

# 2024-25 PRE-BUDGET SUBMISSION

Resourcing the pathway to universal access to early childhood  
education and care



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# ABOUT THE FRONT PROJECT

The Front Project is an independent, national enterprise that works systemically to address disadvantage and improve outcomes for children, families, and society by realising the benefits of quality early learning.

Early Learning has the potential to address children's experiences of inequity, vulnerability, and intergenerational disadvantage, delivering both immediate and lifetime impacts.

To achieve this impact, we have developed evidence-based, meaningful, and pragmatic policy and system solutions through the Impact Foundry and the Apiary Fellowship. The Mentoring Program is designed specifically to address workforce challenges facing educators, teachers and the sector.

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## ACKNOWLEDGEMENT OF COUNTRY

The Front Project respectfully acknowledges the Traditional Owners of the land on which we work and learn, and pay respect to Elders, past and present. Sovereignty has never been **ceded**. It always **was** and always will be, Aboriginal **land**.

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# RECOMMENDATIONS

## ESTABLISHING A NEW GOVERNANCE STRUCTURE

### IN FY 2024-25

1. Legislate an independent ECEC Commission and take steps towards establishing an early version of a Commission to facilitate the development of a system stewardship framework, including any co-design process.
2. Embed and implement a system stewardship approach to governance for the ECEC system, including clarifying system objectives, roles, responsibilities and funding and investment mechanisms to address the affordability of assessing ECEC to ensure equity for all families and children.<sup>1</sup>

## TOWARDS UNIVERSAL ACCESS

### IN FY 2024-25

3. Immediately begin consulting with the sector and local communities in areas of low ECEC provision to better understand the most appropriate measures to support and/or incentivise the establishment of ECEC services. Once the local conditions are understood, fund and implement appropriate measures, including supply-side funding, to boost service provision.<sup>2</sup>

## OVER THE FORWARD ESTIMATES

4. Introduce universal ECEC entitlement three days per week of subsidised care without an activity test requirement, progressing up to 5 days per week for children or families experiencing disadvantage.<sup>3</sup>
5. Expand the Commonwealth funding within the Preschool Reform Agreement to support planning and readiness in all jurisdictions to progressively deliver universal three-year old preschool nationwide.

## AFFORDABILITY

### FY 2024-25

6. Immediately increase the hourly cap rate to better reflect the actual cost of delivering ECEC and improve affordability, including delivering ECEC for 0-2 years old, services in remote locations and services operating non-standard hours of care.<sup>4</sup>
7. Immediately lift the subsidy to 100 per cent of the hourly cap if annual family income is up to \$80,000 and amend taper rate to support more equitable and affordable ECEC.<sup>5</sup>

## OVER THE FORWARD ESTIMATES

8. Over the forward estimates design and deliver in consultation with the sector a funding model that is more transparent, reduces complexity and supports the delivery of universal, equitable and high-quality ECEC. The Front Project recommends an alternative funding model that provides the following:

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1 Productivity Commission (November 2023) A Path to Universal Early Childhood Education and Care: Draft Report, draft recommendation 9.1. Australian Competition and Consumer Commission (September 2023) Childcare Inquiry: interim Report, draft recommendation 1.

2 Productivity Commission, A Path to Universal Early Childhood Education and Care, draft recommendation 5.1, ACCC, Childcare Inquiry, draft recommendation 6.

3 Productivity Commission, A Path to Universal Early Childhood Education and Care, draft finding 5.1.

4 Productivity Commission, A Path to Universal Early Childhood Education and Care, draft recommendation 7.3; ACCC Childcare Inquiry, draft recommendation 2(a).

5 Ibid, draft recommendation 6.2.

- Base level of per capita funding that covers the core costs of providing high-quality ECEC including reasonable workforce costs.
- Equity funding and/or loadings that account for the needs of children attending the service including Aboriginal and Torres Strait Islander children, children with disability or additional needs, children from non-English speaking backgrounds, together with loadings that reflect additional costs to deliver services in certain geographic areas and the varying costs of different age groups.
- Supply-side funding to address the needs of local communities where supply and access is impeded.
- Preschool funding, in partnership with state/territories, to deliver 2 years of preschool access for at least 15 hours per week.

## EQUITY AND INCLUSION

### IN FY 2024-25

9. Abolish the Child Care Subsidy (CCS) Activity Test to make sure no child misses out on ECEC, regardless of their parents' circumstances.
10. In consultation with the sector, immediately adopt measures to support equity and inclusion:<sup>6</sup>
  - Amend Disability Standards for Education 2005 (Cth).
  - Amend eligibility requirements for inclusion funding including accepting evidence that a child has additional needs other than disability in all circumstances, for services seeking to access the Inclusion Development Fund Subsidy for an Additional Educator and the Family Day Care Top Up.
  - Allowing other human-services qualified staff and inclusion professionals, such as allied health or other relevant professionals to be employed as an 'additional educator', where the Inclusion Agency agrees this would be appropriate.
  - Increasing the funding allocated to the Inclusion Support Fund to ensure children have adequate support, regardless of a diagnosis.

### OVER THE FORWARD ESTIMATES

11. Amend the Inclusion Development Fund Subsidy for an Additional Educator and Immediate/Time-Limited support, including:<sup>7</sup>
  - Increasing the current hourly subsidy rate so that it subsidises 100 per cent of an additional educator's wage, up to the median hourly wage of a certificate III qualified educator and ensuring it is indexed to the Wage Price Index.
  - Removing limits on the weekly hours the subsidies can be approved for and ensuring they align with the child's enrolled hours.
  - Over the forward estimates the administrative burden of ISP should be reduced.
12. Resource additional place-based, integrated childhood development services hubs in priority areas under the Community Child Care Fund, including providing for more support for families to navigate the interrelated systems that support children in Australia.

<sup>6</sup> Ibid, draft recommendations 2.2, 2.3, 2.4, 2.5.

<sup>7</sup> Ibid, 46.

