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35 Bulletin

Trends in the affordability of child care services 1991–2004

Introduction

Quality child care services are widely recognised as being of vital importance to families with young children, children themselves and Australian society in general. Child care services assist parents to participate in work or study, offer families an opportunity to be involved in the community, help to create social networks and provide children with opportunities to develop their social and intellectual skills (AIHW 2003; CSMAC 2004; NATSEM 2005). Child care services also give parents respite from caring for children with behavioural difficulties, and provide early intervention for developmentally and socioeconomically disadvantaged children (Lee 2005; Swan & Dolby 2002).

In 2002, 25% (787,400) of children aged under 12 years used some type of formal child care, such as long day care, family day care or outside school hours care, and 70% of these were aged 0–4 years (ABS 2003). The proportion of children using formal care has increased steadily over recent years from 19% in 1993.

The National Agenda for Early Childhood (NAEC) identified early learning and care as a key action area, with a particular focus on equality of access to quality child care services (Commonwealth Task Force on Child Development 2003). In order to support the goals of the NAEC, the Australian Government has introduced a new Stronger Families and Communities Strategy which has a particular emphasis on early childhood initiatives. It provides funding for new long day care centres in high demand areas, and to support in-home care services (FaCS 2004). Many states and territories have also developed early childhood policies which emphasise access to child care services. For example, Queensland's Putting Families First policy commits \$12 million over three years for the development of child care services (QDC 2001), and Western Australia's Early Years Strategic Framework acknowledges the need to 'provide affordable and desirable child care arrangements' (WADCD 2003:6) to help families improve the wellbeing of children.

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Trends in the affordability of child care services 1991–2004

The Australian Government provides support for families in the forms of family assistance payments and income support payments (Box 1). Most family assistance is directed at helping middle- and low-income families with the costs of raising children. Help with meeting the cost of formal child care is also available. On 1 July 2000, the Child Care Benefit (CCB) was introduced, replacing Childcare Assistance and the Childcare Cash Rebate. The CCB is a means tested payment, but has a more generous income test and provides support for both working and non-working families. As a result, a larger number of families received some assistance with the costs of child care. Even families on high incomes are eligible for the minimum rate for approved child care. The CCB is increased each year in line with the Consumer Price Index. An additional measure, the Child Care Tax Rebate, was recently introduced. As 2004–05 is the first year for which the rebate can be claimed, its impact on affordability has yet to be ascertained (see Discussion section for more information).

Box 1: The cost of Australian Government assistance

<i>Assistance type</i>	<i>2003–04</i>	<i>2004–05</i>
<i>Child Care Benefit</i>	<i>\$1.4 billion</i>	<i>\$1.5 billion</i>
<i>Family Tax Benefit Parts A and B</i>	<i>\$15.0 billion</i>	<i>\$12.9 billion</i>
<i>Parenting Payment</i>	<i>\$6.0 billion</i>	<i>\$6.1 billion</i>

Sources: DEWR 2005; FaCS 2003, 2005a.

There is ongoing community concern that, despite the level of government assistance, the cost of child care is still a barrier to access for some families (ABS 2003; NATSEM 2005). The 2002 ABS Child Care survey found that, for approximately 123,500 children aged 0–11 years, cost was a barrier to the use of formal care (ABS 2003). For one-parent families, 27.2% of children used formal care, alone or in combination with informal care. With a growing number of parents (particularly lone parents) participating in the labour force (ABS 1993, 2004a), the need for high quality and affordable child care while parents work is becoming increasingly important.

Access to services is determined by a number of factors including location, demand and affordability. This bulletin looks at the affordability of different types of child care services for five different family types, using a methodology developed by the Australian Institute of Health and Welfare (AIHW 2001). It draws on data from the Census of Child Care Services conducted by Australian Government Department of Family and Community Services (FaCS), ABS estimates of income, and information about available government assistance.

Previous work on the affordability of child care

The growing recognition of the importance of affordable child care has been accompanied by a growth in research around this topic. Cleveland and Krashinsky investigated the benefits of investing in quality child care and found that ‘the benefits significantly exceed the costs’ (Cleveland & Krashinsky 1998:5). Throughout the paper,

the affordability of child care is identified as an important factor in determining the choice of high versus low quality child care, as well as the choice to use formal child care at all. A related study found that low-income families often resort to multiple, informal care arrangements which lead to poor quality care for children (Goelman & Pence 1987 cited in Cleveland & Krashinsky 1998).

A number of other studies have examined trends in the affordability of child care and some of the underlying factors that affect affordability. For example, Powlay (2000) analysed the trends in Australian child care fees from 1991 to 2000 and found that the fees have been increasing faster than both the average weekly earnings of Australians and the government assistance offered to families. UnitingCare Australia reported that the 1996 removal of operational subsidies to community-based child care centres was followed by a substantial increase in child care fees by the end of 1997, which forced many parents to withdraw their children from child care centres (Leppert 2000).

