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Response to Productivity Commission Draft Report: Early Childhood Development Workforce

United Voice – The Childcare Union

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This submission has been prepared by United Voice National Office on behalf of United Voice members and branches across Australia.

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Contents of Submission

1. Executive Summary

United Voice made an initial submission to the Early Childhood Development study under our former name of the Liquor, Hospitality and Miscellaneous Union (LHMU).[1] In our initial submission we highlighted the workforce crisis in the ECEC sector and argued for the need to address entrenched labour market failures. We argued that the low pay and award dependency of the ECEC workforce results in skill shortages, low workforce retention and low uptake in training. We argued that in order to ensure future viability and stability of the ECEC sector and to meet NQF targets, the low pay of the workforce needs to be addressed through government funding directed towards supporting professional wages for all ECEC workers.

The Productivity Commission's Early Childhood Development draft report contains a range of conclusions which United Voice welcomes and supports. In particular, we are pleased that the Productivity Commission has acknowledged that the ECEC workforce is low paid, that wages must increase in order for NQF targets to be met, and that structural factors continue to stand in the way of meeting the vision of a professional and quality ECEC sector. We also welcome recommendations relating to improving the quality of training programs.

This submission presents a response to these particular aspects of the draft report, dealing specifically with remuneration, professional development and training of the ECEC workforce. While supportive of the general direction of the draft report, United Voice urges the Productivity Commission to adopt a set of firmer recommendations which present an effective and comprehensive solution to achieve necessary wage increases for ECEC workers. United Voice believes that in order to be effective, such a solution must include a commitment from Government to fund professional wages in a manner which aims to be cost-neutral to both employers and parents, and that the delivery of such funding must be supported by an effective industrial framework. Our proposed solution for professional wages is detailed within section 6 of this submission.

2. About United Voice

United Voice, Australia's childcare union, has been actively campaigning for reform in early childhood education and care (ECEC) through our Big Steps in Childcare campaign. Big Steps is a campaign led by union members with the aim to win professional wages for all ECEC professionals and to transform the profession into what it should be – stable, respected and well-paid. ECEC directors, educators and community supporters around the country are joining the Big Steps in Childcare campaign to solve the crisis in early childhood education and care, with large-scale Summits held during August and September bringing together hundreds in every capital city around the country. We envisage a future ECEC sector to be a caring, supportive and stable learning environment for all Australian children and families.

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[1] See LHMU (2011), *Submission to the Productivity Commission Early Childhood Development Workforce Study*, http://www.pc.gov.au/__data/assets/pdf_file/0004/105961/sub055.pdf

3. A Low Paid Workforce

United Voice welcomes many of the conclusions reached by the Productivity Commission in relation to the pay and conditions of the ECEC workforce, and in particular, the acknowledgement made within the draft report that low pay across the workforce and the lack of appropriate wage incentives to pursue career pathways constitute systemic workforce issues. The draft report acknowledges that the workforce targets of the NQF will not be met without increases in wages in order to attract and retain workers in the sector. Training subsidies alone are important, but insufficient, as policy instruments to increase the supply of labour and retain workers in the sector.

United Voice believes that an effective resolution to the current workforce crisis requires an increase in wages commensurate with the roles and responsibilities of ECEC educators. We also believe that Government must make a commitment to fund these wage increases. As outlined in our initial submission, a *professional wage funding stream* is absolutely necessary to achieve a higher supply of labour to the sector. Therefore, United Voice supports findings 5.1 and 5.2 of the report in relation to the need for wage increases to occur for all staff employed in ECEC and urges that these be translated into concrete recommendations.

The draft report brilliantly articulates the point that the 'industrial landscape' has not caught up to developments within the policy sphere which now recognises the professional value of ECEC work:

> *While the policy landscape now recognises the trend towards a more highly skilled ECEC workforce, the industrial landscape has not kept pace. At the heart of this study is the mismatch, referred to by many study participants, between the pay and conditions available in the sector on the one hand and the work skills and qualifications required on the other.*[2]

As many ECEC educators are acutely aware, their wages and conditions are not commensurate with the qualifications and skills required in their roles and the responsibilities that they hold. All workers within the sector experience low pay, including centre directors, who have responsibilities comparable to principals of small primary schools. Despite fulfilling similar roles and managing similar numbers of staff to principals, centre directors' pay is roughly *half* that of their equivalents in the school education sector (see appendix B). Moreover, school principals often experience better workplace conditions; they do not have responsibility for employment nor do they currently manage their own budgets to the same extent as centre directors; they are also likely to receive administration support. Principals do not have as great a legal liability and are not required to chase parents for outstanding debts and can also take advantage of longer holidays due to school terms. Childcare centre directors have no such benefits – hours are longer, and centres operate for at least 48 weeks in the year.

The draft report affirms that wages for ECEC professionals are not competitive relative to other sectors[3] and that wages rarely exceed the minimum award rates to any substantial degree.[4] The Productivity Commission accepts evidence presented by United Voice, as well as several large

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[2] Productivity Commission (2011), *Early Childhood Development Workforce*, Draft Report, Melbourne, p. 5
[3] Productivity Commission (2011), p. 40, 83
[4] Productivity Commission (2011), p. 53

employers, that many workers do not find the benefits of additional qualifications to be worthwhile, since compensatory wage increases are too minimal.[5] As one centre director and United Voice member stated: 'The issue is not people not taking up training opportunities; it's people trying to decide whether to work their backsides off in an unrespected, underpaid and stressful job when they could stack shelves for more'. Many educators are simply not willing to take on further study due to the issues of time and cost and due to small wage rate rises in comparison to the greater fold of responsibility.

Failure to act on increasing the supply of qualified staff through increasing wages across the sector holds grave implications for the successful transition to the NQF. The Productivity Commission notes that 'recruitment and retention of ECEC workers is already adversely affected by poor pay and conditions'[6] and that the 'modern awards, designed to provide a "safety net" wage, include wage rates which are unlikely to attract and enable the retention of sufficient workers to meet increased demand'.[7] Based on modelling of the latest workforce data, United Voice estimates that the total size of the workforce needs to grow by 17% in order to transition to new child to staff ratios. At the same time, an additional 13,860 Certificate III and 10,360 Diploma and Degree positions will need to be created in order to meet the qualification targets for long day care.[8]

Crucially, the draft report notes that 'current workforce initiatives [focussed on availability and affordability of training] may not be sufficient to attract the required number of qualified staff to the sector'.[9] This should not, however, be a reason for delaying the implementation for the NQF but rather should be an argument for the proper resourcing of the workforce needs associated with the transition. In the short term, adequately resourced initiatives to train and upskill the current workforce are critical to meeting the NQF targets. However, ultimately, poor attraction and retention rates in the sector will only be addressed through workforce initiatives aimed at the provision of professional rates of pay to staff employed in ECEC.

