UNITED WORKERS UNION

BIG STEPS VALUE OUR FUTURE

UWU Submission to the 2023 ACCC Early Childhood Education and Care Inquiry

27 October 2023

ACCC Childcare Inquiry Taskforce
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To the Proper Officer,

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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 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.

Executive Summary

> *"As a centre director, it worries me that experienced, qualified staff are constantly leaving the sector for better paid positions. This lack of consistency is not good for children and families, and it is not good for centre morale."*

Early educators work every day in a system which is complicated, expensive and puts profits above the wellbeing of children, educators, and families. At the centre of this failing system is an escalating and unsustainable workforce crisis. Early educators have been holding together this messy and expensive system for years, but they have reached the end of their tether. Research shows that 30-48% of educators leave the sector each year.[1] For too long, workforce has been a secondary thought in ECEC policy change, and this has led to a workforce crisis.

The ACCC's September Interim Report (ACCC Report) acknowledges what UWU members have been saying for years: low wages, increasing responsibilities and unpaid training are leading to educator burnout and high turnover.[2] The ACCC Report also says what families and the sector have long known: the success of early childhood education and care (ECEC) services is enormously dependent on the educators, and they have a significant impact on the quality and reputation of services.[3] Unsurprisingly, the ACCC also found centre-based services with a higher proportion of staff paid above award and with lower staff turnover also had a higher quality rating under the National Quality Standards. The data is clear: the relationship between educators, children and families is central to quality, and fixing the workforce crisis is critical in improving quality and access across the sector.[4]

The ACCC Report is yet another confirmation that the current system is failing vulnerable children. There are not enough places in disadvantaged and remote areas, and the places that are on offer tend to be of lower quality.[5] Low-income families are paying more out-of-pocket fees as a share of their income than anyone else, a perverse outcome of the Childcare Subsidy (CCS) activity test.[6] And finally, the ACCC Report reinforces that the system is failing families too – with Australian parents paying almost double the OCED average in fees as a percentage of income and struggling to find enough ECEC due to the workforce crisis in the sector.[7]

If the current model of ECEC doesn't work for children, educators, and families, who does it work for? It works for big business. The sector turns over $15 billion per year.[8] 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. Several of the largest for-profits, who also happen to be amongst the top five long day care (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.[9]

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,[10] are more likely than other types of providers to be operating with a staffing waiver,[11] and overall deliver lower quality ECEC *as well as* being overrepresented in safety breaches and enforcement actions.[12] They spend less on education in comparison to not-for-profit providers – whilst richly rewarding shareholders and executives.[13] Both Guardian, owned by Swiss-based private equity Partners Group, and Affinity, owned by Quadrant Private Equity, were put up for sale this year, with a potential increase in government funding for the sector a selling point.[14] Though reportedly Affinity's sale is on pause for now,[15] this is yet further evidence of big business gaming the sector.

Fundamental reform is needed when the sector is working for big business, but not for children, educators, and families. The ACCC Report acknowledges that market forces alone are unlikely to ensure equitable educational or developmental outcomes for all children. Yet the ACCC's draft recommendations – while calling for reform – do not go far enough. Increasing regulation, reforming the CCS, introducing market-based supply-side subsidies – these are patchwork solutions to a deeper problem.

UWU educators want real change. We want what's best for children, educators, and families. We want every child to have access to a world-class, high-quality public and universal early learning education system – regardless of how much their parents earn, how many hours their parents work, or where they live. We want a public early learning sector in which educators are respected, employed directly, and professionally paid.

Only through public provision can the government ultimately ensure that every child's right to a high-quality early childhood education, provided by professionally paid and highly skilled educators, is realised.

The move towards public provision is already starting to happen at the state level. The Victorian Government has committed to opening 50 new early learning centres that directly employ educators to ensure higher quality early learning and better educational outcomes for children.

We make the following recommendations.

Recommendations:

1. **The Federal Government should establish universal public early childhood education and care as the primary objective of ECEC policy.** Early learning should be the very first stage of the public education system in Australia. **Early childhood educators across the country implore the ACCC to investigate short, medium, and long-term policy reforms to realise this vision and then recommend them to government.**
2. The Federal Government should abolish the activity test as a matter of priority.
3. **The Federal Government should take immediate action to improve educator wages and stop the flow of workers out of the sector.** The Federal Government must come to the bargaining table fully prepared to fund a much needed 25% wage rise for all educators. To ensure the money goes directly to educators, funding must be tied to a negotiated and enforceable industrial instrument.
4. 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.
5. 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.

