

# Select Senate Committee on Cost of Living

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## A submission from Community Early Learning Australia

CELA welcomes the opportunity to contribute to the Select Senate Committee Cost of Living Inquiry. Our response highlights the plight of the essential 200,000 plus education and care workforce, who, due to low wages, are disproportionately impacted by the unprecedented levels of inflation currently being experienced by all Australians.

We call on the Committee to work with all levels of Government to urgently address wages for the education and care sector.

In addition, we highlight the importance of access to high-quality education and care to support families to participate in paid work, calling on Government to support a move towards universal access to education and care.

## About Community Early Learning Australia

Community Early Learning Australia™ (CELA) is the voice for Australia's early education and care sector. As a peak body, our vision is for all of Australia's children to have access to quality early education, regardless of economic circumstance or where they live.

CELA supports over 1,800 members employing more than 27,000 educators and teachers nationally. Our members include community-managed not-for-profit, government, and privately owned small providers, delivering preschool, long day care, outside school hours care, and family day care services.

Our Mission is to:

- ▶ Deliver effective and expert support for our members, enabling them to deliver quality early education and care for all Australia's children.
- ▶ Influence policy makers and government by amplifying the voices of community based and small providers.
- ▶ Promote the value and importance of community-based early education.

## Contact

Michele Carnegie  
CEO  
Community Early Learning Australia  
Email: [michelecarnegie@cela.org.au](mailto:michelecarnegie@cela.org.au)  
Mobile: 0427 753 418

# Response to the Terms of Reference

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We note the Terms of Reference are:

- a. the cost of living pressures facing Australians
- b. the Government's fiscal policy response to the cost of living
- c. ways to ease cost of living pressures through the tax and transfer system
- d. measures to ease the cost of living through the provision of Government services
- e. any other related matter.

CELA's response relates to items a, d and e.

## **Cost of living pressures are hurting Australian families.**

Australia is experiencing higher than average inflation, with the March 2023 figures showing the Consumer Price Index sitting 7% higher from March 2022.<sup>1</sup> Despite rising costs, wages have not kept pace, meaning in real terms, many Australian families are going backwards.

Children bear the brunt of poverty, with over 16.6% (761,000) of children living in poverty, according to research by the Australian Council of Social Services (ACOSS).<sup>2</sup>

The Australian Institute of Family Studies writes in its submission into the nature and extent of poverty in Australia<sup>3</sup> that:

*“Children living in poverty and financial disadvantage had poorer developmental outcomes: lower cognitive development, poorer social-emotional outcomes, poorer general health and an elevated risk of obesity with negative impacts being more pronounced for children experiencing more severe and prolonged financial disadvantage.”*

CELA welcomes the changes made by the current Government, such as ending ParentsNext and restoring payments to single parents with children over 8 years. CELA also welcomes the increase of the Child Care Subsidy to 90% in July this year, as this will provide some spending relief for families. However, the CCS is complex for families to navigate, and expensive for both families and Government in its current form.<sup>4</sup> We urge the Government to move towards funding the provision of universal, free, access to education and care.

A universal 'entitlement' or 'guarantee', of access to high-quality early education and care will do much to support families to manage their caring responsibilities while staying connected to paid work. It has the potential to:

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<sup>1</sup> Australian Bureau of Statistics, <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>

<sup>2</sup> Australian Council of Social Services (2022) Poverty in Australia 2022: a snapshot. <https://povertyandinequality.acoss.org.au/a-snapshot-of-poverty-in-australia-2022/>

<sup>3</sup> Australian Institute of Family Studies (2022) Senate Inquiry into the nature and extent of poverty in Australia. Submission, [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Community\\_Affairs/PovertyinAustralia/Submissions](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/PovertyinAustralia/Submissions)

<sup>4</sup> See Matt Grudnoff (March 2022), “Benefit of high-quality universal early child education”, [https://futurework.org.au/wp-content/uploads/sites/2/2022/11/Economic\\_Aspects\\_of\\_ECEC\\_in\\_Australia\\_FINAL.pdf](https://futurework.org.au/wp-content/uploads/sites/2/2022/11/Economic_Aspects_of_ECEC_in_Australia_FINAL.pdf)

- ▶ Close the educational achievement gaps between indigenous and non-indigenous children, between rural and metropolitan children and economically advantaged and disadvantaged children.
- ▶ Reduce the gender pay gap.
- ▶ Improve children's lifelong health outcomes.
- ▶ Reduce crime.

