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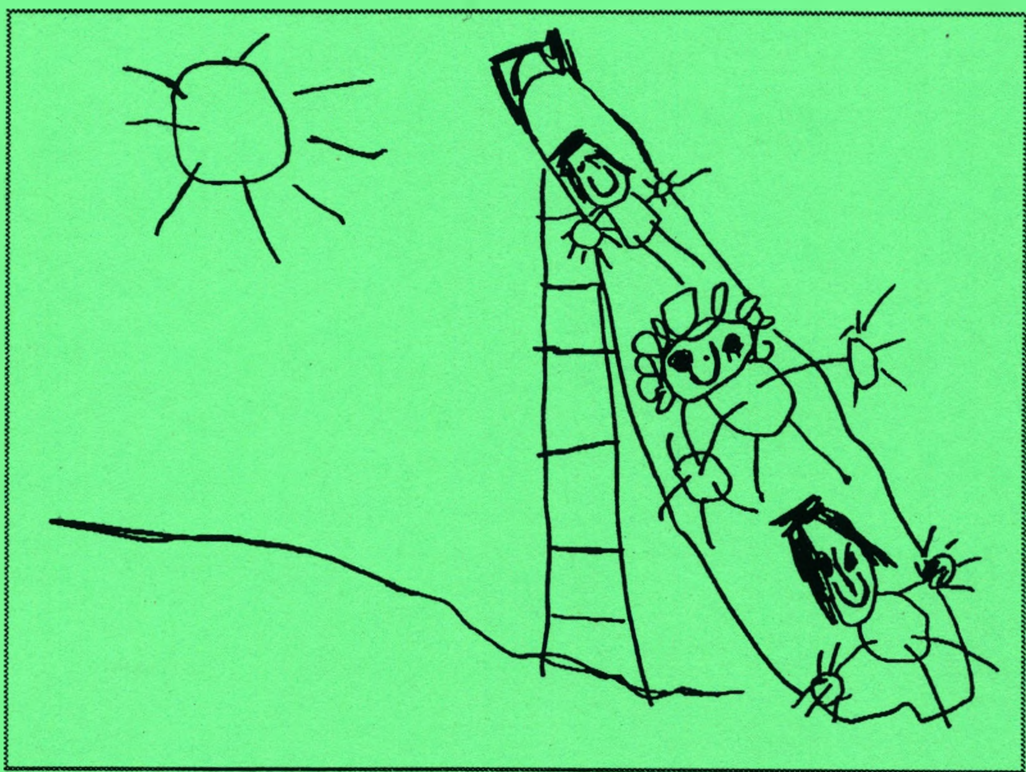
Pressures on families and their use of formal long day care



Gill Tasker
Don Siemon

Future directions in child care

Brotherhood of St Laurence
Community Child Care

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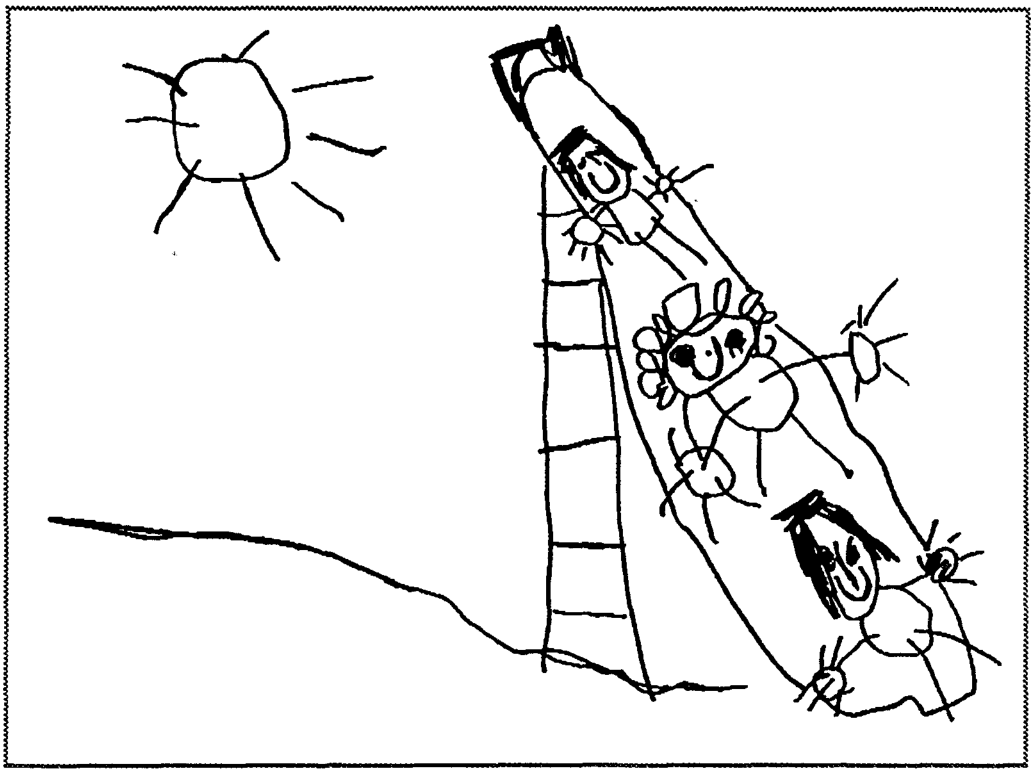

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Summary

This report arose from concerns during 1997 that formal child care was becoming less affordable for lower-income families.

It forms one part of a project being undertaken by the Brotherhood of St Laurence and Community Child Care to:

- explore the cost pressures on families which might be leading them to withdraw children from formal care, producing a series of case studies and contextual analysis; and
- provide analysis and background material on longer-term issues affecting the future availability of quality and affordable care.

This report explores the affordability of child care in two ways.

First, it provides details of interviews with nine families who had affordability problems with child care. These interviews provide an insight into how and why parents came to choose particular types of child care, their efforts in balancing work and family life, the nature of their affordability problem and their subsequent decisions.

Second, it examines the funding of child care, principally centre-based long day care, to assess whether and how affordability is changing and which groups are likely to be affected.

The families interviewed

Nine families were selected for interview who:

- had expressed concern regarding the affordability of child care, and
- had either reduced their time in paid care or made alternative arrangements to avoid paying additional child care fees.

Families were lower or middle-income. They came from various parts of Melbourne and covered a range of family and employment circumstances. While no claims can be made about their representativeness, either of all families or of child care users, they do seem to provide good illustrations of the sort of people whom child care—and expenditure support from the Commonwealth Government—is supposed to be helping.

Their situations were however striking in two ways. All the families had two or more children and few had very stable employment situations.

Common themes

The stories of the families are provided in detail in Appendix 1 of this report. A number of themes emerged from them:

- families, particularly mothers, had very clear views on what they expected and sought from care and had investigated alternatives; however
- knowledge of what could be expected prior to obtaining care varied and sometimes families were driven to find care by unplanned events;
- the reasons that mothers sought work varied, although economic pressure was the most common reason;

- managing child care and work was much harder with their later child than was the case with the first child, both in terms of affording fees and in terms of organising time;
- establishing informal networks for emergency care was also more difficult and over-reliance upon these was a concern;
- problems balancing work and family were a cause of women starting to question whether persisting with employment was worth it, although most strongly wished to continue in the work force at least part-time; however
- the sharpest tensions were felt in the families whose employment was most vulnerable and fragile, for while child care was essential to earn income, care was too expensive to continue when income prospects were uncertain.

Reactions to higher costs

The costs of care for the families had risen by an average of $27 per week over the 18 months to the end of 1997. This very high rise reflects the ways in which the families were selected but may also reflect rising costs amongst community-owned centres in the second half of last year. For some families, with two children in care, this meant an additional $10 per day of care. In two cases the rise was sufficient to reduce spending on food and other consumables to very low levels.

Lack of affordability translated into two different sort of pressures on the families—and two different types of decisions.

- For some families, particularly sole parents on low incomes engaged in study, the increase in the costs of care left them in serious debt and some financial hardship. Care was just too expensive and had to be sacrificed, making continued study very difficult.

- For others, the higher costs reduced their net earnings from work and acted as a barrier to continuing or extending employment, in some cases leading them to reduce work below desired levels and in others putting work force participation completely in doubt.

Public support for child care

Examination of trends in the provision of Commonwealth funds for child care suggests that while levels of Childcare Assistance, the major form of expenditure support, were generally indexed to accommodate inflation, this was not sufficient to prevent real increases in the cost of care over the period from 1992 to 1997.

A price index for child care costs, used by the Australian Bureau of Statistics in compiling its Consumer Price Index, has been rising very much faster than general inflation over the last decade.

This erosion in effective support is being passed on to users as flat, and regressive, increases in out of pocket expenses. Out of pocket costs for a full week's care in an average centre have risen by 50 per cent in real terms for low-income families. The Childcare Rebate, introduced in 1994 for broader purposes, should in principle offset this increase for higher-income families. However it is insufficient compensation for lower-income users.

The budget for Childcare Assistance was cut by about seven per cent in the 1996 Commonwealth budget and this is exacerbating the more gradual trend to higher out of pocket costs for families. Families with two or more children are particularly affected.

Additional cuts in other subsidies to community-owned centres are resulting in some very large increases in weekly fees for all users, together with some additional ways of raising revenue such as surcharges for part-time use.

Pressures on family incomes

Higher out of pocket costs for care are less likely to be a problem for families if their disposable incomes are growing, allowing them to absorb the costs. Conversely, lower disposable incomes will make child care less easy to afford, exacerbating cost increases.

A brief examination of trends in wages and cost pressures on family incomes suggests that groups at risk of being unable to use care because it is too expensive are those:
- whose incomes are low and fixed because they are studying, unemployed or otherwise jobless;
- who are lower-paid wage-earners who lack industrial muscle to gain a share of higher output through enterprise bargaining, particularly those who are in part-time or casual employment;
- larger families who are living in rented accommodation; and
- families with higher health or other needs.

An examination of effective marginal tax rates suggests that families who were at risk of finding increased work not worth undertaking—after accounting for tax, child care costs and loss of social security payments— are those where the secondary earner (usually the mother) is earning relatively low wages, and particularly those:
- with more than one child;
- who are working half-time or less;
- whose partner is on low wages as well; or
- whose partner is on quite high wages.

The high effective marginal tax rates already existing as a result of the interaction of Family Payment and the income tax system have been markedly exacerbated by the Family Tax Initiative payment targeted to mothers of preschool children.

Those particularly affected by worsening affordability

Types of families likely to have to reduce child care use as result of the above complex of changes therefore include:
- families with two or more children (particularly if more than one requires care);
- families with other high costs, particularly those living in rented accommodation or having high health costs;
- sole parents using care for full-time study;
- sole parents in part-time, lower-paid work;
- couples where the hourly earnings of the mother (or secondary earner) are relatively low, particularly where the family income as a whole is low or quite high; and
- couples where the mother or secondary earner is seeking to work less than half-time.

The size of this group is likely to be significant.

Challenges for Commonwealth policy

The findings of this report suggest that action is required to improve the affordability, quality and reliability of Australia's long day child care services. There are strong grounds for the Commonwealth to act.

In particular, this study suggests that it is particularly lower-income families (that is, those who are receiving the most in family payments) who are most vulnerable to the worsening affordability of child care. As a result some are drawing back from participation in the work force. If this is so, then the cuts to child care which drive parents into these decisions are likely to worsen the budget situation, not aid it.

Improving affordability is best done through expanding per capita spending on Childcare Assistance rather than on Childcare Rebate. To restore affordability back to 1992 levels would mean increasing Childcare Assistance to $105pw. This would still leave lower-income families facing significant out of pocket fees.

Past evidence as to whether additional expenditure support would be passed on in full to users by child care services is unclear, but the current degree of competitive pressure and the administrative power of the Commonwealth should be sufficient to minimise this problem, even amongst private centres.

Targeting of additional expenditure support should favour lower-income users, particular families where all earners receive low rates of pay. However care should be taken to avoid increasing withdrawal rates and thereby worsening effective marginal tax rates.

An equally important focus for subsidies is families with more than one child.

The extent to which expenditure support should be focused on work-related care is a continuing challenge for the Commonwealth. New provisions to generally limit subsidised care for other purposes to 20 hours per week are reasonable if adequate provision is available for emergency family needs. The reporting provisions recently announced for this criterion may require strengthening if the Commonwealth's aim is to be met.

There is considerable potential for community-owned child care services to develop as community enterprises which build additional service elements into child care provision to enhance both the health and well being of children and their ability to take advantage of preschooling and schooling.

Priorities for Commonwealth funding

To the extent that the current 'shake out' within child care services represents a closer balance between need for places and availability of places, 1998 is an opportunity for the Commonwealth to refocus its efforts towards improving affordability, quality and reliability.

Priorities should be to:

1. increase the maximum value of Childcare Assistance by $19 per week as soon as possible;

2. seek to implement administrative measures to constrain fee increases to ensure that this additional benefit flows through to reduce out of pocket expenses for users;

3. ensure that withdrawal rates of Childcare Assistance with earnings are below 20 cents in the dollar for all family types;

4. amend the income test for families with more than one child to ensure that affordability is additionally improved;

5. consider strengthening the provisions by which families demonstrate work force-related activity to gain subsidised care for more than 20 hours per week; and

6. provide strategic funding for community enterprise development within the community-owned sector.

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An interim report based on the second and third sections of this document was provided to the Senate Community Affairs Reference Committee inquiry into the funding of child care .

Acronyms

AFI	Assessed Family Income
AIHW	Australian Institute of Health and Welfare
CA	Childcare Assistance
CCC	Community Child Care (Victoria) Inc
CCR	Childcare Rebate (formerly Childcare Cash Rebate)
CPI	Consumer Price Index
DSS	Department of Social Security
EFT	equivalent full-time
EMTR	effective marginal tax rate
EPAC	Economic Planning Advisory Commission (formerly Council)
FDC	Family Day Care
LDC	long day care
NACBCS	National Association of Community-Based Children's Services.

Introduction

This report had its origins in concerns on the part of parents, welfare organisations and community sector children's services agencies that child care was becoming unaffordable for many families.

This concern began after changes to child care funding in the 1996 Commonwealth budget and grew rapidly during 1997. Phone-in surveys of NSW and Queensland parents reported that centres had fewer staff and were having to cut back on elements of the service such as meals or nappies. Parents reported having to change their care arrangements because of the higher cost of care (Frow 1997).

While these concerns were particularly evident amongst users and operators of community-owned centres – because changes to funding here were most directly leading into higher charges and reductions in services (see NACBCS 1997) – they were not confined to this sector. In particular, a decline in demand was evident not just in community-owned long day centres but also across private centres and in Family Day Care.

As a result, Community Child Care and the Brotherhood of St Laurence agreed to undertake a joint project, one part of which would be to explore whether or not affordability had worsened and the implications of this for use of formal child care services.

Background to the project

The Brotherhood of St Laurence has had a continuing interest in the use and provision of child care for many years, principally in relation to Brotherhood services and to broader research or policy concerns, such as:

- *access by disadvantaged families* – for example, lower levels of subsidised access for respite or developmental care – reflecting our services in both inner and outer Melbourne and our research into the life chances of children (e.g. Taylor 1997);
- *budget policies* – for example, the introduction of the Child Care Cash Rebate as a separate payment or the withdrawal of operational subsidies to community-owned centres – reflecting both our own analysis and the concerns of our services; and
- *the overall direction of policy* and particularly the risk of child care becoming less 'developmentally-focused' – reflecting the nature of the Brotherhood's commitment to early childhood services.

The Brotherhood's involvement has however been relatively low-key given the strength of community sector peak bodies, particularly within Victoria. Community Child Care (CCC) has been the peak body for Victoria's community-owned and non-profit child care services for 25 years. It provides training, management resourcing, business planning and sector advocacy to these services and has a strong association with the Kindergarten Parents Federation, who represent parent management committees for preschools in Victoria.

CCC has also developed the ability to provide business planning services on a consultancy basis and to provide management and other support services for child care centres.
Finally, CCC provides the secretariat for the National Association of Community Based Children's Services (NACBCS) which is actively engaged in dialogue with the Commonwealth Government over issues of child care planning and funding.

Project aims

The Future Directions in Child Care project being undertaken by the Brotherhood and CCC aims to assist child care organisations and users by:

- exploring the cost pressures on families which might be leading them to withdraw children from formal care, producing a series of case studies and contextual analysis; and
- providing analysis and background material on longer-term issues affecting the future availability of quality and affordable care.

This report is part of the work on the first of these aims. Future work may include interviews with Family Day Care providers and users; further development of alternative income-testing arrangements; and examination of delivery of user subsidies beyond 1998.

The value of child care

Australia has a far more developed system of child care than some other OECD countries, and it is one which has been changing rapidly. It has grown very quickly in a short period, mainly through an expansion of private provision, and continues to see major revisions to its regulation and financing.

Formal child care provides at least five benefits to Australians.

- It provides a way by which the community can support parents by ensuring that the task of caring for and raising children is not solely that of the parents or their immediate relatives.
- It prevents parents, particularly mothers, from losing their skills and employability because of long interruptions to careers which tend in turn to lower national productivity and economic output.
- It reduces the very high 'opportunity cost' which women face if they lose the benefits of employment by bearing children.
- It ensures that lower-income parents, in order to increase family income, are not driven to place their children in unsafe, unsatisfactory or unstable environments.
- Finally, it offers a way of broadening the experiences of young children and, in some cases, improving their life chances.

The benefits of care to children depend on how it is organised and to what ends: good quality care will be structured to enhance rather than detract from the development of the child (see Ochiltree & Edgar 1995). While the last decade of expansion has also involved efforts to maintain the quality of care, the desire to lower the costs of provision may be producing changes which undercut this: larger centres, less continuity in staffing and lower regulatory standards in some states.

Affordability

Whether or not families are actually able to benefit from formal child care of whatever quality, however, depends on whether there is sufficient available and whether it is affordable. That affordability in turn depends both on the costs and the income of the households.

The unsubsidised purchasing power of lower-income or middle-income families for child care is likely to be limited. It does not make very much financial sense to substitute someone else's labour for your own unless you are relatively well paid—for this reason, most people do not eat out every night. Even though formal care offers some economies of scale (one carer for four children rather than one for two), there are offsetting costs such as transport from home or the costs of maintaining the premises where care takes place. And the parent has to pay the carer out of their post-tax income—this again helps make child care relatively unaffordable if the parent's income is not high.

Government funding for child care exists to improve this affordability, to support parents (particularly mothers) in not only nurturing their children but providing for them through earning income.

Benefits of government funding for child care

This funding is essential if society is to gain the benefits listed above. There are several different sorts of arguments which favour government support.

- Supporting child care can be used as a horizontal equity measure, smoothing expenditure across the life cycle. As with government spending on schools or family payments, child care subsidies give assistance to families at a stage when costs are high in relation to income. They also give assistance in a form that it is practically important, sharing the burden of parenting directly, something that parents in all societies need (see McGurk 1997, p15).

- Helping mothers maintain their work force participation is both a matter of gender equity and economic efficiency (which benefits from a more productive work force than would otherwise be the case).

- Funded child care reduces the opportunity costs of bearing children and thereby improves long-term social sustainability. Without support for childrearing, women—or their partners—may decide against children (see McDonald 1997 for an argument based on international comparisons).

- A good quality child care system, funded to allow access by all income groups, is a positive element in a social protection matrix helping to prevent poverty (through increasing job chances for mothers) and ameliorate it (by ensuring low-income families have a safe and secure place for their children when it is needed). Just as with other services to children, however, the quality needs to be assured through regulation.

- Funding designed to improve vertical equity (largest subsidies going to least well-off families) is conditionally redistributive. It supports the efforts of lower-income families who are taking measures which will benefit themselves (and perhaps the wider society) in the longer run.

- A good quality child care system offers developmental benefits to children from particularly disadvantaged or difficult backgrounds who might otherwise not reach their full potential, particularly if the service is linked to preschool, school or other specialist children's services.

- A good quality child care system also assists child protection, both because quality mainstream children's services offer a preventative alternative to more intrusive forms of protective services (see Harris 1989) and because they can be an element in more structured or intensive family support services.

Although the feminist vision of 'free and universal child care' remains remote, the past two decades has seen the case for government funding of child care services more and more widely accepted (see for example Verry 1990).

