



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



The Front Project's vision is that all Australian children are thriving from the start and driving our future prosperity.

We are an independent national enterprise working to improve quality and create positive change in Australia's early childhood education system.

We work with government, business and the early education sector to improve outcomes for children and in turn increase the short and long-term gains for Australia.

We improve quality and create positive change across Australia's early childhood education system through:

- > research and policy development that supports a high quality early childhood education system so all children benefit and progress
- > convening and equipping leaders from the early learning sector to ignite change and improve the quality of early learning for all children
- > campaigning for universal access to high quality early childhood education programs that suit families
- > co-designing and implementing innovative program solutions that address gaps and strengthen the early learning system
- > activating a network of influential business and community leaders to boldly advocate for high quality early childhood education.

#### What was measured for this report

Using 2017 base data for the year before school, and grounded in the strongest available Australian data\*, this report examines the costs and benefits of early childhood education and indicates the strong economic return.

The benefits captured do not include outcomes that cannot currently be measured, for example, peer relationship building or social cohesion and connection to community. It is however understood that with further analysis, additional data would only strengthen the returns outlined in this report.

The potential to strengthen and expand this evidence base now exists.

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.

*\* To find out more about the methodology used to develop this report please visit [www.thefrontproject.org.au/initiatives/economic-analysis](http://www.thefrontproject.org.au/initiatives/economic-analysis)*

# 01 | A smart investment for a smarter Australia

A summary of the economic analysis of universal early childhood education in the year before school in Australia

*'An economic analysis of our early childhood education system has not been done in Australia before.*

*The Front Project commissioned A Smart Investment for a Smarter Australia, working with PwC to quantify the benefits of early childhood education now and into the future and to reveal the enormous opportunity when we invest in children.*

*The findings demonstrate the potential for more children and families to live healthier, happier and more productive lives alongside dividends that will benefit our entire society and economy.*

*The Front Project is committed to creating a broadened understanding of the value of early childhood education and this report brings a new evidence base to light so that governments, businesses, education professionals and community leaders can work together on new solutions to ensure Australia's ongoing prosperity.'*

Jane Hunt, CEO The Front Project



There is a large international evidence base that demonstrates how a child's experiences in the early years (0-5) impacts outcomes later in life.

More than 50 years of research has shown investment in quality early childhood education leads to improved health, education and employment outcomes for children. These improved outcomes have economic impacts that reach beyond children and their families.

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 education program for 15 hours a week, delivered by a Bachelor qualified teacher, in the year before school. Programs can be delivered through schools, in long day care, and in stand-alone services.

Currently more than 90% of children in Australia attend an early childhood education program in the year before school.

#### Approach

The economic analysis examined the measurable costs and benefits for children, governments, families and business.

It considered:

- 1 The number of parents likely to increase their working hours or return to the workforce because of the availability of early childhood education, taking into account the benefit of continued attachment to the workforce for women.
- 2 The best available Australian and international research to estimate the impact of early childhood education on early school achievement, and then the likely uplift in children's achievement at Year 3 and throughout the rest of their education.
- 3 A range of Australian and international data on the impact of early childhood education on the likelihood of graduating school, obtaining further qualifications and the flow-on impacts on financial security, health and wellbeing for individuals and productivity across the economy.

This economic analysis is based on conservative measures and the benefits captured do not include outcomes that cannot be monetised, for example, peer relationship building, social cohesion and connection to a community. In this way the analysis understates the potential impact of early childhood education.

## 02 | Findings



**1:2**



The return on investment opportunity

### Investing in early childhood education doubles the return.

Australia's current federal, state and territory early childhood education policy supports all children to attend an early childhood program in the year before school.

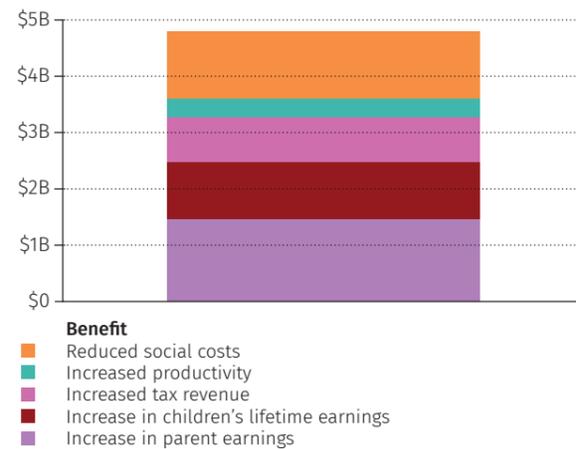
The analysis found this policy provides a significant return on investment (ROI) of 1:2. The evidence indicates for every dollar invested now, Australia receives \$2 back over a child's life. This is a higher return than many infrastructure projects that are essential to support a growing population and sustain a competitive Australia.

A major project, like Victoria's Metro Tunnel, which is currently under construction, is being constructed with conventional economic benefits of 1:1 and wider economic benefits of 1:5. Therefore investing in early childhood education delivers a return in line with, or greater than other nation building projects for Australia.

The ROI can be attributed to the skills and abilities children develop in early education. These abilities lead to stronger academic performance through school and a greater likelihood of school completion and undertaking further education. School completion and participation in further education are key predictors for higher future incomes and better wellbeing.

