



**Australian Government**  
**Department of Education**

**Submission to the  
Senate Inquiry into  
the immediate future of the child care  
sector in Australia**

14 March 2014

## Introduction

1. The child care and early childhood learning (CCECL) sector is important to a productive Australia. Access to affordable, flexible high quality child care supports families' engagement with study and work. Quality CCECL services can also help children learn and grow in the early years, contributing to their learning in school and later life outcomes.
2. A wide range of CCECL services are available in Australia, with a mix of public and private (both for and not for profit) providers. The foundation of the system is a set of market-oriented arrangements where parents make choices about the type of service they wish for their children and the price they are willing and able to pay.
3. The sector touches the lives of most Australian families, with almost every child now participating in some form of child care or early learning before entering school, or afterwards through outside school hours care. Based on the most recent data available, an estimated 1.2 million children were attending some form of approved<sup>1</sup> child care or early childhood education service in the June quarter 2013.<sup>2</sup>
4. CCECL is also a significant industry in its own right, providing employment for around 140,000 employees and generating revenues estimated to be over \$10 billion annually.<sup>3</sup>
5. Public expenditure on CCECL has grown significantly in recent years, with child care fees assistance one of the Australian Government's fastest growing major outlays. In 2013–14, expenditure on CCECL will be more than \$6.5 billion growing to around \$7.6 billion in 2016–17.<sup>4</sup> With this level of expenditure and given the cost that child care can represent for many households, it is important to ensure that parents and taxpayers are getting value for money from the system.
6. This submission seeks to respond to the terms of reference for this Inquiry only. Further information on the CCECL sector, and the Government's role in child care is outlined in the Department's submission to the Productivity Commission Inquiry into Child Care and Early Childhood Learning.

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<sup>1</sup> In this submission and unless otherwise indicated '*approved*' means a child care service(s) that has been approved to administer Child Care Benefit on behalf of families and subject to Family Assistance law.

<sup>2</sup> Sources: Department of Education administrative data; ABS: *Preschool Education, Australia, 2012*, Cat 4240.0.

<sup>3</sup> Sources: Department of Education administrative data and the *Report on Government Services*. The Department of Education estimates the sector has turnover in excess of \$10 billion a year from all sources, based on extrapolations from Australian and state/territory governments' expenditures and child care fees data.

<sup>4</sup> 2013–14 Mid-Year Economic Forecast.

## 1 Australia's child care and early childhood learning sector

### 1.1 Current CCECL services

7. The CCECL sector has a diverse array of service types, falling into two broad categories: centre-based and home-based. Centre-based care comprises Long Day Care, Preschool, Outside Schools Hours Care, Occasional Care and a range of integrated CCECL models, while home-based care includes In Home Care, Family Day Care, nannies, and most informal care. There are also mobile child care and early learning services in rural and remote communities.

8. Limited Child Care Benefit (CCB) subsidies are available for registered (as opposed to approved) care providers. Registered care is child care provided by individuals who are registered as carers with the Department of Human Services (DHS). Eligible families using registered care receive a lesser rate of CCB than families using approved child care, as approved providers are required to comply with Family Assistance Law quality standards and other legislative requirements.

9. For a service provider to be approved for CCB it must meet the requirements of at least one of these care types:

- **Long Day Care (LDC)** – a centre-based form of care. LDC services provide all-day or part-time education and care for children.
- **Family Day Care (FDC)** – administers and supports networks of FDC educators who provide flexible care and developmental activities in their own homes, or in approved venues, for other people's children.
- **Outside School Hours Care (OSHC)** – provides education and care before and/or after school and/or care during school vacation time. Services may also open on pupil-free days during the school term.
- **Occasional Care (OCC)** – a centre-based form of care. Families can access OCC regularly or irregularly on a sessional basis.
- **In Home Care (IHC)** – a flexible form of care where an approved educator provides care in the child's home. The Australian Government limits the number of approved IHC places available in the market and new IHC services can only become CCB approved if places are available for allocation.

10. Table 1 provides data on approved child care, as at the June quarter 2013. The number of children in approved child care for that quarter equates to around 27.2 per cent of the relevant child population. This is an increase from 26.3 per cent in the corresponding period in 2012 and equates to approximately 72,000 children.

11. The number of children in child care increased by around seven per cent in this period. This year on year increase is part of an ongoing pattern of growing utilisation of approved child care services across Australia.

**Table 1: Child Care: Children, Families, Hours and Services, June quarter 2013**

	Children	Families	Hours/week (average)	Services
Long Day Care	606,710	498,010	27.2	6,310
Family Day Care & In Home Care	142,400	88,130	27.0	570
Occasional Care	7,650	6,400	10.9	119
Outside School Hours Care*	334,480	238,600	10.7	8,718
<b>Total*</b>	<b>1,057,900</b>	<b>742,690</b>	<b>23.5</b>	<b>15,717</b>

\* As children may use more than one service type in any particular quarter and due to rounding, the sum of the component parts may not equal the total.

Source: Department of Education administrative data.

