

Is child care out of control [AU] ^[1]

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EXCERPTS

Joshua Gans, an academic and author quoted in last week's entry, has three kids. Now aged nine, seven and four, all three have passed through the same child care centre at the University of Melbourne, where Gans is a professor of management. "Child one started at three months," he says. "Child two started at six weeks - pressures of work forced that. And child three started at six months."

Which means Gans has plenty of experience with child care. As a dad and an economist, he's more qualified than most to comment on the effect of the Rudd government's recent amendments to the child care benefit and rebate.

"We currently have a mess," Gans says. "I'm a PhD in economics and when the first child care rebate came out a few years ago I couldn't make heads or tails of it. It was quite a nightmare ... Now that money will be paid directly to the child care provider. The bad side to this is that the child care provider realises this and charges higher fees. If child care centres charge more, the government doesn't care."

So much about the child care industry is messy, unwieldy and unfair, including the ridiculously complicated system of government assistance. That's something I've only just discovered, partly because we've recently enrolled Edie in a centre close to home, but also because I've been working on a big story for the newspaper's Money section that aims to explain the finer details of the Child Care Benefit and Child Care Tax Rebate. Click here to read that story.

Complicated? I had no idea.

Here's one indicator. The benefit is controlled by the Family Assistance Office. The rebate is controlled by the Office of Early Childhood Education and Child Care. And somehow Centrelink is involved. As far as I can tell, all three of these government agencies fall under the umbrella of the Department of Obfuscation and Long-Term Frustration - which has somehow managed to outlive that great enemy of crushing bureaucracy, Alexander Solzhenitsyn.

I imagine Solzhenitsyn, brave witness of Siberia's gulag archipelago, could have written a fascinating volume about Sydney's child care archipelago. As it is, the task falls to people such as Robin Barker, the Baby Love author who this week wrote a sobering, sensible opinion piece. Barker says there are two main issues surrounding quality care: staff ratios and staff wages.

Very true. And yes, these issues are more significant than the complexities and inadequacies of government assistance. Still, money matters too. So just how does government assistance work since the changes introduced on July 1?

To put it simply (if that's possible), the government pays back money as Child Care Benefit (CCB) and Child Care Tax Rebate (CCTR). These are not exclusive. Many parents, particularly those on high incomes, stand to receive less CCB than they did before July 1. Those who are still eligible, however, can opt to have the CCB paid straight to their child care provider - unlike in the past, when the benefit was received as a fortnightly payment. In effect, then, the new system has the potential directly to reduce parents' weekly fees.

By contrast, many parents stand to receive a considerably larger CCTR. This was Kevin Rudd's big election promise, to raise the rebate from 30 per cent of out-of-pocket expenses to 50 per cent of out-of-pocket expenses, up to a maximum of \$7,500 per child per year.

The good news is that, after much brow-furrowing and head-scratching, I managed to calculate that the Rudd government's changes seems to have increased the financial assistance given to many parents using child care. The bad news is that, in many cases, the changes have already enabled child care centres to raise their fees even higher. I've heard reports of some centres now charging \$110 per day.

"It's as if the government haven't quite made up their mind about who should get the money," Gans says. "It's a Hollowmen type of solution - they want to be seen to be doing something, when they're not really doing anything at all."

The financial issues are further muddled by the fact that the whole issue of childcare is so divisive. This week sees the publication of Gans's book Parentonomics, in which he points out that it would almost be less controversial to use the TV as a babysitter than to send your kids into long day care.

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So what are the alternatives?

"Perhaps we should consider child care as a deductible expense," says Gans. "That way we can get rid of all the crap that we have. Only an economist would put it this way, but why wouldn't the government be thinking of the household as a business, and childcare as an expense? As it is, the money is real, the transparency is not."

Even Gans realises this solution isn't perfect. Still, it's better than what we've got.

Prue Warrilow, national convener of the National Association of Community-Based Children's Services, has another idea.

"Politically, you almost need to go back to scratch," she says. "You need to think about how the system should work, and how the tax system supports people in work using formal children's services. I think the increase in the tax rebate was just an election promise that needs to be fulfilled, without a lot of thought behind it. But it just gives service providers the opportunity to charge more."

Her solution?

"It would have been better to put all the dollars into the Child Care Benefit rather than the Rebate," says Warrilow. "Quarterly payments are better than annually, but some families need assistance on a week-by-week basis. This system advantages high income earners _ the 'Rudd-rich'. And it just encourages service providers to charge more. The money that went into the rebate should have gone into the Child Care Benefit instead. That way the families that are really vulnerable get a greater reduction."

Scrap the rebate and put all the money into the CCB? Sounds sensible to me.

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