



Making paid work pay for families with children

Addressing workforce participation disincentives

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Executive summary

Desperate to reignite their economies, Governments across the world are seeking a competitive edge.

Most have similar approaches, with plans to bolster manufacturing, programs to subsidise apprentices, and pipelines of infrastructure projects. These are all important initiatives.

The most successful economies, however, will be those that draw on the full potential of their workforces. The extent to which economies draw on their 'human capital' is now the key determinant of economic development. This is even more important in the wake of COVID-19, with less skilled migration and faster population ageing.

While there are many ways Governments can bolster the capacity of their workforces, the most exciting opportunity is to make it easier for women with young children to re-enter the workforce and work more hours.

For WA, the scope for gains is enormous. The gap between men's and women's workforce participation here is the highest in the country, and WA mothers work fewer hours than elsewhere.

Economic opportunities are lost when we draw less on the talents, experience and drive of working women. For women in managerial roles, the losses are compounded, since the economy loses not only the contribution of those women themselves, but also the extra output they generate from their teams.

A big driver of the problem is childcare.

When WA families need more hours of formal care for their children, they are more likely to find it unavailable. WA also has the equal-highest proportion of people who are not in the labour force because of childcare related issues.

This report outlines ways we can make it easier for women to re-enter the workforce after having children.

Our key reform proposal is to subsidise kindy programs provided in childcare centres. While these programs are subsidised by State Governments in New South Wales, Queensland, Victoria, South Australia, the Northern Territory and the ACT, they do not attract funding in WA.

This has decreased the availability and increased the cost of kindy programs in WA childcare centres, with many parents having no choice but to use the kindy services of their local school.

For some parents this is no problem, but for others it can mean being forced to juggle up to three different providers — the kindy, the out of school care, and a childcare centre on other days. Data shows that WA kindy-aged children are twice as likely to attend more than one provider compared to the national average.

Adding to the challenges, kindy programs at schools can be on different days each week, with two days one week and three the next.

The difficulties this presents for parents are amplified if they have more than one young child, to the point that the kindy year has been described as a “logistical nightmare” and “the year from hell”.

Subsequently, women in WA with children aged 0-4 are the least likely in the country to work more than 20 hours a week. They are also more likely to be out of the labour force due to childcare related issues.

Low-income households are the least able to afford kindy in a childcare centre. So not only does the current situation make it harder for women to re-enter the workforce, but there is also evidence it contributes to entrenched disadvantage. WA children are less likely than children in the rest of the country to attend kindy for more than 15 hours a week; and only 66 per cent of children from low-income families in WA attend kindy for more than 15 hours per week, compared to 79 per cent nationally.

These issues can be fixed by allowing state government funding for kindy to ‘follow the child’, regardless of whether the child attends kindy at school, or a childcare centre. This is the approach adopted nearly everywhere else in the country and is like the way aged care and disability markets work.

The Commonwealth Government also needs to seriously look at the tax and transfer system, which creates disincentives for second income earners across the country to work more than three days a week.

For our part, CCIWA is helping to drive change in business culture in WA by supporting organisations to create cultures that encourage dads to spend more time raising their young children, therefore making work easier for mums.

Governments and the business community need to do their utmost on this issue. The benefits of reform are compelling — improved outcomes for all children, women better able to maintain and build their careers, and an economy with the competitive edge it needs.

Women's workforce participation and why it matters

Making the most of the workforce we have available is more important than ever.

Economic growth relies on the three Ps: how many people are in the economy (population), how many of those people are working (participation) and how much value they are generating from that work (productivity).

In the wake of COVID-19, population growth is expected to be the slowest it has been in over a century, with net overseas migration turning negative for the first time since 1946. This means in the short term we cannot rely on population driven consumption growth.

It also means we cannot rely on migration for the supply of skilled workers. If we are to successfully transition to a knowledge economy — a transition which requires a diverse workforce of highly skilled, highly trained and highly flexible workers — we will need to draw on our local talent pool as much as possible.

Notwithstanding COVID-19, the proportion of Australians participating in the workforce is expected to fall over the next 40 years as our population ages. A lower proportion of Australians working will mean lower economic growth. The community and economy will therefore benefit from opportunities to support Australians who want to work.

We are not getting the most out of our workforce

While it is important to drive greater workforce participation across all sections of the community, the most important challenge and opportunity is to drive greater workforce participation for women.

More Australian women are participating in the workforce than in the past and compared to women in comparable OECD countries.¹

However, Australian women's participation in the workforce still lags men by about 10 percentage points.² Workforce participation dips for women in their thirties, when many start having children.³ And when women with children do undertake paid work, they are much more likely to work part-time than in comparable OECD countries.⁴ This is not necessarily by choice — Australian women have one of the highest rates of involuntary part time employment of all OECD countries.⁵

¹ OECD, 'Employment: Social Protection - Key Indicators', accessed 14/06/2020.

² ABS, '6202.0 – Labour Force, Australia', released 15/10/2020. Average gap from September 2018 to September 2020.

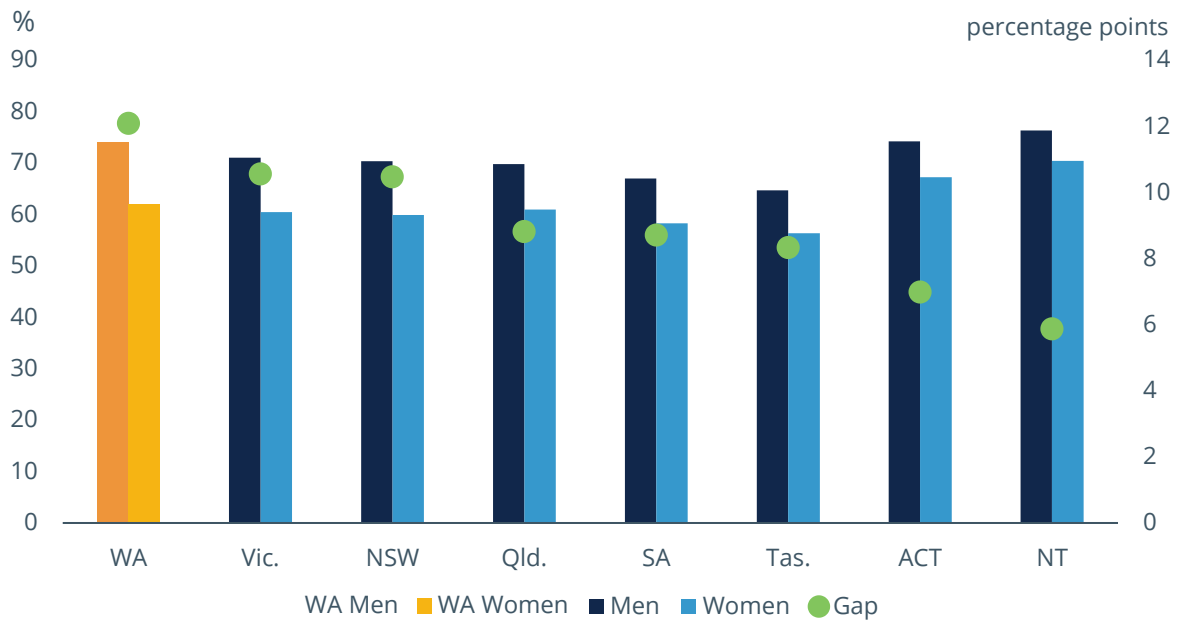
³ ABS, '6291.0.55.001 – Labour Force, Australia, Detailed', Table 01, released 22/10/2020. Average participation rate from September 2018 to September 2020.

⁴ OECD, 'Employment: Share of employed in part-time employment, by sex and age group', accessed 14/06/2020. 37 per cent of employed Australian women work fewer than 30 hours per week, compared to the OECD average of 25 per cent. OECD, cited in Grattan Institute, *Cheaper childcare: A practical plan to boost female workforce participation*, July 2020. Australian men also have higher rates of working part time compared to the OECD average. The main reason men work part time is to study; the main reason women work part time is to care for children. RBA, *The Rising Share of Part-time Employment*, Bulletin – September Quarter 2017.

⁵ 12 per cent in Australia, compared to the OECD average of 4.7 per cent. Only Italy and Spain have higher rates. OECD, 'Share of employed in involuntary part-time employment, by sex and age group', accessed 17/06/2020.

Evidence shows these issues are more severe in Western Australia than in the rest of the country. The gap between Western Australian men and women’s participation in the workforce is the largest in Australia, at 12 percentage points (Figure 1).⁶ And Western Australian mothers of young children participate less in the workforce than mothers in most other States and Territories (Figure 2).⁷

Figure 1: Labour market participation across Australia



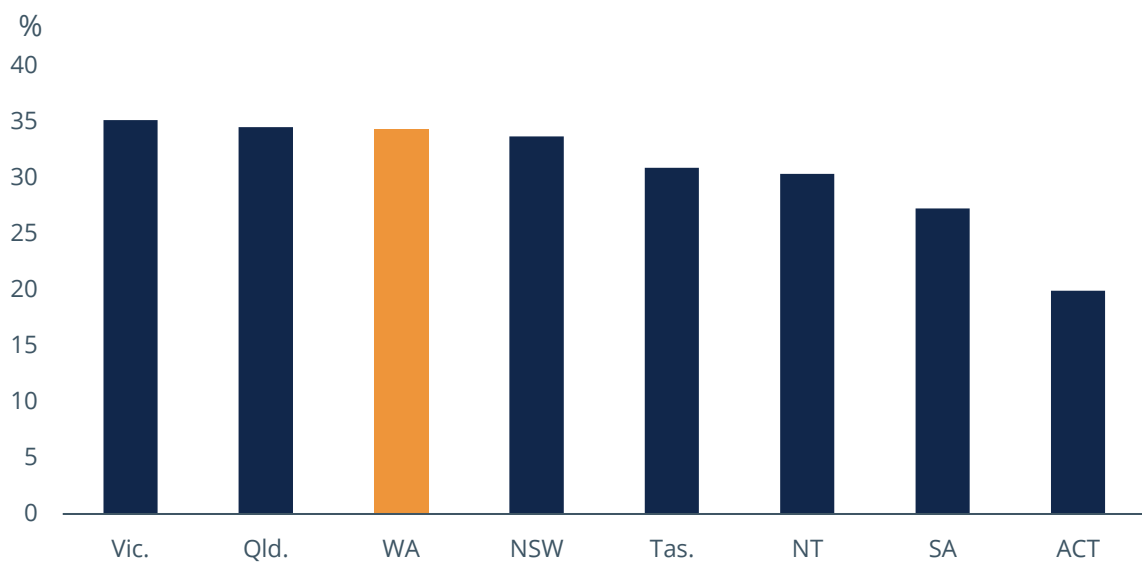
Note: Average participation rates from September 2018 to September 2020. Seasonally adjusted for all jurisdictions except NT and ACT. Only original data is available for NT and ACT.

Source: ABS, '6202.0 – Labour Force, Australia', Table 12, released 15/10/2020.

⁶ ABS, '6202.0 – Labour Force, Australia,' Table 12, released 15/10/2020. Average gap from September 2018 to September 2020.

⁷ Average of rate in June 2019 and June 2020. ABS, 'Labour Force Status of Families', Labour force status of wife or partner, by survey reference year, and state or territory of usual residence of the family, by age group of youngest dependent child.

Figure 2: Proportion of families with young children: mother not in labour force



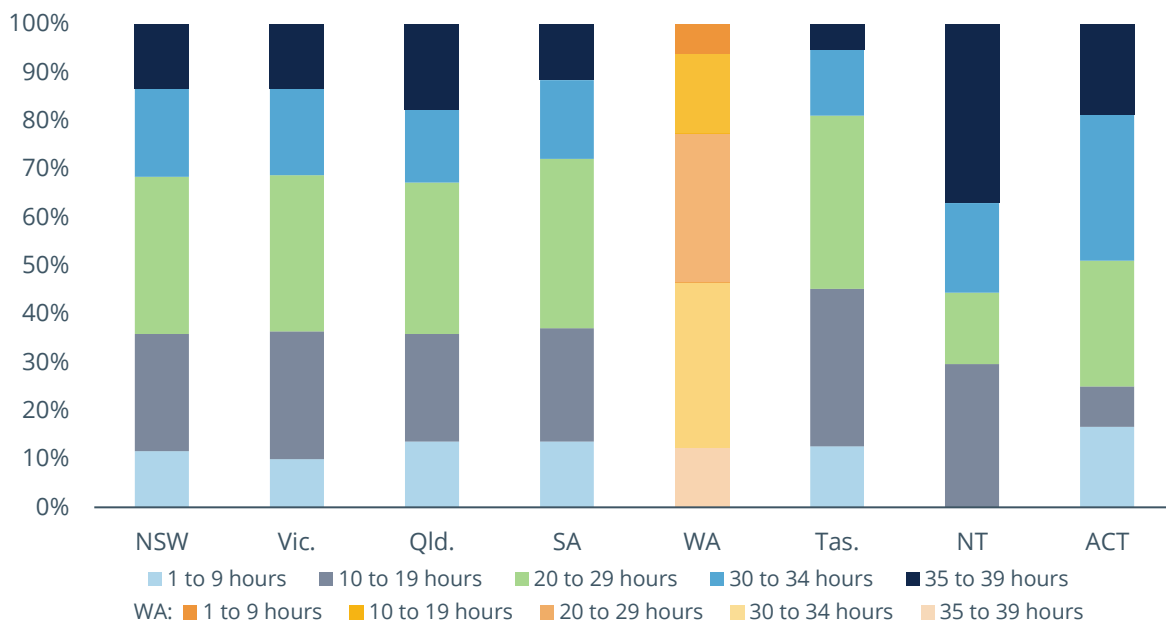
Note: Average rate of June 2019 and June 2020. Families where youngest child is aged 0 – 4 years old.
Source: ABS, 'Labour Force Status of Families'.

