

Submission
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. The inquiry was directed to consider:

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. Hours parents work or study, or wish to work or study
 - b. The particular needs of rural, regional and remote parents, as well as shift workers
 - c. Accessibility of affordable care
 - d. Types of 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. The role and potential for employer provided care
 - f. Usual hours of operation of each type of care
 - g. The out of pocket costs of child care to families
 - h. Rebates and subsidies available for each type of care
 - i. The capacity of the existing child care system to ensure children are transitioning from child care to school with a satisfactory level of school preparedness
 - j. Opportunities to improve connections and transitions across early childhood services (including between child care and preschool/kindergarten services)
 - k. The needs of vulnerable or at risk children
 - l. Interactions with relevant Australian Government policies and programmes.
3. Whether there are any specific models of care that should be considered for trial or implementation in Australia, with consideration given to international models, such as the home based care model in New Zealand and models that specifically target vulnerable or at risk children and their families.
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.

5. The benefits and other impacts of regulatory changes in child care over the past decade, including the implementation of the National Quality Framework (NQF) in States and Territories, with specific consideration given to compliance costs, taking into account the Government's planned work with States and Territories to streamline the NQF.¹

FamilyVoice Australia has had a longstanding interest in policies that affect Australian families. It has a growing supporter base, currently of 13,000 people Australia wide.

We are pleased, in the following submission, to address the issues related to early childhood education and childcare raised in the Productivity Commission Issues Paper—Childcare and Early Childhood Learning—released in December 2013.

The closing date for submissions is 3 February 2014.

2. General principles

Before addressing the detailed terms of reference with their underlying unstated assumptions, it is important to consider some basic principles that apply to government funding of families and the care of children.

2.1 *Family is the basic group of society*

Families are the basic group of society. They are responsible for socialisation, economic activity, emotional nurturing and reproduction, all of which are essential for a functioning society. The Australian Bureau of Statistics provides a workable definition of family as “a group of two or more people that are related by blood, marriage, adoption, step or fostering who usually live together in the same household”.²

David Canning, Professor of Economics and International Health from the Harvard Institute for International Development, argues the importance of families in society. He states:

“The family is one of the most robust institutions in existence. It survives when all other social relationships disintegrate. However, in addition to the overall fragility of a society without families, we feel a deeper unease”.³

The Universal Declaration of Human Rights (UDHR) and the International Covenant on Civil and Political Rights (ICCPR) internationally recognise the importance of the family. The UDHR Article 16(3) states: “The family is the natural and fundamental group unit of society and is entitled to protection by society and the state.”⁴ The ICCPR also states this principle in article 23.⁵

Two essential roles of the family unit are reproduction and effective child rearing. Senior Fellow of the Centre for Independent Studies, Barry Maley argues:

“Apart from providing personal satisfaction for its members, the family performs the social function of maintaining or increasing the size and quality of the population. The family can be considered successful as a social institution only if:

- (i) families produce enough children to maintain or increase the population of society
- (ii) families effectively rear and socialise their children so that they fit into the culture.”⁶

Maley reinforces the idea that families have an important role to play in both increasing the population and integrating children into productive society.

The role of socialisation in the family unit is important. The family is the first exposure children have to social settings and it is through the family that social skills and acceptable behaviours develop. This socialisation at home equips children to integrate and interact within society in an acceptable manner and to contribute within society. The importance of this process of socialisation should not be ignored. Without the role models of parents to learn these skills, children would find it near impossible to survive.

Families provide emotional support and nurture that are essential for healthy development. The first exposure to love and nurture comes from the family unit and from this process important emotional bonds are created. Deprivation of emotional support from the family unit in the early stages of life can lead to children who are immature, insecure and educationally adrift.⁷

American Philosopher Michael Novak recognises the importance of the emotional support and nurture in the family unit. He states:

“The role of a father, a mother, and of children with respect to them, is the absolutely critical centre of social force. Even when poverty and disorientation strike, as over the generations they so often do, it is the family strength that defends most individuals against alienation, lassitude or despair”.⁸

The survivability of the family unit regardless of circumstance makes it an essential foundation of society. The way in which a family operates within the time regardless of social context is one of the key qualities that make a family different from most other social groups. Add to this its ability to reproduce and ability to assist in the socialisation of children combine together to make it the fundamental group of society.

