DISSENTING REPORT

Senator Nick Xenophon

1.1 At the outset, it is important to make it clear that childcare workers and early childhood educators deserve competitive and fair market wages commensurate with the vital work they do. As correctly identified in the committee's report, a child's early years are critical to their development, and childcare workers and educators deserve to have the importance of their work recognised.

1.2 However, the Fund proposed in this bill is unfair and inequitable, and poses significant risks of unintended consequences that could damage the sector and job opportunities. It will provide pay increases for only approximately 40 per cent of the sector, and is only guaranteed for two years. This raises serious questions about what will happen when the fund is exhausted.

1.3 I acknowledge the concerns raised by union groups, who state that if this fund does not go ahead, it will be an opportunity missed. Mr Michael Crosby, National President of United Voice stated:

1.4 What we aim to do with this benchmark that has been set is to restart our campaign between now and 2016—the funding runs out in 2015—and expand this to the rest of the sector and use this as a precedent to lobby the government for additional funding so it can go to the rest of the sector. What we aim to do, of course, is extend the funding before 2015. It does give out in two years and after that, unless we are successful in persuading the government to extend the funding, everybody goes back to $18.58 adjusted for cost of living.1

1.5 However, there is no guarantee the unions will be successful in persuading the Government to extend the funding beyond 2015. There is a significant gap between the $1.4 billion originally requested by the unions[2] and the $300 million currently set aside in the fund.

1.6 It is also important to note that, of the educators who do receive the pay rise, not all will receive the $3 per hour. Mr David De Silva, Group Manager from the Department, stated:

> It would be a proportion. What the government announced was that someone with certificate III—if you look at the children's award, it is on the classification of, I think, 3.1—will get a $3 increase; if you are on 3.2, you will get slightly more; if you are on 4.1, you will get slightly more; if you are on 2.2, you will get slightly less. So it maintains the relativity of the classification scale across the award.[3]

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1 Mr Michael Crosby, *Proof Committee Hansard*, 14 June 2013, p. 1.

2 Mr Michael Crosby, *Proof Committee Hansard*, 14 June 2013, p. 1.

3 Mr David De Silva, *Proof Committee Hansard*, 14 June 2013, p. 35.

1.7 The proposal put forward by the Australian Childcare Alliance, which states that the fund should be equally distributed amongst workers at a lower rate, offers a more equitable solution. While workers will not receive the pay rise they deserve, it will at least establish a level playing field amongst the sector in the interim.

1.8 As pointed out by the ACA, the concern with only part of the sector receiving the pay rise is that the 60 per cent of centres who miss out may be forced to raise their wages to keep staff. Given the current state of the childcare sector, it is likely this rise will be passed on to parents through a not insignificant fee increase.[4]

1.9 According to the 'What Parents Want' survey conducted by the ACA, 76 per cent of parents said they would reduce the hours spent in care and 63 per cent would withdraw their children from care altogether in the event of a fee rise.[5]

1.10 It is important to remember that there may be a significant flow-on effect to the workforce if parents are forced to remove their children from care. This is likely to affect women and their role in the workforce, as women are more likely to be the primary caregivers and more likely to be on a lower wage, and therefore more likely to cut back their work or leave the workforce entirely to care for their children.

1.11 For example, if fees increase by one per cent, there would be a 0.7 per cent reduction in the hours worked by women with young children, and a 0.3 per cent reduction in the employment rate of women with young children.[6] If that is extrapolated to a 20 per cent increase in fees, it would mean a 14 per cent loss of hours worked and a 6 per cent loss of jobs for women with young children.

1.12 This contrasts strongly with a recent report from the Grattan Institute, Game Changers: economic reform priorities for Australia, which states that if Australian women had similar workforce participation levels to those in Canada (an increase of 6 per cent for Australia), it would increase our GDP by $25 billion[7], instead of a reduction in $25 billion – a $50 billion differential.

1.13 Further, there are significant concerns expressed that some unions have been using the Government requirement for the grants to be provided under enterprise bargaining agreements in a way that is not fully accurate. I acknowledge the representatives from United Voice have stated that they have corrected inaccurate advice provided to their members relating to 'guarantees' about receiving the pay increase, but I am still concerned some workers may have the wrong impression.

1.14 Union representation is important in the workplace, but it is not mandatory. It is my view that the Department should ensure employers and employees understand

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4 Mrs Gwynneth Bridge, *Proof Committee Hansard*, 14 June 2013, p. 16.

5 *Proof Committee Hansard*, 14 June 2013, p. 20.

6 Treasury Working Paper, 2010/03, available online: http://archive.treasury.gov.au/documents/1782/PDF/Treasury_Working_Paper_2010_03.pdf

7 Anne Summers, *There is a better way to help mothers return to paid work*, Sydney Morning Herald, 18 May 2013, available online: http://www.smh.com.au/comment/there-is-a-better-way-to-help-mothers-return-to-paid-work-20130517-2js0z.html

their options in terms of joining a union or entering into an EBA outside a union, in the context of this fund.

1.15 I am also concerned that the bill, while stating it its object is 'to improve quality outcomes for children in early childhood education and care services'[8], does not include the guidelines for grant approval, which are still to be developed. As such, there is no special consideration for rural or regional centres, centres in lower socio-economic areas, or centres that care for disabled children. These parts of the childcare sector could be disproportionately impacted by the proposed changes. There is a real concern that regional centres could be much more vulnerable as a result of what is proposed.

1.16 I note Early Childhood Australia, which has been broadly supportive of the Government’s reform agenda for the sector, has expressed concerns in its submission as to the consequences of what is being proposed. ECA refers to the 'practical and ethical dilemmas for employers'. As ECA states in its submission to the Committee:

> The majority of ECEC employers do not have an Enterprise Agreement in place and many are concerned about going through this process (which can be costly in terms of financial and human resources investment) to be eligible for funding, particularly as funding is not guaranteed. The fact that wage increases will be supported for a time-limited period (two years) creates more problems— if wage rates then stay at the higher level without government support, fees will need to increase. Alternatively, if wages drop many disaffected educators will leave the sector. Another concern is that of equity—the fund does not extend to educators in out-of-school-hours care, preschools or service models other than Child Care Benefit approved long day care, meaning that many organisations will be paying different wage rates across settings where they currently pay equivalent wage rates. This has the potential to create recruitment and retention issues for sections of the sector as educators will naturally seek work in services which offer better wage rates.[9]

1.17 I also note the concerns of Mission Australia, which owns 29 childcare centres predominantly in areas of disadvantage:

> Mission Australia also has grave concerns that the funds are restricted to one area of the sector as per the definition outlined. This will disproportionately benefit larger providers – such as MAELS – who have Enterprise Agreements (EA) and HR personnel in place.[10]

1.18 Ultimately, the intentions of this bill are laudable. However, the unintended consequences would far outweigh any benefits to the sector and to the parents.

8 Early Years Quality Fund Special Account Bill 2013, p. 2.

9 Early Childhood Australia, *Submission 6*, p. 2.

10 Mission Australia, *Submission 7*, p. 2.

Recommendation 1

1.19 That the bill be delayed until the grant guidelines have been set, and economic modelling has been performed on the effect of the grants on the sector, workers in the sector generally and on parents who pay childcare fees.

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