# Table of Contents

About Per Capita .......................................................................................................................3

  About the author .....................................................................................................................3

  Acknowledgements .................................................................................................................3

Executive summary ....................................................................................................................4

Introduction ..................................................................................................................................5

The crisis in care ..........................................................................................................................8

  Neglect: the state of aged care in Australia ...........................................................................9

  Insecure working conditions put both care staff and recipients at risk ..........................11

  Systemic failures require a system overhaul ....................................................................13

  Disability care .........................................................................................................................13

  Early childhood education and care ....................................................................................15

The ‘pink collar’ recession ........................................................................................................17

  The collapse in women’s employment .................................................................................17

  Women cutting hours of paid work .....................................................................................18

Why we don’t value care work ..............................................................................................19

How care work is undervalued in Australia ..........................................................................21

  High levels of workplace gender segregation .................................................................22

  Women’s work is underpaid by design .............................................................................24

  Australian women are more likely to work part-time .....................................................25

  The real gender pay gap ....................................................................................................26

After COVID-19 .......................................................................................................................27

  Early policy responses have worked against women .......................................................27

  A gender-blind roadmap to recovery .................................................................................28

Investing in the care economy ...............................................................................................29

Conclusion ................................................................................................................................32

Recommendations ...................................................................................................................35

  Investment in the care economy through government stimulus ....................................35

  Broader sectoral reforms .................................................................................................35

  Workplace regulation reforms .........................................................................................35
About Per Capita

Per Capita is an independent progressive think tank, dedicated to fighting inequality in Australia. We work to build a new vision for Australia based on fairness, shared prosperity, community and social justice.

Our research is rigorous, evidence-based and long-term in its outlook. We consider the national challenges of the next decade rather than the next election cycle. We ask original questions and offer fresh solutions, drawing on new thinking in social science, economics and public policy.

Our audience is the public, not just experts and policy makers. We engage all Australians who want to see rigorous thinking and evidence-based analysis applied to the issues facing our country’s future.

About the author

Emma Dawson is the Executive Director of Per Capita. She has worked as a researcher at Monash University and the University of Melbourne; in policy and public affairs for SBS and Telstra; and as a senior policy adviser in the Rudd and Gillard Governments.

Emma has published reports and articles on a wide range of public policy issues. She is a regular contributor to Guardian Australia and The Australian Financial Review, and various ABC Radio programs. She is an Honorary Fellow in the School of Social and Political Sciences at the University of Melbourne.


Acknowledgements

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This paper is dedicated to the memory of The Hon. Susan Ryan, whose life-long advocacy for women, the elderly and people with disabilities made Australia a better society. Susan’s support for Per Capita’s work on the care economy and gender equality, and her personal advice to the author, were deeply appreciated and are already greatly missed.
Executive summary

COVID-19 has exposed a crisis in Australia’s systems of social care, for the elderly, for children and for people with disabilities.

At the same time, women have been disproportionately affected by the loss of jobs and hours of work as the most severe recession in a century has had an immediate impact on many jobs in the services sector, a not inconsiderable number of which are unlikely to return.

Despite this, government policies in response to the pandemic and associated recession so far have overwhelmingly favoured male-dominated industries such as construction and manufacturing, displaying a traditional bias to investment in hard infrastructure and the jobs that create tradeable goods, over social infrastructure and the growing number of jobs that provide services.

This paper argues for a significant government investment in the care economy, to create jobs for women, to improve the pay and conditions of essential care workers already in the system, and to improve the quality, affordability and accessibility of care for all Australians.

Australia spends relatively little on the provision of care as a percentage of Gross Domestic Product, when compared to other developed nations with robust systems of care. Out-of-pocket costs for child care and elder care are a barrier to access for many families, and a significant restriction on women’s participation in the paid labour force.

Drawing on recent research from the UK, this paper argues that a stimulus investment in the care economy equivalent to that made in construction will reap greater rewards for the nation, both in terms of jobs created, especially for women, and in the improvement in the quality of care we provide to our most vulnerable citizens.

The paper outlines the structural failings within Australia’s systems of social care, and examines why care work remains undervalued and underpaid. It links the systemic failure to value care work with the devastating outcomes in aged care revealed through the recent COVID-19 crisis, and argues for a rebalancing of economic values to ensure that reproductive labour is adequately recognised and rewarded.

As we rebuild our economy in the wake of COVID-19, we have the opportunity to fix broken systems, and to rethink what we value as a society, and what kind of country we want to be. Rather than a gas-fired recovery, this paper argues for a care-led recovery, in which we focus on the things that really matter to Australians: the health and wellbeing of their families and communities, the time they have to spend with one another, the security of their work and the recognition of the value we find in caring for one another.

We need a new social compact for Australia, centred on the concept of care: care for each other, care for our communities, care for our environment, care for our future.

This can and should begin with an investment in the care economy.
Introduction

It has become a cliché to say that the health and economic crisis inflicted by COVID-19 has exposed the fault lines in our society, but the cliché rests on truth. Just as individuals living with complex health conditions are at greater risk from COVID-19, our 21st century Western civilisation is beset by economic and social comorbidities that has left us dangerously exposed to the effects of a global pandemic and economic collapse.

Crises tend to reveal long-hidden truths, and expose both the best and worst features of societies. During the last six, strange months, Australians have shown a remarkable propensity to make personal sacrifices in pursuit of the greater good: to restrict social activities and give up individual freedoms in order to protect the most vulnerable among us and work together to overcome this once-in-a-century pandemic. The care we have shown for one another has been, in many ways, extraordinary.

At the same time, the pandemic has shone a harsh light on some of the great inequities in our social and economic systems, most particularly in the areas of labour market regulation, social security and healthcare and social assistance.

The early impact of this recession is being felt most acutely by women and young people who, having been far more likely to be working in insecure and low-paid jobs before the pandemic struck, have suffered the greatest loss of employment.

At the same time, the COVID-19 crisis has revealed structural weaknesses in Australia’s systems of social care, most obviously in aged care but also in the system that provides support to people with disabilities, and the early childhood education and care sector.

It is critical that we take decisions now that will reconstruct an economy that works in the interests of the people, lifting living standards and restoring sustainable, equitable growth that can provide security and prosperity for future generations.

This will require a shift in our thinking: a change to how we measure social and economic progress, by utilising not just the simple, often brutal, measures of profit and productivity, but valuing the things that matter to people—the health and happiness of their families, the connectedness of their communities, the sustainability of their environment, the security and prosperity that comes from their work.

We need a new social compact for Australia, centred on the concept of care: care for each other, care for our communities, care for our environment, care for our future.

This paper argues that we must commence this project by revaluing the work of the care economy, and investing in the social infrastructure that ensures that we collectively provide the best possible care to the most vulnerable members of society.

As the virus spread throughout the world, many knowledge economy workers were able to sequester themselves at home, safely ensconced away from the threat of infection. Care workers, though, continued to toil on the front lines of the pandemic, risking their health and that of their families to provide health
care and social assistance to those most vulnerable to the effects of the disease, in hospitals and aged care homes, and through the provision of in-home care to the elderly and people with disabilities.

As we grapple with this profound social and economic shock, it has become clear that the workers essential to the operation of society are not highly paid executives in financial services and investment banking; they are the people stacking our supermarket shelves, nursing our sick, caring for our elders, cleaning our hospitals and educating our kids.

They make up what is often called the “care economy”, and are amongst the lowest paid workers in society, because much of what they do – providing food, cleaning, teaching and caring – is regarded as women’s work, and we don’t value it. Our economic system refuses to value the work of care.

By lifting the wages and conditions of workers in the care economy, and improving the quality of care they are able to provide to those in need, we can begin to rebuild social systems that are sustainable, resilient and inclusive.

