

ACTU Submission

To the
Productivity Commission Inquiry
into Child Care and Early Learning



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Introduction

The Australian Council of Trade Unions (ACTU) represents 1.8 million working Australians and their families, for many of whom childcare is a major issue. For a number of years the ACTU has convened a committee representing working parents to discuss childcare issues. In addition, some unions affiliated to the ACTU also represent the interests of professionals working in the childcare sector. The ACTU is in a unique position to provide insight into both the childcare needs of working parents and the employees who work in the sector. The overwhelming view of the parent's committee is that their needs are inextricably connected to those who work in the sector because quality care of their children is contingent on well trained and remunerated childcare employees working in a well-regulated sector.

The timelines of this Inquiry are very tight and the ACTU has been unable to conduct further consultation with union members on the specific matters raised by the Issues Paper (released in December 2013), particularly as submissions are due when most parents are only just returning to work from the extended summer school holidays. We would like the opportunity to conduct this consultation with members and provide the results to the Productivity Commission as soon as they become available.

At this stage the ACTU makes the following brief submission, highlighting some of the key general principles brought to our attention by working parents and educators working in the Early Childhood Education and Care (ECEC) sector, in particular:

1. The desirability of supporting greater workforce participation of women;
2. The imperative that any review of Australia's child care system be based primarily on the need to ensure the well-being and optimal development of our children;
3. The need for working parents to be able to access affordable, quality child care;
4. The need for childcare to be part of a broader suite of support for working families, including the role of workplaces in providing family friendly work arrangements;
5. The desire parents have that childcare services are high quality and well-regulated;
6. The requirement for a well-trained and remunerated child care sector to ensure sustainable and quality care for our children; and
7. A sustainable funding model.

1. THE DESIRABILITY OF SUPPORTING GREATER WORKFORCE PARTICIPATION OF WOMEN

Over the past 50 years, the number of mothers returning to work has increased dramatically from 34% in 1961 to 59% in 2011. Women now make up around half of the paid labour force¹ and this is projected to grow rapidly over the next decade.²

Many women's jobs are a source of independence, financial security and part of their identity. As a matter of policy, women's right to participate in social and economic life outside the family should be recognised and actively supported.

Supporting women to remain in the paid workforce during their child rearing years also benefits the quality of the Australian labour market and its competitive edge in the global economy. Over half Australia's tertiary educated workers are women, in whom our community has invested considerable resources and their skills and experience peaks around the average age women give birth to their first child.

The government's Intergenerational Report also noted the importance of maintaining workforce levels that can sustain a sufficient tax base for servicing an aging population, with Treasury officials estimated that a 2.5% increase in labour participation rates would produce an additional 9% increase in economic output by 2022.³

Other benefits of providing adequate childcare support for working families include:

- Promoting economic self-reliance of families;
- Reducing poverty;
- Increased family income and its flow-on effects to consumption and economic growth;
- Job growth;
- Ensuring a broad tax base to sustain an aging population; and
- Higher fertility rates.⁴

The influx of women in to the workforce has resulted in the majority (57%) of couple families with children now having both parents in paid work.⁵ This has had a great impact on the way parents manage their work, caring and domestic responsibilities and the support needs of their families.

Seventy-three per cent of children attending formal child care for parent work related reasons. However, whilst Australia has relatively high participation rates for women in general, it ranks low compared to other OECD countries' workforce participation for mothers in particular. The number of women working part time in Australia is amongst the highest in the OECD, suggesting that mother's capacity to participate in our workforce is heavily reliant on working fewer hours. Part time and casual work is associated with lower wages, insecure hours and limited career opportunities and is a key contributor to the gender pay gap and low retirement savings of women.

Access to high quality, affordable early childhood education and care is central to enabling these modern working families meet their work commitments while ensuring the best outcomes for their children.⁶ Access to affordable childcare is a key factor in women's decisions to participate in the

¹ ABS Australian Social Trends 4102.0 December 2011, "Fifty Years of Labour Force: Now and Then", p. 2.

² ACTU, Urgency and Opportunity, Analysis of ABS Data, fourth edition, 2013, p.28

³ Gruen, D & Garbutt, M. "The Output Implications of Tighter Labour Force Participation", Treasury Working Paper, 2003.

