

**Response to the Discussion Paper
on the
Review of
Child Care Budget Based
Funding Program**

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SUBMISSION OF THE
SHOP DISTRIBUTIVE & ALLIED EMPLOYEES ASSOCIATION
TO THE
SENATE COMMITTEE

**Response to the Discussion Paper on the Review of
Child Care Budget Based Funding Program**

1. The Shop, Distributive and Allied Employee's Association (SDA) is Australia's largest trade union with approximately 212,000 members. The majority of these members are young people and women. Registered in 1908, the SDA has coverage of areas including retail, fast food, warehouse, drug and cosmetic manufacturing and distribution, hairdressing, pharmacies and modelling.
2. We thank the government for the opportunity to comment on the Discussion paper.
3. **We start from the position that in the provision of child care services and assistance the primary goal and concern of the government must be the welfare and best interests of the child concerned.**
4. **Government has a responsibility to ensure BBF services deliver quality outcomes for children.**
5. **Child care is a critical issue for families. Children are central to most families.**
6. **In the provision of formal child care services, a range of principles should be applied.**
7. **As the top priority, the needs of the child must be the paramount concern.**
8. **Provision of child care must be primarily based upon the needs of the child.**
9. While many families need to utilize care, and child care can be a productive experience for children a balance needs to be maintained.
10. Most parents who do access formal child care, tend to limit their usage of it. Of all children receiving formal care most do so for about 2 days per week. Only a relatively small number utilize it for 35 hours or more in a week and very few utilize it for 45 hours or more each week. There are clearly a range of factors at play here.

11. There is a clear relationship between the age of children and whether they are in any sort of formal child care arrangement at all. The use of formal child care for very young children is low, with only a small minority of children less than one year of age receiving such care.
12. These facts are hardly surprising given that an increasing amount of evidence is emerging to suggest that child care, especially for very young children is not desirable.
13. The OECD Report, "The Child Care Transition", questioned the use of child care for children under 12 months, saying that child care which is too early and too long can be damaging.
14. "The younger the child and the longer the hours the greater the risk".
15. "In some instances and for some children, the long term effects may include depression, withdrawal, inability to concentrate and other forms of mental ill-health."¹
16. Early childhood expert Elspeth McInnes says that Australia is hampered because we treat childcare as a labour market device to allow parents to work rather than encouraging it to be a quality experience for children in its own right".²
17. It is therefore, not surprising that many parents, especially those with very young children, choose to not use at all, or use sparingly formal child care.
18. While many parents generally prefer to care for their own children where practical and possible in reality many parents cannot exercise such choice because the financial pressures upon them are such that they need to be engaged in the paid workforce.
19. Government must consider ways to make choice a realistic option for more parents. This must involve increased financial support to parents including an expansion of paid parental leave. It must also include a requiring of workplaces to provide greater support to parents via the adoption of family friendly workplace policies.
20. As such child care cannot be seen in isolation to other government policy.
21. **Child care must be accessible and affordable to all families.**
22. While more than 700,000 families utilise formal child care, its high cost and limited supply in practice limits its availability.

¹ The Australian, 12/12/2008

² Op Cit

23. The cost of formal long day care for a child in full time care puts it out of the reach of most low income earners.
24. The government has an obligation to ensure that all parents can access accredited formal child care where they need or desire to.
25. The government already provides substantial assistance with child care costs through the provision of the Child Care Benefit and the Child Care Rebate.
26. The Child Care Benefit is paid on a means tested basis. The Child Care Rebate is a non means tested payment of 50% of out of pocket expenses of parents, up to a limit of \$7500 per child per year
27. Child care payments make a significant difference in respect of child care costs.
28. They do help many families access child care when otherwise they could not afford to.
29. However, for some parents, child care is not affordable, even with the Child Care Benefit
30. The levels of child care support payments should be increased for those in need.
31. However, irrespective of their income level, all parents using child care receive some level of government financial support. .
32. The Child Care Tax Rebate creates a level of inequity in the overall system as the major beneficiaries of this scheme are high income parents.
33. There should not be an obligation on the public purse to meet, in part or in full, the costs of child care for those who are on high incomes
34. **The Child Care Rebate should be abolished or at least restructured and means tested.**
35. **The level of financial support provided for parents by government should be income related.**
36. **Salary sacrifice for child care purposes is inequitable as the greatest beneficiaries are high income parents. Any move to extend Fringe Benefits Tax exemption to employer supported child care should be regarded in the same light.**
37. **Tax concessions for child care automatically benefit high income earners the most.**
38. **There should be no personal tax concessions relating to child care.**
39. **On the same basis tax deductibility of child care would deliver the greatest benefits to high income earners.**

40. Tax concessions also potentially could lead to a stratification of the child care system. Wealthy parents would pay more, knowing they could claim such costs on their tax. Over time this would lead to the children of high income families being grouped together in certain centres and the children of lower income families being grouped together in other centres.
41. During the 90's there was a shift from funding centered upon child care centres (operational subsidies and capital expenditure subsidies) to funding centered upon support for individual families (fee subsidies). This had the affect of reducing costs for low income parents, thus making child care more affordable for them. As such, the change in the structure of funding child care was progressive.
42. **A return to a system which incorporated operational subsidies would be regressive.**
43. **In the first instance child care payments should go to the parent.**
44. If the parent then elects that the payment be made direct to the centre then that is fine, but it should be the parent's choice.
45. Over two thirds (68%) of respondents to aFACS Family Tax Benefit and Child Care Benefit Survey indicated that they would prefer their Child Care Benefit paid as a payment directly to the provider, 6 per cent preferred to receive it as a claim at the end of the tax year, 21 per cent as reimbursements on receipts provided and 5% were unsure.
46. In the survey preference for regular fortnightly payments to the provider was related to income levels with higher income earners preferring tax system delivery of the payment and lower income earners desiring regular provider linked payments.
47. There is a need for government to better promote and explain what supports are available to parents.
48. Government support should be available for all forms of accredited child care.
49. **A set of quality standards, applicable to all service types of child care, needs to be established.**
50. **Such a quality focused system must have a mandatory link to child care assistance.**
51. If child care services do not meet and maintain minimum standards, they should not have access, directly or indirectly, to any financial support.
52. A key feature of quality provision is manageable ratios of carers to children, recognizing that child care is more than babysitting, and should deliver to the child a positive learning experience.