## QUALITY

### IN FY 2024-25

13. Immediately invest in a 25 per cent Commonwealth funded wage supplement for award-reliant ECEC educators and early childhood teachers (ECTs) and improve working conditions to boost attraction, retention and sustainable growth in the ECEC workforce.
14. Guarantee appropriate funding for any wage increases that result from the new multi-employer bargaining stream.
15. Address urgent workforce issues by adopting a workforce sustainability and growth package:
  - Increase number of Commonwealth subsidised university places for ECEC degrees and provide full scholarships, including targeted supports and programs for First Nations and culturally and linguistically diverse communities.<sup>8</sup>
  - Expand support for graduate teachers and educators transitioning into their career in ECEC including support for job placement and early career mentoring.<sup>9</sup>
  - Increase funding and access to high-quality professional learning, including funding to support time release and out-of-hours work, including in cultural competency and inclusion.<sup>10</sup>
  - Provide wrap-around support to enable more diploma qualified educators upskill to be degree qualified, especially in regional and remote areas and for culturally and linguistically diverse and Aboriginal and Torres Strait Islander educators.<sup>11</sup>
  - Immediately resource measures to ensure ECEC services are culturally safe, including funding to access cultural competency training for all ECEC educators and teachers.
16. Commission an independent review of the National Quality Framework regulatory bodies with a view to supporting more regular assessment of ECEC services.<sup>12</sup>

### OVER THE FORWARD ESTIMATES

17. Adequately invest to fully implement the National Workforce Strategy with initial investment to deliver the actions committed for delivery by the end of 2024 and forward allocation of funding for outcomes identified for delivery by the end of 2027.
18. Resource a public campaign to raise awareness of the benefits of high-quality ECEC on the development of children, especially those aged 0-3 years old.



<sup>8</sup> Ibid, 241.

<sup>9</sup> [The Front Project/Future Tracks, Upskilling in early childhood education: Opportunities for the current workforce, 22-23.](#)

<sup>10</sup> Ibid, 22-23.

<sup>11</sup> Ibid, 24.

<sup>12</sup> Productivity Commission, A Path to Universal Early Childhood Education and Care, draft recommendation 8.3.

# INTRODUCTION

The Australian Government is aspiring to create a universal early childhood education and care (ECEC) system that benefits all children and supports parents and guardians to work. The Productivity Commission's Inquiry into the ECEC Sector and the ACCC Childcare Price Inquiry collectively point to where reform is needed and what policy settings may be required to create an equitable and high-quality ECEC system for all Australian children. The Front Project urges the Australian Government to capitalise on the appetite for reform and make evidence-based decisions that progress a universal ECEC system that improves children's outcomes, addresses disadvantage and supports workforce participation.

The Australian Government has already begun important work to progress universality, including the collaborative development of a long-term vision for ECEC and drafting a whole-of-government Early Years Strategy. This submission intends to provide a perspective on the areas of focus needed both in FY2024-25 and across the forward estimates to create a universal, equitable and high-quality system where positive outcomes for children remain central.

## ESTABLISHING A NEW GOVERNANCE STRUCTURE

In its interim papers, the Productivity Commission clearly builds the case for adopting system stewardship as the most appropriate way for the Government to ensure the ECEC system is meeting its objectives. The Front Project produced [research on system stewardship in 2022](#): The Case for System Stewardship in Early Childhood Education and Care. In this report we explore whether the concept could address system shortcomings and provide an opportunity for a sustainable, quality, responsible and equitable ECEC system.<sup>13</sup> We welcome the draft recommendations of the Productivity Commission and the ACCC to adopt a system stewardship approach.

There are many benefits to a system stewardship approach. A system stewardship function can articulate the different roles of system actors, coordinate and integrate policy funding and research work across all Australian jurisdictions and monitor and assess the performance of the system. Additional benefits also include improved data, analysis and the ability to address gaps in data and supporting the sharing of lessons learned.

Australia is already taking steps towards implementing systems stewardship approach, including drafting a national vision for ECEC. The Front Project recommends the Australian Government takes additional immediate steps towards adopting and implementing a system stewardship model of governance. These steps can be explored or taken while an ECEC Commission is being established. They include:

- Defining ECEC system objectives<sup>14</sup>
- Setting out roles and responsibilities of different system actors, including state and territory governments, with resourcing allocated accordingly.
- Articulating the incentives, principles, and minimum standards which govern the system so it meets the needs of the end users of the system.
- Confirming and/or establishing feedback loops that empower actors within the system, including children, families, services, teachers and educators.
- Developing performance frameworks which assess performance against system objectives.
- Confirming and/or establishing feedback loops, including from system beneficiaries, to monitor progress and ensure data is embedded from the beginning.<sup>15</sup>
- Ensuring data is robust, accessible and transparent to assist shared monitoring and support decision making.

<sup>13</sup> [The Front Project \(2022\), The Case for System Stewardship in Early Childhood Education and Care, 4.](#)

<sup>14</sup> ACCC Draft recommendation 1 suggests the Australian Government reconsider and restate the key objectives and priorities of childcare services in Australia. Productivity Commission draft finding 9.3 notes there would be benefit to clarifying roles and responsibilities.

<sup>15</sup> [The Front Project, The Case for System Stewardship, 19.](#)



The Productivity Commission builds the case for the establishment of an ECEC Commission. A commission, which could be established through a National Partnership on ECEC, would have two primary functions; to support Commonwealth, state and territory governments to better coordinate and deliver ECEC policies, by providing information, and advice and to provide a mechanism to hold the systems publicly accountable for achieving the objectives of ECEC policy.

The Productivity Commission Report also noted a Commission could embed an effective stewardship model, support workforce planning, identify areas of community or place-based needs and pull together data sources to monitor performance.<sup>16</sup> The Commission, once established, would be an important structure to 'house' ECEC, implement a system stewardship model of governance, support coordination and ensure the system is meeting its stated objectives.

