

Submission

on the

Productivity Commission Draft Report on Childcare and Early Childhood Learning

to the

Productivity Commission

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1. Introduction

On the 17th November 2013, Prime Minister Tony Abbott asked the Productivity Commission to undertake an inquiry into childcare. After submissions were received, the Productivity Commission released a draft report for further comment on 22 July 2014.

FamilyVoice Australia is a national Christian voice – promoting true family values for the benefit of all Australians. Our vision is to see strong families at the heart of a healthy society: where marriage is honoured, human life is respected, families can flourish, Australia’s Christian heritage is valued, and fundamental freedoms are enjoyed.

We work with people from all major Christian denominations. We engage with parliamentarians of all political persuasions and are independent of all political parties. We have full-time FamilyVoice representatives in all states.

Submissions were due on 5 September 2014. FamilyVoice Australia has been granted an extension of time until 12 September 2014.

2. Childhood learning and development

The Productivity Commission’s draft report *Childcare and Early Childhood Learning 2014* has ignored significant parts of its own research into childhood learning and development.

The draft report found family characteristics were the best indicators of a child’s development:

The research is clear cut as to the importance of family characteristics for childhood learning and development. Household income, parental and particularly maternal education and the home learning environment are the strongest predictors of children’s development outcomes.¹

They continue in summary form:

Family characteristics are usually the strongest predictor of children’s developmental outcomes.²

They found serious risks in putting children into institutional childcare in the early years (0 – 3 years):

*In summarising the research, UNICEF (2008) concluded that:
At present, therefore, the most important generalization to be made is that the younger the child and the longer the hours spent in child care the greater the risk. (p. 12)³*

Overall, the draft report says childcare outcomes for early years were “mixed”.⁴

However the research showing serious risks from putting children in long day care at an early age is at odds with the draft report’s recommendation 5.3, which states in part: “Australian Government ECEC funding should ... not be allocated to fund social services that largely support parents, families and communities.”⁵

The draft report correctly notes that children develop best when raised in good homes with good parents. It ignores this finding when recommending the expansion of non-parental childcare services and the abolition of government funding for parental and family support.

The risks to children placed in non-parental childcare from a very young age have been observed in gold-standard, peer-reviewed longitudinal research.

Dr Jay Belsky has reported the main findings from the NICHD (National Institute of Child Health and Human Development) Study of Early Child Care in America, in which over 1200 children from 10 communities were followed from birth through to starting school.⁶

“Critics of earlier research had suggested the problem of day care was all to do with poor quality, but the new study found that even when controlling for the quality of care, the quantity of day care still mattered. Children who spent early, extensive and continuous time in the care of non-relatives were more likely to show later behavioural problems, such as aggressiveness and disobedience, as indicated by ratings from their caregivers, their mothers and eventually their teachers.

The type of care mattered too. The study found children who spent more time in a child care centre (as opposed to in another person’s home with a non-relative, or in a home with a relative other than their mother) tended to show benefits in terms of their cognitive and linguistic development, but to also show more behavioural problems, being more aggressive and disobedient.

Finally, and not surprisingly, the quality of care was also found to be relevant, in terms of how attentive and responsive carers were, and how stimulating the care environment was. Low quality care was particularly detrimental to the children of mothers who lacked sensitivity. High quality care on the other hand was associated with later superior cognitive-linguistic functioning.”

Given these results, and similar findings from British studies such as the EPPE (Effective Provision of Pre-School Education) Study,⁷ Belsky concluded that government policies should discourage parents from putting their children into day care for too long – by expanding parental leave, and by implementing tax policies that reduce economic factors that pressure parents to leave their young children in the care of other people.⁸

British childcare researcher Dr Penelope Leach has observed that:

“It is fairly clear from data from different parts of the world that the less time children spend in group care before three years, the better. Infants spending as little as 12 hours a week in day nurseries – this is such a low threshold that it covers almost all infants in this childcare setting - showed slightly lower levels of social development and emotional regulation (less enthusiastic cooperation, concentration, social engagement and initiative) as toddlers.

The tendency of government policy for more day-nursery provision to the exclusion of other types of childcare is extremely short-sighted; it’s easier for an infant to catch up on cognitive skills later on, but they can’t catch up on insecure attachment. The trend towards more day nurseries is out of kilter with what the research is finding.

We know from research that staff in nurseries tend to be firstly, more detached - less sensitive and responsive - towards the children and there is more ‘flatness of affect’, a subtle but very important characteristic which means that there is no differentiation in response to a child, a sort of blandness.

