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# Submission DR689 - Finance Sector Union of Australia - Childcare and Early Childhood Learning - Public inquiry

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Finance Sector Union of Australia

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## Section 1: Introduction

### 1.1 About Finance Sector Union of Australia

The Finance Sector Union of Australia (FSU) is the trade union representing employees working in financial and insurance services in Australia. The FSU's membership is predominantly (68 percent) women.

### 1.2 About the Finance Sector in Australia

The finance sector in Australia consists of around 420, 100 workers nationwide, with women making up approximately 51 percent of the total number of workers within the sector<sup>1</sup>.

Approximately 27% of women in the sector are employed part-time and make up approximately 82% of the part-time workforce in the sector<sup>2</sup>.

Despite women making up the majority of workers in the industry, the pay gap<sup>3</sup>, between men and women is the second highest in Australia, after the healthcare and social assistance sector, at 31.4%<sup>4</sup>.

### 1.3 Overview of the FSU submission

This submission responds to the 'Childcare and Early Childhood Learning – Productivity Commission Draft Report July 2014' ('PC Draft Report') and builds on the FSU's initial submission to the Productivity Commission Inquiry in February 2014 – 'Submission 174 – Finance Sector Union of Australia – Childcare and Early Childhood Learning – Public Inquiry' ('FSU Submission 174').

This submission is premised on upholding the best interests of the child and focuses on the needs of working parents and their children, consistent with the needs and interests of the FSU membership. This submission addresses, in particular, issues raised by the PC Draft Report in relation to the:

- Accessibility of childcare;
- Quality of childcare;
- Cost of childcare;
- Payment of childcare subsidies; and
- The intersection between childcare responsibilities and employer practice which impacts on workforce participation.

As expressed by FSU membership in FSU Submission 174 and acknowledged by the Productivity Commission, accessible, affordable, high quality childcare is imperative to increasing participation in the workforce, particularly for women and to optimise children's learning and development.

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<sup>1</sup> ABS, *Labour Force Australia: Detailed, Quarterly, Nov 2013*, (2013), <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.003Nov%202013?OpenDocument>  
Viewed 24/01/2014

<sup>2</sup> Ibid

<sup>3</sup> Based on the average full-time weekly earnings before tax of men and women, excluding factors such as overtime and pay that is salary sacrificed.

<sup>4</sup> Workplace Gender Equality Agency, *Gender Pay Gap Statistics*, August 2013  
<http://www.wgea.gov.au/sites/default/files/2013-08-28-Gender-Pay-Gap%20FINAL.pdf>  
Viewed 24/01/2014

As such, this submission advocates for increased accessible and affordable childcare consistent with the National Qualifications Framework ('NQF') and early childhood education principles that will allow parents to participate in the workforce with confidence that their children's best interests are being upheld.

The FSU acknowledges that the current funding envelope is not sufficient to provide enough accessible, affordable and high quality childcare and as such calls for increased funding of early childhood education and care ('ECEC') on the basis of a direct concern for the best interest of the child and because increased workplace participation will provide benefits for the whole economy which in turn will assist in funding ECEC.

The FSU supports the Australian Council of Trade Unions' ('ACTU') submissions to this Inquiry.

## **Section 2: Responses to the PC Draft Report**

### **2.1 Accessibility of childcare**

A lack of access to quality and affordable childcare negatively effects participation in the workforce, particularly that of women who typically have a greater role in caring for children (particularly younger children)<sup>5</sup>, either leading to decreased workforce participation or resignation/retrenchment.

As described in FSU Submission 174, nearly one third of all members who contacted the union for assistance in relation to child care responsibilities decreased their participation in the workforce through accessing unpaid leave (7.5%) or left employment altogether (25%), even though their preferred outcome would have been to continue working.

As such the FSU welcomes the Productivity Commission's Draft Recommendation 8.1 that school based outside school hours care ('OSHC'), be extended from primary school age children to include pre-school age children, increasing the opportunity for the parents of 2.6 million children<sup>6</sup> to participate in the workforce, and increasing the availability of ECEC to those children.

