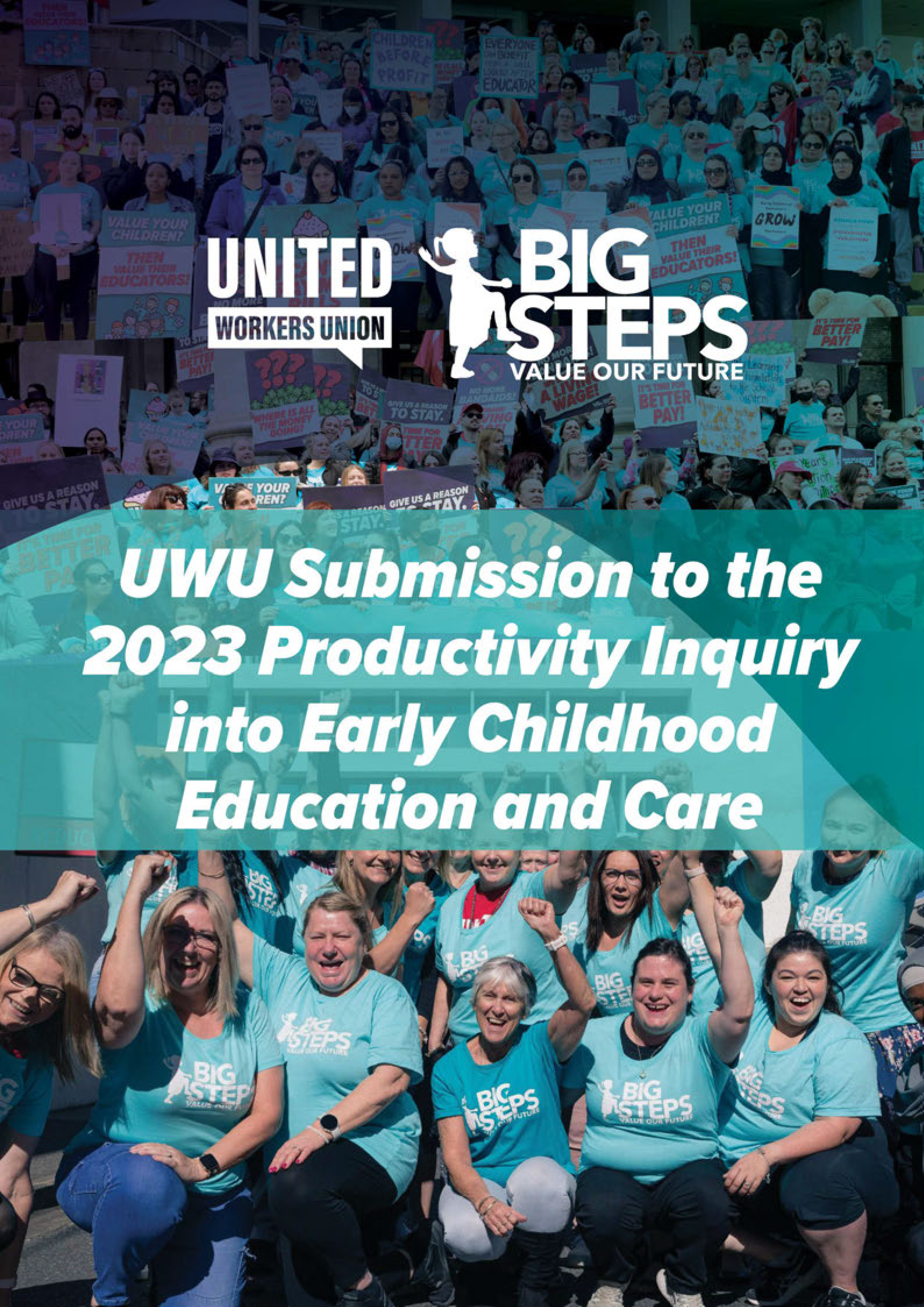

UNITED WORKERS UNION

BIG STEPS VALUE OUR FUTURE

UWU Submission to the 2023 Productivity Inquiry into Early Childhood Education and Care

Acknowledgement of Country

We acknowledge and respect the continuing spirit, culture, and contribution of Traditional Custodians on the lands where we work, and pay respects to Elders, past and present. We extend our respects to Traditional Custodians of all the places that United Workers Union members live and work around the country.

About United Workers Union

United Workers Union (UWU) is a powerful new union with 150,000 workers across the country from more than 45 industries and all walks of life, standing together to make a difference. Our work reaches millions of people every single day of their lives. We feed you, educate you, provide care for you, keep your communities safe and get you the goods you need. Without us, everything stops. We are proud of the work we do–our paramedic members work around the clock to save lives; early childhood educators are shaping the future of the nation one child at a time; supermarket logistics members pack food for your local supermarket and farms workers put food on Australian dinner tables; hospitality members serve you a drink on your night off; aged care members provide quality care for our elderly and cleaning and security members ensure the spaces you work, travel and educate yourself in are safe and clean.

Introduction: A Message from UWU Early Childhood Educators

> *"Australian women have told us, as they have told you, that they are tired of being the heartbeat of the Australian economy providing the essential infrastructure that is care, but with little reward or valuing for doing so. Women are tired of waiting for the right time to be prioritised. Gender and economic inequality* is *their lived experience. For decades, these experiences have been well-described in stories and data."* – The Women's Economic Equality Taskforce, 2023[1]

> *"The personal limitations that come from choosing a career in ECEC are enormous. It is unlikely that I will ever be able to purchase my own home, buy a brand-new car or go on an overseas holiday. It is difficult when we live pay-check to pay-check with very little opportunity to build our savings. I regularly worry about the implications my career will have on my life when I retire and can no longer work."* – Educator, 2022

Educators have been over-consulted, yet neglected by real policy reform, for decades. We work every day in a system which is complicated, expensive and puts profits above the wellbeing of children, educators, families, and Australian taxpayers. At the centre of this failing system is an escalating and unsustainable workforce crisis. Turnover rates in the sector are unsustainably high; recruitment is in disarray; excessive workloads are compromising quality care and education; understaffing and the misuse of 'under-the-roof' ratios are rampant; and the long-existing elephant in the room – our low pay and high stress – means the best and brightest educators amongst us are leaving in droves.