The major barrier to such a shift in thinking is that, in our capitalist market economy, care work is dismissed as unskilled, uninspiring and unworthy of investment. Instead, economic orthodoxy dictates that investment, both public and private, should be targeted to innovation, to adding monetary value to raw materials and to building wealth through the creation of new products and services that we didn’t know we needed.

Particularly in the case of government stimulus investment during economic contractions, the orthodox policy approach is to take on public debt only to make capital investments in “hard” infrastructure, which are seen to create wealth and provide long-term returns that will benefit current and future generations. Such investments overwhelmingly favour growth in jobs that are disproportionately held by men.

Traditional stimulus investment in physical infrastructure – buildings, roads and rail – and male-dominated manufacturing industries is necessary, but insufficient. It won’t provide direct support to the hundreds of thousands of Australian women who have lost their often-part-time jobs in retail and hospitality, or fix the acute crisis in aged care, and the one looming in early childhood education and care, that threaten to reverse the labour market gains made by women over the last two decades.

An economic recovery plan that is focused only on traditional, male-dominated hard infrastructure sectors also ignores the reality of the 21st century Australian economy, in which the production of goods by the agricultural, mining, manufacturing and construction industries accounts for just 23 per cent of Gross Domestic Product (GDP), while services, including healthcare and social assistance, contribute the remaining 77 per cent.

Moreover, many of the jobs that used to come from the indirect employment effect of spending on physical infrastructure – the mining of resources, driving of trucks and operation of production lines - are being rapidly displaced by automation. The multiplier effect of traditional stimulus spending is less than it was last time Australia faced a recession, while work in the care economy is less vulnerable to displacement by automation.
Unprecedented circumstances require new thinking. To restore our economy, and build a better future, governments of all stripes must accept the need for investment in social, as well as physical, infrastructure – and particularly in the care economy.

A significant public investment in the care economy as we pursue our recovery from the greatest economic shock in a century will pay dividends across society. Increasing the number of care jobs, and improving the pay and conditions of such work, is likely to generate more jobs than will traditional forms of government stimulus, particularly for women who have been hard hit by this recession, and provides social and economic returns beyond the lift in employment figures. Investment that lifts the quality, and increases the availability, of care for children and vulnerable adults, also supports more labour force participation by women across all industry sectors.

The challenge before us is to build on the extraordinary care Australians have shown for one another during the COVID-19 pandemic to reclaim the purpose of economic growth, which is to improve the living standards of all Australians and create a better future for our children and grandchildren. Investing in the care economy is the perfect place to start.
The crisis in care

COVID-19 has exposed severe structural weaknesses, and systemic under-investment, in Australia’s systems of care for children, the elderly and people with disabilities. While much of the bricks-and-mortar infrastructure within these privatised industries is state-of-the-art, the quality of care delivered, the day-today resources available (including medical equipment, food and protective personal equipment for staff) and the working conditions and rates of pay of the essential workers who provide that care, are too often compromised in the pursuit of profits or operating surpluses.

Most shockingly over recent months, systemic failings in privatised residential aged care have caused a devastating spread of the disease and high rates of mortality among vulnerable elderly Australians, destroying trust in the system and leading a growing number of families to withdraw their relatives from institutions in favour of home-based care.

Our privatised system of early childhood education and care (ECEC), too, has been revealed as structurally fragile. As parents lost jobs and hours of work, the withdrawal of children from long day care resulted in an emergency response by government to waive fees in order to prevent the entire collapse of the system. As this was only a temporary measure, however, and income support through the JobKeeper wage subsidy was withdrawn from ECEC workers months before any other industry, a significant contraction of the sector and the permanent loss of jobs within it seems likely.

The limited government interventions to support the care sector during COVID-19 have so far been aimed at shoring up the existing business model of private providers, without providing meaningful additional investment or improved regulation. If we are to fix the endemic failings in our systems of care, and improve the wages and conditions of workers in the sector, a new approach is needed.

This must commence with the recognition that Australia’s public investment in care is low by international standards (see Table 1), and that lifting this investment will not only create jobs but increase social cohesion and community wellbeing, and reduce long-term and acute health costs.

Table 1: Public spending on care services (percentage of GDP, circa 2011)

<table>
<thead>
<tr>
<th></th>
<th>Childcare Services</th>
<th>Long-term care services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>0.38</td>
<td>0.80</td>
</tr>
<tr>
<td>Denmark</td>
<td>1.51</td>
<td>2.35</td>
</tr>
<tr>
<td>Germany</td>
<td>0.49</td>
<td>1.02</td>
</tr>
<tr>
<td>Italy</td>
<td>0.62</td>
<td>1.04</td>
</tr>
<tr>
<td>Japan</td>
<td>0.13</td>
<td>1.87</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.44</td>
<td>1.42</td>
</tr>
<tr>
<td>United States</td>
<td>0.37</td>
<td>0.57</td>
</tr>
</tbody>
</table>

Source: reproduced from De Hanau and Himmelweit 2020
Neglect: the state of aged care in Australia

The impact of a once-in-a-century pandemic on a system of privatised, under-resourced and under-staffed care merely compounded the deep faults that were revealed in 2019 by the interim report of the Royal Commission into Aged Care Quality and Safety, which was, damningly, titled simply “Neglect”. The inability of the system to cope with COVID-19 was entirely predictable: the system was failing long before the onset of COVID-19.

In its Report on Government Services released just prior to the arrival of the pandemic in January 2020, the Productivity Commission reported that

*Total government expenditure reported on aged care services in 2018-19 was $20.1 billion or $4874 per older person. This comprised expenditure of $13.2 billion on residential care services, $5.9 billion on home care and support services and $1.0 billion on other services, such as flexible care and assessments.*

The report further noted that, at June 2019, there were 213,397 people in Australian residential aged care services, while a further 106,707 people were in receipt of Home Care Packages. Damningly, the Productivity Commission noted that the median waiting time to receive a Home Care Package after then initial application ranged from seven months for a level 1 package to 34 months, or almost three years, for a level 4 package, which provides the highest level of care.

In-home care is overwhelmingly the preferred choice of older Australians in need of support: entering a residential aged care facility is usually an option of last resort. The length of time elderly people have to wait before being assigned an appropriate Home Care Package was the subject of criticism in the interim report by the Royal Commission, which found that, perversely, the more acute was a person’s need for care, the longer they were forced to wait for the provision of an appropriate home care package at the level of their assessed need (see Table 2).

<table>
<thead>
<tr>
<th>Package Level</th>
<th>25th percentile</th>
<th>Median</th>
<th>75th percentile</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>3</td>
<td>7</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td>Level 2</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td>Level 3</td>
<td>6</td>
<td>18</td>
<td>23</td>
<td>16</td>
</tr>
<tr>
<td>Level 4</td>
<td>9</td>
<td>18</td>
<td>31</td>
<td>22</td>
</tr>
</tbody>
</table>


In fact, the Commission found, many people die while waiting for their approved home care package, which the Commissioners regarded as “totally unacceptable”. In the 2017 – 2018 financial year, more than 16,000 people died while on the waiting list for an already approved Home Care Package.

Despite the desperate need for more Home Care Packages, government action to close the waiting list has been slow. The commission found that, allowing for time to train and recruit the required additional home care workers, waiting times could be reduced to no more than 60 days for any package level within two years, at a cost of around $2.5billion per annum.

At the time of writing, official data from the My Aged Care website shows that more than 103,000 Australians were waiting for a Home Care Package in March 2020, including almost 22,000 waiting for a Level 4 package, which is the highest level of care, sufficient to allow a frail elderly person to remain at home rather than enter residential aged care. These figures are expected to increase significantly over the next five years as the Australian population ages.

