Funding children’s services

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It is now over 30 years since the original federal Child Care Act was passed in the dying days of the McMahon Liberal government but funding and policy issues are still confused and contested. Many more child care places exist and more funding is provided, but Australia still lacks an integrated national childcare system that recognises the importance of the early years, and the need for effective national policy for both early childhood care and education. Most of the problems are depressingly familiar, after my thirty-plus years of involvement in this policy area, but there are some worrying newer aspects.

In the three-plus decades of public debate on funding and providing such services, there have been major shifts in political frameworks and priorities. These affect supply, quality and affordability, so our questions and answers need to be reframed in current cultural social and political frameworks. The changing demographic patterns, such as falling birth rates, delayed childbearing, increased female education and workforce participation, affect demand questions. The shifts in political frameworks will affect supply and funding.

Universal publicly funded child care was one of the key feminist issues we raised in the seventies, as more women were moving into paid work. Our hoped-for national program of quality affordable care ran up against the arguments about whether women should be encouraged to be in paid work and pressure to retain the separation between education and care. Before this divide could be resolved, the arguments were overtaken by the 1980s change of political directions to neo-liberalism which diminished the role of the state. Child care was expanded but in a framework which shifted collective risks from the individual by shifting from public services to market forces. Commercial child care was funded by 1990 and the expansion of market providers was encouraged by policy changes after 1996.
Overlapping with these changes in the mid 1990s were other, often contradictory, ideological shifts away from the 1980s emphasis on encouraging self provision and private providers. This move signalled the ascendancy of neo-conservatism, indicated by the move away from smaller deregulated governments to increasing size, centralised controls and complex demands for accountability by bureaucratic requirements. The new political masters used this increase in interventions to promote moral agendas and neo-conservative views. The changes are most evident in the social policy areas where government funding was to be directed at promoting conservative social positions.

**Shifting assumptions about responsibilities in care**

The original neo-liberal changes in ideological directions have left their mark on social and political debates by diminishing the demands for collective solutions to problems such as child care. This has resulted in policy changes which have emphasised that parents were customers who were responsible for purchasing private and individual provisions. Risks pushed back onto individuals translate into taking responsibilities for the ‘choices’ they make. Young women today see having children as a lifestyle choice, so deciding on what is best for the child and self is often surrounded by extreme anxieties about making the right decisions. The mantra of choice imposes on them alone the need to solve the apparent and actual tensions between career and carer roles. An interesting paradox is that having more women in senior positions seems to require their implementing more macho workplaces, because of failures to influence more family-friendly workplace cultures.

Another effect of these shifts may be expressed as an individual’s need for evident success, which may be responsible for creating intensifications of effort in either, or sometimes both, paid jobs and parenting roles. Hours of work have increased, as have pressures on parents to buy expensive goods and services, creating increasing perceptions of the difficulties of combining work and family time.

Men are still rarely expected to make these choices but there are a few more taking on the primary carer roles. When parents are confronted with mixed messages and short supply in care services, it
exacerbates their confusion rather than helping them sort out needed networks of support services. Their searches to find information and compatible care often raise high anxieties about the quality of care, the costs or their ability to find what they need at appropriate times. These changes are part of the reason why parents do not form an angry lobby about childcare issues but accept the problems as personal albeit often devastating.

The policy mess

Childcare funding policies in Australia tangle old fashioned gendered assumptions about parental rights with inappropriate relics of the neo-liberal frames from the last two decades of public policy making. Despite a century plus of public interventions into parenting, such as compulsory education, governments still often fail to recognise the public needs of children below school age. This stance ignores both research showing high early development needs and the increasing workforce participation rates of mothers with young children and related needs for care. There is widespread lip service to the data on early learning but little attempt to tackle the complexities of policy and funding which result in care shortages, quality questions and lack of access for many who need it most.

These policy holes in the early care areas are often excused by the Liberal government’s claims that parents are responsible for making the choices that become the driver for providing services. This stance assumes the market will provide rather than creating difficulties because of its failure to respond to demand, which puts young children at risk of the effects of inadequate and inappropriate mixes of market forces and government ‘guided’ choices.

