

# TOWARDS COHERENT CARE AND EDUCATION SUPPORT POLICIES FOR NEW ZEALAND FAMILIES

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## Abstract

The reconciliation of work and family life involves two aspirations that are important both to individuals and to societies: to participate fully in the labour market, generating income but also seeking individual fulfilment, and to provide the best for one's own children, giving them the care and nurturing they need. These aspirations need not be mutually exclusive, but many parents have difficulty in achieving their preferred balance of work and care commitments. Public policy does help New Zealand families to find a better work–family balance, and New Zealand holds up well in comparison to many other OECD countries. However, there are weaknesses in the existing New Zealand early childhood policy set-up, and this paper explores some of the relevant issues and ensuing challenges: to enhance an integrated early-years care and education strategy that is coherently pursued across different public agencies; to ensure equity in access to high-quality early childhood services; and to develop a comprehensive out-of-school-hours care system (or OSCAR services) in New Zealand.

## INTRODUCTION

The avowed policy objective of providing care and education supports to families in all OECD countries is to *support families in making their work, care and education choices*. There are many other reasons for public policy to invest in care, education and employment supports, such as enhancing child development, stimulating economic growth, fostering gender equity and reducing child poverty.

Given the importance of these different objectives and the wide-ranging potential consequences of work–life conflict, it is not surprising that many OECD countries have

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made considerable investment in policies that increase work, care and education choices for families (households of one or more adults living together and taking responsibility for the care and rearing of one or more children). Nevertheless, there are not many OECD countries that have developed a comprehensive work and family policy for parents with children of all ages. Rather, many countries, including New Zealand, have over time introduced different individual support measures (operated by different agencies), without these necessarily being linked. As a result, in these countries there is little thinking about what the complete set-up of (possibly conflicting) policy measures taken together is trying to achieve. Moreover, since systems are built up piecemeal, there are almost inevitably gaps in support for families which limit families' choices and thus affect child development, education and labour market patterns.

After a concise overview of work and family objectives, support systems and outcomes in selected OECD countries, this paper looks at some particular aspects of the existing New Zealand early childhood policy set-up. It considers the different emphases in policy objectives among different public agencies, and explores why design flaws contribute to some policies falling short of achieving their objectives. Even though New Zealand does not score at all badly in international comparison, the paper finds there are some notable shortcomings in the New Zealand early childhood support model, and outlines some areas for possible policy development.

#### A CONCISE OVERVIEW OF POLICY OBJECTIVES, OUTCOMES AND SUPPORT SYSTEMS IN OECD COUNTRIES

Public policy in OECD countries aims to enhance the wellbeing of families by increasing their choice in finding their preferred work, family and education outcomes. However, increasing choice means different things in different countries, relating to the different reasons for public investment in family-support policies. These include enhancing equity among different income groups, family types, and men and women; promoting child development; improving school performance; addressing fertility concerns underpinning economic growth; ensuring the future labour supply; and supporting the financial sustainability of social protection systems. The emphasis on these policy objectives and the intensity with which they are pursued varies from country to country and within countries from agency to agency. Apart from national differences in prevailing political philosophies, differences in emphasis on policy objectives are also related to demographic trends and are otherwise path-dependent. For example Swedish childcare policy, which was initiated in the late 1960s, is in a much more advanced stage than in the United Kingdom, where this issue only came to the fore during the late 1990s.

Broadly speaking, prevailing policy objectives in OECD countries can be categorised into five (non-mutually exclusive) broad groups, as follows.<sup>2</sup>

- In all countries, increasing female employment is emphasised as being crucial for **maintaining economic growth and a manageable pension system**. These objectives are particularly important in Australian, British, Canadian, Irish, Netherlands, Portuguese and Swiss policy debates.
- Because of the (perceived) difficulty with reconciling work and family commitments, some people do not have children, or not as many as otherwise desired, while some parents have the number of children they desire, but by taking time out to provide personal care to their children risk compromising their career. These constraints contribute to there being both too few babies and too little employment. **Fertility concerns** are arguably the most important policy driver in Japan, which is not surprising in view of a (still declining) total fertility rate of 1.3 children per woman. (Future) labour supply concerns also feature in the policy debate in Nordic countries, and to a lesser extent in Australia, Austria and Switzerland.<sup>3</sup>
- Apart from in Nordic countries and Portugal, **gender equity** objectives appear to be incidental rather than serving as primary policy objectives.
- **Child development** is receiving increasing prominence in most OECD countries, but with different consequences. Tackling child poverty is an important policy objective in all OECD countries, and has been the key driver of British policy reform since the late 1990s. Promoting maternal employment is an effective way of increasing family incomes and reducing the risk that children grow up in poverty, which has a significant negative effect on child development (e.g. Maloney 2004). In Nordic countries and New Zealand, childcare policy stresses the pedagogic role of pre-school care. However, whereas early childhood policy in Sweden and New Zealand has been embedded in education policy set-ups, this is not so in most OECD countries including Denmark and Finland.

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2 The summary draws heavily on the various OECD *Babies and Bosses* reviews of work and family reconciliation (OECD 2002, 2003, 2004a, 2005a).

3 The evidence that individual fertility decisions depend on career consequences is mounting. In Sweden, with its comprehensive system of support for the reconciliation of work and family life, the proportion of women with completed tertiary education who are childless at age 40 is 15%. Compare this with the 40 and 50% in Switzerland and Germany, respectively, two countries where combining work and care commitments is very difficult.

- In all OECD countries, investment in **education** helps people of all ages<sup>4</sup> to pursue the education profile that suits them, achieve their individual potential and fulfil their aspirations. Investment in skills and human capital, knowledge creation and diffusion are increasingly important drivers of innovation, sustainable economic growth, social wellbeing and societal development as a whole.

The different policy objectives that underlie public support for families often reinforce each other, but there can also be tensions between them. A *childcare* policy that is purely designed to facilitate parents to engage in paid work may not necessarily enhance cognitive development among children or improve their school performance later on in childhood. Alternatively, an early childhood *education* system does not generally involve enough hours to allow parents to hold a full-time job without supplementary care arrangements. Parental leave policy also embodies tension between different policy objectives. Policies that allow prolonged periods out of work facilitate providing personal parental care for children, but involve reduced family resources and thus put child development at risk, as well as limiting parents' ability to achieve their labour market potential and personal wellbeing. By contrast, a system that grants six months of leave to each parent fosters personal care for infants for one year, without this harming either parent's employment prospects and future earnings.

#### A Continuum of Care, Education and Work Support for Families in Nordic Countries and France

Only a few OECD countries have built a comprehensive care and education policy for families. In cross-country comparisons, Nordic social policy models generate strong labour participation among men and women regardless of household status (Annex Table A1), and the relatively high female (and maternal) employment rates over 70% have contributed to less than 4% of families living in poverty (Annex Table A2). Public support for reconciliation of work and family life has also kept overall fertility rates from plunging to very low levels: parents have realistic options to plan for family choices.

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4 There is research to suggest that investment in early education may well generate greater net social benefits than investment in education at a later age (OECD 2001). The most recent findings of the New Zealand competent learners longitudinal study also illustrate the importance of investment in early-years care and education (Ministry of Education 2006).

There are significant differences between individual Nordic countries,<sup>5</sup> but the models provide extensive family support leading to high participation in early childhood services (Table 1). There are substantial child allowances, and considerable fiscal support for families in France (Adema and Ladaïque 2005), while generous paid parental leave arrangements in Nordic countries are available for at least a year. Policy also provides affordable high-quality early childhood services and extensive out-of-school-hours services (better known as OSCAR services in New Zealand) around primary school (until age 12), while France has a comprehensive system of “*Maternelles*” that allows parents with children aged three and over to engage in paid work on a full-time basis (see below). Public childcare support is considerable: the average parental fee in Sweden is the lowest across the OECD area as it amounts to only 11% of the cost of a childcare place (compared to 20% in Finland and around 25% in Denmark). The Swedish model also entitles parents with pre-school-aged children to reduce working hours by 25%: 45% of the Swedish mothers with children aged three to six years are in employment for less than 35 hours per week.<sup>6</sup> However, there remain “gender equity” blemishes on labour market outcomes in Nordic countries.<sup>7</sup>

However, the comprehensive Nordic systems are expensive, e.g. Denmark and Sweden spend close to 2% of GDP on widely available childcare services alone. Nordic countries are relatively small, cohesive and egalitarian societies where populations

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5 Finnish policy guarantees access to subsidised childcare places, including at unusual hours (and overnight), if work commitments so require. However, there is also a national “Home Care payment” to families who do not use formal childcare facilities. Because care for the under-threes is expensive (compared to older age groups, the number of children per staff member is low), many larger municipalities also pay additional Home Care payments to further discourage use of formal childcare facilities. For example, parents with a very young child in Helsinki who do not use municipal day-care will receive transfers (child allowances, home care allowances) equivalent to 35% of net average income. As a result, the financial incentives tilt the balance of work and care options towards mothers of young children staying at home: only 44% of Finnish two-year-olds use early childhood services, compared to 85% in Sweden.

