



**THRIVE
BY FIVE**

2022-23 PRE-BUDGET SUBMISSION





TOPICS

Childcare;

Women's Policy: Early
Childhood Education;

Job Services and Programs;

Labour Market Policy;

Productivity;

Primary and Secondary
Schools.

THIS PRE-BUDGET SUBMISSION RECOMMENDS THAT THE COMMONWEALTH GOVERNMENT:

1. **Place Early Childhood Development on the National Cabinet Agenda** and establish a National Federation Reform Taskforce on Early Childhood Development.
2. **Increase Paid Parental Leave (PPL) from 18 to 26 weeks** and encourage parental leave to be shared between parents with a bonus of 2 weeks (making up a total of 26 weeks) PPL if the leave is shared. Increase PPL to 30 weeks by 2025.
3. **Make high-quality 3-year-old preschool accessible in all Australian States and Territories** by extending the new preschool Reform Agreement to 3-Year-Olds.
4. **Immediately implement an interim 10% wage supplement for all early childhood educators** and make provision to meet the additional costs through adjustments to the Commonwealth Child Care subsidy.

1

Introduction

The Commonwealth Government has a unique opportunity to build on its reforms of the early childhood sector by establishing a world leading early childhood development system. Previous government reforms - including the 2021/22 budget measures to make childcare more affordable, and the Jobs and Families package, provide the foundation for this major reform.

The benefits to Australia of early childhood reform would be significant:

- Improved child development;
- Economic growth;
- Enhance women's safety and economic participation; and
- Improved educational performance.

Imagine an Australia where every family with a young child was able to access paid parental leave, high-quality parenting advice, childcare, early years education, child health services and playgroups; from pregnancy to the first day of school, and all in their local neighbourhood. These services would be delivered by friendly, well-trained staff that they know.

The recently released report by the Centre for Policy Development '*Starting Better, A Guarantee for Children and Young Families*¹', lays out a thoroughly researched model of a world-class early childhood development system for Australia, calculates what it would cost, and provides a roadmap to implement it.

Why now? Australia urgently needs early childhood reform. Our economy has a critical staff and skills shortage. Making Early Childhood Education And Care (ECEC - childcare and preschool) more affordable and accessible increases the participation of parents in the workforce. Workforce participation is the key to improving women's safety and economic security, enhancing their earning capacity and their economic security.

Further, the COVID-19 pandemic has shown the fragility in our early learning and care system, with the Commonwealth Government having to implement two rescue packages for the sector in the last two years with a further rescue package likely to be required to deal with the Omicron variant surge. The COVID-19 pandemic has shown that Early Childhood Education and Care is an essential service and must be reformed to meet families' needs in a post-COVID Australia. Investment in early childhood development is critical for Australia's economic and social recovery from the COVID-19 crisis. It is critical for workforce participation and future productivity. It will accelerate our recovery, create a healthier, happier, and more productive nation, and make our society more resilient for future systemic shocks.

This Pre-Budget Submission describes the steps that the Commonwealth Government can take now to build upon its existing reforms and create a world-leading early childhood development system. Our recommendations align with the *Starting Better, A Guarantee for Children and Young Families*¹ report. Importantly, our submission addresses immediate spending that is required to address the current workforce crisis that threatens Australia's post-pandemic recovery.

2

National Cabinet and Federation Reform Taskforce

Raising children is the most important thing we do— not just as families, but as a society. Evidence is clear that a child's earliest experiences lay the foundations for life. High-quality early childhood development and learning experiences lead to healthier development, improved educational outcomes, higher wages as adults, and Australians that can raise happier families themselves².

Governments support children and their families in this crucial early development phase by providing important services and supports, including universal healthcare, paid parental leave, subsidies for children to attend early childhood education and care, child and maternal health services and universal access to preschool for every four-year-old. These early childhood services and supports make up our 'early childhood system' that must provide a springboard for Australian children and the nation's future.

However, Australia's early childhood 'system' is broken. Despite Australian Governments spending an estimated \$13 billion per year, one in five children are developmentally vulnerable when they start school. ECEC is expensive and underfunded. As a share of family income, the costs of ECEC in Australia are among the highest of all OECD nations. Many families can't afford early childhood learning for their children, and in 2018, 114,000 parents reported the cost of childcare was the reason they can't get a job or work more hours.

