

Childcare and Early Childhood Learning
Productivity Commission
GPO Box 1428
Canberra City ACT 2600

21 January 2014

Dear Sir/ Madam,

Submission to Inquiry into Child Care and Early Childhood Learning

Our submission to the Productivity Commission is that:

- all childcare costs should be tax deductible; or
- at a minimum, Government benefits, rebates and tax benefits should apply equally to the employment of private nannies.

Background

Our personal circumstances are that my husband and I have custody of my 6 year old step-son approximately 50% of the time (3 days during the week, and every second weekend) and we are expecting a baby in April 2014. My husband and I work full time. I will be taking 6 months maternity leave and returning to work full time.

Over the last 5 years we have utilized a variety of childcare options for my step-son including:

- (a) private nanny (in home care);
- (b) preschool ; and
- (c) day care services.

Following my return to full time work in October 2014, we will be employing a full time private nanny for a minimum of 60 hours per week to care for our 6-month old full time and my step-son before and after school (3 days during the week).

My husband and I both work in professional services, and we work long and fairly unpredictable hours. An average day at the office for us is 7:45am to 7pm and we are frequently required to work longer hours both in the office and in the evenings from home. We also need to travel interstate and overseas on short notice from time to time (several times a year).

We are not able to rely on our family for regular or emergency childcare as:

- (a) we live in Sydney and my family is in Perth;
- (b) my husband's parents live a one hour drive from our home and are elderly and it is too much for them to provide regular babysitting.

Private Nannies

Employing a private nanny is the only practical option for our family. It is a very expensive option and one not taken lightly given the significant financial outlay as a proportion of my salary. However, in our

situation where we both work long and unpredictable hours without family childcare support and I am returning to work after only 6 months, we strongly feel that it is in the best interests of our family for many reasons including consistency and quality of care, length of time of care and the lack of flexibility afforded by childcare centers.

The benefits and rationale for us employing a private nanny include:

- (a) Consistency and quality of care for my children:** having a sole person responsible for my children during the week is important given their young age and the number of hours of they will be in care so they can have security and familiarity in their dedicated carer, rather than a rotation of people at a childcare centre.
- (b) In-home care:** given the number of hours my children will require care (60 hours per week), out-of-home care would be extremely long and stressful days for a 6-month old. By employing a private nanny, my children will be cared for in our home with minimal disruption to their routines. For instance, instead of a late commute home, they will be fed and in bed at a reasonable time, more commensurate with having a stay-at-home parent.
- (c) Flexibility of hours:** given the nature of our jobs, neither my husband nor I could not commit to have left the city in peak hour every day and to have collected both children by 6pm (the cut-off time at both the long-term day care and after-school care for my step-son). In comparison, we employee a nanny to work until 7:30pm and then work over-time if needed if we are required to stay back or travel with work. The result is we have an additional hour of flexibility in the morning and an additional 2.5 hours in the evening, which is essential for both of our jobs – strictly walking out each day at 5pm to collect my 6-month old from childcare in the CBD and then commuting to my step-son's school by 6pm is not feasible on a daily basis. Without the flexibility of hours provided by a nanny, I would not be able to engage in my job in the same capacity.
- (d) Sickness:** the frequent sickness that comes from having a young child in day-care and the necessity to either pick them up within a short period of time, or stay at home with them, is not feasible with my husband's or my job. We do not have sufficient family support to assist in such situations and the alternative is to get emergency nanny services, which is difficult to arrange on short notice and highly disruptive to the child to have unfamiliar people looking after them, especially when sick, plus the additional cost.
- (e) Extra-curricular activities:** By having a private nanny my step-son is able to participate in extra-curricular activities such as sport, which he would not be able to participate in if he were in after-school care five days a week, putting him at a disadvantage to his peers with stay-at-home parents who are able to take their children to such activities.

Encouraging private nannies will also increase employment opportunities for such nannies and take pressure off other childcare centre arrangements.

Tax deductions for child care (Preferred option)

Our key submission is that childcare costs should be a tax deduction. There is a significant disincentive for women to return to the work force with young children given the high costs involved in childcare. When the economic returns are negligible for an educated female to return to work after children, and

the family sacrifices are high for being away from her children, the economy suffers when a female decides to stay out of the workforce, as we lose an educated employee who may struggle to return in a similar capacity in the future if they wait until their children are of school age to return to the work force.

There has been much research into the potential increased productivity and GDP of Australia by encouraging our educated females back into the workforce after children. Encouraging women to return to work, on a very simplistic basis, will result in those women paying tax and the childcare providers they employ paying tax and even after tax deduction of childcare costs in the short term, on a longer term basis Australia will have more women in the work force in meaningful careers paying higher taxes in the future. There are also much reported productivity and gender diversity arguments for more women in the work force and less dependence on Government welfare.

Tax rebates should not be means tested and should be limited to families with both parents participating in work, study or training.

Equal treatment of existing Government benefits

At a minimum, the employment of private nannies should be given equal treatment to other forms of childcare in terms of Government childcare benefits, rebates and tax benefits (such as salary packaging). For many people, employing a nanny is not a luxury but a necessity given the lack of flexibility of childcare arrangements and available family support.

Currently when employing a nanny, we are required to pay all amounts out of our net after tax income, which includes, as our full time employee, their salary (approx \$25 per hour), tax, superannuation, sick leave, annual leave and workers compensation insurance. We are not entitled to the child care benefit (CCB) or the child care rebate (CCR) in relation to a private nanny.

In comparison, if I were to put my 6-month old into long-day care, I would be entitled to the CCR (not the CCB given our family income) and a salary packaging arrangement for a CBD childcare centre through my employer (assuming I could access a space for my child). Taking into account the high daily rate of long-day care in the Sydney CBD after the CCR and salary packing the cost of long-day care is approximately one-quarter of what I will be paying a private nanny.

Parents should be entitled to choose the childcare options that suit their family's circumstances and receive equal Government benefits and rebates. However, in order for a private nanny employment arrangement to be eligible for Government rebates and benefits, my suggestion is that the nanny should be properly employed by the family and tax withheld by the employer and rebated to the ATO and superannuation paid (if applicable) as evidence of the employment. The Government is then capturing tax income for all nannies and nannies are paid superannuation entitlements. The regulation of nannies should not be otherwise overly onerous to create unnecessary barriers to funding.

Thank you for considering this submission.

Yours sincerely

Olivia del Piano