

Childcare package all but gone 18 months after introduction ^[1]

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EXCERPTS

The federal government's \$2.5 billion childcare package has dried up for some parents just 18 months after its introduction as operators drive up prices more than three times faster than the rate of inflation.

So concerned is the government over how its signature childcare policy is being eroded that Education Minister Dan Tehan will meet operators to find new ways to keep a lid on prices while he commissions a review of key parts of the system.

When the new subsidy program was introduced on July 1, 2018, there was an 11.8 per cent fall in childcare costs across the nation. In Melbourne and Canberra the drop was more than 19 per cent, they fell by 9.7 per cent in Brisbane and by 7.7 per cent in Sydney.

But by the December quarter of 2019, prices were almost back to where they had started. In Brisbane, the full benefit of the original drop is now gone with costs 0.3 per cent higher than they were when the government's scheme began.

Sydney prices are now just 2.2 per cent lower than when the subsidy was introduced with the benefit likely to be wiped away by the middle of this year. In Melbourne, since the 19.1 per cent drop in the first three months of the scheme, costs have soared by 12.4 per cent.

After the initial 11.8 per cent fall in national childcare costs in the September quarter of 2018, childcare prices have now climbed by 8.6 per cent. Over the same period, general inflation has lifted by just 2.4 per cent.

Mr Tehan said the subsidy had helped many parents but admitted costs were now climbing and would soon wipe out the original price falls.

"The subsidy is still working. But we've seen increases that will see the subsidy dry up," he said.

It's not the first time a government's efforts to slash childcare costs has been overwhelmed.

The Rudd government in 2008 oversaw a 23 per cent quarterly fall in childcare prices as part of its sweeping reform of the sector. Four years later, prices were back to where they had started.

Mr Tehan said he was so concerned by what was occurring he would meet the childcare sector in coming weeks to find new ways to keep a lid on costs. That will be on top of a legislatively required review of the system that the minister hopes will get under way by May.

He said with the federal government pumping \$8.6 billion towards childcare it was vital increases were kept to a minimum. While cost increases were running below the 10-year average, Mr Tehan said the government wanted to "drive them down even lower".

"The federal government is serious in trying to back parents and we want to do it in a way that works," he said.

Nesha Hutchinson is the vice-president of the Australian Childcare Alliance, which represents owners and operators of long day care centres. She also owns a centre in Sydney.

She said the "static" but high operational costs of staff and rent had not eased.

"It's not about providers getting greedy," she said. "The majority are doing the best we can."

Sydney mother Laura Papaiani sends her daughter, Juliette, to Ms Hutchinson's centre in Ryde, where fees are \$119 a day, after an increase of about \$4 last year.

Ms Papaiani would like her four-year-old to have three days of daycare a week, so she is able to work more in-house days in her marketing role. But the costs of care mean she is only able to afford two.

"We love her centre, but I had to reduce her care to two days a week this year for now, as more were no longer viable, even with the rebate."

Ms Papaiani is philosophical about the costs, explaining childcare enables her to maintain a career, while providing socialisation and education for her daughter.

"They essentially replace the care of a parent, in addition to providing educational services and the basic daily needs of your kids. That's

what you're paying for."

For Melbourne's Kristen Rees, the costs of childcare are so high, they are a "big factor" in her decision-making about having another baby.

Ms Rees sends her daughter Alaska, 2, to five days of daycare near their home in Burwood East. The centre charges \$135 a day, with the family getting a subsidy of about 50 per cent.

Ms Rees describes the costs as "ridiculous," calculating she would be in the same financial position if she dropped back to three days of work a week in her events officer job – noting this would see the family qualify for a larger childcare subsidy.

But this is not an option, as Ms Rees could only find full-time work after returning from maternity leave.

"We'd love to have another child but we just don't know how people afford it."

Labor's early education spokesperson Amanda Rishworth seized on the latest figures, saying the childcare subsidy was being "rapidly eroded" by a "poorly designed childcare system".

"This is resulting in escalating out of pocket costs for early learning and care".

"The Liberal Government promised their childcare system would put downward pressure on fees, and instead we are seeing escalating fees and growing out of pocket costs for families," Ms Rishworth said.

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