The FSU is, however concerned about the Productivity Commission's recommendation that school principals should be required to take responsibility for the organisation of OSHC<sup>7</sup> as school principals differ widely in their access to resources including the additional capacity required to organise OSHC given principals existing workloads. It is the FSU's view that availability of OSHC should not be limited by principals' workload constraints or by the inequitable resourcing of schools, as such differentiated provision of OSHC will disadvantage those who live in socio-economically disadvantaged areas and serve to entrench the inequality of life chances of both parents and children. Schools in different areas have different capacities within the school community to assist in the set up and ongoing provision of OSHC. As such the FSU recommends that:

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<sup>5</sup> As acknowledged in the Productivity Commission Issues Paper on Child Care and Early Childhood Learning, December 2013, p2

<sup>6</sup> PC Draft Report, p29

<sup>7</sup> Ibid, p29

**Draft Recommendation 8.2 be amended to 'The Federal government should fund State and territory governments to enable all schools to take responsibility for organising the provision of an outside school hours care service for their students (including students in attached preschools). Adequate resourcing should be based on a needs basis as advocated for by the Gonski Review.'**

The FSU is also deeply concerned about the Productivity Commission's Draft Recommendation 10.1 in relation to the not-for-profit provision of ECEC including the removal of not-for-profit ECEC providers' eligibility for Fringe Benefits Tax exemptions and rebates; and increasing limitations of state and territory government supports to the sector; on the basis that the not-for-profit sector often has a substantial competitive advantage over commercial services<sup>8</sup>. Commercial services operate to create a profit and therefore will not increase services for those without a capacity to pay which will reduce the accessibility of ECEC for those most in need. The Productivity Commission's Recommendation will destabilise the existing provision of ECEC by the not-for-profit sector by creating additional costs for not-for-profit providers and reducing the accessibility of ECEC. For example parent run OSHC that may use school premises at 'peppercorn rents' may be forced to close if market rents were charged, or be forced to increase fees that would disadvantage parents who are low income earners. Whilst the Productivity Commission's Recommendation may succeed in further monetising ECEC, this Recommendation will reduce accessibility. As such the FSU recommends that:

**Draft Recommendation 10.1 be scrapped.**

The FSU welcomes that Productivity Commission's attempts to address the needs of families by acknowledging that 'an ECEC system to aim for [should]... support family choices of care options, recognising that no single ECEC type will be appropriate...for all families'<sup>9</sup>. The FSU makes this observation in light of many finance sector workers working in regional areas, as shift workers and working extended hours due to workloads having difficulty accessing childcare and sometimes being forced to leave employment – as described in FSU Submission 174. The FSU however is deeply troubled by the Productivity Commission's assertion that choices of child care options need not necessarily be affordable by all families<sup>10</sup> as it is the FSU's view that ECEC should be premised on the best interest of the child and not capacity to pay. This means that, in the view of the FSU, at the very minimum all children should have access to ECEC consistent with the NQF

Issues of flexibility also need to be addressed holistically so parents who work in regional locations or non-standard hours have access to the same range of options as other parents that ensure that the best interest of the child are being upheld. For example parents who work extended hours may want to access ECEC options other than the use of nannies because they value the social interaction that their children can have in a childcare centre. Parents want a range of genuine options and an ECEC system to aim for should support these options. As such the FSU recommends that:

**Issues of flexibility need to be addressed by ensuring that all children have access quality affordable childcare, consistent with the NQF, which supports family choice of care options and should not be dependant on parent's capacity to pay.**

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<sup>8</sup> Ibid, p41.

<sup>9</sup> Ibid, p15.

<sup>10</sup> Ibid, p15.

## 2.2 Quality of childcare

The FSU is deeply concerned that the Productivity Commission's principles in formulating 'an ECEC system to aim for' is premised on the appropriateness to the type of service and not premised on the best interests of the child<sup>11</sup>. It is the FSU's view that the prioritisation of the service providers' interests is not in keeping with community expectations - as demonstrated by FSU Submission 174 that shows that finance sector workers are not only concerned with the accessibility of childcare but that childcare be appropriate and of high quality. As such:

**The FSU opposes all recommendations of the Productivity Commission that undermine the NQF including in relation to staff qualifications and staffing ratios.**

