



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON FAMILY AND HUMAN SERVICES

**Reference: Balancing work and family**

WEDNESDAY, 15 FEBRUARY 2006

CANBERRA

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES



## **INTERNET**

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:  
**<http://parlinfoweb.aph.gov.au>**

**HOUSE OF REPRESENTATIVES**  
**STANDING COMMITTEE ON FAMILY AND HUMAN SERVICES**

**Wednesday, 15 February 2006**

**Members:** Mrs Bronwyn Bishop (*Chair*), Mrs Irwin (*Deputy Chair*), Mr Cadman, Ms Kate Ellis, Mrs Elson, Mr Fawcett, Ms George, Mrs Markus, Mr Quick and Mr Ticehurst

**Members in attendance:** Mrs Bronwyn Bishop, Mr Cadman, Ms Kate Ellis, Mr Fawcett, Ms George, Mrs Irwin and Mrs Markus

**Terms of reference for the inquiry:**

To inquire into and report on:

How the Australian Government can better help families balance their work and family responsibilities. The committee is particularly interested in:

the financial, career and social disincentives to starting families;

making it easier for parents who so wish to return to the paid workforce; and

the impact of taxation and other matters on families in the choices they make in balancing work and family life.

**WITNESSES**

**McDONALD, Professor Peter Francis, Professor, Research School of Social Sciences, Australian National University ..... 1**



Committee met at 10.22 am

**McDONALD, Professor Peter Francis, Professor, Research School of Social Sciences, Australian National University**

**CHAIR (Mrs Bronwyn Bishop)**—Welcome. I now declare open this public hearing of the House of Representatives Standing Committee on Family and Human Services for its inquiry into balancing work and family. Achieving a sensible balance in work and family continues to attract national attention, especially in relation to the availability, affordability and flexibility of child care. Our witness today is Professor Peter McDonald, the head of the ANU's demography and sociology program. His submission and exhibits to the committee cover, among other issues, Australia's fertility rate and some proposals for funding and restructuring the child-care sector. This hearing is open to the public and a transcript of what is said will be made available via the committee's website. If you would like further details about the inquiry or the transcripts, please ask any of the committee's staff here at the hearing.

Professor, at the outset I am going to hand the Chair to the Deputy Chairman, Julia Irwin. I have to go and speak in the other chamber, but I will be back fairly shortly so I can take part in this important evidence proceeding this morning. Would you like to make an introductory statement?

**Prof. McDonald**—I will make a short statement. Thank you for having me here today. I was Research Director of the Australian Institute of Family Studies for 11 years. I have been the head of the Demography and Sociology Program at the ANU for about 10 years. My principal area of research in the last 10 years has been the causes and consequences of low fertility, and policy responses. I think I could say that I am the world's leading expert in this field at present. My work is used by governments around the world. It has been used by governments of Sweden, most of the East Asian countries, Canada, Spain and Italy. Currently I am reviewing draft population policies for eastern and central European countries.

In respect of the International Union for the Scientific Study of Population, the statement says that I am a member of the council, but I have been recently elected the vice-president. This is an organisation in which the deputy leader automatically becomes leader, and I will become president in four years time.

**ACTING CHAIR (Mrs Irwin)**—Thank you for your very detailed submission. It is very interesting reading. On page 27 you have the heading 'Childcare payments: a better approach'. I am going to quote from what you said. You were talking about abolishing the child-care rebate using the savings to increase the levels of threshold of the child-care benefit. You go on to say, 'This would reduce the benefits received by high-income second earners'. This is where I have got a few concerns. You stated:

... but there are options for these workers to be supported jointly by employers and government by extending tax benefits to employers that meet the childcare costs of their workers. There is a great deal of evidence that employers are willing to do this in order to attract and maintain the best workers.

Are you saying that some employers are prepared to do this? Also, what is the case with the biggest employers of women, like the state government? They employ nurses, teachers, public

servants, and they cannot get that. Even in the Catholic education system they cannot get that. What is the case?

**Prof. McDonald**—There are various possibilities, but I had in mind that salary sacrificing, for example, is available at present to employers who provide child care on site. That has led to some provision of child care on site by larger employers, and some of the ones you mentioned provide child care on site—government agencies et cetera. But it is not an option for a lot of people, and it is not an option for a lot of employers. A lot of parents prefer to have child care in their neighbourhood rather than at the workplace, particularly if the children are a bit older. The children would be associating with the children that would be going to be going to school with, and parents might want to try to work out some arrangement with preschool education.

I see no reason why the salary sacrificing option should not be available for all child care. Whether you get it in your community, or wherever you get it, that should be available. That is an approach that can go through employers.

There are also employers—I am talking about probably more the high-flying end—who are so desperate to get a particular employee that they will pay all the child-care costs. I think that maybe there should be some recognition in terms of fringe benefits tax, et cetera, for that case. I would not want to direct attention just to the high end, because most women—

**Ms GEORGE**—Is that not the problem, though, with salary sacrificing?

**Prof. McDonald**—Salary sacrificing could be extended to right across the range of incomes. I think it could be beneficial to those on lower incomes as well. You do need to be looking at the situation of the vast majority of young mothers and young couples, who in fact do not have high incomes, and looking at policy approaches as well. That is where you are looking at the broader approaches that I have suggested. It is a question of the provision of child care and of income support, and there are various ways you can do that. In the submission I did not mention one that I talked about a couple of years ago, which is a bigger reform. Perhaps I did not put that in this submission because reform does not usually take place in that way.

**ACTING CHAIR**—Tell us all about that bigger type of reform.

**Prof. McDonald**—What I had been suggesting was that you could eliminate all child-care payments from government and the family tax benefit part B, which I think is poorly targeted for its intentions. Cash all of that out and put it into a universal payment for one-, two-, three- and four-year-olds. We have a universal payment for babies now. That is a good thing. I suggested this a couple of years ago. It allows people to make their own decisions about how much work they do and how much staying at home they do and it does not change their benefit. The problem at the moment is that we tend to direct the maximum benefits, as I say in the submission, to people who work 50 hours a week when they have a baby or people who stay at home for the rest of their lives and do not work at all.

