



Australian Government
The Treasury

TSY/AU

Australian Government support for childcare

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Webinar: Towards Quality and Affordable Childcare for all in Indonesia
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Outline

- Policy responsibilities
- History
- Current policy – Child Care Subsidy
 - Eligibility
 - Subsidy amount
- Upcoming policy changes

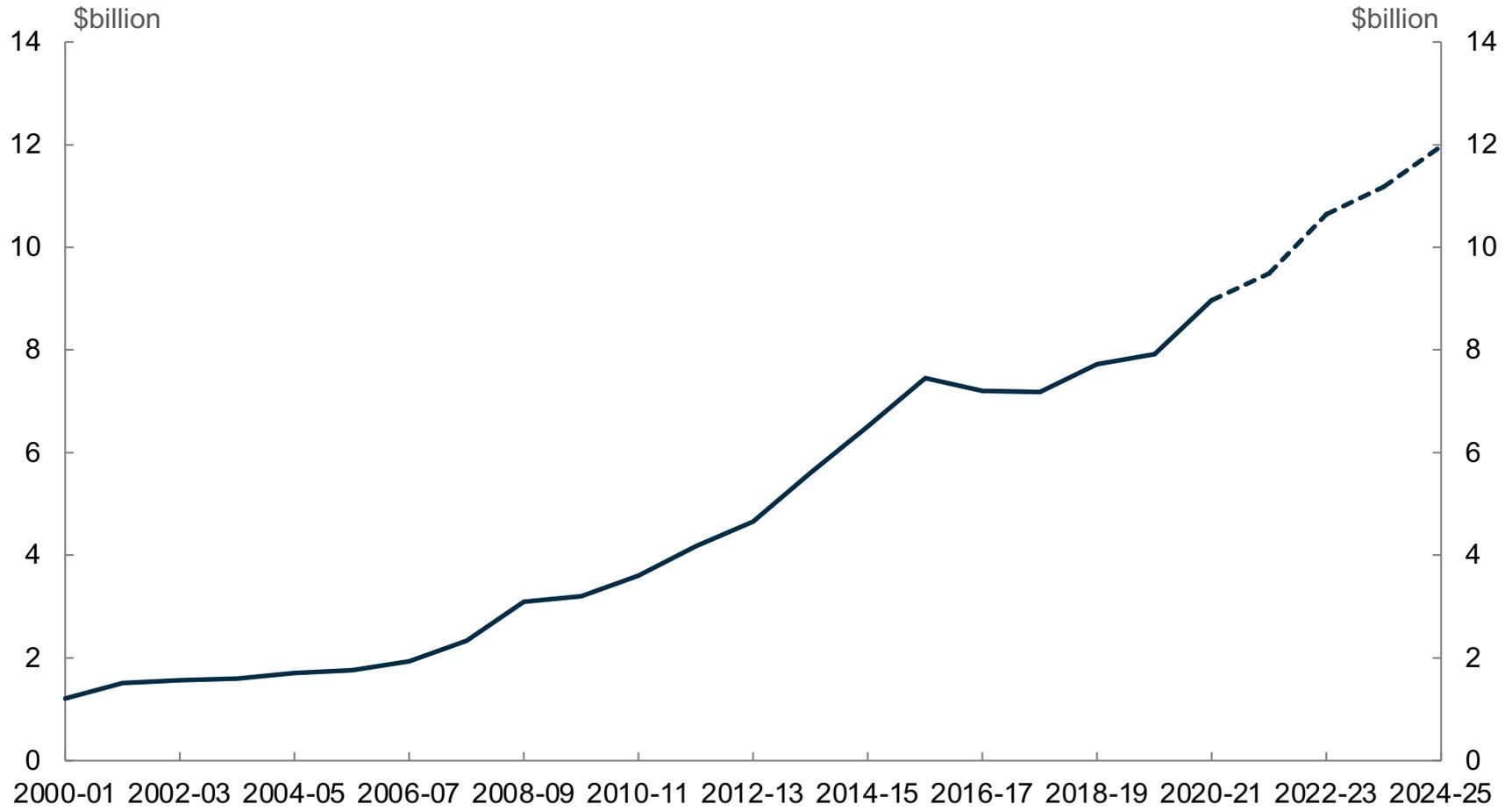
Policy responsibilities

- Responsibility for childcare shared between the Commonwealth and the states/territories.
- At the Commonwealth level, childcare policy sits with the Department of Education, Skills and Employment (DESE).
 - Previously sat with the Department of Social Services.
 - Move to DESE reflects growing focus on the benefits of early childhood education.
- Role of Treasury:
 - Advise Treasurer on childcare policy proposals.
 - Work with DESE to influence design of proposals.