In Australia, funding is largely directed to improving affordability for lower income families, with funds given according to parents' income on a 'quasi-voucher' basis rather than (as with schools or hospitals) to providers. This pattern makes both economic and fiscal sense because it is a way of easing the 'poverty traps' in the social security system, and savings in social security payments more than pay for the child care subsidies (Anstie et al 1988).

The effect of this funding has been to allow very rapid growth in the supply of child care places, mainly through the private sector.

However, recent cutbacks in spending (both to reduce some areas of spending and to curtail growth in others) may signal a major shift in affordability. The marked decline in demand for care and the shake out now underway (some 19 community-owned centres have now closed within Victoria) may be a symptom of this.

This report

This report explores the extent to which the affordability of formal child care, principally centre-based care for preschool children (aged up to five years), has worsened, who is being affected and what might best be done about it.

It is based on exploratory interviews with nine families who are unable to afford the child care they would prefer to be using, in some cases recently changing their use. Themes that emerged from these interviews are discussed and profiles of these families, their employment and their needs for care, are reported.

The report then examines the interplay of Commonwealth funding changes, child care costs and pressures on household incomes—all of which influence affordability.

The report's conclusions sum up themes from the investigation, draw out some implications for government policy and outline some possible future research.

Families who cannot obtain the care they need

This section reports the experiences of nine families who were unable to use child care as they had planned or expected.

These families are illustrative of a group of families for whom formal child care is now significantly less affordable. Their backgrounds and responses suggest some factors which might be explored in future research. And their experiences show the importance of a reliable system of child care to Australian families.

The ways in which these families were selected and interviewed is first explained. Then the key themes which arose from their stories are reported and discussed, starting with issues of choice, quality and access and concluding with issues of affordability.

The research method

The research involved interviewing a number of families who:
- had expressed concern regarding the affordability of child care, and
- had either reduced their time in paid care or made alternate arrangements to avoid paying additional child care fees.

Other considerations were that the families be eligible for some Childcare Assistance (that is, the focus was on lower and middle-income families); that they come from a range of different parts of Melbourne; and that they include a range of different family and employment circumstances.

The purpose of the research was exploratory only: to assess the situation of the families and identify patterns in their use of, and decisions about, child care which might be worth examining in greater detail in subsequent research.

Recruitment

Interviewees were recruited by contacting child care centres, principally community-owned, across metropolitan Melbourne to ask for families who met the criteria to contact the researcher.

Since no Family Day Care, out of school hours or informal care providers were contacted, recruitment did not include people whose primary use was of these services.

Over 20 services were contacted but there was a poor response rate. The feedback from the coordinators suggested several reasons for this.

- Firstly, the timing was difficult. The initial recruitment began within weeks of Christmas and families had other priorities and commitments.

- Secondly, some coordinators explained that many of the families that met the criteria were from non-English speaking backgrounds and were sensitive to the notion of discussing the family situation with a stranger.

- Thirdly, there was resistance to the idea of disclosing the family finances to a researcher.

- Finally, many people who met the criteria had similar profiles in that they were training or studying and were on a very low fixed income. Since this research was seeking a range of household types, employment status and professions, only a small number of these students or trainees were interviewed.

Of the more than 20 families contacted, nine were selected to be involved in the study. Although type of provider was not a criterion for the choice of those interviewed, all happened to be current or recent users of a community-owned centre. Some had earlier used other types of care or were using out of school hours care for older children.

Interview structure

The interviews were of a semi-structured format to produce a chronology of child care arrangements over the years. The broad areas of investigation included:
- the participants initial plan and feelings about child care with their first born;
- their changing needs over time with subsequent children and changes in work patterns; and
- a description of their current situation.

Details were also collected in relation to finances. Two forms were filled in during the interview by the interviewer and the parents.

The first detailed the full daily and weekly rates since 1996 of the child care services which the participants had been using. The participants were also asked for the percentage of Childcare Assistance (CA) which they had been receiving since 1996. In half the cases this information was cross checked with the centre directly as was the percentage of Childcare Assistance the family was receiving.

The other form covered the family's income and expenditure details for 1997 and 1998.

Interviews were undertaken at various times from mid-December 1997 to February 1998. The discussions went for up to an hour and a half. They were tape recorded with written notes also being taken at the time. All participants have had access to a copy of their story for verification purposes.

Participants were paid $30 for their time and cooperation.

Profiles of the families

A profile of each of the nine families interviewed was written up. These are included as Appendix 1 of this report (p42). The names of parents and children have been changed to ensure their privacy.

Each profile concludes by highlighting:
- the basis of their concern regarding the affordability of child care; and
- the decisions which they had come to in response.

A summary of the situation of each family, their concerns and decisions are given in boxes throughout this section.

1 Not worth working, so career on hold

Susan is married with two pre-school children and lives in an inner suburb of Melbourne. Her husband works full time and until recently Susan was working four days per week. For care during these four days, Susan and her husband were paying $230 per week, over 30 per cent of the family's disposable income.

Susan chose to remove the children out of care and herself out of the work force. She believes that this decision has had several consequences for her and the family. It has diminished the family's ability to improve their economic situation, and has robbed her of the opportunity of participating in the work force in a manner to which she has aspired. It is with great reluctance that Susan now has to place her own career on hold for two years until the children are school age.

For a full profile of this family, see p44.

Family characteristics

The interviewees included six married couples who had been together for an extended period prior to having children. There were also three single parents. All had more than one child: five families had two children and the remaining four had three children each.

Seven of the nine families had some extended family network in Melbourne but access to them varied. Four families had very involved grandparents with whom they had developed a close and cooperative relationship and they had become a vital support network. Others had less help due to reasons such as distance, age or the grandparents' own work commitments.

Three families were living in rented premises and six families were purchasing their own homes.

The parents had a range of occupations: teachers, a research physiotherapist, a student, a welfare worker, a technical support worker, a designer, an emergency services worker, a writer, a sales manager and a leather industry worker. They are all people who have had positive work histories and have been able to gain employment when the need arises, although a number of both fathers and mothers had had changes in employment and some job insecurity.

All women had returned to the work force or study within 12 months of the birth of their first child. At that point their partners were engaged in either full time study or work. Three women returned on a full time basis and six on a part time basis.

Their incomes range from the very low (sole parent pension alone) to slightly above average. No individual earns more than $43,000 per annum, and all the families have been assessed as eligible for some proportion of Childcare Assistance. No household reported in excess of $1,180 as a gross weekly income, which would mean all would receive some Family Payment. While no claims can be made about their representativeness either of all families or of child care users, they do seem to provide good illustrations of the sort of people that child care—and expenditure support from the Commonwealth Government—is supposed to be helping.

2 Child care for study brings debt and impoverishment

Kelly is a single parent with three children. Her eldest is sixteen and the others are two and three years old. She is currently studying for a diploma. For the part-time care necessary for her to undertake her TAFE course in 1997, Kelly was paying $56.60 per week, 20 per cent of her total income.

The student placement for her course required Kelly to pay out 40 per cent of her income in child care. This has left her with a major debt and forced her to withdraw her children from the centre.

For a full profile of this family, see p47.

Choice and child care

Choosing the child care arrangements and making decisions about what was in the best interests of their children was an issue taken very seriously by all the families.

However, it was clear from all the participants that these decisions were initiated by women, acted upon by women, and monitored by women. Partners were by no means excluded from the decision-making process but rather offered their support to their spouse in a way that confirmed her opinion of the planned formal care arrangements. In five cases the fathers were actively involved in the plan, as their work or study pattern created the opportunity for them to care for their children. Once the initial decision was made most families tried to share transport arrangements and fathers became involved in a practical sense.

Expectations of quality

The participants had a clear vision of what they expected and what they sought from the services. Every family expected that the child care provided for their children would be of high quality and would be tailored to their individual needs. They wanted people who would care for their child as they would, and place importance on the particular needs of the child.

Location and convenience were important as no-one wanted to add to the length of the day by travelling long distances. Cost was also a factor which influenced the decision of the service selected. This became more relevant as the families grew and because of changes to Childcare Assistance.

All of the women interviewed embarked on a thorough examination of the various options available to them before they made their final decision. Even if they had a pre-existing preference this did not deter them from assessing the situation first hand. They visited the child care sites and asked questions and came to an informed conclusion about what they wanted. They had very definite opinions about services they considered to be below par and dismissed them from the list. They wanted to be satisfied that the situation they placed their child in was going to meet the individual needs of the child as well as that of the family.

The timing of a child care placement can be a difficult issue to resolve as the support is needed to enter the workplace, but paying for the privilege for an extended period without an income can be financially damaging. Needing to be in control of the child care arrangements was quite evident.

Several mothers had some prior knowledge of the child care networks and the possibility of encountering long waiting lists. To give themselves the best possible chance of obtaining a placement when they needed it, they registered the unborn baby's name on the waiting list. Long waiting lists were commonplace some years ago, so it was necessary to act with some haste, particularly if options were limited or restricted by a specific preference.

3 Reducing work, avoiding formal care

Tanya is married with two girls aged four and a half years and 19 months old. Her family lives in the outer western suburbs of Melbourne. Tanya had been working full-time but recently cut down to part-time.

Tanya appears unable to afford to have formal child care for all the time she is actually working—to do so would take nearly half of her net earnings.

Instead she relies on her parents and taking on casual work at a time when no care is required.

For a full profile of this family, see p50.

Limits on choice

Others had a less sophisticated knowledge of the system and had not realised this might be a problem. They tried as hard as they could to delay their re-entry into the workplace until their first choice became available. Even then it may have been that they had to take what was offered and hope for the best for the remainder of the time required.

Those who moved house faced similar difficulties.

Some families encountered an unexpected event which meant they required child care support immediately. In several cases this was a direct reaction by the mother to an unsatisfactory care arrangement. Without hesitation they withdrew their child, knowing they had no immediate alternative. This predicament left them feeling very vulnerable as they could not forgo work force participation because of a lack of child care. Despite great stress and personal anxiety, however, the mothers were not prepared to compromise on quality for a second-rate service even if it was available. In other words, having made the decision regarding the most suitable environment for their child, the families were going to stick with this choice, despite the fact that they might have had to change their work pattern to accommodate the choice or call in favours from friends and relatives until the preferred service became available. The women's participation in paid employment was not, in their opinion, going to be at the expense of the quality of care for their children.

Families were all principally users of a community-owned centre, although this had not always been their choice. Family Day Care had been the initial choice of three families, while two had used an informal home based arrangement. The women felt the young age of the child meant they would be better suited to a home environment. In one the Family Day Care proved satisfactory and in the other two the service did not meet the families' expectations. Similarly, the informal care arrangements worked for one family but not for the other. These five families eventually moved to long day care centres while the other four had used centres as their first type of care. One family had a short experience with a private centre in the country.

The key areas of agreement about their decision to chose centre-based care were an established program and routine, empathic and professional staff and accountability for the service provided. Accreditation of centres also provided some comfort to the families as it is a process that recognises the strength of a centre.

These preferences obviously reflect the selection of the original group, all of whom had chosen centre-based care (see the discussion of recruitment above).

4 Insecure work creates a child care bind

Debbie and her family live in an inner northern suburb of Melbourne. Her husband Frank is a teacher. They have a seven year old daughter, Eliza, and twin boys aged three years who attend a centre two days each week.

Debbie and Frank face higher costs and greater uncertainty because of the insecure employment situation—casual and contract work.

Child care is already costing them $55 per week for their twins. This and transport to allow Frank to work take all Debbie's pay. They are unable to afford the extra care that would allow Debbie to work more but neither can they afford to remove the children from care.

For a full profile of this family, see p53.

Combining work and family life

The ability of the parents, particularly mothers, to satisfactorily balance work and family life by using child care appeared to have changed significantly over recent years.

Reasons for seeking paid work

Returning to the work force was a choice taken with varying degrees of ambivalence by mothers. Some were returning to their previous job while others were seeking new employment avenues.

Economic pressure in most cases was cited as the driving force behind the decision. Other concerns were about possible loss of work skills and future employability, while personal satisfaction was also cited as a reason for returning to work. Several women suggested a strong need to escape the constraints and isolation of the domestic environment and a return to something of their own.

Past and present experience

All women had the expectation that returning to paid employment would help relieve the family's economic pressure and would improve the household's disposable income. With the first child the participants reported that things went relatively smoothly. Organising the family around the work routine was not too complicated. Establishing a back up system to cover times when the child was ill and unable to go day care was not difficult as one child was not perceived as being too burdensome to relatives and friends.

Expenses related to child care were tight but manageable. On reflection, most participants considered child care expenses to have been relatively cheaper then – in most cases from three to six years ago – than they are now.

However, by the second and subsequent children, things had changed considerably.

Time away from the workplace with the second baby meant making decisions about the care of the first child. Knowing returning to the work force was inevitable, most families chose to continue with the paid care of the first child. This was done with the best interests of the child at heart as the women believed the stability in their care arrangements was paramount. The eldest child was engaged in a routine and enjoyed their time in day care. Disruption to this situation was perceived as an undesirable, even if temporary, alternative. The need for respite and time alone with the new born was also a consideration.

Several participants expressed concern that giving a child care place away would mean they would never get it back again. Paradoxically, the decision to maintain care for the first child inevitably shortened the time at home for the mother as it placed greater economic stress on their household income because of the continuing child care bills.

On the return to the work force, organising the children became more challenging – even 'chaotic' – and particularly in situations where the youngest and older children were attending two different places, such as creche and school. This often took a lot of juggling and required cooperation from employers as well as child care workers, particularly if there were more than two children. This juggling, coupled with a degree of tiredness associated with long work days and a demanding work place, led some participants to question their priorities. There was a perception that the commitment to work required was so great that it was intruding into the quality of life they could lead as a family.

5 Working more than part-time is not worth it

Kim, John and their two girls—Cassie aged eight and Tess aged three—are long-time residents of an inner city suburb of Melbourne. Tess attends a centre on the three days each week which Kim works.

Kim and John face a straightforward trade off in terms of employment versus the costs of care.

If Kim was to work an additional day it would provide an additional $120 each week in income, but $67 of this would go in higher child care payments.

For a full profile of this family, see p56.

In three cases, however, these issues were apparent but so strong was the women's desire to escape the domestic scene or keep in a job that, at least on a part-time basis, they carried on working regardless. In one case, there was little if any economic benefit in working whatsoever, as the wage was consumed by expenses associated with work force participation. Four women, including the single parents, were compelled to return to the work force for basic survival. They had similar feelings about their predicament but had absolutely no choice about their priorities and had to just get on with it as best they could.

Establishing back up networks also became more complicated as relatives, particularly grandparents, were less inclined to take two children, or their parents decided it was far too great an expectation for them to have the children for long periods on their own.

The over-reliance on these informal networks was a source of concern to participants, especially in a crisis situation. As subsequent children were being born, naturally their own parents were becoming older. Several participants acknowledged it was a rather fragile system relying on their ageing parents so they were endeavouring to establish other networks to help out with this dilemma. Inevitably this meant having to repay favours during their time at home to the other people who helped.

Was working worth the effort?

Gradually, as time went on, some participants began to examine the whole issue of why they were working. Some disillusionment had crept in for several women as their economic situation had not improved in the manner they had expected. As the total family income had increased, so too had the child care fees. The combination of the greater outlay in expenses and additional family stress for what seemed little or no improvement in total disposable income lead some to reflect on their priorities and examine their aspirations regarding work.

6 Work and family pressures mean that formal care is too expensive

Sally and Jack live in a suburban area north-west of Melbourne. They have three children: Kylie six years, Stephanie three years and Tim aged 12 months. Alexander, a child with Downs Syndrome was born two years after Kylie. He died shortly after his second birthday. Sally works on two days each week.

Sally and Jack are unable to afford the two full days of care which they require, mostly because of the limited number of hours for which Sally is paid in her two days of employment.

They therefore use a combination of formal and informal care.

For a full profile of this family, see p59.

However, many of the women expressed frustration at the cost of not taking part in paid work—the loss of highly developed skills and their career paths petering out. For this reason they sought to keep a foothold in employment and in child care.

The experience of unstable employment conditions or a perception of employment insecurity also emerged as a major theme in this regard. Indeed several of the families experienced periods of unemployment due to factors beyond their control.

The families interviewed had a variety of employment conditions. Only one couple had both partners who were in permanent salaried positions. Most of the group were employed in a combination of a salaried position and contract or casual work. One couple had one partner employed on a casual basis with the other on short-term contracts. The single parents were either on a pension alone, pension in combination with casual work, or self-employed.

The families who were employed in the most vulnerable and fragile positions expressed great anxiety about living with the stress of not being able to effectively plan their household budgets, as they were mostly surviving week by week and had no accumulated savings. This, coupled with the prospect of having to make decisions about removing their children from quality care because they had lost their job, seemed overwhelming. The child care was highly valued as the families had placed their children in what they believed was the best possible environment, so the threat of losing that support was horrifying. It left them with a feeling of being trapped, as without the child care it would be difficult to get further work.

Continuing the child care arrangements was their preferred choice, but the consequence of that was that the family risked creating a debt which would be difficult to escape from. If they removed their child there was no guarantee they would get the place back again, and chopping and changing child care arrangements was seen as being most undesirable for the children and an option to avoid if at all possible.

Unless the arrangement was completely infeasible, the expressed choice of the parents was to decrease the formal care, or in some cases not increase the care when additional paid work was found, and then supplement the need with increased informal arrangements. In this way the link with the centre was not lost and the risk minimised.

Flexibility of child care arrangements was thus another issue raised by the participants. Several families were caught in the bind of having to pay people cash in hand for informal care in their own home as they were unable to access formal services at the times they needed it. This was proving expensive as it was money for which there was no assistance or rebates available.

Affordability

The issue of affordability of child care is intricately related to the quality of life issues and the work place involvement previously discussed. It was the participants' general view that the relative cost of child care had risen dramatically in the past 18 months.

Cost increases

This rise was confirmed by the child care centres which the families attended. The fees had increased significantly since 1996. The average increase across the 18 months was $27 for the weekly rate and $6 for the daily rate (reflecting a loading for part-time care). In most centres there had been a three-stage price rise to overcome the loss of the operational subsidy in July 1997. As Childcare Assistance is based on a set formula and base figure, any price rise is passed directly onto the consumer.

These increases are higher than the averages reported nationally for community-owned centres by the Department of Health and Family Services (DHFS 1997) although they are more in keeping with increases reported by NACBCS (1997) and the New South Wales Council of Social Service (Frow 1997). The difference may reflect the imposition of fee increases late in 1997 or it may reflect the bias of the selection criteria, which sought people with affordability problems (see discussion earlier in this section).

7 Child care costs make sole parent consider giving up work entirely

Joan separated from her partner ten months ago. She resides in her own flat in a bayside suburb, with her two pre-school children, Erin and Christine, who attend a creche on two days each week.

Without a regular salary, and with her employment insecure, child care for two children takes up an unsustainable share of Joan's income.

Despite her determination to improve her prospects through study while working, Joan is at risk of withdrawing from the work force.

For a full profile of this family, see p62.

Impacts of cost increases

Many participants expressed a degree of anger about these fee increases. They felt it was like an attack on women and another obstacle to overcome in their efforts to either re-engage in the work force or return to study.

These increases made most major impacts on the child care bills of families on fixed and low incomes and where there were two or more children involved. Some families had to face the prospect of paying an additional $10 per day for two children in care. Having to find this money when there was no available cash led many women to express a feeling of despair ... treading water and slowly sinking.

Accumulating a debt was something about which most women were extremely fearful, as they could see that they would have a limited capacity to ever repay it without entering into more extreme hardship. Those on lower incomes adopted the approach of paying the ongoing utility bills first and then using what was left over to buy food. In two cases they were already spending less than $50 a week on consumables. One had been forced to seek out food vouchers from local charities.

8 Unsettled work, housing and child care

Sylvia and Brett live with their three children in suburban Melbourne. They use informal care for their two youngest children.

Brett and Sylvia are currently paying around $100 each week in babysitting.

Their work circumstances change from week to week and they are as a result unable to find a more stable child care arrangement at an affordable price.

For a full profile of this family, see p65.

Although the women had developed impressive budgetary and survival skills it was quite clear that in some situations there was just not enough money in the first place.

These stories highlight the special predicament of people on fixed or low incomes who are engaged in training or study. The cost of increased child care fees coupled with student placements left two families in serious debt. In their view they were studying for a specific purpose—to increase their skill level so as they could then re- enter the work place in a new career path. The cost angered and overwhelmed them and led them to feel a great sense of disappointment with the system which seemed so against them.