I will give you a very obvious example. You can get a more modern couple who decide that they are both going to work part time when they have their young child. They get almost nothing out of this system. They are not using child care. They get tested out of family tax benefit part B because they are a two-income family even though they only have one income in total. If you



make that kind of decision, which to me is in a lot of cases a very good decision, then you get penalised. So it is better to have a system where you do not get penalised according to the choices that you make about the balance of work and family—whether you are in the workforce or not in the workforce, whether you do it jointly part time. Let people make their own choices and not be penalised. That is why I put forward that proposal a couple of years ago. Unfortunately, I did not put it in this submission because, as I said, I had been saying it for some time and it had not really been taken up, except for the maternity payment, which was, of course.

**ACTING CHAIR**—I want to talk now about the maternity allowance for infants. I think you have stated that you support a fortnightly payment. Is that correct? It is a lump sum that they are getting now. What do you see as the advantages of a fortnightly payment? I have heard of cases even within my own electorate office where they have got their \$3,000—I think it is going up after 1 July, if I am correct, to \$4,000—and they have gone out and bought a plasma television or they have taken a holiday. People are saying that they feel it would be a lot better if they got that fortnightly, which would help their budget. What are your feelings on that? Why have you suggested going from a lump sum to a fortnightly payment?

**Prof. McDonald**—It is not a strong view of mine on the nature of the payment. We do not have the evidence as yet as to how that payment is used. In the past, back in the days of the Department of Social Security, they did a survey at one point. The former Labor government provided a kind of bonus payment—it was a one-off—and they did some research on how that money was used. Surprise, surprise—most parents used it to buy shoes et cetera. They spent it on the children. I think that is what happens with the maternity payment, but I do not know. We do not have research on it. In most cases, I think you have to discount all the anecdotal information. You have to get real research information on how people make use of the maternity payment. As to whether it is paid fortnightly or in a lump sum, I think maybe you should ask parents which way they want it. You can see the advantages of a lump sum when people are faced with buying a lot of new baby furniture et cetera.

**ACTING CHAIR**—But they usually buy that before the baby is born because they need to have the bassinette, the sheets and the nappies et cetera.

**Prof. McDonald**—That is true. I think in the end what people are really interested in is the money. They are looking for this amount of money which will help them with the mortgage in that year, when their income is low et cetera. I guess a fortnightly payment is marginally better, in my opinion.

**ACTING CHAIR**—So you feel that women or parents should have the choice of whether to take it in one lump sum or to get it fortnightly?

**Prof. McDonald**—I think I would do it one way or the other, actually. If there is a misuse—and there will always be a misuse of some nature, although I think it is probably small—then the people who opt to take the lump sum will be those who misuse it. I think in the end I would probably go for the fortnightly payments.

**Ms KATE ELLIS**—I have a couple of questions, which are on the same page that we are on. I want to begin by also commending you on your submission. I think it is very useful to our committee. Thank you. I think you have particularly raised a couple of really interesting points

about workplace arrangements. I thought your point about government policy reflecting the importance of fatherhood was really interesting when looking at simultaneous unpaid parental leave. Could you expand on why that is so important and how we compare internationally with regard to that?

**Prof. McDonald**—The point, of course, is that the present arrangement of unpaid parental leave is such that, and I do not know how this is policed, fathers and mothers can only take one week simultaneously. That seems to me to be a very strange arrangement when the vital period is the first couple of months of the life of the child. The father wanting to take time off at the same time as the mother during that period seems so logical. One wonders whether, as I say perhaps somewhat cynically, this ban is a way of stopping fathers taking parental leave. That may be what its original purpose was, I do not know. This is a time, obviously, of stress for the mother, when there are health aspects involved. That is why we provide leave for mothers in the first months of the life of the child. What better person is there to support her than father of the child? The logic of this is just outstanding, in my view. The unpaid parental leave in its current format is now protected under the new legislation. It would have been nice to see this changed in that legislation but, of course, it was not.

**Ms KATE ELLIS**—I think that is an excellent point. In your introduction you talked about some of your international experience. A couple of people have raised the point with us that you raised about the right to return to part-time work. I understand the UK introduced some legislation on that. Have you heard any stories of the success of that legislation from around the world? How seriously do you think Australia should be looking at it?

**Prof. McDonald**—It is a policy that is used a lot in the Nordic countries, where there is a long history of that policy approach. Again, it provides that opportunity for people to make the kinds of decisions and arrangements with their children that they would want to make and not be penalised for doing so.

I saw in the paper this morning that there is new research from the Australian Institute of Family Studies, saying that there is a preference for part time. They were talking about children of any age, but as you move down the age the number of hours that people want to work reduces. There is a very strong preference; I think that is clearly what people want to do when their children are young. There is a gradual increase in labour force participation related to the perceived needs of the child.

The story is not as bad as it might appear, because Australian employers have actually been pretty good, in general, at providing opportunities for part-time work. We have quite a high part-time work rate for mothers with young children. Maybe some time in the future we will see that for fathers as well. So the situation is not quite as bad as we think. We do not really know, but that is a participation that may include stories about people changing their job—moving from what they were trained to something else because it provides part-time employment whereas the place they were previously is not going to take them back on a part-time basis. This benefit, the right of return to part-time work, is provided to the government's own employees at present. It is used well; I think it leads to the Commonwealth government attracting some very good female workers. There are no great fears about it, and it should be made available.

**Ms KATE ELLIS**—In one of our earliest hearings we heard some anecdotal evidence from a young mother whose situation was that, as the case you just put, she could not go back to the job that she was qualified to do and had to take several demotions in order to get part-time work. But I wonder whether, because of the fact that we have not given this right of return combined with the point you were making earlier about how parents who both choose to work part-time are disadvantaged in the system, we are then at risk of falling behind with regard to granting part-time work?

**Prof. McDonald**—The counterargument to that is that the labour supply situation is such that employers will provide these benefits anyway, but of course I am disappointed that after the case that was in the Australian Industrial Relations Commission—which I think came out with some good decisions—there is a chance we have lost those decisions. I argued in the commission in favour of the decisions that they made.

