



Senate Education and Employment Legislation Committee – Inquiry into Wage Justice for Early Childhood Education and Care Workers (Special Account) Bill 2024

Submission

October 2024

A Joint Submission by:



Community Child Care Association



Community Early Learning Australia



Community Child Care Association

From a small beginning, Community Child Care (CCC) has grown significantly, and is now the peak body for community-owned education and care, supporting long day care, outside school hours care (OSHC), kindergarten, family day care and occasional care educators, teachers, leaders, coordinators and directors. CCC's vision and purpose are underpinned by the belief that all children deserve the best possible start in life, regardless of their circumstances. Our vision is for excellent early childhood and outside school hours education and care for all and our purpose is to lead, support and advocate for accessible high-quality opportunities for children and families.

As a trusted sector leader, CCC provides leadership and advocacy, works with governments toward improvements in the sector and supports services with inclusion support, membership, quality professional development and consultancies. CCC equips and supports early childhood and outside school hours care services, educators and their communities with the skills and confidence to deliver high quality inclusive education and care services.

CCC's advocacy helps to enable and strengthen the development and retention of the community-owned education and care sector.

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Community Early Learning Australia

Community Early Learning Australia™ (CELA) is the voice for Australia's early education and care sector. As a peak body, our vision is for all of Australia's children to have access to quality early education, regardless of economic circumstance or where they live.

CELA supports over 1,800 members employing more than 27,000 educators and teachers nationally. Our members include community-managed not-for-profit, government, and privately owned small providers, delivering preschool, long day care, outside school hours care, and family day care services.

Our Mission is to:

- Deliver effective and expert support for our members, enabling them to deliver quality early education and care for all Australia's children.
- Influence policy makers and government by amplifying the voices of community based and small providers.
- Promote the value and importance of community-based early education.

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Fixing low wages in the early childhood education and OSHC sector has been identified as absolutely necessary to the functioning of the system. It has been well established by the experts that addressing low pay in the sector is critically needed to address workforce shortages¹ and to be able to meet the Government's commitment on supply of service.

We were pleased to see the Government's announcement of an initial 15% funded wage increase for the sector and further support the fortifying of this commitment through this proposed legislation.

CCC and CELA believe that this bill should be passed in its entirety at the earliest sitting week following this committee's inquiry, to ensure that the fund is legislated in time for the first instalment of the wage increase on December 2nd 2024.

The importance of this bill comes down to three key factors:

- That low wages cause workforce shortages, and the urgency to fix this for the viability of the sector,
- The important role Government plays in this as the key funder, and
- The need to improve affordability and accessibility for families.

We would also note the important role that multi-employer bargaining has played in this process and will continue to play for the life of this bill. In addition, the ways in which this bill continues to fulfill Australia's commitments under the Right of the Child as well as the stated goal of Government to achieve a universal high quality early childhood system for all.

CCC and CELA are currently acting as employer bargaining representatives in the long day care multi-employer bargaining process, which directly led to the Government's decision to deliver a 15% wage increase to early childhood educators and teachers. Additionally, we have further experience including CCC's role as the bargaining representative for the Professional Community Standard multi-employer agreement in Victoria, and CELA's participation in the NSW Preschool supported bargaining process currently underway.

Low wages cause workforce shortages

Workforce supply remains the number one issue for the sector. Multiple inquiries and reports show that shortages are persistent and universal across the sector.

Investigations by the Productivity Commission², Australian Competition and Consumer Commission³ and the Australian Children's Education & Care Quality Authority⁴ have proven that not only are workforce shortages the critical issue facing the sector and families, but that low pay is the cause.

The Productivity Commission (PC) has noted they heard evidence of workforce shortages affecting the sector as far back as 2011, and that this continued with their inquiry in 2014. They stated that they were presented 'with substantial evidence ... of widespread staff shortages in the ECEC sector, particularly in long day care'. Notably, the most recent PC report states that this suggests structural factors at play, including unfavourable pay and conditions⁵.