6 Part-time working hours in New Zealand are generally shorter than in Sweden, where part-time work often refers to working less than 35 hours per week. In 2002/2003, one-third of female employees in New Zealand worked less than 30 hours per week, while this was only 20% in Sweden (OECD 2004a, 2005a).

7 Gender employment gaps may be small in Nordic countries but gender segregation in public service employment (health, education and childcare) is strong. Women rather than men reduce working hours after childbirth, long periods of leave do not help female career progression, and many women of childbearing age do not have a secure employment status (in Finland, 44% of all female employees in their 20s have a temporary contract). Women still tend to choose studies in the areas of health and welfare, arts and humanities, and education, while male graduates continue to dominate in mathematical sciences and engineering (OECD 2004a). Because of the risk of career interruption and gender segregation, pay differences remain significant, and have stopped narrowing in Nordic countries: at low earnings levels, the gender wage gap is only 8% in Finland and Sweden compared to an OECD average of 14%, but at high earnings levels, gender wage gaps in Sweden (19%) and Finland (23%) are above the OECD average of 16%. In fact, there are proportionally more women in management positions in Canada, the United Kingdom and the United States than in Denmark, Finland and Sweden (Datta Gupta et al. 2001, OECD 2005a).

have a high degree of trust in their local governments to deliver high-quality childcare, health and education services. Because of this, they are willing to bear a relatively high tax burden to sustain a universal social policy approach. High public spending-to-GDP ratios are mirrored in high tax-to-GDP ratios: around 50% in Denmark and Sweden (Annex Table A2).

**Table 1 Public Spending on Early-Years Care and Education, Staff-to-Child Ratios and Enrolment in Public or Subsidised Early-Years Facilities, by Age Group, 2001, 2004**

	Public spending	Enrolment as percentage of children in age group		Staff-to-child ratios <sup>a</sup>		
	percentage of GDP	1–2 years	3–5 years	under 2s	2 years	3 years and over
Australia	0.2	31	90	1 to 5	1 to 8	1 to 10
Austria	0.4	13	86	1 to 6	1 to 8	1 to 14
Canada/Québec <sup>b</sup>	0.8	34	49	1 to 4	1 to 8	1 to 10
Denmark	2.1	78	94	1 to 3		1 to 6
Finland <sup>c</sup>	1.1	36	67	1 to 4		1 to 7(F);13(S)
France <sup>d</sup>	1.2	30	99	1 to 4	1 to 8	2 to 27 (4)
Germany	0.4	9	90	1 to 6		1 to 12
Ireland <sup>e</sup>	0.3	12	74	1 to 3	1 to 6	1 to 10
Japan <sup>f</sup>	0.3	18	89	1 to 3	1 to 6	1 to 20
Netherlands <sup>e</sup>	0.2	17	71	1 to 5		
New Zealand <sup>c</sup>	0.4	39	96	1 to 5		1 to 10(F); 15(S)
Portugal	0.4	22	75	2 to 10		1 to 20
Sweden <sup>g</sup>	2.0	65	91	1 to 5.4, and 1 to 17		
United Kingdom	0.4	26	80	1 to 3	1 to 4	1 to 8
United States	0.4	6	53	1 to 3	1 to 4	1 to 12

Notes: a. Staff-to-children ratios may be subject to regional variation within countries.

b. Age groups in the Canadian province of Quebec are: 0 to 18 months, 18 months to 4 years, and 4- and 5-year-olds.

c. Staff-to-children ratios differ for (F)ull day services and (S)essional services.

d. In Maternelles a teacher and assistant teacher work in tandem.

e. Children aged 4 and 5 in Ireland and the Netherlands are often in school, even though this is not compulsory.

f. Age groups in Japan are: 0 to 1; 1 to 3; and 3 to 4: the staff-to-child ratio for 4- and 5-year-olds is 1 to 30 (as in school).

g. For 1- to 5-year-olds the average staff-to-child ratio is 1 to 5.4, and for 5- and 6-year-olds this is 1 to 17.

Sources: OECD, *Babies and Bosses*, various issues; for France: Thibault et al. 2004; for Germany: OECD 2004b; for the United States: Gornick and Meyers 2003.

However, electorates in many OECD countries are not willing to sustain a tax burden of this magnitude, so it is no surprise that in other OECD countries, including New Zealand, public spending on family support is considerably less (Adema and Ladaïque 2005). There are significant gaps in public family support in most OECD countries. The vast majority of five- and six-year-olds attend some early childhood service (Table 1), but enrolment in formal childcare or pre-school facilities for children of younger ages is much lower. Often, the set of existing (childcare) support measures provide little help for families between expiry of parental leave and the age of children at which pre-school services become generally accessible; there is little flexible time-related workplace support; out-of-school hours care is underdeveloped in most OECD countries; and financial incentives for parents to work can be weak, especially when children are very young (not yet three years of age), or when income support is made available unconditionally for prolonged periods of time.

As a result, in many OECD countries there are parents who wish to engage in paid work, but cannot do so because childcare capacity is constrained, prohibitively expensive and/or not available at the hours it is required. Often, parental labour force participation depends on having access to cheap informal care by relatives and neighbours. However, this source of care is drying up: mothers, sisters and neighbours of working mothers are increasingly in work themselves. Both the restrictions on child- and out-of-school-hours care participation and parental work options (reducing family income) have a significant negative effect on child development and family wellbeing. Therefore, policymakers across the OECD area are increasingly interested in flexible workplace support for parents and public early-years care and education policies, including subsidised home-based care.

## THE NEW ZEALAND CARE AND EDUCATION POLICY EXPERIENCE

In many OECD countries, changing female labour market behaviour triggered the development of formal early childhood policy, with child development and education concerns sooner (e.g. Denmark and Sweden) or later (e.g. the United Kingdom) becoming an integral part of childcare policy support (Box 1). Female labour force participation is also a key driver of New Zealand childcare demand, where community-based kindergartens and play-centres that primarily focus on child development (rather than labour supply concerns) have traditionally played an important role in early childhood policy. Because of these two features, New Zealand children participate in childcare less than their counterparts in most OECD countries (Table 1). In terms of supporting parental care, New Zealand was one of the last OECD countries to introduce a paid leave entitlement. Switzerland introduced paid maternity leave in 2004; only Australia and the United States do not have paid parental leave entitlements.

### Box 1 Child Development and Parental Employment

Child poverty rates are more than three times as high for jobless sole-parent families than for employed sole-parent families, and children in couple families where one parent is in work are almost three times more likely to be poor than children in couples where both parents work (Förster and Mira d'Ercole 2005): Parental employment is key to reducing the risk of children growing up in poverty, which has a significant negative effect on child development (Kamerman et al. 2003). Child development is also promoted by high-quality care and education services; if not by a parent, then by professional carers and "pedagogues". For older children, access to pre-schools/kindergartens is generally regarded as beneficial to child development, which underlies, for example, the provision of free preschool services on a part-time basis in the United Kingdom. The guiding principle for formal childcare and pre-school provision in Nordic countries generally is that upon expiry of paid parental leave, use of formal early childhood services is beneficial to the child, as long as the quality of services is good. However, there is (as yet) no longitudinal panel data evidence on child development in Nordic countries that supports this notion.

Evidence from the United States often finds that maternal employment, when children are not yet two to three years of age may hamper child development, but these findings are not independent of the low level of quality of widely used low-cost (informal) care solutions. A recent longitudinal survey conducted in the United Kingdom concluded that: i) pre-school experience, compared to none, had a significant positive effect on child development; ii) an earlier start (before age three) is better for intellectual development at age six, and independence, concentration and sociability at that age; iii) part-time attendance was no better or worse than full-time attendance, and vulnerable or disadvantaged children benefit most from good-quality pre-school experiences (Sylva et al. 2004). In another survey, Gregg and Washbrook (2003) found that full-time maternal employment in the first 18 months of the child's life may have a small negative effect on children's cognitive development, but only if care arrangements exclusively concern unpaid care by a friend, relative or neighbour on a long-term basis. A key explanation for this small effect is that the fewer interactions by the mother with the child is compensated by the strong positive effect of increased paternal interactions with children that take place in households where mothers return to work earlier.