Decisions to limit use

As a result of these changes, all families were using less formal care than they felt that they really needed. The combination of higher costs, unstable work patterns and low net returns from work meant that they were left coping with less stable and satisfactory care arrangements. Given the high priority which all these families placed on being confident as to the quality of care, in no sense did the parents suggest that these arrangements were damaging to the children. But neither were they the stable, high-quality care the parents sought and which is available in more formal settings.

The decision to limit use of formal child care in turn had implications for the work force participation of the mothers. This was in some cases continued but at considerable cost; in some cases it was reduced; in others threatened.

These decisions suggest that, for these families, formal child care is inadequate in terms of assisting them to improve their standard of living. But what implications should be drawn from these nine families which may be relevant to the decisions and dilemmas of child care users more generally?

What drives lack of affordability?

These families were chosen because they had affordability problems. They are therefore illustrative of people who are likely to change away from the use of formal child care, but they are certainly not necessarily representative of all users.

Compared with all Australian families with children, this group was striking in four ways:

- they all had more than one child (although not always in care);
- their working lives tended to be relatively insecure, with causal and contract work being very common;
- they were all principally users of community-owned centres; and
- they faced very high price rises for child care.

It is generally accepted that, for a given level of earnings, larger families tend to be under greater financial pressure than smaller families. While there are some economies of scale with more children and higher family payments offset some of the differences across families, the benefits of these are low compared with actual expenditures on additional children. The stories of the families interviewed for this project also show that other difficulties in balancing work and domestic life also increased with more children, although clearly the expertise and maturity of the parents did as well.

9 Enrolling at school to minimise child care costs

Heidi is a sole parent with two children, Romy and Kristian. Her younger child attends a child care centre three days each week while his mother works.

Heidi withdrew her child from formal child care and sent her to school a year earlier than she planned when she found the higher fees unaffordable.

As a result, she had to cope with other child care costs which were even higher on most weeks. Despite working three days a week, she had only just enough money for food to scrape by.

For a full profile of this family, see p68.

Insecurity of work appears to have been both a cause and symptom of child care affordability problems. Gaps in income forced parents into invidious choices regarding care, while the costs associated with care forced parents to change their work patterns to minimise costs.

The fact that the parents interviewed all came from community-owned centres may be linked to their experience of very high price rises (community-owned centres who are adjusting to the withdrawal of the 'operational subsidy' until recently provided by the Commonwealth). As discussed above, it is not clear how unrepresentative these rises are, but they were certainly substantial and made an enormous difference to the out of pocket costs of most of the families.

Their responses illustrate two dimensions of 'affordability'. For some the issue was the fact that this bill was just too large compared to their income—for example a student who ran up a large debt when she required full-time care and had to withdraw her child as a result. For others, the issue was the fact that higher child care costs were reducing the returns from work, discouraging work force participation.

The next section of this report examines the extent to which it is likely that these and other characteristics are likely to be widespread factors in the affordability of formal care.

For whom is affordability a problem?

The families interviewed for this study are illustrative of the problems that some are having with child care fees, the pressures this produces and the sort of responses which they are taking.

This section examines the reasons why affordability appears to be emerging as a problem now—and for whom.

The affordability of child care depends both on the costs of care and on the capacity of families to pay them:

- the underlying cost structures of child care providers are reflected in the prices they charge to users;
- the degree of public support provided, which determines the net cost of care to users;
- the manner in which this support is delivered, which determines which families may face particular difficulties; and
- the incomes of the families and other demands upon these incomes.

This section of the report therefore brings together information on how public support for formal long day child care has been changing; evidence of cost increases; pressures on family incomes; and groups likely to be sensitive to affordability problems.

Public support for child care

In 1996, total spending on child care (excluding preschools or kindergartens) was around \$2.1b, of which governments met \$1.2b (EPAC 1996).

The six years prior to 1995-96 was a period in which some other areas of government activity saw real spending decline. But Commonwealth real spending on child care increased almost fourfold in these six years, reflecting a rapid expansion in the number of places, very largely in the private sector. Appendix 2 provides details of this expansion (see p70).

Trends in public support

In its early days, public support for child care was largely confined to capital subsidies and small operational grants to parents or philanthropic organisations to set up and run local centres. From 1973 the Commonwealth became the major source of funds, providing operational grants to cover a share of the award wages of qualified staff (Brennan 1994, p184).

Reflecting the origins of these services, quite early in the piece the practice of charging according to capacity to pay—that is, centre-based income testing—became established. In this way, child care pricing echoed rent-setting for public housing, where rents were set according to income.

As with public housing, however, growth in child care supply on this basis is only possible if there are sufficient funds to meet the income-related subsidy. Cross-subsidies from other users, or contributions in kind from volunteers or fund-raising, can only do so much. In the 1970s, the Commonwealth began to provide additional support in the form of 'Special Economic Needs Subsidies' to take on some of the burden of the income-related fees charged by centres (Moyle et al 1996, p24).

In 1986 funding of community-owned centres was rebalanced so that more funding was delivered as income-tested expenditure support—'fee relief'—with operational grants to community-owned centres continuing at a lower level. With growing numbers of private sector centres seeking access to this form of expenditure support, and moves well advanced to extend it to the previously poorly-regulated (and for the carers, extremely poorly-paid) area of Family Day Care (FDC), it also made sense to ensure that spending on fee relief was not blown out by new providers raising their prices. The new system avoided this by making the subsidy, rather than the fee charged by the centre, the subject of the income test. People with the same income at different centres would now receive the same subsidy but might pay different fees. Income tests were subsequently made uniform and administered by the Department of Social Security rather than the services.

The extension of fee relief, renamed Childcare Assistance (CA), to private centres from January 1991 allowed for their very rapid growth. With the guaranteed cash flow of CA, these centres have been able to operate profitably—despite being without the capital or operational subsidies which continued, until recently, to assist community-owned centres. According to Manning (1995), the private centres could obtain lower cost structures than non-profit centres in large part, though not exclusively, by:

- operating at a larger scale;
- more flexible staffing practices (including casual day labour); and
- lower staffing ratios in some states (this is often given as an explanation for the higher growth in Queensland; since then moves to lighten regulation of centre-based care is tending to reduce these ratios in states such as Victoria and Tasmania).

The requirement that all centres meet certain accreditation standards to obtain CA for their users has, however, provided some assurance that very poor-quality private centres were unlikely to emerge.

But while CA reduced costs for many users, it still left higher-income users facing large child care bills, and pressure periodically surfaced for tax deductibility for child care. Out of the 1993 election campaign came a promise to provide an additional, more visible form of support and in 1994, the Commonwealth introduced the Childcare Cash Rebate (CCR), which returned 30 per cent of out-of-pocket child care payments—including that on less formal care arrangements which do not attract CA (e.g. nannies or babysitting services)—above a threshold of $19 pw. Although the maximum amount per family was capped to around $30pw, the payment was not means-tested.

Major public supports for care

Public support for child care has therefore become directed in two major ways.

1. *Childcare Assistance* (CA) is paid to child care services. It is means tested over a similar range to Family Payment—that is, families with little income aside from social security payments gain the maximum amount, while those with incomes of a bit over twice Average Weekly Earnings (AWE) gain none. Unlike Family Payment, however, the rate of payment varies smoothly across this range, withdrawing (for one child in care) at 13.3 cents in the dollar, whereas Family Payment falls more rapidly to the minimum payment which then remains fixed over the AWE to twice AWE range.

Outlays on CA for long day care (LDC) centres, FDC, occasional care centres and other forms of care far exceed any other government contribution, representing $765m or around two-thirds per cent of the total (Commonwealth of Australia 1997, p4-59).

2. *Childcare Rebate* (formerly Childcare Cash Rebate) provides a 30 per cent rebate on out of pocket child care expenses (above the minimum fee). CCR is refunded directly to service users. The rebate is paid on costs incurred in both formal and less formal types of care; providers do have to be registered with the Health Insurance Commission, however. The maximum payment is just below $30 per week for one child.

   Originally the rebate was not means tested. In 1997 its rate was reduced to 20 per cent for higher income earners, but despite this, it remains directed less progressively than is CA. Despite recommendations from an EPAC Task Force to merge it with CA (see EPAC 1996), and a decision in the 1996 budget to pay it and CA directly to parents, CCR continues as a separate payment.

   This is the second most important government contribution to child care, worth around $145m a year (Commonwealth of Australia 1997, p4-59).

Other grants continue to exist but are far less important. Capital grants and operational subsidies to community-owned long day centres have now been phased out (see discussion below). Operational subsidies have been replaced by CA for out of school hours care, although they continue for FDC. Some other capital grants and loans are still available to assist LDC centres but these are targeted to specific purposes and quite small.

Governments pay some or all of the fees for some child care places for particular groups (e.g. sole parents under the DSS Jobs Education and Training program can receive subsidised care for a period of study or training), and some specialist programs still exist. Again, these are small in total spending compared with the above amounts.

It is possible that the Commonwealth is currently considering changes to both CA and CCR, together with Family Payments, in the context of the forthcoming tax reform package, given their often-stated desire to reduce the tax burden on families with children.

Has it kept pace?

While the Commonwealth has maintained a strong commitment to the availability of child care, it has constantly been under some pressure to contain the degree of public support which such rapid growth represented. This pressure is part of the reason for the Commonwealth's abolition of operational subsidies for community-owned centres, although given the rapid growth of the private sector, arguments that such subsidies reflected special treatment would have been strong in any case.

Table 1 shows that spending on CA has increased markedly over recent years. The main drivers has been the rapid growth in supply, largely within the private sector, whose users became eligible for CA from the start of 1991 (see Appendix 2 for details). The changes in the real spending per place probably reflect compositional effects, since CA is provided for care of several different types. For example, most of the growth in number of places has been in private centres, and users of these tend to receive a higher average

CA than those of community-owned centres (EPAC 1996). Changes to the patterns of use—hours of use—may also contribute to the variation in recent years.

Table 1 Spending on Childcare Assistance for long day care (centres and FDC) and number of places, 1990-97

Year	CA ($m)	Places	CPI (1989-90=100)	CA/place ($1989-90)
1991-92	289.4	132,000	107.3	$2,043
1992-93	384.0	149,300	108.4	$2,373
1993-94	495.9	167,600	110.4	$2,680
1994-95	605.1	187,000	113.9	$2,841
1995-96	657.1	213,300	118.7	$2,595
1996-97	718.8	244,300	120.3	$2,446

Source: Commonwealth of Australia 1992-97, *Budget paper no. 1*; DHFS 1997 data; ABS 1998, *Australian economic indicators*, February, cat. No. 1350.0, table 5.1.

Faced with the rapid escalation in places and therefore outlays, the Commonwealth opted in 1996 to contain spending by spreading the CA pool slightly more thinly—to reduce spending per place. In so doing it reduced the depth of subsidy offered overall to child care (that is, it reduced the total share of spending which is met by government rather than users).

It did this by:

- freezing CA at current subsidy levels for two years—the effect of this has been gradual, given low rates of inflation, but according to the budget represented a saving of $17.5m in 1997-98;
- making CA only available for up to 50 hours of care per week; and
- tightening the income test, particularly affecting parents with two or more dependent children.

The three measures together represented a saving in CA annual outlays in 1997-98 of some $60m, or 7 per cent (Commonwealth of Australia 1996, p3-110).

In addition, the operational subsidy which had continued for community-owned centres was to be withdrawn (saving $35m in 1997-98) and the CCR rate was reduced from 30 to 20 per cent for higher earners (saving $10m pa). Plans were also announced for the combining of CA and CCR into a single payment to users, although these were subsequently revised.

Has expenditure support been sufficiently indexed to the costs of care?

If public subsidies fall behind the cost of care, then out of pocket charges for care are likely to rise. Since the ability to direct charges differentially is confined to the CA, the increase in fees will tend to be much the same for all users—a flat increase per hour of care—which means a much higher proportional increase in charges for those on low incomes.

The loss of operational subsidy has certainly meant that fees have risen in community-owned centres. The NACBCS survey of community-owned centres suggested that increases in weekly fees between January and July 1997 ranged from $2 to $70. The average increase was $11 per week for the six months and $18 per week over the year from July 1996 to July 1997; some centres would have raised fees prior to the start of 1997 (NACBCS 1997, p10).

However, not all costs were passed on in higher prices at this point. Many centres made cuts to staffing (which could be construed as an efficiency improvement or as a reduction in the quality of care), and a minority of centres were imposing additional charges as well as raising their fees (NACBCS 1997, p12). Small centres are being merged or closed.

Examining the impact on full-time users of an $18 per week increase in fees to users suggests that:

- a lower-income family's child care costs would increase by 38 per cent, rising from 9 to 12 per cent of their 'Assessed Family Income' (the combined gross income used in calculating CA); while
- for a higher-income family, the amount outlaid on care would rise by about 17 per cent, from 12 to 14 per cent of their income.

A similar effect will arise from the non-indexation, or 'freezing', of CA in the 1996 budget. This too is likely to translate into a flat increase in weekly or daily fees.

However, inflation-indexation alone may not be sufficient to keep up with costs. Child care is fairly labour-intensive and there is limited capacity for improvements in productivity. In the long run, therefore, its costs will be largely driven by wage costs, which will tend to rise slightly faster than inflation (unless child care workers' relative living standards drop).

Even if CA is indexed to inflation, therefore, it is likely that out of pocket charges will gradually rise in real terms. This will mainly be a problem for those families whose incomes do not keep up with those of wage-earners. This issue is discussed later in this section.

Have the income test thresholds adequately kept pace with changes in incomes?

A related indexing problem reflects the benchmarks that are used to income-test users for entitlement to CA.

CA is tested on 'Assessed Family Income' (AFI)—for practical purposes taxable income, although tested using some social security criteria. Until 1996 this gross income was then reduced by $30 per week per dependent child to produce AFI; after this the 'income disregard' was abolished as a cost-saving measure (DSS 1996, p64).

Families with more than one child in care are eligible for a higher CA per child and the cut-out income is consequently higher. The minimum fee which must be paid is the same per family irrespective of the number of children, so there is also a higher 'withdrawal rate' for larger families.

Table 2 shows how the income tests for CA have changed over recent years for a family with one child.

Table 2 Income test for CA, 1992 to 1997, dollars per week, families with one child

Date	Minimum fee	AFI for maximum CA	Maximum CA	CPI	AWE, full-time adults
1/1/92	$15.50	$381	$87.50	107.6	$596.80
1/4/92	$15.50	$429	$87.50	107.3	$616.20
1/4/93	$16.00	$436	$92.50	109.3	$641.20
1/4/94	$16.00	$445	$94.00	111.2	$657.80
1/4/95	$16.50	$455	$96.00	116.2	$689.70
1/4/96	$19.00	$476	$96.00	119.8	$723.90
1/4/97	$19.50	$476	$95.50	120.2	$736.80

Source: ABS 1992-97, *Employee earnings and hours*, May, cat. no. 6306.0; ABS 1998, *Australian economic indicators*, February, cat. no. 1350.0, table 5.1; DHFS data
Note: from 1997 the definition of AFI changed and the 'threshold income' for receiving maximum CA was effectively reduced by $30pw.

It shows that over the four years to 1996:
- the minimum fee rose faster than inflation, but was stable at around 4 per cent of the 'threshold income' – that at which maximum CA can be received;
- the maximum amount of CA received rose roughly in line with inflation, though well below increases in Average Weekly Earnings (as a proxy for earnings of users);
- the 'threshold income' rose with inflation until 1997 when it was unilaterally reduced in a way which markedly affected larger families, as the removal of the $30 per week per child 'income disregard' was coupled with a reduction in the maximum incomes for receipt of CA for these families were also lowered, thereby increasing the withdrawal rate (DSS 1996, p64).

As noted earlier, to the extent that costs of providing care rise faster than inflation, all users will have to pay a larger share of these costs directly and their real disposable incomes will be reduced. Average or higher income earners, whose incomes are rising faster than CPI, will pay a slightly higher share of this additional burden, as their higher real income leads to them receiving less subsidy. However, the lowest-income families – whose incomes have not risen faster than CPI – will still pay more in real terms, and a larger share of their income.

Costs faced by parents

This discussion suggests that while expenditure support had probably not completely kept pace with the costs of providing child care in the period prior to the 1996 budget, inflation indexing had ensured that affordability was protected to some extent. The impacts of the 1996 Commonwealth budget will have been to worsen affordability more markedly, particularly for larger families and most particularly for users of community-owned centres. These were two of the striking characteristics of the nine families interviewed in this study.

Child care bills paid by parents depend on the fee structures of the services as well as the subsidies provided from the government (CA and Child Care Cash Rebate).

Full-time fees

DHFS data on fees (Table 3) suggest that the average fees (what a full-time user would pay without any CA) have been increasing far faster than has inflation. Over six years those of community-owned centres have risen 37 per cent in real terms; those of private centres have risen similarly or even faster since 1992. Fees for FDC, by contrast, have risen much in line with inflation.

This difference may reflect limited increases in the hourly fees earned by FDC workers.

Table 3 Average fees for a full week per place, June, 1991-97

	1991	1992	1993	1994	1995	1996	1997
Community-owned centres	$96	$125	$131	$136	$142	$144	$151
Private centres		$115	$125	$137	$145	$147	$150
Family Day Care		$98	$110	$111	$113	$116	$116
CPI (1989-90=100)	106.0	107.3	109.3	111.2	116.2	119.8	120.2

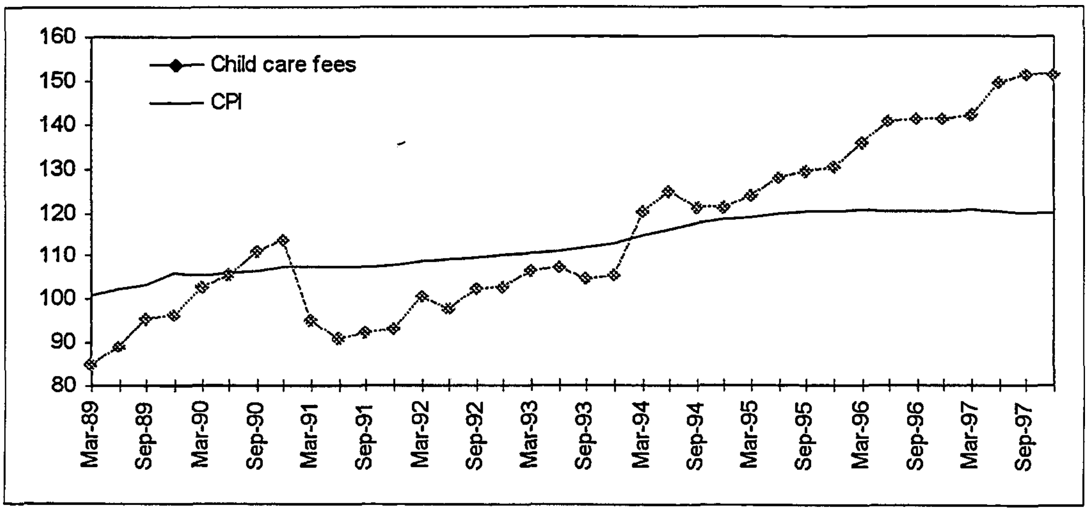
Source: DHFS 1997 data; ABS 1998, *Australian economic indicators*, cat. No. 1350.0, table 5.1.

The cost of a basket of child care services

The increase in fees is visible in the child care cost component of the Consumer Price Index (CPI).

Figure 1 shows this compared with the 'all groups' CPI for Melbourne. The fall in 1991 is probably due to the inclusion of private centres or FDC within the basket of costs used. On this index, the fees charged users have been rising very rapidly indeed compared with inflation.

Figure 1 Child care fees and the CPI (all groups), Melbourne, quarterly, 1989-97



Source: Dufty forthcoming, *Relative price indices for Victorian household groups.*

This index may differ from the fees measured by DHFS because of a growth in other forms of charging in addition to ordinary fees. A surcharge on part-time fees is common in the private sector and increasingly amongst community-owned centres; separate charges for meals or other costs previously absorbed by the centres also appear to be emerging (NACBCS 1997, Frow 1997).

Out of pocket costs to users

Average fees for centre-based care as reported by DHFS have been rising far faster than CA, as Table 4 shows. In real terms, the rise is $14pw, or 12 per cent.

Where the maximum CA used to cover three-quarters of fees, by 1997 it covered less than two-thirds. The resultant 'gap fee' has doubled as a result, meaning that total out of pocket payments for lowest-income users had risen by over $20pw, or 50 per cent in real terms.

