

14 January 2014

Childcare Inquiry  
Productivity Commission

GPO Box 1428  
Canberra City ACT 2600

childcare@pc.gov.au

## **Family Response to Productivity Commission Enquiry into Childcare**

Dear Productivity Commission,

Thank you for providing parents with the opportunity to make submissions into the Productivity Commission's Childcare and Early Learning inquiry. I am hoping my experiences can provide your inquiry with some real-life experiences and insights into the day-to-day issues faced by many families in making child care decisions.

### **Background and context**

As context to my childcare experiences I include a short family background.

My partner, Anthony, and I are parents to three children aged 7, 5 and 2. We are both university educated, myself in economics and geology. Anthony currently runs our family retail business, employing 250 women, and since having children I have transitioned to 3-days part-time project work based out of Docklands.

We live and run our business in Frankston, a lower socio-economic outer-Melbourne suburb. Anthony works 6:30am-5:30pm but being locally based has only a 12 minute commute each way. To make the commute to Docklands, I leave home at 5am and, all things going well, return home around at 7pm. As the part-time working mother I am the primary-care giver but with the longer commute to Melbourne I lack flexibility to cope with things like unexpected illnesses on the days I work. Both Anthony and I do have occasional work travel obligations.

We have only limited access to immediate family support with childcare. Anthony's mother is deceased and we also care for his father who has dementia. My parents are healthier and provide some childcare help on an ad hoc basis but with my siblings spread across three different states this is only for short bursts by arrangement not on a predictable schedule that is conducive to regular work.

Some private long-daycare places (7am-6pm weekdays) are available in Frankston provided you wait-list children early enough and can be flexible with which days you will accept. There is a chronic shortage of local community Kindergarten/Preschool places broadly across the whole municipality and critically in South Frankston (Council forecasts that in Frankston South, the ratio of community kindergarten places to birth rates is 20-30% for 3YO and 40-50% for 4YO).

## Impacts on Employment decisions

Whilst a dedicated mother, who is committed to raising my children in a well-rounded well-educated environment, I have always been motivated and supported to pursue my career and maintain financial independence. That said access to and affordability of suitable childcare has, more so than any other maternity leave/employment flexibility factor, severely curtailed my employment prospects over the past 7 years.

In evaluating the immediate financial merits of returning to work, I have weighed up the following salary factors:-

My **nominal wage**, less **tax**, less **nominal childcare expenses** (multiplied for each child) plus **childcare rebate** (and childcare benefit assuming eligibility) less **forgone family benefits** entitlements less **work related expenditure** (i.e. transport) less potential opportunity for **home economic savings** (cheaper grocery shopping; less take-out; better negotiated utility bills etc.)

Then the outcome of this position is then weighed up against the lifestyle impacts: of **forgone family hours** (work time plus commute), **childcare inconvenience** (child illness; care preparation logistics; recruiting/securing childcare places) and the forgone “**stay at home**” **benefits** (tidier house, neat personal presentation, school volunteering etc.)

For most of the families in outer-suburbs like Frankston this “lifestyle impact to take home salary” equation (recognising the commute time for employment) has driven educated women out of the workforce and prevented uneducated women from entering. Women are effectively kept on a “local job leash” simply because of the childcare costs of commuting. Ironically, operating a strong family business out of Frankston, coupled with family friendly work policies, is one of the reasons we employ so many women (~90%).

Depending on hours/wages/marginal tax-rates/childcare choices etc., over the last 7 years, there have been times when it has **been literally financially unviable for me to remain in the workforce**. I have mentally traded off this ‘salary loss’ on the grounds that I wish to keep open my future career options however, work motivation wise it is a major mental hurdle to overcome.

