

Childcare and early childhood learning: Productivity Commission inquiry report ^[1]

Author: Australian Government Productivity Commission

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AVAILABILITY

Full report in PDF ^[2]

Description:

Early childhood education and care (ECEC) plays a vital role in the development of Australian children, their preparation for school and in enabling parents to participate in the workforce. Such outcomes are contingent on quality ECEC services being accessible and affordable for Australian families and their provision being flexible to match the variety of parents' work arrangements. Since the introduction of ECEC funding on a wider scale in the 1980s and 1990s, governments have tweaked and patched assistance arrangements to improve the short term accessibility and affordability of ECEC services for families (box 1). In commissioning this inquiry, the Australian Government has acknowledged that it is now time to rethink Australia's approach to ECEC.

The Commission was requested to examine and identify future options for ECEC that address current concerns with accessibility, flexibility and affordability in a way that better supports: children's learning and development needs, including their transition to school; and workforce participation of parents, especially women. In particular, the Government requested the Commission to report and make recommendations on the contribution that access to affordable, high quality ECEC can make and to evaluate current and future needs for ECEC, including for families in rural, regional and remote areas, families with shift work arrangements, and families with vulnerable or at risk children.

The Commission was also asked to consider the impacts of regulatory changes in childcare over the past decade, other specific models for ECEC delivery (including those used overseas) and assess alternative mechanisms for Government to deliver support to families and providers. At the same time, the Government requested that any modifications to ECEC funding be based on funding arrangements that are sustainable for taxpayers and include options within current funding parameters.

Key points:

- Formal and informal Early Childhood Education and Care (ECEC) services play a vital role in the development of Australian children and their preparation for school, and in enabling parents to work. Many families use a mix of formal ECEC and informal, non-parental care.
- The number of formal ECEC services has expanded substantially over the past decade. Over the same period, Australian Government funding has almost tripled to around \$7 billion per year, and now covers two thirds of total ECEC costs. Despite this, many parents report difficulties in finding ECEC at a location, price, quality and hours that they want.
- Current ECEC arrangements are complex and costly to administer and difficult for parents and providers to navigate. There are over 20 Australian Government assistance programs, some poorly targeted. Assessing service quality is cumbersome and time consuming.
- The benefits from participation in preschool for children's development and transition to school are largely undisputed. There also appear to be benefits from early identification of, and intervention for, children with development vulnerabilities.
- The National Quality Framework must be retained, modified and extended to all Government funded ECEC services. To better meet the needs and budgets of families, the range of services approved for assistance should include approved nannies and the cap on occasional care places should be removed. All primary schools should take responsibility for outside school hours care for their students, where demand exists for a viable service.
- The Commission's recommended reforms will achieve, at minimal additional cost, an ECEC system that is simpler, more accessible and flexible, with greater early learning opportunities for children with additional needs. The reforms would also alleviate future fiscal pressures, establish a system that is easier to adapt to future changes in ECEC, and tax and welfare arrangements. Assistance should focus on three priority areas: mainstream support through a single child-based subsidy that is: means- and activity tested, paid directly to the family's choice of approved services, for up to 100 hours per fortnight, and based on a benchmark price for quality ECEC. In regional, rural and remote areas with fluctuating child populations, viability assistance should be provided on a limited time basis; support the inclusion of children with additional needs in mainstream services, delivery of services for children in highly disadvantaged communities and the integration of ECEC with schools and other child and family services; approved preschool programs funded on a per child basis, for all children, regardless of whether they are dedicated preschools or part of a long day care

centre.

- Additional workforce participation will occur, but it will be small. ECEC issues are just some of a broad range of work, family and financial factors which influence parent work decisions. The interaction of tax and welfare policies provide powerful disincentives for many second income earners to work more than part time. Shifting to the recommended approach is nevertheless estimated to increase the number of mothers working (primarily of low and middle income families) by 1.2 per cent (an additional 16 400 mothers).
- Overall, more assistance will go to low and middle income families and their use of childcare is expected to rise. However, high income families who increase their work hours may also be better off. Enabling the lowest income families (those on Parenting Payments) some access to subsidised childcare without meeting an activity test may boost ECEC participation and improve child development outcomes for this group, but this comes at the cost of potentially higher workforce participation.

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