



Submission to the South Australian Royal Commission into Early Childhood Education and Care

Mitchell Institute

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About the Mitchell Institute

The Mitchell Institute is an education and health policy think tank based at Victoria University. Our role is to translate in-depth insights from research and practice into practical policy ideas, while looking beyond simplistic solutions. We have a focus on making health and education systems fairer for all.

The Mitchell Institute works to inform and influence public policy and practice to improve the health and education opportunities of all Australians, in particular those in socio-economically disadvantaged communities.

The key activities of the Institute in support of this goal are:



Analysing evidence and data to understand how our education and health systems are performing; who they are supporting well and who they are failing; how policy settings are influencing health and education outcomes; and the extent to which international evidence and experience can contribute to improving the health and education of Australians.



Supporting and stimulating public discussion and debate to increase policymakers' and public understanding of the key health and education challenges we face; the benefits to both the economy and society of fairer and more responsive health and education systems; and how these systems can be improved through evidence-based policy and practice.



Assisting and advising policymakers to make better use of evidence in designing and implementing reform. The Institute's experts translate complex health and education system data into clear policy ideas; they engage directly with decision-makers, service providers and service users to provide a deep and well-rounded perspective on challenges that Australia faces; and they research international health and education systems to understand the impact of different policies and practices, and possible relevance to the Australian context.

The Mitchell Institute has a proven ability to **translate in-depth insights from research and practice into practical policy ideas, while looking beyond simplistic solutions.** Through collaboration with experts, governments and influencers, and practitioners, the Mitchell Institute connects with the right people to create meaningful change. Its **major research reports and high-level policy briefings** have been highly influential in informing and catalysing policy debate across a range of areas.

In the education policy area, the Mitchell Institute covers the entire education system from early childhood education and care (ECEC) to lifelong learning. Our ECEC program has been particularly prominent and published many influential reports.

We welcome the opportunity to outline some of the research that we have undertaken in ECEC. We would further welcome any opportunity to discuss this research with the Royal Commissions as it undertakes its important work.

Childcare access: Deserts and Oases

Access to quality childcare is increasingly critical to Australian children, families and the economy. In the first research of its kind in Australia, the Mitchell Institute examined access to centre-based day care in over 50,000 neighbourhoods across the country.

We found that when it comes to access to childcare, where you live matters.

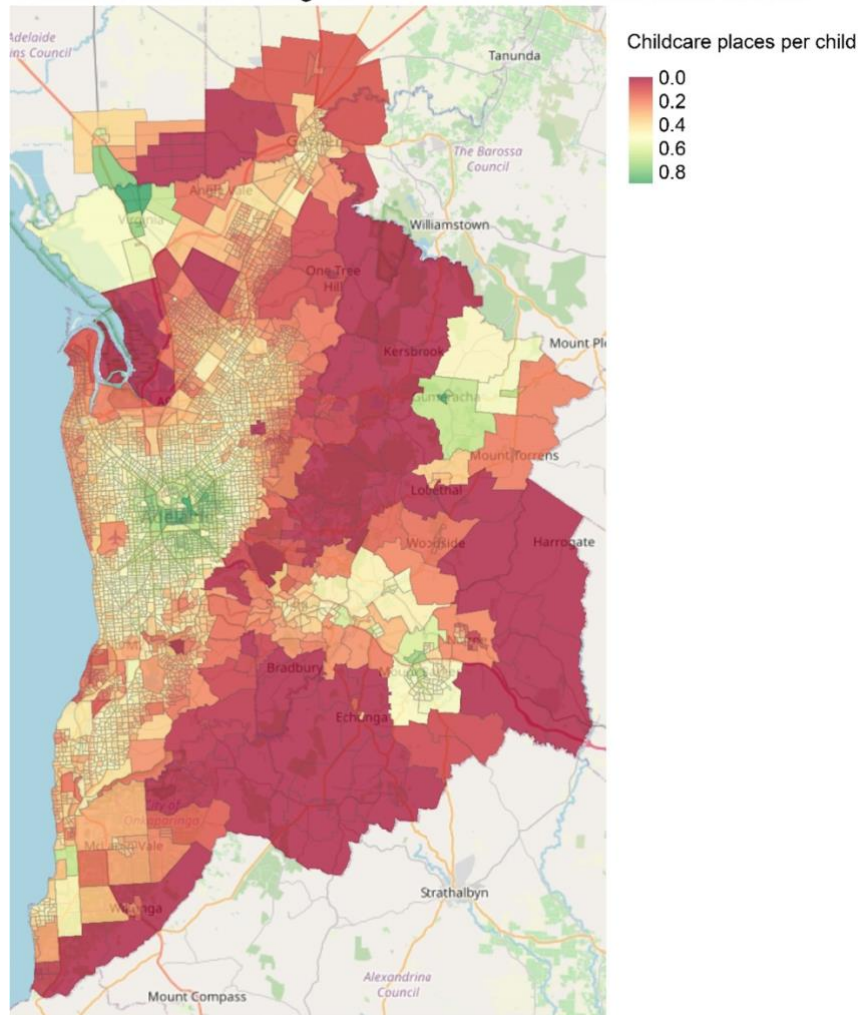
About nine million Australians, 35% of the population, live in neighbourhoods we classify as a childcare desert. A childcare desert is a populated area where there are more than three children per childcare place, or less than 0.333 places per child aged four or under.