We have been subsidising the sector with our low wages for years, but we have reached the end of our tether. Everybody knows that if we want a high quality world-class early learning system in Australia, we need immediate and real action on educator pay. We hope that this is the last inquiry into the sector where we call for professional pay and respect for the work we do. We make the following five recommendations:

1. A world-class, high-quality early learning education system is a public and universal one that directly employs and professionally pays educators. Governments must aim higher than a 'stewardship role' in early learning, they should be central in providing it. Early learning should be the very first stage of the public education system in Australia. Early childhood educators across the country implore the Productivity Commission to investigate short-, medium- and long-term policy reforms to realise this vision and then recommend them to Government. The following recommendations are the more urgent policy reforms UWU members agree would make giant strides, not baby steps, towards this vision.

2. The Federal Government must commit to sit at the bargaining table prepared to fund a much needed 25% wage rise for all educators. It is time to acknowledge the crucial role that early childhood educators' pay, conditions and professional development play in a high-quality early learning system and prioritise *real* and funded workforce reform.

3. In funding of professional wages, robust accountability and transparency measures must be put in place to ensure government funding flows directly to educators and improves ECEC quality as it was intended.

4. The Federal Government must develop and implement new policy levers to ensure public accountability and transparency of ECEC funding more broadly, with a focus on tighter regulation of large for-profit providers. Funding structures must replicate those in the school system, where all profits made are directed back into improving early learning.

5. State and Federal Governments in all jurisdictions must develop and trial publicly run, fit-for-purpose long day care (LDC) centres that directly employ educators as a first shift towards public early learning provision. Where possible, these centres should be co-located with schools, and initially targeted in low socio-economic areas.

Government Stewardship is Not Enough

> *"We have always been taken for granted, and after all that we went through during covid and all its implications where we were essential, we still are not recognised for what we did. We're so tired of being undervalued, underpaid, and overworked, we are over our profession."* – Educator 2023

Like the public school system, every family should have confidence that their local early learning centre is high quality, where educators are respected, employed directly, and professionally paid. Provision of early learning must go beyond government 'stewardship' of the sector – as the pandemic showed, it was an essential service. UWU's early learning members call for an ambitious vision of ECEC that does not prioritise profit over quality and does not see a place for private-for-profit providers in the delivery of such an essential government service: education. A world-class Australian ECEC system has to be a public and universal one and until that is realised, we need stricter accountability, transparency, and distribution of the taxpayer funds spent on the sector.

In submissions over the last decade, we have pointed to the research and economic evidence that highlights how funding early learning is an excellent return-on-investment for governments at all levels, and in many cases is even cost neutral, based on the savings on welfare, crime, and educational outcomes longer term. We have also pointed to the research about the higher quality ratings of publicly run services and the lower staff turnover when educators have better pay and conditions, as well as the flow on effects this has for children's social, emotional, and educational outcomes. However, in this submission we do not intend to repeat what everyone in the sector – even the Commissioners and the Federal Government – knows. State Governments know this too. The ACT and the Victorian Government have made moves to increase public provision in early learning and in Victoria's case even trial government-run long day care (LDC) centres that directly employ educators to ensure higher quality early learning and better educational outcomes for children. NSW and South Australian Governments are also heading in the same direction.

This is why early childhood educators across the country implore the Productivity Commission to investigate short-, medium- and long-term policy reforms to realise this vision and then recommend them to Government. As an immediate short-term policy lever, we urge the Commission to recommend the trial of publicly run, fit-for-purpose long day care (LDC) centres that directly employ educators in all federal and state jurisdictions.

Still Undervalued, Overworked and Exhausted: The Workforce Crisis Continues

Relentless Turnover: The Same Old Story

Research shows that "while there is no single way to define and measure the concept of quality in ECEC settings, its essence lies in the quality of interaction between adults and children…Of particular importance should be elements such as staff/child ratio, staff qualifications and continuous professional training".[2] We cannot have high-quality interactions when 30-48% of educators leave the sector each year.[3] The average tenure of an ECEC worker is only 3.6 years.[4] Every time an educator leaves their position or the sector altogether, the impact is felt by dozens of children.[5] And educators are leaving because of their pay.

An UWU survey of over 3,800 educators in 2021 revealed almost three-quarters (71%) of those educators planned to leave the sector in the next three years. The top three reasons educators were choosing to leave the sector were:

- Low pay – I can't afford to stay.
- Excessive workload and insufficient time to provide quality ECEC; and
- Feeling undervalued.[6]

Educators can often earn more in retail jobs, or other jobs where qualifications aren't required. Now they can earn significantly more in the aged care sector. Low pay in ECEC reinforces educators feeling undervalued and leads to "their work being viewed not as a long-term career path but as a temporary employment solution".[7] Pay is at the centre of a cycle that increases turnover rates, placing further stress on educators remaining in the sector. Educators live what the researchers have found too: over 75% of educators strongly agreed that turnover negatively impacts how children learn and develop, as well as their emotional wellbeing. Almost half of those workers surveyed would not recommend ECEC as a career and 97% of total respondents were concerned about the high turnover in ECEC.

Staffing Waivers Actually Far Higher than the National Average of 9%

The workforce crisis that educators have been living every day is now evidenced by the staggering number of staffing waivers currently in place in services across the country. Mapped by SA4 geographical areas,[8] it is clear there are significant sections of the country both in metropolitan cities and regional areas where up to 30% of services are operating with a staffing waiver.[9] The workforce crisis is even worse in LDC where up to 42% of centres are operating with a staffing waiver. This is putting safety of children and educators at risk and indeed risking compliance with the long-fought for national quality standards (NQS) which are internationally recognised as a world-class part of Australia's early learning system.

For example, the south-west Perth region shows 27% of LDC centres are operating with a staffing waiver, and the Baulkham Hills and Hawkesbury region of Sydney has *over a third* (34%) of LDC services with a waiver. Similarly, over a third of LDC centres in outback areas of Western Australia and Queensland are operating with staffing waivers, 36% and 35% respectively. The LDC staffing crisis is most acute in the Mackay, Isaac, and Whitsunday region, where 42% of LDC centres don't have enough staff. Even in Victoria, which has the lowest state average of waivers[10], there are still some areas where approximately one in ten services do not have enough staff – for example in the Hume and North-West regions of the state. Even these lower Victorian numbers are cause for concern because staffing ratios are directly linked to quality care; and understaffing puts even more stress on educators, exacerbating the already high turnover in the sector.

