

Childcare costs set to rise by almost 30% over the next four years^[1]

Author: Milman, Oliver

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AVAILABILITY

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EXCERPTS

Families are set to experience soaring childcare costs in the coming years, with government forecasts revealing that fees will grow by nearly 30% over the next four years.

Data compiled by the Department of Education for Senate estimates shows that childcare fees are expected to grow by 8.8% in 2014-15, with further increases of 6.9% in each of the following two years. Fees will rise by 6.5% in 2017-18, according to the forecast.

This means that a family paying \$100 per day for childcare would see fees increase to \$129 a day within the next two years.

The department's advice also shows that 500,000 families will be affected each financial year by the federal government's decision to freeze the childcare benefit eligibility income thresholds for the next three years.

The income level for the means-tested benefit currently stands at family earnings of \$100,000 and under each year.

An estimated 74,000 families are due to hit the childcare rebate "cap" this year, with this number soaring to 114,400 families by 2017-18.

The childcare rebate offers a 50c subsidy for each dollar spent on childcare, up to \$15,000 a year. But the rising cost of childcare means that increasing numbers of families will breach this spending limit and be cut off from further assistance.

The government has come under pressure to amend Tony Abbott's signature paid parental leave scheme so that greater emphasis is placed on dealing with rising childcare costs.

Earlier this month, Abbott said he would agree to unspecified amendments of paid parental leave in order to gain support for the measure.

"It's very important that we do have a proper paid parental leave scheme based on a woman's real wage," Abbott said.

"But it's also very important that we do the right thing by the mothers of Australia, particularly the mothers who are trying to be economic participants as well as social participants - and that's why in the months ahead over the summer, my ministers and I will be looking at the productivity commission report on childcare, and we will be better targeting our paid parental leave scheme so that we cannot only deliver a paid parental leave scheme which helps families but a more available and more affordable childcare as well."

A draft productivity commission report recommended the amalgamation of childcare assistance into a single scheme, adding that the government should subsidise 90% of childcare costs for all households earning up to \$60,000 a year.

Kate Ellis, Labor's childcare spokeswoman, said the government was doing nothing to address the "explosion" in costs.

"Tony Abbott has announced over \$1bn in cuts to childcare support, and he still has legislation before the parliament to cut the Child Care Benefit for low and middle income families," she said. "People are sick of Tony Abbott's empty words, and sick of his lies."

"This [fee increase] will have significant impacts upon Australian families and their re-entry into the workforce. We have yet to see any response to the government on this issue. We have seen no solutions."

Ellis said the fee increase is likely to be greater than 30% over the next four years after the government's recent budget update showed a \$2.4bn cost increase in the childcare system.

The government has said it is studying the productivity commission report and is committed to reducing costs of parents.

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