

## Choice and flexibility in child care

- 6.1 Child care issues have dominated this inquiry. Over two-thirds of the submissions received make comment on the accessibility and affordability of child care in Australia, and its impact on women's ability to participate in paid work at an optimum level. Continuing increases in women's workforce participation, the intensity of modern working lifestyles and pressures of cost and supply in the child care market are highlighting child care as a flashpoint in balancing parenting with paid work.
- 6.2 As noted in the previous chapter, difficulties in accessing child care not only push families to make stressful compromises, but directly affect labour market participation. Single parents are particularly affected, given the simple fact that one parent cannot be in two places at once. Women are also particularly affected, as child care, whether provided by the mother or by someone else, is still often conceptualised as a mother's responsibility, particularly if she is a part time or secondary earner relative to a full time breadwinner.<sup>1</sup>
- 6.3 This chapter is about developing a child care system that provides parents with more choice and flexibility in the types of child care that are available to them, and real support for those choices from government.

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1 Smyth C, Rawsthorne M and Siminski P, Social Policy Research Centre, University of New South Wales, *Women's lifework: Labour market transition experiences of women, final report* (2006), SPRC report 7/06, p 55.

## Use of child care in Australia

### Types of care

- 6.4 A survey conducted in 2005 by the Australian Bureau of Statistics found that in any given school week, 35 per cent of Australian children aged 0-4 received formal child care; that is, regulated care that takes place away from the child's home.<sup>2</sup>
- 6.5 Informal care, which includes care by family members, friends, neighbours, babysitters and in-home (nanny) care, was used by 38.4 per cent of children aged 0-4, either alone or in combination with formal care.<sup>3</sup>
- 6.6 The use of formal care varies with age. As figure 6.1 shows, the use of formal care for very young children is low, but by the age of two, 46.3 per cent of children are in formal care; and by the age of three, 53.4 per cent. From age four, when many children have started preschool, the percentage of children in formal care begins to decline. Seventeen per cent of 6-8 year olds attended formal care, down to eight per cent for 9-12 year olds.<sup>4</sup>
- 6.7 The use of informal care peaks between the ages of nought and two, possibly reflecting parents' preferences for infants and very young children to be cared for in the home; if not by themselves, by an in-home carer, grandparent, friend or relative. Informal care use varies less with age than formal care. A significant number of children aged 5-12 are still receiving informal care after formal care use has tapered off.

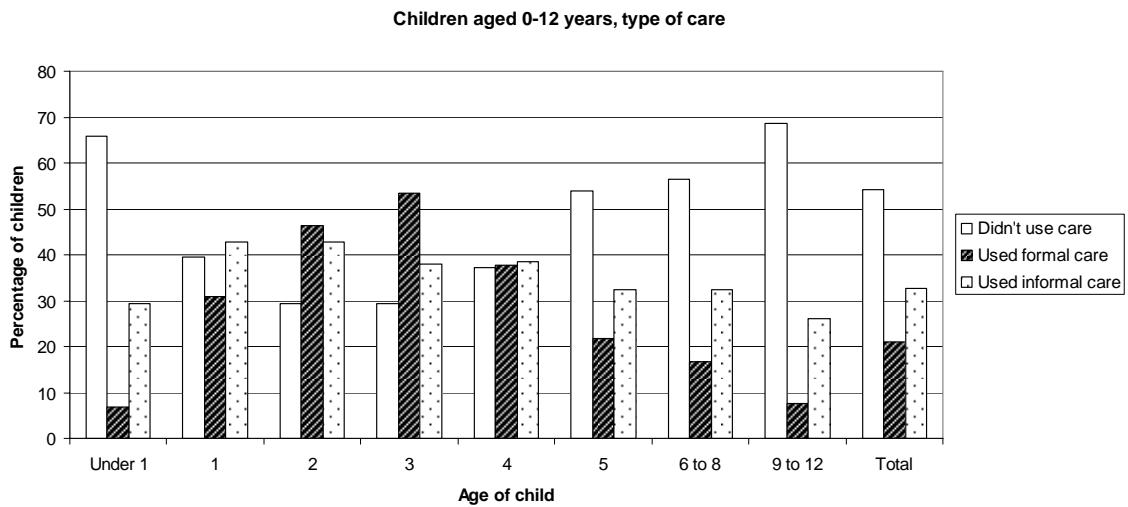
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2 Australian Bureau of Statistics, *Child care, Australia, Jun 2005* (2006), Cat No 4402.0, p 42.

3 Australian Bureau of Statistics, *Child care, Australia, Jun 2005* (2006), Cat No 4402.0, p 42.

4 Australian Bureau of Statistics, *Child care, Australia, Jun 2005* (2006), Cat No 4402.0, pp 4, 14.

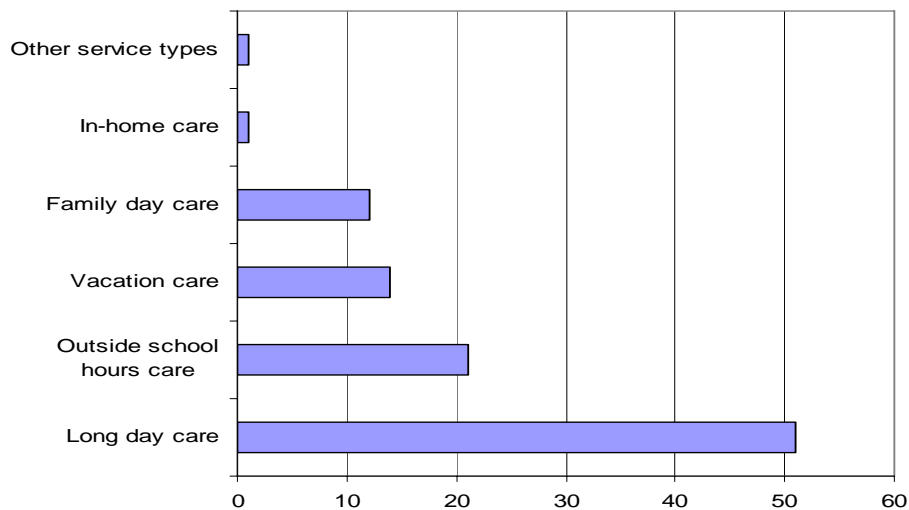
Figure 6.1 Use of formal and informal child care in Australia, 2005



Source: Australian Bureau of Statistics, *Child care, Australia, June 2005 (2006)*, Cat No 4402.0, p 14.

6.8 Amongst those children receiving formal child care, the majority are in long day care, as figure 6.2 illustrates:

Figure 6.2 Children by formal child care service type, 2004 (%)



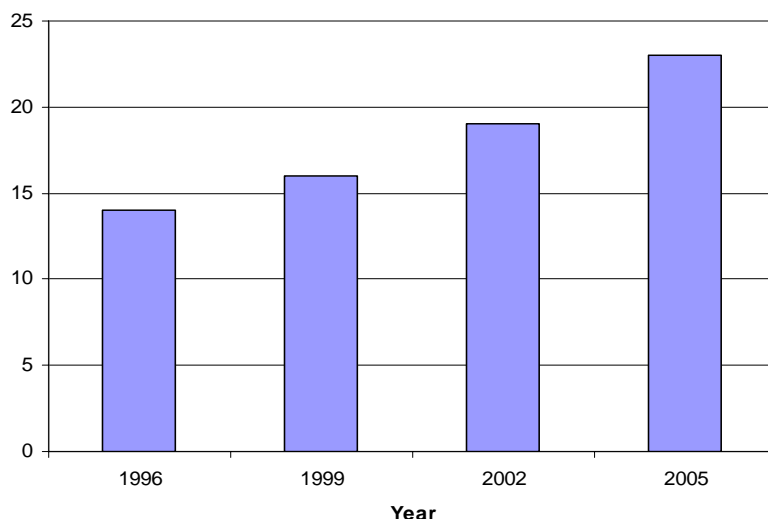
Source: Department of Family and Community Services, *2004 Census of child care services (2005)*, p 13. This data covers children in government-funded care only, and does not include children being cared for informally by family members or friends, or through a cash arrangement with an unregistered in-home carer. The in-home care category refers to care provided under the Australian Government's In-Home Care program.

6.9 Regular survey data is revealing steady increases in the use of formal care. This may reflect increasing women's workforce participation; the increased workforce participation of mature workers who can longer care

for grandchildren; family isolation from support networks; and changing social attitudes towards the use of child care.

- 6.10 As figure 6.3 shows, the proportion of children using formal care, either alone or in combination with informal care, has increased nine percentage points since 1996, from 14 to 23 per cent.<sup>5</sup> The figures from the 2004 census of child care services, published by the Department of Family and Community Services, suggest an even larger increase. The census reports that since 1999, the number of children in formal care had increased by an estimated 30 per cent.<sup>6</sup> These increases may have been even more significant if not for strong unmet demand for child care places in many areas of Australia.

Figure 6.3 Proportion of Australian children aged 0-11 who used formal care 1996-2005 (%)



Source: Australian Bureau of Statistics, *Child care, Australia, June 2005 (2006)*, Cat No. 4402.0, p 3. Formal care refers to regulated care that takes place away from the child's home, for example long day care, before and/or after school care and family day care.

- 6.11 Increases in the number of children in care are corroborated by increases in the number of child care services in Australia. The 2004 census of child care services found that the number of child care services had increased seven per cent in only two years. The strongest increases were in the long day care sector, at eight per cent, and in in-home care services, at 44 per

5 Australian Bureau of Statistics, *Child care, Australia, June 2005 (2006)*, Cat No 4402.0, p 3.

6 Department of Family and Community Services, *2004 Census of child care services (2005)*, p 13. The differences in statistical estimates may be accounted for in definitional slippage between formal and informal care (ABS); and Australian Government approved care and other care (FACS).

cent. The dramatic increase in in-home care services was partly due to the fact that the program was still in an implementation phase.<sup>7</sup>

## Work-related child care

6.12 Unsurprisingly, child care use is more likely when both parents in a family are employed, or when a sole parent is employed.<sup>8</sup> Work-related reasons are the most common for parents using formal child care in Australia.<sup>9</sup> As table 6.1 shows, this relationship is strongest for outside school hours care, vacation care and long day care, with over 90 per cent of care hours being work-related. Across the different types of formal care, an average 83 per cent of care hours are work-related.

Table 6.1 Percentage of care that is work-related (as % of hours of care)

Long day care	90%
Family day care	88%
Outside school hours care	97%
Occasional care	49%
Vacation care	93%

Source: Department of Family and Community Services, *2004 Census of child care services (2005)*, p 15.

## Child care costs

6.13 There is little current data on average child care costs in Australia, especially given that child care costs are increasing at a rate far in excess of CPI.<sup>10</sup> The Australian Bureau of Statistics conducted a Child Care Survey in 2005, but the data collected details only the cost of care net of Child Care Benefit, rather than the actual fees charged by child care providers.<sup>11</sup> The most recent comprehensive statistical data to do this comes from the 2004 census of child care services conducted by the Department of Family and Community Services.