12. Table 2 provides the most recent data relating to preschool participation in the year before full time schooling.

**Table 2: Preschool participation in the year before school (August 2012)**

	Children*	Hours/week (average)	Services
Preschool & Kindergarten	165,147 (55%)	14.6	4307
Long Day Care**	100,889 (34%)	19.7	3287
<b>Total</b>	<b>266,036 (89%)</b>	<b>16.4</b>	<b>7594</b>

\* Number and percentage of children in the year before school. Does not include children attending preschool who are not in the year before starting full time schooling.

\*\* Long Day Care overlaps with long day care in Table 1 above.

Source: Australian Bureau of Statistics.

## **2 Cost and availability for parents over the short term, including the effectiveness of the current Government rebates**

### **2.1 The cost of child care**

13. Without financial assistance, many families would find the cost of child care to be prohibitive. The Australian Government seeks to address this through a range of subsidies and programmes. Despite this assistance, some families say that the affordability of child care remains a challenge.

14. The two main forms of child care fees assistance available from the Australian Government are:

- Child Care Rebate (CCR), which is available regardless of family income and is focused on supporting workforce participation, with the rate set relative to out of pocket costs
- Child Care Benefit (CCB), which is targeted towards lower income earners, through means testing, and has a range of rates depending on family income and circumstances.

15. Appendix 1 provides additional information on child care subsidies, including total outlays, out of pocket costs as a proportion of disposable income and child care fees and affordability.

16. In terms of impact on affordability, CCB combined with CCR assists lower income earners with the cost of child care. CCR is important to middle to higher income earners, as these families receive relatively less CCB (due to their higher incomes).

17. There have been some important changes to Australian Government child care fees assistance. CCR in particular has undergone a number of key changes in recent years. Until 2006-07, families claimed their out-of-pocket costs at the end of the financial year as a lump sum payment against their income tax liability, when the rebate was moved to the transfer payment system as an annual payment. From July 2008, CCR was lifted from 30 per cent of out-of-pocket costs to 50 per cent, and the annual limit was increased to \$7,500 per child. Payments are now available annually, quarterly or fortnightly (either to families or direct to services).

18. The annual CCR limit has been set at the 2008-09 level of \$7,500 per child and the limit has not been indexed since then.

19. While average national child care fees have grown at a steady rate, there are large variations between states and territories as well as metropolitan, regional and remote areas.<sup>5</sup>

20. Set up and running costs can also impact on the availability of places, as services may find it too expensive to expand or set up, even in areas of high demand. Some services have indicated that regulatory requirements such as staff qualifications and ratios also contribute to operating costs. The main drivers of

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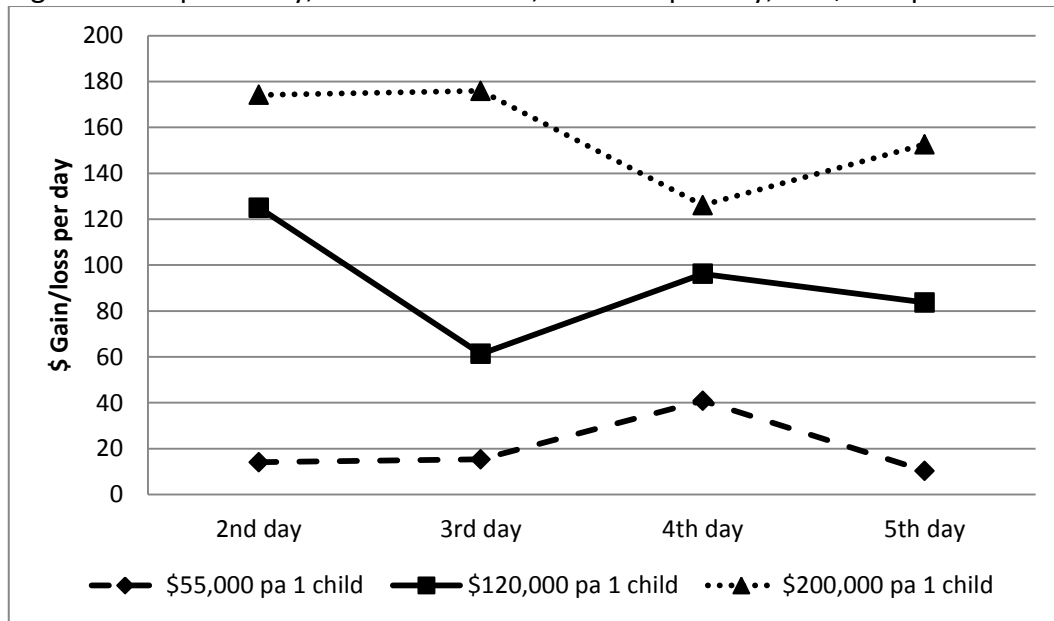
<sup>5</sup> See *Child Care in Australia August 2013*, Department of Education.

fee costs in the child care sector are wages, which make up between 60 and 80 per cent of a service's costs.

