

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 1332

Topic: Childcare Reforms

Hansard Page: Thursday 31 May, page 111

Senator JOYCE asked:

Senator JOYCE: I want to ask a question about early childhood development in the workforce. I refer you to page 37 of that report, which references the increased costs that are likely to come from government childcare reforms. You say, and I quote:

... modelling conducted by the Commission ... suggests that ... out-of-pocket fees are likely to be higher than they would be without the reforms.

How much was this increase? Can you provide the increase in dollar per day terms?

Ms Gropp: We actually did not give a number in dollar-per-day terms. My recollection was we talked about a 15 per cent increase. But there is a number that was subsequently reported in the media that did not come from our report. I think someone took the 15 per cent and applied it to a base that was in our report on government services. But we thought that number was higher than we would think it would be.

Senator JOYCE: What share of these increased costs of child care would the government bear?

Ms Gropp: I am not sure. There is a subsidy, obviously applying to those increases. I am not sure of the exact rate of the subsidy. I could come back to you on that.

Answer:

Modelling undertaken by the Commission for its research report into the *Early Childhood Development Workforce*, suggested that out-of-pocket fees for Long Day Care services could be more than 15 per cent higher (and Family Day Care 5 per cent higher) than otherwise with full implementation of the National Quality Agenda. Government subsidies to parents include the Child Care Benefit (which is means tested) and the Child Care Rebate (which is not). At the time of writing the report, the Child Care Rebate refunded 50% of out-of-pocket Early Childhood Education and Care costs up to \$7500 per year. Disadvantaged families can receive additional subsidies, which may almost cover the entire cost.

Given differences in fees across early childhood development centres and jurisdictions, and likely differential impacts of the NQA reforms on individual centres, reflecting their different circumstances, the modelling results should be viewed as averages. Moreover, the results were presented as ranges rather than point estimates, reflecting uncertainty about key parameters which influence the magnitude of cost increases.

The Commission did not incorporate existing workforce initiatives, the phasing in of the reforms, or the transitional arrangements into its modelling. The Commission's model illustrates the potential impacts on the ECEC workforce if the stated targets of the NPA ECE and NQA reforms

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for 2016 were to apply to the ECEC workforce as represented by its composition in 2010. In reality, the reforms will be phased in over a period of time. The Government has put in place transitional arrangements, including this phased implementation, with the aim to ameliorate any cost increases. The Government assessed many services as already operating at the required ratios and qualifications, in which cases a lesser transition will be required.

The Commission has noted a different approach to modelling the effects of the reforms. Modelling conducted by Deloitte Access Economics showed a modest impact of the national quality reforms. This analysis suggests that the average out-of-pocket cost increase for a family with one child attending full-time long day care and on an annual income of \$80 000 would be \$8.67 per week by 2014–2015.