Valuing care in Australia

Achieving pay equity in the social and community services sector

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Introduction

Social and community services (SACS) workers\(^1\) are currently fighting for a substantial increase in their award wages. The Equal Remuneration Case before Fair Work Australia (FWA) is an historic one which seeks to rectify decades of undervaluation. The pay gap between SACS workers and comparable workers in government employment has recently been acknowledged by FWA (2011a); however, an equal remuneration order is yet to be handed down. It will be argued here that the low pay endemic to the SACS sector is primarily the result of two factors: the sector’s link to its volunteer past, and its highly feminised character, of which only the latter has been thoroughly considered in the present pay equity case. In exploring these issues, this paper will outline the relationship between voluntarism and gender pay inequity in the SACS sector, and detail the evolution of the current pay equity case. Further, it will be argued that when FWA ultimately grants an award increase, it is incumbent upon governments, both state and federal, to subsidise the additional wage-related costs to employers.

Analysis of this case also serves as way to re-engage in a range of related issues around the valuing of care in Australia. Many of the workers covered by the SACS award are care workers and care work is central to wellbeing in our society. The way in which it is valued affects not only care-givers and clients but also broader societal cohesiveness. In recent years, the construction of care policies has been critically analysed across a range of national and historical contexts, from the commodification of care work in the Republic of Korea (Peng 2009) to the development and framing of care policies in Europe, particularly the Nordic states (Williams 2009). The Nordic states have enjoyed for some time the lowest rates of gender inequity in the world and are, in many respects, gender equity exemplars. Therefore, this paper will also take a comparative turn and consider the relevance of care policy trajectories in Nordic countries to Australia. Given these countries’ relative success in narrowing the equity gap, discussions in Australia during the 1980s that looked to the Nordic ‘caring state’ model (Lister 2009) have renewed relevance, and the Nordic experience deserves (re)exploration in the contemporary Australian context.

Although this paper focuses primarily on paid professional workers in the social and community services sector, the informal, unpaid or non-professional modes of care work should not be forgotten. Apart from the inherent value of informal care work to individuals, families and communities, in 2010 unpaid care workers undertook some 1.32 billion hours of unpaid care work; and the total replacement cost of unpaid informal care in Australia is estimated to be $40.9 billion per annum—equivalent to 3.2 per cent of GDP (Access Economics & Carers Australia 2010). In pursuing pay equity for remunerated care workers, it is important not to lose sight of the vital, but often hidden, contribution of informal care workers both to our society and the economy.

\(^1\) SACS workers are employed by non-government organisations and work in areas such as family support services, disability services, community centres, day care centres and employment services.
From voluntarism to a professional services sector

The social and community services sector today looks quite different from its postwar antecedent. Community work in the reconstruction period was mostly voluntary charitable activity undertaken by women. During the 1970s, women increasingly moved into the paid workforce while continuing to provide the bulk of unpaid care. At the same time, the burgeoning second-wave feminist movement began to challenge the male-breadwinner model and pushed government to provide essential services such as day care and elder care in order to facilitate women’s entry into the paid workforce. Over the years, government subsidies carved out a significant role for the state in a growing sector, which in turn drove the professionalisation and marketisation of care work.

During the Accord years (1983–95), the transformation from unpaid charitable work to a paid, professional welfare sector was evident. By August 1987, 30 per cent of Australian women worked in community services. What were once referred to as ‘voluntary organisations’ and ‘charities’ began to be collectively defined as the ‘community services industry’ (Smyth 2011, p. 157). This shift—from voluntary work in the private sphere to paid work in the public sphere—ignited debates around the valuing of care work and the appropriate role and reach of the state within the sector. Unions, feminists and workers developed a campaign for increased government funding to match professionalisation and address the undervaluation of the sector. In 1989, a conference was convened to examine a union campaign for an award to cover the community sector2 and to consider the implications of the sector’s historic links to charity and volunteering for wages and conditions. The conference theme, ‘From charity to industry’, underscored the fact that the sector had evolved into ‘quasi-public segment of an industry set up within the planned partnership framework of a welfare state’ (p. 159).

