



the FrontProject

The early years springboard

A smart investment for a smarter Australia

Australia's first Economic Analysis of early childhood education in the year before school
An overview for government 2019

The Front Project has commissioned the first comprehensive Australian analysis of the economic impact of early childhood education.

The model looks at the impact of the current Australian system, which provides an early childhood education program for 15 hours a week, delivered by a Bachelor qualified teacher, in the year before school.

Currently more than 90% of children in Australia attend an early childhood education program in the year before school. The analysis is based on data for children who attended early childhood education in 2017.

The economic analysis examined the measurable costs and benefits for children, governments, families and business. It used the best available Australian and international research to estimate the impact of early childhood education on early school achievement, and the likely uplift in children's achievement at Year 3 and throughout the rest of their education.

All references to early childhood education in this report refer to preschool/kindergarten programs, which can be delivered through schools, in long day care, and in stand-alone services.

Universal early childhood education is a wise investment in Australia's economic productivity and wellbeing.

The Front Project's analysis shows that early childhood education produces a return on investment of 1:2 (ROI), boosting educational achievement, workforce participation and tax revenue.

Children, families, governments and business all benefit from investments in quality early childhood education. For every dollar invested in early childhood education programs, we receive two dollars back.

Benefits to Government.

Investments in early childhood education in Australia directly benefit government through:

Increased tax revenue

+\$313M annually, with this projected to grow to +\$495m when the children reach adulthood and enter the workforce.

The growth in tax revenue is driven by the increased incomes of parents who return to work, and the projected earning capacity of children who are more likely to have higher qualifications and earnings.

Increased workforce participation

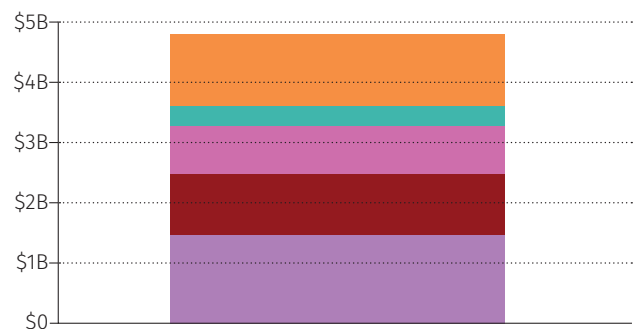
An additional 33 million hours are worked across the economy by parents returning to work in the year their children attend early education.

Reduced spending

+\$1,196M over the child's life from reduced spending on health, welfare and crime driven by increased school achievement.

The benefits

\$4.8B benefits generated by every cohort of children attending early childhood education



Benefit

- Reduced social costs
- Increased productivity
- Increased tax revenue
- Increase in children's lifetime earnings
- Increase in parent earnings

Benefits to children and families.

Quality early childhood education generates benefits to both children and families. It supports children and accelerates the development of foundational skills including literacy, numeracy, communication, social and emotional and problem-solving.

The development of these skills set children up for life through:

Increased school achievement

- Children who attend early childhood education have improved literacy and numeracy and better social and emotional abilities.
- These skills are associated with approximately 14 additional NAPLAN points in Year 3.
- Children with higher scores at Year 3 NAPLAN continue to do better all the way through to Year 9 NAPLAN, and then to graduation.

Increased lifetime earnings

+\$997M over a lifetime because higher school achievement leads to higher qualifications and higher earnings throughout life.

Improved health

A 9.2% decrease in children likely to experience obesity-related health issues throughout their lives.

The analysis also demonstrates the significant benefit that investments in early childhood education generate for parents through:

Increased income

+\$1,463M in household incomes in the year children are attending early education, because parents are able to return to work or increase their hours.

- Long-term salary benefits from returning to work and increasing hours.
- Improved skills and employability – leading to higher earnings over time.

Increased superannuation

- Increased workforce participation also leads to greater superannuation contributions which in turn leads to less reliance on government assistance at retirement.

An investment in Australia's Future.

Research shows that as automation increases, one in ten workers will need to re-skill to ensure they stay relevant in their roles. The future of work will require a work-learn mindset.

Investment in quality early childhood education can help build a flexible, capable workforce and a competitive Australia. It gives today's children the best chance to navigate a future where they will have to adapt to several careers in an uncertain environment.



Increasing the benefits.

We have an opportunity to increase the return on investment by:

- **Investing in quality:** Every child should have access to a quality early childhood education program that enhances their learning and development. Currently a quarter of services aren't meeting the National Quality Standard.
- **Committing to ongoing funding:** Ongoing funding commitments from State and Commonwealth Governments will lead to improved service viability, planning, job security and quality. The current agreement between the Commonwealth and the states and territories to fund these programs will expire at the end of 2019. It has been renewed annually or biannually for the past 7 years.

- **Increasing access:** Ensuring children in disadvantaged communities have access to quality early childhood education. They have the most to gain yet are the least likely to attend and the least likely to experience high quality learning.
- **Offering two years:** Two years of quality early childhood education in the years before school has a bigger impact than one year. Australia is one of the few OECD countries not offering two years of preschool, putting us at risk of falling further behind on international benchmark tests, like the Program for International Assessments.
- **Investing in research:** This report has highlighted the need to build more evidence on the impact of the current Australian early childhood education system, particularly the short- and long-term impacts on school achievement, social and emotional skills and health and wellbeing outcomes.