6.14 Table 6.2 details the average fees reported to the Department by child care providers in 2004:

7 Department of Family and Community Services, *2004 Census of child care services (2005)*, pp 7, 9.

8 Australian Bureau of Statistics, *Child care, Australia, June 2005 (2006)*, Cat No 4402.0, p 9.

9 Australian Bureau of Statistics, *Child care, Australia, June 2005 (2006)*, Cat No 4402.0, p 5.

10 Taskforce on Care Costs, *2006 Interim review: Where are we now? (2006)*, p 7.

11 Australian Bureau of Statistics, *Child care, Australia, June 2005 (2006)*, Cat No 4402.0, p 6.

Table 6.2 Average fees for child care services, 2004

Average weekly fees		Average hourly fees	
Private long day care	\$208	Occasional care	\$5.35
Community long day care	\$211	In-home care	\$11.84
Family day care	\$185		
Vacation care	\$139		

*Source:* Department of Family and Community Services, *2004 Census of child care services (2005)*, p 11. Given the data subsequently published from the census by the Productivity Commission, it would appear that average weekly fees refer to the cost of 50 hours of care. Productivity Commission, *Report on Government services 2006 (2006)*, vol II, p 14.22. Such a figure is not available for other types of care as they have different fee structures.

- 6.15 The census also reported that outside school hours care services charged on average \$6.68 per session for before school care, and \$10.28 per session for after school care. Before school care providers offered an average session of one hour and 53 minutes, while after school care providers offered an average session of three hours and two minutes.<sup>12</sup>
- 6.16 Child care costs appear to reflect local characteristics of supply and demand, as well as state requirements that may influence fees through differences in staffing ratios, licensing, wages, and whether fees are charged for additional supplies such as nappies and meals.<sup>13</sup> The 2004 census of child care services, for example, found that while the average weekly fee for a long day care centre in Queensland was \$195, it was \$229 in the Australian Capital Territory.
- 6.17 Anecdotal evidence provided to the committee confirms that long day care fees vary greatly across Australia, between states and between regional and metropolitan areas. While fees in regional areas and some states can be \$40 or \$50 per day, fees reported to the committee by mothers living in Sydney and Melbourne ranged between \$70 and \$120 per day. One Sydney mother made the extraordinary admission that she had sent one of her children to a top private school a year early, because it was cheaper than child care.<sup>14</sup>
- 6.18 Fees are highest for nought to two year olds, due to higher staffing ratios and more intensive caring requirements. The 2004 census of child care services found that while the average weekly cost of long day care was

12 Department of Family and Community Services, *2004 Census of child care services (2005)*, pp 114, 119.

13 Productivity Commission, *Report on Government services 2006 (2006)*, vol II, p 14.23.

14 Clark K, transcript, 22 September 2005, p 44.

\$208, this rose to \$210 for a two year old, and \$218 for a one year old.<sup>15</sup>

More recently, the Benevolent Society, who operate two child care centres in Sydney's eastern suburbs, told the committee that, 'We now find that we need to set our fees for children under two years of age at \$75 - \$80 per day just to break even'.<sup>16</sup>

- 6.19 Calculations by the National Centre for Social and Economic Modelling (NATSEM) on the Australian Bureau of Statistics' 2002 child care survey reveal that there is not a strong relationship between parental income and child care usage.<sup>17</sup> In fact, child care usage is represented fairly evenly across all income scales. At the lower end of the income scale, this reflects the targeted assistance provided by the Child Care Benefit. At the higher end of the income scale, there is a likelihood that families will have two parents working and thus have a greater propensity to use child care. Nevertheless, increasing care costs since 2002 may be putting pressure on families' ability to access care.

## Informal care arrangements

- 6.20 In 2005, 32.6 per cent of children aged 0-12 and 38.4 per cent of children aged 0-4 received regular informal care, either alone or in combination with formal care.<sup>18</sup> Informal care, under the Australian Bureau of Statistics' definition, includes care by family members, friends, neighbours, babysitters and in-home (nanny) carers. It is grandparents who are the main informal carers, providing care for 20 per cent of children aged 0-12. A further five percent of children receive care from a sibling or another relative in any given reference week.<sup>19</sup>
- 6.21 Many grandparents in Australia selflessly provide hours of child care every week, 'taking on the role sometimes lovingly, but not necessarily willingly'.<sup>20</sup> They make it possible for their adult children to work without incurring child care costs.
- 6.22 Grandparent care is not an option for all families. Grandparents may well be living thousands of kilometres away. Parents who do not have the

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15 Department of Family and Community Services, *2004 Census of child care services* (2005), pp 28, 29.

16 Benevolent Society, sub 80, p 2.

17 National Centre for Social and Economic Modelling, *Who cares? The cost of caring in Australia in 2002 to 2005* (2006), AMP.NATSEM Income and Wealth Report, issue 13, p 7. These figures predate the introduction of the Child Care Tax Rebate.

18 Australian Bureau of Statistics, *Child care, Australia, June 2005* (2006), Cat No 4402.0, pp 14, 42.

19 Australian Bureau of Statistics, *Child care, Australia, June 2005* (2006), Cat No 4402.0, p 3.

20 Quinlan F, Catholic Welfare Australia, transcript, 19 April 2005, p 36.

physical and emotional support of extended family in their local area feel this absence keenly.<sup>21</sup>

- 6.23 Even when grandparents are nearby, grandparent care is not necessarily a solution. Increased longevity and the need to increase superannuation savings mean that some grandparents are still working themselves, up to and beyond what has hitherto been regarded as retirement age. The number of women aged over 65 in paid employment increased by 85 per cent between 1984-85 and 2004-05. The number of men aged over 65 in paid employment increased by 20.5 per cent; one of only two male age cohorts that increased their participation over the last twenty years. The other was for men aged 55 to 64.<sup>22</sup>
- 6.24 Even in the shorter term, there have been increases to mature age workforce participation, possibly fuelled by changes to superannuation law. In their report commissioned by the committee, Access Economics notes that participation rates for older workers are rising at a faster rate than anticipated in the intergenerational report of 2002.<sup>23</sup>
- 6.25 The committee received a number of comments from parents trying to balance their urgent need for child care with a sensitivity for the needs of grandparents:

For the last 18 months prior to this year, there were just no vacancies, despite being on the waiting list, and we were forced to rely primarily on my mother and friends in order to get by. Bear in mind that both my parents have failing health and my mother also works a full-time night job in her own right on the days I am not working.<sup>24</sup>

I used to be able to rely upon my parents a lot. My father has now passed away... I know my mother has got a plateful [dealing with other family members], so I just do not feel it is my place to impinge on her any more than I have to. I have a nephew and his wife that can sometimes help out with babysitting.<sup>25</sup>

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21 Smyth C, Rawsthorne M and Siminski P, Social Policy Research Centre, University of New South Wales, *Women's lifework: Labour market transition experiences of women, final report* (2006), SPRC Report 7/06, p 54; see also Bentley S, sub 43; McLachlan E, sub 194.

22 Australia Bureau of Statistics, *Year Book Australia, 2006* (2006), Cat No 1301.0, p 153.

23 Access Economics, Appendix D, p 5.

24 Watson K, transcript, 21 June 2006, p 2.

25 Richards P, transcript, 30 June 2006, p 20.



Although we are now nearer my husband's parents, they are still an hour away and both work full-time. So they can provide us little support for child care.<sup>26</sup>

I think a lot of people juggle with their parents, 'Can the grandparents look after them?' or whatever. I did not want to burden my mum with that because she has already raised a family. I know a lot of people rely on grandparents, and if the grandparents are not available then day care can sometimes be more expensive than what you are earning. Everyone has that struggle... So, definitely, having someone regularly to be a carer for your child, because it is paid work, means that it is a lot easier – asking someone that you are employing to work rather than trying to get your parents, friends or whatever to rearrange their life.<sup>27</sup>

6.26 Other sources of informal care are also increasingly difficult to find. As a Perth mother observed:

Our support networks are often thinner than they used to be. We don't tend to live as near family as we used. Grandparents may be busy doing their own things, possibly still working themselves, to take grandchildren for extended periods. We don't know our neighbours like we used to, particularly if we are still working as we'll never see them.<sup>28</sup>

6.27 The committee acknowledges the enormous contribution of grandparents in raising and caring for children, usually with little or no financial compensation. Measures such as the Grandparent Child Care Benefit are positive recognition of this contribution.

6.28 Indications are, however, that neither parents nor government policy can continue to rely on grandparents as a source of low or no-cost care. The government has a policy of encouraging mature aged workers to remain in the workforce, and has put several initiatives in place to achieve this, such as the Pension Bonus Scheme and changes to superannuation announced in the 2006-07 Budget. Relying on grandparents to provide care while their adult children work is in conflict with this policy.

6.29 Some parents feel more comfortable leaving their children with a family member or friend rather than a 'stranger' in a child care centre. Others, like one of the mothers quoted above, prefer to secure care within a

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26 Langham J, sub 171, p 2.

27 Romer J, transcript, 18 October 2006, pp 10, 11.

28 Davies K, sub 4, p 2.

business agreement where roles and responsibilities are clearly defined. Informal arrangements do have the advantages of being cheap and flexible. Realistically, however, the use of child care provided by carers who are not family members or friends will continue to increase. The availability and accessibility of child care will continue to play a significant role in Australian families' decisions about work and family.

## Child care and the economy

### Facilitating economic activity

- 6.30 Government expenditure on child care is often characterised as a 'soft' welfare measure. The committee is of the view, however, that child care should be recognised as a measure that supports a range of essential economic activities. This is true both now and increasingly as the ageing population presses workforce participation and national productivity downwards. As economic commentator Ross Gittins writes in *The Sydney Morning Herald*, child care is the key to keeping 'an ever-growing proportion of well-educated married women' in the workforce: 'Be clear: fixing child care is as much about economics narrowly defined as it is about social concerns'.<sup>29</sup>
- 6.31 Several government-sponsored studies in the last 15 years have examined the economic benefits of child care. In 1994, the Australian National Audit Office, in an 'efficiency audit' of Commonwealth child care services, reported that work-related child care was revenue-neutral:
- The costs to the Commonwealth of workforce-related care are substantial, but the break-even point where tax revenue and social security savings equal this cost in all cases comes well below average earnings.<sup>30</sup>
- 6.32 Similarly, a 1998 study by the Centre for Economic Policy Research at the Australian National University found that:

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29 Gittins R, 'Costello's failed experiment: reform without pain', *The Sydney Morning Herald*, 15 May 2006, p 19.

30 Australian National Audit Office, *Mind the children: Management of children's services (1994)*, Efficiency Audit, Audit Report no 42, 1993-94, p 42; cited in Senate Community Affairs Reference Committee, *Report on Child Care Funding (1998)*, p 9.

Child care has a net cost to the budget far less than the gross cost... and could very likely save taxpayers more than it costs.<sup>31</sup>

By attracting more women into the labour force, the Children's Services Program [government funding for child care] helps to decrease interruption to careers, which has beneficial effects for society as well as for the individual. With less depreciation of work-related skills and a greater commitment to the labour force as a result of the program, the economy will tend to create better jobs that it would do in the absence of the program. Also, the increase in female labour supply resulting from the program will generate more jobs in the longer term.<sup>32</sup>

6.33 Most recently, a research paper published by the Department of Families and Community Services in 2004 made a preliminary assessment of the actual value of these returns to the government. It estimated that in 2001-02, paid work facilitated by government-funded child care use generated \$1.6 billion in income tax, breaking even with the \$1.6 billion spent by the Government on child care.<sup>33</sup>

6.34 The government also saves money, however, on foregone income from Family Tax Benefit and Parenting Payment. Taking this into account, the paper found that:

Every dollar spent on child care returns \$1.86 directly to the Government's bottom line, in the form of increased taxation and reduced government outlays.<sup>34</sup>

6.35 These findings are consistent with international studies on the economic value of child care:

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31 Centre for Economic Policy Research at the Australian National University, for the Department of Community Services and Health, *Government spending on work-related child care: Some economic issues* (1988), p 1.

