



Australian Childcare Alliance

Representing the future of Australia's children

Australian Childcare Alliance

Submission to Senate Inquiry into the
Family Assistance Legislation Amendment (Child Care Measures)
Bill 2014

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Ms Julia Agostino
Committee Secretary
Senate Education and Employment Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Ms Agostino

Family Assistance Legislation Amendment (Child Care Measures) Bill 2014

The Australian Childcare Alliance (ACA) is the national peak body representing members in the long day care early childhood education and care (ECEC) sector throughout Australia. ACA has offices in Victoria, New South Wales, Queensland, South Australia, and Western Australia and representation in all states and territories.

Our response to the *Family Assistance Legislation Amendment (Child Care Measures) Bill 2014* is based on information ACA has collated over the past 12 months on the health and stability of the ECEC sector and current anecdotal evidence from members.

The position of the sector, particularly relating to affordability of ECEC for families, prior to the 2014-2015 budget was and continues to be a major cause of concern.

The significant benefit of ECEC is realised through sustained participation of women in the workforce and in producing confident, nurtured, educated and happy children able to participate in high quality care and early learning programs. The benefit of a strong ECEC sector that provides high quality programs has been well documented.

High quality ECEC services underpin the workforce. ACA supports the Australian Government's intention to continue to encourage the sector to provide superior care and reforms and to encourage greater workforce participation.

Families accessing the ECEC sector are experiencing affordability issues with increased fees as a result of the National Quality Framework (NQF) implementation since 1 January 2012, combined with the devaluation of the Child Care Benefit (CCB) funding and the reduction and freeze of the Child Care Rebate (CCR) since 2011. These reductions in funding to families, combined with general economic pressures have caused women to reconsider their participation in the workforce.

In the 2013 ACA *What Parents Want Survey* 48 per cent of respondents indicated that they would decrease their usage of childcare or withdraw their child completely if out-of-pocket childcare fees increased by 10 per cent.



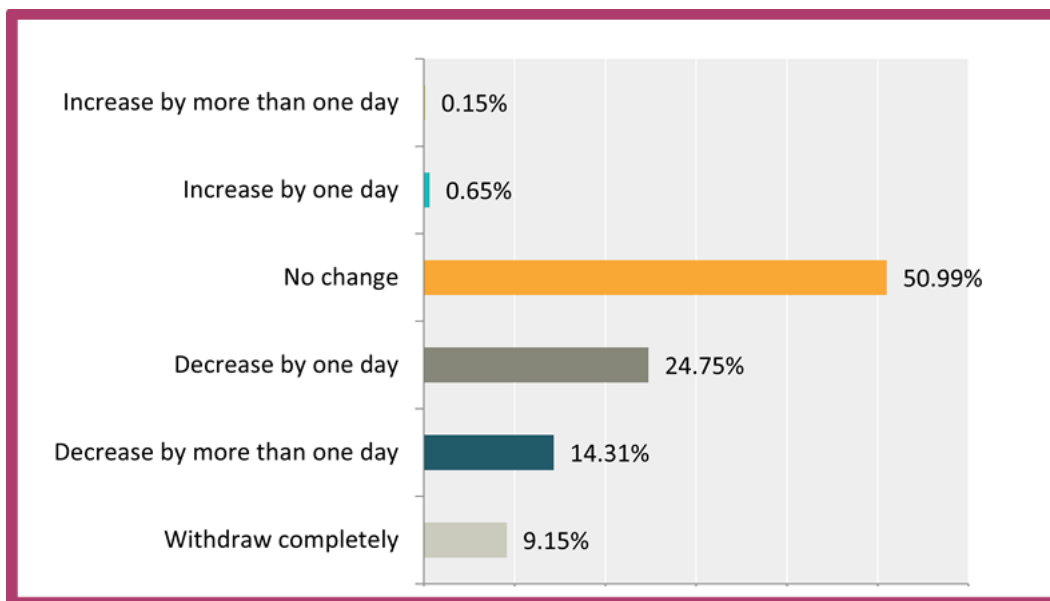


Figure 1. ACA What Parents Want Survey 2013, Australian Childcare Alliance, April 2013¹

The Treasury Working paper 2010 – 03² indicated the responsiveness of female labour supply to childcare costs in their summary report below:

The estimated elasticity of employment with respect to the gross child care price for an average married mother with young children is -0.3, and the corresponding elasticity of hours worked is -0.7. That is, on average, if the gross child care price increases by 1 per cent:

- *The employment rate of married mothers with young children would be expected to decrease by 0.3 per cent.*
- *The hours worked by married mothers with young children would be expected to decrease by 0.7 per cent.*

Along with labour supply of the mother, we also investigated families' demand for child care for each child in the family. The estimate of child care demand elasticity with respect to its price is -0.66 — that is, if the average gross child care price increases by 1 per cent, the formal child care hours used for the average young child would be expected to decrease by 0.66 per cent.

Occupancy

Our members are reporting a record number of vacancies in many demographic areas. The results from our most recent member survey, in January 2014, highlight this issue. ACA will conduct a further survey of members in early July 2014 to examine the viability and health of the sector.

Members indicated that previous years of increased fees due to the implementation of the NQF, the erosion of the CCB and the freeze on the CCR have resulted in a much lower than average commencement to the year as follows:

Respondents indicated that estimated overall occupancy levels for the week beginning 3 February 2014 was 75%.

¹ ACA What Parents Want Survey 2013, Australian Childcare Alliance, April 2013

² Gong, X, Breunig, B and King, A 2010, 'How responsive is female labour supply to child care costs? — New Australian estimates', Treasury Working Papers, 2010-03, Australian Treasury.

Table 1: Vacancies as a percentage of overall occupancy by age³

Day	0-2 age group	2-3 age group	3-5 age group
Monday	32%	32.9%	37.2%
Tuesday	25.7%	25.5%	28.9%
Wednesday	26%	26.8%	27.6%
Thursday	25.1%	25.7%	27.4%
Friday	30.4%	30.3%	33.3%

In response to both proposed amendments listed in the Terms of Reference which are:

1. Maintain the current Child Care Rebate (CCR) limit at \$7,500 per child, per financial year, by continuing to pause the indexation of the CCR limit for a further three years to 30 June, 2017 and
2. Maintain the Child Care Benefit income thresholds at the amount applicable as at 30 June, 2014, for three income years to 30 June 2017

ACA is greatly concerned that any further erosion of funding and continuation of the current funding model will have an ongoing effect on:

- parents' workforce participation, particularly female participation
- the ability for low income families to access an ECEC program for their children, and
- vulnerable and disadvantaged children as they will remain excluded from ECEC programs prior to commencing formal schooling.

ACA is aware that the Productivity Commission is currently undertaking extensive research into the ECEC sectors. ACA expects that the review will influence the Australian Government to immediately address the issues identified. ACA is seeking reform that ensures affordability issues in accessing ECEC programs are eliminated by establishing a funding model that is fair and equitable. Importantly any reform must ensure that families will not be disadvantaged despite their area of residence or their individual circumstances.

Regards

Gwynn Bridge
President
Australian Childcare Alliance

³ ACA Member Survey 2014, Australian Childcare Alliance, January 2014