Somewhere after two years, as the children begin to relate more to each other than to the adult, then high-quality, group-based care becomes an unequivocal benefit. But for the first 18 months, all the international research shows us the importance of lots of attention from a carer who thinks the infant is the cat’s whiskers. It may even be less important that those caring for the under two-year-olds are trained, as that they have the right attitude to children - that they are warm, responsive, talkative and funny.”⁹

Leach concludes that while it might be possible to provide good-quality nursery care with well-paid, highly motivated staff for the under two-year-olds, it is very expensive because the ratio of carers to infants needs to be as close to one-on-one as possible.

Clearly only high income earners would be able to afford sufficiently high fees to cover good wages for excellent childcare staff at close to a “one-on-one” ratio. It also seems clear that any attempt by a government to fund or heavily subsidise such a scheme is inherently unviable.

The recent UNICEF report card on child care highlights the key concepts to emerge from recent neuroscientific research:

“They include: the sequence of ‘sensitive periods’ in brain development; the importance of ‘serve and return’ relationships with carers; the role of love as a foundation for intellectual as well as emotional development; the fostering of the child’s growing sense of agency; the ways in which the architecture of the developing brain can be disrupted by stress; and the critical importance of early interactions with family members and carers in the development of stress management systems.”¹⁰

The report notes that “neuroscience is beginning to confirm and explain the inner workings of what social science and common experience have long maintained – that loving, stable, secure, stimulating and rewarding relationships with family and caregivers in the earliest months and years of life are critical for almost all aspects of a child’s development.”¹¹

The report comments on staff-to-children ratios, confirming Penelope Leach’s comments about the need for “one-on-one” care in the very early years. Acceptable staff-to-children ratios will, in practice, vary with circumstance, including the number of hours per day in child care. But the research shows overwhelmingly that young children need a great deal of one-to-one attention and support – relationships rather than group instruction. It is widely acknowledged that infants and very young children are not ready for group activities.”¹²

It follows from research cited by Belsky, Leach and others that children raised in their earliest years by loving parents will become better-adjusted and more productive adults than children placed in long day care at a very early age.

It also follows that government policies that discourage parental child care by funding or subsidising outsourced care may ultimately reduce the nation’s productivity by decreasing the number of well-adjusted, productive adults and increasing the number of dysfunctional adults.

Recommendation 1:

Public policy should reflect gold-standard longitudinal research showing that very young children develop best when cared for in healthy homes by their own parents. Governments should support parental care as much as, or more than, institutional child care – in the interests of optimal child development and optimal future national productivity.

3. Unpaid work in society

The Commission’s draft report discusses the fiscal value of increased workplace participation – particularly in stimulating Gross Domestic Product (GDP) Growth. It states:

The GDP impact [of recommended changes to Early Childhood Education and Care (ECEC) assistance] is, at most, 0.4 per cent (an additional \$5.5 billion).¹³

It also notes:

Several recent studies (Daley 2012; Ernst & Young 2013) have pointed to large increases in GDP as a result of a rise in female workforce participation.¹⁴

However, GDP is not an adequate measure of useful economic activity. Including paid childcare services in GDP, but excluding unpaid childcare and other caring services performed by parents, does not accurately portray the reality. Care is productive work, whether it is performed by paid or unpaid workers.

Nor does an increase in female paid workforce participation necessarily lead to a net benefit to society. Any short-term increase in GDP may come at the expense of future productivity loss from adults whose early experience of institutional childcare has left them more uncooperative, dysfunctional and less well-educated than their home-raised peers.

The value of unpaid work – estimated at “between \$639 and \$897 billion” in 2012-2013¹⁵ – was not included in the draft report’s estimate of a GDP increase of \$5.5 billion resulting from implementation of recommended changes to ECEC assistance. If unpaid work had been included in the GDP estimate, the desired increase in female paid workforce participation could lead to a decrease in the unpaid care of children and others – resulting in no net GDP increase.

Barry Maley, senior fellow at the Centre for Independent Studies, states:

There is no good reason why production in the market should be accorded higher value or importance than home production and child rearing. Productive labour in traded goods and services and the growth of human capital depend for their continuance upon the regeneration, socialisation and education of those who will be workers in the future.¹⁶

Maley recognises the value of unpaid family work. He questions why paid work holds a higher social value and points out the importance of the socialisation and education of children.

Furthermore, he notes the importance of children for the future and the significant role they will play in contributing economically. The use of GDP masks the important economic activity that occurs in the home. Maley states:

Working mothers and at-home mothers should be treated equally in public support for their dependent children. Measures of GDP ignore the importance of the family investing in children, regenerating the workforce and in unmeasured home production.¹⁷

Patrick Byrne and Tempe Harvey from the Australian Family Association highlight the value of unpaid work in the family for roles such as childcare and community services.¹⁸

They point out that when a parent chooses to undertake unpaid work they are allowing the family to provide their own social services, which include childcare. Furthermore, they argue that this unpaid work represents a substantial saving to the welfare bill of the state, since services such as childcare require state support.¹⁹ This is an important observation and reinforces Maley’s view that the current GDP measure of economic output ignores important contributions made to society by parents (and others) who undertake unpaid community and household work.

