotherhood of St Laurence
- Associate Professor Wendy Boyd, Southern Cross University
- Prof Emerita Bettina Cass, University of NSW
- Prof Emerita Sara Charlesworth, RMIT University (co-convenor)
- Sydney Colussi, University of Sydney
- Prof Kay Cook, Swinburne University
- Dr Amanda Cooklin, La Trobe University
- Prof Rae Cooper, University of Sydney
- A/Prof Natasha Cortis, University of NSW
- Adjunct Prof Eva Cox, Jumbunna Indigenous House of Learning (UTS)
- Prof Lyn Craig, University of Melbourne
- Dr Laura Davy, Australian National University
- Prof Emerita Suzanne Franzway, University of South Australia
- Prof Beth Goldblatt, University of Technology Sydney
- A/Prof Myra Hamilton, University of Sydney
- Dr Alexandra Heron, University of Sydney
- A/Prof Elizabeth Hill, University of Sydney (co-convenor)
- A/Prof Kate Huppatz, Western Sydney University
- Prof Therese Jefferson, Curtin University
- Angela Kintominas, University of NSW
- Adjunct Fellow Dr Fiona Macdonald, RMIT University/Centre for Future Work
- Prof Paula McDonald, Queensland University of Technology
- Prof Emerita Gabrielle Meagher, Macquarie University
- Adjunct A/Prof Jill Murray, Monash University
- Prof Alison Preston, University of Western Australia
- Prof Leah Ruppner, University of Melbourne
- Dr Jennifer Skattebol, University of NSW
- Prof Emerita Sheila Shaver, University of NSW
- A/Prof Belinda Smith, University of Sydney
- Prof Meg Smith, Western Sydney University
- Prof Miranda Stewart, University of Melbourne
- Prof Lyndall Strazdins, Australian National University
- Dr Matt Withers, Australian National University
- Prof Emerita Gillian Whitehouse, University of Queensland

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 Care⁸⁵

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

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

⁸⁵ 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.

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.