In 2003, Popple and Martin analysed some of the factors that affect child care fees and the gap payment for child care services (Popple & Martin 2003). Their analysis of the affordability of child care concluded that, after allowing for the child care benefit, the proportion of weekly disposable income spent on the gap fee was relatively consistent across income levels. However, this analysis did not take into account the other forms of government assistance available to families (e.g. Family Tax Benefit Parts A and B) and the effect this has on different family types.

The AIHW has also carried out ongoing research into the affordability of child care services (AIHW 2001, 2003). This bulletin extends these analyses by updating the trends to 2004.

Methodology

A family's capacity to pay for child care depends on the fees charged, their income and associated eligibility for fee subsidies, the number of children in care, and the time spent in care. Changes in any of these factors will affect the affordability of child care. In this report, the indicator of affordability used is child care costs (fees charged less government assistance) as a percentage of net family income.

In order to illustrate the impact of changes in affordability of child care across Australian society, five family types were chosen for the analysis to reflect the range of incomes of families using child care—from those fully dependent on government for income support to high-income families receiving only minimal government support. These are:

- sole parents receiving the Parenting Payment and studying (i.e. those totally dependent on government support)
- sole parents receiving 0.75 times the Australian Average Weekly Earnings (AWE)
- single income couple families receiving the AWE
- double income couple families receiving 1.75 times the AWE (e.g. father working full-time, mother working part-time)
- double income couple families receiving 2.5 times the AWE (i.e. high-income earners).

What is net income?

Net income is gross income minus taxes plus rebates. Gross income includes income from all sources and taxable government assistance (such as the Parenting Payment).

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Selection of family types	
<i>Data from the ABS highlight the importance of each family type featured in this bulletin:</i>	
Sole parents receiving the Parenting Payment and studying:	<p>11% of children in long day care and 10% of children in family day care in 2002 came from a sole parent family where the parent was not employed.</p> <p>66% of sole parent families with the youngest child aged 0–4 years were not employed (almost 110,000 families) in 2003.</p>
Sole parents receiving 0.75 times AWE:	<p>9% of children in long day care and 21% of children in family day care in 2002 came from a sole parent family where the parent was employed.</p> <p>23% of sole parent families with the youngest child aged 0–4 years were employed part-time (37,600 families in 2003).</p>
Single income couple families receiving AWE:	<p>19% of children in long day care and 19% of children in family day care in 2002 came from a couple family with one parent employed.</p> <p>46% of couple families with children aged 0–4 years had only one parent employed in 2003.</p>
Double income couple families receiving 1.75 times AWE:	<p>55% of children in long day care and 46% of children in family day care in 2002 came from couple families with both parents employed.</p> <p>33% of couple families with children aged 0–4 years have one parent employed full-time and one part-time in 2003.</p>
Double income couple families receiving 2.5 times AWE:	<p>14% of couple families with children aged 0–4 years had both parents working full-time in 2003.</p> <p>Parents of 36,300 children in formal care (19%) did not claim the CCB in 2002 because family income was perceived to be too high.</p>
<i>Source: ABS 2003, 2004a.</i>	

The analysis is based on the cost of having one child in care for 20 or 40 hours per week in either private long day care, community-based day care or family day care. These were chosen because:

- most families have only one child in formal care—over 80% of families using long day care services and 72% using family day care had only one child in care in 2004 (FaCS 2005b)
- the majority of children in formal care (63%) attend private long day care, community-based long day care or family day care (FaCS 2005b). In 2004, 36% of children attended private long day care centres, 15% community-based long day care centres, and 12% family day care

- most children are not in formal care full-time. In 2004, the average attendance time for a child in long day care was 19.8 hours per week, and in family day care, 18.7 hours per week (SCRCSSP 2005: Table 14A.8). Forty hours of care represents children in full-time care.

In calculating the average net income of each family type, the analysis takes into account any earned income, plus government assistance, minus tax and the Medicare levy surcharge. It does not include one-off payments such as the maternity payment and maternity immunisation allowance. Thus the calculation of net income includes:

- gross income
- Family Tax Benefit Parts A and B
- Parenting Payment
- pharmaceutical allowance
- pensioner education supplement
- education entry payment
- low-income rebate
- pensioner rebate
- Child Care Benefit

where each family type is eligible, and deducts

- income tax
- Medicare levy surcharge, if applicable.

Net income was calculated using the rates for these payments that were in effect closest to the end of the financial year. This was used as a proxy for the calendar year. The cost of child care is obtained from the Australian Government Census of Child Care Services information on the average weekly cost of child care for each service type.

