



BIG STEPS

in Early Childhood
Education and Care

QUALITY MATTERS: INVESTING IN EARLY CHILDHOOD EDUCATION AND CARE

2013 PRODUCTIVITY COMMISSION INQUIRY
into childcare & early childhood learning

SUBMISSION BY UNITED VOICE, February 2014.

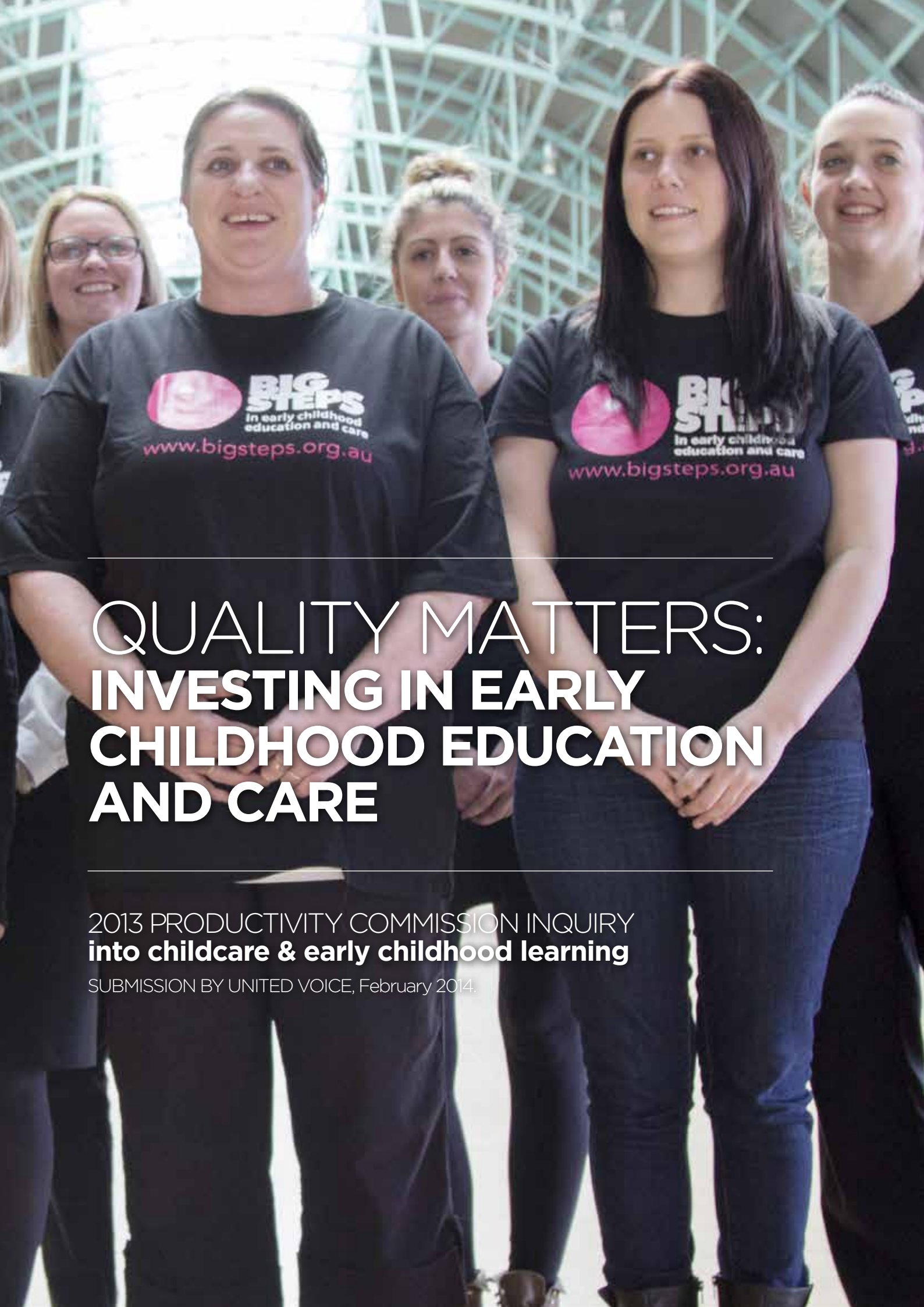


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the 1990s, the number of people in the world who are under 15 years of age has increased by 1.2 billion, from 1.1 billion in 1980 to 2.3 billion in 1999. The number of people aged 15 years and over has increased by 1.1 billion, from 1.1 billion in 1980 to 2.2 billion in 1999.

There are a number of reasons why the world population is growing so rapidly. One of the main reasons is that the number of children born to each woman has increased. In 1980, the average woman in the world had 2.5 children. In 1999, the average woman in the world had 2.7 children.

Another reason why the world population is growing so rapidly is that the number of people who are surviving to old age has increased. In 1980, the average person in the world lived for 55 years. In 1999, the average person in the world lived for 65 years.

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Dear Commissioners

On behalf of 99,655 educators across the Australian Early Childhood Education and Care Sector, we are pleased to present our submission to your public inquiry into future options for childcare and early childhood learning.

Australian families and their employers are well served by a workforce of dedicated, highly trained, professional educators. We are proud of the work we do – educating 817237 young Australians and maximising the contribution their parents can make to the economy.

As the professionals working in centres delivering education and care every day, we have unique insights into the strengths and weaknesses of current policy settings. We very much welcome the Commission's Inquiry and look forward to working proactively with government and industry to implement recommendations that maximise quality early learning, the welfare of children and workforce participation.

Reforming Australia's early childhood education and care system is absolutely vital. Educators have been warning for some time about the looming 'triple crisis' of quality, affordability and accessibility. While the previous and current governments have taken some steps to address these problems, current trends suggest a likely worsening of the crisis.

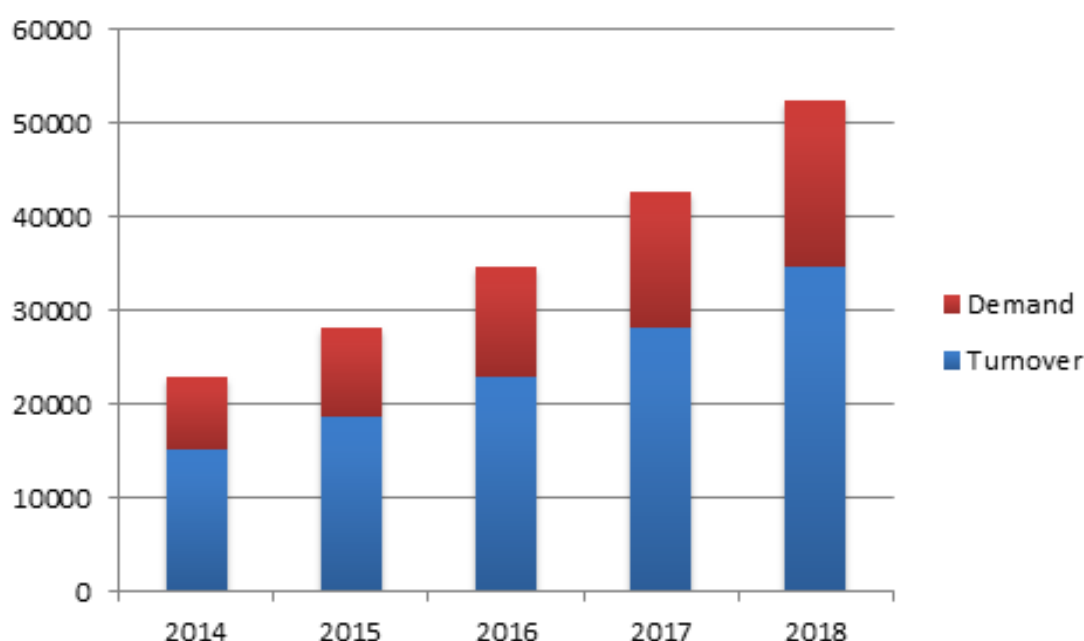
Some have called for addressing affordability and accessibility at the expense of quality. But we strongly contend that is a false choice. Our extensive research demonstrates that quality is at the heart of parental confidence in the system. If quality declines, parental confidence will decline. This is especially the case amongst higher income more highly educated mothers who have greater economic and workplace flexibility and therefore a greater capacity to choose when and how intensively they return to the workforce.

We encourage the Commission to focus its attention on addressing all three elements together, rather than the false choice of trading one against another. All three should be measures of successful policy. Substantial and mounting evidence suggests a looming catastrophe on all three fronts. Failure to address any one will hamper economic growth.

WORKFORCE

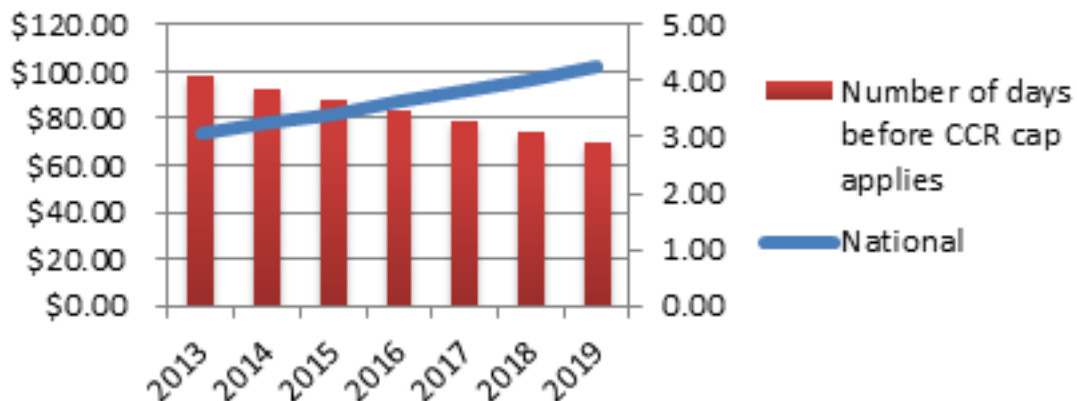
The key driver of quality from a parental perspective is highly qualified, professional educators. The Productivity Commission has alerted the Government previously of the looming shortage of qualified educators. The exodus of qualified staff from the sector continued throughout 2013. A disturbing 15.2 per cent or 17,400 educators leave the sector every year. We would need an additional 23,900 qualified educators by 2016 if demand stayed static (which appears unlikely given recent trends). Almost three quarters of services report unfilled vacancies, between 2011 and 2012 the proportion of child care worker vacancies filled declined from 61 per cent to 51 per cent, and the average number of suitable applicants per vacancy fell from 1.1 to 0.9. To address the quality crisis we must attract and retain educators better – a point supported by the Commission’s most recent work in this area.

More shockingly, if current growth in demand and staff turnover continues we will need to recruit almost twice the entire current workforce over the next five years.



AFFORDABILITY

Average capital city daily rates for long day care continued to increase at more than twice the rate of inflation. In five years on current trends average rates across Australia will top \$100 per day, and up to \$120 a day in more expensive markets. **If the current \$7,500 cap on the Child Care Rebate remains in place the rebate will apply to less days per week.** This is likely to play an increasing role in limiting the number of hours primary care givers return to work.



ACCESSIBILITY

The Productivity Commission has recently highlighted that 598,500 children need more formal care than they can currently access – almost one in every six children.

Clearly current policy settings are failing to adequately address the needs of Australian families. If action is not taken, growth in workforce participation is likely to slow. As educators we have insight into how each of these problems manifests in centres and in the lives of families we see every day. We urge the Commission to recognise that quality, affordability and accessibility cannot be disentangled. They must be addressed together through holistic, positive reform.

We look forward to engaging with you further as the Inquiry proceeds.

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Introduction



1.1. INTRODUCING UNITED VOICE

United Voice, the Early Childhood Education and Care (ECEC) union, represents over 90,000 childcare directors and educators across Australia. We have members in every state and territory working in both large organisations and smaller centres. Together we are committed to providing the best possible early education experience for Australian children.



1.2. EXECUTIVE SUMMARY

In recent years, ECEC has gained recognition as an essential sector which fulfils key educational and workforce participation goals. Recent government quality reforms have raised expectations for a long-overdue overhaul of the ECEC system. Although a qualified workforce is widely recognised as key to ensuring high quality ECEC, educators continue to be underpaid while also suffering low status, lack of career paths and inadequate training opportunities. The sector's labour market is in crisis. According to the 2011 Productivity Commission report, centres struggle to retain existing staff or recruit new staff.¹ Continuity of care for children by qualified educators is a critical measure of quality. Therefore, ensuring a professional and stable workforce is a central aspect of achieving high quality child care and consequently long-term developmental outcomes.

