

# We're hardly the nanny state when it comes to decent childcare

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## EXCERPTS:

The Productivity Commission is an inappropriate adviser on how best to fund nannies - because many of the problems of the current child care funding model is a result of its market focus.

Good services for children must meet much wider criteria than simply improving the productivity of their parents at work.

Rather than arguing about whether the public should fund nannies, we should be looking why this is even a question.

If there was a decent, accessible publicly-funded child care service that offered parents and children flexible, affordable, quality care, no one would listen to the idea of funding private in-home care.

Services for the care of young children below school age should offer extra skilled care and developmental activities as well as basic care skills.

Even very young children can gain from well-structured daily routines that recognise developmental needs and goals. That is why there are regulations on numbers and qualifications. Complementary care services should also offer the children consistent quality care and learning experiences. But there is no data on whether parents have the know-how to assess the skills of a solo home-based carer.

The current government is seeking to improve the quality of the child care sector, but is not looking at how the funding system undermines costs and access options.

Unfortunately, what was once considered a community service and run mainly by not-for-profit local groups has become over the past two decades a mainly commercial service. The funding of for-profit centres encourages chains rather than locally run services, which can lead to problems - as indicated by the collapse of ABC Learning.

It has also left the sector with a model that does not control where services are located, what fees are charged, or allow flexible hours, or places that caters for a gamut of age groups.

The government has encouraged the "industry" to grow on a commercial model which undermines even not-for-profit services becoming more locally linked and integrated.

Unfortunately, the funding process adds to problems. The primary source of funding is various forms of fee rebates and subsidies which are paid to the parents, or to the service via the parents.

The assumption behind this model is vulgar market forces, with a basic premise that putting purchasing power in the hands of parents will create competition for centres that will restrain prices.

However, competition rarely works as there is usually a shortage of appropriate places - particularly for the younger children. Parents grab what they can get and fees rise.

As the parenting subsidies do not change with the ages of children, there is no incentive for commercial services to provide the more expensive care needed for the younger children.

As there is no contract - or even real contact - between centres and the government, there is no way pressure can be brought to bear on supply of services, hours of operation or maximum fees. The result is that there too many services that often don't meet the needs of parents or children.

So desperate parents, who cannot find care places for younger children, often do not return to work after maternity leave, or scramble together some awkward mixes of relatives and maybe the odd day at a centre. If they can't pick up their children by often rigid closing times, they are fined or expelled.

If they have erratic shifts or demands from work, the centres can't accommodate them. It is not surprising that more powerful and well-paid parents would want to see subsidies that go to inappropriate services directed to them, so they can reduce the high costs of private care.

The trade-off would be that they would have to put their carer into the tax system and pay them proper wages, rather than underpay them in the black economy. This would legitimise and formalise the services and increase costs.

Most people who call for nanny subsidies really fail to understand the current system. Paying an at-home nanny with some qualifications would cost about \$25 per hour on casual rates, so the rebate would cover maybe six hours per day. But many nannies are expected to be there from 8am till 6pm, and maybe later.

So, the subsidy would cover six hours, a bit over half a day, if no overtime rates were paid. If there were two children, it might cover a day and half, but the family would need to cover the rest themselves. Multiplying a \$25 hourly rate by 40 hours comes to at least \$1000 per week, plus the on-costs of super, workers compensation and other costs such as holiday pay, sick pay and insurance.

For most services, daily charges are between \$80 and \$100 per day or \$400 to \$500 per week, full time. Some services, particularly for babies, may charge up to \$150 plus a day, but most charge less.

Yet the maximum reimbursement is \$150 per week for full time care. So most parents pay a substantial fee over and above the rebate, though many lower income families get further subsidies to reduce the costs.

Rather than pressuring politicians to fix the system, the problems of finding care that meets varied needs are being misused by some groups and the Opposition.

They want to add an expensive option for the privileged few. Estimates are that it would add half a billion dollars in subsidies which could be well spent on fixing the wider problems. Improving the supply and addressing the other problems in child care services would benefit a much wider group of parents and children who are using care but need better access.

The Government needs to completely re-jig the funding system so they set conditions and costs, as they do with nursing homes. They need to control and fund appropriate locations for services, the supply of places for different age groups and more flexible hours of operating. Some fee control would also help. As the market has not met so many consumer needs, this industry should be deemed a market failure in need of more government intervention.

The fuss about nanny care shows the many flaws in the system, but funding for nannies will undermine the assumption that government funding goes to services that offer quality care.

The Government should make it clear that the public subsidies are for quality childcare that meets clear standards as well as ensuring that parents can be economically or otherwise engaged.

-reprinted from the Conversation

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