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# CHILDCARE and EARLY CHILDHOOD LEARNING

**ADDENDUM Submission to the Productivity Commission**

**Completed: 1 September 2014**

**Due: 5 September 2014**

***Please read this submission in conjunction with and in addition to our submission prepared and sent to the Productivity Commission on 4 February 2014. Our submission was listed as Submission # 135***

The key points which we would like to expand upon include:

1. Nannies being regulated in a similar way to that of Family Day Care under the NQF
2. The qualifications of Nannies / Educators required under the new regime
3. WHS issues of the child's home (which is now classified as a workplace)
4. The removal of Fringe Benefits tax to entice companies to assist their employees with their childcare costs without the burden of FBT
5. The removal of Payroll Tax to entice service providers to lower rates by 5.45%
6. The deemed cost of childcare via a service provider (hourly rate vs. per child rate)

1.

#### **Nannies being regulated in a similar way to that of Family Day Care under the NQF**

The in-home childcare industry is pushing for nannies to become professionalised. The nanny industry **has always been an unregulated industry**. We would like to see the industry regulated in a similar way to that of Family Day Care under the NQF. The implementation of the National Quality Framework (NQF) in States and Territories has not been an easy task. We've heard that there has been a requirement for increased time spent on paperwork and compliance and that the NQF needs to be streamlined. We understand that the NQF is being reviewed and hopefully simplified to enable child-carers to undertake what they have been trained and employed to do ie: care and educate children, not complete hours and hours of paperwork to comply with the Government requirements.

DIAL-AN-ANGEL feels that nannies could be included under the NQF with similar exemptions and requirements similar to those of 'Family Day Care', even though the care provision takes place in the client's home rather than the Nanny's home. Ongoing professional development is recommended for Nannies (particularly if Nannies come under the NQF on a points based system) so that they are up to date with the child protection laws, mandatory reporting, First Aid, WHS changes, Behaviour management, Diabetes, Asthma, Anaphylaxis and other Illness Management as well as educational training sessions.

The accreditation standards set for service providers should be the same for Family Day Care as well as Nanny Agencies. The paperwork that families need to complete to obtain Government Subsidies and assistance must be kept as a relatively simple process. The actual Nanny (in home carer) should also be licensed to ensure 'professionalism'. We believe the Working with Children Check / Vulnerable persons check is a great basis for a Nanny / in home Carer license. A clear national police clearance and current first aid with CPR could be part of this national check. It would give parents peace of mind. If a Nanny was not sourced through a reputable Agency, the parents may need to check the Nannies references and credentials themselves.

We recommend that reputable Nanny Agencies be encouraged to become an Approved Provider of childcare which will enable the parent to claim the rebate once the Agency, their nanny and the parent are registered or alternatively, the funding follows the child to the service provider. The Nanny Agency would be approved / licensed as a quality provider under the NQF standards. (ie: Similar scheme to the National Disability Insurance Agency).

Nannies (in home carers) could come under the federal Family Day Care legislation. **Any approved service provider should be issued with this "license to operate"** either a) Family Day Care License, b) A Nanny Service License or c) both. There would be separate criterion for each license.

The NQF is currently working well for Family Day Care. We believe that the NQF could be extended to include Nannies but with similar exemptions and requirements to those of Family Day Care (with care provided in the carers home rather than the child's home). Online matching sites or 'apps' for matching nannies to families **should not be licenced**, unless they meet the strict accreditation standards. Only Nanny Agencies or approved providers who meet and exceed those standards could become an approved provider.



## 2.

### **The qualifications of Nannies / Educators required under the new regime**

We agree that Nannies / In-home carers *should be working towards or hold a Certificate III in Childcare*. Older and more experienced workers should not be discounted if they haven't completed a course for qualifications. Most would have many years of experience. Those who have **recognised prior learning (RPL)** should be fast tracked to complete the course. 'Life skills' are essential when working with children.

We do encourage that an "in home care module" be developed in the Certificate III Course and that the **practical experience** that is currently required as part of the course, be extended to working in a home environment instead of having the practical component being provided in a centre based environment. Additional professional development courses such as anaphylaxis and asthma management training are recommended for anyone working with children with the prevalence of allergies today.

For Coordinators overseeing this scheme, we agree with the draft report which states that *"the coordinators must have at least an approved diploma level education and care qualification"*.

## 3.

### **WHS issues of the child's home (which is now classified as a workplace)**

Children cared for in their own home are less likely to be "at risk" in an unsafe workplace. Most parents would have already child-proofed the home to ensure the safety of their child/ren. At DIAL-AN-ANGEL, our Angels attending a client's home undertake a "home safety checklist" and return it completed to the office. During our Angels induction process, they are instructed to phone the Agency immediately if they notice any high or medium risk issues. We recommend the Nanny attends the job earlier on the first day to complete the assessment. For permanent placements (where the client becomes the employer), the Office Childcare Coordinator generally undertakes the home safety checklist before the placement is made. We see that it's a matter of educating parents as to what is safe and what is not. It is their home and they are unlikely to change for example; the thickness of glass to comply with the standards. Common sense must prevail in these circumstances.

