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Mike Symon MP
Chair
Standing Committee on Education and Employment
House of Representatives
c/- ee.reps@aph.gov.au

Dear Mr Symon

Thank you for the opportunity to provide a submission in response to the Standing Committee on Education and Employment *Inquiry into the Early Years Quality Fund Special Account Bill 2013*.

Child Care New South Wales represents, advocates for and provides collective services for child care centres throughout New South Wales, representing more than 1100 centres across the state. Our members are committed to providing excellence in child care for the more than 100 000 families across NSW for whom we provide essential services.

It is important to note at the outset that Child Care New South Wales is not opposed to the Early Years Quality Fund. The Fund is an important initiative that has the potential to assist in the attraction and retention of staff in the child care sector. However, Child Care New South Wales is extremely concerned that the proposed administration and allocation of the Fund, in addition to the inadequate quantum of the Fund itself, will seriously diminish potential uptake of the initiative and thereby threaten its ultimate success. Moreover, Child Care New South Wales is concerned that the lack of supporting information regarding the projected uptake of the initiative, combined with unachievable claims that the Fund will be provided to "all long day care services"¹, raise questions pertaining to the fiscal responsibility of the current Government and financial exposure for the taxpayer and future governments.

National Quality Framework

The Early Years Quality Fund (EYQF) was announced by the Gillard Government 19 March 2013 to help support the implementation of the National Quality Framework (NQF). By way of background, the NQF requires early childhood education services to employ staff with higher education qualifications by 2014. Child Care New South Wales, along with our national body the Australian Childcare Alliance, is involved in separate discussions in an attempt to seek improvements to the

¹ Parliament of the Commonwealth of Australia (2013) Early Years Quality Fund Special Account Bill 2013 Explanatory Memorandum http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=ld%3A%22legislation%2Fems%2Fr5074_ems_1a940d84-dbb8-49eb-8976-1b9b1e1f5fb8%22

Framework more generally, as there has been little evidence-based literature provided to Child Care New South Wales regarding the expected improvements to the welfare and learning outcomes of children as a result of the proposed Framework and its consequent impacts on staff to child ratios and new standards. It may be of interest for the Committee to review the findings of the survey of more than 1400 parents of children in long day care conducted by the Australian Childcare Alliance in April 2013². The survey findings highlight the high level of uncertainty amongst the parent community regarding the potential of the NQF to positively influence the education and care of their child/ren. Whilst Child Care New South Wales understands that the scope of this inquiry is limited to the Special Accounts Bill, the fact that the Fund is a key implementation tool for the broader NQF gives rise to the committee conducting at least a cursory investigation of the NQF itself.

Early Years Quality Fund

The Minister for Early Childhood and Youth, the Hon Peter Garrett MP, the Minister for Early Childhood and Childcare, the Hon Kate Ellis MP and the Minister for Employment and Workplace Relations, Financial Services and Superannuation, the Hon Bill Shorten MP, announced 19 March 2013 that an Early Years Quality Fund (EYQF) would be introduced “to boost the quality of early childhood education and support workplace reform”³. The Education, Employment and Workplace Relations section of the 2013-14 Federal Budget Paper No. 2⁴ confirmed the funding through to 2016-17, and the proposed commencement date of 1 July 2013 for wage increases.

When the Fund was initially announced in March 2013, the Australian Childcare Alliance, and Child Care New South Wales as a member, raised a number of questions about the equity of the Fund given that only a small proportion of early childhood staff (27-40% according to various reports^{5,6}), could expect to receive the Fund. The small proportion of staff who can expect to have access to the Fund is not only a result of the quantum of the overall Fund, but also the requirement to have an Enterprise Bargaining Agreement in place⁷. Child Care New South Wales is extremely concerned by reports from members across multiple regions of the state that they are being ‘cold called’ by organisations seeking to capitalise on the requirement for Enterprise Bargaining Agreements in order to access the Fund by offering them ‘template’ Agreements at cost. Whilst the *Early Years Quality Fund Special Account Bill 2013* does not canvass the issue of eligibility criteria, the requirement for an Enterprise Bargaining Agreement remains a vexing one for our sector.