As finding 5.2 in the draft report states:

> *In order to attract and retain a sufficient number of workers with Certificate III and diploma qualifications to achieve the National Quality Standard and the National Partnership Agreement on Early Childhood Education, wages for many workers will need to increase, particularly in long day care centres and community- and privately-managed preschools*.[10]

The final report needs to contain specific recommendations as to how these necessary wage increases should occur. United Voice believes that any viable wages solution must contend with the major systemic barriers within the current industrial relations and funding frameworks which are currently ensuring that the workforce remains low paid and award dependant. We believe that the

[5] Productivity Commission (2011), pp. 57-8
[6] Productivity Commission (2011), p. XXVII
[7] Productivity Commission (2011), p. 5
[8] Estimates based on modelling data in the 2011 PC ROGS and the 2010 Workforce Census; these figures *do not* include additional future workforce demand based on the future projected size of the sector.
[9] Productivity Commission (2011), p. 40
[10] Productivity Commission (2011), p. 84

ECEC workforce conforms to the profile of a low bargaining power group[11] and that current funding mechanisms act to constrain wages (though not on fees or the cost of childcare). The current form of financing childcare, occurring mostly through consumer subsidies, is a key underlying factor behind the award dependency of the workforce. An innovative sector-wide solution is therefore necessary; targeted government funding needs to be utilised in order to drive higher wages in the sector.

4. Defining the ECEC Workforce

While noting that the Productivity Commission shares with us many conclusions regarding low pay and how these affect the viability of the sector, United Voice is concerned by the sharp distinction drawn within the draft report between early childhood teachers and directors on the one hand and 'contact workers' on the other. This first group is described as more highly qualified, in possession of knowledge about child development and pedagogy and capable of exercising leadership skills. The second group who provide 'education and care directly to children' are described as requiring fewer qualifications, less knowledge of child development and pedagogy and fewer leadership skills.[12] We believe that this characterisation is oversimplified and that it does not adequately reflect the actual roles and competencies of the workforce as a whole. Segmenting the workforce is this manner threatens to undermine some of positive aspects of the draft report. While acknowledging that some comparisons can be drawn between sections of the ECEC workforce and the formal schools sector (in particular, relating to early childhood teachers and directors), United Voice does not believe that such comparison should be extended to the workforce as a whole.

Many staff employed in contact roles are not just providing care or 'assisting' degree-qualified teachers; they are in fact exercising considerable pedagogical skills which require a high degree of comprehension and understanding of child development. Within the existing workforce there is a cohort of experienced educators, some of whom possess few formal qualifications, who exercise pedagogical and leadership skills which can be of at least equal value to those of degree qualified teachers who are commencing their careers in the sector. Indeed, the term 'educator' has been adopted within the National Quality Standard (NQS) in reference to the entire workforce who perform contact roles and are counted within staff to child ratios. Educators utilise leading child development pedagogy to ensure that programs cater to each child's individual needs; they are required to understand and implement educative programs based on the Early Years Learning Framework, in addition to other responsibilities such as facilitating programs for students with special needs, administering medication and first aid, regulation adherence and documentation, and accident and illness reporting.

Many non-degree qualified educators also exercise considerable leadership skills, working in the capacity of room leaders who are closely involved in program development and assessment in addition to exercising supervisory, training and mentoring roles. A persistent management shortage has ensured that many qualified contact staff are being recruited 'off the floor' into managerial

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[11] Rae Cooper, (2010) 'The 'bargaining power' of women employees in the low-paid personal care sector: A brief review of the concepts and the evidence in Australia', Report prepared for LHMU, available as Exhibit LHMU 20, Fair Work Australia: http://ww2.fwa.gov.au/manilafiles/files/s243/exhibitLHMU20.pdf, 4

[12] Productivity Commission (2011), p. 50

positions, including those of directors and assistant directors. This is increasingly occurring as the sector struggles to find appropriate staff to work within management roles. The shortage in turn leads to a higher burnout rate and, therefore, the loss of both management positions and educators, causing a twofold effect and further blurring the distinction between the two categories of the workforce.

Given the range and diversity of professional skills present within the workforce, United Voice urges the Productivity Commission to adopt a less binary distinction in regards to the relative pedagogical and leadership work roles between directors/teachers on the one hand and the rest of the workforce on the other. As outlined above, establishing such clear boundaries is problematic. For this reason, it would be a mistake to draw comparisons between the roles of 'contact workers' employed in long day care and teacher aides in the formal school setting.[13] While teachers and directors employed in ECEC settings are performing equivalent work to teachers and principals in primary schools, non-degree qualified staff in ECEC perform fundamentally different education roles to teacher aides.

Furthermore, the expectations and responsibilities placed upon ECEC educators are in many ways greater than teachers face in the school sector. Conditions for teachers in the school sector are vastly superior to those experienced by all educators in long day care, where contact time with children is generally between the hours of 7:30am to 6:00pm, as opposed to 8:30am to 3:30pm in the school setting. School teachers generally receive student-free time every day to plan their curriculum, develop new skills with their team and engage in other professional experiences. By contrast, in the words of one centre director, 'we have to beg, steal, plead, borrow and scrape *any* time to get together as a group, or team'. In comparison to the schools, regulatory requirements are higher for ECEC centres. Staff responsibilities can include the administration of medication and first aid, accident reports, policy and procedure documentation, and planning around the implementation of EYLF, NQF and Regulations.

In contrast to school principals, the responsibilities of centre directors also extend to budgeting, supporting and participating as a member of management committees, administration duties, industrial relations and human resource management. Centre directors may be required to carry legal responsibilities within the centre as the 'supervising officer' and can be held legally responsible for children's wellbeing under the national act and regulations. They are exposed to greater legal liability and heavy fines for non compliance. Directors are also often directly engaged in debt collection, being required to collect outstanding debts from parents.