At the same time, parents are having difficulty accessing childcare due to affordability issues and a lack of places. According to the ABS, in 2008 parents of 54,000 children not yet at school reported that they had an unmet need for formal child care, with 71 per cent of these requiring Long Day Care services.² The reasons for unmet need included a lack of available places and cost concerns. Our recent research has found that between April 2011 and April 2012 gross childcare fees (before subsidies) increased by 11.2 per cent across all states in Australia, from an average of \$63.21 to \$70.29 per day. These fee increases translate, on average, into an estimated \$3.54 out of pocket per day per child for *most* parents.³ Australia has the second highest rate of parental expenditure for childcare in the OECD, with parents paying 48.6 per cent of the total cost of childcare against an OECD average of 18 per cent.

Effective solutions are urgently needed to reverse entrenched labour market failures. United Voice contends that in order to meet key policy objectives, workforce development challenges, including poor labour retention and staff and skill shortages, must be overcome. These solutions must include new ways of funding the sector, to raise wages through targeted funding in order to attract and retain staff. Sufficient and appropriate training and professional development opportunities need to be provided to childcare professionals on whom quality ECEC depends.

¹ Productivity Commission, *Early Childhood Development Workforce: A Productivity Research Report*. Melbourne: Commonwealth of Australia, 2011.

² ABS, *4402.0 - Childhood Education and Care, Australia, June 2008*. Retrieved from <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4402.0Main+Features1June%202008%20%28Reissue%29>.

³ United Voice, *Childcare Fees 2011–2012*, Sydney: United Voice, 2012.

1.3. SUMMARY OF RECOMMENDATIONS

RECOMMENDATION 1:

Reform government funding to encourage effective, high quality ECEC

ECEC is a vital service that fulfils key social and economic goals. Despite this, Australia has one of the lowest expenditures on ECEC services across the OECD. United Voice recommends that the government directs additional funding to the ECEC sector. We support a cost-driven funding model to ensure that government funds are spent effectively and transparently, while ensuring ongoing affordability for parents.

Research shows that ECEC funding is most successful at achieving workforce participation outcomes when it is combined with other parenting payments that together minimise the disincentives for the second earner to return to work. To support parents' choice regarding the mix of care utilised and facilitate their return to work, United Voice believes that early years funding should be considered holistically, and include other measures such as the family tax benefit and paid parental leave.

RECOMMENDATION 2:

Government should regulate the sector for quality to support child development and workforce participation outcomes

High quality ECEC results in numerous benefits for parents and children. These benefits flow onto the broader community. Governments dedicate substantial amounts of funding to ECEC services each year. It is imperative that these funds are spent as effectively as possible to maximise the short- and long-term benefits derived from these services. United Voice supports a system in which government funding is directed towards services that provide both education and care, with government funding targeted to 'approved' providers, who utilise a play-based educational program (i.e. not just child-minding).

United Voice is broadly supportive of the recently implemented quality reforms and accreditation requirements. While there may be areas where these requirements could be streamlined, we believe that any changes to the current system must wait until ACECQA completes its review of the NQF in 2014. We note, furthermore, that there is broad support among providers and parents for the regulations.

RECOMMENDATION 3:***Provide targeted funding for professional wages to ensure quality ECEC***

The ECEC sector currently struggles to attract and retain suitably qualified staff. This is due to relatively poor wages in the sector, accompanied by poor career progression and long working hours. United Voice believes that the current quality reforms cannot be fully achieved unless the working conditions of staff are addressed. Staff attrition across the sector will only be resolved if wages are commensurate with the skills, responsibilities and expectations required of the workforce and with the social value of quality care. For reform to be meaningful and lasting, wages must increase substantially across the entire sector.



The importance of quality ECEC



ECEC is widely recognised as a vital service that fulfils key social and economic outcomes.⁶ Not only does childcare fulfil a vital role in allowing parents to participate in the workforce, countless studies have shown the positive influence of quality early education and care on a child's ongoing learning and development.

The benefits from the provision of high quality ECEC do not cease with individual parents and children who avail themselves of these services. The benefits flow on to the broader community through returns from the increased workforce participation of parents, as well as from the effects of greater social inclusion. A recent UK study estimates a return of £7.20 from every £1 paid to a childcare professional, which is generated from parents' ability to engage in employment.⁷ Similarly, a Quebec study found a return of \$6 from every dollar spent on ECEC.⁸

For these reasons, investment in ECEC is broadly recognised as a public, and not just an individual, good.

Some economic policies present us with a trade-off between growth and equality; investing in children appears to be a win-win situation.

Australian Treasury Report.⁴

Higher investments in early childhood can save money later.

European Commission Report.⁵

⁴ R Breunig, X Gong, D Trott, 'The new National Quality Framework: quantifying some of the effects on labour supply, child care demand and household finances for two-parent households', *Economic Record*; Council of Australian Governments, 2013. COAG, *Investing in the Early Years – A National Childhood Development Strategy*. Canberra: Commonwealth of Australia, 2009.

⁵ European Commission, *Early Childhood Education and Care: Providing all our Children with the Best Start for the World of Tomorrow*, Brussels, European Commission, 2011.

⁶ OECD, *Starting Strong II: Early Childhood Education and Care, Volume 2*, Paris, OECD, 2006.

⁷ E Lawlor, H Kersley, S Steed, *A Bit Rich: Calculating the Real Value to Society of Different Professions*, New Economics Foundation, 2009

⁸ C Bouchard, *Un Québec fou de ses enfants*. Québec: Gouvernement du Québec, Québec, Ministère de la Santé et des Services Sociaux, 1991.

2.1. WORKFORCE PARTICIPATION

A key function of ECEC is to enable greater workforce participation. According to the ABS, 70 per cent of parents cite work-related factors as the main reason for using some form of childcare.⁹ The role of childcare in encouraging workforce participation is particularly pronounced for women, who still bear the primary responsibility for child care. In fact, international research has found that the strongest determinant of female labour supply in industrialised countries is the level of childcare provision. Women will typically work shorter hours or remain out of the workforce to care for children if they are unable to access a childcare place that is of sufficient quality.¹⁰

The decline in female workforce participation after motherhood is particularly pronounced in Australia. While Australia has a relatively high rate of female workforce participation overall, there is a significant decline in the rates of workforce participation of women with young children, especially when compared to other countries in the OECD. A 2006 Productivity Commission study found that only 62 per cent of mothers with children under 15 were in paid employment, against an OECD average of 66.1 per cent. This decreased to approximately 30 per cent for mothers with their youngest child under three, placing Australia in the bottom four of OECD countries.¹¹ The Productivity Commission also noted that these figures overstate the effective maternal labour supply as they do not take into account the rate of part-time work among Australian women, which at 40 per cent is amongst the highest in the OECD.

Since the 1980s, increases in maternal employment in Australia have typically been associated with part-time work. The majority of mothers in the workforce report that they elect to work part-time in order to manage their use of non-parental care.¹² Extensive periods of part-time employment can have long-term economic implications for women due to an accumulated loss of earnings. This is due to a number of factors, including:

- Loss of pay due to occupational downgrading (women who switch from full- to part-time work typically to move into lower skilled and lower paid jobs);
- Lower career trajectories, marked by a relative lack of career progression and promotion opportunities.

⁹ Access Economics, *An Economic Analysis of the Proposed ECEC National Quality Agenda*, Canberra, Access Economics, 2009, p.47.

¹⁰ W Van Lancker & J Ghysels, J. 'Who benefits? The social distribution of subsidized childcare in Sweden and Flanders'. *Acta Sociologica*, vol 55, no 9, 2012, p.127.

¹¹ J Abhayaratna, & R Lattimore, *Workforce Participation Rates – How Does Australia Compare?* Canberra, Productivity Commission, 2006.

¹² J Baxter, *Childcare Participation and Maternal Employment Trends in Australia*, Melbourne, Australian Institute for Family Studies, 2013.

Researchers have calculated that together these factors result in a ‘motherhood pay gap’ of between 6–12 per cent.¹³ This leaves many women with less financial independence in retirement, with their total superannuation on retirement impacted by lower pay and shorter hours of work across their working life.¹⁴

The ‘motherhood pay gap’ represents a significant equity issue. It also has broader economic implications. The Grattan Institute notes that if Australia had the same rate of female workforce participation as Canada (i.e. an extra six per cent of women in the workforce), then Australia’s GDP would be about \$25 billion higher.¹⁵ Similarly, Skills Australia recommends that continued economic growth in Australia will require an increase in the workforce participation rate by four per cent over the next fifteen years, with a particular focus on sections of the population who are under-represented in employment, including women.¹⁶ Policies to support more women with children to return to the workforce, or to undertake to work longer hours, will significantly improve Australia’s economic growth.

While a significant percentage of parents choose to stay at home to care for their children, the indications are that parents are more willing to work if a set of criteria is met. These include flexible work conditions, parental leave arrangements, and the availability of affordable and good quality childcare.¹⁷ For this reason, United Voice welcomes the Productivity Commission’s decision to investigate the interaction between paternal leave, tax benefits and ECEC funding and provision, and their combined effects on workforce participation.

¹³ M Baird, J Whelan, & A Page, *Paid maternity, paternity and parental leave for Australia: An evaluation of the context, evidence and policy options*, Sydney, Women and Work Research Group, 2009.

¹⁴ V Alakeson, *The Price of Motherhood: Women and Part-Time Work*, London, The Resolution Foundation, 2009; COAG Reform Council, *Tracking equity: Comparing outcomes for women and girls across Australia*, COAG Reform Council, 2009; S Connolly & M Gregory, ‘The part-time pay penalty: earnings trajectories of British Women’, *Oxford Economic Papers*, 61(suppl 1), 2009, i76–i97; K Mumford, & P Smith, ‘What determines the part-time and gender earnings gaps in Britain: evidence from the workplace’, *Oxford Economic Papers*, 61(suppl 1), 2009, i56–i75.

¹⁵ J Daley, C McGannon, & L Ginnivan, *Game-changers: Economic reform priorities for Australia*, Melbourne, Grattan Institute, 2012, p.38.

¹⁶ Skills Australia, *Australian Workforce Futures: A National Workforce Development Strategy*, Canberra, Commonwealth of Australia, 2010.

¹⁷ H Penn, *Early Childhood Education and Care: Key Lessons from Research for Policy Makers*, Brussels, European Commission, 2009; OECD, *Doing Better for Families*, Paris, OECD, 2011; O Thévenon, *Drivers of Female Labour Force Participation in the OECD*, Paris, OECD Publishing, 2013.

The accessibility and affordability of ECEC does not in itself enable greater workforce participation. Recent research undertaken by the Australian Treasury has shown that women's workforce participation is also sensitive to non-price factors, with the quality of ECEC services as important as cost and availability in shaping women's decisions to participate in the workforce.¹⁸ The importance of quality to parental childcare decisions varies according to the age of the children and the socio-economic status of parents. In her study of maternal decision labour supply and access to care, Boyd finds quality is a strong determinant of the number of hours mothers choose to work. While in the first six months following the birth of their child cost and accessibility are more important than quality in determining whether mothers return to work, once the child is 12 months old access to high quality care is strongly associated with their decision to work longer hours. In other words, while women may elect to return to work despite the quality of care, they are less likely to work longer hours if high quality care is unavailable.¹⁹

Parents must have confidence in the quality and integrity of the system to which they entrust their children. The role of government in ensuring quality in the ECEC sector, and providing the funding to support this quality, is therefore critical to encouraging greater workforce participation.

¹⁸ R Breunig, X Gong, J Mercante, A Weiss, & C Yamauchi, Child care availability, quality and affordability: are local problems related to labour supply. *Economic Record*, vol 87, no 276, 2012, p.109–124; see also D Baker, *Trouble with Childcare: Affordability, Availability, and Quality*, Canberra, The Australia Institute, 2013.

¹⁹ W Boyd, Maternal employment in Australia: Achievements and barriers to satisfying employment, *Australian Bulletin of Labour*, vol 38, no 3, 2012, p.199–213.

