



MINDEROO FOUNDATION

Submission - Wage Justice for Early Childhood Education (Special Account)
Bill 2024

Senate Education and Employment Committee.

4 October 2024



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

Dear Committee Chairperson

We welcome the opportunity to comment on the Wage Justice for Early Childhood Education and Care Workers (Special Account) Bill 2024.

Minderoo Foundation supports this legislation to improve educators' wages in the Early Childhood Education and Care (ECEC) sector. The Legislation establishes the Early Childhood Education and Care Worker Retention Payment Program (the Program). The measures under this grant program will fund a 15 per cent wage increase for ECEC workers over two years, tied to a condition that providers limit fee increases to ensure workers are paid fairly without the costs being passed on to families. This 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.

In our submission (attached), we recommend amendments to the legislation. We believe these amendments 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 Government Relations team at gov.relations@minderoo.org or Jay Weatherill at

Yours sincerely,

Jay Weatherill
Director of Development
Minderoo Foundation

1. Introduction

Minderoo Foundation is a proudly Australian philanthropy that fights for a fair future and seeks effective, scalable solutions to dismantle the systems that entrench inequality.

This is why Minderoo established its Thrive by Five campaign to transform Australia's early learning and childcare system. Led by Jay Weatherill AO, former Premier of South Australia, Thrive by Five advocates for a comprehensive, high-quality, universally accessible and affordable early learning system for all Australians.

Minderoo strongly supports the Wage Justice for Early Childhood Education and Care Workers Bill 2024. Workers are at the heart of a high-quality Early Childhood Education and Care (ECEC) sector and have long been underpaid. The Australian Government's provision of grants to providers to increase wages for ECEC workers will significantly contribute to improved quality in the sector, ultimately resulting in improved development and learning outcomes for children.

The legislation also goes some way to remedying the historic wage injustice suffered by traditionally women-dominated employment sectors, such as the ECEC sector.

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).

Minderoo strongly supports Objects 1 - A, B & C of this legislation. A pay rise of 15 per cent over two years will help to address the current workforce shortages and contribute to the ongoing professionalisation of workers in the ECEC sector.

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 labour market participation by women. Quality outcomes for children depend upon a highly skilled, well supported and professionally recognised workforce.'

We agree. To illustrate this point, a recent technical report released by the Australian Education Research Organisation (AERO) titled ‘Linking Quality and Child Development in Early Childhood Education and Care’¹ 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:

- (a) The quality of ECEC matters. [the] conclusion 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 also showed positive effects.

Currently, 17 per cent of all Australian Long Day Care providers (majority of ECEC services) have a staffing waiver from the ECEC regulator, the Australian Children’s Education and Care Quality Authority (ACECQA)². This has significant implications for the quality of education and care that young children receive. This pay increase will contribute significantly to the retention of educators in the ECEC sector and reduce the number of ECEC services that must apply for and receive a staffing waiver.

Benefits to children should be added as a further Object of the legislation, given the evidence that links the quality of the workforce (the knowledge, skills and aptitudes of workers) 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 high-quality, ECEC, they will have the capacity and confidence to increase their workforce participation. This ensures that parents, particularly women, participate more in work, education, or training. This improves household budgets, provides women with choices 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.

¹ Linking quality and child development in early childhood education and care. Australian Education Research Organisation. Technical Report. June 2024.

² NQF Annual Performance Report 2023. ACECQA

It is noted that the Parliament may be reluctant to add these as 'Objects' of the legislation given that it is difficult to attribute the contribution that this legislation will make to children's learning outcomes and economic productivity. If this is a consideration, Minderoo would recommend that the legislation's contribution to these areas be described in the introduction.

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 workforce³.

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 per cent pay rise will greatly assist with attracting and retaining staff.

Professional learning of staff is equally important to building the quality of the ECEC workforce. It is reasonable to expect employers who receive grants that contribute to employees' wages, provide adequate professional learning to their employees to build the quality of the entire ECEC workforce. Minderoo Foundation would encourage this Select Committee to recommend that minimum professional learning requirements are also included as requirements of ECEC 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

Minderoo strongly supports the condition that the fee increases that ECEC providers can charge if they receive a grant administered under the Legislation. This has been set at 4.4 per cent in the 12 months from December 2024.

The Thrive by Five campaign has advocated for a fixed fee, supply-side funded model to be implemented in communities without supply or an undersupply of ECEC, such as a \$10 per day approach that is operating in Canada.

³ National Children's Education and Care Workforce Strategy Shaping Our Future. Implementation and Evaluation Plan. August 2022.

As described by the recent report by the Australian Competition and Consumer Commission (ACCC) on Early Childhood Education and Care, the current market dynamics of the ECEC system mean that those with the highest capacity to pay are being provided with the highest quality services.

Secondly, ECEC providers cluster in areas where parents have the capacity to pay higher prices. The ACCC report shows 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.⁴ Therefore, middle and higher-income areas have a greater number of childcare and preschool places available to them than families in low-income communities. Essentially our reliance on market forces to manage price means access to quality ECEC is determined by where you live, and your ability to pay for it.

Minderoo asserts that the current market (demand-side) model for funding and delivering ECEC is unsuitable for all communities. A parallel national system to provide ECEC in "thin markets" with supply-side funding and price controls must be created with strong public management controls that ensure affordability and quality.

Doing this would require implementing a price cap in the ECEC sector. The current government stipulated hourly (daily) rate for the Child Care Subsidy plus a fixed fee, such as \$10 a day constitutes a price cap. A price cap effectively manages costs for families and ensures that the Australian Government gets a fair return on its investment in ECEC for the community.

The Productivity Commission recommended supply-side funding models in its recently released Inquiry into Early Childhood Education and Care.

The Wage Justice for Early Childhood Education (Special Account) Legislation will create a form of price cap, an important aspect of 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 on the parents and the ECEC sector should be monitored and evaluated to inform future government decisions.

Therefore, Minderoo recommends that the legislation clearly states that the Department of Education must evaluate the price cap's impact on the ECEC sector and families, and, 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.

⁴ Australian Competition and Consumer Commission. Childcare Inquiry. Final Report. January 2024

Summary

Minderoo supports 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.