As an alternative to the hierarchical model in which early childhood teachers are positioned as a separate group at the pinnacle of the workforce by virtue of holding a tertiary degree, we urge the Productivity Commission to recognise the transitionary nature of the workforce. Positions of increasing responsibility do necessarily correlate to contact and non-contact roles. They correspond to qualifications as well as seniority and experience, and can be traced across the different qualification levels and work roles.

[13] Productivity Commission (2011), p. 83

5. Barriers to Wage Justice

In our original submission to the study, United Voice has argued that low wages for ECEC workers derive from a situation of structural workforce disadvantage. ECEC workers are award dependent and have very limited bargaining power. The Productivity Commission has accepted our evidence that ECEC workers are rarely paid above award rates.[14] Furthermore, the Productivity Commission has written that the 'modern awards, designed to provide a "safety net" wage, include wage rates which are unlikely to attract and enable the retention of sufficient workers to meet increased demand'.[15]

Yet, in our opinion, the Productivity Commission is making a mistake by suggesting that innovations to increase labour productivity through greater 'employer flexibility' could be utilised to increase wages.[16] While United Voice is supportive of flexible employment practices where they are of benefit to employees and employer, ECEC professionals are already understaffed and overstretched – any attempts to derive greater levels of productivity from the workforce in exchange for wage increases will only serve to impose greater burdens and levels of stress and exacerbate flight from the sector. Furthermore, as outlined in our initial submission, there are fundamental conceptual problems with quantifying workforce productivity within the early childhood sector, given that education and care is not solely a function of improved workforce participation. High quality ECEC is linked to positive child development which influences later life outcomes. Therefore, any attempts to pursue wage increases linked to productivity would not only be inimical to overcoming the structural barriers which determine the low bargaining power of the workforce and prevent the necessary wage growth in the sector, but would also undermine the purpose of the ECEC itself. In an environment where government is the chief financier of ECEC and where childcare affordability is already strained, performance-based pay will not address the key structural barriers to wage justice.

We strongly urge the Productivity Commission to consider framing recommendations for the final report with the aim of overcoming the structural factors which currently constrain wage growth. We urge the Productivity Commission to recognise that low bargaining power of ECEC workers is institutionalised through the prevailing funding structures and that cost-neutral workplace reforms are insufficient to affect the necessary wage increases across the sector.

5.1. Gender inequity

In the broader community, 'childcare' is still regarded by many to be associated with unpaid 'women's work,' performed in the home for free.[17] While such attitudes have been largely exorcised from policy debate in recent years, it is important to acknowledge that award dependency and

[14] Productivity Commission (2011), p. 53
[15] Productivity Commission (2011), p. 5
[16] Productivity Commission (2011), p. 54
[17] Gabrielle Meagher (2007), 'The Challenge of the Care Workforce: Recent Trends and Emerging Problems', *Australian Journal of Social Issues*, Vol. 42, No. 2, p. 152

generally low base rates of pay in the sector are attributable to this historical legacy of gender inequity. Understanding this legacy is crucial to explaining why the vast bulk of the workforce continues to remain at (or barely above) award level rates of pay. The social undervaluation of work performed by ECEC professionals persists, a situation reflected in the continued segmentation of labour markets along gender lines.[18]

Many ECEC professionals are satisfied with their jobs, seeing value in their work as educators and taking pride in their strong relationships with children, parents and colleagues. Yet, educators agree that a stable and lasting career in the sector is made difficult by the low pay and lack of status and recognition in the broader community. These factors impose stress on their roles and make a career in ECEC undesirable for many in the medium to long-term, thus leading to high turnover in the workforce as many workers 'burn out'. Many educators take on additional, and often better remunerated, employment to make ends meet.

5.2. Industrial disadvantage

United Voice has been relentless in attempting to improve wages through every opportunity presented in the State and Federal industrial tribunals. Our success at moving child care rates in accordance with pay equity and work value principles is widely acknowledged. In 2005, United Voice ran a comprehensive and complex work value argument before a full bench of the Australian Industrial Relations Commissions (AIRC). The case ran over two years and was opposed by almost every employer in the country and all employer associations. The case was resource intensive, involving 19 Union witness and cost around $200,000. Despite the overwhelming opposition to our application, the AIRC agreed with the arguments put by United Voice and made an order recognising the changing nature of work in children's services. The AIRC agreed that increases in workload, responsibilities, qualifications, and community expectations of children's services workers over a period of fifteen years deserved a rectification in the historic undervaluation of minimum award wages. As the reference point for the alignment of classifications, a male-dominated industrial award encompassing engineering and metal trades was accepted by the AIRC. The modern Children's Services Award therefore retains the alignments which were arbitrated in 2005 by the AIRC. The award minimum wage of an entry-level Certificate III is aligned with the C10 metal industry (tradesperson) classification in the Manufacturing and Associated Industries and Occupations Award 2010.

Despite the alignment in minimum award wages in the two awards, however, the legacy of historic gender inequity remains. Pay increases arising from the decision were phased-in over a period of many years, with the result that gains made were gradually eroded. Whereas a Certificate-III qualified educator could expect to earn just $0.77 above the minimum wage prior to the 2005 work value decision, in 2010 this had risen to just $2.46 above the minimum wage. The Award Modernisation process has furthermore eroded these gains in comparison to other industries, given the alignment of award classifications across all modern awards and the consequent negation of gains achieved through pay equity cases in Queensland and New South Wales in particular.

[18] Cooper (2010).

United Voice estimates the pay disparity in actual rates of pay between largely award-dependent ECEC workers and similarly-qualified workers in the metal trades to be between 37% and 44%. For all the effort to raise wage rates through industrial mechanisms, ECEC workers' wages are still around $7-$15 per hour behind the established key classifications for similarly qualified workers. Structural impediments, not the will of childcare workers, have stood in the way of real wage justice for well over 20 years. It is doubtful that further pay equity or work value cases as a means for delivering wage justice will lift rates to the required professional standards. These cases have simply not delivered.

