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Submission to the Productivity Commission Public Inquiry: Childcare and early learning

Introduction

economic Security for Women (eS4W) is one of six National Women's Alliances funded by the Australian Government through the Office for Women.

The organisations that make up eS4W include women from diverse backgrounds with different employment states (employers and employees) however; their members are united in the belief that economic wellbeing and financial security are essential ingredients to achieving equity for all women. The ability to achieve positive economic outcomes impacts on all aspects of women's lives including their education, health, employment, retirement, housing and personal safety and can enable women to make informed choices that also influences the wellbeing of their families and communities.

We welcome this opportunity to make this submission to this Inquiry. Indeed, in 2012 we wrote to the then Prime Minister, Julia Gillard requesting she make a reference to the Productivity Commission seeking a review of the provision and financing of childcare and out of school care services. We sought this inquiry to include consideration of changes to current policy settings for Family Tax Benefit Part B, provision patterns and user costs for child care (including for school age children), and as well the introduction of measures to mitigate against the trends towards increasingly insecure work. In 2013 we sent a similar letter to the then Leader of the Opposition, now Prime Minister Tony Abbott and to the then Prime Minister, Mr Kevin Rudd, MP. A copy of the original letter to Ms Gillard, is attached (Attachment 1).

Our member organisations have been encouraged to make individual and joint submissions to this inquiry; and they have been encouraged to contribute data, evidence and stories (case studies) to this submission by eS4W. We have received significant input from the following members:

- BPW Australia
- National Foundation Australian Women (NFAW)
- Professionals Australia (formerly APESMA)
- Women in Adult and Vocational Education (WAVE)

At our Face to Face meeting held in Melbourne on 20th November 2013, eS4W council members recommended, that this submission use recent data from the report on gender equity by the COAG Reform Council released in November 2013. The key points were:

- That one in five women out of the labour force were caring for children and
- That the number of women who are primary carers peaks in the 35-44, 45-54 and 55-64 age groups, with the assumption being that the majority of those in the 35-44 year age group are caring for children.

Our members argue that many women take time out of employment because of the lack of access to any childcare, let alone affordable, flexible and age appropriate childcare. Waiting lists for care of children aged between 6 weeks to 2 years are the highest of any age group, and families struggle to get any place. This impacts on their own workforce and career

planning and also impacts on the workforce planning of employers, if their employees cannot commit to designated working days and times because care is not available. The lack of access to any formal care for children 6 weeks to 2 years of age, results in a high dependence on extended family and a later return to work for those women without such support. With growing labour mobility and migration, this extended family support is often not available.

It is this time out of the workforce that contributes to the underemployment of women 45 years and over and ultimately to financial disadvantage in their retirement.

Further, the many women who start their own business in search of more family friendly work arrangements do so without fully exploring the financial aspects of such an enterprise and as a result, many women fail to earn a sufficient income and fail to make contributions to their superannuation.

Opening statement

It is the goal of all Australian governments - set out in Council of Australian Government's (COAG) reform agenda - that all Australians should enjoy opportunities for economic and social participation, so we argue that all levels of government have a role to play in providing childcare (that offers early childhood education for those under 5 years) and care and supervision programs for school-aged children, because these are essential to such participation by women.

However, in its first report on outcomes by gender, the COAG Reform Council found^[1] that gaps remain in women's workforce participation and representation in leadership roles. This inequity has economic implications across the lifespan with lower overall pay and smaller superannuation savings for women on retirement.

Women from low socio-economic backgrounds, women with disability and female carers are disproportionately affected by these economic disadvantages.

eS4W claims that those gaps in workforce participation and representation in leadership roles are to some extent the result of the insufficient or inappropriate supply of care for children under the age of 12 years and of other forms of care and supervision for children up to 14 years.

When considering access to childcare, the COAG Reform Council found that in 2011^[2]:

- more formal childcare or preschool services were needed for 16.4 per cent of children aged 0-12 years, **nearly 600 000 children**. It was parents work commitments that were the main reason cited for children needing more childcare or pre-school services (51.1 per cent).
- it was the cost - for one in four children aged 0-12 years - that the required formal childcare or preschool was not used.

And recent data from ABS^[3] found that:

- Of the 2.2 million people who wanted a job or more hours and were available to start work within four weeks,

^[1] Letter to The Hon Tony Abbott MP, Prime Minister from COAG Reform Council presenting 'Tracking equity: Comparing outcomes for women and girls in Australia'.

