

Productivity Commission childcare plan could cost low earners \$8,000 – report ^[1]

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EXCERPTS

Parents on income support payments could be as much as \$8,000 a year worse off by proposed changes to childcare payments, new modelling has revealed.

The final Productivity Commission report into childcare, released last month, recommended that a number of different subsidies be rolled into one overarching subsidy. That would mean the loss of the jobs education training childcare fee assistance (JETCCFA) payment, which predominantly impacts low-income families and single parents.

The JETCCFA subsidy covers between 93% and 96% of the overall cost of childcare for eligible parents. The consolidated subsidy proposed by the Productivity Commission would cover a maximum of 85% of childcare costs.

Modelling done by Early Childhood Australia (ECA) shows that parents with a child between three and five years old who access 10 hours of long day care a day could be thousands of dollars out of pocket under the Productivity Commission report's suggestions.

Parents who pay \$70 a day for childcare will lose \$570 a year, or \$11.40 a week. That increases to a loss of \$5,070 a year for parents who spend \$100 a day on childcare. On the higher end of the scale, parents who pay \$120 a day for childcare will lose \$8,070 a year, or \$161.40 a week, if the Productivity Commission's recommendations are adopted by the federal government.

"Recipients of JETCCFA are some of the families who most need to access childcare," head of ECA Samantha Page said. "It's really important that these subsidies are available."

Page said parents who accessed JETCCFA may be forced to abandon education or training if the payment was no longer available.

"JETCCFA recipients are parents on income support who are working towards getting back into the workforce," Labor's childcare spokeswoman, Kate Ellis, said. "The government needs to ensure that these parents are protected in any changes to the system or they will actually make it harder for people to move from welfare to employment."

ECA is calling for the highest subsidy payment for low-income earners to be raised from 85% of childcare costs to 90% of costs.

Changing the ceiling rebate rate would effectively maintain the amount of money low-income earners receive in childcare subsidies, Page said.

The social services minister, Scott Morrison, is currently engaging in a consultation process with the childcare sector over reforms.

He has previously indicated that he will take on the recommendations of the Productivity Commission report. The minister will deliver the reforms in time for the budget in May.

Guardian Australia has sought comment from Morrison.

Ben Phillips from the National Centre for Social and Economic Modelling (Natsem) said raising the rebate from 85% to 90% would not substantially affect the family budget.

"I don't think it's going to make that much of a difference," he said, adding that it would also not cost the government much to deliver.

He said that low-income families would lose substantial amounts of money from the Productivity Commission's proposals.

JETCCFA costs the government about \$100m of the annual \$7bn childcare budget. Around 35,000 families access the payments.

The Productivity Commission report, in recommending the assistance be scrapped, said that JETCCFA was "poorly targeted and funds have flowed to services and families well outside their intended purposes".

Region: Australia and New Zealand ^[3]

Tags: subsidy ^[4]

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