

Submission to the Productivity Commission's Inquiry into Childcare and Early Childhood Learning

6 February 2014

The Westpac Group is pleased to provide a submission to the Productivity Commission's Inquiry into Childcare and Early Childhood Learning. As a large employer, we are making this submission to highlight for the Commission some of the challenges our employees have experienced in accessing childcare. Our workforce is diverse and mirrors the Australian population. As a result, we believe we are raising issues that are experienced by employees across most Australian businesses.

We also believe that access to affordable, high-quality childcare is an important economic issue. Over a relatively short period of time we have seen substantial social and workforce change which has increased the participation of women in paid work and fundamentally changed all employees' expectations about balancing work and family life. As a result more employees are seeking arrangements which enable them to manage work and caring responsibilities. Ensuring public policy catches up with this change is imperative for Australia's future economic development.

It has been widely noted that, while Australia is above the OECD average for female workforce participation, it lags some comparable countries, in particular Canada. The Grattan Institute has estimated GDP would be \$25 billion higher in a decade if Australia's female workforce participation rate rose to Canadian levels. This is a substantial economic benefit which can be captured by ensuring government policy, in particular on childcare, assists women to return to work. In addition, businesses have a role to play by providing flexible work arrangements which enable parents to manage work and family commitments.

Westpac has over 33,000 Australian employees in a wide range of roles and locations across the country. Of these, 59 percent are women and 41 percent are men and over 65 percent are aged 44 or below. They are also at a wide range of income levels with 75 percent of all employees earning less than \$100,000.

Westpac aspires to be one of the world's great companies for diversity and flexibility. As part of this vision, we have a strong focus on gender diversity and supporting families with children through flexible work practices. There are a wide range of factors that affect the ability of people, and in particular women, to return to work after the birth of a child. We believe that access to affordable and high quality childcare is one of the most important and an area where government must play an important role in planning, setting standards and supporting affordable access.

Westpac has a target to have women in 50 percent of leadership roles by 2017. This would be an increase from 42 percent today. We believe this goal will ensure we are employing and promoting the most talented employees and representing the communities in which we operate. Our current approach to flexibility supports this target.

However, flexibility is not just about women. We want to support all employees to manage their work and family commitments. This includes meeting the needs of non-traditional family units with children (e.g. single parents, same sex couples or fostering arrangements). Our 2012 Diversity Survey found that 85 percent of Westpac employees expect to have caring responsibilities by 2015. This highlights the importance our employees are likely to place on flexibility in the future whether they are caring for children, family members with a disability or ageing parents.

This submission sets out how Westpac supports our employees by assisting them to access childcare and flexible work arrangements. In addition, it outlines the experiences of Westpac employees in accessing childcare and in particular the major challenges they have faced. These are issues which could be considered by the Productivity Commission in its Inquiry and, particularly, in considering any recommended changes to current arrangements for the childcare market and government support for parents.

Westpac Diversity and Flexibility Policies

Becoming a parent is a life changing experience. Returning to work after the birth of a child can be an emotionally difficult time for employees who are leaving their child in care. Westpac has a range of policies which are designed to support parents manage their transition back to work after the birth of a child.

Westpac employees returning to work after the birth of a child are able to take advantage of flexible work options, subject to the requirements of their role, including:

- Part time employment and job sharing;
- Telecommuting - work away from the office, either at home or another location;
- Two years' parental leave, including 13 weeks' paid parental leave for primary care-givers. This is available to all employees and the 13 weeks' paid leave can be taken any time in the first year after the birth. In addition, we provide up to 39 weeks of employee superannuation contributions on unpaid leave in addition to 13 weeks' superannuation on paid leave;
- The right to request a temporary change from full time to part time until their child starts school;
- Purchased leave - flexibility to buy up to four weeks' extra leave each year; and
- Career break - between three and 12 months' unpaid leave to pursue interests and responsibilities outside work.

In 2012, a group of Westpac employees undertook a project to provide insight into the challenges women face upon returning from parental leave and provide recommendations to improve engagement and retention rates. This included a survey of 456 Westpac employees who had returned from parental leave. Around 40 percent of employees surveyed reported that achieving work/life balance was the most significant issue they faced in returning to work. They find that it is difficult to work and organise family life (e.g. dropping off and picking up children, preparing meals, getting to childcare and back to work, etc).

In response to this survey, and Westpac's 2012 Diversity Survey, we implemented a number of enhancements to our policies, including:

- Partnering with Parents@Work to run a holistic parental leave program for working parents which includes an interactive information portal accessible by all employees around Australia, seminars for employees about to go on parental leave held in head office locations as well as personalised one-on-one coaching for employees as part of their staying-in-touch arrangements while on parental leave or transition back into the workplace following parental leave; and

- Refreshing our Flexibility policies with a focus on “Mainstreaming Flexibility” across the entire organisation. This included creating new toolkits for managers, individuals and teams, a self-assessment tool for managers and a coaching guide for human resources managers to use to work with teams to break down any ongoing barriers to flexible work. This recognises that flexibility is not just for women with children and is the responsibility of all Westpac employees.

