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House Standing Committee
Employment and Workplace Relations
House of Representatives
Parliament House
Canberra, ACT 2600

To the Secretary of the Committee, House Standing Committee on Employment and Workplace Relations

Re: Inquiry into pay equity and associated issues related to increasing female participation in the workforce

LHMU is providing this additional submission to the inquiry into Gender Pay Equity specifically in relation to childcare as a stark example of gender wage inequity and the undervaluation of female skills.

The Australian Government's current early childhood education and care reform agenda seeks to restructure and revalue early childhood care and education service delivery in the interests of creating better outcomes for children and families.

There are many elements that will be crucial to getting this right. Moving to a national early years learning framework, nationally consistent childcare ratios, introducing 15 hours of pre-school for 4 year olds and consistent national licensing and accreditation.

However, the key to delivering on these elements is getting the workforce capabilities right. Quality outcomes for children are reliant on a capable, qualified, stable and well paid workforce.

LHMU submits that building this well paid workforce is not achievable within the new bargaining regimes available from July 1 through the Fair Work Act.

We believe a specific pay equity principle and government funding to address inequity will be the only means by which equity is achieved in this sector.

In 2005 the Australian Industrial Relations Commission (AIRC) determined in *Australian Liquor Hospitality Miscellaneous Union re Child Care Industry (Australian Capital Territory) Award 1998, Children's Services (Victoria) 1998* [PR 954938] that the Child Care Award be aligned to the Metal Industry Award and that there be a nexus in qualification levels between the awards.

The Commission in its concluding statements found:

[372] Prima facie, employees classified at the same AQF levels should receive the same minimum award rate of pay unless the conditions under which the work is performed warrant a different outcome. Contrary to the employer's submissions the conditions under which the work of child care workers is performed do not warrant a lower rate of pay than that received by employees at the same AQF level in other awards. Indeed if anything the opposite is the case. **Child care work is demanding, stressful and intrinsically important to the public interest** (emphasis added).

[373] The second general consideration concerns the consequences of not properly fixing the rates of pay for the employees affected by these applications. We have already made findings about the critical shortage of qualified employees in the child care sector and that this impacts on the ability of child care services to meet minimum legislative and quality standards. The shortage of qualified staff has the potential to jeopardise the future of quality child care in Australia. Further, we have found that limited career path options and low pay have contributed to the current recruitment and retention problems.

[374] Failing to properly fix the minimum rates of pay for child care workers will only exacerbate these problems. In this context we note the following observations from the Think Tank Report:

"It is an irony that at the time when we understand more about the early years of a child's development, and the contribution that high quality care can make, we also have a lack of qualified workers to support the provision of care."¹⁸²

This AIRC decision recognised the inherent inequity in wages in childcare and therefore aligned qualifications with those in the metal trades so as to provide a structure to address the inequity. This structure however did not reflect the real situation whereby metal trades workers have been able to take advantage of bargaining to effect wage increases in a way not available to childcare workers. The underpayment in childcare has therefore continued and has been exacerbated by the lack of bargaining and reliance on award rates. Workers covered by collective agreements are on average \$9.00 an hour better off than those reliant on an award.¹

Since the 2005 decision, the wage gap between childcare and metal trades has broadened. The childcare sector largely relies on Fair Pay increases which are historically low. Fair Pay wage decisions in 2006, 2007 and 2008 have delivered a total hourly rate increase of \$1.56 an hour for those workers earning up to \$700 per week and \$1.29 an hour for those earning above. In childcare those earning \$700 per week and above comprise approximately 43% of the workforce.² It is important to note however that other than Centre Director positions, wages are only marginally above \$700 per week. By comparison wage increases in the two metals agreements (see table below) increased from 2007 to 2009 by between \$1.62 and \$2.67 per hour.

This table highlights the significant difference in actual wages across the two industries. The two metals agreements in the table were randomly chosen and are fairly standard agreements in the metal trades industry.

