National Foundation for Australian Women
REAL WOMEN. VISIONARY LEADERSHIP

GENDER LENS ON THE 2022 ELECTION BUDGET

Key Policy in discussion **EMPLOYMENT – the Care Sector**

Portfolio and or agency **Attorney-General's Department, Health and Aged Care, Education,**

Skills and Employment

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Overview

As evidenced through the COVID-19 pandemic the low wage structure in care sectors is undermining the ability of providers to attract and retain staff, impacting quality and availability of care. Previously announced one-off payments to some of these workers before an election may be an acknowledgement of the issues, but it is not the structural reform needed across the care sectors.

The care sectors are important to two of the drivers of economic growth -- productivity and participation -- because the services they provide free other workers up from unpaid caring responsibilities and allow them to work. Higher wages and more secure employment conditions will address current and emerging skill shortages and help address the systematic gender pay gap in Australia. Government cannot outsource its responsibility for poor wage outcomes in a sector it largely funds and regulates. Regulatory reform and increased funding are needed to address low wage growth, sector-wide undervaluation of women's jobs and the job insecurity that is used to pin them in place.

In our pre-budget briefing on care sector employment we raised a number of questions about priority policies that need to be addressed. How effective was the budget response? Is there a corresponding Opposition measure?

Budget Measures

1. **Do you have policies to address the regulatory failures associated with continuing job insecurity and forecast low wages in care sectors?**

The Australia Institute recently calculated that every million dollars spent on infrastructure creates one direct job for men and 0.2 jobs for women. Every million on health care and social assistance, by comparison, creates 7.9 direct jobs for women and 2.3 jobs for men. Spending focused on health, education and tourism or entertainment will create far more jobs, *for both men and women*, than spending a similar amount on construction. In its 2022 Budget, the Coalition has chosen to go with construction. Everyone needs social infrastructure, but hard infrastructure can be (and has been) targeted to marginal electorates.

Labor has, conversely, committed an additional $2.5b to the sector net of funding for yet to be determined wage increases. Some of this will directly increase carer numbers: in addition to an on-site, 24/7 registered nurse, there will be a funded increase in the minimum number of minutes of care per patient, up from the mandated (but not yet implemented) 200 to 215, as recommended by the Royal Commission. Importantly, there will also be integrity and accountability arrangements to ensure that funding for increased care actually finds its way to those who give and those who receive care – as it has failed to do in relation to previously budgeted money for food. Labor's accountability measures unsurprisingly include the development and implementation of mandatory nutrition standards for aged care homes.

In relation to continuing job insecurity, the Government has simply ignored the advice of the Royal Commission and quietly handed off the whole question of 'employment models' in aged care to the Productivity Commission. This is not likely to end well for the workers in the sector. The Productivity Commission has a history of encouraging cost shifting from government to care workers by moving them outside the award safety net (through casualisation) and then outside the award system and into the poorly regulated gig economy, where they are exposed to sham contracting and wage theft.

Labor has no sector-specific commitments on job insecurity in aged care, but its Women's Budget Statement includes a suite of measures applying across the workforce which would address issues in the sector. These include making job security an object of the Fair Work Act, legislating a fair, objective definition of casual employment, limiting the number of fixed term contracts, ensuring genuinely negotiated enterprise agreements are not undercut by cowboy labour hire firms and outsourcing, and giving the Fair Work Commission powers to set minimum standards for gig workers. The measures would drive, but not replace, the restructuring of work and working conditions in the sector.

2. **Will you join employers and unions in supporting the case before the Fair Work Commission to redress the historical undervaluation of wages in the aged care sector?**

January's one-off, pro rata retention bonuses for some care sector workers (received by 3 % so far) were another policy decision ducked. One-off measures are not a sufficient substitute for fronting up to the Fair Work Commission as the major funder of aged care and admitting to a position on people's future wage levels. The silence of the Budget on the wages of workers in the sector suggested govt is either unprepared for a wage rise or unwilling to fund one.

This problem can be put off, like others, until after the election, but it will not go away. Almost half of all aged care workers (48.3% or 47,000) with less than one year's experience plan to quit their jobs by 2024, mainly because of poor remuneration. The 15,000 traineeships promised in the budget will not offset these departures, much less offset current shortages and the increasing demand from an aging population. Inflationary costs and rising interest rates will just make the value of inadequate wages fall further, and in this sector employers cannot raise wage without direct government support.

Labor has committed itself to supporting the current case for improved pay for aged care workers and to funding the outcome, while continuing to resist supporting the specific quantum sought by the unions. More broadly – and importantly for the service sector, where 90% of women in paid work are to be found -- Labor has committed itself to strengthening the ability and capacity of the Fair Work Commission to order pay increases for workers in low paid, female dominated industries. There are other pay equity measures which focus on making the issue transparent -- legislating to require companies with more than 250 employees to report their gender pay gaps publicly to prohibit pay secrecy clauses so that employees have the right to disclose their pay, if they want to.

More broadly still, Labor would reinstate Working Women's Centres (WWCs) in every Australian state and territory, investing $24 million to properly fund these organizations which have long been suffering the death of a thousand cuts for years. The Government's WBS records that the two remaining centres will be afforded a $1.8 million 'grant opportunity' (pp. 18-19).

3. **The pandemic has demonstrated the importance of a viable early childhood education and childcare sector. What plans do you have to support the Early Childhood Education and Care (ECEC) sector through better pay and conditions for early childhood educators?**

The **Coalition's** Budget 2022-23 and Women's Budget Statement 2022-23 did not include any measures to improve pay and conditions for early childhood educators or support ECEC workforce supply. The Government's occupation projections to November 2025 predict the ECEC sector will require around 26,000 additional Certificate III and IV trained educators, as well as more than 8,000 additional early childhood teachers to deliver preschool programs.