### The benefits

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



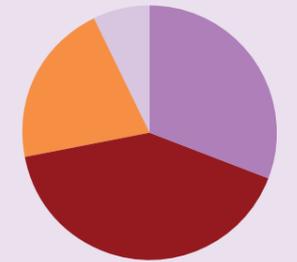
- Children become confident learners, prepared for school and are put on a path to better educational achievement and therefore higher earnings throughout their lives.
- Parents have the opportunity to return to work or increase their hours, increasing workforce participation.
- Government benefits from increased taxation as a result of higher workforce participation and increased taxation now, and the higher earnings of today's children in years to come.
- Business benefits from a more educated, efficient and adaptable workforce.

## 03 | The numbers



### Who benefits

- Parents
- Government
- Children
- Business



### Business

**+\$319M** in increased productivity – driven by a more educated and effective workforce.

4000 fewer early school leavers each year – because children are entering school with the core skills and capabilities they need to succeed and graduate.

### Who pays?

Currently, Australia invests a total of \$2.3b on universal access to early childhood education in the year before school. These costs are split between government (79 per cent) and parents or carers (21 per cent).

This equates to a government spend of \$6789 per child per year. Data shows government invests approximately \$15,000 per child in primary school and \$19,000 per child in high school per year.

For each cohort of children attending a quality early childhood education program, there are substantial benefits now and into the future.

### Governments

**+\$313M** in tax revenue now and +\$495m in tax revenue into the future – because an additional 33 million hours are being worked across the economy immediately by parents whose children are in early education, and children who attended early childhood education have higher qualifications and higher earnings.

**+\$1,194M** from reduced health, welfare and crime spending – with the boost to education driving significant reductions in demand for health issues related to obesity and smoking, more people in the workforce, and reduced involvement in the justice system.

### Families

**+\$1,463M** in household incomes - because 35,749 sole parents and 113,840 people in couple households are able to increase the number of hours they work, and 4,624 sole parents and 8,766 people in couple households are more likely to join or re-join the workforce because their children are in early education.

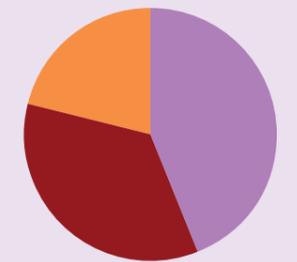
### Children

**+\$997M** in lifetime earnings – because higher school achievement leads to higher qualifications and higher earnings throughout life.

Healthier people - each year, 8,500 children are less likely to experience obesity-related health issues throughout their lives, 2,300 children are less likely to become smokers and 763 children are less likely to be incarcerated as adults.

### Who pays

- States and territories
- Commonwealth
- Parents



# 04 | A smart investment for everyone



### Quality early childhood education is good for children now and in the future.

- The report shows children who attend early childhood education have improved literacy and numeracy and better social and emotional abilities.
- The analysis found the improved skills and abilities in children who attend early education was 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.
- Evidence suggests that if early childhood education puts students ahead at the start of primary school, the benefits will increase as they progress through the education system.

### Families benefit immediately and improve their future financial security.

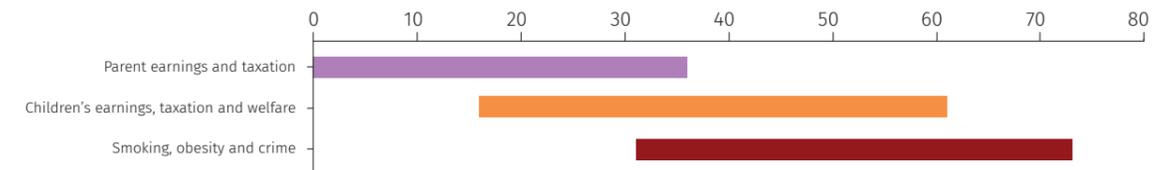
- The evidence showed parents with children in early childhood education who return to the workforce or increase their hours benefit from higher income, and also see longer term salary benefits. Increased workforce participation improves their skills and employability – leading to higher earnings over time.
- Increased workforce participation by parents with children in early childhood education also leads to greater superannuation contributions and helps build financial independence.

### Early childhood education is a productivity investment for government.

- The report showed significant taxation benefits to the Commonwealth government both immediately – from parents who return to work or increase their working hours, and in the longer term - because children who attend early childhood education are more likely to start school ahead and graduate. The lift in school graduation means children are likely to earn more, and therefore pay more tax throughout their lives.
- State and territory governments are also beneficiaries. Early childhood education reduces pressure on health, education and justice budgets because children who attend are more prepared for school and less likely to suffer from health issues related to obesity and smoking.

### Benefits accrue across a child's life

Time period that benefits are realised (years following attendance at early childhood education)



The analysis timeframe captures the lifetime benefits for children receiving early childhood education in 2017. The economic benefits are seen immediately by parents as soon as their children start early education. Some of the longer-term health and justice related benefits occur later in life and benefit all of the community.

Other flow-on effects include greater social cohesion, reduced inequality, and a healthier and happier community, more able to contribute and cope with life's challenges.

The report uses Australian data to the greatest extent possible. All education, earnings, taxation, health, crime and welfare data is Australian and reflects the context of modern Australian society and economy.

The report uses the best available Australian evidence on the impact of early childhood education and triangulates this with the more comprehensive international evidence base. This report has highlighted the gap in Australian data. There is a 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.



