# INQUIRY INTO
# THE PROVISION OF CHILDCARE

***SUBMISSION BY***

*SHOP, DISTRIBUTIVE & ALLIED EMPLOYEES' ASSOCIATION*

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# INTRODUCTION

The SDA is Australia's largest, single trade union with a membership of over 217,000 workers. The SDA covers workers in retail, fast food, wholesaling, hairdressing, modeling, warehousing and the drugs industry.

The majority of SDA members are women and over half are aged 25 years or younger.

The workers in the industries covered by the SDA are generally regarded as low income workers and consequently, SDA members are generally low income workers.

**Most Australians live in families and most think those families are important. Therefore, the government must be prepared to place families at the centre of all policy development. Children are central to most families.**

In our view, policy and action in all areas should be underpinned by a commitment to the following core principles:

- recognition that the family is the fundamental group unit of society;
- a standard of living consistent with human dignity is a fundamental right of all Australians;
- support should be provided by government to families on an equitable basis with priority given to low income families;
- poverty is abhorrent and completely unacceptable;
- respect for the various choices families make in respect of work and caring for family members;
- easy access for all families to the various types of support open to them.

## CHILD CARE

**Child care is a critical issue for parents**.

The approach by government to the issue of child care should be within the broader context of the overall approach to family policy. Children are central to most families.

**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.**

Only in this context can the financial, social and industry impact of the collapse of ABC Learning be properly analysed.

A considerable number of families are today facing substantial economic difficulties.

**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.**

Having and raising children places great financial and social pressures upon parents and families.

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. [1]

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

For a low income family today, the average cost of raising a child ranges from $65 per week for a child aged 0-4 to $260 per week for an 18 to 24 year old.

The comparable costs for a middle income family are $132 per week and $367 per week. High income families pay even more.

The costs of children increase with their age and are also related to the overall family income and the attendant lifestyle of the family

The Australian Institute of Family Studies has found that having one child reduced a woman's average lifetime income by $162,000.[2]

A large number of Australian families are living below, or close to, the poverty line.

Families with children are more likely to be living in poverty than those without children.

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.

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'.

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.

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[2] *NATSEM-Personal Investor Magazine).*

In turn this may well lead to social isolation, feelings of lack of control, low status and low self esteem.

The Australian Bureau of Statistics in Australian Social Trends 2007 reports upon the impact of financial stress upon families. The report shows that low income people experience very different living conditions compared to the rest of the community. It reports that:

- 52.1% of low income people are unable to raise $2,000 for something important in a week compared to 8.6% of all others;
- 37.8% of low income people can not pay electricity, gas or telephone bills on time compared to 7.8% of others;
- 13.5% of low income earners can not pay for car registration or insurance on time compared to 4.6% of others;
- 8.9% of low income people are unable to heat their home compared to 1.2% of all others;
- 11.8% have gone without meals compared to 1.8% of others;
- 11.7% of low income people have pawned something compared to 2.3% of all others;
- 26.4% of low income people have sought financial help from friends or family compared to 7.8% of all others; and
- 14.7% of low income people have sought assistance from welfare or community groups compared to 1.2% of all others.[3]

NATSEM suggests that children born into socio-economically disadvantaged families:

- often start with below average birth weight;
- are likely to be less well nourished;

[3] The Age, Wednesday,8 August, 2007

- do less well in school;
- are more prone to sickness - with inadequate emphasis on prevention;
- are more likely to become overweight and do less exercise than other children.[4]

"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."

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.

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.

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.

Australia Fair released figures in October 2007 which showed that the proportion of people living in poverty grew from 9.8% in 2003-04 to 11.1% in 2005-06.

The figures show 2.2 million Australians living below the poverty line. The median income was $281 per week. Many retail workers earn less than these amounts.[5]

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

In July 2008 there were 1,171,900 households below the poverty line. This comprised 2,151,300 people of whom 394,000 were children.

It also comprised 149,900 working poor households comprising 429,500 people of whom 89,700 were children.[6]

Of all working households, approximately 20% have incomes which are below the poverty line.

Poverty is not just absolute; it is also relative. People whose standard of living is significantly below the norm for society will always be poor, in at least relative terms, and be regarded as such.

Inequality in wealth is substantial and growing.

Australia's rich households are acquiring an even greater share of the nation's wealth pie as the gap between the have-mores and the have-nots continues to grow.

Australian Bureau of Statistics figures show that 61% of Australian households' wealth is owned by the richest 20% of households while the bottom 20% of households own just 1% of the nation's total wealth.

The top 2% of Australian households has, on average, $1.7 million in net assets whereas the bottom 20% have on average $27,000.

The figures also show that where the real disposable income of low and middle income households grew by 8% since the last survey was conducted in 2003-4, the real disposable income of high income earners grew by 10%.

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[5] Australia Fair News, 23 October 2007
[6] Working (Poor) Families, A Payne, NATSEM, July 2007

All families should have sufficient income so that they can survive and make basic lifestyle choices.

Substantial wealth disparities make such outcomes impossible. The policy orientation of government should not be just to aid wealth creation but also to ensure that the wealth which is created is used as necessary to ensure a fair go for all families.

The well-being of families is crucial to the well-being of the nation.

As such, there is an overwhelming need for government to put in place strategies to support families.

Such strategies must be designed to build social capital by promoting families and extending their capacity to function effectively.

This approach must include within it a commitment by government to place the well being of children within families as the pivotal concern.

The provision of income support to families to allow them to effectively carry out their functions, should not be seen as providing welfare.

Rather, this should be seen by the government and the community as a long term investment in the future of the nation.