² Australian Childcare Alliance (2013) *What Parents Want Survey 2013*

https://www.childcare.nsw.gov.au/images/stories/What_parents_want_Survey_Results_2013_FINAL.pdf

³ Boost for quality early childhood education (19 March 2013) <http://ministers.deewr.gov.au/garrett/boost-quality-early-childhood-education>

⁴ Australian Government (2013) Budget Paper No. 2 http://www.budget.gov.au/2013-14/content/bp2/html/bp2_expense-09.htm

⁵ ABC News (2013) Govt announces \$300m childcare wage boost <http://www.abc.net.au/news/2013-03-19/govt-announces-300m-for-childcare-wage-help/4582132>

⁶ Big Steps in Early Childhood Education and Care (2013) <http://bigsteps.org.au/2013fundingannouncement/>

⁷ Department of Education, Employment and Workplace Relations (2013) Frequently Asked Questions http://foi.deewr.gov.au/system/files/doc/other/frequently_asked_questions_on_the_early_years_quality_fund_0.pdf

Early Years Quality Fund Advisory Board

The Advisory Board charged with overseeing the implementation of the Fund was not announced until 24 May 2013⁸, some five weeks prior to the scheduled 1 July 2013 commencement of the initiative. Disappointingly, the Advisory Board does not include representation from the Australian Childcare Alliance, effectively sidelining the views of 70% of Australian long day care centres, their staff, and the more than 400 000 children they care for. At the time of writing, it does not appear that the Advisory Board has yet met, and as such, the eligibility criteria have not yet been finalised, nor the funding distribution, application and assessment process, payment process or reporting and monitoring requirements. Child Care New South Wales argues that this is completely unacceptable both from a governance and public policy perspective.

Short and Long-Term Concerns

Noting the above-mentioned concerns regarding the limited number of staff expected to receive a wage increase via the Fund and the expectation of a “first in first served” approach to the assessment of fund applications will take place, Child Care New South Wales is concerned that substantial tension and divisions within the sector will ensue as some staff will have their wage supplemented via the Fund and other similarly trained, qualified and experienced staff will not.

The flow-on effect of this inequitable arrangement will be that the (at least) 60% of child care services who do not receive the Funds will likely be forced to increase their wages to ensure retention of quality staff, given that they will no longer be competing on a level playing field. The ultimate consequence will be fee increases for families, which is obviously an undesirable result for all concerned, particularly given the Australian Government has extended its freeze on indexation for the Child Care Rebate. It should be noted that the Australian Childcare Alliance survey (mentioned above) canvassed the views of parents on the likely consequence should they not be able to afford any increased cost in childcare as a result of new reforms⁹. The results are summarised below.

If parents found that they could not afford any increased cost in childcare as a result of new reforms, they would:	Response
Reduce the hours their child attend early learning centres	76%
Withdraw their child altogether from the centre	63%
Seek out alternative arrangements from within the family	72%
Reduce other essential household expenditure	75%
Delay having more children	61%
Leave the paid workforce entirely	60%
Place their child in unregulated care	26%

⁸ Boost for quality early childhood education (19 March 2013) <http://ministers.deewr.gov.au/garrett/boost-quality-early-childhood-education>

⁹ Australian Childcare Alliance (2013) *What Parents Want Survey 2013*
https://www.childcare.nsw.gov.au/images/stories/What_parents_want_Survey_Results_2013_FINAL.pdf

Whilst pleasing to note that the Education Minister has listened to Child Care New South Wales by advising in the Explanatory Memorandum that the Fund will be used for supplementing wages as well as “other employment-related costs and expenses” (such as superannuation contributions, leave entitlements, payroll tax, workers compensation and professional development activities), it should be noted that this may seriously affect the pro-rata allocation of the Fund. Child Care New South Wales understands that the estimates of 27-40% uptake were calculated *prior* to the inclusion of these “other employment-related costs and expenses”¹⁰, meaning that substantially less than 27-40% of staff may be in a position to access the Fund over the two years. Detailed explanatory information on this issue has not been forthcoming. Similarly, it is not yet apparent what percentage of the \$300m proposed will be required for administration and auditing of the Fund.

