



THE UNIVERSITY OF
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Submission to the Productivity Commission on the Draft Report on Childcare and Early Childhood Learning

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Introduction

The University of Sydney Business School Women and Work Research Group (the WWRG) comprises academics from the University of Sydney Business School and the University of Sydney more generally who have an interest in research and policy development regarding women, gender and work.

The WWRG provides a scholarly environment for enquiry into all aspects of women, work, employment, family and community. It aims to provide a bridge between academic and policy work so as to disseminate sound research in this area and assist the development of evidence informed policy and practice. Through its well attended seminars, workshops and other events, it provides a forum to exchange ideas for those interested in these issues from the academic, business and policy-making communities. A number of members have a particular expertise in women's labour force participation issues, flexible working and women's pay and career patterns.

The WWRG welcomes the establishment by the Government of an Inquiry into early childhood education and care (ECEC) and welcomes the Productivity Commission's (PC) Draft Report.

The WWRG supports the submission made by the Work and Family Policy Roundtable (W+FPRT) and the National Foundation of Australian Women (NFAW). In particular the WWRG supports the W+FPRT's call that the PC also address the longer term need to create 'a universal public system of ECEC for all Australian families'.

This submission addresses three issues of particular concern to the WWRG:

- Facilitating women's labour force participation to enable them to progress their careers and enhance their financial independence while at the same time promoting the value placed by society on unpaid care and enhancing its sharing between women and men.
- Promoting a better valuation of, and reward system for, the feminised low paid childcare workforce to ensure children's developmental needs are met and to contribute to closing of the gender pay gap.
- Encouraging flexible and other caring and female friendly working arrangements.

Recommendations

1. The WWRG notes that extended periods out of the workforce and/or in poor quality part-time work have a detrimental effect on women's economic well-being. Lack of access to quality childcare for infants and young children is a factor contributing to this. We recommend that the higher costs associated with providing good quality care for younger children (0-3) are met through the subsidy system and not by the parent of the child or through cross subsidisation by parents of older children.
2. The WWRG recommends that the current NQF qualification ratio requirements are retained and budgetary provision made in the Productivity Commission's proposals for pay rises to workers in the sector which will remedy the sector's low wages, appropriately recognise the value of their work and assist recruitment and retention.
3. The WWRG recommends the PC support the recommendations made in the recent AHRC report on its *Supporting Working Parents: Pregnancy and Return to Work National Review*, so as to promote the greater availability of flexible working arrangements for working parents. In particular we recommend support for its recommendation for the creation of positive duties on employers to reasonably accommodate (1) the needs of pregnant workers and those with family responsibilities (under the *Sex Discrimination Act 1984*) and (2) requests for flexible working arrangements (under the *Fair Work Act 2009*).

Mothers' labour force participation

Women's increasing entry into the workforce since the 1960s has transformed individual lives and Australia's social, cultural and economic landscape. Women now comprise nearly half the workforce (ABS, 2014). Labour force participation benefits women themselves, their families and Australian society as a whole. Apart from contributing to increasing national wealth, women's earned incomes have reduced inequality between families in recent years (Austen and Redmond, 2013), promoting families' well-being and social cohesion. As the population ages, mothers of dependent children will be increasingly important to help sustain Australia's economy.

Women still largely remain the secondary earners in couple families. Female breadwinners in such families are increasing (Baird, 2013) but made up only approximately 22-24% of couple families in 2011 (Wilkins, 2014). Hours of paid work are on average significantly less than men's with just over 40% of the female workforce age 25-54 working part-time compared to 10% of male workers. Of employed mothers in this age group in 2011/12, with children under 15, only 32% worked full time (PC, 2014: 211-214). It is on motherhood that women withdraw from or reduce very significantly their labour market engagement, as the Productivity Commission Draft Report identifies. The majority of women, working whilst

pregnant return to work but a significant minority do not do so (see below). Of those who do return, the vast majority (75%) do so part-time.¹

Despite the increase in the proportion of women in paid work over the period, the proportions of those who are employed full-time and part-time (aged 25-54) have remained much the same for over 30 years (PC, 2014: 211). Cultural constraints on who cares reflected in expressed preferences for maternal care for very young children (pre-school) (preferences which can change where circumstances make paid work more feasible) operate to put a brake on mothers' workforce participation. More significantly, a range of practical constraints such as the cost and availability of childcare, effective marginal tax rates and the availability of good quality flexible working, operate to do this and to maintain a gender imbalance in paid and unpaid work and the financial insecurity for women, which flows from this.

Increasing women's workforce engagement impacts positively on national wealth as measured by GDP (which excludes the value of unpaid care and other domestic work) (Daley, 2012). Paid work also increases women's own economic independence and well-being throughout the life cycle. It enables them to provide for their families in the event of marriage breakdown, widowhood or a partner's disability. However, periods outside the workforce can adversely impact on women's long-term earning capacity. Additionally, a move into part-time work is also often associated with occupational downgrading (Connolly and Gregory, 2008) and impeded earnings growth compared to remaining in full-time work (Chalmers and Hill 2007). Although it appears that men are participating somewhat more in childcare (Craig et al., 2012), women continue to do most care and other unpaid labour in the family. Women working part-time do more paid and unpaid work than men in full-time employment (Craig and Mullan, 2009). The long-term financial impacts of time out of the workforce and of undertaking part-time and flexible work, is principally borne by women. Findings that a 'motherhood earnings penalty' exists (Livermore et al., 2011; Baker, 2011; Watson, 2010) reinforces these concerns.