To make the salary-lifestyle equation best work for me (accommodating our family’s slightly “non-standard” work hours) I have experimented with lots of different combinations of part-time hours, entry & exit from the work-force, types/methods of child care etc., which I will discuss later, but the economics of and access to childcare have also directly influenced my employment decisions in some other unexpected ways:

1. I left the corporate strategy profession in favour of project work whilst my eldest was in long-day care because less travel and the greater predictability of hours was more conducive to strict pick-up times (late child collection penalties are \$10 per minute)
2. I am financially disincentivised from increasing my hours beyond 3-days because the shift in tax rates and extra childcare costs means my marginal take-home salary is unjustifiable on the extra hours invested.
3. I discounted three potential career advancement options I had been considering on the grounds that they were childcare unsuitable. The first, in geology, was lucrative but logistically impossible with limited remote childcare availability and flyin-flyout rosters. The others, in local politics (with decreased pay) and an

unremunerated directorship, were uneconomical for women with primary caring responsibilities.

4. I have minimise further education and training, which prior to children was a regular part of my development, because it is not possible to justify investing the necessary time in study and development given the extra burden of childcare overheads.

### Educational kindergarten verse child minding

In reflecting on childcare, I recognise that I am seeking two quite different things from my childcare providers.

First, I want my children to have a **good social and educational transition** into formal schooling, much like the original local Kindergarten model I was brought up with in the 1980s.

I believe that every child, in their school transition years, requires around two half-days of 3YO preschool (~6 hours) and two & a half-days of 4YO preschool (~ 15 hours). Arguably, disadvantaged or special-needs children would benefit from more hours in this type of learning environment; however I do not believe private 4-day ELC programs better prepare normal children for school. For arguments sake, this preschool learning type childcare, I am going to call “educational kindergarten”. I am not however advocating the ‘stay at home mum’ centric kindergarten delivery model of the 1960s.

I believe that “**educational kindergarten**” is the **professional area of childcare**, that all levels of government (Federal, State & Local) **should prioritise** and be most actively involved in **ensuring universal affordable access** for as a legacy for future generations.

The problem is that, in Frankston, not all children can access “educational kindergarten”.

1. Long-run underinvestment in ‘traditional kindergarten buildings’ by local/ state government means there are critical shortages in the number of community places available, forcing the Private sector to pick-up the slack. This is true of both the new high growth estates but also in easier to neglect mature suburbs, like Frankston South, because kindergarten capacity that was created in 1950s is swamped by today’s absolute birth rate.
2. There are shortages in trained and qualified kindergarten teachers who can deliver high-quality “kindergarten programs”, although these shortages are confused by a blurring of roles between kindergarten education and child-minding services in some Centres
3. The quality in delivering ‘educational kindergarten’ programs varies significantly across both the government and private childcare sectors.

Secondly, I need **safe, reliable, affordable and convenient “child-minding services”** covering all children for the hours at which Anthony and I work, otherwise I simply won’t work. “Child minding” doesn’t need to be structured, facilitated or high-quality education time, (although a bit of child-centric stimulation, like park/library visits, painting and quiet games is nice), this is more about attending to the physical needs of the child including safety, food and rest whilst they play.

The key here is that every family will have different hours and different expectations for what constitutes good child minding including choices around:-

- preferred providers (stay home mothers, grandparents, private firms, friends, AuPairs, nannies),
- location (in home, co-located with kindergarten, near work),
- included duties (driving, outings, cooking),
- Staff qualifications (safety, first aid, education) and pay.

I see little need for government involvement in these **child minding ‘outsourcing’ arrangements**, even when they are provided through formal childcare environments like long-day care, because ultimately it is a family’s decision as to what combination of criteria will work best for them.

The trouble with Government completely stepping back from “child minding” is that, within the existing childcare industry structure, **affordability and access** to child-minding is **preventing many women from pursuing work or further study**.

Federal Government subsidies or tax off-sets for “child minding services” should in theory bring down the cost of childcare such that affordability is no longer a work-barrier for primary care givers. However, labour and infrastructure supply constraints and continuously increasing regulatory burdens have prevented families from benefiting from previous subsidy increases, instead extra subsidies are being absorbed into operators’ profit margins.

