

**Senate Standing Committee on Education, Employment and Workplace
Relations
Inquiry into the Provisions of Family Assistance
Legislation Amendment (Child Care Budget Measures) Bill 2010**

Submission from

Department of Education, Employment and Workplace Relations

The Government will invest \$17.1 billion over four years for early childhood education and child care.

Included within this funding is \$14.4 billion to help 800 000 Australian families annually with the cost of child care, through Child Care Benefit and the Child Care Rebate. This includes \$8.4 billion over four years to reduce child care fees under the Child Care Benefit and \$6 billion to assist working families with out-of-pocket child care costs under the Child Care Rebate.

Child Care Rebate

The Child Care Rebate is a payment that provides additional assistance for working families who use approved child care by covering half of all their out-of-pocket approved child care costs, up to a maximum limit per child per year (currently \$7,778). It is not income-tested.

Recent history of the Child Care Rebate

There have been a number of changes to the Child Care Rebate in recent years that have improved affordability for families.

From July 2008 the Child Care Rebate was increased from 30 per cent to 50 per cent of child care out-of-pocket costs and from a maximum of \$4354 up to \$7500 per child per year. This is an increase of 72 per cent.

It is expected that 690,000 working families will receive Child Care Rebate in the next financial year.

Compared to the level of funding provided when the rebate was set at 30%; a family for example earning \$80,000 with one child in full time long day care (assuming 50 hours a week, \$64 per day for 52 weeks per year) would have previously received \$3,359 in CCR. With the increase of the CCR to 50 per cent they would receive \$5,598 in CCR – a difference of \$2,239.

The Government also changed Child Care Rebate payments from yearly to quarterly in July 2008, so parents do not have to wait until the end of each year to get assistance with their child care fees.

Changes in Budget

As part of the 2010-11 Budget the current Child Care Rebate annual cap that a family can claim per child will be fixed at \$7,500.

Indexation of the maximum rate of the Child Care Rebate would not occur for four years and therefore the annual cap of \$7500 per child will continue unchanged until 30 June 2014.

Impact

This is a modest change in assistance for a small percentage of families using approved child care.

The vast majority of families using approved child care, some 97 per cent, will not reach the reduced annual cap in 2010–11 and will not be affected by this change. Those families that are impacted are only expected to be out of pocket by around \$5 per week in 2010–11.

In addition, the average amount of CCR paid in 08-09 was under \$2000, which is well under the new cap limit of \$7,500.

A family earning \$37 000 and eligible for maximum Child Care Benefit at \$3.60 per hour would need to be using full-time child care at a cost of \$94 per day, or over \$24,000 per child per year, to exceed the Child Care Rebate limit of \$7,500.

On average, families using Long Day Care only use 26 hours of care per child per week. The average level of usage for all care types including family day care is lower at 22 hours per week.

Modelling indicates that under the changes to the Child Care Rebate, less than one per cent of families using child care who earn less than \$100 000 a year will be impacted in 2010-11.

A family which does not receive Child Care Benefit, as their annual income is above \$131,560 (for one child in care and higher if a family has more than one child in care), would have to spend at least \$15,000 a year on child care before they are impacted by the change in the Child Care Rebate cap. This family would still receive a significant contribution of \$7,500 from the Government.

Some 80 per cent of families receive assistance for child care costs through Child Care Benefit. Over \$1.9 billion will be provided to families under CCB in 2010-11.

The following is the estimate of the number of families affected.

	2010-11	2011-12	2012-13	2013-14
Families affected	26,000	38,800	54,500	72,500

Rationale for returning the Child Care Rebate annual cap to \$7,500

This measure will help offset the cost of very important improvements that are being made to the quality of child care in Australia by providing \$86.3 million in savings over the next four years.