32 Centre for Economic Policy Research at the Australian National University, for the Department of Community Services and Health, *Government spending on work-related child care: Some economic issues* (1988), p 1.

33 Martin J, Department of Family and Community Services, 'More than just play dough: A preliminary assessment of the contribution of child care to the Australian economy', *Australian Social Policy* (2004), p 9, viewed on 10 March 2006 at [http://www.facs.gov.au/research/austsocpolicy\\_2004/australian\\_social\\_policy\\_2004.pdf](http://www.facs.gov.au/research/austsocpolicy_2004/australian_social_policy_2004.pdf).

34 Martin J, Department of Family and Community Services, 'More than just play dough: A preliminary assessment of the contribution of child care to the Australian economy', *Australian Social Policy* (2004), p 9, viewed on 10 March 2006 at [http://www.facs.gov.au/research/austsocpolicy\\_2004/australian\\_social\\_policy\\_2004.pdf](http://www.facs.gov.au/research/austsocpolicy_2004/australian_social_policy_2004.pdf).

Returns to the government budget, per dollar spent, have variously been estimated at \$1.56 in Texas; \$1.50 to \$3.00 for the United States in total... and \$2.00 in Canada.<sup>35</sup>

6.36 The actual returns to government, however, will be even greater, as these figures represent only the impact on the government's bottom line. The more diffuse effects of increased economic activity and other flow-on effects multiply the benefits many times over. These include:

- increased productivity;
- increased household expenditure;
- increased superannuation for carers and others remaining in the workforce;
- reduction in the child care cash economy, and an increase in income tax paid by child care workers; and
- skill retention and decreased business staff turnover costs.<sup>36</sup>

6.37 The value of diffuse benefits is, of course, difficult to measure accurately. The Department of Family and Community Services paper estimates the total economic benefits of child care to be worth \$8.11 per dollar spent. On current government child care expenditure of \$2.3 billion dollars per annum, this estimate suggests a return of \$18.6 billion to the economy.<sup>37</sup>

6.38 As Jay Martin writes, 'The value of the [child care] sector is not only what it produces, but also what it supports others to produce.'<sup>38</sup> He argues that child care should be considered among the essential infrastructure of an industrial Western economy:

In 2002 in Australia, around half of all children in the 0 to 11 age group used care, a total of around 1.5 million children (Australian Bureau of Statistics (ABS) 2003). The skills and experience of the

35 Martin J, Department of Family and Community Services, 'More than just play dough: A preliminary assessment of the contribution of child care to the Australian economy', *Australian Social Policy* (2004), p 9, viewed on 10 March 2006 at [http://www.facs.gov.au/research/austsocpolicy\\_2004/australian\\_social\\_policy\\_2004.pdf](http://www.facs.gov.au/research/austsocpolicy_2004/australian_social_policy_2004.pdf).

36 Taskforce on Care Costs, *Where to now? 2006 Final report* (2006), pp 4-5, 33.

37 In the 2006-07 Federal Budget, the Minister for Families, Community Services and Indigenous Affairs, the Hon Mal Brough MP, announced a record \$9.6 billion investment in child care over four years. '2006-07 Budget - A more responsive, quality child care system', media release, 9 May 2006.

38 Martin J, Department of Family and Community Services, 'More than just play dough: A preliminary assessment of the contribution of child care to the Australian economy', *Australian Social Policy* (2004), p 3, viewed on 10 March 2006 at [http://www.facs.gov.au/research/austsocpolicy\\_2004/australian\\_social\\_policy\\_2004.pdf](http://www.facs.gov.au/research/austsocpolicy_2004/australian_social_policy_2004.pdf).

parents of these children obviously represent a considerable economic and social resource to the community, much of which would be unavailable to employers for substantial periods of time if child care was not available.

Therefore, one of the major contributions that child care makes is to enable the 'nation's pool of talented and skilled parents to engage in the formal economy', as MCubed [a consultancy] noted in 2002. This places it among the essential infrastructure of a society, such as transportation, telecommunications or education, without which a range of economic activities would not be possible.<sup>39</sup>

- 6.39 A 2003 OECD paper on the labour force participation of women also supports the view of child care as a facilitator of economic activity. For low income families, particularly, government child care assistance can operate as a financial 'leg-up' into the labour market and path to increased future earnings for parents:

Credit market imperfections (such as adverse selection and moral hazard) may prevent women in low-income families from borrowing against future earnings to finance child care and break away from welfare dependence (Walker, 1996). The implicit assumption is that employment facilitates the accumulation of human capital and work experience which will generate future earnings sufficiently high to repay the initial loan. Thus, child care subsidies could be expected to result in lower future welfare spending (Robins, 1991).<sup>40</sup>

## Long-term socio-economic outcomes

- 6.40 Beyond returns to the bottom line in each budget cycle, government investment in child care also contributes to important long-term socio-economic outcomes. The OECD paper cited above notes additional justifications for government expenditure on child care, including child development, social integration, and gender equity.<sup>41</sup> Increasing evidence

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39 Martin J, Department of Family and Community Services, 'More than just play dough: A preliminary assessment of the contribution of child care to the Australian economy', *Australian Social Policy* (2004), p 3, viewed on 10 March 2006 at [http://www.facs.gov.au/research/austsocpolicy\\_2004/australian\\_social\\_policy\\_2004.pdf](http://www.facs.gov.au/research/austsocpolicy_2004/australian_social_policy_2004.pdf).

40 Jaumotte F, 'Labour force participation of women: Empirical evidence on the role of policy and other determinants in OECD countries' (2003), *OECD Economic Studies*, no 37, p 60.

41 Jaumotte F, 'Labour force participation of women: Empirical evidence on the role of policy and other determinants in OECD countries' (2003), *OECD Economic Studies*, no 37, p 60.

in early childhood development is supportive of the gains achieved by quality child care for future social health and wellbeing:

Child care contributes to the economy by acting as an early intervention in children's lives. Quality child care, which is of great benefit to disadvantaged and at-risk children, decreases health, welfare and legal cost outlays by Government and decreases the chance of these occurring later in life.<sup>42</sup>

Alternatively, as a 1988 report into government funded child care put it, 'Well-brought up children make good citizens – less crime, better voters, larger tax base.'<sup>43</sup>

## Problems in accessing care

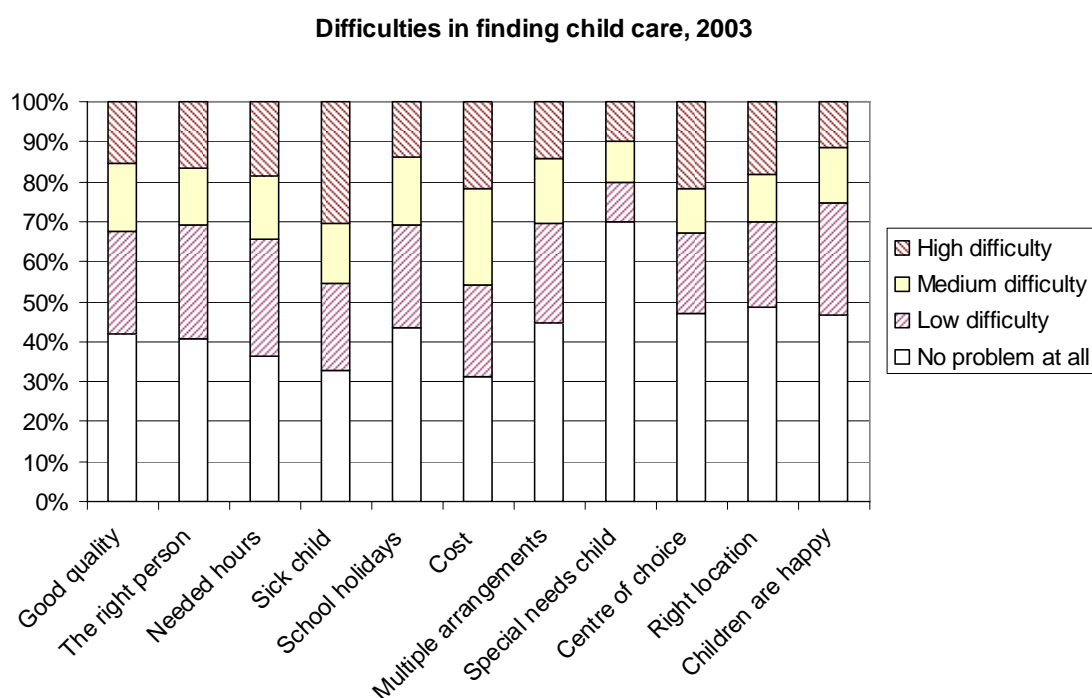
- 6.41 Unfortunately, given the economic importance of child care provision, some Australian families are experiencing problems in accessing affordable care. In part, this is the result of present child care policy and its total lack of flexibility. For most families, the approved care category, which is the only category for which any meaningful assistance is provided, offers only group care in a centre-based environment. It provides one solution to fit all when clearly families' wants and needs are different.
- 6.42 As figure 6.4 illustrates, these wants and needs are diverse. Some of the criteria that parents consider are subjective, for example, whether a parent feels that their child could be happy in an arrangement. Others are not discretionary. School holidays and sick children are particular hot spots, and parents have little influence over the number of hours and days they are offered by a child care centre.

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42 Martin J, Department of Family and Community Services, 'More than just play dough: A preliminary assessment of the contribution of child care to the Australian economy', *Australian Social Policy* (2004), p 5, viewed on 10 March 2006 at [http://www.facs.gov.au/research/austsocpolicy\\_2004/australian\\_social\\_policy\\_2004.pdf](http://www.facs.gov.au/research/austsocpolicy_2004/australian_social_policy_2004.pdf).

43 Centre for Economic Policy Research at the Australian National University, for the Department of Community Services and Health, *Government spending on work-related child care: Some economic issues* (1988), p 10.

Figure 6.4 Difficulties in finding child care, 2003



Source: The Melbourne Institute of Applied Economic and Social Research, The University of Melbourne, *Families, incomes and jobs: A statistical report of the Household Income and Labour Dynamics Survey (HILDA) (2006)*, p 11. Household Estimates for special needs children for difficulty categories are not reliable.

6.43 For some parents, problems in accessing care mean that they may have to choose an imperfect option which creates stress for the family, although it allows parents to take on paid work. For other parents, the impossibility of accommodating work and family obligations within existing child care options means that they cannot work at all.

## Parents' working hours and working patterns

6.44 Parents who do shiftwork, work on weekends, work at night, or who regularly work overtime have immense difficulties in accessing child care.