Recommendation 1:

Any provision of government support for raising children should recognise the family as the fundamental group unit of society that has primary responsibility for bearing, raising and socialising children to become productive members of society.

2.2 Family is the fundamental economic unit of society

The family is not only the basic social unit of society; it is also the fundamental economic unit. This is apparent across society and over time. Families are economic units; they share resources internally and expend resources as a single unit externally with society. This concept has been standardised by Nobel Prize winner in Economics Becker, who argued for the household acting as a single decision-maker.⁹

Within the family, there is the sharing of food, bills, utilities, shelter and resources. This means that the income earners provide for the household and sharing of the costs of living together occurs. When financial decisions are made within the family, the vast majority of the finance goes towards mutually beneficial items such as housing, food and transport – these three categories alone taking up 51% of the average expenditure of households.¹⁰ The income-pooling hypothesis describes this income sharing within a family. This has largely been a staple economic principle since the 1970’s.

Even in recent times, when the income-pooling hypothesis has come under attack, a 2009 Australian study found that “that rejection of income pooling may in fact be driven by mis-specification of the

Engel curve rather than by failure to pool income.”¹¹ In other words, they have mis-specified their household expenditure versus household income graphs. This study was particularly looking at young adults’ increasing tendencies to co-reside with their parents, and how their increasing independence affected economic models. However they also applied their “tests to income pooling between husbands and wives and find that pooling holds for most categories”.

The Australian 2009 tax review summarised the main arguments for whether the family or the individual should be considered as the main tax unit:

“Some people consider that using the family as the unit of taxation better reflects the ability to pay of individuals in a family. Others argue that the individual unit of taxation avoids specifying what is a suitable family structure for tax purposes and promotes the autonomy of individuals within a family, particularly secondary earners.”¹²

It is certainly true that the family as a whole is better able to pay than any one individual within one such family. Almost all dependent children - 17.6% of Australia’s population¹³ - and even some “non-dependent” children are not able to pay for any expenses, and the rest may only pay for a small portion. Single parent families only have one person who could individually handle expenses, and they comprise 15% of all families¹⁴. Single income families where the wife does not work also only have one person who could individually handle expenses, and they comprise of 11% of couples with dependants.¹⁵ Double income families more often than not have the woman working part-time and therefore not being able to pay as much as the full-time worker.¹⁶ The main demographic left is retirees and single independent adults, for which there is also no good reason why these groups should not also be treated as ‘families’ for tax purposes.

The second argument, that the “individual unit of taxation avoids specifying what is a suitable family structure”, is completely inaccurate. The hidden specification of individual taxation is that families are a group of disconnected individuals that do not share their lives or resources. By taxing each individual within a family structure that has one main income stream, with the other family members relying on him or her, the individual who earns the main income receives taxation at the highest rates. In contrast, a family structure that has multiple income streams finds great favour in this scheme, being able to access the tax-free threshold and lower tax rates multiple times. Not only that, but through the Child Care Rebate, generally only accessed by multiple income families, the individual unit of taxation now dramatically favours this particular family structure.

The third argument, regarding the promotion of “autonomy of individuals within a family, particularly secondary earners”, is an unwelcome intrusion into the internal affairs of families. The role of government is to serve the interests of families, not to pressure families to serve the interests of government. Families should be free to choose how they generate their pooled family income, without government pressure for “individual autonomy”. Couples who view themselves not as disconnected “autonomous individuals” but as a “mutually dependent unions” may consider such government pressure both intrusive and offensive.

Families commonly pool their income and pay expenses as a single unit. Breaking up families into individual units for taxation purposes ignores the reality of families functioning as economic units. This not only breaks up families for tax purposes, but also breaks up families in their social context, placing unwelcome restrictions on how they arrange their affairs.

Recommendation 2:

The Australian taxation system should recognise each family as an economic unit and allow pooled family income to be shared among family members for income tax purposes.

2.3 Parenting benefits should be equal

The role of unpaid work in the home is an essential part of the overall economic activity of the family. However, some economists perceive unpaid work as having little or no economic value. They say that improving the economy is only achievable when both parents are paying taxes and are partaking in paid work.¹⁷ This view undermines the importance of unpaid work and ignores the reality that the family is the fundamental economic unit of society. Maley 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”.¹⁸

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”.¹⁹

As Maley notes, GDP is not the best measure of output as it ignores unpaid work, community work and other activities that contribute to society. GDP also fails to recognise the importance of socialisation and care of children within the home.

