



**Early Childhood Australia**  
A voice for young children

**OUR  
VISION:  
EVERY  
YOUNG  
CHILD IS  
THRIVING  
AND  
LEARNING**

# Education and Employment Legislation Committee Inquiry into the *Family Assistance Legislation Amendment (Child Care Measures) Bill No. 2 2014*

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Submission from Early Childhood Australia

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### *About us*

Early Childhood Australia (ECA) is the national peak early childhood advocacy organisation, acting in the interests of young children, their families and those in the early childhood field. ECA advocates for quality in education and care as well as social justice and equity for children from birth to eight years. We have a federated structure with Branches in each State and Territory. In 2013, ECA celebrated 75 years of continuous service to the Australian community.

# 1 Introduction

Early Childhood Australia (ECA) welcomes this opportunity to provide a submission to the Education and Employment Legislation Committee Inquiry into the *Family Assistance Legislation Amendment (Child Care Measures) Bill 2014*.

Everyone benefits from early learning. Access to quality early childhood education and care amplifies children's development and supports women's workforce participation with benefits for our economy and society.

ECA has welcomed the Federal Government's Budget investment of \$28.5 billion over four years in government child care assistance, despite a difficult fiscal environment.

While we welcome the government's investment, we believe that significant reform is required to improve our early childhood education and care system for the future. ECA is taking an active role in the Productivity Commission's Inquiry into Child Care and Early Learning, established by the government. We believe that the Productivity Commission's Inquiry is a unique and timely opportunity to improve access to quality early childhood education and care for Australian children. The affordability of early childhood education and care (ECEC) will be an important consideration for the Commission and all measures regarding the affordability of ECEC should properly be considered within the Inquiry. Making reforms to the current subsidy system before the Productivity Commission has an opportunity to review the system would be ineffective and compromise the ability of the Inquiry to recommend positive solutions.

As outlined in this submission and in ECA's submission to the Productivity Commission's Inquiry into Child Care and Early Learning, there has been a long-term decline in the real value of child care payments. Without significant reform of the child care system, government subsidies will continue to lose real value over time. We are concerned that the proposed measures to freeze the Child Care Benefit (CCB) thresholds will exacerbate the decline in real value of the subsidies. This decline is affecting the affordability of ECEC for families, and particularly low and middle income families.

Families may reduce the number of days they access care for their children, or withdraw them from ECEC completely, which will have a significant impact on the future development outcomes of those children and the Australian economy.

Early Childhood Australia therefore does not support the *Family Assistance Legislation Amendment (Child Care Measures) Bill 2014*.

ECA continues to argue that the most appropriate way forward is to reform the payment system altogether. We look forward to the Productivity Commission's interim report from the Inquiry into Child Care and Early Childhood Learning and the recommendations based around the subsidy system.

## 2 Background to early childhood education and care reform

### *Child care affordability*

The relationship between child care affordability and women's workforce participation is well known. Gong and Bruenig (2011) suggest that a one per cent increase in the gross child care price on average, results in a decrease to mothers' employment rate of 0.07 per cent. Moreover, families on lower incomes are more responsive to increases in child care prices (Bruenig & Gong, 2012, p.39).

Affordability is a major barrier to children's participation in early learning. Attendance at early childhood development programs has been found to have a significant beneficial effect on a child's readiness for future learning and their ability to make a successful transition to full-time schooling, particularly among disadvantaged children. Children who attend quality early childhood education programs show better performance and progress in their early school years in intellectual, cognitive and social domains (Barnett, 2008).