¹ Peetz, David & Preston, Alison. AWA's, Collective Agreements and earnings: beneath the aggregate data. 2007

² Watson, Louise. Pathways to a Profession. Education and Training in early childhood education and care, Australia. August 2006.

Qualification/ Position	<i>Metals CA No. 1</i>	<i>Metals CA No. 2</i>	<i>Childcare VIC</i>	<i>ABC MBA</i>
<i>Unqualified Childcare Equal to C14/13 trade rate in the metals industry</i>	C13 level \$20.52 per hour = \$779.76 per week	Entry \$20.70 per hour = \$786.70 per week	Unqualified 1.1 \$14.65 per hour = \$556.70 per week	Unqualified \$14.65 per hour = \$556.70 per week
<i>Certificate III Childcare Equal to C10 trade rate in the metals industry</i>	C10 level \$24.97 per hour = \$948.86 per week	C10 level \$27.13 per hour = \$1030.94 per week	Childcare Worker 3.1 (Certificate III) \$16.78 per hour = \$637.64 per week	Childcare Worker (Certificate III) \$16.78 per hour = \$637.69 per week
<i>Diploma in Childcare Equal to C5 30% above the trade rate</i>	C5 level \$32.46 per hour = \$1233.48 per week	C5 level \$34.06 per hour = \$1294.25 per week	Childcare Worker 3.4 (Diploma) \$18.98 per hour = \$721.24 per week	Childcare Worker (Diploma) \$18.98 per hour = \$721.24 per week
<i>Director of Childcare Centre or equivalent</i>			Director Level 3 (over 60 places) (at least Diploma) \$26.57 per hour = \$1009.66 per week	

Abbreviations

Metals CA No. 1 = Joy Mining Machinery (Moss Vale Site) Certified Agreement 2006

Metals CA No. 2 = Prysmian Power Cables and Systems Australia Pty Ltd Union Collective Agreement 2007

Childcare VIC = Children Services (Victoria) Award 2005

ABC MBA = ABC Learning Centres/LMHU Multiple Business Agreement 2006

Metals award relativities = Metal, Engineering and Associated Industries Award 1998

The introduction of the low paid bargaining stream with the Fair Work Act in July 2009 is unlikely to remedy the low wages in the childcare sector. Parts of the sector have a history of bargaining which despite not delivering real wage increases will exclude access to the low paid stream. Childcare bargaining has largely been undertaken to protect award conditions. Bargaining will not deliver the increase needed to gain parity with the metal trades industry.

Undervaluation in the childcare sector is entrenched and will not be addressed by a one off change to the award as shown by the continued and growing inequity between childcare and metal trades since the 2005 AIRC decision to align the two industries. Whilst LHMU thinks this alignment is useful, the wage inequity continues. Additionally the current adversarial structure of determining wages can detract from the intrinsic merits of pay equity and hamper the delivery of wage justice.

Metal trades workers are predominantly paid under collective agreements which put the real industry wage standard around \$9.00 per hour above the relevant award rate. If it is accepted that qualifications across sectors are equal then it follows that the wages should also be equal.

The Childcare sector relies on parental fees (subsidised by childcare benefit and child care tax rebate) therefore a substantial increase in wages would lead to an equally substantial increase in parental fees. Given this the likelihood of achieving wage justice based on real pay equity is limited. LHMU believes there is some capacity in the sector to pay increased wages but additional government funding paid directly to childcare centres is needed to achieve pay equity. Any such funding needs to be indexed to ensure it keeps pace with real wages and linked to wage increases.

To address this continued inequity, a pay equity principle that gives the AIRC powers to initiate matters, which compels an investigation around industry rates of pay and for the AIRC to do its own independent research to establish inequity must be legislated. There should be an ability for the AIRC, Unions and employers to work together to remedy inequity. In the event that agreement is not reached the Commission should have powers to issue orders.

For further information please contact Sue Lines, Assistant National Secretary or Melissa Coad, Political Strategist, National Office, LHMU.