

Senate Committee: Education and Employment

QUESTION ON NOTICE Budget Estimates 2017 - 2018

Outcome: Early Childhood and Child Care

Department of Education and Training Question No. SQ17-000908

Senator Collins, Jacinta provided in writing

Child Care system - families worse off

Question

The child care bill was changed on its way through the Senate – taking these changes and the latest budget updates into account, can please update:

- a. How many families and children will be worse off as a result of the changes?
- b. How many will be worse off because of the activity test and how many will be worse off because of reductions in payments?
- c. On average, how much worse off will those children and families be?
- d. How many families will hit the maximum earning cap to be eligible for CCS in each year of the forward estimates?
- e. How many families will stop receiving assistance from mid-2018 because one parent does not meet the activity test and family income is over \$65,000? How many children?
- f. Overall – how many families and children will lose access to early education under the changes?
- g. How many families and children will be worse off because of the introduction of the benchmark price?

Answer¹

Please note: impact analysis by the Department of Education and Training is conducted at the family level.

- a)
 - Around 811,000 families may receive more under the new child care package.
 - Around 280,000 families may receive less under the new child care package.
 - Around 58,000 families may receive the same amount of subsidy under the new child care package.
- b)
 - Under the Government's child care reforms, 85 per cent of families using child care (that is, those with incomes of around \$185,000 or less) will no longer be subject to an annual cap on the amount of child care fee assistance they can receive. The annual cap will be increased to around \$10,000 per child for families with incomes above around \$185,000.
 - Around 99,300 families are expected to receive less subsidy under the new child care package as a result of the activity test.
 - Around 82,000 families are expected to receive less subsidy under the new child care package as a result of the hourly rate caps.

¹ Figures referenced in this response are as at Budget 2017-18, and are based on the Department of Education and Training's new model to produce forward estimates for child care fee assistance.

- Around 34,500 families are expected to receive less subsidy under the new child care package as a result of both the activity test and the hourly rate caps (this number does not include families in either category above).
- c) Around 63,100 families are expected to receive less subsidy under the new child care package for other reasons. The department has not calculated this figure as an average.
- This compares with an estimated 811,000 families that may receive an increase in the amount of subsidy they receive.
- d) Across the forward estimates, it is expected the following numbers of families will have a combined annual income of \$350,000 or more (in 2017–18 terms):
- around 14,000 families in 2018–19 (around 1.2 per cent of all families)
 - around 16,000 families in 2019–20 (around 1.4 per cent of all families)
 - around 19,000 families in 2020–21 (around 1.5 per cent of all families).
- e) The department estimates that around 15,000 families earning between \$65,000 and \$350,000 will receive zero subsidy, including because they do not meet the activity test. Many of these families could access subsidised care by increasing their activity, including through volunteer work. There will be a comprehensive information campaign to ensure families understand the new child care arrangements.
- f) Around 30,000 families will receive no subsidy under the new child care system.
- The department's modelling does not forecast how many of these families might access child care despite not receiving any subsidy.
 - Many of these families could access subsidised care by increasing their recognised activity. For example, if an individual undertakes eight hours of work, volunteering, or other recognised activity per fortnight, the family will be entitled to up to 36 hours of subsidised care per fortnight per child (unless the family has a combined income of \$350,000 or more (in 2017–18 terms)).
 - Children from these families will continue to have access to early education opportunities through universal access to preschool in the year before school.
- g) There are no benchmark prices under the new child care system.
- Under the new child care system hourly rate caps (in combination with individuals' CCS percentage) place an upper limit on the amount the Australian Government will subsidise by service type.
 - Around 82,000 families are expected to receive less subsidy under the new child care system as a result of the hourly rate caps.
 - Around 34,500 families are expected to receive less subsidy under the new child care system as a result of both the hourly rate caps and the activity test (this number does not include families in the category above).