### *Government funding of child care assistance*

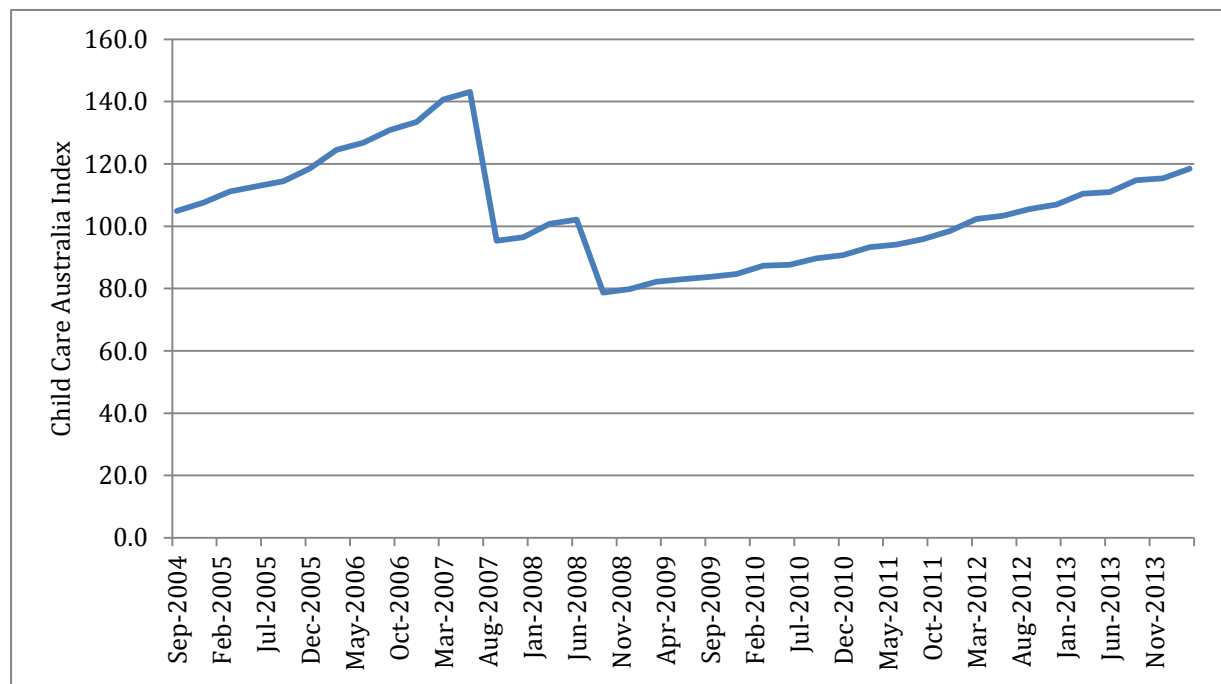
ECA welcomes the government's investment in child care assistance announced in the 2014-15 Budget. This is projected to reach \$28.5 billion over the forward estimates, an increase of over 29.4 per cent compared with \$23 billion forecast over the forward estimates in the 2013-14 Budget.

Despite this significant increase in government expenditure, parents continue to pay more for early childhood education and care services. ECA believes that a major re-think of government subsidies is required.

Measures to increase child care affordability introduced by successive governments have been successful at reducing the out-of-pocket costs for families, however child care prices are rising over time and this has eroded the impact of affordability measures. There are a range of structural issues preventing growth in subsidies to meet these increases.

Since the Child Care Rebate (CCR) was increased from 30–50 per cent, and the cap increasing from \$4,354 to \$7,500 on 1 July 2008, out-of-pocket expenses have increased significantly. The only experience of a most families using ECEC since has been increasing costs.

**Figure 1: Net child care CPI**



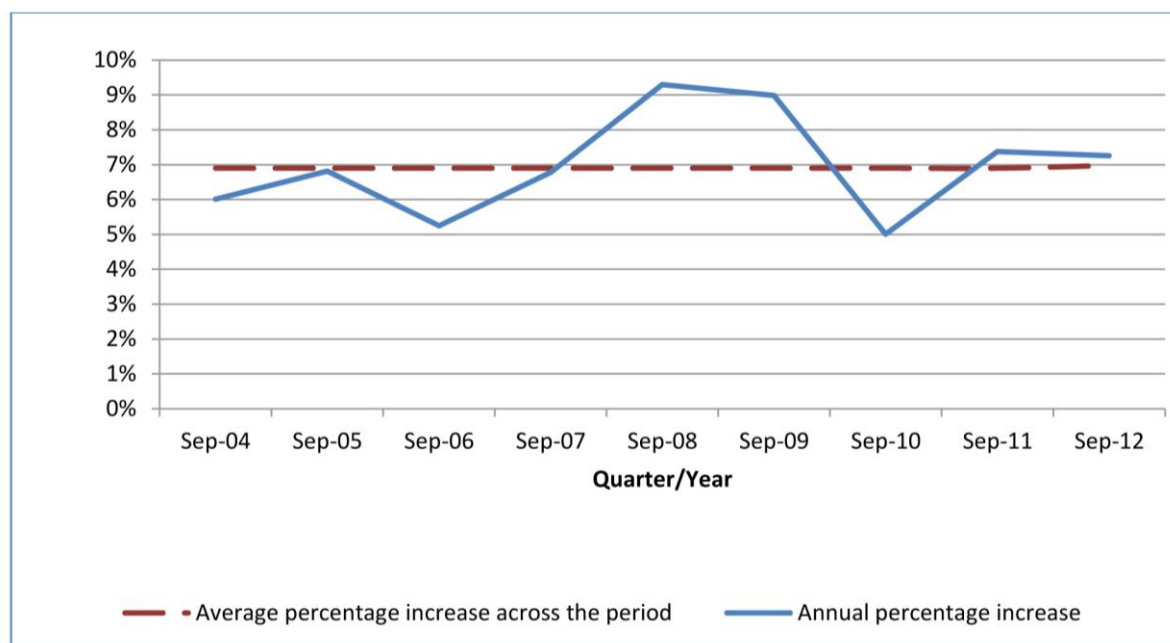
### *Structural issues with child care subsidies*