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. They note that the 2010 Senate report on Paid Parental Leave (PPL) omitted any reference to the value of unwaged family, child-care and community services. Byrne and Harvey state:

“This omission implies an assumption in both reports that the unwaged work done principally by mothers (but also by some fathers) in the home has no economic value. Rather, the prevailing trend in economic analysis assumes that the economy is best stimulated when both parents are in paid work and paying taxes”.²⁰

Byrne and Harvey 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.²¹ This is an important observation and reinforces Maley’s view that measuring economic output as GDP ignores important contributions made to society by parents (and others) who undertake unpaid community and household work.

The government should have a policy of neutrality for parenting benefits and recognise that families are best placed to make appropriate decisions for themselves. Current family benefits are not equitable, since different families with the same number of dependents are not treated equally.

Different families will make different parenting choices, for example:

- a husband working overtime so his wife can provide home-care for their children;
- a wife working part-time so her husband can help with their children; and
- a couple running a family company so they can work together.

Many families will make different choices at different stages of their lives, for example:

- during early married life, both partners may work;
- when caring for an infant, a husband may work fulltime, while his wife provides fulltime care for their infant(s) at home;
- when a couple has school-age children, the husband may work fulltime and his wife work part-time; and
- childless couples and “empty nesters” may have both husband and wife working full-time.

Governments should treat all families in similar situations in the same manner. For example, a family that chooses to provide home-based care for their children should be entitled to the same benefits as a family that chooses to use childcare while both parents have fulltime employment. Governments should remain neutral regarding childcare choices made by families.

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.”²²

Most respondents (77%) answered that mums should get the same amount of government funding regardless of employment status.²³

Similarly, in a 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

The data from both of these polls reflect a common belief: the Australian public supports equality for all women regardless of employment status.

Recommendation 3:

Government-funded family benefits should embody the principle of government neutrality. Families should have the freedom to make their own decisions about employment and childcare – without government pressure. Equal benefits should be provided to families that make different decisions about balancing home and work responsibilities.

2.4 Provide parenting benefits to parents

Consumer choice is the ability for consumers “to choose among competing products and services”.²⁵ This has the advantage of allowing the consumer (in this case, a family) to make the best decision possible, free from government interference. This is a principle that should be applied to parenting choices: let the parents decide what is best for their family.

The 2009 report, *Australia's Future Tax System Review*, favours funding parents as opposed to child care providers. One section of the report addresses the question: “What is the role of child care assistance?” The conclusion is that funding parents directly provides “a number of advantages”.²⁶

Firstly, it “allows parental needs to drive where child care centres are established and the type of care available”. More broadly speaking, it allows other choices to be made as needed, such as a choice to contract a special carer for disabled kids, to employ a qualified nanny, or to care for their own children at home.

Secondly, “the government does not have to determine where child care centres should be located or which ones should receive additional funding.” Furthermore, the government would not have to spend resources at all on the area of childcare or other related services if they were not the primary funding agent of these services. Regular market forces can already provide satisfactory outcomes for whatever parents need.

Thirdly, “providing funding directly to parents allows for better targeting of assistance to particular groups of parents and children based on their individual characteristics.”

Providing parenting benefits to parents also reinforces the important concept of government neutrality. Families receiving benefits can make decisions for themselves in the best interests of their children. Institutional childcare subsidies undermine consumer choice by favouring one option over others. Parents should be given the opportunity to choose how parenting benefits are spent.

Recommendation 4:

Parenting benefits should be provided directly to parents, so they can freely choose their own childcare options in the best interests of their children in their particular situation. The market can then respond to parental demand with childcare options that best meet the needs of parents.

2.5 Provide parenting benefits as tax rebates

High taxation and excessive welfare services lead to market inefficiency. Therefore reducing tax levels and welfare services is one key way to increase efficiency. The large administrative costs of collecting taxes and delivering welfare services can be substantially reduced by providing family benefits through income tax rebates. The more money that stays with the family, the less that is lost through “tax-welfare churn”—the practice of taxing people then returning those taxes in the form of welfare payments.²⁷

The significance of tax-welfare churn should not be underestimated. Andrew Baker, Policy Analyst at the Centre for Independent Studies (CIS), observes:

“Of the \$316 billion spending on the welfare state, approximately half, or \$158 billion, can be attributed to tax-welfare churn”.²⁸

The cost of administering \$158 billion of tax-welfare churn must be economically significant. Reducing this wasteful churn should achieve billions of dollars in savings. One way of reducing tax-welfare churn would be to replace all government expenditure on childcare with rebates to taxpayers.

