

## Early Years Quality Fund Special Account Bill 2013

### Senate Inquiry Submission from Early Childhood Australia

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#### Spokesperson

Samantha Page, CEO

#### About Early Childhood Australia

Early Childhood Australia (ECA) has been a voice for young children since 1938. We are the peak early childhood advocacy organisation, acting in the interests of young children, their families and those in the early childhood field. ECA advocates to ensure quality, social justice and equity in all issues relating to the education and care of children from birth to eight years. For more information, please visit: [www.earlychildhoodaustralia.org.au](http://www.earlychildhoodaustralia.org.au).

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#### Early Childhood Australia State and Territory Branches

## Executive summary

Early Childhood Australia (ECA) strongly supports wage increases in the early childhood sector but we have concerns about the equity and sustainability of the Early Years Quality Fund (EYQF).

There is a solid research base linking outcomes for children in education and care settings to the capabilities and stability of educators working in those settings. Currently in Australia, early childhood educators are generally poorly remunerated and this makes it difficult to recruit a sufficient number of people with appropriate talent and qualifications to deliver quality services. It can also be difficult to retain qualified educators when they can earn much more in school settings and other professions. To achieve improved quality in Early Childhood Education and Care (ECEC), educators need to be paid professional wages and government investment is needed to avoid this having a detrimental impact on affordability for families using early childhood services.

ECA has supported the EYQF as a step towards increased wages. We agree with the intended outcomes of the initiative, including:

- Reaffirming the sector's commitment to the *National Quality Framework*;
- Ensuring price restraint in the context of increased government investment;
- The need for a substantial wage increase (a smaller increase is unlikely to have an impact on recruitment and retention in the sector); and
- Increasing incentives to encourage educators to gain higher qualifications.

Nonetheless, the fund is inadequate because it provides only partial coverage for the ECEC workforce, meaning that the majority of educators will not get a wage increase. This is very divisive and has been met with strong criticism from the ECEC sector.

There are also aspects of the proposed fund that will create practical and ethical dilemmas for employers. The majority of ECEC employers do not have an Enterprise Agreement in place and many are concerned about going through this process (which can be costly in terms of financial and human resources investment) to be eligible for funding, particularly as funding is not guaranteed. The fact that wage increases will be supported for a time-limited period (two years) creates more problems—if wage rates then stay at the higher level without government support, fees will need to increase. Alternatively, if wages drop many disaffected educators will leave the sector. Another concern is that of equity—the fund does not extend to educators in out-of-school-hours care, preschools or service models other than Child Care Benefit approved long day care, meaning that many organisations will be paying different wage rates across settings where they currently pay equivalent wage rates. This has the potential to create recruitment and retention issues for sections of the sector as educators will naturally seek work in services which offer better wage rates.

ECA seeks to work with the Federal Government to address the concerns raised by the sector. Specifically, we would like to see the EYQF expanded to provide full coverage and for funds to be available through mechanisms other than Enterprise Agreements in order not to disadvantage smaller providers.

*ECA's vision is for a society in which all young children thrive and learn. Our role in achieving this vision is to be a voice for young children promoting their rights and opportunities.*

## Introduction

ECA has been a voice for young children since 1938. We are a peak national body with a large and diverse membership. We have branches in each State/Territory jurisdiction and over 3,800 members across Australia.

A substantial proportion of ECA members are organisations that provide Early Childhood Education and Care (ECEC) across the spectrum of long day care (private, not-for-profit and public), family day care, out-of-school hours care, rural/remote and mobile services and specialist service types. Our membership also includes individuals working and studying in early childhood occupations as well as registered training providers, universities, consultants, experts and academics.

Our advocacy is concerned with the rights and opportunities of young children. We respect the right of early childhood services to be viable enterprises and for individual educators to have rewarding careers in early childhood but this is not the foundation of our advocacy work. Our focus is on outcomes for young children and we support the goal '*by 2020 all children have the best start in life to create a better future for themselves and for the nation*' contained in the *National Early Childhood Development Strategy 'Investing in the Early Years'*.

The *National Early Childhood Development Strategy*, endorsed by the Council of Australian Governments (COAG) recognises the social and economic benefit of achieving consistent, high quality early childhood education and care across Australia. The Strategy introduces the *National Quality Framework (NQF)*, a national benchmark for quality of education and care services. The NQF includes, among other things, targets for qualifications of people working in the sector; that by January 2014 all staff hold or be studying toward a certificate III or higher and 50 per cent of staff in long day care and preschool hold or be studying toward a diploma or higher.

In Australia, the number of children participating in formal ECEC has been growing consistently over several years, demonstrated by a 20 per cent increase between June 2009 and June 2011<sup>1</sup>. The delivery of early childhood services now impacts over one million Australian children. Attendance at early childhood education programs has been found to have beneficial effects on a child's readiness for future learning and their ability to make a successful transition to full-time schooling, particularly among disadvantaged children. Children who attend quality early childhood education programs show better performance and progress in their early school years in intellectual, cognitive and social

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<sup>1</sup> Standing Council on School Education and Early Childhood, *Early Years Workforce Strategy 2012–2016*, 2012, p 4.

domains<sup>2</sup> and these targets acknowledge that qualified staff make a difference to the educational outcomes for young children in ECEC settings.