**Ms GEORGE**—Could I begin by commending you on your submission and your ongoing contribution to public policy. It is really important to have your perspective. I know you have done a lot of work on the issue of declining fertility. It seems from the latest data that I have seen that there is a slight upward trend. Can you predict whether that trend will continue? The other issue related to research is looking at OECD countries and the participation rates of women with young children. We are faring very badly by comparison. In the context of an ageing population, where we are desperately looking for people to go to work, that seems to me an untapped pool of potential workers for the future that we need to do more about. Some of your policies address that, but in the broad sense could you just comment on the fertility pattern, how our rates compare, and what explains the differences? This is just so it is on the public record.

**Prof. McDonald**—I have provided a couple of other papers which talk in detail about fertility. Talking first about the Australian fertility rate: it was falling during the 1990s and into the early years of the 2000s. The most recent number that was published shows that it has increased slightly. In the first full three months in which the maternity payment could have an impact on births, the number of births was 10 per cent above the equivalent quarter in the preceding year. Ten per cent is a fairly sizeable jump. I think, and I have always argued that, that kind of payment was a good approach. There has also been discussion in Australia about the fact that, if you want to have children, you should not wait too long. There is enormous public discussion about that, and I think that has its impact as well.

We are trying to do some more work on a short-term projection of fertility, for the next 10 years at the moment, using some new data from the ABS. My view is that the fertility rate in Australia probably will stay up at that level of 1.8 births per woman, which is relatively high on an international standard. That kind of level, from a purely demographic perspective, is fine. You can have a fertility rate at that kind of level plus migration and you get a nice age structure as a result. You do not get the tapering at the bottom of age distribution. You do not get very small numbers of children compared to parents. But the forces of change that have brought down fertility are strong, so I do not think we can sit back comfortably and say, 'We've done it.' I think we need to monitor all the time what policies are required to keep the Australian fertility rate at that kind of level.

Internationally, as I have said in one of these papers, there is a classic divide between what you might call advanced countries today. The divide is around a fertility rate of 1.5 births per

woman. There is a group of countries below that and a group of countries above it. In demographic terms, that divide is really the important divide. You sure do not want to have a fertility rate which is below 1.5. Every single country in the world that does have a fertility rate of less than 1.5, about 30 countries, says its fertility rate is too low. So it is not just me saying this; it is all those governments as well. As I said in the introduction, I speak to people in those governments.

All of the advanced East Asian countries are clustered below a 1.5 fertility rate. The lowest fertility rate in the world is in the Republic of Korea, interestingly. In fact, the East Asian countries—Japan, Korea, Singapore, Taiwan et cetera—are hitting the lowest fertility rates. The other countries below 1.5 are all of the southern European countries and all of the German-speaking Western European countries. On the other side, with rates above 1.5, are all of the English-speaking countries, all of the Nordic countries and all of the French- and Dutch-speaking Western European countries.

There is a classic cultural divide. I suggest the cultural divide is due to the way that family is regarded in these societies. The countries that have very low fertility rates are those that have a history of nonintervention of the state in family affairs. They have no culture or history of the state providing support to families. Their cultural view is that the state should stay out of it—families can and should look after themselves. If you look at, for example, employment structure by industry, the countries that have very low fertility, Italy for example, have very underdeveloped service industries compared with the countries with high fertility—say, Australia. Those services are not there. Who is expected to provide those services, no matter what they are? Women. So it is not just looking after young children, all services in the society are expected to be provided by women.

The consequence is that a lot of women do not have children or they have just one child, as in Italy. They stop at one. The evidence is very strong that state support for families makes a difference, and the countries that have done it, such as France and the Nordic countries—they are the leading countries in family support—despite their higher education levels and despite their higher labour force participation rates, and the rates are very high in those countries, are at the top of the table on fertility rates.

**Mrs IRWIN**—How do they do it—with various benefits? When you were talking about the role of the state—and you have put this in your submission—you spoke about Singapore, which has a very low fertility rate. I think it is under 1.5. You were saying:

Singapore in an attempt to raise its very low fertility rate has persisted in directing the major ... benefits to those on higher incomes. The policies have been unsuccessful ...

But then you go on and talk about those countries that have been successful, like France and the Nordic countries, which you just mentioned. They have been 100 per cent more successful. Can you explain a little bit more about Singapore's system and what they did and the system that they have in France?

**Prof. McDonald**—Again, there is a way of dealing with this which is not good for the *Hansard*, which is to show you a little diagram. This is a graph which shows the fertility rate on one axis and women's education, or human capital, on the other. You find that in just about any

country—although it is changing in the Nordic countries, but I will come back to that—as women’s education or human capital increases, the fertility rate falls. So there is a relationship. What some countries do, as Singapore has tried to do, is to say: ‘These people are the problem. They’re the ones not having children, so what we should be trying to do is to push up the fertility rate of the most highly educated women. What I say is that what really works, and what has worked in all countries of the world, is to get a result where the whole curve shifts upwards. If you provide support generally, then some people are going to have more children, irrespective of their position in the society. I think it has been proven over and over in Singapore. Singapore has had a string of policies directed at high-income women which have failed completely, and Singapore’s fertility just keeps falling. You need to have policies which are directed at all families—a universal approach.

**CHAIR**—Singapore had a particular period in its history where it deliberately discouraged people from having a high number of children. If you had more than two, you were penalised in housing.

**Prof. McDonald**—That is true.

**CHAIR**—It takes a long time for that to go out of the psyche too.

**Prof. McDonald**—Yes, that is possibly true, but there is a big division in Singaporean society at the moment in fertility rates of this nature, whereas all people have been subject to that kind of policy in the past.

**Ms GEORGE**—Thank you for the explanation of the fertility rate. Now for the international comparison—why are our rates of participation by women so low when we are desperately looking for additional workers, and how do we compare to comparable countries?

**Prof. McDonald**—Australia is a bit of an outlier in this. The general relationship across countries is that, surprising as it may seem, the countries that have the highest labour force participation rates for women have the highest fertility. That is the standard relationship today. The Nordic countries, France and the United States have quite high labour force participation rates for women and their fertility rates are also high. The countries that have low labour force participation rates, like the southern European countries, have low fertility. In this one, Australia is a bit of an outlier. It has, as you say, relatively low participation but relatively high fertility. I do not think you should be looking for a single solution for any one country. Countries do vary.

