

Childcare reforms a play for votes ^[1]

Author: Hartcher, Peter

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EXCERPTS

A reluctant Tony Abbott ultimately was forced to drop his extravagant paid parental leave scheme. The trade-off?

Next week the government will announce a plan to increase spending on childcare instead.

The Morrison plan would be more generous to lower and middle income workers.

The federal government already spends \$7 billion a year supporting families who use childcare services.

The proposed increase will be big, some 50 per cent, or more than \$3 billion a year. More than funding alone, the plan is designed to reform childcare.

It will be a highlight of the budget, but announced a week ahead of budget night to focus maximum attention.

Abbott couldn't have done both. He had to choose between his paid parental leave scheme and reform of childcare, as Scott Morrison quickly made clear to him when he took the social services job in December.

The policy aim of Abbott's parental leave scheme was to help professional women. The political aim was to renovate Abbott's personal image.

It was designed to mark him out as a modern leader and a younger-generation conservative who understood the modern woman. In short, it was to say, "I'm not John Howard".

At \$5.5 billion a year, it would have been an expensive form of political communication. And it was to be part-funded by a tax levy on big businesses.

This ill-begotten scheme was never going to pass the Senate. By dumping it, Abbott yielded to simple political reality. The paid parental leave plan was a dead letter.

The policy aim of the childcare plan is twofold. First, it is an economic policy. It will encourage as many parents as possible into the workforce. And it will do this by directing help to the families who most need it.

We saw a foretaste this week when Morrison announced a two-year trial of subsidising nannies for shift workers on low to middle incomes. These are the people who, to now, have found it impossible to find childcare and who, in Morrison's words, have been "invisible to the system".

The larger package will extend this principle, targeting lower-income and middle-income families – while toughening the requirement that parents work or study to qualify.

The government takes the view that no family is entitled to be paid childcare support simply because they have children in care. It is supposed to be, after all, the "end of the age of entitlement", as Treasurer Joe Hockey famously promised. Parents must be working or studying in a serious way to qualify under the new plan.

Second, it is a social policy. Underpinning the payment system will be a safety net to catch the disadvantaged. People who live in remote areas, for instance, and families with disabled kids will receive childcare assistance regardless of the work or study test.

As for the political aim, recall the so-called "Howard battlers"? They were the lower- to middle-income families whom John Howard was said to have stolen away from Labor in an electoral coup.

If there are ever to be "Abbott battlers", the childcare package will be an important recruitment device.

Morrison's last ministerial task was to stop the boats arriving; now it's to stop the votes leaving.

Mind you, the "Howard battlers" were mainly myth, according to a 2004 ANU paper by Peter Brent. "Evidence for 'Howard's Battlers' cannot be found in the election returns," he wrote. "Every single urban electorate with low median incomes (based on census 2001 data)

continues to vote Labor."

He concluded that the Liberals won power with a combination of its "heartland" seats plus middle-income voters in "mortgage belt" outer-metropolitan and regional areas.

That's OK by Morrison. He expects that his childcare proposal will interest middle-income voters.

The childcare plan is a striking contrast with the centrepiece initiatives in last year's budget.

Last year's trademarks proposals were university deregulation, Medicare co-payments and forcing unemployed youngsters to wait till the age of 25 before qualifying for the dole.

They were ideologically right-wing. They were radical. They addressed problems that most Australians couldn't see. They were developed in secrecy and sprung on the country. They failed in the Senate.

By contrast, the childcare plan is ideologically centrist. It is ambitious without being radical. Most families with childcare know that there are problems with the existing system. One is affording it; another is finding it; a third is the sorting of it.

The government developed the plan with a good deal of consultation, starting with a Productivity Commission report initiated by the last minister, Sussan Ley. And Morrison has consulted widely with childcare companies, unions and the Labor party.

But can it succeed in the Senate? Because here's a major catch. The Morrison plan is doubly dependent on the upper house. Not only does the plan have to win the support of the Senate in its own right. It also depends on the Senate to find the money.

Morrison will demand that the Senate pass stalled measures from last year's budget – specifically, that it pass proposed changes to trim family tax benefit payments. These savings are to pay for the childcare package.

This is where Morrison needs to get the \$3.5 billion a year for the extra childcare funding. And this is how he pays for new spending in a government that keeps insisting it's going to fix the deficit. He has to cut existing spending to afford the new.

Unless he can persuade Labor to support him, Morrison will need to win over the independents and minor parties who make up the balance of power in the Senate.

Some of these senators agree that it's not obvious how Morrison can pull this off, but they agree it's not impossible either.

He will need high grade negotiating skills. Without the Senate, the childcare plan is, like last year's signature policies, a dead letter.

He has time. And here is the second major catch. The changes Morrison is set to announce next week will not take effect for two years. That means the government will take the childcare plan to the next election, where it would hope to win a mandate for it.

Much of the Morrison plan is status quo. For instance, he accepts that the quality standards introduced by Labor are entrenched and will remain.

But it's the changes that will attract the attention. At the moment the government pays a subsidy to families who earn under \$150,000 a year. Plus it allows a rebate of childcare costs up to \$7500 a year. The Productivity Commission recommended that these be combined into a single payment. The government agrees.

And, for eligible families on low and middle incomes, the generosity of the payment will increase substantially. This is to help with the problem of affordability.

On the other common complaint, that in some areas it's impossible to find a childcare place, the Morrison plan seeks to address this too.

This problem applies in some far-flung parts of the land, but also in some parts of the biggest cities. Morrison will propose an appraisal, area by area, that tailors aid to the neediest districts. His department will try to identify areas of so-called "market failure" in the childcare sector regardless of geography.

The Productivity Commission found that there are about 600,000 families where there is no working parent. Of these, it found that 165,000 parents with kids under 13 wanted to work or wanted to do more work.

These are the people Morrison most wants to assist with childcare so that they can find more work. The Productivity Commission found, however, that under its proposed changes to childcare there would be a very small increase in the size of the workforce – just 25,000 part-time workers or a gain of 1.2 per cent in the size of the workforce.

The Morrison plan would be more generous to lower and middle income workers, and the government expects a far greater boost to the workforce, but this remains an open question.

In the way of budget measures, the plan inevitably will be scrutinised as an exercise in winners and losers. Labor's Jenny Macklin is priming the outrage pump, as you'd expect an opposition to do.

On Friday she demanded to know: "How many families will be worse off? How many children could be pushed out of the child care system altogether? How many people will have their access to early education and care cut? How much harder it will be for part-time and casual workers to balance work and family? And, what will happen to parent's out-of-pocket costs?"

Morrison will need to have answers ready. It's a highly sensitive area and the Abbott and Morrison political personae are not exactly reassuring to voters in their warmth and approachability.

The most radical idea came from the libertarian senator, David Leyonhjelm: Why should families who choose to have children be subsidised by taxpayers who do not?

It's a fair question. Here's the answer, in part, from the Productivity Commission, a hard-headed independent crew of economists: "The long-term benefits" to the community, said the commission in its report last year, "include higher incomes and lower rates of welfare dependency, substance abuse, criminal behaviour and incarceration."

It cited work by Australian Research Alliance for Children and Youth that found that reducing the proportion of disadvantaged and vulnerable kids in early childhood from 22 per cent to 15 per cent would increase the size of Australia's annual economic output by 7 per cent of GDP over 60 years.

So there are a couple of reasons, Senator Leyonhjelm. Now let's see whether the government can improve this flawed but necessary system.

-reprinted from The Age

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