

<b>Key Policy in discussion</b>	<b>EARLY CHILDHOOD EDUCATION AND CARE</b>
<b>Portfolio and or agency</b>	<b>DEPARTMENT OF EDUCATION</b>
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### **Key Portfolio Issues**

Apart from the Australian Government’s announcement on 1 May of [an additional \\$18 million](#) to boost the supply of child care places in areas with limited supply, there were no other new measures for early childhood education and care (ECEC) in the 2023-24 Budget. Key measures to be implemented from 1 July 2023 were announced in the [October 2022-23 Budget](#), including lifting the 85 per cent child care subsidy to 90 per cent for low income families, smoothing the subsidy taper for all families and increasing the number of hours of ECEC that First Nations families can access to 36 hours without meeting the activity test.

### **Budget measures**

There were no new measures for early childhood education and care (ECEC) in the 2023-24 Budget.

### **Background: current circumstances of women in this portfolio**

Published ECEC administrative data are not disaggregated by gender.<sup>1</sup> Australian Government child care subsidies are based on a range of family circumstances, including parents’ level of recognised activity (work, study, training or volunteering), combined annual taxable family income, family size and number of children in ECEC.

According to the Australian Bureau of Statistics (ABS) survey on [Barriers and Incentives to Labour Force Participation](#) and an [ABS media release](#) in late 2022, caring for children remains the largest barrier to female participation in the labour force. In 2020-21, there were 250,000 women who wanted a job or to work more hours but were unavailable, of whom 61,600 (25 per cent) indicated that caring for children was the main barrier.<sup>2</sup> For women with children

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<sup>1</sup> Child care administrative data is reported by services and published by the Department of Education. Department of Social Services Payment Demographic Quarterly Data are disaggregated by gender, but do not include child care payments.

<sup>2</sup> The ABS collection between July 2020 and June 2021 was at a time when the pandemic was likely to influence the reasons people were not working or could not work.

under 15, more than half (56 per cent) reported this as their main barrier to work, or working more hours.

Currently, Australia ranks in the top three OECD countries (well above the OECD average) for [financial disincentives](#) to enter employment with child care costs. Child care costs are still the main financial barrier to going full-time, with many women [losing more than they gain by working an extra day](#).

The cost and availability of ECEC are significant barriers for women and secondary earners seeking work or taking on additional hours or days of work. [Equity Economics](#) has estimated that if Australia could lift female participation to that of males, it would increase GDP by 8.7 per cent or \$353 billion by 2050. Good quality, accessible and affordable ECEC is a human capital and productivity priority for Australia.

### **Gender implications**

NFAW's [Gender Lens on the Budget 2022-23](#) welcomed the Australian Government's commitment of \$4.7 billion over four years from 2022-23 to make ECEC more affordable for families and reduce barriers to women's workforce participation. However, we are concerned that the complexity of Australia's ECEC system, persistent workforce shortages, lack of affordability and access to ECEC are key barriers and disincentives for women's workforce participation and children's access to early learning and care.

NFAW joins many other ECEC stakeholders and advocacy groups (for example, [Impact Economics and Policy](#), [The Front Project](#), [Equal Rights Alliance](#)), and the [Women's Economic Equality Taskforce](#) in calling for removal of the activity test for all families.

We support the [Productivity Commission's inquiry](#) into moving to a universal 90 per cent subsidy for all families and the [Australian Competition and Consumer Commission \(ACCC\) inquiry](#) into workforce availability, costs and prices, including how they differ by provider type, the age and characteristics of children, geographic location, level of competition and quality rating.

While NFAW recognises the need for a progressive system of support for families accessing subsidised ECEC in the short and medium term (with more support provided to those who need it most), we advocate for a universal system of free ECEC for all children in the longer term. This commitment should be part of a 10-15 year productivity agenda for long-term social and economic well-being across Australia, including measures to support early child development and family well-being under the Government's proposed [Early Childhood Strategy](#).

NFAW is also concerned that ECEC educators (a predominantly female workforce) are underpaid and under-valued, despite their important role in the care economy. We strongly support calls from the sector for the Government to provide an interim wage supplement for educators, to be funded from the savings achieved through measures to be introduced from July 2023. A 10-15 per cent Australian Government wage supplement for ECEC educators and early childhood teachers (ECTs) has been suggested by a number of child care providers and advocacy groups (including [Goodstart](#) and [The Front Project](#)).

Wages make up a high proportion of child care services' expenditure and are unlikely to increase without some incentives for employers (i.e. ECEC providers and services) to pay higher wages. In addition to considering a wage supplement, Productivity Commission or the ACCC

also need to consider the adequacy of the Government's hourly fee caps for each child care service type.<sup>3</sup> The adequacy or inadequacy of the hourly caps and fees to meet rising operating costs is a driver of increasing gap fees for families, as well as providers' capacity to meet any wage rises.

## **Recommendations**

NFAW supports measures that improve the affordability, accessibility and quality of early childhood education and care. In particular, we advocate for:

- implementation of any integrity measures that do not place women and children under financial duress and maintain standards of natural justice and procedural fairness
- better pay and supply of ECEC educators (including training, recruitment and retention measures)
- better access to ECEC, especially for families living in disadvantaged, regional or remote areas of Australia
- more outside school hours and vacation care places for working families
- children's access to two years of preschool/kindergarten before school
- more affordable ECEC for families, moving to a free, universal ECEC system
- support for early childhood development (including universal health and wellbeing support for parents and children, high quality ECEC, paid parental leave, flexible and supportive workplaces).

In addition to considering moving to a 90 per cent child care subsidy, the Productivity Commission review and/or the ACCC inquiry should consider ways of increasing affordability and accessibility of ECEC, including:

- whether the activity test should be removed (whether it is an incentive/disincentive for families and women, in particular, to work more days/hours)
- whether the activity test is preventing disadvantaged or vulnerable children (not eligible for the additional child care subsidy) from accessing affordable ECEC
- whether the fortnightly limit of 100 hours of subsidised care is adequate or whether it operates as a financial disincentive for women wanting to work more days/hours
- services' fee charging practices, including the length and flexibility of sessions of care
- changes to the Government's hourly fee cap, whether it is sufficient and operating as intended to place downward pressure on child care fees
- whether an hourly fee cap increase or wage subsidy is needed to fund educator wage increases
- ECEC workforce requirements to increase access to ECEC (including ways of boosting training, recruitment and retention).

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<sup>3</sup> Our understanding is that the fee cap for each service type and hourly fees charged by the service (whichever is the lower amount) determine what is paid by the Australian Government to subsidise the cost of child care for families. Both need to be considered the Productivity Commission or the ACCC – not just the fees charged.

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