⁴ Peter McDonald, "Issues in Child Care Policy in Australia", Australian National University

⁵ ABS Cat no. 4402.0, June 2008

⁶ Productivity Commission, Childcare and Early Childhood Learning Issues Paper December 2013, p.13

workforce, and there is evidence that that as many as one quarter of Australian parents do not use formal childcare on the basis of the unaffordability of services.⁷ The quality of care also influences the workforce participation of women with research showing that women tend to abstain from re-entering the workforce, or opt to work shorter hours if they don't have access to sufficiently high quality childcare options.⁸

2. THE IMPERATIVE THAT ANY REVIEW OF AUSTRALIA'S CHILD CARE SYSTEM BE BASED PRIMARILY ON THE NEED TO ENSURE THE WELL-BEING AND OPTIMAL DEVELOPMENT OF OUR CHILDREN

Whilst access to ECEC is a key contributor to the enhancement of women's participation in the workforce, the ACTU strongly advocates that this Inquiry should be aimed at ensuring our child care system delivers the highest quality education and care for children *as well* as being responsive to the needs of working parents.

We know that the early years of a child's life are the most important developmentally. Seventy-five percent of a child's brain develops during the first five years of their life, and half of all the intellectual and developmental potential of a child is established by age four.⁹

Early childhood education and care programs are an important foundation for a clever Australia. Overseas studies have confirmed that the benefits flow on to the broader community through returns from increased workforce participation and social inclusion, with long term economic returns six to seven times on investment on ECEC.¹⁰ Affordable, accessible and quality childcare promotes:

- Effective parenting;
- Healthy child development;
- School readiness;
- Competent future citizens;
- Strong communities; and
- Social cohesion.

The feedback ACTU receives from parents consistently highlights the importance to parents of: high quality care for their children. In particular, they seek:

- A stimulating environment, including opportunities for social interaction with other children, and high quality education and development programs;
- Qualified and experienced staff and small child to staff ratios;
- Well remunerated and satisfied staff with low turnover to facilitate continuity of relationships with their children;

⁷ Productivity Commission, Report on Government Services, 2013.

⁸ Van Lancker, W., & Ghysels, Joris. (2012). Who benefits The social distribution of subsidized childcare in Sweden and Flanders. *Acta Sociologica*, 55(2). p.127.

⁹ McCain and Mustard, Reversing the Real Brain Drain: Early Years Study 1999.

¹⁰ Breunig, Robert, Xiaogong Gong, and Declan Trott. "The New National Quality Framework: Quantifying Some of the Effects on Labour Supply, Child Care Demand and Household Finances for Two-Parent Households." *Economic Record* (2013); Council of Australian Governments. *Investing in the Early Years - A National Childhood Development Strategy*. Canberra: Commonwealth of Australia, 2009 and European Commission. *Early Childhood Education and Care: Providing All Our Children with the Best Start for the World of Tomorrow*. Brussels: European Commission, 2011

- A genuine choice of child care options to best meet their children’s needs; and
- Transparency of costs and services.

3. THE NEED FOR AFFORDABLE, ACCESSIBLE, QUALITY CHILD CARE SUPPORT FOR WORKING PARENTS

Affordability

Despite the recognised importance of early years learning, in Australia we currently spend only 0.3% of GDP on early education and care, compared to the average of 0.7% spent by OECD countries.¹¹ The Commonwealth budget projected spending on childcare benefit and childcare rebate for 2013-14 is \$5.2bn,¹² compared to \$22bn on defence, \$29.7bn on education and \$64.6bn on health care and \$138.1bn on welfare and social security.¹³

Overall, the proportion of family disposable income spent on childcare has fallen since 2004. Despite this, Australian parents spend more than most parents in other OECD countries on childcare. For a family with one child in long day care for 50 hours per week, the average percentage of family income spent on childcare is 9% across all income groups. A family earning \$35,000 per annum spends around 9.1% compared to a family earning \$150,000 spending 9.6% of their total income on childcare. This would indicate the greatest hardship in affording childcare falls on low income families.¹⁴

The ACTU supports targeted and means tested assistance for families to afford childcare. The financial benefits of the current system are already skewed towards high income women and families. Australian women’s average annual total earnings is 43,680¹⁵. The greatest impact of the cost of childcare on women’s labour market participation is around lower income earners where it becomes economically unviable for women to return to work. The costs of childcare and interactions of taxation, welfare and childcare support systems, particularly affect the viability of the second income earner (usually the mother) if they are financially worse off by returning to work.¹⁶

Recommendation 1

Funding of childcare support payments need to be targeted to parents who struggle to afford childcare services and for whom, without support, labour market participation could not be achieved.