21. The interaction between child care fee assistance, other family subsidies, taxable income and income support payments is complex, varying between different household circumstances. The gains or losses from working an additional day can affect families' disposable incomes differently, depending on their income levels, the number of children in approved early learning and care services and the fees charged. The following two Figures provide scenarios of how different families' incomes and circumstances can have significant effects on the financial impacts of the secondary income earner in a couple family working an extra day:

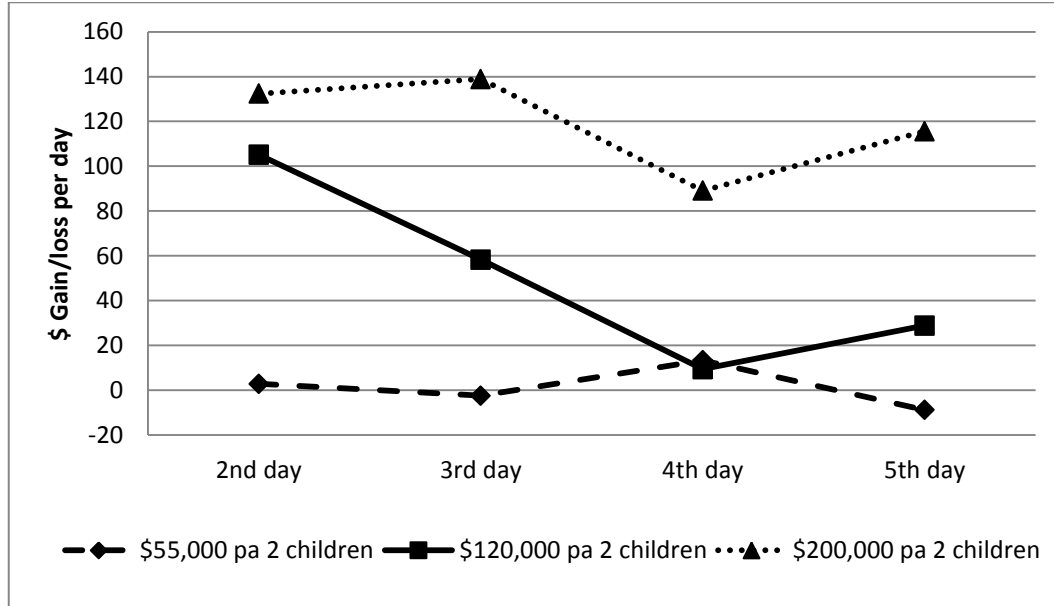
- Figure 1 shows the average amount gained for an additional day of work for the secondary income earner in a couple family, with one child in LDC for 50 hours per week, with an estimated fee of \$370 per week
- Figure 2 shows the average amount gained or lost for an additional day of work for the secondary income earner in a couple family, with two children in LDC for 50 hours per week, with an estimated fee of \$370 per week.

Figure 1: Couple family, **one child** in LDC, 10 hours per day, fee \$7.40 per hour



Source: Department of Education and Department of Employment estimates  
Assumptions used to estimate gains and losses are: Tax-transfer parameters as on March 2013; child aged less than 5 years; no Rent Assistance; no private health insurance; average hourly LDC fee from 2013 March quarter - \$7.40, 50 hours per week; families have not reached the CCR limit.  
Family income levels 1st/2nd income earner split: \$55,000 pa (\$30,000/\$25,000); \$120,000 pa (\$70,000/\$50,000); \$200,000 pa (\$120,000/\$80,000).

Figure 2: Couple family, **two children** in LDC, 10 hours per day, fee \$7.40 per hour



Source: Department of Education and Department of Employment estimates

Assumptions used to estimate gains and losses are: Tax-transfer parameters as on March 2013; children aged less than 5 years; no Rent Assistance; no private health insurance; average hourly LDC fee from 2013 March quarter - \$7.40, 50 hours per week; families have not reached the CCR limit.

Family income levels 1st/2nd income earner split: \$55,000 pa (\$30,000/\$25,000); \$120,000 pa (\$70,000/\$50,000); \$200,000 pa (\$120,000/\$80,000).

Figures 3 and 4 relate to dual income families. Estimates using similar parameters and assumptions for single families show much the same pattern, with financial gains reducing beyond the second and third day of additional work.

## 2.2 Australian Government expenditure should be sustainable

22. Child care fee subsidies constitute one of the fastest growing major Australian Government outlays, driven principally by increased numbers of children in care, increased hours in care and rises in fees. CCR and CCB constitute around 90 per cent of total CCECL outlays, and both have grown rapidly in recent years, and are expected to continue to do so in the forward estimates.

23. The 'mix' between CCR and CCB is also changing, so that by 2015-16 it is anticipated that CCR will overtake CCB as the Australian Government's largest single child care assistance programme.

24. It is likely that upward pressures on fees, including wage growth and demographic changes, will continue.

25. There are also complex interactions between 'demand-side' funding such as CCB and CCR, and 'supply-side' funding provided direct to services, to assist with, for example, establishment costs, special needs children and families, and the cost of operating in remote areas.