To understand the current mess, it is interesting to look at how the model of child care funding has changed. It started in 1972 with a policy that childcare funding should guarantee quality care in services by paying the salaries of qualified teachers in childcare centres. This policy was replaced a few years later by a mix of part funding of approved centre budgets with parental fee relief, with both paid to the centre. These subsidy schemes were only available

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Phillip Lynch’s, *Child Care Act 1972*
to not-for-profit centres, together with capital grants, but this was changed by Labor in 1990 to allow parents to claim the fee relief component if they used commercial centres. Most of these were small locally based businesses but the change allowed a later move from community based services to businesses as the basis for care services.

The 1996 abolition of the operational subsidy to not-for-profit centres meant that fee rebates, targeted now at parents, became the primary mode of subsidising care. This move basically abolished the relationship between the government (federal) and the centres, creating in effect a de facto parental voucher system, but paid after care is found. Another major shift was the abolition of government capital payments which had been available for decades to both plan for expansion of services and enable not-for-profit groups to build the needed centres in appropriate locations. The combination of these meant that there was no ongoing relationship between funder and provider, just between individual purchasers and increasingly corporate providers. This meant that there was now no control over expansion as capital was only available from the private sector and decisions were shifted to investors not government or local communities.

These series of changes shifted any control over the centres from the funding body to the individual ‘customers’ who had little power over either the costs or distribution. Centres were often provided in areas with low land costs, sometimes competing with existing community based services which the chains hoped to drive out of business. The current open-ended funding of parents has no planning controls as users of any accredited centre are eligible. Rising fee costs reflect market pressures rather than any improved wages or care services. Capital and shareholder pressures from private entrepreneurs means that centres needed to provide both profits and high returns on capital.

Dealing with increases in government funded parental rebates just feeds into incentives to further raise fees, so gap fees may

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2 Campbelltown LGA has excessive numbers of places with the local government ones being half empty as the newer centres aggressively recruit parents, but Marrickville has a long waiting list. So ‘market’ needs do not seem to generate centres where the capital costs are substantial.
remain high. Tight cost controls over staffing and other costs means that chain services meet commercial priorities, not the community or user needs beyond what is required to sell a place in a commercial service provider model.

Some responsibility for this shift to markets can be traced back to some parts of our lobbying and policy tactics in the early 1980s. The justifications for public funding of any services had shifted from community needs to economic requirements. These shifting ideologies led some childcare advocates, myself included, to change our rhetoric and demands for funding from the social needs of children to the economic servicing of parents on the basis of their workforce participation. We were responding to the dominance of neo-liberal policy making, so we had to convince governments that child care was an economic service, not just some fluffy, social/communal replacement for what had once been a more collective model of child rearing.

This economic-based model worked well in terms of policy, as there was a considerable expansion of public funding for care in the 1980s, both capital and recurrent, but it also resulted in the focus shifting from services as community based to a model that could be, and later was, commercialised. For some reason, this shift has been almost unquestioned until recently with the rise of chains. Where these do occur, they relate more to ideological arguments about profit making and its possible ill effects on quality, than on the rights of children and parents to systems of publicly run community based services.

While spending has risen, controls over services have lessened as funders no longer required justifications of new services or the budgets of existing ones. This change raises issues about the responsibilities of public funders of services to particularly vulnerable groups. This contrasts with the debates about allocating

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3 As NCOSS Director in 1979 I produced a lobbying report on needs based child care, and as Policy Researcher for the shadow ALP Minister prepared the policy for the incoming Hawke government. In 1984, I was in charge of NSW Child Care in the state department so I am familiar with the ethos and negotiations.

4 The needs of children are widely canvassed and well summarised in K Press, *What about the kids? Policy directions for improving the experiences*
beds, accrediting and funding aged care and appropriate roles for commercial providers. Making child care a product for sale has created gross inequities through lack of planning, and badly distributed and often overpriced services, as well as questions about quality.

