

Rebate's no good if there is no child care [AU] ^[1]

The Coalition is throwing money at voters, but that won't create more child care places.

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EXCERPTS

Letting John Howard loose in an election climate to design social policies in liaison with his kitchen cabinet can be a hazardous exercise. In 2001, we were left holding the Baby Bonus: an expensive, badly timed public policy dog that found few public supporters.

This week we have his child care policy, with Labor's alongside it.

On the positive side, it is very good to see child care receive significant political attention from both major parties, and to see the Coalition recognise that child care is a vital support for many Australians.

However, if their rhetoric of "choice" is to hold water, there must be real options. The "choice" to stay at home to care for kids is undermined if the long-term price is the loss of a labour-market foothold. The choice to return to work is non-existent if practical child care options don't underpin it.

This is where the Coalition's child care policy of an uncapped, non-means-tested 30 per cent rebate for out-of-pocket child care expenses hits a big problem: salving the parental hip-pocket nerve means nothing if there is no child care available. Thirty per cent of nothing is nothing.

Given the crisis in child care, it is surprising that the Coalition's response so seriously misunderstands the problem. While the 30 per cent rebate would relieve the financial squeeze for some families, it has some serious downsides.

Two years ago, the ABS estimated that unmet demand for formal child care exceeded 130,000 places. In fact, the rebate would probably fuel a further increase in demand, undermining its effect and quite possibly driving up the cost of child care places in the absence of an expanded supply. While this would provide a lucrative boon for the already profitable privatised end of the child care "market", it would do nothing for the supply problem.

Second, the rebate would be highly regressive, giving much greater benefit to those parents on higher incomes who spend more on child care, and much less to low-income households who might, for example, use family day care whose rebate would be a few dollars a week.

Countries that allow a tax deduction or rebate for child care (and many do not, preferring to create quality services, rather than subsidise private solutions) often cap such support or target it to avoid subsidising the well-off.

In the US, for example - hardly renowned for its exemplary child care policy - a child care tax credit is available but it is capped at about \$1000 for one child and pitched higher for those on lower incomes. In other countries, deductions are capped or available only to low-income or lone parents.

The cost of Howard's flat, uncapped, non-means-tested rebate is hard to predict but it would be highly regressive.

Second, the proposed rebate is a one-off annual benefit delivered at tax time. Child care expenses are a sizeable weekly budgetary burden, and families need relief on a weekly basis.

Third, a major concern for many Australian parents is the quality of care: while some families might find it easier to fund a private solution to child care by hiring a registered nanny, they would not necessarily be assured of quality care, especially given the shortage of qualified staff.

It is a great shame that the large budget surplus being splashed about by the Coalition is not being used to mount a serious assault on Australia's serious under-investment in children's services through a national plan - one that deals with all the issues: under-supply, affordability, quality of services and workforce issues such as pay and staffing.

In this light, the Labor policy is better. It offers a more comprehensive approach that expands supply significantly, and assures 10 hours of developmentally rich preschool for all three to four-year-olds at minimal or no cost. This would have some hip-pocket benefits for many families. Just as importantly, it offers structural reform through national child care planning and federal/state co-operation on preschools.

Australia is not the only country grappling with these challenges. But we are a long way behind, sitting at the bottom of the pack in a recent study of child care, paid leave and child benefits in 20 OECD countries. We need to do much better.

- reprinted from The Age

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