

Senate Inquiry into the Family Assistance Legislation Amendment (Child Care Measures) Bill 2014

Prepared by KU Children's Services



About KU Children's Services

KU Children's Services is one of the largest not-for-profit providers of early childhood education and care and is the most experienced provider in Australia.

KU Children's Services (KU) was the first provider of early childhood education and care in Australia, established in 1895 as the Kindergarten Union of NSW. Since our foundation, KU has operated continuously for 119 years making KU the nation's most experienced provider. Our vision is that *'Every child can experience high quality early childhood education, where they can play, discover and learn'*.

As one of the largest not-for-profit providers of early childhood education, we enrol over 15,000 children each year, in over 150 services and programs in New South Wales, Victoria, Queensland and the Australian Capital Territory. These services include long day care, preschool/kindergarten, out of school hours care, vacation care, occasional care, family programs, early intervention programs and other early childhood education and care services. KU operates the majority of these services in our own right, while also managing numerous services on a contract basis, including 14 work based services.

Response in relation to proposal to:

- ***Maintain the current Child Care Rebate (CCR) limit at \$7,500 per child, per financial year, by continuing to pause the indexation of the CCR limit for a further three income years to 30 June 2017; and***
- ***Maintain the Child Care Benefit income thresholds at the amount applicable as at 30 June 2014, for three income years to 30 June 2017.***

Broadly, KU regularly sees the relationship between the affordability of fees and participation rates in childcare settings, impacting on workforce participation. For example, when fees increase (be it through provider initiated increases or the parent reaching their funding/rebate cap) we commonly see a reduction in the number of days a child may be enrolled. It can only be assumed that in some of these cases, a parent will be reducing working hours to take up caring at home responsibilities, or may seek informal care arrangements from family members.

Continued failure to adjust the Child Care Rebate (CCR) or the thresholds for Childcare Benefit (CCB) in line with cost of living increases means the gap between the costs of service provision and funding will also increase. In turn this increases the proportion of (continually rising) childcare fees parents are expected to pay. Ultimately the failure to index the CCR embeds and exacerbates the unaffordability of fees.

KU often sees parents calculate a 'tipping point' at which returning to work and utilising approved childcare services becomes less financially viable. For example, if a childcare fee is \$100 per day, the Child Care Rebate is only able to subsidise three days of childcare fees per week (after which the \$7,500 cap would be expended before the end of the year). For many families, this 'tipping point' becomes a driver in the decision about whether it is a financially viable option to return to work for their desired number of days.

The cap on CCR creates a disincentive for greater participation in the workforce. Essentially, the more days a parent works, and requires childcare, the more likely they are to reach the annual CCR cap mid way through the year. If at that point, early childhood education and childcare services become

unaffordable, families are often forced to reduce the number of days worked to match the number of days for which they can obtain subsidy.

Paying the CCR directly to families has created an 'invisible funding' phenomenon. That is, parents still have a perception that they are paying the full fee, when in fact those fees are subsidised through the CCR. This makes those services seem more unaffordable than they actually are, and adds to confusion about how much childcare actually costs.

KU believes all funding should be provided directly to providers to reduce the upfront fees for families. Providers must be held accountable for the appropriate use of these funds.

*Prepared by
KU Children's Services
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