Australia can do better. The Starting Better, A Guarantee for Children and Young Families¹ report, shows the way. It describes a high quality, universal, early childhood development system built on the foundation of the services and supports already provided to children and families by Australian Governments. It proposes a Guarantee for Young Children and Families through a series of reforms over the coming decade and a roadmap of how these reforms can be implemented.

The Morrison Government's establishment of National Cabinet provides the vehicle for the Commonwealth, State and Territory governments to drive this reform. Why National Cabinet? The relevant policy and delivery levers for early childhood reform are scattered across different levels of government, jurisdictions, and portfolios, and only National Cabinet can bring them together to oversee early childhood reform. To improve the system, Australian Governments will have to work in partnership. The Morrison Government can lead all Governments in taking the first step by establishing a National Federation Reform Council Taskforce on Early Childhood Development to report within 12 months on the most effective way to implement the Early Childhood Guarantee over the next decade (which is recommended in the Starting Better, A Guarantee for Children and Young Families¹ report).

Recommendation:

Place Early Childhood Development on the National Cabinet Agenda and establish a National Federation Reform Council Taskforce on Early Childhood Development.

Estimated Cost:
\$10 million

1 Starting Better. A Guarantee for Children and Young Families'. Centre for Policy Development. 2021

2 Starting Better. A Guarantee for Children and Young Families' Centre for Policy Development. 2021

3

26 Weeks Paid Parental Leave

The social and economic benefits of Paid Parental Leave (PPL) are significant. Studies show that adequate PPL leads to lower infant mortality rates, health benefits for mothers, higher female workforce participation and increased breastfeeding rates. For fathers, PPL results in increased parental satisfaction, more equitable division of household labour and increased child bonding.³

Australia currently has one of the least generous paid parental leave schemes of all OECD countries.⁴ PPL in Australia offers the primary carer (99.5% of the time, the mother) 18 weeks of paid leave at the minimum wage; and two weeks at the minimum wage is provided for the secondary carer. PPL in other OECD countries is higher than in Australia. The OECD average is 54.1 weeks of paid parental leave for mothers and eight weeks for fathers or partners, often at the replacement wage rather than the minimum wage. When you compare the payment rates of parental leave to average salaries in each country, Australia's 18 weeks equates to the equivalent of 7.9 weeks of annual average salary. In New Zealand, it is equivalent to 16 weeks of average salary.

A major problem with PPL in Australia is its lack of flexibility. Leave is primarily available for mothers. This causes problems for men and women.

Many countries now have schemes that encourage greater involvement in child-raising for fathers. As described above, the payoffs of mothers and fathers sharing PPL are clear: greater parental satisfaction for men, improvements in child development and higher economic participation by women.⁵

The Grattan Institute notes that the sharing of childcare is one of the single biggest levers that governments can use to improve women's safety and economic security. Child caring habits formed in the early years of a child's life persist. Currently for heterosexual couples, this means the mother's role as dominant carer for a new baby, is carried through the child's first decade and beyond. This is true in almost all heterosexual two-parent families, even where the woman earned more before the child was born. But it does not have to be this way.

So, what needs to happen? Credible Australian organisations are recommending Australia increase PPL to 26 weeks. The Business Council of Australia, ACTU and KPMG have all recommended Australia increase government funded paid parental leave to 26 weeks; with others such as The Parenthood and Parents at Work going further and recommending 52 weeks. All recommend the leave be flexible and shared between parents. An example of shared leave is provided by the Grattan Institute⁶, which recommends two weeks bonus PPL being conditional of leave being shared, making up a total of 26 weeks.

After significant research in the Starting Better, A Guarantee for Children and Young Families' report, it recommends an increase of government funded PPL from 18 to 26 weeks, with incentives for the care to be shared between parents, and growing the leave to 30, then 52 weeks over time.⁷ This would increase GDP by \$900 million through the (net) increase in women's workforce participation, at a cost of an extra \$600 million or 25% increase on the current investment in PPL.

Recommendation:

Increase Paid Parental Leave (PPL) from 18 to 26 weeks and encourage parental leave to be shared between parents with a bonus of 2 weeks (making up a total of 26 weeks) PPL if the leave is shared. Increase PPL to 30 weeks by 2025.