There are a number of structural features of child care subsidies, including:

- the taper rate on the Child Care Benefit (CCB)
- indexation of the CCB rate to the Consumer Price Index (CPI)
- indexation of the CCB thresholds to the CPI
- the Child Care Rebate (CCR) percentage
- the interaction between the CCB amount and the CCR
- the cap on the CCR
- indexation of the CCR cap.

The CCR cap, the CCB rate and income thresholds are indexed at CPI to adjust for increases in child care prices and incomes over time, however long day care fees have been increasing by an average of 7 per cent annually over the past decade (DEEWR, 2013, p.7; Productivity Commission, 2013, p.20). The main drivers of this price inflation are wage costs, utilities, and rent which continue to increase beyond general consumer prices.

**Figure 2: Average and annual percentage change to long day care hourly fees, September quarter 20014 to September quarter 2012**

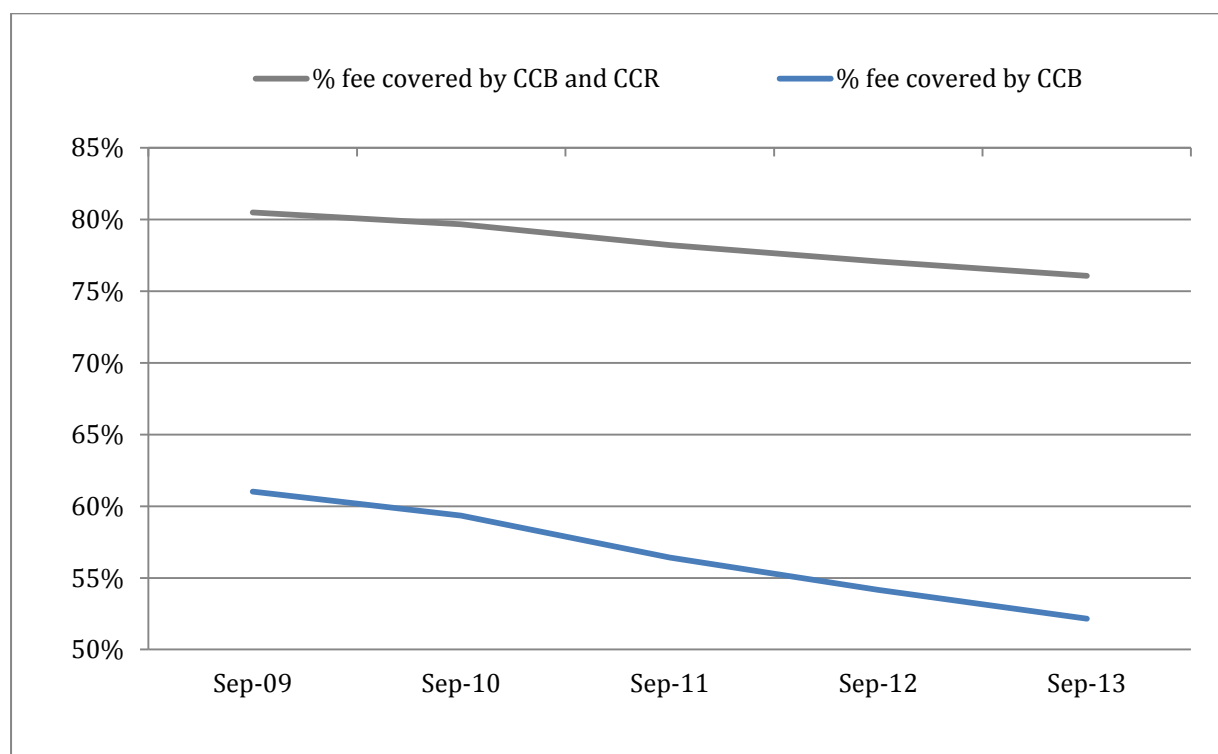


Source: (DEEWR, 2013, p.7; Productivity Commission, 2013, p.20)

As child care prices have increased well above the CPI, this has led to a significant erosion of the value of government child care assistance over time.