Over the same period, Australian can expect to face significant workforce shortages in the care sector, as the number of migrant workers on temporary visas is reduced due to international travel restrictions. In the five years to the 2016 Census, the proportion of frontline care workers that were born overseas increased by almost 6 per cent, and is significantly higher than is found in the total Australian workforce (see Figure 1). As noted by researchers in the Gender, Migration and the Work of Care study, at RMIT, UNSW and the University of Sydney, such workers “…are on average younger, less likely to be male and have a higher level of formal qualifications than their Australian born peers. They increasingly come from non-English speaking countries, with recent migrants more likely to arrive on temporary visas”.4

Given that the sector relies on migrant workers for more than a third of its workforce, an investment to train local workers to enter the care sector, and bring their qualifications into line with overseas-born care workers, will be critical, both to accommodate the rising demand for aged care services, and to fill the workforce shortage that will inevitably result from reduced migration levels in coming years.

Figure 1: Overseas-born workers in care occupations and the total workforce, Census 2011 and 2016

Source: reproduced from Eastman, Charlesworth and Hill, 2018

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4 Eastman, C, Charlesworth, S and Hill, E, Factsheet one: Migrant Workers in Frontline Care, from Australia Research Council DP160100175, Markets, Migration and the Work of Care in Australia and Social Sciences and Humanities Research Council of Canada Partnership Grant No. 895-2012-1021, Gender, Migration and the Work of Care.
The last significant funding commitment for Home Care Packages was $3 billion for around 50,000 additional packages in the 2018 federal budget. While the Prime Minister announced an additional $325.7 million for 6,105 packages in July 2020, none of these were at Level 4.

In fact, Australia’s spending on long term care (LTC) for older people is low by OECD standards (see Figure 2).

Figure 2: Expenditure on LTC for older people as a percentage of GDP (2015)

As COVID-19 began to spread through privately-operated aged care homes – first in New South Wales and later in Victoria – decades of under-investment and lax regulation resulted in devastating outcomes, which has destroyed the already fragile trust of the Australian people in residential aged care. As a result, more families are choosing to remove elderly residents from residential facilities, or delay their entry. This will inevitably lead to even more demand for Level 4 Home Care Packages in the months ahead.

Insecure working conditions put both care staff and recipients at risk

The spread of the virus among the most vulnerable Australians was largely attributed to its transmission by care workers who, unable to afford to take time off while symptomatic due to lack of paid sick leave, presented to work while infectious. While some may have picked up the virus outside the workplace, it became evident that others were becoming infected in one residential aged care facility, and carrying it to another due to their need to hold multiple jobs across different sites in order to secure a living wage.

As aged care facilities, once known as nursing homes, became overrun with COVID-19, and infected staff were stood down, the strain on the remaining workforce soon overwhelmed their ability to provide...
adequate care for the vulnerable elderly people in their charge. With the ratio of staff to residents at a bare minimum, and many homes not even having qualified nurses on site around the clock, seriously ill and vulnerable people were left without care for hours and even days at a time.

The crisis in aged care has made it impossible to ignore not only that work in the care economy is undervalued and underpaid, but that the conditions of most frontline jobs in the sector are poor.

Not only are many workers in the fields of aged care, disability care and early childhood education and care, who are required to have at least Certificate III level qualifications, paid little more than the minimum wage available to workers with no skills or qualifications, they more likely than workers in other professions to be employed under insecure and non-traditional working arrangements. Care work is characterised by higher rates of casual and part-time work, and a greater use of labour-hire and contract employment.

In its submission to the Senate Community Affairs Reference Committee’s inquiry into the future of Australia’s aged care workforce in 2016, United Voice, then one of the key unions representing care workers, cited troubling statistics about the number of workers in the aged care sector who needed to work for more than one employer to make ends meet. According to the submission:

> the proportion of workers who have more than one job is more than twice that among aged care workers as in the workforce as a whole. The general prevalence of multiple job holding is 5.4% whereas it is 10% among residential aged care workers and 14% among community aged care workers.\(^5\)

Further, the union cited an increasing prevalence of “zero hours contracts”, under which workers are not guaranteed minimum hours and have no access to sick pay. Workers surveyed for the submission also complained of being under unreasonable time pressure at work, with inadequate allowances within their contracts for sufficient time to provide quality care to patients.

It is also important to note that workers in the field of Healthcare and Social Assistance have the highest risk of serious workplace injuries of any Australian workers and, outside of mining and education, it is the only sector in which such risks have increased, rather than decreased, over recent decades. In fact, care workers are a third more likely to sustain a serious injury in the course of their work than are workers in the construction industry, yet the rates of pay for care workers do not adequately compensate them for this unacceptably high level of risk.\(^6\)

The systemic insecurity of employment in the care economy has been pursued by providers, and allowed under government policy, in the pursuit of cost savings and profit growth for private, for-profit operators of both residential and in-home care. This workforce ‘flexibility’ reduces the cost of labour for providers by eliminating on-costs such as sick leave and other workplace entitlements, and often, by keeping monthly hours for each employee below the mandated threshold, even negates the requirement to pay superannuation to care workers.

In a system that is run on such tight operating margins, there is barely enough capacity to deal effectively with common illnesses, let alone with an outbreak of such a highly infectious disease.

\(^5\) United Voice Submission: Senate Community Affairs References Committee The future of Australia’s aged care workforce March 2016, P 15.

\(^6\) Safe Work Australia, [Disease and Injury Statistics by Industry](https://www.safeworkaustralia.gov.au/).
Systemic failures require a system overhaul

On 1 October, the Royal Commission released a special report on the response of the aged care sector to COVID-19, and its findings were damning. Months after the virus was first detected in aged care facilities in NSW, the Commission found that there was a lack of planning to deal with further outbreaks, insufficient provision of resources, including personal protective equipment for staff, inadequate infection control procedures and confusion around lines of responsibility.

As of 19 September 2020, there had been 629 deaths in residential aged care due to COVID-19, roughly three-quarters of all Australian fatalities due to the virus (at the time of writing, that figure has increased to more than 650). Surviving aged care residents, the Commission found, were suffering from higher rates of anxiety and depression, loneliness due to the enforced restrictions on visitors, and increased levels of confusion and disorientation.7

While the final report of the Royal Commission is likely to call for a significant increase in federal funding to the residential aged care system, this will not be enough. As long as the system is structured and regulated in the interests of for-profit providers, rather than the interests of the people it is supposed to care for, the quality of care provided to our most vulnerable citizens will remain below community expectations.

Similar workforce and regulatory issues beset the operation of disability care and early childhood education and care. All systems operate by minimising the cost of labour, limiting the provision of resources, curtailing spending on essential provisions such as equipment for staff and food for residents, and maximising revenue at the expense of the quality of care.

Disability care

Despite significant reform of the disability care system with the creation of the National Disability Insurance Scheme (NDIS) a decade ago, the sector remains beset by claims of neglect and inadequate provision of care to people with disabilities, while the workforce reports that the NDIS has failed to improve working conditions for carers in the field.

The Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disabilities is less advanced in its deliberations than the concurrent Royal Commission into Aged Care Quality and Safety, but early reports from the Commission reveal significant problems in the provision of care for people with disabilities across a range of institutional settings.

In its Second Progress Report, published on 30 June 2020, the Commission reported that more than 1,000 submissions had been received, more than 80 per cent of which were directly from people with disabilities or their family members. The submissions told of “experiences of violence, abuse, neglect and exploitation across a range of settings, including education, homes and living arrangements, the health and justice systems and the NDIS”.8

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8 Commission into Violence, Abuse, Neglect and Exploitation of People with Disability, Second progress report, June 2020, P 28
Common themes in the submissions to the Royal Commission include a lack of choice and control over care services provided, a lack of access to such services and the use of restrictive practices and involuntary treatment. Once recent submission spoke of the experience of receiving in-home care from disability support workers during the early stages of the COVID-19 pandemic:

> With the Coronavirus pandemic at the moment, I am worried that most of my support workers don’t have masks. I don’t know where they have been or who they come into contact with in their daily lives … I don’t want my health to be compromised, but I obviously need the support. Only one of my support workers wears a mask. I really think that agencies should give all support workers masks, for their own protection, as well as their clients’ protection, although I understand it could intimidate some clients.

