



Committee Secretary
Senate Education and Employment Committees
PO Box 6100
Parliament House
Canberra ACT 2600
eec.sen@aph.gov.au

4 October 2024

Dear Committee Chairperson,

We welcome the opportunity to comment on the Wage Justice for Early Childhood Education and Care Workers (Special Account) Bill 2024. The Parenthood welcomes the introduction of this historic legislation to improve wages in the Early Childhood Education and Care (ECEC) sector and the establishment of the Early Childhood Education and Care Worker Retention Payment Program (the Program).

The funding of a 15 per cent wage increase for ECEC workers over two years, tied to a condition that providers limit fee increases, will ensure educators are paid fairly without the cost impost being passed on to families. This will deliver significant benefits to children, families, and communities, in addition to the early childhood educators and services that benefit directly. In this submission we recommend amendments to the legislation that will improve the legislation and make its benefits clearer to the Australian public.

If you have any queries relating to our submission or would like to discuss them further, please contact our CEO Georgie Dent at

Yours sincerely,

Georgie Dent
CEO
The Parenthood

C/- Company Matters
680 George St,
SYDNEY, NSW, 2000
Australia



Submission - Wage Justice for Early Childhood Education (Special Account) Bill 2024
Senate Education and Employment Committee

1. Introduction

The Parenthood is an independent, not-for-profit advocacy organisation representing more than 80,000 parents, carers and supporters nationally. Our mission is to make Australia the best place in the world to be a parent and raise a child. To that end, we advocate for a universal, quality, inclusive ECEC system that is delivered by a properly paid, qualified and supported workforce.

Every child, regardless of their postcode, background or parents' employment, deserves access to the benefits of quality, inclusive ECEC before they start school. For children, quality ECEC plays a critical role in their development and learning. For parents and families, totally affordable, high quality ECEC is critical infrastructure. It can help their children to thrive, *and* enable them to combine their caring responsibilities with their need to materially provide for their children. For parents of young children to participate in paid work, study or training, access to ECEC is fundamental. For communities to function and flourish, and for the economy to prosper, ECEC is an essential service.

This is why economic modeling has shown a potential return of Government investment in ECEC 2:1¹, with the potential to increase our GDP billions, and even further benefits accruing long term as access to quality ECEC builds human capital and increases our productivity as children grow up.

But this is contingent on a stable, experienced workforce that can deliver high quality ECEC. Without that workforce, children, parents, families, employers, communities and the economy miss out on the potential social, economic and educational benefits ECEC provides.

¹ PWC (2019) A Smart Investment for a Smarter Australia: Economic analysis of universal early childhood education in the year before school in Australia, The Front Project:
https://elacca.org.au/wp-content/uploads/2020/02/ECO_ANALYSIS_Full_Report.pdf

The Parenthood

The Parenthood strongly supports the Wage Justice for Early Childhood Education and Care Workers Bill 2024. Educators are at the heart of a quality ECEC sector but despite their qualifications, responsibilities and the immense value of their work, they have been chronically underpaid. ECEC professionals earn considerably less than their counterparts, with the same qualifications, in the school system. Low rates of pay have been identified as a major driver of the workforce shortages in ECEC by the Productivity Commission, the Australian Competition and Consumer Commission, Job and Skills Australia, and the NSW Independent Pricing and Regulatory Tribunal.

The sustainability and quality of ECEC is inextricably linked with the strength and sustainability of its workforce. We celebrate this Bill as historic in addressing the persistent challenges facing the ECEC workforce and ensuring ECEC professionals are recognised and fairly remunerated for the invaluable role they play in families and children's lives, and in the communities they serve.

The Commonwealth government's provision of grants to ECEC providers to increase wages for educators is historic in addressing the persistent challenges facing this workforce. The legislation makes progress in remedying the historic wage injustice experienced by this female-dominated employment sector. We believe it is a fundamental step towards ensuring ECEC professionals are recognised and fairly remunerated for the invaluable role they play in families and children's lives, and in the communities they serve.

Improved wages will help stem the tide and improve retention. This will improve quality in the sector which will ultimately result in improved development and learning outcomes for children.

It is critical that this wage increase is funded by the Commonwealth government, as it cannot be borne by families for whom the out of pocket costs for ECEC remain prohibitive. We believe the funding of this grant being dependent on providers not increasing fees above the 4.4% cap is appropriate. This wage increase needs to land directly in the pockets of early educators and a reasonable fee cap, informed by the ACCC's analysis of increases in labour costs higher than CPI, represents an efficient and effective investment to that end.

This submission provides commentary on clauses of the draft legislation and recommendations for alterations where these are required.



2. Comments on Part 1 – Preliminary.

Objects (Clause 3).

The Parenthood strongly supports objects 1 - A, B & C of this legislation. A pay rise of 15% over two years will help to address current ECEC workforce shortages and support efforts to professionalise ECEC.

A Better Skilled Workforce Increases Development and Learning Outcomes of Children

Quality outcomes for children depend on a highly skilled, well-supported and professionally recognised ECEC workforce.

The 'Shaping Our Future: A Ten-Year Strategy to Ensure a Sustainable, High-Quality Children's Education And Care Workforce 2022-2031' (National Education and Care Workforce Strategy)

states that 'investment in the ECEC sector and its workforce leads to a range of important benefits: improved and more equitable educational and developmental outcomes for children; increased intergenerational social mobility; and higher female labour market participation. They state that quality outcomes for children depend upon a highly skilled, well-supported and professionally recognised workforce.