A positive feature of the CCR is that it covers a percentage of out of pocket costs, substantially helping to mitigate cost increases. However, as the CCB declines in real value, the CCR only partially compensates for this loss. The dramatic effect that the increase in child care prices has had over the past four years is shown in figure 3 below.

**Figure 3: Percentage of long day care fees covered for a maximum CCB rate recipient with one child using 50 hours care per week—since September 2009**



ECA expects prices will continue to rise above general inflation into the future, continuing the long-term decline in the value of child care subsidies. This is confirmed by the Legislative Out-years Customisable Model of Child Care (LOCMOCC) data from the 2013-14 Budget and evidence provided by the Department of Education in its recent appearance before Budget Estimates. The Deputy Secretary, Department of Education stated that child care prices were forecast to increase annually by around seven per cent on average over the forward estimates.

The Legislative Out-years Customisable Model of Child Care (LOCMOCC) is a micro-simulation model that is based on unit record data of child care attendance records. LOCMOCC models expenditure for Child Care Benefit (CCB) and Child Care Rebate (CCR). Based on a range of inputs, the model forecasts expenditure for future years. The various model parameters, methodology and assumptions are agreed with the Department of Finance and the Treasury.

LOCMOCC is based on a unit record level dataset of family/child information, a set of policy parameters including the CCR limit, and growth parameters for the out-years.

The Department of Education provided a table showing the parameters and estimated growth factors for all care types used at the 2013-14 Budget.<sup>1</sup>

| Parameter/growth factor includes | 2013-14 | 2014-15 | 2015-16 | 2016 |
|----------------------------------|---------|---------|---------|------|
| Growth in fees                   | 8.6%    | 9.0%    | 7.5%    | 7.8% |

It is not surprising that ECEC fee increases continue to exceed the CPI, as around 70–80 per cent of operational costs are wage related. Increasingly in programs funding community or human services, a different model is used to calculate appropriate indexation. For example, the ACT Government has a Community Sector Funding Rate = (Wage Price Index × 0.80) + (Consumer Price Index × 0.20)<sup>2</sup>.

While ECA supports higher indexation, we would prefer to remove these structural problems altogether in a broader reform of early childhood services funding by streamlining the payment mechanisms and adopting a broad based tapered rate determined by income testing.

### *Reform of the Early Childhood Education and Care system*

ECA believes that the focus of Australia's ECEC system must be improving access to quality early education and care for all children. In our submission to the Productivity Commission's Inquiry into Child Care and Early Learning, ECA proposed that to address the affordability of ECEC, reform of government child care assistance should:

- provide more support to children from low income, disadvantaged families,
- provide a base level of universal support for all families, and
- address structural problems in the current system.

ECA proposed major reform of ECEC financing and the CCB/CCR subsidies to ensure these payments are better targeted and are better protected from erosion over time.

<sup>1</sup> Department of Education, answer to questions on notice, 9 December 2013 (received 10 December 2013)

<sup>2</sup> ACT Government, 2013–2014 Budget Paper No. 3, p.135.

We support the Government's review into the ECEC sector led by the Productivity Commission, which will provide a significant opportunity to reform the child care funding system to meet both workforce participation and early childhood development objectives.

Any savings measures implemented before the Productivity Commission has made its final Report will make it difficult for the Commission to provide recommendations on reform 'within the existing funding parameters' outlined in the Commission's Terms of Reference.

ECA considers that this Bill will have significant impact on the affordability of early childhood education and care, and does not contribute to reform of the payments system.

#### **Recommendation**

- 1) Support the Productivity Commission to continue its Inquiry into Child Care and Early Learning based on its terms of reference to provide recommendations on reforming government child care assistance.**

### 3 The Child Care Benefit measure

The Child Care Benefit (CCB) is affected by the rising costs of early childhood education and care (ECEC). Unlike the Child Care Rebate (CCR), the rate of the CCB has a determined value which is linked to income, not fees. It is increased annually with the CPI, leaving the payment structurally exposed to increases in ECEC fees. As a result the CCB has declined in value substantially over the past few years and this will continue unless the structural problems are addressed.

The decline in the value of the CCB affects families earning below the CCB income limit. The income limit is determined by the CCB thresholds under Family Assistance Law. These thresholds are indexed with CPI annually, and are therefore also structurally exposed to increases in ECEC fees.