^[2] COAG Reform Council 2013 'Tracking equity' p 32

^[3] ABS 6239.0 - Barriers and Incentives to Labour Force Participation, Australia, July 2012 to June 2013
<http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6239.0Main%20Features3July%202012%20to%20June%202013?opendocument&tabname=Summary&prodno=6239.0&issue=July%202012%20to%20June%2013&num=&view=>

- 1.2 million people (55%) indicated that they were not looking for a job or more hours
- And two thirds were women (797,600 or 65%).
- 'Caring for children' was a commonly reported main reason for not looking for work or more hours (175,900 people). Women comprised the majority of this group (90% or 158,400).
- For those people who cited 'caring for children' as their main reason for not looking for work or more hours, 37,800 people (21%) reported childcare 'cost/too expensive' and 64,900 people (37%) reported they 'preferred to look after children'.

Therefore, economic Security4Women welcomes the commitment of the Australian Government to a sustainable future for a more flexible, affordable and accessible child care and early childhood learning market/service system.

We agree that such a system helps underpin the national economy and supports both the broader community and its individual members, especially supporting parent's choices to participate in work and learning and their children's growth, welfare, learning and development.

We are conscious that by adopting a market model for the supply of childcare and early learning services, the Australian Government has acknowledged the need for intervention when market mechanisms fail; for example, when family incomes are insufficient to pay the price of the childcare required to earn the related income.

Intervention is also justified because of the shared benefits to the nation of the supply of childcare and early learning services through increased tax revenue and Gross Domestic Product resulting from increased workforce participation and through increased savings resulting from early intervention in vulnerable families, improved preparedness for school and increased retirement savings of women.

We see evidence of this acknowledgement in the Australian Government's investment in child care and early learning and agree that it is important that this expenditure achieves the best possible impact in terms of benefits to families and children as well as the wider economy.

We agree that the child care and early learning system can be improved because we hear anecdotal evidence of families struggling to find any child care at all and particularly quality childcare that is close to work or home, offers flexible hours and is affordable enough to make their participation in the workforce worthwhile.

As our main concern is women's economic security through workforce participation we also have a particular interest in access to non-standard hours of childcare and out of school hours' programs, for children up to the age of 14 years¹. In all the public discussion of child care, and necessary reforms, out of school hours and vacation care services often receive little attention. Yet there are twelve weeks of school holidays per year, much longer than any working parent's paid annual leave, and parents have problems also managing care before and after school when their working hours don't fit comfortably with the school day.

We agree with the Treasurer that childcare and early learning services need to operate in a system that has clear and sustainable business arrangements (that such services have sufficient funds and revenue to provide quality affordable care), including regulation, planning and funding.

- We require regulation to ensure children are safe and have access to early learning activities and for their parents to be confident that their workforce participation is not at the cost of any aspect of their child's health, their social, educational and emotional development.
- We require planning to ensure that the childcare service system continues to meet changing patterns of demand and contributes to women's economic security and participation in leadership roles and to the nation's productivity, to innovation and growth in taxation revenue and consumer spending.
- We require funding to pay childcare workers an income that recognises their skills, qualifications and the significant responsibilities and risks of this industry and the ongoing sustainability and quality of this sector's workforce and simultaneously guarantees childcare fees do not act as disincentives to parents' workforce participation.

We commend the Australian Government's objectives in commissioning this Inquiry, with a particular focus to examine and identify future options for a child care and early childhood learning system that supports workforce participation, particularly for women and that is more flexible to suit the needs of families, including families with non-standard working and study hours, disadvantaged children, and regional and remotely located families.

However with regard to the final objective, *that the childcare and early learning system is based on appropriate and fiscally sustainable funding arrangements that better support flexible, affordable and accessible quality child care and early childhood learning*, we refer to the previous objectives and suggest that for this objective to be consistent with them, the funding arrangements need to be expanded to include all programs within the range of policy settings that support workforce participation of parents with dependent children and allows for the consideration of any interactions between a suite of policy settings that today, can inadvertently act as disincentives to workforce participation².

In short we recommend that the Early Childhood Education and Care should be considered as part of appropriate and fiscally sustainable funding arrangements that aim to better support women's workforce participation and children's access to early childhood learning.

That these funding agreements include flexible, affordable and accessible quality child care as well as paid parental leave, lactation breaks and take into account the interactions between taxation arrangements, childcare rebates and benefits and family benefits.

Terms of reference

We will now address the key points for consideration by this Inquiry

1. The contribution that access to affordable, high quality child care can make to:

a) increased participation in the workforce, particularly for women

With our member organisation, National Foundation of Australian Women (NFAW), eS4W urges the Australian Government to pursue a coherent whole of Government approach to the increased workforce participation of parents of children under the age

² In 2012 John Daly of the Grattan Institute argued that the removal of disincentives for women to enter the paid workforce would increase the size of the Australian economy by about \$25 billion per year. They found the most important policy change is to alter access to Family Tax Benefit and Childcare Benefit and Rebate so that the second income earner in a family — usually, but not always, a mother — takes home more income after tax, welfare and childcare costs. Viewed on 20 July 2012 at <http://grattan.edu.au/publications/reports/post/game-changers-economic-reform-priorities-for-australia/>
www.security4women.org.au

of 14 years, in particular of mothers; bringing together policies of different portfolios, as not one alone is sufficient to achieve the desired goal.

