

Submission Number: 42
Date Received: 05/6/2013

Sc



**CHILD CARE CENTRES
ASSOCIATION OF VICTORIA, INC.**

CCCAV Submission to

**Standing Committee on
Education and Employment**

on

**Early Years Quality Fund
Special Account Bill 2013**

Date: 5 June 2013
By Email: ee.reps@aph.gov.au

CHILD CARE CENTRES ASSOCIATION OF VICTORIA INC.
Suite 6, 539 Highett Rd, Highett VIC 3190

W: www.cccav.org.au

Introduction

On behalf of its members, and the children and parents they serve, the Child Care Centres Association of Victoria (CCCAV) is pleased to provide this submission to the Standing Committee on Education and Employment on the Early Years Quality Fund Special Account Bill 2013.

CCCAV is a not-for-profit, member-funded organisation and is the peak long day care association in Victoria which promotes, informs and represents the interests of the early childhood education and care sector.

Private Education and Care Services provide approximately 68% of Victoria's 73,500 places and provide employment for approximately 10,000 staff, so our members are well placed to understand the regulatory challenges and opportunities impact of the Early Years Quality Fund on the sector.

As the largest peak Association representing Victoria's long day care services, we are expressing our deepest concern at the unfairness of the Early Years Quality Fund Grant and this Bill. We make the following submission.

Submission

The stated object of the Bill is:

"...to improve quality outcomes for children in early childhood education and care services by enhancing professionalism in the early childhood education and care sector, including through improved attraction and retention of a skilled and professional workforce."

This is reiterated in the Explanatory Memorandum.

Nothing in the Bill or the arrangements for the fund as we know them will in fact achieve this stated object. Nor has the impact the Fund will have on the sector as a whole been considered.

We make the following points:

Inadequate funding thwarts object of legislation

- The Prime Minister said grant money would provide increases in hourly rates of **\$3 - \$5** to *"up to 40% of the educators in the sector"*, to be awarded on a *"first in first served basis"*. Calculations released by Senator Hanson Young reveal that it is more likely that only 27% of educators will actually receive the funding.
- The Explanatory memorandum, for the first time, indicates that the fund may be used by employers to pay employment-related costs and expenses, including but not limited to superannuation contributions, leave entitlements, payroll tax, workers' compensation and professional development activities.
- The inclusion of these expenses will further diminish the number of educators who will be able to access the fund, or will reduce the amount available for each educator. The

sector has not been provided with details of how the grant money will be allocated to services.

- A fund that is not large enough to reach all employees in the sector can hardly be expected to “enhance professionalism...through improved attraction and retention of a skilled and professional workforce”.
- What it will do is create a workforce where employees doing identical work in different workplaces will receive differing levels of pay. This will occur irrespective of the level of skill, dedication or passion that these educators bring to their position. As the criteria for administering the fund have not yet been made it is hard to predict how the decisions as to which services will be eligible for funding will be made.

The General Outline of the Explanatory Memorandum states:

“All approved centre based long day care services approved for Child Care Benefit will be eligible to apply for the funding.”

- All services may apply, but not all can be successful, even if all meet the criteria. There is simply not enough money in the Fund to provide the increases outlined by the Government to all educators in the sector.

The announcement of the Fund has caused outrage and division amongst educators in the sector. Educators are understandably angry and/or disappointed as educators in the long day care centre across the road may receive the grant whilst their service may receive no funding. Whether they receive a similar pay rise will then depend on whether their employer is prepared to increase parents’ fees to pay for the wage rises. It will not be possible for the service owners to absorb wage rises of this amount and remain viable.

The following possible scenarios will arise from implementation of this Fund:

- Service 1 applies for and gains funding - educators receive pay rises and fees remain the same.
- Service 2 applies for but does not gain funding - educators do not receive a pay rise; fees do not increase; employees are disadvantaged.
- Service 3 applies for but does not gain funding - service owner gives educators the pay rise anyway; fees are increased; parents are disadvantaged.
- Service 4 does not apply for funding - educators do not receive a pay rise; fees do not increase; educators are disadvantaged.
- Service 5: does not apply for funding - service owner gives educators the pay rise anyway; fees are increased; parents are disadvantaged.

In all but Service 1, either the educators or the parents will be disadvantaged. This cannot be said to be a fair system. On the Government’s own figures, Service 1 will account for at most 40% of the sector, leaving the remaining 60% with either educators or parents disadvantaged and discriminated against.

Alternate figures (Senator Hansen-Young for example) suggest that the disadvantaged group would be more like 73% of the sector.

We submit that the creation of this inequitable, two-tier rate of pay is unfair and discriminatory, particularly given the use of taxpayer funds and will not achieve in any way the stated object of the legislation.

