Submission

to the

Productivity Commission Inquiry into Future Options in Childcare and Early learning

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INTRODUCTION

The federal government has asked the Productivity Commission to undertake a public inquiry into future options in childcare and early childhood learning with a focus on developing a system that supports workforce participation and addresses children’s learning and development needs (http://pc.gov.au/projects/inquiry/childcare/terms-of-reference).

The Australian Family Association (AFA) is a voluntary, ecumenical, non-party political organisation concerned with strengthening and support of the natural family.

Among the objectives of the AFA are “to cultivate within society an appreciation that the integrity and well-being of the family are essential to the stability, morale, security and prosperity of the Australian nation...” and “to analyse laws and policies for their effect on the family and to formulate and promote corrective measures as necessary.” In pursuance of these objectives, the AFA makes the following Submission to the Productivity Commission Inquiry into Childcare and Early Childhood Learning.

GENERAL PRINCIPLES

The AFA holds that the family is the basic unit on which human societies are built and is the prime agency for the moral, social and emotional development of children and therefore the fundamental social unit of society. The purpose of the family is to serve as the chief functioning mechanism for the primary delivery of social services in the fields of nurture, education, health and welfare and is therefore also the fundamental economic unit of society. The family income provides essential services such as housing, food, clothing, education, health care expenses, transport, for dependants without income and care and support for extended family eg elderly parents/relatives. The AFA If a single income earner who is supporting a number of dependents is not given any recognition by some form of tax relief.

In the light of these principles the AFA view is that any policy in relation to childcare and early childhood learning should be considered in the light of what effect it will have on the freedom and ability of the family to carry out its function as the prime agency in making choices about these matters in the best interests of their children. If financial policies make it too difficult or impossible for a family to choose the form of childcare and early learning they think is best for their child then the state will not be acknowledging the family as “the natural and fundamental group unit of society entitled to protection by society and the state.” as provided in the UN Covenant on Civil and Political Rights, Article 23.1 (1).

TERMS OF REFERENCE

The “Background” to the Terms of Reference says:
“The Australian Government is committed to establishing a sustainable future for a more flexible, affordable and accessible child care and early childhood learning market that helps underpin the national economy and supports the community, especially parent’s choices to participate in work and learning and children’s growth, welfare, learning and development. ... The market for childcare and early childhood learning service is large, diverse and growing ...”

Among the stated objectives in commissioning the Inquiry are” to examine and identify future options for a child care and early childhood learning system that:

• supports workforce participation, particularly for women
• addresses children’s learning and development needs, including the transition to schooling
• is more flexible to suit the needs of families, including families with non-standard work hours, disadvantaged children, and regional families.”
The Scope of the Inquiry is stated to be to report on and make recommendations about, among other things, the following:

1. The contribution that access to affordable, high quality child care can make to:
   a. increased participation in the workforce, particularly for women
   b. optimising children’s learning and development.
2. The current and future need for child care in Australia, including consideration of the following:
   a. 
   b. 
   c. 
   d. types of child care available including but not limited to: long day care, family day care, in home care including nannies and au pairs, mobile care, occasional care, and outside school hours care
   e. 
   f. 
3. 
4. Options for enhancing the choices available to Australian families as to how they receive child care support, so that this can occur in the manner most suitable to their individual family circumstances. Mechanisms to be considered include subsidies, rebates and tax deductions, to improve the accessibility, flexibility and affordability of child care for families facing diverse individual circumstances.

GENERAL COMMENTS:

1. The focus of the Inquiry on supporting workforce participation is very narrow and does not address what is best for children and their families. Families should have flexibility and choice in childcare to choose the care that is best for their children.

2. The only type of childcare under consideration by the Commission is out-of-home child care rather than looking at what care is optimal for a child’s development and supporting parents in accessing that care for their child.

3. The nature of childcare and its function and purpose is not considered at all. It is essentially about nurturing and optimising the emotional, intellectual, spiritual and physical development of very young children. The Inquiry is focused on how access to high quality out-of-home childcare can optimise participation in the workforce. It is not about children – it is about the “market” – the childcare “industry.”

4. The Inquiry also equates access to out-of-home high quality childcare with optimising children’s learning and development. Or at least does not include consideration of policies to support other family-based childcare options which a couple might want to access as the best option for their child. It is ignoring ways to support parent-provided childcare, usually stay-at-home-mums.