The WWRG considers the research evidence demonstrates the importance of women maintaining strong engagement with the workforce after having children both for themselves, their families and the economy. Significant amongst practical problems facing (particularly) women in relation to combining work and care is the availability of affordable, accessible and quality childcare. Australian research suggests that childcare costs inhibit maternal labour supply (PC, 2014, citing Gong and Breunig, 2012),² particularly for women in low-income families (Phillips, 2014). Whilst childcare affordability is only a part of the jigsaw in increasing women's paid work participation, the research cited above and survey and anecdotal evidence suggest it is an important part. Affordable quality childcare needs to be readily available for those wishing or needing to return to work (including full-time work) at any point including during their child's infancy.

This is particularly important in the light of evidence from ARC funded research ('Millennium Mums'³) which has conducted a nationally representative survey of 4200 working women

¹ See the Millenium Mums Survey, viewed 5 Sept 2014:
<http://www.issr.uq.edu.au/millenniummums>

² Finding childcare price increases lower demand for childcare and reduce hours worked.

³ See the Millenium Mums Project, viewed 5 Sept 2014:
<http://www.issr.uq.edu.au/millenniummums>

who had a baby in late 2011. This was after the introduction of the national scheme of paid parental leave. Within 12 months of the birth, 73% had returned to work with 37% doing so by the time their baby was six months old. 28% of returners did so to full-time work. In view of these return to work patterns and the need to support rather than discourage women's workforce engagement, it is important mothers returning to work whose children under 3 should not be penalised by paying higher costs for quality childcare. It appears that childcare costs for babies could rise under the proposed new subsidy system. Costs for those aged 1-3 are predicted to fall but this is due to the proposed reductions in qualification levels of childcare workers under the National Quality Framework (NQF). The WWRG supports the Work + Policy Roundtable in opposing such changes and does not believe this is an appropriate route to reduce childcare costs for parents of younger children. Good quality formal care for children of all age groups is likely to benefit all.⁴ As the W+FPRT states:

A high quality framework of ECEC is fundamental for children's early cognitive, social, and emotional development. Low quality ECEC is negative for young children and can affect labour supply as parents will be unwilling to put their children into care which they recognise as deficient. Australia is a wealthy nation and is well placed to invest adequate public money to deliver high quality ECEC services for 0-3 year old children and their families.

The WWRG notes that extended periods out of the workforce have a detrimental effect on women's economic well-being. A lack of access to quality childcare for infants and young children is a factor contributing to this. We recommend that the higher costs associated with providing good quality care for younger children (0-3) are met through the subsidy system and not by the parent of the child or through cross subsidisation by parents of older children.

The childcare workforce

The implementation of the National Quality Framework (NQF) for Early Childhood Education and Care (ECEC) has facilitated a considerable increase in qualification levels in the childcare workforce. The PC notes 80% of ECEC workers in 2013 had relevant qualifications (PC, 2014: 470). Major provider Goodstart, has stated that all their staff now (2014) have qualifications: three years ago 2000 staff had no qualifications. Over the same period they noted that staff turnover fell from 30% to 14%.⁵

Wages, however, remain low (PC, 2014: 474-475 for comparisons with median earnings) and contribute to the persistent gender pay gap (GPG) in Australia. The GPG for full-time workers in Australia has increased overall since the early 1990s, most recently in the six

This project is a national study of working mothers who had babies in late 2011. The study began in 2012, funded by the then Department of Families, Housing, Community Services and Indigenous Affairs has continued with funding from the Australian Research Council and the Department of Social Services.

⁴ See research cited in the submission of the Work + Family Policy Roundtable

⁵ Contribution to forum on the Productivity Commission Draft Report on ECEC hosted by the Women and Work Research Group, NFAW and Women on Boards on 15 August 2014.

months to August 2014.⁶ Low wages in a feminised workforce where skill and qualification levels are rising suggests gender-based undervaluation of the work undertaken, with the complex and varied skills involved in childcare (as for caring generally) being undervalued.⁷

The education and training levels currently required for the childcare workers are widely acknowledged as appropriate to provide them with the skills to deliver good quality childcare to all age groups. In terms of a predominantly female workforce, the required qualifications makes visible to employers, parents and the wider community the complex and varied skills required to care effectively. The Commission notes that particularly for younger children 'nurturing, warm and attentive' care is critically important to quality. Delivering such care consistently requires significant skills. The House of Representatives Standing Committee on Employment and Workplace Relations 2009 (pages 8-9) outlined the variety of factors whose interaction contributes to the gender pay gap. These include the "invisibility of women's skills; unrecognised skills described as creative, nurturing, caring and so forth" (cited in Layton et al, 2013, p.81). By suggesting that a less qualified workforce is sufficient to provide good quality care for younger children, the Commission falls into the trap of not recognising the skill needed to provide a consistent high level of nurturing. In addition, the evidence provided by the Work + and Family Policy Roundtable and other submissions, (eg The Parenthood, PC Public hearing, Canberra, 25/8/14) strongly support the importance of a skilled workforce delivering childcare for developmental outcomes.