The industrial relations system is often seen as the avenue to improved wages and conditions. The National Employment Standards, federal minimum wage and a system of modern awards form a safety-net for low paid workers. In addition, workers can engage in collective bargaining to lift wages to above-award levels. This system assumes that workers have equal access to protective legislation and equal ability to improve wages through bargaining. Yet, within the ECEC sector, the fragmentation of employers and the diversity of small workplaces ensures that conditions prevail whereby enterprise bargaining does not result in practical wage outcomes. Crucially, the structure of government funding, where subsidies are targeted primarily at supporting consumer affordability, does not give adequate support or capacity to achieve effective sector-wide wage increases. As a result, the limited wage growth that has occurred in the sector since 2005 has largely resulted from annual minimum wage reviews.

5.2.1. Is low paid bargaining the solution?

The inclusion by government of a low paid bargaining stream in the Fair Work Act reflects the fact that some parts of the workforce face structural disadvantage when bargaining. The low pay bargaining stream outlined in section 242 of the Fair Work Act 2009 provides an opportunity for workers with no prior history of bargaining or those who have faced substantial difficulty in bargaining to seek an authorisation order to bargain with their employer. It also contains a provision to compel third parties to become involved in the bargaining process. As a result of an application by United Voice to utilise the low paid bargaining stream on behalf of the aged care workforce, in May 2011 the Full Bench of Fair Work Australia found that aged care workers are low paid and have faced difficulty bargaining.[19] The decision allows workers in aged care sites covered by the modern award to seek an authorisation order to commence bargaining.

Even though the Fair Work Australia decision proved that the aged care industry is low paid and has low bargaining power, this does not mean the problem of wage injustice will be fixed. Even if bargaining is initiated, it may not mean wage justice. The low pay bargaining stream can only bring employers and government to the bargaining table. It cannot guarantee a bargained outcome that assures wage justice and a voice for workers.

Without a mechanism to give workers a voice, any bargained outcomes will be gradually eroded. Even if workers gain higher pay initially, wage gains will be eroded over time because the workforce

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[19] Fair Work Australia Decision, (2011) FWAFB 2633, s.242 – Application for a low-paid authorization, United Voice and The Australian Workers' Union of Employees, Queensland, 5 May 2011, <http://www.fwa.gov.au/decisionssigned/html/2011fwafb2633.htm>

still has a low level of bargaining power. Although government might sit around the bargaining table, there is no requirement on government to reach a new funding agreement. Because government is the main funder of the sector, fair wages can only be achieved with the commitment of government.

Fair Work Australia has also recently made a landmark finding that women workers in the social and community services industry face wage injustice as a result of their gender[20]. The Australian Services Union, United Voice and other parties to the Equal Remuneration Order (ERO) case now need to establish the extent to which gender is responsible for the pay gap between social and community services workers and government workers doing comparable work. Like the low-paid bargaining stream, the ERO case will not by itself achieve wage justice for workers because it does not guarantee adequate funding to meet wage claims. Nor will a successful ERO sustain whatever gains are made into the future. In addition, the ERO case might lift social and community service workers' wages up to match comparable work undertaken by government workers. However, these government workers are mostly women and their work is already underpaid compared with male-dominated industries.

It is better for industry to work together than to expend significant resources battling out an outcome within an adversarial environment at Fair Work Australia. A House of Representatives Committee report into pay equity found that 'it is true that the Fair Work Act does widen the scope for applications to be taken at the federal level for equal pay for work of comparable value. However, the experience of similar provisions in some state Industrial Relations legislation still demonstrate relatively few cases have been dealt with. All cases have been adversarial, lengthy and often costly. A better system is needed'.[21] The Report recommends changes to strengthen the Fair Work Act in order to promote pay equity.

The parties to the ERO would not have pursued such a resource-intensive and adversarial avenue to wage justice if they had been able to achieve wage increases through bargaining.

In light of these barriers posed by the industrial relations system, we strongly urge the Productivity Commission to place emphasis on the role that reform to funding mechanisms could play as an avenue to lifting wage rates across the sector.

5.3. Inadequate Funding Mechanisms

Current funding mechanisms are inimical to wage growth and entrench the structural disadvantage of the ECEC workforce. Government subsidies directed to consumers comprise the bulk of financing of the ECEC sector and therefore constitute the chief means by which employers' capacity to pay wages are enabled.

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[20] Fair Work Australia Decision (2011), FWAFB 2700, s.302 – Equal remuneration case, Australian Municipal, Administrative, Clerical and Services Union, and Others, 16 May 2011, <http://www.fwa.gov.au/sites/remuneration/decisions/2011fwafb2700.htm>

[21] Parliament of the Commonwealth of Australia, House of Representatives Standing Committee on Employment and Workplace Relations (2009), *Making it Fair / Pay equity and associated issues related to increasing female participation in the workforce*, p. xv.

As outlined in our initial submission, United Voice has argued that current funding mechanisms act to prevent ECEC professionals from bargaining for higher wages.[22] Demand-side subsidies are not indexed to the costs of operation. Childcare professionals are therefore placed in an untenable position where any claim for higher wages would impose an additional cost on parents. In light of growing community concerns about the increasing cost of childcare, the existence of such a trade-off between consumer affordability and wage justice is not fair on either workers or the parents who are reliant on affordable childcare. When we consider these limitations inherent in the current ECEC funding system, it is in fact no paradox that the continuation of low wages can occur simultaneous to continued undersupply of labour in a climate of growing concerns about the affordability of childcare.

Increasing the existing consumer subsidies, however, is not an effective or cost-effective solution for wage justice. Most long day care centres operate according to tight profit margins and face pressures to maintain affordable childcare. This situation constrains the ability of operators to pass on wage increases in situations where additional demand-side funding becomes available. The Federal Government more than doubled its annual outlay on the CCB and CCR between 2005 and 2010. It is clear that this major expansion in funding did not 'trickle down' to workers. The increases were largely absorbed into higher centre fees and led to a modest reduction of costs for parents. Between 2005 and 2010, out of pocket expenses for parents fell by 20.5%. At the same time, however, centres raised their fees by 41.7%.[23] The wages of ECEC workers increased only marginally – from $13.07 to $17.46 per hour for a Certificate III qualified worker – an increase which was largely driven by annual minimum wage reviews. Whereas Certificate III workers received approximately $0.77 per hour above the minimum wage in 2005, they earned just $2.46 above the minimum wage in 2010.

