

Goodstart Early Learning: 2024 Pre-Budget Submission to the Australian Treasury

January 2024

PRE-BUDGET SUBMISSION TO THE AUSTRALIAN TREASURY – BUDGET 2024

About Goodstart

We are for children, not profit

Goodstart Early Learning (Goodstart) is Australia's largest not-for-profit social enterprise and Australia's largest provider of early childhood education and care, with 654 centres located across every state and territory, supporting more than 61,400 children from 51,500 families. Our organisation also includes 26 Big Fat Smile services, which operates the *Include Me* Inclusion Agency.

As a not-for-profit social enterprise, our purpose is to ensure all Australia's children have the learning, development and wellbeing outcomes they need for school and life. It is our view that all children should be supported to participate in quality early learning and care, regardless of where they live in Australia, their family circumstances, their inclusion support needs, or their early learning setting. We believe the best way to do this is to ensure all children have access to high quality, inclusive early learning and care, no matter their location or life circumstances.

Summary

Investing in high quality early childhood education and care (ECEC) is always a good idea – for children, families and the economy. As the Treasurer, the Hon Dr Jim Chalmers MP, stated in relation to the Productivity Commission inquiry to consider universal early education system¹,

“A great early childhood education and care system pays a triple dividend – it sets children up for a great start in life, helps working families to get ahead, and builds our economic prosperity by supporting workforce participation.”

We welcome the Australian Government's Cheaper Child Care Reforms and the commissioning of the ACCC Childcare Inquiry and the Productivity Commission Inquiry into Early Childhood Education and Care. Already, we are seeing promising findings about the importance of ensuring all children have access to high quality early learning, especially children experiencing vulnerability or disadvantage, and the criticality of the ECEC workforce in delivering upon the objectives of quality and inclusivity.

As we work together towards the goal of universal access to high quality, inclusive and affordable early learning for every child, there are a number of pivotal findings and recommendations that should not be delayed while we plan the short-, medium- and long-term reform agenda. The ACCC and Productivity Commission findings confirm and validate the existing wealth of evidence regarding the negative impacts of the activity test for children experiencing disadvantage, the importance of adequately funding inclusion support, and the criticality of the ECEC workforce in delivering high quality and inclusive early learning for all children across Australia. The children most likely to benefit from these investments are the same children who will benefit the most from high quality early learning – and they cannot wait any longer.

We therefore ask the Australian Government to prioritise these immediate investments in the 2024 Federal Budget:

1. Fund a wage subsidy of at least 15% for all early childhood educators and teachers before 1 July 2024 to recognise the value and criticality of the ECEC workforce in ensuring all children and families can access high quality early learning and care.

¹ <https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/productivity-commission-inquiry-consider-universal-early#:~:text=A%20great%20early%20childhood%20education,prosperity%20by%20supporting%20workforce%20participation.>

- Immediate investment is required to ensure there are enough educators and teachers to deliver the universal entitlement to ECEC for all children, as proposed by the Productivity Commission.
2. Immediately amend the activity test to support all children to access early learning for at least 3 days per week (72 hours/fortnight).
 - The ACCC and Productivity Commission join over 10 government and independent bodies who have called for the activity test to be removed, relaxed or substantially reconfigured.²
 - Amending the activity test will remove barriers to ECEC access for all children, especially children from families with low income and low activity.
 3. Amend Inclusion Support Program funding to immediately increase the additional educator hourly rate to at least \$38.14/hour (Diploma qualified educator hourly rate, including on-costs), introduce annual indexation, remove weekly caps on hours of support (25/40 hours per week), and establish the program as a demand-driven subsidy (not capped).
 4. Amend legislation to enable providers to claim Child Care Subsidy and waive out of pocket costs (gap fees) for families when the centre is closed as a result of a government-declared public holiday and for up to 4 student free days per year for the purpose of professional development and quality uplift.