The Commission suggests that the fact that demand for childcare workers has not pushed up wages may be due to staff/child ratios limiting productivity gains and small employers' inability to negotiate 'performance-based agreements' (PC, 2014: 483).⁸ The WWRG does not believe that productivity gains in this conventional sense can be the route to increased wages for childcare workers if quality services are to be maintained. An equal remuneration claim by long day care workers is currently before the Fair Work Commission which seeks to remedy the gender-based undervaluation of their work. This provides another route for improving wage levels. We recommend that the Commission recognises and welcomes this development. Increased wages would assist with combating recruitment and retention difficulties the sector faces. Currently the Commission notes that if the claim is successful as sought by the unions, 'this would 'dramatically' increase long day care and preschool costs' (PC, 2014: 476). Further planning for a possible wage increase is needed in the context of maintaining the current NQF requirements in order to deliver quality care, arguably a major concern of parents.

The WWRG considers that reducing the NQF requirements will (1) adversely impact the quality of care delivered and (2) contribute to the increasing gender pay gap in Australia by obscuring the value of women's professional care work. The WWRG recommends that the current NQF qualification ratio requirements are retained and budgetary provision be made in the Productivity Commission's proposals for pay rises to workers in the sector which will

⁶ The Workplace Gender Equality Agency Gender Pay Gap Statistics fact sheet calculates it at 18.2% for average, ordinary time earnings of full-time workers, viewed 3 September 2014: https://www.wgea.gov.au/sites/default/files/Gender_Pay_Gap_factsheet.pdf

⁷ Other factors such as low levels of unionisation and/or effective collective-bargaining and the dependence for much funding on government subsidies also contribute.

⁸ Also that childcare workers may feel constrained in seeking pay rises because of the flow on effect to fees.

remedy the sector's low wages, appropriately recognise the value of their work and assist recruitment and retention.

Flexible working

Childcare availability and affordability are, as the Commission points out, only one of several factors impacting on mothers' work decisions. They refer to preferences and the impact of issues such as the 'stresses of managing paid work and unpaid work at home.' The impact of effective marginal tax rates, and the availability of part-time and flexible work are also discussed as significant. Calls for more and better quality part-time and flexible work have been made for some time (eg AHRC 2007).

Considerable effort has been and continues to be made by statutory bodies (for example the Workplace Gender Equality Agency (WGEA), the Australian Human Rights Commission (AHRC), the Fair Work Ombudsman), not-for-profit and other advocacy groups (for example the Diversity Council of Australia, the ACTU, the Australian Institute of Management) and a number of private and public sector employers to promote and progress flexible working arrangements for employees. This includes promoting such arrangements for men (e.g. WGEA⁹) whose take-up of such arrangements is much lower than women's. Recent research by Cooper and Baird (for an ARC funded project) indicates that women far more than men make use of both formal and informal rights to flexible work arrangements.

Nationally, a right to ask an employer for flexible working arrangements exists for the many employees who care for children of and under school-age, under the National Employment Standards in the Fair Work Act 2009. An unreasonable refusal by an employer cannot, however, be challenged by the employee.

Flexible and caring friendly working arrangements are not a substitute for accessible and affordable good quality childcare, rather they work together to enhance the abilities of mothers and fathers to undertake paid employment whilst having children. To complement increased availability of childcare by Government, employers need to make more flexible, good quality work available to employees who seek it. The recent AHRC report on its *Supporting Working Parents: Pregnancy and Return to Work National Review* was published in July 2014 (AHRC, 2014). It too supports the need for greater availability of flexible working arrangements. The WWRG recommends the PC support the recommendations made in the report to enhance such availability. In particular we recommend support for its recommendation for the creation of positive duties on employers to reasonably accommodate (1) the needs of pregnant workers and those with family responsibilities (under the *Sex Discrimination Act* 1984) and (2) a request for flexible working arrangements (under the *Fair Work Act* 2009). These recommendations will provide a level playing field for employers. It will propel them to give appropriate consideration to carer friendly working

⁹ For example, WGEA's Perspective Paper, *Engaging Men in Flexible Working Arrangements*, viewed on 5 September 2014
https://www.wgea.gov.au/sites/default/files/20130829_PP_engaging_men_flex_work_2.pdf

arrangements, thus providing a context in which parents, both mothers and fathers, feel more entitled to make use of flexible work arrangements when needed to meet child care needs.

Conclusion

In summary, the WWRG supports an ECEC system linked to a workforce participation strategy for parents that:

1. Assists mothers retain labour force engagement through the provision of quality child care
2. Provides pay for child care workers that appropriately recognises the value of their work and assists in the attraction and retention to the sector
3. Requires employers to provide improved flexible work arrangements and good quality jobs for working parents.

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