While they serve to subsidise consumer spending on ECEC, the current demand-side funding mechanisms are inflationary. Moreover, they do not ensure that increases in funding flow towards the major cost factors within ECEC provision; namely, labour costs which comprise an estimated 73% to 82% of the total operating expenses within long day care.[24] Increasing CCB and CCR would not be an effective or cost-effective means to increase wages across the sector. A targeted wages funding solution is needed to ensure that funding flows to where it is needed the most, with the goal of ensuring a higher workforce supply, retaining existing educators and introducing wage incentives to improve overall qualification levels.

[22] LHMU (2011), pp. 19-20.
[23] Australian Bureau of Statistics, *Appendix: Child Care Services in the CPI*, Consumer Price Index, cat. no. 6401.0, ABS, Canberra, September 2010.
[24] Allen Consulting Group report to Community Services NSW, *Children's Services Regulation 2010, Draft Impact analysis*, p. 15.

6. Achieving Wage Justice

6.1. Government Funding for Professional Wages

United Voice supports findings 5.1 and 5.2 of the draft report concerning the need for wages to increase. However, these findings should be translated into concrete recommendations. Neither parents nor employers hold sufficient capacity to finance the wage increases to levels necessary to attract and retain qualified workers across the sector. It is United Voice's view that wages cannot increase within the sector without a firm commitment by government to support a professional wages funding stream. In this section, United Voice reiterates the recommendations we presented in our initial submission and offer a proposed path towards a funded wages solution.

As outlined above, ECEC educators are award dependent, constituting a group with low bargaining power who face a variety of structural barriers which prevent them from effectively bargaining for higher wages. Chief amongst these barriers is the role that current funding arrangements play in constraining the capacity of workers to effectively bargain for wage increases. The Australian Government needs to recognise the key responsibility it holds in enabling wage outcomes within the ECEC sector, a responsibility which derives from its role in determining funding arrangements. Recently, the Government made such an acknowledgement, committing to supplementary wage funding in relation to the Equal Remuneration Case for social and community service workers currently before Fair Work Australia. Within its submission, the Government expressed that it will "meet its responsibilities and provide fair and appropriate supplementation, in consultation with key stakeholders and taking into account the fiscal implications and opportunities for reform in the sector".[25]

A properly funded wages solution would remove the structural cause of existing workforce shortages while also neutralising the current pressure on services to compete for a scarce and low-paid labour supply. The necessary wage increases should occur across the entire sector and be cost-neutral for services, without incurring price increases to parents. For educators, the benefits of the funding stream directed towards wages would be immense. Such targeted funding would allow the existing workforce to realise their ambitions of building a lasting career in the sector, encourage new entrants to take up the profession and possibly even encourage former educators who have left the sector to return to their careers.

Recommendation 1: Action to Address Wages
United Voice urges findings 5.1 and 5.2 within the draft report to be turned into concrete recommendations which propose effective solutions for increasing wages across the sector. ECEC educators can only be remunerated at levels commensurate with their professional skills and qualifications if Government commits to fund the gap between current award rates and a professional wage. United Voice advocates the strategic use of supply-side funding in order to

[25] Australian Government (8 July 2011), *Written submission to Fair Work Australia*, Application by the Australian Municipal, Administrative, Clerical and Services Union and Others for an Equal Remuneration Order, No. C2010/3131, <http://www.fwa.gov.au/sites/remuneration/submissions/AustGovt_Submission_08-Jul-11.pdf>

reverse some of the market failures and negative dynamics which are the product of a funding system based almost entirely on subsidising parental affordability. United Voice calls on the Government to commit to a **professional wages funding stream** as part of the National Early Years Workforce strategy. Such funding should serve to incentivise providers' commitment to workforce development while ensuring that costs do not flow on to parents in the form of additional fees. When adequately supported financially with targeted funding for wages, services will have capacity to invest in their workforce while avoiding the 'trade-off' between higher quality provision and parental affordability.

6.2. What is a Professional Wage?

The draft report outlines how the disparity in pay and conditions between teachers employed in the ECEC sector and the formal schooling sector acts as the primary cause for poor attraction and retention of early childhood teachers. Likewise, the report notes that poor wages and conditions for Certificate III and Diploma qualified workers leads to recruitment and retention problems. As the draft report notes, 'many workers find opportunities in other sectors to be more attractive, a process that has been described as the creation of "pathways out of childcare"'.[26]

United Voice believes that in order to resolve the current workforce crisis, to attract and retain workers in the sector, wage increases must be substantial, and they must occur across the whole sector. Real wage justice, sufficient to make the ECEC profession attractive to workers, will require lifting wage rates to the levels commensurate with the qualifications and expectations of these roles.

As the report demonstrates, there is a direct flow of early childhood teachers from the ECEC sector to the schools sector which offer more competitive wages and conditions. Although the schools sector offers a clear comparative industry in relation to early childhood teachers, an equivalent comparison cannot be made in relation to Certificate III and Diploma qualified workers. While the draft report demonstrates that average wages for contact workers in LDC are substantially lower than preschools and personal carers and assistants, it is insufficient to compare wages with those in other community services. Wage justice is more than 'competitive' wages. In industries where women make up the majority of the workforce, there is often wage injustice. Lifting the wages of ECEC professionals to make them 'competitive' with workers in community services does not constitute wage justice. This is because workers in the female-dominated community services industry are underpaid when compared with workers in male-dominated industries, such as manufacturing.

The bargaining outcomes in the metal trades therefore present an effective comparison point for what the professional wages should look like. For the purposes of establishing the pay rates necessary to achieve wage justice, an appropriate comparison is between actual rates of pay in ECEC (which are largely at the award level) and actual rates within the metal trades industry, the male-dominated industry to which qualification classifications in ECEC were aligned. See Appendix A for a comparison of these wage rates.

[26] Productivity Commission (2011), Draft Report, 59

Recommendation 2: Professional Wages
United Voice believes that qualified childcare educators deserve professional wages. In order to resolve the issues of retention and attraction in the ECEC sector, wages must be commensurate with the skills, responsibilities and expectations placed on the position and with the social value of quality care. For reform to be meaningful and lasting, pay needs to increase across the entire sector (rather than in isolated cases) and in a manner that will ensure that any gains are permanent and do not suffer from erosion over time relative to workers in other occupations.

