

Terms of Reference

Background:

As at the September quarter 2011, 14,523 child care services were operating in Australia caring for 992,520 children. This means that around one in every four children between 0-12 years of age attends child care.

Given the strong reliance on child care in this country, it is critical that we have a system that works in the best interests of all concerned. It must provide a safe, nurturing environment for children but must also meet the needs of their families.

Many Australian families are struggling to access affordable child care. Child care prices have risen by more than 20 per cent since Julia Gillard became Prime Minister in mid-2010. This has a detrimental impact on parents returning to work. According to the ABS, more than 110,000 Australian parents say they cannot access employment as they cannot find suitable and/or affordable child care, despite funding assistance from the Federal Government.

Whilst State Governments have responsibility for the regulation and oversight of child care, the Commonwealth is the major player from a funding point of view. Commonwealth funding was first provided to help finance child care in 1972. Over time, the funding model has progressed considerably, and now parents have the option to have a Child Care Rebate of up to 50 per cent of the cost of child care (to a cap of \$7,500 per child per annum) paid either directly to their child care centre, or to themselves. In addition, there is a means tested Child Care Benefit for a large number of families. Yet many families say they find child care to be their second largest expense after their rent or mortgage payments.

In addition, the child care system in Australia is a model that predominantly supports a 9-5 economy. Yet Australia's economy today is increasingly a 24-7 one. Child care options need to support these changes in order to increase workforce participation and boost economic development.

Australian families need a system that is not only affordable, but ensures that people can work flexible hours whilst knowing that their children are receiving high quality child care.

Scope:

In undertaking this study, the Productivity Commission should use evidence from Australia and overseas to report on and make recommendations about the following:

- 1) The contribution that access to affordable, high quality child care can make to:
 - increased participation in the workforce, particularly for women; and
 - optimising children's learning and development.
- 2) The current and future need for child care in Australia, including consideration of the following:
 - hours parents work or study, or wish to work or study;
 - the particular needs of rural, regional and remote parents, as well as shift workers;

- accessibility of affordable care;
 - types of child care available including but not limited to: long day care, family day care, in home care including nannies and au pairs, mobile care, occasional care, and outside school hours care;
 - usual hours of operation of each type of care;
 - the out of pocket cost of child care to families;
 - rebates and subsidies available for each type of care;
 - the capacity of the existing child care system to ensure children are transitioning from child care to school with a satisfactory level of school preparedness; and
 - the needs of vulnerable or at risk children.
- 3) Whether there are any specific models of care that should be considered for trial or implementation in Australia, with consideration given to international models, such as the home based care model in New Zealand and models that specifically target vulnerable or at risk children.
 - 4) Options, within the existing funding parameters, for enhancing the choices available to Australian families as to how they receive child care support, so that this can occur in the manner most suitable to their individual family circumstances. Mechanisms to be considered include subsidies, rebates and tax deductions, to improve the accessibility, flexibility and affordability of child care for families facing diverse individual circumstances.
 - 5) The benefits and other impacts of regulatory changes in child care over the past decade.
 - 6) Whether the implementation of the National Quality Framework in states and territories has achieved the intended quality regime announced by COAG on 2nd July 2009 and what other ramifications it has had, with specific consideration given to compliance costs.