**Figure 4: Child Care Benefit Income Limits 2013–14**

| Number of children in care | Income limits before your payment reduces to \$0       |
|----------------------------|--------------------------------------------------------|
| 1                          | \$145,642                                              |
| 2                          | \$150,914                                              |
| 3 or more                  | \$170,404 plus \$32,219 for each child after the third |

This proposed Bill, which freezes the CCB thresholds, will significantly affect the CCB amount a family receives over time. This is a 'bracket creep' effect, i.e. as household income increases, and the thresholds are not increased commensurate with inflation, families will move along the CCB taper rate receiving less CCB every year.

While the CCR partially compensates for this loss by covering 50 per cent of the CCB loss, this only applies up to the Rebate cap. Families reaching the CCR cap will not be compensated beyond the CCR cap.

Families who do not receive CCR are not compensated for the loss in CCB at all.

#### CCB only families

The decline in the value of the CCB particularly affects families who do not meet the Work, Training, Study test for the CCR and therefore can only claim CCB.

The 2014–15 Budget estimates that there will be 97,000 families who will only receive CCB in 2014–15. These are families that may not be eligible for the CCR, because they do not meet the Work, Training, Study (WTS) test currently applied to the rebate.

However, families can get up to 24 hours of CCB per child per week without having to meet the WTS test.

**Figure 5: Programme 1.2, Department of Education 2014-15 Portfolio Budget Statement**

|                                                                                                                                                      | 2013–14<br>Revised<br>Budget | 2014–15<br>Budget  | 2015–16            | 2016–17            | 2017–18            |
|------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Child Care Benefit</b>                                                                                                                            |                              |                    |                    |                    |                    |
| Number of families using approved child care services and receiving a child care payment (percentage of families who use care and receive a payment) | 978,000<br>(98%)             | 1,069,000<br>(98%) | 1,103,000<br>(98%) | 1,138,000<br>(98%) | 1,175,000<br>(98%) |
| Number of families receiving both CCB and CCR                                                                                                        | 686,000                      | 750,000            | 774,000            | 799,000            | 824,000            |
| Number of families receiving only CCB                                                                                                                | 89,000                       | 97,000             | 100,000            | 104,000            | 107,000            |

There are some services, particularly in disadvantaged areas, which cater for a high number of families who are only receiving CCB. In fact, some services base their whole business model on targeting these families and only charging fees commensurate with the CCB rate. The purpose of this type of ECEC is not the workforce participation of parents, but purely to provide their children with access to developmental opportunities.

Research shows that children from disadvantaged backgrounds have the most to gain from quality early childhood education and care. Attendance at high-quality ECEC services provides significant long-term benefits for disadvantaged children, including better school performance, school attendance and improved social skills at school and later in life (COAG, 2009a).

The decline in value of the CCB has undermined the model services are providing to give children from disadvantaged backgrounds access to early childhood education and care, and the proposed CCB measure will exacerbate the existing structural problems. As these families do not have access to CCR, they are fully exposed to reductions in the CCB amount.

### Relationship with the Child Care Rebate

Early Childhood Australia (ECA) previously provided modelling to the first Senate Education, Employment and Workplace Relations Legislation Committee Inquiry into the Education and Employment Legislation Committee Inquiry into the *Family Assistance Legislation Amendment (Child*

*Care Measures) Bill No. 2014*, responding to both this measure and the measure to freeze the Child Care Rebate cap at \$7500 until 2016–17.

The previous modelling combined the impact of the freeze to indexation of the child care benefit thresholds and the freeze to the child care rebate cap. In the modelling, the impact of the child care rebate freeze was far greater for families using full-time care, than the impact of the freeze to the child care benefit thresholds.

### **Modelling on Child Care Benefit**

Now that the measure to freeze the Child Care Rebate (CCR) cap has been passed by the parliament, ECA has provided modelling of the impact of the Child Care Benefit (CCB) threshold freeze below. Different scenarios have been provided for families using ECEC services full-time and families using part-time arrangements, using a long day care service with average long day care fees. All families modelled have one child in care.

The CCB rate continues to be indexed in all of the scenarios.

The difference between current 2013–14 parameters and the proposed measures in 2016–17 is provided in the ‘change tables’.

The impact of the child care benefit measure is estimated to be:

- \$96 per year for a family with one child using part-time care or 28 hours per week (Change table 1)
- A maximum of \$233 per year for a family with one child using full-time care or 50 hours per week (Change table 2)

This assumes that family income continues to increase in line with the Wage Price Index (WPI).