History

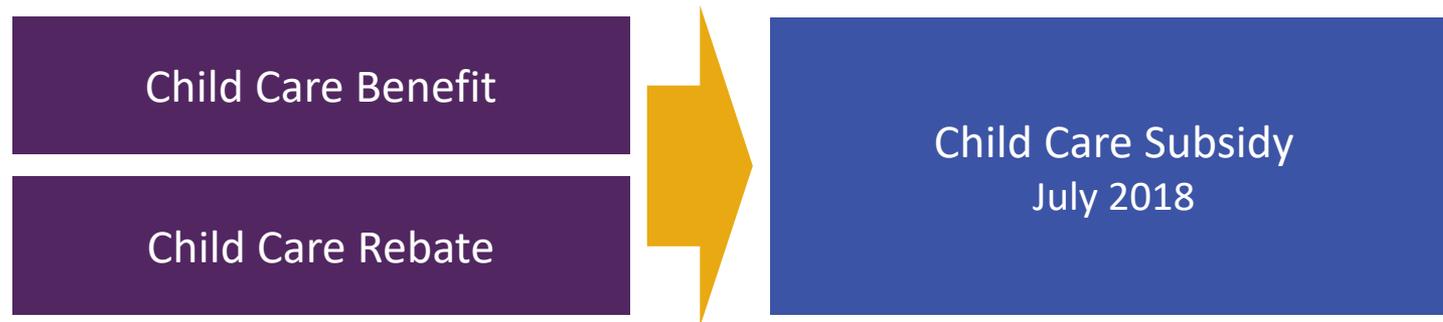
- Commonwealth involved in childcare since 1972.
- Before then, only the states and territories were involved.
- Trends:
 - Focus is shifting from care to education
 - Providers shifting from not-for-profit community organisations to for-profit private sector companies
 - Financial support broadened from just low income families (but not universal)

Cost



Current policy – Child Care Subsidy

- Child Care Subsidy (CCS) introduced in 2018.
 - Replaced the Child Care Benefit and Child Care Rebate.



- CCS subsidises the fees paid by families.
 - Government pays CCS to child care providers, who pass it on to families as a fee reduction.

Child Care Subsidy

- CCS addresses issues with the previous system.
 - CCS is simpler (one payment instead of two).
 - CCS is better targeted – provides more support to low and middle income families.
 - Child Care Rebate was not means-tested.
 - CCS removes the annual cap for most families, except the wealthiest.
 - Provides more flexibility for families – broader than childcare centre-based care.

Eligibility

- Requirements for both parents and children.
- Parents:
 - Must care for their child at least two nights per fortnight or have at least 14% share of care.
 - Make a co-contribution to their childcare fees.
 - Be an Australian resident.
- Children:
 - Must be immunised.
 - Not attending secondary school.
 - 13 years or younger.

Child Care Subsidy amount

- Three determinants:
 1. Type of childcare used.
 2. Combined family income.
 3. Parents' activity level (i.e. amount of work).

1. Type of childcare

- Four approved types of childcare:
 - Centre-Based Day Care
 - Family Day Care
 - Outside School Hours Care
 - In-Home Care