## 2.3 Efficiency and effectiveness of Government programmes

26. There are also opportunities to address the current structure of child care demand-side payments and to ensure programmes best meet their policy objectives. For example:

- improve alignment of child care payments with policy objectives
- there are many different loadings for CCB (i.e. part-time, multiple children, FDC and IHC loadings) – this, together with the income tapering means that it is hard for families to estimate their entitlement
- there is a raft of different administrative eligibility and payment features across the Child Care Benefit (CCB) and Child Care Rebate (CCR) which could be aligned and simplified to reduce red tape for families and services
- streamlined access to higher-level subsidies
- improve compliance activities relating to child care payments.

## 2.4 Under supply of child care in some communities

27. Despite the significant growth in the number of children using approved care over the last decade and the corresponding growth in the number of services, evidence suggests that, broadly speaking, the market has responded reasonably well to demand.<sup>6,7</sup>

28. However, families have told the department that finding child care can be particularly difficult in some areas.

29. The supply of child care can be impeded by barriers to entry including: access to capital<sup>8</sup> (particularly for not for profit organisations<sup>9</sup>), regulatory burdens arising through development and building approval processes, constraints due to zoning restrictions, and lack of available land.<sup>10</sup> These barriers to entry mean that the supply of child care is likely to take a period of time to respond to increases, or decreases in demand (potentially leading to an over or under supply).<sup>11</sup>

30. In inner-cities, land costs and land availability are significant constraints on the supply of centre-based care.<sup>12</sup> This is particularly the case in areas where available land has a greater value as high density housing or office space rather than for community uses such as child care.

31. In regional areas where rents are typically lower and land more readily available, the main constraint on supply is the availability of educators.

32. Families are increasingly seeking child care arrangements that meet their specific and diverse needs. Services consequently find it more difficult to respond and provide the care that families prefer. Increasingly, parents no longer work '9 to 5' and need more flexibility as to the location, timing and form of care. This can result in some families perceiving a lack of supply in a situation where there is a child care service available, but not in the form and/or at the times they need it.

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<sup>6</sup> Davidoff, I. 2007, 'Evidence on the child care market', *Economic Roundup Summer 2007*, Department of Treasury, Canberra.

<sup>7</sup> Department of Education, unpublished research.

<sup>8</sup> IBISWorld 2013, *Child Care Services in Australia*, September 2013, p22.

<sup>9</sup> Lyons et al, 2007, 'Capital access of non-profit organisations', *Agenda*, 14:2, pages 99-110.

<sup>10</sup> Department of Education, unpublished research.

<sup>11</sup> Department of Education. *Child care and public policy in Australia: a review of selected issues*, unpublished, 2008.

<sup>12</sup> See for example, SSROC 2005, *Discussion paper on planning requirements for child care centres*.



33. The effect of these issues on supply can reduce competition in local areas where there is a single dominant provider, or result in insufficient supply in areas where there is little return on investment (such as thin markets).

34. However, governments commonly struggle to address these market failures in an effective and efficient manner. In particular, government supply-side intervention risks generating adverse consequences, such as:

- supporting uneconomic services where the costs to government outweigh the benefits to the community
- encouraging less efficient business decisions by child care market operators
- creating an ongoing expectation that government will be a funder of last resort.

### **3 Administrative burden, including the impact of the introduction of the National Quality Framework (on children, educators and Service operators)**

#### **3.1 Duplication of regulation between levels of government**

35. The OECD report *Starting Strong II* supports the need for government intervention in the sector. The report concluded that ‘...governments need to fund, supervise and regulate private providers, if they wish to maintain quality for all young children, including children with special needs and/or additional learning needs’.<sup>13</sup>

36. The community expect that governments should be willing and able to act when there are problems with the supply of child care, and it is the role of governments to take responsibility in regulating for the health, safety and welfare of children and families. Government regulation should be proportionate and appropriate to the extent and type of market failure, balance the needs of children, parents, service operators and owners, and the community generally, and reflect government policy objectives.<sup>14</sup>

37. Imposing standards on the CCECL sector can produce a higher quality of service delivery than in an unregulated environment.<sup>15</sup> Excessive or poor regulation imposes administrative costs on service providers and their staff and can distort the business decisions of child care services and impede ease of access for families.

38. In a system where parents’ choices are important, governments have a special responsibility to get the right balance of regulation between a level that provides certainty to families that services will provide safe, nurturing environments and one that reduces unnecessary red tape and paperwork for the service.

39. The CCECL sector has a history of increasingly complex government involvement, as supplier (e.g. state government run preschools), regulator, and funder (both on the supply and demand sides), with all three levels of government playing a role.

40. This level of interaction between three levels of government has led to a tendency for some overlap or duplication between the levels and regulatory burdens for providers, who often have to respond to requirements from all three levels and across local and state/territory government boundaries.

41. Opportunities to reduce duplication of regulation through better coordination include:

- better consultation between government and service providers

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<sup>13</sup> Organisation for Economic Co-operation and Development (2006), *Starting Strong II Early Childhood Education and Care*, OECD Publishing: Paris.

<sup>14</sup> *Regulation Impact Statement for Early Childhood Education and Care Quality Reforms*, COAG Decision RIS, December 2009.

<sup>15</sup> Friendly, M., Doherty, G. and Beach, J. (2006), *Quality by Design: What Do We Know about Quality in Early Learning and Childcare, and What Do We Think? A Literature Review*. Toronto: Childcare Resource and Research Unit, University of Toronto.

