



Submission to Childcare Productivity Commission

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Coworking with childcare

Coworking is taking off in Australia in a big way. At the same time, childcare remains the biggest expense (and headache) for working parents. At the happy hubbub, our aim is to provide a much-needed service for working parents with childcare needs – a local coworking space with an on-site creche.

Our long-term vision is a network of hubbubs across Australia, with each hubbub located close to home for members.

Benefits

We believe that coworking with childcare will increase women's participation in the workforce, improve the productivity and profitability of individual member businesses, and improve local economies through the coworking business itself, member businesses, and the new-business opportunities that naturally arise from coworking.

We also believe coworking with childcare will bring significant social benefits to the local community. The coworking space will become a community of working parents, together navigating the challenges of combining child-rearing with careers. Such a community will be especially beneficial for single parents attempting to re-enter the workforce, and women returning to work from maternity leave. It will remove the sense of isolation that can come from working from home, running a small business or being on maternity leave, and give opportunities to members to build not just new business connections but new friendships as well.

Other positives include:

- members cut out the commute to/from work, giving a better work-life balance
- ease of childcare and work being at the same place – cuts out time needed to drop off and pick up child from another site
- eases separation anxiety for parents and young children
- facilitates continued breastfeeding
- networking opportunities
- companies know that their remote employees are actually working in a professional environment (not at home looking after their kids)
- a coworking space reduces a company's OH&S risks that may arise from allowing employees to work from home
- people who don't have a big enough house for a home office can still work remotely
- a coworking space can become a 'satellite office' for companies, allowing project teams to meet and work together at a site convenient to them, rather than schlepping in to head office
- companies who allow remote working can reduce their real estate costs as well as keep employees happy and retained with flexible

- working arrangements
- much more economical for companies than providing childcare at the office themselves.

Occasional care (OCC)

At happy hubbub, we will offer an occasional care (OCC) model. We have identified a market for parents requiring smaller blocks of childcare/work time – those fitting in work between school drop-off and pick-up of older kids, for example, or those looking to take on small commissions or studying whilst on maternity leave.

With women starting their own businesses more than ever before, often whilst juggling child-rearing, ad-hoc access to a coworking space with OCC will relieve the pressures of fluctuating business demands, especially as many traditional childcare providers are unable to provide additional care on an ad-hoc basis or at short notice.

Long daycare

Although happy hubbub is concentrating on an OCC business model, we believe that there is also a market for coworking spaces offering long daycare on-site. Such spaces would be especially attractive to full-time employees with childcare needs.

Both OCC and long daycare options would be beneficial to companies looking to reduce their own real estate costs and to better facilitate women returning to work from maternity leave.

Fees and taxes

Take the OCC model that happy hubbub is looking at: members will pay coworking fees only – the childcare will be a free service available to members, in the same way a gym creche offers free childcare to members of the gym.

For a hubbub member who runs their own business, the coworking fees will be a legitimate business expense (office rental) that can be claimed at tax time.

For a hubbub member who is an employee, however, coworking fees will not be tax deductible. If an employer were to allow an employee to salary sacrifice coworking fees, so they are paying the fees before tax, then the employer would be liable for Fringe Benefits Tax. This makes the prospect unattractive to employers and therefore less likely to be an option for employees.

So as it stands, effectively, employee members would pay 100% of coworking fees, while members working for themselves would have their actual coworking costs reduced by 20–45% at tax time, depending on their tax bracket.

Consideration for the Commission

Happy hubbub asks the Productivity Commission to consider recommending to the Government that fees for a 'hubbub' (a coworking space with on-site creche) be considered a residual fringe benefit that is *exempt* from Fringe Benefits Tax.

This would make the option much more attractive to employers and employees alike, allowing for a much greater up-take of the service and improving its overall effectiveness in terms of encouraging women's participation in the workforce. It would also be fairer; the real cost would be the same for both employees and the self-employed.

We also ask the Productivity Commission to consider whether hubbub fees might *already be considered an exempt benefit* if one interprets a hubbub as being a 'company that is related to the employer' (i.e. as the employer is allowing employees to work out of a hubbub, the hubbub effectively becomes a 'satellite office' of the employer, and one which provides childcare on-site).

Part III, Division 12, subdivision A, section 47 of the *FRINGE BENEFITS TAX ASSESSMENT ACT 1986* (bolding added):

SECTION 47 EXEMPT RESIDUAL BENEFITS

47(2)

Where:

(a) a residual benefit provided to a current employee in respect of his or her employment consists of:

- (i) the provision, or use, of a recreational facility; or**
- (ii) the care of children of the employee in a child care facility; and**

(b) the recreational facility or child care facility, as the case may be, is located on business premises of:

- (i) the employer; or**
- (ii) if the employer is a company, of the employer or of a company that is related to the employer;**

the benefit is an exempt benefit.