When Western Australian mothers do undertake paid work, they work relatively less than in other jurisdictions. Western Australian mothers of young children are most likely to work in paid employment between 10 and 19 hours each week, compared to between 20 and 29 hours elsewhere.⁸ There is a 36 percentage point difference in the rate at which Western Australian women in their thirties work full-time compared to men, whereas the gap nationally is 32 percentage points.⁹

⁸ ABS, 'Labour Force Status of Families', Hours worked by wife or partner, by survey reference year, and state or territory of usual residence of the family, by age group of youngest dependent child.

⁹ BCEC, *Women's Report Card 2019*, September 2019, p. 117. The full-time participation rate for WA men in their 30s is 88 per cent, compared to 87 per cent nationally; for WA women, it is 52 per cent, compared to 55 per cent nationally.

Figure 3: Part time working mothers – spread of weekly hours worked



Note: 2019 data. Families where youngest child is aged 0 – 4 years old.

Source: ABS, 'Labour Force Status of Families'.

This report explores why Western Australian mothers of young children work relatively less, and what can be done about it. The intention of the work is not to question a woman’s decision to work less after having children and the unpaid work they undertake raising their family. Rather, our purpose is to make recommendations that, if adopted, would address barriers that are constraining women who, if given the choice, would choose to work more.

Economic opportunities are being left on the table

The fact that Western Australian women with young children participate less in the workforce than their counterparts in other states and territories — and work fewer hours of paid work when they do work — means we are not making the most of our workforce or achieving the best possible outcomes for WA women.

Addressing disincentives to women returning to work after having children can help improve women’s economic status and security, enhance productivity by better utilising the labour force, and increase the talent pool available to Western Australian businesses.

When women lose connection to the labour market after having children, they incur a significant financial penalty. Indeed, women with children currently earn about \$2 million less over their lifetime than men with children.¹⁰ More women in work means women and their families have more financial security by way of higher lifetime earnings and increased savings for retirement. The rewards grow over time, because a job today means more career opportunities and higher earning potential tomorrow. There are also social, health and wellbeing benefits. For example, economic independence can assist women’s decisions to leave violent relationships.

¹⁰ Grattan Institute, *Cheaper childcare: A practical plan to boost female workforce participation*, July 2020.

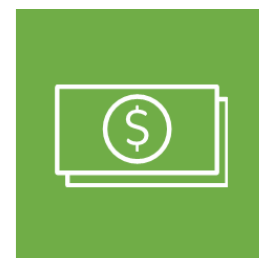
In addition to the financial penalty women bear, there are lost opportunities for the economy when it draws less on the talents, experience and drive of working women. For women in managerial and supervisory roles, the losses are many times higher, since the economy loses not only the contribution of those women themselves, but also the extra output those women generate from their teams.

The Grattan Institute estimates that the Australian economy would grow by around \$25 billion if women's workforce participation increased by just six per cent; and that even an increase of just two per cent would boost GDP by about \$11 billion.¹¹

And businesses miss out on opportunities as well: an increase of 10 percentage points or more in the share of female Key Management Personnel has been found to lead to a 6.6 per cent increase in the market value of Australian ASX-listed companies.¹² For the average Western Australian top 50 listed company, this is worth the equivalent of \$256.84 million.¹³

International studies have also found large differences in profitability between the most and least gender-diverse companies.¹⁴

The evidence is clear: economies that fail to help women succeed in the workforce are not just failing half the population — they are putting themselves at a competitive disadvantage.



48 per cent differential in profitability between least and most gender diverse executive teams

Framework for our analysis

This report examines the barriers to Western Australian women choosing to participate more in the paid labour market after starting a family and makes recommendations to address those barriers.

We first identify the potential barriers to women with young children undertaking more paid work. This includes:

- The disincentives to work created by the tax and transfer system — the income a second earner takes home after taking into account tax, any reduction in benefits (like family tax benefits) and the net costs of early childhood education and care is not enough to make working more than three days attractive.
- Challenges accessing early childhood education and care — families need access to flexible early childhood education and care in the right place at the right time to be able to freely choose when and how much they work.

¹¹ Grattan Institute, *Cheaper childcare*.

¹² BCEC, *Gender Equity Insights 2020: Delivering the Business Outcomes*, June 2020.

¹³ CCIWA analysis based on BCEC June 2020 and Deloitte, *WA Index*, Issue 195, October 2020.

¹⁴ McKinsey and Company, *Diversity wins: How inclusion matters*, May 2020.

- The sharing of unpaid work at home — cultural and social norms about who does most of the unpaid work at home and the access to workplace flexibility arrangements can create barriers to paid work for women.

The report then explores each of these barriers further to better understand their cause and makes recommendations to address them. In particular, the report considers:

- Changes the Commonwealth Government could make to the tax and transfer system, in particular the childcare subsidy and Fringe Benefits Tax, to reduce the disincentives to work the system currently creates.
- Changes the State Government could make to reduce costs for WA early childhood education and care providers, in turn making it easier for them to supply affordable, innovative and flexible early childhood education and care places.
- Changes governments and businesses could make to enable mothers and fathers to share the primary carer role and other unpaid work at home.

What are the barriers to women participating in the workforce more?

Several factors influence a family's decisions about returning to work after having children.

The financial rewards from working more than three days do not stack up

For many women and their families, it just doesn't make financial sense for them to work more than three days a week.

Whether it makes sense for the second income earner to work an extra day depends on the 'incremental income' they will take home if they work that extra day. Incremental income is the income they take home after tax, out of pocket early childhood education and care costs, and any reduction in government payments like the Family Tax Benefit.¹⁵ This is the 'workforce disincentive rate': the proportion of a second income earner's gross take-home pay from an extra day's work that is lost to tax, out of pocket early childhood education and care costs and the loss of benefits.¹⁶ (For further background on the tax and transfer system as it relates to early childhood education and care, see Appendix A.)

Right across the income distribution, there is not much, if any, financial gain from the second income earner working an extra day, particularly beyond three days a week.¹⁷ Workforce disincentive rates are very high for second income earners: more than 50 per cent for days two and three, and between 65 per cent and 110 per cent for a fourth or fifth day. This means that, for example, in a household where both parents have the potential to earn \$60,000 per year if working full time, the second income earner would be working for about \$2 per hour on their fourth day, and for nothing on their fifth day.

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Many tax and transfer policies contribute to high workforce disincentive rates.¹⁸ However the way in which the childcare subsidy reduces as family income increases is a significant contributor. It means that the incremental cost of an additional day of early

¹⁵ As the second income earner does more paid work and their income rises, they tend to lose some of their family benefits and their childcare subsidy on existing days worked.

¹⁶ Grattan Institute, *Cheaper childcare*.

¹⁷ Ibid.

¹⁸ Marginal income tax rates are significant, particularly for higher earners. Family Tax Benefit A, Family Tax Benefit B, the Parenting Payment, and Commonwealth Rent Assistance all decrease as household income increases and particularly affect low-and middle-income household decisions.

childhood education and care eats up at least 16 per cent (and often 40 per cent or more) of additional income from all but the highest-income second earners.¹⁹

“The cost of childcare and the challenges with availability and getting in, plus not having any family help or anyone we can fall back on has made things extremely difficult. Add to that the stress on family life at home and everything just spirals out of control. If you are out of pocket a couple of hundred dollars every day, trying to get back into the workforce just doesn’t make sense. It’s like they’ve forgotten there’s another person in the relationship that has the ability to work and contribute to the economy.”

JANE

MOTHER OF THREE

Current Fringe Benefits Tax (FBT) arrangements also affect parents’ financial decisions about early childhood education and care and returning to work, by making it complicated and unattractive for organisations to offer parents the opportunity to salary sacrifice early childhood education and care costs.

Even for businesses that should be able to access the FBT exemption, the way the Australian Taxation Office interprets the rules does not give employers certainty about whether they might qualify — in turn discouraging investment by businesses in on-site early childhood education and care facilities.²⁰

“Imagine if we had more day care centres at the workplace. You could check in on your children at morning tea and mothers that choose to breastfeed could do so. That would be great.”

ALISHA

MOTHER OF TWO

Early learning and care is not always available when and where parents need it

A challenge to women’s participation in the workforce is the availability of affordable, flexible and high-quality early childhood education and care in the right place at the right time. Australia-wide, most women who have children under four that are not doing paid work nominate home duties/childcare as the reason.²¹

Availability, quality and affordability issues can be hard to disentangle. Even if there are sufficient places available overall, if they cost too much, are not within a reasonable

¹⁹ Grattan Institute, *Cheaper childcare*.

²⁰ House Standing Committee on Family and Human Services, *Balancing Work and Family: chapter 7 – tax relief for families*, 2006.

²¹ 82 per cent. Grattan Institute, *Cheaper childcare*.

distance of home or work or are not available for all the hours parents need them, parents may decide to forego work and instead care for their children themselves.

In Western Australia, median weekly early childhood education and care fees are about the average for Australia as a whole.²² The out of pocket costs of early childhood education and care faced by Western Australian families as a proportion of their income are also about the average for Australia.²³ While this suggests affordability is not a bigger barrier to using early childhood education and care in Western Australia than elsewhere, there is room for improvement. Indeed, to the extent providers in WA face higher costs or receive lower government revenues than in other jurisdictions (see following sections), maintaining their fees at current levels could be limiting their ability to offer more flexible and innovative services.

When Western Australian families need more hours of formal care for their children, they are more likely than parents in other jurisdictions to find that it is not available.²⁴ Western Australia also has a relatively high proportion of people — second only to Victoria — who are not in the labour force because of childcare service-related issues (Figure 4).²⁵ And we have the lowest proportion in the country of children using formal care, as well as a relatively high proportion of children being looked after by their parents or grandparents (Figure 5). This is despite the number of approved childcare services in WA growing by about 27 per cent over the past four years (close to double the national average growth of just over 15 per cent).²⁶

“There were other centres close to us that stayed open later, but availability to get in was very difficult. Lots of places ask for two days a week minimum attendance; but they don’t always have the two days you want available.”

SARA

MOTHER OF THREE

“One of the reasons we use a nanny is because there were no spots at day care centres near us. I called five places...but there were no spots.”

SELMA

MOTHER OF THREE

²² Productivity Commission, *Report on Government Services 2020*, ‘B: Childcare Education and Training – 3: Early childhood education and care’, Indicator Results. Median weekly fees for 50 hours of childcare subsidy approved centre based and family day care services.

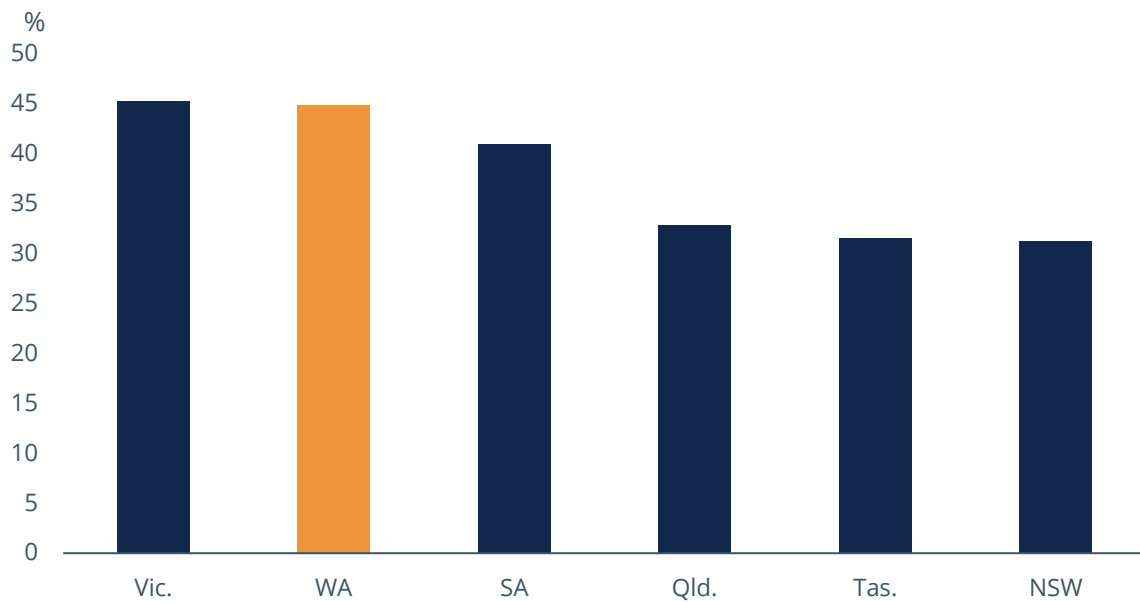
²³ Productivity Commission, *Report on Government Services 2020*. Out-of-pocket costs of childcare for families with one child in 30 hours childcare, as a proportion of weekly disposable income.

