

# Ai GROUP SUBMISSION

Productivity Commission

**Early Childhood Education  
and Care Inquiry**

30 May 2023

**Ai**  
GROUP

## Introduction

The Australian Industry Group (**Ai Group**) welcomes the opportunity to provide a written submission to the Productivity Commission's Early Childhood Education & Care Inquiry (**the Inquiry**).

Ai Group is a peak employer organisation representing traditional, innovative and emerging industry sectors. We are a national organisation which has been supporting businesses across Australia for nearly 150 years.

Ai Group is genuinely representative of Australian industry. Together with partner organisations we represent the interests of more than 60,000 businesses employing more than 1 million staff. Our members are small and large businesses in sectors including manufacturing, construction, ICT, transport & logistics, engineering, food, labour hire, mining services, the defence industry and civil airlines.

Our vision is for thriving industries and a prosperous community.

High quality, affordable, accessible and fiscally sustainable early childhood education and care (**ECEC**) is important for childhood development and essential for the economy.

We believe childcare policy should:

- **Provide the best possible early learning foundation for children**, in order to improve future education, training and skill levels; and
- **Maximize participation in the workforce**, including participation by women and other primary carers.

Ai Group acknowledges that ECEC reforms arising from the *Family Assistance (Cheaper Childcare) Amendment Act 2022 (Cth)* will shortly commence in July 2023 (**ECEC Reforms**). The ECEC Reforms will mean that the maximum Child Care Subsidy (**CCS**) rate increases to 90% for families earning up to \$80,000 and for families earnings over over \$80,000 a sliding scale in subsidy rates for every family earning less than \$530,000.

While it is intended that the ECEC Reforms address ECEC affordability for households, it is important that consideration of any further change to the CCS, including any consideration that the 90% CCS apply universally, must ensure:

- The need for ECEC to be accessible to households, including through an incremental expansion of the current In-Home Care program;
- A sustainable supply of a skilled and trained ECEC workforce; and

- ECEC affordability for households and ECEC operator viability against potentially large increases to wages and conditions for ECEC workers arising from recent Federal Government amendments to the *Fair Work Act 2009 (Cth)* (**FW Act**).

## The importance of high-quality ECEC

High-quality ECEC is an important equity measure in providing foundational education and care for early childhood development. Quality ECEC can provide the environment in which to develop the confidence, creativity and sense of self that will set children up, not just for school, but for life. Employers also have an interest in promoting a well-educated, literate and numerate workforce. Early childhood learning is the first stage in our education system and performs an essential role in ensuring that our future workforce has the skills and knowledge needed by industry. While affordable ECEC is important, it is essential that measures of ECEC include quality of service and beneficial outcomes in children.

## The importance of ECEC facilitating workforce participation

Accessible and affordable ECEC facilitates improved and much-needed workforce participation in the Australian labour market. Australian employers are experiencing historically tight labour markets, which have exacerbated chronic staff shortages, particularly for skilled roles. 90% of CEOs expect to be affected by staff shortages in 2023<sup>1</sup>. Accessible and high-quality ECEC would be consistent with other policy settings aimed at boosting workforce participation and would enable employers to engage and retain skilled labour, particularly women.

Accessible and affordable ECEC is also an important measure to boost women's workforce participation (including increased participation), after taking periods of parental leave or while caring for children. In doing so, accessible and affordable ECEC also address women's economic disadvantage later in life, generally attributed to reduction in earnings associated with time spent on unpaid caring and domestic responsibilities.

Over 30% of women cite childcare cost and availability as the main barrier to limiting labour market participation, only down from 38% in 2014-2015.<sup>2</sup>

ABS data further shows that childcare accessibility and affordability still feature as barriers to women's labour market participation but that preferences about looking after children play a significant role.<sup>3</sup> Women citing a preference to look after children has sharply decreased from 44% in 2014-2015 to 27% in 2020-2021, suggesting that preferences are not static but can be influenced by social, policy and economic settings. For instance, cost of living pressures is likely to impact the choices many households make about work and care arrangements where

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<sup>1</sup> *Australian CEO Expectations for 2023*, Australian Industry Group, January 2023

<sup>2</sup> ABS, Barriers to Labour Market Participation, 6239.0, Table 5

<sup>3</sup> ABS, Barriers to Labour Market Participation, 6239.0, Table 5

additional income may be sought through increased working hours and the increased need for ECEC.

## **Different models of ECEC should be considered for greater accessibility**

In addition to a sustainable ECEC workforce to meet increased ECEC demand, Ai Group supports a flexible delivery of ECEC in recognition of the wide variety of differing family circumstances, working patterns and the increasing need for flexibility in the hours and the locations of childcare provision.

