

Child care crying out for a proper accounting [AU]^[1]

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EXCERPTS

An eye-popping price rise was buried in last week's inflation figures that had nothing to do with the cost of oil.

The price of child care jumped 9.1 per cent in the year to September, more than three times the headline inflation rate.

Only the price of pork (up 22.3 per cent) and petrol (up 19.3 per cent) rose more than child care in the basket of 90 goods and services that the Australian Bureau of Statistics uses to calculate the consumer price index.

And it wasn't a one-off - the ABS's child care price index has soared 60 per cent in the past four years.

I know child care is not a regular topic in the business section or in newspaper columns on economics, but I think it deserves more attention.

The inflation figures give credence to the now routine claims that child care is in crisis.

There are allegations of market failure in some locations and warnings the sector is in danger of collapse because of chronic labour shortages.

Even though the price for consumers is rising quickly, child care workers can still find better paid (and possibly easier) work in supermarkets or call centres.

The Australian Institute of Health and Welfare estimates Australia is short almost 50,000 long day care places and some centres in Sydney are charging \$110 per child per day for a slot. There are now claims of a multi-billion dollar black market in child care as desperate parents pay nannies under the table to look after their children.

With prices and labour in apparent turmoil, you'd think the child care market would be scrupulously analysed by economists.

But it is not.

Instead, the economics of child care are shrouded in mystery.

No one seems to know exactly how much the industry is worth or where supply problems are most acute.

Surprisingly, the Productivity Commission has not investigated the state of the child care industry even though it is growing rapidly and benefiting from a gush of public money.

And yet, child care will be critical if Australia is to deal with one of its most pressing economic challenges - lifting workforce participation as the population ages. Given this problem, child care is one market Australia should make sure is working well.

It is likely the inflation of child care prices in the past few years has been caused, at least in part, by the public money flooding into the sector.

The Federal Government will pump \$1.8 billion into the sector this year and that will probably rise to around \$2.5 billion in the next few years as the recent welfare-to-work changes take effect and the new child care rebate kicks in.

But as federal money helps fuel demand, there are big obstacles to supply.

For example, in inner city areas, where demand is booming, the availability and cost of suitable properties and other inputs stifles supply.

Those interested in the child care market, including businesses providing care, are also dismayed by the limited information about the sector made public by the Federal Government.

The Department of Family and Community Services recently published a Census of Child Care Services full of tables about the quantity and type of services and number of children using them.

But it was silent on some big questions - such as where supply problems are worst.

The Coalition government has encouraged a market-oriented approach. It provides subsidies - the child care benefit (which is means tested) and the child care rebate (which is capped) - and lets parents choose where their child is cared for.

There is an assumption that private, for-profit providers or not-for-profit community-based child care centres will respond to demand by either providing formal long day care centres or the smaller, more informal, family day care in private homes.

As a result of the Government's approach, a growing proportion of day care places are now provided by for-profit businesses.

The emergence of ABC Learning Centres - one of the world's biggest child care companies - is a case in point. It now has almost a fifth of Australia's long day care market.

Labor favours more Federal Government intervention in the child care market, especially in planning supply. It has advocated greater use of capital grants to encourage child care facilities to be built in poorly serviced areas.

The debate about how to build the best child care system is crucial for Australia's economic future but it is happening in an information vacuum.

Federal Sex Discrimination Commissioner Pru Goward and Liberal MP Bronwyn Bishop are both conducting wide-ranging inquiries into balancing work and family.

But a new group of researchers called the Work + Family Policy Roundtable has called for a high status inquiry specifically on child care.

That sounds like a good idea, given the urgent need to shed light on the child care market.

- reprinted from the Sydney Morning Herald

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