²⁴ ABS, ‘Childhood Education and Care: whether (additional) formal care currently required was available by state or territory of usual residence’, 2017.

²⁵ Productivity Commission, *Report on Government Services 2020*.

²⁶ Bankwest, *Future of Business: Focus on childcare*, 2018.

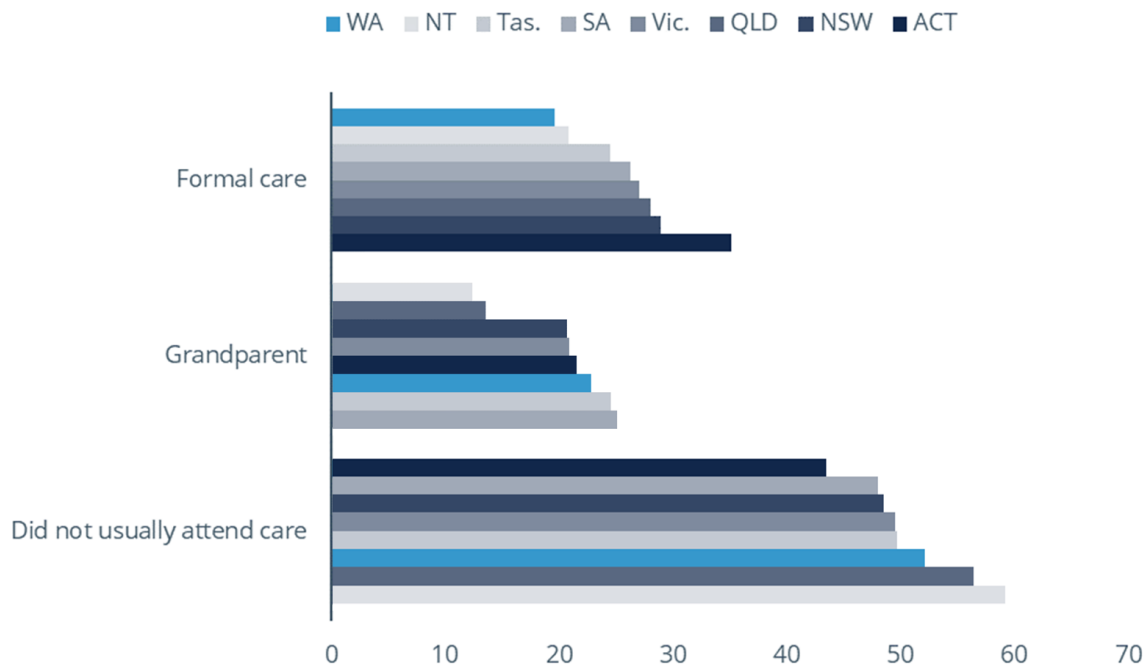
Figure 4: People not in workforce for childcare service-related reasons



Note: figure shows the proportion of persons that are not in labour force due to caring for children, mainly due to childcare service-related reasons.

Source: Productivity Commission, *Report on Government Services 2020*.

Figure 5: Care usually attended by children aged 0 to 12 years



Note: categories do not add to 100% because some children attend other types of informal care (e.g. with a person other than a grandparent).

Source: ABS, *Childhood Education and Care, Australia, 2017* — Table 2.

Recent media, and our conversations with WA mothers of young children, highlights that the current early childhood education and care system in WA creates a “logistical nightmare” for parents trying to juggle an average workday and children.²⁷

“Kindy is the worst year, the most difficult year. I didn’t work when my eldest was in kindy, I had to resign after my maternity leave...The kindy year would be easier if schools didn’t do two days one week, then three days the next. I have a flexible working environment and cannot complain, but employers want consistency in your hours. I don’t want to have to be continually telling my colleagues that I have children so I have to leave work early, I want the focus of our conversations to be on the work I’m doing.”

LIBBY

MOTHER OF THREE

“I’ve taken 12 months unpaid leave from my job this year while my youngest is at kindergarten, because my experience of my first child’s kindy year was so hard. I was working at a hospital and the hours were not at all flexible...We ended up having to choose an out of area school because kindy at our local school wasn’t on consecutive days – it was like, Monday, Tuesday and Thursday – whereas my work had to be on consecutive days.”

JESS

MOTHER OF TWO

“Before my youngest was born, I was working. I had my middle child in day care three days per week...The childcare facility was fantastic. The only thing was that, because it was council based, pick up was at the latest, 5.30pm. As a high school teacher this was do-able, but there were times when it required a bit of juggling...If there weren’t these challenges, I would be able to say yes to more things. As a teacher in the private school system, it is expected that you take part in extra-curricular activities. When you accept your contract, there has to be a caveat that you’re not able to be involved in extracurricular activities — schools don’t look favourably on that.”

SARA

MOTHER OF THREE

²⁷Turner, R. ‘Parents juggle kindergarten as they wait for the promise of a childcare centre at every new school’, 15 February 2020, ABC News.

“I decided to study rather than go back to work, because I was terrified about managing work and family life...I started out studying a Bachelor of Business full time, but even that was a struggle. We rely on family for help, which has its own challenges. I’ve just finished my last unit and both kids will be in full time school next year, then I can go back to work.”

ALISHA

MOTHER OF TWO

“I’m currently doing a bit of work for someone else, and myself. I’m working from home on my terms, I can pick and choose how much I do. I would 100 per cent work more if childcare was easier — absolutely. My ideal childcare arrangements would be three days per week, somewhere that is close to home, and not outrageously expensive.”

JANE

MOTHER OF THREE

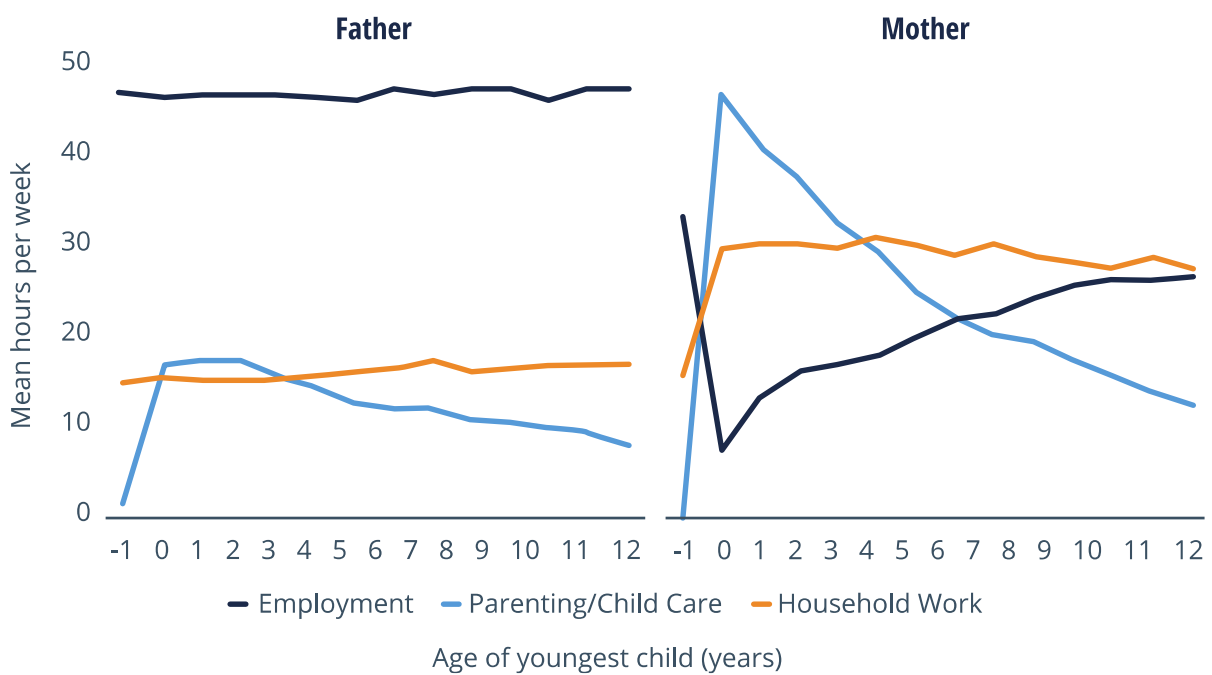
All up, the evidence is clear — the early childhood education and care system in WA is not meeting the needs of Western Australian families.

Unpaid work at home is not shared equally

Women’s considerable contribution to unpaid work in comparison to men, and the gender stereotypes of the female homemaker and male breadwinner, are still in play and are barriers to women participating more in the workforce.²⁸ As shown in the figure below, mothers and fathers still tend to have gendered roles in the years after becoming parents, with mothers taking up part-time paid work and increasing the amount of caring work, and fathers’ employment patterns often remaining unchanged.

²⁸ Workplace Gender Equality Agency, *Unpaid care work and the labour market – Insight Paper*, November 2016.

Figure 6: Mother and father's time use up to and after the birth of first child



Note: Age of youngest child = -1 is the year before the first birth.
 Source: Australian Institute of Family Studies, 'Fathers and work', 2019.

Most Australian mothers and fathers nonetheless believe that household and caring responsibilities should be shared equally if both parents work,²⁹ and more fathers are starting to take up parental leave and flexible working options.

“Looking after my young children is always something I have wanted to be part of, I wanted to grow a bond with my daughter from that very early age.”

RICARDO
 FATHER OF TWO

Not only will the decision to take parental leave allow my wife to go back to work earlier than expected, it will allow me to spend more time with both of my children and it will give me the opportunity to form a bond with my youngest daughter that will last a lifetime.

CARLE
 FATHER OF TWO

The design of policies about and cultural attitudes toward men using paid parental leave and flexible working policies can affect how families share employment, caring and household responsibilities. Paid parental leave policies are often explicitly or implicitly tailored to the mother, and do not create an incentive or the opportunity to

²⁹ Australian Institute of Family Studies, 'Gender role attitudes within couples, and parents' time in paid work, childcare and housework', *The Longitudinal Study of Australian Children Annual Statistical Report*, 2014.

share the primary carer role.³⁰ The inaugural *National Working Families Report 2019* found there are barriers to men's access to flexible work options, and social attitudes that make it challenging for men to ask for and take up these support mechanisms.³¹

The decisions governments and businesses make around these policies and their attitudes toward them can unintentionally reinforce the traditional male 'breadwinner' and female 'homemaker' stereotypes, limiting the choices available to families.

"I am lucky, my husband hasn't seen my return to work as being just about money, it's also about my career. But a lot of people don't think this way. When you combine that with there being no financial incentive to go to work, kids are missing out on a formal education at that young age."

LIBBY

MOTHER OF THREE

"A big challenge was that me and my kids were getting sick all the time...you need to be in a company where they let you work flexibly — there is still a guilt factor for mothers in saying I have a sick child and can't come into work today."

ALISHA

MOTHER OF TWO

"It would be ideal if I could split things more evenly with my partner, for example, if he had a bit more flexibility to do some of the pick-ups and drop offs. But school kindy ends early in the day and my husband works long hours. Maybe it's the way society defines the role; assuming that mum will be available to pick up the slack. From a practical perspective it makes sense that I invest in looking after the children, but it's not equal."

SARA

MOTHER OF THREE

³⁰ Grattan Institute, *Cheaper childcare*.

³¹ Parents at Work, *National Working Families Report 2019*, 2019.

Addressing the barriers to women’s workforce participation

This section of the report explores each of the barriers identified in the previous section further to better understand their cause and makes recommendation to address them. In particular, the section considers:

- Changes the Commonwealth Government could make to the tax and transfer system, in particular the childcare subsidy and FBT, to reduce disincentives to work.
- Changes the State Government could make to reduce costs for WA early childhood education and care providers, in turn making it easier for them to supply affordable, innovative and flexible early childhood education and care places.
- Changes governments and businesses could make to enable mothers and fathers to share the primary carer role and other unpaid work at home.

Addressing these barriers will not be a simple task — it will require change across different parts of government and the business community. Therefore, as an overarching next step, we recommend the State Government establish a cross-agency working group to address the barriers to WA women’s workforce participation identified in this report.

Recommendation

The State Government should establish a cross agency working group to address the barriers to WA women’s workforce participation identified in this report.

Changes to the tax and transfer system

Many organisations have in recent times studied the effects of early childhood education and care costs and subsidy arrangements on second income earners’ workforce participation.³² Several have concluded that reducing the out of pocket cost of early childhood education and care is the most effective way to reduce the financial disincentive for second income earners to take on more paid work, and boost women’s workforce participation.