Figure 1 contains an overview of the various care and education supports, as well as family services and financial transfers (except spending on the Domestic Purposes Benefit). Financial support to families can be paid throughout childhood until age 18, and with the rolling out of the Working for Families package, the generosity of payments to families will increase in various steps until its full implementation by 1 April 2007 (MSD 2005). On childbirth, many parents (about two-thirds) have access to employment-protected leave until the first birthday of the child, of which 14 weeks is paid income support. The design features of public early childhood supports contribute to such support being more difficult to access for parents with children not yet three years of age than parents with older children; nearly all children aged three and four participate in early childhood services.



In 2004/2005, public support for families amounted to NZ\$3.8 billion, of which over half was spent on primary education and almost one-third on income transfers (including parental leave, but not spending on the DPB, see above). This proportion was less than 15% for early-years care and education support, and about 0.5% for spending on early intervention family services and out-of-school-hours services. As a result, the intensity of care and education support for New Zealand families varies with the age of children: about NZ\$260 million is spent for each annual cohort on education of 5- to 13-year-olds, but this is much higher than what is spent on two- and three-year-olds: NZ\$85 million (Figure 1). Furthermore, while almost all New Zealand children participate in early childhood services at age three and four, the type of service provided does not necessarily facilitate parents to hold down a full-time job.

From a family perspective, the limitations of public support make it more difficult for parents to sustain (future) family income and provide the best for their children. The ensuing juggling act trying to reconcile care, education and work commitments is more difficult for New Zealand parents with a youngest child aged two, rather than aged five or nine, but even then support limitations force families to reduce working hours (and accept correspondingly lower family income), engage in “shift parenting” (parents organising their individual work schedules in tandem to ensure continuous parental care), and/or draw on relatives, friends and neighbours.

From a national policy perspective, the limited intensity of care and education support for parents with a youngest child aged three months to age three years means that it is difficult to speak about an integrated “care and education policy” for New Zealand families. Rather, there is a relatively “young” New Zealand policy to facilitate parental care for children for the first few months, and there is an “education policy” for children over age three, but there is no coherent care and education policy across childhood: not at age two and not at age eight either, as out-of-school-hours-care policy is more or less in its infancy.

#### A NON-INTEGRATED SET OF DIFFERENT POLICY OBJECTIVES

In terms of full-time parental care policy, it is difficult to identify the key driver of New Zealand policy development. The introduction of paid parental leave reflected a mixture of health, child development, (gender) equity and non-discrimination concerns, while payments remain limited to reflect employer concerns about cost as well as budgetary considerations. Clearly policy supports children to receive parental care for 14 weeks, but while it allows parents to take a year off, it is not clear whether policy actually considers that desirable (since effective duration of leave is strongly influenced by duration of income support). From a narrow labour supply perspective, the optimal duration of parental leave (for one parent) is five to six months (Jaumotte 2003). Because of the

limited duration of income support, it may well be that many New Zealand parents use leave entitlements for that long. If true (data are hard to come by), that seems accidental rather than the result of deliberate policy design.

Figure 1 Care and Education Support for New Zealand Families, 2004–2005

Age	Birth	3 months	1	2	3	4	5	6	7	8	9	10	11	12	13
Non-paid entitlements	Unpaid maternity leave for 6 weeks before and 14 weeks after birth		Unpaid parental leave up to 1st birthday												
Public spending on financial transfers and services	Family benefits up to age 18 (Family Support, Child Tax Credit, Parental Tax Credit, Family Tax Credit): \$ 1.1 billion														
	Early intervention services for vulnerable families: \$11 million							OSCAR: \$12 million							
	Paid parental leave: \$74 million		Spending on early years care and education: \$550 million					Primary education: \$2.1 billion							
Indicators on coverage and use	Covers about two-thirds of workers		About 39% of children 0–3 use formal childcare			About 96% of children 3–4 use formal care		Primary education years 1 to 8, 30 hours per week							
	About 0.7% of children are supported via OSCAR subsidies														
Avg. public spending across childhood by year	\$110 million		\$85 million		\$130 million		\$260 million								

Note: Estimates account for spending on care and education services, and parental leave, but do not include spending on child benefits and public health and housing support; amounts in New Zealand dollars.

In terms of the New Zealand policy debate on early childhood services, it is much easier to identify policy drivers. The Ministry of Education is the main player in the early-years policy area and the avowed policy objective of its “Early Childhood Education (ECE) policy” is to enhance child development and school performance and give families more choice in terms of education options and work and family reconciliation (Ministry of Education 2004). In practice, policy development by the Ministry of Education is characterised by an emphasis on educational aspects of child development. Perhaps in reaction to this, other agencies (the Ministries of Social Development, Economic Development and Women’s Affairs, and the Department of Labour), generally emphasise other objectives such as labour force participation, work–family reconciliation, economic growth and gender equity. As a result, child development and labour market objectives are pursued in a more or less mutually exclusive manner in New Zealand, and there is thus no obvious link between early learning and primary education policies as pursued by the Ministry of Education or parental leave, childcare and/or OSCAR policies

pursued by the Department of Labour and the Ministry of Social Development that foster both child development and work–family reconciliation. More coherent policy development would reflect a better balance of underlying objectives, and its formulation is likely to benefit if a “neutral” central agency (e.g. Department of the Prime Minister and Cabinet) takes the lead (in a task force of agencies) in hammering out a coherent policy framework for care and education policies from age 0 to 14.

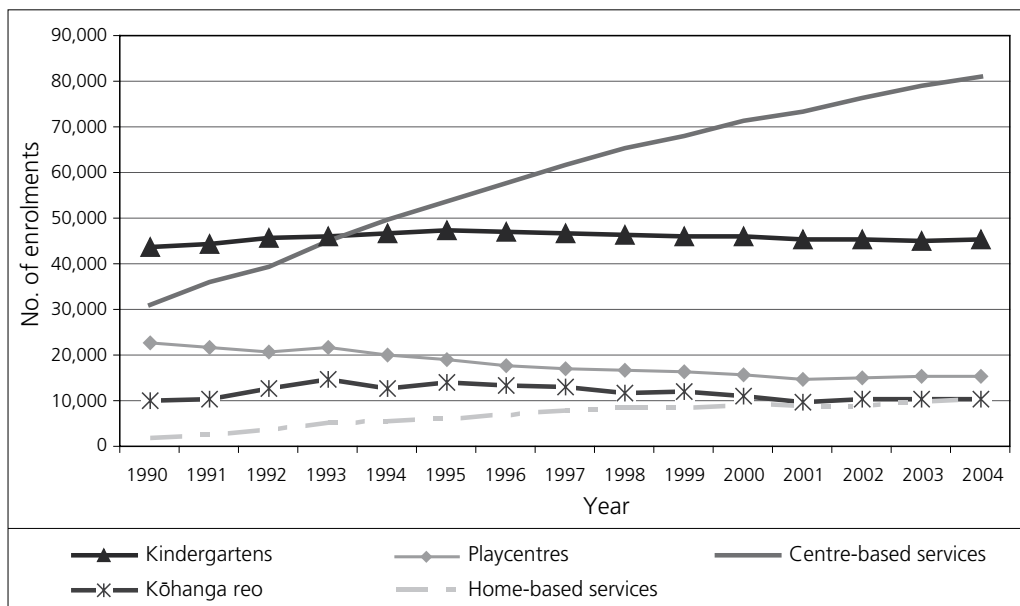
## RECENT TRENDS IN PARTICIPATION IN FORMAL CARE AND EDUCATION

The New Zealand care and education field is more diverse than in most OECD countries: private (commercial) care and education centres and supervised home-based network services cover 50% of all enrolments of children not yet five years of age, while this is 60% in full-time equivalents. Participation in community-based and/or parent-led kindergartens and playcentres (which involves parental attendance) on a “sessional” basis has been well established: around 45,000 children have been attending kindergartens since 1990 (Figure 2). Average duration of weekly attendance in these centres is limited: in 2004, it was 12.5 hours per week for kindergartens and 4.4 hours for playcentres – too short to hold down a (full-time) job, unless parents have access to another source of care. Participation in a *kōhanga reo* that provides a Māori-language immersion environment is often 30 hours per week.

