

# Trouble with childcare

Affordability, availability and quality

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## Summary

Recent government approaches to childcare funding have been simple rather than innovative. Improvements in affordability have been short lived, with benefits quickly absorbed through higher costs charged to families. The result is an ongoing game of catch up between government and service providers with families stuck in the middle. Since 2001, the proportion of Australian households reporting difficulties with the cost of childcare for a child under five has increased to more than three out of ten, making affordability an ongoing issue for households – and an election issue for politicians.

When childcare affordability was an election issue in 2004 and 2007, increased attention from the media and public appeared to produce an increase in reported difficulties. In an open letter to the Australian public published in *The Daily Telegraph* in January 2013, the Prime Minister discussed help for families through ‘more government assistance with childcare costs than before’.<sup>1</sup> This recognition of the difficulties some Australian families experience paying for childcare suggests increased money for families using childcare will form part of the government’s re-election platform.

Despite increased government assistance following two elections in the last decade a greater proportion of families reported cost difficulties in 2010 than in 2001. This situation reflects long-term increases in childcare costs that exceed increases in the Consumer Price Index (CPI). When cost increases exceed CPI the proportion of costs offset by government assistance is reduced. The constant policy catch up between increasing costs and the effective shrinking of assistance payments, which are then increased by government, means affordability remains an issue that will inevitably shape future election campaigns.

The Australian Council of Social Services (ACOSS) and the Brotherhood of St Laurence have previously argued that childcare costs for low income families should be five and six per cent of disposable household income, respectively. By comparison, the government has promoted the success of assistance policies that achieved a ratio of 7.5 per cent based on the average price of 50 hours of long day care per week for one child. Yet parents engage in a range of childcare arrangements that are not delivering this level of support.

This paper finds that households reporting cost difficulties in 2010 were on average paying 9.6 per cent. More than one in five households in areas of low relative socio-economic advantage who reported cost difficulties were paying more than 10 per cent of disposable household income for childcare services. While affordability continued to be an issue, reported difficulties finding quality childcare and a childcare place more generally were at or near the lowest level since 2001. Childcare assistance provided by the government needs to be better targeted.

This paper proposes three policy options, which are not mutually exclusive to address the affordability issue.

1. Extend means testing to the Child Care Rebate (CCR) or combine the CCR and Child Care Benefit (CCB).
2. Redirect current funding for the CCR to managed funding of childcare places and centres in areas of highest need to maximise service affordability.
3. Adjust means testing to achieve a progressive scale of the proportion of household disposable income spent on childcare costs.

Publically managing a proportion of the federal funding of childcare services could help ensure that government efforts to support Australian families are not undermined by the

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<sup>1</sup> Gillard, J (2013), ‘Prime Minister Julia Gillard’s open letter to the nation’.

existing game of catch up. Such a policy would mean available funding could be directed to areas of low and lower-middle relative socio-economic status. The involvement of public administration in childcare services could also increase the ability to assess and uphold quality standards. Assistance with the cost of childcare needs to balance a targeting of support for those most in need and a way of regulating pricing that does not simply underwrite corporate profits.

Less reliance on a policy of individual assistance payments would also reduce the administrative complexity faced by families. Complexity creates administrative barriers that are more likely to disadvantage households from areas of middle to low socio-economic status. Should the federal government wish to reduce complexity, redirecting a proportion of household assistance payments to direct subsidies would allow the means testing of assistance payments to be reduced, in turn reducing complexity.

Childcare affordability will continue to be an issue for many Australian families beyond the 2013 election unless funding policies move beyond simply increasing the amount of assistance given to families. A more direct delivery of funding would allow support to be better targeted and avoid the game of catch up that means funding increases are quickly followed by increases in costs.

## Introduction

Affordable, accessible, quality childcare is an important service for both parents and children, allowing one or both parents to participate in the labour market. Where the cost of care is prohibitive or access is limited, such participation may be prevented. The quality of a childcare service can determine how much children benefit from it. There are also nationwide economic benefits generated by increased labour force participation and the purchase of childcare services.

The use of childcare in Australia has increased in recent years, along with the cost of childcare services. Increasing demand and cost are likely to be associated with reduced availability and affordability for some Australians. Data from the Australian Bureau of Statistics (ABS) shows that, in the period from 1999, the use of formal care had increased from 17 per cent to 22 per cent by 2008. This increase is attributed to a growth in the proportion of children under five placed in long day care.<sup>2</sup> This paper focuses on the difficulties with access to formal childcare for children under five, the age range for which formal care use is highest. Formal childcare is “regulated care away from the child’s home” and is largely provided by private or community centres, workplaces and by smaller family day care providers. Notably, increased use of formal care since 1999 has seen a reduction in the use of informal care rather than an overall increase in the number of children in childcare.<sup>3</sup>

Federal funding of childcare began in 1972 when the Whitlam government began providing funding to non-profit centre-based long day care providers. The Hawke government introduced means-tested assistance for users of community-based childcare centres in 1984. This was extended to private centres in 1991 by the Keating government, from which point the number of corporate childcare options increased, outnumbering community centres within a few years.<sup>4</sup> The Howard government accelerated the dominance of private sector childcare further in 1997 by removing operational subsidies for community based childcare.<sup>5</sup> The subsequent Rudd and Gillard governments have made only slight changes, including a change to how assistance is paid and the provision of a rise in the amount of assistance available.

Despite an increase in childcare assistance, many households still report a range of difficulties accessing childcare services. Difficulties often include the cost of childcare, the availability of childcare places and the quality of childcare services. These three categories of difficulty are measured in the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The availability of data from 2001 means we can analyse any changes in the level of reported difficulties since then. Data on the cost of childcare and household disposable income are also collected in the HILDA Survey, allowing a measurement of the effect household demographics have on the likelihood of experiencing difficulties.

This paper considers the three aspects of access difficulties to childcare mentioned above; affordability, availability and quality. The paper restricts analysis to households using formal childcare services for a child not yet at school. Initially the paper provides a background on each form of difficulty, followed by an overview of who is using childcare and who of these people are reporting difficulties. An analysis of these difficulties between 2001 and 2010 and how household demographics inform the difficulties experienced in accessing childcare provides new insights into this issue. Finally some policy solutions are provided to address evident difficulties with childcare access.

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<sup>2</sup> ABS (2010), Australian Social Trends, p.26.

<sup>3</sup> ABS (2010), p.26.

<sup>4</sup> Rush, E (2006), *Child Care Quality in Australia*, p.4.

<sup>5</sup> Pocock, B (2006), *The labour market ate my babies: Work, children and a sustainable future*.

## Affordability

Childcare affordability is a perennial issue, guaranteed to receive media coverage and, as we will see, it regularly features as an election concern. Rising childcare costs and related affordability difficulties are not new. The Australian Institute of Health and Welfare (AIHW) has reported that childcare affordability decreased during the 1990s, with families on higher incomes being least affected by these increasing costs.<sup>6</sup> Data reported by Treasury shows that between 1996 and 2005 the price of childcare increased ahead of headline inflation except in the two years following the introduction of the Childcare Benefit.<sup>7</sup> Barbara Pocock and Elizabeth Hill have cited data that shows that this pattern extends back to 1990, with the cost of childcare rising by double the rate of inflation between 1990 and 2004.<sup>8</sup> These findings indicate that government policies are failing to arrest the underlying causes of rising costs and the resulting difficulties faced by families.

To reduce the policy challenge of childcare affordability to simply increasing assistance misses the complexity of the issue. This prosaic approach has resulted in policies that have not provided long-term help for Australian families – further perpetuating this policy tactic perpetuates the game of catch up between government assistance and further price rises. The issue of affordability is about more than simply increasing payments to families, a point highlighted by researchers at the Social Policy Research Centre who have argued that affordability is subjective.

*The term 'affordability' itself is rarely defined. This is partly because affordability has a subjective dimension. Some families may consider childcare affordable because it is important to them and they are willing to make sacrifices to pay for it; while, for others on the same income, childcare may seem unaffordable.*<sup>9</sup>

The complexity of childcare assistance needs to be considered when measuring difficulties with the cost of childcare. Adding to the complexity of measurement is the fact that affordability:

*... cannot be considered in isolation because of the huge differences in eligibility, scope of the assistance and other benefits provided to families.*<sup>10</sup>

The Department of Education, Employment and Workplace Relations (DEEWR) recently reported that, after federal childcare subsidies, the cost to families is approximately 7.5 per cent of household disposable income for households on incomes up to \$150,000.<sup>11</sup> Yet analysis of data from the HILDA Survey suggests that a considerable number of Australian families are paying more than this for childcare.

### *Recent reforms to government assistance*

In 2000 the Howard government introduced the means-tested Childcare Benefit (CCB), a new assistance payment that replaced the previous Childcare Assistance and the Childcare Cash Rebate. The introduction of the CCB shifted government assistance from fee-relief to a benefit, ostensibly to create greater choice of provider for consumers.<sup>12</sup> Assessment of the

<sup>6</sup> AIHW (2006), 'Trends in the affordability of child care services 1991-2004'.

<sup>7</sup> The Treasury, (2007), *Economic Roundup*.

<sup>8</sup> Pocock, B & Hill, E, (2007). 'The childcare policy challenge in Australia'.

<sup>9</sup> Purcal, C & Fisher, K (2006), 'Affordability funding models for early childhood services', p.50.

<sup>10</sup> Powlay (2000), p.6.

<sup>11</sup> DEEWR, (2012c), *Child Care Update*.

<sup>12</sup> Pocock, B (2006).