Markets distribute on ability to pay, not equity, and have no morals or concerns about those with lesser capacities to pay. Centres which need to reduce gap fees to meet the local lower income ‘market’ may often do so by employing cheaper staff with lesser qualifications and experience. Families will limit their hours, or fail to use, services on the basis of costs, not on children’s needs. In addition, the growth of major chains means less and less reflection of local needs and a one size fits all bureaucratic system, as well as uncontrolled cost cuts and fee rises to increase profits.

The Australia Institute study of child care (Rush 2006), and in particular their findings on the economies of scale operations of ABC Learning Centres, suggest that this form of centralised control will further undermine locality based services as part of networks of care. The process of change from the universalist-community 1970s expectations to new market models, could be seen as a natural evolution but that term would suggest the later model is an improvement, which it is not.

The removal of the direct funding of centres via operational subsidies post 1996 started the fee spiral and the increase of commercial interest. A recent report from NATSEM (Cassells et al. 2005) shows that fees rose 10.3 per cent from 2003 to 2004 and

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This figure is from *Affordability and Availability in Australia: what the HILDA Survey tells us*. Rebecca Cassells, Justine McNamara, Rachel Lloyd and Ann Harding. Paper presented at the 9th Australian Institute of Family Studies Conference, Melbourne 10 February 2005. Figure 9 in this paper illustrates how the introduction of the Child Care Cash Rebate on 1 July 1994 is marked by a slight decrease in prices at this point in time. Prices then rise by around 42 per cent from December 1994 to June 2000, followed by a sharp decrease after the introduction of the new Child Care
substantially more over the period of the Liberal government’s changes. While these changes have saved governments the costs of capital, the costs to parents have risen substantially and led to poor allocation of capital in many areas.

**A neo-conservative mousetrap?**

The neo-liberal models in this area are based on two basic assumptions: that markets are the best distributors of services and that informed rational ‘customer’ choices would ensure quality. Where customers lack resources to purchase, the role of the state is to fund the customer, so they can purchase the service. This model is driven by assumptions of informed rational self interest, autonomously determined, and defending one’s own best interests. Policies in this category can be via vouchers or, more commonly in Australia, by offering subsidies or rebates directly to users to defray part of the costs. This mode of operating limits the contact or contract possibilities between service and funding body, but may rely on some form of accreditation or quality assurance. It is supported by those who promote little or no role for the state (Vern Hughes 2006).

Interestingly, the federal government itself does not use this funding model in many other areas of service because it doesn’t work in situations of vulnerability and scarce services. Person-based subsidies too easily become cash flows for services which can raise their costs to the maximum the customer can afford, particularly when the service is in short supply, as happened in nursing homes some years ago. The contrast here between childcare centres and nursing homes is interesting as the latter are both relatively heavily regulated and monitored and offer a controlled model of funding services to people.

There are many other services such as those for newly arrived immigrants, the unemployed and families at risk which reflect an alternative funding model that is the product of more recent ideological conversion of markets by neo-conservative drivers. The shift is to a purchase of services contract model that no longer

Benefit in July 2000. The price of child care experiences a fall of over 21 per cent from July 2000 to September 2001. Prices then start to climb steeply from this point onwards.
funds organisations to offer their services, but contracts to ‘buy’ very clearly specified services from NGOs and businesses, often defining in fine detail how the federal government expects ‘best practice’ to operate.

This Taylorisation reduces services to assembly line components and creates other problems as its defined reportable outputs means the growth of one size fits all models. This creates two types of problems: one is that such contracts may fail to recognise provider expertise, diverse needs and other differences that services require to meet client needs. The other problem is that the bureaucratic funding bodies may be predisposed to select as contractors large bureaucratic agencies that have similar cultures to their own which may be either large corporate chains like ABC Learning Centres or the larger charities like Mission Australia that follow corporate administrative models.