Estimated Cost:

Short term: 2022/23 - \$600-\$680 million;
Long term: 2023/24-2025/26 - \$1.2-\$1.6 billion.⁸

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Children playing at Early Birds Playgroup - Mt Hawthorn, Perth
Photo credit: Minderoo Foundation

³ World Bank. Why Parental leave Matters for Development <https://blogs.worldbank.org/developmenttalk/why-parental-leave-matters-development>

⁴ Grattan Dad days: how more gender-equal parental leave could improve the lives of Australian families

⁵ Grattan Dad days: how more gender-equal parental leave could improve the lives of Australian families

⁶ Grattan Dad days: how more gender-equal parental leave could improve the lives of Australian families

⁷ Starting Better. A Guarantee for Children and Young Families' report. Centre for Policy Development. 2021

⁸ Grattan Dad days: how more gender-equal parental leave could improve the lives of Australian families





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Early Birds Playgroup - Mt Hawthorn, Perth
Photo credit Minderoo Foundation

4

15 hours of 3-year-old preschool in all States and Territories

Ensuring all Australian 4-year-old children can benefit from high-quality, affordable preschool has been a significant success for Australian Governments in the last decade. The proportion of children enrolled for 600 hours in 4-year-old preschool has increased from 12% in 2008 to 96% in 2018. This outcome has been achieved through the Universal Access National Partnership (UANP), agreed by all Australian Governments, establishing a national system, while preserving State and Territory autonomy to meet local needs. It is a testament to what can be achieved with purposeful leadership from the Commonwealth Government.

Thrive By Five welcomes the Commonwealth Government's announcement in the 2021/22 Budget to further strengthen the UANP by extending the agreement with the State Government's and committing \$2 billion in the forward estimates to do this. This is benefiting 350,000 Australian children and will ensure that 4-year-old preschool will be sustainable into the future.

It is now timely to consider preschool for 3-year-olds.

Evidence shows that providing access to high-quality preschool programs for two years, that is for 3-year-olds as well as 4-year-olds, significantly enhances future prosperity, driving improvements in children's literacy, numeracy, and social and emotional wellbeing⁹. It also provides additional hours of funded childcare for parents that allows them to return to work, further boosting the economy.

Three jurisdictions have taken steps to increase access to 3-year-old preschool. Most notably, the Victorian Government committed \$5 billion over 10 years so that there is universal access to a 3-year-old preschool program for all children. New South Wales

9 Mitchell Institute. Another Year of Preschool



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Early Birds Playgroup - Mt Hawthorn, Perth
Photo credit: Minderoo Foundation

has announced funding for free preschool for 44,000 children attending state-funded community and mobile preschools in 2021, including 3-year-olds. The ACT Government has increased its commitment to 3-year-old preschool, particularly for vulnerable children. However, not all State Governments have taken steps to facilitate improved access to 3-year-old preschool. This difference creates a situation where access to 3-year-old preschool is increasingly uneven across Australia. Thrive by Five's 2021-22 Pre-Budget Submission recommended providing \$350-\$400 million in additional funding to support the rollout of 3-year-old preschool across all States and Territories¹⁰. The submission proposed that this be done using new funding to correct the historic inequity in the amount that the Commonwealth contributes to each State and Territory for the provision of 4-year-old preschool and agreeing with those States and Territories in receipt of new funding that this is to be used to rollout 3-year-old preschool. Thrive by Five is proposing this once again for the 2022-23 Pre-Budget Submission.

We recommend that the Commonwealth Government provide equitable funding for 3-year-old and 4-year-old preschool (combined) to each State and Territory, no matter what setting preschool is delivered through e.g., long day-care centres, standalone preschools, or primary schools. This contributes to meeting a goal in the Starting Better, A Guarantee for Children and Young Families' report, (i.e., three days free or low cost ECEC, including two years of preschool, regardless of setting). In return, State and Territory Governments that received new funding, agree to the rollout of 3-year-old preschool in their jurisdiction, using the additional funding provided by the Commonwealth and their own funding¹¹.

Recommendation:
Make high-quality 3-year-old preschool accessible in all Australian States and Territories by expanding the new preschool Reform Agreement to include 3-year-olds.