ACRONYMS & ABBREVIATIONS

ACCC	Australian Competition and Consumer Commission
CCS	Child Care Subsidy
ECEC	Early childhood education and care
ECT	Early childhood teacher
IA	Inclusion Agency
ISP	Inclusion Support Program
PC	Productivity Commission

If you would like any further information about the contents of this submission, please contact:

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² Calls to remove or amend the activity test from: AIFS Child Care Subsidy Evaluation Report (2021), SNAICC A Voice for our Children, Women's Economic Equality Taskforce, Economic Inclusion Advisory Committee 2023, Impact Economics, South Australian Royal Commission into Early Childhood Education and Care, NSW IPART Review, Professor Sharon Goldfeld in partnership with Early Childhood Australia, and in all submissions to the 2023-24 PC Inquiry from NSW, Vic and Qld state governments.

RECOMMENDATIONS IN DETAIL

Supporting the early childhood education and care workforce

Recommendation 1: Fund a wage subsidy of at least 15% for early childhood educators and teachers before 1 July 2024 to recognise the value and criticality of the ECEC workforce in ensuring all children and families can access high quality early learning and care.

Key points:

- The PC Inquiry into ECEC acknowledges the ECEC workforce is the critical enabler for the quality and reform of the system but that the sector is relatively low paid.
- The ACCC Childcare Inquiry found that less attractive pay and conditions are contributing to ECEC workforce shortages.³ It also found – unsurprisingly – that investing in higher staff wages translates towards higher quality care, low staff vacancies and low staff turnover.⁴
- The Australian Government’s wage subsidy for aged care workers has helped return monthly vacancy rates to pre-pandemic levels (refer graph below).
- Employee exit surveys indicate pay and conditions is the primary reason for teachers and educators leaving the ECEC sector, particularly as they are lower than equivalent roles in schools.

The Productivity Commission (PC) draft report on a path to universal ECEC finds that, “the ECEC workforce has profound impacts on the accessibility and quality of ECEC services” and that, “unless there are sufficient workers to deliver quality ECEC, any attempts to make the sector more accessible or to introduce greater universality will ultimately fail.”⁵ However, the PC draft report fails to recognise how the CCS funding system – in conjunction with the Industrial Relations system – has kept wages low and how a funding increase for educators contributes to Government’s policy objectives of wage equity.

The ACCC found that there were a number of factors contributing to ECEC workforce pressures and encouraged government to consider them, including the status and recognition of educators and early childhood teachers and pay discrepancies with other relevant sectors, including primary schools.⁶ With regard to the latter, educators and teachers enjoy much higher wages and conditions in publicly funded Government schools than in the ECEC sector. An experienced Certificate III educator on award rates earns around 30% less than an experienced teacher aide in a public (government) school, even though teacher aides do not require a formal qualification. An experienced teacher earns around 40% less. (See Table 1 below.)

Table 1: Educator and teacher wages in long day care centres and public schools

Classification	Award rate (p.a.)	NSW Educ. Dept rate ³	VIC Educ. Dept rate ⁴	QLD Educ. Dept rate ⁵
Educator Cert III commencement ¹	\$49,095	\$62,620	\$53,301	\$54,761
Educator Cert III maximum rate ¹	\$52,384	\$70,362	\$69,355	\$71,172
Teacher graduate ²	\$66,395	\$76,478	\$76,483	\$78,490
Teacher proficient ²	\$72,572	\$92,240	\$81,386 ⁶	\$86,234 ⁶
Teacher maximum rate ²	\$79,005	\$114,065	\$113,457	\$108,971

¹ Children’s Services Award 1/7/2022, NSW Education Paraprofessional (Cert III qualified), Victorian Education Support Officer Level 1 Range 2; ² Educational Services (Teachers) Award as determined from 1/1/2022 following 2021 work vale case; ³ NSW Crown Employees (Teachers in Schools and Related Employees) Salaries and Conditions Award; ⁴ 1/1/2023 Victorian Government Schools Agreement 2022; ⁵ Teacher rates 1/7/2022, teacher aide rates 1/9/2022. ⁶ Third pay point assuming 2 years of service to reach proficient.

³ ACCC Childcare Inquiry 2023, [September interim report](#), pg 22.

