

The billions we spend on childcare is failing women, the economy and children ^[1]

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EXCERPTS

We've reached the season when a simple question haunts many households. Will we get a childcare place next year?

The stress tends to be most acute among young parents who work in the key job hubs of our big cities, where childcare demand is high and supply constrained.

But childcare is more than a household issue. It now plays a crucial role in the Australian economy. What's more, it is a policy area that, when done well, can boost productivity, reduce social inequalities and promote gender equality. With a trifecta like that, you'd expect it would be at the top of the policy agenda. But strangely, it isn't.

Rather than doing what it takes to craft a childcare system that meets the needs of parents, children and workplaces, successive governments – both Labor and the Coalition – have squibbed on the task.

Money has been thrown at the problem. Lots of it. The Turnbull government has budgeted to spend an eye-watering \$40 billion subsidising childcare over the next four years. Yes, \$40 billion. By the end of the decade, childcare subsidies will be the Commonwealth's eighth most costly program and eat up more taxpayer funds than the pharmaceuticals benefits scheme.

But the increased subsidies for the sector have not delivered. It is time to take a cold, hard look at this huge taxpayer investment.

Parents complain about the rising cost of childcare. That's because it is one of the few things keeping pace with spiralling house prices in Sydney and Melbourne. Despite a super-low inflation rate overall, childcare prices have risen by 50 per cent in the past five years. Between 2002 and 2014, the median real increase in childcare costs for a couple was 109 per cent and for lone parents the median rise was 132 per cent, the comprehensive Household Income and Labour Dynamics in Australia (HILDA) survey found.

The cost of childcare for Australian families is well above the average among the advanced country members of the Organisation for Economic Cooperation and Development we're often compared with. Out-of-pocket childcare costs absorb 27 per cent of average wages here, compared with the OECD average of 17 per cent, a 2014 Productivity Commission report said. And that's despite rising government subsidies.

Economists complain that mothers aren't participating enough in the workforce to offset the effects of an ageing population.

Women's workforce participation has stagnated at a rate well below some of our economic peers. Since 2008, the proportion of women in the workforce aged between 15 and 65 has been stuck at about 59 per cent, about 11 percentage points lower than the rate for men.

Last year, former prime minister Tony Abbott pointed out that, if female participation in Australia was 6 percentage points higher – at Canada's level – gross domestic product would be higher by \$25 billion a year.

The combination of childcare costs and the withdrawal of family payments discourages many well-qualified Australian mothers from working more than a few days a week. That's a waste of the growing investment women have made in their human capital over recent decades.

Most worrying of all research has shown many under-fives aren't doing all that well, raising questions about the accessibility and effectiveness of childcare services. Despite the huge investment by parents and taxpayers in childcare, the Australian Early Development Census, released earlier this year, showed an increase in the proportion of children aged under five who are developmentally vulnerable. The proportion of children under five who were vulnerable in two or more of the report's five key indicators increased from 10.8 per cent in 2012 to 11.1 per cent in 2015.

Social policy advocates argue that far more disadvantaged children need increased access to high-quality early childhood education and care.

The Abbott government announced reforms to the childcare system with great fanfare nearly 18 months ago. But those changes still

haven't passed Parliament and the (already delayed) start date of mid-2018 is now being called into question.

There are some sensible changes in the package, including streamlining two childcare payments into a single more targeted subsidy. The government claims middle-income families will save an average of \$30 a week. But it won't come cheap: under the new scheme, \$11 billion will be spent subsidising childcare in 2018-19, up from \$8.2 billion now. That's roughly what the NSW government has budgeted to run all of its public schools (primary and secondary) this financial year.

But some experts say the new system is unduly complex. There are also fears many of the children who benefit most from quality childcare – those from very low-income families – will be disadvantaged and miss out on valuable education and care services.

Meanwhile, the politics of childcare took a fresh turn last week when Kate Ellis, Labor's shadow spokeswoman for early childhood education and development, called for a much more radical overhaul.

She branded the current system "broken beyond immediate repair" and mooted a scheme where the government directly purchased childcare places through "competitive tendering" in a bid to cap out-of-pocket costs of parents.

While Ellis didn't provide a detailed alternative, she's probably right that tinkering isn't a solution.

Childcare is now too important to the Australian economy to put up with a system that doesn't deliver.

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