



Chief Executive Women

## **Productivity Commission Inquiry into Early Childhood Education and Care Chief Executive Women**

### **Women leaders empowering all women**

Chief Executive Women's (CEW) shared purpose is 'women leaders empowering all women'. CEW's over 1000 members represents Australia's most senior and distinguished women leaders across business, academia, government, sport, the arts, and not-for-profit sectors. CEW's members have leading roles within Australia's largest private and public organisations. They oversee more than 1.3 million employees and \$749 billion in revenue. Member's organisations have a combined market capitalisation greater than \$1.144 trillion and contribute in excess of \$249 billion to Australia's GDP.

Since 1985 CEW has influenced and engaged all levels of Australian business and government to achieve gender balance. Through advocacy, research, targeted programs and scholarships, CEW helps to remove the barriers to women's progression and ensure equal opportunity for prosperity. CEW's members work actively to realise our vision of a community where women and men have equal economic and social choices and responsibilities.

### **Acknowledgement**

We acknowledge the Traditional Custodians of Country throughout Australia and pay our respect to their Elders past and present. CEW celebrates the diversity of First Nations people and their continuing connection to land, water and community, and acknowledges the strength of First Nations women leading their communities. We extend that respect to Aboriginal and Torres Strait Islander people who are part of the CEW community.



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### Message from CEW

CEW members, as business and community leaders, drive change to realise a vision of:

- Diverse women leaders at every decision-making table
- Women's workforce participation enabled across all sectors
- Women are economically secure and free from violence across their life course
- Workplace flexibility for men and women to work and care for family.

CEW advocates for all women to have equal economic opportunity, and for our vision to be realised, we must place care at the centre of our economy. CEW is pleased to make a submission to the Productivity Commission's enquiry into Early Childhood Education and Care.

In CEW's [Pre-Budget Submission](#) and subsequent budget response, we welcomed the Commonwealth Government's notable commitment to prioritising care and women's economic equality. This submission focuses on the further reforms necessary to ensure women's economic participation and give children the best start in life.

Leveraging women's participation and leadership is one of the most effective actions for business and government to boost the Australian economy and productivity. As a nation, we have the potential to restore Australia as a world leader on gender equality and create an infrastructure for care and family support that will ensure Australia's success for generations to come.

### Placing care at the centre of our economy

A thriving and supported social infrastructure is vital for the success of Australia as a whole, highlighted during the recent Covid-19 pandemic, natural disasters and economic challenges. The care sector, largely powered by women, has been an important safety net for the entire economy. Unfortunately, this sector has been widely undervalued.

Australia's care sectors are encumbered by critical workforce shortages, high levels of insecure work and low pay. These challenges are exacerbated by the rising inflation and living costs currently experienced across the economy. A thriving care economy is vital to unlocking women's economic participation in other sectors and progressing gender equality.

### Unlocking women's workforce participation and leadership

Australia has one of the most gender segregated workforces in the world, and our rate of female part-time employment is almost 10% higher than the OECD average, sitting at 44%.

The [National Skills Commission](#) estimates the need for 1.2 million additional workers across the economy by 2026. 87% of projected jobs growth will be in female dominated industries, including health and [early childhood](#).

CEW and Impact Economics and Policy research [Addressing Australia's Critical Skill Shortages: Unlocking Women's Economic Participation](#), demonstrates that women are an untapped workforce who can play a critical role in meeting these labour shortages.

- Halving the workforce participation gap between men and women would represent an additional 500,000 full-time skilled workers with post school qualifications.
- Engaging women in paid work at the same rate as men could unlock an additional one million full-time skilled workers in Australia.



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In a tight labour market, we cannot afford to waste our nations investment in highly skilled, educated women. Australian women are highly educated, skilled and engaged in their careers, systemic barriers prevent them from full economic participation. Universal, high quality childcare is acknowledged as vital for child development and as a social equalizer. But it is also a key enabler of economic equality, as it gives parents the freedom and support to engage with the workforce as they choose.