One of the most comprehensive pieces of analysis has been undertaken by the Grattan Institute. It developed five options with the aim of making early childhood education and care more affordable and evaluated them against the following criteria:³³

³² Edwards, M. and Stewart, M., ‘Pathways and processes towards a gender equality policy’, *Tax, Social Policy and Gender: Rethinking equality and efficiency*, 2017; Stewart, M., ‘Personal income tax cuts and the new Child Care Subsidy: do they address high effective marginal tax rates on women’s work?’, *Tax and Transfer Policy Institute – Policy Brief 1/2018*, 2018; KPMG, *Unleashing our Potential: the case for further investment in the childcare subsidy*, 2019; Kalb, G., ‘The Australian tax system: providing incentives and a safety net?’, presentation to the Melbourne Economic Forum, 2019.

³³ Grattan Institute, *Cheaper childcare*.

- How much the option reduces workforce disincentive rates
- How much the option costs
- The economic impact
- Whether the option is simple for parents to understand
- Whether the option is straight-forward to administer
- Whether the option is fair

The Grattan Institute's preferred option is that the Commonwealth Government:³⁴

- Boosts the childcare subsidy for low-income families from 85 per cent to 95 per cent, flattens and simplifies the taper used to reduce the childcare subsidy as income increases, and removes the annual cap on the amount of childcare subsidy parents can receive.
- Reviews hourly rate caps to ensure they remain appropriate benchmark prices and considers whether separate benchmarks are needed for early childhood education and care providers in different locations and / or for children of different ages.
- Asks the ACCC to actively monitor prices for a year or two after the subsidy boost, with the option to introduce price regulation if required.

Under this option, all second income earners would face a lower workforce disincentive rate. All families using early childhood education and care would receive a higher subsidy, but most beneficiaries would be families with combined income of less than \$150,000. Around 60 per cent of families would pay less than \$20 a day per child for childcare.

The increase in annual GDP from increased workforce participation is claimed to be about \$11 billion.

In addition to the increase to GDP, the Grattan Institute highlights the improved financial security for women, with the increase in hours of paid work during the early years of motherhood estimated to close the gap in lifetime earnings between women with and without children by about \$150,000.³⁵

The reform is estimated to cost the Commonwealth budget an extra \$5 billion a year. The Grattan Institute argues however that some of these costs would be offset as more tax revenue is collected from working women. It is estimated that tax receipts would be about \$2 billion higher, with the net cost to the budget about \$3 billion.³⁶

³⁴ The other options the Grattan Institute considered are included in Appendix B.

³⁵ For a woman having a child at age 25. Grattan Institute, *Cheaper childcare*.

³⁶ Grattan Institute, *Cheaper childcare*, p. 80.

What would this mean for the WA economy?

CCIWA estimates the Grattan Institute's preferred policy option would generate nearly 18 million more hours being worked in the WA economy each year.³⁷ While this is only a 0.8 per cent increase in the total hours worked across the WA economy, it is a 28 per cent increase in the hours worked by second income earners.

On these numbers, Western Australian second income earners currently working part-time could expect to earn nearly \$11,000 more each year from the additional hours they work. Those who are not currently working but decide to re-enter the workforce would earn just over \$13,000 each year. This would represent a total increase in the income earned by Western Australians of about \$600 million each year.

Western Australian businesses would also benefit from being able to draw more on the talents, experience and drive of working women, enabling their workforce to become more productive.

If the Grattan Institute's estimates of an increase to GDP are correct, its preferred policy would imply an increase to Western Australia's annual economic output of about \$1.5 billion.

There is clearly strong evidence that there would be economic benefits from the Grattan Institute's proposal. We therefore recommend that the Commonwealth Government give it serious consideration.

Recommendation

The Commonwealth Government should carefully consider the Grattan Institute's recommendation to boost the childcare subsidy for low-income families from 85 per cent to 95 per cent, flatten and simplify the taper used to reduce the childcare subsidy as income increases, and remove the annual cap on the amount of childcare subsidy parents can receive. The policy should be adopted if the Government concludes the social and economic benefits outweigh the costs.

³⁷ This analysis assumes growth in labour supply is met by an increase in labour demand. It also assumes that labour demand will respond to the hours people want to work, for example someone working three days a week can switch to four days.

Fringe Benefits Tax

As noted above, current FBT arrangements make it complicated and unattractive for organisations to offer parents the opportunity to salary sacrifice early childhood education and care costs.

If an organisation is in the private sector, early childhood education and care facilities must be provided at the businesses' premises to avoid paying tax on the fringe benefit. This favours larger and better resourced businesses. Smaller businesses struggle to meet this condition, and therefore find it more difficult to offer parents the opportunity to salary sacrifice early childhood education and care costs.³⁸

Removing FBT on all early childhood education and care — regardless of where it is delivered — would make it more attractive for a broader range of organisations to allow employees to salary sacrifice early childhood education and care costs and in turn facilitate the return to work for these families.

This would in turn enable businesses to access broader benefits, such as improved business productivity from being able to attract and retain the right staff. It would allow small and medium sized businesses to better compete against large firms in attracting and retaining staff who want family-friendly working provisions. For example, it would allow a small business owner to pay for several early childhood education and care places at a local centre for his/her staff. It would allow, as well, employees to choose where their children are cared for without losing the ability to salary sacrifice early childhood education and care costs.

Total FBT receipts make up about 0.77 per cent of the Commonwealth Government's taxation revenue³⁹ — FBT receipts from early childhood education and care fringe benefits would contribute an even smaller amount to government revenues than this. Exempting early childhood education and care from FBT would therefore have little impact on the Commonwealth budget.

Recommendation

The Commonwealth Government should amend the *Fringe Benefits Tax Act 1986* (Cth) to exempt all types of early childhood education and care from Fringe Benefits Tax.

³⁸ Payment of an external childcare facility "priority access fee" is also an exempt fringe benefit. However, if the employer pays or reimburses the childcare fees, it will be subject to fringe benefits tax.

³⁹ Based on \$3,760 million receipts from FBT in 2018-19, and \$485,165 million total receipts.

Creating an early learning and care system that responds to parents' needs

As noted above, families need access to flexible early childhood education and care in the right place at the right time to be able to freely choose when and how much they work.

However, there are features of the early childhood education and care system in WA — including the separation of responsibilities for policy, funding and regulation across two Ministers and state government agencies — that result in a fragmented system which is not meeting the needs of Western Australian families. (For an overview of the policy, funding and regulatory framework for early childhood education and care, see Appendix A.)

The State's policy, funding and regulatory framework is also driving higher costs for non-school based providers,⁴⁰ whilst at the same time preventing them from accessing Universal Access National Partnership funding for kindergarten programs.⁴¹ When combined with providers' desire to charge affordable fees, this makes it more difficult for providers to meet parents' needs.

Some parents in WA use nannies to give them more flexibility to choose when and how much they work. Proposed changes to bring nannies under the State's industrial relations system will make it harder for parents that can afford this option to use it, reducing their access to early childhood education and care that meets their needs.

This section explores these issues in more detail and makes recommendations to address them.

WA's early childhood education and care policy, funding and regulatory framework is fragmented

Throughout the 1970s and 1980s, the Commonwealth Government focused on funding services to increase the number of childcare places for use by women (re)entering the workforce.⁴² Since 2007 however, governments have placed increasing emphasis on the role of early childhood education and care in child development and ensuring services are of high quality. Policy frameworks now recognise that 'childcare' plays an important role in children's learning and achievement outcomes long term,⁴³ just like formal education at primary school. The early childhood education and care system therefore now has dual objectives — it supports paid employment for families and it assists childhood development.

⁴⁰ Throughout this section, 'non-school based' providers refers to providers that operate in settings other than schools or community kindergartens.

⁴¹ The Universal Access National Partnership is an intergovernmental agreement that aims to ensure every child has access to a kindergarten program delivered by a qualified early childhood teacher for 600 hours (15 hours a week) in the year before compulsory full-time schooling. For more information about the Universal Access National Partnership, see Appendix A.

⁴² Productivity Commission, *Childcare and Early Childhood Learning*, 2015.

⁴³ Garvis, S., Pendergast, D. and Kanasa, H., 'Early Childhood Education and Care Policy in Australia: An Insight into Parent Perceptions', *Asia-Pacific Journal of Research in Early Childhood Education*, 7(3), 2013.

The early childhood education and care system therefore now has dual objectives — it supports paid employment for families and it assists childhood development.

Reflecting the recognition that ‘childcare’ plays an important role in children’s learning, in all other Australian jurisdictions, the departments of education are responsible for funding, regulation and policy associated with early childhood education and care, irrespective of whether it is provided in schools or in childcare.⁴⁴ In WA, however, the policy, funding and regulatory framework for early childhood education and care is split across Ministers and agencies.

The Minister for Women’s interests and the Department of Communities have policy responsibility for increasing women’s workforce participation. The Education and Care Regulatory Unit within the Department of Communities regulates the early childhood education and care sector (except for services provided in schools) and “supports and promotes continuous quality improvements” in non-school based early childhood education and care.⁴⁵ While the Department’s Plan for Gender Equality recognises that “affordable, accessible and flexible child care and after school care supports women’s workforce participation and career progression”, the plan does not include any policy initiatives to achieve these aims.⁴⁶

The Minister for Education and Training and the Department of Education have policy responsibility for children’s education in schools. The Department aims to “deliver a high quality education to all students in all learning environments”.⁴⁷ The Minister and the Department regulate early childhood education and care provided in schools and community kindergartens.⁴⁸ The Department is responsible for allocating Universal Access National Partnership funds,⁴⁹ and funds construction of early childhood facilities in some government schools.⁵⁰

This separation of responsibilities results in government treating non-school based early childhood education and care and school-based early childhood education and care differently.

⁴⁴ Productivity Commission, *Report on Government Services 2020*, Table 3A.1.

⁴⁵ WA Government, ‘Education and Care Regulatory Unit’, at <https://dlgc.communities.wa.gov.au/LegislationCompliance/Pages/Education-and-Care.aspx>, accessed on 27/08/2020.

⁴⁶ WA Department of Communities, *Stronger Together - WA’s Plan for Gender Equality*, 2019.

⁴⁷ Department of Education, ‘Annual Report: overview – about us’, at <https://www.education.wa.edu.au/web/annual-report/about-us?redirect=%2Fweb%2Fannual-report%2Foverview1>, accessed on 27/08/2020.

⁴⁸ Productivity Commission, *Report on Government Services 2020*, Table 3A.1.

⁴⁹ Under the Universal Access National Partnership, the Commonwealth Government allocates funding to each State and Territory based on a per-child amount (\$1,292 for 2020) for projected kindergarten enrolments, to contribute to States’ and Territories’ own contributions. State and Territory governments have discretion over how they allocate the Commonwealth funding. For more information about the Universal Access National Partnership, see Appendix A.

⁵⁰ Department of Education, *Annual Report 2018–19*, 2019.

For example, although kindergarten programs provided in non-school based settings must adhere to the National Quality Framework,⁵¹ they are unable to access Universal Access National Partnership funds. The objective of this partnership is that every child can participate in a kindergarten program for 600 hours in the year before school, delivered by a qualified early childhood teacher who meets National Quality Framework requirements — *regardless of the setting in which programs are delivered*.⁵²

On the other hand, school and community-based kindergarten programs do receive Universal Access National Partnership funds, but they are not regulated under the National Quality Framework. While school-based providers comply with the National Quality Standards set out in the National Quality Framework, they self-assess their performance against these standards. The self-assessments are independently verified, but the outcomes are not published or provided to the Australian Children’s Education and Care Quality Authority.⁵³

In all other jurisdictions except Tasmania, all providers can access Universal Access National Partnership funds, and school-based providers’ quality is regulated in the same way as for non-school based providers, as is their compliance with the National Quality Framework.

| In most other jurisdictions, all providers can access Universal Access National Partnership funds.

The WA Government says it takes a different approach to other jurisdictions because it is unclear whether programs provided by non-school based centres are best characterised as outside school hours care, or kindergarten.⁵⁴ It says it has surveyed non-school based providers about the programs they provide, but the response rates to the surveys were too low to be conclusive.⁵⁵ The Government says it is unclear whether non-school based programs are delivered by qualified early childhood teachers.

⁵¹ The National Quality Framework aims to improve education and care across centre based day care, family day care, kindergarten, and outside school hours care services. It operates under an ‘applied law system’: it sets a national standard by applying the same law in each State and Territory, but with some varied provisions as applicable to the needs of each jurisdiction. For more information about the National Quality Framework, see Appendix A.

⁵² *Intergovernmental Agreement on Federal Financial Relations, ‘National Partnership on Universal Access to Early Childhood Education: 2018-2020’*, p. 3.

⁵³ In contrast, non-school based providers’ performance against the standards is assessed by the Education and Care Regulatory Unit, and the results of the assessments are published and provided to ACECQA. ACECQA is an independent national authority that assists State and Territory governments administer the National Quality Framework, and monitors and promotes consistent application of the National Law across all States and Territories. For more information about ACECQA, see Appendix A.

⁵⁴ The State Government describes kindergarten as being “delivered by a qualified early childhood teacher and chosen by families as an alternative to school-based kindergarten.” *Intergovernmental Agreement on Federal Financial Relations, ‘National Partnership on Universal Access to Early Childhood Education: 2018-2020’*, Western Australia’s Implementation Plan, p. 3.

