



Parents under pressure

Childcare is the critical issue in finding a balance between work and family, say mums and dads. Story: Katherine Power

Are we doing the right thing? Can we afford it? What are the alternatives? The dilemmas of modern Australian family life as faced by those parents who have to make the hard decision about whether they should let someone else look after their children while they go to work.

Childcare or the lack of it looms as a major economic stumbling block for Australia.

According to business strategists Aegis Consulting, the national average cost per annum in 2004 for two children in long day care (90 hours per week) was about \$18,000.

This cost can increase to \$33,000 in Melbourne and \$46,000 in Sydney. Aegis says the affordability of childcare remains the key factor determining the workforce participation rate of women.

Figures from the Australian Bureau of Statistics indicate that childcare costs increased by 32 per cent between 2002 and 2004. This is more than six times the rate of inflation (5.2 per cent).

Australia critically needs more children to balance a shrinking tax base of an ageing population, yet many couples are choosing to have small families or remain childless.

Concerns over the low birth rate and the pressures on families have prompted the House of Representatives Family Committee to investigate how the federal government can help families to better balance their work and family responsibilities.

The extent of this national concern was best highlighted in 2004 when Treasurer Peter Costello offered various inducements for patriotic couples to "have one for mum, one for dad and one for the country". Yet despite a recent spike in fertility rates which the Treasurer attributed to government incentives such as extra childcare places, the family tax benefit

Continued page 24 ►

“Childcare still consumes one third of my after tax salary.”

and most particularly the \$3,000 baby bonus, not enough Australian couples are heeding the call.

The national birth rate is currently languishing at 1.77 babies per couple. This is marginally up from last year, when the rate was 1.73. Yet even with the recent rise, these rates are well below the replacement level of 2.1. Australia needs more children to counteract the twin challenges of how to look after an ageing population paying less income tax in the future.

Committee Chairman Bronwyn Bishop (Member for Mackellar, NSW) says the inquiry has already raised a range of issues that are impacting on families and upon couples considering having one or more children. These include the need for better access to childcare, the availability of permanent part-time work and the need for taxation reform.

The inquiry has struck a chord and been inundated with submissions from parents telling of their own struggles with the cost, availability and flexibility of childcare. There are currently 250,000 childcare places, however 500,000 children are eligible for childcare. Approximately 200,000 more may require before and after school care.

Yet availability of places is not the only concern for parents. “Childcare is one thing but children get sick and can’t go to school or childcare and without good back up the system soon collapses,” one working parent said.

Another submission from a practising lawyer commented on the crippling cost of childcare. “I am lucky to be in an occupation that is well paid. Despite this, childcare still consumes one third of my after tax salary. If we were to consider having a larger family, serious thought needs to be given to whether we could afford to have another child in childcare,” she said.

Vishal Beri, the director of Aegis Consulting, told a public hearing that Australia needs to consider exempting childcare from fringe benefits tax (FBT) so that employers can offer salary sacrificing on childcare. Under the current system, businesses must be

the leaseholder of a childcare facility in order to offer salary sacrificing.

“One of the areas that Australia lags behind in terms of government policy is the nexus between what government might deliver in terms of subsidies and what incentives it actually provides to employers to help provide benefits to employees,” Mr Beri said.

“In most countries around the world, and particularly in Europe, there is a strong recognition that employers obviously benefit from people working for them and therefore there should be an incentive—employers should be encouraged—to contribute to the things that employees require to be able to work for them. Obviously care costs is one of those major issues.”



The ANZ Bank is putting these suggestions into action. ANZ wrote to the committee about its efforts to make childcare more accessible for its employees. The group general manager of people capital for ANZ, Shane Freeman, said about 800 staff stressed the importance of childcare.

“We’ve got a workforce that is about 60 per cent female and a couple of years ago we surveyed our staff around this area in terms of childcare needs,” Mr Freeman said.

In response to the survey, ANZ formed a partnership with ABC Learning Centres in 2004 to develop and operate childcare centres at sites convenient to ANZ workplaces. The

bank leases the sites, which are then managed by ABC Corporate Care.

“We’re a large organisation, so in one sense we’ve been able to do this, but for smaller organisations, they’re in a much more difficult position,” Mr Freeman said.

ANZ staff can salary sacrifice, by paying for childcare from their pre-tax earnings, at the five ANZ childcare centres that are currently in operation in Queensland and Victoria.