The changes in out of pocket costs also provided below, not only takes into account the effect of the proposed CCB threshold freezes, but also the increasing cost of long day care, increasing wages and increasing indexation based on Budget forecasts (except where indexation is frozen).

This is important to illustrate the long-term problems outlined in part 2; that child care subsidies are failing to keep pace with rising fees, and that reform of the subsidy system is required.

The detailed analysis of the impact on families of the CCB measure is provided below.

#### Recommendation

- 2) Freezes to the Child Care Benefit (CCB) thresholds will have a significant impact on low and middle income families accessing early childhood education and care services and should not be supported.

## Further analysis of the impact of these measures

ECA has provided the analysis below on the impact of the proposed measures on families based on information publicly available, and against the assumptions outlined. These have not been confirmed with the government. ECA has provided this analysis as an indication of the possible effect of these measures on families accessing services.

### Change table 1 – Impact on family with one child using long day care part time, by family income

| Family Income | Change compared with proposed measures in 16/17<br>(Difference scenario 3 and 2) |            |            |                            | Change compared with current policy in 13/14<br>(Difference scenario 2 and 1) |
|---------------|----------------------------------------------------------------------------------|------------|------------|----------------------------|-------------------------------------------------------------------------------|
|               | Change CCB+CCR                                                                   | Change CCB | Change CCR | Change out of pocket costs | Change out of pocket costs                                                    |
| \$59,954      | -\$96                                                                            | -\$192     | -\$96      | -\$96                      | -\$1,223                                                                      |
| \$81,756      | -\$96                                                                            | -\$192     | -\$96      | -\$96                      | -\$1,274                                                                      |
| \$103,557     | -\$96                                                                            | -\$193     | -\$96      | -\$96                      | -\$1,324                                                                      |
| \$125,359     | -\$96                                                                            | -\$193     | -\$96      | -\$96                      | -\$1,375                                                                      |
| \$147,160     | -\$96                                                                            | -\$193     | -\$96      | -\$96                      | -\$1,425                                                                      |

## Scenario 1

### Family with one child using long day care part time, by family income (2013–14)

| Family Income    | Yearly Fee | Current CCB policy |         |           |                    |                                |
|------------------|------------|--------------------|---------|-----------|--------------------|--------------------------------|
|                  |            | CCB                | CCR     | CCB + CCR | Out-of-pocket cost | % of Fee From Gov't Assistance |
| <b>\$55,000</b>  | \$11,066   | \$5,400            | \$2,833 | \$8,233   | \$2,833            | 74%                            |
| <b>\$75,000</b>  | \$11,066   | \$4,280            | \$3,393 | \$7,673   | \$3,393            | 69%                            |
| <b>\$95,000</b>  | \$11,066   | \$3,160            | \$3,953 | \$7,113   | \$3,953            | 64%                            |
| <b>\$115,000</b> | \$11,066   | \$2,040            | \$4,513 | \$6,553   | \$4,513            | 59%                            |
| <b>\$135,000</b> | \$11,066   | \$920              | \$5,073 | \$5,993   | \$5,073            | 54%                            |

#### Assumptions:

- CCB is based on the 2013–14 FY calculation rates
- Assume 52 weeks child care per year
- Part time care is 28 hours per week. This is consistent with average hours for long day care of 27.7 hours per week (*Child Care and Early Learning in Summary September Quarter 2013*)
- Based on projected average hourly fee of \$7.60 per hour

## Scenario 2

### Family with one child using long day care part time, by family income (2016–17)

| Family Income    | Yearly Fee | Proposed CCB policy (with CCB threshold freezes) |         |           |                    | % of Fee From Gov't Assistance |
|------------------|------------|--------------------------------------------------|---------|-----------|--------------------|--------------------------------|
|                  |            | CCB                                              | CCR     | CCB + CCR | Out-of-pocket cost |                                |
| <b>\$59,954</b>  | \$13,235   | \$5,123                                          | \$4,056 | \$9,179   | \$4,056            | 69%                            |
| <b>\$81,756</b>  | \$13,235   | \$3,902                                          | \$4,667 | \$8,568   | \$4,667            | 65%                            |
| <b>\$103,557</b> | \$13,235   | \$2,681                                          | \$5,277 | \$7,958   | \$5,277            | 60%                            |
| <b>\$125,359</b> | \$13,235   | \$1,460                                          | \$5,888 | \$7,347   | \$5,888            | 56%                            |
| <b>\$147,160</b> | \$13,235   | \$239                                            | \$6,498 | \$6,737   | \$6,498            | 51%                            |