5. There is not to be any analysis of what “childcare” is, what function it is supposed to fulfil. It is to nurture the child and to ensure the child’s physical health and safety and emotional security. Couples should be supported in choosing the type of childcare that will do this best for their child.

6. The Terms of Reference equate “childcare” and early “learning.” But childcare is early learning only in the broadest sense of that term – i.e. encouraging the child to explore his/her surroundings and thus learn about the world around him/her. This enhances cognitive development but is not education as most parents would understand it, as the development of pre-literacy and pre-numeracy skills. There is a cause for concern if childcare is presumed to encompass pre-school education which requires a trained pre-school teacher with a developed curriculum with specified aims and outcomes. Workers
in childcare centres do not usually have early childhood education degree qualifications.

(2)

7. The Inquiry should be looking at what is best for the child and the 1 on 1 care of the child by the mother (usually) in the home is the gold standard. Even the very best childcare centres just try to replicate this standard – and can’t do so. The Australian Children’s Education and Care Quality Authority have set the ratio of child to carer at 1 in 4 for children aged birth to 2 years, 1 in 5 for children 2 to 3 years and 1 in 11 for children aged 3 to 5 years. Contrast these ratios with the 2-3 children up to 5 years of age that a mother is likely to have at home. A mother at home with only 2-3 children under school age is far better able to give the children the individualised care and attention they need for optimum development.

SPECIFIC POINTS:

1. Childcare – What women want. The focus given priority is on how childcare can support workforce participation, especially for women. So if mothers can find affordable, accessible childcare then they will be able to work. This is a limited focus. The question that needs to be asked is what mothers want. There is research that shows women have different desires at different times over the years of their working life span and that most want to work only part time while their children are small. Catherine Hakim, a Senior Research Fellow at the London School of Economics, in her study, “Women, careers and work-life preferences”, (3) describes three distinct groups of women with different interests and patterns of behaviour in respect of work: work centred (about 20%), "adaptive" (about 60%) and home or family centred (about 20%). In his speech on the Labor government's Paid Parental Leave Bill 2010 Mr Kevin Andrews, then Opposition Shadow Minister for Families, referred to numerous surveys and to data on family and work choices in Australia which reflect Hakim's findings –

"The adaptive approach of families to work is also illustrated in the work choices of families with children.

- Of partnered women aged 35 – 39, 78 per cent of those with no children work fulltime, compared to 12 per cent who work part-time or who are not in the workforce (9%).
- However, only 27 per cent of women with children under 15 work full-time, compared to 37 per cent who work part-time or who are not in the labor force (32%).
- For those with children over 15, 41 per cent work full-time, while 34 per cent either work part-time or are not in the labor force (21%)."

Mr Andrews went on to say further:

"If this analysis of the choices that parents make about family and work is correct, policies that impact upon the 60 per cent or more of women who are adaptive in their work-family lifestyles are the most likely to provide the choice that families desire. Hakim rightly argues that the role of government is not to favour any of these families. The goal is government neutrality towards all families.

"These observations suggest that parents should have flexibility and choice in their family and work arrangements. Such choice is not just about the hours worked at any one time, but about the arrangements they make over the course of their lives..." (4)

All women with children should be supported in choosing the care they want for their children, both women in the paid work force who want assistance with out-of-home care and women who want assistance so they can care for their own children. Equal financial support should be available to couples who want one parent to work at home and care for their children and to couples where both want to be in the paid work force. Government policy should acknowledge the diversity of choices Australian families make in their work/life arrangements and the role of government in relation to childcare policy should be one of neutrality. At present the childcare system fails this neutrality test as childcare subsidies are directed to women in the paid
workforce to use out-of-home childcare, thus discriminating against women who wish to do their own childcare.

2. Childcare policy should be about what is best for the child and allow parents flexibility to decide what childcare is best for their child: The references to the "child care and early childhood learning market" and that this market "helps underpin the national economy" and that the "market for childcare and early childhood learning services is large, diverse and growing ..." all illustrate a frightening narrowness of focus and a cold, clinical economic utilitarianism in the Terms of Reference of the Inquiry. The focus should be on how childcare should be about what is best for the child and how support can be provided to allow couples to choose the care that is best for their children. Subsidising a "childcare market" that consumers cannot pay for themselves without taxpayer subsidies, while at the same time denying equal financial assistance to couples who wish to do their own childcare and ignoring the very real financial benefits from women working in the home (see Point 7 below) does not make economic sense.

