

**Senate Committee: Education and Employment**

**QUESTION ON NOTICE  
Supplementary Budget Estimates 2015 - 2016**

**Outcome: Early Childhood and Child Care**

**Department of Education and Training Question No. SQ15-000701**

Senator Urquhart, Anne asked on 21 October 2015, Proof Hansard page 140

***Jobs for Families Package (how many families will be worse off)***

**Question**

Senator URQUHART: ..... I asked: 'If you costed the changes overall, you would have a sense of the overall impact on children and families?'

.....

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Senator Birmingham: .....Are you asking: worse off in terms of their access to child care, their access to subsidised child care, their out-of-pocket expenses?

Senator URQUHART: I am happy for you to answer them all. How many families will be worse off?

Senator Birmingham: I will take it on notice to see what we can do in relation to any of those different categories. Overwhelmingly, families who meet the activity test, which is a very light-touch activity test, will be better off—hence the \$3½ billion extra spend associated with it.

Senator URQUHART: How many will be worse off? Can I break it down into two categories: financially and access.

Ms Paul: I think we have just taken that on notice.

....

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Senator URQUHART: .... How many families that are currently eligible for the non-activity-tested 24 hours of CCB will have their access cut in half? CHAIR: I think, Senator Urquhart, what the officers have taken on notice is the access, the income and the family status.

**Answer**

As of July 2017, family eligibility for the Child Care Subsidy will be determined by a three-step activity test which more closely aligns hours of subsidised care with the amount of work, training, study or other recognised activity undertaken. A broader range of activities will meet the activity test requirements, including paid work, being self-employed, doing unpaid work in a family business, looking for work, volunteering or studying. The entry point to the activity test is set at a very low base of only four hours of activity per week.

In 2017-18 around 1 million families accessing child care will be better off or maintain their current level of support.

From implementation, about 250,000 families earning \$65,710 or less per year will have access to a subsidy rate of 85 per cent of their fee (up to 85 per cent of an hourly fee cap), which is up from their current subsidy rate of around 72 per cent. The majority of these families will be better off (about 104,100) or will experience no change (about 81,000). There are approximately 12,800 families on income support who have not reported their income – without this information it is difficult to determine how these families will be impacted.

Those families earning \$65,710 or less who do not meet the activity test will receive 12 hours of child care a week, subsidised at a rate of 85 per cent. Under current arrangements, families need not demonstrate any activity in order to receive 24 hours of subsidised care a week. About 52,100 families in this income bracket will receive a reduced level of support mainly because they are not working, training, studying or volunteering. These families can access more hours of subsidised child care by increasing their recognised activity.

The subsidy rate tapers from 85 per cent for families earning more than \$65,710 to 50 per cent for those earning \$170,710. In this income bracket, there are about 653,900 families, and around 565,400 of them will be better off with a further 32,800 experiencing no change in support. These families will benefit from the removal of the annual \$7500 Child Care Rebate cap, which applies universally today, but will only apply to families with incomes of more than \$185,710 under the new Package. The cap will also increase from \$7500 to \$10,000 per year per child. There are around 55,700 families in this income bracket who may receive reduced support due to not meeting the activity and/or paying child care fees in excess of the hourly fee cap. Many of these families could increase the level of subsidy they would be eligible for by either increasing their activity or seeking lower cost child care.

The Child Care Subsidy tapers to 50 per cent for family incomes of \$170,710. It then remains at 50 per cent until family income reaches \$250,000. Around 142,400 families earning between these amounts will be better off under the new Package, while a further 19,500 will experience no change. About 16,600 will receive a reduced level of child care support, mainly because they are paying child care fees in excess of average costs. Most of these 16,600 families will continue to access subsidised child care, but may not be eligible for as many hours or may face larger out of pocket costs if they are using a high cost child care service that charges fees above the hourly fee cap.

For high income families earning \$250,000 or more, the subsidy reduces from 50 per cent to 20 per cent at \$340,000 and above. Around 7200 families will experience no change while about 3800 families will be better off. Around 59,500 families earning more than \$250,000 a year will receive less Child Care Subsidy under the proposed arrangements. Consultations, including through the Productivity Commission, indicated this to be a sufficient level of support for high income families