## 4.

### **The removal of Fringe Benefits tax to entice companies to assist their employees with their childcare costs without the burden of FBT**

DIAL-AN-ANGEL recommends the abolition of FBT (Fringe Benefits Tax) on all employers who pay for or assist their employees with Childcare costs either on a casual, regular or permanent basis, in centre based care or at home. We work with a number of corporations, law firms, professional service firms, energy companies, banks and insurance companies. This would assist those returning to the workplace to negotiate their salary packaging. Yes, it would be a benefit to the worker and significantly increase productivity as they would be more engaged knowing that their employer is helping them with escalating childcare costs. Currently not many forward thinking corporations are prepared to assist their employees with the costs of childcare given the FBT implications. This would entice more companies to use reputable approved service providers rather than online matching services where there is no current regulation of the industry and cash in hand payments.

By removing FBT on childcare services, this would stimulate the economy and in particular the childcare industry making it more affordable particularly if employers were prepared to contribute to their employees' childcare costs without penalty of FBT. We don't actually believe it is a fringe benefit but is an indirect cost of employing people.

We strongly recommend that the Productivity Commission considers that **FBT is abolished for all childcare services** which will in turn stimulate the economy and people wishing to return to work if they know their employer is going to assist them.



5.

**The removal of Payroll Tax to entice service providers to lower rates by 5.45%**

Additionally, we would like to see a **payroll tax exemption** for those Service Providers who hit the threshold. We believe this would reduce childcare costs for Agency employed staff by a minimum of 5.45% which is ultimately a better outcome for the consumer.

6.

**The deemed cost of childcare via a service provider (hourly rate vs. per child rate)**

At DIAL-AN-ANGEL we have a minimum charge of three hours per visit. The ratio for care is 1:4 regardless of the ages of the children. If there are more than four children, a second Nanny or in home carer must be present / employed due to WHS issues.

When permanent placements occur with the nanny becoming an employee of the parent, the rate of pay is negotiated between the Nanny and the parents. The Agency provides guidance to them as to the general rate of pay for the task involved. The parents need to ensure they pay all on-costs associated with employing a nanny including Superannuation and Workers' Compensation insurance, sick and annual leave.

At DIAL-AN-ANGEL, for last minute and emergency childcare provision (usually when the family's normal arrangements fall through) we provide **Agency Employed and fully insured Nannies (Staff Angels)**. The hourly rate charged is made up of the following components:

- Nannies gross wages (estimated around \$22.00 - \$28.00+ gross per hour)
- Superannuation (9.25% so \$2.03 - \$2.59+ per hour)
- Workers compensation cover (average of around 5% so \$1.10 - \$1.40+ per hour)
- Public Liability and professional indemnity insurance cover (average of around 2% so \$0.44 - \$0.56+)
- Payroll tax (5.45% \$1.19 - \$1.52+ per hour)
- Admin charge (15% \$3.30 - \$4.20+ per hour)
- Profit (10% \$2.20 - \$2.80+ per hour)
- Total cost \$32.26 - \$41.07plus GST
- PLUS GST on the total amount (10%) = **\$35.50 - \$45.18 per hour** is the minimum charge out including all on-costs. Annual, sick and Long Service Leave need would be additional costs.

Currently there is no subsidy for nannies. The rate per hour is for up to four children. In a Private or domestic situation, **the rate is not calculated per child like it is for Family Day Care**. What is a reasonable cost for child care is hard to be defined.

**If funding was provided per child**, a contribution of between \$7.00 and \$12.00 per hour from the Government would assist those families who can't currently afford a nanny. They may need to consider sharing a nanny with another family (if they only had one or two children) to cover the costs of the hourly rate (all inclusive). A Nanny would not work for \$7.00 per hour or even \$14.00 per hour so the parents would need to contribute an amount themselves to reach market rate. Once the rebate of \$7500 is exhausted, the parents would have to top up the fees from their own funds/ salaries.

Nannies continue to complain to us that many clients don't want to pay tax, pay super, cover them for insurance due to the costs associated with employment obligations. Nannies have difficulties obtaining bank loans or even a decent living if things are not done above board. Yes, it's cheaper to pay a nanny 'cash' but there are significant flow on effects for both the parent and the nanny. By professionalising the industry and opening the rebate to nannies, this would provide some protection for the families and the nanny who is employed by them.

**The Cost of care for more than one child under the age of 5 years** – Should a family have more than one child in approved care, the cost of employing a nanny would be comparable **if the rebate were applicable to a professional nanny provided in the home.** DIAL-AN-ANGEL sees that the rebate should be opened up to include all forms of registered / approved care to give parents (the consumer) choice and options of childcare in their area.

**Conclusion:**

Ultimately, we at DIAL-AN-ANGEL would like to see the rebate opened up to include professional nannies with quality assurance undertaken under the NQF guidelines similar to that required by Family Day Care.

In conclusion, we are happy to see the DRAFT report on the recommendations but are keen to see that Nannies are being regulated in a similar way to that of Family Day Care under the NQF. We are keen to see that qualifications are being encouraged for Nannies / Educators. We are happy to see the introduction of home safety check lists for every nanny working in private homes with some standards which need to be met for WHS. Ideally; we would like to see the abolishment of both the Fringe Benefits Tax and state based Payroll Tax. The deemed cost of childcare will ultimately need to be financially modelled by the Federal Government.

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