For instance, whilst I was using long-day care I saw the daily fees in my Centre jump from \$74 to \$95 upon “official accreditation” and these were driven higher again with subsequent NFQ changes.

In addition to subsidisation, shifting female work participation is contingent on expanding the available supply of “child minding infrastructure” and the “child minding labour force”.

- The lowest cost way to increase child-minding infrastructure is through **“at-home”** care especially where more than one child is involved
- Today, migration and visa restrictions are significant supply barriers in the child minders labour market.  
For instance, working holiday visas (used by most AuPairs) are capped at 12 months with a requirement to change employers during that period. Most AuPairs come in July, after the Northern school year finishes, and choose to travel at the end of their vacations creating a disruptive annual cycle of “new AuPair training effort” in July, August & September; disruption in late January with “family swapping” and AuPair shortages in April, May and June when they either finish their travels or “fruit-pick” to obtain a visa extension.

### Government Subsidisation

Some **subsidisation of all types of child-minding services is needed**, if we wish to incentivise working mothers, encourage workforce participation, increase productivity and increased net taxation.

I believe government subsidisation of childcare should be considered through these **different social lenses but it is the net impact of how these**, and any other related federal, state or local subsidies (i.e. family tax benefits, bonuses), **play out that actually drives individual employment decisions**

- **Educational Kindergarten**, as previously mentioned, is an important aspect of the education system and universal affordable access should be encouraged for

all. A practical means for its subsidisation is via an **upfront voucher system** that the entitled can cashed in for specified preschool education hours at any approved private or public pre-school education program as a deduction from fees being paid. Paying educational kindergarten through upfront fees (or subsidized voucher equivalents) on a term-like basis is needed to stop “ghost children” on multiple waiting lists at the start of each year and enable certainty of educational programming.

- In addition, **progressive on-going infrastructure grants** are required to keep not-for-profit community kindergarten infrastructure strategically expanding in line with demographic trends and demand patterns.
- For working women **child-minding tax deductibility**, regardless of its form or cost, is not a “middleclass handout” (and should not be viewed in the media as such) it is instead a legitimate work-enabling expense. It would seem extremely sexist for a society to define things like tools of trade, accounting & brokerage fees or study costs as legitimate uncapped tax deductions but to treat the female burden of child-minding expenses differently-by excluding some types (i.e. AuPairs, nannies, unapproved centers) or “capping the maximum to 50% or <\$7,500”. Whilst a primary caregiver is working or commuting then any child-minding outlays are legitimate tax deductions. Ideally these deductions would be captured through the PAYG income tax system.
- Child-minding Subsidisation: To compensate for the regressive impacts of a pure tax deductibility model on lower income or studying mothers there is also a case for direct subsidisation of child minding as well as. A parent controlled upfront voucher system, based on specific eligibility criteria, again makes sense as it can be targeted to those directly in need (i.e. low income families or those actually enrolled in study) and offsets childcare fees at the time they are incurred, but leaves parents in control of making optimum choices.

### My experiences with different types of childcare

No single childcare solution has been able to meet all the needs of our family but our current solution combines 6 different arrangements in a manner that compensates for the weaknesses in each, gives the children a good mix of structured education, peer socialisation, physical activity and rest time and, importantly, on my wage and hours is JUST financially viable.

- **Local school** plus free **afterschool care** activities one night a week for our eldest child
- Local community **4YO kindergarten** for 3 half days- 10 hours/per week plus one kindergarten day at an **ELC in Long Daycare** for our middle child (there are not enough not-for-profit community kindergarten places in Frankston South to provide children with a full 15 hour program)
- Three-days a week, **a live-in Au pair** for minding the baby plus drop-offs, afterschool/kindergarten care and holiday care for the other two as required.
- **Grandma** during our new AuPair settling or AuPair change-over periods

Over the past 7 years at some point or another, I have trialed most forms of ‘educational kindergarten’ and ‘child-minding’ childcare, below is an outline the pros and cons of my experiences so far.