## TOWARDS UNIVERSAL ACCESS

The benefits of ECEC to children is well established. Children from all backgrounds are significantly less likely to be developmentally vulnerable when they start school if they attend quality ECEC.<sup>17</sup> There are particularly profound impacts for children from disadvantaged backgrounds.<sup>18</sup> The Front Project supports a universal but not uniform approach to ECEC. This approach was recommended by both the South Australia Royal Commission into ECEC and the Productivity Commission's inquiry. The Productivity Commission further recommended a three day or 30 hour per week entitlement for all Australian children.<sup>19</sup> This is because it is within the possibilities of the currently system constraints, while containing the costs to the Commonwealth.<sup>20</sup> This means all children are accessing some form of ECEC, but the mode of provision will differ depending on the location and needs of the child.<sup>21</sup>

Aligning with research that shows children who experience disadvantage or vulnerability stand to benefit the most from ECEC, the Front Project strongly supports zero or very low-cost additional days/hours for these cohorts of children.<sup>22</sup> This approach is also supported by recent research from the Front Project. The 2023 [Work and Play](#) study revealed that 84 per cent of 1,000 surveyed parents and guardians agree that some families need more support than others to ensure their young children receive quality ECEC due to historical or situational factors.<sup>23</sup> The Productivity Commission found that currently two thirds of children who already attend ECEC do so for up to three days per week.<sup>24</sup> They also report there is some capacity within the system to support reaching universal access.<sup>25</sup> However, in order to achieve this universality, improvements in inclusion, flexibility, and availability, along with significant workforce investment will be necessary.<sup>26</sup>



<sup>16</sup> Productivity Commission, A Path to Universal Early Childhood Education and Care, draft recommendation 54, 315.

<sup>17</sup> [The Front Project, The Case for High Quality Learning for all Children, 6.](#)

<sup>18</sup> Australian Institute of Health and Welfare (2015) Literature Review of the Impact of Early Childhood Education and Care on Learning and Development: working paper, vi.

<sup>19</sup> Productivity Commission, A Path to Universal Early Childhood Education and Care, draft recommendation 29, 315

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

<sup>23</sup> [The Front Project \(2023\) Work and Play: Understanding how Australian families experience early childhood education and care.](#)

<sup>24</sup> Productivity Commission, A Path to Universal Early Childhood Education and Care, draft recommendation 31, 315.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid, draft recommendation 31, 315.



## MARKET STEWARDSHIP

Availability of ECEC varies greatly across Australia. The ACCC found that for-profit providers are drawn into areas where parents have the greatest capacity to pay, and the current system offers little incentives for providers to establish services in areas of low provision.<sup>27</sup> The Productivity Commission found that ECEC availability tends to be poorer in regional and remote areas and in communities experiencing higher levels of socio-economic disadvantage. Concerningly, only 8 per cent of children aged 0-5 years old live in communities with sufficient centre-based day care places to support accessing three days per week of ECEC.<sup>28</sup>

Our 2023 Work and Play study confirmed this finding with 49 per cent of respondents agreeing that they have had to change work arrangements to fit in with the care that they can find/afford.<sup>29</sup> This number increases to 58 per cent for First Nations Australians.<sup>30</sup> Furthermore, 39 per cent of respondents living in regional/remote Australia do not currently use paid ECEC due to having issues securing a place.<sup>31</sup>

This picture of inconsistent provision suggests that the market as it exists is not working to address shortages. The ACCC recommends the government takes a market stewardship approach to support underserved areas and vulnerable cohorts.<sup>32</sup> Market stewardship refers to the role of governments 'shaping' markets' in the provision of public services.<sup>33</sup> This approach focuses on inputs such as funding and resources and outputs such as profits and service viability.<sup>34</sup> This differs from a system stewardship approach, which measures performance based on the outcomes which impact the system's beneficiaries.<sup>35</sup> The Front Project supports this approach as it would support the government to understand what is driving low provision in a community and develop targeted approaches to support or incentivise increased service provision. The Productivity Commission and the ACCC both recommend the Australian government adopts supply side funding options to support universal access in persistently underserved markets.<sup>36</sup> This approach is also recommended to support Aboriginal Community Controlled Organisations that provide childcare and additional support services for First Nations children, parents and guardians.<sup>37</sup>

## 3-YEAR-OLD KINDERGARTEN

In 2022 the Australian Government built on the successes and progress of the Universal Access National Partnership Agreement (UANP) with the announcement of the new Preschool Reform Agreement (PRA) – supporting the delivery of 15 hours of preschool per week in the year before school in all Australian states and territories.

In 2021 the Front Project conducted analysis to understand the return on investment of an ECEC program for 15 hours a week delivered by a qualified early childhood teacher in the year before school. We found that ECEC produces an economic return on investment of 1:2 with it boosting educational achievement, workforce participation and tax revenue.<sup>38</sup> Furthermore, the Front Project's 2023 Work and Play study demonstrates very strong support for 3-year-old kindergarten across Australia with 93 per cent of surveyed parents and guardians supporting opening up subsidised places for 3-year-old preschool.<sup>39</sup>

While there has been movement within Australia toward two years of preschool for all children and an evidence base to support this, a cohesive national approach is yet to emerge.

27 ACCC Childcare Inquiry Second Interim Report, 31.

28 Productivity Commission, A Path to Universal Early Childhood Education and Care, draft finding 5.4.

29 [The Front Project, Work and Play Report, 23.](#)

30 Ibid.

31 Ibid.

32 ACCC Childcare Inquiry Second Interim Report, draft recommendation 6, 34.

33 [The Front Project, The Case for System Stewardship, 18](#)

34 Meltzer A, Dickinson H, Malbon E and Carey G (2021) Why is lived experience important for market stewardship? A proposed framework for why and how lived experience should be included in stewarding disability markets. Disability & Policy, 17(2): 335 – 347

35 [The Front Project, The Case for System Stewardship, 18](#)

36 Productivity Commission, A Path to Universal Early Childhood Education and Care, draft recommendation 5.1. ACCC Childcare Inquiry Second Interim Report, draft recommendation 6.