This is where childcare access is most scarce and there are deserts in all states and territories, and in all capital cities.

Figure 1 below shows the results of our analysis for Greater Adelaide.

Figure 1: Childcare accessibility of Greater Adelaide

Childcare deserts. Orange and red areas indicate childcare deserts



The pattern shown in the above figure of Greater Adelaide is typical of childcare accessibility in Australia's major cities. The centre of cities, close to central business districts, have the greatest accessibility, indicated on the map in green. There are pockets of green elsewhere in the city indicating neighbourhoods with relatively high childcare access. The orange and red areas indicate childcare deserts and are located throughout the city. Some outer regions

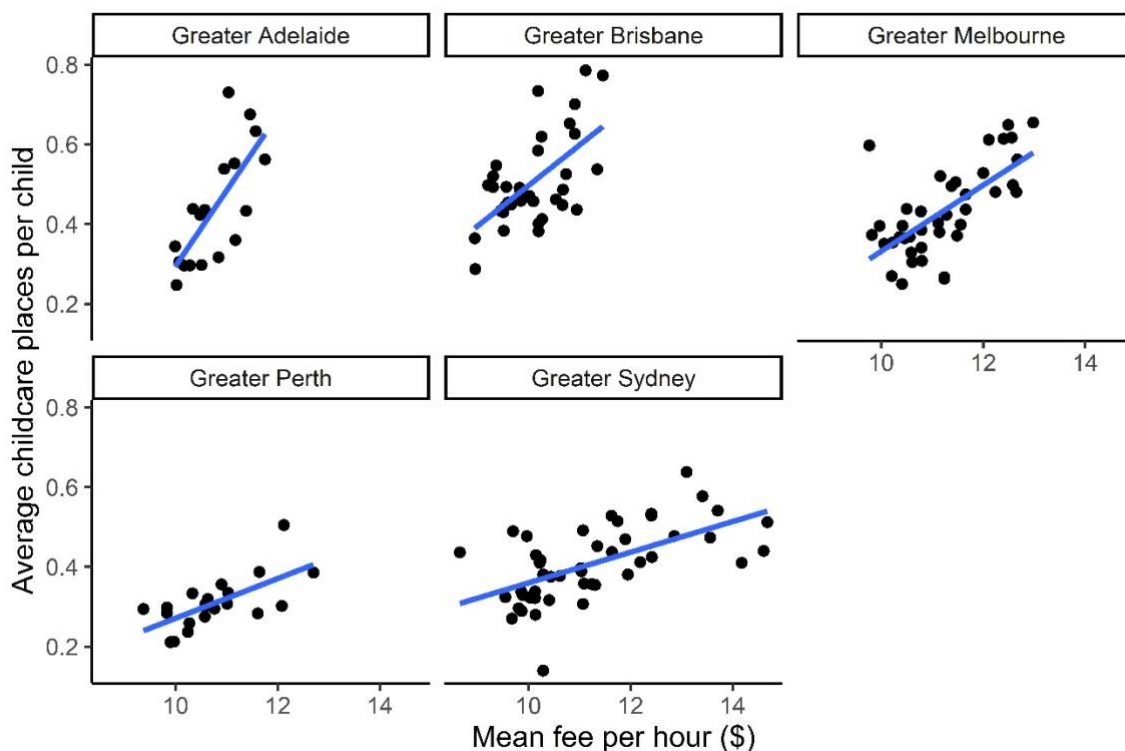
appear as dark red and are areas where there is very little or no childcare available. These areas also often have fewer people living in them.

There is strong evidence that families from more disadvantaged backgrounds benefit the most from high-quality early childhood education and care.