Despite the enthusiasm and hope that heralded the creation of the NDIS, a recent UNSW study of the disability care workforce found that only one in five of 2,300 workers surveyed nation-wide in March 2020 felt that their jobs had improved under the system.

Researchers Natasha Cortis and Georgia van Toorn found that, almost a decade into the operation of the NDIS “…the scheme is continuing to operate in ways that are at odds with its person-centred ethos.”

As is the case in the aged care system, a major concern for disability care workers is the increasing casualization of their employment, with many respondents to the survey reporting that they needed to work multiple part-time jobs for different employers. Unstable rostering and shift changes were also a growing feature of the workforce, which undermines the consistency of care shown to vulnerable people while also increasing stress and insecurity for workers.

Supervisors in the system reported having too many workers to manage, meaning that too often workers with less than Certificate IV qualifications were left unsupported when making critical care decisions, while tasks such as reporting to supervisors, liaising with colleagues and completing case notes were often required to be completed outside of paid working hours, with respondents reporting an average of 2.6 hours of unpaid work each day to complete these core tasks.

Worryingly, the report found that a significant number of current disability care workers intend to leave the sector within five years, making workforce retention and recruitment an acute issue in need of government redress.

The co-author of the report, Dr Natasha Cortis, was blunt in her assessment of the system’s failings upon the report’s release, saying “It’s difficult to resolve these problems where the service system is designed around a market-based model with low employment regulation, where profiteering is a real risk… Extra resources are needed, but these should be carefully directed to support quality provision at the frontline”.

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9 Op Cit P. 29.
10 Ibid
12 Ibid
Early childhood education and care

Australia’s public investment in Early Childhood Education and Care (ECEC) is low compared to developed nations with high quality ECEC systems (see Figure 3). In 2018 – 2019, government spending on ECEC totalled approximately $8 billion.

Figure 3: Public spending on early childhood education and care as a percentage of GDP (2015)

Source: OECD, Public spending on early childhood education and care, Social Expenditure database

At the same time, as Table 3 shows, the proportion of household income needed to meet childcare costs in Australia is the fourth highest in the OECD, in which the average is just 11 per cent.

Table 3: Countries with the most expensive childcare (percentage of household average earnings, 2019)

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage of pay for childcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 New Zealand</td>
<td>37.3%</td>
</tr>
<tr>
<td>2 United Kingdom</td>
<td>35.7%</td>
</tr>
<tr>
<td>3 United States</td>
<td>33.2%</td>
</tr>
<tr>
<td>4 Australia</td>
<td>31.1%</td>
</tr>
<tr>
<td>5 Ireland</td>
<td>27.8%</td>
</tr>
<tr>
<td>6 Switzerland</td>
<td>27.7%</td>
</tr>
<tr>
<td>7 Japan</td>
<td>26.8%</td>
</tr>
<tr>
<td>8 Slovak Republic</td>
<td>26.1%</td>
</tr>
<tr>
<td>9 Canada</td>
<td>22.9%</td>
</tr>
<tr>
<td>10 Finland</td>
<td>21.5%</td>
</tr>
</tbody>
</table>

Source: OECD

14 https://www.oecd.org/social/expenditure.htm
In dollar amounts, Australia spends approximately $4000 per child on ECEC, which is about 20% less than the EU average of $4700), and 28% less than the high-income OECD average, which is $5552.

As noted by the Grattan Institute in its August 2020 report, *Cheaper childcare: A practical plan to boost female workforce participation*, the high cost and limited availability of ECEC in Australia is a significant barrier to women’s labour force participation in Australia, with the cost of care being by far the most common reason that parents cite for limiting their opportunity to take on more paid work (See Figure 4).\(^\text{15}\)

*Figure 4: Of parents who want more work and for whom childcare is the problem, proportion prevented by…*

The inaccessibility of ECEC in Australia not only limits women’s capacity to work as many hours as they would like outside the home, it has a detrimental impact on children’s development. Data from *Thrive by Five*, a new Australian campaign for universal and affordable early childhood education, asserts that 22 per cent of Australian children start primary school with some form of developmental delay, while 18 per cent of existing ECEC centres don’t meet the current national standards of early learning quality.

Further, fewer Australian children attend kindergarten for at least one year, with 11.5 per cent missing out on this essential early learning, compared to just 6.2 per cent on average across comparable OECD countries.\(^\text{16}\) Investing in Early Childhood Education and Care, then, would not only increase women’s workforce participation and lift the wages of care workers in the sector today, it has significant long-term productivity gains. In fact, research by Price Waterhouse Cooper for *The Front Project* in 2019 found that, for every dollar invested in ECEC today, Australia receives two dollars in return over the course of a child’s life.\(^\text{17}\)

\(^{15}\) Wood, D, Griffiths, K and Emslie, O, *Cheaper childcare: A practical plan to boost female workforce participation*, Grattan Institute, August 2020
\(^{16}\) https://thrivebyfive.org.au/
The ‘pink collar’ recession

The collapse in women’s employment

There are many ways in which the recession brought about by the impact of COVID-19 is unlike any we have experienced before. While previous recessions were typified by declining aggregate demand for manufactured goods and services, the current downturn is marked by a partial or total shutdown of many service industries.

For example, while purchases of household electronics, furniture, garden and homewares was up to 30 per cent in June compared to January 2020, spending on childcare, travel, education and leisure declined by equally significant proportions.\(^\text{18}\)

Figure 5 provides a snapshot image of consumer spending for the week ending the 13th of September compared to the previous year. The effects on female dominated industries can be seen particularly in the care, education, travel, leisure and retail sectors.

Figure 5: Change in consumer spending by category, week ending 13 September 2020, year on year (percentage)

Source: AlphaBeta 2020

In short, the previously unthinkable restrictions imposed on our commercial and social pursuits have resulted in an unparalleled collapse in demand, which has had an immediate impact on sectors of the

\(^{18}\) Zip Weekly Spending Index, June 2020.
market unused to bearing the brunt of economic shocks, with widespread jobs losses in retail, tertiary education, entertainment and hospitality.

The pandemic has accelerated changes in consumer behaviour, such as the shift to online commerce and home delivery, that will have an ongoing impact on retail and hospitality: it is unlikely that job numbers in either industry will recover quickly, if at all, to pre-pandemic levels. Universities, too, are shedding jobs at an alarming rate, and many of the jobs in research, teaching and administration that have been lost will not return even if and when do international students. As a result, unemployment for women in this COVID-induced economic collapse is double that of the 1990s recession: while women suffered roughly 25 percent of all job losses in the early 1990s, they account for more than 50 per cent of the newly unemployed today.

Women cutting hours of paid work

A side-effect of the temporary closure of schools and limitations on access to early childhood care and education due to the pandemic was, of course, an increased need for at-home child care. As a result, a significant number of women stopped trying to find work altogether, or voluntarily reduced their working hours, as a result of the early impact of COVID-19 on home life.