This debate reached its zenith at a time when the global trend towards economic rationalism, small government and the residual welfare state was taking hold. National Competition Policy was codified via the *Competition Policy Reform Act 1995*, formulated on the recommendations of the Hilmer Report (Hilmer, Rayner & Taperell 1993). The policy prescriptions of the Hilmer Report were intended to be applied to business and industry; however, much to the dismay of many (including Hilmer himself), they were soon extended to welfare and community services (Quiggin 1998). In June 1995, the Industry Commission published its report, *Charitable organisations in Australia*, which examined the efficiency of the welfare sector (Industry Commission 1995). On the one hand, the commission recommended that government funding of services should be allocated through an open competitive tendering process and that provider performance should be closely monitored via predefined output measures. On the other, it pointed to the inevitable conflict between competitive pricing and service quality. In considering the application of a market model to the welfare sector, the commission highlighted that maximal social benefits would not always flow in a competitive environment. The Australian Council of Social Service (ACOSS), along with myriad other peak bodies, agencies and academics, echoed this point. Moreover, ACOSS and others argued that because people’s wellbeing cannot be reduced to some measurable commodity, it is

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2 In 1988, the Australian Social Welfare Union won a Community Development Workers Award that covered community workers in Victoria, addressing the ‘issues, needs and problems for that community through facilitating collective solutions’. This was followed in 1989 by a similar award for SACS workers in New South Wales.
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inappropriate to treat the outputs of human services in the same way as the outputs of business (ACOSS 1996; Honner 1998). Ultimately, the shift from public provision to private contracting-out of welfare services had a number of ill effects that remain evident today. One consequence of particular relevance here has been the gradual downward pressure on the wages and conditions of employees in the welfare sector in order to meet the cost-reduction imperatives that flow from a competitive market model.

By 1995, annual total expenditure across the community services sector had ballooned to $4.8 billion, of which $2.7 billion was provided by government and $580 million came from public donations (Industry Commission 1995)\(^3\). However, despite massive growth of the sector, SACS workers have remained significantly undervalued and underpaid to the present day. The sector’s link to its volunteer past is a key reason for this, as is the influence of neo-liberal discourses and competitive models which drove down wages and overran demands for social justice (in the form, for example, of gender equality, inclusion of older people and children’s right to quality care). These claims were largely displaced by a preoccupation with cost-effectiveness, privatisation and the expansion of consumer choice (Williams 2009).

Beyond the sector’s volunteer past and the influence of neo-liberalism, the historical roots of sector pay inequity extend to industrial segregation and institutionalised gender pay disparity. This can be clearly seen in a brief examination of the history of pay inequity in the SACS sector and the landmark cases by unions that sought to break these inequities down, leading to the current wage case before FWA.

**Towards equal pay in the SACS sector**

The institutional foundations of pay inequity can be traced back to the landmark Harvester Judgement of 1907, when Justice Higgins ruled that the minimum wage for a woman was the amount sufficient to support herself alone, while for a man the minimum wage was enough to support himself, a wife and three children. In setting the female award wage at just 54 per cent of the male rate, Justice Higgins delivered both a significant victory for the rights of workers, and the formal legal codification of a gender pay gap.

After an unsuccessful claim for equal pay for equal work by the ACTU in 1949–50, a test case in 1969 resulted in a new Equal Pay for Equal Work Principle that defined equal pay fairly narrowly. While this was a significant step towards pay equity, the principle was limited in its scope, in that it only applied to ‘work performed by both males and females ... of the same or a like nature and of equal value’ (FWA 2011b). Furthermore, the principle explicitly stated that ‘equal pay should not be provided by application of the above principles where the work in question is essentially or usually performed by females but is work upon which male employees may also be employed’, thus largely excluding highly feminised workplaces from consideration (ACTU 2009). In 1972 the ACTU applied for, and won, the establishment of a new pay equity principle with substantially broader scope. The crux of this case was that equal pay should be granted for dissimilar but equally valuable work. The ruling in favour of the ACTU allowed for broader comparisons to be made in applications for equal pay. In 1974 the commission ruled that women would be

\(^3\) The remainder was made up of client fees (around $1 billion) and indirect government funding through tax concessions (more than $400 million).
entitled to the same minimum wage as men, officially putting an end to institutionalised gender pay discrimination.

This landmark decision was not, however, the end of unequal pay for women in practice. Although the 1969 and 1972 principles served to narrow the gender pay gap considerably, recent evidence suggests that the gap is growing again.