In particular the FSU challenges the Productivity Commission's assertion that OSHC can be appropriately provided by staff ratios that are considered acceptable during school hours and asserts that the care and recreation focus of OSHC necessitates a higher ratio of carers as children engaged in diverse recreational activities require more supervision than children in school classes, which may be structured so that all children are seated, facing the front and engaged in the same activity. As such:

**The FSU does not support Draft Recommendation 7.4 that 'These requirements should take into consideration ratios that are currently acceptable for children during school hours.'**

The FSU also does not support Draft Recommendation 7.5 which recommends a decrease in standards including the diminution of existing qualification requirements for staff, and which would allow ECEC services to operate with staffing levels below required ratios. The FSU's position is premised on the best interests of the child and as such the FSU recommends that:

**Draft Recommendation 7.5 be scrapped.**

In addition and to ensure the quality of ECEC the FSU recommends that:

**Providers such as nannies, who may be brought into the NQF, should be required to hold equivalent qualifications to those in centre based ECEC.**

The FSU is concerned about attracting professional staff to the ECEC sector and is disappointed that while the PC Draft Report acknowledges the low wage rates for childcare workers and the disparity of wages in the home based and centre based sectors, that no recommendations were made to improve wages. As such:

**The FSU requests that the Productivity Commission consider making recommendations to improve the low wages of childcare workers including creating equivalent wages and conditions structures for workers in the home based sector.**

The FSU is also concerned by Draft Recommendation 7.12 that seeks to reduce the role of local governments in ensuring quality of ECEC through the use of planning and zoning policies, and regulations including about the design and quality of premises and restrictions on the maximum number of childcare places in a centre. Local governments who are active in the ECEC sector are responding to the needs of their residents and as such their role in the ECEC sector should not be

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<sup>11</sup> Ibid, p15.

diminished as such interference would be a direct assault on the rights of parents and others in the community to participate in decisions about the quality of childcare that they value. As such the FSU recommends that:

**Draft Recommendation 7.12 be scrapped.**

### 2.3 Cost of childcare

The FSU does not support a model that deems the cost of childcare to determine childcare subsidies, as deeming may not accurately reflect fees paid for by users of childcare and will impact those on a low income disproportionately. In the event that the Productivity Commission continue to pursue a model that is based on the deemed cost of child care the FSU advocates for a model that incorporates multiple deemed costs including the differential costs of rent and professional wages. For example rents in the Sydney CBD are far greater than rents in outer Sydney regions and are a substantial factor in the provision of ECEC services. Multiple deemed costs should reflect this.

The FSU also does not support the payment of deemed costs that are in excess of actual expenses to ECEC services<sup>12</sup> as it is the FSU's view that this will create perverse incentives, particularly in the for-profit sector, to reduce quality of care to maximise profits. As such in response to Information Request 12.4 the FSU offers the following:

**The FSU does not support a model that deems the cost of childcare, but in the event that the Productivity Commission continue to pursue a model that is based on deeming, that multiple deemed costs should be pursued that reflects the actual costs of providing ECEC services. Deemed costs should not be higher than actual cost of services.**

The FSU is also deeply concerned by the Productivity Commission's assertion that ECEC providers use a flat fee structure 'whereby families of younger children are substantially cross subsidised by families of older children'<sup>13</sup> as many childcare centres already charge a differentiated rate for under 2s and over 2s. Whilst the FSU acknowledges that the differentiated rate may not accurately reflect the actual cost of providing services, the FSU believes that any cross subsidisation occurs across the life of a child and as such in-effect the child is cross-subsidising itself.

It is the FSU's view that a further move away from a flat fee structure will reduce workplace participation as many parents may delay their return to work so as not to have to pay higher fees whilst the child is younger. Many other parents may not be able to access parental leave beyond the 1 year legislated minimum and differentiated fees will impact low income earners in this cohort disproportionately.

The FSU is also concerned that end-user fees that reflect the actual costs of services provided will disadvantage children with high needs including those from remote areas, children who have been assessed as high risk and those with a disability.

It is the FSU's view that the promotion of end-user fees that reflect actual cost of services is also incompatible with the deeming model that the Productivity Commission is pursuing. As such the FSU recommends that:

**The Productivity Commission not interfere with the flat fee structure.**

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<sup>12</sup> Ibid, p44.