According to surveys conducted in 2019, 2020 and 2021, many educators in this largely female, low-paid sector are dissatisfied with pay and conditions. Working conditions vary across ECEC services, but generally early childhood educators are among the lowest paid professionals in Australia. Over a third of respondents working in ECEC reported to a 2021 HESTA survey that their household income was less than $60,000 and almost one in five reported their household earned less than $40,000. Almost one in five ECEC educators HESTA surveyed in 2019 and 2020 said they were considering leaving the sector within two years. Among the biggest issues were dissatisfaction with wages, feeling unappreciated by the community for their role as early educators and a lack of opportunities for promotion and growth.

Labor's response to the 2022 Budget (2022 Women's Budget Statement) acknowledges the need to address low pay and working conditions in female-dominated caring professions. While not proposing specific ECEC workforce measures, their proposed measures for the aged care sector workforce are a welcome step in addressing issues for low-paid workers in the care sectors more generally.

Labor's other child care measures propose an increase in the child care subsidy. This could support wage rises in the sector, provided this was prioritised by government and employers. NFAW notes that **neither party** has yet endorsed the 2021 the Fair Work Commission decision that minimum pay rates should be increased for early childhood teachers in early childhood services employed under the Educational Services (Teachers) Award. This decision does not extend to all educators working in child care but this could be supported by government and required of ECEC providers.

Strategies for recruitment and retention are urgently needed to meet growing demand and maintain high quality services, particularly in disadvantaged communities, regional and remote areas of Australia.

In October 2021 the Australian Government and state and territory governments, in collaboration with national sector stakeholders, released a ten-year National Children's Education and Care Workforce Strategy. The National Strategy recommends immediate action to develop options to improve pay and conditions. Both the **Coalition and Labor** need to consider appropriate mechanisms to take forward the Strategy's recommendations with all key players to promote quality ECEC and strengthen women's participation in the sector.

The NFAW calls on **either party forming government** after the 2022 federal election to work with State and Territory governments and employers to:

- address low pay, recruitment and retention issues in the ECEC sector
- support the ECEC workforce through short, medium and long-term workforce development strategies under a *funded* National Children's ECEC Workforce Strategy, embedding implementation in national, state/territory and local ECEC planning
- expand the ECEC workforce through an expansion of JobTrainer, VET or higher education fee waivers, scholarships or incentives for women (and men) to undertake early childhood Certificate III training, diplomas or degrees, and
- stimulate the economy and women's workforce participation through increased support for the care sector.

In summary, investing in ECEC has economic benefits for children, families and early childhood educators. Modelling commissioned by the NFAW in 2019 indicates that an increase in government expenditure in care services, including aged care, disability care and ECEC, would deliver clear economic benefits for GDP by 2030 – GDP would be 1.64% higher than it would have been otherwise.

Questions that still need to be raised in the run up to the election.

What plans do you have to support women's workforce participation through a viable ECEC sector and more affordable, flexible child care?

NFAW welcomes the **Coalition's** Budget 2022-23 announcement of $19.4 million from 2021-22 for 20 new child care centres in areas where there is limited or no access to child care. A recent report by the Mitchell Institute on child care 'deserts and oases' has highlighted the acute shortage of child care places in many regional and remote areas, as well as more disadvantaged metropolitan areas.

The NFAW also welcomes the **Coalition's** investment of around $10.3 billion in 2020-21, including $9.9 billion on the child care subsidy (Women's Budget Statement, pp.35-37), but notes that no other ECEC measures were announced in the 2022-23 Budget. While last year's Budget announced an additional $1.7 billion investment to improve the affordability of child care for about 250,000 families, there is more to be done for the remaining million families who use approved child care services. Last year's measures were targeted to particular families, including removing the annual cap on the child care subsidy from December 2021 for families earning over $190,015, as well as increasing the rate of child care subsidy by 30 percentage points, up to a maximum rate of 95%, for families with two or more children in child care from March 2022.

These are helpful measures for some families, but do not address the rising cost of ECEC for the majority of families — in particular, women who want to work, or work more, but are disincentivised by the high cost of care. **All parties** need to tackle is the 'workforce disincentive rate' – the proportion of income lost through higher taxes, lost family benefits, and higher child care costs – which is particularly punishing for women thinking about taking on a fourth or fifth day of paid work in a week.

As a share of family income, the cost of ECEC in Australia is among the highest in the developed world (Centre for Policy Development). A recently released independent evaluation of the Government's Child Care Package notes that the child care subsidy fees cap is regularly exceeded by services — the caps being a key feature of the Package introduced in 2018 to put downward pressure on child care fees and providers' charging practices. Child care fees also continue to increase above the CPI. This suggests that the **Coalition's** Child Care Package has not been effective, to date, in reducing increases in child care fees.

The NFAW notes that **Labor** announced in its Plan for Cheaper Child Care that it will:

- lift the maximum child care subsidy rate to 90% for families for the first child in care
- increase child care subsidy rates for every family with one child in care earning less than $530,000 in household income
- keep higher child care subsidy rates for the second and additional children in care
- extend the increased subsidy to outside school hours care.

Labor estimates that 96% of Australian families (around 1.26 million families) using approved child care services will be better off under these child care reforms.

NFAW calls on **all parties** to support measures that will:

- increase the child care subsidy to improve the affordability of care
- help fund wage increases for ECEC educators
- provide greater flexibility and accessibility of care, particularly in disadvantaged communities, regional and remote areas
- better regulate ECEC providers' fee charging practices and provision of flexible sessions of care.