In many ways, we are a lot like the Netherlands, in fact. We have high rates of part-time work, our policies are rather similar and fertility is around the same level. If you are looking for a country that Australia looks like, it looks like the Netherlands. I am hypothesising here—this is not based on research—but I think that Australian women and Netherlands women are more likely to want to stay at home when they have a baby, for example, and not be out in the labour force at the time. Maybe it is not just about want; I have thought it has been related to wages too.

One of the most surprising things I ever saw was at a conference at Princeton University which showed a comparison of Australian women and US women on hours of work relative to men. US women worked much more than Australian women relative to men—they had higher participation. Then they did it by income, and the Australian women had a closer income relative

to men than did the American women. Why? Because there is a difference in wages. Australian women's wages are in fact better. I think this is partly related to the minimum wage in Australia. The minimum wage is high. In other words, you can live and survive in Australia on 1½ incomes, whereas in the US you cannot. Again, the Netherlands is structured in the same kind of way. It is the circumstances plus the preferences which lead to relatively low participation for mothers with babies in Australia.

**Ms GEORGE**—I asked that question because of the debate about an ageing population. With the government looking at the options for the future, I think expenditure to make the choice easier for women to return is a crucial economic consideration as well as being what is in the best interests of the women.

**Prof. McDonald**—I say that in the introduction to the—

**Ms GEORGE**—In terms of your argument about choice and transferring payments to families to make a choice based on the age of children, should we as politicians also not make any distinction about the nature of the care? For example, as you know, the rebate applies to some forms of care but not to preschools. We are having a debate on this committee about extension into in-home care. With irregular hours of work, it seems to me that the attitudes of the past about in-home care being equal to nannies and the preserve of the privileged and the rich and famous no longer applies. Would you like to make some comments about choice extending to the nature of child-care arrangements?

**Prof. McDonald**—That is an implication of me saying, 'If you get rid of the child-care benefit and family tax benefit part B and provide it in cash universal payments, then people can make their own choices.' That may include using nannies for periods. However, I am a very strong advocate, as many other people are, of a universal early childhood education system in Australia for three- and four-year-olds. COAG has just made a statement in principle supporting that direction, but I was a bit disappointed that it was in principle. I would have liked to have seen an action plan as well, but I guess that is going to come. Hopefully it will come. At the same time you want to ensure that we do have a good high-quality child-care system available. You do not want to be providing so much choice that we do not have a system. You have to look to the systems as well, not just free up everything such that systems disappear.

**CHAIR**—What sorts of systems would disappear?

**Prof. McDonald**—Child-care systems. You want to make sure that child care is available in areas where people want it.

**CHAIR**—With regard to the point made by Ms George, we were suggesting that, if nannies got at least a level 2 certificate and registered, they should become the same as approved care—as distinct from registered care—and they should be eligible for all child-care benefits. Would you be in agreement with that, because that is a system?

**Prof. McDonald**—Yes, that is right, if they are registered, as you say. This is an area where I think you have to be careful that what you are doing is not destroying which is presently useful, like a high-quality child-care system.

**CHAIR**—Should we all go out and buy shares in ABC Learning?

**Prof. McDonald**—We should have done it some years ago, I think.

**Mr FAWCETT**—To follow on from the point raised by Jenny and the chair about in-home care or the nanny industry. It is fascinating to note that your paper—like many of the submissions, if not most submissions—looked at work and family balance, focusing to a large extent on the money side of it—for example, ‘Is it affordable? Is it worth while? Is there incentive to go out and work because of costs and money? How do we get that spread right?’ A lot of the feedback received through this committee and from individuals I have spoken to about work-family balance goes to the issue of the stress level that a parent—whether it be the mother or father—feels with the routine of child care: getting up at 5 am to prepare the kid for day care, dropping them off, going to work, getting a call because the child is sick, coming home and looking after the child, trying to have some kind of relationship with the child and then some kind of relationship with your partner before collapsing into bed and repeating it all again the next day. One of the very strong things that has come through from the submissions from the nanny industry, quite apart from the fact that nannies are just not for the rich et cetera, is that they really do provide a very good answer to that issue of stress. The levels of stress felt by people who use nannies are considerably reduced. I would say the use of a nanny removes one of the impediments to going out to work that makes that work-family balance so unworkable.

I strongly support your call for early childhood education, but it has been proven again and again through our mainstream education for children that smaller class sizes and one-on-one interaction are healthy. If we went for the solution that the chair is talking about of having in-home care workers trained to a given level so that we are confident of the standard of care, part of that could also include some very intensive one-on-one skills development in those early childhood learning areas. That is a very powerful model to achieve the outcome not just we as a committee are looking for but particularly that the mums, predominantly, are looking for in terms of having a life that is not completely stressed and stretched. I am interested to know if you have a reason for not canvassing that in your proposal. I am also interested to know what the international experience is in terms of training recognition and registration of the in-home care industry and whether governments support that financially.

**Prof. McDonald**—Pretty much anywhere in the world, with some exceptions, one-on-one nanny care would be a minority activity as a way of looking after young children. The exceptions are countries like Singapore where migrant or short-term workers are brought in to provide that care—and they are not trained.

**Mrs IRWIN**—They are not trained and they receive very low wages.

**Prof. McDonald**—They are not trained, they receive very low wages and there are certainly questions about women leaving their own children in the Philippines and going to look after some rich Singaporean women’s children. I would say that there is no good example in the world where that is the case. I am not opposed to nanny care—certainly not—but I think it will always be a minority. One-on-one care, by definition almost, is going to be more expensive than five-on-one care.

**CHAIR**—Not necessarily because you do not have to buy land, put bricks and mortar on it, pay rates, taxes and maintenance and make a profit too.

**Mrs IRWIN**—But if the person who is paying it is on an income of \$35,000 or \$36,000 and they have to get up at six o'clock in the morning, how much out of that will it cost them for in-home care?