Indeed there is a strong and growing body of research demonstrating the importance of educator qualifications and performance in determining the quality of early childhood service delivery. For example, a comprehensive review of the literature on determinants of quality in ECEC concluded that across age groups and service settings ‘the most significant factor affecting quality appears to be caregiver education, qualifications, and training’<sup>3</sup>. The UK Effective Provision of Pre-School Education project (EPPE), one of the most comprehensive and widely regarded longitudinal studies, found that settings which have staff with higher qualifications have higher quality scores on quality rating systems and children make more progress as learners. The EPPE findings show that having trained teachers working with preschool children (aged three- to five-years) for a substantial amount of time had the greatest impact on quality and was linked specifically with improved outcomes for children’s literacy and social learning at age five<sup>4</sup>.

The National Quality Reforms are a win-win. Families are much better informed about the quality of their child’s early education and care, and children benefit in terms of social and intellectual growth, and learning from higher quality interactions with staff members. This is a long-term process that will benefit children, families and the Australian economy.

### **Supporting professional wages**

Although a stable, skilled and professional labour force is widely acknowledged as vital to ensuring high-quality ECEC, educators continue to be generally poorly paid for the significant work they do in educating and caring for our children. While some employers are able to offer above award wages and conditions, as outlined by United Voice, some qualified educators earn as little as \$18.58 per hour, suffer low status in the broader community, lack fulfilling career paths and have inadequate training opportunities<sup>5</sup>. This makes it difficult to attract people with appropriate talent and qualifications, it is also difficult to retain qualified educators when they can earn much more in school settings. Addressing educators’ low wages is key to completing the NQF process and essential to ensuring the future viability of the sector which supports Australian families and children.

Families and service providers are not in a position to fund the disparity in wages, and as a sector we are calling on the government to fund the gap to ensure that children can gain from having consistency with educators and that staff are properly remunerated for their duties as qualified

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<sup>2</sup> Barnett, M. (2008).. *Economic disadvantage in complex family systems: expansion of family stress models*. *Clinical Child and Family Psychology Review*, 11(3):145–61.

<sup>3</sup> Huntsman, L. (2008). *Determinants of quality in child care: A review of the research evidence*. Retrieved June 2013 from [www.community.nsw.gov.au/docswr/assets/main/documents/research\\_qualitychildcare.pdf](http://www.community.nsw.gov.au/docswr/assets/main/documents/research_qualitychildcare.pdf).

<sup>4</sup> Sylva, K., Melhuish, K., Sammons, P., Siraj-Blatchford, I. & Taggart, B. (2004). *The Effective Provision of Pre-school Education (EPPE) Project, Final Report*. London: Institute of Education.

<sup>5</sup> United Voice. (2013). *ECEC Federal Budget Submission, Professional Wages Proposal for Early Childhood Education and Care*. p. 4.

professionals. ECA agrees with other peak and representative bodies that the next step in providing a stable and sustainable ECEC sector is the introduction of professional wages so the sector can attract and retain qualified and professional educators, which is the backbone of quality education and care. In our submission to the 2013 Federal Budget we called on the Australian Government to find a solution to this and invest in appropriate wage levels for early childhood educators<sup>6</sup>.

ECA has supported the United Voice 'Big Steps Campaign' which proposed a comprehensive wage increase for early childhood educators and called for an additional \$1.4–\$1.9 billion per annum investment from the Federal Government. The EYQF is but a small step towards this level of investment—providing just \$300 million to support increased wages for the next two years. However, it creates many practical and ethical dilemmas for employers.

### Positive aspects of the EYQF

ECA has supported the Early Years Quality Fund as a step towards increased wages. We agree with the intended outcomes of the initiative, including:

- Reaffirming the sectors commitment to the *National Quality Framework*;
- Ensuring price restraint in the context of increased government investment;
- The need for a substantial wage increase (a smaller increase is unlikely to have an impact on recruitment and retention in the sector); and
- Providing incentives to encourage educators to gain higher qualifications.

We also welcome the commitment to support for a unit within Fair Work Australia to focus on wage equity for early childhood educators over the longer term.

### Challenges in the EYQF

There are a number of significant concerns and challenges with the implementation of the Early Years Quality Fund.

### Cap on the total value of the EYQF

The \$300 million funding available is capped and this means that the majority of services and educators will miss out. It has been estimated that the fund will only cover wage increases for 30–40 per cent of educators working in the long day care sector.

This raises significant equity issues. Many employers will be at a disadvantage because they do not have an Enterprise Agreement in place or face barriers to putting one in place (lack of expertise, lack of capacity, complex workforce with educators working across settings that would not be eligible for

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<sup>6</sup> ECA's Pre Budget Submission to the 2013 Federal Budget is available on our website: [www.earlychildhood.org.au](http://www.earlychildhood.org.au).

funding etc). ECA is particularly concerned that small organisations, both private and not-for-profit, will be at a disadvantage. Larger providers with Enterprise Agreements already in place and dedicated HR personnel will potentially enjoy a strong competitive advantage in the application process.

