



## Early childhood education and care

### Final report webinar transcript

#### **Martin Stokie**

Good afternoon, everybody.

So my name's Martin Stokie. I'm one of the Commissioners responsible for our early childhood education and care report, I'm also joined in a little bit, virtually at the moment with audio, hopefully with some vision, by my colleague Professor Deb Brennan, our other Commissioner, Lisa Gropp is actually overseas at the moment, and to be fair to Deb, she's only just returned from overseas yesterday, so it's a little bit fresh for her.

I'll just do some introductory points. I might then ask invite Deb to make some comments, run through some slides, and then have potentially time for some questions and answers.

But before we get too far down the track, let me just acknowledge the traditional custodians of the land on which we're meeting today. For me, that's the Wurundjeri people. And pay my respects to elders past and present, and extend that to all other Aboriginal and Torres Strait Islander people joining us today and the lands in which everybody else is joining us on today as well.

There's two parts to the presentation, one's background, and then the recommendations. If there are comments or questions that you wanted to have addressed I'd suggest that you use the Q&A rather than the chat. We'll try and curate those and leave enough time at the end to answer questions. There is a thumbs up capacity in the Q&A if you wish to acknowledge that a question is important to you, and then perhaps by way of thumbs, we can go with that.

Further for everybody's benefit this presentation is being recorded and will go on to our website. So if I do go through some slides that perhaps you didn't quite get to see with enough consideration, it will be on the website and you can go back and have a look at the presentation. All of the material is in our reports and it's the various graphs and figures that will tell part of the story, along with the recommendations.

Deb. I don't know if you've been able to join us or you can hear us, but is there anything you wanted to add before I launch into the slides themselves?

#### **Deb Brennan**

Oh, thanks.



Thanks, Martin. I'll just say good afternoon for now to everybody and say I'm very sorry that at the moment I can't come on screen. As Martin mentioned, I just got back from an overseas holiday late last night and I think I'm just not sufficiently back in practise with technology, but I'm going to put myself on mute for a few minutes and hope to join on screen. But I'm certainly listening and I'm going to join in for the Q&A. But Martin has kindly offered to do the presentation, given that I'm still a little bit jet lagged, so I'll come back in and join you all later in the webinar. Thank you. Thanks Martin.

### **Martin Stokie**

Thanks very much Deb. And we're very pleased that we could have Deb back fresh off the plane, so to speak.

So just by way of background that should be well and truly familiar just reiterating what we were actually asked to do, which was to provide options for the government around a universal early childhood education and care system, supporting obviously labour force participation, but particularly child development, and one that is affordable and accessible, equitable, high quality and efficient for government investment, etcetera.

So these are the ambitions for what we were asked to do. You'll notice in our recommendations and the work we've probably moved the pendulum much further towards child development and centering the child as part of the governments' co contribution towards supporting early childhood education and care.

We benefited greatly from the involvement of yourselves and various stakeholders throughout the process. We received many very considered and detailed submissions. They've informed our thinking and we've drawn on those where we it thought was appropriate, but significantly throughout the work, and hopefully that is coming through in the work that you can see.

We also benefited from the direct engagement, the conversations, the feedback, the discussion and that was across the board from the sector – participants, parents, teachers and educators. We engaged in experts to also hear the voice of the child. Those reports both for the nought to five and the outside school hours care age groups, are available on our website and we encourage you to have a look at that work. They were quite insightful as well for us to hear what's important to children who are participating in early childhood education and care, not just those who are delivering it or beneficiaries of the services.

We undertook quite an extensive literature review because we wanted to underpin whatever we were recommending with as best an evidence base as possible that we could draw on. The challenge here is that there's many academic studies in this area. Some of them are correlation, some of them are causation or seeking to find causation. But for Australia, it's challenging over the life of the child and their engagement in future life activities, whether it be education, work relationships, their own families, touching on or in or out of the justice system and the relationship



between early childhood education and care and those outcomes isn't as strong, or at least the evidence isn't as solid in Australia, we don't have that research. We haven't got that history, but we were able to draw on the research from other jurisdictions and as best we could take the lessons from those jurisdictions as to what we could find.

And that forms the basis of our core recommendations and what we do see is that clearly early childhood education and care, high quality early childhood education and care. benefits children.

It's particularly strong for the three and above's, but that's in our view potentially more a reflection of the nature of those studies rather than earlier years. And it's particularly positive for those children experiencing vulnerabilities and disadvantage. And you'll see a little bit later on. It relates to our core recommendations that we're putting back to government to say, focus on those children who will benefit the most.