CCB by employees of the former Department of Family and Community Services concluded that the new assistance 'substantially improved the affordability of childcare' and that:<sup>13</sup>

*... the current arrangements enable parents to access childcare on an equitable basis, while still ensuring that the majority of assistance is targeted towards low income families.*

Belinda Cass was cautious in her recognition of the benefits of CCB for lower income families due to the possibility that uncapped childcare fees might result in 'significant gap fees to be paid between the actual cost of care and the amount offset by the CCB'.<sup>14</sup>

The focus of this paper is the effect of changes since the introduction of the CCB, specifically the introduction of the Child Care Tax Rebate (CCTR) and changes to this payment. The Howard government announced the CCTR in the lead up to the 2004 election. The CCTR provided a non-means-tested, but capped, 30-per-cent rebate for childcare costs. The provision of assistance as a tax rebate illustrates the popular policy link between childcare and workforce participation. The rebate form of the CCTR has, however, been described as 'highly regressive', and favourable to higher income earners,<sup>15</sup> partly because it is a tax offset – which means that anyone with a low tax liability will potentially have reduced rebates or may miss out altogether.<sup>16</sup>

Changes by the Rudd government removed the rebate trap by making the CCTR a direct payment and renaming it the Child Care Rebate (CCR). The size of the rebate was also increased to 50 per cent in the 2008-09 Federal Budget, which delivered on a 2007 election promise.<sup>17</sup> The rebate approach to government assistance policies for childcare costs coincided with the rapid rise and subsequent collapse of ABC Learning in the private childcare market. Bernard Keane has argued that these two events are intertwined and reflect poor government funding policies.<sup>18</sup>

The growth and concentration of childcare services provided by the commercial sector was previously reported by The Australia Institute in a 2006 paper by Emma Rush: *Child Care Quality in Australia*. Rush noted that, though planning restrictions were placed on community-based centres, there was no such limit on the expansion on commercial childcare providers. As a result "the cost of childcare to the Commonwealth rose dramatically, instead of falling, as was expected under the policy of outsourcing to private providers".<sup>19</sup> By the beginning of the 2000s corporate childcare chains were becoming increasingly prevalent. The increase in for-profit childcare providers is likely to have been a contributing factor in the steep price rises recorded over the same period. Government funding policies appear to have compounded not just cost difficulties but also the issue of availability for some Australian households.

<sup>13</sup> Popple, J & Martin, J (2003), 'The Cost of Child Care', p.1.

<sup>14</sup> Cass, B (2007), 'The goals of a good national system: placing priority on the wellbeing of children', p.106.

<sup>15</sup> Pocock, B (2006), p.171.

<sup>16</sup> Daniels, D (2008), 'Family Assistance Legislation Amendment (Child Care Budget and Other Measures)', p.4.

<sup>17</sup> Australian Government (2008), *Budget Measures 2008-09*, Budget Paper No. 2, p.144.

<sup>18</sup> Keane, B (2008), 'ABC learning collapse is a policy failure'.

<sup>19</sup> Rush, E (2006).

## Availability

The ABS has reported that childcare availability issues are greatest for families looking for a place for children not yet at school and that “[d]emand for child care is set to increase into the future”.<sup>20</sup> The Office of Early Childhood Education and Child Care reports on vacancies tell a different story. For example, the most recent government report, *Child Care Vacancies: Quarterly Snapshot June 2011*, included the following key findings:<sup>21</sup>

- on average, there were 61,620 reported long day care vacancies each day, and 77 per cent of long day care places were being used across Australia
- nine in 10 (88 per cent) reporting long day care services had at least one vacancy
- on average, there were 6,200 reported family day care vacancies across Australia each day.

The contradictory evidence may be due to a mismatch in where vacancies exist and where demand is for childcare services. This mismatch has been highlighted by Barbara Pocock and Elizabeth Hill, who have noted that “uneven geographic availability of care options” reduces the options available to some Australians and not others.<sup>22</sup> Furthermore, the uneven range of options reduces the suitability of assistance policies designed to increase choice of service provider, as there is only real choice where sufficient vacancies exist. The intertwined issues of availability and cost difficulties suggest that policy solutions for both issues are likely to be similarly linked.

The uneven availability of childcare places is also shaped by the profitability of providing services. When the financial return no longer supports the business case for providing services, private providers will tend to exit the childcare market. At the time of writing the government was holding consultations to assess the existing Budget Based Funding Program that funds childcare services ‘where one would otherwise not be viable, particularly in Indigenous, regional and remote communities’.<sup>23</sup> Conversely, where the returns are likely to be higher, market competition is likely to flourish, increasing availability. The profit motive is a factor in availability that is difficult to manage short of providing greater assistance or targeted operational subsidies. Rush has argued that the unrestricted growth in corporate for-profit childcare did not “guarantee that the bulk of the increase went to funding new services in the areas of greatest need”.<sup>24</sup> Contributing to this outcome was the Howard government’s.<sup>25</sup>

*...abolition of government capital payments which had been available for decades to both plan for expansion of services and enable not-for-profit groups to build the needed centres in appropriate locations.*

Less clear is the role of general perceptions about availability issues. It may be that widespread popular concerns about availability favour service providers who benefit from a perceived shortage of places in general – concerns that do not take into account the uneven availability of places. As a result, parents may take the first place they can get, having put their child’s name down at a number of different centres. Insofar as availability issues can be measured, perceptions are also likely to change once a place has been found and families may soon forget the difficulties they may have experienced.

<sup>20</sup> ABS (2010), p.31.

<sup>21</sup> DEEWR (2011b), *Child Care Vacancies, Quarterly Snapshot*, p.1.

<sup>22</sup> Pocock, B and Hill, E (2007), ‘The childcare policy challenge in Australia’, p.28.

<sup>23</sup> DEEWR (2012b), *Quality Early Childhood Education and Care for Children in Regional, Remote and Indigenous Communities: Review of the Budget Based Funding Program*, p.1.

<sup>24</sup> Rush, E (2006), p.4.

<sup>25</sup> Cox, E (2007), ‘Funding children’s services’, p.275.

The government website [www.mychild.gov.au](http://www.mychild.gov.au) has a search function designed to help people find childcare vacancies by area. A search enquiry returns a table that highlights available places in green according to the child age and the day of the current week in which a place is available. A 2010 Treasury Working Paper suggested that including information on the number of places available and the length of waiting lists was also important.<sup>26</sup> This level of detail is not provided on the website. The working paper suggests that the provision of a measurement of the quality of childcare available should also be a factor in assessing availability, and the government website does include the accreditation status of a centre under the new National Quality Framework Rating (being phased in between 2012 and 2020). In this paper, difficulties accessing quality childcare have been considered separately to difficulties with availability.

## Quality

Childcare funding was initially provided in 1972 by the Whitlam government and was provided to pay the “salaries of qualified teachers who worked in childcare centres”.<sup>27</sup> However, this policy focus on the quality of childcare services was soon replaced by policies focused on fee relief, which has continued to be the basis of government policy. Eva Cox has made the point that focusing on fee relief by and large leaves quality assurance to parents who are:<sup>28</sup>

*...assumed to be an adequate arbiter of quality with the support of relatively limited state regulations and a not too demanding accreditation system.*

Leaving quality assurance to parents makes what should be an objective measurement of childcare services a subjective judgement that will potentially result in different levels of service being provided. Deborah Brennan switches the premise of the issue from leaving parents with the ‘right’ to choose, arguing that more importance should be placed on a child’s right to quality care.<sup>29</sup>

Rush previously found that childcare staff believe that “the quality of care provided around Australia is generally quite high”<sup>30</sup> yet one in five staff working in corporate childcare centres said:<sup>31</sup>

*...they would not send their own child to the centre they work at (or to a centre with comparable quality of care), due to quality concerns.*

The same response was recorded by a quarter of respondents from community childcare centres and five per cent of independently run private childcare centres.

Concerns about the quality of childcare services led to the signing of a National Quality Framework (NQF) by all Australian governments in December 2009 that commenced on 1 January 2012. The NQF replaces the previous Quality Improvement and Accreditation System. The DEEWR website states that the NQF is needed to “deliver a higher standard of care” and “provide clearer and comprehensive information for families so they can choose the best services for their child”.<sup>32</sup> This policy premise reiterates the faults identified above. The framework will be phased in over eight years, from 2012 to 2020. Here we analyse difficulties with finding quality

<sup>26</sup> Breunig, R and Gong, X (2010), Child Care Availability, Quality and Affordability: Are local problems related to maternal labour supply?

<sup>27</sup> Cox, E (2007), p.274.

<sup>28</sup> Cox, E (2007), p.279.

<sup>29</sup> Brennan, D (1998) cited by Rush, E (2006), p.15.

<sup>30</sup> Rush, E (2006),p.54.

<sup>31</sup> Rush, E (2006),p.55.

<sup>32</sup> DEEWR (2012a), *Early Childhood: National Quality Framework for Early Childhood Education and Care* (website).

childcare reported by Australian families between 2001 and 2010, the period that preceded the establishment of the NQF.

We now turn to the question of who is using formal childcare for children under the age of five and of them, who reported difficulties with access to childcare.

## Who uses childcare?

Given the potential access difficulties facing households who wish to use formal childcare services, the question arises: are some households more likely to experience difficulties accessing childcare services? The first step to answering this question is to determine who is using childcare before analysing which households report difficulties.

In 2010 around a quarter (27 per cent) of Australian families in the HILDA Survey used formal childcare services for a child under the age of five. Although there was little difference in the proportion of couple- and lone-parent households accessing childcare, there was a difference in the rate of childcare use based on the relative socio-economic advantage of the area in which a respondent resided. More than a third (36 per cent) of households in the top three deciles of relative socio-economic advantage used formal childcare in 2010 compared with 22 per cent of households in the lowest three deciles. These figures were slightly higher than the average between 2001 and 2010. Table 1 provides a breakdown of the proportion of households using childcare over this period by household type and relative socio-economic advantage.