Finally, UWU educators urge the ACCC to refer to the industry as the "early childhood care and education" sector, not "childcare". Over the last decade, there has been a shift in the terminology used to describe the ECEC sector and workforce, alongside the growing understanding of the importance of the ECEC sector to children's outcomes and the concomitant professionalisation of the sector. The sector and its workforce have been historically undervalued and the outdated terminology of "childcare" was reflective of that. "Childcare" is a grossly inadequate term in describing the breadth of aims and responsibilities of educators.

For more information on this submission, please contact Natalie Dabarera, National Research Coordinator, at [redacted]

Kind regards,

Helen Gibbons

Executive Director Early Education

Response to ACCC draft recommendations

Objectives of ECEC policy and the Childcare Subsidy (CCS)

> *"[I wouldn't recommend ECEC as a career] because of the way the sector is going, it is being privatised and people are getting to make money and a profit at the expense of children. I have witnessed children go without resources and intervention and support to save the owner's money."*

UWU members share a vision of universal public ECEC – a system in which every child, regardless of how much their parents earn, or how many hours their parents work, or where they live – has access to a world-class early learning education system. Like the public school system, every family should have confidence that their local early learning centre is high-quality, and that educators are respected, employed directly, and professionally paid.

There is a growing body of research demonstrating the positive effects of universal ECEC participation.[16] Despite this, a significant proportion of children miss out and these children are disproportionately from low socio-economic backgrounds.[17] It is clear that market provision doesn't work for the children who stand to benefit the most from access to ECEC. The Mitchell Institute mapped ECEC accessibility and average fees around Australia, finding that "[t]here 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."[18]

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.[19] 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 (where 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.[20]

Even when disadvantaged families do get access to services, they are likely to be lower quality, more likely to have staffing waivers and broadly a more casualised and lower paid educator workforce. The ACCC's own report confirms that the market is not working for vulnerable children, and that market forces alone are unlikely to ensure equitable educational or developmental outcomes across all children and households.[21]

In **draft recommendation 1**, the ACCC recommends that the Australian Government reconsider and restate the key objectives and priorities of its childcare policies and supporting measures, including the relevant price regulation mechanism. **We recommend that the Federal Government establish universal public early childhood education and care as the primary objective of ECEC policy.** 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 available to the children who need it most.

In **draft recommendation 2,** the ACCC recommends further consideration and consultation on changes to the CCS and existing hourly rate cap mechanism, to simplify their operation and address unintended consequences, including on incentives and outcomes. The ACCC recommends consideration be given to a range of measures to determine the appropriate rate of the CCS, changing the hourly rate cap to a daily cap, and introducing a stronger price and monitoring role by government.

The CCS is complex for families to understand, and there is a lack of transparency and accountability measures attached to it. Parents and guardians must navigate a disjointed ECEC system, in which the interaction between state-run pre-school programs and federally funded long day care is not always easy to navigate. UWU agrees that we need to reconsider the CCS, but not as a move to another similarly complex demand-side funding mechanism. Rather, the CCS needs to be reconsidered as part of our reimagining of early learning, with state, territory and federal governments working together to create a cohesive world-class public ECEC system. **We urge the ACCC to investigate short, medium, and long-term policy reforms to realise the vision of public and universal early learning and then recommend them to government.**

In draft recommendation 2(c), the ACCC recommends that the government consider removing, relaxing or substantially reconfiguring the current activity test, as it may be acting as a barrier to vulnerable children accessing care and creating a barrier to workforce entry or return for some groups. The ACCC's own data bears out that the activity test **is** a barrier to access. **UWU calls on the ACCC to strengthen this recommendation. The ACCC should urge the Federal Government to abolish the activity test as a matter of priority. UWU educators are passionate about access to early learning for vulnerable children. Making a direct intervention to improve educators' wages to address the workforce crisis and abolishing the activity test are immediate steps the government can take to improve access.**

UWU Educator speaks out: We are failing vulnerable children

[redacted] is an early childhood educator with over 20 years' experience in the sector. She is currently working as an educator and an early intervention therapy assistant on the Gold Coast. Previously, she owned and operated long day care centres for 12 years.