**Prof. McDonald**—I do not think we should be designing a system which is, in a sense, uncapped—for example, if I have a full-time live-in nanny who costs me \$40,000 a year and I get full tax deduction for that \$40,000. I think that is quite inequitable.

**CHAIR**—Equally, if you are working from home writing a book and you employ a researcher for \$40,000, you get a full tax deduction. In your case, the parent is becoming a productive taxpayer. Why is it morally indefensible for a person at home to have that tax deduction to free that person up whereas it is okay for you?

**Prof. McDonald**—I am not suggesting that it is morally indefensible; I am just saying that the government will have a pile of money to put into this area, and to spend a large proportion of it on people who can afford the \$40,000-a-year person is not the way to go. You have to look at a more equitable approach.

**Mr FAWCETT**—The evidence that we have received indicates that many of the people who are using nannies are not in fact at the wealthy end. Many of them are shift workers—ambulance, police, fire, nursing, et cetera. Particularly with the advent of nanny sharing, which is quite large in both Victoria and New South Wales, the costs very rapidly come down to being equivalent with formalised institutionalised child care. Yet if the work-family balance is so much more tangible then surely it is something we should be looking at. I have one last question. You were talking about choice before. Is it a viable option to look at scrapping CCR and CCB and all those things and give a universal payment? People could then choose whether to stay at home, not work and look after their children or whether to put this payment towards an institution or towards a nanny. That would give people that choice. Do you have an opinion on that?

**Prof. McDonald**—I am very much in favour of that approach. That is what I suggested two years ago. It is all the eligibility criteria that lead to all the problems. You could take away all of those eligibility criteria and just give people a universal payment for a one-year-old, a two-year-old, a three-year-old or a four-year-old. It might be lower for a three-year-old or a four-year-old if you have a universal early childhood education system. The proposal I put was that it was a payment which was the same for babies, one-year-olds and two-year-olds, but it stepped down for four-year-olds and five-year-olds in the context that you would have a universal early childhood education system which was maybe 20 hours a week. I am certainly not opposed to what you have just suggested; in fact, I am very much in favour of it. I would be opposed to an open-ended tax deduction approach where, no matter what you spent, you got a tax deduction on it.

**CHAIR**—That is exactly why the government have gone the rebate road, because a 30 per cent rebate is equivalent to a tax deduction for 30 per cent for taxpayers. A rebate is a mechanism for doing that. I would like to follow up on what you were saying then. We had access to a paper, and I wrote an article about it fairly recently, that showed that the amount of



money directly spent on child care by the government—these are 2002-03 figures, so they have not factored in the rebate—was \$1.62 billion. For every dollar they spend they in fact get \$1.85 back because they have created a child-care industry which is paying taxes.

**Prof. McDonald**—And the mother is working and paying taxes.

**CHAIR**—That is without even factoring that in. If you factor in mother or father working, then you can sometimes get up to an eight or nine times return on the dollar spent. Equally, that would apply in providing care in your own home, which is what I like to call it, where the stresses are relieved. The biggest competitor, as the people who came to our nanny roundtable told us, was the black economy. That is worth \$6 billion. If you are giving tax deductions with a small withholding tax and a tax file number, you have actually generated proper jobs that are presently in the black economy. That will then come into it. Have you done any work on quantifying what that might mean in terms of a return to the government?

**Prof. McDonald**—No, I have not done it personally. There was a paper done many years ago by economists at the ANU on the tax return from the increased labour force participation rates of parents if child care were provided. I do not have the results in my head but it did show a very substantial impact. I think the argument you are making is perfectly correct in that there is a return. It is not just a return in terms of the government's income; it is also a return, as we said before, in terms of the human capital of this society being utilised in the way that it should be utilised.

**CHAIR**—Yes, because we have already spent a lot of money educating those people. The next thing I will ask you is something that is new. You will not find it historically anywhere back down the track and I want to know if you have done any work on this. This is the phenomenon which is at odds with the perceived norm. In the child-care debate it is always the woman earning the lesser income. She bears the children and stays home because she is earning the secondary income 'so we really can do away with it for a while'. What about what is becoming more important: where the woman is the major breadwinner for the family unit and cannot afford to be out of the workforce?

**Prof. McDonald**—I have argued also that all systems should be gender neutral.

**CHAIR**—But they are not.

**Prof. McDonald**—Yes, they are not. They should be based on that—and most are, in fact. Take the baby bonus that was eliminated by the government and replaced with the maternity payment. It was not gender neutral. That was one of the reasons that it should have been abolished.

**CHAIR**—Nobody understood it anyway.

**Prof. McDonald**—So congratulations to the government for doing so. The child-care rebate is also not gender neutral as it is just based on the income of the second earner.

**CHAIR**—That is right.

**Prof. McDonald**—So I think all policy should be gender neutral to allow for future social change, so that in future it may be the mother who is working more hours than the father. When you were out, Chair, I was referring to the situation which I think is becoming a bit more common where both opt to work part-time.

**CHAIR**—No, I am talking about where the major career is the female's.

**Prof. McDonald**—I know what you are saying.

**CHAIR**—Right?

**Prof. McDonald**—Yes.

**CHAIR**—It is happening more and more. Do we have any figures on it? Has anybody researched it?

**Prof. McDonald**—It is still very much the case that it is the father of the child who has got the full-time job and the mother of the child has got the part-time job.

**CHAIR**—I predicated my remarks by saying historically what I am about to talk about does not exist; this is new. Has anybody started to look at this new development, or are we still looking at the historical evidence that said that fathers earn the most dough?

**Prof. McDonald**—Yes, I am talking about the latest numbers out of the labour force survey from the ABS. If you look at those with young children, it is still overwhelmingly the case that it is the father who has the full-time job and it is the mother who has the part-time job. That is what we are seeing.

**CHAIR**—So we are just going to forget about the new group of people who are coming up where that isn't the case?

**Prof. McDonald**—No, I am not saying that.

**CHAIR**—So we are going to sacrifice them and say: 'You don't fit the mould—too bad'?

**Prof. McDonald**—No, that is exactly what I am opposed to, as I have said. I believe that all systems should be gender neutral. They should not be directed at women or at men. Indeed, what I have said is that the best way to do this is to direct it at the child—to attach it to the child in your thinking: this is a benefit for the child.