In 2004, women earned 87 per cent of the male wage, whereas in 2006, women’s earnings had dropped to 84 per cent of the average male wage (ACOSS 2011). Over the twenty years from 1990 and 2009, the gap between male and female average weekly earnings ranged between 15 and 17 per cent (Cassells et al. 2009). Between February and May 2010 it remained static at 17.6 per cent—the equal highest weekly income gap on record4 (Australian Government 2010).

A recent study from the National Centre for Social and Economic Modelling (NATSEM) calculated the loss in wages that can be attributed to gender. Discounting all other factors (such as type of job, sector of employment, education) the study found that ‘being a woman’ alone accounted for a loss of $1.87 per hour, equal to $65 a week or $3394 a year (Cassells et al. 2009). Being a woman also accounted for 60 per cent of gendered wage differentials—by far the most powerful factor, followed closely by industrial segregation (accounting for approximately 25 per cent of wage differentials).

It is not surprising, then, that low pay is endemic to work in highly feminised sectors like social and community services. Furthermore, since SACS workers are far more likely to be paid award rates than workers in most other sectors (30.9 per cent of SACS workers are covered by an award compared with 18.1 per cent on average across all other industries) (ACTU 2010), lifting the SACS award is a very effective way of creating more equitable pay for many women in paid employment (Australian Government 2010). There are also compelling reasons for employers to pursue better pay for their employees.

**The impact of low wages**

Not only do low wages impact upon workers, but they also tend to impinge upon the ability of employers to attract and retain quality staff. In 2009, ACOSS found that 64 per cent of community service organisations had difficulty attracting workers with appropriate qualifications and experience (ACOSS 2009). In a 2007 survey, the Australian Services Union (ASU) found that 75 per cent of managers thought low wages were the number one reason for staff turnover (ASU 2007). The aforementioned research from NATSEM suggests that the gender pay gap is a significant disincentive for women to initially enter the workforce or, if already employed, to increase their working hours. Consequently, the economic benefit of narrowing the gap would be sizeable. Closing the gap from 17 per cent to 16 per cent has been estimated to increase overall GDP by 0.5 per cent, a boost of some $5.5 billion (Cassells et al. 2009).5

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4 As noted in the Commonwealth government submission (Australian Government 2010), the impact of salary-sacrificed amounts is not included in this data, which may have had the effect of understating the gap as almost a third of SACS workers utilise salary sacrifice.

5 The complete eradication of the gender gap could add around $93 billion to the national economy—approximately 8.5 per cent of GDP (Cassells et al. 2009).
The undervaluation of SACS workers is occurring in the context of professionalisation of the sector. Due to increased expectations from both the public and service providers, SACS workers are often required to possess a high level of training and experience. A recent Productivity Commission report found a ‘clear trend to the professionalisation of the community services direct care workforce’ which will continue to rise due to ‘more complex client requirements and increased community expectations of care’ (Productivity Commission 2010, p. 261). This professionalisation is evident in the increase in enrolments in Community Services Training Packages from 77,200 in 2004 to 108,200 in 2008 (ACOSS 2009). At the same time, the combined impact of low wages and high skill sets required to do the job, more complex clients and higher community expectations is fuelling staff turnover across the sector.

The SACS sector has been growing at a rate of 2.6 per cent annually—faster than the health industry (White 2010). While the number of clients and their expectations are increasing, the number of community workers approaching retirement is also on the rise, applying pressure at both ends of an already stretched sector (Productivity Commission 2010). In the near future, employers will face a dramatic loss of employees: some researchers estimate between 10 and 40 per cent of the SACS workforce will retire within the next 15 years (ASU 2007). Clearly, something needs to change.

The Queensland SACS case

Following successful cases based on the equal remuneration principle, in 2009 the Queensland Services Union (QSU) applied for a new award for SACS workers. Although employer groups agreed that a wage increase was justified, they disagreed with the amount sought by the QSU and argued that it was not affordable or sustainable. Nonetheless, both parties were able to draft an ‘Agreed Statement of Facts’ which highlighted the key areas pertinent to the case. The agreed facts (QIRC Commission 2009) were that:

- undervaluation exists
- community sector work is care work
- government funding models contribute to undervaluation of the work
- industry features have influenced undervaluation
- changes in the value of the work have not been recognised in award rates
- undervaluation raises public interest concerns.

