

Explainer: What exactly is universal childcare?

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Labor's generous \$5.4 billion childcare plan has been credited as one of the policies that appealed to women [<https://www.afr.com/policy/economy/an-economy-for-women-at-last-20220522-p5anka>] in particular and contributed to many voters, particularly in inner cities, switching away from the Coalition.

The election offering was just a first – but significant – step towards what is known as universal childcare.

So, what is universal access to childcare?



The benefits of early childhood care and education outweigh the costs, according to the Centre for Policy Development. **Louise Kennerley**

“It means a system where every single child, regardless of where they live and what their parents do, has got access to high-quality early childhood education in the years before they start school,” says Georgie Dent, executive director of The Parenthood.

Starting from July next year, the Labor government will increase the maximum subsidy rate to 90 per cent for families earning up to \$80,000 and a sliding scale in subsidy rates for every family earning less than \$530,000. It also plans to extend the increased subsidy to outside-school-hours care.

“The new system, if passed, is very generous, with typical subsidies above 80 per cent or about \$20 a day,” says economist Ben Phillips from Australian National University.

“While not universal, it’s getting close.”

Eventual aim is a 90pc subsidy for all

But Labor also promised it would ask the Productivity Commission to conduct a comprehensive review of the sector with the aim of implementing a universal 90 per cent subsidy for all families.

There would be no upper income limit, although there would likely be a cap on the daily fee that would be reimbursed, in an attempt to prevent price gouging by providers.

Labor has also said that it will ask the Australian Competition and Consumer Commission to establish a mechanism to monitor and regulate private childcare providers.

Universal access to childcare and early childhood education will come with a hefty price tag, but one that becomes cost negative when all the tax, productivity, and social benefits are factored in, according a report, *Starting Better*,

[<https://cpd.org.au/2021/11/starting-better-centre-for-policy-development/>] from the Centre for Policy Development.

That 2021 report recommended a 10-year staged implementation of universal early childhood education and care that starts with making three to five days of free childcare available to vulnerable children, eventually including all children, and with an embedded education component for at least two years before starting school.

Productivity gains

The report estimates that over a decade a new funding model would come at a cost of between \$7.2 billion and \$11.5 billion in combined state and territory funding. But its more ambitious “guarantee”, which includes paid parental leave shared between parents, would cost \$20 billion a year when fully implemented.

“You can’t turn on a switch and have a universal system overnight,” said Jacki Hayes, program director with the Centre for Policy Development.

“And it needs to be a system that makes sense for parents.”

The current system is extraordinarily complex, with different levels of funding and subsidies in different jurisdictions and with access not consistent across the country, or even in the same city or region, Ms Hayes said.



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Advocates for universal childcare point to productivity gains from unleashing talent in mothers who find little or no financial benefits from returning to work full time, and to international studies which demonstrate cognitive and social developmental improvements in children, particularly in socially vulnerable ones.

Universal childcare, say proponents, translates into higher tax revenues for governments because more women will be paying income tax, while also contributing to lower health, crisis and policing costs.

Professor Phillips, however, remained sceptical. “Close attention will need to be paid to price inflation. Higher subsidies beyond what Labor is already planning, while very beneficial to high-income earners, the economic gains may well be marginal,” he said.

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