6.45 The 2004 census of child care services produced by the Department of Families and Community Services reported that long day care centres opened for an average 10 hours and 48 minutes per day, generally between 8 am and 6 pm. Of 3,812 long day care services surveyed, only 21 opened on weekends, and of these eight opened on both Saturday and Sunday. There were only two centres operating for 24 hours a day.<sup>44</sup>

44 Department of Family and Community Services, *2004 Census of child care services* (2005), pp 10-11.

Occasional care tends to have shorter opening hours than long day care; an average of 8 hours and 20 minutes per day. Outside school hours care typically provides three hours of care per day.<sup>45</sup>

- 6.46 Family day care is more flexible, although its carers are more likely to lack child care qualifications.<sup>46</sup> The main use of family day care schemes occurred during the hours of 8 am and 6 pm, but seven per cent of children in family day care received care between the hours of 6 pm and 8 am.<sup>47</sup> While nothing precludes family day care providers from offering overnight or after hours care, this can in practice be difficult to find. A Sydney mother told the committee:

There are issues with family day care. Invariably they do not suit many working parents typically needing eight hour days. I spoke with someone from [the local council] family day care only yesterday and, unfortunately, there really are no spaces for children of women who require longer day care situations. Her words to me were, 'Look, if you were more flexible with hours, we'd obviously have a better chance of placing you'. I asked what the times were, and she said, 'Generally eight or eight-thirty to about four'. That does not suit my needs.<sup>48</sup>

- 6.47 For parents working business hours, their only care option is often long day care, and the standard 6 pm closing time of most centres can be difficult to accommodate within a business culture that expects them to remain at work if a meeting runs overtime, or if an urgent task materialises. The practice of charging fines by the minute for late pick-ups means that many parents are, in one mother's words, 'zooming across town' in peak hour traffic to make the closing time.<sup>49</sup> The Women Lawyers Association of New South Wales said that:

The opening and closing hours of child care centres are often inflexible and do not coincide with the sometimes long hours that lawyers work. Late fees are imposed for every hour that a lawyer is, for example, caught up with a client or in city traffic and delayed from picking up their children.<sup>50</sup>

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45 Department of Family and Community Services, *2004 Census of child care services* (2005), pp 10-11.

46 Department of Family and Community Services, *2004 Census of child care services* (2005), p 10.

47 Department of Family and Community Services, *2004 Census of child care services* (2005), p 10.

48 Watson K, transcript, 21 June 2006, p 8.

49 McNee R, sub 127, p 2.

50 Women Lawyers' Association of New South Wales, sub 99, p 3.



- 6.48 If parents working business hours have problems finding suitable care, then it is even more difficult for those working non-standard hours. A single mother from Coffs Harbour told the committee:

There are a lot of problems, especially with after school care. For instance, you may have a job that starts at seven o'clock in the morning and finishes at four o'clock in the afternoon, but there is no care before eight o'clock in the morning... When it comes to working and being offered a job to start at seven o'clock in the morning, I cannot take it because I do not even have the option to put my children into care. It makes it very hard.<sup>51</sup>

- 6.49 Casual or sporadic workers may not be able to use long day care because they do not always know in advance when or for how long they will be working. A 2001 survey cited by the National Council of Single Mothers and their Children found that 'child care usually had to be booked in advance, creating difficulties for women who worked casual hours and were unsure of their child care needs'.<sup>52</sup> The Australian Council of Trade Unions said that in a child care 'phone-in' they conducted in 2004, parents complained that child care centres were inflexible. 'Fees were charged on public holidays which is hard for casual workers who do not receive any pay for public holidays'.<sup>53</sup> Similarly, the YWCA reported that its clients often struggled to find flexible child care, which was 'essential for casual or temporary staff with irregular hours or for students whose class timetable changes from term to term'.<sup>54</sup>

- 6.50 Salary packaging provider McMillan Shakespeare observed that:

The greatest demand for child care is actually casual child care... [but] it does not exist. The home care proposition that you put is one that would overcome that. If you could call up an agency and say, 'Come in and look after my child for this day because I have a meeting, but my mother and father happen to be caravanning up in Cairns' – for example – 'or unavailable because they have doctors' appointments,' there are no conflicts. If we had a system that allowed that flexibility you talk about, Madam Chair, that would help overcome that problem as well. Casual care is in big demand. There is no-one in the market place that is providing any support for that market.<sup>55</sup>

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51 Griffin S, Uniting Care Burnside, transcript, 13 March 2006, p 19.

52 National Council of Single Mothers and their Children, sub 108, p 8.

53 Australian Council of Trade Unions, sub 104, p 16.

54 YWCA of Australia, sub 113, p 5.

55 Podesta A, transcript, 1 November 2006, p 10.

6.51 An example of a worker affected by such inflexibilities is that of a single father of four from Perth, Paul Richards, who gave evidence to the committee. Mr Richards was an electrical maintenance contractor who was offered a \$100,000 position in regional Western Australia. The job was on a fly-in, fly-out arrangement, however, with two weeks on and two off. Although he wanted to work, and his family needed the money, he was unable to take up the position. While he did, eventually, locate overnight care, the lack of government assistance with in-home care meant that he was unable to afford the up-front costs of the care.<sup>56</sup>

6.52 Another example is that of a mother of three, Jenny de Lacy, who wrote to the committee of her difficulties in finding care to match her irregular work as a contractor in education. These had in fact led her to quit her job and find alternative employment for the sake of her family arrangements:

Recently we decided I would return to more regular work, as contracting work is hard on the family, and ad hoc child care almost impossible for us to find. We have no family support for child care, and working as a contractor is not predictable, so child care had to be permanent even if the work was not.<sup>57</sup>

6.53 In many cases, for parents working casual or irregular hours, it is only informal care provided by grandparents, relatives and family friends that enables them to earn an income. A professional mother told the committee that, 'Flexibility is not part of child care. If you are required to work additional hours, travel interstate or go to breakfast meetings, these can only occur with the support of other family members'.<sup>58</sup>

6.54 Such arrangements rely on goodwill, however, and as noted earlier, grandparents and other family members may be less and less able to provide such care in the future. A single mother of five wrote that while she worked doing night fill in supermarkets, one of her sons cared for the younger children overnight. This informal arrangement was about to be disrupted and there was no alternative child care available to her:

I will soon have to quit my part time employment (night fill in the supermarket) as my 16 year old son will be moving out to live with his father. This is mainly due to having better living conditions due to more money in the household and the fact that he finds the responsibility of looking after his siblings (on the

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56 Richards P, sub 170, p 1.

57 De Lacy J, p 172, p 1.

58 Waldock J, The Association of Professional Engineers, Scientists and Managers Australia, transcript, 3 August 2005, p 27.

nights I am working, if I need to go to appointments, studying or shopping), tedious and tiring. I will have no-one to look after the children.<sup>59</sup>

6.55 Amongst couple families there is evidence that some manage the dearth of out-of-hours child care by working alternate 'shifts' across day and night. This means that one parent is always at home with the children, but it can have negative consequences for parents' health and their own relationship, as they may seldom see each other except to 'hand over'. Mr John Hart, Chief Executive Officer of Restaurant and Catering Australia, told the committee that because 'after-hours places are as scarce as hens' teeth', these arrangements were quite common in his industry, where 56 per cent of business was transacted after 7 pm.<sup>60</sup>

6.56 The Working Women's Centre of South Australia said:

Women report that they take on night shifts thinking that child care will be easier to manage if their partners can look after the children at nights. They describe relationships where they rarely spend time together and worry about the impact of this on their children.<sup>61</sup>

## Waiting lists for child care places

6.57 The qualities of child care make it difficult for access to be nationally consistent. Child care supply is heavily localised, as there is a limit to the travelling times which parents can reasonably undertake on a daily basis.

6.58 In the long day care sector, which cares for the majority of children in formal care, some centres do have vacancies. As noted in chapter five, the Australian Government has claimed that there are up to 120,000 child care vacancies in Australia, depending on the day of the week.<sup>62</sup>

6.59 There are pockets of intense shortages in long day care, however. Earlier this year, the Melbourne bayside municipality of Port Phillip had 1,935 children on the waiting list for care.<sup>63</sup> In evidence the committee has heard of waiting lists of 18 months or more in some metropolitan areas, particularly inner metropolitan areas. The committee heard that some mothers put their names down on waiting lists virtually 'at conception' of

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59 Bentley S, sub 43, p 2.

60 Hart J, transcript, 3 February 2006, p 28.

61 Working Women's Centre of South Australia, sub 74, p 6.

62 Hon M Brough MP, Minister for Families, Community Services and Indigenous Affairs, 'Childcare places and the Childcare Access Hotline', media release, 27 September 2006.

63 Clausen L, 'Putting a price on our children', *Time*, 13 March 2006, p 43.

their children. There were many comments on the frustrations of finding child care:

The waiting lists for child care are enormous... When I found out I was pregnant I called my obstetrician, my private hospital and my child care provider before I even told my family, because the child care centre needs to know before anybody else does.<sup>64</sup>

It has taken our family over three years to access a reasonable level of long day-care positions... You will note from the attachment to my written submission a record of 50 registered child care centres and family day care providers that I have kept regarding the availability of positions last year.<sup>65</sup>

When our children were born, the key issue for my wife and I was the difficulty in accessing child care. It was a very stressful time, involving a huge number of phone calls and waiting lists.<sup>66</sup>

When I was returning to work after each baby, access to child care was a problem. We were on the waiting list for many child care centres and eventually were offered a place. I found having an impending date of return to work with no child care yet in place an extremely stressful situation.<sup>67</sup>

Our situation is not unique. We have heard of people who put their child's name on a waiting list only to be told that there are six A4 pages of names before them, or that the child may get a place by the time it is of school age, or simply not to bother putting a name down as there is no chance of getting a place.<sup>68</sup>

We were on about 12 different waiting lists for about 14 months. The only reason we got child care in the end was that I was diagnosed with postnatal depression and given a priority placement.<sup>69</sup>

## Child care affordability

6.60 Alongside issues of availability, affordability was an issue consistently raised in submissions. The 2006 Household Income and Labour Dynamics Survey found that 45 per cent of parents report medium or high

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64 Somerville J, transcript, 13 March 2006, p 27.

65 Watson K, transcript, 21 June 2006, p2.

66 Fulton P, transcript, 11 April 2006, p 24.

67 Name withheld, sub 95, p 1.

68 Hawker C and Kleiman A, sub 42, p 4.

69 Hawker C, transcript, 13 March 2006, p 31.

difficulties in finding affordable care.<sup>70</sup> The Taskforce on Care Costs found in their 2006 survey that 37 per cent of employees with caring responsibilities now feel that the cost of care is too high relative to their income, up from 31 per cent in 2004.<sup>71</sup>

6.61 High child care costs are not merely a perception. They are real. The Taskforce reported that since 2004, child care costs have seen annual increases of 12.4 per cent, whilst the annual average Consumer Price Index increases have been 2.5 per cent.<sup>72</sup>

6.62 Some parents who gave evidence to the committee suggested that in light of such fees, government assistance with child care was not generous and the current system was unfair. Some families were receiving Child Care Benefit of \$0.457 per hour when their annual child care costs could be almost \$20,000. One mother commented:

While it would be nice to receive some assistance in caring for our children while I return part time to the workforce, I recognise that I am in a well-paid profession and probably do not need the same level of assistance that many others do... I believe that child care assistance payments of some form should be made to people who are below a certain salary bracket. However I do believe that in addition all people who use child care so that they can return to the workforce should be able to claim their child care expenses as a tax rebate/deduction.