[redacted] is deeply concerned about how the current ECEC system is failing some vulnerable and disadvantaged children who need it the most. She says, *"The activity test and the administrative requirements to get additional CCS are one of the main barriers to vulnerable and disadvantaged children for entering the sector. There is so much red tape. When you have children who are in the care of child protective services, or in foster care, it's extremely hard for a service to access CCS or additional CCS for these children. There's a high turnover of child protection officers and foster families – which means it's hard for a service to contact anyone to get the information needed in order to submit the application. Then there's the added cost of possible extra staffing. What often ends up happening is that the service is financially left with the bill, which is more often than not full fee, and administratively it's such a burden that many services will just say they don't have the room."*

[redacted] also holds serious concerns about the lack of support for children with additional needs. On this, she says, *"To get inclusion funding is extremely difficult and it's not guaranteed to be approved in a timely manner. Even when it is approved it isn't backdated to the start of enrolment when additional support is needed. When funding is set for renewal annually, there are often delays, and services are left with paying for the gap in funding costs until the application gets renewed. The alternative is to reduce the staffing support, which then places added stress on educators and children. The Inclusion Support portal is archaic and inefficient, and this adds stress for administrators and educators. They are already so stressed out and burnt out, this adds to their workload."*

[redacted] goes on to explain that *"Families don't know what their rights are. Some of the parents are recent migrants, they don't know who to speak to if their child is rejected by services for enrolment, they may not even know that funding is available. There's not enough advocacy for children in this space. With funding being privatised under the NDIS, there's no advocacy body for children or parents who are struggling to find places and support. We know early intervention is key. The system might be there on paper, but getting it implemented – it's so difficult. Services end up turning families away."*

[redacted] explains that the lack of access to early intervention has flow on effects on educators and other children. She says, *"When children don't get the early intervention they need, educators are trying to do more without the resources they need. Educators end up stressed and burnt out, and then other children aren't getting the attention they need either because the educators are stretched so thin. Sometimes parents might even be asked to pull their child with additional needs out of the service. We know that intervention at an early age leads to better outcomes and is more cost effective than intervention at a later stage. But current measures for supporting children with additional needs are completely inadequate."*

In addition to the issues that [redacted] describes above, UWU members in our August 2023 Crisis Tracker survey reported that the workforce crisis is having a detrimental impact on inclusion support services for children. Members told us that with current pressures on staff due to so many educators leaving the sector, inclusion support educators who are meant to work one-on-one with specific children who have additional needs are very often moved to different rooms or required to work across larger groups to maintain legal minimum staffing ratios. This is yet another example of how the workforce crisis is affecting the quality of early learning services.

Workforce

> *"Relationships are central to everything. The children rely on educator continuity and when it is not possible it leads to poorer learning opportunities, behavioural issues, separation anxiety and parental stress (which also impacts on children)."*

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."[22] A large provider in the ACCC's own report states "Families want consistent, stable, quality educators above all else." We cannot have high-quality interactions when 30-48% of educators leave the sector each year.[23] The average tenure of an ECEC worker is only 3.6 years.[24] Every time an educator leaves their position or the sector altogether, the impact is felt by dozens of children.[25] 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:

1. Low pay – I can't afford to stay.
2. Excessive workload and insufficient time to provide quality ECEC; and
3. Feeling undervalued.[26]

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."[27] 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.

The workforce crisis has only gotten worse. In August 2023, UWU members launched a Crisis Tracker to map how the ongoing staffing crisis in the sector is affecting educators, families, and children. Close to 1000 centres from across the country provided eye-opening and often shocking details about staff vacancies, workloads, and pressures on staff, wait times for families and the lengths that services are being forced to go to in the face of the worst staffing crisis the sector has ever seen. The results of the Crisis Tracker show that, despite millions of dollars in additional Federal Government subsidies to make early education more affordable for families, the crisis has only deepened. Educators continue to leave the sector because they simply cannot afford to stay due to low wages, horrific workloads, and a genuine concern that the well-being and safety of children is at risk due to the conditions in the sector.

The Crisis Tracker survey results showed:

- 95% of centres have had staff leave in the past 12 months and, of those, 78% have had more than 3 educators leave.

- 91% have current staff vacancies and, of those, 50% have 3 or more current vacancies.
- 80% have had staff vacancies open for longer than 3 months, and 35% have had vacancies open for 12 months or longer.
- 40% reported having to cap child enrolments, meaning that they are unable to accept the number of children they are licensed for, due to staffing constraints.
- 24% of centres reported that in order to meet legal minimum ratios they were using agency staff daily, and a further 13% on a weekly basis.
- Conversely, respondents from centres in regional or rural areas reported a lack of access to agency staff.
- When agency staff are not available, centres are forced to take other measures, such as closing early, turning children away, partially closing their centre or combining different ages groups or "shuffling children around the rooms" in an attempt to meet supervision requirements and ratios.

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.[28] 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.[29] 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.[30]

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.[31]

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 government to the bargaining table to fund any improved wage outcomes. Most centres do not have high levels of profit and pitting educators against families 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.[32] 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.