The current policy architecture around work and care constrains choice. It is vital that Australia unpick these constraints to unlock women's workforce participation and leadership.

### **Gender equality boosts productivity**

We have an opportunity to create the foundation for sustainable change, closing the gender equality gap and benefiting the economy at large. Systemic, structural and cultural factors perpetuate gender inequality in Australia. Intentional steps now and over coming years will build towards a gender equal Australia in 2030.

The return on investment in women and social infrastructure will be significant.

- Deloitte's recent report '[Breaking The Norm](#)' found that more flexible ideas around gender norms could lead to an additional \$128 billion each year for Australia's economy and 461,000 additional full-time employees.<sup>[xii]</sup>
- By just increasing women's working hours by 2%, [\\$11 billion](#) would be added to Australia's GDP.
- The [ACTU reports](#) that \$111 billion can be generated every year by cutting gender inequality at work by half.

CEW is conscious of the difficult economic climate. This submission makes recommendations for both immediate actions as well as long term reforms. The immediate actions address current work and care challenges in the economy and unlock women's workforce participation. These are investments in Australia's workforce and productivity which we cannot afford to defer.

CEW's submission focuses on the following terms of reference:

- Affordability of and access to quality ECEC services
- economic growth, including enabling workforce participation, particularly for women and contributing to productivity
- Outcomes for children and families experiencing vulnerability and disadvantage
- efficiency and effectiveness of the government investment in the sector

**CEW calls on the Government to:**

- 1. Make quality early childhood education and care universal**
- 2. Invest in well-paid, secure jobs in early childhood**
- 3. Adopt a 'child centric' approach**



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### Summary of Recommendations

#### Recommendation 1: Make quality early childhood education and care universal

##### Immediate

- Remove the Child Care Subsidy Activity Test

##### Reform

- Build towards universal, free access [for all children](#) to quality, flexible ECEC by 2030; at the minimum three days of ECEC from when families need it, until children start school
- Invest in supply of government funded and not-for profit services in identified 'childcare deserts'

#### Recommendation 2– Invest in well-paid, secure jobs in early childhood

##### Immediate Action:

- To address critical workforce shortages and retention challenges in the ECEC sector in preparation for changes to the Child Care Subsidy, deliver an immediate interim 10% wage supplement for educators for the next 2-3 years until new funding and industrial instruments are in place from the Productivity Commission inquiry and Fair Work Act changes, as recommended by the Women's Economic Equality Taskforce, Thrive By Five and Centre for Policy Development.

##### Reform:

- Invest in secure, well-paid, professional jobs in early childhood
- Ensure the National Children's Education and Care Workforce Strategy addresses: low wages, working conditions, a sustainable workforce strategy for new educators

#### Recommendation 3: Adopt a 'child centric' approach

Re-centre ECEC policy design to focus on giving every child the best possible start in life and early education as foundational to children's development, as recommended by Thrive By Five and Goodstart Early Learning.



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### **Recommendation 1: Make quality early childhood education and care universal**

#### **Immediate**

- Remove the Child Care Subsidy Activity Test

#### **Reform**

- Build towards universal, free access for all children to quality, flexible ECEC by 2030; at the minimum three days of ECEC from when families need it, until children start school
- Invest in supply of government funded and not-for profit services in identified 'childcare deserts'

As Australia rebuilds its economic capacity, we can realise the potential of the most highly educated female population in the world, by removing barriers to parents' participation in the workforce. Affordable and accessible ECEC is a key enabler of parent workforce participation. Additionally, the [Centre for Policy Development](#) found that three days of free or low-cost quality early education from birth until school means all children will benefit, ensuring long-term positive impact on our community and economy.

#### **Remove the Child Care Subsidy Activity Test**

CEW commends the Cheaper Child Care legislation expanding the Child Care Subsidy to address affordability. However, the benefits of this will be limited by the operation of the Child Care Subsidy Activity Test.