We've got a whole of data that's in the report around the general statistics of who's attending, the proportional allocation, et cetera. We've been able to combine our data, the CCS administrative data with pre school data and provide a much richer source of information than perhaps is available or has been available to others, we can see that attendance, and enrolment rather than attendance, but enrolment in early child education and care grows significantly from birth through to the year before school. Not surprising, it's relatively low at birth. We have paid parental leave. They're the most demanding years for parents and children are usually at home with their families and mothers and father and other carers etcetera. But it increases as time goes on drops as we move into outside school hours care, or at least school. And so there's two distinct markets that we've been thinking about here. So school aged children and before school aged children.

What we can see notwithstanding the level of enrolments that the previous slide showed and the very significant numbers of children who are participating, when we start to look into the specific cohorts, we see that there's a disproportionate representation or underrepresentation of vulnerable or disadvantaged groups. The way I tend to look at this diagram or this figure, which is pretty much at the two blue columns, the light blue and the dark blue.

And we can see for each of the cohorts there's an under representation.

Aboriginal Torres Strait Islander children, non-English background, regional remote areas, low income there is an under representation. Interestingly, there's a slightly higher representation for disability. It's self reported as a process, but it reflects perhaps that educators are the 1st to see and identify challenges for children at different ages of their development and that has implications for the inclusion support programme. And we could talk about that a little bit later when we come to the recommendations.

When we do think about the inclusion support programme and we can see this and we think about the proportion of funding to areas by developmental vulnerability by SEIFA index, so the socio-economic index for areas is the measure which is not just income, it's education, it's family



employment outcomes, family type, et cetera. We can see that developmental vulnerability is actually greater in lower SEIFA index areas.

Yet the inclusion support funding is kind of flat across the board. We're not targeting what we have in our current inclusion support programme to those areas with the greatest need, it probably reflects, and this is an area of our recommendation, that it's not so much a criticism of the inclusion support programme itself per se, but more so that the resources within the current inclusion support programme just aren't sufficient. So they're spread thinly across all areas and not enough for targeting the children who in our view need the greatest levels of support.

Mother's workforce participation, as I put in the slide earlier, the two sort of arms of the focus around early childhood education and care.

But from a workforce point of view, we've seen quite significant changes over the last number of decades in particular, but certainly in the last decade, so the figure on the right, on the left-hand side, sorry, the light blue at the bottom shows mother's workforce participation. This isn't necessarily full-time work and it's predominantly part time, but it is work. It is participation, connection to the workforce and it has mothers increasing their level of connection and participation in the workforce. In fact, there's another representation and slide in other work that we have whereby we show that particularly for mothers where the child is over five, it's virtually aligned now with women of no children aged under 15. So there's a convergence for older children and the gap is in the lower levels.

### **Martin Stokie**

Welcome Deb. We can now see you and hopefully you're on mute.

So, OK, excellent. We can see on the right-hand side the lifetime workforce participation of all females and certainly from 2022, the most recent data that we have, that there isn't the sort of dip in the child raising period of a mother's life.

Whilst it isn't full time work as a representation here, it is a representation of engagement in the workforce and that goes to explaining potentially some of our modelling results where we don't get the sort of size of growth that we might have expected in terms of additional funding in terms of workforce participation, there might be other reasons why children are being excluded or have barriers to early childhood education and care, and we'll come to that.

But potentially this is an interesting background that the expansion of early childhood education and care is going a long way to supporting female workforce participation and engagement and connection to their workplace.

What we do find when we look at just affordability and we've given quite a lot of detail and work on this around workforce disincentive rates. It's not just the cost of early childhood education and



care. That's a choice for families and parents, and mothers in particular. It's the additional taxation that they would incur as they work more and potentially the loss of family tax benefits as they work more.

And so if families have ever sort of felt like, well, you know, I'm working to stand still, it feels like I'm not making anything from this additional day, we're finding quite supportive evidence around that.

Looking at the workforce disincentive rates, it's the darker blue aspects of the columns rather than the very light at the very top, which is outside early childhood education and care costs, that disproportionately loom large in terms of the impact or the disincentive to work more.

So even if we were to significantly reduce down the cost of early child education and care, unless taxes and transfers in terms of the family tax benefit were also addressed then it's unlikely to have the dramatic effect that perhaps we would ordinarily think. What this graph also shows, however, is that workforce disincentive rates and the relative impact of early child education and care costs or tax costs or family tax benefits differ by the nature of the family, so if it's a sole income earner or a coupled earner, and it differs by the income levels and so there are higher levels of cost imposts for outside of early childhood education and care as in coupled and for higher income couples.

