

ENQUIRY INTO CHILD CARE AND EARLY CHILDHOOD LEARNING

SUBMISSION

Introduction

1. This submission to the Productivity Commission is in response to the Terms of Reference issued by the Treasurer, the Hon JB Hockey, dated 22 November 2013. It is submitted by me as an interested citizen and taxpayer who is concerned at the rapid, and in my view, unsustainable, escalation in the costs of childcare and early childhood learning.
2. The submission relies upon data published by the Productivity Commission in Volume 1, Chapter 3, of its Report on Government Services 2013.

Scope of Submission

3. While the Terms of Reference are appropriately broad-ranging, this submission focusses on the following areas:
 - 3.1 Accessibility of affordable care. (Scope of Enquiry: Clause 2c).
 - 3.2 Options for enhancing the choices available to Australian families as to how they receive child care support. (Clause 4).
 - 3.3 Impacts of the National Quality Framework. (Clause 5).
4. It is noted that in making any recommendations for future Australian Government policy settings, the Commission will consider options within the current funding parameters. This is assumed to mean that Australian Government expenditure is not to increase over current budget and forward estimates, but reductions may be considered.

Financial Summary

5. Total Australian, State and Territory expenditure on early childhood education and care services was \$6.0 billion in 2011-12. This represents an increase of 62.7% over five years, a compound rate of about 10.5% annually. Given current growth rates of the Australian economy, this rate is unsustainable.
6. The bulk of expenditure of \$4.8 billion (79.0% of total) was made by the Australian Government, with the balance of \$1.2 billion by the States and Territories. In 2012, there were over 1.3 million children enrolled in child care and early learning at around 19,400 different service providers. This equates to an average subsidy of approximately \$4,600 per child.

Affordable Care

7. Affordable care can be looked at from two different perspectives, and the Terms of Reference is quite correctly ambiguous on its intention. That is, it can mean affordability to parents, and it can mean affordability to taxpayers.
8. In the first case, parents are subsidized by taxpayers through the Child Care Benefit (CCB) and Child Care Rebate (CCR) programs. At current rates these can provide up to \$199.50 per 50 hour week for CCB, and an additional \$7,500 in tax reductions per year for CCR. Therefore, for a normal year of 230 working days (excludes weekends, public holidays, annual leave), this equates

to a total subsidy of up to \$16,677 per child. With such generous support, it is difficult to understand how childcare is not affordable.

9. In the second case, taxpayers who have no children, or no children under the age of five years, are required to contribute all of the above levels of subsidy. But unlike some other welfare, social and health programs, thankfully parents are also required to make a significant contribution from their own resources. So even after significant taxpayer subsidies, many families still struggle with the high and ever increasing cost of childcare. Why?

10. To answer this question, one only has to go to the 383 Regulations in the Education and Care Services National Regulations which came into effect on 1 January 2012.

11. This is an example of when unaffordable idealistic objectives, take precedence over affordable realistic objectives. Ideally, we may all wish to have our children cared for by a qualified person on a one-to-one basis, but realistically it is unaffordable. A balance needs to be found where services may not be perfect, but are nevertheless adequate, and affordable.

12. It is submitted that current regulations and the National Quality Framework (NQR) be moderated, from what is ideal to what is affordable by both parents and taxpayers. For example, increasing the ratios of children to carers by 20-30% would lead to a significant reduction in costs to both. Similarly, so would lowering education and experience requirements, and many other onerous and non-essential conditions in the NQR.

Options for Enhancing Choices

13. The Terms of Reference seek options to enhance choice, but currently all service providers are required to comply with the same set of rules. That is, the NQR restricts choice, because it forces a one-size-fits-all situation amongst service providers, thus restricting real market competition. Providers are able to offer a high price take-it or leave-it service, knowing that would-be competitors are restrained with the same high costs.

14. With most other products and services, consumers are able to shop around to choose what best suits their particular circumstances, including service level and price. If childcare providers were allowed more flexibility in the level of services they provided, some parents may select a low cost in-home high ratio service. Others may prefer low ratio, heavily supervised care. Other choices may involve operating hours, level of qualifications, food services, and restricted age limits. Such liberalization of the NQR would lead to greater competition, reduced prices, and allow parents to make their own decisions on what is appropriate to the child, rather than a distant regulator.

National Quality Framework

15. The NQR has undoubtedly had a negative impact on the cost and availability of childhood and early learning, particularly as there was no apparent problem with the generally ad-hoc, unregulated system which preceded it. That system allowed a large range of choice and flexibility for parents, with readily available services and affordable prices.

16. As already submitted, there is a good case for moderating the Regulations. At the same time, the States and Territories could do more to remove the inconsistencies which exist, such that the so-called "National" framework became the same for all jurisdictions. For example, there are currently four different pre-school entry ages. These vary from five years at 1 January (SA; Tas), 30 April (Vic; ACT), 30 June (Qld; WA; NT) and 31 July (NSW). This situation is not uncommon in our Federal System of Government, but it does lead to higher compliance costs for no good reason.

Robert Ludlow

22 December 2013