### **Private School ELC plus before/after school care**

In our area, private school based ELC is a combination of both kindergarten and child-minding over a four-day program with before/after school care options from 7am to 5pm. The ELC programs are high quality and well-structured with good staff. However the private ELCs are very expensive, especially when you add in the afterhours care as an extra, and like anything based around schools they break for school holidays which creates further problems for working mums.

### **Local Community Kindergarten (no Child-minding)**

Frankston's preschool program is built on the foundations of the 1950s parent-led community Kindergarten model. The strengths are the quality of programs & staff (although this tends to vary a bit) and the substantial educational asset base that has been built up over successive generations. The move to not-for-profit cluster management of these kindergartens has brought a greater degree of management certainty, longer-term planning, improvements in staff development and the desire to introduce work conducive timetabling.

However, the biggest issue is that there is simply a massive shortage in places relative to demand. If you can secure a place in a local community kindergarten, the system works well but there is simply not enough capacity.

Central planning and allocation of community kindergarten places, by local government, is arguably the fairest way to ensure everyone is in with a chance for a place however it also kills the impetus for local government to make further investments in the areas where demand is needed. To illustrate:- when my eldest missed a 4-YO place not just at our local kindergarten, Baden Powell, but in the entire suburb of Frankston South. He was presented with a take it or leave it offer for a place in Langwarrin (40 minutes away by car). When my daughter secured a place at Baden Powell, and it became obvious another 20 children were again going to miss out on Frankston South places, Council gamed the session timetabling and hours, making it less family friendly, to shift more demand into long-daycare. Next year 3-yo programs are being stopped at Baden Powell.

Retaining a viable not-for-profit community alternative to the private preschool education in each area is important to prevent unreasonable rent-seeking and ensure services reach less attractive markets.

Traditional kindergartens are well positioned to mature and become a key delivery vehicle for "pre-school education" for working families. However, this will not happen unless community kindergartens have access to sufficient infrastructure and long-term investment to allow the sector to keep pace with growth in demand.

Idea's that we have hypothetically debated, to increase place availability in Frankston South are:-

- Stop ignoring the problem and start a diligent and ongoing program of infrastructure renewal that includes an increase in capacity to meet existing demographic needs.  
If local councils lack the financial or decision-making capacity to deliver long-term strategic reinvestment then accountability for kindergartens should be moved. Children will not get access to a preschool education when families are asked to travel ridiculous distances or play bureaucratic games.
- Reduce the per unit cost of new infrastructure investment by recognising the assets already accumulated within older Kindergartens (including playgrounds, educational materials, community support networks), then double down on the

most successful ones, where demand is highest, instead of always seeking more-glamorous greenfield expansions.

- Assuming we can overcome the sector's OH&S and public liability paranoia, leverage our local parks by introducing European style "forest schools" for 3-YO kindergarten, closely affiliated with the already established local kindergartens, and use the freed capacity within the existing buildings for more 4-yo places

### **Long Day Care combining Kindergarten Education and Child minding:-**

For some working families, but not all, the convenience of having "kindergarten services" combined with "child minding services" is important. Here is where I found the greatest variability in quality of kindergarten program and staff. Some were good, many were not. In those weaker kindergarten programs, I question whether preschool education ever really fitted with their original child-minding business model.

We listed our eldest child at birth on the waiting list for a good Frankston based long-daycare center after researching and visiting all the local options. Although happy with this efficient, practical, well-organised and initially reasonably priced provider (costs did suddenly spike with NQF accreditation) we found this type of childcare just didn't quite work for us. The centers' operating hours (7am-6pm) didn't align to our work start and finish times and without a reliable family support network we didn't have the flexibility to cope with unexpected illness exclusions or work travel. With the arrival of our second child, and the extra childcare fees, it no longer made sense to persevere.