We did some work around the administrative data to look at the proportional cost of out of pocket expenses for families. And so this figure, the whisker shows the distribution, the box shows the middle 50% and the black line within the box shows the median and I tend to look at the black line throughout these type of diagrams and what we can see is the proportional cost of out of pocket expenses to after tax income for the lowest decile income families, which are the ones on the far left, we can see in the black line are disproportionately high level of cost relative to the incomes that they have.

It then drops down a little bit for the 2nd decile of income and progressively rises, but clearly cost is a disproportionate barrier for the least able to afford early childhood education and care.

Also, if you recall, that happened to be the cohort who have the highest vulnerabilities and disadvantages who also happen to be the least likely to attend early child education and care. We have a system currently that ingrains disadvantage and discourages and does not support those families who would enjoy and benefit the most from coming and participating in early childhood education and care.

And that's some of the background data that we've looked at.

We then looked at availability and most of you might have come across or seen the Mitchell Institute's work around childcare deserts. We've gone further than the Mitchell Institute because we've got access to preschool data and also family daycare data, and we've done a similar sort of exercise to map out the availability of early childhood education and care.

By location we have this data. It's a visual of the map. It's probably not as helpful as the next slide, and I might ask Lou to jump to that one.



Where for each of these lines the blues, they are a statistical area like a suburb or say like an electorate area. We've looked at the availability, which is a ratio of the number of places available per child.

The way to look at this is that the red dotted line is the .6 or the 60% level -- that's the equivalent of three days a week, which is every child having access to three days a week.

That's one of our core recommendations, at least three days a week, and you can see from this that across Australia, some areas have more places available than would be at 60% or three days a week. Now that might reflect historical trends of people coming to commuter areas or inner city areas and they would come and go and they may not necessarily live in those areas and there might be more places available, but equally we can see that there are many places that are below that dotted line.

And as we go further out to the right hand side, there are some areas where there just aren't any services at all and these are the sorts of areas that if we're going to have a universal system for all children, we have to lean into and address.

The other thing that I like to think about in this slide is the green line. So the green line is the same as the blue lines, except if we take into account family daycare and preschools. So if we could engage with the states and the territories in a positive way that draws on the existing services and facilities. They may not be being used as much as, say, centre-based daycare for instance. They don't operate during school holidays and they don't have before and after preschool care. But if we did that then we're actually tapping into infrastructure that is available and it might actually ease the capacity to expand the level of services. But it does require cooperation, engagement with the jurisdictions. But we think the green line is probably the most relevant line to think about, well, where are we still missing out and where do we need to focus the greatest level of attention?

Quality is a critical issue and we've heard that repeatedly. We've drawn on the assessments from the ACECQA arrangements. We think they're appropriate but we are a little bit critical in that we just don't think that they're being done quickly enough and comprehensively enough. So we're suggesting recommendations around additional support in that respect. We also looked at the data by the SEIFA level.

So if for instance, the greatest level of disadvantage is in the lowest SEIFA areas, but it could also be in remote or regional areas or in the cities and so we get a disparity of quality and we think the quality is absolutely paramount to ensuring that we achieve the outcomes that some of the International Studies have highlighted as the benefits for early childhood education and care. Interestingly, if you look at the right hand side and the lowest decile for the SEIFA index, we can see the ratings for working towards which is the green, the dark blue being meeting and the light blue.

We see that the green sort of increases as you go down the SEIFAs and there's more working towards in lower SEIFA index areas.



It's not necessarily a bad thing. New centres working towards are in fact working towards, but perennially working towards is a problem. So if we don't ever fix up the challenges of achieving quality, we won't actually get the goals. And also if we're thinking of a universal system, is there a reasonable argument as to why there is a higher level of working towards rather than a lower level in the highest income areas?

Equally, we have a higher, quite a high level of exceeding in the lowest SEIFA area. It probably reflects that there's a number of not for profits and government providers that are targeting specifically into those areas that I've already highlighted as critically important for trying to address disadvantage and vulnerability.

But this is reflecting that we don't have a uniform or a consistent approach to quality across all areas and all parts of Australia.

The final slide before I go into the recommendations relates to the workforce and it's the last slide here, but it in fact reflects our the first part of our recommendations. We can't change anything in this sector if we don't have an engaged, competent, capable, happy, well-remunerated workforce. And we've heard that repeatedly and we absolutely agree and we've made a series of recommendations that are in support of the government's additional pay increases, but also around registration, recognising qualifications and earlier prior learning, mentoring programmes, continuing professional development, licencing.

