



CHILDCARE AND EARLY CHILDHOOD LEARNING

SUBMISSION TO THE PRODUCTIVITY COMMISSION INQUIRY

JANUARY 2014

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Section 1: Introduction

1.1 About Consult Australia

Consult Australia is the industry association that represents the business interests of consulting firms operating in the built and natural environment.

Our member firms' services include, but are not limited to, engineering, design, architecture, technology, surveying, legal, scientific and management solutions. We represent an industry comprising some 48,000 firms across Australia, ranging from sole practitioners through to some of Australia's top 500 firms.

Collectively, our industry is estimated to employ over 240,000 people and generate combined revenue exceeding \$40 billion a year.

Consult Australia is a proud member of the Australian Chamber of Commerce and Industry (ACCI), the Australian Sustainable Built Environment Council (ASBEC), the Australian Construction Industry Forum (ACIF), the Australian Services Roundtable (ASR) and is a host organisation for the annual Built Environment Meets Parliament summit (BEMP).

1.2 Overview of the Consult Australia submission

The perspective provided by Consult Australia and its members is important because we represent a male dominated industry with chronic skills supply and workforce development issues that is making great efforts to attract and retain more women. The association and its members have been very proactive in efforts to promote a more diverse and inclusive workforce with a focus on gender diversity. This experience has highlighted the primacy of child care in efforts to attract and retain women and parents of young children and this experience informs the submission.

The modern Australian workplace is more flexible than ever before. And it is not just for shift workers and those who regularly operate outside of the standard hours of nine to five: progressive companies know that it is output of work that matters, not the time or location it is done in, and see value in giving parents flexibility to manage their work-life balance.

This flexibility also means that working times are often less regular: employees now visit client premises after normal hours, use Skype to meet with colleagues in different time zones, or work extra hours to get a project finished on time. The modern flexible workplace therefore requires employers and employees to cooperate to manage the needs of each.

Unfortunately for working parents, the only thing that is not flexible is child care. Current care arrangements are centred on typical 9-5 working days with consequent impacts on firms and workforce participation. This is especially true for consulting firms in the built environment where responsiveness to client needs and regular travel to construction sites around the country are the norm and lead to irregular work patterns.

Consult Australia studies into the gender composition of the industry's workforce shows that the proportion of women who remain working in the industry drops markedly when they reach their early to mid 30s in age. Data from the Australian Bureau of Statistics' *Australian Social Trends* report shows that women aged 30-34 years record the highest fertility rate of all age groups and the combination of these two facts suggests that flexible child care and flexible working arrangements can operate together to help more women remain in the workforce.

A shortage of child care centres makes it hard for parents to find options close to their home or workplace. A Government incentive for private providers to build more centres will help, but other options that are less burdensome for the federal budget are also available.

Government policy can create a new tipping point to incentivise parents to use a wider range of child care options, thus increasing workforce participation and reducing reliance on bricks and mortar child care institutions.

Encouraging parents to participate more fully in the workforce has far-reaching benefits for the family and broader society. The more that a parent goes to work, the easier it is for them to develop a fulfilling career and earn income for the family. Greater workforce participation increases superannuation earnings that are required later in life, and greater workforce participation leads to greater national productivity.

The government's role in leading a cultural shift

The position of child care in the Australian culture was not raised in the Productivity Commission (PC) issues paper, but is an important factor. The country's culture is arguably tilted towards an expectation—varying by degrees between an overt and latent expectation—that mothers care for their child until they reach school age and then take part time work. The current structure of paid child care and funding mechanisms has the effect of maintaining this anachronism.

At section 2.5 the respective roles of employers, parents and government in terms of *economic* contribution and overall benefit is discussed. The primacy of government as the leader of *cultural* shifts is much clearer.

When it comes to cultural shifts, although it requires action from all sectors of society, the government is the only one that can take leadership by setting up regulatory frameworks and developing policies that provide incentives or encouragements for changes in behaviour, and the take-up of services that make it easier to return to work.

There is a significant gender wage gap across the whole Australian economy. There is evidence that this includes women being paid less than male peers doing the same type of job, but the biggest cause for the gap is that women are overrepresented in careers that pay less in general.

The cultural expectation that women are the primary carer for their children, and the structure of child care services, narrows the career choices of women to those that are well known for flexibility and understanding of carers' needs.