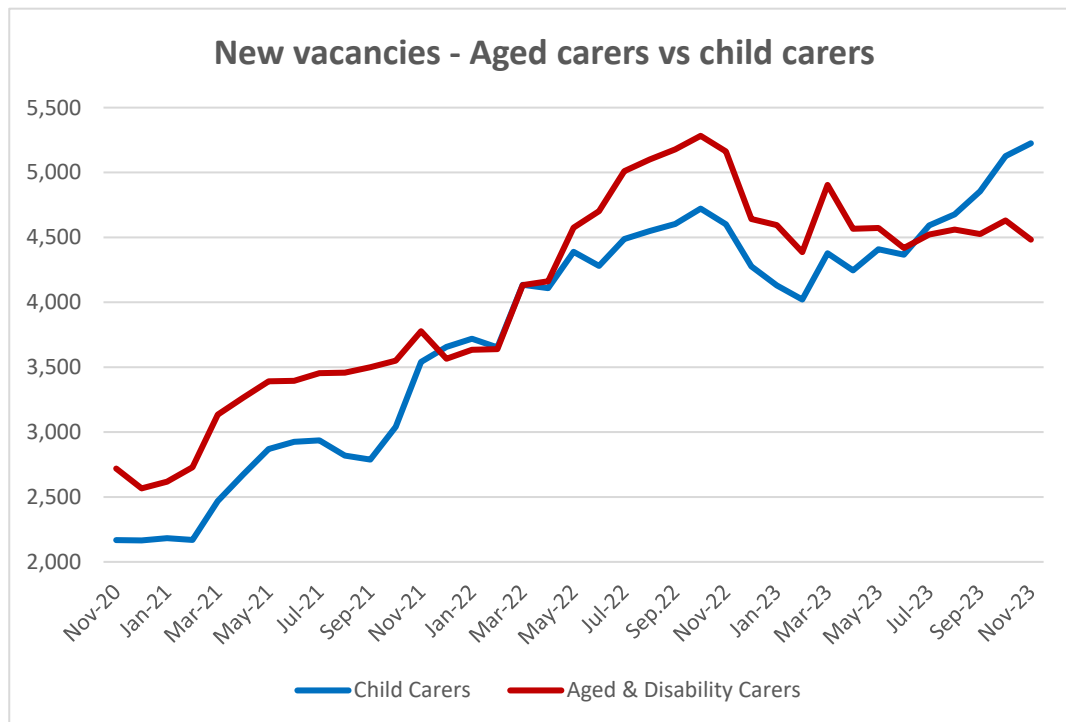
⁴ ACCC Childcare Inquiry 2023, [September interim report](#), pg 53.

⁵ Productivity Commission draft Report: [A path to universal early childhood education and care](#), November 2023.

⁶ ACCC Childcare Inquiry 2023, [September interim report](#), pg 33.

The Government has recognised that wages for early childhood workers are unacceptably low; a direct result of systemic undervaluation of the work of a 97%-female sector. While the Government has supported wage increases for disability workers⁷ and a 15% wage rise for aged care workers,⁸ it is yet to make a commitment to fund early childhood workers. Investment needs to happen urgently to stem attrition and ensure there are enough ECEC educators and teachers to support the Government’s objective of universal access to high quality, inclusive and affordable early learning for all children.

Since the Fair Work Commission announced a wage increase for aged care workers in November 2022, monthly vacancies for aged care workers have fallen 12%. Unfortunately, vacancies for childcare workers increased 9% in the same period. Total vacancies in the workforce fell 6% last year. Bolton Clarke, the largest NFP aged care provider, said attrition rates were now below pre-pandemic levels after the 15% wage rise and job advertisements for personal care workers were in decline, though still rising for registered nurses.