**CHAIR**—The next group of figures I would like is the number of women who are the sole parent supporting their families by working in the workforce. How big is that? What percentage of the workforce is that?

**Prof. McDonald**—I do not have the numbers off the top of my head—

**CHAIR**—Could you get them for me?

**Prof. McDonald**—but labour force participation rates for sole parents tend to be quite low, and a high proportion of sole parents are receiving sole parent benefits.

**CHAIR**—But we are just about to move them off.

**Prof. McDonald**—Yes, that is right.

**CHAIR**—Could you find those figures?

**Prof. McDonald**—Yes, I can find participation rates. I had a paper a few years back which had very detailed participation rates for sole parents by the ages of their youngest child and single years of age. We can find those numbers for you.

**CHAIR**—What fits with that are the steps in the ages of children when the divorce takes place. Is there a mean point where most divorces happen—where the average age of the children is X? Do we have that?

**Prof. McDonald**—There is a build-up. The actual rates of divorce do not vary all that much according to the ages of children. But an older child has had more years of rates of break-up, so, logically, an older child is much more likely to have had their parents break up. But the rates in any one year do not vary all that much by the age of the youngest child.

**CHAIR**—What I am trying to get at is: how many family break-ups resulting in a single parent occur when the child is past five, past school age? Are they the majority or the minority?

**Prof. McDonald**—I am not quite sure whether you are asking the question the right way. If you are thinking of how many children aged, say, seven, compared with age three, have parents who have broken up, then a child aged seven is much more likely to have had their parents break up than the child who is aged three.

**CHAIR**—No, that is not what I am getting at.

**Prof. McDonald**—If you have a couple today and one of them has a child aged seven, the youngest, and the other has a child aged three, the youngest, break-up rates are not all that different in one year.

**CHAIR**—So it is still 50 per cent.

**Prof. McDonald**—It is not 50 per cent.

**CHAIR**—Forty per cent.

**Mr FAWCETT**—Thirty-two per cent.

**Prof. McDonald**—Yes, that is correct. There has been a kind of number around—published by the ABS, I have to say—of a very high divorce rate, which is not the right way to do the calculation. The 33 per cent number is the correct one.

**CHAIR**—Can you extrapolate from that and say that, of families where the youngest child is five, one-third of them would have a single parent situation?

**Prof. McDonald**—I do not think it is as high as that.

**CHAIR**—They might have re-partnered.

**Mr FAWCETT**—Those figures are looking at the whole churning, if you like, of the marriage rate versus the divorce rate across the population, so what you actually find is that, where a home has a family unit, that is something like 82 per cent of the 2001 census—

**CHAIR**—But it is not necessarily the parents of the children.

**Mr FAWCETT**—Of homes that have children in them, 90.1 per cent have both biological parents there. What that says is that, while people have kids at home, the vast majority of Australian families are still intact in terms of what we consider to be the nuclear family. That flies completely in the face of common perception, but it is a fact. That is one of the reasons we need to be looking at how we support that vast majority, as opposed to pouring all of our attention into what really is a minority. The 32 per cent is quite misleading in terms of the reality of family groupings in households in Australia.

**Prof. McDonald**—It is the percentage that a child will ultimately reach, but at any point in time they are most likely to be with both their natural parents. By the time the child is 30, there might be a 30 per cent chance that their parents have broken up.

**CHAIR**—What is the cut-off point for the age of the child for those figures? When do you no longer consider the child to be a child?

**Mr FAWCETT**—At 18, I guess. When they become an adult, the census ceases to say that you have a dependent child at home.

**Prof. McDonald**—If you take children under the age of 15, that kind of number is about right, I think.

**Mrs MARKUS**—If I can come back to the question regarding the choice of child care that families make, do we have information about what options families are choosing that may not be within the current system to identify their reasoning for making those options and separating them out? It may be because of the cost of child care. It may be because they would prefer their neighbour, family unit, grandparent or somebody they know who has child-care qualifications to come into their home or to take their child to them. What are they preferring? And how does the current system and the incentives, the payments and tax system relate to that? How does it encourage or discourage the choices they make? If they had the freedom to choose, irrespective of their financial situation—for example, if they had a pool of funds available to them—and every parent with a child that was needing child care for whatever reason could make that choice, are there any moves? Is anybody doing that? Has that been done in any way?

**Prof. McDonald**—The longitudinal survey of Australia's children, which the government has funded, will be providing that kind of information. The first round of interviews was only for

infants and four-year-olds. That is all the information you get from that survey. Also, the other major survey funded by the government, the HILDA survey—the household, income and labour dynamics in Australia survey—provides that kind of information. The broad picture—and this is a long-term picture from when I was at the Institute of Family Studies in the 1980s—is that a lot of children have no care at all, in that the parents' work hours are adjusted about 25 per cent where both parents are working. The child has no care other than their own parents because they adjust their work hours to not overlap. The next important group are grandparents. I am under heavy pressure to give up my job in Canberra and move to Melbourne to look after my grandchildren, and I may do that.

**Mrs IRWIN**—My husband is giving up his job on 7 July to do exactly the same thing.

**CHAIR**—Then we lose a taxpayer.

**Prof. McDonald**—Yes, that is right.

**CHAIR**—We have just suffered a loss.

**Prof. McDonald**—I would go to a job in Melbourne. Grandparents are very common as carers for children. Usually it is a kind of package, where the parents are caring for the child for some days with the grandparents taking one day. Parents do not like to impose care on grandparents five days a week.

**CHAIR**—Some do.

**Prof. McDonald**—Some do, I know—by necessity, of course. But, in general, they do not want to do that. So it might be a combination of using a child-care centre, a grandparent and the parents. That is not unusual.

**Ms GEORGE**—In the most recent data I have seen on this issue, about half the children in care are in informal care, not in long day care or family day care, particularly when they are young. The incentives or the support we give to the choice that people make for that informal care is not, it seems to me, part of government thinking. Could you comment on that?