Childcare options must be better targeted to the needs of working households, such as an alignment with flexible working and shift arrangements (which often do not involve an employee working consistent hours on the same days each week) or working at different locations. These working arrangements are common in rostering arrangements in many industries including essential services.

Some of the non-standard working hour arrangements for individuals include:

- **Permanent and rotating shift work** involving early morning shifts, afternoon shifts and night shifts that may span over 24 hours per day, 7 days per week. These patterns are common for businesses in the manufacturing, transport, utilities and emergency services industries. Employers in these industries have difficulty in devising equitable and efficient rosters, and meeting operational requirements, where employees have no or limited access to informal or formal childcare at the required times.
- **Weekend and public holiday work.** Many businesses operate on weekends and public holidays. The employees of these businesses have limited options in accessing formal childcare over these periods, causing operational difficulties for employers.
- **Unscheduled early morning hours or evening hours associated with the nature of professional, managerial and other work, including work-required travel.** In such cases, childcare centres generally do not accommodate early starts or late finishes for employees, placing pressure on employees and businesses.
- **Irregular, less predictable hours or short-term contract hours associated with project work, seasonal work or temporary peaks of production.** The cost of formal care through childcare centres (e.g. long day care) is generally charged on a daily basis limiting the shorter use of formal care, for example, on an hourly basis. Further, the extensive waiting periods for available places at long day care centres often means that employees who work as contractors, or for short unexpected periods have difficulty finding care when they need it. Businesses are adversely impacted by these constraints on employees when important projects or work is required at little notice.

- **Job-share arrangements for part-time employees (commonly parents returning to work from parental leave)** whereby nominated days are required of employees for an effective job-share arrangement, but childcare availability on such days may not be available. This limits an employer's ability to accommodate job-share arrangements for parents returning to work part-time.
- **Off-site remote work requiring travel**, for example, fly in - fly out work, is generally not supported by current levels of formal childcare infrastructure. Retaining and attracting skilled employees for remote work is therefore from a limited labour market.

Ai Group is aware that the Australian Government has commissioned a review of its current In-Home Care program which provides subsidised home care to families who meet stringent criteria.

To be eligible for In-Home Care subsidies families must:

- be eligible for Child Care Subsidy (CCS);
- demonstrate that no other approved care type is available or suitable.

Families must also meet at least one of the following:

- the parent or carers work non-standard or variable hours outside normal child care hours
- the family is geographically isolated from other approved care types
- the family has complex or challenging needs.

Only 3200 places of In-Home Care exist in Australia with places distributed by the Department to relevant states and territories. This figure is inadequate for the cohorts of families who would generally meet the criteria.

Little is known about the Government's In-Home Care program and more can be done to promote its existence, including within more remote geographical settings and essential services industries operating on non-standard business hours.

Ai Group further recommends that the Government consider incrementally increasing the current cap of 3200 places to 10,000 over a period of 3 years.

Ai Group understands that while the review findings of the In-Home Care Program will inform this Inquiry the provision of In-Home Care should be separately dealt with by this Inquiry as part of its terms of reference.

It is important that access to ECEC is equitable across different occupations and industries.

## **The role and potential for employer provided ECEC**

The provision of formal on-site childcare by employers to their employees can enable employers to more easily attract and retain experienced and qualified employees. However, the employers providing on-site childcare are relatively few and tend to be large companies.

Many employers whose primary business is in an industry other than the childcare industry would find it difficult and costly to operate a childcare centre. The costs would include management time, compliance costs associated with childcare and safety regulations, insurance costs, property / leasing costs, finance costs, recruitment costs, training costs, and many others.

Many employers have also found that employees often prefer to use childcare centres closer to home to more easily enable both parents to drop off and collect children. Childcare centres at one parent's workplace place the responsibility of dropping off and collecting the child upon one parent. This situation would not be ideal for many families with two working parents.

## **Investment in the ECEC Workforce is needed to expand the CCS**

The attraction and retention of an appropriately skilled ECEC workforce is essential to meet the changes of the ECEC Reforms commencing in July 2023 to ensure any increased demand on ECEC is met.

A universal application of the CCS is likely to drive further demand for ECEC workers. Any policies to increase access and affordability must also be cognisant of the workforce implications. The ECEC workforce is already under strain, experiencing both labour and skills shortages. Continuing to build and grow this workforce requires a focus on the quality of initial education and training as well as opportunities for ongoing professional development and upskilling.

The National Skills Commission's five-year employment projections show that growth in the sector will continue to increase over the five years to November 2025, with employment expected to increase by around 16,000 educators (an 11% increase) and 8,000 teachers (a 17% increase). Projected growth for the sector remains above the national projected employment growth of 7.8% for all occupations.

## **Skills and Training Initiatives for ECEC Workforce are needed**

Developing and growing the ECEC workforce requires a multi-faceted approach addressing initial pre-service education and training, ongoing professional development and retention.

