

Analysis of Children's Care Funding in 2011-12 tied to Care Type and Workforce Status

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Summary

Australian federal government's unfair childcare funding

There is no justification for Australian federal government discrimination in children's care funding. Parents should be free to choose how best to balance work and care for their children without government incentives to favour return to paid employment and use of non-parental child care. We need to pull back all funding for the childcare system and bring in one system for all childcare, which ends this discrimination.

2011-12 Federal Budget Estimates for children's care (Australia)				
Childcare costs	Paid to	Promotes ... Non-parental care	Promotes ... Parental care	Discriminates ...
Post-Birth costs (see page 2 below)	Mums	Paid parental leave \$ 8,845 To 44% mums giving birth 2011	Baby Bonus \$5,725 To 56% mums giving birth 2011	Approx. 1.5 to 1 against parent care
Funding tied to ...	Work status	Paid work mums	Family work mums	ie. \$3120 less for parent care
Ongoing costs (see page 3 below)	Families	Childcare funding \$5,157	Family Tax Benefit B \$2,821	Approx. 2 to 1 against parent care
Funding tied to ...	Care choice	Out-sourced care	Mum or Dad care	ie. \$2336 less for parent care

Notes:

Post-Birth costs	Paid parental leave is post-tax average per mum.
Ongoing costs	1. Show average amount per family receiving support
	2. Include direct & indirect subsidies to parents & childcare industry

Post-Birth childcare funding

Overview: In 2011-12 when the Paid Parental Leave scheme is in full operation the government will, following the birth of a child, be giving (post-tax) **more than one and a half times as much** in **post-birth funding for children's care** to families where the mother is, during the qualifying period, in the paid workforce (paid parental leave), compared to families where the mother does not qualify, including because she was caring for children at home (baby bonus).

2011-12 Forward estimates for annual taxpayer funding for children's care ¹ (Australia)					
Tax funds promoting non-parental care			Tax funds for in-home parental care		Comparison
Care period	Item funded	Cost to taxpayer (per annum)	Item funded	Cost to taxpayer (per annum)	By Care Period
Post-birth	Paid Parental Leave ²	Budgeted gross expenditure on PPL is \$1,344,979,000. ³ About \$230 million is expected to be recovered by tax on PPL payments. ⁴ This gives a total of \$1,114,979,000 paid to 126,055 families ⁵ = \$8845 per family	Baby Bonus	\$ 915,992,000 ⁶ / 160,000 ⁷ families = \$5725 per family	Net Paid Parental Leave per family (\$8845) compared to Baby Bonus per family (\$5725) means that \$3120 (54%) more will be given to families with paid work mothers (to facilitate their return to the paid workforce), than on families with mums (or dads) doing family work (not in the paid workforce). This favours paid work mums against family work mums by a ratio of 1.54:1

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 2.1.3 in Budget Related Paper No. 1.7: FAMILIES, HOUSING, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS PORTFOLIO, p. 54 http://resources.fahcsia.gov.au/budget/2011-12/FaHCSIA_PBS-2011.pdf

⁴ Proof Committee Hansard, SENATE COMMUNITY AFFAIRS LEGISLATION COMMITTEE ESTIMATES (Budget Estimates) TUESDAY, 1 JUNE 2010, p. 28
<http://www.aph.gov.au/hansard/senate/commtee/S13022.pdf>

⁵ Ibid., p. 27-28: 85% of an estimated 148,300 eligible families (= 126,055) are expected to take up Paid Parental Leave

⁶ Table 2.1.3 in Budget Related Paper No. 1.7: FAMILIES, HOUSING, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS PORTFOLIO, p. 54 http://resources.fahcsia.gov.au/budget/2011-12/FaHCSIA_PBS-2011.pdf

⁷ Hansard, SENATE COMMUNITY AFFAIRS LEGISLATION COMMITTEE ESTIMATES (Budget Estimates) TUESDAY, 1 JUNE 2010, p. 30
<http://www.aph.gov.au/hansard/senate/commtee/S13022.pdf>

Ongoing childcare funding

Overview: In 2011-12 [ongoing funding for children's care](#) will average about 6000 per family (non-parental childcare funding) – nearly twice as much as the around \$3100 on average per family (Family Tax Benefit B) where one parent cares for the children at home.

