

# Child care affordability in Australia <sup>[1]</sup>

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## AVAILABILITY

Full report PDF <sup>[2]</sup>

## Introduction

Many Australian families are juggling paid work with raising children. Child care, both formal and informal, makes this intricate balancing act possible.

The decision around whether to return to work after having children is not an easy one. Child care is expensive and families have to manage many important financial, family and social obligations.

Families making the difficult decision about a return to work have to not only consider upfront child care costs, but also the potential impact of paid work on the Government benefits they may receive.

Where a person lives will also have a big impact on their child care costs, with some daily rates as high as \$170 a day.

An important focus of this report is the affordability of child care for families and the impact child care costs have on the decision to work. The report outlines the trends in child care use and costs and then considers the complicated interactions between returning to work, the loss of Government benefits and the costs of increasing child care use.

There is great variation in the cost of child care across the country and the report explores Australia's most and least affordable regions.

The Government subsidizes child care through a number of benefits, but the current system is expensive and complicated. The report considers Government benefits received by families using child care and their effectiveness and explores possible alternative support systems.

While providing benefits to working parents is expensive, Australia needs women to work and contribute to the tax system to help the nation manage the cost of an ageing population.

## Policy concerns for child care in Australia

The main policy issues facing Government, child care providers and families are affordability of care, supporting women in going back to work, accessibility to high quality care and the importance of early learning in preparing children for primary school and later life.

Child care costs have increased dramatically in recent years, placing a strain on family budgets. Governments have responded with large increases in financial assistance, mostly in the form of the Child Care Benefit (CCB) and the Child Care Rebate (CCR).

The CCB provides a capped, per hour, subsidy direct to the family or child care centre to offset the cost of care. The payment is means tested and provides maximum benefit to low income families. The payment increases in line with the consumer price index (CPI).

The CCR is not means tested and provides a rebate of 50 per cent of 'out-of-pocket' costs. This payment increases with the actual cost of child care, but strong demand and steep child care price inflation has meant it's a growing share of the Federal Budget.

The cost of child care, loss of Government benefits and increased personal income taxation can mean that as the secondary earner (usually the female), or single parent, increases their working hours, for some, the financial return from paid work can be negligible.

With an ageing population, governments are trying to encourage more women back into the workforce and the cost and availability of child care are major impediments to this.

Government child care subsidies are a double-edged sword—they're part of the solution and part of the problem. Child care subsidies certainly improve affordability, but they also likely contribute to higher child care prices.

Female workforce participation is also impacted by the difficulty in finding appropriate care that is convenient to work, both in terms of location and hours worked. While there are many quality child care operators, it can be difficult to find a suitable vacancy.

Education policy makers are increasingly aware of the importance of the early years of learning. The days of thinking about child care as a

child minding centre are disappearing. Many other countries embrace the idea that education in a child's early years is invaluable and quality child care can make a significant contribution to the learning outcomes for children later in life.

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

**Tags:** accessibility <sup>[4]</sup>

affordability <sup>[5]</sup>

low-income <sup>[6]</sup>

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