### **Family Day Care**

We investigated family daycare arrangements but our longer work days and a lack of family-daycare places in Frankston South meant this wasn't a viable option.

### **Nannies for Child-minding**

Our experiences with nannies were positive from day 1, our nannies were slightly older and both had previous experience in managing a household and caring for young children (one had certificate III in childcare and the other was taking a career break from nursing). However, even on a good wage package and with 3 children at home, without heavy subsidisation, we simply couldn't afford it.

At the time I discussed my situation with a colleague in Singapore.

In Singapore, the rate for a qualified domestic child-minder on contract from the Philippines was A\$800 per month plus food, board and flights home every two years for a 5-day work week (with duties covering all household duties including child-minding, cooking, cleaning and washing) .

Meanwhile, to just cover child-minding and kids washing for my 3-day work week, my out-of-pocket expenses on our Nanny was A\$700 per week plus food, car and petrol. (or about 6 times more)

### **AuPairs**

For the last two years we have employed AuPairs as our primary form of child-minding and this, given our non-standard work/commute hours, is by far and away the most practical and flexible arrangement. At \$200 per week plus board, food, car, insurance, petrol and outings, the out-of-pocket costs are bearable but the salary remaining after the AuPair expenses isn't likely to encourage women to return into the workforce.



The set-up costs to prepare for an AuPair were a significant barrier to us trialing this option sooner. Given we are a family of 5 and our house is relatively small (2 bedroom & home office) to reasonably accommodate an AuPair we sacrificed our garage and renovated it into a separate bedroom- bathroom area (~\$10k). Also with weak access to public transport in around Frankston we had to give the AuPair the weekday use of our family car- (I am commuting to Dockland by train).

A challenge we have with AuPairs is that most are young girls (straight out of high-school) who whilst familiar with babysitting have never been exposed to the type of responsibility involved in running a household with 3 young children and driving the children safely in an unfamiliar environment. Even AuPairs who have the right level of maturity and have prepared by doing their first-aid & international driving accreditation, face a steep learning curve in the first 2 months.

To advertise, recruit, interview, identify capable AuPairs and employ them takes on average 3-days work (using an agency reduces this to 1-day and \$1200-\$1500 but we have had limited success using agencies), because of the Working Holiday Visa restrictions most AuPairs work for less than 9 months (and then either travel or fruit pick for the remaining 3 months) and they must also change families at least once. This rapid AuPair turn-over affects the children routine stability and bonding; it also adds extra transition costs and leaves families vulnerable to seasonal AuPair shortages!

Aside from extending government subsidisation to cover AuPairs, the biggest opportunity for improvement in 'at-home' child-minding would be to change the working holiday visa conditions to allow AuPairs to extend their stays (as per the primary industry-fruit picking precedent) or continue with a given family for longer on a 'sponsored contract arrangement'.

### **General Feedback on other issues raised in the Discussion paper**

#### **School Holidays**

With a retail business, employing mostly women, we really struggle with how to handle the School Holidays for both our staff and ourselves. Christmas (Dec), summer (Jan), Easter and Stock take (Jun-July) are by far and away our busiest times. These all clash with the major school holiday periods. The business relies on having both ourselves and our experienced staff available during these crucial periods; however it comes at the expense of quality time with our children. Consequently, Anthony and I have resigned ourselves to the non-ideal situation of taking family vacations outside of designated school holidays and pulling our children out of their classes.

One idea that we have hypothetically debated is whether, if the school terms were longer with only a week break between each term (to match parent's 4-week holiday allowance or splits into two 2-weeks between a couple) but that each term is then divided into "high education times" where learning is structure and "low education times" (supervised by non-teaching staff) including things like the camps, fun activity programs etc.