#### Assumptions:

- These are the same families from 2013–14 taking into account projected wage price increases so the same families are comparable
- CCB is based on the projected 2016–17 FY rates taking into account projected CPI increases
- Assume 52 weeks child care per year
- Part time care is 28 hours per week. This is consistent with average hours for long day care of 27.7 hours per week (*Child Care and Early Learning in Summary September Quarter 2013*)
- WPI and CPI forecasts from 13/14 Budget Paper 1 - Economic Outlook
- Based on projected 16/17 average hourly fee of \$9.09 per hour
- Assume child care fees increase according to historical average of 7% pa

## Scenario 3

## Family with one child using long day care part time, by family income (2016–17)

| Family Income    | Yearly Fee | Current CCB policy (i.e. without planned CCB threshold freezes) |         |           |                    |                                |
|------------------|------------|-----------------------------------------------------------------|---------|-----------|--------------------|--------------------------------|
|                  |            | CCB                                                             | CCR     | CCB + CCR | Out-of-pocket cost | % of Fee From Gov't Assistance |
| <b>\$59,954</b>  | \$13,235   | \$5,315                                                         | \$3,960 | \$9,275   | \$3,960            | 70%                            |
| <b>\$81,756</b>  | \$13,235   | \$4,094                                                         | \$4,571 | \$8,665   | \$4,571            | 65%                            |
| <b>\$103,557</b> | \$13,235   | \$2,874                                                         | \$5,181 | \$8,054   | \$5,181            | 61%                            |
| <b>\$125,359</b> | \$13,235   | \$1,653                                                         | \$5,791 | \$7,444   | \$5,791            | 56%                            |
| <b>\$147,160</b> | \$13,235   | \$431                                                           | \$6,402 | \$6,833   | \$6,402            | 52%                            |

### Assumptions:

- These are the same families from 2013–14 taking into account projected wage price increases so the same families are comparable
- CCB is based on the projected 2016–17 FY rates taking into account projected CPI increases
- Assume 52 weeks child care per year
- Part time care is 28 hours per week. This is consistent with average hours for long day care of 27.7 hours per week (*Child Care and Early Learning in Summary September Quarter 2013*)
- WPI and CPI forecasts from 13/14 Budget Paper 1—Economic Outlook
- Based on projected 16/17 average hourly fee of \$9.09 per hour

## Change table 2 – Impact on family with one child using long day care full-time, by family income

| Family Income | Change compared with proposed measures in 16/17<br>(Difference scenario 3 and 2) |            |            |                            | Change compared with current policy in 13/14<br>(Difference scenario 2 and 1) |
|---------------|----------------------------------------------------------------------------------|------------|------------|----------------------------|-------------------------------------------------------------------------------|
|               | Change CCB+CCR                                                                   | Change CCB | Change CCR | Change out of pocket costs | Change out of pocket costs                                                    |
| \$59,954      | -\$117                                                                           | -\$233     | -\$117     | -\$117                     | -\$1,808                                                                      |
| \$81,756      | -\$233                                                                           | -\$233     | \$0        | -\$233                     | -\$2,581                                                                      |
| \$103,557     | -\$233                                                                           | -\$233     | \$0        | -\$233                     | -\$3,698                                                                      |
| \$125,359     | -\$233                                                                           | -\$233     | \$0        | -\$233                     | -\$3,967                                                                      |
| \$147,160     | -\$233                                                                           | -\$233     | \$0        | -\$233                     | -\$4,084                                                                      |

- Assume child care fees increase according to historical average of 7% pa

#### Scenario 4

#### Family with one child using long day care full-time, by family income (2013–14)

| Family Income    | Yearly Fee | Current CCB policy |         |           |                    |                                |
|------------------|------------|--------------------|---------|-----------|--------------------|--------------------------------|
|                  |            | CCB                | CCR     | CCB + CCR | Out-of-pocket cost | % of Fee From Gov't Assistance |
| <b>\$55,000</b>  | \$19,760   | \$9,064            | \$5,348 | \$14,412  | \$5,348            | 73%                            |
| <b>\$75,000</b>  | \$19,760   | \$7,064            | \$6,348 | \$13,412  | \$6,348            | 68%                            |
| <b>\$95,000</b>  | \$19,760   | \$5,064            | \$7,348 | \$12,412  | \$7,348            | 63%                            |
| <b>\$115,000</b> | \$19,760   | \$3,064            | \$7,500 | \$10,564  | \$9,196            | 53%                            |
| <b>\$135,000</b> | \$19,760   | \$1,064            | \$7,500 | \$8,564   | \$11,196           | 43%                            |