*"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.*" [7]

In a paper presented to the 7th Australian Institute of Family Studies Conference on 26 July, 2000, NATSEM (The National Centre for Social and Economic Modeling) showed clearly that introducing and then increasing payments to low-income working families with children has been a resounding social policy success.[8]

NATSEM shows that government initiatives in regard to increasing family support payments and in improving access to education and health services for all members of the community during the 1980's, significantly ameliorated the financial position of many low income families, especially for those with dependent children.

Low income families are very reliant upon adequate government payments to make ends meet.[9]

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.

For SDA members and their families, an effective social welfare or social security system is critical.

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.

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[7] International Labor Organisation, Report of the Committee on Social Security, Conclusions Concerning Social Security, 6 June 2001.
[8] Social Policy Matters, The Changing Face of Child Poverty in Australia: 1982 to 1997-98, Anne Harding and Aggie Szukalska, NATSEM, University of Canberra.2000

[9] ABS Income Distribution - 6523 - 1999-2000.

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.

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.

Within this context of overall government support for families and children, the provision of child care is a critical issue.

In the provision of formal child care services, a range of principles should be applied.

**As the top priority, the needs of the child must be the paramount concern.**

**Australia must develop a model for the provision of child care based upon the needs of the child.**

**The provision of affordable, high quality children's services on an equitable basis should be a key plank of government policy.**

Australia needs a thorough overhaul of the current child care system which has fallen into disrepair and disrepute in recent years.

**A set of quality standards, applicable to all service types of child care, needs to be established.**

**Such a quality focused system must have a mandatory link to child care assistance.**

If child care services do not meet and maintain minimum standards, they should not have access, directly or indirectly, to any financial support.

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.

Quality learning experiences and proper care require trained and adequately rewarded staff.

While more than 700,000 families utilise formal child care, its high cost and limited supply in practice limits its availability.

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.

There is also evidence of a significant, unmet need in the before/after school and vacation care areas. A significant unmet demand exists for non-work related occasional child care.

**Much better data collection and planning of child care facilities is required.**

Whilst there may be a place for private providers in the system, it needs to be recognized that it is simply not desirable nor acceptable for child care facilities to be treated as just another form of business.

Quality affordable care must be the paramount concern and this runs counter to the desire to achieve maximum profits.

**The government has an obligation to ensure that all parents can access formal child care where they need or desire to.**

**This requires greater financial support to those who need it.**

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.

Most informal child care is provided free of charge but formal child care is costly. To help parents meet costs, the government provides a level of financial support.

In July 2000, the government introduced the Child Care Benefit which replaced the Childcare Assistance payment and the Child Care Cash Rebate.

This payment is means-tested; to a point.

However, irrespective of the income level, all parents using child care receive some level of government financial support.

For 65% (1,015,300) of children, the weekly cost of child care is less than $20 (this includes all those children for whom there is no cost associated with their care). For 8% of children the weekly cost is over $100. [10]

In 2006 ACOSS estimated the median gap fees as $50 per week for long day care, $27 per week for Family Day Care, $13 per week for pre school services and $22 per week for outside school hours care. [11]

[10] Op Cit

[11] ACOSS Info 383, February, 2006

Whilst recognizing that recent changes have made child care funding more progressive, wealthy parents still receive the benefit of the child care tax rebate.

**The level of financial support provided for parents by government should be income related.**

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.

It would be totally inconsistent policy for the government to means test Family Tax Benefit A and B, but to not means test other family support payments such as the Baby Bonus and the Child Care Tax Rebate.

Child care payments make a significant difference in respect of child care costs.

They do help many families access child care when otherwise they could not afford to.

However, some low income families do not use formal child care because of cost factors. For some parents, child care is not affordable, even with the Child Care Benefit. This is because of "gap" fees which often are very substantial.

Government has a responsibility to ensure that child care is not denied because parents cannot afford it.

The levels of the Child Care Benefit should be increased for those in need.

Further, any introduction of salary sacrifice for child care purposes, or any move to extend Fringe Benefits Tax exemption to employer supported child care, would also be inequitable as the greatest beneficiaries would be high income parents.

Tax concessions for child care automatically benefit high income earners the most.

There should be no personal tax concessions relating to child care.

Most SDA members do not utilize formal child care because of the impact of cost, supply and choice factors.

Moreover, most parents who do access formal child care, tend to limit their usage of it. Of all children receiving formal care, 47% utilize it for less than 10 hours per week and only 7% utilize it for 35 hours or more in a week and only three per cent of children attend for 45 hours or more each week.

There is a clear relationship between the age of children and whether they are in any sort of formal child care arrangement. The use of formal child care for very young children is low, with only 7% of children less then one year of age receiving such care.

These facts are hardly surprising given that an increasing amount of evidence is emerging to suggest that child care, especially foe very young children is not desirable.

The OECD Report, "The Child Care Transition", questioned the use of child care for children under12 months, saying that child care which is too early and too long can be damaging.

"The younger the child and the longer the hours the greater the risk".

"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."[12]

Early child hood 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".[13]

Children's author, Mem Fox has likened putting babies into long hours of care as child abuse.[14]

While many families need to utilize care, and child care can be a productive experience for children, it is clear that a balance needs to be maintained.

It is not surprising that many parents, especially those with very young children, choose to not use at all, or use sparingly formal child care.

Making the choice to care for one's own children can place great financial burdens upon families

**The financial needs of parents who choose not to utilize formal child care need to be addressed.**

[12] The Australian, 12/12/2008
[13] Op Cit
[14] Op Cit