Limited period of funding

The 27% - 40% of services that are successful in gaining the grant will only receive the funding for a period of two years as there is no provision for this grant funding to be continued past 30/06/2015. It will be extremely difficult for these services to reduce wages at this time so they will all be forced to increase their fees by \$10+ per child per day. Families will be the clear losers, with consequential effects on productivity across the nation.

Impact of EYQF on Education and Care Services and the workforce

- Long day care services are struggling with underutilisation at the present time due to economic pressures on families and the fact that the Child Care Benefit has devalued by 20% over the past ten years. The government has now extended the indexation freeze on Child Care Rebate for a further three years, which will further adversely affect affordability of child care.
- Our modelling shows that a service that doesn't receive the grant funding but wishes to reward their employees by giving them the pay rise would need to increase fees to families of \$10+ per child per day. It is easy to imagine that Approved Providers will want to, or feel compelled to, provide their staff with the same wages as other educators in the interests of fairness, staff morale and retention. This will have a debilitating effect on families which will flow on to the economy.
- We already know from the Productivity Commission report 2011 that families begin to cut work hours or leave the workforce if fees rise even by a small percentage *"Fee increases are also likely to cause a decline in labour force participation, as parents may withdraw their children from ECEC services and reduce working hours"* (page 27 Early Childhood Development Workforce, Productivity Commission Research Report 2011)
- In regional areas the inequity of the fund will have an even more debilitating effect. If there are only 2 or 3 services in a town or area and 2 services receive funding and the other does not, the contrast between the *"haves"* and the *"have-nots"*, whether they be educators or parents will be even more keenly felt.
- Staff in long day care services who do not receive a pay increase may be disillusioned with the industry and move to another industry altogether. This would be a waste of resources and investment, both government and private, already put into the additional education of educators as part of the overall requirement to improve the standards of early education and care.

We go back to the object of the Bill: *"...to improve quality outcomes for children in early childhood education and care services by enhancing professionalism in the early childhood education and care sector, including through improved attraction and retention of a skilled and professional workforce..."* and state again that creating a two tier system of wages or of fee increases does nothing to further this object.

The stated purpose of the Early Years Quality Fund Special Account is: *"to provide funding to approved centre based long day care services, to be used exclusively for paying remuneration, and other employment-related costs and expenses, in relation to employees in the early childhood education and care sector."*

According to the Explanatory Memorandum, applications for grants will be assessed against predetermined criteria including:

- *a demonstrated commitment at the service to quality outcomes for children under the National Quality Framework (NQF), including a detailed plan to meet NQF qualification requirements*
- *an agreement to utilise grant funds exclusively for wage increases, or other approved purposes (i.e. on-costs , professional development) with a detailed acquittal process*
- *a commitment to affordability for families through fee restraint limited to actual operating cost increases (and no increases as a result of wages arising from the operation of the Fund)*
- *increased fee transparency requirements for services, including explaining to parents the level of financial assistance provided by the Australian Government through Child Care Benefit and Child Care Rebate, and*
- *meeting specific reporting requirements for My Child*

In addition, it has been stated that funding will be conditional on wage increases being included in an Enterprise Bargaining Agreement (EBA).

Whilst it could be argued that the first criterion above will lead to an improvement in quality outcomes for children, there will be plenty of services who fulfil this criterion, but are not able to access the funding as there simply is not enough money to go to all educators in all services. Additionally, all services are regulated to commit to continual improvement as part of the National regulations and are assessed for quality on a regular basis, so arguably the “*quality outcomes for children*” are being improved already even without this unfair funding grant.

Response to the Explanatory Memorandum

General Outline

We make the following comments in relation to the General Outline:

“All approved centre based long day care services approved for Child Care Benefit will be eligible to apply for the funding.”

- All services may apply, but not all can be successful, even if all meet the criteria. There is simply not enough money in the Fund if wage increases as outlined by the Prime Minister are allocated to educators in the successful services.

The Early Years Quality Fund...will support development, professionalism and retention of qualified workers in the sector.”

- We dispute this contention for the reasons outlined above.

Clause 7 – Purposes of the Early Years Quality Fund Special Account

“This clause sets out the purposes of the Fund. The purposes of the Early Years Quality Fund Special Account is to provide funding to approved centre based long day care services which is to be used to pay for remuneration to, or for other employment-related costs and expenses in relation to employees of those services. Additionally, or alternatively, the Fund can be used for providing professional development activities to employees which relate to their employment in the early childhood education and care sector.”