United Voice understands that it is not the role of the Productivity Commission to make determinations about what particular wage rates are appropriate. However, given the Productivity Commission's recognition that wages for all ECEC educators need to increase across the sector, the final report should provide a framework for how this should occur. The following section constitutes our proposal, which we urge the Productivity Commission to consider.

6.3. Solution: Professional Wages as the Industry Standard

To achieve wage increases for the ECEC workforce above the safety net of the award, supplementary government funding needs to be delivered though an innovative industrial instrument. An effective solution should consider the emphasis placed within the Fair Work Act on collective bargaining as a principal means of determining wage outcomes. It should ensure that professional wages can be achieved in a manner which allows for moving beyond 'safety net' principles within the modern award to enable professional wages and conditions while also allowing for greater flexibility in the work arrangements that are negotiated between the employer and workers.

To achieve these outcomes, United Voice proposes that an expert workforce body consisting of government, unions and employer representatives should be established in order to develop an Industry Standard consisting of a Professional Wages Schedule to serve as a new wage floor, reflecting an assessment of fair wages and necessary workforce requirements for attracting and retaining the workforce in line with broader policy targets. Government inclusion in the process would ensure that any agreement reached would involve a funding commitment for the gap between the award rate and the agreed professional wage. The professional wages funding would then be delivered to individual services once employers lodge an enterprise agreement to Fair Work Australia which meets the tests of the Industry Standard.

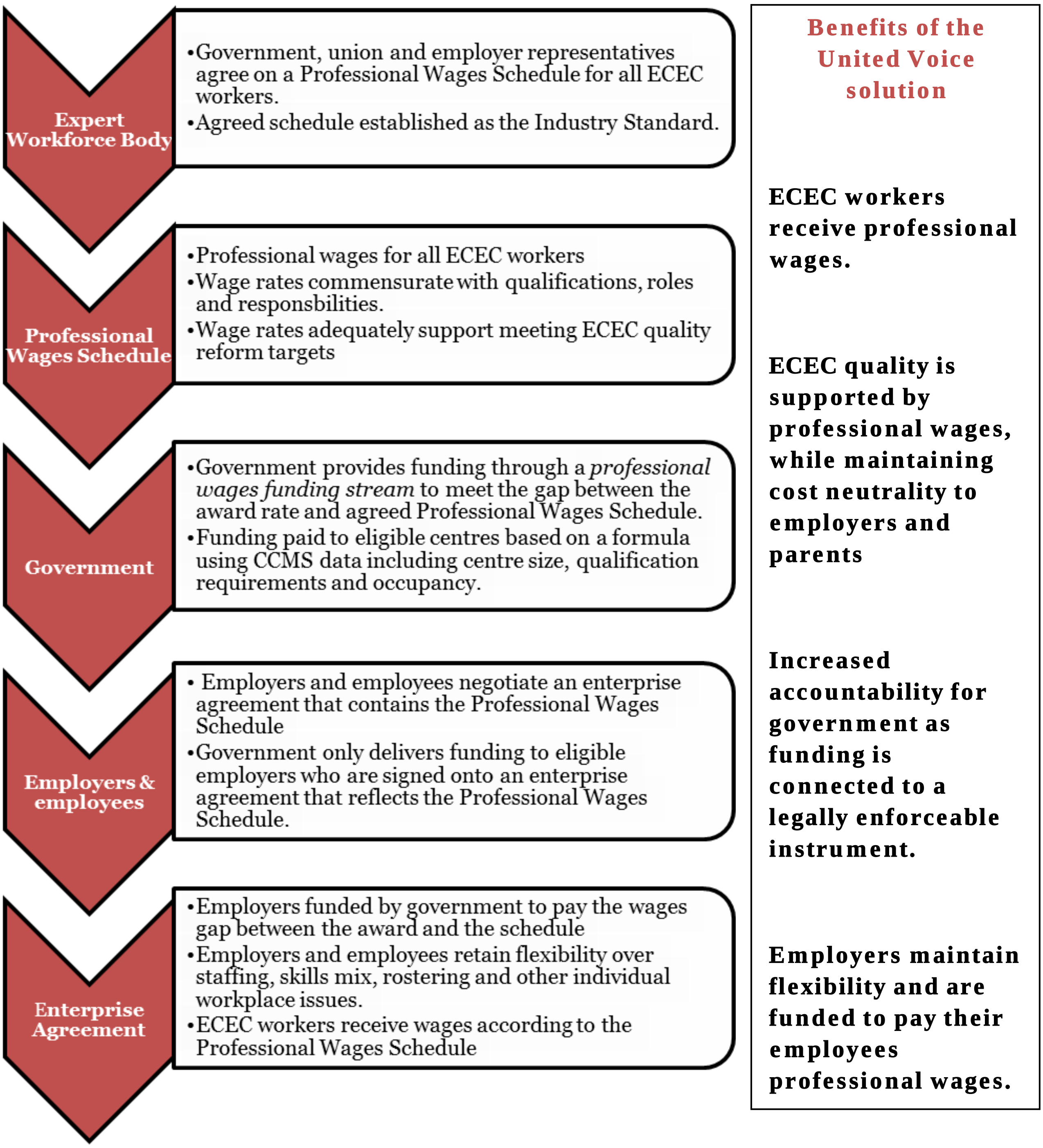
In terms of an appropriate delivery mechanism, the current Child Care Management System (CCMS) could serve as an ideal vehicle for facilitating the distribution of professional wages funding**.** Supplementary funding for eligible services who lodge enterprise agreements in compliance to the Industry Standard could be derived from a standard formula based on the size of the centre, its occupancy level and the particular ratio and staffing requirements needed to meet regulations. Payment could be processed and delivered directly to centres in the manner that Inclusion Support funding will be allocated from 1 July 2012. Lodged agreements which comply to the benchmarks within the Industry Standard would ensure the accountability of government funding, and auditing could occur in a similar manner to current CCMS audits.

A recently published report by PricewaterhouseCoopers identifies key market failures associated with the current funding arrangements for ECEC: patchy supply, limited staff development and price inflation.[27] The paper urges reform to the funding system where funding continues to follows the child yet is directed towards services, and where funding levels are determined by the *actual* cost of high quality service delivery, rather than price indexation.[28] It calls for a greater role for government in sector planning, the benchmarking of a subsidy system to the actual cost of delivery and strategic supply-side intervention where required. By urging the establishment of an Industry Standard developed through an export workforce body, United Voice supports the general direction of this proposal to tie funding to the standard costs of high quality delivery according to a set of negotiated principles. Given that overall costs within the ECEC sector are highly dependent on wages, targeted workforce funding has significant implications for the viability of the sector as a whole.

