

UNITED VOICE SUBMISSION TO THE INQUIRY INTO THE FAMILY ASSISTANCE LEGISLATION AMENDMENT (CHILD CARE MEASURES) BILL 2014

United Voice, the Early Education and Care (ECEC) union, represents over 90,000 childcare directors and educators across Australia. We have members in every state and territory working in both large organisations and smaller centres. Together we are committed to providing the best possible early education for Australian children.

United Voice does not support moves to freeze the income eligibility threshold for the CCB and the cap for the CCR. We believe that these moves will impact on the affordability of childcare, with significant implications for both the workforce participation of parents and child development.

Despite the increases in government funding to the sector, increasing numbers of families report difficulties with the affordability of childcare.

In 2008, 22.5% of children did not access the care required due to cost. This had increased to 24.5% by 2011.¹ This figure includes children who did not attend any formal care, as well as those who did not attend formal care services for as many hours as required by their parents. This has significant implications for workforce participation, with 51.1% of parents citing work-related reasons as the primary driver of their need for additional childcare in 2011.²

According to modelling conducted by United Voice, gross childcare fees (before subsidies) have, on average, increased by 11.2% in the last year between April 2011 and April 2012 across all states in Australia, from an average of \$63.21 to \$70.29 per day. Over the last quarter of that period (January 2012 – April 2012) fees increased by an average of 3.5%, from \$67.95 to \$70.25 per day.³

The increase in childcare fees is responsible for the significant increases in government funding to the sector through the Childcare Rebate. The Childcare Rebate covers 50% of the gap between total fees and the amount covered by the Childcare Benefit (if any), up to a total of \$7500 per annum. While the CCR cap had previously been subject to annual increases, the indexation of the cap is currently on hold until 2017. While only 7.5% of parents hit the cap in 2011/12, that number was expected to double by 2017.⁴ This figure did not take into account the effects of a freeze on the income eligibility threshold for the CCB.

¹ Productivity Commission, *Report on Government Services 2014*. Melbourne, Commonwealth of Australia, 2014.

² Productivity Commission, *Report on Government Services 2014*.

³ D Baker, *Trouble with Childcare: Affordability, Availability, and Quality*, Canberra, The Australia Institute, 2013.

⁴ <http://www.news.com.au/finance/money/kate-ellis-reveals-150000-families-face-childcare-pain-in-budget/story-fnagkbpv-1226645940621>

Given that the cap on the Childcare Rebate predominantly affects families where both parents are working full-time, the decrease of the cap in real terms, and relative to overall increases in childcare fees, will impact on these parents' decisions regarding full-time work.

Faced with having to pay 100% of childcare fees above the cap, many parents will opt to reduce their hours of work or to utilise unregulated forms of care.

The freeze on the income eligibility threshold for CCB will affect 500,000 low and middle income families. Research has shown that children from low income families are at greater risk of developmental vulnerability. These children stand to gain the most from regular attendance in a high quality ECEC program.

The freezing of the cap and income eligibility threshold has been proposed to curb significant increases in government expenditure in the sector. United Voice acknowledges that government expenditure on ECEC has increased substantially over the last decade. Between 2007-08 and 2011-12, real expenditure increased by 62.7% nationally, from \$3.71 billion to \$6 billion in 2011-12. In 2011-12, \$4.18 billion was paid in the form of parental subsidies, through the Childcare Benefit or the Childcare Rebate. Childcare costs have increased at rates significantly above inflation since the early 1990s, with a significant percentage of these costs borne by government through interventions such as the introduction of the Childcare Rebate.

United Voice believes that a freezing of the income eligibility threshold for the CCB and the cap for the CCR will only exacerbate the existing crisis of affordability in the sector, while doing little to ensure that expenditure is sustainable over the long-term. In our submission to the Productivity Commission Inquiry into Childcare and Early Childhood Learning, United Voice proposed a number of significant reforms to the sector. These reforms are in line with reform proposals put forward by Price Waterhouse Coopers and Early Childhood Australia that were designed to ensure that all children had access to affordable, *high quality* ECEC services.

We have attached our submission to the Productivity Commission Inquiry, which provides more detail on the nature of our proposed reforms.

United Voice believes that any changes to the model of subsidies should be put on hold pending the release of the Productivity Commission's report into the sector.

Yours sincerely

Lyndal Ryan
NATIONAL VICE PRESIDENT

11 June 2014