A whole series of changes that would support in enhancing the level of and professionalism within the educator community and the teacher community. And so what we do see is that those educators go on to have diploma level complete those and do better, and those who are moving through into becoming educators who are diploma educated, they are more likely to complete and more likely to stay in the sector.

So if we support the local talent, the homegrown talent in this sector, I think we can go some of the way to addressing the challenges on this left side, which is the vacancies and the demand for additional educators to support the additional demand that will come flow through the changes that we're recommending. If the government was keen to take those up.

So in terms of recommendation, this is a summary slide, but I'll go into a little bit more detail. We do have a recommendation around ensuring that all children have access to at least 30 hours. It's not a, it's not a single target, it's a minimum target, and it's not a mandatory target where that we're talking about some children, and some families will choose not to attend. Others may choose to attend and use early childhood education and care more.

But at least it needs to be available, and it needs to be accessible and it needs to be affordable and high quality and capable of catering for all children, particularly those with additional needs.

We're suggesting and recommending removing the activity test and in our draft report we had a version of this, which was a partial removal. We found that the individuals and the families who are



most impacted by this were in fact the lowest income families and it was counterproductive in that it effectively implied and set a norm that only those who are working should come to early childhood education and care, and we felt that that wasn't consistent with a view around centering the child.

We have some recommendations around thin markets, prioritising the workforce, inclusion and we've continued with our recommendation around a early childhood educational and care commission to take on an overarching view. We have a number of institutions and bodies that have and do an excellent job but there isn't anyone taking that across the board view of how does early childhood education care interact with preschool, interrelate with training requirements and availability across the board for the whole of the country, rather than what might be in a specific area.

Let's go into a little bit then in detail and some of these are about what the specific aspects of the modelling and some of the recommendations are. So we considered three models particularly from an affordability point of view. So this isn't about access. This isn't about inclusion. This is just about what it costs families in out-of-pocket expenses.

We looked at our recommended option A which is removing the activity test, increasing the subsidy rate for those families on less than \$80,000 a year to 100% of the subsidy rate and increasing the HCCS further to 100% for families that had more than two children or two children in early childhood education and care, and also changing the taper rate at which the CCS dropped away so that there wasn't a sort of an effective marginal tax rate in economic jargon, but basically a cliff that you go along and then families drop down. And that creates disincentives to work and we didn't want to have that. We looked at the 90% subsidy rate, which was what the government had asked in our terms of reference. And we then also looked at the \$10 a day flat fee.

Some might think we looked at the Canadian model, but the \$10 a day flat fee is we looked and that alone is not the Canadian model. The Canadian model has a much broader and rounded perspective and covers a range of other factors. But we wanted to include three quite stark policy choices or models that could look at what the impacts of reducing out of pocket expenses might be and we've got in our detailed appendices some combinations of what a part of these options or a combination of A and C might look like if you did those together, but we wanted these to be clear so that you could see what was what, which model or which option was driving what outcome.

In terms of our modelling results, there's three columns here. We can see in the first column that all three options will encourage and support a quite considerable expansion in the number of children who would come to early childhood education and care, at least, this model assumes that that's unconstrained, so that, you know, we'll just assume that the place exists.

What would that financial co contribution look like if it was to increase, how many more children will come and we can see that there is considerable demand.

We contextualise that also with the work that we did earlier around availability, the deserts or the curve chart that we showed earlier, which shows that in order to get three days a week for all





children in all areas across the board, we'd need approximately I think from memory it's around 140 thousand places.

The money side of what we're recommending here in terms of affordability would do some of that lifting and target those area. The additional money doesn't, in least in the option A, lead to very significant uptake in workforce participation from mothers. Some of that's the combination of the effect of the change in unsubsidised hours, which will flow from removal of the activity test. Some of it flows from, well, much of the increase in workforce participation has already occurred, and some of it also from the fact that you've still got the workforce disincentive, right?

So even though we are lowering the cost of early childhood education and care, it's not going to have the dramatic effect that we might have thought would flow through because workforce disincentive rates or taxes and losses of family tax benefits still have quite a profound and significant impact. We can also see in the far right hand column the cost to CCS or the budget costs which are important because our model that we've built out is now based on Treasury's model which now has the ability for Treasury and the Department of Workplace Relations to model out future changes going forward, based on the administrative data. So it has quite significant validity.

But equally, the model assumed that the observations that were previously there were optimal. So if somebody wasn't coming to early childhood education and care, that was assumed to be optimal in the model. And we know that that's not true. We know that there are areas where families can't get access to childcare, and they desperately would like to get access and they would be happy to pay if it was available, and so we've contextualised these labour force data with survey data that shows that there is a significant number of parents, particularly mothers, who, if all barriers to early childhood education and care were removed, would attend and work more.