3. The other focus of the Inquiry is how childcare addresses children's learning and development needs, including the transition to schooling. The implication is that out-of-home childcare, ie care by persons other than the child's parents, is necessary for optimising a child's learning and development needs. The assumption is that childcare provides early learning. Childcare centres are being renamed "Early Learning Centres." But childcare and education are two different things and these "early learning centres" do not have tertiary trained teachers. (5)

4. The focus of the Inquiry is how childcare can support greater participation in the workforce and how it optimises children's learning and development. There is a bias that these terms of references imply that parents caring for their own children are less productive for the economy and is not optimum for their children's learning and development. The Inquiry should take evidence as to the financial value of parent childcare and the research on the bonding and individualised attention that optimises very early childhood learning and development.

5. Childcare choices - Families should have choice about the care of their children and should be equally supported whether they choose use out-of-home childcare or to care for their children themselves. If parents choose to care for their children themselves that is "childcare" but does not seem to be within the terms of reference of the Inquiry.

6. The Social Costs of out-of-home childcare: The Inquiry should also look at what research/evidence there is on the outcome of bonding between parents and very young children in terms of academic performance, mental health and behavioural problems later in childhood and in adolescence:

(a) Harm risks greater for children in centre-based daycare: The Senate Education, Employment and Workplace References Committee conducting the Provision of Childcare inquiry in 2009 looked at some of the high quality childcare research. It found that formal early childcare risks stunting children's social, emotional and behavioural development. It said: "Infants are typically best cared for at home by their parents." (6)

(b) Outsourced childcare has significant social and welfare costs. The world's largest and most authoritative study into childcare effects is the American National Institute of Child Health and Human Development (NICHD) study. Over 1,000 children from around 10 locations across the US have taken part in research conducted by the NICHD over 15 years. (7) Children surveyed periodically from birth to age 15 have been found to have a higher propensity for risk taking and impulsive behaviour; emotional problems such as depression, aggression, anxiety, lack of empathy, and behavioural problems, proportional to the amount of time spent in centre-based daycare. Surprisingly, the higher incidence of these negative outcomes was linked to the "dosage" of institutional daycare, regardless of the quality of care provided. Furthermore these daycare effects have been found to be "contagious," such that children not in daycare developed similar problems when placed in year one classrooms with "daycare children". A classroom with a handful of disruptive children makes life hard
for teachers. Greater use of institutional childcare due to more generous subsidies can only increase this negative effect.

(c) The impact of institutional childcare does not end in early childhood. Previously undetected latent effects of institutional care have been observed in 15 year olds who had spent long hours in daycare when very young. In particular, such children were found to have abnormally low cortisol levels, indicating increased stress in early years. (8)

(d) A study into the effects of heavily funded Paid Parental Leave (PPL) and daycare in Quebec found "children were worse off by measures ranging from aggression to motor and social skills to illness." The study also uncovered "...evidence that the new child care program led to more hostile, less consistent parenting, worse parental health, and lower-quality parental relationships." (9)

(e) Spending money on daycare does not necessarily improve its quality. Sweden, which boasts one of best government-funded daycare systems in the world, has abandoned maximum class sizes, and allows 1 staff member for up to 22 children aged 1-3 years. Similarly well-funded daycares in Quebec allow 1 staff member per 8 babies. The problem is that the more the government subsidises fees, the more children flood the system. The Swedish government's own 2004 report, *Pre-School in Transition: A national evaluation of the Swedish preschool*, admits "group sizes in the pre-school [daycare] increased substantially during the '90s" (p.21) and "[it] may well be that the preconditions for providing good overall quality have deteriorated, especially as a result of large groups of children and fewer staff" (p. 26). (10)

(f) Daycare has been associated with lower educational outcomes. The NICHD research has shown that even high quality daycare increases the risk of aggression, disobedience and lack of cooperation in children in school later on. (11) It is no surprise therefore that wherever universal pre-school long-daycare has been implemented, school scores have dropped. This has happened in Sweden and the US states of Oklahoma and Georgia, as well as in Canadian provinces, including Quebec.(12) A 2008 study of 40,000 Quebec children found its low-fee universal childcare policy had a substantial negative effect on preschool children's vocabulary scores. (13)

7. (a) Financial cost of Out-of-home childcare. The economic value of work done in the home should be recognised as it is in other countries. (14) Mothers of very young children who are not in the paid workforce are not "unemployed" or even "under employed" – they are "otherwise employed."