During "low education periods" parents could then be encouraged to get involved with school activities or take holidays. As each school could offer these "low education time" at different points in the year, and parents will choose schools with schedules that work for them, "annual leave spikes" would be more evenly spread across the workforce. For teenagers, the 'low education' time would obviously be reduced but could also be broadened to cover work experience opportunities and team sports.



## **Usability of MyChild Website**

I did refer to the MyChild website, as well as make site visits, when selecting my first long-daycare center. It was helpful enough however if local hours- suitable places aren't available the website doesn't really add any value.

I didn't use myChild to decide my preferences for 3&4-YO community kindergarten, instead I personally visited all the Frankston South Centers' and engaged directly with the staff. However, given the critical shortages of community Kindergarten places in Frankston South, my preference choice didn't matter anyway- the local Council just allocates you whatever Council place is free (even if it is in a different suburb, 40 minute drive from where you actually live!)

## **Impacts of and views on the NQF**

NFQ: The NFQ has its strengths and I do think it has some good objectives. However, I struggle with some implementation impacts.

- In seeking to uplift the educational outcomes of childcare the NQF has glossed over the economic reality of its recommendations.  
For instance, when the long-daycare Centre I was using changed the baby to carer ratio from 5:1 to 4:1, it increased the labour cost per child by 25% driving up family fees. And as the baby room in this Centre had been built to specifically accommodate enough space for 5 babies the Centre was forced to accept less children reducing the number of available baby places.
- NFQ confuses child minding and child educating functions leading to massive over-design in what it is trying to achieve. Rather than splitting the functions down, the NQF seems to pile on the labour at achieving both outcomes simultaneously.  
For instance our community kindergarten (which has a clear mandate for education, not childcare) has always successfully operated 4YO classes on one fully-trained Kindergarten teacher and one experienced assistance plus a regular stream of community volunteers (mostly parents and grandparents). Since the NFQ the same class, admittedly with one Autistic child, now runs with the same fully-trained Kindergarten teacher and experienced assistant PLUS one certificate III carer, two integration aides, one Yarella supervisor and a now declining list of community volunteers
- NFQ is paranoid about "public liability and OHS" which is both disenfranchising (now our kindergarten children can't play with, let alone drink the installed tank water) and kills a lot of opportunity for industry innovation in delivery of its services

The NFQ objectives are sound and I fully support universal access to 'educational kindergarten', but the reality is if childcare costs are driven too high or the number of available places reduced more kids and their working mothers will miss out.

## **Claiming of benefits**

The current childcare benefits registration, eligibility assessment and claiming processes are too laborious and complexly over-engineered in their design.

For instance,

- When I tried to register for CCR online I had to complete the full CCB evaluation process (even though I knew I wasn't eligible) that took over 3 hours and also an in-person Centrelink visit to submit physical documents only to be told I wasn't eligible for CCB.
- Claiming the CCR retrospectively on upfront community Kindergartens fees requires for each child a twice yearly manual declaration of working hours, reconciliation by the kindergarten of what fees have been paid, a completed claiming form and a visit to Centrelink.

Simplification and streamlining are really important. Given the overwhelming benefits in getting more people to access more 'educational kindergarten' or 'work enabling child-minding services' it is logical to design an easy subsidisation system that promotes maximum usage.

Ideally, childcare subsidies should reduce out-of-pocket-costs as they are incurred, hence it would be more effective to use 'pre-assessed eligibility evaluations' and provide the subsidisation/tax rebates via upfront mechanism like vouchers, pay-as-you-pay fee reductions or PAYG tax deductions rather than manual centrelink-based end of half-year reconciliations.

In writing this submission, I am struck by the complexity of the issue at hand- this is not just about more places or more subsidies- but a clear understanding of the positive and negative trade-offs, in all policy choices made, across the female labour market today and the subsequent impacts of this on our families' health, well-being and educational legacy.

I also hope this submission has brought to life some of the subtler challenges faced by Australian families (and more often than not the mothers) who are juggling the competing demands of financial certainty, meaningful careers and rearing young children.