Accessibility

Recently there has been much speculation about levels of accessibility for parents. There does not seem to be consistent, reliable data available and a proper national analysis of access issues is required.¹⁷ Having said that, the dramatic increase in the number of parents working shift or non-standard hours has highlighted a lack of services outside standard ECEC operating arrangements.

¹¹ OECD, Social Policies and Data, Family Database, Formal care and Education, Public Spending on Childcare and Early Education services, Percent of GDP, 2009

¹² Productivity Commission, Childcare and Early Childhood Learning Issues Paper December 2013, p.29

¹³ Australian Government, Budget 2013-14, Budget Overview, Appendix G: Australian Government Taxation and Spending p.44.

¹⁴ Productivity Commission, Childcare and Early Childhood Learning Issues Paper December 2013, p.21

¹⁵ ABS Cat no.6302.0, Female Average Weekly Total Earnings November 2012

¹⁶ Grattan Institute 2012 (cited in Productivity Commission, Childcare and Early Childhood Learning Issues Paper December 2013, p.14)

¹⁷ Productivity Commission, Childcare and Early Childhood Learning Issues Paper December 2013, p.16

ACTU consultation with working parents has confirmed this is a significant issue for our members as well as inadequate provision of outside school hour's care and vacation care.

Recommendation 2

Conduct a thorough assessment of ECEC accessibility, in particular the capacity of services to meet the needs of the rapidly growing workforce employed in non standard and irregular hours.

In March 2013, the government initiated a trial of flexible care models, including extended week day care, overnight and flexible arrangements to meet the needs of shift workers. A number of unions participated in the trials. These trials aimed to use existing services in a more flexible way, and importantly, within the existing NQF and terms and conditions for staff. The trials reflected feedback ACTU has received from parents who work shifts or non-standard hours which has consistently been that they want a choice of existing services to best suit their needs at any given time. To the best of our knowledge, the results of these trials have not been publicly released, however feedback ACTU has received is that the trials are worth continuing, particularly in the area of extended hours of operation for early and late shift work as well as weekend work. More exploration should also be given to trialling and promoting workplace based care facilities where large numbers of employees work shifts, such as hospitals.

Specifically, the Productivity Commission has been asked to review options for expanding the regulation and funding of 'informal care' or home based (nanny) care. The Australian government already provides some limited access to home based care services by registered carers (and means tested financial assistance) to parents who meet fairly strict needs based requirements.

The ACTU is concerned that the government's terms of reference for this Inquiry specifically state all considerations will be 'within current funding parameters'. Proposals to significantly expand the regulation and funding of in home care beyond the current model raises significant challenges, particularly as the government has stated it does not intend to increase current ECEC funding. In that context, it is inconceivable that a properly regulated in home care service, which meets the NQF standards and remunerates employees even on their current low wages, and which includes financial assistance for users of home based care, could be economically viable.

It is our strong view that if any expansion of in-home care services and funding is being considered, it must be on the basis that the care provided meets the same quality requirements, level of regulation and remuneration of employees as currently applies to all childcare and early learning services in Australia. Presumably this means any additional services or financial assistance being proposed (such as in home care) cannot be afforded unless funding is withdrawn from existing services or financial assistance or does not comply with the National Quality Framework (NQF) or existing wages and conditions for childcare employees. It is our strong view that this would be a wholly inappropriate course of action.

Whilst affordability and accessibility are key issues for working parents, our consultations with members highlights that their utmost priority is to be able to rely government regulation of ECEC to ensure their children are safe, happy and are given the same opportunities to enjoy high quality, stimulating and educative early childhood as those whose parents work standard working hours. If additional services or financial assistance is to be considered, it should be funded in addition to current levels which are already well below the OECD average.

