



CCIQ SUBMISSION

**Productivity Commission – Childcare and Early
Childhood Learning Draft Inquiry Report**

CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND

8 September 2014

Introduction

1. The Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to make a submission on the Productivity Commission's Childcare and Early Childhood Learning Draft Inquiry Report.
2. We note that CCIQ made a submission to the Productivity Commission in response to its Terms of Reference. This submission focuses on the Commission's draft recommendations, findings and information requests that relate to the specific issues affecting small and medium businesses in Queensland.
3. CCIQ is supportive of initiatives that encourage increased participation in the workforce and enhanced productivity in the Australian economy, and considers childcare an important pillar in this regard. The accessibility, flexibility and affordability of child care has significant implications for female workforce participation in particular and the professional progression of all parents and primary caregivers. However, the increased demand for, and pressure on, child care services highlights room for change in other areas of government policy.

Single child-based subsidy

4. CCIQ welcomes the Commission's proposed streamlining of the current Child Care Rebate, Child Care Benefit and the Jobs Education and Training Child Care Fee Assistance funding streams to support a single child-based subsidy. CCIQ believes that a single child-based subsidy will necessarily result in a simplified system, thereby reducing the costs of administration and improving access to the early childhood education and care (ECEC).
5. However, CCIQ urges the Commission to exercise caution when contemplating any recommendations that would result in means testing in this space. CCIQ believes ECEC subsidies should remain accessible without means testing, as an effective incentive for all parents and carers to participate in the workforce. CCIQ considers that the Child Care Rebate is, of itself, an appropriate means of subsidising the ongoing cost of providing child care as long as appropriate constraints are placed on its growth, and is considered in conjunction with other funding priorities.

Paid parental leave

Draft Finding 12.1

It is unclear that the proposed changes to the Paid Parental Leave scheme would bring significant additional benefits to the broader community beyond those occurring under the existing scheme. There may be merit, therefore, in diverting some funding from the proposed new scheme to ECEC to ensure that the Government's workforce participation objectives are met and ECEC services to additional needs children are adequately funded.

6. CCIQ strongly believes that the intended funds allocation for the execution for the Federal Government's proposed Paid Parental Leave (PPL) Scheme (over and above the existing 18 weeks at the federal minimum wage) would be better placed if invested in child care.

7. The significant increase in the PPL entitlement under the Federal Government's proposed plan is unaffordable, and in this light, CCIQ believes this money would be better used to increase the childcare rebate and extend its coverage to include nannies and au pairs.
8. While understanding that PPL provides parents the opportunity to take time off in the months immediately following the birth of a child, it does not provide ongoing financial support to address caring obligations following this period. CCIQ argues that the current PPL scheme should be maintained as is, and that additional savings could be channelled to support the Child Care Rebate.

Fair Work system

Draft Recommendation 6.1

The Fair Work Ombudsman, and employer and employee associations should trial innovative approaches to:

- *increase awareness about the 'right to request flexible work arrangements' and individual flexibility arrangements under the Fair Work Act 2009 and National Employment Standards.*
- *promote positive attitudes among employers, employees and the wider community towards parents, particularly fathers, taking up flexible work and other family-friendly arrangements.*

Information Request 6.1

The Commission seeks participants' views on impediments to employers providing flexible work arrangements for parents.

9. Broadly speaking, CCIQ is unreservedly in favour of greater flexibility for parents with caring responsibilities within the workplace relations system. However, CCIQ believes the draft recommendations with respect to these matters fail to take into consideration whether employers have the operational capacity to provide flexible working hours and in this sense, unwittingly affords a greater focus on the employee's flexibility requirements.
10. CCIQ has long argued that IFAs have not provided the flexibility between employer and employee that they were intended to because they have been loaded with restrictions that undermine their effective operation – the most important of these being that they cannot be offered as a condition of employment, and that unions have sought to severely limit the scope of IFAs when negotiating enterprise agreements.
11. CCIQ welcomes the Fair Work Amendment Bill 2014 (the bill), currently before the Senate, which seeks to introduce a number of changes with respect to individual flexibility arrangements (IFAs). In particular, it proposes to introduce legislative notes into the FW Act that would provide that an IFA agreed to under a modern award or enterprise agreement, more specifically the better off overall test, can be satisfied by the provision of benefits that are non-monetary.
12. CCIQ supports the proposed amendments with respect to IFAs and considers that the amendments are an important step in encouraging the increased uptake by small and medium employers of IFAs. While guidance material on the FWC website makes it clear that IFAs can contain trade-offs between financial and non-financial

arrangements, there has been confusion as to whether this is actually the case. CCIQ has long argued that the express capacity of IFAs to confer a non-monetary benefit on an employee in exchange for a monetary benefit is essential to the effective and meaningful operation of IFAs.

13. CCIQ considers that there must be capacity for employers to offer IFAs as a condition of employment. Currently, employers cannot hire employees on the basis that they adhere to the terms of an IFA, which would allow employers to fit those arrangements within their operational requirements. This is important for small and medium businesses, where changes in staff working hours or to their staff wage bill can have a greater impact. This change would provide both employers and employees with a level of certainty, allowing, for example, parents to inform their employer of the child care days/hours that they have been able to secure and negotiate working hours accordingly as the basis of their employment arrangement.
14. In summary, CCIQ supports employers and employees reaching agreement on flexible working arrangements to provide working parents greater options to be in the workforce and also meeting their family responsibilities. However, meaningful changes to the FW Act and IFA's will need to occur before this becomes a realistic option.