While pay and conditions are important factors, other strategies could help alleviate current workforce challenges. These include supporting the professional development and wellbeing of the workforce through mentoring and support for new entrants, improved access to core professional development resources, the development of relevant microcredentials in areas of need and closer collaboration between ECEC providers and education and training providers. Given the significant investment being made in this workforce, there needs to be an ongoing focus on the quality and relevance of vocational education and training qualifications in this sector.

## Government funding is needed to absorb increases in ECEC wages

The Federal Government's *Secure Jobs Better Pay Amendment Act 2022 (Cth)* (**the SJBPA Amendments**) introduced a range of changes to the FW Act that have the potential to significantly increase wages for the ECEC workforce. These include:

- The creation of two new experts panels within the Fair Work Commission (FWC), being the Pay Equity Expert Panel and the Care and Community Sector Expert Panel. It is expected the Panels will apply new and additional expertise about pay equity and the community and care sector to determine a broad range of matters concerning minimum conditions of employment, including wages, in sectors like ECEC.
- New gender equity and job security objectives in the FW Act.
- Expanding the circumstances in which the FWC is to make equal remuneration orders, which could require affected employers (including those in across an industry) to pay higher minimum wages beyond the minimum rates of pay in modern awards.
- A new supported bargaining stream that would allow multi-employer agreements to be bargained in a broad range of circumstances and where individual employers could be 'added' to these agreements on application to the FWC. Industries such as ECEC are identified by the Federal Government as an example of where supported bargaining would be relevant.<sup>4</sup>

The FW Act's provisions for the new supported bargaining stream will commence on 6 June 2023.

### Effect of recent FW Act amendments

While Ai Group acknowledges the issue of lower wages and worker retention in the ECEC sector, it is important that use of the new FW Act provisions to lift ECEC wages does not:

- threaten the viability of ECEC providers; or
- reduce the benefit of extended subsidies to households.

Any FWC order made under the FW Act's work value or equal remuneration provisions to increase minimum rates of pay in relevant ECEC modern awards, must be supported by specific funding allocation from the Government separate to the Government's commitment to increase ECEC subsidies for households.

In respect of pay equity cases more broadly, it is vital that the affordability by employers of such increases is considered in addition to whether such increases would be passed on to individuals and households, already subject to inflationary pressures on household incomes. Government

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<sup>4</sup> Explanatory Memorandum, *SJBPA Amendment Act 2022*, para 890

funding is a key ingredient to supporting pay equity cases both in terms of how these services are procured, structured and provided to the community.

Government funding is also relevant to what could be significant wage increases delivered through multi-employer and supported bargaining.

On 26 May 2023, the United Workers Union announced that it would lodge an application with the FWC for supported bargaining in ECEC soon after 6 June 2023 and that a claim to increase wages by 25% would be sought.<sup>5</sup> It is unclear what role the Government would have in such negotiations.

These reforms have the potential to drive up wages and other conditions for the ECEC workforce, which if remain unfunded by the Australian Government, are likely to see higher fees passed on to households and accordingly limit the affordability and accessibility of ECEC for Australian families.

Business viability of ECEC providers is essential for a fiscally sustainable ECEC system.

## Conclusion

Australia's ECEC system is important to early childhood development and the broader economy. ECEC must be accessible and affordable but also high-quality. Different models of ECEC delivery, such as in-home care should continue and expand as individuals continue to work non-standard hours that cannot be accommodated by conventional centre-based care. Training and development initiatives are also needed to grow the ECEC workforce to meet ECEC demand.

The Inquiry's consideration of the impact of a universal application of the 90% CCS must consider the impact of the Government's recent FW Act changes to increase wages for the ECEC workforce. The FW Act's provisions concerning equal remuneration orders and supported bargaining are likely to facilitate what could be very significant wage increase for the sector. If such increases are unfunded by the Federal Government, it is likely that ECEC providers will pass on such increase to households to remain viable.

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<sup>5</sup> *Early Childhood workers to pursue a 25% multi-deal*, Workplace Express, 26 May 2023

## ABOUT THE AUSTRALIAN INDUSTRY GROUP

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Our vision is for thriving industries and a prosperous community. We offer our membership strong advocacy and an effective voice at all levels of government underpinned by our respected position of policy leadership and political non-partisanship.

With more than 250 staff and networks of relationships that extend beyond borders (domestic and international) we have the resources and the expertise to meet the changing needs of our membership. Our deep experience of industrial relations and workplace law positions Ai Group as Australia's leading industrial advocate.

We listen and we support our members in facing their challenges by remaining at the cutting edge of policy debate and legislative change. We provide solution-driven advice to address business opportunities and risks.

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