- reduce the burden on services reporting the same or similar information to different levels of government (including the need and capacity to share information better)
- address the complexities of a multiple tier system – some services are regulated under the NQF, some are Australian Government approved but not NQF, some are state approved but not NQF, and some are not approved
- integrate and/or further enhance information systems (between all levels of government, services providers and, where possible and practicable, families).

### **3.2 Regulatory Burden Report**

42. ACECQA published a report on the NQF and regulatory burden on 20 December 2013.
43. The report sets out ACECQA's first stage of longitudinal research on services' perceptions and experiences of administrative burden under the NQF and establishes a benchmark to examine over time whether administrative burden is reducing and which strategies best contribute to this goal.
44. The report is presented in two parts with Part 1: Research findings—overview presenting high level findings on the administrative burden reported by education and care providers, based on information gathered through surveys and meetings with over 6300 people from across the education and care sector.
45. Part 2: Recommendations includes actions already underway and makes recommendations for further proposals to streamline the administrative requirements without compromising NQF objectives around the following four themes:
  - Opportunities to simplify the National Quality Standard
  - Opportunities to reduce the number of administrative requirements
  - Opportunities to set clearer expectations and improve communication about administrative requirements
  - Opportunities to remove operational impediments.

### **3.3 Key findings**

46. Overall, providers, nominated supervisors and family day care educators were highly supportive of the NQF but report a significant level of burden associated with ongoing administrative requirements of the Education and Care Services National Law and Regulations.
47. Providers whose services have been quality rated were among the groups most supportive of the NQF. These providers also reported a lower level of administrative burden.
48. 17 per cent of providers described the ongoing administrative requirements of the NQF as "very burdensome", 60 per cent "quite burdensome" and 20 per cent "somewhat burdensome."

A significant portion of burden was driven by the transition to the NQF. 65 per cent of providers disagreed that administrative burden had reduced since the introduction of the NQF.

49. Documenting educational programmes and assessing children's learning were the costliest ongoing administrative activities.
50. Providers and nominated supervisors identified Quality Improvement Plans as the most burdensome of the administrative activities. Higher levels of burden were also identified for documenting children's learning.

The department is working with ACECQA and jurisdictions to examine the assessment and rating process to identify areas where the efficiency of the process can be improved, and is also progressing a number of amendments to the Education and Care Services National Law and Regulations to improve the operation of the NQF.

## 4 How the child care sector can be strengthened in the short term to boost Australia's productivity and workplace participation for parents

51. In Australia, women spend more time providing unpaid caring work than men, with mothers spending on average 8 hours and 33 minutes per day caring for children under 15 years of age, compared to 3 hours and 55 minutes for fathers.<sup>16</sup> The impact of this is evidenced in the differences in workforce participation between women and men.

52. There is a 12.8 percentage point difference in the workforce participation rate of men (71.3 per cent) and women (58.5 per cent). It is also reflected in the proportion of women working part-time (46.2 per cent) compared to men (17.1 per cent).<sup>17</sup>

53. Table 3 shows how different circumstances impact on female workforce participation in Australia. The greatest effects (in order of significance) are: having four or more children; mother was a teenager when she gave birth to first child; mothers of children aged 0-5 years.

**Table 3: Participation of various groups of women**

Group	Labour force participation rate (%)	Employment to population ratio (%)	Number ('000s)
Single parents <sup>(a, b)</sup>	64.3	56.9	745.0
Teenager when had first child <sup>(c)*</sup>	36.6	33.5	1107.6
Have at least 4 children <sup>(c)**</sup>	31.9	30.8	1017.6
Mothers of children aged 0 – 5 <sup>(d)</sup>	52.7	49.0	1233.7
Mothers of children aged 6-12 <sup>(d)</sup>	69.8	65.6	1315.6
Mothers of children aged 13-18 <sup>(d)</sup>	76.7	74.2	1383.7

\* Refers to a mother who had her first child as a teenager (measured as 18 years and under).

\*\* Refers only to natural and adopted children, not step or foster children.

(a): Calculated from Census 2011.

(b): Single parents in this context refer to single parent women who have dependent child/ren under 25.

(c): Estimated from Household, Income and Labour Dynamics in Australia (HILDA) Wave 11.

(d): Calculated from ABS Census 2006.

54. The Grattan Institute has estimated that if six per cent more women entered the paid workforce, the size of the Australian economy would be increased by about \$25 billion per year.<sup>18</sup> Similarly, the OECD has estimated that increasing the workforce participation of women so as to reduce the gap to men by 75 per cent could increase Australia's projected average annual growth in Gross Domestic Product (GDP) per capita from 2.0 per cent to 2.4 per cent.<sup>19</sup>

55. The barriers to female workforce participation are complex and interrelated, and child care is an important issue which disproportionately affects women. However, while some participation increases could result from a more

<sup>16</sup> ABS, 'Caring for Children', *Gender Indicators Australia* (Cat. No. 4125.0) August 2013 (using 2006 time survey data).

<sup>17</sup> ABS *Labour Force, Australia* (Cat. No. 6202.0), November 2013, seasonally adjusted.