I appreciate that the government does give some non-means tested assistance to child care. Currently that is approximately \$3 per day. When the centre charges \$80 per day, the \$3 per day is laughable.<sup>73</sup>

6.63 Over most of the period of taking evidence, parents had not yet been able to claim the 30 per cent Child Care Tax Rebate, although it was positively anticipated.

6.64 This issue of government assistance with child care costs and the most appropriate mechanisms for that assistance will be discussed further in chapter seven.

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70 Melbourne Institute of Applied Economic and Social Research, The University of Melbourne, *Families, incomes and jobs: A statistical report of the Household Income and Labour Dynamics Survey (HILDA)* (2006), p 11.

71 Taskforce on Care Costs, *Where to now? 2006 Final report* (2006), p 11.

72 Taskforce on Care Costs, *2006 Interim review: Where are we now?* (2006), p 7.

73 Somerville J, sub 61, p 3.

## Difficulties related to the age of children

- 6.65 Some parents' difficulties in accessing child care lie in finding age-appropriate care for children. Care for children aged two and under is a particular problem. The Benevolent Society stated:

There is a significant shortage of child care spaces for children under two years of age. Many centres find this age group hard to cater to and they are more expensive rooms to run due to the staffing ratios... Both of The Benevolent Society's child care centres run rooms for children from six weeks of age. Our waiting lists for care of under twos means that for a possibility of securing a place, women need to get on the waiting list while pregnant and may still have to wait at least 18 months before that chance of securing a place.<sup>74</sup>

- 6.66 At the other side of the scale, the care of teenagers has emerged as a hidden issue for many parents. Workforce Participation Minister Sharman Stone recently said that in a series of nationwide consultations, care for teenagers had emerged as one of the biggest concerns for parents.<sup>75</sup> The Minister acknowledged that this concern was affecting parents' decisions about taking on paid work. A single mother of teenagers who had turned down a job offer told *The Australian*:

Thirteen is not a good age to be alone, it is vulnerable time for kids. I want to work, but... I was worried about the non-supervision hours.<sup>76</sup>

- 6.67 A 2006 study of women's labour market transitions, conducted by the Social Policy Research Centre at the University of New South Wales, found that the care of teenage children was a source of concern for the mothers interviewed. 'During the teenage years the conflict between "labour force participation" and "parental responsibility" discourses come most starkly into conflict'.<sup>77</sup>
- 6.68 The study found that government policy reflected an assumption that children were old enough to look after themselves after they started high school, but that on the other hand, parents were still held responsible for

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74 Benevolent Society, sub 80, p 4.

75 Karvelas P, 'Teens new childcare hole', *The Australian*, 19 April 2006, p 2.

76 Karvelas P, 'Teens new childcare hole', *The Australian*, 19 April 2006, p 2.

77 Smyth C, Rawsthorne M and Siminski P, Social Policy Research Centre, University of New South Wales, *Women's lifework: Labour market transition experiences of women, final report* (2006), SPRC report 7/06, p 55.

anti-social and criminal behaviours by teenagers. Sole parents had the greatest concern about unsupervised teenagers.<sup>78</sup>

- 6.69 A single mother from Coffs Harbour told the committee that the gap in provision for young people in this age group that made it difficult for parents to work and be assured of their security:

The other side of [child care problems] is with children who go into high school. They are 11 or 12 when they start year 7. Once they get out of year six and hit high school, they are no longer eligible for outside of school hours or vacation care. Under the Department of Community Services, a child is not able to be left at home until the age of 14. So it is very contradictory...<sup>79</sup>

- 6.70 Many teenagers, of course, are antagonistic to the idea of formal care, particularly if they will be joining a group of younger children, and most child care providers do not cater for children over the age of 12. In 2004, less than 0.05 per cent of all children in outside school hours care were aged 13. There were no children aged 14 or over.<sup>80</sup>

## Preferences for child care

- 6.71 In the real world, parents' actual choices do not purely reflect their preferences; they are circumscribed by the services that are available in their local area and the cost of those services.
- 6.72 Committee members, after hearing of difficulties such as those outlined above, often asked witnesses to indulge in a 'blue sky' perspective for a moment and describe what sort of child care they would have in a perfect world. Unsurprisingly, the diversity of Australian families is represented in a range of preferences for care types. There are probably as many 'ideal' child care arrangements as there are families.

## Children's development

- 6.73 Parents consider their children's social and cognitive development when making child care choices. Many parents who gave evidence to the

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78 Smyth C, Rawsthorne M and Siminski P, Social Policy Research Centre, University of New South Wales, *Women's lifework: Labour market transition experiences of women - Final report* (2006), SPRC report 7/06, p 55.

79 Griffin S, *Uniting Care Burnside*, transcript, 13 March 2006, p 19.

80 Department of Family and Community Services, *2004 Census of child care services* (2005), p 126.

committee sent their children to day care for the opportunity to socialise with other children. A Sydney mother working part time said:

We chose a centre rather than an individual nanny as such...  
[because] I personally think the social interaction for children is very important.<sup>81</sup>

- 6.74 The witness and her husband were also attracted by the structured learning opportunities on offer in formal group care:

At kindy [my daughter] gets exposed to Japanese and health classes, they have language and music classes. I could not do all that at home and I think it would be a rare individual nanny who would offer all of that to a child.<sup>82</sup>

- 6.75 On the other hand, some parents choose in-home carers because of the intensive one-on-one language development opportunities afforded to children who get a carer's constant attention. A manager of a nanny agency in Sydney, Marina McHutchison, said:

Most of the good professional nannies I have met all talk underwater. It is constant. It promotes language skills with the children because they are constantly talking.<sup>83</sup>

- 6.76 Children's developmental needs vary not only from child to child but between children of different ages. There was a preference to have very young children cared for in an in-home situation, through a nanny, family day carer, or by a family member or friend in their own home where possible. This is reflected in the higher numbers of nought to two year olds in family day care and in-home care than in any other form of care, even without including those infants and toddlers being cared for within the in-home care cash economy.<sup>84</sup>

- 6.77 As children reach the ages of three and four this preference turns to group care situations where they can begin to make friends. Given the trend towards smaller family sizes, many children do not have as many siblings as they may once have had, and group care gives them a chance to interact with others in preparation for primary school.

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81 Somerville J, transcript 13 March 2006, p 38.

82 Somerville J, transcript 13 March 2006, p 39.

83 McHutchison M, *The Australian Consortium of Nannies*, transcript, 22 September 2005, p 57.

84 Department of Family and Community Services, *2004 Census of child care services* (2005), p 13.



## Children's care needs

- 6.78 For parents of children with particular health or care needs, formal group care, such as long day care or outside school hours care, may not be an option. For example, the committee heard that parents choose to use in-home carers if their children are vulnerable to multiple coughs and colds after being exposed to a large number of children in a day care centre.<sup>85</sup>
- 6.79 A Sydney mother who gave evidence to the committee told how her search for child care places had been made especially difficult by the fact that one of her sons suffered from anaphylaxis, a severe food allergy. Many of the long day care centres she contacted in her local area could not provide a peanut-free environment.<sup>86</sup>
- 6.80 The committee also heard evidence from parents of children who had Attention Deficit Hyperactivity Disorder (ADHD), autism, behavioural problems and moderate to profound disabilities.<sup>87</sup> Where these children exhibit challenging behaviour or have complex care needs, a long day care or after school care program may not be a solution for the child, the provider, or the parent, who may be frequently called back from work to attend to problems. In many cases care providers will simply not accept children with behavioural problems or disabilities.
- 6.81 A Brisbane mother told the committee that the lack of adequate child care for her three year old autistic son was the reason why she was not considering returning to the workforce, noting, 'The current day care system does not meet the needs of children with ASD [autism]'.<sup>88</sup> Respite care and specialist care programs exist, although these can be difficult to find and access. Care of children with disabilities is a problem and will be further considered in chapter eight.

## Reliability and security

- 6.82 For some parents, the reliability of their care arrangements was also a primary concern. For busy parents, the threat of being thrown into panic over the sudden collapse of child care arrangements was too much. Agencies that provide in-home carers to families may often be able to provide a replacement carer at short notice if a carer is sick or on leave. Individual in-home carers or family day care providers may not, however,

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85 Gibietis P, Nanny Sharing Connections, transcript, 22 September 2005, p 9.

86 Watson K, transcript, 21 June 2006, p 6.

87 See, for example, Griffin S, transcript, 13 March 2006, p 20; Richards P, transcript, 30 June 2006, p 17; Stapledon A, sub 179, p 1; Engwirda F, sub 221, p 2.

88 Engwirda F, sub 221, p 2.

be able to offer this back-up, and for this reason some parents prefer the security of an established long day care centre or outside school hours care.

As to child care and the choices you make, it is an extremely complex decision. I am speaking for myself here. I was not particularly interested in the at-home child care solution. I saw that there were risks involved in it to do with the reliability of it... The advantage of a crèche system or an out-of-hours school program is that, because it is run for a number of families, you know that there will be staff there. If your individual at-home carer is unwell or is called away because of their own family requirements, you are left trying to juggle it.<sup>89</sup>

We looked at child care and nannying. We thought that a child care centre would better suit our needs because there is the support of a centre and a lot of other carers. I didn't want to be in the situation where I am reliant on one person only to look after my children, and there is some benefit - from my perspective - when there are other people around.<sup>90</sup>

- 6.83 Some parents, such as the Sydney mother quoted above, also feel that there is increased safety in the numbers of staff working at a child care centre, while others prefer to have control by selecting their children's carer and monitoring the situation themselves. Clearly, choice is needed.

## In-home care sector

- 6.84 One kind of care which can accommodate the varied working patterns and care requirements of many families is in-home care, in which a carer comes to care for children in their own home. Government assistance for child care is heavily focussed on group care settings outside of the child's home, as in long day care, preschool, outside school hours care, vacation care and occasional care. Family day care, which is funded through registered and approved models, involves a small group of children being cared for in the home of the carer.
- 6.85 The Australian Government's recently established In-Home Care program is the only form of care in the child's home that is funded at approved care

89 Waldock J, Association of Professional Engineers, Scientists and Managers Australia, transcript, 3 August 2005, p 31.

90 Burchsmith E, transcript, 13 March 2006, p 30.

rates of Child Care Benefit, and the only one that is eligible for the Child Care Tax Rebate. Access to the program is heavily restricted, however. By and large, the in-home care industry in Australia is happening in the black economy.

## Australian Government's In-Home Care program

- 6.86 The Australian Government established an in-home care program in 2001. Under this model, care is provided in the home of the child by an approved carer, and parents can claim Child Care Benefit at the approved care rate as well as the Child Care Tax Rebate. The program supports a highly flexible form of care: the 2004 census of child care services reported that 18 per cent of children in in-home care were being cared for between the hours of 8 pm and 6 am, a higher proportion than any other type of care.<sup>91</sup>
- 6.87 Ms Susan Rogan, operator of a nanny agency and an approved in-home care provider, offered the following as advantages of in-home care:
- increased flexibility results in decreased pressure on families;
  - child care can be accessed when children are unwell;
  - one-to-one care is less stressful for children; and
  - care is provided in a familiar environment by a familiar carer.<sup>92</sup>
- 6.88 The program is limited, however, to families whose child care needs cannot be met by an existing service. Families that may be eligible for in-home care include:
- families where the parent/s or child has an illness or disability;
  - families in remote or rural areas;
  - parents working shift work or non-standard hours;
  - parents who have had a multiple birth (three or more), and/or have three or more children under school age; and
  - breastfeeding mothers working from home.<sup>93</sup>

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91 Department of Family and Community Services, *2004 Census of child care services* (2005), p 10.