Most of those barriers, because that's what this model is showing, they're not cost barriers, although everyone would like to pay less. Undoubtedly, most of those barriers are going to be around availability. They're going to be around availability, convenience, and they're going to be around the catering for the child's needs. So is it culturally safe? Is it catering for children with additional needs and disabilities, et cetera, and that's something that we can talk about as we have other recommendations.

What the model does allow us to do, particularly just from the affordability sides, it allows us to consider the distributional aspects here. And so this first slide here looks at the number of children by income quintile. So the five levels of income level and we can see that the children who would most be encouraged to come under option A are coming from the lowest income quintile. Equally we can see with option B, which is the 90% subsidy rate, they would mostly come from the highest income quintile and for the flat fee, \$10 a day, it's spread across all of the quintiles, although its highest coming from the highest earning families. And so there is a distributional challenge here. Those who are missing out who are in greatest need. In our view we prefer option A although we've shown what the distributional impacts are for the other options.



This is a different representation, not of children coming, but of where the money is going. So the money, at least in option A, is what you might traditionally think of. A progressive co-contribution towards families who have the greatest need and the least income levels. Option B has a very stark, almost reverse co-contribution back from government to families, particularly to the highest income cohort, and similarly option C. Basically options B&C show that they'll provide significant subsidies to higher income families, whereas option A is providing the additional money to those families in our view who are paying a disproportionately higher cost now and are missing out.

This is just a different way of presenting the slide that we had before around the box and whisker plot. So if we think the light blue is what I showed before the dark blue is what would happen under the proposed recommendation option A. We haven't done it for option B&C, but you can see that the out-of-pocket expenses as a proportion of take home pay go to close to 0 for low income families and then progressively rise up. Interestingly, because we're changing the taper rate and some of the other changes, all families who currently have access to the childcare subsidy would be better off under option A.

It's not a significant a change as it would be for option B&C, but all families would be better off.

We have a number of recommendations around availability and access. We think that it's not enough just to simply wait and allow for the additional childcare subsidy to stimulate additional investment. In fact, if anything, it will take far too long to get to those areas that have the greatest need. And so we've suggested a fund that the government create, which is an expansion of the community childcare fund that's there now, but with far fewer restrictions with much greater flexibility to tailor funding in support of what is needed in the specific locations and the specific communities. It might be just existing facilities, it might be capital grants to build something. It might be capital grants and operating grants, or it might just be operating grants to ensure that in the variable years when the number of children might go up in one year and down in another, a centre doesn't become unviable and therefore can't hire the educators and the teachers and maintain their services.

We've also made some very specific recommendations around engaging with the Aboriginal Controlled Community Organisations who have a very strong desire for a cp-designed and agreed funding arrangement, which is tailored to the specific communities in their areas.

We have a number of recommendations as they relate to improving the workforce. As I've mentioned earlier, and I won't dwell on this, but they're there. It's not just money. Money is important, but there is a series of other things that governments can do around registration, licencing, training, supporting educators to continuing development across the board. And if we don't, we're not going to be able to do anything. We can put more money in, but we won't be able to expand to address the children.

And there is a range of recommendations which we believe are going to be particularly important for the sector when I come to it a little bit later on, we also think that this needs to be the first



priority. You can't do these other things without changing those and supporting the workforce first. For inclusion support, we have two broad themes. One is that the current system isn't working and it well, I'll say that it's not working, it's not working as well as it could be. And so there's some immediate changes that we're recommending and suggesting to government such as increasing the rate at which inclusion support is paid. It hasn't gone up since 2016.

And allowing parents to have access to it in a qualified sense immediately, rather than having to get all the documentation which may take significant amounts of time to actually come through.

Getting approval sometimes takes too long. The child has moved through and they're in school and they haven't had any inclusion support. We think that additional money is needed across the board and so that that needs to be done immediately. We've also gone a little further than just the sort of immediate patches, which is to rethink the inclusion support to align with what the government has talked about in terms of the national disability insurance scheme and the reforms that are potentially going to come through in that and that's thinking about the needs for those children with additional needs in three categories.

First, disability and complex needs. That's where most of the inclusion support funding is going now. It must continue to go to those children with the greatest needs and that can't fall by the wayside. There are other children where that won't necessarily be the case. They might just have some additional needs. They might have delayed development, but they're not disabled, and the system across the board needs to cater for those needs. It happens in schools. And we think then there also needs to be kind of a release valve for, say, some inclusion grants funds, which might be that a particular area has some very specific need that isn't catered for in the other areas that are already there and that might be in transport in a particular area or it might be some form of infrastructure and it could be around an additional educator, it needs to be flexible and tailored and targeted, but it would be on a case by case basis and that would in our view cover off on all areas of inclusion.