- The Fund is thus available not only for wage increases of somewhere between \$6,000 and \$12,000 per annum per educator (based on their qualification) but they can also receive paid professional development. In doing this the government is rewarding some educators (and services which would otherwise pay for the professional development) not on the quality of their education and care, but simply because all of the boxes were ticked including the Enterprise Agreement.
- In funding professional development, the government would be putting more money into the allegedly already high performing services (depending on how the criteria for funding are assessed and applied) at the expense of those services which perhaps need greater assistance with professional development. Services in regional areas, which find it difficult and expensive to access professional development, would be discriminated against in this regard as well, if they were not successful in gaining funding.

Overview of the Bill

“The Fund will provide \$300 million over two years to all long day care services, which are approved for Child Care Benefit.”

- This sentence standing alone is misleading as the Fund will not provide money to ALL services, but for somewhere between 27 – 40% of the sector only. i.e. 60 -73% of the sector will be receiving nothing from the Fund.

“In particular, approved long day care services must use the funding for payments to eligible employees to pay for wage increases.”

- For the first time, the notion of “eligible employees” is raised. Again, it seems that classes of educators are being created, with different wages and conditions, which will do nothing to further the object of the Bill, rather create divisions and inequality across the sector, with spill over effects to families and workforce participation.

Rights to work and rights in work

- The Explanatory Memorandum, in outlining ways in which the Bill supports the right to work and provision of technical and vocational guidance and training programs, again conveniently ignores the fact that this Bill will confer this right on only a minority of workers in the sector.
- It also conveniently ignores the impact that the EYQF will have on the viability of those services which do not access funding and the consequent effect on the availability and affordability of child care for all of the families in Australia who need access to child care in order to pursue their right to work.

Rights of the child

“Article 18(3) of the CRC also provides for all appropriate measures to be taken to ensure that children of working parents have the right to benefit from child care. To the extent this right is engaged, the measures in the Bill promote the right as the children of working parents will benefit from having access to increased quality of care.”

- Again the reading of this infers that all children of working parents will benefit from this Fund when in fact only a small percentage of children of working families will be in services where educators will receive the grant funding.
- There is no evidence that determines that paying an additional \$3 - \$6 per hour ensures that educators will provide superior education and care. Educators who do not receive

any funding may in many instances provide an equally high or higher level of education and care.

Right to Education

- Again, this right is engaged for only a minority of educators in the sector.

CCCAV is concerned that as so many educators are angry or disappointed about this inequality, these disenfranchised educators may leave the sector altogether. The sector is already struggling to find sufficient educators to fulfil the qualification and ratio requirements of the Education and Care Services National Law and Regulations. Any further exodus from the sector would be devastating.

EYQF is the first step...

In the lead up to this announcement, United Voice was campaigning for the government to pay wages to the sector of \$1.3 billion for the first year, increasing to an outlay of \$15 billion by the 9th year. Minister Garrett and Minister Ellis consistently advised us that the government had no money to fund this claim. They also indicated that it was not the role of government to pay wages to the sector. CCCAV did not support taxpayer money paying wages and we agreed with Ministers Ellis and Garrett that the Fair Work Commission had been set up to deal with wage claims.

The announcement of the EYQF by the Prime Minister on 19 March was a complete surprise to us but obviously not to others in the sector who were in Parliament House on the day of the announcement. The announcement of the \$300 million EYQF to be paid over a two year period to lift the wages of early childhood educators is nothing more than a gift by the government to United Voice.

The Grant funding is unfair, inequitable and discriminatory. It has proved to be a huge boost to United Voice; they openly state that their membership has grown from 10% to 25% in the two months since this announcement. With an annual membership fee of \$572 paid by educators, this is a huge increase in income for United Voice.

United Voice officials are very actively advising services that a high level of Union membership is the key to gaining access to the Fund. Although the Government has not admitted to this in its (extremely limited) documentation about the Fund and administration thereof, it seems evident that the Fund money is intended for those services with high union membership.

The inclusion of the United Voice National President on the Board of the Early Years Quality Fund does nothing to create the impression of a Board that is immune to conflict of-interest. This, coupled with lack of information about the administration of the fund has further compounded the sector's concerns, leaving many Approved Providers uncertain whether to apply for funding or not.

Industry practitioners are devastated that the Government could artificially create such inequity amongst the industry's educators, in a sector that is working hard to implement the

government's National Quality Framework, while at the same time legislating to establish a Pay Equity Unit within the Fair Work Commission.

It is clear that the Government's intention is to artificially create this inequity in wages using taxpayer funds, at the same time establishing the Pay Equity Unit to examine the Early Education and Care sector as its first task. In his first reading of the Bill, Minister Garrett stated *"But the government knows that this fund is the first step in the increased professional recognition of early childhood education and care workers. That is why the government also announced the establishment of the Pay Equity Unit in the Fair Work Commission"* (Hansard).

