Budget 2015: Childcare policy analysis

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SUMMARY

• Most parts of the package won't start till July 2017 (the Nanny Pilot starts in January 2016 as does the Inclusion Support element of 'Safety net'). Two more budgets and one general election away ...
• New scheme will benefit low and middle income families who have secure, predictable employment and who use services that charge the benchmark fee (or below the benchmark).
• BUT hits hard at Indigenous children, children in the poorest families and children whose parents have casual work, variable hours or insecure jobs.
• Also excludes children where family income is above $65,000 unless both parents meet the activity test or they fit into a 'safety net' category.
• Introduces a complex, three-tier activity test where parents won't know from week to week how much subsidy they will get.
• Does not address systemic barriers such as lack of planning at local or regional level, lack of places for infants and toddlers, staff shortages and low pay and does not address flexibility for the majority of families (only for a subset who may choose to employ nannies).
• No additional subsidy for under 2’s yet demand for infant care will rise if government goes ahead with its planned attack on parental leave.
• Undoes about two decades of careful thinking and policy work by excluding the most disadvantaged children or forcing parents to apply for stigmatizing 'safety net' provisions.

WINNERS

• Families where both parents have regular hours of employment and who use services that charge the benchmark fee or less.
• Service providers – government will pay parental subsidies directly to them and is asking nothing new in return.
• Families above $185,000 who will see their subsidy cap lifted to $10,000.

LOSERS

• Indigenous children and children in poor families. (Accessing a ‘safety net’ is stigmatizing. Parents don't see a safety net, they see a spider web of bureaucracy, humiliation, form-filling and intrusion. Why not increase supply and maintain the 2 days per week that families are entitled to now?)
• Parents who work unpredictable hours. Families who meet the activity test have access to up to 50 hours ECEC subsidy per week; under new scheme, subsidies will be tied to hours of employment.
• Educators – they are invisible in the package, but low pay and high staff turnover are endemic in the sector.
• Families who can't find a place (the package does nothing to increase the number of places)
• Families who need flexible care but are not eligible for/ do not want a nanny.

WHAT IS NEEDED

• High quality early learning and care for ALL children in order to create opportunity, reduce inequality and boost the educational achievement of the rising generation – a win for society AND the economy.
• Seamless integration with paid parental leave.
• Decent wages and conditions for educators in all types of children’s services.
• Investment in a comprehensive program of community led services for Indigenous children and families – as per the Productivity Commission's recommendation for $200 million to be invested in a Community Early Learning Program.
Summary of changes introduced in 2015 Budget

1. NEW CHILD CARE SUBSIDY
   - A new Child Care Subsidy will replace CCB and CCR
   - Will be based on hourly benchmark rates of $11.55 for LDC, $10.70 for FDC, $10.10 for out-of-school hours care and $7 for the in-home nannies pilot. (These represent projected median prices plus 17.5% for LDC and 5.75% for FDC.)
   - For working families below $65,000, the subsidy will be 85% of a benchmark price or 85% of the fee charged by the service (whichever is lower). Subsidy reduces to 50% for families above $170,000.
   - Working families on incomes between $65,000 and $170,000 will be about $30 a week better off if fee is at or below benchmark. However, many will face higher fees. The benchmark is set at the median or ‘middle’ fee (not the average) so 50% of services will, by definition, charge above the benchmark.
   - Working families earning < $170,000 will no longer have a cap on subsidies.
   - Working families above $185,000, subsidy cap increased to $10,000 per child (from $7,500).
   - Introduction of a 3-tier activity test.

<table>
<thead>
<tr>
<th>Hours of activity (per fortnight)</th>
<th>New system</th>
<th>Current system</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;8 and family income less than $65,000</td>
<td>24 hours per fortnight (equal to 1 day per week)</td>
<td>Families who do not meet activity test can access up to 24 hours per week</td>
</tr>
<tr>
<td>8-16</td>
<td>Up to 36</td>
<td>Up to 100</td>
</tr>
<tr>
<td>17-48</td>
<td>Up to 72</td>
<td>Up to 100</td>
</tr>
<tr>
<td>49 hours</td>
<td>Up to 100</td>
<td>Up to 100</td>
</tr>
</tbody>
</table>

- Up to 24 hours a fortnight subsidised care will be provided for children from families < $65,000 whose parents do not meet the activity test. This equates to two days per fortnight and halves the current entitlement (24 hours per week) for low income families. Children in families above this income who do not meet the activity test will be excluded.
- $843 million over two years for extensions of National Partnership Agreement on Universal Access to Early Childhood Education. Note that Indigenous children and children from poor families are significantly underrepresented in this program.