These structural factors have prevented the market from addressing this problem, without resulting in further affordability issues for families. These factors include that with a system with already high out-of-pocket costs for families, any higher wages would be directly passed on to families through higher fees,

¹ Productivity Commission (PC), June 2024, 'A path to universal early childhood education and care' Volume 2 – Supporting papers, p. 139 [Inquiry Report - A path to universal early childhood education and care - Productivity Commission \(pc.gov.au\)](#)

² *ibid*

³ Australian Competition and Consumer Commission (ACCC), December 2023, 'Childcare inquiry' Final report, p 243 [December 2023 final report | ACCC](#)

⁴ Australian Children's Education & Care Quality Authority (ACECQA), September 2021, 'Shaping Our Future' National Children's Education and Care Workforce Strategy, p 40 [National Workforce Strategy | ACECQA](#)

⁵ PC, June 2024, 'A path to universal early childhood education and care' Volume 2 – Supporting papers, p. 139 [Inquiry Report - A path to universal early childhood education and care - Productivity Commission \(pc.gov.au\)](#)

without Government funding playing a role. The Australian Government commits the majority of total government funding into the sector⁶, estimated to be roughly \$12 billion a year.

Universal access cannot occur without workforce challenges being resolved. Without low wages being addressed, the workforce shortages will not resolve.

Investing in professional wages will not only assist in keeping the existing workforce, but we expect will entice many qualified staff back into the sector.

Role of Government

Noting the workforce shortages are the number one issue restricting accessibility for families, and that their cause is low wages, this problem cannot be solved by the market alone. The ACCC has shown that Australia already has some of the highest out-of-pocket costs for families⁷ with the OECD showing that we rank 6th in the world for net childcare costs for a couple on minimum wage⁸. There is no market solution that would maintain and assist in affordability for families.

Government intervention is required in this sector and is appropriate with their role as the majority funder of the sector. The Productivity Commission report establishes this as Government's role; as policy maker, funder and regulator⁹. Government intervention to ensure workforce supply, through funding increased wages and improved conditions for staff is necessary to maintain affordability and accessibility of the sector.

Affordability and accessibility for families

The final report of the Productivity Commission released last month made it clear that to expand the availability of ECEC, addressing workforce challenges through pay had to be a priority¹⁰. Accessibility for families is only possible when there is the appropriate supply of workforce needed.

Finding 3.3 of the report¹¹ - *Government support can help to offset the impacts of wage increases on ECEC affordability and accessibility* details clearly the benefits to families of Government intervention through funding the wage increase.

We understand the intention of this bill is to raise wages without limiting affordability or accessibility to education and care, and we're supportive of this objective. Currently, increases to wages and labour costs in the early childhood sector can only be recovered through raising fees to families. As noted above, this structural barrier has prevented the sector from providing wages and conditions that are at a level sufficient to attract and retain the necessary numbers of staff and reflect the level of responsibility required in this sector's roles. Government intervention is therefore necessary to allow for wages to be increased while maintaining affordability for families. It is appropriate for Government under these circumstances to set conditions to ensure continued provision of this essential service and maintain accessibility and affordability for families.

Further, Clause 11 of the bill allows for the inclusion of provisions to limit any increase in fees, and the Government's further announcement that the cap in the first year will be 4.4% with a further cap to be set by the new ABS ECEC Cost Index.

We would ask Government to consider in future setting a cap that is based on the relevant hourly rate cap, rather than an overall figure, to ensure this does not become a barrier to smaller low fee providers. The current mechanism allows for high charging services to increase fees at a greater dollar amount than services who have kept their fees below the hourly rate cap. This particularly limits the flexibility

⁶ *ibid*, p 603

⁷ ACCC, September 2023, 'Childcare inquiry' interim report, p 26 [September 2023 interim report | ACCC](#)

⁸ Organisation for Economic Co-operation and Development, 2022, Net childcare costs [Net childcare costs | OECD](#)

⁹ PC, June 2024, 'A path to universal early childhood education and care' Volume 1 p 24 [Inquiry Report - A path to universal early childhood education and care - Productivity Commission \(pc.gov.au\)](#)

¹⁰ *ibid*, p 65

¹¹ *ibid*

and ongoing viability of small, regional and community managed services. Further, any conditions related to restrictions in fees must be properly set to consider real and genuine increases costs to ensure continued viability, and so that no service needs to reduce quality as a result.

Enterprise bargaining

Noting the object in the bill 1(d) – *to encourage good faith bargaining and the making of enterprise agreements in the early childhood education and care sector*. It is appropriate that the bill recognises this, given the historic nature of the use of bargaining in this reform.

It would not have been possible for this reform to have progressed to this point, without multi-employer bargaining. This was only made possible due to the passing of the Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022.

This is necessary in government funded sectors, and particularly in the ECEC sector which is made up of thousands of mostly small providers, many of whom are very small businesses or community run. In the long day care sector, over 79% of approved providers operate just one service¹². For those community managed not-for-profits, they are run by volunteer parent/family management committees. These committees are the employing entity and are made up of unpaid parent and family volunteers who are also working other paid jobs.

