

Previous childcare splurge did not encourage parents to work more



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The last major injection of taxpayer funds into childcare subsidies produced almost no noticeable effect on the return to work of second-income earners.

A review of the \$3.4 billion Jobs for Family package, which came into effect in July 2018, found there was less than a 2 per cent increase in the number of families accessing the subsidy in the two years after its implementation.

“It made childcare about 10 per cent more affordable across the board,” Australian National University research fellow Ben Phillips said.

“That is nowhere near as big as what Labor is proposing. But we didn’t find any obvious impact from that particular package.”



Opposition Leader Anthony Albanese at the Goodstart Early Learning Centre in Kalamunda, WA on Monday. **Alex Ellinghausen**

Under Labor's policy, the maximum child care subsidy [<https://www.afr.com/link/follow-20180101-p5alyv>] would rise to 90 per cent for families for the first child in care, while the subsidy rates for every family with one child in care earning less than \$530,000 would also rise.

Experts say under Labor's policy [<https://www.afr.com/policy/economy/albanese-sells-childcare-overhaul-as-cost-of-living-concerns-mount-20220504-p5aimj>] means there is not a single scenario under which families using childcare would be better off under the Coalition.

Mr Phillip's analysis looked at the Jobs for Family policy, which was modified in March to include a cut to a cap on the total subsidy and a 30 per cent increase to the subsidy rate for second and subsequent children in care under the age of six, costing \$1.7 billion.

Most evidence points to the cost of childcare being a major barrier to increasing the participation of women in the workforce full-time after the birth of children.

While the 2018 package made childcare more affordable, especially for low-income households, it did not become more accessible or flexible - issues that will almost certainly face the Labor policy as well.

Improvements to affordability through the increased subsidies were also eroded as childcare providers continued to raise fees. As the Grattan Institute has pointed

out, even a \$5 per hour rise translates to about \$50 a day, \$250 a week, or \$13,000 a year - for each child in full-time care.

Dr Phillips said there was no clear explanation as to why the parents did not respond to cheaper childcare by taking up significantly more hours of paid work when all the evidence suggested that is what would happen.

A 2018 Australian Bureau of Statistics survey found that 30 per cent of mothers with pre-teen children and who wanted more work said childcare costs was the main factor preventing them from doing so.

That was replicated in a separate 2019 ABS survey while another for The Parenthood in 2020 found that 76 per cent of parents said the cost of childcare was too high for either them or their partner to work full time.

The package was also intended to control what had been incessant increases in childcare fees. Dr Phillips said in the decade before 2018 childcare fees rose by around 30 to 40 per cent.

Dr Phillips said childcare was described by economists as “relatively inelastic” in that improving the net cost of childcare only had a small impact on labour supply.

“But every year we see female participation increases despite rising costs,” he said.

Grandparents and more flexibility working days for both parents might also have an impact on the number of days care was needed.

Dr Phillips said the design of Labor’s policy was an improvement on the current scheme in that it had a longer taper before subsidies cut out at \$530,000. Under the Coalition, subsidies get slashed from 20 per cent to zero at \$355,000.

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