Recommendation 3

No funding should be removed from existing ECEC services. Funding for any additional ECEC services (such as in-home care) should be funded in addition to the current funding for existing services.

The Issues Paper presents some examples of overseas models of home based care, including Finland, Norway, Sweden, Denmark, Iceland, the United Kingdom, France, Quebec and New Zealand. It is worth noting that all these countries spend significantly more on ECEC as a percentage of GDP than Australia, most substantially exceeding the OECD average. It is also important to note that Australia already has a higher reliance on market provision of ECEC than most OECD countries. This means that the levels of regulation in Australia are already more removed than in those countries. If Australia wishes to consider some of these home based care models, consistent with current quality assurance standards, the funding envelope would need to be increased significantly.

Recommendation 4

Any proposed additional ECEC services such as in-home care must meet existing NQF and Early Years Learning Framework (ELYF) standards and comply with existing regulations governing ECEC workers wages and conditions.

The New Zealand model of home based care should be considered with care. Whilst more information about the scheme will be necessary, the ACTU has concerns regarding the regulation and quality assurance aspects, particularly where only one educator is required to be qualified and registered to coordinate services delivered by up to as many as 20 non-qualified or registered self-employed contractors. The ACTU is aware of instances where lack of supervision and / or regulation of home based care in New Zealand has resulted in calls for mandatory qualifications for in home care providers such as those required under the Australian NQF.¹⁸

There is evidence of improved educational and social outcomes where high quality care is provided, particularly in children attending pre-school programs. However, where the care is not high quality, particularly in the case of very young children in full time care, there is evidence of behavioural problems and delayed cognitive development.¹⁹ Parents, including those working non standard or irregular hours deserve a choice of quality ECEC options.

Recommendation 5

Parents, including those working non standard or irregular hours, should have a choice of quality ECEC options, including centre based care which provides a dynamic and stimulating social environment in which their children can learn important group dynamic and social skills.

Based on feedback from parents working non standard or irregular hours, and in the context of a limited funding envelope, the ACTU considers a better way to expand the accessibility of childcare for parents working shift or non-standard hours is to expand, co-locate and better integrate services which are already available, such as geographically integrated service 'hubs'.

The co-location and integration of services would better utilise existing federal, state and local government and community resources. For example, an emergency services employee would be

¹⁸ See <http://www.stuff.co.nz/national/4492481/Home-alone-nanny-escapes-with-fine> and <http://www.scoop.co.nz/stories/ED1208/S00137/mandatory-qualifications-for-home-based-childcare-workers.htm>

¹⁹ Productivity Commission, Childcare and Early Childhood Learning Issues Paper December 2013, p.12

able to use any of the services as well as have access to extended hours care in a family day care setting for late shifts, occasional care for unforeseen gaps in care all coordinated by the service providers in the hub.

These hubs would be based on existing geographically based services which work together to provide of more flexible and convenient care for parents working non standard or irregular hours including:

- Integrated, possibly co-located 'hubs' providing coordinated multi-function early childhood education and care services, including long-day care, pre-school/school, out of hours school care, extended hours care, mobile care and occasional care services, family day care services and in home care services; and
- Integration and possibly co-location of related services such as child care centres with maternal and child health services, play groups, mothers groups, toy libraries, parenting classes and support, and community centres.

An integrated system of local networks, linking child and family support services such as childcare, maternal and children's health, early intervention, family support, and early childhood education would:

- Maximise the resources dedicated by State, Federal and Local governments;
- Provide a comprehensive approach to early childhood development that includes child care, parenting support and early childhood education;
- Integrate and/or coordinate programs across education, social services and health sectors,
- Ensure delivery of programs is driven at the local community level in order to be responsive to local needs;
- Tackle the isolation of families and help build communities;
- Enable parents to choose a service or combination of services that best meets their working needs and the best interest of their children; and
- Facilitate consistent standards of practice to ensure quality of programs.

Recommendation 6

Integrate and possibly co-locate existing federal, state and local government and community ECEC services with an aim to ensure parents who work nonstandard hours have access to a range of quality ECEC services.