ECEC is a significant cost of living pressure on families and the current system creates financial disincentives to workforce participation. Impact Economics and Policy found that 264 000 women in households with children under five are not participating in the workforce and cite [childcare as a barrier](#). CEW supports the [Women's Economic Equality Taskforce's \(WEET\)](#) recommendation to abolish the Childcare Subsidy Activity Test.

The Activity Test currently contributes to at least 126,000 children from families in the lowest socio-economic bands [missing out on critical ECEC](#). The Activity Test marginalises families who would benefit from the subsidy the most. Reducing search costs for women with young children through abolishing the Activity Test could increase participation of mothers with children under five years of age by 39,620 and increase GDP by up to [\\$4.5 billion per year](#). While the Activity Test has been a consistent feature of the early childhood system, the 2018 Child Care package cut the minimum amount of care that low-income families are entitled to from two to one day a week. Vulnerable family groups (when compared to families earning over \$200, 000 a year) are more likely to have their access to [early childhood limited by the Activity Test](#).

Impact Economics and Policy found:

- Single parent families are over 3 x more likely to be limited to one day of subsidised ECEC as week
- First Nations families are 5 x more likely to miss out
- Non-English speaking families and low-income families are 6 x more likely to miss out

Removing the Activity Test would primarily benefit women in households with incomes below \$72 000, whose workforce participation is expected to increase by 20 790. 50% of these gains would be



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amongst single mothers. The direct costs to the government abolishing the [Activity Test](#) is an estimated [\\$1306](#) million in 2023-2024, which would easily be renumerated through the increase of women's workforce participation. A 2% increase would add \$11 billion to Australia's GDP annually.

Compared to countries that perform at the top of the OECD in terms of female participation, Australia has less generous maternity and paternity leave and a [higher cost of child care](#). The imposition of an Activity Test to access subsidised early childhood education and care does not occur feature in countries with high levels of [maternal labour force participation](#).

### **Childcare deserts**

The federal government can address '[childcare deserts](#)', where ECEC is not readily available or affordable, by investing in provision of government funded and not-for-profit centres. These services should reflect diverse communities and their needs, including First Nations run and owned, culturally safe ECEC services for First Nations communities. CEW welcomes the Government's budgetary commitment to this area of \$18 million towards new centres in childcare deserts.

### **Build towards universal childcare**

Each year, 300 000 children are born in Australia, and one in five children starts school developmentally vulnerable. For children who do not receive ECEC, that number jumps to Two in five. By the age of five, there are significant gaps in the developmental progress between children in remote and metropolitan locations, higher and lower socio-economic areas and between indigenous and non-indigenous children. In rural Australia, 180 000 children need developmental support. This developmental gap entrenches social and economic inequity even before children even start school.

By implementing the starting better guarantee as put forth by the [Centre for Policy Development](#), Australia can support all children to develop to their full potential, physically, cognitively and socially. By providing free or low cost ECEC for at least 3 days a week (up to 30 hours) families would have less of a financial burden and parents' labour market participation would increase. This policy mirrors the 30 hours a week offered to working families in the United Kingdom



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### **Recommendation 2– Invest in well-paid, secure jobs in early childhood**

#### **Immediate Action:**

- To address critical workforce shortages and retention challenges in the ECEC sector in preparation for changes to the Child Care Subsidy, deliver an immediate interim 10% wage supplement for educators for the next 2-3 years until new funding and industrial instruments are in place from the Productivity Commission inquiry and Fair Work Act changes, as recommended by Thrive By Five, Centre for Policy Development.

#### **Reform:**

- Invest in secure, well-paid, professional jobs in health, education and care industries
- Ensure the National Children’s Education and Care Workforce Strategy addresses: low wages, working conditions, a sustainable workforce strategy for new educators

Care work is at the heart of the Australian economy. However, Care industries are facing [critical workforce shortages](#), the workforce is characterised by low wages, high burnout and lack of secure employment opportunities, and as a result is struggling to attract and retain workers.

For women, this is a double-edged sword. [Approximately 80% of care sector roles](#) are occupied by women, nearly half of which are employed part-time. In addition, women shoulder a disproportionate amount of unpaid care work and rely on the care sector to enable their workforce participation in other industries.

