



***Legislation Committee – Inquiry and Report -
Exposure Draft - Paid Parental Leave Bill***

***Long Day Child Care Centres - A case for
administrative exemption***

Australian Childcare Alliance

Gwynn Bridge

President

Childcare Associations Australia

Barbara Langford

President

Under a Memorandum of Understanding for
Childcare Alliance Australia (CAA)

Introduction

Please accept this submission as a request for long day child care centres to be exempt from some aspects of the Government's paid parental leave legislation.

The Childcare Alliance Australia (CAA), which is the combined body of Australian Childcare Alliance and Childcare Associations Australia, represents in the vicinity of 3,000 long day care centres Australia wide. Our staff care for more than 400,000 children.

We applaud the Government's initiative to support mothers and their young families and to encourage women back into the workforce after having a child.

As one of the largest employers of women of child-bearing age, we believe this policy should and must be supported by business. However, we have some serious concerns about the cost and administrative burdens on our members - almost all of whom are small business owners and operators. These members need to be considered for exemption from some of the more onerous administrative tasks of the scheme.

Long Day Child Care - A snapshot

Childcare Alliance Australia represents 70% of the long day child care sector. Our members range from those operating very small child care centres with an average of six staff per day to larger centres employing, on average, 24 staff. Averaging this out across Australia at say 16 staff per centre (inclusive of relief staff), our representation is in the vicinity of 48,000 staff about half of all of those paid primary contact staff employed by Australian government approved childcare services¹

Our centres employ mostly women aged between 17 and 50, with the majority in the 17 – 35 age groups.

CAA is concerned that, considering the considerable number of small businesses we represent, we have not been included in the Reference Group chosen to oversee the introduction of this new system. We would seek an urgent inclusion onto this important panel of stakeholders.

As the Federal Government appreciates, its increasing regulatory requirements through the introduction of National Standards will mean the number of staff employed in this industry will increase substantially.

Whilst the CAA strongly supports a Paid Parental Leave Scheme, our members will face increasing financial and administrative burdens as a result, the cost of which will need to be passed on to families in increased fees. As such we seek the Government's support in neutralising the negative aspects of its scheme on the long day child care sector.

¹ 2010 Productivity Commission 'Report on Government Services'

CAA Concerns

Education

The issue:

- The majority of our members are sole operators and hands on in their business. Many are already finding the intense regulatory requirement of our sector difficult to implement and maintain. To gain a comprehensive understanding of their part in the implementation of this system would require a substantial education campaign.

The recommended policy solution:

CAA requests that a comprehensive education campaign be implemented to ensure that our members do not, through lack of understanding, fall into the non compliant category.

Payroll Tax

The issue:

- Additional administration and red tape will tax CAA members work time considerably. We have had members report that they have had multiple staff off at the same time on Parental Leave. Larger businesses may have a Payroll division but our members primarily attend to the complete operation of the administrative requirements.

The recommended policy solution:

CAA seeks consideration for small businesses to ensure the Government's Paid Parental Leave payment continues to be made through the Family Assistance Office.

Access to skilled replacement staff

The issue:

- A challenge for the child care and early learning sector is the replacement of suitably qualified staff during this period of maternity leave absence.
- To ensure long day child care centres are not forced to close or reduce hours because of a lack of access to quality and trained staff, we need the Government's assistance to assure that students who take up places in a government funded course, such as TAFE, are obliged to work in the sector for a period of time.

The recommended policy solution:

CAA requests intervention by government to ensure that services remain compliant during absence of staff on PPL by being able to access suitably qualified staff.

Payroll Tax

The issue:

- Whilst we understand negotiations are underway regarding the non-inclusion of the Paid Parental Leave payment in Payroll Tax, the CAA believes that it is imperative that this payment not be included.
- Payroll tax is already an unequal and insidious tax that is severely stressing our small businesses and the resultant burden on families in the private sector. The inequality comes into play by the fact that the community sector in child care does not pay this tax.

The recommended policy solution:

CAA requests that payroll tax not be included on Paid Parental Leave payments.

Administrative burden

The issue:

- CAA is very concerned about the cost of implementation on services. Throughout Australia there are services that are maintaining high occupancy levels but there are also many services that are operating at an unviable level due to the lack of a suitable planning system at Federal Government level.
- According to the Government's own report "Child Care Vacancies Quarterly Snapshot March 2010" there are 65,780 vacancies reported daily in Australian Child Care Services. Viability will be further threatened in our sector with the introduction of National Standards. The additional time and handling of the administrative requirement of the Paid Parental Leave will increase costs to services. This will lead to a further financial burden on our families, already struggling to manage the cost of quality childcare - an expense that will increase with the incoming National Standards.

The recommended policy solution:

CAA requests that the FAO continues to make the payments for child care personnel to alleviate additional costs on families.

Superannuation Payments

The issue:

- CAA remains concerned about the longer term plans for superannuation payments on Paid Parental Leave. This has been set for review in two years time. Should this cost be imposed on services, it would certainly cause severe financial hardship to small business operators. Many will be forced to close and hundreds of families may be left without access to formal long day child care.

The recommended policy solution:

CAA requests that Government assures small business that the intent of the review of superannuation payments on PPL is not for the employer to be burdened with this payment.

Timing of PPL Payment

The issue:

- The payment of the Paid Parental Leave by Government is to be made in advance through the FAO. The CAA supports this method of payment in advance. However from experience our concern is that this payment may move to an arrears payment in the future.
- Initially, Fee Relief for families using childcare was paid in advance with assurance from the government that the sector would never have to carry the government's payments. These payments have now moved to one week in arrears.

The recommended policy solution:

CAA requests assurance from the Government that the small business operator will never have to advance the payment to staff on PPL then reclaim that amount from government.

Other Hidden Costs

The issue:

- Because of the limited time to consider the Exposure Draft, CAA can do no more than flag various other concerns about administrative and financial costs to LDC centre operators and to families using the services resulting from:
 - Accrual of additional leave during a PPL period;
 - Workers compensation liability;
 - Additional payroll-tax and superannuation concerns;
 - Availability of PPL to grandparents; and
 - Industrial issues.

The recommended policy solution:

CAA requests assurance that CAA representatives will be included in the review of the program at the end of two years, especially regarding the viability of implementing mandated superannuation contributions by LDC employers, and determining the scheme's regulatory impacts and costs.

We welcome the opportunity to discuss this submission with the Government. The Childcare Alliance Australia is committed to helping mothers return to the workforce and to ensure their children are cared for in a loving, regulated, supervised, clean environment by skilled and experienced professionals dedicated to the development and growth of the child.

Gwynn Bridge
Childcare Alliance Australia

11 May 2010