Employers in industries that are not well-known as good workplaces for women or primary carers are doing a lot to turn this around. As stated earlier, the modern Australian workplace is more flexible than ever before, but unfortunately for working parents the only thing that is not flexible is child care.

The Australian Government must take a leadership role in reforming child care frameworks to make it more flexible, and to contribute to long term changes in Australian child care culture.

1.3 Terms of reference items addressed

This submission provides comments from the perspective of professional services employers on a selection of the items listed in the scope of the PC inquiry terms of reference. The following are the particular items commented on:

1. The contribution that access to affordable, high quality child care can make to:
 - a. increased participation in the workforce, particularly for women.
2. The current and future need for child care in Australia, including consideration of the following:
 - a. Hours parents work or study, or wish to work or study.
 - c. Accessibility of affordable care.

- d. Types of child care available including but not limited to: long day care, family day care, in home care including nannies and au pairs, mobile care, occasional care, and outside school hours care.
- e. The role and potential for employer provided child care.

1.4 Summary of recommendations

The following is a summary of the recommendations made in section 2.

Recommendation 1

Changes to child care to make it more accessible to parents who do not work standard hours should be extended beyond shift working patterns and include the variable work patterns of professionals in modern and global companies.

Recommendation 2

Regulation to ensure that child care centres are safe should remain strong, but consideration should be given to allowing centres to provide varying levels of quality in terms of educational provision to meet the varying needs of parents and their children.

Recommendation 3

Remove restrictions on the use of in home care as approved care.

Recommendation 4

Nanny and au pair services should be reclassified as approved care.

Recommendation 5

The cost of child care should continue to be shared between parents and the government on behalf of the general public.

Section 2: Response to the terms of reference

2.1 Childcare's contribution to increased participation in the workforce

The Productivity Commission (PC) seeks information on the contribution that access to affordable, high quality child care can make to increased participation in the workforce, particularly for women.

Consult Australia conducts biennial workforce diversity surveys and the latest report, *Workforce Diversity Industry Snapshot 2013*, was released in October 2013 and represents data for over 19,500 employees in Australia.¹ The data in the survey report shows that professional services women (engineers, scientists and other technical professionals) have much higher turnover rates than men in their early years, are much more likely to use part time working arrangements, and are likely to be paid less than men doing similar work.

There will be a wide range of reasons for this data, but it is an unavoidable truth that children require around-the-clock care and the accessibility and affordability of care is often the prime determinant of its use by primary carers, who are usually women.

Parental leave at the time of birth is very important and the existing paid parental leave scheme has been successful for providing employees of small firms with leave, and motivating large firm employers to provide more parental leave to attract and retain the best people. For example, in 2011, just 52 per cent of survey respondents offered parental leave benefits that exceeded those required by legislation. In 2013, this had increased to 86 per cent of respondents.

However, paid leave at the start of the parenting journey provides short-term assistance and takes focus away from the subsequent four to five years when child care is necessary if both parents are to return to the workforce. The 2013 survey shows that while 81 per cent of primary carers return to work after the initial parental leave period, just 78 per cent of those people are still working six months later.

This data suggests that while government assistance for the first 18 weeks or six months of a child's life is very important, more support must be directed to child care if productivity gains are to be realised.

2.2 Hours parents work or study, or wish to work or study

When governments discuss modern working structures, it often turns to shift work, especially in traditional occupations like nursing and the police. Such descriptions ignore the very large number of people who work extended hours, sometimes at the start or end of the day, and those who work irregular hours.

Professionals in the built and natural environment are usually engaged on a 9-5 working week, but the reality is often different. Travel to other cities and project sites can take parents away for long days, overnight or for weeks at a time, servicing clients in different time zones requires professionals to sometimes adjust their own schedules to match, and specific projects often require teams to put in extra hours to get the job finished on time.

The PC issues paper explains that childcare operating hours are usually 7am to 6:30pm, which is often inadequate for parents with highly variable work schedules. There needs to be greater flexibility from child care centres, which is likely to require greater flexibility in council zoning and planning rules as well.

Alternative—and more flexible—paid care arrangements should not be subject to disincentives. Nannies are legitimate providers of child care, yet are often derided as an extravagance. Examination of this issue is at section 2.4.