Results

Trends in the affordability of centre-based long day care and family day care are shown in Tables 1 and 2. For many of the family types examined, the affordability of child care declined during the 1990s. Those least affected were on higher incomes. The introduction of the CCB in 2000 improved the affordability of child care for all the family types studied to different degrees. However, the impact of the CCB was relatively short-term, with declines in the affordability of child care returning between 2000 and 2004 for those on lower incomes. The main reason for this was that child care fees increased at a greater rate than average weekly earnings and the CCB, which is indexed to the Consumer Price Index.

Sole parent families using 40 hours of care

Table 1 shows the cost of child care as a proportion of weekly net income for sole parent families for 1991 to 2004. Throughout this period, sole parents receiving the Parenting Payment and studying devoted the highest proportion of their net income to child care of any of the family types examined. For this group, 40 hours of centre-based care for one child cost more than 10% of net income in all years except 1991.

Trends in the affordability of child care services 1991–2004

Table 1: Cost of child care as a proportion of the weekly net income for sole parent families, by service type, 1991–2004 (per cent)

Year	Proportion of net income (%)			
	Sole parent receiving Parenting Payment and studying		Sole parent receiving 0.75 AWE	
	20 hours of care	40 hours of care	20 hours of care	40 hours of care
Community-based long day care				
1991	3.6	7.2	2.2	4.5
1993	5.4	10.8	3.2	6.4
1995	6.6	11.2	3.9	6.7
1997	8.4	14.9	5.2	9.1
1998	9.0	16.1	5.4	9.6
2000	4.8	12.5	3.2	8.3
2002	5.1	13.0	3.3	8.4
2004	6.1	15.1	3.3	8.1
Private long day care				
1991	3.3	6.5	2.0	4.1
1993	5.1	10.2	3.0	6.1
1995	6.9	11.9	4.1	7.1
1997	7.7	13.3	4.7	8.2
1998	8.4	14.7	5.0	8.8
2000	3.9	10.6	2.6	7.0
2002	4.6	12.1	3.0	7.8
2004	5.9	14.7	3.2	7.9
Family day care				
1991	2.7	5.3	1.7	3.3
1993	2.7	5.5	1.6	3.3
1995	2.8	5.5	1.7	3.3
1997	3.0	6.1	1.9	3.7
1998	3.1	6.2	1.8	3.7
2000	—	—	—	—
2002	—	—	—	—
2004	0.3	2.8	0.1	1.5

Notes

1. Taxable income includes any earned income and Centrelink payments and allowances which are considered taxable (e.g. Parenting Payment). Gross income includes income, payments and allowances (including non-taxable items). Net income is gross income minus tax and Medicare levy, taking into account any tax offsets such as low-income earners rebate.
2. Information on average weekly earnings (AWE) was obtained from the ABS publication 'Average weekly earnings' (ABS various years). AWE is as follows: \$489.30 at August 1991, \$525.80 at August 1993, \$550.40 at August 1995, \$584.30 at August 1997, \$605.50 at December 1998, \$646.90 at July 2000, \$688.40 at November 2002 and \$952.50 at May 2004.
3. Since 1989, Jobs Education and Training (JET) Child Care has been available to jobless parents receiving specific Centrelink payments, and particularly Parenting Payment, to help them undertake study, work or job search activities. JET Child Care helps eligible parents to meet the costs of child care by paying most of the 'gap fee', i.e. the difference between the full child care fee and Child Care Benefit (CCB). JET Child Care has not been incorporated in the calculations of net income in this analysis because uptake is low relative to total CCB population.

Sources: ABS 2004b; AIHW 2001; AIHW analysis of 2004 data.

Further, between 1991 and 1998, the cost of private and community-based long day care as a proportion of net income more than doubled for this family type, peaking at 16.1% for 40 hours of community-based long day care and 14.7% for private long day care in 1998. This can be attributed to child care fees rising more rapidly than government assistance. The introduction of the CCB resulted in a clear improvement in affordability, with the proportion of net income spent on care falling to 12.5% for community-based long day care, and 10.6% for private long day care. Subsequent to 2000, however, affordability declined again. By 2004, the cost of 40 hours of both private and community-based child care as a proportion of net income had risen to approximately 15% for this family type.

Family day care has offered a cheaper option for sole parents receiving the Parenting Payment and studying (and indeed for all family types). Between 1991 and 1998 child care costs as a proportion of net income for 40 hours of family day care rose slightly from 5.3% to 6.2%. Affordability improved markedly with the CCB and was free in 2000 and 2002. However, in 2004, the cost crept up to 2.8% of net income for 40 hours of family day care.