53. Quality learning experiences and proper care require trained and adequately rewarded staff.
54. **Child care provision needs to be properly planned**
55. While nationally it may be arguable that Australia has sufficient child care places, there are still areas of high local need, especially in rural and remote communities.
56. There is also evidence of a significant, unmet need in the before/after school, week end, part day and vacation care areas.
57. A significant unmet demand exists for non-work related occasional child care.
58. Australia appears to have both an over supply and at the same time an under supply of child care places; we have centres with waiting lists and centres with vacancies.
59. Much better planning of child care facilities is required.
60. This requires much better data collection and analysis.
61. In the provision of childcare there needs to be a proper planning process which links need and cost in order to ensure maximum return for investment in infra structure and to ensure children's services are provided where they are necessary and on an equitable basis for all families. Childcare facilities need to be established where there is real need.
62. **The well being and proper development of children, including the provision of child care, cannot be seen as isolated from other issues relating to government policy towards families and children.**
63. A considerable number of families are today facing substantial economic difficulties.
64. The government has a responsibility to ensure that all Australians have sufficient income, and where necessary, financial support to enable them to live decently and with dignity.
65. Having and raising children places great financial and social pressures upon parents and families.
66. According to the National Centre for Social and Economic Modelling, the typical Australian family in 2007 would have paid \$537,000 to raise a child from birth to age 21 years.³
67. The costs of children increase with their age and are also related to the overall family income and the attendant lifestyle of the family

³ AMP – NATSEM - AMP Income and Wealth Report, Issue 18, Anne Harding, NATSEM, December 2007.

68. The Australian Institute of Family Studies found that having one child reduced a woman's average lifetime income by \$162,000.⁴
69. A large number of Australian families are living below, or close to, the poverty line.
70. Families with children are more likely to be living in poverty than those without children.
71. The larger the family the more likely it is to be facing financial hardship. Those with three or more children are twice as likely as those with one child to be living in poverty.
72. A much larger proportion of families with children are living on incomes that are just above (less than 10% higher than) the relevant Henderson Poverty Line (HPL), suggesting that a more substantial proportion of families are at risk of poverty. Henderson regarded those with incomes of less than 20% above the HPL as 'poor'.
73. Poverty places families under enormous strains. The absence of adequate disposable income means that families may not be able to meet the basic needs of their members.
74. In turn this may well lead to social isolation, feelings of lack of control, low status and low self esteem.
75. NATSEM suggests that children born into socio-economically disadvantaged families:
76. often start with below average birth weight;
77. are likely to be less well nourished;
78. do less well in school;
79. are more prone to sickness - with inadequate emphasis on prevention;
80. are more likely to become overweight and do less exercise than other children.⁵
81. "Such children often start their lives with below average health, experience earlier onset of conditions and progression to more severe stages and, on average, die earlier than the rest of the population."

⁴ NATSEM-*Personal Investor Magazine*).

⁵ AMP-NATSEM Income and Wealth Report "Health and Income in Australia", Agnes Walker, Simon Kelly, Anne Harding, Annie Abello, April 2003

82. Ultimately, poverty and the resultant fall-out can lead to social alienation and division. Families or individuals in poverty are inimical to the development of a socially cohesive nation.
83. Growth in poverty has a deleterious impact upon families and the individuals therein. It leads to problems in areas such as community safety, educational achievements and health. Apart from the direct impact on the people affected, crime impacts upon the rest of the community in greater risks of danger, increased insurance premiums and greater costs in maintaining community and personal security.
84. The central theme of any coherent government approach to families must be to ensure that all families have an income sufficient for them to be able to live decently in dignity.
85. The provision of income support to families this should be seen by the government and the community as a long term investment in the future of the nation.
86. *"Social security is very important for the well-being of workers, their families and the entire community. It is a basic right and a fundamental means for creating social cohesion, thereby helping to ensure social peace and social inclusion. It is an indispensable part of government social policy and an important tool to prevent and alleviate poverty. It can, through national solidarity and fair burden sharing, contribute to human dignity, equity and social justice."*⁶
87. Low income families are very reliant upon adequate government payments to make ends meet.⁷
88. Without these payments many more families would be in poverty and many low income working families would be better off relying totally on social security. Public education and health services also play a hugely important role in income redistribution.
89. For SDA members and their families, an effective social welfare or social security system is critical.

⁶ International Labor Organisation, Report of the Committee on Social Security, Conclusions Concerning Social Security, 6 June 2001.

⁷ ABS Income Distribution - 6523 - 1999-2000.

90. Income support payments from government often make the difference between whether low income families can enjoy a basic but reasonable standard of living or otherwise.
91. Government payments have helped many low income families escape poverty. Nevertheless, there are still large numbers of Australians, many of them children, living below the poverty line.
92. As such, maintenance and improvement in our family payments and support structures is critical if large numbers of families are not to fall back into poverty and if those below the poverty line are to be given a better chance at a reasonable standard of living.
93. Within this context of overall government support for families and children, the provision of child care is a critical issue.
94. **A comprehensive quality based child care system with funding based on need will increase opportunities for families to participate in the system and by extension the paid workforce.**

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