Increasing female labour force participation since the early 1990s changed the nature of the early childhood service scenery in New Zealand through persistent growth of participation in private centre-based care services and, to a lesser extent in absolute terms, in home-based care services (Figure 2). Increasingly, parents either use kindergarten in conjunction with a home-based carer (and arrange for pick-up from kindergarten), or send their children to a private (commercial) care and education centre for as long as work schedules require. That may be less hassle, but it is more expensive than using kindergartens, who often do not charge a fee, but strongly expect families to make a “donation”. The growing importance of enrolments for work-related reasons is also illustrated by the upward trend in intensity of participation: the average duration of weekly attendance increased from 15 hours in 1996 to almost 20 hours in private centre-based services, and to over 21 hours per week in home-based services (Ministry of Education 2005).

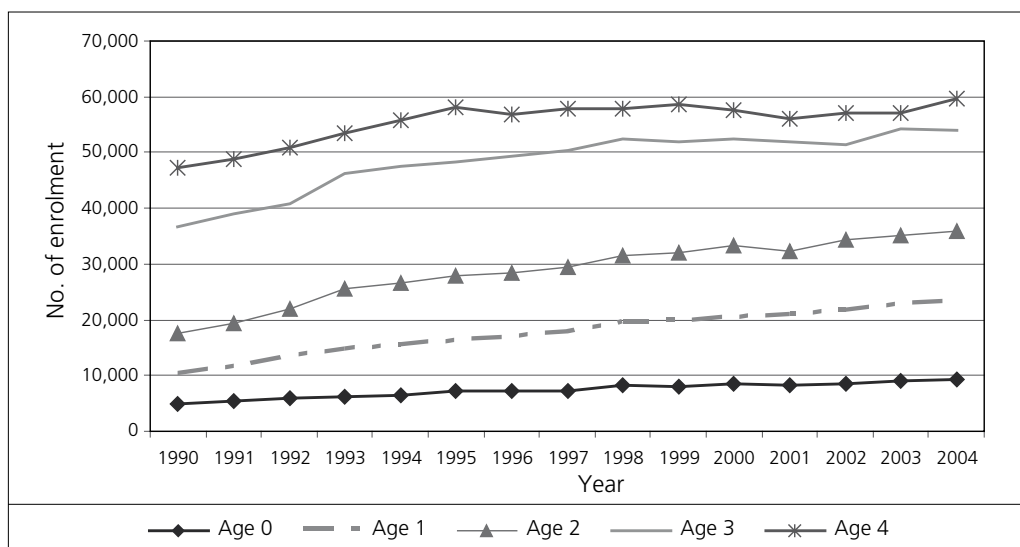
The growth in participation relates to New Zealand children of all ages (Figure 3): participation in formal early childhood services is almost universal among three- and four-year-olds (largely in private centres or kindergartens), while participation among zero-, one- and two-year-olds almost doubled over the last 15 years. In 2004, about 60% of two-year-olds attended a formal care and education service.

Figure 2 Enrolments in Licensed Care and Education Services,  
as at 1 July, 1990–2004



Note: "Centre-based services" do not include kindergarten, playcentres and kōhanga reo.  
Source: Ministry of Education 2005.

Figure 3 Enrolments in Care and Education Services, by Age,  
as at 1 July, 1990–2004



Source: Ministry of Education 2005.

## EXISTING BOTTLENECKS IN PARTICIPATION IN FORMAL CARE AND EDUCATION

### Capacity: Affordable Care at the Right Time

About half of the families with children not yet five years of age use a kindergarten or a private early childhood service, while almost 15% of families also use informal care. One-third of families with young children do not use any form of non-parental childcare, and this is over 40% among sole-parent families (initial results from the 2004 Living Standards Survey). It is difficult to be precise about the extent to which non-participation reflects unmet demand, or how much current participation intensity is less than otherwise desired.<sup>8</sup> Evidence from the 2004 Living Standards Survey suggests unmet demand to be considerable: about one-quarter of families with a child not yet 14 report to be affected by the lack of suitable childcare, and this proportion is almost one-half for sole-parent families. Labour supply effects are considerable: over 10% of adults in couple families and about one-third of adults in sole-parent families have stopped looking for work because of childcare and out-of-school-hours care constraints, while about 15% of parents report that they cannot change their regular working hours even though they would like to. About 20% of sole parents (and 5% of parents in couple families) who have been affected by childcare constraints report they have turned down a job offer because suitable care arrangements could not be found, while 10% of sole parents and almost 5% of parents in couple families report they had to quit their job for this reason.

Sole parents are also most likely to face issues related to transport to and from service providers, while a quarter of parents report that care and education services are not available at a time conducive to their work commitments (Figure 4). The lack of supply shows through the associated price signal: many families report they limit participation in care and education services because of its price (exacerbated by limited access to trusted informal carers). Immervoll and Barber (2005) found that families at (or above) average earnings often face net formal childcare cost equal to about one-third of average earnings: high relative to many other OECD countries. Because so many families are not able to access affordable care and education services, present “early childhood education policy” falls short of achieving its objectives.

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<sup>8</sup> The 2004 Living Standards Survey does not facilitate an assessment of unmet demand in the sense of parents using one type of care while they would prefer using another type of care.

## Equity: Ensuring Equal Access to All Those Who Wish to Participate

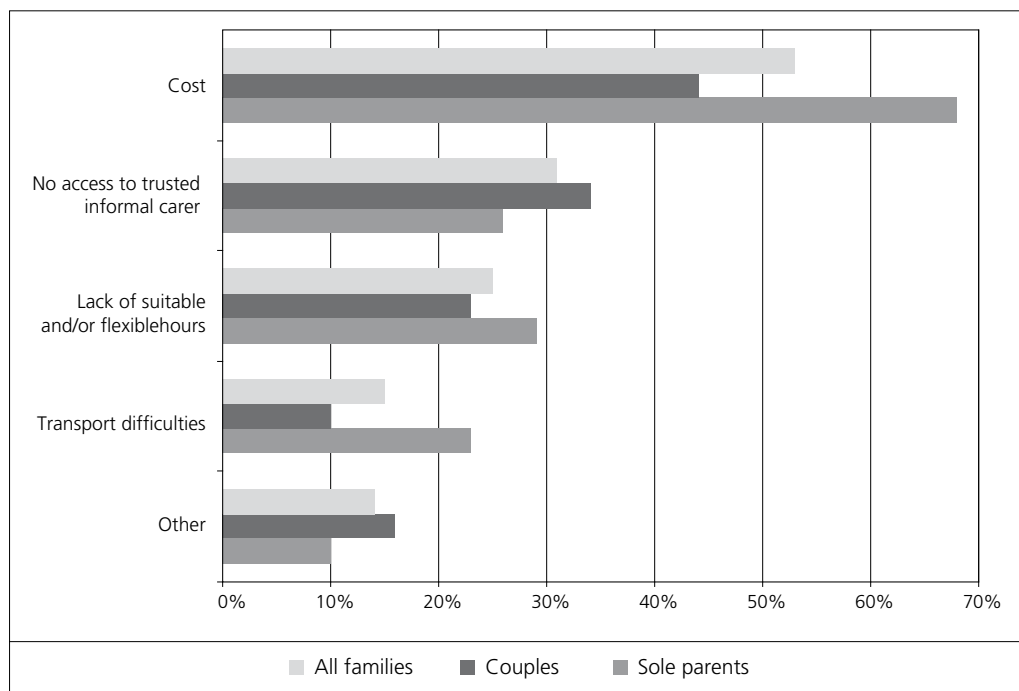
Early childhood policy in New Zealand plays out in a regionally diverse environment. Broadly speaking, the proportion of children in the South Island is declining, while in the North Island north of Hamilton there is increasing demand for childhood and school services. The cost of living also varies across the country, as does the value of the “childcare dollar”, but funding mechanisms (bulk funding, the Childcare Subsidy and the Childcare and Housekeeper rebate – the latter two measures could well be integrated) do not account for this.<sup>9</sup> As kindergartens only cover less than half of the population of three- and four-year-olds, there is considerable inequity in access to low-cost early childhood services across the country.

Most of the funding of early childhood services is provided under the auspices of the Ministry of Education: more than 80% of NZ\$550 million of financial support for early childhood services consists of bulk funding to licensed providers; while additional funding amounting to another 4% of all spending on early childhood services is through grants for community services in disadvantaged areas, towards capital costs, special education and some licence-exempt services. The Childcare Subsidy operated by the Ministry of Social Development amounts to 13% of all spending on early childhood services, while the Childcare and Housekeeper Rebate through the tax system is worth another 3%.

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<sup>9</sup> In low-cost living areas the Childcare Subsidy payment may well cover the entire parental fee, even though it is intended to only cover around 70 to 80% of parental fees for low-income families.