We elaborate on this in our submission to the Productivity Commission Inquiry into Early Childhood Education and Care.

### **The importance of education and care to enable families to participate in paid work.**

Over 1.3 million children access early education and care or school-aged outside school hours care.<sup>6</sup> Education and care is a critical enabler for many parents, particularly women, to participate in paid work. An effective education and care sector will improve workforce participation. However, the funding arrangements for the sector in its current form do not incentivise providers to open in areas of need, particularly to address community disadvantage. The result is that 35% of Australians live in what researchers dub a 'childcare desert', where there are less than 0.33 places per child.<sup>7</sup> This market failure puts a handbrake on the Australian economy but pointedly, on families' capacities to respond to cost-of-living pressures by participating in paid work.

### **The education and care sector is experiencing an acute workforce shortage.**

Another challenge for families to be able to participate in paid work is the acute workforce shortage in the education and care sector. Even if a family is lucky enough to live in a community where there is an education and care service, staff shortages mean they may not be able to obtain a place. The latest release of the Internet Vacancy Index shows there were 7,100 vacancies in March in the occupations of:

- ▶ Child Care Centre Manager
- ▶ Child Carer
- ▶ Early Childhood (pre-primary school) Teacher.

Only between August and December 2022 were vacancies higher, with an historic high of 7,549 vacancies in October.<sup>8</sup> Overall, according to this index, vacancies in education and care are double what they were in May 2019.<sup>9</sup>

The workforce shortage in our sector is impacting families' capacity to participate in paid work. CELA's joint report in November 2021, with peak organisations Community Child Care (CCC) and Early Learning Association Australia (ELAA), highlighted the impact on service delivery. Over half of services needed to make changes to

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<sup>6</sup> Report on Government Services (ROGS) February 2023

<sup>7</sup> Hurley, P., Matthews, H., & Pennicuik, S. (2022). Deserts and oases: How accessible is childcare? Mitchell Institute, Victoria University.

<https://www.vu.edu.au/mitchell-institute/early-learning/childcare-deserts-oases-how-accessible-is-childcare-in-australia>

<sup>8</sup> National Skills Commission, Internet Job Vacancy Index

<sup>9</sup> Internet Vacancy Index shows vacancies for these occupations at 3,169 in May 2019

their program to manage staff shortages, including almost a quarter of services reducing the number of children able to attend on a monthly or more frequent basis.<sup>10</sup>

CELA's latest workforce survey of members, conducted earlier this year, also found 25% of respondents were reducing the number of children able to attend the service to manage staff vacancies and absences.<sup>11</sup> The workforce shortage in education and care is not new, and while exacerbated by the pandemic, was not caused by it. Poor pay, conditions and perceptions about the value of the work, combined with increased demand for education and care services, have been the driving contributors. In September 2021 the national regulator, the Australian Children's Education and Care Quality Authority (ACECQA), developed a 10 Year Workforce Strategy. It includes "Investigating options for improving workforce pay and conditions" as its highest priority, to be achieved within 3 years.<sup>12</sup>

### **Our workforce is essential, and, like many other essential workers, they are under financial stress.**

According to international benchmarks, for most people, rent costs should be no more than 30 percent of a household budget to avoid financial stress.<sup>13</sup> Anglicare Australia released a report for national campaign organisation, Everybody's Home, in April 2023 called "Priced Out", regarding affordable rental property for Australia's essential workers. The study found that rents are out of reach for essential workers, with rental costs accounting for 68% of early childhood educators' (childcare workers) weekly income and 50% of teachers' weekly incomes.

The 2021 ABS Survey of Employee Earnings and Hours shows the average full-time Child Carer earns \$1091.10 per week, placing them in the bottom decile of earnings. This contrasts with the highest decile, where weekly earnings in those occupations are in excess of \$2,800.<sup>15</sup> Well over half (57.8%) of the 200,000 strong early childhood education and care (ECEC) workforce is on Award rates, while only a fifth are paid up to 10% above the Award.<sup>16</sup>

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<sup>10</sup> CCC, CELA and ELAA, (November 2021) "Investing in our future: growing the education and care workforce" <https://www.cela.org.au/CELA/Publications/Reports/Investing-in-our-Future-25-Nov-2021.pdf> page 22