Sole parents receiving 0.75 AWE experienced very similar trends to those dependent on government assistance, although their child care costs as a proportion of net income were consistently lower. For this family type the cost of 40 hours of community-based long day care peaked at 9.6% of net income in 1998, before falling with the introduction of the CCB to 8.3%. In 2004 it was 8.1% of net income. Overall, the cost of private long day care as a proportion of net income followed a similar trend, but rose from 7.0% in 2000 to 7.9% in 2004.

For sole parents receiving 0.75 AWE, the cost of family day care as a proportion of net income was much lower than centre-based long day care, rising from 3.3% to 3.7% between 1991 and 1998 for 40 hours of care, and costing nothing after the introduction of the CCB in 2000. By 2004, the cost of 40 hours of family day care had risen to 1.5% of net income.

Sole parents using 20 hours of care

Figure 1 illustrates the impact of the CCB on child care costs as a proportion of income for 20 hours of private long day care. The trend is very similar for community-based long day care. The impact of the CCB on the affordability of long day care for sole parent families is clearly evident in the 'dip' in the graph for 2000. However, the initial gains have been gradually eroded as fee increases outstrip CCB increases.

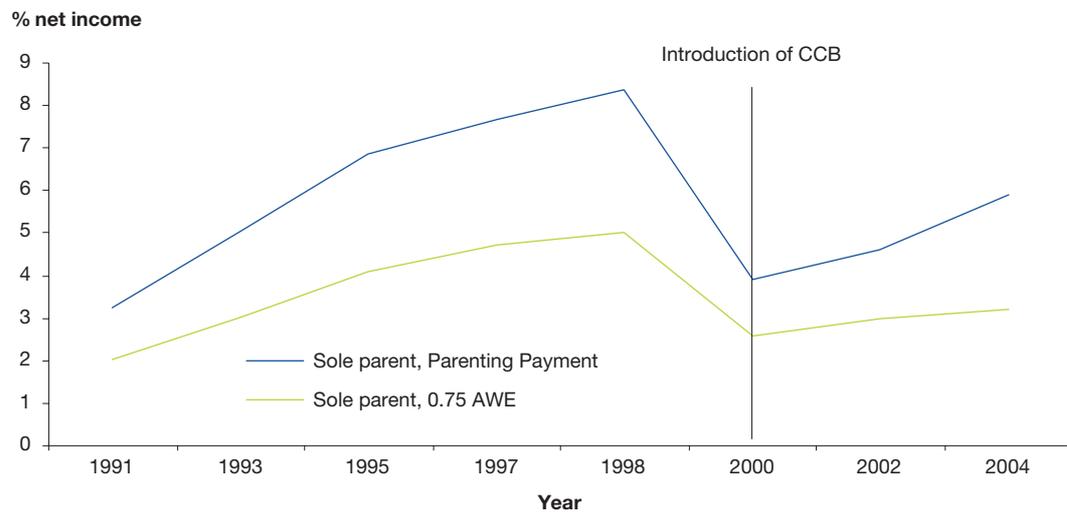
Sole parent families receiving the Parenting Payment and studying experienced the greatest decrease in the proportion of net income spent on 20 hours of private long day care after the introduction of the CCB. Between 1998 and 2000, the proportion more than halved, from 8.4% to 3.9%. However, this group also experienced the greatest increase after the introduction of the CCB, with the proportion of net income spent on care rising to 5.9% in 2004.

Between 1998 and 2000, the proportion of net income spent on 20 hours of private long day care halved for sole parent families receiving 0.75 AWE (from 5.0% to 2.6%). By 2004 the proportion had risen slightly to 3.2%.