Child Care Subsidy amount

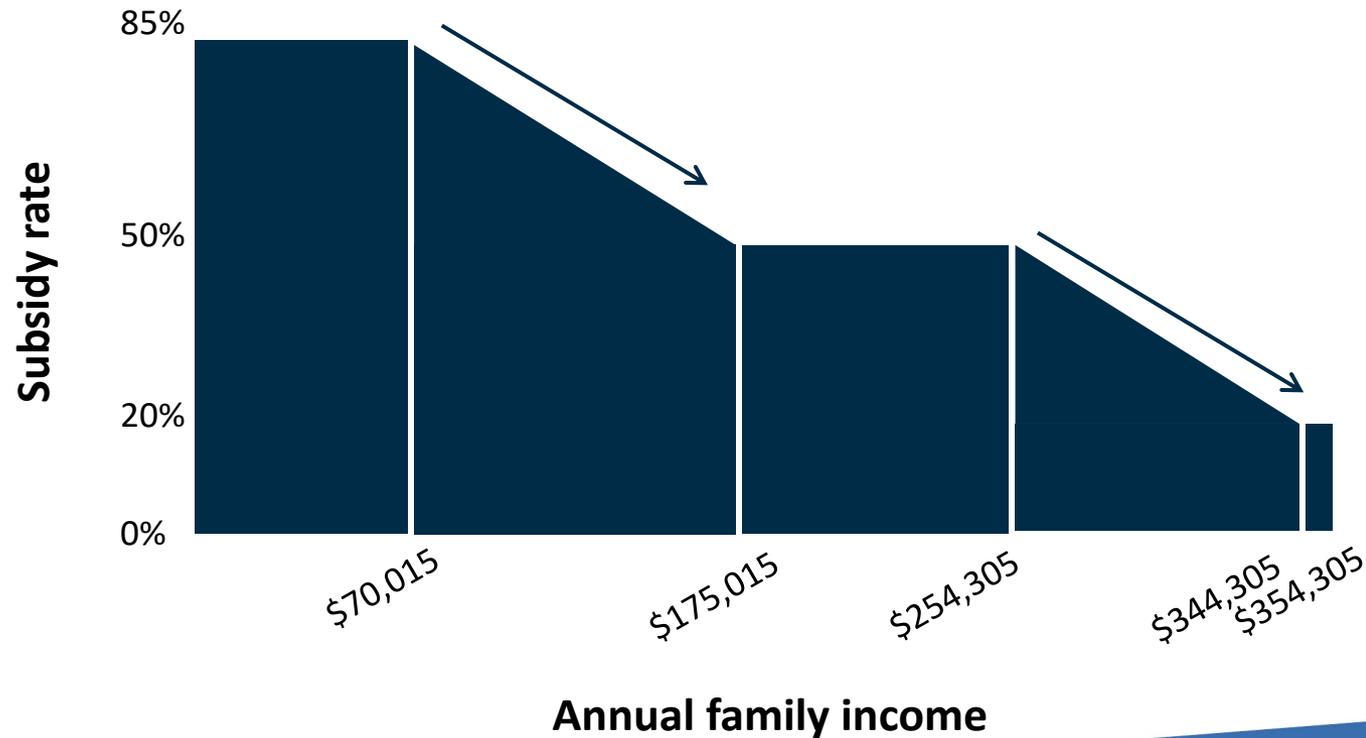
- For each type of service, there is an hourly rate cap set by the Government.
- CCS applies to the lowest of the either the hourly rate cap or the fee charged by the childcare service.

Service type	Hourly rate cap (children below school age)	Hourly rate cap (school-age children)
Centre Based Day Care	\$12.31	\$10.77
Outside School Hours Care	\$12.31	\$10.77
Family Day Care	\$11.40	\$11.40
In Home Care (per family)	\$33.47	\$33.47

Child Care Subsidy amount

2. Family income

- CCS is means-tested against family income.

