14th March, 2008

The Manager
Minimum Wage Review
Australian Fair Pay Commission

By Facsimile: (03) 9620 4868

Dear Australian Fair Pay Commission

Minimum Wage Review – 2008

Australia's three major Childcare Associations1, on behalf of the approximately 2,650 private centres in those three States who supply more than 60% of Australia's centre-based services, are pleased to offer the following input into the Australian Fair Pay Commission's 2008 Minimum Wage Review.

Our comments relate primarily to the matter of ensuring that childcare workers are able to obtain and remain in employment. We make those comments in the broader context of the Commission's function of reviewing and setting minimum wages, and in light of its overarching objective of promoting the economic prosperity of all Australians.

Our Associations are not resourced to do the research needed to underpin a recommendation of specific changes to minimum wage levels. Instead, we provide contextual information about the operating environment which we ask be taken into account in your deliberations.

Childcare Queensland, Child Care Centres Association of Victoria, and Child Care New South Wales ("QVN") accept that the Commission will want to consider the cost pressures plainly being felt by minimum wage families.

There are, nevertheless, features of the childcare centre operating environment that QVN believe also need to be taken into account.

A main concern is affordability, and how pressures on childcare centre affordability are feeding into ever-increasing vacancies in the large majority of locations around our three

1 Childcare Queensland, Child Care New South Wales, and Child Care Centres Association of Victoria are presently working with other States and Territories to redesign our systems for acting at a national level.
States. Those vacancies, and other pressures, are already resulting in childcare centre job losses, in reductions in the amount of hours available for staff, and in reductions in new employment opportunities.

The Key Challenges

An ongoing childcare policy challenge is to maintain an appropriate balance between ‘quality’ and ‘access’.

Australian families expect high (and improving) levels of quality. On the other hand, Australian families do not want the higher cost that comes with higher quality to exclude children from such services.

Childcare centre affordability is under pressure. Costs (especially childcare-centre wages) are rising faster than parent subsidies. This mismatch reflects structural imbalance in the current childcare parent subsidy system. In particular, higher costs of servicing children aged below three years are not reflected in current parent subsidies. The result is that, in terms of affordability, parent subsidies no longer reflect actual costs of providing regulated services.

We now look more closely at those structural matters.

There are two broad issues that we believe need to be taken into account:

- As parent incomes rise, their Child Care Benefit entitlements reduce. This is because parent-subsidy entitlement is related to their level of income, such that, as family income increases, entitlements reduce. The net effect is that what are known as “gap fees” are rising for parents, even where childcare centre fees might not change. [“Gap fees” are the difference between the Childcare Benefit and centre fee]. This net effect is exacerbated during periods where parent incomes rise relatively quickly, as has been the case over the last 15 or so years, unless, of course, Child Care Benefit entitlements are being indexed to keep pace with family income increases.

- But childcare centre fees are changing, particularly over the last few years. At the same time as gap fees are rising (for the above reasons), the staged introduction of previous Award, Safety-Net and Work-Value case increases over the last 18 months or so have had a major impact on the costs and thus the price of services.

Where does that take us?

QVN’s concern is that further wage pressure is not the best mechanism for addressing the underlying issues.
Rather than have further wage pressures feeding more cost, and price, and thus inflation pressures, QVN suggests that a better economic solution would be for parent childcare subsidies to be brought up to speed to reflect the relatively large long day care sector wage increases introduced from July, 2005 onwards.

We use the Victorian situation as an example, Victorian centre fees, during the period 2000 – 2006, rose at about 6% per annum on average. That rise reflected average sector wage increases of approximately 7% per annum over the same period. Four Work Value wage increases have been paid in just 18 months since July 1, 2005. In addition to those Work Value increases, Safety Net increases have also been awarded in July 2005 ($17), October 2006 ($27) and in October 2007 ($10).

Those significant wage movements for childcare staff need to be understood in the light that the wage component for the childcare sector is relatively high, given that minimum staffing levels are prescribed in Childcare Regulation. In other words, largely because of demanding regulatory standards, the share of labour cost as a proportion of total cost is relatively high for the childcare sector. As a general rule of thumb, approximately 70% of turnover is allocated to payroll costs and on-costs associated with employment. It necessarily follows that increases in real labour costs lead to lower employment growth. This effect is recognised at page 19 of the Commission’s “Economic and Social Indicators – Monitoring Report – July to December 2007”.