The situation is even worse in for-profit LDC services: *private for-profit providers operate 69% of the sector yet make up 81% of the services with a staffing waiver, or 1,150 services*.[11] All other provider types are under-represented in total services operating with a waiver. In the 2021 UWU survey, 72% of educators in for-profit services said their centre was understaffed, compared to 65% of educators working in a not-for-profit service.[12] More educators in for-profit services also say they did not have enough time to provide quality ECEC (82%) compared to 76% in not-for-profit. 86% of educators in for-profit services felt rushed when performing key caring and/or educational tasks, compared to 82% in not-for-profit. Even the not-for-profit figures are alarming.

High staffing waivers also appear to be concentrated in some of the most disadvantaged areas in the country (in the bottom 20% of the SEIFA). For example, the North-West of Tasmania, Wide Bay in QLD, Outback SA, New England in NSW, and the North-West in NSW all have staffing waivers in over a quarter of their LDC centres. This, combined with the recent South Australia Royal Commission analysis that ECEC quality is generally worse in for-profit centres which also happen to be concentrated in more disadvantaged areas, paints a dark picture of Australian early learning for the children who stand to benefit most from accessing it.

Lastly, the workforce crisis also extends to staff not just in the rooms but those who are managing centres and generally have years of experience in the sector and higher qualifications. This is why poor retention of centre directors is of growing concern and again the SA Royal Commission data sheds light on this. In LDC in South Australia, 20% of centre directors have been in their role for less than 12 months, and 35% have been in the role 1-3 years.[13] Again, this turnover is notable in private for-profit providers, with 56% of those centre directors having less than 12 months tenure working in for-profit services. In contrast, community managed (34%); independent- and Catholic-run; and State and Local Government operated services (24%) had the highest proportion of centre directors in their services with more than 10 years tenure – compared to 15% of for-profit services. These marked differences in tenure of staff across private and not-for-profit services are yet another argument for public provision.

The Real Cost of Undervaluation: Award Dependence and Low Pay

As the opening quote of the submission indicates, there is a high personal cost to working in a female-dominated industry. Women in industries that are almost entirely female-dominated have been found in some instances to earn 32 per cent less than women with identical characteristics working in almost entirely male-dominated industries.[14] In ECEC, low wages in the workforce are associated with significant levels of financial hardship, economic dependence on parents and partners, stress and mental health impacts, and housing insecurity.[15] High levels of gender segregation in Australian industries and occupations negatively affect women's economic security throughout their lives, culminating in particularly impoverished economic circumstances for single women in retirement.[16]

Despite regulatory standards that mandate a high level of skill in early childhood education and care work, ECEC remains labour that is economically and socially undervalued because of its historical association with unpaid 'women's work'. Everyone in the sector knows that the work of early childhood educators is physically and emotionally demanding and relies on a deep knowledge of childhood developmental stages and the appropriate pedagogies to assist children throughout those stages. Yet misapprehensions about the level of skill involved in this work are widespread in Australian society and continue to contribute to inaction on improving pay in the sector. This is why an immediate increase to the wages of educators was recommended by the Women's Economic Equality Taskforce ahead of the 2023 federal budget.[17]

The low pay in the sector is not only a result of the historical undervaluation of care work but also because enterprise bargaining is difficult and largely ineffective in ECEC. Services are primarily government funded, but for decades there has been no ability to bring the Government to the bargaining table to fund any improved wage outcomes. Most centres do not have high levels of profit and pitting educators against parents whose fees also subsidise the sector doesn't work. Educators always lose out. The sector includes highly fragmented workplaces where single enterprise bargaining does not work. Research has shown that larger enterprises are more likely to have a collectively bargained agreement over an award and ECEC is a highly fragmented sector.[18] There are over 17,000 individual centres, over 7200 providers and 80% of the sector is operated by single centre providers. This means educators are far more award-reliant than most industries and sectors.

Moreover, enterprise bargaining has never been able to remedy the gender pay disparity resulting from gender segregation and the historical undervaluation of care work. As early as 1994, commentators were predicting that enterprise bargaining would not work in ECEC: "Women workers who are employed in the service industries, where 'output' cannot be measured and where there is little scope for technological and organisational change which may increase labour productivity in manufacturing, are unlikely to benefit from enterprise bargaining."[19]

A decade ago, the last Productivity Commission inquiry into the sector estimated the workforce was 70% award dependent and the recent 2021 National Workforce Census indicates that not much has changed. In fact, award dependence is even higher for Certificate III qualified educators. The award dependence varies by other qualifications but close to half of teachers and service directors are either award-dependent or unsure.[20] Ten per cent of educators and ECTs did not know whether they were paid at the award rate or not – suggesting award dependence is even greater. In the South Australian Royal Commission's mapping of their LDC sector, the rate of award dependence was even higher for the for-profit sector, sitting at 74%. In comparison 60% of educators at not-for-profit services are paid only slightly above award.[21]

This award dependence is highly problematic when the pay is so low. Thus, it is not surprising that the median full-time earnings for educators is $500 less than the national median of $1593. Educators only earn just over $1000 per week and the median hourly earnings are $28, again in contrast to the much higher national average of $41. Moreover, the patterns of female over-representation in low-paid work and non-standard employment arrangements converge in ECEC. Only 47% of people employed as educators work full time hours. This is 19% below the national average of 66%.[22] Women's segregation into atypical work forms is significant because part-time and casual work is associated with reduced wages and diminished career progression opportunities.[23]

Internationally, swift steps are also being taken to redress the low wages of educators. The European Union has recently recommended that "Member states should ensure fair working conditions for ECEC staff, in particular by promoting social dialogue and *collective bargaining and by supporting the development of attractive wages in the sector* [our emphasis]".[24] A recent OECD paper is just as explicit: "In addition to initial education and continuing [professional development], working conditions for the ECEC workforce are important contributors to process quality… Relationships with children are embedded within and reflect the quality of relationships among staff members: a warm and mutually respectful work environment helps create such patterns of communication and interaction of ECEC staff with children and families."[25]

Quebec is considered one of the best practice systems in Canada and internationally, and it recognises collective bargaining as the mechanism to determine wages and conditions for educators. Industry wide collective bargaining with the main funder – the Federal Government – sitting at the table is the best solution for achieving professional pay and conditions for educators and a world class early learning system. In the meantime, early childhood educators across the country urge the Commission to recommend multi-employer bargaining, combined with trials of publicly provided LDC, as immediate steps towards fixing the workforce crisis.