2.2. CHILD DEVELOPMENT

In the past, childcare was understood as the provision of care and supervision in the absence of parents. However, there is growing recognition of the importance of early childhood education to children's development. Research across medical and social disciplines identifies a relationship between quality ECEC and improved social, psychological, health and economic outcomes. The research indicates that experiences in early childhood can have long-term impacts on health, learning and behaviour. This is particularly the case for children from disadvantaged or vulnerable populations.²⁰ The returns also stem from the short- and long- term benefits for child development, including:

- increased secondary school completion;²¹
- positive socialisation outcomes;²²
- increased outcomes for girls;²³
- a lack of year repetitions and reduced intervention;²⁴
- more settled behaviours;²⁵
- aspirations for education and employment, motivation and commitment to schooling;²⁶
- the prevention of chronic delinquency²⁷ or crime/anti-social behaviour;²⁸ and
- increased benefits with longer periods of time in early childhood programs.²⁹

Internationally, longitudinal studies have shown a significant achievement gap between the school performance of children who have attended formal ECEC programs, and children who had not attended any program. For example:

- A Melbourne Institute report shows improvements of 10-15 NAPLAN points in Year 3 for children who had attended a preschool program, against those who had not attended a preschool program.³⁰

²⁰ COAG, *National Partnership Agreement on Early Childhood Education*, Sydney, COAG, 2008,

²¹ M Roderick, Grade retention and school drop-out: Investigating the association, *American Educational Research Journal*, vol 31, no 4, 1994, p.729–759.

²² D Johnson, T Walker, A follow-up evaluation of the Houston Parent Child Development Centre: School Performance, *Journal of Early Intervention*, vol 15, no 3, 1991, p.226–236.

²³ MO Caughy, J DiPietro, & M Strobino, 'Day-care participation as a protective factor in the cognitive development of low-income children', *Child Development*, no 65, 1994, p.457-471.

²⁴ WS Barnett, 'Long-term effects of early childhood programs on cognitive and school outcomes', *The Future of Children*, vol 5, no 3, 1995, p. 25-50; FA Campbell, & CT Ramey, 'Effects of early intervention on intellectual and academic achievement: A follow-up study of children from low-income families', *Child Development*, no 65, 1994, p.584–698.

²⁵ KJ Rowe, & KS Rowe, 'Inattentiveness and literacy achievement: The interdependence of student and class/teacher effects', *Journal of Paediatrics and Child Health*, vol 33, no 4, 1997, p.A20.

²⁶ M Rutter, 'Family and social influences on cognitive development', *Journal of Child Psychology*, vol 26, no 5, 1985, p.683–704; K Sylva, 'The impact of early learning on children's later development' in C. Ball (Ed) *Start Right: The importance of early learning*, London, Royal Society of Arts Manufacturing and commerce, 1994, p.1–18; K Sylva, 'School influences on children's development', *Journal of Child Psychology and Psychiatry*, vol 35, no 1, 1994, p.135–170.

²⁷ H Yoshikawa, 'Long-term effects of early childhood programs on social outcomes and delinquency', *The Future of Children*, vol 5, no 3, 1995, p.51–75.

²⁸ Commonwealth of Australia (1999) Pathways to prevention: *Developmental and early intervention approaches to crime in Australia*. National Crime Prevention, ACT: Attorney-General's Office.

²⁹ AJ Reynolds, 'One year of pre-school intervention or two: Does it matter?' *Early Childhood Research Quarterly*, no 10, 1995, 1–33; M McCain & J Mustard, *Reversing the real brain drain*. Toronto, The Canadian Institute for Advanced Research, 1999; B Kolb B 'Brain development, plasticity and development', *American Psychologist*, vol 44, no 9, 1989, p.1203–1212.

- The OECD Programme for International Student Development found that 15 year olds who had attended at least one year of pre-primary education (e.g. preschool) out-performed students who had not attended an ECEC program, even when socio-economic background was taken into account.³¹
- UK Effective Provision of Pre-school Education (EPPE) Project found that by age seven, children who had attended high quality preschools scored significantly better on social and educational outcomes, including having a 7.8 month advantage in literacy when compared to children who had not attended preschool.³²

The EPPE project found that the benefits of ECEC improve with the duration of attendance, with children's attendance in formal ECEC programs before the age of three linked to greater intellectual development, and to improved independence, concentration and sociability by the age of six.³³

In assessing the benefits that accrue from ECEC, it is important to note that quality matters. Although the research points to the complex range of benefits that stem from high quality ECEC, these benefits are not associated with poor quality ECEC services. In fact, the European Commission found that "poor quality ECEC may do more harm than good and may increase inequalities".³⁴ The negative effects of low quality ECEC are particularly pronounced for children under two, with the potential for "long-term poor incomes [...] which can be costly to remediate (lower educational achievement and increased crime, for example)".³⁵

According to the AEDI National Development Index, in 2013 22 per cent of Australian children were developmentally vulnerable in one or more developmental domains when they started school. Almost half of these children were developmentally vulnerable in two or more domains.³⁶ Access to high quality ECEC could address this issue and improve the transition to school for a large number of Australian children. This would result in long-term benefits for the Australian community including higher future tax revenues, greater workforce productivity, and reduced welfare dependency.

In assessing funding to ECEC programs against child development outcomes, United Voice believes that it is necessary to take an integrated approach to education funding, which sees ECEC funding in relation to a broader education system, including primary and secondary education.

³⁰ D Warren & J Haisken, *Early Bird Catches the Worm: The Causal Impact of Pre-school Participation and Teacher Qualifications on Year 3 National NAPLAN Cognitive Tests*, Melbourne, MIAESR, 2013.

³¹ OECD, Pisa in Focus 2011/1, Paris, OECD, 2010.

³² K Sylvia, I Siraj-Blatchford, B Taggart, P Sammons, E Melhuish, & K Elliot, *The Effective Provision of Pre-school Education (EPPE) Project: Findings from the pre-school period*, London, University of London, 2003.

³³ K Sylvia, E Melhuish, P Sammons, I Siraj-Blatchford, & B Taggart, *The Effective Provision of Pre-School Education (EPPE) Project: The Findings from the Early Primary Years*, Nottingham, Surestart, 2004.

³⁴ European Commission.

³⁵ ECE Taskforce, *An Agenda for Amazing Children*, Wellington, ECE Taskforce, 2011, p.59.

³⁶ Centre for Community Child Health, & Telethon Institute for Child Health Research, *A Snapshot of Early Childhood Development in Australia: Australian Early Development Index (AEDI) National Report 2009*. Australian Government Department of Education, Employment and Workplace Relations, 2009, p.5.



The ECEC workforce



We are, for many parents, an extended family. We often double as support workers. There have been many times where I've actually helped first time, or single parents, who just aren't coping, deal with difficult children, or children who won't sleep. Our job extends far beyond everyday education and care.

Shirley, Assistant Director, Tasmania

As part of the daily work process, early childhood educators perform a variety of professional tasks integral to the delivery of high quality education and care. Workers educate children according to leading child development pedagogy, developing play-based educational programs that cater to each child's individual needs. Assisting with the daily design and implementation of programs, they offer guidance and reflect positive role models for children. Educators ensure high standards of quality, safety and hygiene in the centres, and exercise observation and evaluation skills to document, plan and report on the progress of children. They often undertake formal or informal mentoring of co-workers, while also engaging in routine cleaning tasks and making use of their creative abilities with arts and crafts activities for children. Educators also act as a referral service, and for many families they are the first reference point in the community.

The range of professional tasks performed by ECEC workers illustrates how children's services have been transformed from a profession of 'child-minding' to one of 'early child development, learning, care and education', as well as community support. This shift in work value has led to increases in responsibilities, accountability and workload for ECEC workers, in particular supervisors and directors.³⁷

Despite the growing recognition of ECEC as an essential service, the paid *professional* work of educators remains socially undervalued and underpaid. As many ECEC educators are acutely aware, their wages and conditions are not commensurate with the qualifications and skills required in their roles and the responsibilities that they hold. All workers within the sector experience low pay, including centre directors, who have roles and responsibilities comparable to principals of small primary schools, yet whose pay is roughly *half* that of their equivalents in the school education sector. Low pay results in high labour turnover, leading to staff and skill shortages at a high cost for employers, parents and taxpayers.

Section (2) of this submission signalled quality as a key issue for United Voice. Research from Australia and overseas all points to quality ECEC being determined by stimulating and stable relationships between child and educator (see **Section (4)**). A high turnover of staff impacts on the ability of educators and children to form stable and nurturing relationships. At a fundamental level, therefore, issues of quality are workforce issues. Unless solutions are provided to the issue of poor working conditions and wages, quality ECEC will not be provided consistently. The necessary reforms to the funding system to ensure professional wages are outlined in **Section (5)**.

³⁷ AIRC January 13, 2005 Decision, Australian Liquor Hospitality Miscellaneous Union re Child Care Industry (Australian Capital Territory) Award 1998, Children's Services (Victoria) 1998, p.93–94

3.1. LOW LABOUR RETENTION IN THE ECEC SECTOR

The turnover of staff makes families very angry. They often will remark “Who is looking after my child today?” or ‘Where are the other staff who my child is familiar with?’. When parents leave their children with people they don’t know, both the children and the parents become very emotional. Children become frightened of socialisation and parents will not trust anyone.

Helen Crain, Group Leader,
Sunnybank Anglican Early Learning Centre

Parents feel stressed when there is a turnover of staff, some children have difficulty dealing with these changes. I have had many comments from parents saying they are not happy with the centre their child is attending as there has been a high turnover of staff and now there are no original staff left, “Why is this happening?” they ask, “What do I do?”. I have seen first-hand children four and five years of age who have had difficulty coping with the changes in staff at our centre over the last 12 months.

Heather Kilgour, Director, Campbelltown Community Preschool Inc

Retention of skilled experienced educators and carers in UNSW centres is directly related to the professional pay rates and the well-above award conditions that all the staff receive. With high retention rates we reduce the need to channel resources into recruitment, advertising, and induction. The fact our staff stay with us for many, many years allows us to achieve long-term goals year after year – rather than spend time building trusting and reciprocal partnerships and relationships (which is what early childhood centres are based on). Having long-term staff means the staff become extremely knowledgeable about the wider community which benefits everyone; the centres act as referral services for families to get connected with other community services. The staff get to go on a journey of professional development together at the same time reconfiguring the centre practices and constantly reflecting, reviewing and improving the programs and operations. With better conditions, salaries and recognition the staff are motivated to go on to further their education and up-skill, they mentor each other and encourage each other. Some of my staff are now writing papers for industry journals and presenting at conferences as well as lecturing at the local universities and TAFEs.

Jemma Carlisle, General Manager, University of NSW Services – Early Years

The last comprehensive study of the ECEC workforce revealed that most states experience an acute undersupply of staff, particularly in Long Day Care (LDC). According to projections from the 2006 National Children's Services Workforce Study there is a growing shortfall of workers in LDC which was expected to reach 6,490 staff by 2013.³⁸ According to this data, unfilled positions were highest for qualified workers in LDC, and over 35 per cent of services were using staffing exemptions to allow staff without formal qualifications to fill vacancies for qualified staff.³⁹

Job turnover across all ECEC services stood at 32 per cent in 2004.⁴⁰ In 2005, the Department of Employment and Workplace Relations found that 50 per cent of job openings for childcare workers and 80 per cent for coordinators resulted from staff leaving their occupations,⁴¹ whereas the 2006 Workforce Study found that of all ECEC workers leaving their jobs, 75 per cent were also leaving the sector.⁴² We can extrapolate from these figures an estimated 15,000 childcare professionals leaving the sector each year. Significantly, qualified workers are just as likely to leave the sector as workers without a formal qualification, with job turnover rates only marginally lower for workers with higher qualifications.