Queensland Senator Matt Canavan noted in his first speech (16/7/14) that current federal government tax policies do not treat all families equally.

He said (in part): “The smallest social unit of society, the family, is the most important one for us all. I support a tax system that recognises the family. Family tax benefits are not welfare: they are due recognition that families face higher, unavoidable costs and therefore deserve taxation relief.

“But not all families are treated equally under our tax system. Two Australian households, that earn the same amount of joint household income, can pay vastly different amounts of tax.

“Take a household of two children where both parents work full time and each earn \$60,000 per year. Their total household income is \$120,000 and they pay about \$24,000 per year in tax. Compare that to a household, also with two children, where only one parent works and earns \$120,000 per year. They have the same household income, yet this household pays about \$34,000 in tax - \$10,000 more per year than the double income household.

“This is unfair. People with similar ways and means should pay similar amounts of tax. It is a backward step that we now try to maximise the number of people in [paid] work.”²⁰

Governments should remain neutral regarding childcare choices made by families. Polling data also indicates that Australians support equal government support for all women, regardless of their employment status.^{21, 22, 23}

Recommendation 2:

Gross Domestic Product calculations should include unpaid as well as paid work, since both kinds of work contribute to Australia’s economy and well-being.

Recommendation 3:

Australian families should have the freedom to make their own decisions about employment and childcare – without government pressure. The federal government should provide equal benefits to families, with no discrimination based on family choices about balancing home and work responsibilities. Families receiving the same income should pay the same tax.

4. Information request 12.1

Information request 12.1 states:

The Commission seeks views on the effect on families of having a per child subsidy rate that is not adjusted for the number of children in a family accessing ECEC services.

The current system of family payments discriminates against larger families, as noted by various submitters including Guardian Early Learning, who said:

... as it is expensive having multiple children in care and work becomes marginal and the economics of nannies more attractive the more children you have. (sub. 274, p. 5)²⁴

The draft report therefore recommends that nannies be included in “the scope of the ECEC subsidy (which) should assist some larger families (chapter 8)”.²⁵

But if families are to receive government childcare assistance for employing trained nannies to care for their children in their homes, there is no valid reason for refusing similar payments to parents who care for their own children at home – provided the parents fulfil certain training requirements.

Recommendation 4:

Government childcare subsidies should apply to qualified nanny care at the same rate as approved childcare centres. Parents who satisfy government requirements for nannies should receive equal financial assistance from the government for caring for their own children.

5. Workforce participation and removal of ECEC assistance to some providers

The Commission's draft report attempts to justify its key aim to increase female workforce participation:

With an ageing population there has been considerable interest in getting women to participate more fully in the workforce to help address future workforce shortages.²⁶

But there is no evidence that generous childcare subsidies would solve this problem. Sweden, for example, has very generous maternity leave as well as government childcare provision for children aged 12 months and older – but a World Bank table²⁷ shows that the female workforce participation in Sweden is 60%, just 1% higher than in Australia, where maternity and childcare support is far less generous.

Another World Bank table²⁸ shows that Western nations generally have very low total fertility rates – way below replacement level of 2.1. The reasons for the fertility decline are many. They include easy access to contraception and abortion, increasing rates of cohabitation and divorce, along with falling rates of marriage and later marriage. Divorced and cohabiting women often lack the security needed to plan a large family. Women who marry late are less fertile and find it harder to conceive. And as the West has become more affluent, increasing numbers of couples see children as interfering with their busy careers or hedonist lifestyles.²⁹

The risk is great, as the recent federal government *Intergenerational report* showed:

The second Intergenerational Report in 2007 observed that five people of working age were supporting every person 65 or older, but by 2047 there would be only 2.4 workers per aged person.³⁰

However policies that encourage stable long-term marriage and larger families are more likely to increase Australia's fertility rate than increased government provision of non-parental childcare.

For this reason, draft recommendation 5.3 should be rejected. It states:

*Australian Government ECEC funding should be limited to funding approved ECEC services and those closely integrated with approved ECEC services, and **not be allocated to fund social services that largely support parents, families and communities**. Any further Australian Government support for the HIPPY program should be outside of the ECEC budget allocation.³¹*
[emphasis added]

Recommendation 5:

Draft recommendation 5.3 should be rejected because it would unfairly penalise those families with several children who currently receive no subsidy for the childcare work they do themselves, yet who disproportionately provide Australia's future workers.

Recommendation 6:

Government policy should encourage stable long-term marriages and larger families, since these are more likely to increase Australia's fertility rate than the provision of more non-parental childcare.