The Solution: Multi-Employer Bargaining with Government Committing to Funding and Sitting at the Table

The supported bargaining stream of the new federal multi-employer bargaining laws, which comes into operation on 6 June, is the best available mechanism through which the government can swiftly fund a pay-rise for educators. These new laws provide a pathway for bargaining with multiple employers at once to set a new standard around pay and conditions. Indeed, the Federal Government has already acknowledged that supported bargaining can be used to "allow enterprise bargaining to be a more effective driver of wages and conditions in care and support systems."[26] It is also recognised that the new laws will address the gender pay gap in Australia both broadly and in female-dominated occupations.[27] Academics also agree: multi-employer agreements will address educator shortages and lift wages and conditions.[28]

The sector has heard the call from government to collaborate. Since late 2022, there have been a series of four historic meetings of unions, employers, educators, and peak bodies from across the sector co-ordinated by Early Childhood Australia (ECA) and the United Workers Union to prepare for multi-employer bargaining. Representatives from every part of the sector unanimously agreed that low wages are a major contributor to the current workforce crisis and that it is long past time for action.

Without a clear public commitment from the Federal Government to fund a wage increase through supported bargaining, more educators will leave the sector. Even with the successful work value pay correction for aged care workers, there is a strong likelihood that workers in that sector will pursue the new bargaining laws to set better working conditions and pay. Educators cannot wait any longer. Award reviews, work value or equal remuneration cases are not an option when multi-employer bargaining offers a faster simpler solution.[29] Migration is also not a solution, without a pay rise. It is only being pursued in aged care because there has already been a legislated 15% pay increase and government funding to match.[30] The Federal Government has noted migration is not a panacea to the workforce crisis in the care economy in its latest Draft National Care and Support Economy Strategy.[31] Until pay and improved professional pathways are addressed in early learning, migration would be an insufficient band-aid fix – particularly when increased wages for educators could immediately improve retention and attract staff back to the sector.

Moreover, as noted in UWU's 2022 submission to the Senate Education and Employment Committee, the workforce crisis in ECEC threatens the viability of extra and cheaper access to early learning (through the "Cheaper Child Care Bill") and does not address the critical issue of regulating the big business that has become the hallmark of Australia's early learning system.

This is why the Federal Government must commit to sit at the bargaining table prepared to fund a much needed 25% wage rise for educators. It is time to acknowledge the crucial role that early childhood educators' pay, conditions and professional development play in a high-quality early learning system and prioritise *real* and funded workforce reform. Moreover, in any funding of professional wages, robust accountability and transparency measures must be put in place to ensure government funding flows directly to educators' wages and improves ECEC quality as it was intended.

Professional Pathways Not Just Pay: Giving Educators a Say in Their Career Progression

The focus thus far on workforce from state and federal governments has been low fee/free training for entry into the ECEC sector. Training, whether a certificate, diploma or bachelor degree, does not alone solve the workforce crisis. Educators must be highly skilled and trained to engage in pedagogy that is specific to young children, but the current wages and conditions do not support educators to remain in the sector and develop their skillset. Working in ECEC does not even support a career pathway that leads to long-term financial stability for women – 84% of educators would struggle with an emergency $400 payment.[32] Educators upskilling were more likely to leave the sector with 44% of those studying to become an ECT and 40% of those enrolled in a Master's degree intending to leave, compared to 33% of those not upskilling at the time.[33] It is sobering that so many skilled educators are leaving the sector when process quality – developed through training and professional development – is a key indicator of high quality ECEC.

South Australia's workforce measures, as detailed in the Shaping our Future report,[34] demonstrate a stark difference between teachers working in government preschools and educators in centre-based care. Preschool teachers have access to leadership programs, career and professional development training focused on the delivery of high-quality education. To be clear, this is a step in the right direction for increasing quality, building career pathways and supporting teachers in the sector. However, for ECEC educators, the focus is on subsidised training and micro-credentials that will not necessarily build a career pathway. *Multi-employer bargaining gives educators a chance to be actively engaged in building sector-wide professional pathways that can make a difference in retention.*

Early Education is Big Business

> *"I work in a for-profit centre, where we are overworked and under paid. Here, it's not at all about quality education, it's all about profit making – it's about trying to make as much money as possible for the owners, and the needs of educators and children come second."* – Educator 2022

Early education is big business. The sector turns over $15 billion per year.[35] The current market of ECEC has only led to an increasingly inaccessible and inequitable system, despite billions of dollars in government subsidies. Traditionally, private ownership in the sector was characterised by family and small to medium-sized businesses. Increasingly however, large financial interests are being lured to the sector by strong growth prospects underpinned by generous government subsidies. Stock market investors, private equity and foreign investment funds are now key players in the Australian education system. CEOs pocket eyewatering salaries and owners enjoy large profits as companies change hands regularly. For example, several of the largest for-profits, who also happen to be amongst the top five LDC operators in the country, are either foreign owned or run by private equity. For example Affinity, Guardian, and Busy Bees generated an estimated $1.1 billion in revenue just last year.[36]

The educators and the children that attend their services across the country deserve their fair share. Not to mention Australian taxpayers and parents who are spending on average $565 every week on ECEC.[37] It is noteworthy that for-profit providers spend less of their revenue on their workforce too. Using the latest available financial reports, for example, Affinity Education, which is currently up for sale, recently announced that it spends only 53% of revenue on wages in contrast to not-for-provider provider KU which spends almost 82% of revenue on wages.[38]

The revolving door of private equity continues in early learning too. Both Guardian, owned by Swiss-based private equity Partners Group, and Affinity, owned by Quadrant Private Equity are up for sale. There is no indication who will be acquiring either provider, but Affinity's expected sale price of around $1 billion highlights the stark and quick returns some investors are making in the sector (with Quadrant having originally paid $650 million just two years ago in mid-2021).[39] There are new reports that Busy Bees is again looking to sell Nido Early School (previously Think Early Learning) for $250 million, which it only bought in 2020.[40]

