

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

By email: childcare@pc.gov.au

9 February 2014

Dear Sir/Madam

Response to the Productivity Commission's Issues Paper on Childcare and Early Childhood Learning

Firstly, apologies this submission is late. After reading recent media coverage on this issue I was encouraged to submit a response to provide my support for 2 proposals:

1. The Government should provide a childcare rebate that does not discriminate between types of care and specifically, the rebate should apply to nannies (and the rebate should not be means tested). It is unfair that the Government rebate discriminates between types of childcare, especially when long day care is not a viable option for many families, whether because of lack of availability or flexibility or otherwise.
2. The costs of all types of childcare, including the payment of nannies, should be tax deductible.

As a separate issue, for the reasons outlined in 1 below, I believe childcare centres should not be permitted to accept non-refundable application fees in circumstances where there is no possibility of the child the subject of the application receiving a position. Or if that is too difficult to administer, at the very least, if a child is not offered a position the application fee should be refunded.

My specific comments are as follows:

- 1. There is a shortage of long day care in some areas and for many families, employing a private nanny is the only option**

Long day care

My baby is currently 8 months old and I returned to work on a full-time basis in January 2014 (when my baby was 7 months old). During the early stages of my pregnancy, I put my name down (and paid the obligatory "non-refundable application fees") for various long day cares in my area.

None of the childcare centres contacted me until about November 2013 when I received emails informing me that I had been unsuccessful in obtaining a position for my baby (not even one day). I contacted a few centres before receiving this email to check the progress of my application and was informed the centres would be determining spots in about November 2013.

After receiving an email from my preferred centre informing me that my baby was not being offered a position, I immediately called the centre and asked for an explanation as to how there could be people above me on the list given I registered in the early stages of my pregnancy. I was informed that all the positions in the baby room had been allocated to babies who had older siblings already at the centre. I then enquired about the likelihood of being offered a position later in the year and was informed there was a very long list of babies with siblings already at the centre who had not been offered a position and were well ahead of me on the list. In short, I was told my chances of being offered a position later in the year (even for one day) were negligible.

Private nanny

In order for me to return to work I had no other option other than to hire a nanny. My parents live in another state and my husband's parents often travel out of Sydney and are not able to commit to regularly caring for our baby. In any event, in most circumstances I do not believe it is fair to rely on grandparents to be regular weekly caregivers to young children.

I work in a professional capacity in the financial services industry and my hours are often long (including late in the evenings) and unpredictable. After carefully considering my options (especially the economic impacts of each option), I decided to return to work on a full-time basis, predominantly because I enjoy my job and find it challenging and rewarding. The decision to return on a full-time basis was made because of the transactional nature of my work which means at times it would be very difficult to work on a part-time basis. My husband owns a company in the construction industry and also works long and unpredictable hours (including leaving the house very early in the mornings). Even if we had been offered a position in long day care in our area, it would have been difficult for us to manage this arrangement given the lack of flexibility (especially given the long commute between our home and the city).

A nanny is actually a sensible option for us and so far we are pleased with this arrangement. We are fortunate to be in a financial position where a private nanny is even an option (although the cost of a nanny does significantly impact our overall weekly income). Many of my friends with young children are not in such a financial position and it makes returning to the workforce a stressful, or even non-existent, option. I believe it is unfair that the Government rebate discriminates between types of childcare, especially when there is a shortage of long day care in some areas and this option is not available to many parents. Further, the costs of all types of childcare should be tax deductible. I do not believe that either the Government rebate or any tax deductions should be means tested – all women should be encouraged to return to work, irrespective of their financial position or the income of their partner.

High-level examples of costs associated with long day care vs nanny

Having one child in long day care in my area costs approximately **\$28,500 per year**. This is calculated as follows:

- a. 48 weeks¹ per year x
- b. 5 days per week x
- c. \$150 per day in childcare less
- d. \$7,500.²

Compare this to the costs of hiring an experienced private nanny which costs approximately **\$72,000 per year**. This is calculated as follows:

- a. 48 weeks³ per year x
- b. 5 days per week x
- c. \$30 per hour x 10 hours per day⁴.

In addition, the cost of long day care often includes nappies, food, etc. These costs are obviously not included in the cost of a private nanny.

As you can see, the private nanny option is very expensive and is simply not an option for many families.

2. Women should be encouraged to return to work – this issue not only impacts mothers and their families but is important to the Australian economy as a whole

Many women (including highly educated women) are discouraged from returning to work because of:

- a. the lack of availability of childcare;
- b. the high costs of childcare;
- c. the lack of flexibility of traditional childcare options; and/or
- d. doubts over the quality of childcare (especially for parents who are leaving very young babies in care).

In 2009, Goldman Sachs JBWere released a report⁵ focussed on the decline of growth of Australia's labour productivity and attributed part of the decline to the lack of skilled labour. One of the recommendations of the report is for Governments to incentivise females to return to the workforce after childbirth. The report provides that "child care, flexible working hours, retraining programs are all important in this regard." There have been numerous other reports supporting the notion that encouraging women (or at least giving women the option) to return to work after childbirth makes economical sense. The

¹ Based on a 52 week year with 4 weeks annual leave.

² The current maximum child care rebate per child per year.

³ Based on a 52 week year with 4 weeks annual leave.

⁴ Based on the nanny caring for the child from about 7.30am to 5.30pm. Once you take into account commute times, a 10 hour day for the nanny is on the conservative side as it would be very difficult for a woman working in a professional capacity to be home by 5.30pm each day.

⁵ Economics – Australia's Hidden Resource: The Economic Case For Increasing Female Participation (http://www.asx.com.au/documents/about/gsjbw_economic_case_for_increasing_female_participation.pdf).

Government should not be looking at this issue in a vacuum, but should understand that this issue has the potential to significantly impact the Australian economy as a whole.

Diversity in the workplace is an important issue and has been in focus in recent years.⁶ While this is an important issue, in the case of many women with children, the issue becomes largely redundant as they are barred from even returning to the workplace after childbirth. Many women have children relatively early in their careers when they are not necessarily earning the salary they could earn in the future. These women will never reach their full earning potential as they are discouraged from returning to work when their children are young and by the time their children are of school age, depending on the industry they work in, it is often too difficult to return to the workforce or they return to a position that they are underqualified for so they can arrange their work schedule around school drop offs, etc.

My submission is not intended to undermine the ability of women to choose to be stay-at-home mothers but to encourage the Government to consider removing the barriers of re-entry into the workforce so that all women have the ability to re-enter the workforce if desired. I submit that if the Government addresses this issue it would have a significant positive impact on the Australian economy as a whole.

Thank you for considering my submission. I would be pleased to discuss these issues further if that would be helpful.

Yours sincerely

Melissa Jones

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For example, see the ASX's page on Diversity (<http://www.asx.com.au/regulation/corporate-governance-council/diversity-resources.htm>).