**Table 1 Proportion of households using childcare by household type and relative socio-economic advantage**

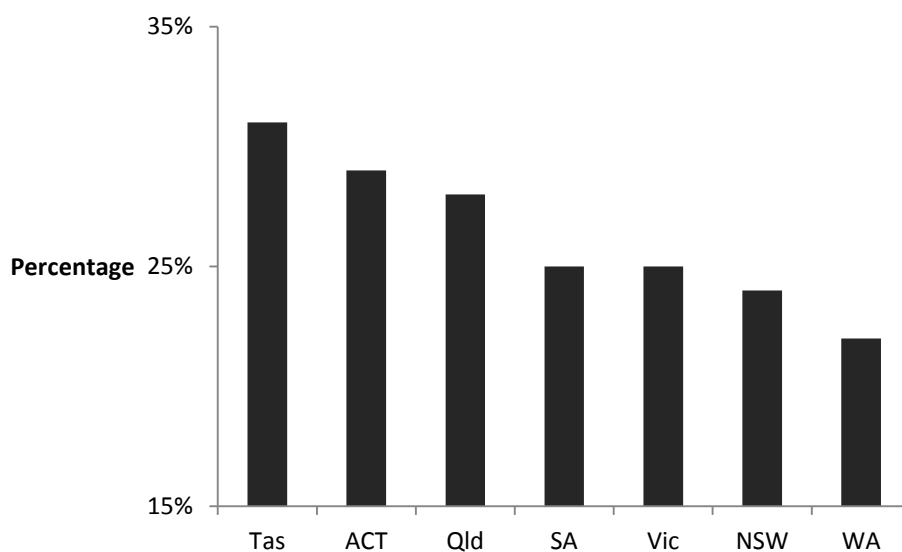
Household type	Relative socio-economic advantage		
	Low	Middle	High
Couple	21%	27%	29%
Lone parent	18%	26%	30%
Other*	6%	12%	27%
Average	20%	26%	29%

Source: HILDA Survey 2001 to 2010.

Note: \* Included for indicative purposes – cell size too small to draw conclusions. Includes multi-family households, grandparents raising children, share houses etc.

There were also differences in the use of childcare services between states and territories, shown in Figure 1.

**Figure 1 Proportion of households using childcare services by state (2001-10)**



Source: HILDA Survey 2001 to 2010.

Note: Northern Territory excluded due to small cell size.

Figure 1 shows that Tasmania has the highest rate of childcare use in Australia and Western Australia has the lowest. In between, the Australian Capital Territory and Queensland have similar participation in formal childcare as do South Australia, Victoria and New South Wales, but at a lower rate.

The use of formal childcare services in Australia varies according to where someone lives (by state or territory and relative socio-economic advantage), but does not vary noticeably between couple- and lone-parent households. These demographic observations can be used to assess reported experiences of difficulties accessing childcare services.

## Reporting difficulties

Having determined who is using childcare services, the next step is to examine the propensity among these households for there to be difficulties in accessing childcare.

### *Affordability*

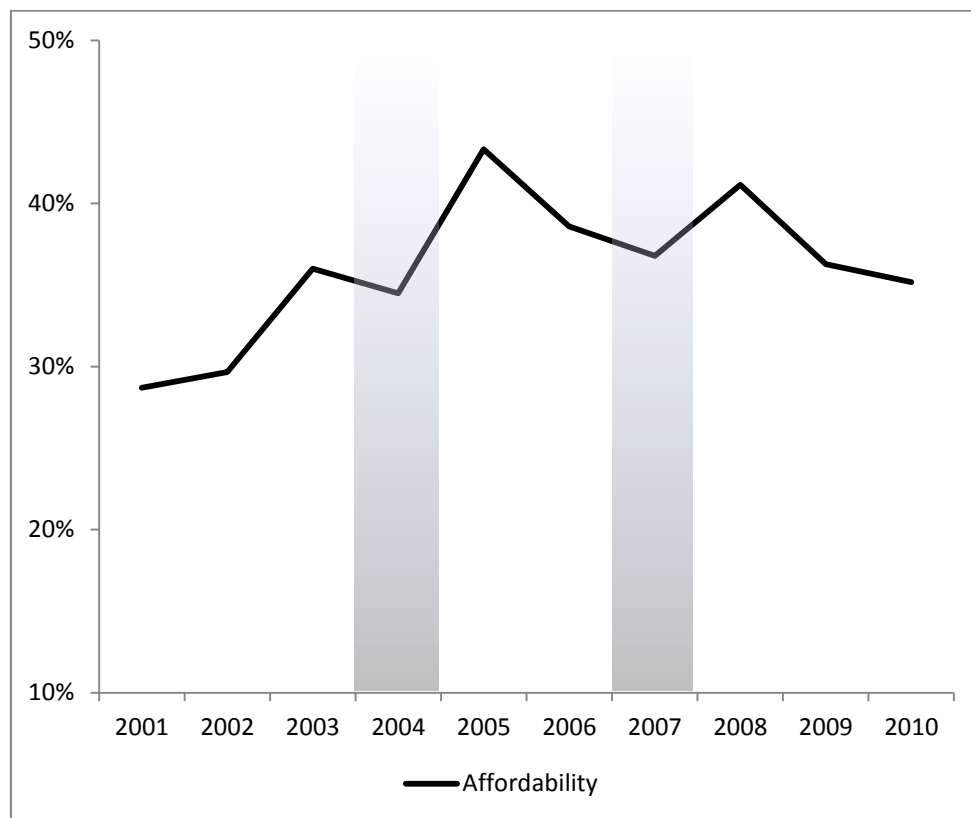
The affordability of childcare services continues to be an issue for many Australian families, with a greater proportion of families reporting difficulties in 2010 than in 2001. As for the intervening period, there was a spike in recorded difficulties with the cost of childcare in 2005 and a lesser spike in 2008. Both of these noticeable increases in reported cost difficulties coincided with federal election campaigns (shaded) during which increases to childcare funding were promised (see Figure 2) – perhaps reflecting increased awareness of the issue.

Following the introduction of the CCB in 2000 the proportion of households reporting cost difficulties rose from just under three in 10 households in 2001 to almost 43 per cent by 2005, an increase of almost 10 per cent from the previous year. It has been documented elsewhere that childcare costs outpaced inflation during much of this period,<sup>33</sup> which indicates that the perceived difficulties were not imagined. It is uncertain, however, how much of the increase between 2004 and 2005 may in part be attributed to electioneering. It would not be surprising that, given it was likely to have been a policy issue that received

<sup>33</sup> Daniels, D (2008), p.6.

increased attention during an election campaign, there might be stronger public awareness and importance attributed to this issue. The increase in media attention an issue may receive during electioneering may be exacerbated and concentrated by the relatively short period of election campaigns.

**Figure 2 Proportion of households reporting difficulties with the cost of childcare services (2001-10)**



Source: HILDA Survey 2001 to 2010.

Note: shaded years indicate election period in which childcare funding was a campaign issue.

In 2006 and 2007 reported difficulties declined, returning to a level similar to that recorded in 2003. This correction may also have been informed by the introduction of the CCTR by the Howard government following re-election. Yet delays in the actual payment of the CCTR of between 18 months and two years, due to the need to incur costs before receiving the rebate,<sup>34</sup> may have limited the effect of the policy on reducing actual cost difficulties.

During the 2007 federal election campaign affordability was again an election issue. The Opposition, then led by Kevin Rudd, promised to increase the CCTR from 30 to 50 per cent. Once again, electioneering may have had an influence on cost difficulties perceived by HILDA respondents. The newly elected Rudd government subsequently delivered increased subsidies as promised, with payments received in the 2008-09 financial year. The outcome was another fall in the proportion of people reporting difficulties and the figures returned to 2003 levels.

Since 2002, more than three out of 10 Australian households have reported difficulties with the cost of childcare, making affordability an ongoing issue for households and politicians. Perceived cost difficulties reflect long-term increases in childcare costs that exceed increases in the Consumer Price Index (CPI). This disparity is due to the linking of increases in assistance payments to CPI rather than increases in the cost of childcare services. When

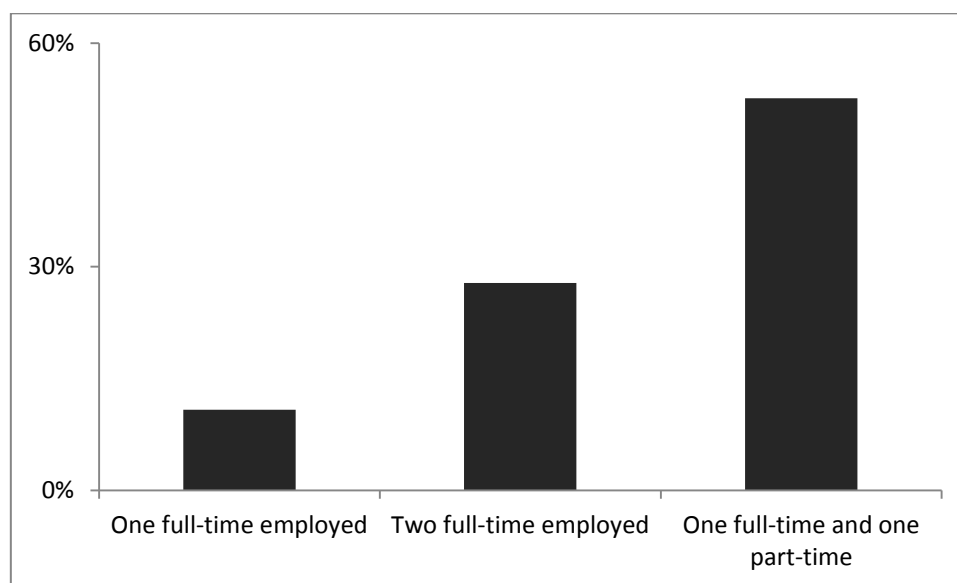
<sup>34</sup> Daniels, D (2008), p.3.

cost increases exceed CPI, the proportion of costs offset by government assistance is reduced. In response, successive governments initially added a new assistance payment (the CCTR, which is calculated as a proportion of costs instead of being indexed to CPI) and later increased the proportion of costs on which a rebate is calculated. The constant policy catch up between increasing costs and the effective shrinking of assistance payments, which are then increased by government, means affordability remains an issue and will inevitably shape future election campaigns.