These agencies are then tied to a centrally devised government-knows-best model of what is assumed that people need. Underpinning such service contracts are assumptions that such agencies have to be policed to deliver adequately on public money. This model contrasts with the lack of control of the child care example above so the spectrum goes from overvaluing the power of consumers to lack of trust in everyone! Neither extreme seems to understand the need for funding policies to be based on mutual respect of expertise, recognition of diverse consumer based needs or judicious mixes of accountability and trust. In both cases, there are increasing possibilities for commercial operators but very different assumptions about policing them.

These models of funding make interesting contrasts on the criteria of trust and accountability. In the case of childcare funding, the parent is assumed to be an adequate arbiter of quality with the support of relatively limited state regulations and a not too demanding accreditation system. In the latter directed funding model, the federal government appears to trust no one but their own contract enforcement models. Neither type of funding encourages the development of relationships, social networks and the types of connections that are built through trust which can lead to the development of social capital communalities that create resilience and increase capacities for good parenting and care.
The logic of mixing autonomy and control

I am proposing a funding system which draws some aspects from both the above models but starts from the assumption that the child is the focal point of the services on offer. Parents are the primary carers and should have the capacities to choose those services they feel best meet their children’s and own needs, and influence how they are run. However, they cannot be assumed to have the skills and know how to negotiate price and access in an open, sparse ‘market’. Parents lack the ‘perfect knowledge’ and resources to bargain for optimum outcomes so they need to have more assistance through government guarantees of both financial accessibility and quality of care. At the same time, services need to be given the capacity to use both the skills of staff and user inputs to craft appropriate services to meet diverse and local needs, so centralised controls must be limited.

The main change I am recommending is that a substantial part of federal government funding would be switched to funding a proportion of the costs of individual centres, not chains. These centres would be required to sign service contracts including an agreed budget, quality related staffing ratios and an agreed fee structure. This type of change would result in flattening the ‘playing field’ by limiting the ability of centres to charge excessive fees and requiring acceptable standards of staffing that related to their population mix. Other items could include requirements for parental/community advisory committees for each centre and centre obligations to be part of local interagency groups. This policy assumes that governments, in return for directly funding 30 per cent of the costs of care, can require centres to both comply with certain requirements in terms of services offered and to peg fees at an acceptable level. This would mean more equitable fees and spending on appropriately qualified staff. Centres will no longer be able to set their own fees, but would be required like nursing homes to have caps on fees where a subsidy is received.

The funding would have two parts: a proportion of an agreed budget goes to the centre as a core subsidy with a top up that is related to specific parental incomes to make their care affordable. This recognises differing costs for centres to ensure staff quality and numbers to deal with difficult children, poverty issues, or the higher
costs of care for toddlers and children with disabilities. The approved budget should also allow for a return on capital, where this is not publicly provided, and an agreed profit margin.

This model would re-establish direct relationships between centres and the funding body, with the contract acting as a form of cost control over the rest of the sector. Reversing the focus on markets and recognising that public subsidies of services require different forms of accountability may mean children get the services they need during their major learning period.

**Why only centres?**

I am focusing on centre-based care services because these should be the core of the formal services offered and should be the access point for home based and parental support services. The reasons that child care is required are complex and most families make a range of informal and formal relationships through these arrangements. Centres can play a broader role in ensuring that children are embedded in familiar networks of adults and other children. Parents need access to formally available services as back up for informal networks to cover time demands when children need more stability and skills. Centre based services can, like schools, become central to the lives of children and their families.

Centres should offer more than services based on the time within the centre, such as access to skill sharing and links with other parents and centre staff so that positive and creative relationships can be formed. While parents should have the right to just drop off and pick up children from care services, effective services need to involve the whole family in seeing the centre as integral to their lives. It should develop links that can encompass services such as Family Day Care and outreach services that make for communities of common interest between all those concerned with the children’s care.