⁵⁵ *Ibid.*, p. 4.

As another example of government treating non-school and school based early childhood education and care differently, if schools wish to provide programs for children younger than kindergarten age, the content and implementation of the program is decided by the school's principal, subject to the direction and control of the Chief Executive Officer of the Department of Education.⁵⁶ In contrast, non-school based providers must comply with the National Quality Framework, and their compliance and standard of quality is regularly assessed by the Department of Communities.

Notwithstanding the current constructive working relationships between the relevant Ministers and Departments, splitting their responsibilities is making it harder for WA's early childhood education and care sector to meet parents' needs (see next section). Given mothers of young children work less in WA than in other jurisdictions, it seems the current policy, funding and regulatory framework is not meeting its objectives as effectively as it could. These issues could be exacerbated if, at a future time, the relevant Ministers and Departments do not work as well together.

"The profile of early childhood education and care is not raised because the regulation unit does not sit in the Education Department – this is a major issue. The Education Department does not take us seriously and we are still considered childcare, even though we deliver the same program based on the school curriculum which is delivered in kindergartens."

SUDBURY HOUSE

"It's really uncomfortable being an early childhood education and care provider in WA. You feel like the Government doesn't value what you do at all. We are seen as the poor cousin to schools."

WANSLEA

"We have all of this research and knowledge about the importance of the early years and brain development but...the early childhood education and care sector is not recognized for this work – we are still only seen as childcare. We need to...be recognized as professionals, as we have the qualifications to match. We operate under the same framework and are more vigorously audited under the assessment and ratings process than schools."

WIND IN THE WILLOWS

⁵⁶ Section 74A, *School Education Act 1999*. Under the *Education and Care Services National Law (WA) Act 2012*, which implements the National Quality Framework in WA, schools and community kindergartens providing educational programs to school children in accordance with the *School Education Act 1999* are excluded from the definition of an education and care service. The National Quality Framework applies to education and care services.

If the State Government was to treat non-school and school-based early childhood education and care in the same way, and recognise their dual and shared objectives of promoting better learning and care for children, and women’s workforce participation, this would make it easier to meet those objectives.

We therefore recommend that responsibility for policy, funding and regulation of all early childhood education and care services should sit with a single Minister and Department. At a minimum, the State Government should establish a cross-agency working group to address the barriers to WA women’s workforce participation identified in this report.

Recommendation

Responsibility for policy, funding and regulation of all early childhood education and care in WA should sit with a single State Government Minister and Department. In all other jurisdictions, these functions sit with the Department and Minister responsible for education.

Centre based providers cannot access Universal Access National Partnership funding for kindergarten programs

As noted, unlike in most other jurisdictions, children attending kindergarten in non-school based settings do not attract funding from the WA government through the Universal Access National Partnership. This is despite the amount of Universal Access National Partnership funds the Commonwealth Government provides the State Government being based on projected enrolments across all kindergarten settings.⁵⁷

Table 1: WA’s Universal Access National Partnership funding, 2018-19

Commonwealth funding		State Government allocation of funds	
Total	~ \$46 million	Total	~ \$46 million
Government school enrolments	~ \$25 million	Government schools and community kindergartens	~ \$35 million
Non-government school enrolments	~ \$9 million	Non-government schools	~ \$11 million
Non-school based enrolments	~ \$2.5 million		
Enrolled across multiple provider types	~ \$9 million		

⁵⁷ Correspondence between CCIWA and the Commonwealth Department of Education, Skills and Employment.

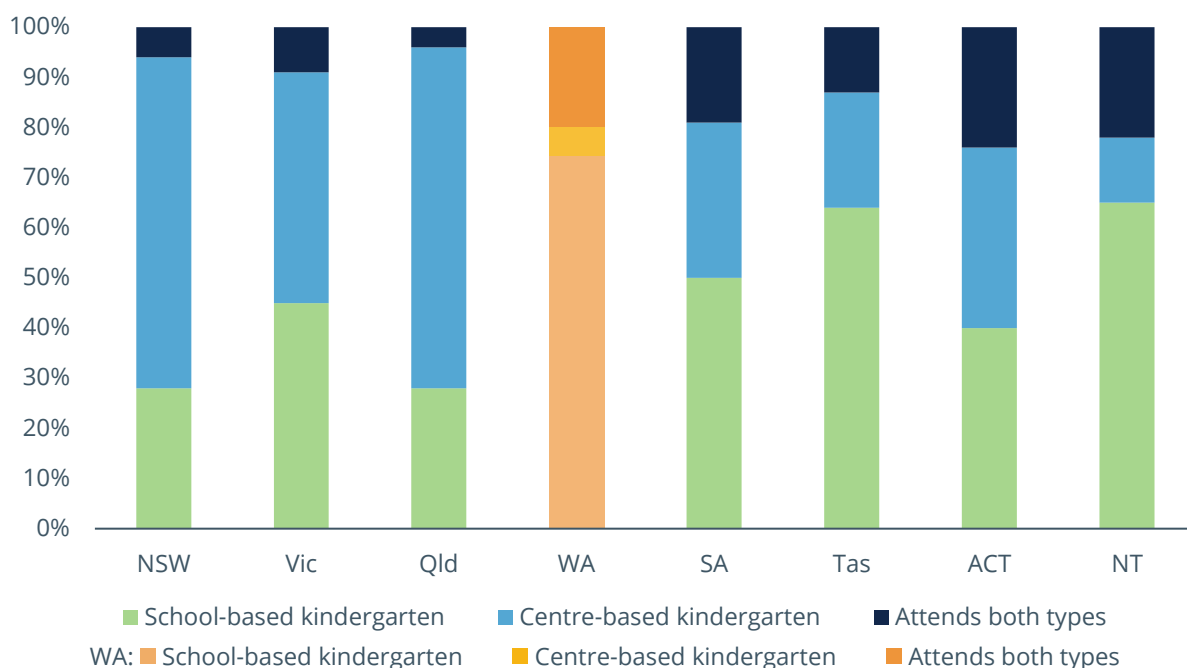
Note: Commonwealth funding to each setting type is calculated based on ABS data about enrolments, multiplied by the 2019-20 per child amount of funding (\$1,292 per child).

Source: National Partnership on Universal Access to Early Childhood Education 2018—2020, p. 11; Western Australia State Budget 2020-21: Budget Paper No. 2 – Budget Statements Volume 1, p. 382; ABS, *Preschool Education, Australia 2019*, Table 2; Nous, *Universal Access National Partnership Review*, 2020.

Non-school based providers are therefore unable to offer the free kindergarten programs that government schools and community kindergartens offer. Many parents consider that attending kindergarten in a school setting fifteen hours a week is compulsory and if their children do not attend they will be missing out.

The upshot of this is that 3.5 – 4.5 year olds in Western Australia are less likely than in other jurisdictions to attend kindergarten in a non-school based setting. Indeed, WA has the lowest proportion of children enrolled in non-school based kindergarten programs, at only 6 percent, compared to 50 per cent nationwide.⁵⁸ At the same time, 75 per cent of Western Australian children are enrolled in a school-based kindergarten program — the highest of all states and territories, and well above the national average (40 per cent).

Figure 7: Kindergarten enrolments by setting, states and territories, 2019



Source: ABS Cat. No. 4240.0, cited in BCEC, *The Early Years: Investing in our Future*, August 2020.

In addition, WA children are less likely than in other jurisdictions to attend kindergarten in any setting for more than fifteen hours a week.⁵⁹

This has two important consequences.

⁵⁸ BCEC, *The Early Years: Investing in our Future*, August 2020.

⁵⁹ Ibid.

First, the system's bias towards children attending kindergarten in schools, and for just fifteen hours a week, significantly raises costs for non-school providers. This is because those providers cannot cross-subsidise the costs of caring for younger age groups using revenues from older age groups. Older age groups are less costly for providers on a per child basis than younger age groups,⁶⁰ but the fees charged by providers do not vary by age group. Non-school based providers in other jurisdictions can use 'excess' revenues from older age groups to cross-subsidise younger age groups, whereas WA providers cannot. Ultimately this is likely resulting in fewer services being available, and less innovation in the services provided.

Second, it means parents are having to juggle up to three different providers. A 3.5 – 4.5 year old child may now attend: (1) an Outside School Hours Care service before their free kindergarten program starts and after it ends; (2) the free kindergarten program at a primary school, and (3) centre based care on the days they do not attend the free kindergarten program. Whereas nationally the proportion of children enrolled in kindergarten programs across more than one provider type at a given point in time has increased from 3 per cent to 10 per cent from 2013 to 2019, in WA this proportion has increased from 3 per cent to 20 per cent over the same period.⁶¹

The challenges this presents for parents are amplified if they have more than one young child, to the point that the kindergarten year has been described as “the year from hell”:

If he went to the local kindergarten, Quinn's schedule would be different each week, with the local kindy roster of two days one week, followed by three days the next. Timetables like these — which are common in WA public schools — pose a logistical nightmare for parents trying to juggle jobs, childcare and kindy schedules, not to mention their other children and school hours that can be incompatible with the average working day.⁶²

These challenges were recognised in the 2020 review of the Universal Access National Partnership, which found that “different funding levels in different sectors may put practical restrictions on the ability for parents to choose between local providers, where such options exist”.⁶³

⁶⁰ This reflects the different care requirements of children at different stages of development. In recognition of this, regulatory standards also vary by age of child — under the National Quality Framework, ratio and qualification requirements result in labour costs for the care of a 0 to 2 year old being more than double that of children aged 3 to 5 years old. Average daily fees may not fully recover the cost of services for children under 2. The Productivity Commission has found that a one per cent increase in the average age of children results in a 0.35 per cent decrease in average costs. Productivity Commission, *Childcare and Early Childhood Learning*, Appendix H.

⁶¹ BCEC, *The Early Years: Investing in our Future*.

⁶² Turner, R. 'Parents juggle kindergarten as they wait for the promise of a childcare centre at every new school'.

⁶³ Nous, *Universal Access National Partnership Review: Final Review Report*, prepared for the COAG Education Council, 2020, p. 88.

“Our kids are currently at three different locations — kindy is in a different location to school, and they don’t offer a three-year-old kindy program at the kindy. It’s worked out to be the easiest and the best way for me to have five hours to myself a week.”

JANE

MOTHER OF THREE

“With my eldest child, he’s at kindy every second Friday. But if you want to send them to childcare for the other Friday, you have to pay for all Fridays. The cost becomes prohibitive. If you could send your kids to kindy 3 days per week that would be great. Private providers do this, but the cost comes into it.”

SARA

MOTHER OF THREE

“I worked the days that my boy was at kindy and had to find an alternative care option for other days – this didn’t exist, so we ended up getting my mother in law to have him. Then we had to arrange for kindy drop offs and pick-ups. The school had before and after-hours care, but he was only three years old – I would have preferred him to be looked after in the same place all day. It was a bit much for him having to go to two different places, he was tired and anxious.

JESS

MOTHER OF TWO

The challenges are also more likely to be faced by parents on low to middle incomes, because paying to send their children to kindergarten programs provided in non-school based settings is a bigger financial challenge.

Reflecting these challenges, WA children are less likely than in other jurisdictions to attend kindergarten for more than fifteen hours a week. The proportion of WA children of kindergarten age attending for more than 15 hours per week is 14.5 per cent, compared to 28.2 per cent nationally.⁶⁴ WA remains behind the national average for both Indigenous and non-Indigenous children.⁶⁵ And only 66 per cent of children from low-income families in WA attend kindy for more than 15 hours per week, compared to 79 per cent nationally.⁶⁶

In turn, WA women with young children that work part time are most likely to work between 10 to 19 hours a week, whereas in other jurisdictions, they are most likely to work 20 to 29 hours a week.

⁶⁴ BCEC, *The Early Years: Investing in our Future*.

⁶⁵ Ibid.

⁶⁶ CCIWA analysis of ABS, ‘4240.0 — Preschool Education, Australia’, Table 2, 2019.

Table 2: Part time working mothers – spread of weekly hours worked (%), 2019

Hours	NSW	Vic	Qld.	SA	WA	Tas	NT	ACT
1 to 9	12	10	14	14	13	12	0	16
10 to 19	25	26	22	25	37	31	23	8
20 to 29	33	32	31	37	33	34	11	25
30 to 34	19	18	15	17	18	13	14	28
35 to 39	14	13	18	12	7	5	29	18

Note: Includes only families where the age group of the youngest dependent child is 0 to 4. Columns do not add to 100% because some mothers work less than one hour a week and above 39 hours a week.

Source: CCIWA analysis of ABS, 'Labour Force Status and Other Characteristics of Families', 2019.

While the State Government is to be applauded for its efforts over many years to guarantee WA children's access to 15 hours free kindergarten a week, it is clear that the current approach to achieving this objective is having significant unintended consequences — both for children and their parents.

Universal Access National Partnership funding should follow the child

In most other jurisdictions, Universal Access National Partnership funds 'follow the child'. This means children can access their 15 hours of subsidised kindergarten regardless of where the program is provided.

If the WA State Government was to change its approach to distributing Universal Access National Partnership funds so that the funding follows the child, this would have several benefits.