Quality is important. Everybody knows this. The quality assessment process needs additional support from government. The approach needs to be a cooperative and +1 rather than a regulatory oversight and us and them approach between the regulators and the service providers. But we acknowledge that the Commonwealth needs to come to support more of what's happening at the jurisdictional level in this space.

As I said earlier, we're suggesting that there needs to be an early childhood education and care commission. We recommend that our draft and we're continuing to do that. It's not to duplicate existing roles from ACECQA or AERO in terms of research, but in fact to complement what others are doing and provide that overarching view, part of achieving and establishing that body would be the states and the territories and the Commonwealth coming together for a new national agreement and that national agreement currently just covers preschool funding arrangements. We think it needs to be a lot broader than that.



Preschool funding arrangements are part of it, but equally, we're suggesting there needs to be and could be a Commonwealth supported wrap around capacity for childcare subsidies to before and after preschool or those years and also extending into a service that had the appropriate level of quality, but is the equivalent of what happens in outside school hours care for, say, holiday programmes.

Currently, preschools don't operate for school holiday terms and from a working parent's point of view it's very hard if they're only going for 40 weeks of the year when somebody is working for potentially 48 weeks of the year. We need to have something that's a bit more coordinated and part of that can be part of a preschool agreement and preschool arrangements.

We're suggesting that outside school hours care becomes more of a responsibility of the states and territories but still funded by the Commonwealth and parents in the way that it is now. But we're wanting to encourage the states and territories to take on more of a coordinated role to ensure that all schools where reasonable and practical to do so, can offer an outside school hours care programme. Most of those are being offered on school grounds. It makes sense that those school grounds, at least in public schools, the state government and territory government responsibility, they should have that going forward.

I won't belabour this slide other than we do have a whole series of recommendations around what the roles and responsibilities of different parts of government can and should be doing. There's quite a discussion around the staging and the phasing, and this slide was very important to the jurisdictions as you could imagine and the different states and territories and the Commonwealth who are now busily thinking through well, what do our recommendations mean in a practical sense and how would they bring those to life?

I'm pretty sure this is our final slide, but the phasing and sequencing is critical and we put that back to government with a series of recommendations around what needs to be done first before other things. So for instance, if we just move to increase the amount of financial subsidy without dealing with the challenges of the workforce or without dealing with availability of places, all we would do is increase demand. We'd raise expectations from parents and children and we wouldn't be able to cater for it. And we would undermine the potential reforms. So doing this in a staged way and an orchestrated way will actually lead to hopefully embedded success for the change that is envisaged.

That's it for me. Thank you. I might pause just for a moment. And I know Deb's been able to join us visually and hopefully with audio as well as on, I don't know whether you wanted to add anything before we open it up to questions.

**Deborah Brennan**

Thanks very much, Martin. I don't have anything at this point, but just for those who joined late, I'd like to thank Martin for doing the whole presentation. I'm only just back from overseas last night.



And so Martin kindly offered to do that, but hopefully I can join in on the question answering though. So no, I think we should use our remaining time for questions and be guided by what our participants would like to discuss.

### **Martin Stokie**

So I think the way we're hoping to do this and it might be novel and we'll see if it works well. If you put things into the Q&A chat, not the chat box, but the Q&A and then I might hand over to Lou or Miriam, our colleagues who have helped with the project and they can ask what they think is the most salient question and curate the questions.

### **Miriam Veisman-Apter**

OK, maybe we might start with the people who waited longest and started asking questions as you were speaking. The first question we got in regards to those families who are from CALD backgrounds and have limited language, English literacy, and they're finding the CCS quite overwhelming, are there any recommendations for streamlining the CCS process?

### **Martin Stokie**

Well, there are a couple recommendations. Some of them relate to the removal of the activity test first and foremost.

There is going to be and we've recommended an option for families to opt out or in, depending on how you want to view it of the 5% withhold rate for the CCS, so they can choose to have that money upfront. We're also suggesting as part of the inclusion support fund additional work that there may well be some funding that's going to the inclusion support coordinators that they might be able to provide some support in that sort of concierge type concept.

### **Deborah Brennan**

Maybe one additional point, Martin we might make is around the trial of the system navigator role because I think that could potentially have some particular relevance to the families being referred to in that question. But I think the big items that you mentioned particularly around inclusion support changes to the way parents are interacting with the CCS system and also I think there's a discussion in there around families being reminded through the single touch payroll system if they're likely to incur a debt.