Recommendation 3: An expert workforce body to establish an Industry Standard
United Voice urges the Productivity Commission to recommend the establishment of a body consisting of Government, employers and unions which will negotiate a Professional Wage Schedule to be benchmarked as an Industry Standard. As part of this process, a negotiated outcome can be reached which will include a commitment from government to supplementary wage funding for eligible employers who lodge agreement to Fair Work Australia which meet the benchmarks contained in the Industry Standard.

[27] PricewaterhouseCoopers (March 2011), *A Practical Vision for Early Childhood Education and Care*, PricewaterhouseCoopers Australia, p. 16
[28] PricewaterhouseCoopers (March 2011), pp. 28-29

Figure 1: United Voice solution for professional wages in ECEC



7. Professional Development and Quality of Training in ECEC

United Voice has campaigned for and strongly supports the NQF. We agree with the Productivity Commission, however, that current workforce initiatives, which are focussed solely on the availability and affordability of training, are on their own insufficient to resolve workforce shortages and to ensure a stable and professional ECEC sector. Action to improve wages and the shallow pay structures in the sector needs to be considered as central to a policy of workforce professionalisation. Notwithstanding this, however, United Voice believes that in order to avoid failure of the NQF, existing training initiatives need to be extended in the short term to facilitate the upskilling of the current workforce in order to meet qualification targets by 1 January 2014.

As United Voice outlined in our initial submission, time and cost factors continue to pose key barriers to greater uptake of workforce training and study. Costs associated with training can be prohibitive, coupled with the high cost for services required to backfill positions. Few workers are able to secure paid release time for staff during work hours. This lack of support affects the least qualified and lowest paid workers in greater numbers, since they generally face greater difficulties in financing their own training and experience greater constraints engaging in study during out of work hours. Crucially, it is precisely this group of workers who are the lowest paid and who are required to upskill in the largest numbers for the NQF goals to be met.

The draft report notes that there are an estimated 48,000 ECEC workers who do not hold a formal qualification, of whom 63% are currently not currently engaged in any form of study.[29] It is worth adding that while workers who are in the process of undertaking training are counted towards the requirements of the NQS, this data does not fully capture the extent of the problem. High attrition rates are common, and this is likely to affect the final completion rate of Certificate III qualifications. If unaddressed, this will further constrain the supply of minimum-Certificate III qualified workers who will be counted towards the NQS. United Voice therefore reiterates the original recommendation for fee-free funding which is currently available to Diploma candidates to be extended to all Certificate III candidates. Support should also be extended to services to backfill study-leave positions to encourage a greater uptake of qualifications.

Recommendation 4: Fee-free Certificate III funding
United Voice contends that, in addition to fee-free Recognition of Prior Learning opportunities, the fee-free places for Diploma candidates should be extended to include fee-free places for Certificate III candidates to enable the required numbers of workers without formal qualifications to undertake and obtain necessary qualifications by 1 January 2014.

While acknowledging that some progress is underway to develop Recognition of Prior Learning (RPL) programs with funding from the previous budget, United Voice remains concerned that these initiatives are not sufficient for meeting the required workforce needs. To be successful, these

[29] Productivity Commission (2011), Draft Report, pp. 168-9

programs need to be developed across the whole sector, be fee-free to all candidates, allow for release time and be predominantly observation focused within the workplace. In light of this, United Voice reiterates the recommendation within our initial submission:

Recommendation 5: Recognition of Prior Learning process

United Voice is calling for the creation of a universal and formal recognition of prior learning (RPL) process, articulation agreements between VET and HE sectors and the creation of funding structures to allow for one day a week of release time for staff to undertake study.

The process must apply to all students and practitioners with skills and experience and must:

- be free and readily accessible to all staff in the childcare sector
- allow for assessment to be carried out in paid work or study time
- result in a recognised qualification
- involve at least one session of group face to face learning
- ensure that candidates are provided with clear and accessible information about the RPL process that includes credit transfer and articulation opportunities between VET and HE

United Voice shares many of the concerns raised within the Productivity Commission in relation to the quality of training for ECEC qualifications and supports the findings and recommendations in the draft report. In particular, United Voice strongly supports the following:

- introduction of specific minimum periods of training and practicum (recommendation 10.1)
- adequate resourcing of VET regulators to ensuring that VET assessors are furnished with the most current ECEC professional practice (recommendation 10.4)
- adequate resourcing of the Australian Skills Quality to allow it to introduce a tougher registration schemes for registered training organisations (RTOs) and to implement a targeted system of audits and sanctions to regulate quality (recommendation 10.5); and,
- introduction of a national recognition of prior learning assessment tool (finding 10.4).

Many centre directors who are members of United Voice deal with RTOs regularly, both through accepting students into their services on placement as well as recruiting new staff members who have completed training programs. Directors have reported having to regularly settle for the 'best of the worst' when it comes to recruiting and consider the current training regime to be of variable quality. The auditing process currently in place is not strict enough to ensure consistent levels of entrant quality. In order to meet policy objectives of high quality ECEC, and given the government funding delivered to support the training system, it is essential that a stricter auditing process be implemented to ensure that highly trained staff enter the sector at all qualification levels. A stricter level of entry needs to be mandated and standards for placement hours and requirements that are to be met whilst on placements. Delivery of the training needs to have a stricter teaching base. This is a major issue and concern when it comes to the training of educators in the sector.

8. Regulatory Burdens, Exemption Reporting and Data Collection

United Voice agrees with the Productivity Commission's finding 3.2 that an appropriate regulatory system aimed at quality improvement is required and that reliance on market forces is insufficient for a quality ECEC system.

United Voice agrees with recommendation 3.4 concerning the need for ECEC regulators to provide ongoing consultation with stakeholders and timely dissemination of best practice and for government to initiate robust evaluative processes to minimise regulatory impacts. However, we urge that service managers and centre directors be considered as central to the consultative process, given that they primarily deal with regulatory elements and are affected by changes to regulatory practices.

United Voice supports the recommendation 3.5 to extend professional support to management committees as a way of enhancing effective management in the not for profit sector.

