

**Senate Standing Committee on Education Employment and Workplace
Relations**

**QUESTIONS ON NOTICE
Budget Estimates 2013-2014**

Outcome 1 - Early Childhood, Working Age and Indigenous Participation

DEEWR Question No. EW0059_14

Senator Boyce provided in writing.

Question

Child care costs

1. To what do you attribute the soaring costs of childcare? 2. Are there problems with, for example, • Affordability- • Unavailability of certain services due to cost • Areas with waiting lists while, despite what we're told areas of extremely low occupancy? 3. Given that Childcare costs, as a percentage of disposable income in 2012 doubled to 14.5% since the introduction of the National Quality Agenda reforms. Haven't those reforms regardless of how well motivated, already caused financial hardship for families? 4. Isn't it axiomatic that without some injection of funds to cover the cost of these reforms, parents will either be forced to reduce hours of care and reduce hours of work or seek to place their child in unregulated and unsafe backyard care, or do all of the above? 5. In 2009 this government reduced the childcare benefit from \$7779 per annum to \$7500 per annum with no CPI adjustments frozen for three years and in the last budget the Government has extended that freeze for another 3 years. By how much have these measures devalued the childcare benefit? 6. Could it be as high as claimed by independent economic analysts, Urban Economics (Urban) when they reviewed the impact of the reforms on parents eligible for the major parents' subsidy and found it had declined in value by more than 19%? 7. The Urban Economics survey claims that long day child care fees will increase by 42% - 44% by 2015. Do you believe that claim is correct? If not what do you think the size of the increase will be? 8. In the In 2011 the Productivity Commission report , Early Childhood Development Workforce, they stated the following as a key recommendation: "To ensure these cost increases do not reduce access to ECEC services by low-income families, governments should consider alternative structures for childcare subsidies that improve the targeting of childcare assistance. Are you considering any 'alternative structures' ? 9. The body that represents by far the largest number of private child care providers, the Australian Childcare Alliance" say many providers are in despair because they cannot provide a number of the services the community wants and some are facing insolvency –because of the twin issues of costs and affordability – have they got it wrong? 10. Are the reforms introduced by the Federal government part of the problem in that they have gone too far, expect too much and do not acknowledge the fundamental realities of economics of the childcare business? 11. Is the provision of childcare for children aged 0-2 is now almost non-existent? 12. Apparently the government is planning what has been described by them as and I quote "further shake-up of the child care industry". To your knowledge what does this 'shake-up involve? 13. Has the department's advice and expertise been sought? 14. In regard to what, exactly? 15. Is there any timeline for this process and its introduction?

Answer

- 1) Data on families' child care costs is published in the Department's regular Child Care Update. The most recent Child Care Update (http://foi.deewr.gov.au/system/files/doc/other/child_care_update_september_quarter_2012.pdf) shows that out-of-pocket costs to families have fallen as a proportion of disposable income across the income spectrum between 2004 and 2012. For a family on income of \$55 000 per annum, child care costs reduced from 13.2 per cent of disposable income to 8.6 per cent over this period.
- 2) The Government will provide \$22.1 billion in Child Care Benefit and the Child Care Rebate over the next 4 years to continue to assist families with the costs of child care. The Government has increased the Child Care Rebate from 30 per cent to 50 per cent of out-of-pocket costs, increased the maximum amount of Rebate from \$4354 to \$7500 per child per year, and has provided families with the option of receiving the Rebate fortnightly (rather than annually) and of choosing to receive their Rebate as a fee reduction at the time fees are charged. The Government does not limit the number of places that may be approved for Child Care Benefit and Child Care Rebate assistance in Long Day Care, Family Day Care and Vacation Care services. If a service can see a demand for child care that isn't being met, the Government does not limit the number of places for which financial assistance is provided. The Government has also announced work to assist local governments' role in child care planning through the development of Good Practice Guidelines and the Child Care Accessibility Fund.
- 3) As for (1) above, the Department's published data indicates that the cost of child care after Australian Government fee assistance has not increased to this level. Fee increases since the commencement of the National Quality Framework (NQF) remain in line with expectations as outlined in the Regulatory Impact Statement (RIS) published in connection with the development of the NQF. Key requirements of the NQF such as qualification and educator-to-child ratios are being phased in between 2012 and 2020. This progressive implementation was a decision by all governments to provide services with time to adjust and ensure that cost increases were minimised. The Government is providing assistance to services and educators through a range of workforce measures and has also announced the Early Years Quality Fund to provide \$300 million to support more Long Day Care services to improve the wages of their early childhood educators. Fee changes since the commencement of the NQF on 1 January 2012 include normal seasonal factors unrelated to the NQF.
- 4) The Department's published Child Care Update data shows that the use of approved child care has continued to grow since the commencement of the NQF. In the September quarter 2012, for the first time, more than 1 million children attended approved child care in the quarter, and a record number of approved services were operating.
- 5) As for (2) above, the Child Care Rebate continues to assist families with 50 per cent of out-of-pocket costs up to a maximum of \$7500 per child per year and this remains above the previous levels of 30 per cent of costs and per child maximum of \$4354. Child Care Rebate arrangements do not affect Child Care Benefit.

- 6) and 7) The Department is unable to verify the conclusions drawn by Urban Economics. It appears that Urban Economics modelling of Child Care Benefit increases may have included several assumptions that increase its estimates, including higher staff-to-child ratios than required by the NQF, higher than average staff wages, and greater replacement costs for staff leaving and training.
- 8) The Australian Government Interim Response to the Productivity Commission Research Report on the Early Childhood Development Workforce, published in December 2011, outlined a suite of Government measures to support families' child care needs. The Response is available at http://foi.deewr.gov.au/system/files/doc/other/australian_government_interim_response_to_the_productivity_commission_research_report_on_the_early_childhood_develop.pdf
- 9) and 10) As indicated at (4) above, the number of children and services has continued to grow since the commencement of the NQF. The Minister for Early Childhood, Childcare and Youth and the Department have consulted, and continue to consult, extensively with interested peak bodies, including the Australian Childcare Alliance.
- 11) More than one quarter of all children in approved child care are aged 0–2 years. In the September quarter 2012, a record high of 266 770 children aged 0–2 years used approved child care.
- 12) -15) The Government has substantially increased investment in and led progressive reforms to early childhood education and care. It has not announced a 'shake up' of the child care industry.

The Government has recently announced measures to provide more flexible and accessible child care to better meet the needs of modern families. The Department has provided policy advice to the Minister in the development of these measures, which include:

- Child Care Flexibility Trials to provide more flexible child care hours at more than 50 sites across Australia and to stimulate the development of more innovative and flexible child care arrangements through a series of government-community partnerships. These trials commenced from 1 July 2013.
- The Child Care Flexibility Fund invited proposals from child care service providers and other interested non-government organisations or stakeholders who demonstrate an innovative and sustainable approach to addressing local child care flexibility issues. Applications were sought before 12 June 2013. Successful applicants will be advised in July 2013.
- Child Care Accessibility Fund available to local governments through a grants program for projects that: reduce planning and government red tape, free up vacant land for child care centres, or incorporate additional child care into schools and TAFE's. Applications for grant funding will close on 2 August 2013; and
- development of Best Practice Guidelines for the planning and development of child care facilities to assist state, territory and local governments in child care planning. The Best Practice Guidelines are currently under development.