**Figure 4 Most Frequent Responses as a Percentage of the Families Affected by a Lack of Suitable Care**



Note: This figure presents the most frequently given answers by respondents of the Living Standards Survey 2004 to the question “Why couldn’t a suitable care or education agreement be made for your children?”. Responses were not mutually exclusive and answers that scored less than 10% among all family types included: “lack of local services”, “lack of appropriate service”, “lack of quality programme service”, “lack of culturally appropriate services”, and “waiting lists”.

Source: Initial results from the Living Standards Survey 2004.

Compared to other OECD countries, the New Zealand “bulk funding” rules for financing early childhood service providers are rather complicated.<sup>10</sup> The funding structure also contributes to the provision of full-day services and services to children not yet three years of age being relatively expensive. This is because (a) funding to providers is capped at six hours per day (and 30 hours per week), and (b) staff-to-child

<sup>10</sup> Funding to providers of care and education services in New Zealand is up to a maximum of 30 hours, and levels vary across the type of service being provided. Teacher-led services receive higher hourly funding than parent-led services; centre-based services receive higher hourly funding than home-based services; and hourly funding for sessional services (3–4 hours) is about 10% lower than for full-day services, but staff-to-child ratios in kindergarten (1 to 15) lead to higher net payments than to private centre-based services (where the required ratio is 1 to 10). The *qualification of staff* also affects funding rates: hourly funding increases with the proportion of hours worked by registered and qualified staff throughout the day (not just during the 30 hours period); funding for a centre which only employs certified teachers (a requirement for kindergartens) is almost 30% higher than for a centre where 1 in 4 staff are registered teachers (Treasury 2005). Funding levels also vary with the *age of children* (see main body of text). In all, a teacher-led, centre-based facility is being reimbursed for expenses according to one out of a possible 10 different rates.

requirements for under-threes are twice as high as for older children (Table 1), while for centres with a high proportion of registered teachers funding per hour for under-threes is about 1.8 times as high as for three- and four-year-olds. To increase affordability for these client groups, providers often introduce cross-subsidisation among their client groups by setting a fee structure which does not fully reflect the cost of provision for different children. Parents who use day-care on a full-day basis often pay the same fee as a family that uses the centre for six hours, and while most centres will charge higher rates to families with very young children, this is often far less than a factor of two.

In order to improve quality, the funding system pays higher hourly funding rates to facilities that have higher proportions of registered teachers among their workforce (Treasury 2005). However, in low-income (and rural areas), providers have to limit fees in order not to price themselves out of the market. As a result, the system increases the likelihood that services in low-cost-of-living areas will have the lowest proportion of teachers. Providers can also be punished significantly (declining funding rates) if qualified teachers take up employment elsewhere – a distinct reality in an environment of qualified teacher shortages that is likely to persist for the next few years.

The Strategic Plan for Early Childhood Education ([www.minedu.govt.nz](http://www.minedu.govt.nz)) intends to allow only fully registered teaching staff to have contact with children as from 2012 onwards, while phasing in pay parity with primary schoolteachers is also foreshadowed. The associated increases in the cost of provision involve the risk that providers will withdraw from low-income areas, or at the very least lead to low-income families reducing their participation in early childhood services. This effect of policy is reinforced by teacher shortages, which contribute to making it more likely that children in disadvantaged families, who potentially benefit most from participating in high-quality early childhood services, are the least likely to have access to it.

In all, the funding system is least favourable to very young participants and those who participate on a full-time basis, which exacerbates inequities that stem from “low user fee” kindergartens not being universally available. This policy is most likely to affect low-income parents, who (without access to informal care) may therefore withdraw from the labour market (or at the very least reduce working hours), reducing family income and thereby putting child development at risk (Box 1).



## Quality Requirements and the Osmosis of Care and Education

New Zealand policy rightly continues to be concerned about the quality of early childhood services. The curriculum for early childhood services, Te Whaariki, pays due respect to New Zealand's cultural diversity and contributes to parents having trust in the system of early childhood services. However, because of the application of funding rules and the exclusion of OSCAR services, some inconsistencies have crept into the current system that need addressing.

Funding of primary education is based on the principle that children attend school for six hours per day, and in New Zealand the Ministry of Education provides no funding for services outside school hours, which has led to a lack of OSCAR services in New Zealand (see below). Similarly, bulk funding for early childhood services is capped at 30 hours per week, but in contrast to policy for school-going children aged five years and over, early childhood policy also sets the rules for participation beyond six hours per day, which significantly increases the cost of provision. The planned full-day exclusive supervision of younger children by teachers seems unnecessary; for example, does one really need exclusive teacher supervision during naptime? Does it really have to take a full-time, degree-qualified teacher to change nappies? Teachers and assistants could work in tandem, as in the high-quality French Maternelle system, which constitutes a more cost-effective form of service provision that does not compromise child development.<sup>11</sup>

Evidence of the beneficial effect of participating in early childhood services on child development at different ages differs, but the evidence suggests that part-time participation in high-quality early childhood services benefits children from age two onwards, and vulnerable children benefit the most (Box 1). On this basis it seems that New Zealand taxpayers' money would be most efficiently used to enhance child development if fee structures cater for the provision of formal care and education services for 15 to 20 hours per week for *all* two-, three- and four-year-olds, and facilitate low- and medium-income families to work to sustain family income and provide the best for their children. The ensuing logic suggests that the existing number of qualified teachers will engage in a "free educational offer" of early childhood services that are

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11 As from age three, French children generally participate in Maternelles, which provide morning and afternoon sessions as supervised by certified and assistant teachers working in tandem (school hours are typically from 8:30 am to 11.30 am and 1.30 pm to 4:30 pm. Most municipalities cater for children at lunchtime, and they frequently run before- and after-school-hours services; supervision at these moments is provided by assistant teachers. These services are generally provided to children of working parents on a fee-paying basis.

provided for all two-, three- and four-year-old children (and that staff-to-child ratios for all providers of such services are the same), combined with income-tested fee support across additional hours of early childhood services that are used during the day.

During these additional hours there is less need to focus on educational components, and services could be provided by teachers and assistant teachers working in tandem. In this manner, affordable, high-quality early childhood services can be provided to a larger group of New Zealand children.

#### DEMAND-SIDE FUNDING: WHY DO FEW NEW ZEALAND PARENTS USE THE CHILDCARE SUBSIDIES?

In part as a response to the limitations of the system of bulk funding, the Ministry of Social Development has developed a system of Childcare Subsidies (CCS) to parents, which is income-tested and most generous to those in employment (payments are actually made directly to providers but only for parents informing authorities on their choice). The benefit delivery agency of the Ministry of Social Development, Work and Income, administers the payment. In 2004/2005 public outlays on the CCS amounted to NZ\$68.5 million, or about 13% of total spending on early-years services. CCS payment rates were revised upwards in October 2004, April 2005 and October 2005 as part of the Working for Families package, and because of this, working families are now the largest group of CCS clients (Figure 5A). Working families use the CCS for a wide range of hours, although there is some bunching in use at five-hour intervals from 30 hours per week onwards. Nevertheless, the pattern in the distribution of hours for which the CCS is claimed continues to reflect the benefit rule that allows families on income support to claim the payment for nine hours per week (Figure 5B).

Compared to May 2004, the number of CCS clients on benefit grew by 25%, and the number of working clients had almost doubled from 7,800 to 15,000. This is a very significant achievement, even compared to a very low base. However, in terms of potential coverage, uptake of CCS is low: about 12% of all children aged 0–5, and 22% if one accounts for income testing. Further, assuming that all children who do not pay fees in kindergartens are not eligible for CCS<sup>12</sup> (there are many who also use other forms of formal care), and that all children who presently do not participate do not want to use formal early childhood services, suggests that, at most, the CCS covers up to 43%