ABS Labour Force data from the early months of the pandemic showed that, following the biggest decline in labour force participation since the early 2000s in March and April 2020, women were 50% more likely than men have stopped looking for work. Further, the ABS found that while men had reduced their hours of work by 7.5% in response to the pandemic, women did so by 11.5%.19

These statistics almost certainly reflect the fact that women are taking on a disproportionate amount of additional unpaid work at home as families adjust to living in isolation. Studies into the Australian experience of sharing unpaid work during the pandemic are underway20, but international research shows that women have taken on more of the extra care work needed during lock-downs, as children engage in online learning and adult family members work from home.21

Given women in Australia already did 80% more unpaid work than their male partners before the pandemic struck - a significantly higher proportion than in comparable developed nations - it is unsurprising that women are the ones giving up paid work to cater to the needs of their families.22 While for many low-income women, who are often the “second income earners” in their households, this may mean exiting the labour force altogether for some time, even higher income women with secure jobs are more likely than are their male partners to cut back on hours to pick up the load at home.

Taken together, the outcome of this unusual and unparalleled health and economic crisis is an unprecedented loss of jobs held by women, a widespread reduction in hours worked by those still employed, and a significant reduction or loss of trust in many of the outsourced care services women rely on in order to participate fully in the workforce. This is why some have dubbed this a “pink collar recession”.

21 https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(20)30526-2/fulltext
22 Dawson, E, Kovac, T and Lewis, A, Op Cit, P. 19
Why we don’t value care work

The essential workers in the care economy are amongst the lowest paid in our economy. While the acute crisis of the pandemic revealed them as the most essential workers in our economy, their contribution is greatly undervalued by an economic system that privileges innovation and the production of goods over the mundane work that sustains human life.

Many of these workers are women. There are men amongst their ranks, often first-generation immigrants and people of colour, or those from generations of lower-income manual labourers, but the work they are engaged in, even in the warehouses or the transport and logistics services needed to deliver goods to market, has its roots in the domestic economy.

This work—the provision of care, food and human services—was once the domain of the home. It was, essentially, women’s work, and our economic systems refuse to recognise its value, or even to properly acknowledge it as work at all.

The refusal to value women’s work is a deliberate feature of the global accounting standards by which we measure the growth and progress of our economy. When, almost 80 years ago, British economists James Meade and Richard Stone developed the system of national accounting that would become known as the Gross Domestic Product, they explicitly refused to include the value of women’s domestic and unpaid labour.

Meade and Stone calculated their accounting standard according to the measurement of goods and services that could be bought and sold. A young woman, Phyllis Deane, whom they had hired to apply their method in some remote British colonies, quickly realised that the omission of women’s unpaid domestic labour was a significant flaw in the model, excluding a massive amount of economic activity simply because it was not formally exchanged for money in the economy.

Deane recognised that if the purpose of the national accounts was to inform policies not only to increase national wealth, but to more equitably distribute it, then it was essential to count the contributions of all producers in an economy, which women working in the home most certainly were. Unfortunately, her pleading fell on deaf ears, and to this day, despite further ground-breaking work in the 1980s by Marilyn Waring, the GDP standard does not account for women’s unpaid labour.

Meade and Stone’s decision to exclude domestic labour from the measure of GDP has had a pernicious effect on the distribution of work and the reward for labour in advanced economies, entrenching a fundamental divide between the value imputed to work according to its gendered origins and the purpose it fills in society. Feminist economists characterise the way capitalist economies value work as the ‘sexual division of labour’: that is, men’s work is seen as productive, while women’s work is reproductive.

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25 See C Verschuur & F Calvão, Revalorization of Social Reproduction through Social and Solidarity Economy Practices, UNRISD Issue Brief, 2018
Much reproductive work (or care work) remains unpaid, and still occurs in the home, but, as women have entered the paid labour force in greater numbers over the last half century, an increasing amount of previously unpaid domestic work has been outsourced to paid workers. Yet even though care work has become a service that is bought and sold in the market, the value assigned to it is undermined by the historical belief that domestic labour is something naturally provided for free, by women at home.

What's more, an apparent ignorance of the intergenerational transfer of domestic skills required to perform the essential tasks of sustaining human life informs the pervasive view that care work is ‘unskilled’, despite the fact that it involves a complex mix of physical and psychological abilities. This misconception further corrodes the value ascribed to care work in our capitalist market economy.
How care work is undervalued in Australia

Much attention has been paid over recent years to the Gender Pay Gap (GPG), in Australia and other advanced economies. The passage of the Workplace Gender Equality Act (the Act) by the Australian Parliament in 2012 created the Workplace Gender Equality Agency (WGEA), which is charged with measuring and reporting on the gap in earnings between Australian men and women. Currently, the official GPG sits at 14 per cent.\(^{26}\)

The WGEA has played an important role in highlighting the ongoing problem of women’s lower lifetime earnings but, due to the limitations of its remit under the Act, the gap it measures is not reflective of the undervaluing of women’s work.

Only private sector employers with more than 100 staff are required to report to the WGEA, so that the Agency’s data set covers only about 40 per cent of the population, and is skewed towards higher income earners on annual salaries rather than hourly rates of remuneration. That is, it compares the salaries of men and women working for the same company in similar, relatively well-paid, roles.

By excluding small workplaces, in which women are more likely to be employed, and the public sector, which employs a significant proportion of healthcare and social assistance workers, the data on which GPG reporting are based do not include the majority of women working in the care economy.

Nor, given its focus on large, gender-mixed workplaces in which the salaries of men and women can be easily compared, does the WGEA data adequately recognise the highly segregated nature of the Australian workforce along gender lines, meaning it fails to account sufficiently for the undervaluing of feminised industries: those dominated by female workers engaged in reproductive labour, such as care work.

Further, the Agency’s measurement is based on a comparison of average adult weekly ordinary time earnings (AWOTE) between male and female employees— that is, the income from working full time. The ABS itself notes the deficiencies of this measurement in providing a true picture of the earnings gap experienced by Australian women, due to the fact that it “…omits a large proportion of female employees who… are more likely to be employed on a part-time basis”.

Taken together, these limitations prevent the WGEA from adequately taking account of the structural differences between men’s and women’s work when measuring the Gender Pay Gap. Despite the Agency’s efforts to note the structural gender divisions within the Australian workforce, the accepted metrics for measuring the official GPG are biased against women.

In order to understand how women’s work, especially that of the care economy, is undervalued, it is necessary to look beyond this headline data and to the structural inequalities within the Australian labour force.

High levels of workplace gender segregation

Australia has an historically high rate of occupational gender segregation: in the 1980s, we had the most segregated labour force of any OECD nation, and the gender segregation rate today remains relatively high.\(^{27}\) WGEA data shows that “…the majority of Australian employees continue to work in industries dominated by one gender. Only 46.5% of employed Australians work in gender mixed organisations.”\(^{28}\)

WGEA data conclusively shows that people working in industries with a predominantly female workforce have lower salaries than those working in male-dominated industries. In particular, jobs that involve caring for others are exceptionally gender segregated, and underpaid: both education and training, and health care and social assistance, the sectors in which caring jobs are categorised, are heavily dominated by female workers (see Figure 6).