92 Susan Rogan Family Care, sub 159, p 2.

93 Department of Families, Community Services and Indigenous Affairs website, viewed on 5 October 2006 at [http://www.facsia.gov.au/internet/facsinternet.nsf/childcare/families-in\\_home\\_care.htm](http://www.facsia.gov.au/internet/facsinternet.nsf/childcare/families-in_home_care.htm).

- 6.89 Take-up of in-home care places has been steady, although the program remains modest in size. The 2004 census of child care services reported that 68 in-home schemes were in operation, providing carers to 3,240 children, up from 45 schemes and 1,500 children in 2002.<sup>94</sup>
- 6.90 In-home care places are capped by the Australian Government pending finalisation of a review into the program. Since its commencement in January 2001, 7,700 in-home care places have been allocated. In the 2005-06 Budget a further 1,000 places were allocated over four years, to better support those affected by Welfare to Work.<sup>95</sup> It appears unlikely that 7,700 places will enable all families in the situations above to access in-home care.<sup>96</sup> In any case, evidence taken by the committee suggests that most families are not aware that the program exists.<sup>97</sup>
- 6.91 Ms Kay Ganley, Chief Executive Officer of the Charlton Brown Group, made some positive comments about the program. Charlton Brown are a child care training organisation, nanny agency and an approved provider of in-home care services in four states:

We would like to congratulate the federal government on this initiative of in-home care provision. Prior to this, there was no subsidy available to families who could not access centre based or family day care because they lived in remote or rural areas, because they were shift workers or because they had an ill child. We have demand from people in very unfortunate circumstances, such as where children have cancer et cetera and they cannot access care. There are also children or young people with disabilities who are in care or in integrated situations but for after school hours they need a break and need individual care.<sup>98</sup>

## In-home (nanny) care industry

- 6.92 The committee took evidence on an extensive in-home care industry in Australia, which is only captured in small part by the Australian Government's In-Home Care program. A 'nanny day' roundtable on 22 September 2005 brought together parents, nannies, approved in-home

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94 Department of Family and Community Services, *2004 Census of child care services* (2005), pp 7, 9.

95 Department of Families, Community Services and Indigenous Affairs, correspondence, 23 November 2006.

96 Australian Bureau of Statistics, *Australian demographic statistics* (2006), Cat No 3101.0, p 18.

97 Nannies day roundtable, transcript, 22 September 2005, p 26.

98 Ganley K, transcript, 22 July 2005, p 37.

care providers, and nanny agency directors to discuss the state of the industry and how to bring it forward.

- 6.93 In considering how this sector can be given recognition and reformed so as to be more widely available to families who need in-home support, the committee has found it more useful to refer to 'in-home carers'.
- 6.94 The work of nannies is very similar to the work done by approved in-home care providers under the Australian Government program for families in special circumstances. In fact, most approved in-home care providers are nanny agencies. Outside of the auspices of government-funded in-home care places, however, parents who use in-home carers receive no or minimal assistance. If their carer registers with the Family Assistance Office, they receive Child Care Benefit at a flat minimum rate, currently \$0.497 per hour per child.<sup>99</sup> Nannies may be unwilling to register if they are paid in cash, as the Family Assistance Office will therefore have evidence of an income-earning relationship. From the parents' point of view, a maximum of \$24.85 per week may not be sufficient incentive for them to push their carer to register, given that the assistance also involves substantial paperwork.
- 6.95 There is a common perception that in-home carers are only employed by wealthy families, but the committee has not found this to be the case. Those who participated in the roundtable told the committee:
- In 2005, employing a nanny is no longer for the privileged and wealthy of Australia to take leisurely lunches and play tennis.<sup>100</sup>
- I have worked for different people, from those on the rich 200 list right down to policemen and ambulance people.<sup>101</sup>
- 6.96 For some families, particularly for those with three or more children, it can actually be more cost-effective to hire an in-home carer than to put all their children into long day care. A Sydney mother told the committee:
- I am the mother of three children of preschool age. This year I was ecstatic to secure a part time job in a fantastic company – it is a great feeling to be using my skills and contributing to society (and finally being paid for it). With such young children my only child care option was to hire a nanny – this was actually cheaper than putting all three children into long day care. You seem to fall for

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99 Centrelink website, viewed on 11 May 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/payments/qual\\_how\\_ccb.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_ccb.htm).

100 Elite Nanny Service, supplementary sub 157, p 2.

101 Slattery L, transcript, 22 September 2005, p 45.

the general view that if you can afford a nanny you must be really well off. This is absolutely not the case with many families I know.<sup>102</sup>

- 6.97 Other parents hire in-home carers simply because they cannot access long day care; they need to return to work and cannot wait the 18 to 24 months it may take to get a place. A nanny agency operator reported that, 'This agency receives calls daily from distressed parents unable to access approved child care places seeking information about nanny care'.<sup>103</sup> Another nanny agency operator, who was also a mother, said that:

The government is taking away choice from families who are considering their child care options. Employing a nanny may be the only option as child care places are unavailable... I have employed a nanny since my child was six months old given that no suitable place in child care was available.<sup>104</sup>

- 6.98 Other workers employ in-home carers because their job requirements mean they can't use long day care or after school care. For all the reasons outlined in the sections above, shift workers, weekend workers, and those who do regular overtime need child care outside of standard centre opening hours. Nannies and agency directors reported that there was a lot of interest in in-home care from flight attendants, police officers and emergency services workers.<sup>105</sup> A Sydney businesswoman told the committee the reasons why she employed an in-home carer:

As a business woman running a small business I do not have the luxury of a 9 to 5 position and as such have few alternatives in the way of care for my child. Even if a suitable child care place was available in relatively close proximity to our home or my work, the hours that I work in order to maintain my business and the people I employ do not fit into the narrow constraints imposed by the child care centres.<sup>106</sup>

## Black market in in-home care

- 6.99 A cash economy in child care has been active in this country for many years, although there are varied estimates on its size. The Australian Taxation Office suggests that the nanny industry in Australia could be

102 McDonald E, sub 154, p 1.

103 Susan Rogan Family Care, sub 159, p 2.

104 Elite Nanny Service, sub 147, p 2.

105 Nanny day roundtable, transcript, 22 September 2005, pp 5-6, 13, 43, 46.

106 Elite Nanny Service, supplementary sub 157, p 2.

worth about \$400 million to \$500 million a year, but they have no evidence of the compliance rate in the industry.<sup>107</sup> This does not include cash paid to babysitters, housekeepers, cleaners and unregistered carers. Furthermore, it only includes the cost of goods and services themselves, and not the income tax that the government would otherwise be collecting.

- 6.100 In 1998, the Australian Taxation Office's Cash Economy Task Force found that personal and household services (for example, child care, appliance repairs and installations, gardening, car repairs etc) appeared to be amongst the fastest growing sectors in the cash economy.<sup>108</sup>
- 6.101 It is not known what size this sector has grown to now, but there is some statistical data suggestive of the value of the black economy in child care. The Australian Bureau of Statistics found in 2005 that six per cent of children aged 0-12, or over 200,000 children, were being cared for in an informal and unregulated arrangement by a person unrelated to the family. This would include friends, neighbours and babysitters, but the committee would also expect it to include the nanny industry.<sup>109</sup>
- 6.102 In their 2006 survey of 1,000 Australians with caring responsibilities, the Taskforce on Care Costs found that 17 to 26 per cent of workers who pay for their caring arrangements do so on an informal basis; that is, by paying cash to family members, friends or unregistered carers such as nannies.<sup>110</sup> If the transactions currently generated by the formal child care industry in Australia represent only 75 or 80 per cent of the market, the remainder is significant. Given the greater likelihood that cash will be changing hands in an informal business relationship rather than between family members, the size and value of the black economy in child care may in fact be in the billions of dollars.
- 6.103 Parents and nannies testified to the committee that the black market is 'alive and kicking':<sup>111</sup>

If I put an ad in the paper [for my agency] the phone does not ring as much as if I just put my mobile number. When you answer the phone, people say, 'Are you an agency?' You say, 'Yes', and they bang down the phone. If you can get them to talk they say, 'I want

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107 Konza M, transcript, 21 June 2006, p 12.

108 Australian Taxation Office, *Improving tax compliance in the cash economy* (1998), p 16.

109 Australian Bureau of Statistics, *Child care, Australia, June 2005* (2006), Cat No 4402.0, p 3.

110 Taskforce on Care Costs, *Where to now? 2006 Final report* (2006), p 33.

111 Watson K, transcript, 21 June 2006, p 4.

cash'. I can't tell you how many people say that to me on the phone.<sup>112</sup>

The black market is huge and we need to hit that on the head and stop it as much as we can.<sup>113</sup>

The 'black market' that is spoken of has grown due to a desperate need to obtain any child care.<sup>114</sup>

6.104 The committee heard of registered nannies who had an agreement with their family that only part of their income would be declared, and the rest would be paid in cash, pushing up their hourly rate.<sup>115</sup> The committee was also told of arrangements where working mothers were paying cash to non-working mothers to mind their children. These mothers were not only earning a cash income, but claiming family tax benefits for staying at home. If they put their own children in care, they were not only taking up child care places ahead of working mothers but claiming Child Care Benefit as well.<sup>116</sup>

6.105 Where there is no incentive for registering an in-home carer, where the cost of child care is a financial stress, and where parents can avoid paying superannuation and sick leave, the black economy will thrive. Many will continue to negotiate cash payments to their carer. The Women Lawyers Association of New South Wales told the committee that based on the results of a recent survey:

Many colleagues have found the cost of full time nannies prohibitive and have been forced to make arrangements to employ friends or family members on a cash basis as an alternative. In my observation, the prohibitive cost and unavailability of child care appears to be sparking a flourishing tax-free industry.<sup>117</sup>

6.106 Parents who made submissions to the inquiry also identified a link between low government assistance for in-home care (a maximum of \$24.85 per week for registered nannies) and the black economy in child care:

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112 Clark C, My Little Friend Nanny Agency, transcript, 22 September 2006, p 82.