**Prof. McDonald**—I think that is right. People will make the choice of formal care because it is there and supported by government. You are also going to make that choice when you do not have access to informal care. As I was just saying in respect of my grandchild, I am the only surviving grandparent of that child and I live 700 miles away. So there is not the option for informal care other than in the sense of nanny care, which is an option. I think the assistance that we provide of course determines the result to some extent.

A couple of years ago, when I looked at the numbers, 73 per cent of three- and four-year-olds were in some form of formal care, and for those who were in formal care they were in formal care for an average of 15 hours a week. That definition of formal care includes preschools. So, yes, formal care is also high, but it actually increases with the age of the child. You are more likely to get the informal care when the child is younger—is a baby, for example.

**Mrs MARKUS**—There is a challenge for parents, families and also children when the children are no longer eligible for after school care—when, for instance, they are in the early years of high school and their parents are working and not coming home until five or six o'clock. An 11-year-old girl or boy is in a position where they have to care for themselves and get themselves home in an environment that is not always safe. Have you looked at care in that situation or at how families approach that or would prefer to approach it?

**Prof. McDonald**—Generally, the surveys have a cut-off point of about age 12; they collect the information for children under the age of 12 but not for children over the age of 12. So I think there is not a great deal of information available about the question you are raising, which is quite an interesting question.

**Mrs MARKUS**—I think we need to look at that.

**Prof. McDonald**—Yes, I agree. In behaviour terms, part-time work is still common for those whose youngest child is 13 or 14. Again, that is the way it works for women. I guess there are other kinds of options which are of an informal nature. There are a lot of after school activities et cetera that parents involve their children in—for instance, football training after school. One might make the point that the most common kind of child care in Australia, in a sense, is primary schools. Although teachers would not see themselves as carers, and reject that notion emphatically, that is the reality. This can extend to the early years of high school as well. What do you do for a 13-year-old who is in the first year of high school?

**Mrs MARKUS**—So what about the choices for that 10- to 12-year-old age group? Have you got some information about all that?

**Prof. McDonald**—Generally, after school care is available for that age group.

**Mrs MARKUS**—No, not necessarily. If they are in the first year of high school and they are 11—

**CHAIR**—That is very young for a child in their first year of high school.

**Mrs MARKUS**—It happens; my son was 11 when he started high school. There is no after school care for them.

**CHAIR**—That is the exception, though.

**Ms GEORGE**—Following up on Louise's question, has the Institute of Family Studies done a survey where they asked parents, 'If you had a range of choices, what choice would you make for the care of your children of different age levels?' I think that is an important issue for the committee to be considering.

**Prof. McDonald**—I do not recall any question of that nature—'What do you consider to be ideal?'—in any of the surveys I am aware of.

**CHAIR**—Can I turn to the interview that you did on radio this morning. Our inquiry is looking at what impediments there are to people having children at all or to having more

children; that is its essence and that is how we get into these issues. You were commenting this morning on migrant populations. They might start off having a higher birthrate but by the second generation the birthrate alters. Could you expand on that and perhaps tell us why that happens?

**Prof. McDonald**—It is not all migrants, by any means. If you take the fertility rates of those not born in Australia and compare them to those born in Australia, there is very little difference at all in the total. This comes about because some migrant groups have lower fertility than the Australian born, whereas others have higher.

**CHAIR**—Let us take an ethnic group that has a birth rate that is higher than the Australian average.

**Prof. McDonald**—First generation Lebanese, for example, have relatively high fertility. First generation Pacific islanders have quite high fertility in Australia: over three children per woman. But by the second generation—this is people born in Australia, educated in Australia and, say, married to an Australian of British origin—their fertility rates return roughly to the Australian average.

**CHAIR**—What about if they marry—I think this is the term people use—out of their own community? What happens to the birth rate?

**Prof. McDonald**—It does not really make a great deal of difference. The real change is essentially socialisation into an Australian environment. You have gone to school and been educated in Australia. Second generation immigrants tend to be educated to higher levels than third generation Australians.

**CHAIR**—Really?

**Prof. McDonald**—Yes. We have found that outcomes for second generation Australians are, with some exceptions, on average generally higher than third generation Australians. The change from first generation is quite remarkable, in fact. Say we are talking about southern Europeans, of whom we have a long history. The first generation was very lowly educated and worked in the manufacturing industry et cetera, but their children have leaped above the third generation Australians in education and occupational levels et cetera.

**CHAIR**—Then what happens to the third generation?

**Prof. McDonald**—That is what we are taking as the average, I guess. That is most Australians.

**CHAIR**—I thought you said they start at this level, the second generation levels rise and then the third generation does not have as high educational achievement levels.

**Prof. McDonald**—I was just comparing with the rest of Australians. So you can have first generation Australians, second generation Australians and the rest is everybody else. That is the third generation. I am not saying that they necessarily drop—

**CHAIR**—So you are saying that the third generation is totally integrated.

**Prof. McDonald**—I cannot say what happens to the third generation Italian post-war immigrant because they are too young at the present time. I really cannot give any conclusion about that.

**CHAIR**—What is it about our community attitudes, or whatever it is, that causes the birth rate to be 1.73? One-quarter of women will not have any children at all, and that is what brings it down.

**Prof. McDonald**—The estimates for childlessness are probably slightly lower than that. It is probably about 20 per cent. The international work that I have done shows that in fact childlessness does not vary a great deal across countries. The important difference in low fertility is going on beyond one and going on beyond two. Say you compare Italy and Australia: Italians very often stop at one child and going on beyond two is almost unknown. But Australians do go on. It is really not so much about childlessness; it is about having the extra child. That is where the work and family balance comes in.

**CHAIR**—Everybody says having one child and then going to two is okay, but those people who have a third—I stopped at two—say the workload more than doubles.

**Prof. McDonald**—I think that is right. But the proportion of Australians who go on to have a third child is reasonably high by an international standard. As you correctly pointed out, if you have 20 per cent who have zero, you need a balance somewhere to get up to a reasonable level of fertility. So you still need people, in a demographic sense, to be having three-child families or more than three children.