The difficult conditions for workers choosing to remain in the sector are reflected in the results of the 2010 Workforce Study. It found that although there is a strong commitment to the profession, workers also identified pressures that made the pursuit of a career in childcare difficult and undesirable. In NSW, 89 per cent of workers agreed that they entered the sector because they had always wanted to work with children, but only 64 per cent agreed that they would recommend the career to others. Furthermore, 71 per cent agreed that the job is stressful, and 59 per cent agreed that job status and recognition was an issue for them. When asked what could improve staff retention, 96 per cent agreed that workers in the sector should have higher wages, and 87 per cent agreed on the need for paid in-service training.⁴³

Low labour retention in the ECEC sector has a number of negative effects, including:

- *Effects on quality of service provision.* Quality of childcare is shaped by the capacity of staff to form stable and trusting relationships with children. For this reason, continuity of educators and coordinators is recognised as a key determinant of quality within the new National Quality Standards. Staff shortages and turnover disrupt these relationships, resulting in high levels of stress for

³⁸ Community Services Ministers' Advisory Council, *National Children's Services Workforce Study*, Canberra, Commonwealth of Australia, 2006, p.5. It is possible that the workforce growth rate since 2006 may have been higher than this projection. The Workforce Study assumes a growth in LDC workforce supply of 1.4%, whereas ABS data reveals an average 3.74% growth rate between 2005 and 2010 for the workers in childcare professions as a whole.

³⁹ Community Services Ministers' Advisory Council, p.49.

⁴⁰ Community Services Ministers' Advisory Council, p.48.

⁴¹ F Press, *What about the kids? Policy directions for improving the experiences of infants and young people in a changing world*, Sydney, NSW Commission for Children & Young People, 2006, p.43; Community Services and Health Industry Skills Council, *Industry Skills Report*, Industry Skills Council, 2005, p.53.

⁴² Community Services Ministers' Advisory Council, p.54.

⁴³ Community Services Ministers' Advisory Council.

children, staff and parents. Children who spend prolonged periods of time in stressful environments develop either too high or too low levels of cortisol, which adversely impacts on their brain development and results in negative developmental outcomes: cognitive, social and emotional.⁴⁴

- *Effects on profitability and sustainability of services.* Labour turnover imposes a significant cost on business, affecting the profitability and financial sustainability of ECEC services. Not only does high turnover involve direct costs, such as the need to fill-in vacancies with casual labour and select and recruit new staff members, but it can also result in intangible impacts such as the potential for lost business as a result of parents withdrawing children from centres concerned about the impact on their children. Based on previous studies involving workers in comparable sectors, the cost of turnover to employers has been estimated to be as high as 120–150 per cent of the annual wage of the departing employee.⁴⁵
- *Effect on service affordability.* Parents indirectly subsidise the business costs associated with high labour turnover since these costs are typically absorbed into fee structures.
- *Effects on the efficiency of government spending.* The bulk of revenue for both private and not-for-profit childcare operators is derived from government-funded subsidies to parents. The cost of high turnover affects the efficient allocation of these resources. Furthermore, when qualified workers depart the sector, this imposes additional inefficiencies and wastage on government investments aimed at training and educating new childcare professionals.

United Voice has campaigned for many years to improve the structural conditions that lead to low labour retention and high staff turnover: low pay, chronic understaffing, high workloads and unstable care arrangements. Such conditions exacerbate stresses on the workforce, leading to even more dedicated childcare professionals leaving their occupations. To resolve the workforce crisis, targeted government funding directed towards workforce development is required.

⁴⁴ Gunnar & White, 'Salivary cortisol measures in infant and child assessment', in L. Singer & P. Zeskind (eds), *Biobehavioural assessment of the infant*, New York, Guilford Press, 2001, p.167–1890.

⁴⁵ E.g. Pay and Employment Equity Unit, Department of Labour New Zealand, *Spotlight: A Skills Recognition Tool*, 2009; http://www.orgmanagement.unsw.edu.au/contribute2/OrgManagement/ResearchCentres/IRRC/documents/ResearchReportandBibliography_000.pdf, p. 34–35; and http://www.orgmanagement.unsw.edu.au/contribute2/OrgManagement/ResearchCentres/IRRC/documents/UserGuide-IntroductionforManagers_000.pdf, p.13.

**3.2. LOW PAY AND A LACK OF CAREER PROGRESSION:
A CAUSE OF LOW LABOUR RETENTION**

My personal view is yes, educators are not well paid and the newly professional standards that they have to reach are a great argument for them to receive more pay.

Sussan Ley, 7:30 Report, 10 December 2013

With the pay rates so low, there is no real incentive to stay in the sector. My family has now grown up so I can afford to work in the sector, but there is no way you could support a family on it. There is also the prevailing perception that it's 'women's work' and not given the value in wages that it's worth.

Bronwyn, 15 years' experience in the sector.

The low pay of childcare professionals is recognised by governments of all political persuasions, industry and workers as an underlying cause behind retention issues in the ECEC sector. The Productivity Commission's final report into the Early Childhood Development workforce in 2011 affirmed that wages for ECEC professionals are not competitive relative to other sectors,⁴⁶ and that wages rarely exceed the minimum award rates to any substantial degree.⁴⁷ It accepted evidence presented by United Voice, as well as several large employers, that many workers do not find the benefits of additional qualifications to be worthwhile, since compensatory wage increases are too minimal.⁴⁸ The conclusions of the Productivity Commission have been reiterated in a recent survey conducted by United Voice of members who have left the ECEC sector. 33 per cent cited poor wages as a reason for leaving the sector.

We can define workers in the sector as low paid due to:

- Low wages and award dependency
- Absence of pay parity between the ECEC and the school sector
- Lack of opportunities for career progression
- Expectations for performing unpaid labour
- Lack of adequate programming and development time
- Inadequate sick leave
- Workers themselves being asked to pay for education and care materials

Furthermore, wages do not increase significantly relative to qualifications gained. Table 1 sets out the hourly differential in the *Children's Services Award 2010*, compared to the minimum wage.⁴⁹ As this table shows, the hourly differential between the rates of pay for diverse qualifications is relatively small, and there is little financial incentive for workers to up-skill.

⁴⁶ Productivity Commission, *Early Childhood Development Workforce: A Productivity Research Report*, Melbourne, Commonwealth of Australia, 2011, p.39, p.64, p.109.

⁴⁷ Productivity Commission, *Early Childhood Development Workforce*, p.65.

⁴⁸ Productivity Commission, *Early Childhood Development Workforce*, p.71.

⁴⁹ Until 1 July 2015 when the transitional provisions expire rates will be different depending on the state or territory the work is performed in. However increments between qualification levels remain minimal in all states.

TABLE 1: Award Rates Relative to Minimum Wage

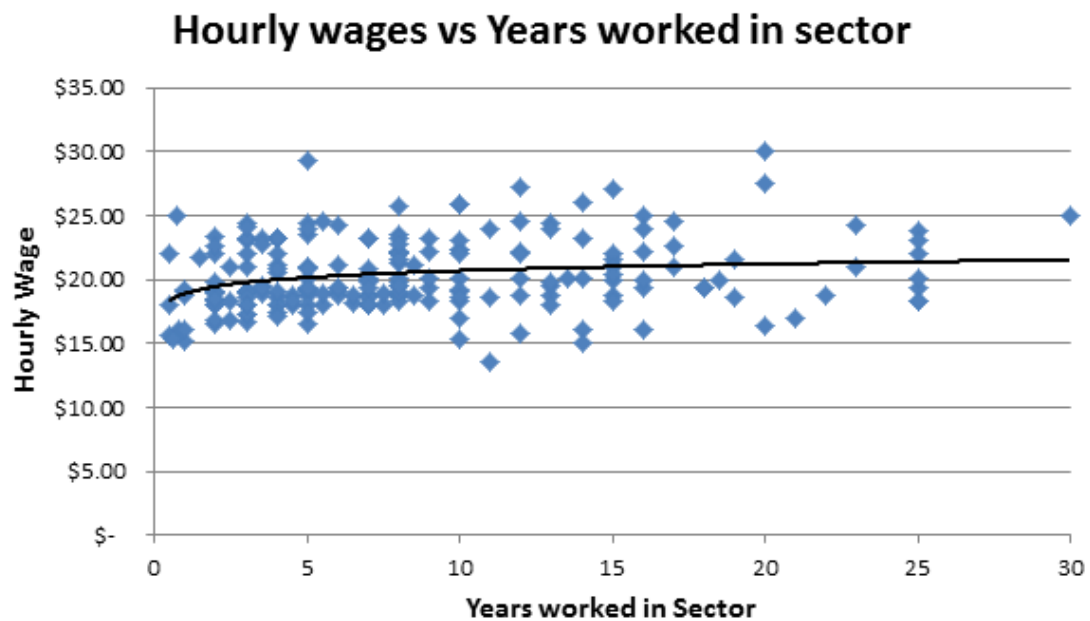
Level	FTE Weekly Pay	Hourly Pay	Dollar Amount Above Minimum Wage	Difference of Increase to Next Highest Qualification
1.1 (No formal qualification)	\$636.40	\$16.75	\$0.38	\$2.32
3.1 (Certificate III)	\$724.50	\$19.07	\$2.70	\$3.39
4.1 (Diploma)	\$853.40	\$22.46	\$6.09	\$4.62

Compounding the problem of low wages, the ECEC sector is marked by a flat career structure. A childcare professional's length of service does not determine wage earnings to a significant extent. In November 2010, United Voice surveyed a sample of 218 members from New South Wales, Tasmania and Queensland working within Long Day Care. All qualification levels were represented in the sample. The survey reveals that there is only a weak correlation between the numbers of years worked in the sector and higher wages:

TABLE 2: Relationship between Years Worked in Sector and Average Wage

Years Worked in Sector	Number in Sample	Average Hourly Wage
Under 2	12	\$18.47
2 to under 4	43	\$19.71
4 to under 8	62	\$20.19
8 to under 12	44	\$20.55
12+	57	\$21.10
Total	218	\$20.31

TABLE 3: Hourly Wages versus Years Worked in Sector



3.3. WORKING CONDITIONS: A CAUSE OF LOW LABOUR RETENTION

We're open 51 weeks of the year. On an average day, between office work, programming and time on the floor with the children I work from 8am—7pm. And yet I remain low paid. Nobody would expect primary school teachers to work under these conditions, yet I provide quality education to children too.

Luke, ECEC Director, Tasmania

The 2011 Productivity Commission report noted that the lack of pay parity and substantially poorer conditions in the ECEC sector has led to chronic shortages in Long Day Care teachers and reinforces the difficulty for the sector in attracting and retaining qualified staff. According to the Productivity Commission, degree qualified teachers employed in Long Day Care centres face significantly poorer wages and conditions compared to early childhood teachers employed within primary schools.⁵⁰ ECEC teachers in Long Day Care can be required to work up to 10 hours per day, with only four weeks off per year. By comparison, teachers in the school system work a mandated 7.2 hour day. In addition to shorter working days, teachers in the school system experience more holidays and greater preparation or non-contact time.

ECEC educators and teachers currently report that they have insufficient paid, non-contact hours in which to complete curriculum and observation requirements. As a result, these are often completed in their own time. The lack of paid time off the floor to complete these requirements exacerbates the already poor wages and long working hours experienced by workers in the sector. This situation has been exacerbated by the introduction of reporting requirements through the NQF.

This is not a reason to repeal these requirements. In their review of the NQF, ACECQA found that providers were broadly supportive of these additional reporting requirements, despite the additional workload.⁵¹ Their support of the requirements stemmed from the recognition that these requirements are integral to quality, play-based education programs, and the effective provision of ECEC services. However, for these requirements to be sustainable in the long-term, any reform of the sector must provide sufficient funding and regulation to ensure *paid* non-contact time to complete observation and curriculum requirements. This could be legislated through the current teaching and educator awards to reflect the current situation in the school system. These changes would underscore the importance of learning and education in the early years, and intervene in the community perception of the sector as consisting of professional educators.

⁵⁰ Productivity Commission, *Early Childhood Development Workforce*, p.98–101.

⁵¹ ACECQA, *Report on the National Quality Framework and Regulatory Burden: Part 1. Research Findings Overview*, Sydney, ACECQA, 2013.

3.4. STRUCTURAL IMPEDIMENTS TO WAGE INCREASES AND IMPROVEMENTS TO WORKING CONDITIONS

There are numerous structural and social impediments that constrain the capacity of workers to bargain for effective wage increases. These impediments to achieving wages that are commensurate with the skills, responsibilities and qualifications required are outlined in the remainder of this section. The implications of addressing these issues are outlined in **Section (5)**, which argues that a targeted funding solution is needed to ensure that sufficient funding is provided to wages, with the goal of ensuring a higher workforce supply, retaining existing educators and introducing wage incentives to improve overall qualification levels.