Figure 6: Occupations by gender and parental status

Source: Labour Force Survey, Australia (cat. No. 6202.0) November 2019

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\(^{27}\) https://ro.uow.edu.au/cgi/viewcontent.cgi?article=3039&context=artspapers

While women make up 70% of the global health and social care workforce\textsuperscript{29}, in Australia, the figure is significantly higher: 78.2% of workers in our health care and social assistance industry are women.\textsuperscript{30} The administration of tests, the care of those already ill enough to require care in hospital, the provision of medical advice over inundated telephone hotlines\textsuperscript{31} – all are services overwhelmingly provided by nurses, of whom, in Australia, 87.9% are women.\textsuperscript{32}

Other care work is similarly dominated by female workers, none of whom have the luxury of working from home. It is women who care for the children of other essential workers, and looking after our elderly loved ones or relatives with disabilities while they are isolated from family and friends. Whether in classrooms or during the extended periods of online learning at the height of the crisis, the majority of the teachers providing lessons to our kids are women: 81.9% in primary schools, and 60.8% of secondary schools.\textsuperscript{33}

Apart from school and higher education and nursing, these jobs that involve caring for others – childcare, aged care, disability care – pay qualified workers amongst the lowest salaries in our society. These low-paid caring professions are overwhelmingly dominated by female workers: 96% of childcare workers are women,\textsuperscript{34} as are 87% of direct care workers in the residential aged care sector.\textsuperscript{35}

\textbf{Figure 7: Number of care workers by gender}

![Figure 7: Number of care workers by gender](image)

\textit{Source: ABS 2018 Census Table Builder}

More men work in disability care, but that workforce is still female dominated, with 70% of disability support workers being women.\textsuperscript{36}

\textsuperscript{32} https://www.nursingmidwiferyboard.gov.au/About/Statistics.aspx
\textsuperscript{33} https://www.abs.gov.au/statistics/people/education/schools/latest-release
\textsuperscript{34} https://www.unitedvoice.org.au/international_women_s_day_low_pay_fuelling_retirement_anxiety
Women’s work is underpaid by design

Most of the jobs that involves the direct provision of care to children, the elderly and people with disabilities is done by workers on the award wage, meaning that their rate of pay is set according to specific roles within different industrial sectors under Australia’s system of wage arbitration.

Barbara Broadway and Roger Wilkins from the Melbourne Institute of Applied Economic & Social Research at the University of Melbourne released a study in December 2017 that examined the effect of Australia’s award wage system on the gender pay gap. They found that the gender pay gap among award wage earners was only 10%, compared to 19% amongst workers outside the award wage system. They further found that women are more likely to be paid an award rate than men – 18.5% of women compared with 12.4% of men - and conclude that “[t]his suggests that the award wage system functions as a safety net that prevents women’s wages from falling even further behind those of men”.

The award wage system, then, can be seen to be reducing the aggregate gender pay gap in Australia, and helping Australia to avoid the situation that occurs in the US, where low paid women experience a significant gender pay gap. This is largely because the nature of the award system ensures that men and women performing the same task under the same award are paid an identical rate of pay.

Yet the systemic undervaluing of women’s work is reflected in the award wage system, where the gender pay gap persists because workers in female-dominated sectors receive lower award wages than those in male-dominated sectors. Broadway and Wilkins found that the gender pay gap within the award wage system was “…unrelated to differences in education and experience”; rather, it is almost entirely due to the comparative undervaluing of “typically female” work:

…it appears that there is indeed a strong penalty associated with working in an industry that is typically female. This penalty is found for male and female employees alike, and suggests that the award system sets systematically lower minimums the more heavily an industry employs women.

This important research proved that, not only are women in Australia more likely than men to be in a job that is award-reliant, but that such award-wage female workers are “…considerably better educated than the award-reliant male population, and more likely to have had median work experience of 5 to 20 years as opposed to very low work experience of 5 years or less.”

That is, women on the award wage in Australia are more highly qualified and experienced than men in similar employment circumstances, but they are paid less, and the only identifiable reason for this is that they are paid to do work typically done by women.

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37 Broadway, Barbara and Wilkins, Roger, Probing the Effects of the Australian System of Minimum Wages on the Gender Wage Gap, Working Paper No. 31/17, Melbourne Institute of Applied Economic & Social Research, Melbourne, December 2017
38 Ibid, P 12.
39 Ibid, P 13
41 Ibid P 14
42 Ibid, P 22
43 Ibid, page 13
Australian women are more likely to work part-time

Before the pandemic, women comprised 46.9% of all employed persons in Australia. However, women made up just 37% of full-time employees, but 68.7% of part-time employees. Women are much more likely than men to be working part-time in Australia – almost half (45%) of women in the workforce prior to COVID-19 were in part-time roles, compared with just 16% of employed men.\(^\text{44}\)

Among OECD nations, only in the Netherlands, Switzerland and Japan are a higher proportion of women working part-time (see Figure 8). OECD figures also show the employment rate of women in Australia aged between 25 and 54 years is in the lower third of OECD countries.\(^\text{45}\)

Figure 8: Percentage of employed women working fewer than 30 hours per week

Source: OECD, Labour force participation rate by sex and age group, 2018

The high levels of part-time work for women in the Australian labour force are reflective of the unequal distribution of unpaid domestic labour between men and women which, again, is high by OECD standards (see Figure 9). This is partly due to the high cost and limited availability of child care, and the effective marginal tax rates faced by female parents seeking to work more than three days per week.

\(^\text{44}\) Department of Employment, Skills, Small and Family Business, A statistical snapshot of women in the Australian workforce, Canberra, 8 March 2019.

\(^\text{45}\) OECD, Australia should help more women and other underemployed groups into work, 9 March 2017
The real gender pay gap

Researchers at the WGEA understand the issues outlined above but, due to the limitations of its governing legislation, these structural biases in our economic system are captured in the reporting of the Gender Pay Gap under the simple catch-all definition of “discrimination”. This essentially recognises the impact of the discriminatory view that women’s work is of less value than men’s, but lumping the myriad ways this plays out in our labour market and economic system together as simply “discrimination” is not helpful to understanding the specific challenges we need to address if we are to revalue the worth of care work.

Most problematic for the GPG measurement is its reliance on comparing the full-time earnings of men and women, which omits entirely the experience of almost half of working women in Australia who work part time. While using the AWOTE measurement allows analysts to compare ‘apples with apples’, and produce clear and unequivocal evidence of different rates of pay for the same work (which has been illegal in Australia for decades), this approach actively works against a complete understanding of the real causes of women’s significantly lower rates of pay, particularly in underpaid feminised industries.

A better measure is the use of adult weekly (total cash) earnings. Cash earnings statistics are produced for employees on an hourly rate, rather than a salary not linked to hours worked. They therefore reflect the incomes of women less likely to be working full-time in professional, salaried roles, and those who work part-time, which is more likely to capture those working in the caring professions and other highly feminised industries.

When we compare the incomes of all workers by using the average adult weekly (total cash) earnings, the real gender pay gap in Australia is revealed to be 31.5%.
After COVID-19

In the early weeks of the COVID-19 pandemic, there was a kind of global lightbulb moment in which we all realised that the truly invaluable work in our economy is done not by the captains of industry who, we are told, are the only ones who create jobs and drive economic growth, but by those who toil in the least celebrated jobs in society.

It was suddenly clear that the work on which our way of life depends is done by disability and health care workers, truck drivers and posties, early childhood educators and aged care attendants, supermarket staff and delivery drivers, agricultural workers and meat packers, warehouse staff and cleaners. These are the people we cannot do without: those who care for our kids, and for the elderly and disabled, who pick our vegetables and stock our supermarket shelves, who nurse us when we are sick and clean up after us as we go about our lives.

In the UK, people gathered on their doorsteps on Thursday evenings to applaud the staff of the National Health Service, while in Australia our politicians and talking heads spoke earnestly about the sacrifices made by these essential workers in the care economy, many of them women.

Unfortunately, this new-found appreciation for essential workers in the care economy has yet to translate to meaningful recognition of their importance to our society and their value in our economy. In fact, the government policy responses enacted so far, and those expected to form the basis of the government’s post-COVID budget and plans for economic recovery, seem to have entirely missed the impact of the pandemic on women, and to have ignored the harsh reality the virus has exposed about the consequences of our failure to value and invest in the care economy.

