

# Coalition to offer \$1.7bn childcare budget boost to encourage return of female workforce <sup>[1]</sup>

Subsidy will increase to up to 95% for families with two or more children aged five and under

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**Source:** The Guardian

**Format:** Article

**Publication Date:** 2 May 2021

## AVAILABILITY

Access online <sup>[2]</sup>

## EXCERPTS

A \$1.7bn childcare boost will be included in next week's budget, with the government saying it wants to remove disincentives for women returning to work.

After treasurer Josh Frydenberg flagged the Coalition would not use this year's budget to "pivot towards austerity", the government has revealed the details of a childcare package that particularly targets low and middle income families with more than one child.

Under the changes announced on Sunday, the childcare subsidy for families with two or more children aged five and under will increase to up to 95%, up from a maximum of 85% currently.

About 250,000 families with more than one child will be the biggest beneficiaries, with these families currently facing a doubling of fees once a second child enters subsidised care.

Government figures suggest the change will see an average household saving of \$2,260 per year.

The Coalition has also announced that it will scrap a \$10,560 cap on the child care subsidy, which will benefit around 18,000 higher income earners who currently pay full childcare fees once the maximum rebate amount is reached.

The treasurer, Josh Frydenberg, said the package would "provide greater choice to parents who want to work an extra day or two a week".

"This is a targeted and proportionate investment that simultaneously makes childcare more affordable, increases workforce participation and boosts the Australian economy by up to \$1.5bn per year."

The childcare package, which aims to appeal to female voters who are turning away from the Coalition, mirrors Labor's pledge to also scrap the \$10,000 cap and to increase rebates to 90% that was announced by opposition leader Anthony Albanese in last year's budget in reply speech.

But shadow treasurer Jim Chalmers said more families would benefit under Labor's plan.

"The big problem here is this childcare announcement is about getting the Liberals through the election, it's not about getting women back to work," shadow treasurer Jim Chalmers told Sky News.

"It makes it more complex and misses the chance to do a key economic reform."

Government figures show that under the rejigged childcare package, about 75% of the total \$10.6bn in government childcare subsidies paid in 2022-23 will go to families earning under \$150,000, with less than 4% going to families earning over \$250,000.

From next year, a family earning \$110,000 a year would have the subsidy for their second child increase from 72% to 95%, meaning they would be \$95 per week better off for four days of care.

A family with three children on \$80,000 would have the subsidy increase from 82% to 95% for their second and third child, and be \$108 per week better off for four days of care.

And the scrapping of the \$10,000 cap would see a family on \$200,000 with one child in care for five days saving \$2,400.

The Grattan Institute has argued that the current combination of tax, welfare settings, and childcare costs means some second-earners take home little or no extra pay for additional hours of work, creating a "workforce disincentive rate".

It has been arguing for an extra \$5bn a year in childcare spending, saying the payoff would be an \$11bn-a-year increase in GDP from the boost to workforce participation.

**Region:** Australia and New Zealand <sup>[3]</sup>

**Tags:** women's labour force participation [4]  
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