37 ACCC, Childcare Inquiry Second Interim Report, draft recommendation 5, 34

38 [The Front Project \(2019\) A Smart Investment for a Smarter Australia: Australia's first Economic Analysis of early childhood education in the year before school, 3.](#)

39 [The Front Project, Work and Play Report, 23.](#)

Extending preschool to two years before school can provide additional opportunity for children to prepare for formal schooling and early intervention to support them to start alongside their peers. As the Early Years Education Program (EYEP) showed, children experiencing the most vulnerability would benefit from intensive ECEC for more hours from an early age.<sup>40</sup> Indeed, evaluation of the EYEP showed large positive impacts were found on children's cognitive and non-cognitive development - primarily IQ - and protective factors related to resilience and social-emotional development.<sup>41</sup>

In Australia, a child's access to funded three-year old preschool is currently determined by where children live. While Victoria and New South Wales are moving towards universal provision of fully funded or low-cost pre-school for the two years before school, and other states are moving in that direction, there is still more work to be done to ensure all Australian children can access the full benefits of quality ECEC in the two years before starting school – regardless of the state or territory they call home.

Integration of planning and readiness funding for all the jurisdictions into the PRA could enable the individual circumstances and challenges that each state and territory in terms of scaling up and expanding to be fully considered and planned for in line with a national objective. This expansion could offer opportunities for collaboration between the various jurisdictions and shared objectives in lifting preschool participation across the country.

Providing two years of universal kindergarten will be crucial in ensuring no child or family misses out on both the social and economic benefits of ECEC, no matter where they live. This is especially important to support children and families experiencing or at risk of disadvantage.

## AFFORDABILITY

Data indicates that childcare in Australia is more expensive for households than in most other OECD countries.<sup>42</sup> A couple on average wages expends 16 per cent of their household income on childcare.<sup>43</sup> The ACCC found that childcare costs have risen faster than inflation.<sup>44</sup> Research conducted with families by the Front Project confirms the pressure of affordability, with 61 per cent of parents and guardians having to make significant financial sacrifices to afford ECEC, an increase from 47 per cent of families surveyed in our 2021 study.<sup>45</sup>

One of the policy intentions of the Child Care Subsidy (CCS) is to facilitate parents and guardians participation in the workforce.<sup>46</sup> The Front Project's research with families in 2023 found that 50 per cent of families agreed that 'once the cost of childcare is factored in, it is hardly worth working.'<sup>47</sup> This increases to 55 per cent for First Nations Australians, 56 per cent for parents/guardians working part time, and as high as 62 per cent for families in a household income of less than \$122,000.<sup>48</sup> Moreover, high ECEC costs disproportionately impact families experiencing disadvantage. The ACCC found that lower income families spend a larger share of their disposable income on ECEC, which in turn also impacts the amount of time they could work or study.<sup>49</sup>

The following section explores limitations of the existing funding model and makes recommendations for an alternative funding model that more effectively and efficiently delivers more affordable and equitable ECEC. Given developing a new model will require extensive consultation and modelling, we believe decisions should be made to immediately improve affordability and equity through changes to the CCS while a new funding model is explored. The next section details some of those proposed changes before exploring new funding model options.

40 University of Melbourne, Early Years Education Program: 24-month results released, <https://fbe.unimelb.edu.au/newsroom/early-years-education-program>

41 Borland J. (2022) Changing the Life Trajectories of Australia's Most Vulnerable Children, Report No. 5, 36 months in the Early Years Education Program: Assessment of the impact on children and their primary caregivers, 1.

42 Productivity Commission, A Path to Universal Early Childhood Education and Care, 370.

43 ACCC, Childcare Inquiry Second Interim Report, 26.

44 ACCC, Childcare Inquiry First Interim Report, 73.

45 [The Front Project, Work and Play, 23.](#)

46 Department of Education, Child Care Subsidy, <https://www.education.gov.au/early-childhood/child-care-subsidy>

47 [The Front Project, Work and Play, 23.](#)

48 Ibid.

49 ACCC, Childcare Inquiry First Interim Report, 15.

## CHEAPER CHILDCARE PACKAGE

In July 2023 amendments to the CCS sought to make ECEC more affordable by increasing the subsidy ceiling for families earning less than \$80,000 to 95 per cent, amending the taper rate and increasing the minimum allocated hours in the activity test from 24 to 36 hours for First Nations Australians. However, even with these most recent changes many families perceive that the boost to affordability has not flowed into household budgets.

The Front Project [sought to understand](#) how families are perceiving the impacts of the CCS changes. Of those ECEC users who were aware of the CCS changes (69 per cent), 53 per cent reported a net benefit from these changes in that they had either increased the number of hours/days of ECEC they use; and/or they perceived they were now paying less overall for ECEC services.<sup>50</sup> Overall just 43 per cent of those who were aware of the changes reported they were now paying less for childcare as a result of the services.<sup>51</sup>

## HOURLY CAP

The hourly cap places an upper limit on the amount of CCS the Australian Government will provide for sessions of care.<sup>52</sup> Due to how the ECEC market uniquely operates, the hourly cap rate isn't having a sufficient impact on affordability.<sup>53</sup> Since 2018 there has been an upward trend in the share of centre-based day care and family day care services with fees above the hourly cap rate, increasing from 13 per cent to 22 per cent and 24 per cent to 45 per cent respectively.<sup>54</sup>

Currently the hourly cap doesn't factor in the higher costs associated with caring for younger children, for services operating in remote areas and for services operating outside standard hours. The ACCC report found younger children cost more, due to higher needs and staff to child ratios.<sup>55</sup> This can lead to services capping enrolments to offer fewer places for younger children to save costs, which in turn means less available places.

While alternative funding models are explored, the Front Project supports the ACCC's recommendation to more accurately align the hourly rate cap within the current CCS to more closely with the costs associated of delivering childcare services.<sup>56</sup> For example, considering actual labour costs, providing services in rural and remote areas or outside standard hours of operation and/or to children with higher levels of need and considering different fee caps for different types of ECEC services.<sup>57</sup> South Australia's Royal Commission also recommends introducing differential pricing in the CCS for younger children with higher educator-to-child ratios.<sup>58</sup>



<sup>50</sup> [The Front Project, Work and Play, 8.](#)

<sup>51</sup> ACCC, Childcare Inquiry Second Interim Report, 172.

<sup>52</sup> Department of Social Services (6 November 2023), Guides to Social Policy Law, Family Assistance Guide.

<sup>53</sup> ACCC, Childcare Inquiry Second Interim Report, 164.

<sup>54</sup> Productivity Commission, A Path to Universal Early Childhood Education and Care, 355.