The highest variation in reported cost difficulties was found to be linked to an area's relative socio-economic advantage and the level of employment in a household. Reported difficulties were lower in areas of relatively low advantage (30 per cent) compared with households from areas of middle and high advantage (37 and 40 per cent respectively). Households in areas of middle relative advantage were closest to the national average of 36 per cent. The lower rate in areas of lower advantage might suggest that the means assistance may be having a greater effect among these households. On the other hand, higher rates of reported difficulties in areas of middle and high advantage may reflect higher use by households with two parents working in the paid workforce.

The challenges in meeting childcare expenses faced by households with two employed parents working in the paid workforce are evident in the reported cost difficulties among these couple households. The highest level of difficulty was reported by households in which one parent worked full-time and another worked part-time (53 per cent). Lower rates of reported difficulty were found in households with two parents working full-time (28 per cent) and households with one partner working full-time (11 per cent). This finding suggests that there may be gaps in the payment of government assistance due to the criteria governing payment for households with one parent employed part-time. Further analysis, reported later in this paper, is needed to assess this conclusion.

**Figure 3 Proportion of couple households reporting difficulties with the cost of childcare services (2001-10)**



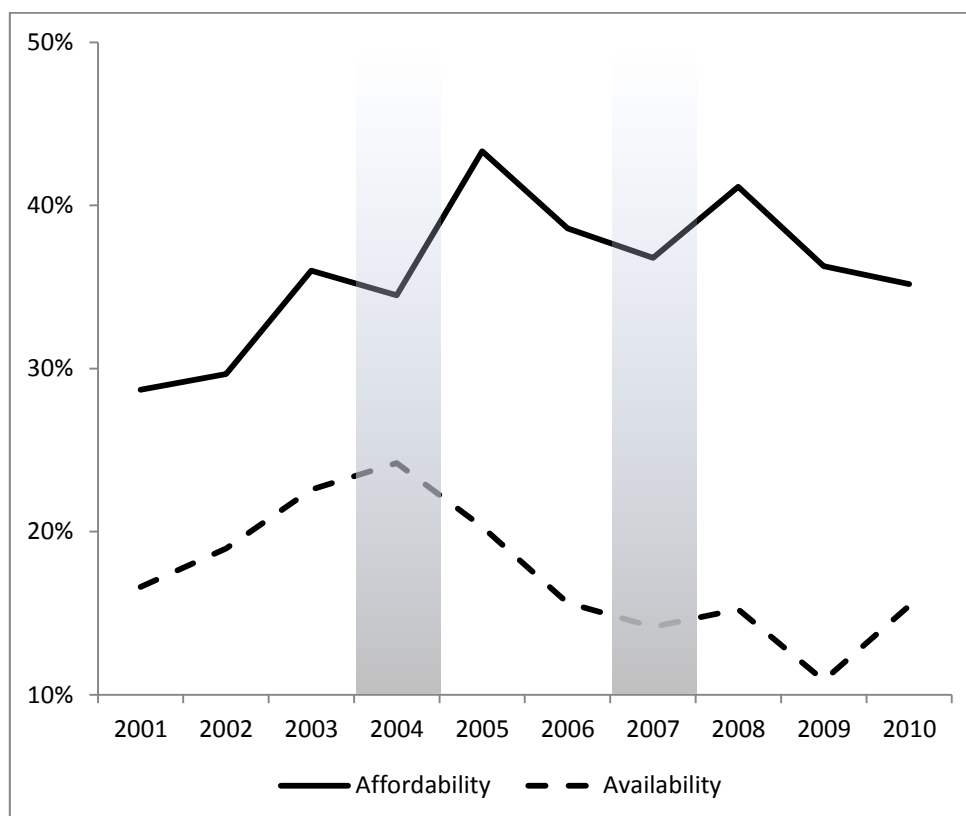
Source: HILDA Survey 2001 to 2010.

Interestingly, being employed full- or part-time had negligible effect on reported difficulties among lone-parent households. There was also little difference in reported cost difficulties between households speaking English at home and those speaking another language.

## Availability

The difficulty in accessing childcare is not as widespread as cost difficulties. The average reported difficulty with childcare availability was approximately half that for cost difficulties. Following a similar rate of increase in reported difficulties up to 2004, the gap between availability and cost difficulties generally increased after 2004 as reported difficulties with availability declined. By 2010, difficulties with childcare availability had returned to the level recorded in 2001. The proportion of reported difficulties from 2001 to 2010 is shown in Figure 4.

**Figure 4 Proportion of households reporting difficulties with the availability of childcare services (2001-10)**



Source: HILDA Survey 2001 to 2010.

Note: shaded years indicate election period in which childcare funding was a campaign issue.

The rise in availability difficulties from 2001 and 2004 occurred at the same time childcare costs rose by 10 per cent. This was followed by a sustained decrease in the level of reported difficulties experienced in finding a childcare place between 2004 and 2009, with the exception of a slight aberration in 2008. Unlike reported cost difficulties, availability difficulties were not, for the most part, affected by electioneering on childcare affordability.

The Rudd government was elected in 2007 on a policy platform that included a promise to build 260 new early learning and childcare centres – in addition to increasing subsidies through the CCTR to 50 per cent. Perceived availability difficulties dropped again in 2009 following a temporary increase and the election of the Rudd government. However, an equivalent increase in reported difficulties was recorded in 2010, the same year the government announced that it was now only going to build 38 new childcare centres, 15 per cent of the centres promised in 2007.<sup>35</sup>

<sup>35</sup> Guest, A (2010), 'Government backs down on building new childcare centres'.



In addition to the Rudd government back-down on building new childcare centres, the 2010 rise may also have reflected uncertainty around the widely publicised collapse of the commercial childcare provider ABC Learning in November 2008 and subsequent closure of 22 centres in 2009. These 22 centres represented only 8 per cent of the 262 ABC Learning Centres operating at the time the company went in to receivership.<sup>36</sup> Coincidentally, the number of ABC Learning Centres operating at the time was similar to the number of new centres the Rudd government had promised to build the year before, and the revised promise of 38 centres was just under twice the number of corporate centres that actually closed. The former Minister for Early Childhood Education, Kate Ellis, was left to announce the broken election promise and said at the time:<sup>37</sup>

*An injection of more centres would threaten the viability of existing services and potentially cause disruption for Australian families, just as the market is finally settling after the ABC Learning collapse.*

It appears that ensuring the profitability of existing centres was more important to the government than ensuring sufficient supply to meet demands for childcare places. Policies influenced by corporate interests ahead of service users do not address availability issues.

Reported difficulties with availability are likely to be influenced by vacancies in a household's area. Interestingly, reported difficulty was greatest for households in areas of relatively high socio-economic advantage (24 per cent) and among households where a university qualification had been achieved (21 per cent). Correspondingly, availability difficulties reported by households in areas of relatively low advantage or where occupants had a high school education ran at just 14 per cent. For medium advantage or a certificate or diploma qualification the figure was 15 per cent.

The higher levels of accessibility issues (as with affordability) among households in areas of higher economic advantage indicate that supply in these areas is not sufficient despite the argument that childcare operators are more inclined to set up in areas with greater ability to pay more for childcare, which are therefore perceived to be more profitable. Notwithstanding the motivation of profit, it may be that land for childcare centres is not as readily available in areas of higher relative advantage compared to other areas.

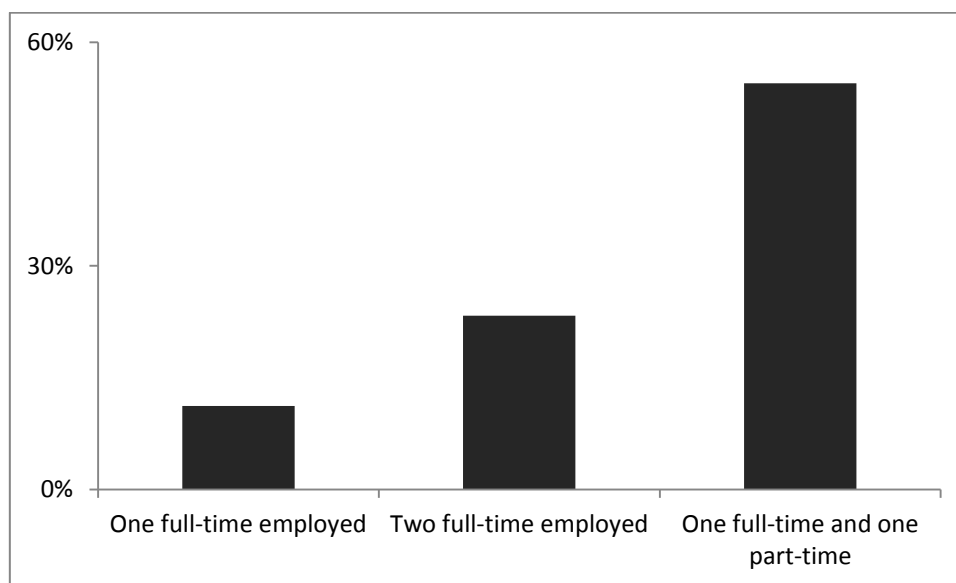
A greater determinant of availability difficulties evident in the data was the need for the equivalent of part-time childcare. Households in which one parent worked full-time and another worked part-time represented 55 per cent of cases, followed by those where two people worked full-time (23 per cent) and one partner worked full-time (11 per cent). This breakdown (see Figure 5) is similar to that found for couple households reporting affordability issues.

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<sup>36</sup> *mychild.gov.au: ABC Learning* (website).

<sup>37</sup> Guest, A (2010).