Early policy responses have worked against women

Unfortunately, some early policy responses to the pandemic and the resulting pink collar recession have materially disadvantaged women and made it harder for them to maintain attachment to the labour force. Far too many low-paid women in insecure jobs were locked out of the JobKeeper wage subsidy due to its design. As modelling from Rebecca Cassels and Alan Duncan at the Bank West Curtin Economics Centre showed in March 2020, two of the industries hardest hit by our economic lock down – Accommodation and Food Services, and Retail Trade – have by far the highest number of casual employees with less than 12 months’ service for their current employer, most of whom are women. More than 200,000 female workers in those sectors alone missed out on the wage subsidy due to its design.46

Similarly, workers in the arts and entertainment sectors, who are typically employed as contractors on a series of short-term agreements with different employers, were effectively locked out of JobKeeper. Female employees are overrepresented in this sector, as they are in tertiary education which was deliberately excluded from the wage subsidy, with the government altering the criteria for the scheme three times to ensure university employees weren’t eligible.

There are other aspects of the government’s response that disproportionately disadvantage women. As well as excluding people in receipt of the disability support payment from the recent supplement to the
JobSeeker payment, those in receipt of the carer allowance were also left out. Almost twice as many women (540,000) as men (230,000) are the primary carers for friends or family members with disabilities or physical and mental illness, including end-of-life care, in Australia.  

Another concern is the move to allow early access to superannuation, which has seen more than half a million Australians, the majority of whom are under 35, entirely wipe out their superannuation savings. This is certain to have a greater impact on women than on men, not least because many of the younger women who have emptied their accounts will enter the child-rearing years, and decades of interrupted careers and part-time work, with no super savings which would otherwise have been accruing interest while they were not receiving employer contributions.

Analysis of more than 750,000 early release applications to 30 June 2020 conducted by the Australian Institute of Superannuation Trustees, for Women in Super showed that, while more men than women made applications for early release, across all age brackets women withdrew a greater portion of their balance than did men. Women aged 25 to 34 withdrew 35% of their balance on average, while men in the same age bracket withdrew 29% of their balance. Australian women already retire with significantly lower superannuation balances than do men, and these early withdrawals have already significantly increased the gender super gap for the women accessing the scheme.

The impact was most striking for women aged 25 to 34. Before taking early release, these women had 21% less in super savings on average than did men in the same age bracket. After taking early release these same women had 45% less. The impact of this will be profound for younger women, who will now enter their child-rearing years with a much a lower savings base on which to accumulate interest, during the years when they are less able to make contributions. This will likely be compounded by the second tranche of the Early Release Scheme.

A gender-blind roadmap to recovery

Beyond the policies enacted so far, there are further worrying signs that the federal government has failed to recognise the impact on women of the COVID recession and is resistant to the clear imperative to improve the provision of care services. The initiatives aimed at restoring economic growth announced so far indicated that the government intends to prioritise investment in sectors of the economy dominated by male workers, while providing tax cuts for high-income earners and further deregulating the labour market in a way that will exacerbate the structural weaknesses that accelerated the spread of the virus among the most vulnerable Australians.

More recent government announcements continue the inherent bias towards hard infrastructure investment, with around $7 billion of spending brought forward for investment in roads; $1.3 billion in the Modern Manufacturing Initiative to support for male dominated manufacturing industries; and a $1 billion wage subsidy for apprentices, 75 per cent of whom are likely to be men. While these are all worthwhile initiatives, they will do little to support the women pushed out of work in recent months.

Investing in the care economy

During times of economic crisis, counter-cyclical government investment in infrastructure is an established means to lift productivity, create jobs and boost economic growth. Traditionally, this has meant investment in hard, or physical, infrastructure, which can reduce costs to business over time and builds the kind of long-term facilities that provide a return to future generations. So far, the federal government’s response to the recession following the COVID-19 pandemic is following this rule book closely, with announcements of fast-tracked funding for roads, construction and manufacturing. Social infrastructure, including the care economy, appears to be receiving much less attention.

Yet physical and social infrastructure play an equally important role in the wellbeing of citizens and the overall health of the economy. Social infrastructure includes the buildings and other facilities required to deliver care and essential services, such as aged care homes, early childhood education centres and the equipment needed to provide adequate levels of in-home care to the elderly and people with disabilities, but it also encompasses the ongoing outlays on wages and daily needs such as food.

There is an entrenched view among policy makers that capital outlay on the physical infrastructure is an investment that will bring long-term returns, while spending on the jobs and provisions to meet the daily needs of care recipients are costs to be minimised. This approach is increasingly out of step with the demands of the real Australian economy, which relies increasingly on services, which make up 70 per cent of economic activity, compared to just 30 per cent from the production of goods. As automation replaces many of the functions once filled by blue-collar workers in the manufacturing and construction sectors, employment growth is strongest in human-capital intensive jobs.

In order to respond to the real impact of this recession, and build the systems of social care we need for the 21st Century, policy makers need to overcome their reluctance to use public debt to fund investment in social infrastructure, including for recurrent spending on social services and wages. There is clear evidence that investing in social infrastructure, and especially in the care economy, has significant, quantifiable long-term benefits.

Improving the quality of our essential services increases social and mental wellbeing, reduces ill-health and social exclusion, and strengthens community and social cohesion. All these factors contribute to productivity gains across the economy.

Lifting wages and conditions for workers in the care economy would not only improve their individual and family circumstances, and make caring jobs more attractive to men as well as women, it would boost economic growth, as every additional dollar earned by low-income workers is spent back into the economy, lifting aggregate demand for goods and services.

Research by the UK Women’s Budget Group in 2016 made a powerful case that investing child care and other forms of social care would create roughly twice as many jobs as would the same investment in construction. The research found this to be true across seven high-income OECD nations, including Australia, where they projected an investment equal to 2 per cent of GDP in the care economy would
create 600,000 jobs. The study found that such an investment would lift women’s employment by 5.3 per cent, and reduce the gender employment gap by 2.6 percent. A similar investment in construction would see an increase to men’s employment of 3.8 per cent, but also raise the employment gap by 1.8 per cent.

The research showed that “investing 2 per cent of GDP in public services of care would create almost as many jobs for men as investing in construction industries in Australia but would create up to four times as many jobs for women”. It also found that a significant “public investment boost in the care economy would have larger positive effects on economic growth and debt reduction in the mid-term (by 2030)” than would cutting spending on services.

More recently, the lead authors of the 2016 report modelled fiscal spending on social versus physical infrastructure, with compelling results. In a working paper on the employment effects of investment in social versus physical infrastructure, released in April 2020, Jerome De Henau and Susan Himmelweit found that Australia would benefit significantly more by investing in care workers than in construction projects in terms of overall employment. The modelling showed that every additional per cent of GDP spent on care industries would result in twice as many jobs being created than equivalent investment in construction (see Figure 10).

Figure 10: Rise in employment rate (% points) from investment of 1% of GDP in construction and care industries

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<th>Construction</th>
<th>Care</th>
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<td>USA</td>
<td>0.6</td>
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Source: Henau & Himmelweit 2020

Furthermore, the gender ratio of new workers would significantly benefit women made jobless in the COVID-19 recession. The model predicted that 68 per cent of care jobs would go to women compared to just 32 per cent for the same investment in the construction sector. It is important to note that this does not mean that there is a one for one trade-off between male and female jobs. Given the increase in total numbers of employment overall from investment in care sector work vs construction, the total number of jobs for men is only marginally lower than if investments are made in construction than in care.


Investing in the care economy as part of Australia’s fiscal response to the recession would not only create more jobs for women made unemployed due to the impact of COVID-19 on other female-dominated industries, it would lift the quality and increase the availability of care for children and vulnerable adults.