<sup>55</sup> ACCC Childcare Inquiry Second Interim Report, 172.

<sup>56</sup> Ibid, 30.

<sup>57</sup> Ibid, 30.

<sup>58</sup> South Australian Royal Commission into ECEC, recommendation 5.



## COMPLEXITY

The CCS is complex, with a number of variable components making it difficult for families to calculate out of pocket expenses.<sup>59</sup> The Productivity Commission found that about half of families found the application process challenging, noting issues such as clunky initial enrolment processes and difficulty understanding the CCS.<sup>60</sup> [Our 2023 Work and Play study](#) also confirmed this with 56 per cent of parents and guardians saying it's unclear what the main cost drivers are for ECEC services or why some cost more or less.<sup>61</sup> The current funding model makes it difficult for families to understand why they are paying what they are, and to estimate out of pocket payments, which then makes comparing services very challenging. Furthermore, the online tool designed to calculate out of pocket expenses, StartingBlocks, isn't widely known or used by parents and contains outdated information.<sup>62</sup>

New South Wales' Independent Pricing and Regulatory Tribunal (IPART) inquiry into ECEC has recommended the Commonwealth Government improve the CCS application process in order to reduce complexities for families and make it easier to navigate.<sup>63</sup> Options to reduce complexity include better linking existing online systems that are touchpoints for families, for example single touch payroll information from the ATO to prompt families to update activity and income levels.<sup>64</sup>

## ALTERNATIVE FUNDING MODELS

Funding models and levers play an important role in supporting systems to achieve their objectives and influence levels of accessibility, equity and affordability in ECEC. Well-designed funding arrangements support the sustainability, responsiveness, transparency, efficiency and accountability of the system by influencing the way in which funders, service providers and system participants interact with each other. Funding models must work with all components of the broader system architecture to produce an environment which enables – and ideally drives – the desired outcomes. In 2021 the Front Project produced research on funding and investment mechanisms [Funding Models and Levers for Early Childhood Education and Care](#). In this report we suggest that a combination of different funding types is required to achieve system objectives.<sup>65</sup> The Front Project therefore supports the Productivity Commission draft finding that a mixed funding approach that includes a mainstream funding mechanism with additional targeted expenditure for children and families with additional or higher needs could “effectively and efficiently” underpin a universal system.<sup>66</sup>

While it's clear that reforms are required to achieve universality, the ACCC noted that if “significant changes” to policy settings for the sector occur, it could further reduce the impact of the hourly cap so direct price controls or supply fundings models should be considered.<sup>67</sup> The Front Project recommends that a future funding system should be grounded in optimising outcomes for children, equity, addressing disadvantage for children and families and supporting workforce participation for parents and guardians. A well-designed and well-functioning universal system, underpinned by an appropriate funding model has the potential to provide services to all children, delivered with an intensity and a scale that is proportionate to their level of need and using a delivery model that works for their circumstances.

ECEC must be available to everyone, but where children have higher needs, they should receive more support. ‘Progressive universality’, whereby services are available to everyone, but delivered with an intensity and scale proportionate to the level of need, combines the benefits of a universal system with the benefits of a targeted system. The Productivity Commission finds one way to achieve this is to improve components of the existing funding model to make ECEC more accessible to families experiencing barriers, including through reforms to the CCS, Additional Child Care Subsidy (ACCS), Inclusion Support Program (ISP) and Community Child Care Fund (CCCF).<sup>68</sup>

59 ACCC, Childcare Inquiry Second Interim Report, draft finding 15, 160.

60 Productivity Commission, A Path to Universal Early Childhood Education and Care, 45.

61 [The Front Project, Work and Play, 23.](#)

62 ACCC, Childcare Inquiry Second Interim Report, draft finding 16, 160.

63 Independent Pricing and Regulatory Tribunal (October 2023) Interim Report: Review of Early Childhood Education and Care, 117.

64 Productivity Commission, A Path to Universal Early Childhood Education and Care, 355.

65 [The Front Project \(2022\) Funding models and levers for early childhood education and care, 12.](#)

66 Productivity Commission (2023), Supplementary Paper 9, Governance, Funding and Stewardship, 493. Productivity Commission, A Path to Universal Early Childhood Education and Care, draft recommendation 9.2.

67 ACCC, Childcare Inquiry Second Interim Report, draft recommendation 7, 35.

68 Productivity Commission, Funding, Governance and Stewardship, 499.

While this is likely to make important steps towards universality, once the system objectives, roles and responsibilities are clearly stated, a new funding model may be required to more efficiently and effectively meet the objectives of the iterated ECEC system.

Any future funding model should be chosen according to its ability to deliver more equitable outcomes for children and families experiencing disadvantage, support simplicity for families so they understand their entitlement and make informed decisions that best suit their needs. It also needs to be simple and easy to understand for providers, many of whom are small and may not be able to manage a complex funding approach. The funding model should support flexibility and choice for parents. Families have different needs and preferences, for example for different lengths of ECEC sessions and access to different types of services.

Furthermore, a set of principles that are aligned with the national ECEC vision and co-designed with the sector should be developed and used to assess the funding options available. They would need to be sequenced so that they can clearly support the achievement of the stated objectives of the ECEC system. Principles for a future funding model could include:

- Accessibility – focuses on delivering universality.
- Affordability – funding to deliver reasonable cost of quality provision.
- Quality – high-quality provision ensures children receive full benefits of ECEC.
- Adequacy - funding must be adequate to meet cost of sustainable, high-quality ECEC.
- Equity and inclusion – the differing needs of children is reflected in ECEC design, delivery and funding.

Given the limitations of the CCS in addressing affordability, the Front Project recommends an alternative funding model that provides the following:

- Base level of per capita funding that covers the core costs of providing high-quality ECEC including reasonable workforce costs.
- Equity funding and/or loadings that account for the needs of children attending the service including Aboriginal and Torres Strait Islander children, children with disability or additional needs, children from non-English speaking backgrounds, together with loadings that reflect additional costs to deliver services in certain geographic areas and the varying costs of different age groups, for example 0-3 year-old.
- Supply-side funding to address the needs of local communities where supply and access is impeded.
- Preschool funding, in partnership with state/territories, to deliver 2 years of preschool access for at least 15 hours / week.

