

Childcare, Families and Work Seminar

Workshop Three – Cost Issues and the Childcare Subsidy

Introduction

The aim of this workshop was to discuss specific issues related to the childcare subsidy (both for early childhood and OSCAR), as well as some of the wider issues in relation to the cost of childcare. Participants were asked to undertake a 'case study exercise' to illustrate childcare subsidy issues. After reporting back on these case studies, there was more general discussion on the childcare subsidy, and on the cost of childcare and early childhood education.

Some key results from the childcare survey in relation to cost

- The cost of childcare is preventing some children from participating in early childhood education and care
- 54% of children for whom OSCAR services were wanted did not use this type of care because of the cost
- 69% of children for whom childcare centres were wanted did not use this type of care because of the cost
- 22% of mothers stated access to childcare was a barrier to employment with 47% of this group stating cost as the barrier
- For 16% of those receiving the childcare subsidy cost was a barrier to using more hours of care

An overview of Government funding of early childhood education/childcare

Ministry of Education Funding

- Grant in aid to Early Childhood Education Providers
- Capital contributions through Discretionary Grants Scheme

WINZ Funding

- Targeted subsidy to low income families
- Development assistance for OSCAR services in low income areas

The Childcare Subsidies – early childhood and OSCAR

Participants in the workshop were split into three small groups to discuss two case studies on the childcare subsidy. The primary goal of the childcare subsidies is to facilitate parent's ability to take up paid employment. The aim of these exercises was to illustrate the complexity of the childcare subsidies, and to consider whether, and/or how the cost of childcare might impact on employment decisions of parents, and the effect of the childcare subsidy on these decisions.

Following this exercise, the groups reported back and made the following points:

- In both examples, the additional income earned through employment did not make the families much better off after childcare costs and other expenses – even with the childcare subsidy
- Sharp abatement at a certain point means that parents would need to be in well paid full-time work to make it worthwhile.
- It is difficult to work out whether you are better off – particularly given supplementary assistance, abatement, and possible changes in circumstances (example was given of impact of a pay increase).
- If you take into account the stress of employment, other costs, sick children etc, many parents would not be much better off in employment.
- One reason for entering employment would be for investment in the future – skills and 'a foot in the door' but participants questioned whether it would be worth it, given factors noted in point above.
- Discussion of delivery issues both within the early childhood and OSCAR sectors. Providers and parents are having difficulty with the new delivery mechanisms, particularly in relation to under/over payments.
- A targeted subsidy is not the best mechanism to achieve objective of participation in early childhood education.
- The Impact of the subsidy change to the '9 hour rule' whereby parents not in education or employment could not access the subsidy for their children, was disastrous for some services – particularly Te Kohanga Reo.
- Low take up of the OSCAR subsidy – the rate of the subsidy (\$1.80 per hour) means that many parents find it is not worthwhile claiming for this, particularly given the potential for delivery problems to arise (as noted above).

Big Policy Issues

Some of the bigger questions that Policy makers are considering in this area were outlined. These were:

How should Government be involved in childcare?

- Funding – targeted or universal
- Regulations
- Quality

Brainstorming on these issues resulted in discussion of the following issues:

- Greater need for support for parents who are not in employment to access early childhood education, recognising the benefits for children of early childhood education.
- It was noted that the Government currently provides \$300 million funding for early childhood education that is not tied to parents' employment which effectively keeps fees down.
- Quality of OSCAR services an issue for older children.
- Viability of OSCAR services an issue for rural and smaller school – particularly in relation to compliance costs and administration.

A number of wider issues were also discussed at the workshop. These included:

- Questions around the optimum level of participation in ECE for pre-school children, and when should children be involved were discussed – for example, why is education compulsory at 6 years but not at 4 years? What is the rationale behind the age at which children participate?
- Rationale for length of school day – if focus of OSCAR is on recreation – is this not part of education, and therefore potentially an argument to extend the school day till 5pm?
- It was noted that there are a range of philosophical and economic issues in relation to parental leave and childcare. The links between these two areas were discussed. To what extent could we be supporting parents to look after children themselves in the first year of life through paid parental leave rather than provision of childcare for very young children, and then directing resources to childcare/early childhood education for older pre-schoolers?

Summary

The workshop concluded that entitlement to the subsidies was complicated to assess, and that the requirement that parents be in employment, education or training to assess the maximum number of hours of subsidised care was unfair. The subsidies were not being delivered well at present that could affect take up of the subsidy. Discussion around the bigger policy issues focused on the two outcomes of early childhood education and supporting working parents. It was noted that the bulk of funding in the early childhood education area is not tied to parents' employment. It was felt that there could be other policy changes, aside from direct funding that could support parents e.g. better parental leave entitlements and the length of the school day.