

Australia: Why is child care so expensive? ^[1]

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EXCERPTS

"It's draconian. It's outrageous," says Gwendolyn Hyslop as she goes through the calculations in her household budget.

Dr Hyslop is a sole parent to two preschool children who spends more than half her take-home salary on child care.

An academic linguist at the University of Sydney, she lives in the Blue Mountains. The four-hour daily commute is a small price to pay.

When living closer to campus, she spent more than 80 per cent of her pay cheque on child care. Now she's considering taking out a loan "to afford to continue working".

Many Australian families with young children would find something familiar about Dr Hyslop's experience.

According to the Household Income and Labour Dynamics in Australia survey, 80 per cent of parents say they experience "substantial problems" with child care when it comes to access, quality or cost.

Are child care prices rising?

In 1993, more than half of the families paying for some kind of formal child care could expect a weekly bill somewhere in the range of \$2 to \$40.

In 2014 - the most recent year the ABS has released data for - a similar proportion of parents paid less than \$100 a week.

But these numbers aren't the whole story.

For a start, these are net payments - the amount families pay after accounting for the two main types of government assistance, the Child Care Rebate (around \$7,500 per child, not means tested), and the Child Care Benefit (a fee reduction on the rate of care, means tested).

Some forms of care aren't costed, and aren't available to all parents; for example, a fifth of Australian children are cared for by a grandparent.

"There's no denying the fact that prices have increased over the last 10 years, and over the last five years significantly," says Nesha Hutchinson, the national vice president of the Australian Childcare Alliance.

A lot of that, Ms Hutchinson says, is due to regulation: educator-to-child ratios are enforced by a National Quality Framework, as are the types of qualifications those educators must possess.

While assuring quality of care, this also increases its cost for operators, and that has a flow-on effect: "The price of child care definitely affects accessibility for families," Ms Hutchinson says.

Fifty-two per cent of Australian children aged 12 years or under don't attend child care at all.

Anecdotally, parents will tell you that childcare prices have surged over the last few years in particular. According to Ben Phillips, a principal research fellow at the ANU's Centre for Social Research and Methods, there's a reason for that.

"The overall level of affordability hasn't altered greatly, but since prices have been rising and subsidies have not, it certainly has felt in recent years like child care's become a lot less affordable."

It's not just middle-class griping, either: the families that experience the most financial stress tend to be on lower incomes, have lower levels of education, and live in areas of socio-economic disadvantage.

For Mr Phillips, whose work includes an analysis of the government's proposed childcare changes, most capital cities of Australia have experienced price increases of around 20 per cent.

"That would be quite typical, I'd say. Right across the board," he says.

"We generally find Queensland has cheaper childcare. The most expensive childcare in Australia is the inner parts of Sydney, and the inner parts of Melbourne and Perth."

Inner metropolitan areas, Mr Phillips says, tend to be more populous, which leads to higher demand, more affluent, which means customers are willing to pay more, and more expensive for businesses to set up shop in.

Low-wages, billion-dollar revenue

Meanwhile, rates of pay for the Australia childcare industry are below the national average, and opportunities for career progression are limited.

"Typical wages would be between, say, \$40,000 and \$50,000," Mr Phillips says. Over 90 per cent of early childhood educators are female, and he says most of them are unlikely to ever earn the average Australian salary.

Recently, thousands of childcare workers went on strike, demanding a 35 per cent pay increase.

According to Ms Hutchinson, who represents the industry, a rise in pay would cause difficulties for childcare operators.

"Certainly there are some people in early childhood making lots of money, but the majority of people in early childhood, 85 per cent of operators, have just one service."

In 2011, IBISWorld estimated the Australian childcare industry made over \$7 billion in revenue.

Australia 'significantly below' international best practice

There are alternative models. Countries with very similar cultures, taxation models and childcare systems to Australia - the UK, New Zealand, Ireland and Canada - have all moved to delivering at least two years of preschool free for families.

"Most of the rest of the world has almost universal access to two years of preschool," says Stacey Fox, an adjunct fellow at the Victoria University's Mitchell Institute.

"In Australia, we've only got about 30 per cent of our three-year-olds attending preschool programs."

This puts Australia "significantly below" international best practice, according to Ms Fox, as well as OECD norms.

Australian families, she says, spend about 35 per cent of their private income on preschool programmes in Australia. Internationally, similar governments pick up about 90 per cent of the bill.

France, Korea and China provide a number of hours a week free to all parents, with families paying out-of-pocket costs only for additional hours.

A new suite of changes

The Federal Government has introduced changes to child care, to take effect in July, 2018.

Mr Phillips says the changes are, by and large, welcome: "It's probably a better policy than the existing scheme."

The two main existing subsidies for child care will be rolled into one, and tested on the basis of activity: that is, whether parents are regularly at work or studying.

But Ms Fox has concerns about how it will affect those on the lower end of the socioeconomic ladder.

"We know that the kids who are going to benefit most [from child care] are the ones whose families don't have the capacity to be involved in work, study, or volunteering. They might have a whole lot of complex things going on in their lives."

Mr Phillips would prefer to see a public system of child care, similar to the way public schools operate. He isn't holding out hope, though.

"I think the chances of that happening are extremely small now, because effectively you'd be trying to unscramble the egg."

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