2. SAFETY NET (extra $327m over 4 years or approx. $80 million per year)

Three components:

1. $409 million Inclusion Support Programme, from July 1, 2016, to provide more funding so mainstream childcare centres can afford staff and equipment for kids with special needs.
2. $156 million Additional Child Care Subsidy, starting in July 2017, to offer top-up subsidies for childcare to assist children at risk of serious abuse or neglect, irrespective of family income. Support will be provided for six weeks and then in 13-week blocks afterwards. It will also help families at financial risk and those in which the parent or parents are moving from welfare to work.
3. $304 million Community Child Care Fund, starting in July 2017, targeted to families and communities that are remote major urban centres, such as remote indigenous communities. (Note: the 270 existing Budget Based Funded services that mainly serve Indigenous communities in remote parts of Australia are expected to transition to market-oriented, ‘mainstream’ funding. This is a huge blow to SNAICC\(^1\) which has been lobbying for a $250 million Community Early Learning Program to provide safe, culturally appropriate early learning and family support.

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\(^1\) Secretariat of National Aboriginal and Islander Child Care
3. **NANNY PILOT to commence January 2016**

- $246 million over 2 years for the Interim Home Based Carer Subsidy Programme
- The pilot is expected to fund 4,000 nannies and 10,000 children.
- Nannies must be 18 years, have a Working with Children Check, and a first aid certificate.
- Not required to hold a Certificate III.
- Nannies will be attached to an approved service – not employed directly by families.
- Benchmark fee set at $7 per hour. For eligible families 50-85% of the benchmark fee will be paid to the service provider (i.e. most eligible families will get $2 to $3 per hour towards cost of the nanny).
- The Pilot is targeted to families working shift work, such as nurses and police officers, and also families in rural and regional areas.

**Nanny Pilot is virtually identical to current In-home Care Program (operating since 2000)**

- IHC is a small, capped program catering for approx. 5,600 children to whom one or more of the following applies:
  - The child has, or lives with another child who has an illness or a disability
  - The child’s guardian (or guardian’s partner) has an illness or disability that affects their ability to care for the child
  - The child lives in a rural or remote area
  - The work hours of the child’s guardian (or guardian’s partner) are hours when no other approved child care service is available
  - The child’s guardian (or guardian’s partner) is caring for three or more children who have not yet started school

- Families can access CCB and CCR to support employment of in-home carers
- IHC has adopted voluntary national standards and employs educators with at least Cert III (even though not required to)
- Australian Home Care Association (the peak body) is lobbying for coverage by National Quality Framework. The Nanny Pilot will not come under the NQF.

**ADDITIONAL POINTS**

Govt claims that 24 hours subsidy per fortnight will give kids the equivalent of 2 days in school per week. **This is not true.** Most LDC centres charge a daily rate so 24 hours subsidy will buy two days per fortnight or one day per week. This halves the current entitlement for kids in poor jobless families.

Re the activity test - 8 hours activity per fortnight may sound like an easy hurdle but for many families in crisis, families facing bereavement or ill health (including mental health), fleeing violence etc. it will be impossible to meet this consistently. Saying that these families can apply under the ‘Safety Net’ is not an answer – it would be far more efficient to provide 2 days subsidised care as a minimum for every child (as we currently do).

**INTERNATIONAL CONTRASTS**

- In the UK 15 hours free childcare is available to all 3 and 4 years olds (regardless of family income or workforce status) and govt is about to extend this to 30 hours free childcare for all working parents.

- Quebec increased women’s workforce participation massively (and reduced child poverty and welfare dependence) by introducing $5 per day (now $7 per day) – not a complex web of benchmarks, activity tests, safety nets etc. The Quebec system is not ideal model (because of weaknesses in standards and quality) but illustrates the impact of low fee child care in a very dramatic way.

Low fee child care has a powerful effect on mother’s workforce participation. In Quebec, the proportion of mothers of 0-5s in paid jobs rose from 63% to 74% in 12 years (1996 – 2008) following introduction of $5/day child care. Single parent families living in poverty declined from 99,000 to 45,000 and their median after-tax income rose by 81%. (Source: Fortin, P. et al. 2012, *Impact of Quebec’s Universal Low Fee Childcare Program on Femal*