In its decision of 6 May 2009, the Queensland Industrial Relations Commission (QIRC 2009) detailed the following factors as contributing to the historical undervaluation of work in the SACS sector:

- the middle-class, charitable origins of the sector
- the cultural devaluation of care work as women’s work
- industry features such as low unionisation rates
- industrial issues such as a general lack of over-award payments
government funding of the sector as a more ‘cost effective’ way of delivering services.

The commission found that community and social services workers had indeed been significantly underpaid and their work historically undervalued. It granted wage increases of between 18 and 37 per cent over a three-year period for all Queensland SACS workers. The Queensland Government has subsequently committed $414 million to subsidise the increased wage costs for employers.

The national SACS case

The outcome of this case will affect some 200,000 workers across the country. It is the first equal remuneration case brought before FWA since the new pay equity provisions of the Fair Work Act 2009 were introduced.

The key questions in this case are whether or not the SACS industry has been undervalued, and if so, the degree to which undervaluation is due to gender. The ACTU outlined a two-stage process that it believed FWA should undertake in the assessment of the claim put forward by the ASU. According to the ACTU (2010, p. 2), the first stage would be to establish the following:

i. The SACS industry is female dominated;
ii. The work in the SACS industry is undervalued; and
iii. The undervaluation is referrable to the SACS industry being a female dominated industry.

Having established gender-based undervaluation, the second stage involves FWA deciding upon the appropriate remedy for SACS workers.

Establishing that the SACS sector is highly feminised is clear enough: women account for 87 per cent of workers (AIHW 2009). There is also broad agreement that the SACS industry is undervalued, not only among SACS workers and relevant unions, but also from some (though not all) employer groups. State governments have also openly stated that SACS workers have been undervalued and that this is, in part, due to the predominance of female workers in the sector. For example, the Victorian Government has held that:

The State accepts that the work performed by employees in the SACS industry is predominantly undertaken by women and that the value of such work has not always been reflected in the pay that SACS workers receive. This appears to be the result of multiple factors, some of which have a gender element (Victorian Government 2010, s. 108).

Likewise, the federal government has recognised the ‘vital service the social and community services (SACS) sector delivers to some of the most vulnerable members of our society’ and has also acknowledged the undervaluation of SACS workers (Evans 2010).

In its decision of 16 May 2011, FWA upheld the pay equity claim of SACS workers, stating that ‘for employees in the SACS industry there is not equal remuneration for men and women workers for work of equal or comparable value’ (FWA 2011a, p. 85). Moreover,
FWA concluded that ‘gender has been important in creating the gap between pay in the SACS industry and pay in comparable state and local government employment’ (p. 87). While this is a highly significant outcome, the decision fell short of awarding an equal remuneration order; and FWA is now seeking further clarification on the degree to which low-pay in the sector is gender-related. Although undervaluation has been openly acknowledged by state and federal governments as well as FWA itself, both employer groups and federal and state governments have argued against the award increase. SACS employers contend that they are distinctive in their incapacity to accommodate wage increases. The business sector, for example, can absorb wage increases through price increases and restructuring—measures not obviously available to SACS employers. According to this view, the only option available to community sector employers in the event of a wage increase not subsidised by government funding is a reduction in the quality of service. This would clearly impact not only on SACS workers, but also on SACS clients—including the frail elderly, people with disabilities and children.

In its submission to the case, the federal government advised FWA to consider ‘the implications that a considerable wage increase may have on SACS services, SACS funders and the broader economy’ and further stated that funding deficits arising from an increase in wages for SACS workers would be considered ‘in the context of [the government’s] fiscal strategy’ which ‘provides a framework for returning the budget to surplus’ (Australian Government 2010, p. 113). Thus if SACS workers were granted equal pay and additional government funding is provided, ‘it would likely come at the expense of other Government funded services’ (p. 10). The Victorian Government recently followed suit, reneging on an election promise to fully fund additional wage costs on the basis of a separate pre-election commitment to maintain an annual surplus of $100 million (Victorian Government 2011). As the ASU has pointed out, such statements are effectively holding SACS workers to ransom (ASU 2010). Moreover, workers providing essential services to vulnerable citizens should not have to subsidise the sector through low and unequal rates of pay. The level of funding for social and community services is ultimately a matter of budget priorities. In setting these priorities, what is perceived to be good politics (for example, a budget surplus) should not overshadow the rights and needs of undervalued workers, the quality of service for clients and the wellbeing of society.

