

Flat-fee childcare to spearhead PM's second-term agenda

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The Albanese government is working on plans to phase in a flat daily fee [<https://www.afr.com/politics/federal/propping-up-a-failed-system-labor-looks-beyond-pc-on-childcare-20240919-p5kbr9>] for childcare to avoid overwhelming the system with a flood of new enrolments, as it seeks a breakout issue to help it secure a second term in office.

In a direct repudiation of the Productivity Commission's recent recommendation [<https://www.afr.com/politics/federal/universal-childcare-remember-what-the-pc-said-about-the-ndis-20240918-p5kbi1>] to top up the \$12.7 billion a year in subsidies by another \$4.7 billion, the government is instead pursuing the more expensive flat-fee option as part of its pitch to deliver universal childcare.



Prime Minister Anthony Albanese is banking on a childcare-led recovery at the next election. **Paul Jeffers**

Such an option, which would include removing the requirement to look for work or do some training, would likely precipitate a stampede in demand. To ensure there are adequate childcare staff and facilities, the government, through the Education Department and Treasury, is examining a phased-in approach to the plan.

A source familiar with the deliberations said flat-fee options of \$10 and \$20 were being considered, as was the mechanism for moving from the current subsidy system to flat fees while maintaining capacity.

In its final report released last month, the Productivity Commission said an option of a flat daily fee of \$10, regardless of family income, would cost another \$8.3 billion a year and create 7300 more full-time jobs. Its preferred option of increasing subsidies would have a “negligible” impact on job creation, it said.

Flailing in the polls and with the next election due by May at the latest, the government is looking for a circuit breaker. Anthony Albanese went to the last election flagging universal childcare as a legacy goal, and at last week's caucus meeting the prime minister told MPs and senators it would be front and centre of what he described as "a big second-term agenda".

Mr Albanese reiterated this while campaigning in Queensland on Monday.

"We'll have more to say about childcare, about our second-term agenda, but that is something for the future," he said, as he was being pressed on Labor's poor polling and how it intended to avoid being reduced to a minority government.

The government is prepared to spend big on childcare despite the budget forecast to be back in deficit for the next decade.

As part of its capacity-building efforts, the government will spend \$3.6 billion over two years, starting on December 1, to boost the wages of childcare workers by 15 per cent. The Coalition agreed last week to support the requisite legislation after the government included a sunset clause to ensure the pay rises did not continue.

The Productivity Commission recommended maintaining the childcare subsidy system, but changing eligibility criteria so that families earning less than \$80,000 a year, and up to \$140,000 for those with multiple children in care, would receive three days a week of free childcare, for 48 weeks of the year.

It recommended the subsidy then be tapered down by 1 percentage point for every \$5000 of adjusted taxable income over the minimum. Families with a combined income of \$580,000 or over would not be eligible for any subsidy.

It said the flat-fee model “would generate a somewhat stronger (but still small) labour market response from parents”, create a higher increase in demand, come at a “much higher additional cost to taxpayers” and not be equitable.

“A disproportionate share of the increased government support would go to the families whose incomes are in the top 25 per cent of the income distribution,” it said.

It also warned the spike in demand would result in a fall in quality, as had been witnessed in Canada.

These concerns were echoed by Early Learning and Care Council of Australia chief executive Elizabeth Death.

“We know from the experience of other jurisdictions that if government funding is not set and maintained correctly, this kind of reform will significantly limit the capacity of the sector to provide high-quality, innovative and inclusive early learning and care, and threaten the viability of services,” she said.

Her organisation backs the Productivity Commission’s recommendation of boosted and revamped subsidies.

“These recommendations ensure that the families of children who have the most to gain from quality early learning and care are not faced with unnecessary barriers or burdens,” she said.



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