**CHAIR**—Why does Italy have such a low birth rate when France has one about the same size as us and Germany is about 1.4, from memory? They are all living on the same patch of land basically. In our terms, it is like being in New South Wales or Victoria or whatever. Why the differences?

**Prof. McDonald**—As I mentioned earlier, if you line up countries by their history of state support for families, it correlates very well with today's fertility rates. France has a long history of providing state support for families; so do Nordic countries. The southern European countries do not have that history; neither do the Germanic countries—Austria, Germany, Switzerland.

**CHAIR**—And Japan? The lowest of all.

**Prof. McDonald**—It is even worse. If you move to East Asia, it is even more so. The way that I interpret this—and one of the papers I have given talks about this—is that it is about a culture of separation between family and state, as it were. Some countries believe that families should look after their own and the state should not be involved with family business; others have a long history of family support from the state. It correlates quite well, even to the extent, as I mentioned earlier, that it alters the industrial structure of the country. The countries that have quite low fertility have low proportions of people working in service industries. Most of those industries are essentially providing support to families. Italy has low levels of service industries. Who provides the services? Women do. Women have to provide all of the services. Not just looking after the children—



**CHAIR**—But the grandparents and everybody.

**Prof. McDonald**—Yes, all family services. Interestingly, there is even a correlation with the introduction of legislation for the protection of children. The countries that introduced legislation for protection of children earliest now have higher fertility rates; those that have never done that have very low fertility rates. It is about a long tradition of state and family and the nature of that. The countries that have the very low fertility rates are becoming very concerned about their low fertility and they are starting to change that situation.

**Mrs IRWIN**—That is right. You mentioned Singapore earlier.

**Prof. McDonald**—Yes, Singapore still, in my view, have not done anything very—they are starting to provide better benefits in child care, certainly. As I mentioned in the paper, Austria have introduced a universal payment for when the children are young, and, interestingly, their fertility rate has increased a little bit.

**CHAIR**—Ours went up with the maternity bonus.

**Prof. McDonald**—Yes, that is right. Those countries are starting to change their mind about this nonintervention of the state in family matters.

**CHAIR**—Can I ask you one other demographic question? It seems to me that the countries that have the lowest fertility rates, in the Western world and Japan anyway, are the ones that lost the war. They did not have a baby boom.

**Prof. McDonald**—There is something in that, actually. It is about public discussion. Fascism was associated with what you would call pro-natalism—that is, favouring births. It is difficult for those countries with a fascist history to actually talk about promoting births, because it gives rise to this notion of fascism. This has been discussed in Germany and Italy in the literature.

**CHAIR**—But they did not have the baby boom we had after the war either, did they?

**Prof. McDonald**—There were baby booms pretty much everywhere, but Australia's was more of a boom than most of those places, yes. English-speaking countries had bigger booms than other countries.

**CHAIR**—We won; we got on with it.

**Prof. McDonald**—I do not think that had anything to do with winning the war necessarily, but it is the history of fascism that is important.

**Ms GEORGE**—I have a couple of questions relating to the workplace, which we have not really touched on. It seems to me from our discussion about the relatively low levels of participation in the workforce by women with children in those early years that one of the problems is that the workplace has not adjusted to changing needs and pressures. My concern is that, without a legislative underpinning, women will not get the option of going back to work on a part-time basis. It happens in the private sector, but if you are a woman on a processing line plucking chicken feathers you are never going to get that option.

Is there a benefit in looking at the UK experience, where legislative measures were introduced to make it possible to negotiate hours of work that the employer had a reasonable right to reject and to make it possible by legislative means for all women to have the right of part-time work, say, within the first couple of years? In other words, assuming that under the IR changes the benefits of the family leave test case provisions are not going to flow across the board, should Australia now be looking at some legislative minimum standards to give real effect to the work-family balance? Historically, we have gone down the route of the industrial systems rather than legislation. The ILO conventions leave open those options, and we have always chosen a different route from other countries. Should we be revisiting that?

**Prof. McDonald**—It is a difficult issue. I preferred the Australian Industrial Relations Commission system of putting these kinds of things into awards. It was a system where I thought the debates were quite good and preferable to legislation. I considered that in the past that system worked reasonably well in Australia. Legislation may now be the option for industrial relations reform, but I do not see it as terribly likely at the moment. Having made that industrial relations reform, I think it is incumbent upon the government to be out there promoting these kinds of policies with employers so that we do not in fact see a rollback of these kinds of things. Paid maternity leave, for example, is now available to a reasonable proportion of Australian women.

**Ms GEORGE**—About one-third.

**Prof. McDonald**—Yes, somewhere between 30 and 40 per cent, and you would like to see that build. I think there is a danger with the new industrial relations reforms that it could roll back. It remains to be seen whether that happens but, to make sure that that does not happen, I think the government should be very active in promoting with employers paid maternity leave, rights to part-time work et cetera—at least doing that and not stepping back and saying, ‘Do whatever you like.’

**Ms GEORGE**—Why would you not be supportive of the British experience? From what I have read, it seems to have worked reasonably well in practice without the heavy hand of the state.

**Prof. McDonald**—I am not saying that I am not supportive of it. I am very much on record as supporting these kinds of approaches. I was happy to see the decisions of the Industrial Relations Commission when they came out—and then a bit dismayed to see that disappear almost immediately. Let us see what can be done by legislation in the longer term. I guess I am just a bit sceptical—

**Ms GEORGE**—So it is not the principle you are against; it is just the physical feasibility?

**Prof. McDonald**—Yes, the feasibility in the short term. What you can do in the short term is what I am interested in.

**CHAIR**—Firstly, I apologise to you for my having to be away at the beginning of the hearing. I think what you have had to say to us is particularly interesting. You can see that everybody had a lot of questions that they wanted to ask. If we need to come back to you on any issues, might we do that?

**Prof. McDonald**—Absolutely.

**CHAIR**—I thank you on behalf of the committee.

Resolved (on motion by **Mrs Irwin**):

That this committee authorises publication, including publication on the parliamentary database, of the transcript of the evidence given before it at public hearing this day.

**Committee adjourned at 11.45 am**