The critical elements of an integrated strategy to increase women's workforce participation are:

- i. Industrial Relations policy- workplaces and job designs which permit women and men to balance work and family responsibilities with a guarantee of the serious consideration of any request for family leave. We understand this can be difficult for small to medium enterprises to always accommodate. However we are pleased to hear of the investments made by the Federal Government in telework across the Commonwealth public service to provide greater work/life balance for public servants.
- ii. Taxation and welfare transfer policy- structuring the interaction of tax and transfer policies to remove or modify financial disincentives for the second income earner to re-enter or stay in the workforce.
- iii. Paid parental leave policy- equitable payments to the primary and secondary carer to enable them to take a break from work, to establish sound bonding with the newborn and remain attached to the workforce.
- iv. Universal access to paid lactation breaks to women, so that they can combine work and breastfeeding and meet World Health Organisation maternal and child health goals. For example, the Queensland Public Service offers this benefit. Norway has a national right of two hours of paid lactation breaks for their workers. Access to affordable, good quality child care and after school care, particularly in regional and rural locations.

In the run-up to the 2013 Federal Election the NFAW published a series of comparisons of policies impacting women. One of these addressed women's workforce attachment, and can be found at <http://www.nfaw.org/?s=election+2013>. Companion papers dealing in detail with child care policies and paid parental leave policies are at the same URL.

Put simply, there was little evidence at that time that any major political party had addressed or attempted an integrated policy approach to enhancing women's workforce attachment.

Provisional unpublished results of the Government's own commissioned evaluation of the existing Paid Parental Leave Scheme suggested that many women were not returning to work with their employers once their paid leave expired, because they could not find either any, or affordable child care.

Women consistently report that the most significant factor in their capacity to return to work after child birth, and to remain at work, lies in the availability of child care, and whether they make any net income gain after payment of fees, and loss of welfare benefits/transfers.

Women on Boards conducted a survey in 2013 of over 1,000 of its members, and found that child care rated much higher on the list of desiderata than did the (then) Opposition proposal to expand the scale of paid parental leave benefits. The survey can be found at <http://www.womenonboards.org.au/news/media130829-survey.htm>

Maternal labour force participation rates are affected not only by taxation considerations, but also by educational level, earnings capacity and the need to purchase services to replace those the primary carer would normally provide – particularly childcare and other domestic services³.

³ Scutella, R. (2001). "Labour Supply Estimates for Married Women in Australia." *Australian Journal of Labour Economics* 4(3): 152 - 172, Taskforce on Care Costs (2006). *Where Are We Now: 2006 Interim review of the 2005 Creating Choice: Employment and the Cost of Care Report*. Sydney, Taskforce on Care Costs, ABS (2011).

Women's labour force participation rates are highly elastic, particularly during the period when mothers are juggling child-rearing duties with paid work⁴. Consultations held by NFAW with women in Australia in 2011 indicated that although they are aware that family benefits will be withdrawn, the operation of the system is opaque and other direct and visible costs, particularly childcare, have a higher priority in determining the extent of participation in the labour force⁵; and access to childcare is a significant factor in female workforce participation rates⁶.

Indeed, we agree with NFAW and are confident that were the Government to modify its proposed changes to paid parental leave, so as to free up some of the proposed additional expenditure, and instead invest in the child care sector, there would result greater user satisfaction and measureable improved workforce attachment.

To this point we have discussed policies bearing on workforce attachment.

b) optimising children's learning and development.

There are other policy areas where child care (including care services for the school age child) are of immense significance.

The first of these is educational achievement. The Commission issues paper notes a connection between NAPLAN results and earlier attendance at good quality ECEC. This has implications also for the quality of care services, as well as of pre-school services.

The educational components of childcare are very important and require appropriately qualified and remunerated early childhood teachers as in other parts of the education sector. We need to better support the notion of childcare workers as 'early years educators'.

According to a member of WAVE based in WA, many of the best childcare workers tend to move to teaching which is better paid and more respected, leaving a need for really skilled childcare workers, including men and those from culturally and linguistically diverse backgrounds. Childcare workers can have an enormous impact on pre-school literacy levels – especially if they are well trained and have the opportunity to build on their experience over time.

Other interrelated policy areas of significance are sport and recreation, and health. Health authorities point out that Australia's overwhelming health problem is the increasing incidence of diabetes⁷, with Type 2 beginning to emerge even in primary school age children⁸.

It is interesting to note that nutrition policies of day care are not nationally legislated and are determined by the individual day-care centre. Standardising and legislating nutrition policies in childcare would have longer term health and learning benefits to children and future generations. Further, there would be other health benefits, if childcare centres were educated on how to properly administer and store expressed breast milk to young children. The Australian Breastfeeding Association and its

6239.0, *Barriers and Incentives to Labour Force Participation, Australia, July 2010 to June 2011*. Canberra, Australian Bureau of Statistics.