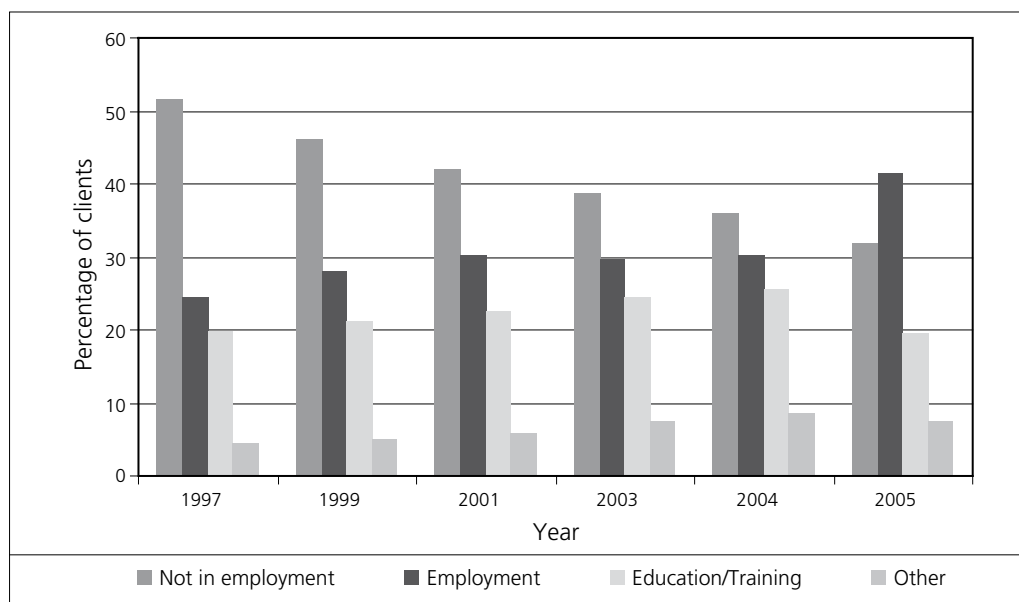
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12 Although compared to a very low base, the number of children using kindergartens who claim CCS has more than doubled from May 2004 to May 2005. This suggests that some kindergartens, at least, have started to charge fees in the certainty that clients can reclaim the fee to a considerable extent.

of the children aged 0–5 that it intends to serve; making less heroic assumptions seems to suggest that CCS payments cover from about a quarter to one-third of all children they intend to cover.<sup>13</sup> As a result, the poverty risk for children is larger than it need be.

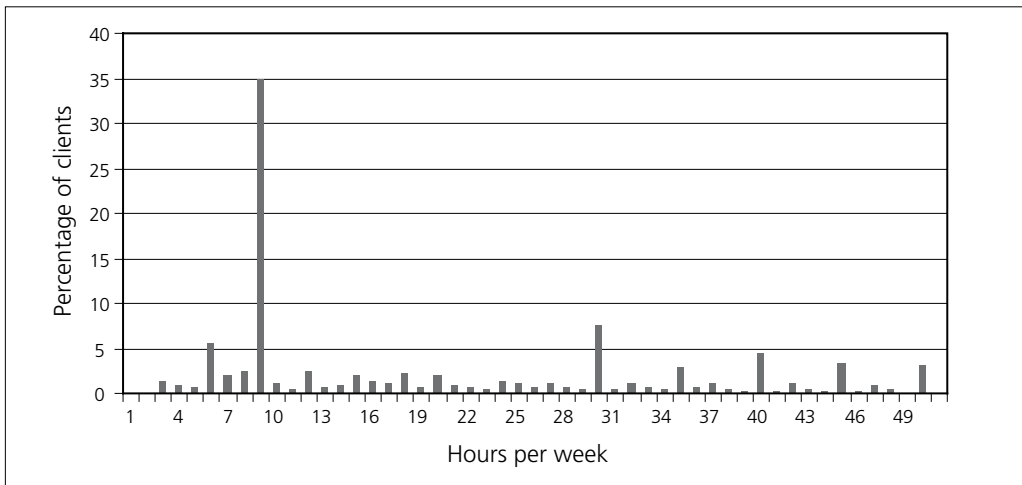
Recent increases in CCS have significantly extended potential benefit coverage. However, many potential claimants do not seem to be aware of their entitlements. There are also indications that in practice registration procedures for CCS are more complicated than they should be, and in any case could be simplified by means of registration through childcare providers or “childcare coordinators” while they visit childcare centres.

Figure 5A Client Groups as a Percentage of all Childcare Subsidy Clients



13 Establishing the exact number of eligible CCS-clients is very difficult given the income-tested nature of the programme, but a simple “back of the envelope” calculation gives a broad indication of coverage. Each year there are about 57,000 children born in New Zealand. Early childhood services are mostly used by children age 0 to 5, which means that (not including migration) about 287,500 children are potentially eligible to CCS (technically this is much higher as kids can access CCS until age 13; i.e. 747,500 children). The CCS income threshold equals about 75% of the average income of a couple with two children (Statistics New Zealand 2005) and about twice the average income of sole-parent families with dependent children. Also, accounting for almost a quarter of New Zealand children growing up in sole-parent families (OECD 2004a), potentially up to 160,000 New Zealand children not yet 5 years of age are entitled to CCS (around 425,000 children, if one accounts for all 0–13s). Further, assuming that the 43,000 children who use kindergartens without paying fees are not using other formal care and education services, and that all children who are not using formal care and education services do not wish to do so, again, accounting for the income thresholds, suggests that CCS covers about 43% of its intended clientele.

Figure 5B Weekly Intensity of Use by Childcare Subsidy Clients, May 2005



Source: Ministry of Social Development operational data.

### OSCAR SERVICES: PAST IGNORANCE IS STARTING TO HURT

Compared to most other OECD countries, public support for out-of-school-hours care, or OSCAR services in New Zealand parlance, is small: for the year 2004/2005 public spending was NZ\$7.8 million to providers and NZ\$4.3 million to parents (along the same rules as the CCS payments). As a result, only 0.7% of the children not yet 14 years of age make use of OSCAR services at any point in time during the school year, often for 15 or 20 hours per week (intensity of use increases during holiday periods when many OSCAR providers operate holiday programmes for 40–50 hours per week). The limited capacity of OSCAR services (and the incompatibility of school and work schedules more generally) raises serious labour supply concerns: half of the sole parents with a child not yet 14 report that a lack of childcare options affect their labour force participation, and without a comprehensive OSCAR policy an employment support policy for parents on income support lacks teeth (Box 2). The absence of OSCAR services also raises child development issues because there is growing concern about so-called “latch-key kids” who are in “self-care” after school hours (Blau and Currie 2004).

## Box 2 A Social Policy Stance that Does Not Differentiate among Parents

It is in the interest of all families to have paid work to reduce the risk of poverty and long-term benefit dependency and to help their children develop. Therefore, the policy approach towards sole parents on income support in Nordic countries is the same as for any other parent: parents who are no longer entitled to paid parental leave (or home care payments) are work-tested for benefit receipt. This requires active and early interventions towards labour market re-integration of (sole) parents on income support, involving investment in childcare, in-work benefits to make work pay, and employment supports (e.g. intensive case management and counselling, training programmes, and work-experience placements).

Generally, OECD countries require sole parents on income support to look for work when children are of pre-school or primary school age, but in a few countries (Australia, Ireland, New Zealand and the United Kingdom) there is no work test until the youngest child is 12, 16 or even older. This is supposed to "protect" sole parents from having to work when they "should" be looking after their children. However, the effect has been that sole-parent employment rates, in Australia, Ireland, New Zealand and the United Kingdom are too low, at 45% to 55% compared to around 70–80% in the Nordic countries. The result is poverty, which damages the future life chances of children.

In Ireland, sole parenthood is becoming an increasingly common cause of poverty, but policy reform to buck this trend seems hard to implement. In Australia, New Zealand and the United Kingdom, policy has undertaken steps towards greater labour force attachment of parents on income support. Australia recently announced the introduction of a part-time work test for new clients of "Parenting Payment", while simultaneously extending out-of-school-hours care support (Commonwealth of Australia 2005). In the past, New Zealand introduced work tests into its system, but this failed because the simultaneous increase in policy support (e.g. extending generosity of the Childcare Subsidy, introduction of OSCAR services) was not enough to address barriers to childcare participation and lack of labour market skills on a comprehensive basis. Extended case management for clients on the Domestic Purposes Benefit has been introduced to make clients more focused on finding employment, but at 1 to 150 staff-to-client ratios remain high; the international norm is a staff-to-caseload ratio of 1 to 125 (OECD 1999). The Working for Families package that since October 2004 is being phased in substantially increased the income position of families and reduced the poverty risk (Perry 2004), but its positive effect on labour supply is likely to be limited: about 2% of sole parents are currently on income support, while the package is likely to discourage labour supply among secondary earners in couple families (Dwyer 2005, OECD 2005b).

Since 1997, the United Kingdom has successively increased both the generosity of child payments and in-work benefits (the working tax credit and its childcare element). Reforms have increased the redistribution of resources among households without children to families and among families themselves: the incomes of the poorest fifth of families have increased by more than 20% (Brewer and Shephard 2004). Evidence also suggests that the provision of employment and childcare support has had a substantial impact on employment rates of participating sole parents: the body of evidence in the United Kingdom (using various sources and estimation techniques) finds that policy reform since 1997 has increased the employment incidence among sole parents by about 4 to 7 percentage points; with the sole parent employment rate increasing from 45% in 1997 to 54% in 2004 (OECD 2005a).