Table 4 CA and average fees in LDC centres for a full week place, June, 1992 to present, dollars per week, families with one child

Date	Maximum CA	Average fees	Minimum fee	Gap plus minimum fees	CPI
1992	$87.50	$120.00	$15.50	$32.50	107.3
1993	$92.50	$128.00	$16.00	$35.50	109.3
1994	$94.00	$136.00	$16.00	$42.00	111.2
1995	$96.00	$144.00	$16.50	$48.00	116.2
1996	$96.00	$146.00	$19.00	$50.00	119.8
1997	$96.00	$150.00	$19.50	$54.00	120.2

Source: as for Tables 2 and 3.
Note: fees are an unweighted average of private and community-owned average fees as provided by DHFS.

The effect of Childcare Rebate

CA is the major but not the only form of expenditure support. The introduction of the 30 per cent Childcare Rebate (CCR), while small compared to the CA, does offset the increasing 'out of pocket' costs of care. For lowest-income users facing an additional $20 per week in out of pocket expenses because of the erosion of CA compared to prices over the last five years, the rebate offers $10pw – over half the real impact.

The benefits of CCR are not targeted principally at lower-income users, however. CCR has had a much more generous effect for higher-income users. The maximum that can be claimed is around $30 per week for one child, about twice as much as the real rise in average fees for those who do not receive any CA.

Although it was not the ostensible reason that it was introduced, one effect of CCR may have been to offset the worsening in affordability induced by the failure of CA to keep up with rising child care costs, at least until June 1997. There are, however, three caveats which should be noted:

- the figures used in Table 4 are averages—some families, as indicated above, will have faced much higher increases;
- it assumes that the take up rate of CCR is sufficiently high, yet the last child care survey by the ABS (1996, Table 13) indicates that this is in fact only moderate, particularly for lower-income families; and
- its effect on affordability at the point of payment is presumably somewhat weakened by being a refund after the child care costs have been met—none of the families interviewed for this project mentioned CCR as a consideration in their assessment of child care costs.

Pressures on family incomes

There are two sides to affordability. At least for particular groups, inability to afford child care may be a result of declining disposable income rather than because the price has risen.

Conversely, a family whose income has risen in real terms will be more able to absorb rises in fees.

Family incomes are influenced by a combination of underlying pressures and government budgetary policies, both from the Commonwealth and the state. These government policies may be the more important, since they could be influencing the disposable incomes of families in ways to which expenditure support for child care is not sensitive.

Underlying pressures

The incomes of families using child care are principally determined by their job opportunities and the wages these jobs pay.

From mid-1997, employment has been currently growing more strongly than for the past three years. It remains uncertain how long this will persist, given the recent rapid deterioration in East and Southeast Asian economies. There appears little prospect, however, that it will grow in the sustained manner sufficient to markedly reduce unemployment.

Currently there are 350,000 families where no parent has paid work. Despite some improvement, there are still some 740,000 people unemployed, and long-term unemployment also persists. Sole parent joblessness remains serious. Despite efforts over the 1980s, poverty remains very much a family matter, with sole parents and larger families over-represented (McClelland 1994).

Jobs are not evenly spread between families. Australia has seen a polarisation between two-job and no-job couple families (McClelland 1994), reflecting to some extent the tendency for women with limited formal education and few marketable skills to be partners of men whose job opportunities in a time of mass unemployment are similarly limited.

Much of the jobs growth since the recession has been in part-time employment, particularly for women. In Victoria, for example, we still have barely any more full-time jobs than in 1990, before the last recession.

Wages

Average wages, however, have been increasing fairly steadily in real terms. Full-time workers have seen some improvement in their incomes since the last recession.

Women working full-time have seen their real incomes rise by about one per cent a year on average, as shown in Table 5. Lower paid women have done only marginally worse than the mean.

Table 5 Weekly earnings, adult non-managerial full-time employees, 25th percentile and mean, May

	1988	1989	1990	1991	1992	1993	1994	1995	1996
Females									
25th percentile	$328	$355	$374	$395	$411	$422	$442	$460	$473
Mean	$413	$448	$473	$498	$524	$540	$563	$587	$605
Ratio	0.79	0.79	0.79	0.79	0.78	0.78	0.79	0.78	0.78
Males									
25th percentile	$378	$407	$428	$443	$453	$471	$482	$505	$528
Mean	$500	$543	$575	$596	$611	$640	$660	$698	$730
Ratio	0.76	0.75	0.74	0.74	0.74	0.74	0.73	0.72	0.72
CPI, June quarter	88.5	95.2	102.5	106.0	107.3	109.3	111.2	116.2	119.8

Source: ABS 1988-96, *Employee earnings and hours, Australia,* cat. 6306.0; ABS 1998, *Australian Economic Indicators,* cat. No. 1350.0, February, table 5.1.

Men working full-time have similarly seen a rise of about one per cent a year in mean earnings, but in this case lower-paid males have done somewhat worse, seeing incomes rise only three per cent in real terms over the eight years to 1996.

However, many women using child care will be working part-time rather than full-time. Here it appears that family incomes may be under more pressure. Examining total earnings of employees—both part-time as well as full-time—shows that those of lower-paid women did not increase markedly after the recession and have fallen in real terms since 1990 (Table 6). They have not kept up with average female earnings, which have been rising in real terms, reflecting rising incomes of the better-paid (and fully employed) women.

Table 6 Weekly total earnings, all employees, 25th percentile and mean, May

	1988	1989	1990	1991	1992	1993	1994	1995	1996
Female									
25th percentile	$193	$204	$231	$233	$243	$248	$249	$240	$248
Mean	$316	$338	$368	$384	$405	$415	$423	$434	$447
Ratio	0.61	0.60	0.63	0.61	0.60	0.60	0.59	0.55	0.55
Male									
25th percentile	$342	$365	$394	$403	$415	$425	$428	$440	$452
Mean	$481	$520	$560	$582	$598	$621	$630	$654	$684
Ratio	0.71	0.70	0.70	0.69	0.69	0.68	0.68	0.67	0.66
CPI, June quarter	88.5	95.2	102.5	106.0	107.3	109.3	111.2	116.2	119.8

Source: ABS 1988-96, *Employee earnings and hours, Australia,* cat. 6306.0; ABS 1998, *Australian economic indicators,* cat. no. 1350.0, February, table 5.1.

In terms of total earnings, lower-paid women have also fared worse than their male counterparts. Male earnings at the 25th percentile have barely kept pace with inflation, rising 15 per cent from 1990-96. Those for women rose half this amount, just seven per cent.

Lower real total earnings for lower-paid women reflect both a gradual increase in part-time work among women generally and the tendency for part-time earnings not to keep up with those of full-time workers. For example Ford and Siemon (1995) found that hourly real earnings for part-time employees fell by three per cent from 1992 to 1994.

Real earnings depend heavily on the industrial relations bargaining framework. Access Economics (1997, p14) has shown that while real average earnings have risen significantly over recent years, this figure has been dragged up by high real growth in wages from enterprise bargains. Those on increasingly residual award wages, by contrast, have seen their earnings barely keep pace with inflation.

The further deregulation of the labour market has raised concerns of this divergence continuing, with important implications for wider inequality in incomes and perhaps life chances. Brotherhood research among low-wage adults has illustrated how these people may have fewer opportunities to move to better-paid or more secure employment as a result of deregulation (Brotherhood of St Laurence 1996, 1997).

Budgetary cost-shifting

During the 1980s, the drift to inequality in Australia's distribution of disposable incomes was driven by greater unfairness in the distribution of wage and salary incomes. This was exacerbated by unemployment and at least some tax changes and moderated—though not for all groups—by improvements to Australia's social security system, particularly payments for children and for tenants (see Saunders 1994), and by improved access to services, including child care.

The experience over the 1990s has not been so sanguine. In particular, while the 1996 Commonwealth budget sought to allocate parts of the burden of deficit reduction to all sections of the community, its overall balance was quite unfair, with lower-income and disadvantaged people suffering a quite disproportionate share of the cuts. This was true even for families with children (Siemon 1996).

While the Family Tax Initiative offered welcome additional income to low and middle-income families, particularly sole parents and couples with preschool children, these were offset by cuts to spending in areas such as dental health, pharmaceuticals and social security and reductions to the states' health and legal aid spending. The impacts of the very many cuts which survived the Senate made the balance of the budget as a whole very unfair, although their distribution meant that some small groups have had to bear far more of the pain than others. However, even couples with children—apparently among those to benefit most from the budget—were on balance little better off when spending cuts in education, child care and health were accounted for, and sole parents were among the significant losers (Johnson & Hellwig 1997).

The 1997 budget was similarly quite unfair in the way in which it distributed the next (smaller) wave of spending cuts, particularly to public housing and social security.

The impact of Commonwealth budgetary cost shifting onto households in order to bring budgets into balance has therefore been mixed. Lower-income families have benefited by the Family Tax Initiative, which was worth $13.50 per week for a sole parent with a preschool child and no paid employment. In the longer term future, the Commonwealth commitment to keep Family Payment indexed to AWE, rather than just inflation, will moderate downward pressures on low and middle-income families to some extent.

But cash alone may not be sufficient to overcome the rising costs which reduce the disposable incomes of particular households. Costs of some important goods and services have been rising much faster than the CPI. Rents, for example, have been high in Melbourne for some time and public housing very scarce, while mortgage interest falls have meant lower housing costs for established mortgagees. There are some lower-income groups whose real disposable incomes appear to have been falling as a result (Dufty forthcoming).

This is in part due to decisions of state governments.

Victorian budgets

The impacts of Commonwealth budgets have been mirrored by earlier efforts by state governments, particularly Victoria, to run surpluses and reduce public liabilities in the aftermath of the recession.

Victorian budget policies from 1992 were marked by regressive revenue raising which had a particularly marked impact on low-income households. For example, the effect of the higher taxes and charges from the initial mini-budget in late 1992 alone were estimated by VCOSS (1993) to be equivalent to a three per cent cut to the income of a sole parent pensioner. Some of these burdens have eased over time, as nominal incomes have risen, but other increased charges seem to be taking their place: higher schooling costs, new water and sewerage charges for tenants, higher rents for public tenants and new fees in community health, school dental services and so on.

Cost-shifting onto households particularly affects families with children, since these people are major beneficiaries of publicly-funded services.

Many of the additional costs which lower-income families are having to bear—for medicines or for schooling—reduce disposable incomes rather like a tax on the consumption of these items. In the medium term, national tax reform itself could have a similar impact—for example, offering tax relief to families while taxing their consumption more heavily and uniformly—if the Commonwealth ignores the priorities advocated by welfare organisations.

Vulnerable groups

The families who are most likely to face affordability problems in their use of child care because of their income will be those where:

- the parents' incomes are low and are not rising in real terms;
- where the parents have little ability to increase their income by changing their work arrangements; and
- other demands have a prior claim on family incomes, so that the families are facing unusually high costs of living, beyond those reflected in the CPI.

On the first of these, the above brief survey of family incomes highlights risks for

- those whose incomes are fixed because they are studying, unemployed or otherwise jobless;
- those wage-earners who lack the industrial muscle to gain a share of the benefits of higher output through enterprise bargaining; and particularly
- those who are working part-time or in casual employment, a growing category and one in which many women with small children find employment.

The outcomes from further labour market deregulation are yet to be seen, but a widening of this latter group is likely, as employers in at least some industries break down full-time jobs into smaller elements to more closely match consumer demand. As seen above, lower-paid part-time or casual employees do not appear to be faring as well as better-paid full-time employees. Families here are more likely to struggle with paying any sort of regular bill, and the cost of child care makes it one of the largest.

In terms of the second pointer to affordability problems, it is worth noting that low-wage earners will often have less options in terms of improving their circumstances by changing jobs unless they are able to gain formal qualifications (for example, see Brotherhood of St Laurence 1997). This means that they will have less ability to increase their earnings in response to greater demands on their budgets.

In terms of the third criterion for affordability problems, it appears that larger lower-income families will be most at risk, particularly:

- those living in rented accommodation, who are having to bear other costs as a result of state government policies as well as deal with high rents; and
- those with higher health or other needs.

Low returns from work

There is however another dimension to affordability of child care. In making decisions about care, the families interviewed for this study appear to be responding to two different sorts of signals. For some the issue was the fact that this bill was just too large compared to their income—for example a student who ran up a large debt when she required full-time care and had to withdraw her child as a result. For others, the issue was the fact that higher child care costs were reducing the returns from work, discouraging work force participation.

Indeed, part of the rationale for public subsidy of child care is to ease the high disincentives which the tax-transfer system creates for women, particularly secondary earners, to undertake paid employment (see Anstie et al 1988).

This is particularly valuable for lower to middle-income households.

Yet it is very clear that some of the families interviewed for this study were already finding that the cost of care was sufficiently high that the returns from paid work were too low to be worth pursuing.

Effective marginal tax rates for families

Australia's income security system has for a very long time involved much higher effective marginal tax rates for people living on low incomes than for high income earners. Until 1994, unemployed couples with no children lost one dollar for each they earned beyond $85 per week (Commonwealth of Australia 1994, p153). Even the more generous pension system today taxes most earnings at 50 cents in the dollar.

Concern that these high withdrawal rates acted as a form of poverty trap—that is, when someone took up an opportunity to earn some money, they still remained in poverty—has led to efforts to ease this problem, particularly for parents of children. (Economists often describe this problem in terms of work disincentives rather than poverty perpetuation; it should also be seen as creating a great disincentive not to declare income.)

The withdrawal rate of social security payments, once earnings are a significant amount, is compounded by the loss of income in taxation. This in turn can be compounded by the withdrawal of income-tested expenditure support for such things as child care or public housing.

Efforts to ease poverty traps or reduce work disincentives for jobless families have tended to reduce withdrawal rates for those with lowest earnings, but this then spreads 'moderately high' rates over a wider income band, particularly when family rather than individual incomes are considered.

The proportion of gross earnings from work which are actually received by the household are affected by:

- the 50 per cent withdrawal rate of Family Payment;
- the 50 and 70 per cent withdrawal rates of Parenting Allowance (which is available to quite high-income families as a replacement for the Dependent Spouse Rebate);
- the initial steps of the income tax scale (although these are eased by the low-income earner tax rebate);

- for families with older children, the additional income tests associated with Austudy (from 1998, Youth Allowance); and
- some additional smaller items such as changes to Medicare levy.

The effect of even two of these can produce an effective marginal tax rate of 85 cents in the dollar, and this has given rise to concerns that 'there are many families that see very little return from working harder or upgrading their job' (Costello 1998).

How many people face high EMTRs?

Polette (1995) has mapped out the incidence of high effective marginal tax rates (EMTRs) as they existed in 1994. What emerged is that while these areas of very high disincentives certainly existed, the numbers of households they immediately affected is somewhat different to what might be expected.

Although most households who faced high EMTRs had dependent children, only a small proportion of couple households actually did so. This is presumably because the male partners were very likely to be fully employed and, if not, were likely to be fully unemployed.

By contrast, a larger proportion of sole parents faced very high EMTRs, not just because female earnings tend to be lower than male but because they were more likely to be taking up part-time work and have earnings within the area of high EMTRs.

Overall, 25 per cent of sole parents faced EMTRs of 60 per cent or more, while only 6 per cent of couples with children did so (Polette 1995, p24).

However, because there about five times as many couple families with children as sole parent families, the actual numbers in the population likely to face such high EMTRs is probably similar.

Finally, it is worth noting that the source of most of the cases of 'very high' EMTRS (rates over 70 per cent) was the interaction of the two most obvious factors: income tax and the withdrawal of Family Payment.

For families using child care for preschool children in 1997, the above EMTRs are worsened by:
- the loss of the $500 per year (or about $10 per week) Family Tax Payment for preschool children when weekly maternal earnings reach $88;
- the 13 per cent withdrawal rate for CA (higher for two children in care); and
- the initial costs barrier (minimum and gap fees).

Their combined impact

Beer and Harding (1997) have examined how these all mount up to shape earnings incentives for couples where women with young children are seeking work. In particular, their data shows that the withdrawal of the $500 Family Tax Payment when mothers' earnings exceed $88 per week markedly worsens the EMTRs faced by most families, but particularly lower and lower-middle-income families.

- For lower-income working families, the additional income generated by working one day per week is almost completely lost by working two. Working more than this does produce real returns, although these are modest. For a couple with one child, the full-time employment of the mother returns about $3 per hour, about one-third of the actual wage. If the couple have other children (at school), the returns are even lower—for a family of three children, about $1.50 per hour.

- For families where the male earns slightly higher wages but the female wage is still low, the highest EMTRs are experienced by larger families. While a couple with one child experiences a fairly steady increase in income as the mother works more (albeit still at only $3 per hour), a couple with three children gains nothing until the mother works more than half-time. Working full-time again produces a net benefit of only $2 per hour.

- When male wages are higher again, the picture is similar, although the net return from the mother's full-time work is now $4 per hour.

- When mothers' wages are higher ($14 rather than $9 per hour), then there is a more uniform positive return from work. Such a family gains about $7.50 per hour from the mother's full-time work. In these circumstances, family size has little influence on the returns from work.

- However, when male wages are very high (in the top quartile of earnings), then lower-paid mothers once again see very low returns on their labour, particularly in larger families. This is principally because they face the full cost of child care.

It is worth emphasising that the sources of these high EMTRs lie mostly in the high withdrawal rates of social security payments, now exacerbated by the Family Tax Payment. The withdrawal rate of CA is a minor contributor. As Schofield and Polette (1996, p17) showed, these subsidies 'substantially reduce the cost of child care as a barrier to work for many family types'.

Price-sensitive groups

These calculations may not capture the full extent of changes in child care costs. Neither will they necessarily capture the less obvious costs of labour force participation (clothing, transport). But they give some useful pointers to whom we should expect to be particularly sensitive to price rises.

Women who earn lower wages are likely to see most of these earnings taxed away. This is particularly true for those:
- with more than one child,
- who are working half-time or less,
- whose partners are on low wages as well, or
- whose partners are on quite high wages.

The situation for sole parents is likely to be somewhat similar.

If we expected mothers to be driven by the price signals presented here, we would be expecting demand for care amongst lower-income families to be focused on one day per week or else near full-time care.

Who is likely to respond to declining affordability?

This section has shown that there has been a fairly steady real increase in the average costs of formal child care over several years and that public expenditure support has failed to keep up with this for lower-income users, despite the introduction of CCR.

For low-income users, the real increase between 1992 and 1997 in 'out of pocket' charges for centre-based LDC is about 50 per cent. This effectively reduces the incomes of a family using full-time care by at least four per cent—six per cent for a sole parent student with one child, for example.

These increases are average figures and do not include changes over recent months. They reflect a longer term trend than anything that results from the budget restraints imposed in 1996. These constraints are however likely to erode affordability further, and clearly the area where this is taking place most obviously is amongst community-owned centres. Larger families are being particularly affected because of changes to the income test.

Some centres appear to have been increasing their fees more rapidly than this—amongst the families interviewed for this study, the average fee increase over 18 months was $27. There is also a tendency for other charges to become common: for example higher fees for part-time use.

CCR provides some relief from this, but mainly for higher income users.

Price rises of this size are felt most sharply by those whose incomes are low and who have little prospect of being able to improve them, those whose incomes are under pressure because of a rise in other costs, and those who face very high effective marginal tax rates on the incomes earnt while their children are in formal care. These rates have been worsened by the introduction of one part of the Family Tax Initiative.

In most cases the sort of families likely to be affected overlap. They include:

- families with two or more children (particularly if more than one requires care);
- families with high other costs, particularly those living in rented accommodation or having high health costs;
- sole parents using care for full-time study;
- sole parents in part-time, lower-paid work;
- couples where the hourly earnings of the mother (or secondary earner) are relatively low, particularly where the family income as a whole is low or quite high; and
- couples where the mother or secondary earner is seeking to work less than half-time.

Conclusions

This report explores the affordability of centre-based child care for lower and middle-income families.

Exploratory interviews with families who had been having difficulty in affording formal child care, and deciding to limit their use as a result, provides a basis for reflection upon the ways in which affordability has been changing and which groups are likely to be affected.

Compared with all Australian families with children, this group was striking in three ways:

- they all had more than one child (although not always in care);
- their working lives tended to be relatively insecure, with casual and contract work being very common; and
- they were all principally users of community-owned centres and, because of cuts to the operational subsidy, faced very high price rises for child care.

An examination of pressures on family incomes, the changing patterns of public support for child care and the consequent costs for users suggests that there are a number of overlapping groups of families for whom declining affordability might be a serious problem—either because the costs are just too high to allow a parent to study or because they eat up most of the net income from working.