In a disturbing move, investors are now targeting mid-tier early learning providers as well with a view to growing their service footprint and on-selling. For instance, new entrant to the top ten largest LDC providers in the country, Edge Early Learning, is majority owned by Australia's HEAL Partners. Anchorage Capital's recent purchase of the New Zealand arm of Embark Education Group suggests they too may look at re-entering the Australian market. Even among listed for-profit providers, profits are going directly overseas – such as in the case of Sparrow Early Learning's Hong Kong-based owner, Fullshare Holdings.[41]

The ECEC sector is being gamed by big business and this comes at the cost of quality early learning for Australian children and an underpaid and undervalued workforce of educators. Private-for-profit providers have prioritised profit over investing in their workforce,[42] are more likely than other types of providers to be operating with a staffing waiver,[43] and overall deliver lower quality ECEC *as well as* being overrepresented in safety breaches and enforcement actions.[44] They spend less on education in comparison to not-for-profit providers – whilst richly rewarding shareholders and executives.[45]

Publicly-run centres make up a greater proportion of centres ‘exceeding’ ACECQA national standards and invest more in the quality of ECEC delivered as well as into the workforce.[46] Furthermore, it is clear that market provision doesn’t work for the children who stand to benefit the most from access to ECEC let alone high-quality early learning. The Mitchell Institute mapped ECEC accessibility and average fees around Australia, finding that "There is an incentive for providers to operate in advantaged areas where they can charge higher fees, even if there is greater competition. This leaves more disadvantaged areas with lower levels of childcare accessibility…This suggests that providers are not only establishing services where there are greater levels of demand, but where they are likely to make greater profits.”.[47]

Very recent data from the South Australian Royal Commission re-affirms these depressing findings. In the most disadvantaged areas in South Australia (SEIFA quintile 1), for-profit providers make up 60% of services assessed as working towards the NQS yet make up 46% of total services. In SEIFA quintile 2 areas (noting that the most advantaged areas are SEIFA quintile 5 areas), for-profit services make up 70% of services working towards the NQS, whilst comprising 55% of total services.[48] And although fees are more expensive in affluent areas, residents in Playford in Adelaide’s north may have been paying $10 on average in fees per hour (while there are 4 children for every place in LDC), compared to more affluent areas in the Adelaide Hills or Holdfast Bay, where prices are comparable ($10.50 average fee per hour), but there are 2-3 children per place in LDC.[49]

Inequality is compounded even further by the lack of affordability and accessibility to early learning by big business gaming ECEC. Even when disadvantaged families do get access to services, they are likely to be lower quality, have higher staffing waivers and more broadly a more casualised and lower paid educator workforce. Increased Government regulation may be a shorter-term fix for ‘childcare’ deserts, but only public provision will ensure that early education is truly universal and targets the children who need it most.

The Dark Side of Profit in Early Learning: Lower Wages; Higher Casualisation; More staffing Waivers and Enforcement Actions; and Lower Quality Ratings in the Most Disadvantaged Areas

- For-profit providers have a higher proportion of their workforce casually employed and direct more money to profits instead of wages. For example, KU spends over 82% of its revenue on wages, whereas Affinity's spends barely half (53%).[50]

- Only 12% of Affinity's staff are full-time and less than one third of Guardian's educators are secure in full-time work, according to Workplace Gender Equality Agency (WGEA) data. There is no data for Busy Bees but information filed by Think prior to its takeover showed that a measly 2% of educator staff were full-time.

- Educators in for-profit centres are more award dependent than the rest of the sector**.** In South Australia's LDC sector, 74% of educators in for-profit services are paid on the award, compared to not-for-profit services where 60% of educators are paid slightly above award.[51]

- The staffing waivers in for-profit centres are at the centre of the workforce crisis in LDC. Private for-profit providers operate 69% of the sector yet make up 81% of the services with a staffing waiver (1,150 services).[52]

- The for-profit segment is responsible for almost three-quarters of the 12,000+ enforcement actions taken between 2015-2021**.** This disproportionate level of enforcement activity was most significant in Victoria, where for-profits make up half of the sector but account for almost 90% of the sector's enforcement activity. There was also substantial over-concentration of enforcement activity in South Australia and the Northern Territory, where for-profits make up less than a third of the sector, but more than half of the enforcement actions. [53]

- For-profits also drag down ECEC quality in low-socioeconomic areas where children stand to benefit the most as noted above in the very newly revealed SA Royal Commission data and the now infamous Mitchell Institute Childcare Desert and Oases research.[54]

What Needs to be Done? How are Other Countries Unscrambling the Mixed-Market?

Transparency and public accountability for providers receiving government funding is crucial to ensure taxpayer funds are being used to deliver high quality ECEC, especially until we have moved closer to a publicly provided early education system. Other countries are acting and Australian educators call on the Commissioners to do the same in developing recommendations to government in their final report. The economic benefits of no longer funding for-profits are clear. Australia's GDP would increase by over $35 billion if ECEC were funded similarly to Nordic countries and funding only went to public or not-for-profit services.[55] Government revenues would increase by over $10 billion.[56]

New Zealand and Canada are taking action to regulate for-profit providers. Echoing the current ECEC landscape in Australia, and concerns that are familiar to Australian educators, there is alarm that the NZ ECEC system has a lack of transparency despite a "significant amount of government money going into the sector".[57] New Zealand has one of the highest funding rates of ECEC per capita in the OECD yet is the least affordable in the developed world.[58] The most recent New Zealand Government budget saw an increase to the subsidy to reflect the rising cost of living and ease the financial burden on families, but importantly addressed pay parity for educators in ECEC services and kindergartens all whilst regulating the expansion of ECEC services.[59]

The Canadian Government, at the beginning of the COVID pandemic, also faced a crisis in ECEC – a sector mostly regulated by provinces, parent-funded and privately-owned and operated. This was recognised as a poor way to manage an essential public service during COVID-19, when the benefits of an accessible, universal system would benefit low-income women and their children. The Canada-Wide Early Learning and Child Care (CWELCC) plan is a move by the current federal Canadian Government to implement universal ECEC across the country.