## EQUITY AND INCLUSION

### ACTIVITY TEST

The activity test limits participation in ECEC, particularly for families that are already experiencing disadvantage. It is estimated that the activity test is contributing to at least 126,000 children missing out on ECEC.<sup>69</sup> This means that families are missing out on the full range of benefits of participation, including educational and developmental benefits and a protective space for children who may be exposed to safety risks at home. ECEC services can also act as an important place to provide families with the information and connections that they need to support their own health and wellbeing.

Removing the activity test, coupled with a three-day entitlement and improved affordability for the low-income families, would ensure more children who are experiencing disadvantage can attend and benefit from ECEC. The Productivity Commission found that parents and guardians in the lowest income quintile would have the largest increase in their hours of work as a result of relaxing the activity test and targeted

69 ACCC, Childcare Inquiry Second Interim Report, 85.

subsidies.<sup>70</sup> There are many calls to abolish or substantially revise the activity test, including:

- The 10 Year Plan for Women’s Economic Equality calling for it to be abolished “as an immediate first step towards universal access”.<sup>71</sup>
- ACCC inquiry into Childcare Pricing calling for it to be removed, relaxed or substantially revised.<sup>72</sup>
- NSW’s IPART ECEC inquiry calling for it to be immediately reviewed to support equal access.<sup>73</sup>
- The Productivity Commission and South Australian Royal Commission calling for there to be no activity test requirement to children accessing 3 days per week of ECEC.<sup>74</sup>

Due to the equity gains and the reduction in complexity for families, the Front Project recommends abolishing the activity test in FY 2024-25. Immediately doing so would provide much needed relief to families facing disadvantage and more than 100,000 additional children would have the option to attend a service. Not only will this progress equity and facilitate more parents and guardians entering or returning into the workforce, but importantly it will ensure more children will reap the life-long benefits of high-quality ECEC.

## SUPPORTING INCLUSION

Across the ECEC system there are inconsistent practices regarding the inclusion of children with additional needs. While some services meet the needs of children who require additional supports, many are refused enrolment, provided inadequate support or asked to leave.<sup>75</sup> Children with additional needs can include children with different abilities, whether formally diagnosed or not, children with challenging behaviour, children with health or mental health issues or children who have experiences of trauma or other life experiences that mean they require differing levels of support.<sup>76</sup> An inclusive ECEC system also means providing a welcoming experience for all children, with a focus on cultural safety for Aboriginal and Torres Strait Islander children and children from culturally and linguistically diverse backgrounds. Children must be at the centre of inclusion practices, rather than systems working around children.

The Inclusion Support Program (ISP) primarily focuses on building inclusive practices at ECEC services. However, its lack of integration or interface with the NDIS and the ECEC system creates challenges for families and services navigating support.<sup>77</sup> Currently ISP does not fully cover the costs of inclusion. It has narrow eligibility and is administratively complex. The program tends to focus on diagnosis, rather than having a child-centred assessment that focuses on barriers to inclusion.<sup>78</sup> The 2023 review into ISP found that support via the program for an additional educator is inadequate.<sup>79</sup> The \$23 per hour rate has not been increased since the inception of the program in 2016.<sup>80</sup>

A key component of supporting children with additional needs is intertwined with the capacity, competing pressures, professional development and qualifications of the workforce. Research suggests that inclusive practice can be improved through targeted professional learning and development,<sup>81</sup> yet educators and teachers face barriers to undertaking professional development.<sup>82</sup> The ISP review recommends a strategic approach to developing workforce capability to support inclusion.<sup>83</sup> This could include pre-service and in-service training and leadership capacity development.<sup>84</sup> The ISP review also recommends exploring opportunities to expand cultural awareness and knowledge of inclusion support services and staff.<sup>85</sup> It is also critical that professional development and training is provided for as paid additional time or paid support to release staff to enhance their knowledge and expertise in equity and inclusion.

70 Productivity Commission, A Path to Universal Early Childhood Education and Care, 42.

71 10 Year Plan for Women’s Economic Equality, Recommendation 2.2.

72 ACCC, Childcare Inquiry Second Interim Report, recommendation 2(c).

73 Independent Pricing and Regulatory Tribunal, ECEC Review, recommendation 27.

74 South Australia Royal Commission into Early Childhood Education and Care Report (August 2023) Report recommendation 5.

75 Productivity Commission, A Path to Universal Early Childhood Education and Care, 148.

76 Ibid, 147.

77 Productivity Commission, A Path to Universal Early Childhood Education and Care, 167.

78 Deloitte Access Economics (September 2023), Inclusion Support Review.

79 Ibid.

80 Ibid, xix. Productivity Commission, A Path to Universal Early Childhood Education and Care, 160.

81 Deloitte Access Economics, Inclusion Support Review, 128.

82 Productivity Commission, A Path to Universal Early Childhood Education and Care, draft finding 3.7.

83 Deloitte Access Economics, Inclusion Support Review, xxii.

84 Ibid, 128.

85 Ibid, opportunity 4, 19



## INTEGRATED SERVICES

Poor alignment or pathways between sectors creates barriers for families accessing the services that are necessary for the development and health of children.<sup>86</sup> Integrated services that combine ECEC with other human services helps to place children and families at the centre of complex and interrelated systems. Integrated services especially support children and families experiencing vulnerability or requiring services beyond ECEC.<sup>87</sup> They can assist in redressing complex issues that span different systems and impact individuals as well as families and households. Challenges include mental and physical ill health, family violence, stress and depression, unemployment, adult literacy levels, limited or no income, and poor housing and neighbourhood living conditions.<sup>88</sup>

Given ECEC can play a role in connecting children and families with services,<sup>89</sup> there is a role for new integrated services in identified areas of need. Both the Productivity Commission and New South Wales' IPART inquiries recommended ensuring integrated services are available in communities where they are most needed,<sup>90</sup> noting they help develop and implement a flexible model and provide wrap-around support for children and families experiencing disadvantage and vulnerability.<sup>91</sup> Greater integration and a multidisciplinary approach centred around a child and their community will not only help generate more sustainable outcomes for children who need it the most but support families through stress and life challenges.<sup>92</sup>

## QUALITY

The bedrock to the success of any reform is a strong, stable and engaged workforce who have high-quality interactions with the children in their care. However, well researched barriers to and challenges in attraction, retention and professional development have continued to persist and limit the scope of reform that is currently possible.<sup>93</sup> Urgent attention and investment must be given to meet the needs of the workforce to better support their wellbeing and enable reform to flourish.