⁴ Apps, P. (2007). "Taxation and Labour Supply." *Australian Tax Forum* 22(3): 89 - 116.

⁵ Coleman, M. and H. Hodgson (2011). *Women's Voices*. Canberra, National Womens Alliances.

⁶ Daley, J., C. McGannon and L. Ginnivan (2012). *Game-Changers: Economic Reform Priorities for Australia*. Melbourne, Grattan Institute.

⁷ <http://www.aihw.gov.au/diabetes/>

⁸ <http://www.diabetesaustralia.com.au/en/NDSS-Content/Diabetes-Information-Sheets/type-2-Diabetes-in-Children--Adolescents/>

volunteers already provide a voluntary service in this regard to childcare centres and employers. However it is dependent on specialised volunteer support.

Obesity, linked to the increasing rate of diabetes is evident among children as well as adults. One in four children are obese⁹.

It is not unreasonable to draw the conclusion from these observations that child care services (including OSHC) ought also to include programs which promote healthy eating habits, appropriate levels of physical activity, and which are particularly aware of the health issues facing particular known populations.

Funding and staffing policies ought to be designed to take account of these important concerns. This requires a whole of government approach.

2. The current and future need for child care in Australia, including consideration of the following:

a) hours parents work or study, or wish to work or study-home based care/family day care

No comment

b) the particular needs of rural, regional and remote parents, as well as shift workers, seasonal workers and exporters.

Market intervention is required by Government, when it is unprofitable for the private sector to invest in childcare services in regional and remote areas. The lack of access to childcare and after school care services in regional and rural areas also has ramifications to other industries and their workforce attraction and retention goals. For example, mining and resource regional and rural locations, which suffer from a lack of workforce diversity, particularly of women.

Culturally appropriate childcare is especially relevant and important for Indigenous communities and the information supplied by members of WAVE included in Attachment 2 is useful for the Commissioners.

c) accessibility of affordable care

The major problems witnessed by many of our members are the sheer lack of childcare places available. However, when a parent finally does get access to a place, they are financially locked into that service. When they take holidays, they are charged the full day rate. This is a disincentive for many workers to take that needed holiday or to include their children in their time off as they are still being charged for day care. A more equitable approach which occurs nation-wide in Norway is that families are charged a small proportionate rate of day care when they are on holidays. Plus in Norway, childcare places are transferable. In Australia, if the centre doesn't suit your child and a parent has to pull their child/children out, their place is not transferable and the search for another place has to be repeated.

⁹ <http://www.aihw.gov.au/overweight-and-obesity/>

d) types of child care available including but not limited to: long day care, family day care, in home care including nannies and au pairs, mobile care, occasional care, and outside school hours care

In home care

When discussing the need for flexible and appropriate care, NFAW reported that some women called for subsidisation of the cost of a nanny, which can cost up to \$80,000 pa. Nanny care is currently classified as registered care, not approved care, and accordingly CCB is limited and CCR is not available.

eS4W sees no good policy reason for excluding these parents from the same levels of subsidy available to their colleagues who use child care centres. However there are genuine concerns over quality control and the protection of all parties to these arrangements, including the nanny. Accordingly such arrangements should include protections in relation to the quality of care, immigration laws and occupational regulations such as the industrial relations and occupational health and safety regulations.

A model of care such as that being adopted in parts of the UK, whereby in-home care is subsidised if provided through an in-home service provider would address these concerns. While most Nanny agencies act as employment brokers, these arrangements would not provide the same level of due care to the Nanny and the family as an accredited in-home service provider. In Australia, through the national Family Day Care scheme we do have existing infrastructure that could be adapted to register and contract qualified in-home carers and ensure minimum standards of care are being provided.

In Norway, in an attempt to encourage families to use accredited agencies for au pair services, the same tax subsidy is made available to these families as they would receive if children were placed in day-care. The Education Department carefully monitors learning planning and application with regular visits to au pairs and family-day care.

Out of School Hours Care

In 2008 the National Foundation of Australian Women (NFAW) commissioned polling (from Newspoll) of the arrangements working parents made for care for their school age children. It found a high level of informal care arrangements existed, and that use of formal, accredited care services was more common the higher the family income.

In 2011 NFAW, our sister alliance ERA with eS4W conducted a workshop with the assistance of the Women and Work Research group at the University of Sydney. This workshop produced the following recommendations for new policy approaches to care for school aged children:

- i. The Commonwealth Government should ensure it has a clearer focus on care services for children of school age to at least the age of 14, bringing together education, health, cultural and recreational policy agencies. The Office of Early Childhood Education and Care seems inappropriately named in this role.
- ii. States and Territory Governments similarly should give one Minister a lead role in driving the expansion of services where appropriate and the dissemination of best practice. Further, there are already albeit debated positive health benefits of integrating health policy into the childcare and after-school care sectors. We suggest cross-sectoral approaches with the health departments and preventative health budgets to be integrated in the childcare and after school sectors.