In 2014 we will be undertaking further work to ensure we remain a global leader in flexibility and an employer of choice for people with caring commitments, including parents. We believe this work could play an important role in the public policy debate and we would be prepared to share its findings with the Commission at the appropriate time.

Westpac preferred childcare suppliers

In addition to flexible work arrangements, Westpac has arrangements with a number of preferred suppliers to assist our employees to find places in childcare.

Only About Children

In 2009, Westpac entered a long-term agreement with Only About Children Pty Ltd to provide childcare for employees of The Westpac Group. This included the sale of four childcare centres that were previously owned by Westpac. Early in 2009, Westpac took on the direct management and operation of these centres following the collapse of the centres’ previous manager, ABC Learning Centres. This move was necessary to ensure the continuing operation of the centres in the short term.

Only About Children is a premium childcare provider with a network of centres in Sydney and Canberra and one centre in South Melbourne. Westpac’s agreement with Only About Children provides for Westpac employees to receive preference on waitlists at all of the childcare centres in Only About Children’s network. In addition, increases to the daily fees charged at the four centres that were sold to Only About Children are capped at 10 percent per annum.

Lockleys Child Care & Early Learning Centre

Child Care Services Australia manages the Lockleys Child Care and Early Learning Centre which located at the site of Westpac’s South Australian mortgage centre. There are over 700 Westpac employees working at Lockleys, a major back office hub for Westpac across Australia. Westpac employees working at Lockleys receive preference on the waiting list at Lockleys Child Care and Early Learning Centre.

St George Childcare Centre

Westpac also owns the St George Childcare Centre, which is available to all Westpac Group employees, located at our operations centre at Kogarah in Sydney’s southern suburbs. The St George Childcare Centre is managed by KU Children’s Services, a not for profit child care provider.

Westpac employees have priority on the waitlist at the St George Childcare Centre. They can also take advantage of subsidised daily fee rates and are able to pay their childcare fees from their fixed pay/package on a before tax basis (i.e. salary sacrificing). The St George Childcare Centre meets the tax definition of a work-based childcare centre and therefore fees paid from before tax income are exempt from Fringe Benefits Tax (FBT). Our other preferred supplier arrangements do not meet the definition of work-based childcare centres and would not be exempt from FBT if fees were salary sacrificed.

Westpac employees' experience with childcare

As well as accessing Westpac's preferred suppliers, we know that Westpac employees use various types of childcare to enable them to work. These include other child care centres, family day care, nannies, and other family members such as partners and grandparents. In many cases, employees use a mixture of different types of child care which enable them to work the particular days and hours they require to perform their role.

The 2012 survey of Westpac employees who had returned from parental leave found that 71 percent were using formal childcare (e.g. child care centre or family day care either exclusively or in combination with care by family members), 21 percent were using family only, 3 percent were using nannies and the remaining 5 percent were using other arrangements.

For the purposes of this submission, we also conducted additional face-to-face or written interviews with over 40 employees who have recently returned from parental leave. These represent a cross section of Westpac employees across the country at different levels and performing various roles within the organisation.

From the survey and interviews, we have identified the most common issues which have been experienced by Westpac employees in accessing childcare. These are outlined below.

Availability of places in approved childcare

General availability of places in approved child care centres was raised by almost all participants. Many employees reported that the process of finding a childcare place was quite stressful.

While most Westpac employees interviewed were eventually able to secure formal childcare, this was often for fewer days than required or in a location which was not near work or home and required additional organisation and travel time before and after work. As a result they were not able to participate in work as fully as they would have liked. For example:

I am ready to return to full time hours, but cannot do so as we cannot secure childcare for our daughter on the days that we need. We have to wait until at least March at this stage for a spot to open up for her.

Melissa, Banking Representative, Customer Contact Centre, Launceston

All employees reported having to put their child on multiple waiting lists. Those who did this as early as possible, i.e. when they found out they were pregnant or soon after, had the most success in securing a place which met their requirements. Some employees reported extremely long periods on waiting lists i.e. up to 18 months.

Employees also report that there are shortages in particular areas. Inner city areas are quite difficult and some people were forced to accept a place further out. This required them to travel away from the CBD to drop off their child at childcare and then come back into the CBD for work.