#### Assumptions:

- CCB is based on the 2013–14 FY calculation rates
- Assume 52 weeks child care per year
- Full-time care is 50 hours per week
- Based on projected average hourly fee of \$7.60 per hour

## Scenario 5

### Family with one child using long day care full-time, by family income (2016–17)

| Family Income    | Yearly Fee | Proposed CCB policy (with CCB threshold freezes) |         |           |                    |                                |
|------------------|------------|--------------------------------------------------|---------|-----------|--------------------|--------------------------------|
|                  |            | CCB                                              | CCR     | CCB + CCR | Out-of-pocket cost | % of Fee From Gov't Assistance |
| <b>\$59,954</b>  | \$23,634   | \$9,322                                          | \$7,156 | \$16,478  | \$7,156            | 70%                            |
| <b>\$81,756</b>  | \$23,634   | \$7,205                                          | \$7,500 | \$14,705  | \$8,929            | 62%                            |
| <b>\$103,557</b> | \$23,634   | \$5,088                                          | \$7,500 | \$12,588  | \$11,046           | 53%                            |
| <b>\$125,359</b> | \$23,634   | \$2,972                                          | \$7,500 | \$10,472  | \$13,162           | 44%                            |
| <b>\$147,160</b> | \$23,634   | \$855                                            | \$7,500 | \$8,355   | \$15,279           | 35%                            |

#### Assumptions:

- These are the same families from 2013–14 taking into account projected wage price increases so the same families are comparable
- CCB is based on the projected 2016-17 FY rates taking into account projected CPI increases
- Assume 52 weeks child care per year
- Full-time care is 50 hours per week
- WPI and CPI forecasts from 13/14 Budget Paper 1—Economic Outlook
- Based on projected 16/17 average hourly fee of \$9.09 per hour
- Assume child care fees increase according to historical average of 7% pa

## Scenario 6

### Family with one child using long day care full-time, by family income (2016–17)

| Family Income    | Yearly Fee | Current CCB policy (i.e. without planned CCB threshold freezes) |         |           |                    |                                |
|------------------|------------|-----------------------------------------------------------------|---------|-----------|--------------------|--------------------------------|
|                  |            | CCB                                                             | CCR     | CCB + CCR | Out-of-pocket cost | % of Fee From Gov't Assistance |
| <b>\$59,954</b>  | \$23,634   | \$9,555                                                         | \$7,040 | \$16,595  | \$7,040            | 70%                            |
| <b>\$81,756</b>  | \$23,634   | \$7,439                                                         | \$7,500 | \$14,939  | \$8,695            | 63%                            |
| <b>\$103,557</b> | \$23,634   | \$5,322                                                         | \$7,500 | \$12,822  | \$10,812           | 54%                            |
| <b>\$125,359</b> | \$23,634   | \$3,205                                                         | \$7,500 | \$10,705  | \$12,929           | 45%                            |
| <b>\$147,160</b> | \$23,634   | \$1,088                                                         | \$7,500 | \$8,588   | \$15,046           | 36%                            |

#### Assumptions:

- These are the same families from 2013–14 taking into account projected wage price increases so the same families are comparable
- CCB is based on the projected 2016–17 FY rates taking into account projected CPI increases
- Assume 52 weeks child care per year
- Full-time care is 50 hours per week
- WPI and CPI forecasts from 13/14 Budget Paper 1—Economic Outlook
- Based on projected 16/17 average hourly fee of \$9.09 per hour
- Assume child care fees increase according to historical average of 7% pa

## Conclusion

Access to quality early childhood education and care is vital for our nation's future because it amplifies children's development and supports workforce participation.

Improving the affordability of early childhood education and care is important to achieving this goal, and the government is currently reviewing the subsidy system through the Productivity Commission's Inquiry into Child Care and Early Childhood Learning.

ECA does not recommend that any savings measures be implemented pending the outcomes of the full review being undertaken by the Productivity Commission.

This amendment will exacerbate existing structural problems in child care payments which are having a significant effect on the affordability of early childhood education and care for families.

## Summary of Recommendations

- 1. Support the Productivity Commission to continue its Inquiry into Child Care and Early Learning based on its terms of reference to provide recommendations on reforming government child care assistance.**
- 2. Freezes to the Child Care Benefit thresholds will have a significant impact on low and middle income families accessing early childhood education and care services and should not be supported.**

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