The size of these groups is likely to be large enough to warrant serious consideration by the Commonwealth. Three of the major characteristics—having two or more children, mothers' hourly rates of pay being relatively low, and casual or contract employment—are fairly common within the population and are presumably so within users of formal child care services.

Families in the groups likely to be vulnerable to the decline in affordability will tend to respond as did the families interviewed for this study—withdrawing children from care and reducing work force participation is but one of the responses. Others include rearranging work to avoid the need for care, interrupting care for some periods to save money, relying on relatives or using other informal care.

These responses may not be a complete explanation of the apparent fall in demand visible amongst LDC providers. Appendix 2 examines the extent to which other factors—particularly the rapid growth in supply in private centres—may be contributing to the 'shake out' now under way. However, the effects of declining affordability are almost certainly part of the story, and ones which are exhibited particularly amongst community-owned centres, where funding cuts have had a very profound impact.

To the extent to which additional supply is no longer a priority for child care policy, the Commonwealth has an important opportunity over 1998 and beyond to ensure that more of its future spending on child care is directed to improving affordability and consolidating systemic quality and reliability.

This section of the report therefore examines some possible responses both directly for affordability and for the nature of the formal child care system.

Ensuring affordability

A family's ability to pay for child care depends on the price of care, which in turn is crucially dependent upon the extent of government expenditure support. As discussed in the Introduction to this report (p3), there are a number of reasons why the Commonwealth should be engaged in funding formal child care. It can be justified in terms of its contributions to:

- horizontal equity or life-cycle income smoothing (similar to free schools or family payments);
- economic efficiency (benefits from a more productive work force) as well as gender employment equity;
- long-term social sustainability (otherwise women may decide against bearing children) as well as broader gender equity;
- social protection and vertical equity (such universal services can play an important role in poverty prevention, and funding also allows a degree of regulation of potentially dangerous services);
- educational development; and
- child protection.

In Australia, funding is largely directed to improving affordability for lower income families, with funds given according to parents' income on a 'quasi-voucher' basis rather than (as with schools or hospitals) to providers. This pattern makes economic sense because it is a way of easing the 'poverty traps' in the social security system and is a more direct way of assisting parents into employment than income support measures alone, a point which is only now being recognised overseas (see Bryson et al 1997, pp76-79). It also makes fiscal sense, since savings in other social security payments are estimated to more than pay for the child care subsidies (Anstie et al 1988).

This study has found it is particularly lower-income families (that is, families who are receiving most social security support) who are likely to be most vulnerable to the worsening affordability of child care. And as a result some drawing back from labour force participation is clearly taking place, even though this study is not able to quantify the extent. If this is so, then the cuts to child care which drive parents into these decisions are likely to worsen the budget situation, not improve it.

What is a good basis for charging and means-testing?

Where previous governments sought to impose rules of thumb such as 'no subsidy for those earning above AWE' (Brennan 1994, p115), today the unspoken rule of thumb seems to be that there be a '50:50 split' in costs between government and users. However, such rules do not make a coherent rationale for a level of expenditure, nor assist with a sensible approach to its targeting.

Over the medium-term, public subsidies have to be linked to the real costs of providing care, not just to general inflation levels. Otherwise gap fees will mean that lower and middle income groups will be priced out of care.

It is clear that low-paid employees cannot afford to pay other low-paid employees anything like the full cost of child care. For this reason it is essential that:

- the minimum fee charged be low enough that it not in itself act as a barrier to seeking earnings; and
- the withdrawal rate be low enough so it is not a disincentive to working.

How should additional funds be directed?

The most pressing need is to markedly reduce out of pocket costs for child care for the most vulnerable groups.

This is best done through expanding per capita spending on CA rather than CCR since:

- it is likely that this has a more direct effect on decisions about child care use and work force participation;
- it has a higher take-up rate; and
- it is more thoroughly income-tested and therefore more easily targeted.

Reducing out of pocket expenses can be done by extending the maximum value of CA. To restore affordability for lower-income households to 1992 levels, for example, would require an increase in CA to around $105, reducing average out of pocket expenses by $19pw. This would be essentially a flat benefit to all but high-income users.

This would continue to leave child care as a significant expense for the lowest-income users. Total out of pocket fees would average $35 per week; this is 12 per cent of the income of a sole parent pensioner with one child. There is a good case for CA to be further increased to substantially eliminate 'gap fees', which were not widely apparent until the 1990s.

The more modest goal of restoring affordability just to 1992 levels would however cost a significant amount, even this would be offset somewhat through lower expenditure on CCR.

The Commonwealth Government may also be concerned that an increase in CA would simply be absorbed without any offsetting reduction in fees. There is some ground for the concern that higher subsidies may not be passed on to users; during the early 1990s, fees in private centres seem to have increased markedly upon their users obtaining access to CA. However, holding down CA since that time does not appear to have done a great deal to contain fees. It is probably more accurate to see fees growth as reflecting real wage and other cost increases, at least within community-owned centres.

It might be necessary for any increase to be coupled not only with planning mechanisms to constrain growth in private centre places, as is currently under way, but also to constrain growth in fees. Since the Commonwealth is directly providing a large share of the cash flow of these centres, such action would be reasonable (as it is in health spending, for example).

The current degree of competitive pressure coupled with the administrative power of the Commonwealth should be sufficient, even amongst private centres, to minimise the problem of additional subsidies not being passed on.

To whom should they be directed?

This study suggests that the purpose of additional expenditure support is to help lower-income households. It would be possible to direct an increase in CA towards lower-income users by tightening the income test: that is keeping the same, or even lowering the, income level at which CA cuts out. This would however increase the withdrawal rate and have the effect of lifting overall EMTRs which are already very high, especially for low-earning women, as discussed earlier.

The discussion of high EMTRs earlier in this report showed that they result from the intersection of income tax, family payments and—now very strikingly—part of the Family Tax Payment. Child care expenditure support withdrawal rates are a minor contributor. However, replacing a low withdrawal rate in the CA income test with a moderate one (say above 20 cents in each dollar of earnings) could significantly worsen the problem for lower-paid earners. Based on the charts presented by Beer & Harding (1997), an increase in the withdrawal rate of 10 percentage points would, other things being equal, appear reduce net returns from full-time work of a low-paid woman married to a low-waged man by one-quarter or more—the effective hourly return for labour for a mother of one child would be cut down to $2 per hour.

This sort of effect might be moderated by a more complex income test, one which directed benefits particularly to couples where both partners are receiving lower wage levels, perhaps by having separate and joint tests on the parents' incomes, as is now the case for unemployment allowances for couples. This could limit any increase in, or even decrease, EMTRs for the largest group likely to be sensitive to them.

An equally important focus, however, should be on targeting higher subsidies to families with more than one child, a group particularly affected by the 1996 budget cuts. Larger families are not only prone to face high EMTRs over a long spread of earnings, but often have less disposable income as a result of the extra costs of children. The income test for these families should be re-examined to provide higher levels of CA and a lower withdrawal rate.

The focus on work

The final challenge for child care expenditure is the extent to which support should be focused on work-related activities. While child care is a necessary element in facilitating labour market participation by lower-income women in particular, the value of child care goes beyond this. As use of child care has become a more widely accepted part of family life, so child care services are correctly seen as a general community resource. For some families, child care offers a respite for parents under pressure; for others, it offers development and socialisation opportunities; for yet others, it provides an opportunity for parental relaxation.

In general, there is strong community support for subsidies to continue to be principally for those 'who need care', and for this reason the Commonwealth has had for some years a priority listing for entry into services. Work-related care needs, defined to include study, training and job search, were seen as the highest priority.

New provisions—which allow up to 20 hours per week of subsidised care for other purposes—seem likely to replace this queueing mechanism. This provision appears adequate to allow for the needs of lower-income families for respite or developmental care (provided that beyond this, relatively flexible provisions exist for 'Special Childcare Assistance' when needs become critical). It is also adequate to allow a degree of use by parents who, for example, wish to have one older child in care for two to three days while a mother cares for a young baby.

However, given the extent to which all centres will now depend on CA for their cash flow, exactly how this criterion is tested will be very important in determining whether the demand for care for other purposes is constrained. The provisions recently announced may require strengthening if the Commonwealth's aim is to really limit the amount of subsidy provided for non-work related care.

Ensuring quality and reliable child care

One thrust of child care policies over the 1990s has been to expand supply. Another has been to focus the funding on expenditure support rather than on funding particular categories of providers. A third has been to ensure that quality is not sacrificed in the process.

Two of the strong themes emerging from the interviews undertaken for this study were:
- the insistence of parents on suitability and quality of care; and
- the complexity of working life, particularly insecurity of employment.

Quality

Reviewing the effects of child care, Ochiltree & Edgar (1995, p65) conclude that 'good quality child care has positive effects, and poor quality child care can do harm. The same, no doubt, holds for maternal or parent-only care—some is good and some is less than good... We need to ensure that children experience stability and quality in whatever care settings they encounter'.

The current drift of child care policies in favour of consumer choice has to be balanced against the needs of the children. For example, CCR is available to subsidise care by people who are not subject to any of the scrutiny or support which home carers receive under FDC; yet they are seen as undertaking the same task by many parents. While CCR may regularise part of this work as far as the tax system goes, it certainly achieves little beyond this. Families interviewed for this study seemed to be as likely to use cash in hand care as they were carers registered with the Health Insurance Commission for the purposes of CCR.

The recent rewriting of some state regulations governing child care is diluting some safeguards that formal care offers—and this is happening at the same time as the community-owned sector, which has been a major force for the adoption of industry-wide good practice standards, is undergoing a most dramatic shake out, with dozens of closures in evidence and more to come.

Community-owned services have increasingly recognised that child care is part of broader streams of 'children's services' and 'education'. Both aspects need further systemic development if Australia is to gain the largest community benefits from publicly-supported child care:

- On the former point, Harris (1989) has characterised child care as a mainstream service which can and should address the needs of very disadvantaged children and their families (in part as a preventative substitute for crisis or coercive intervention). Australia needs child care services to contribute to the development of networks and links with other programs if this approach is to bear fruit in lower family conflict or violence. Similarly, child care services could be given a positive role in encouraging immunisation rather than just being a filtering agent.

- Links between child care, preschools and even schools have been developing rapidly. Child care, like stand-alone preschools, offer a base for parenting and early literacy programs which can minimise educational disadvantage.

Community-owned services provide a sound basis for systemic development in both these areas, particularly if their ability to operate as community enterprises also improves, and developments to these ends should be supported by the Commonwealth and states.

A key element of quality in child care is a degree of stability and consistency, both in terms of the carers and in terms of the other children with whom the preschool child engages while in care. Three factors are tending to militate against this:
- the pressures to casualise the employment of centre staff (already visible within some private centres and likely to emerge as a survival tactic amongst community-owned centres);
- the trend to increase the size of centres, with smaller community-owned centres now being declared unviable by local governments or other planners; and
- the inability of some parents to afford the care which they require, forcing them to construct more complex care arrangements than they would prefer.

Reliability

Australian parents, particularly those on lower incomes, need a child care system upon which they can rely. One of the striking themes of the interviews undertaken for this project was the extent to which the families were employed under casual or contract arrangements.

In a period of greater incoherence in earnings, at least amongst less-well paid occupations, it is essential that child care arrangements offer simplicity and security rather than add yet another complication. This in turn demands good levels of access but also good affordability, particularly in periods where income is uncertain.

One of the most disturbing features of the current shake out in child care is that it is undercutting the community perception of child care reliability. In particular, community-owned services—both centres and FDC services—which have a strong commitment to supporting parents during periods of financial difficulty or personal crisis are amongst the hardest hit.

From this point of view, the rapid withdrawal of operational subsidy to community-owned centres in the 1996 Commonwealth budget was a mistake. While some provision was made to allow centres to plan transitions, the effect has been far more destructive than may have been anticipated.

The Commonwealth will need to seek other measures to assist stability within the community-owned sector and improve the reliability of child care more generally.

The future

As noted above, the current changes within child care represent an opportunity for the Commonwealth to refocus its efforts towards improving affordability, quality and reliability. As discussed above, priorities should be to:

1. increase the maximum value of Childcare Assistance by $19 per week as soon as possible;

2. seek to implement administrative measures to constrain fee increases to ensure that this additional benefit flows through to reduce out of pocket expenses for users;

3. ensure that withdrawal rates of Childcare Assistance with earnings are below 20 cents in the dollar for all family types;

4. amend the income test for families with more than one child to ensure that affordability is additionally improved;

5. consider strengthening the provisions by which families demonstrate work force-related activity to gain subsidised care for more than 20 hours per week; and

6. provide strategic funding for community enterprise development within the community-owned sector.

Future research

This study was exploratory. There are a number of areas which arose in the research which require more substantial investigation. These include:

- the extent to which CCR influences decisions about the affordability of care;
- the reasons for the relatively low take-up of CCR;
- the extent to which users of FDC services face similar affordability problems to users of centre-based care interviewed in this study;
- alternative income tests for CA;
- implications of proposed changes to the delivery of CA via a smartcard; and
- capital funding of community-owned services.

Some of these items will be addressed in future work conducted within the Future Directions in Child Care Project.

Appendix 1: Profiles of the families

Each of the following nine profiles is based on interviews undertaken with the families.

1. Not worth working, career on hold
2. Child care for study brings debt and impoverishment
3. Reducing work, avoiding formal care
4. Insecure work creates a child care bind
5. Working more than part-time is not worth it
6. Work and family pressures mean that formal care is too expensive
7. Child care costs make sole parent consider giving up work entirely
8. Unsettled work, housing and child care
9. Enrolling earlier at school to minimise child care costs

The concluding boxed summaries explain:
- the basis of the families' concern regarding the affordability of child care, and
- the decisions which they had come to in response.

1 Not worth working—career on hold

Susan is married with two pre-school children and lives in an inner city suburb of Melbourne. Her husband works full-time and until recently Susan was working four days per week. Susan's parents are both deceased and her parents-in-law live on the other side of town.

Prior to having her first child Susan was working in the community sector as an unqualified worker. She planned to formalise her qualifications and return to study following the birth of her first child in 1993. She did this when the baby was eight months old.

At that point the family was living in the country and Family Day Care was her preference. That service had a high profile in the area, was well supervised and offered her the most flexible service for the time she was studying. It was also cheaper than centre-based care.

Susan had straightforward expectations about what her child care arrangements should be offering her. She wanted a safe, child-appropriate environment that had reasonable play space and dedicated carers. She also required some flexibility in the program to meet her student needs as she had relatively short contact hours but required study and placement time. The Family Day Care arrangements were ideal as the carer was very competent and had a practical layout in her home.

On returning to Melbourne some 18 months later, Susan continued with her studies but found the child care situation quite different from her previous experience. She contacted the Council regarding their Family Day Care service and found that they had a less developed network of available carers. Hence the options offered to her were unacceptable as they were too far from the home or the TAFE where she was studying.

Susan then investigated the centre-based care options. The private centres were far too expensive (she estimated twice the price) and all the others had long waiting lists. As she and her family were new to the area, they had no chance of obtaining care at these places. The only place left was the centre attached to the TAFE which gave her preferential treatment as she was a student. The family received fee relief and, with the additional student discount, the service was of a comparable price to Family Day Care. It also offered half days which became of value when their second child was born during that year.

In Susan's final year of study she had the two children (then eight months and 30 months) attending the centre three days per week. She had some anxiety about leaving the two children at the centre as the baby had some allergies which she found they were not consistently monitoring.

At the end of that year Susan had to complete an eight week student placement but the centre was unable to increase her hours. She was left in the predicament of having to use another option to make up the week.

Susan engaged a baby sitting service for one day per week. This service offered cheap rates where the person came to the home of the children.

This was a disaster as on the first day the person failed to appear and the second week the young girl that arrived had insufficient skills to manage even the most basic needs. Despite the urgency of the situation Susan was not prepared to compromise the quality of her child care arrangements any further.

> *She had no idea, and that was it. I'd gone down that path because I was desperate...and then it was like, this is crazy I'm not having strangers coming to my house. The second girl just didn't know...[the baby] wasn't cleaned properly after her nappy. These services are running...they are calling them baby sitting services.*
>
> *I really believe these type of services are springing up to give...what's the word? It's your backyard child care service. They have no qualifications, they do no police checks, nothing. But they offer a rate [that's cheap] and it's cash in hand*

To complete the work experience placement Susan was forced to call in favours from friends and her partner had to take time off work.

At the end of the placement the family had also accumulated a debt of more than $1000 as they had to borrow money to pay for the extra child care during that time. The family was tired by the whole experience as it was an organisational nightmare. Susan did not believe the children managed the transition to full time care very well and it placed considerable stress on the household.

Susan did have ambitions to continue her studies at University but this whole experience forced her to rethink that plan. The course she wanted to do includes several 14 week placements which is now out of the question as it is not remotely feasible. Intent on developing her skill base, Susan has had to take the lesser option of another course that will not require her to be involved in long student placements.

> *I just cannot afford those type of placements under any circumstances...so it has actually determined the mode of the next type of study I do.*

On completion of her course, Susan lost her place at the child care centre because she was not able to identify her needs for the following year, as she was now in the job market. The family could not afford to pay for child care without the second income while Susan was looking for work.

As luck would have it, Susan obtained a contract job for 10 months just prior to Christmas but she was left without any care. The job started immediately so Susan was placed in a position where she had to find care very quickly . She rang various places and fortuitously found a community-owned centre that could take her children when they opened later in the New Year.

The children were ferried around to different relatives during the holiday period which added stress to the beginning of her new four day per week job.

Susan felt the job as not the right balance for the family as it was a greater commitment than she had initially wanted:

> *I took the job because we had three years of me not working and we couldn't afford it any longer...I didn't feel there was any choice. Getting work doesn't always mean you can negotiate or always get what you want.*

What sort of impact did it have financially?

At the start it seemed to be quite good to be working and having cash flow. Ten months later I felt we were no better off financially...When you are getting child care bills of $400, $500, $600 you realise it is false economy.

A comparative analysis of Susan's family income highlights the point. As a student, Susan had been paying out $128 per fortnight on care—around 8 per cent of the assessed weekly taxable income. They were entitled to 66.8 per cent Childcare Assistance. When Susan obtained her job, their Childcare Assistance was reassessed at 38 per cent. The new centre was $9 per day per child more expensive than the previous centre, which meant that the family was now paying a total of $420 per fortnight for the two children. This equated to 20 per cent of the total family pre-tax income and 29 per cent of the disposable income.

Susan obtained a new lesser-paid contract job shortly after the initial one expired. She was hoping the fact that it was closer to home might help the situation, as she would have lower transport costs and the days would be shorter for the children. Six weeks into the job, however, Susan resigned—primarily because the decline in her income and the increase in the child care fees left them worse off financially. She felt the family was going backwards.

Susan's child care bills had escalated to $460 per fortnight, as there had been a fee increase at the child care centre in mid-1997. This meant the family were paying out 23 per cent of the total family income—or nearly one-third of their post-tax income—in child care bills. These fees together with the home mortgage consumed 60 per cent of the family's disposable income.

For care during the four days when she was employed, Susan and her husband were paying $230 per week, over 30 per cent of the family's disposable income.

Susan chose to remove the children out of care and herself out of the work force. She believes that this decision has had several consequences for her and the family. It has diminished the family's ability to improve their economic situation, and has robbed her of the opportunity of participating in the work force in a manner to which she has aspired. It is with great reluctance that Susan now has to place her own career on hold for two years until the children are school age.

2 Child care for study means debt and impoverishment

Kelly is a single parent with three children. Her eldest is 16 and the others are two and three years old. She is currently studying for a TAFE diploma.

Having lived in the same outer southern suburban area all her life, Kelly has some extended family quite close; however, they are rarely called upon to help with minding the children.

Kelly had her first child when she was 19 years old. She took a short break from the work force before placing her daughter in full-time care at a council creche. Kelly said that, as a young mother, she was looking for a happy environment for her child where the carers were nice, the children were happy, well fed and supervised. This centre satisfied her needs for the child's pre-school life, so when Kelly found herself requiring child care some 10 years later, she returned to the same centre.

The second child, Debra, was placed in the centre when she was six weeks old. Kelly had a responsible job in the public service but she had cut her work regime back to part-time at that point. Kelly's third daughter was born within 14 months of Debra.