ACECQA's National Workforce Strategy sets a ten-year blueprint for ensuring a sustainable, high-quality education and care workforce drives the wide-ranging workforce reform in the sector and boosts equity, accessibility and quality for all children.<sup>94</sup> The Productivity Commission is recommending some improvements to ensure the strategy supports the development and wellbeing of the workforce. The Commission recommends the strategy sets clear objectives to enable progress to be measured, project the numbers of teachers and educators required in different years across the life of the strategy, clarify the required resourcing for each action item and produce annual progress updates.<sup>95</sup> The Front Project supports this recommendation and believes that these additions, along with an increase in pay and conditions, will create a stronger strategy with clearer direction and support greater resourcing to meet the objectives of the strategy, and ultimately the workforce.

The National Quality Framework, which is administered by the Australian Children's Education and Care Quality Authority (ACECQA), has a vision for an ECEC sector that has "a sustainable, high-quality workforce of teachers and educators that is highly respected and valued by the broader community."<sup>96</sup> Seventeen of the 21 actions identified in the strategy have progressed, with some being accelerated.<sup>97</sup> Amongst other challenges, the Productivity Commission has reported that services are waiting too long between assessments, with some up to four years.<sup>98</sup>

86 [The Front Project, The case for system stewardship, 12.](#)

87 Productivity Commission, A Path to Universal Early Childhood Education and Care, draft finding 7.1, 77.

88 Early Childhood Australia and SNAICC (2019), Working Together to Ensure Equality for Aboriginal and Torres Strait Islander Children in the Early Years.

89 Productivity Commission, A Path to Universal Early Childhood Education and Care, 166.

90 Ibid, 78.

91 Independent Pricing and Regulatory Tribunal, Review of Early Childhood Education and Care, 117.

92 Deloitte Access Economics, Inclusion Support Review, 130.

93 New South Wales Government, Literature Review: Early Childhood Education Directorate.

The Front Project/Future Tracks (2019) Upskilling in early childhood education: opportunities for the current workforce.

United Workers Union (2022) Exhausted, Undervalued and Leaving: The Crisis in Early Education.

94 Australian Government (September 2021) "Shaping Our Future" A ten-year strategy to ensure a sustainable, high-quality children's education and care workforce 2022-2031.

95 Productivity Commission, A Path to Universal Early Childhood Education and Care, draft recommendation 3.7, 257.

96 Shaping our Future: A ten-year strategy to ensure a sustainable, high-quality children's education and care workforce 2022-2031 (September 2021), 6.

97 Productivity Commission, A Path to Universal Early Childhood Education and Care, 198.

98 Ibid, draft finding 8.1.

This impacts the ability of parents and guardians to have accurate and up-to-date information about the quality of the services they are trying to compare. Furthermore, NQS vitally provides the framework for safeguarding children by minimising risks, protecting children and supporting their wellbeing.<sup>99</sup> The Front Project supports the Productivity Commission's recommendation that an independent review be carried out of the National Framework regulatory bodies<sup>100</sup> so that the review process can be optimised and parents and guardians have an up-to-date picture of service quality. However, funding must then be allocated to support states and territories to undertake assessments, especially to support them to reduce the amount of time between assessments.

## UPSKILLING

It is clear that against a backdrop of reform at a commonwealth level and expansion of kindergarten/preschool across Australian states and territories, demand for early childhood educators and teachers will increase significantly over the coming decade. While the number of ECEC professionals who have qualifications has grown from 70 per cent to almost 90 per cent since 2010,<sup>101</sup> the workforce faces critical shortages, with remote parts of Australia feeling this the most profoundly.<sup>102</sup> A 2021 report co-authored by several peak ECEC bodies estimated that the national demand for educators is expected to increase by 11 per cent and for teachers by 17 per cent by 2025.<sup>103</sup> These figures are well above the national projected employment growth of 7.8 per cent for all occupations for the same period.<sup>104</sup> The ACCC also linked workforce shortages to ECEC service viability and sustainability, which then contributes to ongoing supply issues.<sup>105</sup>

There is strong support from families for more Bachelor qualified ECEC professionals. The Front Project's [2023 Work and Play study](#) reveals 80 per cent of surveyed parents and guardians and 84 per cent of professionals want more degree qualified staff. One proven method to increase numbers of early childhood teachers is supporting existing educators to upskill to become a Bachelor qualified teacher. However, completion rates are low. The Productivity Commission found that according to the latest available data between 2011-2016, just 54% of workers in 2011 were still in the workforce in 2016.<sup>106</sup> Research into the barriers and limitations to upskilling reveals that there are many reasons why people fail to complete, some of which relate to external factors that could be mitigated through targeted and tailored programs. Reasons include:

- Cost.
- Little support from an employer.
- Application process.
- Balancing work and study commitments.<sup>107</sup>
- Unpaid professional experience.<sup>108</sup>

The Productivity Commission's Interim Report details options to increase completion rates including early career mentoring, accelerated qualification pathways, innovative delivery methods and improving inter-jurisdictional teacher registration processes.<sup>109</sup> It recommends these initiatives alongside a wage increase. In addition, the Productivity Commission recommends improving pathways for Aboriginal and Torres Strait Islander educators.<sup>110</sup> It is vital that tailored and culturally appropriate support programs are co-designed to remove barriers, increase completion rates and ultimately increase the levels of Bachelor qualified teachers in the system.

