

**economic Security4Women (eS4W)** is an alliance of women's organisations united in the belief that economic wellbeing and financial security are essential for women and will enable women of all ages to have an equal place in society.

eS4W is funded by the Australian Government, through the Office for Women located within the Commonwealth Department of Prime Minister and Cabinet.

The role of eS4W is to:

- bring together women's organisations and individuals from across Australia to share information, identify barriers to women's economic security and to identify solutions by prioritising the key issues for action to bring about change
- engage actively with the Australian Government on policy issues as part of a better more informed and representative dialogue between women and government.

We would like to take this opportunity to make some comments on the Draft Report of the Productivity Commission inquiry into future options for childcare and early childhood learning.

## **Opening remarks**

eS4W continues to be concerned with the Early Childhood Education and Care (ECE&C) sector being framed as 'market'

Because of our role, eS4W approaches childcare primarily as a workforce issue, in how it relates to women's workforce participation and the payment and career pathways of women working in the ECEC field.

However we are also concerned with the quality of ECE&C as this is linked with women's confidence in the system to care for their children while they work and the employment of women in a well-paid profession that offers career paths and the capacity to save for retirement.

## **Response to new approach outlined by Productivity Commission**

eS4W supports the simplified funding model outlined by the Productivity Commission. This model includes 3 streams of funding:

- 1 Mainstream single child based subsidy for long day care, at home care, out of school hours care

### Key points

- payment subject to activity test and means tested against family income
- deemed cost based on service type/age of child; location; indexed to ECEC wages
- Rural, regional and remote-viability assistance grants

- 2 Additional needs; top up child-based subsidy up to 100 per cent of cost. Disadvantaged communities eligible for block funding.

- 3 Pre-school funding  
To be regulated under state legislation rather than NQF

We also would like to make the following points:

## **1 Women's workforce participation**

eS4W supports the Integration and/or coordination of policy areas that impact on women's workforce participation. There are a suite of policies including childcare, paid parental leave, family tax benefit and industrial relations (Fair Work Act)

Parents, predominantly women, face disincentives to work more than two days because of the interaction between rates of tax, family support payments and cost of childcare EMTR.

We are concerned that the PC modelling demonstrates benefit for parents working 2-3 days per week, when there is evidence that the preferred model of employment is 3-4 days per week.

We understand that more highly skilled and higher paid women are less cost sensitive as they are more likely to see the out of pocket cost of childcare as an investment in future career progression as well as a cost related to their current income.

We welcome the targeting of publicly funded assistance to low income households, to low income communities and remote and rural locations

We agree that the current system of subsidies to childcare is poorly targeted and complex and is doing little to address the lack of affordable and accessible, quality childcare.

### **Early childhood education and care workforce issues**

Early childhood education and care (ECEC) sector supports the workforce participation of other women in addition to the women working in it.

We are concerned about existing and experienced childcare workers leaving the sector because of the poor pay. The pay and conditions of ECEC workers needs to be addressed to retain these experienced and skilled workers and to maintain standards of quality childcare. Reducing staff turnover also reduces costs and increases the relational productivity of care work.

We believe that the funding model needs to be linked to a professional pay structure that recognises the skills and expertise required in the sector.

While the value of work is measured in payment, the value of care work and its contribution to productivity is not recognised with low pay and poor conditions. We believe this is because it has historically been considered to be 'women's work' within a labour market based on the model of the male breadwinner. Given the significant changes to the labour market and the benefit to the nation of women's workforce participation, this model no longer holds true, and care work must be valued for the contribution it makes to national productivity.

There have been reforms in other feminised sectors of employment that have led to pay increases to reflect payment for similar skillsets and qualifications e.g. community sector and it is time for reform in the ECE&C sector.

### **Ratios and qualifications**

We share the concern of many that an unintended consequence of the Inquiry may be lower standards in the sector.

We suggest the ECE&C sector becomes more sustainable and efficient by reducing staff turnover through better qualifications, reduced ratios, improved pay levels and expanded career pathways. The PC inquiry is an opportunity to shape the way forward to professionalise the sector.

There is good evidence that the NQF and improved access to training and qualifications are having a positive impact on the retention rate.

### **Funding model**

We support the PC's preferred model that recommends increased investment in ECE&C and a simplified model of funding.

eS4W supports the PC's recommendations for simplified payments: one payment, that is means tested and paid directly to the provider.

We support an increase in investment in the childcare system in Australia and agree that it will be balanced by an increase in tax revenue, a reduction in welfare payments and an improvement in the long term economic wellbeing of women in Australia.