<sup>13</sup> Ibid, p30.

## 2.4 Payment of childcare subsidies

Consistent with the ACTU submissions, the FSU supports the Productivity Commissions view that ECEC subsidies should be paid directly to providers as creating demand through providing subsidies directly to parents can be inflationary and not necessarily create additional child care places.

## 2.5 The intersection between childcare responsibilities and employer practice which impacts on workforce participation

In response to Information Request 6.1: 'The Commission seeks participants views on impediments to employers providing flexible work arrangements for parents', the FSU refers the Commission to Section 2.1 of FSU Submission 174 which describes the widespread discrimination faced by employees in the finance sector when requesting flexible working arrangements to balance work and childcare responsibilities stemming from the unconscious bias of line managers against such arrangements; and operational issues such as excessive workloads, staff turnover and restructuring. FSU Submission 174 demonstrates that such discrimination leads to substantially decreased workforce participation by nearly one third of all members who contacted the union for assistance in relation to child care responsibilities.

As such the FSU recommends that:

**The Commission endorse the recommendations contained in the Australian Human Rights Commission, Supporting Working Parents: Pregnancy and Return to Work National Review.**

## 2.6 Summary of recommendations

1. **Draft Recommendation 8.2 be amended to 'The Federal government should fund State and territory governments to enable all schools to take responsibility for organising the provision of an outside school hours care service for their students (including students in attached preschools). Adequate resourcing should be based on a needs basis as advocated for by the Gonski Review.'**
2. **Draft Recommendation 10.1 be scrapped.**
3. **Issues of flexibility need to be addressed by ensuring that all children have access quality affordable childcare, consistent with the NQF, which supports family choice of care options and should not be dependant on parent's capacity to pay.**
4. **The FSU opposes all recommendations of the Productivity Commission that undermine the NQF including in relation to staff qualifications and staffing ratios.**
5. **The FSU does not support Draft Recommendation 7.4 that 'These requirements should take into consideration ratios that are currently acceptable for children during school hours.'**
6. **Draft Recommendation 7.5 be scrapped.**
7. **Providers such as nannies, who may be brought into the NQF, should be required to hold equivalent qualifications to those in centre based ECEC.**

- 8. The FSU requests that the Productivity Commission consider making recommendations to improve the low wages of childcare workers including creating equivalent wages and conditions structures for workers in the home based sector.**
- 9. Draft Recommendation 7.12 be scrapped.**
- 10. The FSU does not support a model that deems the cost of childcare, but in the event that the Productivity Commission continue to pursue a model that is based on deeming, that multiple deemed costs should be pursued that reflects the actual costs of providing ECEC services. Deemed costs should not be higher than actual cost of services.**
- 11. The Productivity Commission not interfere with the flat fee structure.**
- 12. The Commission endorse the recommendations contained in the Australian Human Rights Commission, Supporting Working Parents: Pregnancy and Return to Work National Review.**

### **Section 3: Conclusion**

The FSU welcomes the Productivity Commission's acknowledgement of the importance of ECEC in child development and in raising workforce participation of parents, mainly women. The FSU concurs with the Productivity Commission's view that the current provision of ECEC is insufficient and supports changes to the ECEC system that will increase the accessibility and affordability of ECEC. The FSU however strongly rejects any changes to ECEC that will diminish the quality of childcare on the basis that an ECEC system to aim for should not only consider economic criteria such as workforce participation but must also uphold the best interests of the child. Whilst the Terms of Reference for the Productivity Commission Inquiry into Childcare and Early Childhood Learning specified that any options proposed by the Productivity Commission must be within current funding parameters, the FSU genuinely believes that sufficient accessible, affordable and high quality childcare will only be created if more funds are made available.

#### **3.1 Contact details**

Thank you for the opportunity to contribute to the Productivity Commission inquiry into childcare and early childhood learning. If you wish to discuss the issues raised in more detail, please contact Veronica Black National Coordinator Organising & Development on (02) 9320 0046 or at [veronica.black@fsunion.org.au](mailto:veronica.black@fsunion.org.au)