

Why taxpayers get a good deal from funding childcare ^[1]

Author: Fitzsimmons, Caitlin

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EXCERPTS

There's a school of thought that says childcare subsidies are middle-class welfare and parents should foot the entire bill for bringing up their children.

It's an ideological position that ignores a more than few realities about the economy and our society.

In actual fact, taxpayers get a very good deal on childcare and should probably pay more. I'll explain why in a minute, but first some disclosure.

My family has benefited from public funding for childcare. Our twins started long daycare at 18 months old and the cost was partly covered by the federal government's Child Care Rebate and Child Care Benefit. Then, at age three, our kids moved to a preschool subsidised by the NSW state government, where they stayed for two years.

Even with public funding, when we had two children in full-time care we were out of pocket by about \$25,000 a year.

Now they're at school, we continue to get some government help for after-school and vacation care. (At least in theory – our Child Care Rebate has inexplicably been cancelled, and I'm yet to get through to Centrelink to fix it).

With the personal stuff out of the way, let's look at the facts.

You could take a purely mathematical approach. Researcher Ben Phillips, currently at the ANU Centre for Social Research and Methods, has looked at how much extra tax is collected as a result of enabling both parents to work.

In his 2014 report on childcare, for the National Centre for Social and Economic Modelling and published by AMP, Phillips found women who have children in formal child care are paying \$7 billion in taxes. That compares with the government paying \$4.7 billion to subsidise the care, based on the 2012-13 figures used in his report.

Obviously we don't know how many of those women would have worked anyway, even without a subsidy for childcare. Perhaps they would have paid the full cost, or used informal care with relatives.

It's even possible their partner would have dropped back their hours at work, but the figures show this is rare for heterosexual couples. Phillips' report states that 90 per cent of fathers work full time, regardless of the type of care their children receive.

I'd like to see that change, but that's a topic for another day.

What we do know is that women are more likely to work if their children are in formal care. Phillips report shows for families where the youngest child is five years or younger and in formal childcare, 29 per cent of women work full time and 42 per cent work part time. But if the child is not in formal care, 26 per cent work full time and 21 per cent work part time. The remainder don't work at all.

For my entire lifetime we have been educating women as highly as men, and women have sought to use their education in meaningful work. But the labour market has barely changed and it's still set up for men.

Whenever anyone suggests we change working practices to accommodate women, business lobby groups throw up their hands and whine about how the imposition on employers would make the economy tank.

That is what my colleague Ross Gittins would call "bizonomics"; it sounds like economics but is actually just spin from the business lobby using the language of economics.

Don't forget that when Australia introduced benefits such as paid annual leave and long service leave and reduced the working week first to 40 hours and then to 38 hours, government simply passed the relevant legislation and business bore the cost. It's a modern idea that it's unfair to make business pay.

The real economic cost is if we invest heavily in educating women and then lose them from the paid workforce in their most productive

years.

As says Dr Elizabeth Hill, an academic at the University of Sydney, puts it: "We've got a cohort of Australian women who are more educated than ever and outperforming the boys but they're totally under-represented in the paid labour market so we've got this incredible waste of productive capacity."

As well as working women paying tax, they're also saving for their own retirement and reducing the burden on taxpayers later in life.

"Women's poverty in old age is directly linked to lack of choice in the labour market when they're of working age," says Dr Hill.

But the best reason to fund childcare generously has nothing to do with women and everything to do with children. They are the citizens and taxpayers of tomorrow and we have an obligation to invest in them, whether their parents can or can't.

Most people recognise this fact, which is why we have a public education system. No one seriously argues that primary and secondary schooling should be user pays.

Early childhood care and education should be part of the public education system, and children should have access regardless of whether their parents are in formal work.

"We know very clearly it has benefits for kids when they start school and when they track through school and then into employment," Dr Hill says. "There are enormous economic and social benefits."

The evidence for the benefit of early childhood care and education is "unequivocal" for children aged two and over. For babies and toddlers under the age of two, it's more mixed. It may not be education for a six-month-old, but quality care is just as important to a child's development. "For a lot of disadvantaged households the care they can get in a formal setting can be higher than at home," Dr Hill says.

Dr Hill says the government's new childcare package is a move in the wrong direction because it halves the amount of subsidised childcare for children in households earning \$65,000 or less. These are the kids who would benefit most.

Personally I believe in subsidising childcare for the simple fact that we live in a society and we pay our taxes towards the common good.

Obviously not everyone shares my view. Yet the truth is even for the most hardened "what's in it for me?" voter, the case for childcare funding stacks up.

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