113 Kerr C, Charlton Brown Group, transcript, 22 September 2005, p 7.

114 Name withheld, sub 193, p 2.

115 Douglas D, Mothercraft and Nannies Pty Ltd, transcript, 22 September 2005, p 15.

116 Name withheld, sub 193, p 2.

117 Carr B, transcript 13 March 2006, p 56.



By offering so little support to families who use nannies, many families just pay their nannies cash, so it costs them less. That just encourages a black market.<sup>118</sup>

- 6.107 As a result, many in-home carers in this country are being employed on the black market. This is not the best outcome for parents, who often get a less committed carer. Parents are also, of course, committing an illegal act by employing someone on a cash basis. The black market is also not the best outcome for the carers. As heard by the committee at the nanny day roundtable, the lack of a legitimate employment record means that nannies have problems getting car loans and mortgages. Also of concern was the fact that carers working for cash accumulate no superannuation, and many are worried about how to provide for their future.<sup>119</sup>

### Encouraging a professional in-home care sector

- 6.108 Long day care is an established model of child care provision and remains the preference of many parents, particularly those who have secured a place in a centre which their children enjoy. As the committee has seen, however, the personal circumstances of many families are not accommodated by the child care industry. Family day care offers a more flexible alternative to centre-based care, but it is still not delivering the flexibility that families need. Places in either sort of care are in extremely high demand in some areas and parents may have to wait 18 months for a place, which even then may not be for the hours or days requested.

- 6.109 Susan Rogan, operator of a nanny agency and an approved in-home care provider, told the committee that:

It appears that care 'out of home' is the preferred option of funding and training bodies, although many families would prefer child care at home.<sup>120</sup>

- 6.110 The committee agrees with this statement. While it supports the continuation of the current long day care model, it also believes that a greater range of child care options are needed to service workers in a flexible and responsive domestic economy. Those who do not wish to use long day care, or the many families who simply cannot, should not be penalised for their choice by receiving lesser government assistance.

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118 MacDonald E, sub 154, p 1.

119 Nanny day roundtable, transcript, 22 September 2005, pp 3-13.

120 Susan Rogan Family Care, sub 159, p 2.

- 6.111 In Australia, in-home care seems to suffer from a stigma that is not found in other countries where nannies, au pairs and other forms of in-home care are an accepted part of the child care landscape. In Italy, 27 per cent of children aged 0-3 receive in-home care.<sup>121</sup> In France, parents of children aged 0-3 receive government assistance for carers (*garde à domicile*) who will come into the home and care for infants and toddlers.<sup>122</sup> The Netherlands also has an in-home care program.<sup>123</sup>
- 6.112 The United Kingdom set up a Home Childcarers Scheme in April 2003 'to help widen the availability of tax credit support by ensuring that parents can access approved forms of child care to use within their own homes'.<sup>124</sup> Nannies, or 'home childminders', must be registered and must have completed induction-level training at a minimum. They must also have first aid qualifications and have passed a police record check. The program aims to raise the standard of home-based care and allows parents employing a registered carer to access the child care element of the Working Tax Credit and other forms of government child care assistance where eligible.<sup>125</sup>
- 6.113 The United Kingdom system also incorporates:
- mothers' helps, who work alongside the mother in the home and assist with child care and housework;
  - maternity nurses, who are live-in nurses specially trained to take care of new babies for up to three months after the birth;
  - childminders, who are similar to our family day carers; and
  - au pairs.<sup>126</sup>
- 6.114 The committee received a number of comments from parents who were puzzled and unhappy that the Australian government did not offer similar assistance, except within the very limited In-Home Care program:

121 OECD, *Starting strong II: Early childhood education and care* (2006), p 363.

122 OECD, *Starting strong II: Early childhood education and care* (2006), pp 325-27.

123 OECD, *Starting strong II: Early childhood education and care* (2006), p 386.

124 Department for Education and Skills, and Department for Work and Pensions (United Kingdom), Sure Start website, viewed on 6 November 2006 at <http://www.surestart.gov.uk/aboutsurestart/parents/childcareapprovalscheme/>.

125 Department for Education and Skills, and Department for Work and Pensions (United Kingdom), SureStart website, viewed on 6 November 2006 at <http://www.surestart.gov.uk/aboutsurestart/parents/childcareapprovalscheme/>.

126 Department for Education and Skills, and Department for Work and Pensions (United Kingdom), SureStart website, viewed on 6 November 2006 at <http://www.surestart.gov.uk/aboutsurestart/parents/needananny/whatisananny/>.

I don't see why families that use nannies should not be able to benefit from all the rebates that are offered to other forms of child care. The amount we receive back under the 'registered carer' category is pathetic.<sup>127</sup>

I have had to cancel my arrangement with the nanny agency as it is ludicrous to work and give it all away in tax and child care costs. Why aren't the subsidies for in-home care as good as the child care centres?<sup>128</sup>

- 6.115 In-home care subsidies have been the subject of political debate in Australia for several years now. While the Government has repeatedly rejected calls to increase assistance for in-home care, the Prime Minister himself has expressed sympathy for supporting choices more equally. As reported in *The Australian* in 2005:

Mr Howard has previously resisted subsidising nanny care, arguing nannies were mostly employed by the rich. But yesterday he acknowledged the growth in the use of nannies by working parents, saying, 'I think the proposition that if it's good enough to pay somebody X dollars a week to defray the cost of formal child care, then why isn't it good enough to pay the same amount of money to another couple in a similar situation where the care occurs at home? I think there is some argument for that'.<sup>129</sup>

- 6.116 The development of a professional and accessible in-home care sector would not only benefit parents, but could also benefit the child care industry as a whole, which is struggling to meet demand in some areas. A recent OECD paper on women's workforce participation noted that home-based child care arrangements could be seen to increase the responsiveness of child care supply because they had low start-up and maintenance capital arrangements.<sup>130</sup> Extending in-home care assistance to families with children in all circumstances may therefore solve some of the problems with long day care waiting lists, particularly for children aged 0-2, for whom parents may prefer a home-based care environment in any case.<sup>131</sup>

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127 McDonald E, sub 154, p 1.

128 De Lacy J, sub 172, p 1.

129 Overington C and Karvelas P, 'Howard reversal on nanny rebate', *The Australian*, 22 October 2005, p 1.

130 Jaumotte F, 'Labour force participation of women: Empirical evidence on the role of policy and other determinants in OECD countries' (2003), *OECD Economic Studies*, no 37, p 92.

131 Ganley K, Charlton Brown Group, transcript, 22 July 2005, p 38.

- 6.117 Kathy Clark, of My Little Friend Nanny Agency, said that many parents chose to employ a nanny because in-home care made such a dramatic difference to their ability to balance work and family. The extra support and not having to coordinate two trips to a child care centre every day had a positive influence on their relationships with their children and their spouse:

A lot of my clients say to me that, if they have got to get to work by eight o'clock, they have to get up, get the babies dressed, pack their bags, get them in the car, drive to the child care centre, put the children in the child care centre, unpack the children's bags, get the children settled, then get back in the car and drive to work.

Then, if they are in the middle of a meeting they have to say, 'I've got to go. It's 10 to six. I've got to be at the child care centre.'

However, if you have a nanny and you are in the middle of an important meeting you just SMS the nanny and say, 'I'm running half an hour late.' When the mother walks in the door at the end of the day, the children are bathed and fed, the house is relatively tidy and the washing has been done. Mum walks in, she sits down and she spends quality time with her children... has a conversation with her husband – and then tries to be the mother, the lover and everything else.

But that is the difference for a lot of my clients. They say to me, 'Otherwise, I drive in traffic and pick my kids up at six o'clock. They are screaming tired; they are dirty. I've got nothing for dinner. I've got to go to the shop and pick something up and then come home. By the time I've fed the kids it's 7.30 or eight o'clock. I've got to bath the kids and put them to bed. By that stage I'm exhausted and I start screaming at my husband. My life is a tragedy!' That is my life when I do not have a nanny. I can tell you: that is me.<sup>132</sup>

- 6.118 Kay Ganley, of nanny agency and training organisation Charlton Brown, told the committee that a professional in-home care sector would be complementary to, and not competitive with, the choices that families currently have:

One of the arguments that we would have is that families require different care at different times...I will give you an example: we have a family where the mum is a nurse and she has four children, including one set of twins, under school age. You could imagine

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132 Clark K, transcript, 22 September 2005, p 46.

how difficult it is for her to try to get the four children prepared, into the car and into child care, and then get herself off to work and then back to pick them all up and put them in the car.

Whereas, thinking of work-life family balance, having a carer looking after those children at home allows her to go to work without being worried about time constraints. The children are well cared for. As the children grow older and she would like them to go to child care or to family day care, there should be a transition. It should not be one against the other; it should not be competitive within the services. The services should be cooperative and provide the care that the family needs.<sup>133</sup>

- 6.119 The committee considers that a system of nanny registration is required, affording in-home care the same recognition that other forms of child care receive, and linking registration to more generous assistance for parents. This could potentially be achieved through an expansion of the existing In-Home Care program.
- 6.120 Subject to further industry consultation, the committee proposes that such a system be based on the following criteria:
- a minimum Certificate II qualification in child care, or an equivalent recognition of prior learning;
  - a current working with children police record check; and
  - a current first aid certification.
- 6.121 Where in-home carers are employed by an agency, taxation arrangements would take place through the agency, and parents would pay their fees to the agency. Where parents employ in-home carers directly, the carer would need to provide a tax file number, and parents would withhold and remit to the Australian Taxation Office a small withholding tax.
- 6.122 At the nanny day roundtable held by the committee, nannies, parents and agency operators were positive about such a registration system linked to government assistance for parents. It would not only provide cost relief to families but provide them with a real incentive to use only registered in-home carers who were legitimately employed with superannuation and sick pay entitlements. The in-home care industry would have more legitimacy, and by providing nannies with a more sustainable career path, it would have a better chance of attracting and retaining workers to the profession. Professional in-home carers, as recognised by government,

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133 Ganley K, Charlton Brown Group, transcript, 22 July 2005, p 38.

- would receive better and safer working conditions through payment of superannuation and workers compensation entitlements.
- 6.123 While opinions differed on what the minimum qualification requirements should be and whether additional duty of care conditions should be included, there was broad acceptance that if in-home carers were to gain from increased professionalism there was also a responsibility on the part of the industry to achieve and maintain a standard.
- 6.124 As the committee has heard, there are many experienced and wonderful in-home carers currently working with no qualifications, and there needs to be recognition of prior learning to take account of this. Transitional arrangements would be appropriate, which would allow in-home carers to register provided they were in the process of gaining a minimum qualification.
- 6.125 Nannies and training providers would also need to collaborate on the development of an appropriate course. Current Certificate courses in Children's Services cater to workers going into centre-based care, and feedback from the nanny industry is that they do not provide adequate training for workers going into a home environment.
- 6.126 Charlton Brown in Brisbane has developed a specialist in-home care qualification; the committee understands that they are the only organisation in Australia to do so.<sup>134</sup> The Certificate II in Community Services (Nanny Award) is tailored to training in-home carers, and includes 15 hours per week of experience in a family's home with a baby and a toddler. It also includes first aid, self-defence, defensive driving, lifesaving, emergency procedures and food preparation. Additionally, New Zealand has a National Nanny Certificate which could act as a model.
- 6.127 A minimum in-home care qualification would need, in any case, to be offered via flexible delivery, with the option of part-time or online study, so that carers do not have to stop working and give up their income in order to meet the new requirements.
- 6.128 The nannies who gave evidence to the committee felt that being part of a professional in-home care sector, recognised by government as a legitimate and vital part of child care services, would benefit their industry. It was felt that linking registration to tax relief for parents would increase the professionalism of interaction between nannies and parents:

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134 Ganley K, telephone conversation, 2 November 2006.

