

Hypothetical modelling of childcare costs for families ^[1]

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AVAILABILITY

Full report PDF ^[2]

Overview

The ANU Centre for Social Research and Methods was contracted in May 2016 by Goodstart Early Learning to calculate the financial impact on families from the primary carer returning to work.

A number of hypothetical families were developed that were considered to be representative of typical families who use formal long day care in Australia. The families chosen were as follows:

- 1) Families primary Income earner working full time - \$84,000 per annum, Primary carer returning to work earning up to \$43,000 per annum in increments of one day, up to five days per week. The carer initially returns to work for one day at around \$8,600 per year and increases their days incrementally up to five days.
- 2) Primary Income unit working full time - \$130,000 per annum, Primary carer returning to work earning up to \$43,000 per annum in increments of one day, up to five days per week.
- 3) Primary Income unit working full time - \$84,000 per annum, Primary carer returning to work earning up to \$67,000 per annum in increments of one day, up to five days per week.
- 4) Primary Income unit working full time - \$130,000 per annum, Primary carer returning to work earning up to \$67,000 per annum in increments of one day, up to five days per week.

Cases (1) and (2) relate to a 'low maternal income' and the (3) and (4) relate to a 'high maternity income'. For each scenario we model a one and two child case for long day care. We assume that a child is in care for a full day (12 hours per day) and that the cost is \$8.47 per hour for child one and \$8.00 per hour for child two. These figures represent broad averages for child care prices and income levels. The \$43,000 income level is an arbitrarily selected lower income figure for female employees.

We simulate the tax payments and transfer subsidies for family tax benefits and child care payments for each hypothetical family for each scheduled income level. These calculations are based on the legislation for April 29, 2016. These calculations are based on the MATTS simulator.

After accounting for personal income tax and government benefits and child care costs we estimate the disposable income for the family (both the mother and the father). We calculate the marginal after-tax income for each day and a cumulative average for each day.

The financial returns from returning to work can be viewed as flowing to the family as a whole or to the primary carer returning to work. Typically the primary carer in Australia is female. According to the Australian Bureau of Statistics 2013-14 Survey of Income and Housing the male is the primary income unit in around 80 per cent of couple families with children aged younger five.

Related link: Working mothers earning as little as \$5 an hour after childcare, tax, study shows ^[3]

Region: Australia and New Zealand ^[4]

Tags: women's work ^[5]

cost ^[6]

work/family balance ^[7]

Source URL (modified on 27 Jan 2022): <https://childcarecanada.org/documents/research-policy-practice/16/05/hypothetical-modelling-childcare-costs-families>

Links

[1] <https://childcarecanada.org/documents/research-policy-practice/16/05/hypothetical-modelling-childcare-costs-families> ^[2] https://rsss.cass.anu.edu.au/sites/default/files/Childcare_cameo_analysis_Goodstart_0.pdf [3] <https://childcarecanada.org/documents/child-care-news/16/05/working-mothers-earning-little-5-hour-after-childcare-tax-study-show> [4] <https://childcarecanada.org/category/region/australia-and-new-zealand> [5] <https://childcarecanada.org/category/tags/womens-work> [6] <https://childcarecanada.org/category/tags/cost> [7] <https://childcarecanada.org/category/tags/workfamily-balance>