<sup>11</sup> CELA unpublished, (2023) Workforce Pulse Survey. 187 responses from pool of 1800 members. Margin of error 7%, CI 95%

<sup>12</sup> ACECQA (September 2021) "Shaping our Future: a ten-year strategy to ensure a sustainable, high-quality children's education and care workforce 2022-31" <https://www.acecqa.gov.au/sites/default/files/2021-10/ShapingOurFutureChildrensEducationandCareNationalWorkforceStrategy-September2021.pdf> page 9

<sup>13</sup> Everybody's Home (2023) "Priced Out" <https://everybodyshome.com.au/resources/priced-out-an-index-of-affordable-rentals-for-australias-essential-workers/> page 6

<sup>15</sup> Dr Rob Bray and Professor Matthew Gray, (29 April 2023) "Productivity Inquiry into Early Childhood Education and Care Submission" ANU, Centre for Social Research and Methods [https://www.pc.gov.au/data/assets/pdf\\_file/0010/358894/sub014-childhood.pdf](https://www.pc.gov.au/data/assets/pdf_file/0010/358894/sub014-childhood.pdf) page 44

<sup>16</sup> Department of Education, Skills and Employment (2022) 2021 Early Childhood Education and Care Workforce Census <https://www.education.gov.au/child-care-package/resources/2021-early-childhood-education-and-care-national-workforce-census-report> page 13

## How to increase wages in education and care.

It is estimated that an additional 16,000 new early childhood educators are needed to address current shortages and meet increased demand as a result of the Government's "Cheaper Child Care" policy, set to come into effect on 1 July 2023.<sup>17</sup>

An urgent solution to low wages and poor conditions is needed to ensure no child or family misses out on the ECEC they need due to workforce shortages. The recent *Secure Jobs, Better Pay* legislation makes specific provisions to improve access to enterprise bargaining for low paid female dominated industries such as the early childhood sector.<sup>18</sup> Enterprise bargaining provides an efficient, flexible and long-term sustainable model for improving wages and conditions in the sector. This legislation provides a new opportunity for the sector to address low wages and poor conditions by bringing employers, unions, and the government together to set a new agreed standard in wages and conditions.

The crisis in pay requires a significant and urgent increase, with stakeholders from the sector calling for between a 10% -25% wage increase for ECEC workers.<sup>19</sup> Such an increase is necessary to raise wages to market competitive rates and can only be achieved with the commitment of additional government funding.

Wages are the largest cost for education and care services. For community managed, not-for-profit services, wages typically represent 80% of costs.<sup>20</sup> Such services reflect Australians' aspirations for the type of service they want available for children in their local communities. Community managed, not-for-profit services are more likely than other service types to be rated Exceeding the National Quality Standards (38% compared 23% for all other service types)<sup>21</sup>. The educators who work there tend to stay longer, so children experience continuity of care. The reason community-managed education and care services can provide higher quality is because they do not have the cost-drivers of other service types, such as a need to divert income to shareholders or private equity, which may own buildings with baked-in, steady rent increases.

Delivering government funding towards improved wages and conditions to over 200,000 early childhood educators would provide a double benefit to address cost-of-living pressures. Not only improving families' ability to take on additional paid work, but also delivering improved economic security for thousands of low paid female workers. As such CELA recommends the Government support and participate in current and future applications under its *Secure Jobs, Better Pay* legislation to negotiate improved standards in pay and conditions for ECEC workers across the sector. For more information, our submission to the Productivity Inquiry into Early Childhood Education and Care elaborates more fully on our recommendations.

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<sup>17</sup> <https://www.theguardian.com/australia-news/2022/oct/31/australia-needs-16000-new-educators-to-fill-shortfall-in-child-care-sector-inquiry-told>

<sup>18</sup> Minister Burke, Second reading speech, 27 October 2022:

<https://parlinfo.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22chamber%2Fhansard%2F2F6228%2F0017%22>

<sup>19</sup> <https://www.theguardian.com/australia-news/2022/oct/31/australia-needs-16000-new-educators-to-fill-shortfall-in-child-care-sector-inquiry-told> and <https://www.abc.net.au/news/2023-02-22/early-childhood-educators-crisis-wages-rise/101997336>

<sup>20</sup> TICCS <https://ausccs.org.au/wp-content/uploads/2022/03/TICCS-Report-2020-Wave-6-v12012022.pdf> page 48

<sup>21</sup> ACECQA Snapshot Data Q4 2022