4. THE NEED FOR CHILDCARE TO BE PART OF A BROADER SUITE OF SUPPORT FOR WORKING FAMILIES, INCLUDING THE ROLE OF WORKPLACES IN PROVIDING FAMILY FRIENDLY WORK ARRANGEMENTS

Increased participation of women in the labour force has put pressure on families with caring responsibilities. Yet employment regulation and workplace practices have not kept pace with the changes brought about by a greater sharing of caring responsibilities in modern working families.

Accessing flexible work arrangements to balance work and caring affects both women and men, and was the 2nd highest industrial issue (first was wages) reported by both women and men in the ACTU Working Australia Census 2011. In particular, 'sandwich generation' employees, caring for both

children and parents, indicated that the single biggest thing that would improve their work life was having the flexibility to balance work and family.²⁰

Expanding the availability of formal childcare services is only one part of the answer for most parents juggling work and family commitments. A recent study found that parents are more likely to return to work if they have access to a mix of flexible work conditions, parental leave arrangements and access to affordable, good quality childcare.²¹ This is confirmed by comments from parents consistently emphasising that they want to provide as much care for their children themselves as possible and are loathe to 'outsource' care of their children 24/7 in order to keep their job. Most are seeking a balance of formal care with a family friendly work environment that recognises their need to spend time with their children (and their children with them).

This is the area in which the least advancement has been made and is a glaringly inadequate part of the support structure working families need.

Recent data indicates that employers' attitudes towards working mothers are a significant barrier to women's participation in the paid workforce. Almost one quarter of complaints to the Sex Discrimination Commission and the Fair Work Commission in 2011-2012 were related to discrimination on the grounds of pregnancy or family responsibilities.²²

ABS data demonstrates that one fifth of women experience pregnancy related discrimination and one third of mothers do not return to work from parental leave.²³

Recommendation 7

The ACTU advocates the recommendations relating to anti-discrimination legislation recently made in its submission to the Australian Human Rights Commission Review, Supporting Working Parents: Pregnancy and Return to Work National Review.

The existing legal right for parents to request flexible work arrangements to assist them to balance their work and family responsibilities is weak. Employers do not have to make efforts to reasonably accommodate an employee's request and employees have no right to appeal an employer's unreasonable refusal of a request. Consequently, employees face numerous challenges in balancing work, formal childcare and their own parenting needs.

Men are increasingly sharing caring roles for children, but also experience discrimination and intolerance when they seek workplace flexibility. The Australian Work Life Index 2012 notes that men are more likely to have requests for family friendly work arrangements refused than women.²⁴

Recommendation 8

The ACTU advocates the recommendations relating to employment law recently made in its submission to the Australian Human Rights Commission Review, Supporting Working Parents: Pregnancy and Return to Work National Review.

²⁰ Voices from Working Australia, Key Findings from the Working Australia Census 2011: "The Sandwich Generation".

²¹ Penn, Helen. Early Childhood Education and Care: Key Lessons from Research for Policy Makers. European Commission, 2009; OECD. (2011). *Doing Better for Families*. Paris: OECD; Thévenon, O. (2013). Drivers of Female Labour Force Participation in the OECD. Paris: OECD Publishing

²² Sex Discrimination Commission Annual report 2011-12; fair Work Commission Annual report 2011-12.

²³ ABS Pregnancy and Employment positions 2012

²⁴ Skinner, C., Hutchinson, C., and Pocock, B., Australian Work Life Index 2012, 'The Big Squeeze: Work, Home and Care in 2012', Centre for Work Life Balance, University of South Australia

5. THE DESIRE PARENTS HAVE THAT CHILDCARE SERVICES ARE HIGH QUALITY AND WELL-REGULATED

Any consideration of ECEC policy needs to recognise that the early years of a child's life are the most critical for the development of children's future well-being.

Stringent and enforceable accountability is particularly important given the large number of 'for profit' services provided in the Australian ECEC market. Parents expect government regulation will ensure ECEC providers maintain minimum quality standards despite the imperative to produce financial surplus for private profit operators.