6. Conclusion

- Public policy should reflect gold-standard longitudinal research showing that very young children develop best when cared for in healthy homes by their own parents. Governments should support parental care as much as, or more than, institutional child care – in the interests of optimal child development and optimal future national productivity.
- Gross Domestic Product calculations should include unpaid as well as paid work, since both kinds of work contribute to Australia's economy and well-being.
- Australian families should have the freedom to make their own decisions about employment and childcare – without government pressure. The federal government should provide equal benefits to families, with no discrimination based on family choices about balancing home and work responsibilities. Families receiving the same income should pay the same tax.
- Government childcare subsidies should apply to qualified nanny care at the same rate as approved childcare centres. Parents who satisfy government nanny requirements should receive the same financial assistance from the government for caring for their own children.
- Draft recommendation 5.3 should be rejected because it would unfairly penalise families with several children who currently receive no subsidy for the childcare work they do themselves, yet who disproportionately provide Australia's future workers.
- Government policy should encourage stable long-term marriage and larger families, since these are more likely to increase Australia's fertility rate than providing more non-parental childcare.

7. Endnotes

1. Productivity Commission Draft Report, pp. 174-175.
2. Productivity Commission Draft Report, p. 176.
3. Productivity Commission Draft Report, p. 169.
4. Productivity Commission Draft Report, p. 168.
5. Productivity Commission Draft Report, p. 200.
6. J. Belsky, 2006, "Early child care and early child development: Major findings of the NICHD Study of Early Child Care", *European Journal of Developmental Psychology*, 3, 95-110.
7. <http://www.ioe.ac.uk/schools/ecpe/eppe/index.htm>
8. "Is day care harmful to small children?", *Research digest blog*, British Psychological Society: <http://bpsresearch-digest.blogspot.com/2006/03/is-day-care-harmful-to-small-children.html>
9. M. Bunting, "Nursery Tales", *The Guardian*, 8 July 2004: <http://www.guardian.co.uk/education/2004/jul/08/schools.uk>
10. UNICEF, *The child care transition*, Innocenti Report Card 8, 2008, UNICEF Innocenti Research Centre, Florence, p.5: http://www.unicef-irc.org/publications/pdf/rc8_eng.pdf
11. Ibid.
12. Ibid.
13. Productivity Commission Draft Report, p. 2.
14. Productivity Commission Draft Report, p. 588.
15. Productivity Commission Draft Report, p. 247.
16. B. Maley, 'Families, Fertility and Maternity Leave', *Issue Analysis* 24 (16 September 2002), p. 11.
17. B. Maley, 'Families, Fertility and Maternity Leave', p. 11.
18. T. Harvey and P. Byrne, "The Need for an Overhaul of the Family Benefits System." *AFA Journal*, 31.2 (1 July 2010), p. 52.
19. B. Maley, 'Families, Fertility and Maternity Leave' p. 11.
20. Hansard, Senate, 16 July 2014, p. 83: <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22chamber%2Fhansards%2F232fa1a8-d7e8-4b22-9018-1a99b5a96812%2F0174%22>
21. Kids First Parent Association, Brisbane phone poll, Nov-Dec 2009.
Polling data indicates that the public is in favour of equal distribution of parenting payments, regardless of employment status. A 2009 survey asked if respondents agreed or disagreed with the federal government's new paid parental leave policy: "From next year, mothers in paid work will get will get around 50% more government funded Paid Parental Leave than the equivalent funding for stay-home mums." Most respondents (77%) answered that mums should get the same amount of government funding regardless of employment status.
22. Kids First Parent Association, Brisbane phone poll (Nov-Dec 2009), private communication.
23. D. Briggs, Galaxy Research Phone Poll, 2010.
National phone poll of 1042 adults. The survey participants were asked: "Thinking now about Paid Parental Leave: In your opinion, should the government's Paid Parental Leave plan give equal funding to both mums in paid work and stay-home mums to afford bonding time with their babies?" To this question, 64% of respondents said that they believed the funding should be the same for all mums regardless of employment status.
24. Productivity Commission Draft Report, p. 526.
25. Productivity Commission Draft Report, p. 526.
26. Productivity Commission Draft Report, p. 588.

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27. <http://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS/countries>
 28. <http://data.worldbank.org/indicator/SP.DYN.TFRT.IN>
 29. R. Phillips, "Funding for parents – what is fair?", VoxPoint, May 2010, pp A-D.
 30. B. Maley, "Birth Rate Bubble", The Centre for Independent Studies, 16 Sep 2009: <http://www.cis.org.au/media-information/opinion-pieces/article/57-birth-rate-bubble>
 31. Productivity Commission Draft Report, p. 55.