Kelly had by then separated and become the sole breadwinner in the family, so circumstances necessitated the placement of the third child in the centre from the age of three months. Kelly became aware of a continuing problem in the room where the baby was spending her day. Despite complaints and various responses by the staff of the centre they were unable to stop one of the older children biting the baby. When Kelly directly observed this happening one day she removed the children on the spot.

Kelly had no plan for this emergency situation; she was still required to work but had no child care. In the short term she called in favours by friends and some relatives but this was not satisfactory in the longer term. Despite being highly stressed by the predicament she was in, Kelly made a decision to investigate her options for the children thoroughly.

She had identified a list of priorities she expected from her child care situation. She was inclined to centre-based care as she felt uncomfortable about a stranger minding her children. She also believed language development in children is enhanced in a group setting.

Kelly systematically rang around all the centres and questioned them on various matters to do with quality of their service. These included a description of their program, their level of accreditation and the cost. Kelly said that the cost was always a juggling act but at that point there were not sufficient differences amongst the centres for it to be the guiding force. The centre's routine for the day was also important, as she wanted her children to be managed in a similar way to their routine at home. Kelly spent time in several centres to assess their standard first hand.

Eventually she chose a community-owned centre as she was impressed by the caring nature of the staff and the strong educational focus of the program.

The demands of being a single working parent with two toddlers were very great on Kelly, who was subsequently diagnosed as suffering from serious depression. She felt that she had no choice but to give up work as she was finding the responsibility of her job increasingly unmanageable. Kelly resigned from work and took on some part-time cleaning to supplement a part pension. She wanted to maintain some stability in the children's' lives, so they remained at the centre part-time. However, the cost of this became an issue over time and they had their days in care cut back. As Kelly was not well and had no other reliable network for child care she felt this was a most unfortunate consequence of her circumstance.

Kelly hated being unemployed. She views herself as having as 'a working mentality'. Her previous employer offered her some short-term work of which she took advantage, but concerned about her longer-term prospects, she made a decision to return to study and complete a TAFE course. This would take some years but Kelly felt it was a now or never situation.

1997 began with her children in care two days per week while she was studying for her diploma. She was receiving the highest Childcare Assistance at 90.4 per cent. Kelly itemised her household expenses both on a weekly and yearly basis. She calculated the child care expenses at 14 per cent of her total income. She believed this to be difficult but manageable, particularly as she was working towards an achievable goal which would have longer term benefits.

Kelly enjoyed the course but during the year things became tougher for her; a $3 per day per child increase in child care fees increased her out of pocket expenses and coincidentally the children's father withdrew support payments. The result was that 20 per cent of her income was now consumed by child care costs. Kelly would return to her itemised account list to examine where expenses could be cut. Inevitably food was the area she considered had to be cut as she was very fearful of getting behind in the payment of gas, electricity and water bills.

Kelly's course required her to complete a student placement of some six weeks. She had made arrangements for the children to be minded by a relative on the days they were not at the creche. Kelly felt ambivalent about this arrangement as the relative was not really experienced in caring for these children, but the economics of the situation determined the decision.

However, at the very last minute the relative changed her mind and reneged on the arrangement. Kelly was forced to increase the children's time at the creche for the period of the placement time. This required her to pay out 40 per cent of her income for the six weeks.

This has left the family in dire straits as they are hundreds of dollars in debt. Kelly removed her children from the centre immediately the student placement was completed.

> *The placement mucked us up no end. Lucky I was organised for Christmas with lay-bys. This week we have $30 per week to live off.*

Kelly has been forced to approach local charities for food vouchers to help her through this bad patch. She finds this a particularly demeaning thing to do but she knows there is no choice.

Kelly is now contemplating her future and the child care arrangements for her second year of study. She is determined to keep going as she sees this as the only way out of her predicament. In the short term, Kelly will have to complete her written work at night when the children are asleep but in the longer term, when the contact hours resume, she will have to resolve her child care problems.

I am definitely committed to doing the course. If I wait until they're at school I'd be 43...I'm getting too old...it's leaving things a bit late to be getting back into the work force.

Kelly has identified two options for her children. One is to use a friend who is minding children at home. The major drawbacks with her is that she smokes in the house which Kelly disapproves of particularly as the baby is an asthmatic and she lives some distance away. The second option is to use the creche at the TAFE which is cheaper than the other centre the family was using and is conveniently located where Kelly is studying.

The final decision will be based on what she feels is best for the children.

For the part-time care necessary for her to undertake her TAFE course in 1997, Kelly was paying $56.60 per week, 20 per cent of her total income.

The student placement for her course required Kelly to pay out 40 per cent of her income in child care. This has left her with a major debt and forced her to withdraw her children from the centre.

3 Reducing work, avoiding formal care

Tanya is married with two girls aged four and a half years and 19 months old. Her family lives in the outer western suburbs of Melbourne. Tanya had been working full-time but recently cut down to part-time.

Tanya has a supportive family network and her parents, although elderly, have remained active in their role with their grand-daughters.

Tanya had been employed as a technical support worker in a large corporation for seven years prior to starting a family. She had a definite career path which she was keen to maintain. Her husband has a steady job in the leather industry.

Following the birth of Jody in 1996, Tanya remained at home until economic pressure compelled her to return to full-time work. Jody was seven months old and a difficult baby with a rather 'grouchy and demanding' temperament. Tanya felt the management of this was a significant issue she had to take into consideration when selecting the type of child care arrangements for her first born. Family Day Care was appealing as it provided Jody with a one-to-one carer that Tanya thought might help settle her. After some months, however, Tanya felt uncomfortable with this arrangement as the carer was having some difficulty separating from the young child and Tanya was concerned this may lead to longer term problems. The arrangement had made no difference to her temperament so Tanya looked around for another type of child care service.

Tanya subsequently discovered her daughter suffered from a medical condition which explained her irritability and the difficult behaviour, which was attributed to recurring pain.

The family investigated various options in relation to long day care centres. They wanted a setting that could provide stimulation for her child in the hope that it would help distract her from daily bouts of pain. Secondly, Tanya wanted highly skilled, professional staff who were able to deal with and manage her child's difficult personality. Empathy for her child's disability, as well as assurance that Jody's special dietary needs were always going to be addressed, were also important.

The family selected a new purpose-built day care centre that was near to Tanya's workplace. After some time on the waiting list, the family was eventually offered three days of care per week. Tanya took the place and enlisted the help of her parents to cover the other two days.

This arrangement continued happily until the birth of the Jody's sister Alice, some 12 months later. Jody continued to attend the day care centre while Tanya was home with Alice. This was partly to give her mother a break while she had a new born but also because Tanya was afraid she would lose the place at the centre.

> *I was scared that if I took her out I wouldn't get my place back again. You can't sort of hold your place unless you are paying for it. If your paying for it you might as well send them.*

During this time the family's Childcare Assistance was increased as they had become a single income family with Tanya no longer working.

However, Tanya knew the family could not survive economically without her working and contributing to the household income. She was also aware that her employer was not sympathetic to the issue of part-time employment so she had no choice but to return to the work force full time. During the time she was on leave Tanya investigated other part-time job options but could not find anything else that paid as well as her original job.

After seven months at home Tanya 'bit the bullet' and reluctantly returned to work full-time. She and her husband reviewed their family budget and were concerned about the anticipated expense of five days of child care. The grandparents offered to trial having the two children two days per week although Tanya was not sure how they would manage the extra load as they had not done this previously.

The reality of working full time and having two small children proved to be very difficult for Tanya to manage. She was finding that the long days meant they had no time together as a family, and she felt deprived of quality time with her children. Financially they did not appear to be making any headway and Tanya began questioning her situation.

> *Finding $800 every month for a creche bill, and that's part-time, that's not full-time...I was paying so much money I could have been paying off another house for $800 per month.*
>
> *All the guilt I was already feeling, the stressed-out, the tiredness and still not having any money on the weekends to do anything because everything was going in creche fees. All our savings, and I thought it's really not worth it.*
>
> *I put up with paying $800 a month and feeling bad about myself and not being with my girls from February to August last year. I felt I was going to have a breakdown.... I was mentally and physically exhausted and my husband said ...'Tanya just quit, its not worth it'. I was at the chiropractor every week with back pain migraines all down to stress..... and I said damn it .....why should I just quit!.....Why should I just walk away from a good job cos I do have a good job. I'm paid well ....why can't they offer me something else.*
>
> *So that's when I thought I'd approach them about job share.*

Tanya approached her manager, however he indicated he was not interested in Tanya's proposition of job sharing with another colleague who was due back from maternity leave. This was despite that fact that part-time employment was an acceptable arrangement in other areas of the corporation.

Tanya was annoyed by this attitude as she did not want to forgo her career opportunities and resign. So she embarked on a campaign to change her manager's mind.

It took Tanya three months to convince her manager of her case. She now job shares with her colleague and works two days per week. The children attend the child care centre one day per week and stay with their grandparents on the other day. Tanya is aware this arrangement with her parents is fragile, as they are in their seventies and they find the two pre-schoolers very active. If they were to take ill she believes she would still not be able to increase the day care centre time as two days for two children would take her fortnightly bill to over $234—which is nearly half of her fortnightly salary. This is with Childcare Assistance at 59.36 per cent.

Tanya has now taken a job on Saturday nights to help supplement their family income—working at a time when she does not need to pay for child care as her husband is home with the children.

Tanya appears unable to afford to have formal child care for all the time she is actually working—to do so would take nearly half of her net earnings.

Instead she relies on her parents and taking on casual work at a time when no care is required.

4 Insecure work creates a child care bind

Debbie and her family live in an inner northern suburb of Melbourne. Her husband Frank is a teacher. They have a seven year old daughter, Eliza, and twin boys aged three years who attend a centre two days each week.

Frank's parents live several suburbs away and have been very supportive to the family both in times of crisis and with regular weekly support. Debbie's family live interstate and overseas. They have only one other friend they can call on to help out with the children when the need arises.

Debbie had been employed as a shift worker prior to the birth of their first child. Frank had been studying at university for tertiary qualifications to better his career options.

When Debbie became pregnant, she placed her unborn baby's name on the waiting list for child care at the university where her partner was studying. This was the most convenient and cheapest alternative, for Debbie was planning to return to her previous job as an early morning shift worker and, as she did not have a driver's licence, Frank needed to take charge of the child care arrangements.

It took nine months for them to be offered a place at the centre. Debbie then returned to work until Eliza was two and a half years old.

At that point Debbie was offered a redundancy package. The family holidayed and visited relatives overseas. Upon their return, Debbie became pregnant with twins. This was a particularly difficult year as Debbie was not only shocked to be having twins but was very ill throughout the year. They lived with Frank's parents for some time and relied heavily on them for child care and domestic support.

While Debbie was at home with the twins, Frank began his first contract teaching job. The demands of caring for three children took its toll on Debbie's health. She lost weight and became sick requiring hospitalisation. Initially in order to gain some respite and relieve the stress at home, they began investigating local day care centres. Debbie made appointments at all the centres to question them about their service. She was looking for a centre that would care for the boys in the way she did, that had an established program and a routine that mirrored her management at home. It was also important to be on a tram route so Debbie was able to transport the boys to the centre and Eliza to school.

After selecting several desirable alternatives she placed the boys on waiting lists for placement two days per week. The family had reviewed their finances and decided this was as much care as they could afford.

> *We had a huge problem as well because of their being twins. We couldn't get them in...that's why it took so long...because they would accept one and not the other and we refused. One [centre] could take one and said in six months time they could take the other, which was no good for me or them [the children]. So we had to wait for two places to come up.*

It took five months for the family to be offered a place for both children on the same day. Debbie spent one month settling the boys into the child care centre. In the meantime she was unable to get Eliza into after school care at her primary school.

After a short period it became apparent that they could not survive financially without an additional income. Debbie did not feel relaxed at home without the children, so she sought employment. Her options were restricted by the lack of after school care for her daughter. Finding something for two days per week proved difficult, but eventually a friend offered Debbie a job one day per week filing in a library. Debbie enjoyed the peaceful work environment and would do anything to keep this position. With no licence or car of her own, she had to get the children up at 6.30 am and off to the centre by tram at 8.00 am. She would wait with her daughter at the centre until she was able to tram it to the school to drop Eliza off on her way to work. The reverse procedure would occur on the way home. As there was no care for Eliza after school she had to be there at 3.30 to collect her.

Sometime later Debbie found some additional casual work house cleaning, which she undertook on the other creche day.

The family has continued with this routine for some time now. However, they have found themselves in a rather precarious financial position and unable to get ahead. Debbie's wage is consumed by their child care fees and by payments on a car loan they were forced to get as Frank needed independent transport to get to work. They have been so short of cash that they would borrow money from friends in the early part of the week and then pay them back on pay day.

In an attempt to alleviate this financial pressure Debbie took on some extra work on a third day, but they were unable to afford any further centre care. They had no choice but to ask Frank's parents if they could mind the twins.

Since 1996 the centre has raised its daily fee three times. This has amounted to $5.50 per child per day, or an extra $22 per week. This rise had to be directly absorbed by the family so it continues to erode their disposable income.

In the three years since Frank graduated, he has had seven employment contracts in various places across Melbourne. These contracts have been either for one term or for a year. The uncertainty of his next position has meant that the family have not been able to plan ahead in their lives. And as they have no savings, they also experience major cash flow problems at the expiration of contracts as it takes some weeks to obtain any social security income.

> *Christmas holidays...we can't even plan them at the moment as if he hasn't got a job we don't know if we are going to have money, whether we are going to be on the dole, or whether he's going to be getting paid for his holidays...so we don't know what is going to happen in each holiday.*

Towards the end of each contract, the family has to live with the anxiety this brings. About four weeks prior to the end of each contract Frank has to look around for other alternatives as it is not until two weeks prior to the end of the contract that future employment is confirmed. The family is caught in the bind of being unable to reduce their current expenditure of $110 per fortnight on child care fees as they need this support to remain in the work force.

> *We wouldn't pull them out of creche, because if he does get work that means I have to stop working.*

Debbie feels very uncertain about the future, as she cannot see a way out of their fragile economic position. She believes she cannot work any harder and her partner Frank, while gaining workplace experience, is still to be offered permanent employment—an imperative part of their capacity to plan for the future.

Debbie and Frank face higher costs and greater uncertainty because of their insecure employment situation—casual and contract work.

Child care is already costing them $55 per week for their twins. This and transport to allow Frank to work take all Debbie's pay. They are unable to afford the extra care that would allow Debbie to work more but neither can they afford to remove the children from care.

5 Working more than part-time is not worth it

Kim, John and their two girls—Cassie aged eight and Tess aged three—are long-time residents of an inner city suburb of Melbourne. Tess attends a centre on the three days each week which Kim works.

Both sets of grandparents live in the outskirts of metropolitan area and are still engaged in paid employment. Kim's main informal supports have been a long-time friend who lives nearby and her youngest sister who, as a student, has been able to help out when there has been gaps in the child care arrangements.

John, a designer, and Kim, a qualified child care worker, had enjoyed success in their respective professions prior to the birth of their first child. They had accrued savings which they felt gave them some sense of security. When Kim became pregnant with Cassie she felt little need to rush back to the work force just for economic reasons. She considered herself available for work, but was not going to search for it. She wanted to relax at home in her role as a mother, particularly as they thought they might only have one child.

Kim was aware that her child care options in her immediate neighbourhood would be limited and that there would be a long waiting list for a place. To cover her options for the future she thoroughly investigated the local community based centre. This service was attractive because of its program, small size and treed setting—something not commonplace in the suburb. Following a visit to the centre, which involved an interview with the coordinator, observation of the staff and a perusal of their policy booklet, Kim's initial positive thoughts were confirmed, and Cassie was placed on the long waiting list for a part-time place.

When Cassie was six months old, Kim was offered a six-week contract to work full-time. She wanted to take advantage of the opportunity so John decided to take some leave and care for the baby. This arrangement also allowed the family to trial this arrangement, as John had some concerns about varying his work situation. Kim had the potential to earn as much as, if not more, then her partner so this was also a consideration.

After the six weeks the family concluded this arrangement was not an option for them in the future. It also helped clarify the point that they wanted the formal child care to be kept to a minimum.

Kim continued to be offered more work. However, she was more discriminating about the hours she would commit to, so she only took part-time work. The child care centre was able to offer a place for one day but Kim required more care so she arranged for her sister to mind the baby on the other day.

Kim continued to work on a temporary basis until Cassie was four years old. During that time the family tried various options in their work patterns, including Kim teaching at night. This was important to them as they were 'devoted parents'.

By that stage the family had purchased a house and had greater financial commitments. When an offer of a permanent position three days per week came up Kim was inclined to take it. Developing a long-term plan and creating greater financial security by having a stable income became a priority for them.

Kim had been in that job for a year when Tess was born. Her name had been placed on the waiting list at the creche when Kim was pregnant. Kim wanted to resist returning to work before her entitlement to 12 months maternity leave expired. She was offered very small teaching jobs which came up occasionally. During this time John took on some private work which helped supplement their income. However, the extra work John did at home placed pressures on his time with other family members and also created some tension as his work space encroached on the family space in the home.

The time on the single income was 'a learning experience' for the family; it confirmed they could no longer survive with one breadwinner. Other options were not viable so Kim had to return to work.

> *I wasn't as anxious [about returning to work] because it was a fait acommpli.... We just had to do it. There wasn't any option at that stage.*

The family were able to secure a place at the child care centre when Tess was 12 months old. Her return to work was made easier by the fact that she had a sensitive employer who allowed Kim to ease the child into care by working shorter days for two months. This coincided with the end of the school year thus avoiding the need for Cassie to attend the school after care program.

Kim and John have continued in this work pattern for some years now. They have had to juggle the needs of a toddler with those of Cassie who initially had difficulty managing the after school care program. Kim negotiated with a network of friends to take her eldest daughter after school, but this meant she must return the favour on the days she is at home:

> *On the days I wasn't in paid employment I always had other people's kids here too...like one night I had four...because you have to pay them back.*

More recently the family has had to use both the before and after school program as the demands of their jobs has meant they need the additional support.

Over the years Kim and John have found the cost of living to be increasing and this has adversely effected their ability to manage the financial situation. They feel they are 'constantly scrimping with their money'. Their employment situation means they need to run two cars as they go in opposite directions and they have to share the transport of the children. This is an additional expense they would prefer to live without.

> *Without things like doctors and dentists and cars breaking down, we're fine...it's just that when something like that happens...our hot water service blew up last year and our credit card was full and we had $200...so we had no money.*

Kim's employer has been asking her to consider working longer hours as there is plenty of work available. She believes that they would prefer her to work full-time. She is now the only employee left that has young children as all the rest have found juggling all the demands of having young children too difficult, so they have chosen to not renew their contracts.

The family is currently receiving Childcare Assistance at 9.3 per cent which means their child care bill for three days of care at the centre is $116.90. If Kim was to work an extra day, more than half her wage would be consumed in additional fees as the family would lose their Childcare Assistance and their bill would increase to $184 per week. Kim has assessed that the small financial gain she would make is simply not worth it.

> *By the time I take out lunch and the getting to work and the going to work and all the stress that is associated with getting home at 6.00 pm and organising all of that...I'm not prepared to do that. I mean that would probably pay for a cleaner but what I really need is a cleaner and a cook.*

Kim and John have contemplated other child care options for their family, particularly when there have been price rises at the creche. Assessing the needs of the individual child against the whole family needs is a difficult issue and one they have had to grapple with. Kim believes that when the children are both at school she will once again need to re-evaluate her work pattern so that the children are able to participate in after school activities as do their friends.

Kim and John face a straightforward trade off in terms of employment versus the costs of care.

If Kim was to work an additional day it would provide an additional $120 each week in income, but $67 of this would go in higher child care payments.

6 Work and family pressures mean that formal care is too expensive

Sally and Jack live in a suburban area north-west of Melbourne. They have three children: Kylie six years, Stephanie three years and Tim aged 12 months. Alexander, a child with Downs Syndrome, was born two years after Kylie. He died shortly after his second birthday. Sally works two days each week.

Sally and Jack have the benefit of parents who are able to offer great support to their family unit. Over the years they have needed considerable backup for their domestic arrangements as Alexander had many health complications that required periods of hospitalisation.

Sally was working as teacher prior to the birth of their first child. She took maternity leave and realised fairly quickly that she did not want to remain at home on a full-time basis. When Kylie was six months old an opportunity arose at Sally's previous place of employment to work two days per week. This suited Sally even though she had to upgrade her qualifications through some extra study to take the job.

The family was able to address their child care needs with informal arrangements.

