Comment: The government still doesn't get childcare [1]

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EXCERPTS

Despite the 2015 Budget's huge increase in childcare spending, the government still isn't addressing the key problems with childcare.

In particular a new Regulation Impact Statement (RIS), prepared by lobby group Early Childhood Australia in concert with the Department of Social Services, highlights how the government's proposed package has failed to take into account the analysis and recommendations in the recent Productivity Commission report from its inquiry into Childcare and Early Childhood Learning.

Despite the government's justification of its big spending plans on the basis that it is an 'investment' in 'workforce participation', the PC estimated the gain to mothers' workforce participation from implementing its much less costly Early Learning and Care subsidy would be only 1.2%.

Neither the government nor its RIS provide evidence the extra spending will be outweighed by that tiny participation increase, or that the flow-on benefits to society at large justify the cost. The RIS only says that "it is expected the Child Care Assistance Package will generate a range of broader economy wide benefits."

Another problematic factor is that the government's promised boost to workforce participation also assumes that effective increases in personal taxation flagged in the Budget (through bracket creep eroding real incomes) won't have an impact on people's work incentives.

Even without taking bracket creep into account, the PC already notes how the morass of payments (income support, Family Tax Benefits parts A and B, the withdrawal of childcare subsidies) intersect with higher taxes to reduce the incentives of some parents to work.

Importantly, the PC also notes that a larger increase in the participation rate cannot be achieved through merely changing and increasing subsidies as the government is planning on doing; these disincentives have to be looked at.

Bracket creep merely exacerbates the tax-transfer problems for mothers — to say nothing of how it impacts the incentives of taxpayers who will foot this bill in reality.

Not only is the economic case for the government's childcare package illusory, the issues that have been raised in the RIS indicate the government is not clear about who subsidised childcare is supposed to benefit, and what its primary purpose is.

One of the more controversial proposals for consultation is whether to change or remove entirely the Priority of Access (POA) guidelines that currently give children at risk of serious abuse or neglect first priority, and children in families where a sole or both parents meet an activity test second priority, in accessing scarce childcare places.

The PC recommended this on the basis that there is little evidence the POA works as intended, the RIS instead suggests the biggest risk from changing the guidelines would be that some disadvantaged kids might still miss out.

However, an equally important concern is that the change is at odds with the public's view of what childcare is for — working parents — and shows how the current childcare system is trying to be all things to all people.

The developmental impacts of quality childcare for children who have a deficient home environment are well known. Yet there is a real question as to whether carving out a section of mainstream childcare and buttressing it with higher levels of subsidy is really an effective means of delivering assistance to disadvantaged children, or whether a more targeted and intensive intervention is needed.

Early childhood interventions are intended to improve children's cognitive, behavioural and socio-emotional functioning in an intensive setting, often complemented by a focus on parents to help improve the quality of parenting. The goal is to have a lifetime impact on children's wellbeing. The evidence from different ECIs ranges from highly effective with long-term impacts, to somewhat effective with a fadeout over childhood.

It is strange that for all the government's talk of the McClure Welfare Review Taskforce and how it borrows from the New Zealand model (where lifetime risk of welfare dependence is quantified, and assistance and services are targeted early-on to high-risk people), early childhood interventions have been virtually ignored.

It is exceedingly difficult for a childcare system, uniformly regulated, to adequately service the needs of disadvantaged children and their families while providing affordable and accessible childcare for parents whose children simply need to be kept happy and stimulated while they are at work.

There may be political motivations behind additional childcare spending, especially those primarily aimed at middle- and high-income families. But by trying to be all things to all people, the government's childcare reforms risk a hefty price tag for little benefit.

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