**Figure 5** Proportion of couple households reporting difficulties with the availability of childcare services (2001-10)



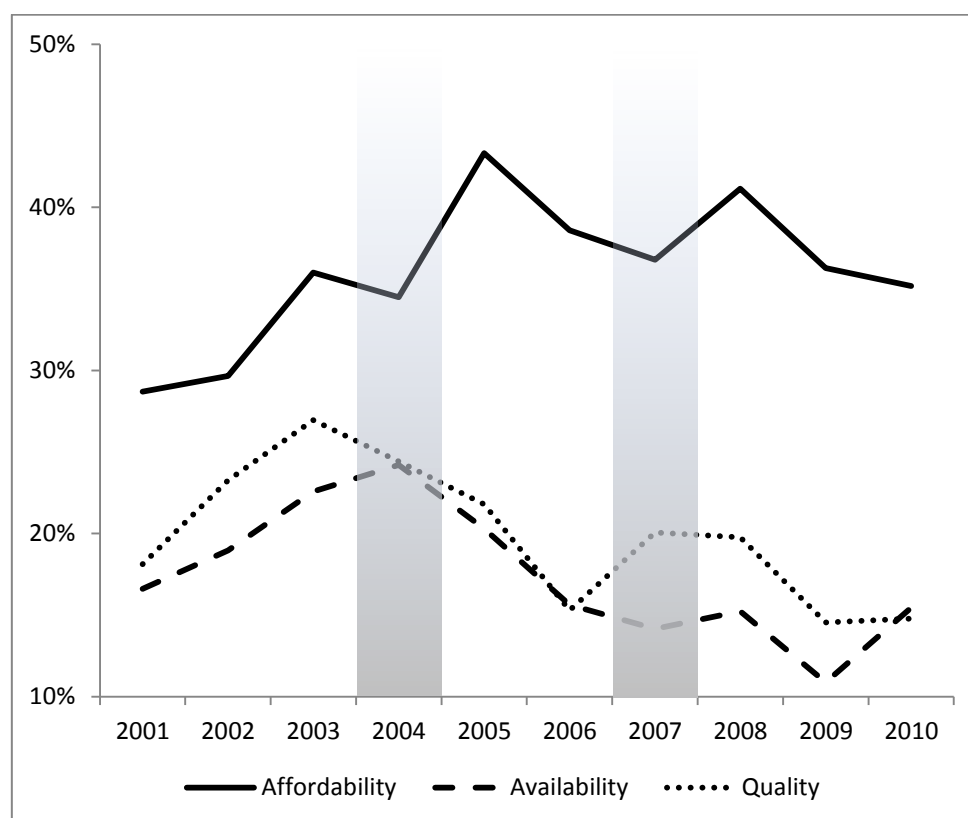
Source: HILDA Survey 2001 to 2010.

Lone parents working part-time were more likely to report difficulties (43 per cent) compared with those lone parent respondents working full-time (37 per cent).

### *Quality*

The pattern of reported difficulties finding a quality childcare place between 2001 and 2010 resembles, up until 2007, the reported difficulties with availability. The reported difficulty with finding quality childcare peaked a year earlier than reported availability difficulties. There were then three years of improvement up until 2006 before reported difficulties rose again and were sustained until a subsequent decrease in 2009. The movement in reported difficulties is shown in Figure 6.

**Figure 6 Proportion of households reporting difficulties finding good quality childcare services (2001-10)**



Source: HILDA Survey 2001 to 2010.

Note: shaded years indicate election period in which childcare funding was a campaign issue.

The increase in difficulty finding quality childcare during 2007 and 2008 coincides with the promise by the incoming Rudd government that it would fund 260 new early learning and childcare centres, some of which would be linked to primary schools. It may be that the noticeable increase in quality difficulties, but not availability difficulties, at this time was influenced by the rhetorical emphasis on *early learning* and that linking services with the school system raised the issue of quality for some Australian families.

Difficulties finding quality childcare was an important issue for parents with a university qualification (23 per cent) and those living in an area of high socio-economic advantage (26 per cent). The relationship between relative advantage and education and quality difficulties closely resembled that found for availability difficulties. Households in an area of medium socio-economic advantage or with a certificate or diploma education level reported an average rate of difficulty between 2001 and 2010 of 18 per cent. The response was marginally lower from households in an area of low relative advantage (16 per cent) or with a high school education (15 per cent). There is a correlation between perceived difficulties finding quality childcare and relative socio-economic advantage and education attainment.

The data indicate that expectations or perception of quality are indeed subjective – a point made in the introduction to this paper – with more highly educated people potentially having expectations of high standards of quality and people paying more for care also expecting better service. This finding points to the need for greater regulation of childcare quality standards to ensure that households with potentially lower expectations or perceptions are not provided with a correspondingly lower quality of care.

Unlike the demographic findings for difficulties with availability there was little variation by household composition (couple households, 20 per cent, and lone parents, 18 per cent), or by the employment make-up of a household, when it came to reported quality difficulties.

It is clear that in 2010, although difficulties finding both quality childcare and a childcare place more generally were at or near the lowest recorded rates since 2001, cost difficulties continued to be an issue. An assessment of these reported difficulties may help us to further understand why difficulties accessing childcare arise.

## Assessing reported difficulties

The extent to which the perceived difficulties may be subjective, combined with the inherent subjectivity of self-reporting (used in the HILDA Survey), mean that an empirical measurement can help to verify the veracity of reported difficulties. The following section presents an analysis of a number of factors to determine the best measurement for assessing reported difficulties. Two measurements were found to have a determining effect on reported cost difficulties; the cost of care per week and a ratio of childcare costs as a proportion of household disposable income.<sup>38</sup> The second option, a cost:income ratio was selected given the extensive case made for this ratio by others who have previously analysed the issue of childcare affordability.<sup>39</sup>

The Australian Council of Social Services (ACOSS) and the Brotherhood of St Laurence have previously argued the cost:income ratio for low income families should be five and six per cent, respectively.<sup>40</sup> DEEWR has promoted the success of government policies that have achieved a higher ratio of 7.5 per cent.<sup>41</sup> This theoretical figure, based on the average price of long day care for one child for 50 hours, is also reported by the Organisation for Economic Co-operation and Development.<sup>42</sup> Figure 7 has been reproduced from the January 2012 quarterly childcare report published by DEEWR.

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<sup>38</sup> The effect size for access and quality difficulties was negligible.

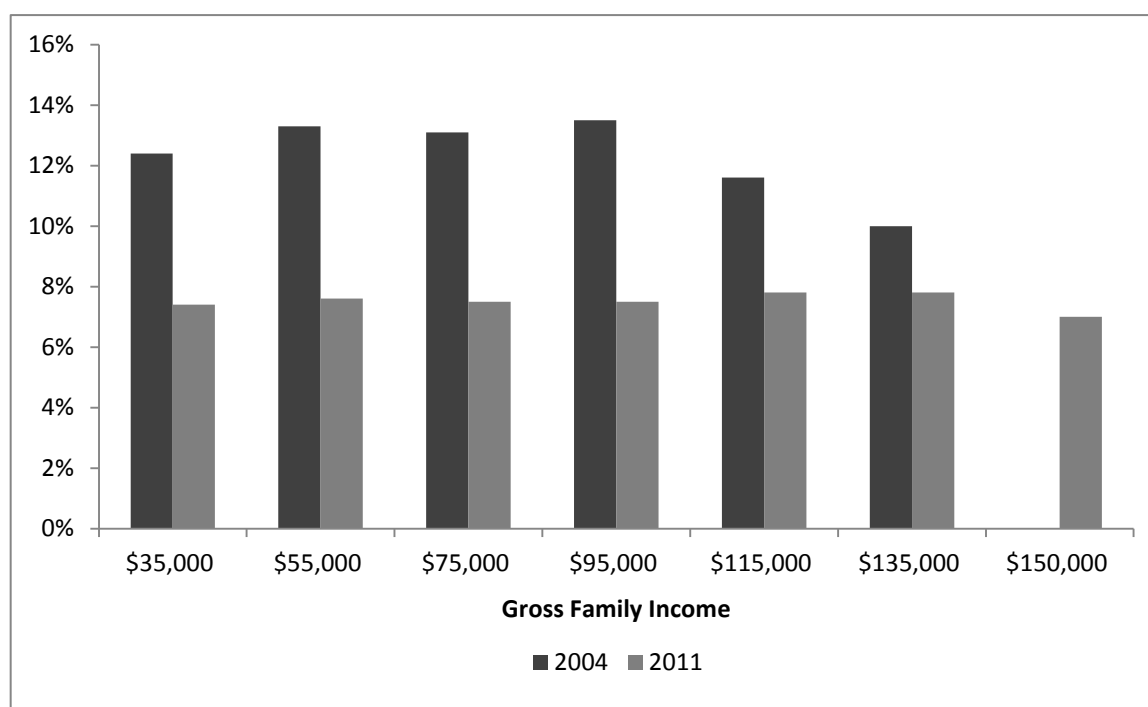
<sup>39</sup> The Treasury (2007), p.75; For further discussion of the methodology see Appendix A.

<sup>40</sup> Powlay (2000).

<sup>41</sup> DEEWR (2012c), p.4

<sup>42</sup> OECD (2007), 'Benefits and Wages 2007'.

**Figure 7 Government reported data on achieved rate of affordability**



Source: Reproduced from DEEWR 2012c.

Note: The graph depicts families with one child, using 50 hours of care per week, paying the average cost for long day care in the week ending 28 March 2004, and the March quarter 2011. Data for gross family income of \$150,000 n/a for 2004.