Maintaining A Balance

Wage increases, together with never ending changes to State and Commonwealth childcare regulatory requirements, continue to drive significant cost increases for long day care operators and their customers.

As we see it, Australia’s major problem is that the indexation of the Child Care Benefit is not keeping pace with actual cost pressures, which cost pressures are already generated primarily by recent wage increases.

Australia’s recent prosperity has been described by economists as reflecting two major elements. We have avoided recession using good macro-economic policies and, generally speaking, average incomes have reflected increases in labour supply and employment and in labour and capital productivity.

The accepted wisdom seems to be that, to maintain and extend that prosperity, Australia needs to maintain growth in income and expenditure in balance with the rate of increase in the productive capacity of the economy.

In centres, cost and price pressures are, in our view, outstripping parent’s capacity to meet the costs of those high-quality services. QVN believes that the rate of wages growth in the centre-based sector has got in front of the capacity of parents to afford that access.
As we see it, further wage pressure is, therefore, not the optimal economic management solution.

We support the arguments of other parties before the Commission that the Commission should be seriously considering the adoption of other tools to assist minimum wage families.

In particular, well-designed tax cuts and other policies relating to superannuation should be thoroughly explored as more effective and efficient ways of promoting the economic prosperity of people in Australia.

Another important operating factor to take into account is the impact that recent interest rate rises are also having on childcare centre costs and thus parent accessibility. The numerous interest rate increases over the last two years also affect parents significantly. QVN believes that it is appropriate for the Commission’s 2008 Review to recognise that the significant wage increases for childcare staff in 2005 have been followed by significant interest rate increases.

**Summing up**

Recent relatively large childcare staff wage increases, together with relatively fast rising parent incomes are producing a double-whammy for parents.

Affordability is already a big concern.

Vacancies are already a problem and are getting worse.

Employment for childcare workers is therefore already a problem and getting worse.

Feeding further wage pressure into that mix is likely to worsen childcare centre employment prospects, not improve them.

Thank you for this opportunity to comment.

Gwynn Bridge
President, Childcare Queensland

Lyn Connolly
President, Child Care New South Wales

Lucian Roncon
President, Child Care Centres Association Victoria
Australian Fair Pay Commission 2008 Minimum Wage Review – submission cover sheet (part 1)

The Australian Fair Pay Commission does not accept anonymous submissions. You must provide identifying information in the fields marked * in order for your submission to be accepted.

Your details

* Title: Mr ☐ / Ms ☐ / Mrs ☐ / Dr ☐ / Other: 
  MAE GWYNN BRIDGE
* Name: MRS GWYNN BRIDGE
* Address: C/- PO BOX 660
  PARRAMATT A NSW 2124

Contact phone number (business hours): 1300 556 330
Email address: admin@childcare.nsw.com.au

Further details required if responding on behalf of an organisation
* Name of organisation: CHILD CARE CENTRES ASSOCIATION OF VICTORIA INC
  CHILD CARE NEW SOUTH WALES
  EACH OF THE ABOVE ARE PRESIDENTS OF EACH OF THE ASSOCIATIONS

If you would like your submission to remain confidential please indicate this here:
Confidential: ☐ Yes ☑ No (default)

If you wish to have your name published in full, please indicate this here:
Full name published: ☑ Yes ☐ No (default)
Australian Fair Pay Commission 2008 Minimum Wage Review – submission cover sheet (part 2)

To assist the Australian Fair Pay Commission in considering and categorising submissions, the following information is requested. This information will remain confidential and will not be published as part of your submission.

INDIVIDUAL (If responding as an individual)

I am an employer: Industry Sector: 

Approximate number of staff employed:

I am an employee: Industry Sector: 

Full Time ☐ Part Time ☐ Casual ☐ 
Trainee ☐ Apprentice ☐ Junior ☐ 

I am not in the workforce: 

I am currently seeking work ☐ 
I am not currently seeking work ☐ 

I am currently receiving: 

Newstart Allowance/Unemployment Benefit ☐ 
Disability Support Pension ☐ 
Parenting Payment/Sole Parent Pension ☐ 
Parenting Payment (Partnered) ☐ 
Youth Allowance ☐ 

ORGANISATION (If responding on behalf of an organisation)

Employer Organisation: State ☑ National ☐ 
Employee Organisation: State ☐ National ☐ 
Community Organisation: Sector: EARLY CHILDHOOD DEVELOPMENT & PARENTING SUPPORT (LONG DAY CARE CENTRES) 

Government Sector: Local ☐ State ☐ Federal ☐
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