We also support the wide spread belief that the rate of women's workforce participation and ultimately their economic wellbeing will be more greatly improved with increased investment in childcare being transferred from the Coalition Government's planned Paid Parental Leave program.

We acknowledge the previous work of the Productivity Commission into Paid Parental Leave did not find that a higher rate of payment would lead to a significant increase in women's workforce participation. However, eS4W does support the notion of superannuation being paid on Parental Leave and the period being extended to 26 weeks.

The preferred subsidy model proposed by the PC has a good distributive impact, however our support is subject to the way the deemed cost is to be calculated.

### **Deemed cost**

eS4W supports the notion of a deemed cost model that is based on reasonable costs and a reasonable proportion of surplus or profit.

We agree that it is a fairer use of public funds to subsidise reasonable costs than for subsidies to chase fees (current model)

We share the concern of many that public funds are currently subsidising additional, unnecessary services and unreasonable profit.

However the calculation of the deemed cost is critical to the workforce issues raised above (cost to working parent and retention of ECE&C workers) and we are concerned about any unintended consequences of untested assumptions that underlie the model.

We understand this deemed cost will be calculated by distinguishing between core fixed and essential but variable costs.

Core costs are relatively fixed including reasonable profit/surplus, administration, wages.

Essential but variable costs include

- Property costs – high property costs in high end suburbs where families may be the least price sensitive
- Utilities
- State and Territory regulations
- Age range especially 0-2 years

Costs can also be affected by size of the service, level of occupancy, need for capital investment etc.

We hope that an efficient cost model could have a dampening effect of fees and the rate of increase.

### **Activity test**

We share concerns about the activity test as a criterion to assess subsidy.

We agree with many in the community that childcare should be considered as a community service not just for those with entitlement; that it provides a public benefit in much the same way as public education.

We are concerned about the potential impact of the activity test on disadvantaged and vulnerable children and that it might reduce their access to the benefits of ECE&C services.

We are also concerned about the impact on families in financial hardship, of the removal of the special childcare benefit, which offers short term support to families experiencing short term disruptions to income as a result of incidents of domestic violence, significant illness, insecure work, etc.

We agree that vulnerable families use and benefit from ECEC services and it is problematic to draw an artificial line between paid and unpaid work.

Therefore, the activity test needs to be balanced with the benefit to children being supported into quality care; it should not be locking them out.

### **Early childhood development**

While our expertise is not in the area of early childhood development we are concerned that public funds subsidise quality childcare, that there is no reduction in standards and that workforce issues are addressed with an increase in access to training and qualifications, to acknowledge the skills involved in care work in general and early childhood education and care in particular.

While we understand the evidence for better development outcomes for younger 0-9-12 months to stay in home based care we are concerned with the subsidy structure around younger and older children.

We do not support a downgrading of qualifications of staff working with children under 3 years of age because we believe that learning starts from birth and we want to see our ECE&C system providing the best environment for that learning. We are also concerned that the proposed minimum qualifications of ECEC workers for 0-3 years and 3-5 years could lead to an increase in staff turnover.

We support the notion of additional investment to meet additional needs of children and of the guarantee of universal access to at least one year of preschool. Access to a minimum of one year preschool has benefits for transition into primary school, which are greatest for children vulnerable to poverty.

We do not want to see any reduction in minimum standards in staff to children ratios or in qualifications of staff.

We support the regulation and standardisation of ratios across states and territories.

## **In home care - Nannies**

We are concerned that the subsidisation of Nannies is expensive and our preference is for public funds to contribute to the professionalization of the ECEC sector or to better planning for an expanded formal system.

Furthermore, we have the following concerns about in home care:

- it is hard to regulate and to supervise staff
- the use of 457 Visas to meet any 'shortage' in Nannies and potential risk to isolated migrant women
- minimum standards, qualifications and experience,
- child: nanny ratio,
- unregulated environment,
- isolation of nanny and child,
- Induction and training for client required
- OH&S standards
- how to monitor performance, child safety, other duties required
- how to offer support to nannies

In addition, the demand for centre based services may decrease.

This model of publicly subsidised ECEC needs to be equitable to the existing formal care arrangements, but appears to be a more expensive model; the model requires a managing body for regulation, supervision, support and administration.

## **Out of school hours care**

eS4W has long argued that working families need care for school age children; before and after school hours and vacation care. These children need programs that are play based, child focused and child directed.

It makes sense that this care is provided by or at schools but concerns have been raised about how appropriate the facilities are in the schools to accommodate this care. To further this model, we suggest significant liaison between Commonwealth, state and territory education departments as well as those Departments with responsibility for ECE&C.