Jack is a shift worker in the emergency services. He has a 12 month roster detailing his work pattern so he was able to care for the baby one day per week. He did this even on days when he was returning home from night shift and had possibly had no sleep. On the second day, Kylie went to a friend of Sally's who had a child of a similar age. If Jack was unavailable then the grandparents stepped in.

After 12 months of this arrangement the family needed to make other plans as Sally's friend wanted to return to work and Sally was pregnant with her second child. The family was aware that there were very few alternatives in their area as the day care centres then had waiting lists years long. They did not want care in a private home any longer as they felt their 18 month old daughter would benefit from greater stimulation provided in a group setting.

Fortuitously a new purpose-built centre was being constructed in the area, so the family went to investigate. They were impressed with the buildings and setting, but on reflection the family believed they were naive about issues to do with child care then. The lack of choice in their area meant they had to go with what was available as Sally was committed to remaining in the work force. With some hesitation they placed Kylie in the centre one day per week.

Six months later Alexander was born. He was a very sick little boy who remained in hospital for the first four weeks of his life, and then was regularly hospitalised for the next six months while the doctors fully assessed his medical condition. Alexander's health complications meant he was involved with nine specialists at different locations.

For the remainder of Alexander's life, Jack and Sally's time was consumed with appointments and sorting out an early intervention plan for their son to give him the greatest chance of reaching his potential.

During this time Kylie remained at the day care centre for her regular one day per week but as the family was under considerable stress they also required extra care at short notice.

When Sally's leave expired she made the decision to return to work at the beginning of the 1994 school year. She felt she needed to remove herself from the daily stress associated with caring for her children. They also made the decision to place Alexander with his sister at the creche one day per week. The creche had become an important life support system to the family and they were willing to take the baby despite some risks associated with his care.

> *He had specific needs in that if he turned blue they needed to do something about it...but they were quite prepared to do that. They have been absolutely fantastic.*
>
> Were you ambivalent about going back to work in that situation?
>
> *No. I needed to...it was also used as respite care for us too...very much so.*

Throughout that year the family struggled on, attempting to meet all the individual needs of its members. The pattern of Alexander's illness remained the same and he spent large amounts of time away from home in hospital. Meanwhile the family were caught in the bind of having to continue paying the centre fees even though the child was not attending. The cost to the family was being felt both financially and emotionally as there were no easy answers.

In early 1995 Stephanie, their third child, arrived. Alexander was also due to have a major operation but he kept falling ill with viruses. The doctors suggested he not attend creche to keep him away from other children but, by that stage, the family had decided they needed that care for respite reasons.

> *We got told not to put him into creche but... fine, that's something we could have not done, but from our point of view, as a family, we had to have that time.*

Alexander eventually had his operation and recovered well. Sally was due back at work when Stephanie was six months old. All three children went to creche together one day per week. The family made the decision to take the more expensive option and place the baby at the centre on the second day. Jack was not able to satisfactorily juggle the needs of a disabled child engaged in a rigorous therapy program with those of a three year old who went to preschool as well as those of a baby who need an established routine.

At this point the family finances were really feeling the pinch as their child care bills were growing and they had increasing financial commitments to Alexander's therapy program.

Later that year Alexander died in an accident. The family was very stressed and in need of continuing respite care for the two children. The creche arranged for a special waiver of the fees for a period of 10 weeks.

Sally continued to work two days per week until she had her fourth child in 1997. Again she had six months leave, but on her return to work her job had been reduced to the equivalent of one day but spread over two days. Sally was disappointed with this situation as it not only halved her income but the need for child care remained the same.

> *It's twice as difficult to get everything organised for two days as it would for the same amount of hours in the one day.*

To compensate for the lack of income Sally has made herself available for emergency work however this also has logistical problems. The family have not wanted to extend their day care time as the increasing cost has meant they wanted to keep this time to a minimum. Jack has tried to work this around his shifts as much as he can.

> *It's nice to have a ring up and an offer to work as the money is handy but if I am working I don't like the idea of ringing around the night before trying to get someone to look after your kids the next day...that's not fair on the kids and it's not fair on the people you ask because a lot of times they might feel obligated to – especially with my parents, as I know if I ask them they will probably put off what they were planning on doing to look after the kids.*

Sally wants to remain in the work force for two full days per week. She is frustrated by funding cutbacks in her area of expertise and hopes that some day the situation will go back to what they were. Until then the family will continue to work around the difficulties of using a combination of formal paid care and informal family arrangements.

Sally and Jack are unable to afford the two full days of care which they require, mostly because of the limited number of hours for which Sally is paid in her two days of employment.

They therefore use a combination of formal and informal care.

7 Child care costs make sole parent consider giving up work entirely

Joan separated from her partner ten months ago. She resides in her own flat in a bayside suburb, with her two pre-school children, Erin and Christine, who attend a creche two days each week.

Joan is part of a large family. Several of her siblings help with informal care of the children at night as she has regular work commitments at this time. Her father, although living an hour away by car, has been committed to caring for the girls from an early age.

Joan had been working full-time in her career as an industrial relations officer prior to the birth of their first child. Her partner, Jeff, was a casually employed tradesman. As Joan was the more reliable breadwinner she knew she would to return to the work force within months of Erin being born. She saved money to help cover the mortgage in anticipation of her unpaid maternity leave, as she was aware Jeff's income would not cover 'the basics'.

Joan had examined the options for child care and came to the conclusion that she wanted centre-based care for her child. She felt uncomfortable with the thought of 'a lot of kids being cared for in the one house with one carer'. She felt more at ease with a regulated environment that provided stimulation, a range of activities and had an established routine. Jeff went along with his partner's opinion in relation to their needs 'as he didn't take as much interest and probably wasn't as involved in child care, as an issue, as I was'.

Being aware that the finances would only last a few months, Joan felt some urgency about securing her child care arrangements quickly. While she was pregnant she rang around the neighbouring centres asking for information about their centre and programs. Most warned her of the lack of space so Joan had to hope for the best when the child was born.

Jeff and Joan had made the decision they did not want to both be employed full-time when they had children, so Joan had the intention of returning to the work force on a part-time basis. Joan's employer proposed a position three days per week which she readily accepted. When Erin was four months old the family was offered two days by one centre some suburbs away. She had to take this place as there was some concern another opportunity would not arise within the following weeks.

> *Obviously looking at cost was one of the things I asked but because of the unavailability of places at that time (1994)....., I mean, the thing was to get back to work so refusing a place on the basis of fees alone was not such an issue at the time.*

On the third day of Joan's employment each week, Erin was cared for alternately by her maternal grandfather or her paternal grandmother. This combination of care worked well for the family until the second child, Christine, was born some 19 months later.

Again Joan planned to have limited time at home with the children. Jeff's employment had been erratic and he had some periods of unemployment so Joan's income had remained vital to their existence. The children were booked into creche the three days Joan was working. She had found that, with two children, the demands on the other family members were too great and as her father was travelling long distances by public transport to be with the children, the arrangements were becoming impracticable.

In 1996 Joan also took on some tertiary study with the view of being able to make a career change down the track. This involved attending classes both during the day and at night. At the end of this year, Joan resigned from her position as she wanted to devote more time to her study and complete the course without the additional work load of a part-time position. It was planned that Jeff would be the main wage earner and Joan would take on some short-term contract work to supplement the household income. Joan was aware that there was work around in her field. The flexibility of this arrangement and higher rate of pay was also appealing. She hoped to maintain a good income with less hours in the work place giving her greater study time.

However, things did not work out as they had anticipated. Jeff was unable to fulfil his part of the bargain and could not support the family. Joan found she was working longer hours than she wanted and, as it was project work, the cash flow was erratic compared to a regular wage. The family began to slide into some economic difficulties and they were forced to draw on savings. Some months later, Jeff left the family home. Joan then had a period of no work for three months. The children continued to attend the child care centre during this time as their mother needed the support to help her through this stressful time.

> *I went onto maximum [Childcare] Assistance last year when Jeff left. It helped enormously but still, with two of them in care, it was still pretty hard....I found I still really needed those three days because of trying to balance work and study and being on my own.*

The rest of the year was difficult for Joan to juggle all these aspects of her life. Jeff's support both in relation to taking the children and contributing maintenance was intermittent. She found that she had to defer her studies as she was having great difficulty managing everything satisfactorily. The work had become very demanding and had meant that she really needed more time without the children than was planned for. She had night commitments which also meant that she had to rely on other family members to help her out. She was increasingly getting exhausted and finding herself swamped with all the responsibility. Being tired in Joan's opinion meant that she wasn't in her best parenting mood with the children so all the extra work was self-defeating.

> *It's a catch 22 wanting to have the girls at home more and trying to cut down the cost of child care, but also finding that I need to have time to get my work finished.....so how do you balance the cost of the care with the fact that if I stay at home and get some work done, I'll get more work and that will make things easier?*

At the end of 1997 Joan re-evaluated her situation. She made the decision she had to look at ways of cutting down her child care bills. In the early part of 1997 Joan was paying $56.80 for three days for her two children. That was with the maximum Childcare Assistance of 90.4 per cent for two children in care. However, the centre was forced to raise its fees by $3 per child per day. This increased Joan's child care bill to $74.80 per week—14 per cent of Joan's estimated gross weekly income. As Joan is regarded as self-employed, she has to estimate her projected income for the year which is then converted to a weekly figure.

If she requires an additional day her bill increases to $115.20 for that week, which is 21 per cent of her estimated gross income.

Joan has found that her employment situation provides her with a poor cash flow and she is constantly in debt. She is currently seven weeks in arrears at the child care centre and to date they have been able to carry that debt knowing they will eventually get the money. But they have warned her that credit will no longer be available in the foreseeable future as they are experiencing cash flow problems of their own.

Joan has enrolled her two daughters in creche for two days per week this year. She is hoping she will be able to manage her work without committing her children to longer hours at the creche. Joan has had discussions with a neighbour and they are considering helping each other out by minding each other's children on their non-work days. This will save Joan a substantial amount of money, but it is yet to be tested on a regular basis.

Joan is very keen to complete her studies and advance her career. She has not discounted the possibility of withdrawing from the work force altogether and applying for the single parent benefit for the short term, to help her through the immediate difficulties.

Without a regular salary, and with her employment insecure, child care for two children takes up an unsustainable share of Joan's income.

Despite her determination to improve her prospects through study while working, Joan is at risk of withdrawing from the work force.

8 Unsettled work, housing and child care

Sylvia and Brett live with their three children in suburban Melbourne. They use informal care for their two youngest children.

They both were originally from the country where one set of grandparents still reside, the others living in Queensland. They have no other reliable family networks in Melbourne. Over the past five years the family has moved five times which has limited the their capacity to develop strong informal child care networks.

Sylvia unexpectedly became pregnant when the couple were honeymooning overseas. The imminent birth of their first child, in 1990, forced them to re-think their future plans. Brett had been a farmer, and on their return to Australia he decided he would return to study and obtain a qualification in Business. To achieve that end, the couple moved to a small country town half an hours drive from the TAFE which Brett selected.

With the help of Austudy and some savings, the family was able to establish a manageable plan for the foreseeable future.

When Simon was twelve months old, Sylvia decided she wanted to return to work three days per week. Living in the country had been a socially isolating experience for her and she felt a strong need to return to her profession in the health industry. She wanted some 'mental stimulation and my sanity back' .

Sylvia orchestrated her work arrangements so that Simon could be looked after by Brett for two days a week, including one day on the weekend, and he could have another day in care. Their options in the area were limited but they were aware of a woman in the neighbourhood who minded children in her home. This was appealing, as it was handy and close by. But although it seemed the obvious solution, Sylvia regarded it as totally unsatisfactory when they tried it, as the carer allowed Simon to scream for several hours as she could not get him to sleep. Without hesitation Sylvia removed him. Her primary expectation of child care was that the child must be happy.

The family were forced to look at services in the regional centre. As Brett was a student they were eligible for subsidised care at the TAFE centre. This proved to be a viable alternative and Simon was enrolled for twelve months. Brett was significantly involved in Simon's care as he was responsible for him at home and in transporting him to and from the child care centre.

For Brett to complete his course at a degree level, however, the family had to move to another regional centre. In the meantime, Sylvia had become pregnant with their second child. This was a planned situation with Sylvia anticipating that she would settle Simon in to the TAFE centre and then work towards using the day care centre for both children when she returned to work part-time.

However, things did not work out as planned, as Caitlin was born with Downs Syndrome. She was unwell, and required extensive medical assessment for a heart condition.

Caitlin had surgery at four months and her condition improved. However, she was susceptible to viruses and was significantly developmentally delayed as she was not crawling until she was 15 months old. On balance, her mother did not feel comfortable placing Caitlin in long day care as she thought these factors created an unacceptable degree of vulnerability for her daughter. Sylvia did the odd casual shift at work while a friend minded the baby.

In 1993, the family moved to Melbourne as Brett was in search of employment. The family survived for six months on savings and some casual employment which Sylvia was able to find. They were not in a position to secure child care without employment so they decided that only when their work pattern was known would Sylvia begin to find the care to match this pattern. In mid-1994 they both found jobs. Sylvia restricted her employment to afternoon shifts and weekend work so they could keep their child care requirements and costs to a minimum. There was a small gap of several hours from when Sylvia left until Brett arrived home. They employed a babysitter, paying cash in hand, to cover that time.

In the meantime, Sylvia was looking for a more permanent arrangement for Caitlin in the following year. Caitlin had some communication difficulties as her speech was poorly developed. Sylvia investigated the various options in the area. She was intent on assessing each centres preparedness to accommodate her daughter's disability. Eventually she chose a small community-owned centre.

> *They were quite willing to integrate her in with all the other kids and treat her the same as all the other kids.*

Sylvia was also encouraged by the centre's willingness to seek outside help as they arranged some staff training on the appropriate communication strategies for Caitlin.

> *The other thing that appealed to me was that it was parent run, which meant that there was parent input into what was going on.. so I ended up actually putting my name down on the Committee and having some input into what went on...I didn't go into the centre with that being an aim to start with.*

During 1995 Sylvia unexpectedly became pregnant with Ellen, their third child. The family's fortunes changed dramatically just prior to her birth, as Brett lost his job. The family were forced to live off unemployment allowance for six months. As a matter of priority they maintained Caitlin in creche for two days per week; the family found the demands of the child and the involvement in an early intervention program rather exhausting so they were in need of some respite. The social scene at the creche also had the additional benefit of helping Caitlin with her language skill development.

Eventually Brett was offered employment in the country, so they left their home and moved to country Victoria. Sylvia began her search again for suitable and quality child care. She had found as time had gone on she had a greater need to participate in the work force for her own mental stimulation. Brett, on the other hand, was more ambivalent about this but agreed the priority needed to be maintaining the family unit's happiness. If that meant his wife had to work then so be it, but it was her prerogative to choose and then arrange the care required.

Although there were day care centres in the town where they were living, Sylvia encountered some difficulties placing Caitlin. As she was not toilet trained there was a reluctance to enrol her in the age appropriate room for three to five year olds. The preference was to accommodate her with the more dependent two year olds.

As the family grew, the organisation involved in the child care arrangements was increasing and Brett found that the commitment of having to pick the children up sometimes restricted his work capacity. He wanted to limit this responsibility as much as was practicable.

In late 1997 the family were able to secure a transfer back to Melbourne. The familiar pattern of looking for child care began again. This time they were looking for a combination of care.

> *We decided that if I was going to go to work, then we would employ someone to look after the kids, that's basically the only way Brett wanted to do it...so I suppose he had a lot more input into saying how things have to be run now than in the past...basically because he didn't want to drop off and pick up kids.*

Sylvia obtained a job very quickly. However, it is casual shift work which could be either mornings or afternoons. There is always the possibility of the work being cancelled at any stage. Sylvia has employed a new graduate for babysitting. She needs her at least 12 hours per week and she is paid $7 per hour plus petrol, cash in hand. In addition, Simon attends after school care twice per week at $6 per night. Sylvia has some hesitations about this system as, although it is convenient presently, it is also a fragile arrangement since the babysitter is looking for more permanent work. Sylvia also believes it would be in Caitlin's best interests to attend a day care centre for social reasons.

Currently, if the two children were in formal child care, the family would be entitled to 39 per cent Childcare Assistance. However they have been unable to access formal services, so they are not in a position to benefit by this support.

Sylvia is hoping to secure a permanent part-time position which will give her regular work on set days, and then they can streamline their child care around that.

Brett and Sylvia are currently paying around $100 each week in babysitting.

Their work circumstances change from week to week and they are as a result unable to find a more stable child care arrangement at an affordable price.

9 Enrolling earlier at school to minimise child care costs

Heidi is a sole parent with two children, Romy and Kristian. Her younger child attends a child care centre full-time while his mother works.

Heidi came to Australia in late 1989. She met George, travelled for a while and then settled in Melbourne. The couple had no family in Melbourne as Heidi's family was in Europe and George's were interstate.

Although Heidi was a trained kindergarten teacher, her full qualifications were not recognised in Australia so she gained employment as a nanny and in an after school program. Her employment provided about 80 per cent of the household income as George had only irregular work at home while he was pursuing a career in writing.

Within six months Heidi had become pregnant with their first child. Their situation was complicated by the knowledge that the baby was to require major surgery immediately after the birth. Throughout the pregnancy George and Heidi lived with the anxiety of not knowing whether the baby would survive the operation. If the baby did survive, Heidi wanted to remain at home as long as possible, so it was important George took on regular employment. He planned to take on a salaried job to support the family for the first twelve months of the baby's life.

Against all odds, the baby Romy survived. She was home within four weeks and recovered in a manner that no-one expected.

Unfortunately within nine months George lost his job when the company laid off staff. At this point, Heidi was compelled to go back to work, as she had the more avenues open to her.

> *It was way too early for me to go back to work but we had no choice, and I knew I would find work in my field much easier than what he was looking for.*

Heidi obtained a part-time job that was a split shift, requiring her for several hours in the morning and several hours later in the day. George was home during the day and was able to mind the baby some of the time. However the arrangements did mean that Romy needed to go to care some part of the day. Family Day Care was mentioned to Heidi by a home help worker, so she investigated the service. She found it appealing as it was a small, nurturing environment that she felt it suited Romy's situation. It was also the cheapest option and Heidi recalled it cost $8 for 18 hours care.

During that year the family experienced serious financial difficulties; their combined income barely covered their expenses. Heidi decided that she would have to get an additional job. This she obtained easily. It was another casual position and she did not work in school holidays. Their child care arrangements, however, were not working out as well as they had hoped. Heidi was unhappy with the carers so she had removed her daughter from that service.

Romy's name had been placed on a day care waiting list and fortunately they were able to take her when Heidi started her second job. In 1994 Romy attended three days per week at a cost of $69 per fortnight for the one child.

Heidi continued with this work pattern for a year. During this time she reflected on her position and decided that she was spending too much time commuting. In addition, there were problems in one work place which she felt were unresolvable. She was also frustrated that the family was still dependent on her as the main breadwinner; all her wage was consumed with paying the bills and keeping their heads above water. George had some project work but it was not regular.

After some discussion she resigned from one job as the other employer had given her some extra hours, though this was not enough to completely fill the gap.

The family was under significant economic stress. George was unmotivated and depressed with his situation.

> *There was always a bit of stress there because I always knew it was me who would get a job....I basically enjoy the work, I like the work...and it sort of kept me in touch with the community and the people that I meet....It was very good for my language and being here and being part of where I live instead of staying home.*

George left Heidi in late 1995. She was very distressed by this move as she was five months pregnant at the time and her casual employment had come to an end, as the long school holidays had arrived. She was left with no income and having to apply for government support in a hurry.

Heidi took leave from her job for 1996 so she remained on the Sole Parent Pension for the remainder of the year. She was without any financial support from George and was forced to get a boarder in to help with the rent. That year was a very tough one for Heidi as she had the new born baby, Kristian, to manage as well as Romy, who was still attending creche. Heidi continued her time there as a matter of priority as she needed the respite and was also intent on returning to work the following year.

> *Throughout 1996 it was very, very hard for me to adjust to the new role as a single parent with two children. You have a newborn and you've got a four year old who is very unsettled and you are going through lots of emotional ups and downs and [you have to] pay all the bills on top!*

At the end of 1996 Heidi had to plan for her return to work the following year. She wanted Romy to remain at the day care centre for another year, even though she could have attended school. Heidi felt that her child's small stature and poor start to life had put her behind in her developmental milestones and that she could do with another year of preschool to consolidate her skills and confidence.