United Voice supports the Productivity Commission's recommendation 3.3 for greater transparency in reporting qualification exemptions granted to services and shares the concern that demand for waivers is likely to increase with the transition to the NQF. Waivers comprise a key indicator of quality provision and a measure of the success of the NQF and therefore key data should be made publicly available by regulatory authorities.

In general, overall improvements to data collection and reporting could be made to ensure robust workforce data. Unfortunately, the 2010 National Early Childhood Education and Care Workforce Census does not achieve the same standard as the 2006 National Children's Services Workforce Study. In particular, there is an absence of comparable turnover and sector retention data and the lack of a 'stock and flow' analysis (including projections for future workforce growth in relation to projected demand). The lack of such data and analysis, and its availability to stakeholders and broader policy makers, constrains effective planning for the implementation of the NQF.

Appendix A: Comparison of Children's Services Award to Metal Trades Collective Agreements[30]

Classification		Salary		Salary Difference	
		Annual	Hourly	Annual	Hourly
Certificate III	Children's Services (award – 3.1)	$ 34,501	$ 17.46	$ 19,977	$ 10.11
	Metal Trades (average of agreements – C10)	$ 54,478	$ 27.57		
Diploma	Children's Services (award – 4.1)	$ 40,646	$ 20.57	$ 32,169	$ 16.28
	Metal Trades (average of agreements – C5)	$ 72,816	$ 36.85		

In 2005, the full bench of the Australian Industrial Relations Commission made a work-value decision which established comparability between the Certificate III level 3 childcare worker and the metal industry C10 classification for the purposes of minimum award wages. It also aligned the Diploma rate with the metal industry C5 classification.

Although the decision established that qualifications in the female dominated childcare sector are equivalent to the same level of qualifications in a male dominated metal trades industry, there is stark disparity in actual rates of pay. This as evidenced by comparing the bargaining outcomes between childcare and a representative sample of metal trades agreements. In 2010 award-reliant childcare professionals earned as much as $16.80 *less per hour* than metal workers employed on equivalent qualification levels. Based on the established key classifications for similarly qualified workers, a Certificate III childcare worker is on average $10.11 worse off per hour than their equivalent in the metal trades industry. The situation for diploma qualified workers is even starker. Across the sample of metal trades agreements, metal trades workers earn almost double that of the equivalent diploma qualified childcare worker. The hourly rate for diploma qualified childcare workers is on average $16.28 per hour lower.

Selected Sample of Agreements Examined:[31]

Agreement Name	Effective C10 Rate	Notes
Joy Mining Machinery (Moss Vale Site) Certified Agreement 2006	$24.97	This agreement provided a final pay increase in 2008. The C10 rate after that increase is $24.97.
Joy Mining Machinery Illawarra Facility Workplace Agreement 2007	$24.62	This agreement provided for a final pay increase in 2009. The C10 rate after that increase is $24.62 per hour.
Top Hat Manufacturing Union	$24.04	This agreement provided for a final pay increase in 2008. The C10 rate after that

[30] Comparison of award and bargaining current at January 2011.
[31] Effective C10 rates current at July 2010.

Collective Agreement 2006		increase is $24.04 per hour.
Dux Manufacturing Limited, Moss Vale GWA (Union Collective) Work Agreement 2008	$26.71	This agreement provides for a wage increase in 2010. The C10 rate after that increase will be $1014.98 per week or $26.71 per hour.
General Mills Australia – Mount Waverley Maintenance Enterprise Agreement 2007	$28.87	This agreement provided for a wage increase in 2009. The agreement does not specify a C10 rate but provides a C8 rate. The C8 rate after the 2009 increase is $31.76 per hour for a fitter. The C8 rate is 110% of the C10 rate. This would equate to a C10 rate of $28.87 per hour.
CNAB Pty Ltd Maintenance Agreement 2006	$26.73	This agreement provided for a wage increase in 2008. The C10 rate after that increase is $1015.72 per week or $26.73 per hour.
Buffalo Trident Collective Agreement 2006	$24.10	This agreement provided for a wage increase in 2008. The C10 rates after that increase is $24.0986 per hour.
Belle Banne (VIC) Pty Ltd Latrobe Valley Enterprise Bargaining Agreement 2006	$34.01	This agreement provided for a wage increase in 2008. The C10 rate (which is defined as a Beltworker 3.5) after that increase is $34.01 per hour.
ALSTOM Power Limited South Australia Power & Industrial facility Mechanical Maintenance and Refurbishment, Workplace Agreement 2006	$25.11	This agreement provided for a wage increase in 2007. The C10 rate following that increase is $954.16 per week or $25.11 per hour.
G H Varley Pty Limited Carrington Union Collective Agreement 2006	$25.62	This agreement provided for a wage increase in 2008. The C10 rate after that increase is $25.62 per hour.
Rapid Growth Project ThyssenKrupp Engineering (Aust) Pty Ltd Metal Trades Collective Agreement 2006	$32.09	This agreement provided for a wage increase in 2009. The C10 rate (Metal Tradesman) following that increase is $1219.30 per week or $32.09 per hour.
Emersteel Certified Agreement 2006	$23.89	This agreement provided for a wage increase in 2008. The C10 rate after that increase is $23.89 per hour.

Appendix B: Comparison of Directors employed under Children's Services Award to the NSW Crown Employees (Teachers in Schools and Related Employees) Salaries and Conditions Award[32]

	Responsibility		Salary		Salary Difference	
	Children	Staff	Annual	Hourly	Annual	Hourly
Centre director (6.4)	40 to 59	7 to 12	$52,107	$26.37	$59,161	$29.94
School Principals (PP5)	26 to 159	4 to 8	$113,889	$57.64		

All workers within the sector experience low pay, including centre directors, who have responsibilities comparable to principals of small primary schools. Despite carrying out similar duties and managing similar numbers of staff to principals, centre directors' pay is *half* that of their equivalents in the school education sector. School principals often experience better workplace conditions; they do not have responsibility for employment nor do they currently manage their own budgets and are likely to have administration support. Principals do not have as great legal liability and are not required to chase parents for outstanding debts and can also take advantage of longer holidays due to school terms. Childcare centre directors have no such benefits – hours are longer and centres operate for at least 48 weeks in the year.

[32] Comparison of award rates current at January 2011.