> *What we need are producers of childcare whose primary objective is the provision of quality experiences for children, producers who are willing to make constant quality improvement their watchword. These producers need to be financially transparent and open (because government will need to monitor costs and account for expenditures). These producers need to pay staff well according to established salary grids to ensure stability and quality of services. These producers need to have as a key objective making early learning and childcare into a public service at good quality and affordable for all.*[60]

Central to that plan are commitments to address wages and conditions of educators, offering lessons on how education might be delivered in a concerted effort between state, territory, and federal governments in Australia. It is reminiscent of the current National School Reform Agreement in Australia that links federal funding to education system priorities and goals. Funding through the School Resource Standard is a needs-based approach on principles of equity, improving student outcomes and high-quality education through resourcing that supports staff and the delivery of education. Any surplus made by non-government schools must be re-invested back into the direct provision of education.

When comparing Commonwealth nations, it is also instructive to examine how these countries address their history of colonialism and the genocide of First Nations peoples. ECEC can not only create safe learning environments for First Nations children but deliver long-term benefits and address the inequities of health and education those communities face. Consultation and co-design with First Nations people and organisations have featured heavily in the recent reforms of both Canada and New Zealand. It reinforces the need for a holistic approach to reforming the entire sector (regulation and policy shifts are arguably more effective when it is a predominantly universal public system), and the sector could play a significantly larger role in the public efforts of Closing the Gap and truth telling, as part of a national commitment to the Uluru Statement from the Heart.

With these examples of regulation in mind, UWU recommends the restriction of profits and regulation of for-profit service providers be part of the short and medium-term policy levers during a shift towards a public early learning system. Providers must publicly report their full finances including their wages expenditure and investment in quality and inclusion, not just their rental costs and fee increases, as a minimum requirement. This data should also be publicly reported and readily available, not just reported to the Secretary of the Department of Education and up to the departmental discretion to publicly publish. The children and families of Australia deserve an ECEC sector they can depend on, like schools, not one that is constantly in crisis, swapping hands between foreign private equity and shifting profit out of the system.

The Federal Government must develop and implement new policy levers to ensure public accountability and transparency of ECEC funding more broadly, with a focus on tighter regulation of large for-profit providers. Funding structures must replicate those in the school system, where all profits made are directed back into improving early learning.

The Revolving Door of Private Equity and Foreign Ownership in Australian Early Learning

- The Australian ECEC sector turns over $15 billion annually and there are acquisitions and sales galore. [61] Affinity, Guardian and Busy Bees alone have a combined estimated revenue of $1.1 billion.[62]

- For example, Affinity is a $411 million business that made $13.7 million in profit last year.[63] It's private equity owner Quadrant scooped up four medium-level providers over the last 12 months and have put the whole business up for sale with a price tag of $1 billion. Quadrant only bought the provider two years ago from fellow private equity Anchorage for $650 million.[64]

- Anchorage didn't go far though, they just added Embark Education Group operations in New Zealand to their 'portfolio' and are likely looking to get back into the Australian ECEC market. Embark Education Group has 24 centres in Australia.

- Guardian, the fifth biggest provider is owned by Swiss-based private equity firm Partners Group and like Affinity is for sale. Partners group have appointed Morgan Stanley to help sell the business and Guardian is understood to be making $80-100 million in underlying earnings before tax annually.[65] We would never allow this instability and uncertainty in Australian schools, why do we allow it in early learning?

- Canadian-owned Busy Bees is an estimated $315 million business and bought Think in Australia just two years ago. It has also since acquired NZ-based Provincial Education for NZ$160 million. Despite this more recent acquisition, Busy Bees announced just this week that they are already looking to sell Think (re-named Nido Early School) for upwards of $80 million.[66]

- Smaller scale private equity is also starting to game ECEC, bringing instability and uncertainty to Australia's more mid-tier early learning providers. For example, Edge Early Learning has just become the tenth biggest provider in the country, rapidly growing from 17 to 50 centres in the last year and is owned by HEAL Partners private equity.

Conclusion: The Time for Pivotal Reform

> *As a single mother my wage was not enough to support my family. It really limits your choices as a woman. Why would you choose to be part of an underclass? – Educator, 2022*

For too long, any policy action, let alone real reform, to tackle the undervaluation and disrespect of early childhood educators has been put in the too-hard basket. Likewise, any policy moves to 'unscramble' the mixed market of ECEC and what should be the first step in the public Australian education system – have been ignored. The Federal Government has an opportunity to make pivotal reform in Australia's education system and right the wrongs of the gendered undervaluation of care work that has played such a central role in the low pay of early childhood educators for decades. Educators across the country don't want to be consulted by another Productivity Commission Inquiry in 2033 – educators want Government action now and ask the commissioners to consider the following recommendations for their final report.

Recommendations

1. A world-class, high-quality early learning education system is a public and universal one that directly employs and professionally pays educators. Governments must aim higher than a 'stronger stewardship role' in early learning, they should be central in providing it. Early learning should be the very first stage of the public education system in Australia. Early childhood educators across the country implore the Productivity Commission to investigate short-, medium- and long-term policy reforms to realise this vision and then recommend them to Government. The following recommendations are the more urgent policy reforms UWU members agree would make giant strides, not baby steps, towards this vision.

2. The Federal Government must commit to sit at the bargaining table and be prepared to fund a much needed 25% wage rise for all educators. It is time to acknowledge the crucial role that early childhood educators' pay, conditions and professional development play in a high-quality early learning system and prioritise *real* and funded workforce reform.

3. In funding of professional wages, robust accountability and transparency measures must be put in place to ensure government funding flows directly to educators and improves ECEC quality as it was intended.

4. The Federal Government must develop and implement new policy levers to ensure public accountability and transparency of ECEC funding more broadly, with a focus on tighter regulation of large for-profit providers. Funding structures must replicate those in the school system, where all profits made are directed back into improving early learning.

5. State and Federal Governments in all jurisdictions must develop and trial publicly run, fit-for-purpose long day care (LDC) centres that directly employ educators as a first shift towards public early learning provision. Where possible, these centres should be co-located with schools, and initially targeted in low socio-economic areas.

For more information on this submission, please contact Kimberley Chibnall.

