

CCNA
CHILD CARE NATIONAL ASSOCIATION
ACN 082 840 908

Productivity Commission - Child Care and Early Learning Inquiry – Supplementary Submission 5th September 2014

Options, Benefits and Other Impacts

The Federal Government's spend on Childcare, now approaching 2 percent of all federal expenditure, is at record levels and increasing. The Productivity Commission (PC) 2014 Draft CC Report contains much qualitative material but to achieve the rigorous analysis requested of Australian Childcare and Early Childhood learning for 2014 and beyond and to comply with the Treasurers Terms of Reference (TOR) especially Scope 4 and 5, the PC's response analyses reasonably ought include proper **cost benefit analyses**. Such baseline analyses would then also facilitate governments appropriate policy settings and enable the quantifying of policy improvement benefits and costs. The around p268 PC Draft Report material is simply inadequate.

Since the COAG RIS Report December 2009 (PC ref COAG 2009c), governments have known of their caused and RIS predicted childcare massive cost rises for Australian families. Australian families and governments are past due an update of the 2009 COAG RIS analysis forward to 2015 and beyond, progress to date since 2009, current facts and 2015 dollar costs. Australian families are entitled to (and will anyway) assess for themselves the impacts of all current Childcare planned trajectories upon their children and their family budgets. With 2015 budget constraints, this same philosophy also applies to governments.

Demand

With regards PC Childcare demand forecasts, the PC needs to consider the exact parallel Australian childcare industry recent history surrounding the introduction of the 1990's National Childcare Accreditation Council (NCAC) rollout and articulated Draft PC 2014 Report symptoms. The Draft PC Report Appendix E and Figures E.6 and E.7 correctly identify many "Cost/too expensive" family concerns today. Exactly the same symptoms occurred in 1996-1999 following the 1992-1993 commenced NCAC program rollout. History has shown that it takes a couple of years but families will decide with their feet, that though they want the best for their children, a point comes where they have perceived the provided costly "quality" outcome is to them, simply not worth it. During 1996-1999 families left formal childcare in droves, centre occupancies of 30 percent were common and very many childcare businesses simply went bust. As with every other supply and demand equation, it was demonstrably true that demand does not always just keep increasing as the PC Draft 2014 CC Report suggests.

Labour Related Costs

Page 476 of the PC CC Draft mentions a current Fair Work Equal Remuneration Case (ERC) though largely without quantitative analysis. The Draft PC Report does indicate on p476 as follows regarding this current ERC and possible shortly to be ordered childcare wage increases:

"Increases sought range from 39.5 per cent to just under 80 per cent depending on the classification. This would dramatically increase the costs of delivering long day care and preschool services and put pressure on fees. (Childcare union) United Voice submitted: *Our modelling suggests that a win in this [Fair Work Commission] case will cost an additional \$1.6 billion across the sector in 2015-16. This will significantly impact on the overall affordability of childcare for parents, unless the additional costs of professional wages are taken into account in reforming the current funding system. (sub. 319, p. 71)*

A previous Equal Remuneration Order made in February 2012 awarded wage increases (between 23 and 45 per cent depending on the level of position) over 10 years to employees in the social and community services sector (covered by the Social, Community, Home Care and Disability Industry Award)."

It would seem inconceivable for a PC 2014 CC Final Report not to provide appropriate modelling guidance for the Australian Treasurer to determine government policy settings were a 23 to 45 percent childcare wage rise shortly ordered by the Fair Work Commission and even more so as the Draft PC Report p444 suggests (wages) "labour related expenses comprise upwards of 60 per cent of total (childcare) costs".

Relevantly, general wage cost increases were not included at all in the 2009 COAG RIS cost analysis, so it would be an economic imperative that the current CC PC TOR Scope 2 considerations must include a detailed assessment of the impact of such potential wage cost increases compounding over and above other NQF cost increases. This matter must also significantly impact upon TOR Scope 1 being for workforce participation outcomes.