2011-12 Forward estimates for annual taxpayer funding for children’s care (Australia)					
Tax funds promoting non-parental care			Tax funds for in-home parental care		Comparison
Care period	Item funded	Cost to taxpayer (per annum)	Item funded	Cost to taxpayer (per annum)	By Care Period
Ongoing care	Child Care Benefit	\$ 2,177,710,000 ⁸	Family Tax Benefit B	\$ 4,429,189 ⁹ / 1,570,000 families ¹⁰ = \$2821 per family	Child care subsidies (\$5157) compared to Family Tax Benefit B (\$2821) means that \$2336 (83%) more will be spent on families using non-parental care (mainly institutional) than on families providing their own child care.
	Child Care Rebate	\$ 1,600,745,000 ¹¹			
	Child Care Services Support	\$355,218,000 ¹²			
	Jobs Education and Training (JET) Child Care Fee Assistance	\$54,097,000 ¹³			
	Total funding for non-parental care	\$4,187,770,000	Total funding for in-home parental care	\$4,429,189	This favours paid work mums against family work mums by a ratio of 1.83:1
	Per family expenditure	Average expenditure of \$5157 per family on 812,000 families ¹⁴	Per family expenditure	Average expenditure of \$2821 on 1,570,000 families	

⁸ Table 2.1.2: Administered expenses and key performance indicators for Program 1.2 in PORTFOLIO BUDGET STATEMENTS 2011-12 BUDGET RELATED PAPER NO. 1.6 EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS PORTFOLIO, p. 45 http://www.deewr.gov.au/Department/Budget/Documents/20112012/2011-2012_DEEWR_PBS_03_Outcome_1.pdf

⁹ Table 2.1.1.2: Budgeted Expenses for Family Tax Benefit in Budget Related Paper No. 1.7: FAMILIES, HOUSING, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS PORTFOLIO, p. 50 http://resources.fahcsia.gov.au/budget/2011-12/FaHCSIA_PBS-2011.pdf

¹⁰ Based on data in Table 6.3 Program 1.2 – Key performances indicators in Department of Families, Housing, Community Services and Indigineous Affairs, Annual Report 2010. Part Two. Report on Performance, p. 45 http://www.fahcsia.gov.au/about/publicationsarticles/corp/Documents/2010_Annual_Report/docs/AnnualReport2010_part2.pdf

¹¹ Table 2.1.2: Administered expenses and key performance indicators for Program 1.2 in PORTFOLIO BUDGET STATEMENTS 2011-12 BUDGET RELATED PAPER NO. 1.6 EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS PORTFOLIO, p. 45 http://www.deewr.gov.au/Department/Budget/Documents/20112012/2011-2012_DEEWR_PBS_03_Outcome_1.pdf

¹² Table 2.1.1: Administered expenses and key performance indicators for Program 1.1 in PORTFOLIO BUDGET STATEMENTS 2009-10 BUDGET RELATED PAPER NO. 1.6 EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS PORTFOLIO, p. 43 http://www.deewr.gov.au/Department/Budget/Documents/20112012/2011-2012_DEEWR_PBS_03_Outcome_1.pdf

¹³ Ibid.

¹⁴ Table 2.1.2: Administered expenses and key performance indicators for Program 1.2 in PORTFOLIO BUDGET STATEMENTS 2011-12 BUDGET RELATED PAPER NO. 1.6 EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS PORTFOLIO, p. 45 http://www.deewr.gov.au/Department/Budget/Documents/20112012/2011-2012_DEEWR_PBS_03_Outcome_1.pdf