- iii. The Commonwealth should give immediate attention to the workforce requirements of the school age care sector of the overall child care field. The Productivity Commission had predicted an expansion in numbers, but the workshop identified issues around training, work conditions and career pathways, as well as adequacy of remuneration.
- iv. The Commonwealth should re-examine the recommendations on simplification of child care funding in the Henry Review on Australia's Future Taxation System, together with the analysis of distributional impacts of these by the National Centre for Social and Economic Modelling, and the ERA and NFAW submissions to the Tax Forum.
- v. The Commonwealth and State/Territory Governments should note the importance placed by workshop participants on best practice in care programs for school age children, and the need to involve children themselves in the development of activities which actively engage and interest them.
- vi. Governments should consider a public education program on the importance of quality after school and vacation programs.
- vii. Governments should attend to the workforce issues imminent in providing child care services for the school age child.

e) the role and potential for employer provided child care

eS4W supports the provision of childcare in workplaces and educational establishments.

eS4W represents women who are employees and women who are employers, mostly owner operators of small to medium sized enterprises (SMEs). From this vantage point we need to raise the inequity experienced by SMEs that are unable to provide childcare.

This inequity relates to the type of employer and the availability of a Fringe Benefits Tax (FBT) exemption for child care, facilitating salary sacrificing arrangements. This also has a distorting effect on the current child care system: both in terms of the extent of public subsidy and in the perceptions of women who do not have access to such schemes.

Access to the FBT concession is very restricted, based on an employer being able and willing to establish a child care centre on its premises¹⁰, and it also extends to payments made by an employer to a service to ensure priority access for employees¹¹.

FBT exemption for child care is also inequitable as it is not consistent to allow salary sacrificing arrangements in relation to a non-tax deductible expense; and it is also inequitable to allow an exemption in certain, very restrictive, circumstances while denying it to the majority of employees. However it has been argued that allowing the exemption encourages employers to consider the work/life balance of their employees, but as stated above **it provides a tax payer funded advantage to larger firms to compete for women in the labour market.**

Members of WAVE also argue for more culturally appropriate and flexible childcare facilities available to women students on campuses (or very nearby). Childcare centres which operate out of TAFE (and other training providers) and are not for profit are

¹⁰ S.47(2) Fringe Benefits tax Assessment Act 1986

¹¹ S.47(8) Fringe Benefits tax Assessment Act 1986

generally very well regarded by the wider community – more than private or even the charity-based providers.

It is unclear how women can be encouraged to upgrade and extend their qualifications to return to the workforce or to move into different vocations, without childcare support. It has always been considered an integral part of training courses for women in TAFE. So, if TAFE is running an Outreach course or Work Opportunities for Women (WOW) or Career Education and Employment for Women (CEEW), then they will try to ensure that there is childcare available, through TAFE or in the community.

To support the provision of childcare WAVE members stress the issue of improved wages and qualifications for childcare workers.

Linking childcare provision with improved training and professionalism is actually good in principle but it can't happen in isolation from decent pay. Members of WAVE endorse the measure used elsewhere whereby the vulnerability of the client (and therefore the responsibility and accountability of the worker) should be reflected in the level of pay. On that model, childcare workers (along with teachers, aged care workers, nurses and auxiliaries, those working with people with disabilities and especially intellectual disabilities and so on) would receive much more than they are paid now. Many young people leave childcare work because they can earn more in retail or cleaning the canteen on a mine site. They often get better conditions and flexibility in those industries.

f) usual hours of operation of each type of care

Women's workforce participation requires flexible models of provision of childcare that allow access to extended hours and non-standard hours for workers engaging in the 'flexible' work place as well as essential 24 hour services.

g) the out of pocket cost of child care to families

As per issues paper, limiting out of pocket cost of care to the proportion of income enables families with high incomes to contribute more to their choice of childcare and to enjoy more disposable income after childcare. For low income households, interactions between taper rates etc. needs to be considered.

h) rebates and subsidies available for each type of care

Means tested rebates and subsidies direct to the provider need to be available for each type of care, as long as the care is regulated and minimum standards guaranteed.

Childcare subsidies and grants for low-wage mothers are good but can increase demand where there's limited capacity.

Good people who want to work as childcare workers will often struggle on poverty-level wages to do something they love but eventually, something gives and they have to pay the bills.

i) the capacity of the existing child care system to ensure children are transitioning from child care to school with a satisfactory level of school preparedness

Transition from childcare to school requires experience of group/centre based childcare and we support the year of pre-school being made available to all 4 year old children.

j) opportunities to improve connections and transitions across early childhood services (including between child care and preschool/kindergarten services)

eS4W supports the development of regional or local children's services hubs that connect childcare services with other related children's and family services.

k) the needs of vulnerable or at risk children

These children's services hubs would include and interact with health, child protection and family support services.