<sup>18</sup> Daley, John (Grattan Institute), *Game Changers: Economic Reform Priorities for Australia*, June 2012.

<sup>19</sup> OECD, *Closing the Gender Gap – Act Now!* 2012.

accessible child care system, it is difficult to quantify the impact given the number of compounding factors affecting female workforce participation.

56. The OECD emphasises the issue of culturally ingrained gender stereotypes, which develop in early years of life, build during schooling years (and are reinforced by attitudes and norms in school environments) and continue throughout life in the workplace.<sup>20</sup>

57. Gender segregation in industries is an issue across many OECD countries, including Australia, as is the sharing of unpaid work and broken employment history for women who spend time out of the workforce to raise children and/or care for elderly parents/in-laws.

58. The relationship between child care fees and workforce participation is also complex. For example, a recent study for the Australian Government Treasury suggests that an increase in the net price of child care of one per cent leads to a decrease in hours of labour for partnered women of 0.10 per cent.<sup>21</sup> Other studies have shown that parents take into account the quality of care when making child care and workforce participation decisions.<sup>22</sup>

59. While the analysis for Treasury did not fully differentiate the impacts of the cost of child care on workforce participation for women of different income levels, women with lower earnings potential and families on lower incomes (for whom child care expenses may take up a larger part of their disposable income) would be expected to be more affected by child care price changes than those with higher incomes. Different effective marginal tax rates can also have a significant impact on women's incentives to participate in the workforce.

60. Figure 5 summarises the workforce situation for women in Australia and the main reasons for working or not working. These findings indicate that the cost of, and access to, child care, together with more flexible working arrangements (such as working part-time), are likely to be significant incentives (or disincentives) for women to join or increase their participation in the labour force.

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<sup>20</sup> OECD, *Closing the Gender Gap – Act Now!* 2012.

<sup>21</sup> Gong and Breunig, *Estimating net child care price elasticities of partnered women with pre-school children using a discrete structural labour supply-child care model – Treasury Working Paper*, 2012. See also Kalb and Lee, *Childcare Use and Parent's Labour Supply in Australia – Melbourne Institute Working Paper No. 13/07, 2007*, which found a similar if smaller effect.

<sup>22</sup> COAG Decision Regulation Impact Statement (2009) Breunig *et al*, *The New National Quality Framework: Quantifying some of the effects on labour supply, child care demand and household finances – 2011*.

**Figure 5: Barriers and incentives to labour force participation for women, 2012-13**

Of the 5.4 million people **not in the labour force**, 3.4 million (62 per cent) were women aged 18 and over. Of those:

- 77.4 per cent (2.6 million) did not want a paid job, of those:
  - 31.6 per cent were permanently retired
  - 13.3 per cent were caring for children.

Of the total 1.2 million people who were **not in the labour force and wanted a job**, 770,500 (63 per cent) were women.

- nearly half (47.2 per cent) of these women cared for their own children.

Of the 3.4 million people who worked **part-time** (0-34 hours), 2.4 million were women. Of those:

- 1.8 million did not want to work more hours (31.0 per cent of whom cited caring for children as their main reason for not wanting to work more hours)
- 571,900 preferred to work more hours
- 241,500 were single female parents – 40.7 per cent of whom preferred more hours
- 1.6 million were parents in couple families – 19.5 per cent of whom preferred more hours
- 463,600 had a youngest child aged 0-4 – 21.1 per cent of whom preferred more hours
- 619,300 had a youngest child aged 5-14 – 24.2 per cent of whom preferred more hours.

Of the 1.4 million people **unemployed or wanting more work (and were looking and available to start)**, 508,200 (36 per cent) were women. Of those:

- 18.3 per cent cited 'no jobs or vacancies in locality/line of work/at all' as their main difficulty in finding work/more hours, while 1.9 per cent cited 'difficulties finding child care'.

Of the total 1.2 million people **available for work/more hours, but not looking for work/more hours**, 797 600 (66 per cent) were women.

- 19.9 per cent of this group (or 158,400 women) cited 'caring for children' as their main reason for not looking for work/more hours. Of these:
  - 36.1 per cent (or 57,200) cited that they 'preferred to look after children'
  - 21.7 per cent (or 34,400) cited 'cost/too expensive'
  - 19.7 per cent (or 31,248) cited 'child care not available/child care booked out/no child care in locality'
  - 13.5 per cent (or 21,400) cited 'children too young or too old for child care'
  - 9 per cent (or 14,200) cited 'other child care reasons'

Incentives to join the labour force or increase participation:

- Of those women with (or caring for) children who were not employed, or who usually worked part-time:
  - 56.2 per cent considered 'access to child care places' as a 'very important' incentive, with respect to increasing their participation in, or joining, the labour force, while 55.0 per cent considered 'financial assistance with child care costs' as a 'very important' incentive.

Source: ABS Barriers and Incentives to Labour Force Participation 2012–13.

61. Improvements in the affordability and availability of child care are likely to boost the participation of mothers in the workforce. This in turn benefits the overall performance of the economy.