Kind regards,

Helen Gibbons
Executive Director Early Education

---

[1] Women's Economic Equality Taskforce (WEET) (2023). Letter to Minister Gallagher re: Women's Economic Equality Taskforce Advice for May 2023 Budget.
[2] European Commission (2022). Proposal for a COUNCIL RECOMMENDATION on the Revision of the Barcelona Targets on early childhood education and care. p.. 18.
[3] Thorpe, K, Jansen, E, Sullivan, V, Irvine, S, and P McDonald (2020), 'Identifying predictors of retention and professional wellbeing of the early childhood education workforce in a time of change', Journal of Educational Change vol. 21, p. 639.
[4] 2021 Early Childhood Education and Care National Workforce Census (2022). The Social Research Centre for the Australian Government Department of Education, p 23.
[5] Whitebook, M., D. Phillips and C. Howes (2014), Worthy Work, STILL Unlivable Wages: The Early Childhood Workforce 25 Years after the National Child Care Staffing Study. Centre for the Study of Child Care Employment, University of California, Berkeley, p. 6.
[6] Big Steps Report (2021). 'Exhausted, Undervalued and Leaving: The crisis in early education', found at: https://bigsteps.org.au/wp-content/uploads/2022/08/the-crisis-in-early-education-uwu-report.pdf p. 3
[7] McDonald, P., Thorpe., K., and S. Irvine (2018). Low pay but still we stay: retention in early childhood education and care. *Journal of Industrial Relations* vol. 60, no. 5, p. 648 https://doi.org/10.1177/0022185618800351
[8] Sourced from the ABS: SA4s are geographic areas used to represent labour markets and functional areas of capital cities. Most areas have a population above 100,000 to inform labour force estimates. For example, in cities, SA4s would have populations of approximately 300,000-500,000 people. The size is intended to incorporate both where people live and where they work. They are designed to represent the labour market of larger regional cities such as Wollongong, Bendigo or Townsville. SA4s do not align with electorates.
[9] ACECQA (2023). National Quality Framework (NQF) Snapshot: waiver data as at 1 April 2023. Found at: https://snapshots.acecqa.gov.au/Snapshot/waivers.html
[10] Ibid.
[11] Ibid.
[12] Big Steps (2021). 'Exhausted, Undervalued and Leaving: The crisis in early education'. p. 4
[13] Centre director and provider type data requested from the South Australian Royal Commission into ECEC, provided 29/05/23; Deloitte (2023). Mapping long day care and non-government preschool in South Australia. Commissioned by the Royal Commission into Early Childhood Education and Care
[14] Pocock, B. and M. Alexander (1999) 'The Price of Feminised Jobs: New Evidence on the Gender Pay Gap in Australia', Labour & Industry, 10:2, p. 84
[15] McDonald, P., Thorpe., K., and S. Irvine (2018). Low pay but still we stay: retention in early childhood education and care. *Journal of Industrial Relations* vol. 60, no. 5, p. 648 https://doi.org/10.1177/0022185618800351
[16] Senate Economics References Committee (2016) *'A husband is not a retirement plan' Achieving economic security for women in retirement,* The Commonwealth of Australia, April 2016, Canberra; United Voice (2015) *Submission to the Senate Standing Committee on Economics Inquiry into Economic Security for Women in Retirement,* 6 November 2015
[17] WEET (2023). Recommendation 6.
[18] Yuen, K., Rozenbes, D. and S. Farmakis-Gamboni (2015), 'Award reliance and business size: a data profile using the Australian Workplace Relations Study'. Research Report 1/2015, Fair Work Commission p. 7.
[19] Kelly, R. (1994) 'Award restructuring and child care workers 1988-1992,' The University of Adelaide Centre for Labour Studies Research paper Series No. 2, June 1994, p. 18.
[20] Australian Government Department of Education, National Workforce Census (2021). Senate estimates SQ23-000197 Education and Employment Committee to Department of Education, 3 Mar. 2023.
[21] Deloitte (2023). Mapping long day care and non-government preschool in South Australia. p. 22
[22] Australian Bureau of Statistics (2021). Survey of Employee Earnings and Hours May 2021. Found at: https://labourmarketinsights.gov.au/occupation-profile/child-carers?occupationCode=4211.