Source: Jobs & Skills Australia monthly internet vacancies index

The sector, including Goodstart, peak bodies and unions, are working on developing a framework to ensure that any funded wage rise for early childhood workers would be passed on in full through an appropriate industrial instrument, taking full advantage of the amendments in the Government’s *Secure Jobs, Better Pay* reforms. However, without a government commitment to fund wages in this year’s budget, it is unlikely that wage relief for the sector would arrive in time to meet the current and anticipated demand for places. A wage subsidy of at least 15% should be paid to all early childhood workers to commence as soon as possible to secure the workforce ahead of the Productivity Commission’s proposed reforms. Such a wage rise should be conditional on employers passing on the wage increase in full through an enterprise agreement.

⁷ https://www.asumembers.org.au/union_won_ndis_funding_increase

⁸ <https://www.health.gov.au/ministers/the-hon-mark-butler-mp/media/a-pay-rise-for-aged-care-workers>

Supporting access for all children

Recommendation 2: Immediately amend the activity test to support all children to access early learning for at least 3 days per week (72 hours/fortnight).

Key points:

- The ACCC found the activity test is a barrier to access for vulnerable children, a barrier to workforce participation and is contributing to low-income families paying the highest out of pocket costs, as a proportion of household after-tax income.
- The PC found that children experiencing vulnerability and disadvantage are less likely to attend and that relaxing the activity test would support children and families who would benefit the most.
- Access to affordable early learning also supports families to accept work when it is offered or available, including casual or ad-hoc employment.

The ACCC found the activity test is a barrier to more vulnerable children accessing care and creating a barrier to workforce entry or return for some groups and recommended it be removed, relaxed or substantially reconfigured.⁹ It also found that low-income families are paying the highest out of pocket ECEC expenses, as a share of disposable income,¹⁰ to which the activity test is a likely contributor. Similarly, the Productivity Commission found that children experiencing vulnerability and disadvantage – who are the most likely to benefit from early learning – are less likely to attend than their more advantaged peers and that relaxing the activity test for all families would target support to children and families who would benefit the most. The PC further recommended all children should have an ECEC entitlement of at least 3 days a week of quality ECEC.¹¹

The ACCC and Productivity Commission join over 10 government and independent bodies who have called for the activity test to be removed, relaxed or substantially reconfigured, specifically:

- AIFS Child Care Subsidy Evaluation Report (2021)
- SNAICC A Voice for our Children
- Women’s Economic Equality Taskforce (twice!)
- Economic Inclusion Advisory Committee 2023 Pre-Budget Report
- Impact Economics (twice!)
- South Australian Royal Commission into Early Childhood Education and Care
- NSW IPART Review
- Professor Sharon Goldfeld in partnership with Early Childhood Australia (ECA)
- Submissions to the 2023-24 PC Inquiry into ECEC from NSW, Vic and Qld State Governments.

The evidence is clear: the activity test must be changed as a matter of urgency. Amending the activity test to provide at least 3 days per week (72 hours/fortnight) for all children will benefit all children and families but be especially beneficial for children and families experiencing vulnerability and disadvantage. At the very least, the activity test should be simplified to have only two activity test tiers, allowing 72 subsidised hours for all children and families and up to 100 subsidised hours for families with more than 48 activity hours per fortnight.

It would be preferable, however, to completely remove the activity test, as it is mechanism that sends entirely the wrong signal. The introduction of the activity test was inherently ideological – based on moral panic and in the absence of evidence – about (mostly) women offloading children to childcare when they don’t ‘need’ it. The reality is that ECEC is a productivity multiplier – its rationing based on parental work patterns impoverishes the economy as much as individual children.

⁹ ACCC Childcare Inquiry, September interim report, pg 30.

¹⁰ ACCC Childcare Inquiry, June interim report, pg 15.

¹¹ PC Inquiry into ECEC, November 2023 draft report, pg. 61-62, 70.

Supporting inclusion for all children

Recommendation 3: Amend Inclusion Support Program funding to immediately increase the additional educator hourly rate to at least \$38.14/hour (Diploma qualified educator hourly rate, including on-costs), introduce annual indexation, remove weekly caps on hours of support (25/40 hours per week), and establish the program as a demand-driven subsidy (not capped).