Currently in Australia, a wide range of parenting and child related payments are available to parents. These benefits include the Family Tax Benefit (FTB), Paid Parental Leave, Schoolkids Bonus, Child Care Benefit and the Child Care Rebate.²⁹ CIS Senior Fellows Peter Saunders and Barry Maley recommended reforming this system by raising income tax thresholds and introducing a non-means tested Child Tax Credit to replace the current means-tested family payments.³⁰ This would amount to

several thousand dollars per child per year. The aim is to make it easier for families to use their own money to raise their children.³¹ Helping families to be self-supporting is a worthy goal.

Recommendation 5:

Reduce the wastage associated with tax-welfare churn and help families to be self-supporting by replacing the existing system of childcare subsidies and benefits with a single income tax rebate for all families raising children.

2.6 Provide welfare support to the needy

A clear distinction should be made between self-supporting families with a taxable income earned by one or more members and those families with little or no income.

Self-supporting families can be helped with the cost of raising children, through a significant tax rebate during the years when the children are dependent on their parents. This should be considered an entitlement and be administered through the taxation system.

A tax rebate is of no value to families with little or no income, since they pay no income tax. Such families should be assisted through the welfare system, applying the principle of mutual obligation:

“[I]t is fair and reasonable to expect unemployed people receiving income support to do their best to find work, undertake activities that will improve their skills and increase their employment prospects and, in some circumstances, contribute something to their community in return for receiving income support.”³²

Recommendation 6:

Families with little or no income should be assisted through the welfare system, applying the principle of mutual obligation.

3. Specific questions raised

3.1 Options for reform of childcare funding and support

Question 1: *Should support be paid directly to parents, direct to ECEC services or some combination of these?*

Providing childcare and early childhood education services directly to parents has several advantages, as described in section 2.4 above: “Provide parenting benefits to parents”:

- Supporting parents directly gives them consumer choice and allows them to choose the childcare solution most appropriate to their needs.
- Parents can then choose different childcare solutions at different times and for children with different needs.
- Childcare providers can respond to the needs of parents, rather than government-planned services that may not suit parents.

Recommendation 7:

Payments for childcare and early childhood education services should be made directly to parents, so they can freely choose the best options for their children in their particular situation. The market can then respond efficiently to parental demand.

Question 2: *Is there scope to rationalise and streamline the many types of funding provided by the Commonwealth or state/local governments?*

The current system for funding childcare and early childhood education services is both inefficient and wasteful.

Inefficiency arises from providing much of the funding to service providers, rather than consumers. Service providers may respond more to government-imposed rigidities, rather than the needs of parents. Funding parents directly would foster greater efficiency as the market allows service providers to respond to the needs of parents.

Waste arises from tax-welfare churn, as outlined in section 2.5 above “Provide parenting benefits as tax rebates”. Providing benefits as tax rebates for tax-paying families would eliminate the administrative overhead of managing government-funded childcare and early childhood education services.

Recommendation 8:

Rationalise and streamline the funding of childcare and early childhood education services (a) by providing benefits directly to parents, not service providers and (b) by providing benefits as tax rebates, not cash payments, thereby reducing tax-welfare churn.

3.2 Access to affordable, high quality child care

The Productivity Commission has been asked to address: “The contribution that access to affordable, high quality child care can make to ... optimising children’s learning and development.”

Evidence increasingly suggests that institutional childcare may not deliver better learning and development opportunities than that of a parent caring for their own child. Risks of undesirable outcomes cannot be overlooked. Some studies have found that children exposed to long-day institutional care can be withdrawn, disruptive, insecure, or even intellectually stunted.