[23] Schuller, T. (2014) 'The Paula Principle: why part-time work holds women back', The Guardian, 16 January 2014; Chalmers, J. and T. Hill (2007) 'Marginalising Women in the Labour Market: 'Wage Scarring' Effects of Part-time Work', AustralianBulletin of Labour, 33:2, pp.180-201; Pocock and Alexander (1999), p. 82.
[24] European Commission (2022). p. 24.
[25] Zaslow, M. (2022). Early childhood education and care workforce development: A foundation for process quality. Policy brief for the OECD Directorate for Education and Skills. p. 16.
[26] Department of the Prime Minister and Cabinet. Draft National Care and Support Economy Strategy 2023. Report for the Care and Support Economy Taskforce. p. 31.
[27] Ibid.
[28] School of Early Childhood and Inclusive Education (2023). Submission to the Productivity Commission Inquiry into Early Childhood and Care, Queensland University of Technology, p. 8. Found at: https://www.pc.gov.au/__data/assets/pdf_file/0015/360006/sub052-childhood.pdf
[29] UWU lodged an Equal Remuneration Order in 2013 on behalf of educators. The case was ultimately dismissed because during the case, the Fair Work Commission (FWC) moved the goal posts for equal pay cases and demanded a male comparator. The pre-requisite of a comparison to male dominated work fails to consider the historical, institutional and cultural undervaluation of feminised work and how industrial standards and benchmarks have been set in Australia. It is an almost impossible task because the comparison of work has always been in reference to work performed largely by men in male dominated industries, and the whole industrial relations systems has been premised on formal gendered discrimination. Minimum wages were set around a male breadwinner model.[29] Whilst some reforms to equal pay legislation will happen in June, equal pay cases will still be hard and expensive to run. Aged Care workers have just won a 15% 'wage correction' in a work value case in the FWC and this was only possible because the Federal Government agreed to fund it. However, due to the problematic equal pay laws at the time, this was run as a work value case. There is no similar funding commitment from the Federal Government to fund an ECEC pay correction.
[30] The increasing demand for the aged care workforce due to improved care minutes, a crucial and welcomed reform, is also set to be legislated on 31 July. Unlike early learning, where there are mandated ratios; a national system of quality ratings; regulation and a qualification structure, workforce shortages in aged care can lead to chronic failures as shown by the Royal Commission into the sector. Policy levers have also been put in place to ensure that these migrant workers have pathways to permanent residency; are aware of their rights as workers; and that insecure work does not become the preferred model of employment. Aged Care Industry Labour Agreement, found at: https://immi.homeaffairs.gov.au/what-we-do/skilled-migration-program/recent-changes/new-aged-care-industry-labour-agreement
[31] PM and C (2023). p. 21.
[32] Big Steps (2021). 'Exhausted, Undervalued and Leaving: The crisis in early education'. p. 3.
[33] Ibid.
[34] ACECQA (2022). Shaping Our Future: A ten-year strategy to ensure a sustainable, high-quality children's education and care workforce 2022-2031. P 37.
[35] IBISWorld (2023). Child Care Services in Australia: Market Research Report. Industry research reports, Australia.
[36] Conservative profit and revenue estimate is calculated from most recent publicly available data: Macdonald, A., Thompson, S. and K. Sood (2022). "Partners Group mulls mid-2023 exit for Guardian Childcare, RFP out", *AFR* 15 Nov. 2022; Macdonald, A., Thompson, S. and K. Sood (2023). "Quadrant PE readies Affinity graduation, invites banks for pitches", *AFR* 8 Mar. 2023; Roberts, J. (2023); 2021 financial reports from Think Childcare and Busy Bees prior to latter's takeover.
[37] Productivity Commission (2022). Report on Government Services, Early Childhood Education and Care. Found at: https://www.pc.gov.au/ongoing/report-on-government-services/2023/child-care-education-and-training/early-childhood-education-and-care
[38] Roberts, J. (2023). "Affinity reports strong business performance in 2022, spends $104m on acquisitions", *The Sector* 8 May 2023; KU Childrens Services (2022). KU Annual Report 2021, p. 12
[39] Roberts, J. (2023).
[40] Thompson, S., Rapaport, E. and K. Snood (2023). "Think again! Childcare biz Nido taps three brokers for $250m listing", *AFR* 30 May 2023.
[41] Lenaghan, N. (2016). "Hong Kong's Fullshare buys into Sparrow childcare", *AFR* 12 Dec. 2016.
[42] Big Steps Report (2021). Spitting off Cash: Where does all the money go in Australia's early learning sector? Found at: https://bigsteps.org.au/wp-content/uploads/2022/08/spitting-off-cash-uwu-report.pdf p. 9
[43] ACECQA (2023). NQF Snapshot: Waivers data as at 1 January 2023. Found at: https://snapshots.acecqa.gov.au/Snapshot/waivers.html
[44] Big Steps Report (2021). Unsafe and and Non-compliant: Profits above safety in Australia's early learning sector. Found at: https://bigsteps.org.au/wp-content/uploads/2022/08/unsafe-and-non-compliant-uwu-report.pdf p. 5
[45] Big Steps (2021). Spitting off Cash. P. 11-12, 14.; Big Steps (2021). Unsafe and Non-compliant: Profits above safety in Australia's early learning sector. Found at: https://bigsteps.org.au/wp-content/uploads/2022/08/unsafe-and-non-compliant-uwu-report.pdf

[46] ACECQA (2023). NQF Snapshot: Waivers data as at 1 January 2023. Found at: https://snapshots.acecqa.gov.au/Snapshot/waivers.html;Big Steps Report (2021). Spitting off Cash. p. 9.
[47] Hurley, P., Matthews, H. and S. Pennicuik (2022). Deserts and oases: How accessible is childcare? Mitchell Institute, Victoria University. p. 8
[48] SEIFA quintile and provider management type data requested from the South Australian Royal Commission into ECEC, provided 29 May 2023.
[49] Ting, I., Palmer, A. and K. Shatoba "Mapping Australia's childcare blackspots", *ABC News Online* 22 Mar. 2022. Found at: https://www.abc.net.au/news/2022-03-22/mapping-australia-s-childcare-blackspots/100894808
[50] KU Childrens Services (2022), p. 12; Roberts., J (2022);
[51] Deloitte (2023). p. 22.
[52] ACECQA (2023). National Quality Framework (NQF) Snapshot: waiver data as at 1 April 2023. Found at: https://snapshots.acecqa.gov.au/Snapshot/waivers.html
[53] Big Steps (2021). Unsafe and Non-compliant. p. 3.
[54] Hurley, P., Matthews, H. and S. Pennicuik (2022).
[55] Grudnoff, M. (2022). The Economic Benefits of High-Quality Universal Early Child Education. Centre for Future Work, The Australia Institute. p. 6
[56] Ibid.
[57] Duff, Michelle (2023). "The Jugglenaut: How childcare became a for-profit game", *Stuff* online, published 5 March 2023, found at: https://www.stuff.co.nz/national/education/300814789/the-jugglenaut-how-childcare-became-a-forprofit-game
[58] Ibid; Duff, M. (2022). "NZ childcare affordability is the worst in the world, Government discovers", *Stuff* online 13 Nov. 2022, found at: https://www.stuff.co.nz/national/300737191/nz-childcare-affordability-is-the-worst-in-the-world-government-discovers?rm=a
[59]New Zealand Government (2023). A major focus on early childhood education, budget announcement. Found at: https://www.education.govt.nz/our-work/publications/budget-2023/a-major-focus-on-early-childhood-education/
[60] Cleveland, G. Why the Preference for Not-for-Profit and Public Child Care Services? Submission to the Parliamentary Committee studying Bill C-35 in Canada, found at: https://childcarepolicy.net/why-the-preference-for-not-for-profit-and-public-child-care-services/
[61] IBISWorld (2023).
[62] See footnote 36.
[63] Roberts, J. (2022).
[64] Macdonald, A., Thompson, S. and K. Sood (2023). "Quadrant PE readies Affinity graduation, invites banks for pitches".
[65] Macdonald, A., Thompson, S. and K. Sood (2022). "Partners Group mulls mid-2023 exit for Guardian Childcare, RFP out".
[65] Thompson, S., Rapaport, E. and K. Snood (2023). "Think again! Childcare biz Nido taps three brokers for $250m listing".

UWU Submission to the 2023 Productivity Inquiry into Early Childhood Education and Care