The government attributes the lower cost:income ratio in Figure 7 and greater childcare affordability to increased funding for childcare assistance. Kate Ellis, the Minister for Early Childhood and Child Care, promoted government funding for childcare assistance on [mamamia.com.au](http://mamamia.com.au) on 20 March 2012. The post read:<sup>43</sup>

*No Government in the history of this nation has offered more support to Australian families for affordable child care.*

*The reason our Government increased the child care rebate from 30 – 50 per cent is because we get how important it is that families are supported with child care costs. That's why we increased the cap on the rebate from the \$4354 (as it was under the Federal Liberal Government) to \$7500.*

*We know that families need Government assistance with child care, which is why over the next four years we're providing over \$18 billion of it (almost triple what the Howard Government did in their last four years in office).*

DEEWR spent \$8.3 million in 2010-11 promoting awareness of this assistance.<sup>44</sup> Although the government has promoted the increase in available childcare assistance, HILDA data indicates that affordability has not increased significantly. Furthermore, although the model used for the CCTR/CCR has been identified as regressive, the Rudd government increased the cap on this non-means-tested payment, paying a greater proportion of the childcare costs for all families – from those most needing the extra support up to and including the wealthiest. The requirement for increased government spending, ongoing affordability issues

<sup>43</sup> Ellis, K (2012), *Kate Ellis: Here's what you need to know about child care*.

<sup>44</sup> DEEWR (2011a), *Annual Report 2010-11*, pp.284-5.

and a regressive funding policy point to the need for an overhaul of how the federal government subsidises childcare services. These issues are discussed in more detail below.

### Analysing reported difficulties

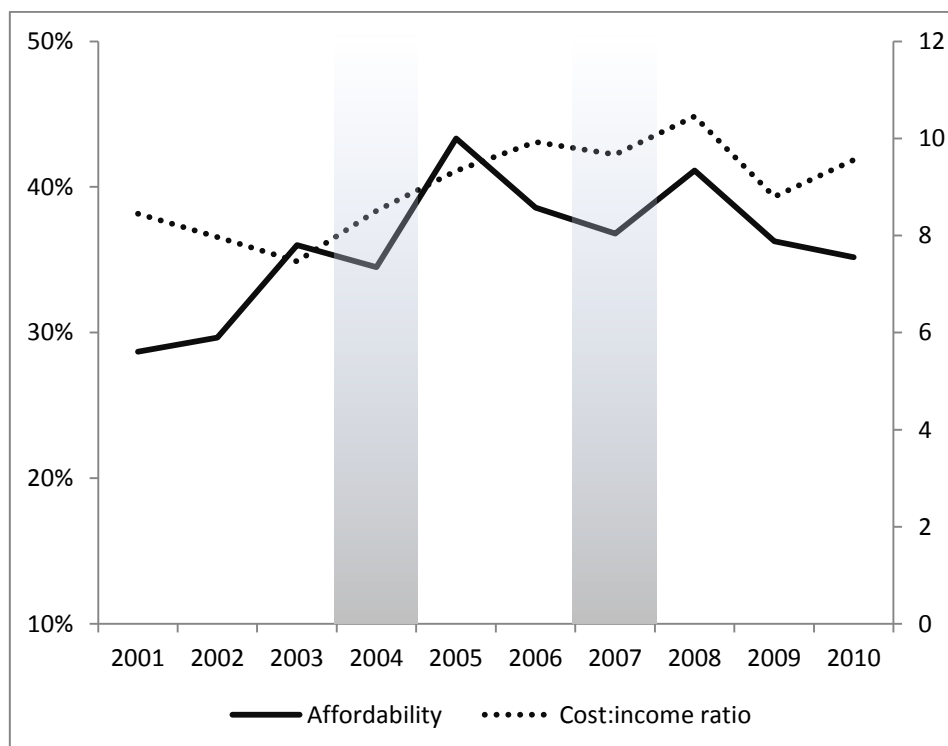
The ability to verify the difficulties reported by HILDA respondents using childcare in relation to childcare costs as a proportion of household income can help direct future government policy. By applying an objective measure to reported difficulties, areas can be identified where policy reform could have the greatest effect. The following section analyses the data on difficulties with affordability, access and quality in relation to childcare services.

In the following section we analyse the likelihood of a household (using four demographics) reporting difficulties with access to childcare based on an average cost:income ratio. The demographics used are: household type, education level achieved, the employment mix of adults in a household and the relative socio-economic advantage of the area they live in. Breaking the data down into household demographics influenced the effect size of the statistical analysis of average cost:income ratios. Despite revealing only a small effect, the findings confirm the continuing cost difficulties that many Australian families experience.

#### *Affordability*

An analysis of cost difficulties using the cost:income ratio finds that in the decade to 2010 public perceptions have generally matched increases in the proportion of disposable income being spent on childcare. Figure 8 shows the average cost:income ratio for households reporting difficulties between 2001 and 2010.

**Figure 8** Average cost:income ratio for households reporting cost difficulties (2001-10)



Source: HILDA Survey 2001 to 2010.

Note: shaded years indicate election period in which childcare funding was a campaign issue.

Interestingly, the average cost:income ratio fell in the first three years of the decade to 2010, despite the reported increase of childcare costs ahead of CPI. This indicates that changes to childcare assistance in 2000 had a positive effect on costs in the short term, contrary to reported difficulties. The ratio then trends upwards, however, until 2008, exhibiting some correlation with reported difficulties but without the same level of fluctuation. The difference may be the effect attributable to electioneering. The decline in both perceptions and cost:income ratio in 2009 follows the increase in the CCR to 50 per cent. The government appears to have benefited politically from this funding increase, with reported cost difficulties continuing to fall in 2010, despite the cost:income ratio again increasing after only a year (as service providers likely increased fees in response to the increase in government assistance). This incongruity points to conflicting policy and political agendas and the outcomes of childcare assistance.

Demographic analysis found that in 2010 the greatest effect of cost as a proportion of household disposable income was evident in couple households, with the employment make-up affecting the perception of difficulties. The largest effect was between couples who both worked full-time (with a mean cost:income ratio of 10.9 per cent); couple households with one full-time employee (9.2 per cent)<sup>45</sup>; and those made up of one full- and one part-time employee (7.6 per cent). This analysis of childcare costs as a proportion of household disposable income finds that, in terms of assistance, policies enabling workforce participation, especially for women, would seem to be most effective where a part-time position is taken. The between-group variation between couple households (8.8 per cent) and lone parents (14.8 per cent) was large, illustrating the persistent difficulties faced by lone parent households using childcare services or trying to enter the labour force. This between-group variation was larger than any found within couple households.

### *Availability and quality*

Availability and quality difficulties are not as great as the issue of affordability. As such the policy imperative is important rather than urgent. The lower proportion of reported difficulties means there is less insight available from analysing difficulties by demographics. Indicative evidence is nevertheless available, highlighting some of the population segments for whom access and quality are an issue.

The biggest influence of reported difficulties with availability was found for households when the employment make up was analysed. A medium effect was found in the difference between two full-time employees (10.4 per cent) and households with one person working full-time and the other part-time (6.8 per cent). It is worth noting that the latter category is the first group reporting a difficulty to have a ratio below the government's threshold of 7.5 per cent.

A search on the mychild.gov.au website, using examples of low, middle and high areas of relative socio-economic advantage from South Australia, sketches a picture of the comparative rates of childcare availability. A search for a permanent vacancy at a long day care centre in the week 25 February to 1 March 2013 found that inequality in childcare availability does exist. Although this search is by no means exhaustive and too small to extrapolate, it does demonstrate the uneven distribution of services.

In Berri (low) there was only one childcare centre listed on the website and it had vacancies each day, though these were limited on Tuesday, Wednesday and Friday. In Underdale (middle) there was also one childcare centre offering long day care, however, there were no vacancies. In Blackwood (high) there were three childcare centres providing long day care. One centre listed vacancies on all days for children aged less than 24 months, vacancies for children aged between 25-35 months only on Monday and vacancies for older children only

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<sup>45</sup> Cell size less than 20.

on Tuesday and Wednesday. Another centre had vacancies on all days for children over 36 months and the third had not reported availability data.

The lower reported difficulties with finding a childcare place may also be due to availability difficulties being only temporary. Once a place has been found for a child there is a higher likelihood that a household will soon be satisfied with childcare availability. It may also be that perceived difficulties with availability are higher for parents looking for a childcare place for the first time as opposed to a place for a second or subsequent child due to previous experiences finding a place that in turn inform a more realistic expectation. These presumptions are challenged, however, if a particular childcare centre is desired or there are difficulties with the quality of childcare available.

All Australian governments, through the Council of Australian Governments (COAG), have agreed to address quality standards within childcare services through the National Quality Framework (NQF). Accreditation commenced on 1 January 2012 and will be phased in over eight years. It has been argued that the requirements of the NQF, such as staff-to-child ratios and staff qualifications, will result in price rises for childcare services. Considering the phase-in period, this increase should not be immediate, but will contribute to further cost pressures on childcare services in the medium term. Childcare funding policies will have to take this added pressure into account.

Recent evidence shows that when the government introduced non-means tested assistance for childcare in the form of the CCTR, and then later increased the amount of assistance paid, the cost to households as a proportion of disposable income was only ever temporarily reduced. Assistance increases in 2005 and 2008 that were not tightly targeted were eventually reduced by increases in childcare costs. This outcome was predicted in an article published in *The Australian* in 2007 when the then opposition leader Kevin Rudd was campaigning on the promise to increase the CCTR.<sup>46</sup>

During the 2007 election campaign, the Rudd-led opposition also promised more childcare centres and by extension greater availability. By connecting these new centres with primary schools, and rhetorically linking 'early learning and childcare', the implication was that these new centres would provide a better quality of childcare. The implied focus on quality followed a long period of increased corporatisation of childcare provision, typified by the then ubiquitous ABC Learning centres that were a year away from financial collapse. Public perceptions of difficulties finding quality care had, however, been falling since 2003 – suggesting that for most people affordability remains the primary issue.

## Options for policy improvements

Improving access to childcare will require policies that focus on the provision of services and the relative advantage of the households hoping to use them. Although reported difficulties with availability and quality rose after 2001 before trending downward from 2003-04, levels of reported cost difficulties have mirrored this downward trend. It is imperative that cost difficulties be addressed, especially for households from areas of relatively low socio-economic advantage and to some degree for households in areas of middling advantage. By choosing a more direct method of childcare subsidy the government could also increase its ability to assess childcare quality standards.