(b) Women do less charity and other volunteer work if in the paid workforce. The entire community loses from the disincentive to mothers taking on community work that provides enormous social benefits, stability and cohesion in society, including:

(i) charities such as Meals on Wheels, care for the elderly, and work in charity shops and other volunteer work such as unwaged help; and

(ii) other unwaged work, such as vital parent classroom help, running school canteens, caring for the elderly and running community groups and sporting teams.

More women with young children in the paid workforce and the resulting fewer volunteers available for community service results in services being outsourced at commercial rates. That does not make sense financially. Volunteer work is much needed in school canteens, school reading or extra curricula activities, meals on wheels, hospital visitation, assistance for families with children with disabilities.
Long term economic costs of absent parents. The long-term economic costs of punishing and de-funding parental childcare must also be considered. More children will be placed in daycare and deprived of their parents' care outside school hours. Swedish education expert, Jonas Himmelstrand, says Sweden's PPL and childcare policies have resulted in plummeting education results in schools and problem teenagers – “The teenager has attached to their peers because loving adults were not available for too long periods of time. A blind is leading a blind into the world of tomorrow. It is frighteningly similar to William Golding's novel, The Lord of the Flies.” (15)

Common sense suggests that this experiment in the under-nurturing of children is likely to become a financial as well as a social burden on society. The Inquiry should take account of this future economic burden on our health, education and criminal justice budgets in considering options in childcare and early learning.

8. Childcare funding in Australia currently discriminates heavily against parent-care by a ratio of around 2:1. (16) Parent care funding (Family Tax Benefit B) is means-tested, whereas the Child Care Rebate for institutional daycare is not.

Proposed new policies favour non-parental care, such as the trial in 2013 of 24 hour childcare, partly subsidised by the federal government (17)

Taxation to fund childcare amounts to a massive wealth transfer
The present discrimination in government childcare funding policy really amounts to an unjustified transfer of wealth from families that do their own childcare and fund it (through sacrificing income) to those that neither do their own childcare nor fund nearly as much of it.

But this wealth transfer model of discriminatory childcare funding does not help the economy.

Only the lower-funded and soon-to-be-axed Baby Bonus is available for women to do unwaged work while making childcare subsidies only payable for women in the paid workforce using out-of-home childcare makes the choice for couples to do their own childcare less financially viable and is a huge pressure on women to seek to enter the paid workforce. The cost of this is the millions of dollars in taxpayer subsidies needed to take over the unwaged work (including their own childcare work and work in the community and for charities) that such mothers would otherwise chose to do.

9. Overseas models of childcare funding. Payments to enable couples to choose how they will do their childcare, including in-home childcare, is a viable option. In Finland a homecare allowance is paid to any parent who is out of the paid workforce to care for their children from the cessation of parental leave at 9 months up to age 3. There was a huge opposition when it was sought to reduce eligibility to age 2 in 2012 and the scheme continues up to age 3. In Finland more than 50% of children of small children are cared for at home. (18)

In 2012 Germany introduced a similar scheme except that the payments can be used in whatever way the parents want to fund private childcare. So both parents could work and use the allowance to fund their own choice of other-than-state-provided childcare or the payment allows the choice of one parent staying at home to look after the children. (19)

France provides in its social welfare system, in addition to other family allowances, a "Supplement for free choice of working time" (CCLA) and a further "Optional Supplement for free choice of working time" (COLCA). (20) These are non-means-tested allowances intended to allow a parent to stop working or to work less in order to look after their child. The CCLA is paid for up to six months after the birth of the first child and up to three years after the birth of the second and subsequent children. The COLCA is a higher amount than the CCLA and payable in
lieu of the CCLA. It is payable to families with at least three children where a parent stops work completely during the period of payment and is payable for one year. (21)

In France the tax system also recognises the family as the unit of taxation in the "quotient system" – "In the French tax system, the tax unit is not the individual but the household. Each household amounts to a certain number of shares according to marital status and the number of children: a married couple is entitled to two shares, to an additional half-share for the first two children and an additional share per child after the third child. This mechanism gives rise to a significant reduction in taxes, to the extent that the total household income is divided by the number of shares it is made up of and that the taxes are calculated on the basis of this income after adjustment." (22) This, as well as generous parenting allowances, gives parents flexibility and choice in their work and family life, including the choice to care for their own children at home.