Non-school based providers would be able to offer free or affordable kindergarten programs for 15 hours a week. This would allow working parents to use just one provider for their kindergarten aged children, and indeed for all their young children. Parents would experience less pressure to work fewer hours or juggle multiple providers to accommodate both their children's early childhood education and care needs and their workday. This would make an enormous improvement to the convenience of working families in Western Australia.

"Enabling childcare centres to provide free kindergarten is a fantastic idea. It would be a popular move."

LIBBY
MOTHER OF THREE

“It would make it so much easier if all types of early learning and care were located in the one place — you just want to have one pick up and drop off — this would make it so much easier for working parents.”

SELMA

MOTHER OF THREE

“The length of the school day and the five-day fortnight are big frustrations, especially when those days aren’t even consecutive within the week...things would definitely be easier if there was support for them for more hours that didn’t cost a bomb. It would also be easier to manage working and childcare if kindy was on regular days, for example two days every week, or three days every week.”

JESS

MOTHER OF TWO

Given this convenience (and when combined with the other recommendations in this report) some parents would decide to send their children to kindergarten at non-school based providers for more than the 15 free hours per week. This would lower the average cost per child faced by providers and better enable them to cross-subsidise across age groups.

This would in turn allow providers to expand the number of places and / or offer families more innovative services. This could include providing pre-prepared healthy meals and small items like bread and milk to take home, improved booking systems, language classes, and recreational activities such as sports and cooking.

“If we could get the Universal Access subsidy, it would cover our Early Learning Teachers’ salaries for those 15 hours a week. With the extra resources, we could work more closely with the kids that are struggling and assist them catch up with their peers.”

WANSLEA

“Access to Universal Access funds would better enable us to offer pay and conditions which are equivalent to schools’ pay scales — they pay their early childhood teachers under the school award. Doing this puts pressure on our service financially, but it is worth it as it sits with our philosophy of best practice and exceeding quality standards.”

SUDBURY HOUSE

“If we had access to the Universal Access subsidy this would enable us to put in place different models of support – for example, a shift to be able to offer a service outside the normal hours of operation.”

NGALA

“Access to these funds would...make early childhood education and care more accessible, as parents would be able to access high-quality early childhood education and care all in one place.”

JOONDALUP EARLY LEARNING CENTRE

It would also mean kindergarten aged children could continue to attend the same service they have already been attending. The continuity of the relationships that children develop with educators and the familiarity with their setting enables an integrated approach to their early learning and care, ensuring that all children arrive at school ready to learn. There is a large international and national research base which supports this premise.⁶⁷

The Productivity Commission has also recommended that per child payments to support universal access to a kindergarten program should follow the child:⁶⁸

The Australian Government should continue to provide per child payments to the states and territories for universal access...This support should be based on the number of children enrolled in state and territory government funded preschool services, including where these are delivered in a long day care service. A condition placed on the per child payments is that they should be directed by the state or territory to the approved preschool service nominated by the family.

The Commission argues this approach would reduce disparity in the out of pocket costs of kindergarten provided in different settings, and across States and Territories in the extent to which different levels of government fund kindergarten.

The idea that government funding should follow the individual is not a novel one. Under the National Disability Insurance Scheme, the right of the person to choose is a fundamental principle enshrined in the *National Disability Insurance Scheme Act 2013* — individual support packages and associated funding follow the person over their lifetime and providers. Similarly, aged care funding follows the individual, to allow people to have choice over their care provider.

⁶⁷ The Early Years Learning Framework highlights the research base about the role early childhood education and care plays in a successful transition to school. See for example: Office for Children and Early Childhood Development (Department of Education and Early Childhood Development), *A Research Paper to inform the development of An Early Years Learning Framework for Australia*, 2008; Centre for Community Child Health, 'Rethinking school readiness', Policy Brief no. 10, 2008; Australian Institute of Family Studies, 'Promoting positive education and care transitions for children', *CACFCA Resource Sheet*, 2011; Fox, S. and Geddes, M., 'Preschool - Two Years are Better Than One: Developing a Preschool Program for Australian 3 Year Olds – Evidence, Policy and Implementation', *Mitchell Institute Policy Paper*, No. 03/2016, 2016.

⁶⁸ Productivity Commission, *Childcare and Early Childhood Learning*, p. 649.

The 2020 review of the Universal Access National Partnership noted that some stakeholders were concerned that when funding follows the child, non-school based providers of kindergarten can 'double dip' by receiving the childcare subsidy and Universal Access National Partnership funds for a given child.⁶⁹ The review found that while the two funding streams could accrue to the same child, there is no data to demonstrate that there is a significant overlap and that, in any event, the two funding streams have different policy intents.

The Productivity Commission also found that double-dipping can occur when Universal Access National Partnership funding follows the child.⁷⁰ However, despite this, it strongly recommended that Universal Access National Partnership funding be available for kindergarten delivered in non-school based settings because doing so:⁷¹

- allows parents to choose where their child receives their kindergarten service, and
- means parents face the same out-of-pocket cost regardless of where they choose (for comparable services).

To address double-dipping, it recommended that non-school based providers be required to reduce their kindergarten fees by the dollar per child amount of Universal Access National Partnership funding. The current annual dollar per child amount is \$1,292, which spread across 600 hours of kindergarten, is \$2.15 per hour. The Productivity Commission said:

...states and territories should fund preschool [kindergarten] by the same amount per child, regardless of where it is delivered. If this was the case, the Australian Government could provide states and territories with a per-child subsidy to assist with this cost. Should the states and territories fully fund preschool [kindergarten] regardless of where it is delivered, families would not be required to pay the provider the normal ECEC [early childhood education and care] fee for the preschool hours of an LDC [long day care centre] program, and so would not be eligible for any subsidy...Families should only have to pay the same co-payment as families using preschools outside of LDCs. This would be the ideal approach as it would treat LDCs and other preschool providers, and families using preschool services, equally.⁷²

If the State Government was concerned about double-dipping, it could put in place a mechanism to ensure that providers only use Universal Access National Partnership funding for kindergarten programs provided in accordance with the Universal Access National Partnership. This approach is taken by other States and Territories, which expressly prohibit cross-subsidisation of child care as a condition of non-school based providers receiving the funding.⁷³ Alternatively, it could require non-school based providers to reduce their fees for kindergarten programs by \$2.15 per hour for fifteen hours a week as a condition of them receiving the funds.

⁶⁹ Nous, *Universal Access National Partnership Review*, p. 88.

⁷⁰ Productivity Commission, *Childcare and Early Childhood Learning*, pp. 646-649.

⁷¹ *Ibid.*, p. 647.

⁷² *Ibid.*, p. 647.

⁷³ Nous, *Universal Access National Partnership Review*, p. 80.

Recommendation

The State Government should change the way it directs Universal Access National Partnership funds for kindergarten to a model where the funding follows the child.

WA's regulatory framework is driving unnecessary costs for non-school based providers

The National Quality Framework has requirements regarding both educator to child ratios and educator qualifications in family day care and centre-based settings, to create consistency across the States and Territories.

However, in WA the ratios mandated for centre-based settings are higher than those required by the National Quality Framework.⁷⁴

Table 3: Educator to child ratios in WA compared to those required by the National Quality Framework

Age of children	WA	National Quality Framework
Birth to 24 months	1:4	1:4
Over 24 months and less than 36 months	1:5	1:5
Over 36 months up to and including kindergarten age	1:10	1:11
Over kindergarten age	1:13 (1:10 if kindergarten children are in attendance)	1:15

The higher ratios mean WA providers face higher labour costs than in other jurisdictions. To the extent these higher costs are absorbed by providers, this may be inhibiting their opportunity to innovate and provide services that meet parents' needs.

The more onerous ratios in WA mean that more educators must be employed, depending on the mix of children of different ages. For example, if there are 80 children of kindergarten age and over in care, a WA provider would need eight educators on the floor, because the educator to child ratio is 1:10. In other jurisdictions, fewer educators would be needed. For example, assuming there are 20 kindergarten aged children and 60 older children, only six educators would be needed: two for the kindergarten aged children and four for the older children.

⁷⁴ ACECQA, 'Educator to child ratios', available at <https://www.acecqa.gov.au/nqf/educator-to-child-ratios>, accessed 2/9/2020.

The costs of the additional educators are amplified due to educator qualification requirements — more higher qualified, and therefore higher remunerated, educators must be employed. Regulations stipulate that at least 50 per cent of educators must have or be actively working towards an approved diploma level qualification. All other educators need to be actively working towards an approved Certificate III level qualification.⁷⁵ So, using the above example, the WA provider would require four staff members to have diploma qualifications, whereas in other jurisdictions the provider would require only three staff members to have diploma qualifications. Diploma qualified staff attract a higher level of pay.⁷⁶

These costs are exacerbated by the fact that the requirements do not allow for substitution of lower qualified staff even for short periods of time, such as lunch breaks or when staff take up professional development.⁷⁷

Non-school based providers in WA also face challenges recruiting and retaining enough appropriately qualified early childhood teachers, because prospective employees see teaching early childhood education programs in school-based settings as a more attractive career path.⁷⁸ These challenges are made worse by the fact that non-school based providers cannot access Universal Access National Partnership funds to support them to employ early childhood teachers to deliver kindergarten programs. This makes it harder for non-school based providers to comply with staffing and qualification requirements. The challenges are most acute in regional and remote parts of WA.

“The Universal Access funding would help us to attract teachers. Getting educators is a nightmare. We pay a reasonable and comparable salary to what teachers in schools get, but we can’t offer them the short days and leave they get at schools. The funding would give us more flexibility to negotiate better terms to attract and retain teachers.”

WANSLEA

“It is hard to keep the teachers because we are unable to compete with the benefits and conditions that the education system provides...Teachers in WA are only interested in early childhood education and care because they can get the experience, then they go off to schools. The constant churn of teachers makes it hard to build the connections which are required for children in the Sudbury Early Learning Centre.”

SUDBURY HOUSE

⁷⁵ Division 2, *Education and Care Services National Regulations 2012*.

⁷⁶ Section 14, *Children Services Award 2010*.

⁷⁷ Section 123, *Education and Care Services National Regulations 2012*.

⁷⁸ CCIWA consultation with non-school based providers, the Department of Communities and the Department of Education.

“In an ideal world, the additional payment to support the implementation of the kindy program would subsidise a teacher. The conditions are better in the school system and so you have difficulties in terms of recruitment and retention.”

WIND IN THE WILLOWS

In 2014, the Productivity Commission said the National Quality Framework’s required ratios should be seen as the minimum enforceable standard and recommended that they be reviewed as evidence emerges on their appropriateness.⁷⁹ In WA, what has transpired since the Productivity Commission’s review in 2014 is an embedding of staff to child ratios which do not reflect the minimum enforceable standards set at a national level.

It should be left up to providers to decide whether they wish to incur the additional costs from exceeding minimum standards, for example, to position themselves as a ‘higher quality’ provider. The State Government should adopt the national requirements as a minimum enforceable standard for staff ratios in WA.

Recommendation

The State Government should adopt the National Quality Framework’s requirements as a minimum standard for staff ratios. In particular, the ratio for:

- > Over 36-month aged children, up to and including kindergarten age children, should be changed from 1:10 to 1:11.
- > Over kindergarten age children should be changed from 1:10 to 1:15.

Bringing nannies into the State’s industrial relations system will reduce options for parents

Some families prefer to use nannies because this gives them the flexibility and choice that they require. As explained in Appendix A, nannies can be engaged as an independent worker, with the terms of engagement negotiated between the nanny and the parents.

In WA, the Industrial Relations Legislation Amendment Bill 2020 (the Bill) was introduced into Parliament in June 2020. The Bill amends the definition of ‘employee’ in the *Industrial Relations Act 1979* to remove the existing exclusion for persons engaged in domestic service in a private home — including nannies. This change will extend coverage of the IR Act and the *Minimum Conditions of Employment Act 1993* to nannies.

⁷⁹ Productivity Commission, *Childcare and Early Childhood Learning*.

These changes would increase regulatory burden on parents employing nannies. For example, parents would be required to understand laws about industrial relations legislation, including navigating unfair dismissal laws, comprehending award entitlements⁸⁰ and budgeting for leave accruals. These laws are extensive and complex, and almost impossible to navigate for people who have not had exposure to them before or had to apply them.

The effect of the changes would be that engaging a nanny would be a less attractive option for facilitating parents' return to work after having children, so fewer parents would use this option — they may either choose to work less, or use other, less convenient early childhood education and care alternatives.

CCIWA agrees that nannies are entitled to fair and reasonable employment conditions. However, the State Government should explore how to achieve this objective in a way that balances the interests of the worker and the parents, rather than imposing on families the same obligations and restrictions that apply to businesses.

Recommendation

The State Government should explore ways to protect nannies' entitlement to fair and reasonable employment conditions that also balance the interests of parents, rather than imposing on families the same obligations and restrictions that apply to businesses.

Increasing fathers' take up of parental leave and flexible working options

Paid parental leave and flexible working policies can create better opportunities for mothers and fathers to share the primary carer role.