**Is this model of funding a problem?**

Some current advocates for care have seen this proposal as retrograde or too alien to present funding models. My view is that we need to learn from what worked and to recognise that the neo-liberal model is passé and the proposal fits with some aspects of the
shifts in frameworks that are taking place. The use by neo-conservatives of the rhetoric of choice, underpinning the present policy settings, is deeply gendered. By defining the use of child care as parental choice driven, it becomes pressure on vulnerable women to conform with ‘tradition’ that is, assumptions of particularities of the virtues of staying with children and solo mother-child bonding. It is often those who have real choices about returning to paid work who can and do make free choices about paid and unpaid work unaffected by powerful expectations of good mothering. For many others, it is still difficult for them to say, or even think, that they actually want time away from a young child. The popular promotion of writers such as Manne (2006) and Biddulph (2006) indicate continuing levels of antagonism to ‘institutionalising’ child care and mothers taking time away from young children.

These ambivalences are still evident in most public policy makers and inhibit the capacity to have a proper debate about the need for more public provision of early childhood services, except where children are seen to be at risk. This viewpoint can reinforce individuated child rearing as the best lifestyle choice, which removes the option of discussing the possibilities of collective care. This assumption sits relatively comfortably with the new conservative debates on parenting and care, making it easier to understand why policies that promote publicly funded communal care are not part of the public policy vocabulary, despite the higher workforce participation of mothers with children aged 0–4 years.

The current policies in the Australian context mean increasing inequalities among young children. Those parents with resources have chosen to, and been able to, engage outside resources to ensure that their children receive early group involvement and learning. Children with less resourced families were less likely to use forms of care, unless they were targeted as disadvantaged. Even though the growth of child care services in the 1980s and 1990s promoted wider use, recent increases in fees means this has now become an unaffordable option for many families.

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6 Recent surveys including Australian Bureau of Statistics 2006, *Child Care, Australia*, cat. no. 4402.0, ABS, Canberra, see many parents quoting costs as a barrier or limit on use of care
The studies often quoted that indicate possible problems with use of care services ignore local evidence that young children do not spend long periods in centre type care, as their primary carer is generally working part time and/or use other informal family based care. The baby in 50-plus hours of centre care per week\(^7\) is neither the norm nor common. As statistics show, 80 per cent of children in day care use it for less than 30 hours per week, 47 per cent use it for less than 10 hours. Only 9 per cent of primary carers are working full time and most use family care options. Only 7 per cent of children under one are in formal care and overall only 7 per cent of children use formal care for more than 35 hours per week (ABS 2005).

Many of the scaremongers fail to acknowledge that children are parented for most of the time when young. They also ignore the difficulties that may occur in some families because of the lack of other resources to make parenting easier, for example, paid maternity leave and the right to work part time. However, just making employers more accepting of parental flexibility needs will not solve the problems of their finding care for the times that they are actually still in the workplace.

Despite many research reports, academic papers and media discussion of the problems and need for change, there seems to be blockages that prevent concerted lobbying for particular solutions. How far is this inaction the result of ambivalences in this area and fear of offending the holders of more traditional viewpoints? Is this an example of what Jennifer Sumsion sees as ‘Bauman’s collective impotence that stops policy action’?\(^8\) Her article, and many others, outlines the policy issues very clearly but there is a need to do more by both challenging the market models and offering alternative funding that would both increase care and make the sector a less attractive source of profits. This has been my task in the hope of urging us to find agreement on specifics and then work out how to lobby effectively for the needed changes.

\(^7\) Many overseas studies use this time usage as a yardstick

Actual proposals

Formal childcare services need to offer parents and children access to skilled and valued staff, resources, space, and flexibility. We need to ensure that there is easy access to these services at affordable prices. Parents and children using a good centre do more than use the services; they become part of a community, making links with other adults and children that may also become part of their lives outside the centre. The costs they are asked to meet must be affordable and cover the use of the optimum hours. Access must be within a reasonable timeframe from the time of seeking the service.

Funding formulae for centres must be able to solve the following problems with the current system:

1. The childcare rebate bears no relationship to actual childcare costs in particular centres or particular mixes of services, so once fees exceed the maximum subsidy, the ‘gap’ fee must be met by the parent.