### **Martin Stokie**



Yes, yes, because governments have much greater insight and visibility of people's income as it's coming through. We've proposed that the Services Australia could reach out on a regular basis if their estimation of what a family's income was going to be was not aligned and let them know and have multiple opportunities to amend that throughout the year.

### **Deborah Brennan**

Yes, I think the other general point I'd make is that we would hope that over a bit of time that establishing of a norm that all children are welcome and encouraged to participate in ECEC regardless of their parents' workforce participation and that it would be close to free for a very significant proportion of the population, which would include a lot of families from CALD backgrounds that while the CCS is a complicated system, the establishment of that norm, and the introduction potentially of system navigators across the service system would start to make access much more of the norm. Much more supported, much more. Just what families do, so that might take a little time to settle in. But at the moment the activity test in itself in addition to all those complexities, I think really raises the significance of barriers.

### **Lou Will**

I'll just hop in and add that recommendation. 6.7 goes to simplifying the CCS application and income reconciliation processes, so I'd refer the question asked to that reco.

### **Martin Stokie**

That was what I was looking for. Thank you.

### **Miriam Veisman-Apter**

There are a couple of other questions about the CCS and one in particular around the level at which we pegged the access to 100% of the hourly rate CAP as the subsidy. And that's the \$80,000. Why was this? What was the rationale for choosing that particular level of income, noting that obviously it would look different for single parent families and dual income families?

### **Martin Stokie**

I think there was a couple of reasons and if you allow us a little bit of licence because the numbers don't quite align, but it was the threshold at which some families may be eligible for a healthcare card. I think that's around \$76,000 from memory and we thought that that was good. It was also aligning with approximately 30% of all families. So in the in the decile figure we had before and so



in a nice, neat way it aligned with perhaps some existing thresholds around subsidy rates, et cetera. And the important thing and it's in the paper it then starts to decline at 1% per \$5000 that somebody would earn. So basically it hits 90%, which is the current maximum subsidy rate at about \$130,000, I think or thereabouts.

And we know that about approximately 50% of all families, a little bit over 50% of all families would receive at least a subsidy rate of 90%. So that if you're earning \$85,000 you would you'd be eligible at least if the recommendations were adopted for 99% of the subsidy rate.

And if you're earning 90,000, you'd be you'd be eligible for 98% if that makes sense. So it's not just at \$80,000 that families would benefit, but that was that was the level at which we pegged 100%. And we thought that also the healthcare card would help.

Again to potential simplification, if you're already eligible for that, then it would be straightforward to simplify the CCS process by simply aligning CCS eligibility to that. But I can't remember Deb or Lou or Miriam. If you wanted to add something for that.

### **Deborah Brennan**

No, I think you've captured the key considerations that we had subject to anything that Lou or Miriam could add.

### **Miriam Veisman-Apter**

Not at this point, but there is a lot of detail on this, particularly in supporting paper six of the report. So to questions about inclusion support and in particular, was there any consideration given to changing the ratios of educators to children to improve the ability of services to cater for children with additional needs?

### **Martin Stokie**

Yes, to an extent.

Our initial recommendations around improving the inclusion support include increasing the rate at which that additional support worker would be paid so that at least they could be paid the same as an educator rather than at the 2016 level, which was less than an educator would earn.

We've suggested that the money should align with the hours for which the child is coming. So that rather than cut out after a certain number of hours, if they were there for longer then the inclusion support would continue for whilst they're there. I don't think from memory we looked at the ratio. I think it may be two or three children per worker that could be allowed before another



additional support would be required. I don't think we looked at that per se and I'll stand corrected from Lou, Miriam or Deb the ambition though was to do some almost immediate remedial improvements to the current system to allow us to get to the preferred long term sustainable arrangements which might allow for consideration of ratios or the amount of support that's needed.

What we think longer term is that it needs to be tailored and work for the children and that might mean something not as stark and rigid as the current system.

So immediate changes to improve and give some additional support and then to work over the next two years to fix up and have something that's appropriately tailored.

Deb, I don't know if there was something you wanted to add.

### **Deborah Brennan**

Yes, I mean, we would hope that that the recommendations in that area would actually be quite transformative, especially the longer term scenario we have in mind that around funding based on predicted patterns of enrolment in a service or area, that would be something quite new in many parts of Australia.

And something more similar, more akin to public school funding and I think that the idea there would be to recognise and respond to patterns of entrenched disadvantage, for example, or particular community patterns, say for example, very high levels of children from refugee backgrounds or where families and children have experienced significant trauma but may not have disabilities per se but do need additional support and we don't specify, but we talk in general terms in the report about the scale of additional subsidy that would be required in the inclusion area.