99 National Quality Standard, Quality Area 2, <https://www.acecqa.gov.au/nqf/national-quality-standard/quality-area-2-childrens-health-and-safety>

100 Productivity Commission, A Path to Universal Early Childhood Education and Care, draft recommendation 8.3.

101 Ibid, 181.

102 ACCC, Childcare Inquiry Second Interim Report, 33.

103 Australian Government, Shaping Our Future, 11.

104 Ibid.

105 ACCC, Childcare Inquiry Second Interim Report, 33.

106 Productivity Commission, A Path to Universal Early Childhood Education and Care, 182.

107 [The Front Project/Future Tracks, Upskilling in early childhood education, 11-13.](#)

108 Productivity Commission, A Path to Universal Early Childhood Education and Care, draft recommendation 3.1, 66.

109 Ibid, draft recommendations 3.2, 3.3, 3.4, 3.5, 3.6, 65-68.

110 Ibid, draft recommendation, 68

## WAGES AND CONDITIONS

The Productivity Commission noted workforce wages and conditions are “at the heart of retention and recruitment challenges” and that availability of ECEC can only improve if workforce challenges are resolved.<sup>111</sup> The ACCC lists wages and conditions as one of the key factors contributing to current educator shortages and noted median weekly earnings for early childhood teachers are “significantly lower” than primary and secondary teachers and are on par with some retail jobs.<sup>112</sup>

There are numerous calls for a boost to wages and conditions, including in:

- The 10 Year Plan for Women’s Economic Equality which recommends “remedying historical undervaluation of the ECEC workforce” by seeking to improve wages and conditions.<sup>113</sup>
- Goal two of the National Care and Support Economy Strategy that recommends pay and conditions reflect the value and required professionalism of care and support work.<sup>114</sup>
- The Productivity Commission’s Interim Report which notes that a wage increase may relieve recruitment and retention challenges.<sup>115</sup>
- The final report of South Australia’s Royal Commission that calls for a wage increase for ECEC professionals.<sup>116</sup>

The Front Project’s latest research highlights strong support from families for an increase in pay and conditions. Our 2023 Work and Play study reveals that 79 per cent of surveyed parents and guardians want to see improved wages and working conditions for ECEC professionals.<sup>117</sup> This is an increase from 72 per cent in the 2021 study.<sup>118</sup> Given the body of evidence linking an increase in pay and conditions to a more stable and high quality workforce, the Front Project recommends a government funded wage increase of 25 per cent for teachers and educators to reach pay parity with primary schools, with no one worse off. This could be a ‘quick win’ that would provide a much-needed boost to the ECEC workforce, support attraction and retention to support future reforms and help address historical and gender-based devaluation of this type of work.

In addition to wages, the conditions in which ECEC professionals operate significantly contribute to factors associated with wellbeing, stress levels and job satisfaction. Currently there are diverse conditions across the sector with ECEC professionals being granted varying and often insufficient planning time, lack of time for professional development and low levels of annual leave relative to similar professions. For example, a key difference between teaching in schools and teaching in ECEC is that schools provide more time for preparation and programming, additional support and professional development and more resources.<sup>119</sup> Poor conditions in a role that is physically demanding and requires constant mental focus contributes to burnout and attrition. A recent survey of teachers and educators who had recently left the sector revealed that 41% of respondents said they left sector due to their poor rate of pay.<sup>120</sup> This signals urgent attention is required to not only address wages, but also focus on improving conditions to underpin a healthy and satisfied workforce.

111 PC draft finding 3.1, 64.

112 ACCC, Childcare Inquiry September Interim Report, 22, 201.

113 Women’s Economic Equality Taskforce (2023) A 10-year-plan to unleash the full capacity and contribution of women to the Australian economy 2023 – 2033, Recommendation 2.3 and 2.5.

114 Australian Government Department of Prime Minister and Cabinet (2023) Draft National Care and Support Economy Strategy, 2.

115 Productivity Commission, A Path to Universal Early Childhood Education and Care, Draft Finding 3.1, 64.

116 South Australia Royal Commission Report, recommendation 5.

117 [The Front Project, Work and Play 2023, 60.](#)

118 Ibid.

119 Goodstart Early Learning, Early Childhood Education and Care Productivity Commission Inquiry Submission, 50.

120 Early Childhood Australia, Early Childhood Education and Care Productivity Commission Inquiry Submission, 62.



## IDENTIFYING AND ENSURING QUALITY

Parents perceive quality of ECEC in Australia as high relative to some other countries, but also variable across settings and locations.<sup>121</sup> Quality in the sector is understood to be governed by appropriate regulations, though parents also perceive that service and worker shortages inhibit the delivery of quality care and education.<sup>122</sup> 80 per cent of parents/guardians and 79 per cent of professionals regard how staff members interact with children as an extremely strong indicator of quality.<sup>123</sup>

The Front Project's [2023 Work and Play study](#) reveals that parents and guardians attach different narratives to different types of ECEC service settings. Parents and guardians perceive that kindergarten/preschools are more focused on education and that the long day care segment mainly benefits parents that have to work full time and is more associated with care.<sup>124</sup> Our 2023 study revealed that 43% of surveyed parents and guardians agree or strongly agree that long day care centres mainly provide a 'babysitting' service.<sup>125</sup> This increased to 53% for people who speak a language other than English.<sup>126</sup> Significantly, 37% of ECEC professions also agreed with this statement.<sup>127</sup> This data highlights the need for additional information and awareness of the developmental benefits of ECEC has on young children. Research shows there access to quality ECEC is equally important for babies up to three years old as children grow and learn at a faster rate during their first three years of life than at any other point in their lives.<sup>128</sup> A targeted campaign, through existing channels such as maternal child health channels, to parents and guardians with very young children may assist to share more information about the developmental gains ECEC can have on young children. Furthermore, our qualitative interviews with parents and guardians reveal they feel stressed and anxious about the decisions they make about ECEC.<sup>129</sup> Helping parents connect the benefits of ECEC to the decisions they make around their young children could also help to ease some of this stress.

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121 [The Front Project, Work and Play 2023, 9.](#)

122 Ibid.

123 Ibid.

124 Ibid.

125 Ibid, 45.

126 Ibid.

127 Ibid.

128 OECD (2020) Quality Early Childhood Education and Care for Children Under Age 3: Results from the Starting Strong Survey 2018, OECD Publishing, 18.

129 [The Front Project, Work and Play 2023, 59, 65.](#)



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