Although the centres have been popular, some employees, particularly those in non-metropolitan areas, would prefer to salary sacrifice at non-ANZ childcare centres. Unfortunately, the bank is unable to offer this choice due to the current FBT regulations.

Mr Beri from Aegis told the committee the current tax system discriminates against small and medium businesses that can’t afford to set up a childcare facility on-site to take advantage of the FBT exemption.

“[If] they want to provide the exact same dollar amount to employees to use at their local not-for-profit organisation or even to have the grandparents look after the children, they cannot do it,” he said. “If they were able to access a universally accessible FBT exemption, they would not have that restriction.”

In rural areas, the childcare situation is also making it difficult for parents to return to work. “Often there is work available, a pool of skilled persons able to do the work, but no family support,” one submission said. “Therefore, people with excellent skills are often unable to make use of their talents because they have no childcare facilities. We need to have accredited carers readily available to provide us with childcare for pre-school age children.”

One area of particular concern was the private care sector. The Charlton Brown Group, which works in the nanny service industry, said there is an estimated six billion dollar black market operating in the private care sector. This “not only has tax implications—it also means this section of the market is completely uninsured”, the group’s submission said. “This creates enormous risks for children, families and aged people.”

Just for Kids, which provides casual and part-time nannies, offered similar observations. "When employing a nanny privately many families try and negotiate the lowest wage and pay no superannuation, sick leave, holiday leave or insurance protection," their submission said. "The black market industry in nanny work is rife with many unethical agencies placing people without experience or qualifications."

One submission argued that the government should allow parents to employ maids from overseas. "In many overseas third world countries women go back to work after having children. The reason is this: because they have either parents at home to look after the children or they have a 'servant' to look after the house and children.

"You want us to have kids, great, then also help the poor nations of the world and get us some home help as well. These ladies would give their right arm to come over here and work," the submission said.

Submissions also came from couples considering having children. They told of the concerns they felt in trying to make the decision.

"Without knowing the joys of motherhood in advance, the 'after child life' that I can see in regard to

"The black market industry in nanny work is rife."

career (firstly) and financial security (secondly) does not appear rosy and certainly does not balance the chequebook," one submission stated. "This is the dilemma that I face in the current environment when deciding to start a family before my time runs out."

Many of the submissions indicated that our low birth rate is not for lack of wanting kids. The *Fertility Decision Making Project* (2003) by the Australian Institute of Family Studies backs that up. It found 95 per cent of respondents wanted children.

The study also showed that while most Australians ideally desire large families, the expected family size is closer to our current birth rate. Why the difference between ideal and expected family size? Participants cited work-related concerns such as job insecurity and difficulties managing work and family responsibilities as reasons for not having children or for having fewer children than desired.

Most would-be parents wrote to explain they simply felt they couldn't afford the financial burden and income loss associated with starting a family. For most couples considering starting a family, this concern is compounded by the high cost of housing.

"We were originally planning to start a family at age 25," one submission said. "Instead we waited until 33. It took us so long to get our mortgage into some semblance of affordability, much longer than we thought possible."

Women in particular were concerned that taking time off work to start a family would not only result in a reduced income, but would delay paying off university HECS debts, limit their career advancement in the future and, if they chose to take several years off work, result in a loss of skills. "There is never a good time to start a family in terms of career. A woman is never encouraged to start a family as part of career progression," one submission said.

"I had nothing but support from my law firm, getting to work by 8.30am and leaving at 5.30pm was acceptable but it was never going to be, and from recent reports, is still not compatible with progress in a large law firm," one working mother commented.

"If I stopped working while my children were under five, I would not be able to return to the legal profession—it is as simple as that," another mother wrote. "I need to keep working on a part-time basis to remain skilled in my profession."

On the tax front, many couples suggested the government should allow families to income split. Income splitting arrangements reduce the amount of taxable income by allocating a single salary to two or more people. "I should be able to income split with my wife," one father argued. "I believe that we run the household as a business, and that we are in the most classic form of business partnership, yet I still pay well over 30 per cent of my taxable income in tax."

Many parents indicated that striking a work-life balance is the key to giving their kids the best start to lives. One mother wrote of her guilt that she only saw her children "on the odd evening and some of the weekends, but with little overall knowledge or control of what is going on at home or school and limited time, if any, to be involved in cooking, cleaning, homework driving and most importantly just being there as a reasonably constant presence". ■

For more information on the inquiry into balancing work and family visit www.aph.gov.au/house/committee/fhs/workandfamily or email fhs.reps@aph.gov.au or phone (02) 6277 4566.

