

Shouldering the burden [AU] ^[1]

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EXCERPTS

There's a curious twist to Australia's education system: the youngest are the most exposed to market forces.

Most school students are in the government system and private schools must be not-for-profit. Almost all university and TAFE students go to publicly owned campuses and government policy has a big influence on fees they pay.

But for the under-fives it's laissez-faire.

About 70 per cent of the long day care market is run for profit and a single firm - ABC Learning Centres - provides about one in four long day care places. It boasts of being the largest publicly listed child-care company in the world.

The director of the University of Adelaide's Centre for Work and Life, Professor Barbara Pocock, says this "unique national experiment" in free-market child care has crept up on us.

"The legislative framework in most states prevents making profit out of a child once they hit five, but we have open slather on children under five. In a situation of excessive demand, it really puts pressure on quality and creates the opportunity for profiteering.

"The Government, and policy analysts, have not paid a lot of attention to the impact of corporatised child care."

Market freedom in child care does not mean a lack of government involvement. This month's federal budget committed the Howard Government to pouring nearly \$10 billion into child care over the next four years.

However, the way the Government funds child care is fundamentally different from the way it supports schools and universities. Instead of directly funding institutions - as it does with independent schools - almost all federal child-care funding goes directly to parents in the form of subsidies, especially the Child Care Benefit and 30 per cent tax rebate for out-of-pocket expenses. It's private enterprise turbo-charged by government subsidies.

Economists are starting to pay more attention to the child-care market and some don't like what they see. Patricia Apps, professor in public economics in law at the University of Sydney, believes it is a failing market.

Child care would work much more effectively if it was more like the school system - with a mix of public services and private not-for-profit providers, she says. It is unreasonable to demand young parents pay the day-to-day cost of child care, such as labour, as well as funding a healthy return for investors, she argues.

"There is no way a developed economy can rely on completely privatised, for-profit education and care of children because of the nature of capital markets," she says.

"What you need to do is develop the infrastructure and training for child care in public ownership or, at the very least, not-for-profit."

The economy would benefit enormously with a comprehensive public system, Apps says. "If you provided child care publicly - on the same principles of, say, the first year of school - it would be far less costly, women could work, the fertility rate would rise, savings would rise, the tax base would rise and we would have no ageing [population] problem."

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Child-care costs have been rising faster than almost any other good or service monitored for the Bureau of Statistics' consumer price index. Last year the cost of child care rose 12 per cent, four times inflation, and the bureau's child-care price index has surged 65 per cent in the past four years.

The bureau released its three-yearly study on child care this week, showing the parents of almost 200,000 children wanted more care than they could get. The results prove some parts of the child-care market are seriously starved of supply.

While the economics of child care has pushed it to the top of the political agenda, the whole economy is being influenced by the child-care system.

Australia has the lowest rate of female workforce participation of any English-speaking country and analysts like Apps say the child-care system is partly to blame.

Only 57 per cent of Australian women aged 15-64 work, compared with 73 per cent in Canada and about 70 per cent in New Zealand.

As a result, the Australian economy is missing out on the contribution of some of its most productive workers and, as the population ages, it will become increasingly important to lift the female workforce participation.

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The Government has tinkered with child-care policy in the past few budgets and is unlikely to move away from the market-oriented system it has engineered.

But child care remains a political challenge and even a high-profile backbencher, Jackie Kelly, has called on the Government to take the problems in the sector more seriously. There is scope for the Government to do much more in next year's pre-election budget. And there seems little doubt child care will be a crucial battleground in next year's federal election.

- reprinted from the Sydney Morning Herald

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