Noting the clear statement in the explanatory memorandum that “The Fund will provide \$300 million over two years to all long day care services, which are approved for Child Care Benefit”¹¹, Child Care New South Wales questions whether exponential growth in the Budget allocation for the Fund is expected in the next two financial years, and hence what the expected taxpayer and government exposure will be in order to achieve this ambitious outcome. Whilst Child Care New South Wales would be delighted if this ambitious goal was realised, simple mathematics dictates that this is not achievable given the current quantum of the Fund and the number of long day care staff nationally. Surely fiscal responsibility would dictate that Treasury and/or the Department of Finance and Deregulation urgently analyse the expected financial exposure to the Australian Government and Australian taxpayers for the Early Years Quality Fund should it be provided to “all long day care services”. Child Care New South Wales argues that this analysis should be conducted prior to the Bill being debated.

The Early Years Quality Fund Special Account Bill 2013 indicates credits to the Fund in 1 July 2013 and 1 July 2014. Child Care New South Wales questions whether transitional arrangements have been mooted to assist the transition from grant-subsidised wage rates once the Early Years Quality Fund expires. Staff who have had their wages supplemented by the Fund will have an expectation that their wages be maintained or increased following expiry of the grant period, with no capacity for employers to recover costs owing to the Fund requirement that eligible centres commit to fee restraint¹². If centres are not in a financial position to meet these expectations, there may be a considerable exit of staff from the industry, which would have sector-wide ramifications, in addition to adverse impacts on the national economy. It should be noted that the proposed expiry of the Fund will coincide with significant changes to the operational requirements of child care centres brought about by the introduction of the National Quality Framework, including changes to educator to child ratios, which will also impact upon the operating costs of centres.

¹⁰ Parliament of the Commonwealth of Australia (2013) *Early Years Quality Fund Special Account Bill 2013 Explanatory Memorandum* http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=ld%3A%22legislation%2Fems%2Fr5074_ems_1a940d84-dbb8-49eb-8976-1b9b1e1f5fb8%22

¹¹ *ibid*

¹² Department of Education, Employment and Workplace Relations (2013) *Frequently Asked Questions* http://foi.deewr.gov.au/system/files/doc/other/frequently_asked_questions_on_the_early_years_quality_fund_0.pdf

Recommendations

Child Care New South Wales submits that the Standing Committee on Education and Employment must recommend suspending debate on the Early Years Quality Fund Special Account Bill 2013 until such time that:

- The Department of Finance and Deregulation and/or Treasury has conducted urgent analysis of the expected financial exposure to the Australian Government and Australian taxpayers of the Early Years Quality Fund should it be provided to “all long day care services”;
- The Department of Finance and Deregulation and/or Treasury has confirmed how much each employee can expect to receive per hour should “all long day care services” meeting the eligibility criteria have access to the Fund;
- The Department of Education, Employment and Workplace Relations advise what proportion of the \$300m proposed will be required for administration, auditing, monitoring, evaluation and reporting of the Fund; and
- The administration and allocation of the Fund deliver equity across the child care sector.

Thank you again for the opportunity to provide feedback on the Bill. Child Care New South Wales has lodged a similar submission in response to the current Senate Inquiry on the same issue. Please do not hesitate to contact me or my Executive Officer Brianna Casey should you require additional information or clarification of any of the points above.

Yours sincerely

Vicki Skoulogenis
PRESIDENT