Key points:

- The Inclusion Support Program an important part of the CCS Safety Net, as it is the only funding for above-ratio educators in ECEC services to support children with additional support needs.
- ISP funding is inadequate as neither the funded hourly rate for an additional educator nor the program budget allocation have been indexed since 2016 and the funding conditions leave funding gaps for families and/or providers.¹²
- The PC Inquiry found that the hourly subsidy rate should be increased and indexed annually and limits on weekly hours should be removed.
- The ISP funding must be increased to address financial disincentives to enrolling children with higher support needs.

An important component of the Inclusion Support Program (ISP) is the funding provided to cover the wages cost for an additional (above ratio) educator in an early learning room, so that children with a disability, developmental delay, trauma-related behaviours or other inclusion support need are able to participate in early learning. This is intended to address the financial disincentives for enrolling children with higher support needs and supports both the child's early learning needs and parental workforce participation. However, immediate action is required to address the loss in the value of the ISP educator wage subsidy over time, as the funded hourly rate has not been indexed since 2016 and the ISP-funded hours are insufficient to support early learning for a child whose parent works three or more days a week.

The additional educator subsidy has been losing value over time.

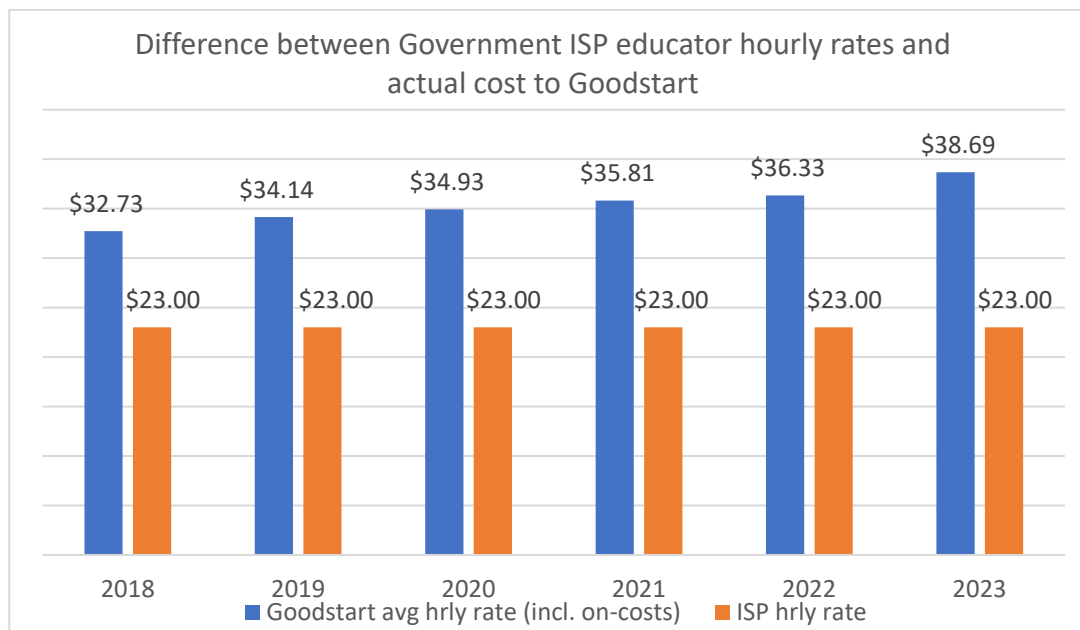
Since 2016, no indexation has been applied to the hourly rate for the wages subsidy, even though award wages for early childhood educators have increased 3.5% per annum (on average) during the same period (see Table 3). This means the subsidy continues to lose value as wages increase and no longer covers even the lowest possible qualification level (Cert III, Pay Point 1) creating a financial disincentive to enrol children with inclusion support needs, as they won't be able to adequately support them. As we pay above-Award rates at Goodstart, the difference in the subsidy rate and our educator's rate is significant (at least \$15/hour cost to Goodstart not covered by current ISP funding – see Graph 1).