The capacity of the management of individual service providers to bargain for a single enterprise agreement, is extremely limited because of their own capacity restraints and limited financial and industrial resources. Requiring individual providers to individually bargain is a large burden, and in many cases just not possible, putting them at a market disadvantage. This is another structural issue that has contributed to the long-standing low rates of pay in the sector. This Fair Work legislative amendment has opened the doors for multi-employer bargaining to take place, for the historic Government funding commitment we've seen and for longer term reform in the sector.

As bargaining representatives in the negotiation of the national long day care multi-employer agreement, we have found this process to be positive and collaborative between all the parties. Addressing workforce shortages and improving the recognition and value of the ECEC sector is a shared objective across both employers and unions.

Multi-employer bargaining allows for small services to pool resources to reduce the overall costs of making workplace agreements. Additionally, the cost of seeking professional assistance to negotiate agreements is a significant barrier for services. As member-funded organisations, providing one-on-one bargaining assistance is not viable at costs that would be acceptable for small and community-managed providers. As such, multi-employer bargaining is the only viable options for the majority of small and community-managed providers to engage in making workplace agreements.

Rights of the Child

Noting a further object of this bill is to implement Australia's international 26 obligations under the Convention on the Rights of the Child.

Access to early childhood education and care has been well proven to result in positive long-term development and learning outcomes, with 90% of brain development occurring in the first five years of life¹³. Expanding access to a universal 30 hours of education and care, as has been recommended by the Productivity Commission would increase the potential development outcomes, particularly for those children and families experiencing vulnerability and/or disadvantage. They note that universal access

¹² ACECQA, May 2024, 'NQF Snapshot Q1 2024' p 4 <https://www.acecqa.gov.au/snapshot-and-reports/nqf-snapshots>

¹³ Starting Blocks Australian Government, January 2024, 'Brain development in children' <https://startingblocks.gov.au/resources/parenting-and-home/your-childs-development/brain-development-in-children>

would mean by 2030, the proportion of children who are developmentally on track when they start school should rise by five percentage points as a result of greater access to ECEC¹⁴.

Quality education and care is linked to the relationships that children have with their educators and the importance of these being continuous and not disrupted. Children benefit from greater consistency of care, and addressing workforce shortages and improving retention is crucial to guarantee this.

Government intervention to fix critical workforce shortages through improving wages is the only way to ensure at minimum, that the existing accessibility is maintained.

Without this intervention, the only other way to resolve this is to increase fees. This would result in fewer children having access, particularly for children already facing disadvantage.

Long-term reform

It is critical to the continued provision of services, and to achieving Government's role in delivering universal early education and care that these improvements to wages are maintained. The impact of not continuing this funding would be educators and teachers receiving a pay cut or families having to pay higher fees. Both outcomes which we know would be detrimental to the sector and its ability to provide an essential service.

We understand that the Government has made this initial 15% commitment while two key processes are underway; their response to the Productivity Commission and Australian Competition and Consumer Commission reports, and the gender undervaluation priority awards review that is being undertaken by the Fair Work Commission. We have submitted to both these inquiries and are participating in the process underway with the Fair Work Commission. These two processes are likely to result in a holistic view of how the system can be reformed to ensure quality wages, quality service and affordability and accessibility for families.

While this work is not yet complete, we are pleased that the Government has recognised the urgency of the workforce crisis and made an initial funding commitment that we expect to see continued. We also note that it would be contrary to the government's publicly stated industrial relations policy to see employee wages reduced. Noting the bill has a sunset clause of 30 June 2028, and this is appropriate given the initial nature of the payment while long-term reform is undertaken.

Our priority is seeing long-term reform that includes professional wages and conditions for educators and teachers that are not passed on to families through higher fees.

Looking at another sector that also faces traditionally low wages for a professional workforce, the outcome of the wage increase for the Aged Care Workforce, resulted in increases around 23%. Noting this, we expect that overtime, further increases for the early education and care sector will be necessary.

Recommendations

1. That this bill be passed in its entirety in the November sitting period.
2. That the funding granted to providers cover all associated costs of the wage increase.
3. That a future cap on fees be based on the appropriate hourly rate cap, rather than the actual fee that is being charged.
4. That long-term reform includes embedding this increase to wages as part of future funding models and look to a further investment that recognises the importance of educators and teachers work with pay and conditions sufficient to attract and retain a qualified workforce.

¹⁴ PC, June 2024, 'A path to universal early childhood education and care' Volume 1 p 3 [Inquiry Report - A path to universal early childhood education and care - Productivity Commission \(pc.gov.au\)](#)