Childcare policy debate shines light on gender pay gap [1]

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EXCERPTS

Of the many bold policies the Labor Party is taking to this federal election, its plan to boost the income of Early Childhood Education and Care workers would seem to be the least likely to draw criticism. Who can quibble with the need to properly remunerate the people who care for our kids?

And unlike Labor's controversial franking credits reform, there are no losers from giving early childhood workers a pay rise. So why is the policy under attack?

Because it's unorthodox. The Coalition has described it as a "highly irregular" socialist experiment, while two respected female economists wrote in these pages that the policy is "highly unusual" and questioned its constitutional validity.

Yet the measure to use public funds to supplement the incomes of women – and 96 per cent of early childhood workers are women – who educate and care for our youngest children is only remarkable because it flies in the face of the neoclassical economic thinking that has dominated public policy for decades. Such thinking holds that government solutions to policy problems must not distort the natural operation of the free market.

The policy is highly interventionist, but it is an entirely justified response to a clear instance of market failure. The analyses that decry it as an "unprecedented socialist intervention" do not acknowledge the significant gender bias inherent in the dominant school of economic thought and the way in which the free market utterly fails to recognise the value of care.

Care is women's work, and women's work for millennia was done at home, unpaid and uncomplainingly. Since the first industrial revolution, the "free market" of paid work and economic return has grown on the back of the silent labour of women, who kept house, cooked meals, washed clothes and educated and cared for children.

The market that relies on the unpaid labour of women at home is completely unwilling to recognise the value of women's work, and so care work by women in the paid labour force is massively underpaid.

The award rates of pay for early childhood workers are among the lowest in our economy. Research by Barbara Broadway at the University of Melbourne in 2017 found that, controlling for education and experience, the Australian award wage setting system creates a 10 percent gender pay gap due to the undervaluing of feminised industries.

Early childhood workers have tried every avenue to achieve pay rises under our market-driven system of wage arbitration. They have increased their qualifications and credentials; they have unionised and bargained with their employers; their union engaged in a long and expensive equal wage case at the Fair Work Commission. All have failed.

When the market fails, government intervention is warranted. Governments intervene in the market all the time: tax concessions such as negative gearing to boost investment, stimulus spending on infrastructure to prop up economic growth in the face of recession and the existing government subsidy to parents for child care fees are all instances of government intervention.

What is so unusual about Labor's early childhood pay rise policy, and why it is causing conniptions amongst some economists, is that it is a massive supply-side intervention in human capital. This is the only obvious way to quickly and meaningfully address the intractable refusal of our economy to properly value the work done by those in child care centres.

By directly subsidising the wages of workers, the policy will avoid increasing costs for parents, as occurs every time the demand-side intervention of child care subsidies to families is increased.

And while other care work, including that done in the aged and disability care sectors, is also undervalued and should be addressed, there is a strong argument that the intervention in the early childhood market is a special case.

Early childhood workers aren't just changing nappies and wiping noses, as some have suggested. They are actively educating and shaping the minds of our children, laying the foundations for them to go on to become productive members of society.

Any parent knows that learning doesn't start when a child turns five, and evidence abounds that investing in the education of pre-school children is the most effective thing a society can do to give kids the best chance of realising their potential in adulthood.

Raising the incomes of the people who set our kids up to contribute effectively to society is a valuable investment, with clear economic returns for all of us.

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[1] https://childcarecanada.org/documents/child-care-news/19/05/childcare-policy-debate-shines-light-gender-pay-gap [2] https://www.smh.com.au/national/childcare-policy-debate-shines-light-on-gender-pay-gap-20190503-p51jth.html [3] https://childcarecanada.org/category/region/australia-and-new-zealand