### *Affordability*

Assistance with the cost of childcare needs to balance a targeting of support for those most in need and a way of regulating pricing that does not simply underwrite corporate profits. A market perspective dictates that some contribution is required from parents toward the cost

<sup>46</sup> Lunn S and Maley P (2007), 'Parents' rebate 'will drive up fees'.



of childcare otherwise “there would be no pressure on the centres to contain fees”.<sup>47</sup> That said, when fees consistently increase faster than CPI, it is difficult to argue there is any effective fee containment. Three possible policy options are:

1. Extend means testing to the CCR or combine the two existing forms of support.
2. Redirect current funding for the CCR to managed funding of childcare places and centres in areas of highest need to maximise service affordability.
3. Adjust means testing to achieve a progressive scale of the proportion of household disposable income spent on childcare costs.

These options are not mutually exclusive.

The outcome of current childcare funding policies aims to achieve a cost:income ratio of 7.5 per cent for all households with a gross household income of up to \$150,000 (see Figure 2). In reality many households are paying more than this, including low income households. More than one in five households in areas of low relative socio-economic advantage who reported cost difficulties are paying more than 10 per cent of disposable household income for childcare services. Childcare assistance provided by the government needs to be better targeted and a progressive scale of cost:income ratios would help achieve this outcome.

Tightening the means testing of assistance for childcare could, however, increase the complexity of both applying for and delivering assistance. A review of childcare funding models from the Social Policy Research Centre identified the conflict between the complexity of targeting assistance and a simplified process for families. On the one side:

*Governments face a trade-off: the more equitable the funding model is, the more complex it needs to be and therefore the more administration it will require.*<sup>48</sup>

And on the other side, administrative complexity can discourage eligible families from applying for assistance. The 2009 review of Australia’s federal taxation system, Australia’s Future Tax System, recommended the two existing forms of assistance be combined into a single payment, in part to reduce complexity.<sup>49</sup> Reducing complexity for Australians will likely transfer the complexity for the department responsible for subsidising the cost of childcare services. Although increasing the role for public administration is politically unpopular at the moment, experts in the public service are going to be far better placed to negotiate the requisite complexity than many Australian families. Complexity is an ongoing issue the government needs to solve and cannot be an excuse for not optimising the delivery of assistance.

### *Availability and quality*

Though these remain of less immediate concern than affordability, policy consideration could be given to improving accessibility by reallocating a proportion of existing government funding for childcare assistance to direct subsidies of childcare places in areas of low and lower-middle relative socio-economic advantage to support the number of places that are provided. This would target support where the potential limitations on large profit margins might discourage private service providers from establishing childcare centres. Such an idea is not new, and was presented to the government at a childcare forum it convened in

<sup>47</sup> Powlay,(2000), p.17.

<sup>48</sup> Purcal, C & Fisher, K (2006), p.56.

<sup>49</sup> Treasury (2009), Australia’s future tax system, p.592.

Melbourne in August 2012.<sup>50</sup> By publically managing a proportion of childcare funding the government would be better placed to link funding to quality standards for childcare services.

## Conclusion

The use of formal childcare services for children who have not yet started school has been increasing in Australia and this growth is not expected to stop. Alongside increasing use and demand there have been ongoing difficulties with childcare costs and to a lesser extent difficulties with availability and finding quality care. The federal government subsidises childcare services through assistance payments to parents for the cost of care. However, this policy has not curbed the incidence of cost difficulties or ongoing increases in childcare fees. Other policies are in place to address the availability of services and a new National Quality Framework is being implemented to address the quality of childcare services.

Reported difficulties with childcare costs increased between 2001 and 2010, including two spikes in 2005 and 2008, following elections in which childcare assistance was an issue. The proportion of household disposable income spent on childcare costs (cost:income ratio) also increased over much of this period, confirming public perceptions. Comparing reported cost difficulties with the average cost:income ratio also shows that electioneering had a greater effect on perceptions in 2005 than it did in 2008. Over the same period, reported difficulties with finding a childcare place and finding quality childcare initially rose before falling to levels a little below where they were in 2001.

There has been a correlation between the level of reported access difficulties and household demographics. For all demographics, difficulties were reported more often by households in areas of high relative socio-economic advantage and decreased through middle-to-low areas. Similarly the employment mix of a household affected the level of reported difficulties with childcare costs and availability. Couple households with one partner working full-time and one working part-time were more likely to report difficulties followed by households with both partners employed full-time and one full-time employee. Higher levels of educational achievement were also linked with greater reporting of difficulties with availability and finding quality childcare.

An analysis of average cost:income ratios to assess reported cost difficulties reveals differences in who is paying a higher proportion of disposable household income in childcare fees. Households reporting cost difficulties had higher average cost:income ratios. When employment mix is analysed, households with two full-time employees have the highest average ratio with a significant gap back to households with one full-time and one part-time and one full-time employed parent with similar cost:income ratios. This comparatively lower cost:income for couple households with one full-time and one part-time employee contrasts with the higher reported cost difficulties by these households. Notwithstanding the evident ambiguity in reported difficulties and actual costs among couple households, lone parent households on average had higher cost:income ratios compared with couple households.

The funding policies of successive federal governments have done little more than temporarily reduce the rising cost of childcare. The linking of the Childcare Benefit to CPI meant effective assistance fell within the period examined in this report as childcare fees increased ahead of inflation. The introduction of the Childcare Tax Rebate at the 2004 election and an increase in the rebate at the 2007 election had little effect, with the average cost:income ratio increasing within a year of both policy changes. When increases in assistance are quickly followed by rises in the fees charged by childcare providers the impact of this increased spending is negated. The end result of changes between 2001 and 2010 was greater and greater burdens on the Federal Budget and no long-lasting savings for households. The real winner in such a situation is the profit margin for childcare providers.

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<sup>50</sup> Wells, R (2012), 'Call for extended childcare'.

A different policy approach is needed to ensure that federal government funding of childcare achieves sustained reductions in the proportion of disposable household income being spent on childcare. This could be achieved by implementing one of the following policy options or a combination:

1. Extend means testing to the CCR or combine the two existing forms of support.
2. Redirect current funding for the CCR to managed funding of childcare places and centres in areas of highest need to maximise service affordability.
3. Adjust means testing to achieve a progressive scale of the proportion of household disposable income spent on childcare costs.

Should the federal government wish to reduce complexity, something The Australia Institute has argued for previously, then publically managing a proportion of funding allocated to childcare subsidies to enable greater support for services in areas of low and low-middle relative socio-economic advantage would also effect a progressive outcome. The means testing of assistance payments could then be reduced for householders, in turn reducing complexity.

This paper has shown that, since 2000, each time the government has taken steps to reduce the proportion of household income spent on childcare services the increased assistance has quickly been absorbed through the charging of higher service fees. The result is an ongoing game of catch up between government and service providers with families stuck in the middle. Available data shows that unless the federal government changes how childcare assistance is allocated, any future increases in assistance will most likely be similarly absorbed by further fee rises and cost difficulties will also continue to rise. Unfortunately, history and the data show the cost of childcare is rising irrespective of the recent policy actions taken by the government. Government policy needs to change so that this game of catch up is halted and that funding achieves sustained savings and greater access to childcare for those least able to afford it.

## Appendix A: Methodology

This paper uses the data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey to analyse reported difficulties with access to childcare services. The HILDA Survey is an annual survey funded by the Australian government. The purpose of the survey is to collect “information about the economic and subjective well-being, labour market dynamics and family dynamics” of Australians.<sup>51</sup>

Survey data was compiled into a long file for the purposes of longitudinal analysis, with identifiers generated to track the year in which a data set was collected. The 2001-2010 aggregated sample size consisted of 177,938 survey responses. This sample size was reduced to 38,884 when households without a child aged less than five years were excluded. The sub-sample of households using formal childcare for a child in this age category was 9,707.

The HILDA Survey includes questions about a range of difficulties people have with access to childcare. Three categories of difficulty were analysed from questions asked in the HILDA Survey. They were:

- Cost – difficulty in the last 12 months with the cost of child care
- Availability – finding a childcare centre of choice, in the right place
- Quality – finding good quality childcare.

Previous research projects have applied different interpretations of what constitutes difficulty in the survey responses, made on a scale of zero to 10. For example: the former Department of Family and Community Services used a score of eight,<sup>52</sup> another researcher instead used seven,<sup>53</sup> the same score researchers from NATSEM initially used before later lowering the threshold to five in a follow up project.<sup>54</sup> In this paper, those providing responses of seven and above were categorised as having had difficulties.

The demographics of households reporting difficulties with access to childcare services were the focus of analysis in this paper. The demographics were: household type, education level, employment type, relative socio-economic advantage, location and language spoken at home. A description of the data for these demographics and reported difficulties is included in Appendix B.

A measurement of the likelihood that a household would report difficulties accessing childcare services was then made using a ratio of childcare costs and household disposable income (cost:income ratio). The use of this ratio has been promoted previously.<sup>55</sup> Other measurements were considered (see Table B5), however, the effect of these measurements was not noticeably greater than that found for the cost:income ratio. Generally lower effect sizes were found for all measurements in relation to difficulties with availability and quality childcare places. The small effect sizes found for availability and quality difficulties limits the conclusions that can be drawn from analysis of reported difficulties.

The results of analyses of household demographics, reported difficulties and cost:income ratio are reported in Table B1 to Table B5.

<sup>51</sup> *The Household, Income and Labour Dynamics in Australia (HILDA) Survey* (website).

<sup>52</sup> Cassells, R et al (2005) ‘Perceptions of Child care Affordability and Availability in Australia: what the HILDA Survey tells us’, p.20.

<sup>53</sup> Davidoff, I (2007), ‘Evidence on the child care market’.

<sup>54</sup> McNamara, J, Cassells R and Lloyd, R (2005) ‘Persistence of problems with child care: evidence from the HILDA Survey’, p.5.

<sup>55</sup> The Treasury (2007), AIHW (2006).