3.4.1. GENDER INEQUALITY AND LOW BARGAINING POWER

In the broader community, 'childcare' is still regarded by many to be associated with unpaid 'women's work,' performed in the home for free.⁵² While such attitudes have been largely exorcised from policy debate in recent years, it is important to acknowledge that award dependency and generally low base rates of pay in the sector are attributable to this historical legacy of gender inequity. Labour markets remain strongly segmented along lines of gender and ethnicity, powerful factors which construct the relative levels of vulnerability in employment and bargaining power.⁵³ Understanding this legacy is crucial to explaining why the vast bulk of the workforce continues to remain at (or barely above) award level rates of pay. The social undervaluation of work performed by ECEC professionals persists, a situation reflected in the continued segmentation of labour markets along gender lines. In recognition of the historic undervaluation of work in the ECEC sector, on the 15th of July 2013 United Voice made an application to the Fair Work Commission to review the wages in Long Day Care. The implications of this case for the sector are discussed in **Section (5)**.

⁵² G Meagher, 'The Challenge of the Care Workforce: Recent Trends and Emerging Problems', *Australian Journal of Social Issues*, vol 42, no 2, 2007, p.152.

⁵³ R Cooper, 'The 'bargaining power' of women employees in the low-paid personal care sector: A brief review of the concepts and the evidence in Australia', Report prepared for LHMU, available as Exhibit LHMU 20, Fair Work Australia, 2010: <http://ww2.fwa.gov.au/manilafiles/files/s243/exhibitLHMU20.pdf>

3.4.2. LOW WAGES AND AWARD DEPENDENCY

ECEC educators are overwhelmingly award dependent, constituting a group with low bargaining power who face a variety of structural barriers preventing them from effectively bargaining for higher wages. Due to a number of structural impediments, rates of pay in the ECEC sector rarely exceed the minimum award rates to any significant degree. Bargaining outcomes for workers covered by collective agreements (which comprise a small minority of employment arrangements) are generally not much higher than minimum award rates. The following summary of national bargaining outcomes for entry-level Certificate III illustrates that bargaining has failed to ensure wages substantially higher than the minimum mandated in the relevant award. Note that the NSW rates reflect transitional rates in the State that are above those set down in the national award. From July 2014 these rates will be consistent with those in the award.

TABLE 4: Collective Agreements in Long Day Care: Average Bargaining Outcomes

State	Agreements Examined	Average Cert III (Equivalent to 3.1 in Modern Award) Agreement Outcome ⁵⁴	Average Per Cent Above Award Rate
VIC	9	\$20.18	5.8%
NSW*	13	\$19.87	4.2%
QLD	10	\$19.38	1.62%
ACT	4	\$19.48	2.15%
WA**	10	\$19.12	0.2%
SA	9	\$19.53	2.41%
NT	2	\$19.66	3.09%

National average = 2.83% above Modern Award

* Transitional rates apply in NSW

** None of the EBAs selected include remote area loadings

⁵⁴ Table compiled from 56 current, randomly selected Enterprise Agreements. All EBAs are currently available on the Fair Work Commission website.

A number of structural barriers within the ECEC sector prevent effective bargaining and contribute to depressed wage outcomes. These include:

- *Fragmented ownership and workplace composition.* The ECEC sector is characterised by a large number of diverse small workplaces, with many workplaces having only a small number of employees. The small business model is dominant in the sector. Within Long Day Care, the ownership structure is characterised by one large employer, several dozen medium-sized businesses, and a multitude of small businesses. Goodstart Childcare Limited holds approximately 11.3 per cent of the national market share of licensed centres, whereas the next four largest employers hold just 2 per cent, 1.3 per cent, 1.3 per cent and 0.8 per cent respectively of the market share. Over half of workers are employed in small organisations where employers own between one and three services. This level of fragmentation combined with the large and growing number of services creates conditions where large-scale enterprise bargaining is not practical for achieving sector-wide increases in pay and improving the status of childcare professionals.
- *Marginal profit rates.* Government funding provides LDC services with a guaranteed source of revenue and has enabled the expansion of for-profit childcare. However, many businesses operate on tight profit margins – this is particularly the case with higher quality services (which may, for instance, choose to operate above the minimum staff to child ratios required by regulations). Where profit margins are tight, cost increases arising from increased staffing costs are more likely to be passed onto parents in the form of higher fees.
- *Most employers have little or no experience of bargaining.* With the bulk of the sector made up of small businesses, there is an overall lack of experience and knowledge amongst employers of collective bargaining processes. Employer associations are loosely federated state-based organisations which are split between the not-for-profit and for-profit sectors. While these organisations can lay claim to large memberships, they tend to have few staff and rely on voluntary labour from their members in order to function.

The lack of opportunity to effectively engage in enterprise bargaining has contributed to the ongoing undervaluation of employees' remuneration. Employees at all levels, and particularly at levels where employees hold tertiary and vocational qualifications, are paid significantly less than other employees performing similar or comparable work. With structural impediments preventing childcare professionals achieving effective wage increases through bargaining, government policy can play a strong role in supporting wage justice for workers with historically low bargaining power.

3.4.3. INADEQUATE FUNDING MECHANISMS

Current funding mechanisms prevent ECEC professionals from bargaining for higher wages and entrench the structural disadvantage of the ECEC workforce. Government subsidies directed to consumers comprise the bulk of financing of the ECEC sector and therefore constitute the chief means by which employers' capacity to pay wages are enabled. With most Long Day Care centres operating according to tight profit margins and facing continuous pressures to maintain affordable childcare, educators are often placed in an untenable position where any claim for higher wages imposes additional costs on parents. In light of growing community concerns about the increasing cost of childcare, the existence of such a trade-off between consumer affordability and wage justice is not fair on either workers or the parents who are reliant on affordable childcare. When we consider these limitations inherent in the current ECEC funding system, it is in fact no paradox that the continuation of low wages can occur simultaneously with the continued undersupply of labour in a climate of growing concerns about the affordability of childcare.

3.5. RECOMMENDATIONS

Recommendation 1:

Reform government funding to encourage effective, high quality ECEC

Recommendation 3:

Provide targeted funding for professional wages to ensure quality ECEC

United Voice advocates for a reform of the funding system to deliver professional wages. The principles that underpin these reforms are outlined in [Section \(5\)](#).





Regulating for quality in ECEC

4.1. DRIVERS OF QUALITY ECEC

Quality in early education means having qualified skilled staff, staff collaboration, happy and engaged learning with children and educators. We believe quality is represented by competent and professional staff, punctual and regular attendance of the children at the service and good relationships with families. Quality educators should be able to assist in diagnosing any development issues in children, collaborate with other professionals within their community (like government agencies, schools, specialists etc.) and engage in ongoing professional development. Quality is shown when the children are demonstrating a progression of development, the provision of educational resources and a stimulating environments is occurring and educators are given adequate non-contact time to plan and reflect on the curriculum.

Cyrene Adams, Group Leader, Goodstart Calamvale

It has been proven that children learn best when they feel safe and secure. If a centre experiences high turnover, this disrupts the bonds created with both child and family which then in turn disrupts the child's learning. High staff turnover creates distressed children, puts other educators under pressure to cope with not only dealing with the emotional aspect, but also trying to keep the learning going. Turnover doesn't just affect one child or family – it affects the whole centre and creates a lack of parent confidence not only with the centre but the system. High staff turnover can affect the ratios adding even more pressure with the element of safety standards not being met.

Christine Bollangary, Assistant Director , Braypark Childcare Centre

Quality ECEC is shown to have benefits for child development and workforce participation. A number of interrelated factors determine quality ECEC. These are broadly defined as either structural or process factors. Structural factors include the physical environment, adult-to-child ratios and the qualifications of adults in the sector. Process factors are those factors which relate to modes of engagement with children, and include the interpersonal relationships between educators and children, or between children, as well as the activities and learning opportunities available to children. Process quality cannot be improved without attention to structural aspects. International research shows clear links between the quality of interactions between educators and children and factors such as adult-to-child ratios and staff qualifications.⁵⁵ Specifically, this research finds that:

- The education of caregivers is the most significant factor affecting quality and the developmental outcomes of children.
- Improved adult-to-child ratios are associated with better outcomes for children, particularly for very young children and/or children from disadvantaged backgrounds. In smaller groups, children show greater evidence of autonomy and well-being.

International research has also shown that staff working conditions are a key determinant of quality ECEC.⁵⁶ Factors which influence the high turnover of staff (low wages, lack of career progression) negatively impact on the quality of ECEC provision. Where there is high staff turnover:

- children spend less time engaged in meaningful activities; and
- staff and children are less able to develop stable relationships.

⁵⁵ For a review of this literature see: L Huntsman, *Determinants of quality in childcare: A review of the research evidence*, Sydney, NSW Department of Community Services, 2008; see also: LC Phillipsen, MR Burchinal, C Howes, & D Cryer, The prediction of process quality from structural features of child care. *Early Childhood Research Quarterly*, vol 12, no 3, 1997, p.281–303.

⁵⁶ L Huntsman; OECD, *Encouraging Quality in Early Education and Care*, Paris, OECD, 2010; J Shonkoff & D Phillips (eds), *From Neurons to Neighborhoods: The Science of Early Childhood Development*. Committee on Integrating the Science of Early Childhood Development, Board on Children, Youth, and Families, 2000.

4.2. RECENT POLICY REFORMS TO REGULATE FOR QUALITY

The NQF gives the right for children to be children and learn without feeling pressured. Compared to the old system, there is less paperwork when the NQF is being implemented effectively which allows for more time with the children. The NQF has allowed for the whole country to be level with curriculum which allows for a child to learn consistently regardless of what happens in their lives outside the centre. This system has finally professionalised the sector, giving educators much needed professional recognition, taking us from childcare workers to educators.

Christine Bollangary, Assistant Director,
Braypark Childcare Centre

Our centre has hired an extra 'floater' assistant to cover ratios at busy times and provide cover for our assistant educators to have 'programming' time (equivalent to non-contact time for teachers in the Education Department). This means that every educator in the centre (who is assigned to a room) receives two hours weekly of programming time which has resulted in more personalised, interactive experiences being planned and extended upon. This can only have a positive impact upon the children who attend the centre.

Kayleen Condrick, Assistant
Director/Group Leader
Educator, Brassall
Childcare Centre

Governments have a role to play in ensuring high quality ECEC, particularly in markets where there is a high percentage of for-profit providers.⁵⁷ The need to regulate for quality is particularly acute in Australia, which relies on a structural mix of services, including for-profit and non-for-profit providers. As noted by a PricewaterhouseCoopers' study, a mixed service environment that relies on both for-profit and non-for-profit providers:

*[...] requires an active role for government to use its full range of policy levers – including funding, regulating, planning and delivering services – to ensure that children and families receive high quality care.*⁵⁸

Recognising this, in recent years Australian state and federal governments have made significant policy commitments to support the Early Childhood Education and Care (ECEC) sector. This has included recognising ECEC as an essential human service with broad social implications for childhood education, welfare, inclusion and workforce participation. Since 2007, federal and state governments have embarked on a series of policy initiatives through the COAG process to support the vision that all Australian children have access to high quality education and care. These include the Early Years Learning Framework (EYLF) and National Quality Framework (NQF).

The National Quality Framework and Early Years Learning Framework targeted a range of structural and process quality drivers, incorporating measures to improve adult-to-child ratios, to ensure minimum qualifications, and to improve curriculum and reporting requirements. The nationally consistent quality standards comprise a significant first step towards professionalising the ECEC workforce and ensuring high quality service provision. COAG's decision to improve ratios and to enshrine mandatory qualifications in the new national standards rests on evidence that shows skills, knowledge and professional practices are essential to maximising the capacity of ECEC services to provide high quality education and care.

These measures represent a significant transformation of the sector, and United Voice has strongly advocated for their development and implementation. While these transformations have posed a number of challenges for the sector, a review of the regulations by ACECQA shows that over 78 per cent of providers are supportive or very supportive of the NQF. The report finds, furthermore, that:

Despite the frustration and stress driving the perception of burden around quality assessment and ratings visits, providers whose services have been quality rated are among the groups most supportive of the NQF. These providers also perceive a

⁵⁷ OECD, *Starting Strong II*.

⁵⁸ PricewaterhouseCoopers, *A practical vision for early childhood education and care*, 2011, p.24.

much lower level of administrative burden, suggesting that as regulatory authorities engage more with providers about quality, and quality rate more services, support for the NQF will grow and the perceived level of administrative burden may reduce.⁵⁹

The results from this report reflect our discussions with educators. These experiences are reported below in the context of the more significant transformations associated with the NQF and EYLF.