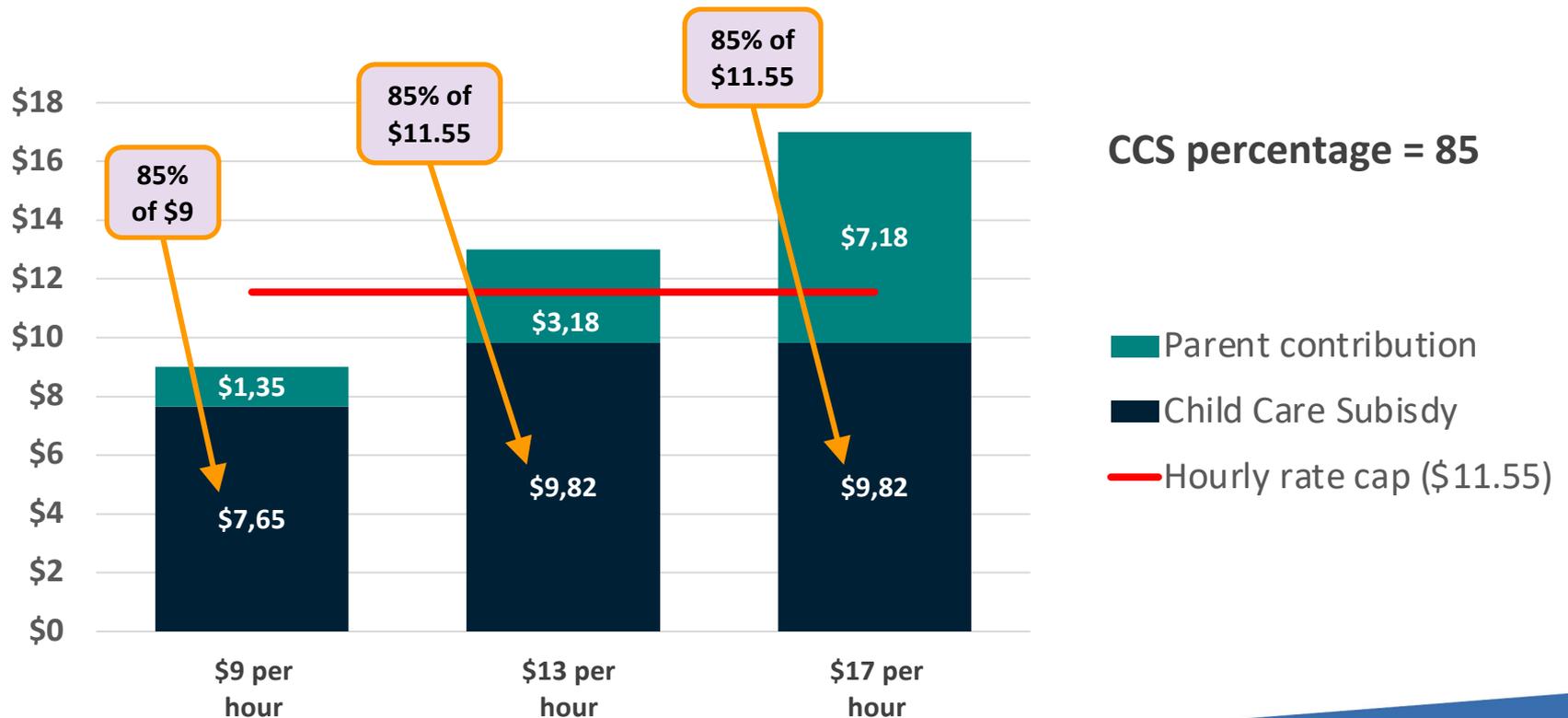


Child Care Subsidy amount

- There is an annual cap on the amount of CCS a family can receive.
 - No cap for families with income of \$190,015 or lower.
 - Cap of \$10,655 per child per year for families with incomes over \$190,015.
 - No CCS for families with income over \$354,305.

Child Care Subsidy amount

- Example of interaction of family income with childcare fees and hourly rate cap:



Child Care Subsidy amount

3. Activity test

- Amount of recognised activities by a parent determines how many hours of subsidised childcare they can access.

Activity level each fortnight	Hours of subsidised care each fortnight
Less than 8 hours	0 hours if you earn above \$70,015 24 hours if you earn \$70,015 or below
More than 8 to 16 hours	36 hours
More than 16 to 48 hours	72 hours
More than 48 hours	100 hours

- Recognised activities include:

Paid work	Setting up a business	Training
Paid/unpaid leave, including parental or maternity leave	Unpaid work experience/internship	Actively looking for work
Unpaid work in a family business	Studying	Volunteering

Upcoming policy changes

- Changes to CCS announced in the 2021-22 Budget (May 2021).
- More support for families with multiple children in childcare.
 - From March 2022, families with multiple children aged 5 or under in childcare will receive a higher CCS rate for their second and subsequent children.
 - Higher rate of subsidy is 30 percentage points above standard rate, up to a maximum of 95 per cent.
- Removing the annual cap of \$10,560 per child per year from December 2021.
- Estimated cost of \$1.7 billion over five years from 2020-21.

Upcoming policy changes

- Reasons:
 - Families with multiple children in childcare face high workforce disincentive rates due to high out-of-pocket expenses.
 - Disincentive rates can exceed 100 per cent. i.e. Families are financially worse off despite working additional days.
 - Policies that reduce high disincentive rates may reduce barriers to labour force participation of the affected groups, which can have significant long-run benefits.
 - These changes are estimated to add up to 300,000 hours of work per week to the economy – equal to around 40,000 individuals working an extra day per week.