The supported bargaining stream of the new federal multi-employer bargaining laws, which came into operation in June 2023, 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."[33] It is also recognised that the new laws will address the gender pay gap in Australia both broadly and in female-dominated occupations.[34] Academics also agree: multi-employer agreements will address educator shortages and lift wages and conditions.[35]

The sector has heard the call from government to collaborate. Since late 2022, there have been a series of historic meetings of unions, employers, educators, and peak bodies from across the sector, initially 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. Bargaining is now underway, with the Fair Work Commission (FWC) making a supported bargaining authorisation in September 2023. Unions, employers, educators, and peak bodies are set to have weekly meetings, commencing Friday 27 October 2023. The sense of urgency across the sector is clear – unions, employers, educators, and peak bodies all agree – we need to address the workforce crisis now, before yet another worker exodus.

Without a clear public commitment from the Federal Government to fund a 25% 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 much faster, simpler solution.[36] 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.[37] 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.[38] 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.

As highlighted above in the executive summary, the ACCC report has confirmed what UWU educators have been saying for years: educators are burnt out and are leaving the sector in droves because of low pay and high workloads; yet it is the relationship between educators, children and families that is central to quality, and fixing the workforce crisis is critical to improving both quality and access across the sector.[39]

Yet despite this, the ACCC's recommendation, in **draft recommendation 4,** falls far short of what is needed to stop the flow of workers out of the sector. The ACCC recommends that governments further consider how the existing regulatory frameworks support and influence the attraction and retention of educators and workforce in the early childhood education and care sector.

We urge the ACCC to strengthen this recommendation, and to urge the Federal Government to take immediate action to improve educator wages and stop the flow of workers out of the sector. Without this immediate intervention to address the staffing crisis, none of the other measures recommended by the ACCC or being discussed in the sector at the moment can succeed in improving access and quality outcomes for children, or affordability for families. The Federal

Government must come to the bargaining table fully prepared to fund a much needed 25% wage rise for all educators. To ensure the money goes directly to educators, funding must be by way of a discrete measure, such as a wage subsidy, and it must be tied to a negotiated and enforceable industrial instrument.

We know from experience that wage increases need to be tied to an enforceable industrial instrument. During the Covid-19 pandemic, the Federal Government put millions into ECEC, initially through Jobkeeper, a wage subsidy that went directly to workers. However, in July 2020, far earlier than in any other sector, Jobkeeper was cut, and the Federal Government instead gave additional funding to providers via a "transition payment." There were conditions attached to the payment, to try and ensure that the money went into retaining educators, but some providers stopped giving educators work anyway.[40] There was no way for those educators to make the providers use the funds as intended. The Department simply told them to call a "tip-off" phone line, but this did nothing to help these educators pay their bills. Wage increases for educators must be tied to a negotiated and enforceable industrial instrument so that educators and unions are empowered to address wage theft and recover wages in full.

Funding and regulation

> *"The industry is getting worse and there is no change in sight. The pressure is getting worse, there is not enough staff to replace the ones who leave, we get less time to spend with kids, we are undervalued, and our pay is still rubbish."*

Increasing regulation, introducing price controls, market-based supply side subsidies or even not-for-profit provision of ECEC – these are all patchwork solutions to a deeper problem. Provision of early learning must go beyond government 'stewardship' of the sector. 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 must 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 **draft recommendation 6** the ACCC recommends that a market stewardship role should be considered for both Australian and state and territory governments, in identifying under-served areas and vulnerable cohorts, along with intervention whether through public or private provision. The ACCC states that a competitive tender process is one tool that could be used by governments to facilitate delivery in these areas.

In **draft recommendation 5** the ACCC recommends that the Australian Government should consider maintaining and expanding supply-side support options for Aboriginal Community Controlled Organisations that provide childcare and additional support services for First Nations children, parents, and guardians. In **draft recommendation 7** the ACCC supports further consideration of supply-side subsidies and direct price controls.

The ACCC explores several different models for the provision of ECEC including through supply-side subsidies and direct price controls, including competitive tendering, benchmarking efficient costs, conditional funding for regional authorities, not-for-profit provision, and public provision.

Many of these models may appear attractive, as they provide an opportunity for the government to better shape or "lead" the market in a stewardship role. But leading the market is not good enough when it comes to essential services such as ECEC. All the other models aside from public provision involve the government trying to exert control over other organisations through various complicated and convoluted methods. This can be expensive, and require high levels of compliance, monitoring, and auditing. Even then, the public can't be entirely sure that the money is being used as intended.