Recommendation 1: Changes to child care to make it more accessible to parents who do not work standard hours should be extended beyond shift working patterns and include the variable work patterns of professionals in modern and global companies.

2.3 Accessibility of affordable care

Factors that drive choice of child care

The PC issues paper asks about the relative importance of accessibility, affordability and quality in Early Childhood Education and Care (ECEC).

The PC issues paper notes the evidence that supports views that good quality ECEC can improve outcomes later in life, but that family characteristics can be stronger determinants of childhood development. For many parents, the minimum requirement for using child care is that it is safe. Once that benchmark is reached, other factors such as accessibility and affordability have more influence.

Laws that regulate quality of ECEC should focus on ensuring the minimum safety requirements are met by all providers, and avoid additional requirements that restrict the supply of ECEC or that make it unaffordable.

Recommendation 2: Regulation to ensure that child care centres are safe should remain strong, but consideration should be given to allowing centres to provide varying levels of quality in terms of educational provision to meet the varying needs of parents and their children.

2.4 Types of child care available: nannies and au pairs

2.4.1 In home care: general

“In home care” is provided by an approved carer in the child’s own home. The guideline for who can utilise in home care for the purposes of the Child Care Benefit (CCB) is very narrow and creates a disincentive for its use.

In home care is currently only available as CCB approved care to parents who cannot access existing suitable child care services due to living in a rural or regional area or other circumstances that make typical care options unsuitable.

In home care offers a trusted venue and is often a more convenient arrangement for parents with variable work hours. Importantly for the broader supply of child care, it reduces demand for institutional day care places.

In home care includes nannies and au pairs, and the importance of these services as an option for parents is explored at section 2.4.2 (below). To broaden access to in home care, it is recommended that restrictions on the use of in home care as CCB approved care be removed.

2.4.2 In home care: nannies and au pairs

This section compares the relative costs of long day care with the use of nannies, the impact of the current levels of government support for the use of each, and highlights the need for nanny services to be reclassified as “approved child care.”

Comparison of the cost of nannies and long day care

The PC issues paper notes that the average hourly fee for long day care is about \$7 but this is less than half the cost of care in city centres where very many professionals working in the built and natural environment are based.

Long day care in the Sydney CBD, for example, is usually at least \$130 per day per child. For two children, that rises to \$1,300 for one week of care.

If the same money was paid to a nanny for five 10-hour days (to account for the parent's normal commuting time), the hourly rate would be \$26—well in excess of the current rate of about \$18-\$21 per hour for a worker in long day careⁱⁱ and closer to the wage that child care workers' education, skills and responsibilities are worth.

The impact of differences between approved and registered care

Nannies are classified as "registered care" providers. A significant barrier to their use is the fact that the services of registered carers, like nannies, attract a lower Child Care Benefit (CCB), and do not attract the Child Care Rebate (CCR) and thus become less financially attractive to parents.

"Approved child care" can include outside school-hours care, family day care, vacation care, long day care, in-home care, and some occasional-care services. There are two incentives for its use (figures based on two children in care):

- It attracts a higher CCB payment: \$4.16 per hour, or \$416.92 per week.
- It is eligible for the CCR: up to \$15,000 per year.

"Registered child care" is provided by grandparents, other relatives, friends or nannies who are registered with the Department of Human Services. There are two disincentives for its use (figures based on two children in care):

- It attracts a lower CCB payment: \$1.33 per hour, or \$66.60 per week.
- It is not eligible for the CCR.

It is important that parents have the flexibility to utilise a wide range of types of carers but the lower hourly rate of CCB and ineligibility for CCR are disincentives to the use of nannies.

At present, if long day care is used for two children (at \$130 per day for typical CBD care) for five days per week for 48 weeks per year, the cost to parents after benefits (if it is assumed that the full CCB and CCR is paid) would be \$27,388. If a nanny is used for 10 hours per day at \$26 per hour for 48 weeks, the cost to parents (if it is assumed that the reduced CCB is paid) would be \$59,203. Nanny services would cost an extra \$31,815.

If the parent using the care was ineligible for any CCB (but remained eligible for the CCR), the relative costs would be \$47,400 for long day care and \$62,400 for a nanny. Nanny services would cost an extra \$15,000.