WAVE is also keen to see priority childcare places for mothers with disabilities, and/or mothers of children with disabilities, especially where child care facilities are located within a workplace or educational institution. All premises, whether private or public, should be required to meet Access to Premises Standards, including accessible parking adjacent.

There needs to be improved ability for TAFE lecturers and school teachers to work with mothers of young babies in an holistic way. Already there are programs specifically designed so that babies and children are in a creche next door to the classroom and where play and healthy eating are modelled during the day. Linking childcare practices to community development goals is a good way to go – and places it more correctly in a wider context of what's good for families.

In WA as in other states, facilities which can care for babies (as opposed to toddlers) are really thin on the ground and family arrangements entered into by the poorest and most vulnerable women are often fragile and mean that babies get 'shunted' around between people, many of whom are not up to the job.

"I was involved recently in assisting a young mother (just 16 years) who wanted to finish school. This was entirely dependent on her aunty being available to care for the bub and 2 or 3 months into what seemed like a good arrangement, the aunty increased her working hours and we just couldn't find anywhere or anyone who could take care of the baby. Needless to say, the young mum has now given up school (the one school that has a decent mums and babies program was full and too far from home anyway) and is struggling to learn to become a good mum without much family support. I hope that this young woman will try and attend TAFE next year (assuming the courses aren't all cut or too expensive) and get a place for her baby at one of the few on-campus childcare facilities". Member of WAVE

3. Interactions with relevant Australian Government policies and programmes.

The Grattan Institute claimed that a reduction in high effective tax rates and the net cost of childcare are the principal means for increasing the number of Australian women with children in the paid workforce. These barriers could be substantially reduced by treating Family Tax Benefit as income in the hands of the family's first wage earner, and treating child care as a deduction in calculating eligibility for welfare benefits.

While marginal tax, welfare and childcare costs are the chief barriers to female workforce participation, after the lack of childcare places, individual circumstances vary enormously **with levels of education, earnings, family circumstances and values**. All these affect workforce participation. For example, a married, tertiary-educated woman returning to work for an accounting firm faces very different issues to a single woman without tertiary qualifications seeking casual work in a supermarket.

4. Whether there are any specific models of care that should be considered for trial or implementation in Australia, with consideration given to international models, such as the home based care model in New Zealand and models that specifically target vulnerable or at risk children and their families.

We encourage the Productivity Commission to review the findings of the OECD's Review of Early Childhood Education and Care Policy (Attachment 3). Thirty countries including Australia volunteered and reviewed their childcare systems. Ten goals were agreed to by Education Ministers for action. The overarching goal of the review was to increase women's labour market participation.

5. Options for enhancing the choices available to Australian families as to how they receive child care support, so that this can occur in the manner most suitable to their individual family circumstances.

Mechanisms to be considered include subsidies, rebates and tax deductions, to improve the accessibility, flexibility and affordability of child care for families facing diverse individual circumstances.

eS4W supports the position taken by National Foundation of Australian Women in its submission to the Henry review of taxation

"As a matter of equity, childcare funding should be directed to give most assistance to families that are in most need".

Accordingly eS4W also endorses a model that limits the out of pocket costs of low income and sole parent families to enable them to earn sufficient income to alleviate the risk of poverty.

eS4W supports the payment of subsidies directly to childcare providers who must meet specified criteria. We agree with NFAW that subsidies should be based on providing a base level of service that meets the required quality standards for education and care, regardless of the social or economic circumstances of the families that access that service.

The model of calculating subsidies could be reviewed, particularly in the context of additional costs imposed under the National Quality Framework (NQF). Where a childcare provider meets additional fixed costs as a result of complying with particular regulatory requirements a subsidy could be available to a complying provider.

The key recommendations made by NFAW that we support and that pertain to the funding mechanisms to improve the accessibility, flexibility and affordability of child care for families facing diverse individual circumstances are as follows:

i. Simplification of entitlements

The lack of understanding that many women have in relation to their entitlement is not surprising. The calculation of Child Care Benefit (CCB) entitlement is extremely complex, requiring consideration of the income and work tests, the type of care, the number of children in care and whether the child is a school age child. The entitlement to Child Care Rebate (CCR) is consequential on CCB.

Along with NFAW, eS4W also endorses Recommendation 99 of the Henry Report, relating to the combination of CCB and CCR into a single benefit. This benefit should be

- Work tested, to prioritise access to families using child care to enable the parents to work, study or attend a training programme; and

- Means tested, to ensure that the contribution from low income families does not exceed 10 per cent

ii. Subsidies to Parents

CCB was designed to ensure that all families with children had access to child care. The means testing ensures that low income families, with income of less than \$41,902 or reliant on income support benefits, receive higher rates of assistance, while the work/training/study test provides a higher level of benefit to families where both parents are in work.

