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Australian Federation of Employers & Industries

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Committee Secretary
House of Representatives
Standing Committee on Education and Employment
Parliament House
Canberra ACT 2600.

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AFEI Submission

Inquiry into the Early Years Fund Special Account Bill 2013

Dear Committee Secretary

We note that on 30 May 2013 the Senate referred the Early Years Quality Fund Special Account Bill 2013 (the Bill) for inquiry and report. This has provided a very limited time frame in which to respond to the proposed legislation.

The purpose of this Bill is to establish a Special Account to administer the Early Years Quality Fund (the Fund) through which a limited amount of funding ($300 million) will be provided to a limited number of long day care services. Grant funds are to be utilised exclusively for wage increases which must be included in an enterprise bargaining agreement.

As the Federal Government is well aware, early childcare services are struggling with major challenges in meeting the complex demands of the National Quality Framework. Significant cost increases are being incurred, of which the increased wages bill is a major, but not the only, source of financial strain.

Regardless the Government has chosen to introduce a funding scheme which is expressly intended to provide funding only to those services who sign up to enterprise agreements containing rates agreed with United Voice and tie services to the financial consequences of these agreements, with no certainty that funding will continue beyond two years or that the enterprise agreement will be sustainable.

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The Minister has stated that

The fund, which will operate for two years, will enable grants to be paid services to supplement wage increases of all educators and staff assisting in the provision of quality early childhood education and care.

The fund will ensure higher wages across all classification scales, providing an incentive for educators to further their careers by attaining higher qualifications.

This bill will be the difference between some of the best and brightest in the sector staying in their vitally important profession or leaving for higher wages in sectors such as retail or administration.[1]

Manifestly, the fund does not operate to supplement "*wage increases of all educators and staff*". According to the Explanatory Memorandum, those centres receiving the funding will be determined according to assessment criteria to be outlined in the Progam Guidelines. Core details of the assessment criteria have already been announced by DEEWR which, among other criteria, stipulate that funding is conditional on wage increases being included in an enterprise agreement. Many services have no understanding of the consequences of entering into an enterprise agreement or its impact on the long term viability of their service, particularly when funding is only available for a two year period.

It is unfair to provide funding which expressly excludes those services who choose not to enter into the mandatory enterprise agreement, the content of which has already been agreed with the union. We have been advised by our members that United Voice has visited their services and pronounced that unless the agreement was entered into on union terms, including having the majority of employees as union members, funding would not be forthcoming.

The Explanatory Memorandum states that "*Wage increases will be paid in line with a wage schedule published in the Program Guidelines*". The wage schedule will establish new over award rates which, in order to remain competitive and attract staff already in scarce supply, will have to be met by all services, funded or unfunded. Those unfunded services will be forced to increase fees with parents incurring child care cost increases while parents in funded services will in effect be beneficiaries of an additional childcare subsidy.

We are opposed to a government department, or a body established by a government department, which has no statutory wage fixing authority setting any wage rates, let alone establishing over award rates.

A further objectionable aspect of the funding scheme is that the wage rates in the wage schedule are to be inserted in an enterprise bargain with no connection to productivity offsets or the circumstances of individual services. To be forced into an enterprise bargain to receive government funding is contrary to the principle of good faith enterprise bargaining. It is entirely inconsistent with the legislative

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[1] Second Reading Speech

framework established by the Fair Work Act 2009 to enable *"collective bargaining in good faith, particularly at the enterprise level, for enterprise agreements that deliver productivity benefits"(S171(a)).*

The Government has also established and recently announced the composition of the Early Years Quality Fund Advisory Board to assist on implementation of the Fund and to provide advice on matters such as eligibility criteria, assessment process and funding distribution. The composition of this Board is not representative of all sectors of the early childhood industry, having a preponderance of large and not for profit service providers. Given that the fundamental criteria for funding eligibility have already been established, it is unclear why a Board is necessary and what role it will actually play in the decision making process in the allocation of the funds.

The Minister's statement asserts the higher wage rates will provide an incentive for educators to attain higher qualifications and remain in the sector. This assumes that across the board, centres will all have the capacity to fund the mandatory higher qualification positions and retain staff. In fact, the funding allocation is more likely to have the reverse effect, hastening the departure of less qualified staff and those centres unable to sustain the higher rates and new staffing ratios. It also assumes that centres will be able to comply with the completely unrealistic requirement to employ 3000 tertiary educated carers by 2014 and that all childcare workers will have at least a Certificate III qualification or be progressing towards this qualification.

The early childhood sector is struggling to survive the multiplicity of demands placed upon it by the new national regulatory regime which are not confined to increased labour costs. The divisive and unfair effects of this fund will compound these difficulties.

Yours sincerely

Garry Brack
Chief Executive