Thank you very much for considering this submission.

Links (further reading)

Childcare and women's participation in the workforce

In 2008, 9% of children aged less than 12 months were in formal child care. For children aged three years, the proportion usually attending formal care peaked at 50%, after which it declined to 20% by age five, 14% by age nine, and only 3% by age 12.

...

As might be expected, the use of childcare was highest (78%) for children in one parent families where the parent was employed full time. Around two-thirds (64%) of children attended care if their parent was employed part time, while the proportion of children attending care dropped to 40% if the parent was not employed.

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4102.0Main+Features50Jun+2010>

Problems in finding quality child care when working nontraditional hours aren't limited to parents who need to work more hours. Parents who opt to have one family member work part-time, for example, may find that childcare is either more expensive (offsetting the value of part-time work) or is unreliable in that many daycare centers can't guarantee their child a spot on a part-time or on-call basis.

<http://childcare.about.com/od/daycarecenters/a/nontraditional.htm>

Ms Schwartz is the foundation chairwoman of the Women's Leadership Institute Australia ...

"The cookie-cutter approach that this government and previous governments have taken to childcare is really inappropriate," she said.

"That is where we miss out on GDP growth by having more women participate in the workforce.

http://www.afr.com/p/australia2-0/top_women_break_ranks_on_abbot_hzYGOdYtvUDjIyxqJIFMcI?utm_source=outbrain&utm_medium=cpc&utm_campaign=Top_women_break_rank_on_Abbot

Of the 225,000 people who had previously worked for pay and who would like to return to work, females were most likely to have left their previous job due to pregnancy or to have children (42%)...

According to ABS data, since 1978 women's labour force participation rates have been lower than men's participation rates (ABS 2011). One of the reasons for women having lower participation rates is that women are often the primary carer in a household. In 2008, 84% of lone parent households in Victoria had females as the lone parent (ABS 2006).

<http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/6210.2Chapter2Dec 2010>

As stated by the Grattan Institute in their recent investigation into future economic reforms, 'Removing disincentives for women to enter the paid workforce would increase the size of the Australian economy by about \$25 billion per year'.

...

Childbirth and childcare have a big impact on female workforce participation.

http://www.awpa.gov.au/our-work/national-workforce-development-strategy/2013-workforce-development-strategy/Documents/2013_Future_Focus_Stakeholder_Submissions/Economic_Security_4_Women.pdf

Take these simple Australian statistics:

- 2.1 million Australians are self-employed.
- 1.1 million of these don't employ anyone
- the other 1 million employ about 6 million people

<http://www.contractworld.com.au/>

AUSTRALIAN women are starting small businesses at twice the rate of men, but men still outweigh women as small business owners about 2 to 1. Research by BankWest using Bureau of Statistics data revealed strong growth in the rate of women starting up businesses over the past five years (7 per cent) compared with men (1.9 per cent). The year to February echoed that trend. "One of the real trends that came out of the report was stronger growth in the number of women running their own business compared to men, particularly the growth in women running a small business by themselves, often part-time at first while raising children," said the report's author, Tim Crawford, a senior analyst at BankWest.

<http://www.smh.com.au/business/more-women-than-men-taking-the-plunge-into-small-business-20110612-1fzbj.html#ixzz2cnty9Sx9>

Corporate world & flexi-work

The Diversity and Inclusion agendas within Australian and New Zealand businesses ... Gender and Women in Leadership lose their top spot although they remain a priority for more than 70% and 60% of respondents respectively. There will be increased focus on Flexibility.

http://www.dca.org.au/files/file/000112_KF_Diversity_and_Inclusion_Survey_V002.pdf

ABS figures reveal a 45 per cent jump in dads with young children (under 15) employed part-time over the past ten years.

... Tass Mousaferiadis, from BeyondBlue's Men's Program, said better employment policies catering to the needs of families had been a critical factor.

"Men are now requesting and demanding flexibility to participate in their children's lives," he said.

<http://www.news.com.au/business/worklife/more-dads-taking-up-part-time-work-to-be-with-their-children/story-e6frfm9r-1226567415519>

So are flexible work policies just a 'perk', or do they deliver when it comes to the bottom line? The American Express and Aetna examples strongly suggests the later.

At American Express the BlueWork program has delivered not only improved worker productivity but also saved between \$10- \$15 million annually in real estate costs, the company says.

<http://www.forbes.com/sites/jeannemeister/2013/04/01/flexible-workspaces-another-workplace-perk-or-a-must-have-to-attract-top-talent/>

Consultant Philip Ross, chief executive of the Cordless Group and author of *Activity-Based Working: The Hybrid Organisation*, says work is "becoming a process, not a place". He predicts the death of the individual desk and desk phone.