Reclassifying nanny services as approved care

Registered carers do not necessarily meet minimum operating hour requirements or participate in the National Quality Framework. Those standards are set so that the quality of commercial operations is controlled, but it is not practical to apply the same rules to service providers as varied as nannies and large institutional care centres. Doing so marginalises them and makes them less accessible to parents in need of their services.

Greater use of nannies offers opportunities to pay workers more, and to reduce pressure on 'bricks and mortar' child care centres. It is not simply the domain of the wealthy, but a sensible option for parents faced with less flexible and expensive long day care.

To widen the suite of care options available to parents, especially those who work irregular hours or whose long day care options are much more expensive than the national average, nanny and au pair services should be reclassified as "approved care."

Recommendation 3: Remove restrictions on the use of in home care as approved care.

Recommendation 4: Nanny and au pair services should be reclassified as approved care.

2.5 The role and potential for employer provided child care

Role of the employer and the role of government

Employers are a beneficiary of child care because, without it, the available pool of workers would be smaller and more would leave employment once they have children. There are however several reasons for why employer-funded child care is not a reasonable solution.

Expecting employers to provide child care directly, whether for free or for a fee, is in most cases unrealistic. ECEC is a specialised business and should only be provided by those with the requisite expertise. A further barrier, and a barrier to outsourcing provision of ECEC, is that most companies would not have enough parents requiring ECEC services at any one work site to make the service economical.

In a broader economic sense, it is the role of governments to set regulatory and funding mechanisms that promote the use of child care and thus support markets that embrace the contribution of any worker willing to participate, including parents.

The role of employers is to encourage workforce participation where the business case justifies it. Examples include investing in technology that enables workers to do their job from any location, or training managers on how to lead teams of workers with flexible schedules; both of which help improve the ability of parents to contribute to the formal economy.

Employment costs in Australia are already making many businesses globally uncompetitive. Any suggestion of requiring companies to fund child care would only exacerbate that and drive many businesses closer to failure. The 'large end of town' is often called on to fund initiatives—the most recent example being an increase to the company tax rate to fund the Coalition's paid parental leave plan—despite there being far reaching public and private benefits. Such funding mechanisms are unsuitable on both equity and efficiency grounds.

Contribution of parents

The PC issues paper asks about the financial contribution that parents should be expected to make towards ECEC, and the extent to which Governments should subsidise care.

Child care has public and private benefits. For the parent, it allows them to return to work and earn income that supports their family. For the public, this work helps to build the economy and national productivity, and enables parents to create savings that limit the need for pensions in retirement. The issues paper also explores public benefits related to the developmental advantages that children, especially those from disadvantaged backgrounds, gain through ECEC.

It is therefore legitimate to expect there to be a sharing of the cost of ECEC between the public and private beneficiaries.

Recommendation 6: The cost of child care should continue to be shared between parents and the government on behalf of the general public.

Section 3: Conclusion

If these recommendations are followed, and restrictions on the flexible use of childcare are removed, more parents will be encouraged to utilise nannies and other types of in home care and return to work. For a limited Government budget allocation, more parents will 'do the sums' and realise that they will be better off if they return to work and select from a wider suite of care options for their children. A new tipping point will have been achieved. For parents with more than one child requiring care, the benefits of greater flexibility are multiplied where the cost of formal care arrangements is calculated per child compared to in-home care provided by nannies, au pairs and other approved care providers.

For those who prefer more formal care arrangements, such as long day care, the changes will create an easing of demand that enables more parents to have their children at the child care centre of their choice.

3.1 Contact details

Thank you for the opportunity to contribute to the Productivity Commission inquiry into childcare and early childhood learning. If you wish to discuss the issues raised in more detail, please contact Jonathan Russell, Senior Advisor for Policy & Government Relations.

ⁱ *Workforce Diversity Industry Snapshot 2013*, Consult Australia, 2013. Available at: <http://consultaustralia.com.au/docs/default-source/diversity/workforce-participation-survey-report-2013.pdf?sfvrsn=12>

ⁱⁱ Browne, R., "Baby Steps on wages Front," *Sydney Morning Herald*, December 14 2013. Available at <http://www.smh.com.au/national/baby-steps-on-wages-front-20131213-2zcoc.html>.