Estimated cost:
\$350 - \$400 million per annum.

¹⁰ 2021-22 Pre-Budget Submission. Minderoo Foundation

¹¹ To explain this, the report titled 'UANP Review: Final Review Report to the COAG Education Council' found that jurisdictions with a higher prevalence of Centre Based Day Care preschool enrolments appear to invest less in the YBFS [4-year-old Preschool] than States and Territories where Preschool is delivered all or partly through the school system. The UANP report went on to state that further analysis was required, but recommended that Governments should consider how to achieve more equitable levels of investment [across jurisdictions] going forward. This is supported by the Report on Government Services 2020 that demonstrates the inequity in contributions from States and Territories in their contributions to Preschool. The Minderoo Foundation estimates that this would cost the Commonwealth Government an additional \$350-\$400million annually (noting that this has been calculated from data on Commonwealth, State and Territory contributions to Preschool reported in the Report on Government Services - ROGS 2020). Minderoo Foundation can provide its calculations to the Commonwealth Department of Treasury for analysis upon request.

5

Addressing the Crisis in the Early Childhood Education and Care (ECEC) Workforce

A high-quality Early Childhood Education and Care (ECEC) sector is necessary for ensuring that all Australians, particularly women, can participate in the workforce. Increasing participation in the workforce underpins Australia's economic productivity. Research has shown that women are not working as much as they would like, with affordability of childcare being the primary reason cited by parents that would like to re-enter workforce or increase work hours¹². Simply put, for women to participate in the workforce, there must be high-quality ECEC places available that are affordable and accessible. Childcare places, however, are dependent on a high quality, well-resourced ECEC workforce.

There is currently a workforce crisis in the ECEC sector, with thousands of job vacancies, high staff turnover and inadequate pay and conditions. A December 2021 search on the Seek website found the number of job vacancies in Australia for early childhood educators was 6,999, and for early childhood teachers 7,212. For a workforce of about 150,000¹³, this is an extremely high vacancy rate at 9.5% of the total Australian workforce. Expressed another

way, for every nine educators, there is one missing. This shortage is reinforced by the National Skills Commission, which has put early childhood education on the Skills Priority List¹⁴.

These workforce shortages impact the quality of ECEC services. Over 10% of all Long Day Care Centres (LDC) in Australia received a waiver from regulators from the National Quality Standard because they could not meet staffing requirements. There has been a notable recent increase in staffing waivers across all ECEC services. At the start of 2021, 6.3% of all ECEC services (including Family Day-care, out of School Hours Care) had a waiver in place for meeting the National Quality Framework staffing requirements, compared to 3.1% at the start of 2017¹⁵.

The shortage impacts the accessibility of childcare for families. ECEC providers are reporting that they are not offering to families all the childcare places that they could make available because they cannot attract staff to fill vacancies¹⁶. What it means is that at a time when Australia needs to increase the number of childcare places available to boost workforce participation and productivity, childcare places are declining.

There is little hope of improvement without strong intervention by government. The Australian Children's Education and Care Quality Authority (ACECQA) Employment Projections in 2019 for the five years to May 2024 predicted that Australia's children's education and care sector will require approximately 24,000 additional educators (a 12% increase) and 7,000 additional teachers (a 16% increase)¹⁷. This is much higher than the 7.8% growth

¹² Report on Government Services 2021. Table 3A.38

¹³ ACECQA Consultation Document on a Ten-Year National Children's Education and Care Workforce Strategy

¹⁴ National Skills Commission. Skill Priority List 2021

¹⁵ ACECQA Annual Performance Report. 2020/21

¹⁶ Childcare shortage: Who's minding the baby? The Australian. December 3, 2021

¹⁷ ACECQA Consultation Document on a Ten-Year National Children's Education and Care Workforce Strategy



Early Birds Playgroup - Mt Hawthorn, Perth
Photo credit: Minderoo Foundation

expected across the whole economy and will further exacerbate the ECEC workforce crisis¹⁸.

All Australian Governments have acknowledged this workforce crisis for several years. In December 2019, the Education Ministers endorsed the development of a new national workforce strategy. However, *The Early Years Workforce Strategy* was not released until September 2021, and there were no resource commitments from Australian Governments allocated for implementation of the strategy.