In its assessment of broader economic impact, the government made it clear that an award increase would have minimal effect. Due to the relatively small size of the SACS sector as a proportion of the economy as a whole, pay rises of between 14 and 50 per cent would have a negligible impact on overall wages growth, employment growth and inflation. Thus, a victory for SACS workers would only add around 0.03 per cent to wages growth over the phase-in period (Australian Government 2010). Given the negligible impact of a SACS wage increase on the broader economy, as well as the importance of the sector for the most vulnerable in our society and the historical undervaluation of the sector, in the event of a wage increase it is incumbent on the federal government and all state governments to fully subsidise additional costs for SACS employers. In a recent speech, the Parliamentary Secretary for School Education and Workplace Relations, Senator Jacinta Collins, pledged her ‘support for equal pay for community sector workers’ and held that ‘the Government strongly supports gender pay equity, based on our values of fairness and equity’ (Collins 2010). Recognition from the government of the vital work done by SACS workers, support for pay equity and an end to undervaluation is certainly welcome. Nonetheless, the needs of workers, employers and clients go far beyond rhetorical support; critically, they require
sufficient funding for both equal pay and high-quality service in a vital and historically undervalued sector. Closing the gender wage gap is a long-term project and achieving equitable wages for SACS workers is a significant step towards labour market equity. It is a step that the government should actively support.

(Re)considering the Nordic model

The SACS pay equity case is an important step in building gender equity and valuing care in Australia. This undertaking has had a number of phases and false starts, some of which are instructive for the current situation. Under the corporatist Accord between unions and the Labor government (1983–95), Australia looked to Scandinavia for policy inspiration across a range of areas (ACTU & TCU 1987). It was recognised that in terms of the role of the state in care provision and the valuing of care work, the Nordic states were developing models of best practice. At the time, Australia was keen to keep pace. Unfortunately, the fiscal crisis of the 1990s, the rise of neo-liberalism, the collapse of the Accord and subsequent election of the Howard government intervened. Meanwhile, the Nordic states continued to enact reform measures designed to confront equity issues across spheres including education, pay, the gendered division of labour (especially care labour) and labour market access.

There have been both successes and failures in this process and it is important not to overvalue the Nordic model. In her analysis of gender, citizenship and social justice in the Nordic welfare states, Lister (2009) draws a distinction between ‘half full’ and ‘half empty’ readings of these states’ achievements in terms of gender equality and recognition of care work.

The ‘half empty’ analysis points primarily to the persistence of gender disparities in economic participation and opportunity, largely driven by a highly segregated labour market. In 2010, on the Economic Participation and Opportunity subindex, a component of the World Economic Forum’s Global Gender Gap measure, only Norway among the Nordic states was ranked in the top 10, although all the others fell within the top 30 countries (Hausmann, Tyson & Zahidi 2010). However, according to Lister, ‘because these are relatively egalitarian societies overall with compressed wage structures, the gender pay inequalities that result from occupational segregation do not translate into such wide economic inequalities as segregated labour markets do elsewhere’ (Lister 2009, p. 259). Nonetheless, labour market segregation by gender remains relatively high across the Nordic states. For example, in Sweden women account for 83 per cent of social workers and 75 per cent of teachers (Statistics Sweden 2010).

Although labour market segregation remains, the ‘half full’ analysis of the Nordic states reveals some significant achievements. A broad indicator of national gender equity (inclusive of, but not limited to, income parity) is a nation’s standing on the overall Global Gender Gap rankings. Individual country movement within these rankings also provides some insight into the effect of national policies on gender equity. For some time now, the Nordic countries have dominated the high rankings. In 2010, Iceland, Norway, Finland and Sweden occupied the top four positions, with Denmark ranked 7th. Meanwhile, Australia has fallen further behind—from 15th in 2006, to 23rd in 2010, behind countries including

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6 Australia was ranked 24th. A higher ranking indicates less inequality between women and men.
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Mozambique, United States and Sri Lanka. All of the Nordic states except Denmark have closed more than 80 per cent of the gender gap (Hausmann, Tyson & Zahidi 2010).