The Commonwealth Government could create further flexibility within the current paid parental leave entitlement.

The current entitlement does not allow for an arrangement whereby, for example, each parent works two or three days per week following the birth of their child (other than for the final 30 days). The current entitlement also does not account for parents that want to work less than a full day. This could be addressed by converting the paid parental leave entitlement from 90 days to 684 hours.

Allowing for more flexible arrangements like these would give families more choice in how they share their caring responsibilities.

Employers (including governments in their role as employers) can also help promote increased sharing of parental responsibilities by reviewing their parental leave and

⁸⁰ Arising from proposed amendments that would expand the application of state awards.

flexible working policies⁸¹ to provide greater flexibility in the way existing entitlements can be used and promoting their use by male employees.

Parental leave and flexible working are more likely to be taken up by fathers if government and organisational leaders actively promote and endorse them doing so. Managers tend to proactively discuss with female employees options for returning to work after parental leave, but they do not have the same conversations with male employees. Examples contained in parental leave and flexible working policies are often gendered. Even the explanation of the Commonwealth Government's paid parental leave scheme on the Services Australia website assumes the mother is always the primary carer, even though either parent can assume that role and receive the entitlement.⁸²

Cultural change through education, raising awareness and actively promoting and encouraging fathers to access parental leave and flexible working is therefore also important. The boxes below provide tips for organisations on how to shift the gender stereotypes of the female homemaker and male breadwinner, and case studies of WA fathers taking up parental leave and flexible working to share unpaid work at home with their partners.

⁸¹ Flexible working can include part-time work, alternative hours, and working from home.

⁸² Services WA, 'Transferring your payment', available at: <https://www.servicesaustralia.gov.au/individuals/services/centrelink/parental-leave-pay/who-can-get-it/transferring-your-payment>, accessed 24 July 2020.

Promoting organisational change

Recognise the value proposition:

- Identify the benefit of increased workplace flexibility in terms of productivity, staff retention, attracting job candidates and reduced absenteeism.

Know where you are and where you want to be:

- Benchmark the level of flexibility you currently offer and look for opportunities to improve upon this.
- Identify who is and is not using your current flexibilities and set realistic goals.

Identify the barriers to change:

- Question the assumptions on which your existing workplace flexibilities are based.
- Consider how your existing policies can be amended to promote their use by both male and female staff.
- Look for positive examples that dispel myths and stereotypes.

Champion change:

- Identify who in your organisation will champion the change.
- Have senior management role model working flexibly and managing a flexible team.
- Have conversations with male employees about their family and caring responsibilities and whether flexible work arrangements can assist them.

Monitor progress and celebrate success:

- Monitor uptake of flexible work options by male employees.
- Listen to staff about their experiences and address issues.
- Identify and share your success stories.

Businesses promoting increased sharing of parental responsibilities

Carle, Commercial and Insurance Manager at Clough

Carle and his wife have a three-year old and a six-month old. Carle is about to take four months parental leave, which will allow his wife to return to work.

“My wife and I are originally from the UK. When we had our first child, we had no family or support network here and the day care centres in our area would only take children once they could walk, so my wife ended up having to extend her leave until this happened.

Clough’s Parental Leave policy is such that as a male employee, I am entitled to the same parental leave options as my female counterparts. In fact, it has been this way since the policy was put in place in 2009, yet I am still the first male to take leave for the purpose of being our child’s primary care giver. With this policy in mind and giving consideration to my wife’s career and her well-being, we agreed to share the parental leave period for our second child.

I am the first male to take parental leave in the organization. The industry is pretty hardnosed, and this initially made me wonder, “am I brave or am I an idiot for considering this?” It’s still quite an unusual thing to do — I haven’t had any male friends or colleagues that have had the opportunity. I had a number of conversations with my manager and the Head of Human Resources (both are on the Executive Committee) who were both extremely supportive and put to rest my concerns. They made me feel well supported and like it was not a risky move. Our CEO also sends out strong messaging in terms of diversity and equal opportunities so I also felt comfortable that this was something he would support.

My concerns were unfounded, but when you’re the first to do it, it’s hard. A lot also depends on your relationship with your manager and their personality and values. Our CEO has been careful to make sure he has the right people around him in terms of their values and approach. He and the Executive Committee genuinely support and believe in our policies. The company has also been rolling out remote and flexible working and people are taking it up. Seeing how the Executive Committee and the CEO approached this gave me more confidence to ask for parental leave, because it said to me that the organization was genuinely supportive of us taking up these opportunities.

When the wider Executive Committee found out I was planning to take parental leave I received messages of support from a number of them for doing so.

I am very happy to be setting the right example for my team and the rest of the organization. I think me taking parental leave has made my team feel more comfortable that the organization values family.”

Han, Director in Financial Advisory at Deloitte

Han is a Director at Deloitte. He and his wife have two children, one two years old and another 4.5 years old. Han took parental leave after the birth of his second child.

“Before my wife had our second baby, we were trying to plan for her to be able to go back to work after 6 to 8 months, and wondering, how is this even possible? With our first child, I didn’t take paternity leave. Deloitte’s current policy was not in place back then, nor was there the generally accepted culture for dads to take time off. For Finn, our parents helped out!

For our second child, we couldn’t get our parents to help this time around – so it was really great that Deloitte had put in place this fantastic parental leave policy.

Culturally, Deloitte went through a huge campaign to let people know about the policy...but more importantly, Deloitte took the time and effort to make it ‘feel right’ for dad’s to think it was OK to take parental leave. The comms was consistent, clear and impactful. For example, our screensavers are of examples of senior dads taking time off. Even our coffee machines highlighted examples of ‘Deloitte Dads’.

The leadership group was super supportive of me taking parental leave, and genuinely so. They shared stories with me about other dads in their teams doing the same.

You can’t underestimate the importance of the organisation’s leaders — no matter how good a policy, the ‘old world view’ is of “what about my career”? But when you know the leaders are supportive and behind it, then you feel comfortable to do what’s best for your family.

The policy is really flexible. You can take leave anytime in the first three years of the birth of your child. Both parents can be off at same time. You can take the time in chunks or part-time or a combination. It was really built to be whatever worked for you and your family. I chose to take a chunk after my son’s birth and then work part time when my wife wanted to go back to work – if it wasn’t for the new Deloitte policy, then she wouldn’t have been able to go back to work.

Even though my parental leave is finished now, work still gives me the flexibility to be able to do drop-offs and pick-ups. I often have to jump back on the laptop later, but I am home early enough to help out at home in the early evening.”

Ricardo, Microsoft 365 Adoption Specialist at Rio Tinto

Ricardo and his wife moved to Perth in 2006. They had their first son five years ago and now have a four-month old baby girl. Ricardo’s wife took parental leave for their first child and has taken five months for their newest. Ricardo will be starting his three months parental leave early next year.

"With our son, we were not really aware of parental leave schemes. We just thought "you're the mum, you are covered; I'm the father, I'm not covered". We could have got that wrong, but it was our perception at the time. Then we started hearing about different types of parental leave schemes and started looking them up, so we were much better prepared for our next child.

My wife is very successful in her field. I have always fully supported her work and the way she does things. Besides the fact that I love her, I really admire the way she has got to this point in her career. So I decided to take advantage of Rio Tinto's parental leave scheme, so that it's not just her making the sacrifices all the time.

I had the idea to take parental leave in my head. But then suddenly in a team meeting one of the managers said, "Guys, I have to tell you, my wife is pregnant and I'm going to be taking leave for six months." It was like a shock going through my system – I thought, that's good, that's great. When it's coming from one of our managers, you see that it's normal. So that was my first really good impression and experience.

When I spoke with my manager about me taking parental leave, the first thing he said was, "When are you planning to start?" This made me feel like my request had already been approved. Rather than him saying things like, "Are you serious? Are you sure about this?", he started asking me personal questions, for example about how my wife and the baby were going. It felt like a conversation with a friend, very familiar, open and supportive. My manager and our group's human resources representative talked me through questions I had about the parental leave policy, and that was it, I knew how to apply. It all felt completely normal and like business as usual.

Rio Tinto will be backfilling my role, which is important to me – I want my internal customers and clients to be looked after. They have let me be on the interview panel for my replacement, so I can ensure we hire someone that treats clients the way I want them to be treated. They have made me feel like everything is going to be fine both personally and professionally."

Clarke, Managing Counsel at Edith Cowan University

Clarke is Managing Counsel at Edith Cowan University. He and his wife have one child, a son. Clarke took parental leave after his son's birth.

"Parental leave is gender neutral at ECU and entitles the primary care giver to 24 weeks' leave. The provision of leave for men enables them to contribute more directly to a child's upbringing and consequently also has the benefit of assisting the mothers to return in the workforce. My wife took the first six months after our son's birth which was ideal because it meant that she could bond immediately and provide breast feeding etc. When my wife had the opportunity to return to work, my entitlement meant that I could support that decision and enable her return to the workforce particularly given her role as a medical practitioner involves rostered shifts

without much flexibility. I also used four weeks of annual leave in addition to the parental leave which ultimately provided an opportunity to care for my son for over six months, a quite significant time.

There is a very positive culture at ECU which supports males using parental leave, which is embedded in relevant ECU publications. This contributed to my willingness to use parental leave and added to my personal positive experience. It is something which reflects well upon ECU both in internal employee satisfaction and external persons' perception of ECU as a responsible and caring employer of choice."

The benefits of fathers accessing parental leave and flexible working flow not only to parents: when fathers take parental leave, organisations report better recruitment, retention and promotion rates, leading to stronger performance and productivity.⁸³ And flexible working for both parents has been shown to improve employee well-being, productivity, and job satisfaction.⁸⁴

However, the modern award system limits the capacity for employers to agree to employees' requests for flexible working arrangements to accommodate their family and caring responsibilities. This inflexibility was highlighted by the need during the COVID-19 lockdown to vary the Clerks – Private Sector award to allow employees working from home the capacity to work early in the morning or later in the evening to manage work and care for children. Without these flexibilities many predominately female employees would have had to reduce their working hours. It is an unfortunate reality that sometimes employers must turn down employees' requests for greater work flexibility because they would result in additional costs to the business.

⁸³ WGEA, *Insight paper: designing and supporting gender equitable parental leave*, 2018.

⁸⁴ Nous, 'The benefits of flexible workplaces: From intuition to evidence', available at: <https://www.nousgroup.com/insights/benefits-flexible-workplaces-intuition-evidence/>, accessed 24 July 2020.

Recommendations

The Commonwealth Government should:

- > Allow for greater flexibility in the management of paid parental leave entitlements to accommodate shared responsibility between parents and alternative working arrangements; and
- > Amend the Fair Work Act to provide employees and employers with greater flexibility to agree to alternative working arrangements.

Government — in its capacity as an employer — and businesses should review their parental leave and flexible working policies to provide greater flexibility in the way existing entitlements can be used and promote their use by male employees to ensure fathers are not discouraged from sharing equally in unpaid work at home.

Summary of recommendations

- The State Government should establish a cross agency working group to address the barriers to WA women’s workforce participation identified in this report.
- The Commonwealth Government should carefully consider the Grattan Institute’s recommendation to boost the childcare subsidy for low-income families from 85 per cent to 95 per cent, flatten and simplify the taper used to reduce the childcare subsidy as income increases, and remove the annual cap on the amount of childcare subsidy parents can receive. The policy should be adopted if the Government concludes the social and economic benefits outweigh the costs.
- The Commonwealth Government should amend *the Fringe Benefits Tax Act 1986 (Cth)* to exempt all types of early childhood education and care from Fringe Benefits Tax.
- Responsibility for policy, funding and regulation of all early childhood education and care in WA should sit with a single State Government Minister and Department. In all other jurisdictions, these functions sit with the Department and Minister responsible for education.
- The State Government should change the way it directs Universal Access National Partnership funds for kindergarten to a model where the funding follows the child.
- The State Government should adopt the National Quality Framework’s requirements as a minimum standard for staff ratios. In particular, the ratio for:
 - Over 36-month aged children, up to and including kindergarten age children, should be changed from 1:10 to 1:11.
 - Over kindergarten age children should be changed from 1:10 to 1:15.
- The State Government should explore ways to protect nannies’ entitlement to fair and reasonable employment conditions that also balance the interests of parents, rather than imposing on families the same obligations and restrictions that apply to businesses.
- The Commonwealth Government should:
 - Allow for greater flexibility in the management of paid parental leave entitlements to accommodate shared responsibility between parents and alternative working arrangements; and
 - Amend the Fair Work Act to provide employees and employers with greater flexibility to agree to alternative working arrangements.
- Government — in its capacity as an employer — and businesses should review their parental leave and flexible working policies to provide greater flexibility in the way existing entitlements can be used and promote their use by male employees to ensure fathers are not discouraged from sharing equally in unpaid work at home.

Appendix A: overview of the early learning and care sector

Early childhood education and care comprises most types of services that provide education and care to children up to the age of 12, excluding compulsory full-time schooling. Early childhood education and care includes:

- Centre based day care and family day care — full-day programs for children from birth to school age, provided either at a centre or in educators' homes. The programs are delivered by private for-profit, not-for-profit and local government providers.
- Outside school hours care — before school hours, after school hours and vacation care, generally for primary school aged children. Outside school hours care is operated by both not-for-profit and private for-profit organisations, and is usually set up in or close to primary schools — that is, it is provided in either primary school settings or centre based / family day care.