The Commonwealth Government can address the shortage of qualified teachers and early childhood educators impacting on the supply of accessible and affordable ECEC. The ECEC sector is facing several pressing issues. For a sustainable ECEC sector, careers must be secure and have clear progression, remuneration must be competitive, and conditions must support safe, sustainable careers.

### **Decent pay and professional development pathways for early childhood workers**

CEW welcomed the Cheaper Childcare Bill reforms to the Child Care Subsidy, which are set to take effect by the 1st of July 2023. Current workforce shortages must be addressed to ensure the sector is equipped to meet increased demand.

The [Grattan Institute](#) estimated this will result in an 8% increase in the hours worked by second-income earners with young children, or around 222, 000 extra hours worked a week. However, to enable these extra working hours it is estimated that the equivalent of 9, 650 additional full-time educators will be needed.

ECEC requires strong professional pipelines, where young workers are excited to build their career. Investment in the sector will help address the persistent gender pay gap and workforce participation gap in Australia for a diversity of women, noting significant numbers of migrant and refugee women work in this sector. Investment in the care sectors will create jobs, boost the economy and ultimately lead to resilient sectors better equipped to meet the demand and respond in times of crisis.

Data shows attrition rates in the care sector have risen markedly in the last two years. For example, [Goodstart Early Learning](#) has seen attrition rise from 14% to 24%, with exit surveys citing low pay, burnout and lack of professional recognition as the main reasons for leaving, with only 30% of



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employees intending to stay in the sector. Experienced educators and teachers in early childhood earn up to 30% less than comparable roles in schools.

CEW, along with others, calls on the Government to fund wage increases delivered under the Government's Multi-employer Bargaining or as directed by the Fair Work Commission.

CEW recommends the Government build on the May Federal Budget investment in training and reskilling of the ECEC workforce. Investment to support professional development should match staff needs. For Australian ECEC to be international best practice, strong professional pipelines are vital, where young workers are excited to build their career. Investment in the care sector will help address both the persistent gender pay gap and workforce participation gap in Australia, noting that women dominate care sectors in Australia. These professional development pipelines should include ongoing training, competitive remuneration, appropriate leave entitlements, job security and adequate time for staff to prepare and plan for activities.





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### Recommendation 3: Adopt a 'child centric' approach

#### Giving our children the best start in life

Substantial evidence from neuroscience, developmental science and economics identifies the quality of experiences in first five years of life as critical in establishing the foundations of ongoing life trajectories of learning, wellbeing and productivity

[An OECD study](#) shows that almost all countries have some form of national-level curriculum or framework in place for early learning. Public policy can also facilitate children's transition from early childhood education and care to primary school. Well-managed transitions support children's wellbeing, ensure that the benefits of early childhood education and care endure, prepare children for school and for life, and improve equity in education outcomes. Early Childhood Education and Care has impacts on the child's overall development and can have far reaching impacts for their entire life.

CEW supports Goodstart and Thrive by Five's calls to [re-centre ECEC to focus on the child](#):

- 1. Focus on ECEC as foundational to a child's development.:** Recognise ECEC as the foundational level of Australia's education system. All children should have an entitlement to attend at least three days ECEC in line with the Better Start Guarantee, with more days available for children experiencing vulnerability, or for families who need it to support their workforce participation.
- 2. Policy and funding instruments:** should reinforce that ECEC must be high quality to shift child outcomes and that a professional, capable workforce with decent pay and conditions is crucial to delivering quality.
- 4. A stronger role for Government** including stronger stewardship approach to finance, regulation, planning and workforce sustainability that delivers better outcomes for children and families. This includes recognising the unique value delivered by the Not For Profit Sector and Aboriginal and Torres Strait Islander Community Controlled Organisations.
- 5. A new national commitment for preschool** - with national commitment and funding for two year preschool programs via an integrated funding arrangement across all settings that better reflects the convergence in parental choices and child development needs over the last decade.