Operating hours

In most cases, Westpac employees placed their children in childcare centres which operated from 7.00am until 6.30pm. This was sufficient hours for them to do their job. However, childcare providers typically charge a per minute fee when a child is picked up late. One employee reported that their child was in a centre where children would be expelled if they were picked up late on three occasions. This increases the pressure on employees to make sure they are leaving early enough to travel to childcare and limits their ability to manage any unexpected events e.g. urgent issues at work. It also highlights the important role workplace flexibility plays in enabling parents to work.

The family daycare that we are at operates 8am to 6pm. If I have to do pick up and drop off, the most I can be in the office is 8.45am to 5pm to allow travel to and from daycare and work.

Jane, Senior Investment Manager, BT Financial Group, Sydney

Timing of intakes to childcare

In the experience of Westpac employees, most childcare centres have one intake per year in January. This has created issues for people who have wanted to return to work throughout the year. For example, a number of employees indicated that they were forced to delay their return to work because they were unable to find a place in the middle of the year:

I had wanted to return to work in October but even though I had put my name on the waitlists of several centres when I was four months' pregnant, I was unable to get a spot until January. So I elected to delay my work until January instead of paying the cost of a nanny.

Tanya, Manager Investor Relations, Sydney

Places for children 0-2 years' old

Westpac employees report increasing difficulty in accessing places for children aged less than three years. Childcare centres have said that the increased staff ratios required for those children make childcare places more costly and less viable.

This is of significant concern to Westpac employees and if the trend continues will restrict their ability to return to work. In 2012, approximately 90 percent of Westpac employees returned from parental leave after one year.

Care by family members

Care by family members is a widely used option. Some employees preferred to have care provided by family members where they could. However, other employees were left with little choice because of difficulties in obtaining formal childcare when they required it. Even where formal childcare is organised, employees are often relying on other family members to handle drop-offs and pick-ups due to travel times between work and the childcare location.

Westpac employees report concern about the sustainability of care provided by grandparents. In particular they were concerned about their parents' ability to continue to provide care as children get older and more demanding. They are also concerned about the difficulty in changing formal childcare arrangements at short notice if their parents can no longer provide care due to a medical condition.

Nannies

Some Westpac employees use nannies. For these employees the gross cost is very high in comparison to approved childcare. The cost difference is even more pronounced when the Child Care Rebate is taken into account. This makes nannies an unaffordable option for many employees.

Some employees who did consider nannies were concerned about the lack of standards in the sector and the wide variation in qualifications held by nannies. Agencies also charge high fees to locate a suitable nanny; one employee indicated this was up to \$4,000.

Family day care

Our employees reported variable experiences with family day care arrangements. Some found the quality excellent and liked the more personal care in a home environment. Others found that it provided a poorer quality of care than day care centres and were concerned about the lower level of supervision which can be provided by one adult.

Multiple children

A number of the issues raised above are exacerbated when employees are trying to manage arrangements for more than one child. Finding available childcare for multiple children on the same days is difficult and different days may not workable. It can also be difficult to coordinate children located at different childcare centres or when one child is at school and the other is in childcare. This requires the "double drop off". For these reasons, employees reported extremely long waiting lists at centres located close to schools.

After school care

Many of our employees noted that the need for childcare does not end once their child goes to school. In fact, at this time it may become more difficult because school ends at 3.00pm. After school care is an option but this is not available in all places. If after school care is not available or at a different location they either have to leave work in time to collect their child, use relatives or pay a nanny to provide care.

Cost

All employees returning to work after the birth of their child noted the high cost of childcare. Westpac employees reported childcare costs which ranged from \$75 to \$160 per day. Many employees have contemplated whether the benefits of working outweigh the costs given the lower take-home salary and the additional organisation required to manage work and children. We recognise the important role government contributions to the cost of childcare through the Child Care Rebate (CCR) and Child Care Benefit (CCB) play in helping parents manage what is a major cost of returning to work.

One issue that was raised frequently is the increase in cost for parents when the CCR is exhausted. Employees found that where the CCR is paid to the childcare centre, the amount they pay increases substantially once they have exhausted the \$7,500 cap. This can put an extra impost on lower income people who are trying to manage their budget over the year.

I find that we are only covered for about 9 or 10 months of the year and then we hit the limit and have to revert to covering the full day fee for the remainder of the year

Sandra, Business Credit Officer, Melbourne

Conclusion

To address these challenges, we would welcome consideration by the Commission of the full range of options available. This would include looking at the role of all forms of childcare (i.e. childcare centres, family day care, nannies and family members) and funding mechanisms including rebates, vouchers and the tax arrangements for individuals and companies.

Consistent with our approach to flexibility we are ready to work with the Government and other groups with an interest in childcare to champion effective solutions.

In this submission we have sought to highlight the issues Westpac employees have experienced in accessing childcare. We hope our submission is of assistance to the Commission in considering recommendations for the future of the childcare market, and the role of government and business in supporting parents to engage in the formal economy