10. The substantial public benefits of child bearing – Research by a team of economists from Berkeley and Syracuse Universities has shown the huge net benefit to society represented by each child raised. They actually put a figure on it of US$217,000 in 2009 dollars. (23) It is important that they also referred to a 2001 German High Court decision which ruled it was unconstitutional to tax parents and the childless at the same rate as parents, by providing the nation’s future workers, are keeping the social security system afloat.

11. Fertility Rate: Women who work at home and do their own childcare contribute most in terms of numbers of children they have who will be future productive citizens and taxpayers. Australia’s fertility rate is under replacement level. In 2011 ABS figures showed the fertility rate was 1.88, under the 2.13 required for replacement. (24) It makes economic sense to provide choice and flexibility for families to decide how to balance childbearing, childcare and work responsibilities so as to optimise couples having the number of children they desire. There is evidence that couples are not able to have the number of children they would like to have. (25) Financial constraints and the stress of trying to balance work and looking after children have to be factors in couples having fewer children than they would like. Supporting families financially in a way that allows them the flexibility to balance childcare and work to provide for children would optimise the chance that couples would be able to have the number of children they desire.

Poor strategy for increasing Australia’s population. Mothers heavily committed to paid work (through choice or otherwise) are recognised as one of the lowest fertile groups in our society, so it does not make sense to discriminate in in their favour in childcare funding. The way to increase Australia’s fertility is by supporting families to use the childcare of their choice. The most used and most popular childcare in Australia is parent care. Full-time family work mothers more fertile. As Peter McDonald, Professor of Demography at the Australian National University, has shown, 32.6% of Australian women, having three or more children, accounted for 56.0% of the children that had been born to all women - as measured for 40-44 year old women, at the end of their child bearing years, at the 2006 Census. (26)

The example of Sweden is telling. After 30 years of PPL and heavily subsidised daycare, the Swedish birth rate is behind Australia’s. Sweden has more generous PPL than any nation, but its fertility rate in 2007 was just 1.66 (27) – compared with Australia’s 1.93 (28) This is common sense. Everyone knows how difficult it is for mothers to do both family work and paid work. Generous maternity leave will not encourage paid workforce mothers to have more babies. The mothers who keep our fertility rate closer to replacement level are the full-time (or near full time) mothers – who give up a whole salary for five years or more so they can properly bond with and care for their children. The rate needed to replace the population is 2.1 children per family. The general picture worldwide is that the longer mothers spend in full-time care of their children, the more children they have.
CONCLUSION:

The whole current system of birth funding (the baby Bonus and PPL) and childcare funding is discriminatory and unfair. By directing government assistance to dual-income families, and away from families who choose to care for their own children on an unwaged basis, family tax policy unjustly places financial pressure on single-income families to conform to the dual-income family model, against the wishes of many families.

Given the research that shows harmful effects of institutionalised childcare on children particularly in nations where it has been broadly implemented, to continue to fund childcare in Australia in such a way as at present that it financially discriminates against work-at-home mothers and reduces choice in childcare options by putting financial pressure on mothers to remain in or seek to enter the paid workforce is not a sensible way forward for the future. The social and financial costs will be too high.

RECOMMENDATIONS:

Recommendation 1: A review of the entire family payments system to create a single voucher payment to all families with dependent children, allowing them to decide how best to use their funding for work and childcare in the home or outsourcing childcare and domestic work. This should be an equal payment for all families, the same for mothers in the paid work force and work-at-home mothers. It would stop tax churn, save money for government and be fairer.

Recommendation 2: The government should conduct a full review of family taxation. Such a review should include:

- consideration of income splitting for single income families; or
- some form of family unit taxation; and
- a tax rebate for each child in the family.
REFERENCES


5. Angela Shanahan, op cit (2 above)


10. See http://www.kidsfirstcanada.org/blog-vol1.htm


16. "Analysis of Children's Care Funding in 2011-2012 tied to Care Type and Workforce Status"


26. Peter McDonald, Australian National University Professor of Demography and Director of the Australian Demographic and Social Research Institute; see also Australian Bureau of Statistics, 2006 Census, Basic Community Profiles, Table B23.