Trends in the affordability of child care services 1991–2004

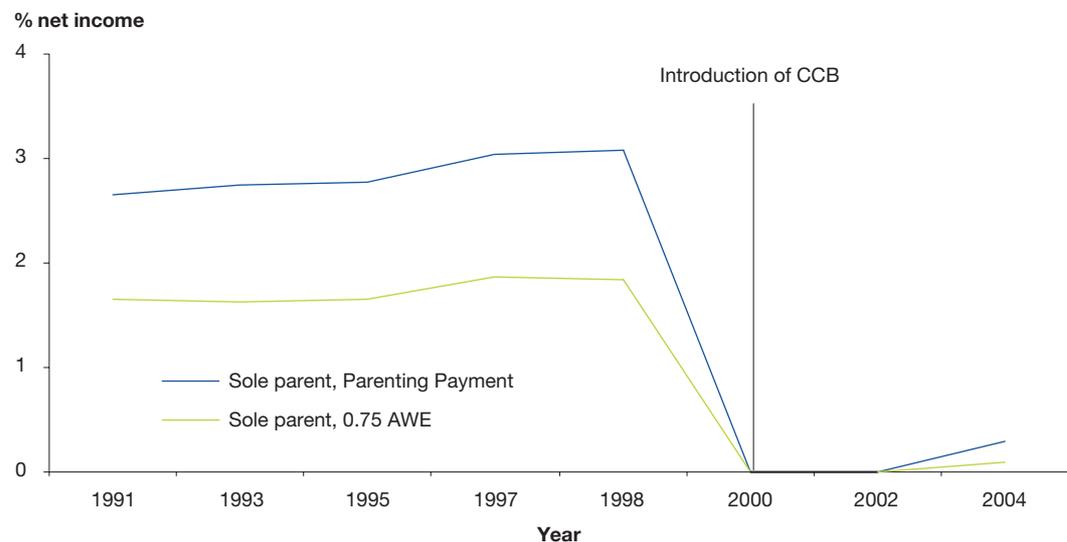
Figure 2 shows trends in the affordability of 20 hours of family day care for sole parents from 1991 to 2004. The introduction of the CCB significantly improved the affordability of family day care for sole parent families, who received a 25% loading on top of their CCB. The improvement has been sustained for these families, with only a slight rise in 2004.

Figure 1: Cost of 20 hours of private long day care as a proportion of net income, for sole parent families, 1991–2004



Source: Table 1.

Figure 2: Cost of 20 hours of family day care as a proportion of net income, for sole parent families, 1991–2004



Source: Table 1.

Sole parent families receiving the Parenting Payment and studying enjoyed the greatest improvement in the affordability of family day care services with the introduction of the CCB. In 1998, 20 hours of family day care cost these families 3.1% of their net income. With the introduction of the CCB, 20 hours of family day care came at no cost to these families, and has since risen only slightly to 0.3% in 2004.

Sole parent families receiving 0.75 AWE also received clear benefits from the introduction of the CCB. The proportion of net income spent on 20 hours of family day care declined from 1.8% in 1998 to zero in 2000. From 2000 to 2002, 20 hours of family day care came at no cost for these families and has since risen marginally to 0.1% of net income in 2004, slightly below the 1998 level.

Couple families using 40 hours of care

Table 2 shows the cost of child care as a proportion of weekly net income for couple families from 1991 to 2004. Changes in affordability of long day care and family day care for couple families were more varied than for sole parent families, although all the couple family types examined benefited from the introduction of the CCB in 2000.

The trends in affordability of child care for single income couple families receiving AWE were closer to those of sole parent families in the analysis than to the other couple family types on higher incomes. This family type appeared to be the most sensitive of the couple families studied to changes in child care fees and available government assistance. Between 1991 and 1998, the cost of 40 hours of long day care as a proportion of net income generally increased, from 6.0% to 10.2% in the case of community-based long day care, and from 5.7% to 9.4% for private long day care. The impact of the CCB was less pronounced than for sole parent families and the following rise in the proportion of net income spent on child care was greater.

Between 1991 and 1998, family day care was consistently more affordable than long day care for single income couple families on AWE. Over the period, the cost of 40 hours family day care as a proportion of net income fluctuated between 4.3% and 5.1%. After the introduction of the CCB in 2000, this fell to 1.7%, but subsequently rose to 4.0% in 2004.

For double income couple families receiving 1.75 AWE and double income couple families receiving 2.5 AWE respectively, the cost of 40 hours of long day care as a proportion of net income ranged between 9% and 10%. The exceptions were in 1995 and 2004, when the proportion was closer to 8%. These family types benefited from the Child Care Cash Rebate to high-income families that was introduced in 1994, but reduced in 1997. In 1995, while the rebate was in place, the cost of child care as a proportion of net income was at its lowest for these families. The introduction of the CCB had the least impact on these families because they were eligible for lower benefits than other family types. However, even the families receiving 2.5 AWE were eligible for the minimum benefit and therefore experienced some slight improvement in the affordability of child care.

For these high-income couple families, the cost of family day care as a proportion of net income was higher than for other family types, but slightly lower than for long day care options. Over the 1991 to 2004 period, the cost of family day care as a proportion of net income for couple families receiving 2.5 AWE showed the impact of the availability of the Child Care Cash Rebate in 1995 (a low of 6.6% for 40 hours of care) and the introduction of the CCB in 2000 (7.4%). The pattern for couple families on 1.75 AWE was similar, but at a slightly lower level.