We agree. A recent technical report released by the Australian Education Research Organisation (AERO) titled 'Linking Quality and Child Development in Early Childhood Education and Care' found that staff quality had direct links to improving learning and development outcomes for children.

They reiterated research that demonstrated the link between the quality of instruction (e.g. the knowledge, skills and attributes of staff) and resultant children's outcomes, stating that:

The quality of ECEC matters. [the] conclusion is clear that higher-quality ECEC supports a child's development outcomes in their first year of full-time schooling (e.g. Preschool). Effects for children who live in more remote areas, in families who are socially and economically disadvantaged, or from language backgrounds other than English showed more positive effects.

TheParentHood

Currently, 17% of all Australian Long Day Care providers (which constitute the majority of ECEC services) have a staffing waiver from the ECEC Regulator, the Australian Children's Education and Care Quality Authority (ACECQA). This has significant implications for the quality of education and care that children receive in ECEC services. This pay increase will contribute significantly to the retention of educators in the ECEC sector and hopefully reduce the number of ECEC services that must apply for and receive a staffing waiver.

Benefits to children should be added as an Object of the legislation, given the evidence that links the quality of the workforce directly to the development and learning outcomes of children.

Recommendation

In Part 1, Clause 3, an additional Object (1, e) is added that states:

Improve the learning and development outcomes of Australian children.

Better Skilled Educators Lead to a More Productive Workforce

A further Object of the legislation that should be included is to improve the economy's productivity.

If families can easily access quality, inclusive ECEC, parents can more readily participate in work, education, or training. This improves household budgets, provides mothers in particular with greater opportunities to develop financial security and collectively increases workforce participation and the productivity of the Australian economy.

Recommendation

In Part 1, Clause 3, an additional Object (1, e) is added that states:

Improves the participation of parents in the workforce, increasing Australia's economic productivity.



Part 3. Grants

Increased Skills and Capabilities for Early Childhood Educators

The National Children's Education and Care Workforce Strategy states that investment in the sector and its workforce leads to a range of important benefits, including:

- Improved and more equitable educational and developmental outcomes for children
- Increased intergenerational social mobility
- Higher labour market participation.

Quality outcomes for children depend upon a highly skilled, well-supported and professionally recognised workforce.

Attracting quality young people to enter initial university education and training courses and then retaining staff is critically important to improving the quality of the ECEC workforce. A 15% pay rise will greatly assist with attracting and retaining staff.

Professional learning is critically important to building the quality of the ECEC workforce. It is reasonable to expect employers who receive grants to contribute to employees' wages provide adequate professional learning to their employees to build the quality of the entire ECEC workforce. To this end The Parenthood supports professional learning requirements be included as requirements from ECEC early childhood education and care providers that are receiving wage subsidy grants.

Recommendation.

In Section 11 (3), a condition of the grant should be added that requires recipients to provide a set amount of professional learning for staff that receive wage increases.



Part 4. Miscellaneous

The Parenthood strongly supports the condition that fee increases that ECEC providers can charge are limited if they receive a grant administered under the Legislation. This has been capped at 4.4% for the duration of this agreement.

High out of pocket costs for ECEC put significant financial pressure on households. A poll The Parenthood conducted in October 2023 found just 3 in 10 families using long daycare say the cost is “easily manageable”.

The recent report by the Australian Consumer and Competition Commission (ACCC) on ECEC, concluded that current market dynamics mean that those families with the highest capacity to pay are being provided with the highest quality services.

ECEC providers cluster in areas where parents have the capacity to pay higher prices. The ACCC found that providers’ supply decisions are highly influenced by expectations of profitability within a particular area or market, which is driven not only by expectations of demand, but also ability to pay. The result is that middle and higher-income areas have a greater number of ECEC and preschool places available to them than families in low-income communities. Market forces mean access to quality affordable and accessible ECEC is determined by where a family lives, and their ability to pay for it.

The Parenthood firmly believes the current market model for funding and delivering ECEC is unsuitable and unsustainable for all communities. We have advocated for the introduction of a fixed-fee, supply-side funding model which would help families with the cost of ECEC while ensuring that the Australian Government gets a fair return on its investment in ECEC for the community.

The Wage Justice for Early Childhood Education (Special Account) Legislation will create a form of price cap, which is an important aspect of most international supply-side funding models. Providers that participate in the scheme will only be able to increase their fees by the amount deemed in the legislation. The impact of this measure should be monitored and evaluated to inform future government decisions.

The Parenthood recommends that the legislation clearly states that the Department of Education must evaluate the price cap’s impact on the ECEC sector and families, in particular, affordability.



Recommendation.

In Section 11, the Legislation requires the Department of Education to evaluate the legislation's impact on the ECEC sector, especially costs to parents.

The Parenthood notes and supports the following recommendations from Goodstart Early Learning in regard to the Wage Justice Bill:

- A bipartisan commitment is made to provide ongoing support for a wage increase in the ECEC sector of 15% or higher; and
- The government includes ongoing funding for ECEC wage increases.

Summary

The Parenthood acknowledges and applauds the Commonwealth Government for introducing this legislation to improve the wages of educators in the ECEC sector. It will provide significant benefits to children, their families, and the community, in addition to the early childhood educators and services that are the direct beneficiaries.

As detailed above, we recommend broadening the Objects of the Legislation to represent the many beneficiaries, introducing requirements on ECEC grant recipients to provide a minimum amount of professional development to their employees, and requiring the Department of Education to carefully evaluate the legislation's impact on the ECEC sector, especially costs for parents.