Eligible services that are unable to access the funding when it has run out will be at a distinct disadvantage. Many educators will be disaffected when they do not receive the increase. Retaining and recruiting staff will be even more problematic than the current situation. These services may need to pay increased wages to staff and pass this cost on to families; families who already find it difficult to pay for the cost of education and care.

The potential increased cost of ECEC for eligible but unsuccessful services may result in fee increases to fund wage increases necessary for services to compete with staff. This will result in significant hardship for some families and may see a decrease in participation levels and reduced workforce engagement. This is at odds with national productivity goals.

ECA believes that the cost-benefit of increased investment in high-quality early childhood services is well justified by evidence on the long term outcomes for children and workforce participation, particularly amongst women with young children. We recommend that the fund is increased and uncapped to provide full coverage of wage increases for all educators working in the sector.

**Recommendation 1: Remove the cap and increase the total funding available to ensure equity for all eligible services.**

### Time limited funding

The time limited nature of the funding is problematic for longer term planning and sustainability. Following the initial two year period, there is no guarantee that these funds will be available and services will face a tough choice: reduce wages back to the level prior to the increase or maintain the wage rates that have been established.

While reducing the wages will ensure that there are no additional expenses for the service or families, the current problems with retaining staff in a low paid sector will remain an issue. Staff will continue to leave the sector for higher paying jobs, particularly after they have been paid at a higher rate for the previous two years.

Maintaining wages at the established rate creates a funding gap for the service, a gap which will need to be filled by increased fees. This too is unsustainable. Families already struggle with the high cost of ECEC and an increase would not be affordable for many families.

Once again, we believe there is a cost-benefit argument for increasing wages on an ongoing basis and recommend that the fund be extended to provide long-term financial support.



**Recommendation 2: Remove the time limited nature of the funding and commit to ongoing funding for appropriate wage rates.**

### Requirement for an Enterprise Agreement

With 90 per cent of services in the ECEC sector without an Enterprise Agreement (EA), many services may delay application for funding and be unable to access the funds before the money runs out, notwithstanding that a service may apply and be granted funding conditional upon implementing an EA.

The majority of early childhood services are run by small organisations with just one or two centres. There is limited spare capacity for managing an EA bargaining process and limited sources of advice or assistance with this. Support from United Voice is available to those with high union membership but this is outside the control of employers.

Larger providers also face challenges in negotiating or renegotiating EAs to be eligible for the EYQF. Many will have employees that are not working in Child Care Benefit approved long day care that need to support the EA changes.

Concern has been raised by the sector that the requirement to have an EA may unfairly privilege union members. While it is not necessary to become a union member to access the funding, and this funding model does not promote union membership, it does appear that services developing their EA alone may take longer to finalise the document and therefore miss out on accessing the limited funding available.

**Recommendation 3: Remove the requirement that organisations have an EA in place, or provide more support to services needing to develop an EA to ensure equity in the application process.**

### Coverage limited to long day care

The current model is limited to staff working in long day care services only, raising substantial equity issues for educators working in other settings including those who work across long day care and out-of-school-hours care. This has the potential to create difficulties for ineligible services who may find it more difficult to retain and recruit staff, or need to pay higher wages and pass the cost increase on to families.

Similarly in multipurpose services, only some of the staff—those working in long day care—will be eligible for the wage increase. This is a very real equity problem for the service which may result in difficulty retaining and recruiting staff in the non-long day care areas or increasing wages for all staff and passing the cost on to families.

One example of this is Inclusion Support Facilitators—working in a practical support manner with services on the ground.

We also understand that ancillary staff—cooks, cleaners, are eligible if they have a qualification—these positions are not educators but staff. It is unclear if they are recipients or not.

**Recommendation 4: Expand the EYQF to all early childhood services employing qualified educators.**

### Coverage for on-costs

As with any wage increase, there is always an associated increase in the salary on-costs, including superannuation and workers compensation. It is not clear whether the funds available can also be used to cover the increase in these costs or must go directly to staff wages.

Should the funds be required to go directly to staff wages, the increased on-costs will result in additional expenditure for services, which may be a disincentive to participate and/or may result in cost increases for families.

**Recommendation 5: Include the capacity to offset on-costs with the funds available and confirm this with services.**

### Conclusion

We appreciate the opportunity to provide feedback and support the intent of the fund to support quality outcomes for children by assisting early childhood services to attract and retain qualified hard working professionals. While ECA strongly supports the intent of the EYQF, we recognise that it raises sustainability and equity issues which are very real and of concern to the sector. We remain prepared to work with the Government to resolve these issues and have made the following recommendations:

1. Remove the cap and increase the total funding available to ensure equity for all eligible services.
2. Remove the time limited nature of the funding and commit to ongoing funding for appropriate wage rates.
3. Remove the requirement that organisations have an EA in place, or provide more support to services needing to develop an EA to ensure equity in the application process.
4. Expand the EYQF to all early childhood services employing qualified educators.
5. Include the capacity to offset on-costs with the funds available and confirm this with services.

ECA can provide more detail on any of these recommendations and would welcome an opportunity to discuss this submission.