Cultural commentator Bill Muehlenberg says:

“The largest long term study, which began in 1991, conducted by the National Institute of Child Health and Human Development found that the longer the hours a child stays in day care, the more aggressive, disobedient and difficult to get along with they become.”³³

Dr Peter Cook, a retired Sydney child and family psychiatrist and author of a book on *Early Child Care*,³⁴ comments that current childcare policy partly relies on the “discredited ideology of cultural determinism, which denied the relevance of biology to human behaviour, arguing that mothers can be largely replaced by trained carers.”³⁵

In terms of development, adequate breastfeeding is either difficult or impossible in institutional childcare. Yet breastfeeding affects babies’ development, immune system and health.³⁶

The worthy goal of “optimising children’s learning and development” can be achieved by home-based early childhood care. And some parents provide for their children’s ongoing development through home education.

As discussed in section 2.3 above on “Parenting benefits should be equal”, governments should have a policy of neutrality for parenting benefits and recognise that families are best placed to make appropriate decisions for themselves. Access to affordable, high quality *home-based* childcare is just as important as access to institutional childcare. Governments should provide equal financial support to parents choosing home-based childcare as to those choosing institutional childcare—they should not show favouritism.

Recommendation 9:

The principle of government neutrality should be paramount in provisions for childcare. Home-based care should be supported to the same extent as institutional care. Families should have the freedom to make their own decisions about employment and childcare – without government pressure. Equal benefits should be provided to families that make different decisions about balancing home and work responsibilities.

3.3 The current and future need for child care in Australia

3.3.1 Hours parents work or study, the needs of rural parents and shift workers

Governments do not need to attempt to understand each individual parent’s desires, nor to subsidise differently, based on different factors like these. This would only lead to endless laws, regulations and inefficiency. For recipients, this would lead to unwanted government encroachment into personal lives.

By adopting a policy of government neutrality and providing the same benefits directly to all families in similar situations, the morass of different family needs and desires can be avoided. Parents know their individual situations, which change over time and as circumstances change, and are best placed

Recommendation 10:

Governments should not try to devise bureaucratic solutions to meet the needs of parents in a multiplicity of different situations. Equal benefits should be provided to all families with similar dependents so they can make their own decisions about balancing home and work responsibilities.

3.3.2 Rebates and subsidies available for each type of care

The terms of reference of this inquiry identify, in part 2(d) of the Scope of the Inquiry, numerous types of child care “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”.

Detailed consideration of the multiplicity of types of child care is not needed if all parents are equally funded to arrange the type of child care that best suits their needs at any given time.

Recommendation 11:

Governments should not try to analyse the myriad of different types of child care that could be provided. Equal benefits should be provided to all families with similar dependents so they can make their own decisions about kind of childcare that best their circumstances and any given time.

3.4 Specific models of care for trial or implementation in Australia

Item 3 of the Scope of the Inquiry asks:

“Whether there are any specific models of care that should be considered for trial or implementation in Australia, with consideration given to international models, such as the home based care model in New Zealand and models that specifically target vulnerable or at risk children and their families.”

3.4.1 Finland

Finland supports mothers raising their children at home. Under the Finnish system, the government pays a homecare allowance to any parent who stays at home to care for their children without using state nurseries. This program has a monetary value of 40% of female earnings, which is not an inconsequential amount. The allowance is a wage for parents who stay at home to raise their children and to subsidise lost income due to loss of work. The income can also be used to subsidise childcare services that have been purchased by the parent from sources such as grandparents or neighbours.

Sociologist Catherine Hakim notes that these schemes have been highly popular with both policymakers and parents alike, with similar schemes being introduced into Norway and being recommended for British parents.³⁷ As Hakim states:

“The majority of parents prefer to care for their babies and young children themselves rather than placing them in nurseries. Most mothers prefer to delay their return to work and have more time at home with small children. All recent government surveys on parental preferences have shown this”.³⁸

Furthermore, making payments to parents who stay home to look after their children recognises the value of parental based childcare. This option could be explored in Australia. It would give parents the choice, if desired, to stay at home and raise their children.

3.4.2 Germany

Germany has also recently introduced a scheme that provides parenting payments to parents who care for their children at home. Under this newly introduced scheme, parents with infants aged between 13 and 36 months are eligible for a payment of 150 Euros a month.³⁹

The scheme also allows parents to use the money to pay for grandparents, relatives or private nurseries to look after their children if they choose to return to the workforce. Like the Finnish system, the advantage of this payment method is that it returns the choice to the parents and does not disadvantage the mother who wishes to stay at home and raise her children.