Early childhood education and care also includes kindergarten programs. These are programs for children aged generally 3.5 to 4.5 years old, in the year before they start compulsory full-time schooling. In Western Australia, families can access fifteen hours per week of kindergarten for free at government schools and what the State Government refers to as 'community kindergartens'.⁸⁵ Non-government schools and centre based day care providers also offer kindergarten programs, but these programs are not free.

Kindergarten is called preschool in some other States and Territories (Table A.1). Kindergarten is also referred to as the year before compulsory full-time schooling. The first year of compulsory full-time schooling is the year prior to year 1, which in Western Australia is called pre-primary.

⁸⁵ There are 18 'community kindergartens' operating in WA. The State Government provides these kindergartens with teachers, education assistants and an operating grant. They are typically linked to a local public school and operate in facilities that are leased from local authorities. A Parent Management Committee is responsible for the day to day management of the community kindergarten. Department of Education, 'Factsheet: community kindergartens - 2020', available at <http://det.wa.edu.au/curriculum-support/earlychildhood/detcms/school-support-programs/early-childhood-education/initiatives-folder/community-kindergarten-fact-sheet-2020.en?cat-id=11463713>, accessed 25/08/2020.

Table A.1: Kindergarten across the States and Territories

	Kindergarten		Year prior to year 1 (compulsory)	
	Program	Age of entry	School year	Age of entry
NSW	Preschool	4 and 5 y.o.	Kindergarten	5 by 31 July
Vic	Kindergarten	4 by 30 April	Preparatory	5 by 30 April
Qld	Kindergarten	4 by 30 June	Preparatory	5 by 30 June
WA	Kindergarten	4 by 30 June	Pre-primary	5 by 30 June
SA	Preschool	4 by 1 May	Reception	5 by 1 May
Tas	Kindergarten	4 by 1 January	Preparatory	5 by 1 January
ACT	Preschool	4 by 30 April	Kindergarten	5 by 30 April
NT	Preschool	4 by 30 June	Transition	5 by 30 June

Regulation of the sector

The sector is regulated under the National Quality Framework. The National Quality Framework was introduced in 2012 to improve education and care across centre based day care, family day care, kindergarten, and outside school hours care services. It consists of the National Law and National Regulations, National Quality Standard, an assessment and quality rating process and approved learning frameworks (for example, the Early Years Learning Framework).

The National Quality Framework operates under an ‘applied law system’. This means it sets a national standard by applying the same law in each State and Territory, but with some varied provisions as applicable to the needs of each jurisdiction.

State and Territory Governments and regulators are responsible for ensuring compliance with the National Quality Framework, implementing strategies to improve the quality of programs and providing curriculum, information, support, advice, and training and development to providers. In all jurisdictions except WA, the Department of Education is the agency responsible for these functions. In WA, the Department of Communities has this responsibility. The WA Department of Education is only responsible for services provided in schools.

The Australian Children’s Education and Care Quality Authority is an independent national authority that assists State and Territory governments in administering the National Quality Framework. It also monitors and promotes the consistent application of the National Law across all States and Territories and supports the early childhood education and care sector to improve quality outcomes by providing guidance, tools and research.

Provider costs and revenues

The major costs faced by providers are staff costs and rent and property costs. These costs are largely influenced by National Quality Framework requirements, award wages, land values and rents, and council rates.

Providers have three main revenue streams — payments from the Commonwealth Government, payments from the State and Territory Governments, and fees paid by parents. Governments provide about 64 per cent of funding for providers, with parents making up the rest through the payment of out of pocket fees. The Commonwealth Government:

- pays the childcare subsidy directly to approved services; and
- provides direct funding to State and Territory Governments to support universal access to kindergarten in the year before compulsory full-time schooling through the Universal Access National Partnership.⁸⁶

The Universal Access National Partnership is an intergovernmental agreement that aims to ensure every child has access to a kindergarten program delivered by a qualified early childhood teacher for 600 hours (15 hours a week) in the year before compulsory full-time schooling. Under the partnership, the Commonwealth Government allocates funding (\$449.5 million for the 2020 calendar year) to each State and Territory on the basis of a per-child amount (\$1,292 for 2020) for projected enrolments to contribute to States' and Territories' own contributions to support delivery of kindergarten programs.⁸⁷

State and Territory Governments exercise discretion about how partnership funding is deployed. Critically, whereas in most jurisdictions the government provides partnership funding to kindergarten services provided in all settings, in WA the government does not provide funding to kindergarten programs delivered in centre-based day care.⁸⁸

In addition to funding kindergarten programs, State and Territory Governments provide some funding to other types of services. For example, in WA, the State Government invests in the construction of early childhood facilities at government primary schools.⁸⁹ It also funds a program called Kindilink, which operates in 38 government schools to provide Aboriginal and Torres Strait Islander 3 year-olds with six hours of free learning per week and support for parents.

⁸⁶ It also provides operational and capital funding to some providers.

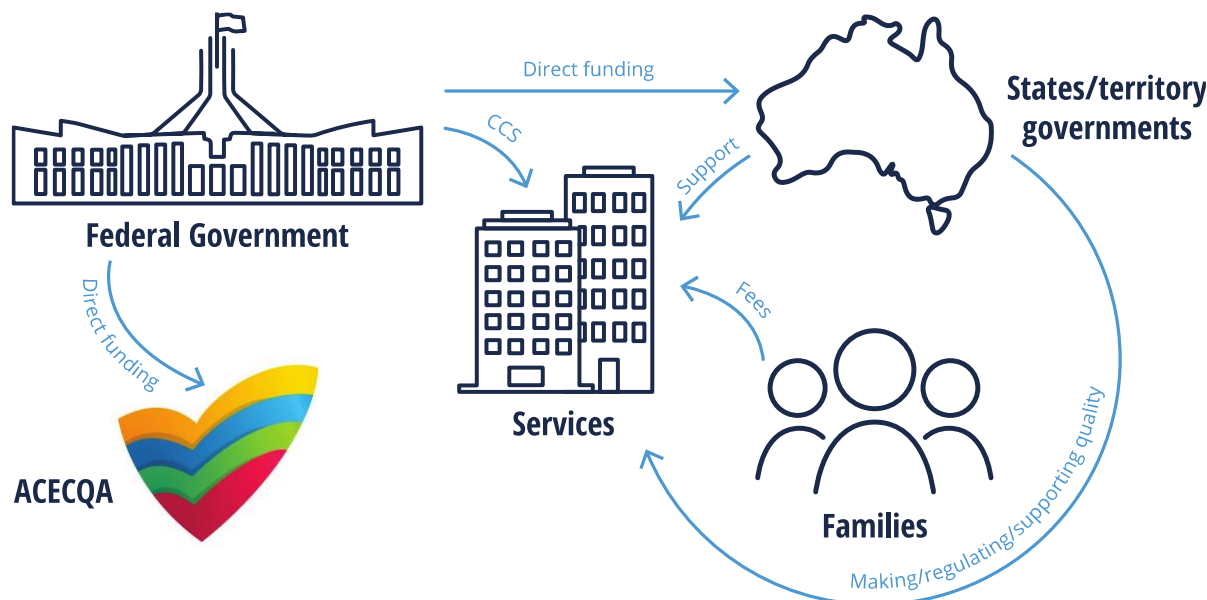
⁸⁷ Nous, *Universal Access National Partnership Review*.

⁸⁸ Productivity Commission, *Report on Government Services 2020*, p. 3.3. The WA Government provides partnership funding to kindergarten programs delivered in government and non-government schools, and community kindergarten centres.

⁸⁹ For example, the Hon Sue Ellery, 'Architect appointed to design new early childhood facility', Media Statement, 11 November 2020; the Hon Sue Ellery, 'Architect appointed to design new early childhood facility at Mount Helena Primary School', Media Statement, 11 November 2020; the Hon Mark McGowan and the Hon Sue Ellery, 'State-of-the-art early childhood centre officially opened in Albany', Media Statement, 9 June 2020. See also WA State Budget 2018-19 – [factsheet](#); WA State Budget 2019-20 – [factsheet](#).

In 2018-19 the Commonwealth Government provided 80 per cent of all government expenditure on early childhood education and care. Of the funding provided by State and Territory Governments, the majority of this was for kindergarten services (86 per cent).⁹⁰

Figure A.1: Simplified funding model of Australian early childhood education and care services



The tax and transfer system

The tax and transfer system is the Commonwealth system through which personal income is taxed and redistributed as transfers. Childcare subsidies and family benefits are paid through the transfer system.

The childcare subsidy is paid by the Commonwealth Government directly to approved providers⁹¹ and passed onto families as a fee reduction. The amount of childcare subsidy a family is eligible for depends on their income, the hours of 'recognised activities' (e.g. paid work) both parents engage in, and an hourly rate cap. The hourly rate cap is the upper limit on the amount of childcare subsidy the Commonwealth Government will provide. The hourly rate cap varies depending on the type of service.

Fees are the hourly rates charged by providers, before applying the childcare subsidy. Fees are set independently by providers and there is significant variation in fees across services.

⁹⁰ This State and Territory expenditure *includes* funds allocated to State and Territory governments through the Universal Access National Partnership. Universal Access National Partnership funding made up \$431.5 million of State and Territory governments' total expenditure of \$2.0 billion.

⁹¹ Approved providers can be centre based day care; family day care; and outside school hours care. They can also be in-home care providers, but only certain families are eligible for subsidised in-home care (i.e. parents who are unable to access mainstream child care options, such as those who work non-standard hours, are geographically isolated or have families with challenging and complex needs).

Out of pocket costs/fees are therefore what families pay the provider — they are the difference between the fee charged by the provider and the subsidy amount. This difference is the 'out of pocket' cost of early childhood education and care or out of pocket fee.

Family Tax Benefit A and Family Tax Benefit B support low- and middle-income families with the costs of raising a child. Family Tax Benefit A is paid per child and is designed to assist with the direct costs of children. Family Tax Benefit B is targeted to single-income families and is designed to assist parents (including sole parents) who are not in paid work because they are caring for children.

Early childhood education and care costs can be salary sacrificed as a fringe benefit for employees of some types of organisations. A fringe benefit is something an employer gives an employee in return for forgoing some salary under salary sacrificing arrangements. The fringe benefit is taxed, but the employer pays the tax, not the employee.

Nannies and In-home Care

Nannies are another form of childcare available to parents and can offer more flexibility for those families who can afford to and wish to utilise this option. Nannies can be engaged as an independent worker or on a subcontracting basis. There are also nanny agencies which screen for the appropriate applicant to suit a family's circumstance.

Nannies are not subject to the National Quality Framework and nor does the childcare subsidy apply to these types of arrangements.

In-home Care is a Commonwealth Government program that provides subsidised care in the family home. The In-home Care program assists parents or carers who are unable to access other mainstream childcare options, such as those who work non-standard hours, are geographically isolated or have children with challenging and complex needs. The childcare subsidy applies to this program, but the eligibility criteria differ to those for the childcare subsidy more broadly. The program is capped at 3,200 places nationally, providing up to 100 hours of subsidised care per child per fortnight. In WA, Wanslea is the coordinating provider for the in-home care service.

Appendix B: the Grattan Institute's options for childcare reform

Table B.1: Options for reform – the pros (darker) and cons (lighter)

Option	Reduces high WDRs	Cost	Economic impact	Simple for parents to understand	Simple to administer	Perceived as fair
Subsidy boost: lift the subsidy to 95%, flatten the taper	Most WDRs under 70%	\$5b	13% hours \$11b GDP	One taper, no annual cap	Same information required as under current system	Similar distribution of benefits to current system
Second child: lift the subsidy, 100% for second child	Most WDRs under 60%	\$7b	16% hours \$15b GDP	Can be unclear which child gets a full subsidy	Need to collect information about other children to care	Transfers more to families with multiple children in care
Second earner: lift the subsidy, base it on second earner income	Most WDRs under 60%	\$11b	23% hours, \$19b GDP	Impact of extra earnings unclear if it's not certain which parent will be the higher earner	Need to collect information about both parents' expected earnings	Transfers more to high-income families than current system. Privileges the breadwinner model
Universal: Universal 95% subsidy	Most WDRs under 60%; many under 40% even with two young children	\$12b	27% hours, \$27b GDP	Net childcare cost is constant across days, unaffected by income	Fewer questions required than under current system	Transfers more to high earners than current system
Tax-deductible: Deductions instead of a subsidy	Increases WDRs	Saving	Negative	Unclear how much childcare cost will be subsidised until tax time	Administered through income tax return	Most families are worse off, especially low-income

Notes: Darker colours indicate the option more strongly meets the criteria. Grey indicates the option does not meet the criteria at all. WDRs = workforce disincentive rates. Increase in hours refers to 'marginal worker' and single-parent hours in households with at least one child under 6. A 'marginal worker' is the partner in a couple working less hours.

Source: Grattan Institute