

Senate Select Committee on Work and Care

Question on Notice

Senator O'NEILL: Please take on notice the SDA sponsored report from the University of New South Wales and the data that's in there, because what you're describing here—as much as it has appeal to me—needs to be considered in the context of what kind of work women are going to be able to do. One of the arguments that were put forward is that, in the feminised workforce that women are going into, there might be an overstatement of productivity gain because they're getting such incredibly poor wages.

The other thing is the tyranny of management control of access to hours and the nature of the insecure work. What's becoming apparent to me as we go through the day is that there's the idea of university graduates in stable and secure workplaces, which is embedded in much of the work that's being done, and then there's the reality of women in the feminised industries providing care and trying to balance care—trying to do early child care as well as aged care. There is that complex intersection of paid and unpaid care, and they're not going into any kind of work that is secure. That affects our figures and our predictions, and there's an IR dimension to this that seems enormous. It's not just about provision of early childhood care; it's about when that early childhood care is provided, even in this almost utopian way. Where does that leave women, still?

Response from the Centre for Policy Development (CPD):

UNSW's 2021 report *Challenges of work, family and care for Australia's retail, online retail, warehousing and fast food workers*, sets out survey findings on the experience of Shop, Distributive and Allied Employees Association (SDA) members in seeking care arrangements. Its findings underscore that accessible early childhood education and care (ECEC) is an enabling factor for workforce participation for the 30% of SDA members who are parents or guardians. However, unpredictable hours and shift work makes aligning hours of work and formal ECEC challenging, with 58% of surveyed parents saying they often have to pay for care they don't use.¹ Industries covered by the SDA also tend to be poorly paid - for example, average weekly earnings for a full-time retail worker are \$405 lower than the national average.² These are important factors to consider when assessing the productivity gains from ECEC reform.

Our analysis has found that, where methodological details were available, Australian modelling on the productivity benefits of ECEC reform (including our own analysis in *Starting Better*) does seek to moderate gains to account for low pay and challenges in accessing care (see Table 1). These challenges are more common for second earners, i.e. the parent in a couple household (usually the mother) earning less than the other parent.

The scale of this moderation varies, but overall shows there are still productivity gains to be made even when accounting for low-paying roles and insecure work. Our analysis in *Starting Better* estimated that only a small portion of mothers would increase their workforce participation, and set their pay at minimum wage - resulting in a \$6.2-6.9 billion annual GDP increase.³ Analysis by the Grattan Institute found that even in a scenario where workforce participation is far less responsive to increased ECEC affordability than estimated in the literature, there would still be a resulting \$4 billion annual increase in GDP (enough to pay for the cost of their proposed reform).⁴

¹ Cortis et al. (2021) *Challenges of work, family and care for Australia's retail, online retail, warehousing and fast food workers*, Social Policy Research Centre, UNSW Sydney; Dwyer (2022) *SDA Submission to the Senate Committee on Work and Care*

² National Skills Commission (2022) *Industry Details - Retail Trade*

³ Centre for Policy Development (2021) *Starting Better*

⁴ Wood et al (2020) *Cheaper Childcare*, Grattan Institute

Table 1: Examples of Australian modelling on the productivity impact of ECEC reform

Report	How it moderated productivity gains	Productivity gain
<u>Starting Better (2021), CPD</u>	<ul style="list-style-type: none"> Assumed the increase in days of paid ECEC would be 5% higher than the increase in days worked. Estimated pay for all second earners (increasing hours or joining the workforce) conservatively based on a minimum wage of \$19.84 Assumed approximately 10% of mothers with children under 5 who don't work or work part-time would increase their hours. 	\$6.2-\$6.9b annual GDP increase from increase in workforce participation. The report modelled three days of free or low-cost ECEC.
<u>Cheaper Childcare (2020), the Grattan Institute</u>	<ul style="list-style-type: none"> Estimated distribution of income and working hours aligned to data on the actual distribution of income and working hours. Assumed the increase in days of paid ECEC would be 5% higher than the increase in days worked. Estimated wage for a person joining the workforce calculated as an average across all second earners. Modelled a 'low elasticity' scenario 	\$11b annual GDP increase from increase workforce participation Low elasticity scenario: \$4b annual GDP increase The report modelled lowering the cost of ECEC.
<u>Women's economic opportunities in the NSW labour market and the impact of ECEC (2022), NSW Govt</u>	<ul style="list-style-type: none"> Uses low, middle and high price elasticity figures to account for variability in workforce participation responses from second earners. Estimations about labour force characteristics for second earners sourced from HILDA data on the actual labour force characteristics of women with children aged 0 to 4. 	\$4.7b increase to Gross State Product (GSP) by 2032-33 under the low elasticity scenario, for policy measures announced by NSW and Cwlth. \$8.2b increase to GSP by 2032-33 under the low elasticity scenario, for universal ECEC with a 100% subsidy.
<u>Putting a value on ECEC in Australia (2014), PwC</u>	Narrow scope of modelling throughout: <ul style="list-style-type: none"> Analysis limited to only second earners who would join the workforce, didn't account for part-time earners increasing their hours. Modest flow-on impacts, equivalent to increasing the participation rate by 0.09% 	\$6b increase in GDP from increase to workforce participation, cumulative over 35 years. The report modelled lowering the cost of ECEC by 5%.

The UNSW report underscores the need for a broader shift in ECEC policy towards a system that better caters for families in casualised, insecure industries, and/or with non-standard hours. Previous trials of more flexible ECEC operating hours have had mixed success, and have highlighted economic and institutional barriers to improving the responsiveness of ECEC services.⁵ Key to successful ECEC reform is systemic change that addresses these structural barriers. As set out in *Starting Better* and *Starting Now*⁶, increasing subsidy amounts alone won't be enough – affordability must improve in tandem with improvements in accessibility, quality, governance and support for the ECEC workforce.

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⁵ Baxter and Hand (2016) [Flexible child care: Key findings from the AIFS Evaluation of the Child Care Flexibility Trials](#), (Commissioned Report). Melbourne: Australian Institute of Family Studies.

⁶ Centre for Policy Development (2021) [Starting Better](#); Centre for Policy Development (2022) [Starting Now](#).