2. This one-size-fits-all formula makes no allowance for the differences in the costs of providing care for babies and children, or developmental needs that require more experienced/trained staff to assist children who need professional interventions.

3. Centres, particularly in low income areas, may cut costs as much as possible to limit the gap fees by using less experienced, less qualified people which may disadvantage those children who often have needs for a higher level of expertise.

4. The prevalence of chain commercial centres, which need to make a profit, offers cost contained models that may not allow time for, or encourage, development of social and community links.

5. While there are some conditions placed on eligibility for fee relief, standards remain at state based minimal not optimum standards, except for a federal accreditation system which has no effective monitoring and some flaws.
6. Additional payments to parents such as the tax rebate or other possible tax measures and subsidies will again allow centres to raise their fees.

7. Demand in this area does not seem to stimulate supply as land costs etc. are used as a base for investment by commercial operators rather than local needs.

8. Staff wage rises are badly needed to contain turnover and ensure quality but are not taken into account in the funding, setting up tensions between parents and providers.

9. State funded centres such as those in NSW are under-funded and chaotic and need urgent reviews on both funding and needs for support and supervision.

Proposed solutions

The following proposals differ from most of the current floated proposals because they focus on directly funding centres on the basis of an agreed contract so that both quality and fees can be controlled. These contracts that allow flexibility to meet specific centre based needs would be contingent on the centres being accredited and being in areas where there is demand for centres.

- Each centre should be required to submit a budget and fee schedule. If approved, it should be then funded to a certain proportion of the costs, say 30 per cent, as a basic subsidy to allow for the fee levels below.

- Funding submissions by the centre should articulate what staffing levels they require to meet children’s needs for experience and qualifications in care settings.

- Centres should generally be expected to stick to their budgets for the agreed services. Where parents raise additional money for additional services, these must not be raised by compulsory levies or pressured additional payments.

- Centres should submit their budget on a break even level, with a margin of 5 per cent profit on capital investment to
cover development of services or profit. Centres which are privately funded will get reasonable ‘rent’ on capital resources used.

- Centres should acquit their budgets annually, show what has been collected and spent and adjustments made for underspending or legitimate overspending.
- Capital grants must be made available through a joint federal/state agreement for new community centres and upgrading old ones, possibly 50/50 for buildings with the state offering land parcels (see 1980s model).
- All centres would be required to have a parental/community committee to make decisions on staffing, activities and programs.
- All centres should be required to make links with local communities and related services as a condition of funding.
- Family day care should be linked to centres so they can both gain support and become part of service choices for meeting children’s needs.
- Out of school care should also keep links with centres and be funded in ways which allow flexibility and optimum centre usage. Services should receive a grant for operations on similar lines to the early childhood centres.
- These centres would also submit a budget and estimate the fees to be charged and be able to adjust the funding according to a formula which limits the maximum fee to for example, $12 per day maximum with minimum of $1.
- All service should be funded for specialist and high skilled staff to ensure that children are able to access particular types of activities that enhance their social and physical competencies.

Services run for shorter hours, that is, the classic preschools, should receive subsidies for fee relief matching those in long day care centres where these are required in designated areas of
disadvantage and there is no universally available state funded preschool. In return for such funding, these should (and some do) offer more flexible and extended hours to meet parental needs and child needs. These services should be sufficiently accessible to be able to meet the time requirements and financial limits of both those in and out of paid work.

Other types of services, such as home based care for sick children should be associated with centre based services so children can be allocated to services that best meet their needs, as well as those of their parents. This would also allow for use of multiple services to meet needs like shift work, for example, family day care plus centre based care.

**Fee relief**

- A top up income tested additional subsidy will be offered to lower income parents to reduce their costs.

- The formula to be developed should set a maximum gap fee for parents, for example at 8 per cent of the minimum wage (about $38 per day), and additional subsidies on the basis of parental income can be claimed either by parent or centre with a minimum fee of $5 per day.


References