The ACTU supports the existing National Quality Framework (NQF) and Early Years Learning Framework (EYLF). The NQF and EYLF were developed over a period of extensive consultation with ECEC professionals, Federal, State and Territory governments, parents and ECEC experts. The NQF and EYLF provide a consistent, uniform national approach to the curriculum, minimum standards (including staff: child ratios), reporting requirements, regulation and quality assessment of ECEC services. This enhances the quality of ECEC services, reduces conflicting regulation across Federal, State and Territory governments and authorities, streamlines quality assurance processes and assists parents to understand the standards of ECEC they should expect.

In their review of the NQF, the Australian Children's' Education and Care Quality Authority (ACEQA) found that despite the additional workload arising from the new reporting requirements, the vast majority (around 80%) of ECEC providers supported the NQF because of its benefits to the quality and effective provision of ECEC services. Further, many thought that the initial additional workload would reduce as the new system was bedded down. This view is supported by the finding by the ACEQA review that the majority of centres are now compliant with the regulations, and of those who are not, most are compliant in all but one quality measure.²⁵

Recommendation 9

Maintaining the current NQF and EYLF standards in all forms of ECEC services, including in-home care, is imperative to meeting community expectations of quality care and maintaining confidence in the sector.

Recommendation 10

There should be no changes to the current system until the scheduled 2014 review of the NQF is completed.

Improving levels of employee qualifications and minimum staffing ratios are a feature of the NQF. The Early Years Quality Fund (EYQF) was established to provide subsidies to ECEC providers to assist them to meet the staffing ratio and qualifications standards of the NQF. No payments have been made to providers from this fund, and the fund is currently under review. Implementation of the NQF will provide a sustainable, quality ECEC sector which will have long term benefits for children and parents. The funding should be made available as a priority to ensure these benefits are delivered.

²⁵ Australian Children's' Education and Care Quality Authority (ACEQA), Report on the National Quality Framework and Regulatory Burden: Part 1, Research Findings Overview, 2013

Recommendation 11

Early Years Quality funding should be made available as a priority to ensure these benefits are delivered.

6. THE REQUIREMENT FOR A WELL-TRAINED AND REMUNERATED CHILD CARE SECTOR TO ENSURE SUSTAINABLE AND QUALITY CARE FOR OUR CHILDREN.

The main determinant of quality in children's services is the quality of the staff. Well-qualified and well-remunerated staff are capable of providing high quality childcare and educational opportunities.

Yet the 1998 Senate Community Affairs Committee into Childcare Funding found that "child care workers are amongst the lowest paid workers in the country given the nature and responsibility of their work."²⁶ The Committee noted that non-teacher qualified children's services workers are paid less, on average, than waiters, hairdressers, education aides, checkout operators and cashiers, hand packers, cleaners, bar attendants, personal care assistants, keyboard operators, secretaries and personal assistants and telemarketers.

The child care industry is largely governed by federal award minimums. There are some collective agreements, but these tend to reflect the minimum federal award rates.²⁷ This is largely due to a restricted capacity to bargain for wage increases because of:

- The large number of small workplaces in the ECEC sector;
- The tight profit margins of centres combined with direct funding of subsidies to parents; and
- The low bargaining power of workers in the sector.

Only a few community centres pay above award wages through workplace agreements, and there is little capacity for these wage rates to flow on to other parts of the early childhood education and care sector.

The flat career structures in the ECEC sector act as a disincentive to ECEC workers to obtain further qualifications or remain in the sector as there are little financial benefits to doing so.

The 2011 Productivity Commission report noted that poor wages and conditions in the ECEC sector compared to other relevant sectors such as schools has contributed to the shortages in the sector and exacerbates the difficulty ECEC providers have in attracting and retaining qualified staff.²⁸

²⁶ Parliament of Australia (1998) Senate Community Affairs Committee into Childcare Funding, chapter 6.

²⁷ DEEWR, Supplementary Submission on Pay Equity and the Child Care Industry to the Government House of Representatives Standing Committee on Employment and Workplace Relations Inquiry – no 58.3, 2009, p.18.

²⁸ Productivity Commission, Report in to the Early Childhood Development Workforce, November 2011, pp.98-101