If you know you can get tax relief for employing a nanny... then you are also going to find out what your obligations are and how to meet those obligations. In a long term situation it is going to improve the status of nannies as being regarded as professionals and treated correctly.<sup>135</sup>

I think if nannies became tax deductible as employees, the standard and quality of girl would improve.<sup>136</sup>

- 6.129 Clearly too, such arrangements would dramatically reduce the incentives for employing in-home carers on the black market. Nanny agency operator Marina McHutchison gave evidence referring to the Child Care Cash Rebate (which preceded the Child Care Benefit) which was not means-tested and was paid for in-home care:

When I spoke to the Cash Economy Task Force about seven years ago, I asked if there was an increase of nannies on the books. They said that they were surprised that there was a dramatic increase of nannies in the taxation bookwork. What it did for our industry was that it made the parents sit up and take notice of the nannies. Instead of being paid cash, suddenly the nannies were on the books, which meant that they were getting holiday pay, sick leave and superannuation. So there was recognition there. Then, when means testing was brought in suddenly all the payment went back under the table. So there is proven history that if parents are given some sort of subsidy then they do come onto the books.<sup>137</sup>

## Recommendation 11

- 6.130 **In-home (nanny) care be categorised as approved care, and thus attract payments and tax concessions extended to users of approved care, where providers are registered with the Family Assistance Office, and:**
- **have or are at an advanced stage of attaining a minimum Certificate II qualification in child care, or an equivalent recognition of prior learning; and**
  - **have a current 'working with children' police record check; and**
  - **have a current first aid certification.**

135 Scrimizzi G, transcript, 22 September 2005, p 19.

136 Clark C, transcript, 22 September 2005, p 4.

137 McHutchison M, The Australian Consortium of Nannies, transcript, 22 September 2005, p 16.

## Au pairs

- 6.131 Au pairs are working holidaymakers between 18 and 26 years who receive board and an allowance in return for child care and supporting family activities. Au pairs currently receive between \$250 and \$300 per week, in addition to accommodation and board, for up to 45 hours per week of child care.<sup>138</sup> There are a number of specialist placement agencies in Australia who make the connection between parents and au pairs for a placement fee. Many nanny agencies will also have au pairs on their books. Suzanne Adelman, of nanny agency Mum's Best Friend, said that, 'Au pairs is an industry in Sydney which is certainly booming'.<sup>139</sup>
- 6.132 Most au pairs in Australia enter the country on a working holiday visa which permits them a 12 month stay but limits work with each employer to three months. This is inappropriate for child care workers for obvious reasons: families put a lot of time and effort into selecting an au pair, and it may take some time for a carer to get to know the family's routine and specific requirements.<sup>140</sup> The current system encourages illegal activity, as au pairs are likely to stay on with a family on a cash basis.
- 6.133 When an arrangement does work, however, it can deliver the benefits of in-home care to a family, together with an element of cultural exchange for both children and au pair. A small businesswoman from Sydney told the committee:
- A live-in au pair makes life easier and makes the family flow better. When I got home from work with an au pair, dinner was starting to be prepared or they could go shopping during the day with the baby, or have the washing on the line. The daily things that a stay-at-home mum would do the au pair does for you. I did not feel as stressed, I guess you could say, when I had an au pair. I was stressed financially, but I was not as stressed physically and emotionally.<sup>141</sup>
- The in-home care support was so important to this mother's life and her ability to continue to manage a retail business that she refinanced her mortgage three times in order to pay for it.<sup>142</sup>
- 6.134 Unlike many other countries, such as Germany, Switzerland, Belgium, the USA and Canada, Australia's au pair industry is unregulated. Participants
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138 Storm D, sub 167, p 1.

139 Adelman S, transcript, 22 September 2005, p 5.

140 Adelman S, transcript, 22 September 2005, p 5.

141 Romer J, transcript, 18 October 2006, pp 9-10.

142 Romer J, transcript, 18 October 2006, p 11.



at the nanny day roundtable felt that this leads to undesirable outcomes for some working travellers who are usually young, unfamiliar with Australian employment standards and may not have resources to manage a compromising situation:

I feel that having no guidelines within that particular market of child care leads to a lot working travellers and students here in Australia being taken advantage of and, unfortunately, leads to bad feeling. That is no good for industry, no good for child care, and no good generally. I would like to see that industry become more regulated.<sup>143</sup>

Overseas, in London and in America, there are regulated au pair industries and I believe that Australia should look into that.<sup>144</sup>

6.135 In the USA there has been an au pair program since 1986. Au pairs are admitted under a special category of visa for a placement of 12 to 24 months with a family. Applicants must:

- be between 18 and 26 years old;
- have 200 hours of child care or babysitting experience;
- have completed high school;
- have a drivers licence,
- have a clean criminal record;
- and be interviewed in person for a mature and appropriate attitude.<sup>145</sup>

Host families are also interviewed personally and must sign a contract detailing the family schedule, care requirements, pay and holidays as under regulations.

6.136 Another model for consideration could be Canada's. Canada has a Live-In Caregiver program, which allows professionals in child care, aged care and disability care into the country under a special class of visa. Applicants must have six months of full-time training in a classroom setting or twelve months of full-time paid employment in their chosen area of care.<sup>146</sup>

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143 Adelman S, transcript, 22 September 2005, p 5.

144 Slattery L, transcript, 22 September 2005, p 5.

145 Storm D, sub 167, p 3.

146 Citizenship and Immigration Canada website, viewed on 6 November 2006 at <http://www.cic.gc.ca/english/pub/caregiver/caregiver-2.html#1>.

- 6.137 The committee received a small number of submissions suggesting that Australia consider such programs as models for one of our own. It notes a recent OECD report which suggests that a more responsive supply of affordable child care could be encouraged by 'less restrictive immigration policies'.<sup>147</sup> Given current pressures on the long day care system and shortages of child care workers, a special visa category for au pairs would create some elasticity in local child care markets. By imposing some degree of regulation on the system and setting standards for things such as maximum working hours and workers compensation, this would also prevent the exploitation of young women travellers in Australia.
- 6.138 The committee considers that it would not be appropriate to make au pair expenses eligible for Child Care Benefit. Au pairs are employed under a unique pay structure which does not translate well into a level of assistance paid per hour: they are paid only a small allowance in recognition of the fact they receive accommodation and meals.

## Recommendation 12

- 6.139 **The Government investigate the introduction of a national au pair program that would allow child care workers to live-in and work for a host family for 12 continuous months under a special category of visa.**

## Supporting all child care choices

### Inconsistencies in approved and registered care

- 6.140 The inconsistencies between government assistance for registered care, in the case of nannies, and approved care, in the case of long day care centres, drew the committee's attention to other inconsistencies in this classification that effectively attributes greater or lesser values to different types of care.
- 6.141 Child Care Benefit for approved care (most long day care, family day care, before and after school care, vacation care, some occasional care and some in-home care providers) is means-tested, ranging from \$0.497 to \$2.96 per child per hour depending on family income. All families using approved

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<sup>147</sup> Jaumotte F, 'Labour force participation of women: Empirical evidence on the role of policy and other determinants in OECD countries' (2003), *OECD Economic Studies*, no 37, p 92.

care are, however, eligible for the 30 per cent Child Care Tax Rebate for out-of-pocket child care costs, to a maximum value of \$4,000.

6.142 Registered care, on the other hand, is care provided by family day care, some private preschools and kindergartens, some outside school hours care services and some occasional care centres. It also includes care by grandparents, relatives, friends or nannies that are registered with the Family Assistance Office. Families using registered care are entitled to only the minimum rate of Child Care Benefit, currently \$0.497 per hour per child.<sup>148</sup> They are not eligible for the Child Care Tax Rebate.

6.143 These inconsistencies have not escaped the notice of parents, for whom there may be thousands of dollars in Child Care Benefit and Child Care Tax Rebate at stake. A mother wrote to the committee about preschools:

The preschool my son attends on the days I work is registered rather than approved, and, therefore, I will not be assisted by the Federal Government's 30 per cent Child Care Tax Rebate.

The premise of the rebate was surely to provide taxation relief to young families where all guardians were undertaking work, study or training, making child care an essential expense. What then should it matter whether this be an approved or registered child care provider? It should be sufficient that they be licensed to provide child care services. The taxpayer's choice of supplier should not affect eligibility for the rebate.

This legislation, as it stands, is going to lead to the inequitable treatment of Australian taxpayers. The Child Care Tax Rebate was meant to help working families with the cost of child care. Some families don't deserve that more than others because of the *type* of child care provider they choose.<sup>149</sup>

6.144 The committee agrees that if the government offers child care assistance (and there are strong social and economic imperatives for doing so) parents should have more choice about how they expend that assistance. Providing that all subsidised care meets minimum qualification and registration standards, there is no reason to distort market behaviour by giving parents a greater subsidy for a form of care which may not suit their work and lifestyle needs, nor the needs of the child. As we have seen, there are many parents who cannot use long day care or after school care because they need care outside of the opening hours, or because the

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148 Centrelink website, viewed on 11 May 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/payments/qual\\_how\\_ccb.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_ccb.htm).

149 Selas J, sub 185, p 1.

inflexible payment model for child care places is not appropriate to casual or sporadic working patterns.

6.145 There is a precedent for offering government assistance for a more flexible range of child care options. As noted above, the Child Care Cash Rebate, introduced in 1994, was innovative both in its break from means-tested child care assistance (it was paid to all working parents) and in its flexibility. The 1996 Economic Planning Advisory Commission report on child care found that the advantage of the Child Care Cash Rebate was that it was 'payable for a wide range of child care services, delivered in a variety of settings'. This included in-home care.<sup>150</sup>

6.146 The Economic Planning Advisory Commission concluded that a funding distinction between different forms of care was illogical and unreasonably distorted parents' choices about the care they used for their children:

The Task Force considers that both equity and efficiency considerations would require that all forms of paid child care provided outside the family should achieve equivalent treatment in terms of funding. The Task Force recommends that all forms of paid child care, including occasional care, vacation care, nanny care and informal care, which meet required quality standards should be equally eligible for financial assistance.<sup>151</sup>

6.147 The Taskforce on Care Costs, a group of business and non-government organisations, recently made a similar recommendation to government:

The extension of [the current child care assistance] to fully cover registered care will place approved care and registered care on a level playing field and provide real choice to carers with dependents. It is anticipated that the extension of benefits to registered care will improve the quality of care outside the approved care sector and will also reduce the cash economy, with significant secondary benefits.<sup>152</sup>

6.148 In light of the above, the committee makes the following recommendations.

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150 Economic Planning Advisory Commission, *Child Care Task Force interim report: Future child care provision in Australia* (1996), pp 101-102.

151 Economic Planning Advisory Commission, *Child Care Task Force interim report: Future child care provision in Australia* (1996), p 111.

152 Taskforce on Care Costs, *Where to now? 2006 Final report* (2006), p 43.

**Recommendation 13**

- 6.149 **Paid care currently categorised as registered, including family day care, occasional care, outside school hours care, private preschools and in-home care; excluding care provided by grandparents, relatives or friends; be re-categorised as approved care, and thus attract payments and tax concessions extended to users of approved care.**

**Recommendation 14**

- 6.150 **The registered care category and associated rates of Child Care Benefit continue to apply for work-related care that is provided by grandparents, relatives or friends who are registered with the Family Assistance Office.**