Trends in the affordability of child care services 1991–2004

Table 2: Cost of child care as a proportion of weekly net income for couple families, by service type, 1991–2004 (per cent)

Year	Proportion of net income (%)					
	Single income couple family receiving AWE		Double income couple family receiving 1.75 AWE		Double income couple family receiving 2.5 AWE	
	20 hours of care	40 hours of care	20 hours of care	40 hours of care	20 hours of care	40 hours of care
Community-based long day care						
1991	4.1	6.0	4.6	8.7	4.6	9.2
1993	3.7	7.4	5.1	10.1	5.1	10.2
1995	4.1	7.2	4.5	8.3	4.2	7.9
1997	5.2	9.3	5.1	9.5	5.2	10.2
1998	5.7	10.2	5.4	10.1	5.3	10.5
2000	3.6	8.6	4.5	9.6	4.9	9.9
2002	3.8	9.0	4.7	10.0	5.0	10.2
2004	4.0	9.1	4.4	9.0	4.1	8.3
Private long day care						
1991	2.8	5.7	4.2	8.4	4.5	9.0
1993	3.5	7.0	5.0	9.9	5.0	10.4
1995	5.8	7.6	4.6	8.5	4.3	8.1
1997	4.8	8.4	4.8	8.9	4.9	9.6
1998	6.1	9.4	5.3	9.6	5.1	10.3
2000	3.0	7.5	4.2	8.9	4.6	9.4
2002	3.5	8.5	4.6	9.6	4.9	9.9
2004	3.9	9.0	4.3	8.9	4.0	8.2
Family day care						
1991	2.5	5.1	4.1	8.2	4.5	9.0
1993	2.3	4.6	4.4	8.9	4.7	9.4
1995	2.4	4.3	3.8	6.9	3.8	6.6
1997	2.4	4.6	3.9	7.1	4.2	7.9
1998	2.7	4.9	4.1	7.4	4.3	8.0
2000	0.8	1.7	3.0	6.0	3.9	7.4
2002	0.9	2.1	3.3	6.6	4.1	8.4
2004	1.6	4.0	3.3	6.8	3.6	7.2

Notes

1. Taxable income includes any earned income and Centrelink payments and allowances which are considered taxable (e.g. Parenting Payment). Gross income includes income, payments and allowances (including non-taxable items). Net income is gross income minus tax and Medicare levy, taking into account any tax offsets such as low-income earners rebate.
2. Information on average weekly earnings (AWE) was obtained from the ABS publication 'Average weekly earnings' (ABS various years). AWE is as follows: \$489.30 at August 1991, \$525.80 at August 1993, \$550.40 at August 1995, \$584.30 at August 1997, \$605.50 at December 1998, \$646.90 at July 2000, \$688.40 at November 2002 and \$952.50 at May 2004.
3. In couple families with one income, one parent is working, the other studying. In other couple families, both parents are working.
4. For couple families with two incomes, the taxable income split is assumed to be 1:0.75.

Sources: ABS 2004b; AIHW 2001; AIHW analysis of 2004 data.

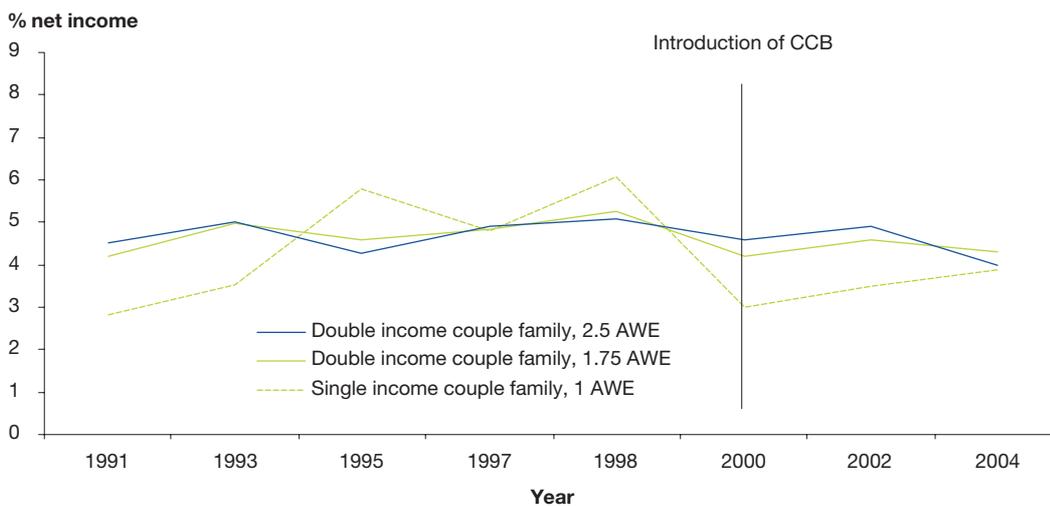
Couple families using 20 hours of care

Figure 3 shows trends in the affordability of 20 hours of private long day care for couple families from 1991 to 2004, and the impact of the introduction of the Child Care Cash Rebate and the CCB.