Unlike the Swedish Ministry of Education, which supervises all pre-school age and outside-school-hours care facilities, the New Zealand Ministry of Education does not have responsibility for developing services for school-aged children beyond the 30 hours of education per week (in sharp contrast to practice with children of pre-school age). In general, boards of trustees do not appear to be keen to facilitate the delivery of OSCAR services, even though a growing but still small number of schools engage in the development of OSCAR services at their premises.

In fact, the few countries across the OECD area that do have a comprehensive OSCAR service or leisure-time system (Denmark and Sweden) use existing public infrastructure, often school buildings, for the purpose of delivering such services (in Denmark services are frequently under management of the school principal), if only because that saves children (and parents) the costly hassle of transport. In Denmark and Sweden about 80% of all six-to-nine-year-olds use OSCAR services (from age nine onwards the desire to participate diminishes). In the United Kingdom, an Extended Schools policy is being developed that goes beyond the provision of OSCAR-type services, and aims to encapsulate schools in a wide range of community services.

In all these jurisdictions local governments are responsible for schools, but that model does not apply to New Zealand. The key is thus to find a way to engage boards of trustees, who are responsible for schools, in the process. It may well be possible to require boards of trustees to make school premises available (after all, school buildings are "owned" by taxpayers and can be used for civil defence purposes), and to provide financial support towards the costs incurred.

One of the attractions of public investment in OSCAR services is that they are relatively cheap. For example, the cost of providing leisure-time services in Sweden is only 30% of what it costs to deliver a childcare place. As a result, many families can benefit from relatively small amounts of investment. A "ballpark" estimate suggests that the cost of providing a leisure-time place is around NZ\$2.5 per child per hour for (school and community) sites that charge only nominal rents (if providers have to pay rent at going rates, the cost can be over NZ\$3 per child per hour). Assuming that children use the place for 12.5 hours per week for 40 weeks, the annual cost is NZ\$1,250 (at present average attendance of OSCAR services is low at just over 20 children per the required two staff members: the cost would be lower and attraction of the service generally higher if there was widespread access to sports facilities at school sites). Further assuming

that public support covers about two-thirds of the costs, then additional investment of NZ\$20 million would serve 24,000 school-aged children for a year (not including holiday programmes), while the same amount of money is likely to support less than 10,000 children in early childhood services on an annual basis.<sup>14</sup>

#### EARLY FAMILY INTERVENTIONS: A FIRST STEP TOWARDS HOLISTIC FAMILY SERVICE DELIVERY?

New Zealand policy has also started to pilot various initiatives providing “early intervention support” to vulnerable and disadvantaged families. The initiatives include intensive home-based family service delivery (Family Start), free care and education services for 20 hours per week for about 1,750 children, and a parenting support pilot as part of a prevention policy development. Policy development in this area is very new, and spending on these initiatives is limited to NZ\$11 million per annum (even less than public spending on OSCAR services); by comparison public spending on Sure Start in the United Kingdom amounted to the equivalent of NZ\$775 million in 2003.

It is unclear what the strategic policy vision is that underlies these initiatives, but in the United Kingdom such initiatives have become a mainstream policy plank. Targeting family services in disadvantaged areas under the Sure Start initiative (which is superseded by the Children’s Centres programme) is a cornerstone of anti-poverty policy in the United Kingdom that aims to: (i) increase the availability of affordable childcare, especially for disadvantaged children; (ii) provide integrated services for the health, education and emotional development of young children; and (iii) provide services to parents to support them as parents and to help them to become job-ready. Client families often face debt-related issues, depression, stress and abuse issues, and there is a generation of children whose parents do not provide a role model of work and/or strong work ethos. These early intervention initiatives aim to build up confidence among children and parents and stimulate people to make their own decisions, break the pattern of intergenerational welfare dependency, and generally help to prevent disadvantage later in life. Extended schools and Children’s Centres are key elements in the United Kingdom’s strategy to enhance child development, strengthen communities and help parents to reconcile work and care commitments, by guaranteeing parents of children aged 3–11 access to care services from 8am to 6pm on weekdays by 2010 (HM Treasury 2004).

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14 At present, public funding for OSCAR services is so small that design flaws hardly matter. However, were public support to be expanded then the funding system (requiring applicants to have a budget deficit) should be reformed so that the level of support is closely tied to the number of children using the facility.

## TOWARDS A CONTINUUM OF WORK AND FAMILY SUPPORT THROUGHOUT CHILDHOOD

New Zealand has a diverse network of early childhood service providers that serves a large and growing group of families. The quality of the services is variable, but by international standards is generally well above average. However, there are two important bottlenecks in the system of formal care and education support: limited support for OSCAR services (which negatively affects child development and curtails labour supply, particularly among sole parents), and the fact that children who are likely to benefit most from early childhood services are also most likely to experience access constraints or participate in services of relatively low quality. New Zealand policy must make it a priority to address these two issues in the near future.

### Child Activity or Leisure-Time Centres: An Emerging Priority

The limited use of school premises for OSCAR services for older children seems difficult to justify. A growing number of OECD countries provide such services, and in no country more intensively than in Sweden, where both early childhood services and leisure-time activities are operated under the auspices of the Ministry of Education. Requiring boards of trustees to make what is, after all, a public facility available for use outside school hours does not constitute an infringement of their independence in educational matters. Using existing facilities will reduce the need to make physical investment elsewhere, and will reduce the cost and hassle for both parents and children that are associated with organising “wraparound care” around school hours. Certainly, the existing capacity to license facilities and police standards would have to be increased, but as leisure-time places are relatively cheap, extending capacity means that many families can be helped for quite a few years at relatively limited public expense.

### Ensuring Access to High-Quality Early Childhood Services

The existing funding system for early-years care and education in New Zealand is least favourable to very young participants and those who participate on a full-time basis. This policy is most likely to affect low-income parents who (without access to informal care) may therefore reduce working hours and family income, thereby putting child development at risk. It should therefore be a social policy priority to ensure that the children who could benefit most from these policies are being served.

This, however, is not the case in New Zealand. Kindergartens (with low-cost access to parents) cover only about 50% of three- and four-year-olds and are not concentrated in disadvantaged areas. Providers in less popular areas (rural communities, areas with a relatively high concentration of low-income families) already have difficulty attracting



professional staff to their centres, and teacher shortages are likely to prevail, at least in the next few years. CCS provides income-tested support, but uptake is low: CCS support only reaches about 25 to 33% of the children it intends to reach. Policy should make sure that childcare support is more easily accessible to parents (e.g. by childcare coordinators signing up clients at childcare centres).

However, even then, because CCS is designed to cover up to 70–80% of the costs at maximum, it can leave low-income families with significant out-of-pocket expense. In all, many disadvantaged families end up paying fees (for a reduced number of hours) in care and education services, frequently in centres with relatively low teacher-to-children ratios, while other low-income families stop using early childhood services altogether. The New Zealand Government has committed itself to pay in full the first 20 hours per week of early childhood services for three- and four-year-olds as from 2007 onwards. Such support is not an entitlement, but depends on the availability of services (only when you find a place, will the first 20 hours be 100% subsidised), and, as discussed above, there is a risk that the cost increases associated with the Strategic Plan will make it relatively difficult for disadvantaged kids to access a place, at least in the short term. On the other hand, the certainty that fees will be paid in full for 20 hours may well prove to be an important step forward towards procuring both a greater supply of childcare places for at least 20 hours per week and increased participation in high-quality early childhood services. Ensuring that all New Zealand children are able to participate for at least 20 hours and increasing uptake of CCS will contribute both to reducing the child poverty risk and to strengthening financial incentives to paid work for all low- and medium-income families.

### An Integrated Care and Education Strategy Coherently Pursued Across Different Agencies

A key element of coherent strategic policy making is a common understanding of the underlying vision of how policy is to develop over the next 10–15 years or so. This requires (senior) policy makers in different government agencies to think outside the “departmental box” and consider how measures for which they are directly responsible tie in with other policy areas. Given the importance of the issues at hand for (say, in no particular order) child development, labour supply, productivity, prosperity, economic growth, gender equity and social wellbeing, and to avoid the active pursuit of narrow departmental interests, there is a good case for a “neutral” government office (e.g. the Department of the Prime Minister and Cabinet) to take the lead in policy formulation of

what a coherent and evidence-based care and education support policy that enhances choice for families should look like. Such a strategy should bring together the different support policies (parental leave and other time-related workplace measures, income-support measures, early childhood services, education, and OSCAR services) in an overarching framework.