## Appendix 1: Further details on child care subsidies

### *Cost of CCECL for taxpayers*

Over the next four years (to 2016-17), Australian Government expenditure on CCECL is expected to exceed \$28 billion. Child care fee subsidies (CCB and CCR) form one of the fastest growing areas of Australian Government outlay, driven principally by increased numbers of children in care, increased hours in care and rises in fees. In 2003–04, expenditure on CCB and CCR was \$1.4 billion. Latest projections suggest that by 2016–17 this figure could be around \$7.1 billion.

Currently, families with incomes under \$41,000 are eligible to receive the maximum CCB rate. In the June quarter 2013, approximately 25.8 per cent of all families using approved child care, were receiving the maximum CCB amount available. This equates to around \$333.4 million (or 54.6 per cent) of the total estimated CCB expenditure for families receiving the maximum amount of CCB.

By 2015, it is estimated that outlays for CCR will exceed outlays for CCB. Beyond this, CCR outlays will continue to grow rapidly, while CCB will grow at a high, but much slower rate. The expectation is that upward pressures on fees, including from wage growth, the NQF and population increases, will continue. This will result in continued growth in outlays.

In the June quarter 2013, total expenditure for CCR was around \$583 million. Of this total expenditure, 42.9 per cent went to families who did not receive any CCB entitlement, either because families did not claim or because their income was too high to qualify. Around 14 per cent of CCR expenditure went to families receiving the maximum CCB amount available.

### *Child Care Fees*

Child care services are responsible for setting their own fees. Approved child care services submit information to the Department of Education about fees charged for their services. This information is published on the MyChild website.

**Table A1.1: Average hourly fees and average number of hours per week by service type, June quarter 2013**

Approved care type	Average hourly fee (gross)	Average number of hours per week
Long Day Care	\$7.50	27.2
Family Day Care	\$7.30	27.0
Outside School Hours Care	\$6.05	10.7
In Home Care	\$13.85	27.7
Occasional Care	\$8.85	10.9

Source: Department of Education administrative data

### *Out-of-pocket costs*

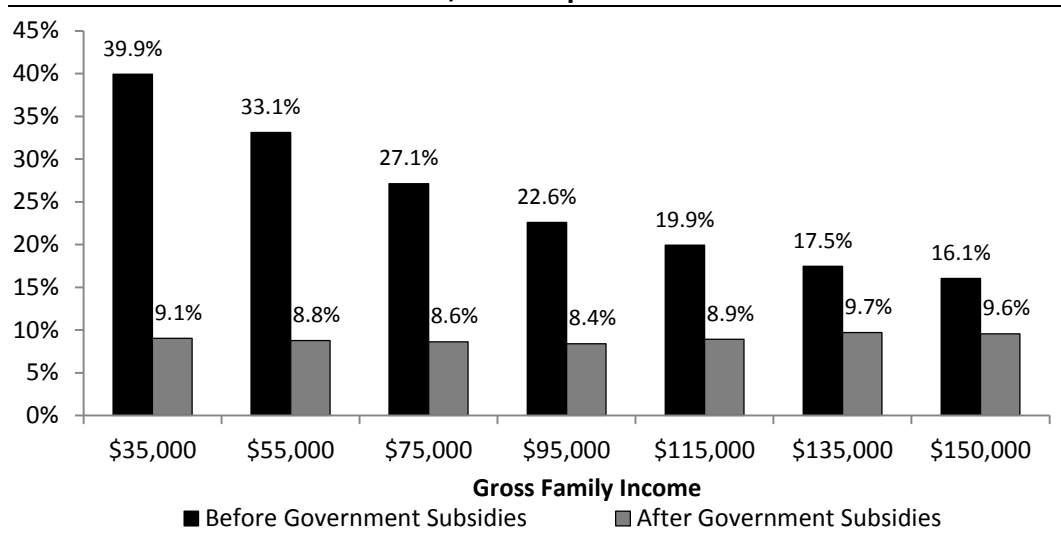
Gross fees are the total cost of child care and are usually the service's advertised price. Net fees, or out-of-pocket costs, are the costs to families after child care subsidies have been taken into account.

Figure A1.1 shows the current out-of-pocket costs as a proportion of disposable income for families at eight annual gross incomes and illustrates the relative



affordability of child care for different income groups and their relative ability to pay for child care.

**Figure A1.1: Out of pocket costs for one child in long day care before and after Australian Government subsidies, March quarter 2013**