However the hourly rate of subsidy is well below the actual cost of providing childcare. Accordingly we recommend that the CCB rates be reviewed to reflect the real cost to a child care provider of providing services that meet the NQF, less a co-contribution from parents that does not exceed 10 per cent.

The CCR has been offered in several forms over time. In its current form the rebate of 50 per cent of out of pocket costs is capped at \$7,500 per child. Although this cap was intended to operate as a constraint on the cost of childcare, in practice it operates as a constraint on workforce participation. Many families are either restricting their hours of work or accessing a combination of formal and informal care to allow them to work the hours that they required. This is particularly an issue for secondary earners in careers where the salary levels are mid-range.

This also results in an anomaly whereby high income earners working fewer hours can be subsidised to the same dollar value as lower income earners working longer hours, based on the cost of the service that they utilise.

Accordingly NFAW recommended that the cap be abolished or that the value of the cap be reviewed and set by reference to local variations in the cost of childcare. If the system were simplified to combine the CCB and the CCR, as recommended above, the hourly rate would be an appropriate starting point.

iii. Tax Deductibility and Fringe Benefits Tax Concessions

eS4W does not support tax deductibility of childcare costs as this is an inequitable and inefficient use of public funds; inequitable as it is more advantageous to high income households and inefficient due to its higher administration costs.

While many women are calling for tax deductibility of child care, interviews (by NFAW) with women have shown that these women believe that tax deductibility will result in a full refund of child care costs. In fact the current system of rebates and subsidies provides more generous benefits than tax deductibility, as the rebate is higher than the highest personal marginal rate of tax. It also distributes the benefits more equitably, encouraging low income women into the workforce. Further, under the arrangements from July 2011 the rebate may be paid fortnightly to a child care centre, whereas tax deductibility would require either waiting until the end of the year or adjustments to PAYG deductions.

Under the current system, the advantages to employees of salary sacrificing child care fees are limited. As discussed in the context of tax deductibility, the CCR may be higher than the tax advantages under FTB. However parents who would exceed the cap for the CCR do not face a similar restriction on the extent of salary sacrificed child care payments. We recommend that if the cap was to be retained, this anomaly should be addressed.

6. The benefits and other impacts of regulatory changes in child care over the past decade, including the implementation of the National Quality Framework (NQF) in States and Territories, with specific consideration given to compliance costs, taking into account the Government's planned work with States and Territories to streamline the NQF.

eS4W is concerned about quality of care and about women's workforce participation in the early childhood sector. We believe childcare workers should receive equal pay for work of equal and comparable value; to guarantee their economic security and to encourage future workers into early childhood services, overcoming the present workforce challenges to attracting and retaining qualified and diverse staff, particularly males .

7. In making any recommendations for future Australian Government policy settings, the Commission will consider options within current funding parameters.

Finally, we again recommend the Commission to consider the access of children to early childhood learning and out of school hours care within the current funding parameters of the range of policy settings that impact on parent's workforce participation.

These policy settings will include those that support the supply of flexible, affordable and accessible quality child care and programs for the care and supervision of school aged children, as well as paid parental leave, and the interactions between taxation arrangements, family benefits and health policy. It is these policy settings as a whole that should be based on appropriate and fiscally sustainable funding arrangements and reflect the revenue generated through increased workforce participation and early childhood education the savings that result early interventions and better retirement savings.

Attachments

Attachment 1

Letter to the then Prime Minister, The Hon Julia Gillard MP

Attachment 2

Funding for childcare training in the Waltja community in NT statement

Attachment 3

OECD's Review of Early Childhood Education and Care Policy

Attachment 1

23rd November, 2012

The Hon Julia Gillard
Prime Minister of Australia
P.O. Box 6022
House of Representatives
Parliament House
Canberra ACT 2600

Dear Prime Minister,

We write to you as a group of concerned National Women's Organisations to ask that you make a reference to the Productivity Commission seeking a review of the provision and financing of childcare and out of school care services. This could include consideration of changes to current policy settings for Family Tax Benefit Part B, provision patterns and user costs for child care (including for school age children), and as well the introduction of measures to mitigate against the trends towards increasingly insecure work.

The Labor Government has introduced a number of important measures affecting female workforce attachment, including greatly expanded outlays on child care, a national Paid Parental Leave Program, and industrial relations reforms through Fair Work Australia.

We particularly commend your Government for the recent changes to taxation policy which will lift many low income earners out of the taxation system. However, there still remains significant outstanding issues.

