

SENATE INQUIRY - PROVISION OF CHILDCARE

ATTACHMENT 2 (Childcare Funding) to SUBMISSION 62 previously lodged by Mr Dean Harvey & Mrs Tempe Harvey

14 July 2009

Mr John Carter
Committee Secretary
Senate Education, Employment and Workplace Relations Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Mr Carter,

This 3-page **ATTACHMENT 2 (Childcare Funding)** to our Submission 62 (previously lodged with the Inquiry) includes our federal budget Forward Estimates 2011-12 analysis of childcare funding. We urge the Senate Committee to verify these figures using the resources of the Australian Treasury Department, not available to us as private citizens.

Funding in year after birth - The figures (page 1, table below) show the federal government's paid parental leave will, after tax, be worth around 1.5 times the re-badged baby bonus. We argue the demand for "free" paid parental leave will increase the number of mothers re-entering the paid workforce and will significantly increase demand for taxpayer-funded third party childcare.

Ongoing childcare funding – The figures (page 2, table below) show parents caring for their own children will receive on average around half as much government funding in Family Tax Benefit B as families who benefit from childcare subsidies.

This funding gap (even wider than at present) will continue to force mothers in one and two-parent families into paid work, when they would rather be home with their babies and small children.

This is part of the government's systemic discrimination against parental childcare, and the children who receive it. It is fuelling the so-called "childcare affordability crisis".

The only fair solution is to re-direct childcare industry funding to families. Parents could use the money towards the costs of caring for children at home, or to pay others. It would be a win-win solution for everyone.

Yours sincerely,

Mr Dean Harvey & Mrs Tempe Harvey

2011-12 Forward estimates for annual taxpayer funding for children's care ¹						
Tax funds promoting non-parental care			Tax funds for in-home parental care		Comparisons	
Care period	Item funded	Cost to taxpayer (per annum)	Item funded	Cost to taxpayer (per annum)	By Care Period	By Care Type
Year after birth	Paid Parental Leave ²	\$ 1306 m ³ / 133,428 families = \$9788 per family PPL is taxable. Allowing for 20% average in net tax payable on PPL this figure would reduce to \$7831 per family	Baby Bonus	\$ 860 m ⁴ / 172,000 families = \$5000 per family	Compare Paid Parental Leave (\$9788) to Baby Bonus (\$5000) – 1.96 times more will be spent on families with workforce mothers (to facilitate their return to the workforce), than on families with stay-at-home mums (or dads). Or allowing for average net tax of 20% on PPL: Net Paid Parental Leave (\$7831) to Baby Bonus (\$5000) – 1.56 times more will be spent on families with workforce mothers (to facilitate their return to the workforce), than on families with stay-at-home mums (or dads).	In 2011-12 the government will be spending nearly twice as much subsidising families that use non-parental care (or are likely to use it after the mother's return to the paid workforce) than on families caring for their own children at home.

¹ This document does not include non-tied funding ie. funding that does not discriminate based on care type or parental workforce status eg. Family Tax Benefit A.

² Paid Parental Leave is included in the non-parental care category as its stated objective is to increase workforce return post-leave, likely to result in non-parental care in most cases.

³ Table 2.1.1.3: Budgeted Expenses for Parental Payments and Care Incentives

PORTFOLIO BUDGET STATEMENTS 2009–10 BUDGET RELATED PAPER NO. 1.7 FAMILIES, HOUSING, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS PORTFOLIO, p. 55

http://www.fahcsia.gov.au/about/publicationsarticles/corp/BudgetPAES/budget09_10/Documents/FAHCSIA_PBS.pdf

⁴ See footnote 1

2011-12 Forward estimates for annual taxpayer funding for children's care						
Tax funds promoting non-parental care			Tax funds for in-home parental care		Comparisons	
Care period	Item funded	Cost to taxpayer (per annum)	Item funded	Cost to taxpayer (per annum)	By Care Period	By Care Type
Ongoing care	Child Care Benefit	\$ 2109 m ⁵	Family Tax Benefit B	\$ 4358 m ⁶ /1,405,806 families = \$3100 per family	Child care subsidies (\$6038) to Family Tax Benefit B (\$3113) – 1.94 times more will be spent on families using non-parental care (mainly institutional) than on families with stay-at-home mums (or dads).	
	Child Care Tax Rebate	\$ 1120 m ⁷				
	Child Care Services Support	\$338 m ⁸				
	Jobs Education and Training (JET) Child Care Fee Assistance	\$53 m ⁹				
	Universal access – accreditation and quality assurance	\$3m ¹⁰				
	Total funding for non-parental care	\$3623 m	Total funding for in-home parental care	\$4358 m		
	Per family expenditure	Average expenditure of \$6038 per family on 600,000 families ¹¹	Per family expenditure	Average expenditure of \$3113 on 1,400,000 families		

⁵ Table 2.1.2: Administered expenses and key performance indicators for Program 1.2
PORTFOLIO BUDGET STATEMENTS 2009-10 BUDGET RELATED PAPER NO. 1.5 EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS PORTFOLIO, p. 54
<http://www.deewr.gov.au/Department/Publications/Documents/Outcome1.pdf>

⁶ Table 2.1.1.2: Budgeted Expenses for Family Tax Benefit
PORTFOLIO BUDGET STATEMENTS 2009-10 BUDGET RELATED PAPER NO. 1.7 FAMILIES, HOUSING, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS PORTFOLIO, p. 52
http://www.fahcsia.gov.au/about/publications/articles/corp/BudgetPAES/budget09_10/Documents/FAHCSIA_PBS.pdf

⁷ See footnote 4

⁸ Table 2.1.1: Administered expenses and key performance indicators for Program 1.1
PORTFOLIO BUDGET STATEMENTS 2009-10 BUDGET RELATED PAPER NO. 1.5 EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS PORTFOLIO, p. 52
<http://www.deewr.gov.au/Department/Publications/Documents/Outcome1.pdf>

⁹ Ibid.

¹⁰ Table 2.1.3: Administered expenses and key performance indicators for Program 1.1
PORTFOLIO BUDGET STATEMENTS 2009-10 BUDGET RELATED PAPER NO. 1.5 EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS PORTFOLIO, p. 52
<http://www.deewr.gov.au/Department/Publications/Documents/Outcome1.pdf>

¹¹ See footnote 4, p. 55