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. EW0215_14

Senator Cash asked on 5 June 2013, Hansard page 55

Question

Child care costs and disposable income

Senator CASH: I want to now go to the key performance indicators and the percentage of childcare out of pocket expenses as a proportion of weekly disposable income after childcare subsidies, which is on page 40. It is forecast to be eight per cent to 12 per cent for the financial year and the forward estimates. In looking at childcare expenses, do you look at how that equates with wages growth over the period of time? Ms Taylor: It is the out of pocket cost as a proportion of disposable income in the long daycare. It is calculated— Ms Caldwell: We look at calculations of disposable income that are produced by the department of families and community services for this purpose. Senator CASH: Do they rely on ABS data? Ms Caldwell: The FaHCSIA advice takes into account, as I understand it, a range of tax transfer payments and work out, at any given wage, how much a family would qualify for in family tax benefit and other costs. We would need to take the details of that on notice and refer to our colleagues in FaHCSIA, but they have a longstanding calculation on disposable income, so we do not look at— Senator CASH: That would be interesting. Could you provide the committee—or I may have to put it on notice to FaHCSIA—with the formulation utilised in relation to the childcare costs et cetera and the disposable income? Ms Caldwell: Yes. I believe a similar question was asked a number of hearings ago. So, again, we can consult with FaHCSIA.

Answer

Out-of-pocket costs are derived based on families with one child, using 50 hours of care per week, paying the average cost for Long Day Care in a reference week.

The disposable income figures calculated by the Department of Families, Housing, Community Services and Indigenous Affairs and provided to the Department of Education, Employment and Workplace Relations take into account wage and salary income, relevant pensions and allowances (depending on family incomes and characteristics), Family Tax Benefit, income tax, Medicare Levy, and common tax offsets.

In summary, the calculation is:

- Income = Wages and Salaries + Pensions and Allowances + Family Tax Benefit
- Net Tax = (Income Tax – Tax Offsets) + Medicare Levy
- Disposable Income = Income – Net Tax.