Market-based supply-side options will require extensive and costly management. Research in the United Kingdom has investigated why many local councils were returning to insourcing services. Along with poor outcomes, there is the ongoing cost of monitoring contracts,[41] poorer quality services,[42] and the impact that no longer having those services in-house has on the ability to deliver flexible, high-quality services that reflect community standards. One report concluded: *"Councils need to be confident that whoever delivers services to communities is fully accountable and financially robust. And they need to be able to retain control over services, offer local training and employment opportunities and prevent public funds leaking out of local areas in the form of profits to shareholders."*[43]

And while not-for-profits in ECEC did better than for-profits in the ACCC's data on a range of measures, not-for-profits in aged care have come under scrutiny. Most residential aged care in Australia is provided by not-for-profits (57%).[44] A report by the Centre for International Corporate Tax Accountability & Research (CICTAR) in 2022 found that, for example, one large not-for-profit may have used government aged care funding to subsidise overseas investments, and another may have used funding to pay compensation to the Church's victims of child sex abuse.[45]

Ultimately, moving to not-for-profit provision of ECEC through supply-side subsidies would only be a band-aid solution. Much like the current system, government would still have to heavily monitor and regulate the sector. There is a much simpler and guaranteed way for government to ensure high quality outcomes for children and high-quality working conditions for educators – public provision. We now have an opportunity to fundamentally re-imagine the sector and we can do better than more of the same:

- Publicly run centres are higher quality,[46] 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.[47] Investment in publicly run LDC will improve outcomes and mean high quality early learning for children.
- Publicly run ECEC services that are not subject to maximising dividends for shareholders or excessive CEO salaries are a way to ensure taxpayer money is being spent as intended – on children's education and care. UWU's report 'Spitting off Cash' highlighted just how much taxpayer money provided through the CCS is transferred offshore, rather than providing quality care.[48]
- Taxpayer money (both Federal and State) is better spent providing services that are publicly run and are fit-for-purpose with modern Australian family life. Indeed, funding high quality ECEC is calculated to return $2 for every $1 spent – not only improving outcomes for children in the long-term, but also reducing spending across other Departments in welfare and crime.[49] As the Victorian Government has committed to, publicly run LDC centres are a way to create better return on expenditure for governments and create world class, best practice workplaces for educators and high quality ECEC for children. This also allows easier evaluation of ECEC, which, as the SA Royal Commission's literature review pointed out, is needed to fill research gaps in overall ECEC delivery.[50]

UWU rejects draft recommendation 6 - provision of early learning must go beyond government 'stewardship' of the sector, it must be provided by government. UWU supports draft recommendation 7 in that we support further consideration of public provision of ECEC. In response to draft recommendation 5, we support the continuation and expansion of supply-side supported ECEC options for Aboriginal Community Controlled Organisations that provide ECEC and additional support services for First Nations children, parents, and guardians. Any proposed changes to funding for Aboriginal Community Controlled Organisations should first involve close consultation with First Nations families and communities.

As a first step, we recommend that the ACCC call for State and Federal governments in all jurisdictions to 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.

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 ACCC 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.[51] Government revenues would increase by over $10 billion.[52]

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".[53] 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.[54] 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.[55]

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 Childcare (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.*[56]

Central to that plan are commitments to address wages and conditions of educators, offering a lesson 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.

Conclusion:

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. This neglect has resulted in the current crisis in which educators are leaving the sector at record rates, outcomes for children are at risk and so many families are unable to access the services they need. The Federal Government now has an opportunity to make pivotal reform in Australia’s education system and, at the same time, 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 yet another inquiry in 2033 – educators want government action to fund a wage increase now, both because they deserve it, but also because it is a necessary pre-condition to any attempts to tackle the other issues facing Australia's early learning and care sector. We ask the ACCC to consider the following recommendations for their final report.

Recommendations:

1. **The Federal Government should establish universal public early childhood education and care as the primary objective of ECEC policy.** Early learning should be the very first stage of the public education system in Australia. **Early childhood educators across the country implore the ACCC to investigate short, medium, and long-term policy reforms to realise this vision and then recommend them to government.**
2. The Federal Government should abolish the activity test as a matter of priority.
3. **The Federal Government should take immediate action to improve educator wages and stop the flow of workers out of the sector.** The Federal Government must come to the bargaining table fully prepared to fund a much needed 25% wage rise for all educators. To

ensure the money goes directly to educators, funding must be tied to a negotiated and enforceable industrial instrument.

4. 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.
5. 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.

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