<http://www.smh.com.au/it-pro/business-it/kpmg-testrums-future-workplace-20121119-29m1j.html>

Good things can come when members of an organisation are allowed to manage their own work, such as greater job satisfaction and better adherence with organisational policy. But this involves management doing an uncomfortable thing: surrendering control.

<http://bps-occupational-digest.blogspot.com.au/2012/09/monitoring-self-managing-employees-may.html>

'The focus goes back on to the cost of real estate. Banks are trying to put a lot more people into quite a lot less space.'

Employers are asking: do you need a permanent desk all the time?

http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10812076

Workshifting gives workers the flexibility to balance work and home however best fits their schedule and the respective needs of each. According to WorldatWork, the higher an organization rates itself on the flexibility scale, the lower the organization's voluntary

turnover rate...

According to the Real Estate Executive Board, the savings realized can be dramatic as the U.S. average real estate occupancy cost is \$7749.04 per worker per year—an organization of 5,000 employees with a desk-sharing program which mandates one day of teleworking per week for each worker can optimally realize \$7.7 million per year in real estate savings.

http://www.citrix.com/content/dam/citrix/en_us/documents/products-solutions/top-10-reasons-to-embrace-workshifting.pdf

Coworking spaces

List of all coworking spaces in Oz

<http://blog.thefetch.com/coworking-spaces/coworking-in-australia/>

List of all coworking spaces in NZ

<http://blog.thefetch.com/coworking-spaces/coworking-in-nz/>

Work hubs that include childcare, or who are considering it:

(US) <http://nextkids.us> (affiliated with <http://nextspace.us>)

(US) <http://elliescoworking.com/>

(US) <http://www.coworkingforparents.com/>

(UK) <http://www.third-door.com/>

(Japan) <http://hatchcowork.com/>

(Canada) <http://www.cokid.ca/>

Rather than the daily time-consuming and costly trip into the office, employees can choose to work in their local Smart Work Hub a couple days per week or drop by a centre between meetings. Employers also benefit from this model of working, as it results in increased productivity, higher engagement and retention, access to a wider talent pool, reduced workspace costs and mitigation of WHS concerns.

http://www.coactiv8.com/-_!Quit-the-Commute-Benefits-of-Smart-Work-Hubs-for-Individuals-and-Employers-/c1wec/7041B7D3-0C26-4DA1-9DC5-B9F58F268B03

Coworking spaces provide the perfect balance between the coffee shop and the cubicle; business amenities and networking opportunities but in a more free-form, less buttoned-up setting that's perfect for the new mobile workforce.

<http://blog.worksnug.com/2013/08/20/coworking-spaces-vs-corporate-environments/>

Corporate employees from companies like Plantronics and Cisco already use NextSpace's six locations, and Neuner expects more will join in the future, as big business start to realize the benefits of giving employees access to environments outside of the corporate campus.

<http://blog.worksnug.com/2013/02/15/4-reasons-big-companies-are-embracing-coworking/>

... almost every independent worker will eventually encounter— whether working from home or at a public venue like a coffee shop— the greatest drawbacks of telecommuting and web working: *Isolation, lack of productivity, and distractions*. The nemesis of every independent worker and telecommuter, this pesky trio, in turn, stifles innovation, creativity, and worker productivity... It was in this 'I-want-to-work-alone-but-with-other-people' kind of environment that coworking as we know it was forged and born... What you pay for is membership, *the right to belong*. At the heart of coworking is being part of a larger community...

[*Working in the 'UnOffice': A Guide to Coworking for Indie Workers, Small Businesses, and Nonprofits, by Genevieve V. DeGuzman and Andrew I. Tang*](#)

In Australia, coworking could help cities that are struggling with a declining manufacturing base ...

The Australian Government has recognised that flexible work practices create benefits

that flow to employers through [cost savings and productivity gains](#) while workers enjoy less commute time and more work-life balance...

In Victoria, the regional [City of Ballarat is establishing a coworking community](#) as part of a \$4.44 million backing of creative industries projects over the next financial year. The Ballarat project will become one of the first regional Australian coworking centres to be established.

[http://www.shareable.net/blog/government-support-for-coworking-in-australia -s\(hash.TgWI2xfP.dpuf](http://www.shareable.net/blog/government-support-for-coworking-in-australia -s(hash.TgWI2xfP.dpuf)

According to research conducted by [Deskmag](#), the number of coworking spaces in Australia increased by a staggering 555% in the two years ending September 2012.

...

Major Australian corporate players, including AMP have incorporated coworking into their business plans allowing their employees to work from collaborative work environments. Australia's number two telco Optus is supporting a number of coworking spaces around the country through their [innov8 seed program](#), including Fishburners, Inspire9, [York Butter Factory](#), [iAccelerate](#) and [Sync Labs](#).

<http://www.shareable.net/blog/coworking-grows-quickly-in-australia>