Given the broad support of the NQF expressed in this report, United Voice believes that no changes should be made to the current system until the review of the NQF is conducted by ACECQA in 2014. United Voice has strongly supported the changes included in the National Quality Agenda. However, unless significant reforms to funding are implemented, the NQF will exacerbate structural issues in the sector and increase costs for parents. This should not be a reason for rolling back the implementation for the NQF, rather it points to the necessity of proper resourcing of the labour market to successfully enable the transition and to ensure the sustainability of the workforce.

Any reforms to the system must maintain those aspects which benefit the child by encouraging the provision of a quality education program that is informed by pedagogical research. Furthermore, any reforms to the system must not result in a weakening of quality requirements. As PricewaterhouseCoopers note:

[...] the NQF quality standards are not ambitious. They fall short of precedents set by ECEC systems overseas in terms of the qualifications required by early childhood staff, and compare poorly with those quality standards that are taken for granted in the school education system.⁶⁰

Finally, we note that rolling back the regulations will have significant economic implications for the large percentage of centres which are already compliant with the regulations. In their reporting of accreditation procedures, ACECQA notes that the majority of centres are compliant at the time of review, with a large number of non-compliant centres compliant in all but one quality measure. Given this, we believe that any decision to roll back the NQF needs to take into account the significant expenditure of time and money by centres during the transition period.

The accreditation requirements implemented through the NQF are accompanied by a quality rating system. This rating system has the potential to improve the market provision of quality ECEC, by providing parents with objective information to assess the relative quality of individual ECEC services. As noted in **Section (2)**,

⁵⁹ ACECQA, *Report on the National Quality Framework and Regulatory Burden: Part 1. Research Findings Overview*, Sydney, ACECQA, 2013, p.19.

⁶⁰ PricewaterhouseCoopers, p.25; see also M Fenech, J Sumsion, G Robertson & J Goodfellow, 'The regulatory environment: a source of job (dis)satisfaction for early childhood professionals?', *Early Child Development and Care*, vol 178, no 1, 2008, p.1–14.

parents place a high value on quality ECEC, with the perceived quality of services impacting on parental decisions regarding workforce participation and the number of hours children are in formal care. However, research has consistently shown that parents have difficulty in objectively assessing the relative quality of services.⁶¹ The provision of additional information will allow parents to make more informed decisions regarding their children's care, and allow services to compete on quality as well as cost and accessibility.

The National Quality Framework started off with a bang and lots of centres feeling scared and not ready, however I believe it is a framework that needs to stay in place for centres to show their quality ratings and to assist families in feeling safe and supported within the centre their child attends. This is also increasing the safety, wellbeing and care that is being provided to the children; who begin learning from birth and therefore need to be supported from this age.

Kelly Brookes, Educator, not-for-profit centre

⁶¹ J Plantenga, 'Local providers and loyal parents: Competition and consumer choice in the Dutch childcare market', in E Lloyd & H Penn (eds), *Childcare Markets: Can They Deliver an Equitable Service*, Bristol, The Policy Press, 2012.

4.2.1. NATIONAL QUALITY FRAMEWORK: BETTER QUALITY ECEC THROUGH STAFF QUALIFICATIONS

People think you can just walk off the street and do this. You can't.

ECEC Educator, Roundtable on the NQF and EYLF,
Victoria December 2013

When I first began working at this centre in 2010 the staff turnover was very high. [...] Since the introduction of the NQF in 2012, I have had only two staff members leave, because they were moving to another state and I have had two others relocate through the company into higher job roles as they have developed their professional skills. I think the NQF has allowed us to consolidate the level of skills required for these roles and accordingly ensure that the right people are doing the right roles.

Cyrene Adams, Group Leader, Goodstart Calamvale

Since the introduction of the NQF I personally have seen great change occur within our centre. Our centre has pushed the NQF as a standard with our education and practices within the centre and we have been able to up-skill our educators to what we believe to be a much higher quality. This is shown through their understanding and implementation of education at the centre, the retention of educators with high quality skill sets and the involvement of the educators within the centre, the community and the professional society.

Elizabeth Robbie, Director, Goodstart Junee

International research has shown that staff qualifications are one of the strongest determinants of high quality care. In particular, it finds that staff qualifications:

- improve the types of engagements that educators have with children; and
- give educators the resources to implement effective play-based education programs that are responsive to the needs of individual children.

In recognition of the value of staff qualifications to ensuring high quality ECEC, the National Quality Framework introduced minimum qualification requirements across the ECEC sector. As of the 1st of January 2014, Long Day Care and preschool services with more than 25 places were required to employ a full-time early childhood teacher. Furthermore, 50 per cent of staff were required to be working towards an approved diploma level course, with remaining staff required to be working towards an approved Certificate III education.

United Voice conducted roundtables with educators and directors regarding their impressions of the NQF and EYLF in December 2013. There was consensus amongst educators that qualifications improved the quality of ECEC provision. In addition to the benefits outlined above, our members report that the qualification requirements have stabilised staff turnover in their centres.

United Voice strongly supported the introduction of minimum qualification requirements for ECEC. We argued that qualifications supported the ongoing professionalisation of the sector, highlighting the role of the sector in providing a quality *education* for children and not just child-minding. We note, however, that these qualification requirements have the potential to exacerbate already existing staff shortfalls in the sector.⁶² The Australian Government set aside significant funds to assist staff to acquire qualifications. However, this does not address one of the primary disincentives to obtaining qualifications, namely, the flat career structure within the sector that provides negligible remuneration when compared to the work required to gain those qualifications.

We argue, however, that this should not be a reason to repeal the qualification requirements. The current qualification requirements are below the standards required in similar ECEC systems (e.g. Canada and New Zealand). Instead, the funding system needs to be reformed to ensure professional wages that reflect the level of qualifications required. This will encourage newly qualified staff to the sector, in particular bachelor qualified teachers who would otherwise work in the schools sector. It would also act as an incentive for staff in the sector to obtain a qualification or improve their existing qualifications.

⁶² Productivity Commission, *Early Childhood Development Workforce*, p.93.

4.2.2. NATIONAL QUALITY FRAMEWORK: BETTER QUALITY ECEC THROUGH ADULT-TO-CHILD RATIOS

The change to 1:4 ratios for birth to two year olds has given us more time to have quality interactions with all the children. We are able to support children with their social skills and provide emotional stability. The new ratio has enabled a true sense of belonging in our environment to happen, as the consistent enrolments have seen our birth to two-year old room become a family with a diversity of ages. Toileting routines are shorter with less children, thus other routines are relaxed and not hurried, allowing time for one-on-one intentional teaching moments.

Jennifer Tranby-Hunter, Director,
Freckles Kindy and Learning Centre, NSW⁶³

⁶³ Early Childhood Australia, *Our Future on the Line: Keeping the Early Childhood Education and Care Reforms on Track*, (nd). http://www.earlychildhoodaustralia.org.au/pdf/our_future_on_the_line.pdf

Better ratios mean calmer educators which in turn leads to calmer children and a calmer environment which encourages exploration. Better ratios means quality 1:1 interactions in which educators can be available to scaffold children's learning through intentional teaching. Better ratios means educators form stronger relationships and partnerships with parents by allowing them to have incidental conversations with them during pick-up and drop-off times and giving families and children the security by knowing their primary caregiver is more likely to be available to meet their individual needs.

Sharon Murphy, Educator, Adelaide

Higher adult-to-child ratios improve quality by giving staff more time to engage with individual children. With higher adult-to-child ratios less time is spent completing tasks such as toileting and feeding. This in turn leaves more time for spontaneous interaction between educators and children. These interactions are the basis of effective play-based early years education. Without these interactions, services struggle to achieve more than child-minding.

In recognition of this, the NQF introduced improved ratios for children, making ratios consistent across the country. The table below indicates the state ratios that were in place at the time the NQF was announced, comparing these to the final ratios set down in the national framework.

TABLE 5: Existing Adult-to-Child Ratios Prior to Implementation of NQF

Age	NQF Ratio	ACT	NSW	NT	QLD	SA	TAS	VIC	WA
0—2 YRS	1:4	1:5	1:5	1:5	1:4	1:5	1:5	1:4	1:4
2—3 YRS	1:5	1:5	1:8	1:5	1:6	1:10	1:5	1:4	1:5
3—5 YRS	1:11	1:11	1:10	1:11	1:12	1:8-1:10	1:10	1:15	1:10

As Table 5 shows, a number of states in Australia were already operating at or above the ratios set down in the NQF in one or more of the age groups. In fact, in response to calls to repeal the requirements, the Victorian Education Minister stated:

*Much of the reform agenda is about bringing the rest of Australia up to the high standard set in Victoria, which we are committed to not only maintaining but improving.*⁶⁴

The majority of these requirements came into place from the 1st of January 2012, with a minority of states given until the 1st of January 2016 to implement the ratios for 2—3 and 3—5 year old children. Discussions with educators and directors regarding the implementation of the NQF indicate that providers have begun phasing in the new ratio requirements ahead of the 2016 deadline.

United Voice supports the recommendation of our members that the ratio requirements of the NQF be retained. As these educators note, at lower ratios educators spend almost all of their time completing compulsory tasks, with less time dedicated to involvement in children's play. In response to calls to return to previous ratios we reiterate the assessment by PricewaterhouseCoopers that the current NQF targets are not ambitious and below international benchmarks.⁶⁵ However, these ratios are not sustainable in the long-term unless the problem of attrition in the sector is addressed through a funding system that mandates for improvements to wages and working conditions.

⁶⁴ <http://www.theaustralian.com.au/national-affairs/state-politics/states-resist-coalition-childcare-moves/story-e6frgczx-1226749284410#>

⁶⁵ Price Waterhouse Coopers.

4.2.3. EARLY YEARS LEARNING FRAMEWORK: A REFLEXIVE CURRICULUM FOR BETTER QUALITY ECEC

NQF is essential to the ECEC sector as it guides educators to extend and enrich children's learning from birth to five years and the transition to school. The NQF supports professional practice, especially in aspects in building and nurturing relationships, curriculum decision making and teaching and learning. The NQF allows the expression of personality and uniqueness as it caters to each individual child whilst acknowledging that educators are professionals taking them away from the 'babysitter' persona. The paperwork allows us to show our parents the professional role we have in educating their child and displays a portion of the knowledge that is being imparted and also learnt by each child each day.

Fiona Micallef, Supervisor, Goodstart Warner

The Early Years Learning Framework was introduced in 2009 following extensive consultation between state and territory governments working together with the Federal Government. Entitled *Being, Belonging, Becoming*, the EYLF recognises that children learn from birth, and was intended to “extend and enrich children’s learning from birth to five years and through the transition to school”.⁶⁶ The framework outlined a set of principles, practices and outcomes that educators were to use to build their curriculum. It drew on extensive international research which showed that quality ECEC environments involve staff-child interactions that include both teaching and play, and which are responsive to the individual needs of children.⁶⁷

A study of a trial of a draft EYLF across 28 early childhood settings found the following benefits accruing to staff and children:

- It provides a common language for supporting educators across states and territories.
- It provides consistency across the variety of settings that make up early childhood education.
- It acts as a tool for educator self-reflection and readiness for more widespread adoption of contemporary approaches to early childhood learning and teaching. In particular, it provides an “educative focus for staff who had not previously been accustomed to it”.⁶⁸

The research also found that the EYLF also promoted the ongoing professionalisation of the sector. The framework positions all staff as pedagogical leaders, emphasising their role as educators rather than carers. Through the introduction of a reflexive pedagogical practice, the EYLF encourages educators to engage with current and cutting-edge research on early childhood pedagogy and to reflect on the practice of teaching in an applied context.⁶⁹ Rather than relying on chronological developmental milestones, educators are expected to develop individualised and emergent curriculum which are targeted towards individual children. These curricula incorporate daily observations of children by staff to respond to the changing interests and learning of children.

⁶⁶ Productivity Agenda Working Group. *A national quality framework for early childhood education and care*, Canberra, Productivity Agenda Working Group, 2008.

⁶⁷ S Edwards, M Fleer, & J Nuttall, *A Research Paper to inform the development of An Early Years Learning Framework for Australia*, Melbourne, Office for Children and Early Childhood Development, 2008, p.5.