## Appendix B: Results

**Table B1 Proportion of households using childcare services for a child aged under five; and proportion reporting difficulties (2001-10)**

		Total	Average		SD	Range	
			n	%*		Low	High
Household type	Couple	8481	848	26%	66.21	769	939
	Lone parent	1004	100	22%	18.66	58	125
	Other	222	22	12%	11.22	5	40
Education	Degree or higher	2109	211	33%	24.37	173	247
	Cert or Dip	1767	177	26%	23.48	143	214
	High school	868	87	17%	13.37	63	104
Employment	One full-time	655	66	10%	20.75	36	94
	Two full-time	1076	108	53%	16.65	86	134
	One full-time and one part-time	2306	231	44%	22.33	186	260
	Two part-time	118	12	33%	4.26	6	18
	One part-time	432	43	27%	7.27	28	51
	No one employed	155	16	5%	6.06	6	27
Relative socio-economic advantage	Low	2538	254	20%	30.93	197	287
	Mid	4224	422	27%	40.56	362	480
	High	2945	295	29%	44.56	206	345
Location	NSW	2754	275	24%	22.96	249	333
	Vic	2233	223	25%	24.15	185	259
	Qld	2454	245	28%	47.21	182	315
	SA	797	80	25%	16.08	65	113
	WA	790	79	22%	13.68	59	107
	Tas	354	35	31%	7.03	22	44
	NT	97	10	32%	6.04	3	23
	ACT	228	23	29%	6.37	15	35
Speak a language other than English at home	Yes	358	40	18%	13.92	31	52
	No	4379	438	27%	44.95	379	494
Number of households reporting a difficulty accessing childcare	Cost	3457	346	36%	64.93	249	451
	Availability	1548	155	17%	30.22	109	201
	Quality	1864	186	20%	35.25	137	241
Total number of households using childcare services		9707	971	25%	80.27	854	1069

Source: HILDA Survey 2001-2010.

Note: \* Proportion of sub-category i.e. couple households.

**Table B2 Proportion of households using childcare and reporting cost difficulties (2001-10)**

		Total	Average		SD	Range	
			n	%*		Low	High
Household type	Couple	3052	305	36%	48.05	233	393
	Lone parent	323	32	32%	14.07	16	49
	Other	82	8	33%	8.07	0	22
Education	Degree or higher	736	74	35%	11.48	55	93
	Cert or Dip	631	63	36%	18.02	40	90
	High school	285	29	34%	6.75	19	40
Employment	One full-time	241	24	36%	13.46	10	46
	Two full-time	440	44	40%	10.11	28	56
	One full-time and one part-time	782	78	34%	14.86	60	104
	Two part-time	22	2	17%	1.99	0	6
	One part-time	143	14	34%	4.88	8	23
	No one employed	50	5	40%	2.94	2	11
Relative socio-economic advantage	Low	742	74	30%	16.21	52	105
	Mid	1572	157	37%	36.91	94	196
	High	1143	114	40%	19.91	93	154
Location	NSW	1052	105	39%	21.44	77	155
	Vic	747	75	34%	16.81	51	96
	Qld	994	99	40%	35.92	53	154
	SA	191	19	24%	9.16	3	31
	WA	184	18	23%	4.99	14	29
	Tas	159	16	46%	5.67	7	26
	NT	28	3	33%	2.04	0	5
	ACT	102	10	45%	4.69	6	19
Speak a language other than English at home	Yes	127	14	37%	5.79	6	19
	No	1525	153	35%	30.53	118	204
Total number of households using childcare services		3457	346	36%	64.93	249	451

Source: HILDA Survey 2001-2010.

Note: \* Proportion of sub-category i.e. couple households.

**Table B3 Proportion of households using childcare and reporting availability difficulties (2001-10)**

		Total	Average		SD	Range	
			n	%*		Low	High
Household type	Couple	1325	133	17%	28.55	100	177
	Lone parent	167	17	18%	7.45	6	27
	Other	56	6	25%	4.55	0	12
Education	Degree or higher	417	42	21%	11.24	25	60
	Cert or Dip	242	24	15%	7.52	14	31
	High school	114	11	14%	5.40	6	21
Employment	One full-time	111	11	19%	4.70	5	17
	Two full-time	166	17	17%	3.89	10	22
	One full-time and one part-time	370	37	17%	12.41	24	60
	Two part-time	20	2	16%	2.49	0	8
	One part-time	77	8	19%	2.91	5	13
	No one employed	23	2	20%	0.67	1	3
Relative socio-economic advantage	Low	330	33	14%	17.36	9	58
	Mid	589	59	15%	19.20	21	86
	High	629	63	24%	12.41	42	82
Location	NSW	490	49	19%	17.57	30	76
	Vic	382	38	19%	12.59	18	57
	Qld	371	37	16%	9.84	23	57
	SA	89	9	13%	7.13	0	19
	WA	95	10	13%	3.31	5	16
	Tas	67	7	18%	7.63	0	22
	NT	23	2	32%	2.11	0	5
	ACT	31	3	13%	2.02	0	7
Speak a language other than English at home	Yes	73	8	22%	4.37	1	12
	No	698	70	17%	12.21	47	88
Total number of households using childcare services		1548	155	17%	30.22	109	201

Source: HILDA Survey 2001-2010.

Note: \* Proportion of sub-category i.e. couple households.

**Table B4 Proportion of households using childcare services and reporting difficulties finding quality childcare (2001-10)**

		Total	Average		SD	Range	
			n	%*		Low	High
Household type	Couple	1624	162	20%	32.82	113	208
	Lone parent	176	18	18%	5.27	11	24
	Other	64	6	30%	5.02	0	17
Education	Degree or higher	474	47	23%	10.48	33	69
	Cert or Dip	307	31	18%	10.24	15	46
	High school	133	13	15%	7.24	4	26
Employment	One full-time	149	15	23%	6.37	4	25
	Two full-time	202	20	20%	5.77	6	28
	One full-time and one part-time	452	45	20%	11.16	30	66
	Two part-time	14	1	10%	1.35	0	4
	One part-time	91	9	21%	4.01	3	14
	No one employed	24	2	22%	1.51	1	5
Relative socio-economic advantage	Low	397	40	16%	15.02	12	64
	Mid	749	75	18%	20.81	48	122
	High	718	72	26%	14.47	47	88
Location	NSW	587	59	22%	22.52	34	96
	Vic	418	42	20%	11.31	23	57
	Qld	483	48	20%	11.45	25	61
	SA	124	12	16%	6.47	4	25
	WA	141	14	18%	6.72	3	25
	Tas	42	4	11%	4.24	0	14
	NT	31	3	37%	3.07	0	9
	ACT	38	4	16%	3.88	0	14
Speak a language other than English at home	Yes	85	9	25%	4.58	4	14
	No	828	83	20%	13.46	61	104
Total number of households using childcare services		1864	186	20%	35.25	137	241

Source: HILDA Survey 2001-2010.

Note: \* Proportion of sub-category i.e. couple households.



**Table B5 Effect of measurements on reported access difficulties (2001-2010)**

Measurement	Reported difficulties	n	Mean	SD	Effect Size ( <i>d</i> )	t	df	<i>p</i> value
Reported cost difficulties								
Cost per week	No	6065	92.53	88.79	-0.40	-18.06	6179.91	< 0.001
	Yes	3436	131.02	105.53				
Cost to household disposable income ratio	No	6053	6.40	5.60	-0.39	-17.12	5255.04	< 0.001
	Yes	3431	9.11	8.25				
Reported availability difficulties								
Cost per week	No	7439	106.66	96.89	-0.01	-0.39	8963.00	0.697
	Yes	1526	107.71	94.41				
Cost to household disposable income ratio	No	7422	7.37	6.81	-0.06	-2.10	8946.00	< 0.05
	Yes	1526	7.77	6.82				
Reported difficulties finding quality childcare								
Cost per week	No	7560	105.63	95.87	-0.04	-1.49	2664.50	0.138
	Yes	1838	109.55	102.95				
Cost to household disposable income ratio	No	7547	7.26	6.78	-0.09	-3.50	2716.68	< 0.001
	Yes	1834	7.90	7.05				

Source: HILDA Survey 2001-2010.

**Table B6 Mean cost:income ratio for each reported difficulty (2001-10)**

Difficulty	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Average	SD
Cost	8.45	7.96	7.47	8.51	9.33	9.93	9.67	10.45	8.80	9.55	9.01	0.93
Availability	6.42	6.10	5.66	8.49	7.76	8.12	10.75	8.83	10.23	6.88	7.93	1.71
Quality	6.32	6.95	5.60	8.88	7.98	8.28	8.38	9.43	8.02	9.51	7.93	1.29

Source: HILDA Survey 2001-2010.

**Table B7 Analysis of cost:income ratio and reported cost difficulties (2010)**

Demographic	n	Mean	SD	Effect			
Household type				<i>d</i>	<i>t</i>	<i>df</i>	<i>p</i> value
Couple	314	8.8	5.28	-0.61	-2.746	44.649	< 0.01
Lone parent	44	14.8	14.32				
Education				adj R <sup>2</sup>	F	<i>df</i>	<i>p</i> value
Degree or higher	85	9.3	6.55	.01	0.325	2	< 0.01
Cert or Dip	60	9.5	7.59				
High school	28	8.3	5.58				
Employment				adj R <sup>2</sup>	F	<i>df</i>	<i>p</i> value
One full-time	24	11.0	9.95	.06	4.239	3	< 0.01
Two full-time	36	11.0	5.62				
One full-time and one part-time	90	7.6	3.59				
One part-time	14	10.8	9.23				
Relative Socio-economic advantage				adj R <sup>2</sup>	F	<i>df</i>	<i>p</i> value
Low	81	7.9	4.57	.02	3.933	2	< 0.05
Mid	174	10.6	8.82				
High	103	9.1	5.57				

Source: HILDA Survey 2010.

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