Table 3: Modern award increases – early childhood educators

Date	Modern award increases	CPI Indexation (to Dec qtr.)
July 2017	3.3%	1.7%
July 2018	3.5%	1.9%
July 2019	3.0%	1.8%
July 2020	1.75%	1.85%
July 2021	2.5%	0.9%
July 2022	4.6%	3.5%
July 2023	5.75%	7.8%

¹² PC Inquiry into ECEC, November 2023 draft report, pg. 75.

Graph 1: The hourly cost to Goodstart of ISP educators is increasing year on year



In its draft report, the Productivity Commission proposes the hourly subsidy rate be increased to at least a Certificate III ECEC educator rate. However, this would mean children requiring the most highly skilled educators could only be supported, at best, by those who have the lowest level qualifications. When employing an additional educator to support a child’s inclusion needs, experience is paramount and other skills and capabilities are often necessary based on a child’s individual needs (such as medical management or peg feeding, for example). Like many not-for-profit providers, we direct social purpose investment to meet these gaps and ensure children have access to the skilled professionals they need. However, this is not the experience for all children and families.

Instead, we recommend the hourly subsidy rate is increased from its current level (\$23.00/hour) to at least \$38.14/hour,¹³ which represents a Diploma-qualified educators with two years’ experience including on-costs (i.e. superannuation, leave, worker’s compensation, etc). If a lower hourly subsidy rate is implemented, there will continue to be cost barriers to including all children or funding will not be adequate to provide children with experienced inclusion support they need to fully participate in early learning.

Consistent with the Productivity Commission draft report, we recommend the hourly subsidy rate be indexed annually. However, it would be prudent to consider indexation more closely aligned with actual labour costs, e.g. actual award rate increases, rather than the Wage Price Index.

Children needing inclusion support are not always funded for all their hours of attendance.

The ISP funding cap (25 hours for an individual child) does not align with CCS eligibility of up to 50 hours per week. The Productivity Commission reports notes this is inconsistent with Department of Education data, which shows children were enrolled for 32.4 hours per week in the December 2022 quarter. Even in a shared care arrangement (supporting two or more children) – which is not available for all children – funding is only provided for up to 40 hours per week. This limits the workforce participation of parents of children with a disability or other inclusion support need, who we know have lower workforce participation than other parents¹⁴.

¹³ Diploma qualified ECEC educator with two years’ experience \$31.78/hour + 20% on-costs as at 25 January 2024. Actual rate should reflect award wages plus on-costs at time of implementation.

¹⁴ Spencer, N (2014), ‘Family Matters: Impacts of caring for a child with chronic health problems on parental work status and security’.

To ensure the ISP continues to achieve its policy objective of supporting children with inclusion support needs to participate in early learning, we recommend the caps on funded hours of support be removed (i.e. 25 and 40 hours per week limits).

These immediate measures will improve the existing funding program and the planned review of the IDF will ideally improve the program further. However, the ACCC and Productivity Commission should explicitly consider the most effective way to address cost and non-cost barriers to provide a safety net that supports access and inclusion for all children to fully participate in early learning.

Inclusion funding should be available on a demand-driven basis, not through a capped funding program.

While the number of children supported by ISP continues to increase, funding levels have remained relatively static, due to this being a capped funding program (see Table 2). In 2022-23, the ISP budget was \$214.10m, as a result of movement of funding from the 2021-22 FY into the 2022-23 FY. (Actual expenditure for 2022-23 was not available when this Question on Notice was answered.) Despite this recognition that the program required additional funding, forward estimates continued to allocate only \$132.70m in 2023-24 and 2024-25 and \$133.30m in 2025-26.

Table 2: Inclusion Support Program: number of children supported and total expenditure, by FY¹⁵

Financial Year	No. children supported by ISP	Total ISP expenditure (\$m)
2018-19	11,164	\$99.30
2019-20	13,037	\$113.88
2020-21	16,110	\$128.45
2021-22	17,651	\$130.28

There is more to do to support inclusion for all children.

There is more to do to adopt a broader approach to inclusion than proposed in the PC draft report, including addressing cost- and non-cost barriers to ECEC access for all children and lifting foundational inclusion practice across all ECEC settings. These will be outlined in detail in our response to the PC draft report. However, increasing and improving the ISP funding should be an immediate priority for the next Federal Budget.