The experience of single income couple families receiving AWE was similar to sole parents on 0.75 AWE over the 1991 to 2004 period. The 'dip' associated with the introduction of the CCB is most evident for this couple family type. Between 1998 and 2000, the proportion of net income spent on 20 hours of private long day care halved from 6.1% to 3.0%. In 2004, the proportion had risen slightly to 3.9%.

In contrast, the introduction of the CCB had little impact on double income couple families receiving 2.5 AWE (i.e. high-income earners), many of whom receive only minimum government assistance. However, the impact of the Child Care Cash Rebate can be seen in the small 'dip' in 1995. Double income couple families receiving 1.75 AWE experienced similar trends to those receiving 2.5 AWE, and for similar reasons, although they benefited slightly more from the introduction of the CCB. By 2004, the cost of 20 hours of private long day care as a proportion of net income was about 4% for all the couple families studied.

Figure 3: Cost of 20 hours of private long day care as a proportion of net income, for couple families, 1991-2004



Source: Table 2.

Figure 4 illustrates trends in the affordability of 20 hours of family day care for couple families from 1991 to 2004. For higher income couple families the dip in 1995 is evident, reflecting the Child Care Cash Rebate. All the couple families benefited from the CCB, evidenced by dips of varying amounts. The higher the family income, the smaller the improvement in affordability, since the amount of CCB declines as family income increases.

Single income couple families receiving AWE experienced a large decrease in the proportion of net income spent on family day care with the introduction of the CCB. In

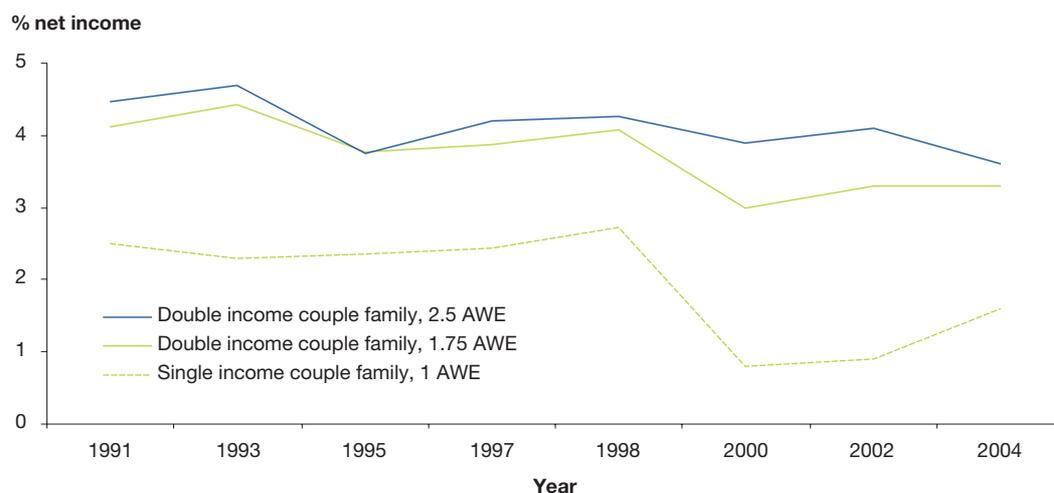
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1998, single income couple families spent 2.7% of their net income on 20 hours of family day care, but this declined to 0.8% in 2000. By 2004, the cost of family day care for these families had increased to 1.6% of net income.

Up until 2000, the cost of 20 hours of family day care as a proportion of net income was about the same for double income couple families receiving 1.75 times AWE and 2.5 times AWE. However, the introduction of the CCB had a more marked impact on couple families receiving 1.75 AWE, with the proportion of net income spent on family day care falling from 4.1% in 1998 to 3.0% in 2000. By 2004, the cost of family day care as a proportion of net income had increased slightly to 3.3%.

High-income couple families receiving 2.5 times AWE paid a larger proportion of their net income for 20 hours of family day care than all other family types analysed, and were only marginally affected by the introduction of the CCB.

Figure 4: Cost of 20 hours of family day care as a proportion of net income, for couple families, 1991–2004



Source: Table 2.

Discussion

Government assistance and affordability

The results presented in this bulletin suggest that changes in government assistance, particularly the introduction of the Child Care Benefit, have had a significant impact on the cost of child care. However, it is also apparent that, for many families, the improvements brought about by these changes have not been sustained. By 2004, many of the gains in the affordability of child care services had been eroded by fee increases in excess of increases in the CCB.

The introduction of the CCB in 2000 was not the only change in the funding of child care services. In 1997, operational subsidies for community-based long day care centres were withdrawn. Anecdotal evidence suggests that the withdrawal of this subsidy resulted in greater increases in fees for community-based centres than those for private centres

(SCARC 1998; see also Leppert 2000; Powlay 2000). This is supported by this report which shows an increase in the proportion of net income spent on community-based long day care by all family types between 1995 and 1997 (see tables 1 and 2).