CCCAV objects to this devious way of artificially increasing wages across the sector, instead of utilising the Fair Work Commission in the manner which is intended by the industrial legislation framework of this country.

Reading other excerpts from the Hansard records of Minister Garrett's reading of the Bill is also enlightening:

"The Early Years Quality Fund will support the implementation of the NQF by assisting providers to offer educators higher wages consistent with changes in staff to child ratios and the increased qualification requirements of the NQF."

By this statement Minister Garrett seeks to compensate for the increased workload carried by educators resulting from *"changes in staff to child ratios and the increased qualification requirements of the NQF"*, something that both he and Minister Ellis have consistently denied or grossly understated —now they're suddenly coming clean.

The Productivity Commission (Early Childhood Development Workforce, Productivity Commission Research Report 2011, page 46) stated: *"ECEC fees are expected to increase in response to the cost of implementing the NQA (COAG 2009). Estimates of the extent of the increases vary. Commission modelling suggests that under current cost sharing arrangements, out-of-pocket fees for LDC services could be more than 15 per cent higher than they would have been without the reforms, and about 5 per cent higher for FDC, though such increases will vary across jurisdictions and services, depending on current staffing and wage arrangements."*

"All long day care centres approved for childcare benefit can apply for the funding. Eligible services must demonstrate a commitment to improve quality outcomes for children, including workforce plans to attract and retain qualified staff."

In this statement Minister Garrett is inferring that all long day care centres services have access to the funding knowing full well that only approximately 40 % of services will, in fact, access it.

"The Early Years Quality Fund will give a much needed wage increase to our professional, hardworking qualified early childhood educators, ensuring that they not only feel valued but that their value to the Australian community is reflected in their pay cheques."

Again, Minister Garrett is inferring that all educators in the sector will receive the funding, which is simply not the case.

CCCAV's position is that if the government wishes to make a grant to show educators that they are valued and worthy of reward, \$1 per hour should be given to each and every educator rather than \$3-5 to a minority who have the good luck or assistance to access the limited amount of money in the Fund.

Sampling of Approved Providers' feedback:

Sharon Smith - Cranbourne Day Care and Kindergarten

"Reading through the general outline of the account bill we feel we would find it very daunting to even apply for a proportion of the fund as the sector has not been provided with any details on how the grant money will be allocated to the services.

The announcement of the fund has already caused great outrage and divide in the sector and this will only get bigger if the grant continues to be unfair, inequitable & discriminatory."

David and Amy Machell - Werribee Little Learners

"As service providers we oppose the inequity of the EYQF. We have worked hard with our educators to provide a quality service that has been rated "exceeding" and it would be unfair and inequitable for some services to be able to pass on the pay increases if awarded the funding and other services not being able to recognise and reward their educators due to not having the ability to fund and match wages. Many services do not have the money or resources to compete with the big corporations and are working hard within their limitations and this is another backward step for the industry that has struggled for equity over the years."

Katrine Kelly - Doncaster East Day Care & Kindergarten -

This will lead to a situation where those centres who get the funding will end up with the best staff due to the higher rate of pay. The rest of us will have to choose from the leftovers. There will be greater disparity between the quality of the care available.

Karen Mills - Giant Leaps Early Learning Centre -

How stupid having a two tier system - It should be all centres, as long as you are eligible for CCB and CCR. I feel that all staff should be given an increase, what is going to happen to centres, who aren't in the approximately 40%? The other 60% fees are going to go sky high to cover this increase or they will lose their great staff. Who will go to these centres?! We have put so much into creating our teams, where we have over 85% of our staff who have completed their Diploma (and most of these staff during work time) and of the other 15% (have their Certificate III) - almost 12% of them are working towards their diplomas (during work hours).

Robert Toon - Books and Blocks Childcare, Bendigo

What is this this about? It smacks of a punitive strike against private operators and taking no responsibility for reckless policy making" "...See comments by local federal candidate (Ms L. Chesters) re grant, they just don't get it and it's a blatant mischievous pork barrelling and sweetener for a union. I will be writing to both candidates regarding these statements..."

In Conclusion

The Early Years are so important in a child's development and our members' educators play a vital role in them. This Fund has already divided the sector and will continue to do so at a time when educators and providers across the country are already working their hardest to implement the new national legislation.

We submit that this Bill should be rejected until the federal government agrees:

- To distribute the Early Years Quality Fund Grant monies equally amongst ***all educators*** who care for, educate and support our nation's children; and
- To provide an ongoing funding strategy and engage in consultation with all industry participants.

Thank you for the opportunity to make these comments.

Yours sincerely

Frank J Cusmano
CEO
CCCAV