

Child care must be made affordable [AU]^[1]

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EXCERPTS

During the election, the Labor Party promised big things for child care: 260 more child-care centres and \$1.5 billion on increasing the child-care tax rebate from 30%-50% to a maximum \$7500 a child.

But the child-care dilemma for the new Federal Government remains the same as that that confounded the Howard government. While it is encouraging us to have more children to get closer to the replacement rate to maintain a high rate of economic growth, it is under mounting pressure to increase the workforce participation rate.

Australia's fertility rate has risen from 1.7 children per woman in 2002 to 1.83 children in 2006. But we are still lagging the replacement rate of 2.1 children per woman.

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So how do we boost our fertility rate? By looking after that group we heard so much about during the election: the young "working families".

Young mothers, often the primary child carers, have traditionally balanced responsibilities for looking after young children with part-time employment. Recently, with fewer part-time jobs being created, more women have moved into full-time work.

One point of view is encapsulated in the so-called "role incompatibility hypothesis", developed in the demography literature, which states there is an inverse relationship between female labour force participation and fertility because of the strain of performing the roles of both employee and mother.

The hypothesis suggests an increase in the fertility rate will reduce female labour force participation for three reasons: the presence of small children increases the amount of work in the home, reducing the time available for the mother to seek outside work; the emotional attachment between a mother and her small child makes a mother reluctant to leave her child to enter or re-enter the workforce; and each additional child a woman bears increases the amount she would pay for child care if she worked, while income remains the same.

Causation could also run from female labour force participation to fertility. An increase in female labour force participation will have a negative effect on fertility if women who are in the workforce put off having children because of the cost, which for women in full-time paid employment can take several forms.

First, there is a monetary cost if the woman needs to leave the workforce or switch from full-time to part-time employment to enable her to look after the child or pay for child care if she chooses to remain in paid employment.

Second, there is a cost that takes the form of an interruption to her career path, manifest in the loss of a higher potential future income and non-pecuniary benefits, including status associated with a more senior position in her chosen profession.

A third cost of having children is the social networks in the workplace that serve as a point of release outside the home that may be curtailed if the woman leaves work to look after her children at home.

Australian surveys may partly reflect preferences. One found that just 2% of Australian mothers favoured full-time maternal employment when children were preschool-aged, while only 27% were in favour of part-time employment.

Overall, 71% of mothers thought it was better to stop at home with children of preschool age.

The findings might also reflect societal attitudes towards maternal employment. The same survey found most Australians were generally supportive of female employment but thought full-time homemaking was better when preschoolers were at home.

However, it is likely that this only tells part of the story and that policies that act as a disincentive for mothers with small children to re-enter the workforce are also important.

One set of policies that acts as a disincentive for women with small children to re-enter the workforce is the lack of cost-effective access to

child-care services. The Taskforce on the Cost of Care, a group that lobbies for increased financial aid for all forms of care, recently reported that child-care costs had increased by as much as 67% over the past five years.

The Victorian Government has admitted that as many as 80,000 people, mostly women, were unable to work because of child-care costs. A number of studies for Australia and elsewhere suggest that the cost of child care is a significant barrier to mothers returning to the workforce, particularly for single mothers and other low-income earners. These studies indicate that child-care subsidies can be effective in encouraging mothers with small children to re-enter the workforce, in particular when targeted at low-income households through means testing.

More generally, an important reason why women with small children are not re-entering the workforce is the absence of family-friendly policies. These include flexible working hours for working mothers, the option to work from home, where feasible, and creche facilities in the workplace.

There has been a growing expectation that the company comes first and that employees are required to put in the long hours when needed — not amenable to women with small children. There is some evidence of a rise in the incidence of family-friendly policies in enterprise agreements, but in general it is fair to say that employer initiatives still have a long way to go.

Changing employer attitudes towards family-friendly policies will take time. However, if we as a nation are going to realise the twin objectives of a higher fertility rate and increased female labour force participation, policies designed to increase child-care places and make child care more affordable need to be put at the top of the list.

- reprinted from The Age

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