

Childcare equation is simple: let X mark the spot where sense applies

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Social Services Minister Christian Porter needs to recognise the hamster wheel in front of his face. The wheel is government involvement in childcare.

More regulation and more spending but so little progress — apart from a massive bill for taxpayers, rapidly rising fees, increasing out-of-pocket costs for parents and a nice little earner for some alert entrepreneurs.

And don't you just love his summing up of the current problem: "The main issue here is finding a way to fund a very serious \$1.6 billion investment in childcare, which parents and families and mums are screaming out for."

He got one bit of that right — the parents and families and mums are screaming out for more fee subsidies to be paid for by other people.

Why wouldn't they be?

Now that senator Nick Xenophon and his team have thrown a spanner in the works by refusing to pass the omnibus bill that would fund the even higher outgoings on childcare (now running at \$8bn a year and slated to rise to about \$9bn a year in a few years), it is time for the government to return to the drawing board on childcare.

The first principle is that whatever changes are to be made, they must be contained within the same funding envelope and this envelope will increase only by the CPI.

The second principle is to establish what is really being achieved by the mooted changes. Is the government wanting to encourage women into the workforce or to work more hours or does it want to redistribute this form of government transfer to any even greater extent than is currently the case?

To my mind, picking up 85 per cent of the cost of childcare for low-income earners is excessive. But make up your mind.

The third principle is that fee subsidies (it doesn't matter what you call them) must be linked to an activity test and this test must be applied rigorously. Work, study, training or looking for a job are fine, but not dropping the kids off just so someone else can look after them.

Finally, the idea of the reference price (\$11.55 an hour) as the basis for setting subsidies might sound like a way of controlling the future growth of fees, but because this figure is relatively high, expect all those childcare centres with lower fees to jack them up to this limit very quickly.

This will simply blow out government funding on childcare even more.

So Senator X may have knocked back the childcare package for the wrong reasons, but blocking the misguided extra spending on childcare is no bad thing at this stage. (I'm happy to accept the savings, of course.)