The active and creative engagement of Nordic governments in issues of gender equity and labour market segregation is clear. For example, the effect of the global financial crisis (GFC) of the late 2000s on Nordic labour markets led to some interesting policy initiatives. In contrast to historical trends, the GFC created higher levels of unemployment for men than women, as the male-dominated sectors (e.g. construction, manufacturing) were the most adversely affected. At the same time, there was a consistent shortage of workers in the care sector which continues to be populated primarily by women. In response to this scenario, the Nordic Council of Ministers launched a project to ‘simultaneously improve economic growth and advance equity between the genders’ by investigating whether ‘unemployment among men could be turned into an opportunity that could benefit the care-sector’ (Nordic Council of Ministers 2010, p. 7). Such projects are designed to tackle the conceptual divide between ‘men’s work’ and ‘women’s work’ which continues to frame and inform labour market segregation on the one hand, while introducing practical policies that will encourage men to enter the care sector (thus desegregating the labour market) on the other.

In terms of care policy, although there are some discrepancies between individual countries, Nordic trajectories have been fairly consistent, embodying a ‘caring state’ model within which the universal provision of childcare and aged care services is broadly understood as a citizenship right (Lister 2009). In Sweden, for example, childcare costs are shared between the state, employers and parents so that parents pay a mere 8 per cent of fees, which are capped at a maximum level (European Commission Expert Group on Gender and Employment Issues 2009). Parental leave policies have been designed to encourage both men and women to undertake child care: in order to encourage men to take paternity leave, a proportion of leave is designated for men and cannot be taken by women. There is some evidence that this is having a positive effect, with high take-up rates of parental leave by fathers in Sweden (73 per cent in 2000), Norway (81 per cent in 2001) and Iceland (90 per cent in 2007). However, these policies have yet to impact upon the household division of care labour, which is still disproportionately done by women (Williams 2009).

The Nordic ‘caring state’ model is largely the product of ongoing campaigns for women’s rights. For example, as early as the 1930s, Swedish women had won claims for, inter alia, maternity leave, universal maternal health care and income support for single mothers. These campaigns were successful in large part because they were framed within national historical paradigms (Williams 2009). In order to gain political and social traction, campaigns around women’s rights—and care needs in particular—must take into account unique national cultural and political discourses. As such, an Australian ‘caring state’ model will be necessarily different from those developed in the Nordic states. It will be idiosyncratic, and cannot be modelled too closely on any existing typology. A deep interrogation of the way in which care work has been historically valued and framed in Australia is the starting point in the development of a future model of care. The pay equity case currently before FWA may provide such a beginning.
Conclusion

The historical undervaluation of care work and the driving down of wages in the SACS sector is primarily the product of its roots in voluntarism and its highly feminised character. FWA has recently recognised as much, finding that care work has been undervalued, and that this undervaluation is gender-based (FWA 2011b). Given this finding, in the likely event that FWA grants a substantial award increase for SACS workers, it is incumbent on all state and federal governments to subsidise additional costs for employers in this vital sector.

Beyond achieving pay equity, it is the contention of this paper that the SACS wage case raises broader questions about the efficacy of the prevailing model of welfare provision in Australia. For example, the application of national competition policy to, and the privatisation of, social services during the mid 1990s has had a range of detrimental effects. As well as driving down wages, the competitive model has discouraged service providers from sharing knowledge about best practice and has pushed out smaller not-for-profit organisations. Further, in order to retain government funding, providers must engage with a complex system laden with onerous compliance and reporting obligations which drain the time workers spend assisting clients. Finally, the fact that the government ultimately pays for the vast majority of the costs of service delivery seriously calls into question the privatised, competitive model of welfare.

In light of the inefficiencies and complexities of the competitive model, the widening gender equity gap, the continuing growth of the care sector, the nation’s ageing population, SACS employers’ difficulty in attracting and retaining quality workers, and the professionalisation of care work, it is timely to re-engage in dialogue around the successful aspects of the Nordic ‘care state’ model. The ‘social investment’ and ‘social inclusion’ agendas in Australia provide developing frameworks on which an Australian ‘care regime’ could be built. While different contexts preclude wholesale policy transfer, the Nordic states provide inspiration for future directions in Australia’s journey towards a more inclusive, equal, caring society.

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QIRC—see Queensland Industrial Relations Commission

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