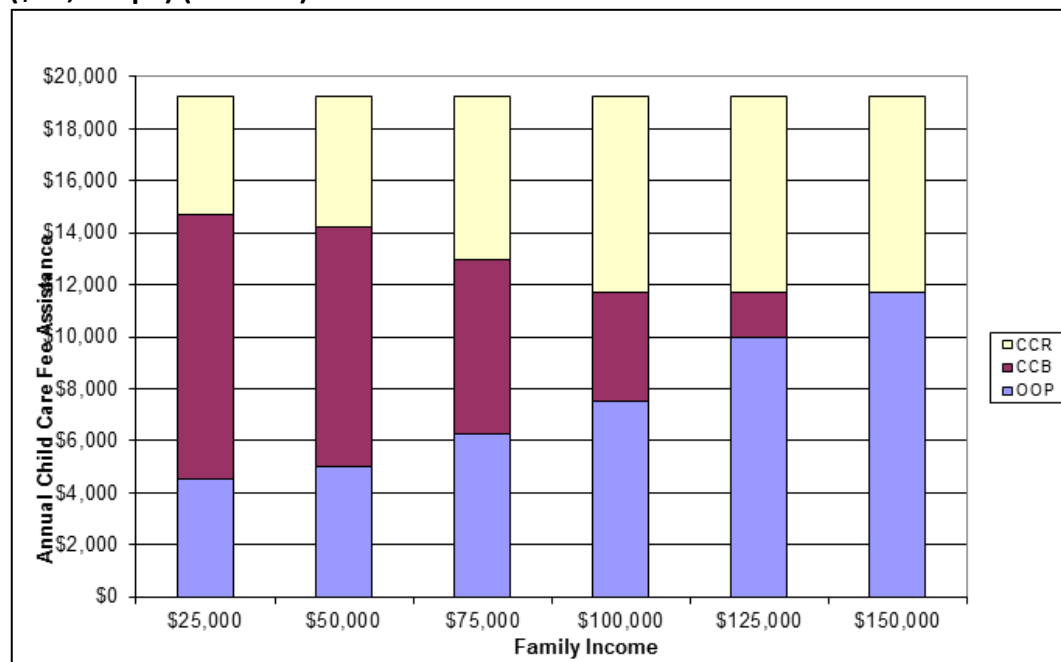


Note: Out-of-pocket costs (before and after Australian Government subsidies) are shown for families with one child using long day care for 50 hours of care per week.

Source: Department of Education administrative data

Figure A1.2 shows the amount of child care subsidies and out-of-pocket costs for families at different income levels (assuming one child in Long Day Care for 50 hours per week with a child care fee of \$360 per week).

**Figure A1.2: One child in LDC, 50 hours per week, estimated fee \$360 pw (\$18,720 pa) (2012-13)**

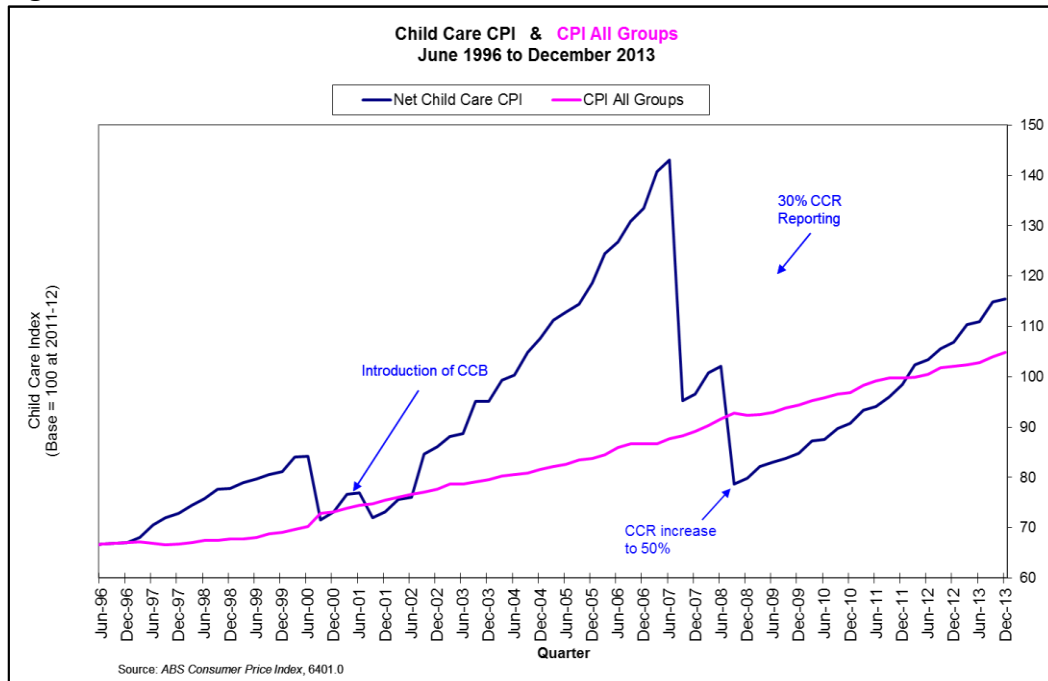


Source: Department of Education administrative data. OOP = Out of Pocket.

### ***Affordability over time***

To produce an estimate of an average household’s gross child care fees payable, the ABS collects prices from a sample of child care centres, including FDC, and private and community child care centres in each capital city. The net child care cost index is the gross cost less the estimated CCB and CCR entitlements, based on income and usage profiles of a representative sample of child care users. Figure A1.3 shows how policy changes have impacted on affordability between 1996 and 2013.

**Figure A1.3: Child Care Prices and CPI 1996 to 2013**



Note: The ABS did not include CCTR/CCR in the Child Care CPI estimate until 2007. A one-off CCB increase of 10 per cent occurred in the 2006-7 Budget.