We're not talking about minor tinkering at all, but really quite substantial reform and additional funding.

### **Miriam Veisman-Apter**

OK. We've got a couple of questions about more flexible service delivery models, in particular those that are relevant for families and children in rural and remote Australia. In home care, for example, and mobile services. What are our recommendations in those areas?

### **Martin Stokie**

We have a number of recommendations that relate including an expansion of support for in home care. One is to increase the amount of money that's available, permitting more flexible arrangements so that for instance, two family daycare services could come together in an area and





cater for sort of a slightly larger community of children that perhaps wouldn't justify a early learning centre in itself, but in fact would be catered for by those arrangements.

### **Deborah Brennan**

And I would add, perhaps, Martin, that we've specifically said in in relation to the fund around expansion of services and increased supply that consultation and engagement with children with families should be a fundamental principle of the implementation of that fund. So we're very much trying to move away from the notion that long day care, for example a long day care centre or indeed a preschool is the answer in every community. To say it's vital and it needs to be built into the system that communication and engagement takes place. So that would be highly relevant for rural and remote communities who of course represent a very high proportion of those that would be likely to be relevant from that fund.

### **Miriam Veisman-Apter**

And this might be one of the final questions or the final question that we're able to answer in this particular session.

How do you see the implementation of these recommendations progressing and what is the time frame around successful implementation? How realistic is it that we can achieve the benefits described by the Commission, given that it is at least 12 years until those recommendations are fully implemented?

### **Martin Stokie**

My first reaction is that we need to allow the government time to think and consider the report. And they've said that they will respond in the coming months. And so I suppose watch this space.

We've made a number of recommendations that are seeking to make changes sooner than 12 years. This will be a series of incremental improvements. Some of those will flow through soon in terms of higher wages for educators and teachers. There are changes that could be made sooner around inclusion, for instance, and some of the continued expansion of the sector will allow for additional places to flow through. It will take a little bit of time to reach agreement with the jurisdictions to move forward on some of these things. And you just can't build these things overnight. So there's a pragmatic and realistic timeline.

But I don't think it's reasonable to categorise it that the benefits would only flow once every recommendation has been implemented. In fact, we will see incremental improvements from where we are now and maybe just to put in context, the last 10 years up until now we've grown the number of places by 50%, our estimate of the increase in the number of places that we need in order to hit three days a week is around 15%. Now those 15% are in the most challenging and



difficult areas, they're not in the CBD or inner city urban areas. They're in remote and regional areas in the main. It will take longer and it will cost more money in order to expand across those areas. But we're not looking at a step change again, we don't need to grow by another 50%. Again we are trying to ensure that we have a universal system that is available and catering for everyone.

I don't think it will take as long as that perspective to resolve those issues but I don't know. Deb, did you want to comment?

### **Deborah Brennan**

No, I agree with that. It won't. I think that we should start to see changes, well, we've foreshadowed changes, within the next couple of years should the government choose to adopt these recommendations, but I mean it would have been unrealistic for us to, I think to say look, we can have every child having access to quality, affordable and inclusive ECC within five years for example, because number one, we don't have the workforce. Number two, we need to set up the Development Fund, to identify the locations for the new services we need or government would need to engage in the recommendations around quality and the vital ones around inclusion.

So it is going to take years, but we should see benefits emerging at every step of the way, and I think too, that we should start well, depending on government's response, we may just begin to see a new framing of early childhood education and care in the community and in the minds of families, and that will be, I think, a great benefit and a huge step forward in itself.

### **Martin Stokie**

Well we're done. OK, I think we'll give everybody back their time. So can I just once again thank everybody for participating. For me, it was an absolute pleasure and privilege to work on this project and we're looking forward to the government's response like everybody else is. And we're optimistic, at least we'd love to think we've given a road map that's going to help lead to the ambition of a universal early childhood education and care system in Australia.

### **Deborah Brennan**

It has been an extraordinary privilege to be part of this inquiry and to work with colleagues in the Productivity Commission and in the sector more widely. We've had enormous engagement with the sector, incredibly valuable submissions, great feedback, a bit of bracing feedback on some of our draft recommendations. And as Martin emphasised throughout, we've responded to quite a lot of the points that were made in response to the draft. So thanks to everybody. I really look forward to seeing the response of government and very importantly the response of the sector as that develops over the coming months and years. So thanks to all and to our fantastic team at the PC.



Thank you.

**Martin Stokie**

Thanks, Deb, and thanks everybody for joining us today.