Supporting affordability and sustainability

Recommendation 4: Amend legislation to enable providers to claim Child Care Subsidy and waive out of pocket costs (gap fees) for families when the centre is closed as a result of a government-declared public holiday and for up to 4 student free days per year for the purpose of professional development and quality uplift.

Public holidays

With 10 public holidays in most states each year, around 3.85% of billable days fall on public holidays.¹⁶ The vast majority of providers charge parents for these days, sometimes with a holiday discount, which are then deducted from the families' allowable absences allocation for the year. This billing practice is justified because centres are still liable for educator wages, property rents and other fixed costs on public holidays.

In December 2020, Goodstart took the decision to stop billing families for public holidays, reducing our billable days by 3.85%. Instead, we decided to cover these costs by a modest increase on our daily fees over

¹⁵ Standing Committees on Education and Employment, Question on Notice, Budget Estimates 2022-2023, Dept of Education Question No. SQ22-000399.

¹⁶ NSW has 9 and the ACT has 11 days.

the rest of the year. Even still, not charging fees for public holidays reduced our revenue by around \$45 million a year.

We made this decision because families were unhappy with being charged for using childcare on a day that they were unable to access the service. This had been a recurring complaint by families and in the media over many years.¹⁷ Unfortunately, in January 2024, we determined we could no longer continue to offer a full discount for public holidays. A sharp increase in rent, food and resource costs, compounded by staff challenges across the sector, has led to two difficult financial years for us here at Goodstart. During this time, we have not received any financial support from the Government for public holidays, even though we must still pay our educators, and our rental and other costs on these days.

Despite these financial constraints, Goodstart has worked hard to contain fee increases over the last couple of years, with our increases in July 2023 and July 2022 being well below the average for providers in the ECEC sector. Our decision to recommence charging fees for public holidays continues our commitment to maintaining affordability as much as possible and was implemented instead of a January fee increase.

A better approach would be to allow providers to claim CCS on public holidays and allow them to waive gap fees. This would allow providers to cover most of the fixed costs of not opening on a public holiday (e.g. wages of permanent staff and rents) and relieve parents of paying for a service they are not using. The cost to Government would be broadly comparable to the cost in CCS now.

This would be seen as a pro-consumer adjustment to Child Care Subsidy for families that could be achieved at minimal cost to Government, particularly if the policy applied only to centre-based day care settings and not – for example – to outside school hours care.

Child-free days to support quality improvement through professional development

Ongoing access to training and professional development is key to achieving continuous quality improvement in education and care settings. As cited by the Productivity Commission in its draft report, Professor Iram Siraj writes,

Continuing [professional development] fills the gaps in knowledge and skills that are often apparent in practice after initial training, and it keeps educators up to date with research into best practice. (Siraj et al. 2016, p. 20)

In schools, teachers and staff have access to student free days. These days are designated for staff or school professional development activities and may cover topics such as literacy and numeracy, behaviour management, curriculum implementation, or pedagogical frameworks, as well as mandatory training such as fire training, code of conduct etc. However, the same is not available in ECEC settings and ‘time off the floor’ can be difficult to access, particularly in smaller services and in the context of chronic workforce shortages.

ECEC educators and teachers should have similar access to designated student free days for professional development. This could be simply achieved by allowing providers up to 4 child free days per year (one per quarter) where they could close the service, claim CCS and waive gap fees for families, so they are not out of pocket. The continued flow of CCS does not increase costs to Government but provides services with revenue (albeit reduced revenue) while allocating invaluable time for quality uplift.

¹⁷ Herald Sun 30/4/2022 “Families stuck paying for childcare on public holidays when centres are not open”; Channel Nine 9Honey 24/4/2022 “Why are you being charged child care fees on public holidays”; The West Australian 9/3/2019 “Families out \$180m in childcare fees on public holidays”; ABC 12/4/2017 “Why you pay for child care you don’t use, like on public holidays?”