Yet our research shows that it is the most disadvantaged that have the lowest accessibility to childcare. Part of the reason for this may be the underlying principles of the childcare system that encourage providers to establish services where there is lower risk and greater reward. One way of illustrating this is to explore the correlation between price and accessibility.

Figure 2 shows the relationship between the median cost per hour of childcare and the average childcare places per child in the five major capital cities with a population over 1 million people. Each dot is an SA3 region and represents a population of between 30,000 to 180,000 people. The horizontal axis shows the mean fee per hour and the vertical axis shows the average childcare places per child in each SA3 region. The blue line shows the trend.

Figure 2: Average childcare places per child and mean fee per hour (\$) by SA3 in the five largest cities in Australia



This figure highlights how areas, where there is greater supply of childcare, are also areas where providers charge higher fees. These areas of higher supply and higher fees are often areas of greater advantage.

This figure suggests that there is an incentive for providers to operate in advantaged areas where they can charge higher fees, even if there is greater competition. This leaves more disadvantaged areas with lower levels of childcare accessibility. As a consequence, Australia is not fully capitalising on the long-term benefits to children from more disadvantaged backgrounds of high-quality early learning.

The research is complex and many areas. We have attached a copy of the report to this submission.

Two Years are Better than One

Access to a high-quality preschool program is one of the few proven strategies for lifting outcomes for all children.

Evidence shows that two years of preschool has more impact than one, especially for the children most likely to be developmentally vulnerable. In 2015, we argued that it was time for Australia to pursue a national commitment to ensuring all 3 year olds have access to high-quality early childhood education by offering a second year of preschool.

If Australia is to remain globally competitive into the future, it is vital that we invest in programs that promote opportunity, boost our human capital and close the disadvantage gap.

Currently, nearly a quarter of Australian children arrive at school without the skills they need to learn.

And we are not doing all we can to ensure all children have the best possible opportunity to develop the early cognitive and social emotional skills that set them up for life.

Australia has laid the groundwork for delivering two years of high-quality, universal preschool programs.

The children missing out are the ones who would benefit most from access to a preschool program, and not all children are receiving the amount of high quality early education needed to maximise their potential.

There is a clear opportunity here. Moving to universal access to two years of preschool can be an affordable, achievable and effective way for us to achieve greater and more equitable outcomes for Australian children.

Cost

The reality of family and work life has changed substantially over the past three decades, and many argue that despite significant reform, our ECEC system is not adequately supporting children and parents to thrive and fully engage in life.

Since the 1980s, women's employment rates in Australia have increased dramatically – from around 50 to nearly 70 per cent. Since 2000, the proportion of children aged 0 to 5 years attending childcare has increased from around 30 to 45 per cent, with participation rates up to 64 per cent for three-year-olds.

Despite government subsidies that meet up to 95 per cent of childcare costs, depending on a family's economic circumstances, childcare is still a significant cost for many families.

While means-tested subsidies have reduced costs for the most disadvantaged families, they can be crippling for many. In many cases, this results in parents – often women – deciding not to work, or working fewer hours than they would like to. In some cases, it results in parents deciding not to use early childhood education and care services, meaning children are not benefitting from the developmental benefits of early learning.

But exactly how much parents spend, how this compares with other major household expenditure, and how much is too much, are all open questions. Too often, these questions are being answered with anecdotal evidence and inadequate data that does not cover the breadth of family circumstances, is outdated, or provides limited insight into the problem.

The Mitchell Institute undertook an analysis of the cost of ECEC in the paper *Counting the Cost to Families*. The paper reviewed available data on expenditure and affordability, and presented new analysis of household expenditure data to understand how much Australian families are spending on early childhood education and care, as a proportion of their disposable income.

In the US, affordability of childcare for low-middle income households is determined by a benchmark of no more than seven per cent of family disposable weekly income. Our analysis found that around 40 per cent of Australian families are spending more than the seven per cent threshold of their disposable weekly income on early education and care expenses. Our analysis suggested that for about 386,000 Australian families, childcare is unaffordable. While low and medium income families receive the greatest subsidies, these families can afford the cost of ECEC the least because of their lower household disposable incomes.

Recent changes to subsidy rates may alter the number of families who exceed the affordability benchmark. But the problem remains the same.

Other issues

Australia's demand-side subsidy model that characterises services covered by the Child Care Subsidy brings with it many strengths and weaknesses. It is this model that is the subject of conjecture, and lies at the heart of many of the challenges faced in the ECEC system. Access, cost, workforce and quality are all impacted by this approach.

There are no easy answers to how Australia should structure its ECEC system. However, we believe now is the time to reform the sector so that we can ensure it is meeting its manifold aims.



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