Heidi requested an estimate of the fees for two children at the day care centre for the following year. Although the amount was high Heidi thought she could manage it.

In February 1997 Heidi returned to her casual part-time job. As her earnings were limited she was still entitled to a part pension. At this point Heidi had become quite adept at living off an extremely low income. When she received her first bill from the day care centre, however, there was a large discrepancy between the earlier estimated figure and the actual bill, which for two children was $86 per week. The centre had increased their daily fees by $5 per day per child. For Heidi this meant fees were $30 more for the three days she required. Heidi was horrified as she knew there was now no way she could afford the cost of care for two children. Needing to make a decision very quickly she investigated the other options including extended hours kindergarten and school. In the end Heidi was forced to send Romy to school as there was no other viable alternative.

Heidi's average weekly net income in 1997 was $400 per week. She was living without any financial support from George and the boarder had moved out. The child care bill from the day care centre was $47.80 for the three days and she was receiving maximum Childcare Assistance. She had extra child care costs, however. As she needed to travel some distance to work, Heidi had to pay a person to come to the home three mornings each week to take one child to creche and the other to the before school program. This cost $30 per week and was cash in hand. The cost of before school care for Romy at school was $15 per week.

Heidi's total child care bill for the week was therefore $92.80. This was 23 per cent of her household income. With rent, the child care consumed 64 per cent of Heidi's income. After health and other costs, she estimates that she had less than $50 per week left over for food.

Heidi managed this regime for most of 1997, although the arrangements before school proved most unsatisfactory as the people taking the children, usually students, moved on regularly, and Heidi was constantly looking for new people.

In October George began contributing financial support to the children which helped relieve some of the pressure.

This year Heidi plans to keep on working as she enjoys this activity. She has purchased a car on credit. This has not only cut down on the amount of time she is travelling to and from work but has removed the need for extra help with the children in the morning. The family is however considering moving as the rental market in her inner city area has boomed and consequently her landlord has increased her rent by $40 per month.

Heidi withdrew her child from formal child care and sent her to school a year earlier than she planned when she found the higher fees unaffordable.

As a result, she had to cope with other child care costs which were even higher on most weeks. Despite working three days a week, she had only just enough money for food to scrape by.

Appendix 2: Supply and demand for formal child care

The face of child care has changed rapidly over recent years.

Provision has been extended very rapidly over the 1980s and also the 1990s, despite recent efforts to curtail government spending. There is now an extensive network of Family Day Carers looking after children in their own homes; centre-based care in educational institutions and some companies as well as in purpose built community-owned and private centres; before and after-school programs (some located within schools); and significant integration between preschool (kindergarten) and child care programs. Child care has even become an offshoot of some private schools.

This expansion has been founded on public support justified by the need to ensure that parents are able to combine work and family care in ways which enhance their choice about employment and study and which benefit society through a more productive and better trained work force.

The focus of this Appendix is on the extent of the need for child care for preschool children (up to and including five years old). Care for older children is in many ways an extension of the schooling system (matching the timetables of parental employment with that of the schoolchildren) and while this is an important part of the overall child care system, the challenges that faces it are rather different.

The need for child care for preschool children

Given the rapid expansion in child care facilities and public support for this, how great is the unmet need?

There are a number of indicators of the need for paid child care in Australia. The upper ceiling is of course the numbers of children of less than school age. However, a proportion of these will not be needing paid care if they are being cared for by parents or other relatives. The extent to which mothers of young children are in the labour force provides some indications of trends here, although the more widespread use of formal child care may in turn encourage social expectations that such care should be used for purposes other than work alone (parental recreation, respite, or child socialisation and development). However, the targeting of child care subsidies to some extent limits this, and so the numbers of children whose parents are all in the work force is a more realistic guide than the total number of children alone.

This figure too will overstate the need, since some of these children will take part in preschool or kindergarten programs outside the child care system.

There are some benchmarks used by child care planners to indicate the number of places needed in particular locations—but these appear to be more concerned with evening out extreme supply shortages than with measuring the total need.

Finally, there are estimates of unmet need for child care available from ABS surveys.

The demand for paid child care is of course related to its price, and this is discussed in the main body of the report. However it is worth noting that the growth in demand over the past twenty years has not been driven by a decline in price alone but by changing expectations and growth in supply—as well as the existence of public expenditure support.

Numbers of children

While Australia's population continues to grow, there has been a gradual decline in Australia's Crude Birth Rate. It fell from 14.8 per 1,000 estimated resident population in 1991 to 13.7 per 1,000 in 1996 (ABS 1997a, p20).

While in 1955 children aged up to four years accounted for 33 per cent of the child population, by 1995 this had fallen to 28 per cent and is likely to remain at this fraction (ABS 1997b, p9).

Projections from the Australian Bureau of Statistics for the years 1993 to 2011 show a reduction in the growth in the numbers of children requiring paid child care. Numbers of children aged 0-1 are expected to grow by 1.6 per cent. Those aged 2-5 are expected to increase by 2.6 per cent whilst the growth rate for children between 6-11 years is expected to be 6.8 per cent (EPAC 1996, p22).

For these reasons the number of preschool children is fairly stable; it is likely to remain around 1.4 to 1.5 million for the foreseeable future (EPAC 1996 Table 3.2).

Children with all parents in the work force

A prime determinant of the need for paid care is the extent to which parents are occupied in the labour force: either employed, in education or training or looking for work. While child care offers important benefits to families and children for other reasons—socialisation, entry to some preschool education, relief or respite for parents—use for these reasons alone is small compared with that for work or education.

Given the desire on the part of the Commonwealth to target support for child care to parents who need it for work force participation purposes, the number of children where both parents are in the work force may be a better guide to need than the aggregate numbers of young children.

Table 1 shows that in June 1997, there were 478,800 families where the youngest child was below five years old and where all adults were in the work force. This number is slightly higher than in the early 1990s.

Table A1 Numbers of families with all parents in the labour force and youngest child of preschool age, thousands, June

Year	Couple families	Sole parents	Total
1990	380.4	45.2	425.6
1991	373.4	41.9	415.3
1992	394.1	47.8	441.9
1993	384.5	46.4	430.9
1994	399.6	42.5	442.1
1997	406.8	69.0	478.8

Source: ABS 1990-97, *Labour force status and other characteristics of families, Australia*, cat. no. 6224.0, various tables.
Note: Data for 1995 to 1996 were not available.

Each of these families may have more than one preschool age child; the number of children this represents is probably somewhat higher than the numbers of families. In addition, these numbers exclude those with children who are just over five years old, many of whom are unlikely to be in school. Allowing for these suggests that there might be around 600,000 preschool children of families where all parents are in the work force.

This is less than half of the total preschool children reported by EPAC (1996).

Work force trends

While male labour force participation has for more than 20 years been on a gradual decline due to early retirement, the participation of women in the work force has been increasing, particularly so for married women. After a slight decline during the last recession, the trend to higher participation by married women continued once more in this decade, although not as dramatic as in the 1980s. During the past two years of poor employment growth, however, participation has however levelled off (Table 2). It could be expected to rise again if employment growth is high during 1998.

Table A2 Female Labour Force Participation Rate

Year	Married	Not married
1980	42.2	50.9
1985	46.0	50.5
1990	52.7	53.5
December 1992	52.9	51.6
December 1993	53.2	52.8
December 1994	53.7	53.7
December 1995	55.1	54.0
December 1996	54.9	54.5
December 1997	54.5	53.7

Source: ABS 1980-97, *Labour force Australia*, cat. no. 6203.0, table 4.
Note: in 'married' category are those women who report themselves as being married (including de facto) and whose spouse was a usual resident of the household.

The labour force participation of women of key childbearing years is forecast to continue to rise, according to EPAC (1996 chart 3.1). Based on this figure and allowing for forecast growth in female labour force participation, EPAC projected that demand for formal child care (excluding preschools) for 0-5 year olds would be fairly stable, increasing only slowly, by around 10 per cent from 1996 to 2001. The AIHW (1997, p101) has suggested that declining fertility rates might overstate this growth.

Benchmarks used by planners

The Commonwealth Department of Health and Family Services (DHFS) appears to regard 400 places per 1000 children (aged 0 to 4 years whose parents are all in the work force) as a reasonable level of supply. Such a level would translate into 220,000 LDC places nationally.

The Victorian Department of Human Services uses a ratio of 337 places per 1000 (City of Yarra 1997). This would suggest that less than 190,000 LDC places are needed.

However, these benchmarks are based on past experience of the amount of supply needed if waiting lists and waiting periods are not to become extremely long. They are not based on any independent measure of absolute need, nor build in any assumptions about the price of care.

Surveys of unmet demand

Recent ABS child care surveys (ABS 1987-96) have attempted to measure the 'unmet demand' for child care. Although earlier surveys reported upon this in various ways, the 1990 to 1996 surveys have data for different types of care which are able to be readily compared. Some estimates for 1987 can also be derived. These are presented in Table A3 below.

Table A3 Demand not met for child care for 0 to 5-year-olds, thousands of children

Type of care	1987	1990	1993	1996
Long day care centres	122.1	81.3	58.2	38.0
Family Day Care	32.5	59.7	46.3	23.3
Preschool	29.3	54.2	30.1	20.3
Total	183.9	195.2	134.6	81.6

Source: ABS 1987-96, *Child Care, Australia*, cat. no 4402.0, various tables.
Note: 1987 estimates for different types of care are derived by allocating, on the basis of type of care required for those reporting 'unmet' need, the total of those reporting both 'unmet' and 'undermet' need.

Although these data are limited, they suggests that unmet demand for care may have peaked and be falling—perhaps rapidly enough that by 1998 we should now expect much lower levels of unmet demand for centre-based Long Day Care and FDC. Inspection of other data from the survey (ABS 1996 cat. no. 4402.0, table 18) also suggests that some of this demand is now from families where one or more parent is not (currently) in the work force.

How useful are these estimates? Australia has long seen demand for care apparently increasing as fast as supply could rise, as expectations changed and as mothers' labour force participation increased. For this reason, these estimates of unmet demand have probably been of limited value for planning purposes—people's perception of what they needed may have been changing very rapidly. However, if unmet demand is now falling, this may indicate that the epoch of expanding expectations is coming to an end. As a result, it may also be possible to be more confident in the use of these estimates and compare them directly with supply growth (see the discussion later in this Appendix).

Demand and its response to price changes

Finally, the level of demand which is exhibited for child care is sensitive to price changes. This is discussed in the body of the report in terms of child care affordability. EPAC (1996) did examine the effect of this suggesting that a one per cent increase in fees with no additional public support would suppress demand in 2001 by around 10 per cent (that is, it would hold it at the 1996 level).

However, this projection employed a price elasticity of -1.0 purely for illustrative purposes. The actual response to price will presumably depend upon why and how families are using child care.

The supply of child care places

The ability of families to take advantage of formal child care improved very rapidly in Australia over the past 25 years.

When the first survey of child care was undertaken by the ABS (1973), only 38,700 preschool children were estimated to be in formal centres, a figure which included what would now be classified as LDC centres and also preschools or kindergartens. A further 43,000 were being cared for by home carers with less than five children (arrangements which have since been partly formalised as FDC).

By the latest survey (ABS 1993) survey, there were estimated to be 380,500 such children in preschools and what are now known as Long Day Care (LDC) centres and a further 66,600 in FDC (and more again in informal care arrangements). Numbers have grown further since then.

Service types

Within the centre-based LDC sector, community-owned centres (parent-managed, council-provided or non-government organisation-provided) are no longer the dominant form of provision. Childcare Assistance (the income-related subsidy to the hours of care booked by particular families) was extended to private centres in 1991 and this, coupled with other moves to make expenditure support more uniform across different types of care, has meant that the great bulk of the growth, and the great majority of places, are now in private centres.

In September 1997, there were 364 FDC schemes in operation, 1,120 community-owned centres and 2,680 private centres (DHFS 1997).

Child care places

The growth in supply in child care places (a measure of how many full-time children could be accommodated) has continued unabated in recent years. It has been considerably faster than planning projections, very largely due to new private centres being set up.

The total number of centre-based LDC places has doubled from around 80,000 in June 1991 to over 160,000 five years later. Growth has eased only slightly since then; the following 15 months to September 1997 saw growth of a further 17,100 places, or 10 per cent (DHFS 1997 Table 3ii).

In 1997 it appears that a typical child in a LDC centre attended about 0.6 of an equivalent full-time (EFT) place. The 185,000 places available in June 1997 therefore represent around 300,000 children.

Supply of FDC has been slightly more modest, only increasing by 50 per cent over the six years to June 1996. Growth has again eased only slightly over the last couple of years. The 63,000 places here in June 1997 probably represented around 90,000 children.

Supply and demand balance

Supply of formal LDC, excluding preschools/kindergartens (or at least those which do not operate extended hours care and might be included in the child care census), is probably now sufficient to accommodate around 400,000 preschool children.

This is still some distance from the total number of preschool children in households where all adults are in the labour force—which forms one plausible measure of the need for care.

Including some five-year-olds, this number is likely to be around 600,000, as discussed earlier. However, not all of these will necessarily need substantial child care.

First, a proportion of these will be in stand-alone preschools or kindergartens for their last year before schooling rather than in child care; most Australian children attend at least one such year. A minority of these will also be users of some child care; Brotherhood research in inner Melbourne (Taylor 1997) found that about 16 per cent of children attending kindergarten also used child care. So it is likely that as many as 100,000 of the group will need far less care.

Secondly, at any one time there will be a significant number of children in informal care (perhaps with relatives) which is reasonably stable and satisfactory. Expanding supply of formal care, unless it is provided at extremely low prices, will presumably not lead to these families moving to more formal care.

This suggests that Australia is at least starting to approach a situation where the number of places for LDC could accommodate the immediate need for work-related child care.

The ABS survey data on unmet need discussed above, although it should be interpreted with care, also suggests that we may be approaching a real intersection between need and supply. Since the 1996 survey, which reported that nearly 40,000 children needed centre-based care, the number of places of centre-based LDC places has increased by over 20,000 places—enough to accommodate some 30,000 children. The expansion has not been so rapid in FDC, however.

Finally, how does the current supply match up with past estimates of demand? Ten years ago ACOSS (1988) sought to assess the number of additional child care places needed in Australia, suggesting that 180,000 full-time LDC places (centres plus FDC) were required for the needs of parents in the work force. We now have over 250,000 places (DHFS 1997, Table 3ii). However, it is important to note that these estimates of need were derived on assumptions of what proportion of women would need care. In particular, they assumed that mothers of two or more young children would not be in the work force.

A further caveat is very important. Even if Australia has sufficient places to meet something like the need for care which families have, the distribution of care may not be adequate.

- Past variations between states in terms of regulations have meant that supply has been quite uneven.
- At a smaller scale, indicators of the adequacy of supply show quite large variations between local government areas (DHFS 1997).
- The availability may be greater for older age groups than for younger (that is, there is a concern that some private centres are less likely to take babies)

The current observed fall in demand

Over recent months, providers of LDC have reported a marked downturn in demand for child care places. This appears to be present across most types, with private and community-owned centres reportedly both affected as well as Family Day Care networks.

For example, the City of Yarra has reported that centres there have vacancies for the first time, as did the survey of community-owned centres undertake across Australia by NACBCS (1997). It appears from press reports that this is common across the country.

The Craigieburn FDC scheme auspiced by the Brotherhood has seen care drop by 25 EFT places over the past year. As a result it has also lost 15 care providers. A similar picture can be seen across the state—over 80 per cent of FDC schemes across Victoria report a drop in demand and many report a loss of carers (VFDCA 1998).

The nature of the shortfall in demand

Initially it was believed by providers that this shortfall in demand was driven by current users leaving care, probably in response to higher prices in anticipation or as a result of changes to funding of community-owned centres. The NACBCS survey of member services and parents certainly found some evidence of this, with 74 per cent of parent respondents who were leaving or reducing hours citing fee increases as a reason for this (NACBCS 1997). This price rises which took place in community-owned centres both in anticipation of and after the removal of operational subsidy may well have allowed a rise in the fees of private centres; one interpretation of Table 3 earlier in this report (p23) is that fees charged by community-owned centres may provide a price ceiling for private centres.

However, this does not appear to be a complete explanation:

- Since FDC fees are markedly lower than fees for full-time care in centres (see Table 3 above), it might have been expected that price-sensitive users would have shifted from centre-based care into FDC, yet usage in FDC is down also.

- On average, FDC fees have not risen as markedly as those of centres, yet they too have faced a decline. For example, Craigieburn FDC last increased its fees in April 1996, yet the decline in demand there became visible in the second half of 1997.

- Contact with centre coordinators undertaken as part of this project suggested that people who were withdrawing their children as a result of affordability problems were harder to identify than expected, although this may have been because the more price-sensitive users had already moved on before this project.

- Phone calls to several centres also suggested that a major change was that the number of families putting their names on waiting lists had declined.

It therefore may be that the shortfall in demand experienced by centres and FDC services is better characterised as lower numbers of people seeking care, rather than those within dropping out more rapidly.

This may simply be because those who are using care will continue even if the price rises (that is, they are less likely to immediately respond) whereas those not using care will seek to use alternative arrangements because of the higher costs foreseen. However, either response could be a manifestation of affordability problems and lead to the drop in waiting lists.

Explanations other than affordability-related

There are other explanations for the shortfall in demand which should be considered.

The first is that the demand for care may be changing between *different types* of formal care, as discussed above. The common experience of FDC and community-owned centres suggests that this is unlikely, particularly as there is evidence that private centres are also affected. However, the breaking down of differences between child care and preschools (kindergartens) may mean that some older children previously using LDC part-time are now fully accommodated in 'extended hours' preschool programs.

A shift to *less formal* care seems more likely. This is certainly what one might expect if formal care was now less affordable, but it might also be caused by other reasons. It is possible that the extension of public support to some forms of informal care through the Childcare Rebate may have encouraged greater supply and use of these services.

A trend to *more part-time care* may be underway. More children might thus be accommodated by the same number of places. Again, a lower average hours of care per child could be a response to higher prices. Alternatively, it could also reflect a change in social norms (more mothers prefer to combine part-time work and care). Or it could simply be a symptom of underutilisation—many services in the past favoured full-time placements (which are lower cost to provide), but if there is an oversupply of places then services will be keen to accept more part-time placements and average time fractions would fall.

Some other *demographic shift* may also be relevant. If, for example, it was harder to gain a place for a very young child than for an older child, a decline in the number of very young children might produce a better match with what (particularly private) centres wished to offer.

Finally, the shortfall in demand experienced by individual services might not represent an actual fall in the overall demand for child care at all. Rather, it may be that *supply* has now finally caught up with demand. As discussed earlier, there are some indications that this might be emerging; the number of children accommodated in formal LDC other than preschools is no longer distant from the number of young children whose parents are all in the work force.

Implications

It is unclear whether the current 'shake out', with significant numbers of community-owned centres closing (either because of inadequate demand or because the loss of operational subsidy has left them as uncompetitive), will simply be a short-term phenomenon, with demand bouncing back next year, or whether a longer-term change is under way.

The above discussion suggests that the falling away of demand experienced by LDC services may also reflect a new reality—that their continued expansion is rapidly absorbing the unmet need for care. If this is so, the current 'oversupply' may well be corrected by the closure of some community-owned and private centres and by the cutting in of the new planning framework in 1998.

However, it does appear likely that price and supply factors are interlinked. Both are contributing to and responses to a more part-time pattern of use, for example. And both are being strongly influenced by the ways in which subsidies are being provided.

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Is formal child care becoming less affordable for lower-income families?

This is the first report of a project being undertaken by the Brotherhood of St Laurence and Community Child Care to:

- explore the cost pressures on families which might be leading them to withdraw children from formal care, producing a series of case studies and contextual analysis; and
- provide analysis and background material on longer-term issues affecting the future availability of quality and affordable care.

The report explores the affordability of formal long day care for children in two ways.

First, it provides details of interviews with nine families who had affordability problems with child care.

These interviews provide an insight into how and why parents came to choose particular types of child care, their efforts in balancing work and family life, the nature of their affordability problem and their subsequent decisions.

Second, it examines the funding of child care, principally centre-based long day care, to assess whether and how affordability is changing.

In particular, it seeks to identify which groups are likely to be affected.

The report concludes with a series of priorities for the Commonwealth Government.

Is child care affordable? will be of interest to parents and child care staff as well as children's services organisations and planners.

BROTHERHOOD
of St LAURENCE