Thrive by Five supports the recommendations in the 'Starting Better. A Guarantee for Children and Young Families' Report¹⁹ to address the workforce crisis. These are:

- **Short term** - Implementation of the National Workforce Strategy, including improved wages of low-paid ECEC roles (the 13 actions it identifies as short-term priorities should be implemented immediately). Develop a new funding model, and greater transparency in how new funding is used, with clear expectations of how government funding should be used for wages and salaries.
- **Medium Term** - establish a collaborative "stewardship" model between governments, ECEC services, universities, unions and vocational educational and training (VET) organisations to enact meaningful workforce reform.

- **Long Term** - Implement regionally tailored approaches to improve the ECEC workforce through local planning, like the model based on the Australian Government's Local Jobs Program.

However, the workforce crisis in the ECEC sector is now so acute that the Commonwealth Government must take immediate action to prevent current workers from leaving the sector. The most effective way to do this is to immediately implement an interim 10% wage supplement for educators. To do this, the Commonwealth Government should make provision to meet the additional cost through adjustments to the Commonwealth Child Care subsidy²⁰.

Thrive by Five has used information in the Starting Better, A Guarantee for Children and Young Families' report on the cost of an interim 10% wage increase for all early childhood teachers and educators working in the ECEC sector. The full cost is between \$900 million and \$1.6 billion. To implement this quickly and ensure all ECEC services remain financially viable, this submission allocates the costs of a 10% interim wage increase to the Commonwealth Government, to be paid through increased CCS payments. This ensures that costs do not immediately increase for parents to fund wage increases, and services remain viable. However, the relationship between CCS funding, costs, and profit margins for providers in the ECEC sector is unclear (demonstrating the need for major reform - see recommendations above) and how to implement this would require policy analysis and potentially agreements between the Government and ECEC providers.

¹⁸ National Skills Commission. Industry Employment Outlook 2021. Page 6

¹⁹ Starting Better. A Guarantee for Children and Young Families' Report

²⁰ Note: There would need to be some consideration of services that do are not CCS registered or receive other Government funding.

The Commonwealth Government must ensure that funding allocated to increase the Commonwealth Child Care Subsidy is passed on in full by ECEC services to increase salaries, and not taken as profit by private providers or to mitigate other costs.

Recommendation: Immediately implement an interim 10% wage supplement for all educators working in the ECEC sector and make provision to meet the additional costs through adjustments to the Commonwealth Child Care subsidy.

Estimated cost: \$900 million - \$1.6 billion per annum)^{21,22}



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Jay Weatherill visits Child Care Centre in Banksia Grove, Perth.
Photo credit: Minderoo Foundation

21 Details of salary calculation methodology can be provided on request. Summary of Methodology

- Wage range for early childhood staff determined: for the lowest (entry level Diploma qualified) and highest (Director with an ECT qualification).
- Number of staff in ECEC sector sourced from ABS Labour Market Information data.
- Number of staff multiplied this by the 'low' and 'high' salary levels 10% pay rise to arrive at the cost range for 10% across the board wage increase.

22 This would be the cost for 2022/23 FY if a 10% salary increase commences on July 1, 2022.



ABOUT THRIVE BY FIVE

Established by Andrew and Nicola Forrest in 2001, Minderoo Foundation is a modern philanthropic organisation seeking to break down barriers, innovate and drive positive, lasting change.

Minderoo Foundation is proudly Australian, with key initiatives spanning from ocean research and ending slavery, to early childhood, collaboration against cancer and building community projects. Our philanthropy is supported by Tattarang and its portfolio of businesses and dividends from our investment in Fortescue Metals Group.

This arrangement ensures a level of unparalleled sustainability for our philanthropic activities.

Thrive By Five, an initiative of the Minderoo Foundation, has set an ambitious goal to reform the early childhood system in Australia, campaigning to make our early learning childcare system high quality and universally accessible. Under the leadership of Jay Weatherill AO, Thrive by Five has set the global challenge to develop a public awareness campaign that will empower parents, caregivers, and educators to positively change their behaviour so that every child can thrive by five.

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Channel 7 interview with Nicola Forrest at Early Birds Playgroup - Mt Hawthorn, Perth. Photo credit: Minderoo Foundation

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