The New Zealand electorate is ultimately responsible for how it envisions New Zealand to look in 10–15 years, but given where policy is at present, and on the basis of international evidence, it is not impossible to give a rough outline of a scenario. International evidence suggests that a period of parental leave of five to six months is optimal from a narrow labour market perspective, while the design of (paid) parental leave systems suggests that policymakers in many OECD countries believe that children benefit from full-time parental care for about one year. Evidence also suggests that young children, and especially children in disadvantaged families, benefit from part-time participation in early childhood services from age two onwards, but is (as yet) inconclusive on the beneficial effect for one-year-olds.

The New Zealand policy model of parental care support could be developed further towards individualised paid parental leave entitlements (to generate a more equal sharing of care responsibilities and enhance the labour market perspectives of all parents). Developing a very long period of parental leave is not advisable: the policy experience in countries that provide prolonged paid parental and/or home-care leave to families with very young children shows that this invariably reduces labour supply, as well as employment prospects and (future) family incomes, raising both gender equity and child development concerns.

The Strategic Education Policy objective to have exclusive teacher provision in all licensed services that are subsidised for 30 hours by 2012 could be enriched by focusing the exclusive teacher provision of services on a free early childhood education offer for 15 to 20 hours per week, initially for three- and four-year-olds, but at a later stage to be extended to two-year-olds (when extending capacity, policy should prioritise ensuring access to all disadvantaged families who wish to use it). For the additional hours, services could be provided by teachers and assistants working in tandem. Such a system could be financed by re-arranging existing public outlays (e.g. refocusing bulk funding from 30 hours to 15–20 hours of support per week), while financial support for additional hours could be linked to income situation and/or employment status. In addition, Family Start initiatives could be rolled out in disadvantaged areas, if evaluations of such interventions show them to be effective in giving children a better start in life.

Providing childcare and OSCAR support is crucial to help families avoid poverty or get out of it, and the development of a more comprehensive system of childhood services will foster child development and increase labour supply more generally. It will also contribute to realising a single core benefit policy that supports families regardless of family status, and will help instil a more active nature onto New Zealand's social protection system by changing the focus from making cash payments to beneficiaries into supporting a larger number of working families. Pursuing a more coherent and comprehensive care and education support policy will lead to more New Zealand families being able to pursue their care, education and employment aspirations throughout life.

APPENDIX INDICATORS ON FEMALE EMPLOYMENT, PROSPERITY,  
TAX BURDENS, POVERTY, EDUCATIONAL ATTAINMENT AND FERTILITY

Table A1 Indicators on Female Employment, 2002–2003

	Female employment rate 2003	Gender employment gap 2003	Maternal employment rate: age of the youngest child			Share of part-time employment <sup>a</sup>			Sole parent employment rate	
			under 3	3 to 5 2002 <sup>d</sup>	6 to 14 <sup>b</sup>	Mothers		Women	PT-share	
						Age youngest child				
						under 6 <sup>c</sup>	6 to 14 <sup>b</sup> 2002 <sup>d</sup>			
Australia	62.2	14.2	45.0	45.0	67.3	66.7	55.2	44.0	47.3	48.4
Austria	61.5	14.5	80.1	70.3	69.8	39.6	43.8	28.8	81.1	26.6
Canada	67.7	8.8	58.7	68.1	76.3	30.3	25.7	27.9	67.6	19.2
Denmark	70.5	9.2	71.4	77.5	79.1	5.1	8.3	20.8	71.9	..
Finland	65.7	3.3	32.2	74.7	85.3	8.3	6.0	9.5	70.0	5.4
France	56.7	12.2	66.2	63.2	67.5	22.8	27.9	23.5	67.0	..
Germany	58.7	11.7	56.0	58.1	64.3	46.2	59.3	37.3	66.0	..
Ireland	55.4	19.1	51.1	52.3	51.1	39.4	57.0	30.2	45.1	..
Japan	56.8	23.0	28.5	48.2	68.1	45.1	46.8	41.0	83.6	..
Netherlands	64.9	15.3	74.2	68.2	70.1	79.0	79.8	58.2	60.0	..
New Zealand	65.8	13.5	43.2	58.2	74.7	54.2	40.5	35.3	50.4	20.0
Portugal	60.6	13.3	75.3	81.9	76.3	5.6	9.2	13.1	77.9	6.2
Sweden	72.8	2.8	72.9	82.5	77.4	41.2	41.3	34.2	81.9	40.7
Switzerland	70.6	14.3	58.2	64.5	77.8	74.2	67.2	44.4	78.3	44.8
UK	66.4	12.9	57.2	56.9	67.0	58.0	56.9	39.9	53.1	48.7
US	65.7	11.3	56.6	60.0	69.4	29.4	26.6	18.2	77.0	..
<b>OECD</b>	<b>55.3</b>	<b>19.4</b>	..	..	..	..	..	..	..	..
OECD-16	63.9	12.5	57.9	64.4	71.3	40.3	40.7	31.6	67.4	..

Notes: a. Less than 30 hours per week, except in Australia, Japan, Sweden and the United States (less than 35 hours per week).

b. 6 to 13 in the United States; 6 to 16 in Canada, Finland, Sweden; 6 to 17 in New Zealand.

c. Under 5 years old in Australia; under 7 in Sweden.

d. 2001 in Canada, Denmark, Ireland, Japan, New Zealand and the United States; 2000 for Australia.

Source: OECD (2004c); for employment among sole parents, see OECD, *Babies and Bosses*, various issues.

**Table A2 Prosperity, Tax Burdens, Poverty, Educational Attainment and Fertility 2001, 2002**

	GDP per capita in US\$, based on purchasing power parities 2003	Tax to GDP ratio 2003 <sup>a</sup>	Poverty rate <sup>b</sup>		Educational attainment				Fertility		
			popula- tion	families	Below upper secondary	Upper secondary	Tertiary	Avg years of schooling	TFR 2002	CFR cohort 1965	Avg Age at first child-birth 2000
			2000		2002						
Australia	30,100	31.5	11.2	11.6	39.1	30.2	30.8	13.1	1.75	2.06	27.8
Austria	30,600	44.0	9.3	13.3	22.1	63.4	14.5	11.3	1.40	1.61	26.3
Canada	30,500	33.9	10.3	13.6	17.4	39.9	42.6	12.9	1.52		28.4
Denmark	30,700	49.0	4.3	2.4	19.7	52.5	27.4	13.3	1.72	1.91	27.7
Finland	28,500	44.9	6.4	3.4	25.2	42.0	32.6	12.4	1.72	1.90	27.4
France	27,800	44.2	7.0	7.3	35.2	40.6	24.0	10.9	1.89	1.99	27.9
Germany	27,100	36.2	9.8	12.8	17.0	59.6	23.4	13.4	1.31	1.51	28.2
Ireland	33,200	30.0	15.4	15.7	39.7	34.9	25.4	12.7	1.97	2.19	27.8
Japan	28,400	25.8	15.3	14.3	16.3	47.4	36.3	12.6	1.32		28.0
Netherlands	30,300	38.8	6.0	9.0	33.5	42.0	24.4	13.5	1.73	1.77	28.6
New Zealand <sup>c</sup>	23,200	34.8	9.8	14.6	23.8	46.3	29.8	10.6	1.90	2.30	30.1
Portugal	18,700	33.9	13.7	15.6	79.6	11.1	9.3	8.0	1.47	1.82	26.5
Sweden	28,900	50.8	5.3	3.6	18.4	49.0	32.6	12.4	1.65	1.98	27.9
Switzerland	32,500	29.8	6.7	6.8	17.6	57.2	25.2	12.8	1.40	1.65	28.7
UK	29,800	35.3	11.4	16.2	28.6	44.4	26.9	12.7	1.64	1.87	29.1
US	37,600	25.4	17.1	21.7	12.7	49.2	38.1	12.7	2.01		24.9
<b>OECD</b>	<b>26,300</b>	<b>36.3</b>			<b>34.8</b>	<b>42.1</b>	<b>23.0</b>	<b>11.8</b>	<b>1.6</b>		
OECD-16	29,244	36.8	9.9	11.4	27.9	44.4	27.7	12.2	1.7		27.8

Notes: a. 2002 for Australia, Japan and the OECD average.

b. Poverty rates are measured as the proportion of individuals with equalised disposable income less than 50% of the median income of the entire population.

c. Revised data for New Zealand as released by Statistics New Zealand, June 2005; data reflect the situation before the introduction of Working for Families.

Source: For GDP per capita: OECD 2005d; tax-to-GDP ratios: OECD 2004d; poverty data: Förster and Mira D'Ercole 2005; education: OECD 2004e; fertility: OECD 2005e.

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