

# LABOR SENATORS' ADDITIONAL COMMENTS

## Key issues

### **The bill does not fulfil Coalition pre-election policy statements**

1.1 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. Labor Senators support these concerns.

1.2 The Coalition's pre-election policy document, *The Coalition's Policy for Better Child Care and Early Learning*, published in September 2013, states the Coalition's commitment "to help ensure child care can be more accessible and affordable". This bill completely goes against that policy statement by forcing up costs for families already facing rising fees.

### **The bill will exacerbate already rising pressures on costs**

1.3 While the committee majority noted concerns about maintaining the current CCR limit and CCB income thresholds, it was not persuaded that childcare will become unaffordable or inaccessible as a result of these measures. Labor Senators do not support this view.

1.4 Evidence submitted demonstrated that prices are likely to continue to rise above general inflation into the future, continuing the long term decline in the value of child care subsidies.<sup>1</sup> The value of CCB has been eroding because the income thresholds and the rates have both been indexed to CPI, resulting in costs continuing to exceed any indexation into the future following the freeze.

1.5 The Department of Education gave evidence pertaining to this in its recent appearance before Budget Estimates. The Deputy Secretary of the Department of Education stated that child care prices were forecast to increase annually by around seven per cent on average over the forward estimates.

1.6 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 \$7,500 CCR cap earlier.

1.7 The three year temporary freeze implemented by the former Labor Government in 2011 impacted only 5 per cent of families using child care. These were primarily high-income families using expensive child care. This no longer the case. By 2013-4, the cap affected 72,000 families, or 7.8 per cent of all families. By 2016-17 this number will double, with 147 000 families, or 15.8 per cent of families, exceeding the cap by 2016-17.

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1 *Legislative Out-years Customisable Model of Child Care: 2013-14 Budget*, as cited in Early Childhood Australia, *Submission 5*, p. 7.

1.8 Eligibility for CCB has also been moving further away from average earnings. In 2004-5, a family on 70 per cent of average full-time weekly earnings received full CCB. By 2013-14, the income cut off for CCB had fallen to just 55 per cent of average full-time weekly earnings, and by 2019 will fall below 50 per cent.

1.9 During the latest round of Budget Estimates, the department also confirmed that the child care and early learning space is a market, and not bound by pricing guidelines from the government, resulting in a total inability of the Coalition to be able to deliver on a promise around fees.

**Ms Wilson:** The market is the market; we do not intervene in the market.

**Senator LINES:** That is right.

**Ms Wilson:** People make assessments for themselves based on business viability about the demand, the need, the CCB and CCR they will get, the fees they charge.<sup>2</sup>

### **The Bill negatively impacts women's workforce participation**

1.10 AI Group argued the bill would not have significant impact on productivity or workforce participation.<sup>3</sup> Although the majority report relies on this submission, other submitters did not reflect this evidence.

1.11 Early Childhood Australia presented evidence about the well-known correlation between child care affordability and women's workforce participation, presenting academic works demonstrating that a one per cent increase in the gross child care price on average, results in a decrease to mothers' employment rate of 0.07 per cent,<sup>4</sup> and that families on lower incomes are more responsive to increases in child care prices.<sup>5</sup>

1.12 Affordability is a major barrier to children's participation in early learning, and therefore a contributing factor in their ability to access the inarguable benefits gained from early learning, particularly among already disadvantaged children.

### **Productivity Commission inquiry**

1.13 The Labor Senators of the committee echo the concerns of some submitters about the measures being purely cost cutting measures that should be postponed until after the Productivity Commission's inquiry handed down its final report.

1.14 The Coalition made an election commitment to inject \$2M into the Productivity Commission Inquiry into Child Care, and to implement any decisions on the matter prior to the final report demonstrates a disregard for the results and makes it difficult for the Commission to provide accurate recommendations, as these

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2 *Proof Senate Estimates Hansard*, 4 June 2014, p. 25.

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

4 Bruenig, R., & Gong, X., *Treasury Working Paper 2012-01: Estimating net child care price elasticity of partnered women with preschool children using discrete structural labour supply - child care model*, Canberra: Department of Treasury, 2011, p. 27. As cited in Early Childhood Australia, *Submission 5*, p. 4.

5 Bruenig, R., & Gong, X., *Treasury working paper 2010-02: Child care availability, quality and affordability: Are local problems related to maternal labour supply?*, Canberra: Department of Treasury. 2010, p. 39. As cited in Early Childhood Australia, *Submission 5*, p. 4.

recommendations are to be based on existing funding parameters, as per the terms of reference.

### **Recommendation 1**

**1.15 The Labor Senators recommend that the Senate consider the issues outlined when deliberating the bill.**

**Senator Sue Lines  
Deputy Chair, Legislation**