

Child care costs could soar 30 per cent [NZ]^[1]

Author: Sheeran, Garry

Source: Sunday Star Times

Format: Article

Publication Date: 13 Apr 2003

AVAILABILITY

See text below.

EXCERPTS

After the mortgage, what is the biggest household budget item for tens of thousands of families?

Not the shopping bill, not running the car. The cost of childcare is the new bone of contention for many working families. On that item, the news is not good, and is likely to get worse.

A review of government funding for early childhood education is under way and privately-run licensed early childhood education centres, which service 60% of the market, fear it could mean fee increases of up to one third.

The cost of childcare is creeping - if not leaping - beyond the means of many modest income earners, in some cases even if both parents are working.

Figures indicate the average cost of keeping a three-year-old in an early childhood care centre for 40 hours a week is \$133. The average figure for Auckland and Wellington is \$143. But industry insiders say it costs \$200-\$250 for one child in better-off parts of Auckland and in central Wellington.

Provincial childcare centres are under less strain but \$12,000 a year is on a par with a year's undergraduate fees at university, or even private school fees.

Childcare providers say the most common scenario is a family with two children (one aged under two) in a childcare centre five days a week at a cost of about \$350.

The same family could have a \$150,000 mortgage costing \$250 a week at current floating rates. Those two sums equal a near average gross weekly wage of \$600.

There are state subsidies available for early childhood education. But eligibility has been set so low, families fail to qualify at income levels which prohibit paying for childcare anyway.

The Winz childcare subsidy for families with two preschool children stops at a gross income of \$740. If the family grosses \$741, they will be left with an income of less than \$600 after tax. Paying preschool education costs of \$350 would leave \$250 for everything else - including the mortgage.

But with two-working-parent families multiplying, the childcare movement is a growth business. That was recognised last week with the sharemarket listing of KidiCorp Ltd.

In Australia, sharemarket-listed childcare businesses are booming. In New Zealand, the sector is reputedly worth \$500 million and has also seen significant growth.

An Early Childhood Council conference in Christchurch was told last week childcare had grown 130% in New Zealand in eight years, with 172,000 children attending more than 3000 facilities.

About 600 of these are "free" kindergartens, which comprise around 28% of total childcare facilities, although that used to be closer to 50%. Another 500 are kohanga reo centres and there are 200 play centres. There are also 200 home-based childcare facilities.

Beyond that, there are 1700 early childhood education centres, with about 600 run by not-for-profit groups such as trusts, churches and community groups, and the rest as for-profit businesses.

It is this sector of the childcare industry feeling the most angst about prospective changes signalled by the government.

Unlike primary, secondary or tertiary education, provision of early childhood education has been left to the market.

But while not a provider, the government has since the late '80s been a funder. Besides childcare subsidies for low income families, the government bulk-funds licensed and chartered child care centres up to \$92 per child a week. That means the average cost of early childhood care is around \$225 a week - the average \$133 paid by users, plus the bulk funding.

Ross Penman, chairman of the Early Childhood Council, said the growth of such services had been driven by demand and the decline of involvement of the extended family. However, private providers had been able to successfully meet the needs of 60% of children in the early childhood sector because of the level playground on which bulk funding had been provided.

Now the government has signalled it wants to get more involved in the sector, including more highly-qualified and better-paid early childhood teachers. Penman said the strong implication was that funding and support would flow away from childcare centres run as businesses towards committee-run enterprises.

Because the government didn't employ early childhood teachers, it would have to increase funding to providers if it was to set pay rates of early childhood teachers at the same level as primary teachers.

But Penman said bulk funding rates had been increased to allow kindergartens to pay teachers more but childcare centre funding had not been lifted. He said these and other changes would mean childcare centre fees increasing by 30%.

For people who don't have much money for childcare, an option may be for a neighbour, friend, or extended family member to look after the children at home.

- reprinted from the Sunday Star Times.

Region: Australia and New Zealand ^[2]

Tags: economics ^[3]

affordability ^[4]

funding ^[5]

Source URL (modified on 27 Jan 2022): <https://childcarecanada.org/documents/child-care-news/03/04/child-care-costs-could-soar-30-cent-nz>

Links

[1] <https://childcarecanada.org/documents/child-care-news/03/04/child-care-costs-could-soar-30-cent-nz> [2]

<https://childcarecanada.org/category/region/australia-and-new-zealand> [3] <https://childcarecanada.org/category/tags/economics> [4]

<https://childcarecanada.org/category/tags/affordability> [5] <https://childcarecanada.org/category/tags/funding>