Paying more than $115.50 a day for childcare? Coalition reforms leave you dudded [1]

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EXCERPTS

"It's very frustrating having policymakers that don't give a sh*t about the issue of childcare," says Betina Naiman, who works full time as a business solutions consultant.

The federal government's $7500 annual cap on the childcare rebate means Betina and husband Clarence Naiman, a small business owner with variable income, must cover the full cost of two-year-old daughter Libby's four-day-a-week care for four months of every year.

That's a $560-a-week expense of having a job.

And the story is similar for 108,000 families around Australia for whom the rebate "tap" is suddenly switched off at a certain point in the financial year – for the Naimans this happens in February and the wait until July is a long one.

"I've worked out that every extra day that I work beyond three days a week costs me $7500 a year in childcare fees," she says.

"I think the cap is very challenging because it makes the cost of living, even on an executive income, very high," says Naiman, who says her family is financially unable to upsize the small apartment they share in Bondi.

She sees friends who also have a large percentage of their income committed to a bigger mortgage, struggle.

Changes on the horizon

It's not that childcare isn't on policymakers' radar – it is.

The government sees it as an economic issue, because better childcare would boost women's workforce participation and therefore national productivity. But it's also an issue about access to early childhood education.

This is hugely beneficial, with a long-running study commissioned by the British government finding two years of quality education from age three dramatically improved academic performance in Year 10 – the difference between five Cs or five Bs.

But not everyone believes the government's proposed $3 billion-plus childcare package will make it more affordable or accessible.

A Senate stalemate in the last parliament – where the Coalition made childcare changes contingent upon cuts to family tax benefits – means the changes are now delayed until July 2018.

While Education Minister Simon Birmingham would not pre-empt the outcome of parliamentary negotiations, he said in a statement to told Fairfax Media: "If Labor passes the family tax benefit changes needed to fund our childcare package, we will bring implementation forward as soon as possible."

Central to the reforms, if they are passed, is collapsing the means-tested childcare benefit and the un-means-tested 50 per cent childcare rebate into one means-tested subsidy.

That subsidy would be 85 per cent for families that earn $65,710 or below, up from about 72 per cent from the benefit and rebate today. It then phases down to a low of 20 per cent by the time a household earns $340,000, a reduction from the 50 per cent rebate . Parents will pay fees net of the subsidy.

The Coalition says families earning between $65,000 and $170,000 annually would be $30 a week better off than under the current system. So the delay is costing them that much each week.

Crucially, the $7500 cap is to be abolished for some (on earnings up to $185,710) and expanded for others (beyond $185,711) – to a yearly $10,000.

What it means for affordability

The recent Productivity Commission report into childcare found that the 2008 increase in the rebate from 30 per cent to 50 per cent, under the Labor government, "accelerated" the rise of childcare fees. The Coalition maintains its move to cap the hourly cost of care to which the new subsidy would apply, at $11.55 for long day care, would prevent this occurring again.

But the more immediate issue is that, while the national average cost is $8.35 an hour, the proposed cap is far below what many families are forced to pay. And it is only between 20 and 85 per cent of this maximum amount that will be subsidised.

For example, if a centre is open for 12 hours a day, the government's proposed $11.55 hourly cap would mean no subsidies beyond a day rate of $138.60. If a centre opens 10 hours, the cap would mean nothing above $115.50.

The most recent NATSEM report into childcare says the day rate in cities can be higher than $170.

The minister's office declined to say how many suburbs had a higher average cost than its cap, but the NATSEM report says: "The vast majority of Sydney has middle or high [childcare] price to income ratios. Only the outer west provides relatively more affordable childcare."

You can simply multiply $11.55 by the number of hours your centre is open each day to see if you will lose out. Above this amount, you are on your own.

In terms of the families likely to be affected, it would be those on middle incomes that didn't previously hit the $7500 annual cap, perhaps because they used care for three days or less – even if their "rebate" technically remains at 50 per cent.

For example, a family on $175,000 that accesses two days of care at $144 a day for one child would see their annual government assistance drop from $7488 to $6006, or $14.25 a day (assuming the centre is open 10 hours a day).

The hourly cap does reveal a true intent of the childcare package: to force centres to offer part days rather than full days.

Higher-priced centres might ultimately reduce prices – either on a daily or hourly basis – if and when demand evaporates as parents realise they will be footing more of the bill. In the meantime, as identified in the new HILDA survey, the average amount households spend on childcare per week could continue to grow much faster than incomes.

However, John Cherry, the advocacy manager at Australia's largest and not-for-profit childcare provider Goodstart Early Learning, argues this is a "fiercely competitive" market and likely to get more so. "Statistics show childcare centres are opening faster than children are being born so parents should have increasing options," he says.

He adds that price rises, the pace of which slowed to 3.6 per cent overall last year, are not so much to do with ratios as the "cost of getting decent-quality staff and decent facilities".

What it means for access

The government believes a tighter activity test – both parents might need to do a minimum of four hours a week of work, study or volunteering – would see places go to families that really need them. At the moment there is no specific work/training/study hourly requirement (the hours of "activity" might change the hours of subsidy you could claim; at four hours it is planned to be 18 a week).

But Goodstart's Mr Cherry has concerns the tighter activity test could see children from 100,000 lower-income families, where one or both parents don't work, miss out on early education. "Research shows the benefit to children from these backgrounds is the greatest," he says.

The government disputes this, maintaining the test would prompt many parents to change their behaviour specifically to qualify, perhaps by volunteering. It's worth noting that childcare centres are already obliged to give wait list priority to working families.

Nationally, there are also many childcare vacancies – but you won't find a lot in high-demand, inner-city centres as parents increasingly choose to place their kids near work, not home, probably to minimise the time in care.

It's in one of the suburban centres that Betina and Clarence Naiman eventually found a vacancy. The not-for-profit service is comparatively cheap at "only $140 a day". However, the trade-off is shorter, non-work-friendly hours of 8am to 5.30pm, which require significant teamwork.

"Clarence, because he's more flexible working for himself, does drop-offs and pick-ups. But my parents end up stepping in two to three days a week. It really takes a whole village for me to work," Naiman says.

What's more, with the government's proposed $11.55-an-hour cap, the centre's 9.5 available care hours mean the Naimans might soon receive their new subsidy not on the $140 daily cost but on just $109.73.

To many metropolitan families, this could become all too familiar.

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