Accessibility and Flexibility

Draft Recommendation 8.3

The Australian Government should abolish operational requirements that specify minimum or maximum operating weeks or hours for services approved to receive child-based subsidies.

Draft Recommendation 8.4

The Australian Government should remove caps on the number of occasional care places.

15. CCIQ supports the above draft recommendations.
16. There has clearly been a change in the way businesses trade and operate, moving to a model that increasingly includes earlier mornings, later nights and weekends as part of its ordinary hours of operation. However, the hours of operation of child care centres are linked to the employment conditions of child care workers, which reflect an out-dated, '9 to 5, Monday to Friday' conception of the working week.
17. CCIQ believes that child care services must adapt to meet changes in traditional hours of operation. It is impractical for child care centres to close by 5pm or 6pm, or charge significant penalties where they provide services outside of these hours, and means that parents often cannot take opportunities to work certain hours or to have the flexibility that they may wish for in their work lives. Moreover, this necessarily drives up the cost of child care services and parents' out of pocket expenses, and in turn places pressure on ECEC subsidies.
18. In light of above, CCIQ believes that giving child care centres the right to better manage operational hours and labour costs will go a long way in encouraging businesses to

respond to market demand, providing greater flexibility to parents, and thereby increasing accessibility that parents and carers have to child care services.

Draft Recommendation 8.5

Governments should allow approved nannies to become an eligible service for which families can receive ECEC assistance.

Draft Recommendation 8.6

The Australian Government should simplify working holiday visa requirements to make it easier for families to employ au pairs, by allowing au pairs to work for a family for the full 12 month term of the visa, rather than the current limit of six months.

19. CCIQ supports expanding the range of eligible services for which families can receive ECEC assistance.
20. Given that greater flexibility is an important means of ensuring that individual parents can meet their respective child care needs, we consider that eligibility should be extended to a broader range of child care providers, including nannies and au pairs. Doing so may assist in alleviating the impact of lengthy waiting lists for child care and family day care services, as well as providing greater flexibility to parents in regional and rural areas where there is often a limited choice of services.
21. If the cost of child care continues to rise, this is likely to place significant pressure on the Federal Government to increase ECEC subsidies. This is not a sustainable long term option in light of efforts to exercise greater structural fiscal constraints and restore the Federal Budget to surplus. Accordingly, ECEC subsidies should be administered flexibly with respect to the eligibility of child care services, and any increases in ECEC subsidies must be offset by reductions in other Federal Government programmes (such as the PPL scheme as noted above).
22. Further, CCIQ considers that the subclass 457 visa program is a suitable way to supplement initiatives to increase access to child care services, particularly in rural regional areas of Queensland. Small and medium businesses that are seeking to sponsor a skilled child care worker through the 457 visa program are often in areas that are affected by skills shortages (such as regional areas of Queensland) where they are unable to find appropriately skilled child care staff and/or Australian workers cannot be trained up to the appropriate level in the short-term.
23. CCIQ believes that the availability of skilled migration pathways into Australia as a means of combatting skills shortages within the child care sector would allow businesses to respond to the child care needs of parents in regional and rural areas.

Draft Recommendation 12.5

The Australian Government should establish a capped 'viability assistance' program to assist ECEC providers in rural, regional and remote areas to continue to operate under child-based funding arrangements (the Early Care and Learning Subsidy and the Special Early Care and Learning Subsidy) should demand temporarily fall below that needed to be financially viable. This funding would be:

- *accessed for a maximum of 3 in every 7 years, with services assessed for viability once they have received 2 years of support;*
- *prioritised to centre-based and mobile services.*

24. CCIQ welcomes the Commission's recommended 'viability assistance' program, which seeks to ensure that child care services remain available in rural and regional locations where the provision of ECEC services may not be financially viable in the short term due to the small numbers of children. In particular:
- a. The program would replace the Community Support Program (CSP), which the Commissioner recommends be closed, as a targeted program for rural and remote communities;
 - b. Centre-based and mobile services are prioritised;
 - c. The program is offered as a temporary solution only, on a three years in seven basis, whereby the provider will be assessed after they have received two years of viability funding to determine whether they can return to viability.
 - d. The program recognises that a non-viable service should not receive ongoing funding. However, given the particular circumstances of rural and remote areas, and the difficulties facing child care services that have short term fluctuation in demand, viability funding will ensure that services are not forced to close their doors, and attempt a new start up at a later time, due to a temporary reduction in demand.
25. On this basis, CCIQ considers the Commission's draft recommendation an appropriate solution to ensuring that services remain available for parents and carers in rural and regional areas, where there is often limited availability and choice of services.

Conclusion

26. CCIQ recognises that there are many issues that affect the accessibility, flexibility and affordability of child care. This submission does not seek to canvas all of the Commission's draft recommendations, but rather focusses on addressing those that relate to the workplace and the employment relationship. CCIQ's view is that problems around accessibility and affordability are symptomatic of rigidity across a number of areas, including the operation of child care centres, the difficulty employers have in providing employees with flexibility to meet carer obligations under the FW Act, and the Federal Government's approach with respect to PPL and carer obligations.
27. CCIQ looks forward to the Productivity Commission's final report and recommendations being released.