A new measure of government assistance, whose impact on affordability is yet to be felt, is the 30% Child Care Tax Rebate. This will take effect from July 2006. In their 2005–06 tax returns, most families will be able to claim 30% of the out-of-pocket child care expenses incurred in the 2004–05 financial year, up to a limit of \$4,000 per child (FAO 2005). Out-of-pocket expenses are total child care fees for approved care, less actual CCB entitlement. The rebate is a non-refundable tax offset which reduces tax. Not all families are eligible, and some families spend more on child care than the \$4,000 maximum per child allows for. As there is a delay of one tax year between when costs are incurred and when the rebate can be claimed, it will be a number of years before the impact of this assistance can be measured. In addition, the rebate does not make child care more affordable at the time of access, since families must pay the cost of child care up front and wait to receive the benefit later as part of the taxation process.

However, changes to government funding and assistance are not the only factors that affect the affordability of child care services. The undersupply of child care services may also impact on the affordability of child care. Undersupply is a particular concern for rural and remote areas, and areas dominated by low socioeconomic status families, where services are generally less profitable and sustainable. Services in these areas may charge higher fees to cover the risk of bad debts, to allow for higher salaries to attract and retain staff, or because there is little competition for the market. Community-based long day care services in these areas may also charge higher fees to cover the cost of providing additional services to children with special needs, who make up a higher proportion of the children in community-based centres than in private centres (FaCS 2005b), and who are often concentrated in the more disadvantaged areas (AIHW 2004).

Other factors influencing the analysis

While this analysis reveals general trends in the affordability of child care services, individual family circumstances can differ quite substantially. Some of the following factors may affect affordability:

- Families having more than one child in care. While it is difficult to determine the extra cost for each child, since child care services often offer family discounts, there is no doubt that these families would spend more on child care than families with one child in care. This analysis is modelled on the cost of child care when one child is in care, since this is the case for the majority of families using child care services.
- Net income may be overestimated because it assumes that all families take up all available government assistance. Some families do not claim all of the benefits that they are entitled to because they either do not know about them, or find the system too complicated. The ABS (2003) found that 32% of families who did not claim CCB for formal child care were not aware that they were entitled to it, and a further 10% stated that it was not worth the effort.

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- The pattern of expenditure on essential items such as food, clothing and housing and discretionary items such as leisure may vary markedly among different families, but will affect the amount of money available for child care services. In addition, many families may either pay additional taxes (e.g. Fringe Benefits Tax) or receive additional benefits (e.g. Rent Assistance) which may significantly influence net income.
- Fees may be charged in a way that is not reflected in the average fees used in this analysis. Average weekly fees are derived by FaCS from data collected in their Census of Child Care Services. The average weekly fee for one particular service type is derived from a possible range of standard rates—per hour, per session, per day and so on. Discounts are often given to families who purchase blocks of time, instead of paying an hourly or daily rate. Thus, a service which supplies data for average cost per day may appear more expensive than a service which supplies average cost per week or session (which may include discounts). Many services also charge different fees depending on the age of the child, and this is masked in the average fee data used in this analysis. Further, some services include additional services such as nappies and meals in their fees (FaCS 2005b).
- Although in many cases the proportion of net income spent on child care is similar for different family types, the impact on family finances is vastly different. For example, a sole parent receiving 0.75 AWE who has to pay 8.1% of their net income for 40 hours of community-based long day care would be at greater risk of financial stress than a couple family receiving 2.5 times AWE paying 8.3% for the same service, since the sole parent's actual net income was so much lower.

Conclusion

Changes in the affordability of child care have implications for many areas of policy. From an adult's perspective, it affects balancing work and family, participation in the labour force, participation in education and training, and community involvement. From a child's perspective, it affects equitable access for all children to opportunities to learn and develop through formal care.

It is apparent that changes to government funding and assistance have influenced the affordability of child care for families. This analysis shows that between 1991 and 2000, the affordability declined for many families, but the introduction of the CCB in 2000 turned this around. However, by 2004, some of the gains in affordability had been eroded. This was due to increases in fees that outstripped increases in average weekly earnings and government assistance offered to families. The result was a greater 'gap' payable by parents. The new 30% Child Care Tax Rebate offers another avenue of assistance with the cost of child care, but the impact this has on affordability will not be felt until the latter part of 2006.

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Any enquiries about or comments on this publication should be directed to:

Children, Youth and Families Unit
Australian Institute of Health and Welfare
GPO Box 570
Canberra ACT 2601
Phone: (02) 6244 1000
Email: cynthia.kim@aihw.gov.au

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