Germany also has an income splitting tax system for couples. This system recognises the work done by fulltime homemakers through aggregation of the earnings of the spouses, which is then split into two halves to calculate the tax due from each spouse. As Hakim states:

“This system reflects the idea that the earnings of a single breadwinner belong equally to both spouses just as the household work and care work of the at home spouse benefits both spouses equally”.⁴⁰

This system is equitable because it allows couples to choose their division of labour without any tax-based penalties. Furthermore, this system allows the home-based spouse to be duly recognised.

3.4.3 France

France, like Germany, also has a taxation system that recognises the significance of the family in society and makes the option of one fulltime home-based parent more financially feasible. The “French quotient system” splits the family income between all members of the family.⁴¹ The system taxes all family members jointly, with division of the family income into a number of parts depending upon family size. Taxing family members separately minimises the impact of the higher tax rates associated with higher income levels.⁴²

The French system of taxing the family as a whole is significant because it recognises society’s fundamental social unit as an economic unit for tax purposes. This system removes the inequity of taxing single income families more heavily than dual income families.

France’s social security system also takes into account the importance of the family unit and provides payments to parents to allow them to stop working or to work less in order to look after their child. The supplement for free choice of working time (CLCA) and optional supplement for free choice of working time (COLCA) are the two benefits that directly address parents staying at home to look after their children.

This [CLCA and COLCA] non means-tested allowance is intended to allow a parent to stop working or work less in order to look after their child. It is paid either as a separate benefit or, when the parent fulfils the income conditions, on top of the basic allowance. It is payable as of the first child and is conditional on the parent having worked for at least two years during a given period which will depend on the child’s order of birth in relation to their siblings.⁴³

The CLCA and COLCA supplements are examples of the French government recognising the importance of the family and creating social policy that enables a parent to stay at home and raise their children. By removing some of the economic constraints, families are enabled to make informed decisions about what is best for their families.

3.5 Enhancing the choices available to Australian families

Item 4 of the Scope of the inquiry concerns:

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.

As discussed in section 2.4 above “Provide parenting benefits to parents”, the choices available to Australian families would be maximised by paying parenting benefits directly to families, so they could choose the parenting solution(s) most suitable to their individual family circumstances.

Subsidies to childcare providers bypass parents and undermine their ability to make choices tailored to their individual family circumstances. These provider subsidies should be abolished and replaced by benefits to parents, thereby enabling parents to make their own choices.

Item 4 of the Scope of the Inquiry also concerns:

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.

The most efficient mechanism for helping families in diverse circumstances care for their children would be to make benefits in the form of income tax rebates, as discussed in section 2.5 above “Provide parenting benefits as tax rebates”. Tax rebates have several advantages:

- They encourage family self-sufficiency.
- They reduce the wastage associated tax-welfare churn.
- They maximise flexibility, giving parents complete control over how best to provide for the care of their children.

Recommendation 4:

The choices available to Australian families, regarding how they care for their children in a manner most suitable to their circumstances, should be maximally enhanced by paying benefits directly to the parents.

Childcare benefits should be provided to parents as income tax rebates, since this mechanism enhances flexibility, encourages family self-sufficiency and reduces government waste due to tax-welfare churn.

4. Conclusion

The family is the fundamental social unit of society. Families provide the love, nurture, care, support, provision and upbringing that children need. Children learn acceptable behaviours in families so they can grow into responsible participants in society.

The family is also an economic unit, where resources, shelter, food and skills are shared for mutual benefit.

Governments should remain neutral regarding the decisions families make about childcare and early childhood education for their children. An unfair taxation system should not pressure families to place their child into institutional childcare. Instead, families should be able to make their own choices, as they are best placed to know their own circumstances at any given time.

Families should be given maximum flexibility in determining their preferred childcare arrangements by providing family benefits directly to parents and ending subsidies of childcare providers. Economic efficiency should also be maximised by providing family benefits as income tax rebates, thereby reducing the waste accompanying tax-welfare churn.

The family support systems implemented by France, Finland and Germany recognise the family as a vitally important economic unit. They allow families the choice of having one parent stay at home to raise their child. They recognise the economic value of the work done within the home by the mother or father and the substantial contribution that this makes to society. These family support models should be carefully considered for introduction to Australia.

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