

CHAPTER 2

Key issues

2.1 The committee received submissions from organisations expressing a range of views, including welcoming the government's investment of \$28.5 billion over four years in child care fee assistance, despite a 'difficult fiscal environment'.¹

2.2 Submitters voiced concerns that the bill would not achieve the aims of the policy behind the Child Care Benefit (CCB) and Child Care Rebate (CCR) to provide financial assistance to families to help support access to child care and to increase workforce participation, and social and educational development for children.

2.3 Specifically, submitters expressed concerns that the bill would affect affordability and therefore accessibility for some families, and that some families would be hit with unexpected fees once the threshold for CCR had been reached. Some submitters also expressed a view that these changes should not be made ahead of the release of the Productivity Commission Inquiry into Child Care and Early Childhood Learning. Further, submitters argued the changes are merely cost-cutting measures without consideration of the broader issues.

Affordability and accessibility

2.4 Some submitters expressed concern that the measures proposed by the bill will mean that more families receive less, and that some may lose the CCB altogether. In particular, that as the benefits reduce, out of pocket costs rise and families will reach the \$7500 CCR cap earlier.² This may reduce accessibility to quality child care for some families.

2.5 In its submission, the Department of Education (the department) emphasised that the CCR is a non means-tested payment, and in relation to the CCB it explained:

The Child Care Benefit is a means-tested payment that provides financial assistance to help families with child care costs. The Child Care Benefit upper and lower income thresholds are used to calculate the rate of a family's Child Care Benefit. The lower and upper Child Care Benefit income thresholds are currently \$41,902 and \$97,632 respectively and are indexed each year on 1 July in line with Consumer Price Index (CPI) increases...

The Child Care Benefit standard hourly rate, the minimum hourly amount and the multiple child loadings related to the Child Care Benefit will

1 Early Childhood Australia, *Submission 5*, p. 3.

2 Police Federation of Australia, *Submission 7*, p. 1; National Welfare Rights Network *Submission 2*, p. 2.

continue to be indexed by the CPI on 1 July each year. These amounts are not affected by either of the measures in the Bill.³

2.6 Submitters welcomed the government's commitment to continuing Consumer Price Indexing of the CCB standard hourly rate, the minimum hourly amount and the multiple child loadings.⁴ Further, the AI Group argued the bill would not have significant impact on productivity or workforce participation.⁵

Productivity Commission inquiry and cost cutting measures

2.7 In respect of concerns about the measures being purely cost cutting measures that should be postponed until after the Productivity Commission's inquiry has finished, the committee notes the Department's submission that explains the measures are:

...limited and targeted savings measures that will achieve savings to help address short term fiscal concerns. In particular these measures do not preempt the outcomes of the Productivity Commission Inquiry into Child Care and Early Childhood Learning, which is a once in a generation opportunity to reform child care and early learning. The Government will use the Productivity Commission Inquiry process and outcomes to ensure better child care policies into the future.⁶

2.8 This explanation addresses concerns that the measures should not be taken ahead of the Productivity Commission's report, because they are both limited and targeted and will not prevent the Government taking on board any recommendations the Productivity Commission may make about Australia's broader child care and early childhood learning needs.

Committee view

2.9 The committee notes the Australian Government's ongoing commitment to providing affordable and accessible child care options for Australian working families, through the provision of financial assistance under the CCR and CCB. In particular, the committee is persuaded of this commitment by the Department's submission that:

Child care fee subsidies are 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. Overall the Government will increase child care fee assistance to \$28.5 billion over the next four years. This includes \$13.6 billion to reduce child care fees under the Child Care

3 Department of Education, *Submission 4*, p. 1.

4 National In-Home Childcare Association, *Submission 6*, p. 2.

5 Ai Group, *Submission 16*, p. 2.

6 *Submission 4*, p. 3.

Benefit, and \$14.9 billion to assist working families with out-of-pocket child care expenses under the Child Care Rebate.⁷

2.10 While the committee notes concerns about maintaining the current CCR limit and CCB income thresholds, it is not persuaded that childcare will become unaffordable or inaccessible as a result of these measures. Further, it notes the Productivity Commission is conducting an in depth inquiry into child care and early childhood learning that is likely to influence future government policy in this area.

2.11 Finally, the committee is persuaded that these measures are limited, well targeted and for a finite period of time, and are a necessary part of the broader government agenda of repairing the budget and strengthening the economy.

Recommendation 1

2.12 The committee recommends that the bill be passed.

Senator Chris Back
Chair, Legislation

⁷ Department of Education, *Submission 4*, p. 3.