

## Senate Standing Committees on Education and Employment

### Family Assistance Legislation Amendment (Cheaper Child Care) Bill 2022

#### QUESTION ON NOTICE

Date of hearing: 21 October 2022

#### Outcome: Early Childhood and Youth

#### Department of Education Question No. IQ22-000021

Senator Matt O'Sullivan on 21 October 2022, Proof Hansard page 66 and 67

#### *Childcare model projections*

#### Question

Senator O'SULLIVAN: Thank you for your time this afternoon. I'd like to stick with the modelling if I can. How many days a week is this policy modelled on?

Mr Reed: The CCS changes. Essentially, our model is based on the current usage and projected growth—it extrapolates that out. So it's not based on—

Senator O'SULLIVAN: Growth in the overall quantum or the expected growth that people take up more hours?

Mr Reed: Are you referring to the cost of the measure, essentially?

Senator O'SULLIVAN: Yes.

Mr Reed: We have a childcare subsidy model that, when we do measures like this, projects it based on the current population in the system and things like expected population growth, expected fee growth and things like that. Those are all factored into the childcare model, and we also factor in behaviour change.

Senator O'SULLIVAN: Okay, so what's the behaviour change that you've factored in?

Mr Reed: For this measure, it's approximately \$200 million.

Senator O'SULLIVAN: But what are the behaviours—

Mr Reed: Oh, it's—

Senator O'SULLIVAN: Are we expecting more people to take up—

Mr Reed: Really, yes.

Senator O'SULLIVAN: How have you figured that out?

Mr Reed: It's based on the elasticities we get from Treasury. I'd have to take the exact parameters on notice, but it's based on the modelling we use from Treasury—

...

Mr Philp: Three days a week is the average participation in the system, but I'd have to take notice whether it's for one or two—

Senator O'SULLIVAN: When you figure this out, if the intention of the policy is to increase the number, to provide greater access and to value the role of early childhood education in the development of the child—we hear lots of talk about the first thousand days of a child's development—if the policy is actually there to improve that, do you not factor in an increase in usage of child care?

Mr Philp: We do.

Ms Arcaro: We do.

Senator O'SULLIVAN: So is that the behavioural changes you were talking about before?

Ms Arcaro: Yes.

Mr Philp: That's right, and so, through our modelling, that is reflected in the costs, which is the number that will appear in the budget next week.

Senator O'SULLIVAN: Can you provide me with those inputs? What are the assumptions in terms of the increased demand?

Mr Reed: I'd have to take that on notice. There are quite a few factors, I think, that the model takes into account.

Senator O'SULLIVAN: I'm happy for you to take that on notice.

## **Answer**

The Cheaper Child Care measure was largely estimated using the child care forward estimates model which uses statistical forecasts based on historical data, to estimate changes in fees and child care usage.

In terms of increased demand, elasticity inputs provided by the Treasury were applied to modelled data for selected cohorts. The Treasury's elasticities assume a behavioural response. Where there is a change in out of pocket costs, there will be a relative change in usage for existing families and, potentially, the inclusion of new families in the system. This then informs the estimate of the additional Child Care Subsidy expenditure.

Further information on Treasury elasticities is available at:

<https://treasury.gov.au/publication/estimating-net-child-care-price-elasticities-of-partnered-women-with-pre-school-children-using-a-discrete-structural-labour-supply-child-care-model/estimating-net-child-care-price-elasticities/4-results>

The potential new entrants population was informed by analysis of the latest Australian Bureau of Statistics child population projections in combination with the anticipated child population projected from the model.

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**Department of Education Question No. IQ22-000022**

Senator Matt O'Sullivan on 21 October 2022, Proof Hansard page 68

***Centre based day-care services charging above the government's fee gap***

**Question**

Senator O'SULLIVAN: Okay, got that. How many centre based day-care services are charging above the government's fee cap?

Mr Reed: I can probably tell you as a percentage, but not the number. But give me a second. So 84.3 per cent of centre based day-care services charge below the cap, so we can probably try and figure it out roughly—what 15 per cent is.

Senator O'SULLIVAN: A percentage is fine. So it's 15.7 per cent that charge above? Mr

Reed: Yes, about 15.7 per cent charge above.

Senator O'SULLIVAN: Have you got data—I am happy for you to take it on notice—on the range? Is it twice as much or a quarter as much above the cap?

Mr Reed: We'd have to take that on notice.

**Answer**

In the September quarter 2021 there were 1,364 Centre Based Day Care (CBDC) services whose average fee was above the hourly rate cap of \$12.31 per hour. This represents 15.7% of all CBDC services. The average fee charged by these services was \$13.55 per hour. Of the services that had an average hourly fee above the hourly rate cap, 50% were charging less than \$13.23 per hour (\$0.92 above the cap), and 80% were charging less than \$14.43 per hour (\$2.12 above the cap).

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**Department of Education Question No. IQ22-000023**

Senator Matt O'Sullivan on 21 October 2022, Proof Hansard page 68

#### *Projected fee growth*

#### **Question**

Senator O'SULLIVAN: So do you expect fees to be going up over the next 12 months and then into 2023?

Mr Philp: I think that the modelling that the department typically has in the budget materials—

Mr Reed: We've got projected fee growth that I can give you that's in the budget papers. This isn't a fee growth expected because of these reforms. This is just the fee growth projected in the last budget, so I can give you that if you like.

Senator O'SULLIVAN: I might take it on notice. I'm short of time.

#### **Answer**

The Department produces estimates of fee growth in order to produce Budget estimates. Table 1 presents the projected hourly fee growth by service type from 2021–22 to 2025–26, as at the October 2022-23 Budget.

**Table 1: Projected hourly fee growth by service type**

Service type	2021–22	2022–23	2023-24	2024-25	2025-26
After School Care	3.4%	3.4%	3.2%	3.3%	3.1%
Before School Care	2.9%	3.0%	2.9%	2.9%	2.8%
Family Day Care	1.2%	1.3%	1.2%	1.2%	1.2%
Long Day Care	3.5%	4.6%	3.2%	3.3%	3.3%

*Note: The Department's modelling approach requires updates to data inputs such as hours growth and hourly fee growth each year based on historical trends. However, the arrival of COVID-19 and the subsequent disruption to the Australian economy has created significant complexity around making the regular forecasts. The Department continues to review the modelling approach as part of ongoing refinements of the model.*

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**Department of Education Question No. IQ22-000024**

Senator Matt O'Sullivan on 21 October 2022, Proof Hansard page 70

***CCS price increase projection***

**Question**

Senator O'SULLIVAN: I just want to go back to a question that I asked earlier. Just in relation to the CCS, how much would prices have to go up for the increases in CCS to be lost?

Mr Reed: It's probably not uniform either.

Mr Philp: I'd say we could take that on notice, but I'm not even sure we could answer it then because it wouldn't necessarily be a uniform impact.

Senator O'SULLIVAN: Because each scenario is different—is that right?

Mr Reed: Yes. For each family income point, the subsidy is different.

Ms Arcaro: The number of children you have and all of those kinds of things.

**Answer**

The amount of Child Care Subsidy that a family receives is unique to each family's circumstances. It is based on a number of factors including their income, their activity levels, the amount of care they use, the number of children they have and the fees that they are charged. Due to this complexity, answering this question would be a significant diversion of departmental resources.