⁶⁸ M Fleer, *Final Report: Baseline Evaluation of the Early Years Learning Framework (EYLF)*, Melbourne, DEEWR, 2011.

⁶⁹ Fleer. For more research on professional development and the use of research in applied contexts see: AB Smith, B Grima, M Gaffney, K Powell, L Masse & S Barnett, *Strategic research initiative literature review: Early childhood education*, Wellington, Ministry of Education, 2000; I Siraj-Blatchford, K Sylva, S Muttock, R Gilden, & D Bell, *Researching effective pedagogy in the early years*, Department for Education and Skills, United Kingdom, Research report RR356, 2002; L Mitchell & P Cubey, *Characteristics of professional development linked to enhanced pedagogy and children’s learning in early childhood settings: Best evidence synthesis*, Wellington, Ministry of Education, 2003.

The EYLF represented a major transformation of the sector, and posed significant challenges for both staff and centres. The reflexive components of the EYLF required a significant investment of time by educators to become familiar with the new requirements. It was particularly challenging for those ECEC staff without a qualification, and those who were “accustomed to a less demanding account of child development based on traditional chronological and psychogenetic milestones”.⁷⁰ However, with the EYLF principles and practices beginning to be incorporated in tertiary ECEC courses, qualified staff entering the sector will already share a common pedagogical language with staff already in the sector.⁷¹

The curriculum and observation requirements of the EYLF place additional burdens on staff, with workers reporting that they are often required to complete child observations in their own time, due to a lack of paid time off the floor in which to complete their reporting. Despite this, United Voice members remain broadly supportive of the EYLF as it ensures the provision of quality ECEC and recognises the value that ECEC staff bring to the sector as actively engaged educators and pedagogical leaders. However, without significant reforms to the sector to ensure professional wages and paid time off the floor in order to meet the requirements, the benefits accruing from the EYLF will only ever be partially achieved. Although staff report greater job satisfaction stemming from a greater engagement with their work and other educators through the reflexive reporting practices, this is unlikely to lead to significant staff retention unless accompanied by improvements in wages and staff working conditions.

⁷⁰ Fleer, p.23.

⁷¹ The EYLF has been included in current textbooks. See for example: L Arthur, B Beecher, E Death, S Dockett & S Farmer, *Programming and planning in early childhood settings*, 5th ed, Melbourne, Cengage Learning Australia, 2012.

4.2.4. BARRIERS TO IMPLEMENTING THE NQF

The COAG quality reforms require a large-scale increase in total staff numbers and a comprehensive transformation in the profile of the workforce. To achieve these goals, the Australian Government committed \$126.6 million over four years to remove TAFE fees for diplomas and advanced diplomas, create additional university places for early childhood teachers, and subsidise the HECS-HELP debt of teachers working in areas of high disadvantage. Unfortunately, these measures did not support workers needing to undertake Certificate III training, the new minimum standard for those working in the sector. The 2011 Productivity Commission draft report on the ECEC workforce notes that while the NQF is supported by workforce initiatives focused on improving the availability and affordability of training, these “may not be sufficient to attract the required number of qualified staff to the sector”.⁷² Failure to increase the supply of qualified staff across the sector holds grave implications for the successful transition to the NQF.⁷³

While in the short-term, adequately resourced initiatives to train and up-skill the current workforce are critical to meeting the NQF targets, without measures to ensure the stability of the workforce in the long-term the aims of the NQF cannot be met. In order to meet these standards, initiatives need to be developed to address the underlying causes of poor recruitment and low retention in the sector, including:

- the low wages of underpaid childcare workers;
- lack of support for training and professional development; and
- the low status of the profession.

United Voice argues that a proper resourcing of the labour market is necessary for a successful transition to the NQF, and to ensure the ongoing sustainability of the workforce. Quality ECEC provision through the successful implementation of the NQF will only occur through workforce initiatives aimed at the provision of professional rates of pay. Finally, we call on the Government to wait until the completion of the 2014 review of the NQF before making changes to the current system.

⁷² Productivity Commission, *Early Childhood Development Workforce*, p.39.

⁷³ Productivity Commission, *Early Childhood Development Workforce*, p.5.

4.3. RECOMMENDATIONS

Recommendation 2:

Government should regulate the sector for quality to support child development and workforce participation outcomes

A woman with dark hair and sunglasses, wearing a black t-shirt with a pink balloon logo, holds a large blue sign high above her head. The sign has white text that reads "Value your children? Value our work!" and the website "bigsteps.org.au" at the bottom. In the background, a crowd of people, including children and adults, are gathered outdoors. Some are wearing black t-shirts with pink balloon logos. There are white balloons and a building with columns in the background.

Value your
children?
Value our
work!

bigsteps.org.au

Funding the sector for quality



BIG STEPS
In early childhood
education and care
www.bigsteps.org.au

BIG STEPS
In early childhood
education and care

www.bigsteps.org.au

In Australia, ECEC is delivered by a range of (for-profit and not-for-profit) providers, and offered through a variety of service types (Preschool, Long Day Care, Family Day Care, Outside School Hours care, etc.). The diversity of the sector offers parents a degree of choice and flexibility in determining the type of care that is suitable. However, this diversity also poses a number of challenges that need to be addressed. These include:

- the uneven availability of childcare, with limited places available in some geographic areas and for infants and additional needs children;
- the limited quality of some ECEC programs, which includes a lack of qualified and experienced staff;
- an ability to attract and retain staff; and
- increases in childcare fees at rates significantly higher than CPI.⁷⁴

In order to address these challenges a significant reform of the current funding system is required to ensure a high quality and effective ECEC system that meets the needs of parents *and* children. United Voice believes that an effective ECEC system must take into account both the economic gains from increased parental workforce participation, as well as the long-term social and economic benefits of improved child development outcomes. These dual outcomes will only occur through an ECEC system that is sufficiently regulated and funded to ensure quality.

United Voice acknowledges that in recent years Australian state and federal governments have significantly increased funding to the ECEC sector. Despite this, Australia has one of the lowest expenditures as a proportion of GDP of all countries in the OECD. It spends 0.45 per cent of GDP on ECEC, as compared to the OECD average of 0.6 per cent of GDP. It is important to note, furthermore, that this average falls well below those countries whose systems are considered best practice, and which have been selected as study comparisons in this inquiry. For example, New Zealand currently spends approximately 1 per cent of their GDP on ECEC services.

⁷⁴ Baker, 2013; PricewaterhouseCoopers, 2011.

5.1. REFORMING THE CURRENT SYSTEM

There is broad consensus that the current funding to the sector is insufficient, especially given the increase in wages required to attract and retain sufficient staff in the sector.⁷⁵ As outlined below, the current shortfall will be exacerbated by a positive decision in response to the current application to increase wages across the sector, lodged with the Fair Work Commission in June 2013. Unless additional funding is allocated to the sector, parents will bear this increase in costs, and ECEC services will become increasingly unaffordable for many parents.

Given the underfunding of the sector relative to international benchmarks, United Voice strongly advocates for additional funding to be allocated to the sector. United Voice does, however, recognise that the Productivity Commission has been tasked with reforming the system within the current funding envelope. Thus, it welcomes the Commissioners' decision to consider Early Years funding holistically, taking into account parental leave, tax benefits and ECEC to develop a system that supports both child development and workforce participation outcomes. Furthermore, we note that the current funding envelope is not fixed. The cost of the sector has increased at a rate significantly above CPI. It can therefore be argued that short-term spending on the sector to alleviate some of the most critical challenges (e.g. qualification shortages), may still see savings in the long-term if the funding system is significantly reformed. Given the limited funding to the sector, and evidence that a number of disadvantaged children are missing out on ECEC due to cost, it is critical that the effectiveness of each dollar spent is maximised.

5.1.1. ADDRESS THE INFLATIONARY NATURE OF THE CURRENT SYSTEM TO IMPROVE AFFORDABILITY

Government expenditure on ECEC has increased substantially over the last decade. Between 2007–08 and 2011–12, real expenditure increased by 62.7 per cent nationally, from \$3.71 billion to \$6 billion in 2011–12. In 2011–12, \$4.18 billion was paid in the form of parental subsidies, through the Childcare Benefit or the Childcare Rebate. Childcare costs have increased at rates significantly above inflation since the early 1990s, with a significant percentage of these costs borne by government through interventions such as the introduction of the Childcare Rebate. Despite the increases in government funding to the sector, increasing numbers of families report difficulties with the affordability of childcare. In 2008, 22.5 per cent of children did not access the care required due to cost. This had increased to 24.5 per cent by 2011.⁷⁶ This figure includes children who did not attend any formal care, as well as those who did not attend formal care services for as many hours as required by their parents. This has significant implications for workforce participation, with 51.1 per cent of parents citing work-related reasons as the primary driver of their need for additional childcare in 2011.⁷⁷

The introduction of parental subsidies in 2000 and their expansion in 2007 and 2008 saw dramatic improvements in the affordability of services. This fuelled demand for ECEC, enabled the rapid growth of the sector and assisted many lower-income families with access. However, the reliance on a single mechanism for financing ECEC – subsidising the sector through partially subsidising parent fees – has failed to ensure ongoing affordability. According to modelling conducted by United Voice, gross childcare fees (before subsidies) have, on average, increased by 11.2 per cent in the year between April 2011 and April 2012 across all states in Australia, from an average of \$63.21 to \$70.29 per day. Over the last quarter of that period (January 2012 to April 2012) fees increased by an average of 3.5 per cent, from \$67.95 to \$70.25 per day.⁷⁸

The increase in childcare fees is responsible for the significant increases in government funding to the sector through the Childcare Rebate (CCR). The CCR covers 50 per cent of the gap between total fees and the amount covered by the Childcare Benefit (if any), up to a total of \$7500 per annum. While the CCR cap had previously been subject to annual increases, the indexation of the cap is currently on hold until 2017. While only 7.5 per cent of parents hit the cap in 2011–12, that number is expected to double by 2017.⁷⁹ Given that the cap on the CCR predominantly affects families where both parents are working full-time, the decrease of the cap in real terms, and relative to overall increases in childcare fees, will impact on these parents' decisions regarding full-time work.

⁷⁶ Productivity Commission, *Report on Government Services 2014*. Melbourne, Commonwealth of Australia, 2014.

⁷⁷ Productivity Commission, *Report on Government Services 2014*.

⁷⁸ Baker, 2013.

⁷⁹ <http://www.news.com.au/finance/money/kate-ellis-reveals-150000-families-face-childcare-pain-in-budget/story-fnagkbpy-1226645940621>.

Faced with having to pay 100 per cent of childcare fees above the cap, many parents will opt to reduce their hours of work. Reforms to the funding system must remove disincentives for parents to increase their hours of work, in order to increase the workforce participation of the second earner. These reforms include reducing out-of-pocket expenses for parents. We note that despite increases in government funding in recent years, Australia still has one of the highest rates of parental expenditure in the OECD, with parents providing approximately 48.6 per cent of the cost of care. By comparison, New Zealand parents pay approximately 17.1 per cent of the cost of care.⁸⁰

United Voice argues that it is necessary to reform the current funding system to improve affordability for parents while providing greater transparency and cost-effectiveness for government. United Voice supports the recommendations outlined in the PricewaterhouseCoopers report that the funding system must shift from a fee-driven to a cost-driven model. As in the case of the New Zealand, this would be based on a 'child per hour' rate.⁸¹ We acknowledge that there have been criticisms of this approach in New Zealand, which have focused on the tendency to under-estimate the true cost of providing ECEC services. United Voice recognises that calculating the cost of childcare is complex, and determined by a number of interrelated factors. For example, remote centres may face additional costs to attract and relocate staff, while metropolitan centres will face significantly higher rents. These factors mean that the cost of providing ECEC services can vary significantly between different services. United Voice notes, therefore, that unless a suitable system is developed to assess the cost of childcare, there is a risk that these estimates will significantly under-estimate the actual cost of care, with parents responsible for the gap between ECEC fees and government funding. Furthermore, any cost-driven approach must provide additional incentives to ensure that currently under-represented groups access quality ECEC services.

⁸⁰ <http://www.educationcounts.govt.nz/indicators/data/resource/public-expenditure-on-early-childhood-education-ece#table8>

⁸¹ PricewaterhouseCoopers, p.28.