This is essential in order to restore trust in our systems of care, and to allow other women to return to work knowing their loved ones are safe in the care of a robust and well-funded system, with clear quality controls and accountability. While affordable and accessible child care is the most important contribution government can make to support women’s participation in the paid labour force, improving the quality of adult social care is also critical.” almost twice as many women (540,000) as men (230,000) are the primary carers for friends or family members with disabilities or physical and mental illness, including end-of-life care, in Australia.54

Given the critical role played by the construction sector in Australia’s economy, the importance of physical infrastructure to future productivity and the restoration of our manufacturing sector, this shouldn’t be an either/or proposition. The yield on 10-year government bonds is currently less than 1%, so public debt for long term investment is effectively free. Government can and should invest in the care economy on a similar scale to its spend on the male-dominated industries for which is has already announced significant support.

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Conclusion

The devastating impact of COVID-19 in Victoria’s private aged care homes has underlined the shocking underinvestment in staff and the quality of care provided by for-profit operators for our most vulnerable elders. At the same time, the early childhood education and care sector is teetering on the brink of collapse. These industries not only employ huge numbers of low-paid female workers, they provide an essential service that enables other women to go out to work.

Lifting wages and conditions for care workers would not only improve their individual and family circumstances, it would boost economic growth, as every additional dollar earned by low-income workers is spent back into the economy, lifting aggregate demand for goods and services.

More fundamentally, though, investing in the care economy reaps benefits across society, in more than monetary terms. Improving the quality and increasing the availability of care services increases the wellbeing of recipients, reduces ill-health and social exclusion, and strengthens community and social cohesion.

Surveys show that Australians value high-quality public services, and demand the highest level of care when we entrust our children or elderly loved ones to the care of others. Yet our current system is focussed on reducing costs and maximising revenue to providers, at the expense of the needs of the most vulnerable Australians, and of the workers who provide them with daily care and support.

The findings released so far by the Royal Commission into Aged Care Quality and Safety have revealed incidences of neglect and abuse in residential aged care facilities across the nation that shocked Australians. The Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disabilities, while still at an earlier stage of its hearings, is already uncovering similar occurrences of unacceptable treatment of vulnerable people in a system of care that is underfunded, insufficiently regulated and fragmented between different private sector providers with inadequate government investment and oversight.

The fact that the quality of services is compromised by cost-cutting in the pursuit of profit should not be a surprise. The imperative to ensure high-quality care is fundamentally at odds with the imperative to make a profit in the provision of care to vulnerable people.

Similarly, Australia’s current system of early childhood education and care, with more than 10 different types of provider from publicly-funded, council run facilities to for-profit centres, and including community and home-based care, has proved to be unstable and inefficient: child care was the first sector to find itself on the brink of collapse during the pandemic, despite being deemed an essential service and required to keep operating. The government’s short-term intervention kept the centres open at the height of the economic shut-down, but it was aimed at propping up a business model that has been teetering for years, and serves no-one well save the owners of large-scale for-profit providers. Parents struggle to keep up with ever-rising fees, while workers scrape by on the minimum wage, with little job security.

Other than the creation of the National Disability Insurance Scheme by the Gillard Government, governments of all persuasions have been reluctant to engage in wholesale reform of the care sector in Australia, continually offering piecemeal reforms and sporadic and inadequate funding boosts. Too large a
proportion of public funding is going to profits and dividends for the owners of private for-profit facilities, and to investments and funding offsets for other activities by some not-for-profit providers, while the quality of care, food and other essential resources has been cut in the name of cost saving.

As noted by the Royal Commission, the idea that aged care can operated as a consumer-directed, competitive market-based service has been shown to be fanciful: the vulnerable people in need of such care are not adequately empowered, and too often simply unable, to exercise the kind of choice of providers that is essential to ensuring that competitive tension in the system underpins strong standards of quality and transparency.

Similarly, parents in need of child care have constrained choices in the system, due to the competition for places in densely populated urban settings where demand is high, and the limited supply that reduces competition in under-populated regional and rural areas.

Wages remain low and working conditions poor across the care economy because the work is undervalued due to its roots in the domestic sphere, but also because the tenets of a market-based system demand that labour costs be minimised to maximise profits and operating surpluses.

This is the fundamental case for reconsidering how we value and reward the jobs done by care workers in our society. The market has failed—in fact, refused—to value them properly, so we must collectively and consciously undertake an explicit revaluation of their worth.

The pandemic has surely revealed that there are important values that should guide our economic and social policies other than productivity. The support we provide for our most vulnerable must be informed firstly by their right to the highest standards of care. This is a collective responsibility and, as such, must be delivered by the government on behalf of the Australian people.

Wholesale reform of the aged care and ECEC sectors is long overdue, and must begin with legislative change to establish clear regulatory standards that meet community expectations for the provision of care. For example, the 1997 Aged Care Act, which can be seen to contain the seeds of so much that has gone wrong in that system over the last two decades, must be replaced with a new act that centres the needs of the elderly and sets minimum standards for the provision of care, and accountability for the expenditure of government funding.

A range of other measures can and must be taken immediately, to increase the quality of care delivered by all systems, and to increase the wages and improve the conditions of those who work to provide it. A significant funding boost to close the waiting gap for Home Care Packages, reduce the out-of-pocket costs for child care, and fix the systemic problems of neglect within aged and disability care is also urgently required, and the government must commit to providing training and support for additional workers in the care economy to address the growing increase in demand for services and the looking workforce shortages that will result from lower migration levels in the years ahead.

Over time, shifting business models for the provision of care services away from large, for-profit multinational firms and towards local, community non-profit or cooperative models will remove the imperative to maximise profits at the expense of quality, and restore trust between the users and providers of essential services.
As governments across Australia engage in unprecedented levels of public investment to lift our economy out of recession, it is imperative that stimulus be directed to the care economy. The evidence is clear that such an investment will provide returns on par with those made in construction across the economy, but will be particularly beneficial for women’s workforce participation, closing both the employment and pay gaps between genders.

Australia’s economy, and our way of life, won’t recover until we can get women back to work. For that to happen, the government must create good, secure jobs and lift the quality of service in the care economy. It is manifestly clear that the private sector cannot, and will not, meet these needs. Government investment in the care economy is an essential element of Australia’s recovery from COVID-19.
Recommendations

Investment in the care economy through government stimulus

1. Government investment in ECEC infrastructure, including upgrading existing public facilities and building new ones, ideally co-located with primary schools
2. Government investment in new state-run aged care facilities
3. Government investment in more directly employed care workers in the public aged, disability and child care systems
4. Increase the child care rebate to 95% for double-income households earning up to $100,000pa
5. Commit $2.5billion per annum over the forward estimates to reduce waiting times for Home Care Packages for the elderly to no more than 60 days, with an immediate focus on providing an additional 25,000 Level 4 packages
6. Explore tax and funding incentives for community, NFP and cooperative models of care
7. Any government bailout of failing aged care or ECEC businesses after COVID should be provided on the basis that operations convert to an NFP or social impact model
8. Consider implementing a US-style earned income tax credit for low income workers
9. Superannuation for care workers should increase immediately to 12%, and to 15% by 2030

Broader sectoral reforms

1. Taxpayer funding of residential aged care should be tied to strict regulation, which mandates staffing ratios, including the requirement for a Registered Nurse to be on site at all times and minimum food standards
2. All taxpayer funds assigned to the Aged Care system should be spent directly on the provision of care (including administration and overhead costs) and rigorous reporting of expenditure should be provided annually, and made publicly available
3. Regulate consistency of rostering for in-home aged and disability care
4. Prohibit the use of labour hire in all care work, regulating a direct employer-employee relationship

Workplace regulation reforms

1. Amend the Fair Work Act to allow the Fair Work Commission to make orders lifting award wages in feminised industries
2. Amend the Fair Work Act to allow sector-wide bargaining for low-paid industries
3. Strengthen the right to convert from casual to permanent part-time employment
4. Outlaw the use of zero hours contracts in the care economy