We draw your attention to the fact that:

- a) while the changes to the LITO take the worker formally out of the system this has the effect of making transfer payments more important. In that income range we still have the FTBB issue as the main contributor to high Effective Marginal Tax Rates (EMTRs). Without consideration of the FTBB one consequence could be that if extra hours are at a lower EMTR for the male partner, he might simply work longer hours.
- b) a Productivity Commission Review could generate substantial benefits in terms of:
 - analysis of the benefits in productivity to the economy overall,
 - of the promotion of greater equality in the workforce,
 - of enhanced sharing of parenting roles between partners,
 - of enhancement of women's economic position,
 - of improved outcomes for children and youth
- c) these matters go well beyond the scope of individual Ministerial portfolio responsibilities

Our request in no way undervalues, nor does it undercut, recent and putative policy changes in regard to expansion of child care and measures to increase flexibility, and changes introduced to the Low Income Tax offset (LITO).

Our diverse group is influenced in our thinking by the recent report, "Game Changers" by the Grattan Institute; the findings in the recent ACTU Independent Inquiry into Insecure Work; the recent forum on Equal opportunity in an age of insecurity (co-hosted by the Brotherhood of St Laurence, economic Security4Women and WIRE Women's Information Service); the continuing public discussions around access and affordability of child care; and as well as consideration of whether there is evidence based potential for further reform to child care provision styles. We are also conscious that the Australian Research Alliance for Children and Youth (ARACY) has developed some research based proposals around care services.

We have previously made submissions to the Tax Forum and to the Inquiry into Australia's Future Tax System, highlighting issues for women in the current tax and superannuation systems, as well as our concerns about the disadvantages faced by women in achieving life-long economic security. Comments such as those from Dr John Daley (Grattan Institute) to the effect that Canada, a comparable society and economy, has achieved much higher rates of female work-force participation than is the case in Australia through policy settings which provide superior access to affordable appropriate child care, together with tax and transfer measures which encourage female workforce participation resonate with us.

We are also mindful of the ACTU Inquiry into Insecure Work that identified a number of measures which could be beneficial for women workers in particular, both lower paid workers and women in professions such as teaching, nursing, community care services and other industries associated with current growth trends.

It is clear that these important issues inter-relate across portfolios and have the potential to benefit Australia's society and economy if addressed appropriately. They are long-term issues, not related to an immediate budgetary framework.

Our group of organisations urge you to give our request regarding referral to the Productivity Commission, or comparable, the most careful consideration and would be very happy to meet with you to discuss this further. We are in discussions with the Australian Council of Trade Unions, and believe them to be supportive.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Sandra Cook', followed by a horizontal line extending to the right.

Sandra Cook
(on behalf of)

Business and Professional Women, Australia
economic Security4Women
Equality Rights Alliance
Young Women's Christian Association (Australia)
National Foundation for Australian Women
Australian Research Alliance for Children and Youth

Attachment 2

Funding for childcare training in the Waltja community in NT was cut so the training team no longer exists, losing corporate knowledge, skills, and knowledge to develop resources such as those below.

Funding Needed

Waltja is currently seeking funding to continue working in the area of Early Childhood and Nutrition Programs.

Waltja has extensive experience in delivering a range of projects and programs that support the development of innovative community-driven early childhood services. This is achieved with sensitivity and an awareness of the unique value system of Indigenous families.

Early Childhood Training

In 2010 to 2012 Waltja developed training material to deliver Certificate III in Children's Services in response to community interest and the need to develop workforce capacity in early childhood services on the APY Lands in the far north-west of SA. The training was developed so that participants fulfilled the requirements of the qualification.

Participants were able to bring together their own knowledge and experience and learned useful and relevant knowledge from the wider early childhood field. The training also reflected:

- Anangu knowledge of children
- Anangu child rearing practices
- Conditions in remote communities
- English language/literacy capabilities
- Pitjantjatjara/Yankunytjatjara language

Waltja is looking for future opportunities to support community-driven, early childhood services in Central Australian communities.

Early Childhood Resources Developed by Waltja

Tjitji Kulunypa Tjuta "Little Children"

This Book was developed as part of a childcare training program funded by DEEWR on the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands. It contains Language and early childhood knowledge from Anangu People on the APY Lands, but is also relevant to all students of early childhood care and education. We welcome the book to be used by other language group Australia wide.

The workbook contains information, photo's, graphics, quizzes and useful planning sheets. It covers the national requirements for some units of Certificate 3 in Children's Services and also incorporates Aboriginal knowledge of early childhood.

[Tjitji Kulunypa Tjuta -Little Children](#)

This workbook is for people who want to study to work in childcare, playgroups, preschools or child and family centres. This book includes 4 units of the course Certificate in children services. 1. Help Children to Develop 2. Help Children to Play and Learn 3. Keeping Children Healthy and Safe 4. Making food for Children

Attachment 3

[OECD's Review of Early Childhood Education and Care Policy](#)