5.1.2. A FUNDING SYSTEM THAT ENSURES EQUITABLE ACCESS TO QUALITY ECEC

In their analysis of the current, fee-driven funding system, PricewaterhouseCoopers found that the current fee-driven funding system has led to a number of market failures, including:

- Access to childcare places is not consistent across service areas. Particular areas (e.g. inner metropolitan and remote areas) currently experience significant shortfalls in available childcare places, while there is a glut of places in other areas.
- A lack of incentive for services to provide places for 'more-expensive' children (e.g. babies and those with additional needs).
- A lack of incentive to provide higher quality services that employ standards above the minimum required under the regulations.

Given these issues, they argue that in a mixed ECEC market governments need to provide incentives for the market to provide higher cost places and to encourage the provision of quality services.

As argued above, United Voice supports a cost-driven funding model, where the cost of childcare is assessed with a view to providing equitable access to quality ECEC. Any determination of costs will therefore need to recognise that costs can vary significantly between children and between service areas. To this end, United Voice supports a system similar to that deployed in New Zealand, which is based on a base unit per child rate plus additional loadings that reflect diverse cost factors. These loadings may reflect:

- the additional costs of providing services to infants;
- the additional costs of providing services to children with additional needs; and
- the additional costs of providing services in particular areas (e.g. remote communities and inner city areas with high rentals).

In Australia, particular groups of children are under-represented in quality, formal ECEC services. These groups include children from non-English speaking backgrounds, Aboriginal and Torres Strait Islander children, and children from socio-economically disadvantaged families. These groups are, furthermore, those who stand to obtain the greatest benefit from high quality ECEC. In order to reduce the barriers to these groups accessing ECEC services, we propose that the 'child per hour' rate also include additional equity payments, similar to those applied in New Zealand. These payments are intended as incentives to encourage disadvantaged children to access childcare. The loadings would take the form of additional payments that would further decrease the gap between child care costs and fees, and would be provided in addition to cost loadings to meet the costs of providing care to children with additional needs.

Finally, the calculation of a child-per-hour rate may include further calculations regarding the proportion to be met by government and by families. Fees would then be charged by the service, taking into account this amount. Services may choose to charge higher fees depending on additional services offered. However, as parents are responsible for 100 per cent of the gap, this model reduces incentives for price increases that are substantially disproportionate to the relative cost of services.

The Fair Work Commission is now in the process of determining professional wages for the sector – that’s a good thing. I’ll acknowledge that there are issues about pay in the childcare sector. I visited about 200 centres in my time as opposition spokesperson. That’s why I’m very pleased that it’s now going where it needs to go, to the FWC. [...] Finally United Voice took this to the FWC where they are able to secure a lasting, permanent wage increase.

Sussan Ley, press conference
announcing the cancellation of
EYQF – 10 December 2013

5.1.3. FUND PROFESSIONAL WAGES TO ENSURE QUALITY ECEC

ECEC is a highly labour-intensive sector – labour comprises between 73 per cent and 82 per cent of total costs in Long Day Care centres.⁸² Yet the massive expansion in government funding in the last 15 years has done little to facilitate workforce development. Between 1996 and 2001, the proportion of degree qualified staff fell by 50 per cent, as many employers increasingly saw opportunities to cut the costs of quality provision in favour of improving profits.⁸³ During this period government funding to ECEC more than doubled whilst significant reforms were made to the funding system. These included the abolition of operational subsidies and the transition towards a system of financing childcare based almost entirely on subsidising parents' fees. Since then fees (and the amount of government subsidies to parents) have increased at a rate exceeding the inflation rate. Between 2005 and 2009, Australian Government spending for childcare increased from \$2.02 billion to \$3.7 billion, an increase from \$3,430 to \$5,187 per licensed place across all service types. During the same period fees increased by an average of 34.9 per cent – more than 2.5 times the headline inflation rate during this period. Despite these spending increases, a Certificate III qualified childcare professional typically earns an hourly wage just \$2.70 above the minimum wage.

The wages of ECEC staff are not commensurate with the qualifications and levels of professionalism required for the job. As outlined in **Section (2)** the reasons for this wage disparity are complex and historical and reflect the structural impediments to bargaining that exist in the sector. In recognition of the changing value of the work of childcare professionals, and the historical undervaluation of their work, United Voice has lodged an application to the Fair Work Commission to review the wages in Long Day Care. If successful, this will lead to an Equal Remuneration Order to increase the wages of all Long Day Care staff.

United Voice is confident that the Fair Work Commission will support our application for increased wages throughout the sector when they decide on the application in mid-2015. Our modelling suggests that a win in this case will cost an additional \$1.6 billion across the sector in 2015-16. This will significantly impact on the overall affordability of childcare for parents, unless the additional costs of professional wages are taken into account in reforming the current funding system.

The current funding system of subsidising parents ensures an intrinsic trade-off between parental affordability and the wages of educators. Demand-side subsidies do not rise in accordance with the costs of operation. Within the context of the current funding system small wage increases contribute to upward pressure on fees.

⁸² Allen Consulting Group, *Children's Services Regulation 2010, Draft Impact analysis*, Sydney, Allen Consulting Group, 2010, p.15.

⁸³ Meagher, p.156.

As argued above, United Voice supports a funding system in which funding levels are determined by the *actual* cost of high quality service delivery, rather than price indexation. To ensure the viability of the sector, and ensure that wage increases are cost neutral for parents and employers, the determination of costs under the new system needs to be based on the provision of professional wages for all ECEC staff.

For educators, the benefits of funding model that acknowledges and funds professional wages would be immense. It would allow the existing workforce to realise their ambitions of building a lasting career in the sector and encourage new high quality entrants to take up the profession. For parents, such a funding scheme would encourage greater workforce participation, as they would be assured that their children are entrusted to a professional and stable workforce. For children, the benefits would include improved child development outcomes due to improved and long-lasting relationships with staff due to a more stabilised workforce. Together, these immediate effects would have significant impacts on the country's economic performance.

5.1.4. MAINTAIN FUNDING ALLOCATION TO ‘APPROVED’ PROVIDERS ONLY

The majority of parents cite work-related reasons as the primary reason for using non-parental care. Between 1984 and 2011, there was a substantial increase in the percentage of children using formal day childcare services. In the 0–2 age group, childcare usage increased from 10–20 per cent, while for the 3–5 age group usage increased from less than 10 per cent to approximately 30 per cent. The majority of this increase was in Long Day Care services.⁸⁴ The growth in the use of Long Day Care services reflects the changing work patterns of Australian parents. With Long Day Care services typically operating from 7:30am to 6pm, the hours of operation of these services more closely match the working hours of parents.

Despite the increase in the use of formal childcare arrangements since 1984, the majority of families with one or both parents employed utilise a mix of formal and informal childcare arrangements. According to the Institute of Family Studies, the use of informal child care “continues to be an integral part of childcare in families with employed as well as unemployed mothers”.⁸⁵ Almost 50 per cent of informal care is provided by a child’s relatives, with 35 per cent of care provided by a child’s grandparents. A further 5.6 per cent use babysitters or nannies for at least a portion of work-related care. The relatively high use of informal care may reflect parents’ belief in the value of relative care. However, the majority of parents cite the cost of additional hours or difficulty in matching required hours of care to available hours of care as the primary reasons for utilising informal care.⁸⁶

Internationally, governments have developed different strategies to support parents’ use of diverse forms of care, and enable greater flexibility of childcare provision. In New Zealand, this has included the expansion and greater regulation of in-home care.

The New Zealand Government has supported the expansion of in-home care from a Family Day Care model to include individualised services in a child’s own home. However, recognising the importance of both *education* and *care*, the New Zealand Government has made the provision of funding to in-home care services contingent a qualified teacher overseeing the program, and the provision of an individualised education program tailored to each child’s needs, and which complies with the national curriculum *Te Whāriki*.

United Voice supports the rights of parents to make decisions about the non-parental care of children. However, we believe that in a limited funding environment government funding must be directed as effectively as possible. The funding of care must therefore not solely focus on workforce development outcomes; it must also consider child development outcomes and the effects of different forms of care on those outcomes. As argued by PricewaterhouseCoopers, while parental workforce participation is an important goal, children should not be developmentally disadvantaged by non-parental care.

⁸⁴ Baxter, p.12.

⁸⁵ Baxter, p.28.

⁸⁶ R Wilkins, *Families, Incomes and Jobs, Volume 8: A Statistical Report on Waves 1 to 10 of the Household, Income and Labour Dynamics in Australia Survey*, Melbourne, Commonwealth of Australia, 2013, p.10.

Furthermore, if ECEC services are to be expanded to reflect changing business practices, then business should be expected to contribute to meeting the costs of this increased flexibility.

While we broadly support the decision to support working parents through the provision of in-home education based programs, we note that to be successful in achieving the dual outcomes of child development and workforce participation additional investment in the ECEC system will be required. Currently, New Zealand ranks in the top group of OECD countries in terms of both its per child public investment in ECEC and the proportion of total public spending allocated to ECEC.⁸⁷ Public expenditure on ECEC per full-time equivalent child (FTE) increased from \$5,700 per FTE in 2002 to \$9,600 per FTE in 2012.⁸⁸

We note, furthermore, that concerns have been expressed regarding the quality of care provided by in-home providers. For example, in their review of the NZ ECE sector, the 2011 ECE Taskforce stated:

Our understanding of the notion of quality leads us to have some concerns about the quality of education and care that can be provided by home-based service providers under current arrangements. While home-based services have some strong quality characteristics, such as small group sizes and low ratios, they do not have a qualified, professional workforce, which we regard to be essential to good outcomes from early childhood education. Instead, up to twenty educators without high-level early childhood education teaching qualifications are supervised by a single qualified teacher in the role of the network's coordinator.⁸⁹

Given these concerns, United Voice argues that any expansion of in-home care in line with the New Zealand model needs to ensure that the sector is sufficiently regulated to ensure the quality provision of care. We supported the extension of the NQF requirements to Family Day Care as it ensured that parents could trust the quality of the care provided, whether services were offered in a centre or home environment. We believe that any expansion of in-home care to provide greater flexibility in the provision of care needs to retain these quality standards. For this reason, we do not support the removal of the distinction between 'approved' and 'registered' care. The current distinction allows a small minority of families to receive support for informal care, only in situations where no other form of care is suitable. It in turn ensures that other families are encouraged to use some form of formal, accredited ECEC.

⁸⁷ Education Counts, *Public expenditure on early childhood education (ECE)*, Wellington, Ministry of Education, 2010, p.1.

⁸⁸ Education Counts, p.2.

⁸⁹ ECE Taskforce, p.45.

5.2. PROPOSED FUNDING REFORMS

The current system needs to be reformed to ensure an effective ECEC system that is of high quality to ensure child development and workforce participation. United Voice recognises that the Productivity Commission has been tasked with reforming the system within the current funding envelope. However, United Voice calls on the Productivity Commission to recognise the relative underfunding of the sector compared to international benchmarks. United Voice proposes the following principles which we believe should guide any reforms to the current system:

Principle 1: Ensure certainty for families and government on expenditure

Government must ensure that funding flows to where it is needed to ensure universal access to quality ECEC services. Restructuring funding away from subsidising market price to subsidising costs, combined with the necessary increases to funding levels, could ensure certainty of government expenditure and maintain affordability for parents.

Principle 2: Deploy funding mechanisms that encourage quality provision

Funding for quality requires dedicating resources to compliance with quality regulations by providing adequate funding for staff to have time off the floor to complete requirements that are of benefit to children and parents. United Voice supports a cost-driven funding model, which uses weighted loadings to encourage quality provision and ensures that the additional needs of particular 'high-cost' groups are met.

Principle 3: Funding for professional wages

Quality ECEC provision will not occur unless the workforce is stabilised through the provision of suitable wages. Any reform of the funding system must ensure that sufficient, targeted funding is allocated for professional wages. Without funding for professional wages, the aims of the NQS will not be met.

Principle 4: A holistic early years funding system to encourage workforce participation

Research shows that ECEC expenditure is most cost-effective when combined with other measures, including paid parental leave and family tax benefits that encourage second-earners to return to work. Funding reforms should remove disincentives for second earners returning to work, while recognising parental choice in determining how to combine parental and non-parental care. United Voice supports the Productivity Commission in their decision to consider the range of support offered to parents as part of an integrated early years funding pool.

