



# Budget October 2022-23



## Cheaper Child Care

Making early childhood education and care more affordable for around 1.26 million families

The Government is making early childhood education and care more affordable for 96 per cent of families with children in care. No families will be worse off.

### Cost of living relief with an economic dividend

The Government is investing \$4.7 billion over 4 years from 2022-23 to make early childhood education and care more affordable. This includes \$4.6 billion to increase Child Care Subsidy rates for families earning less than \$530,000 with children in care.

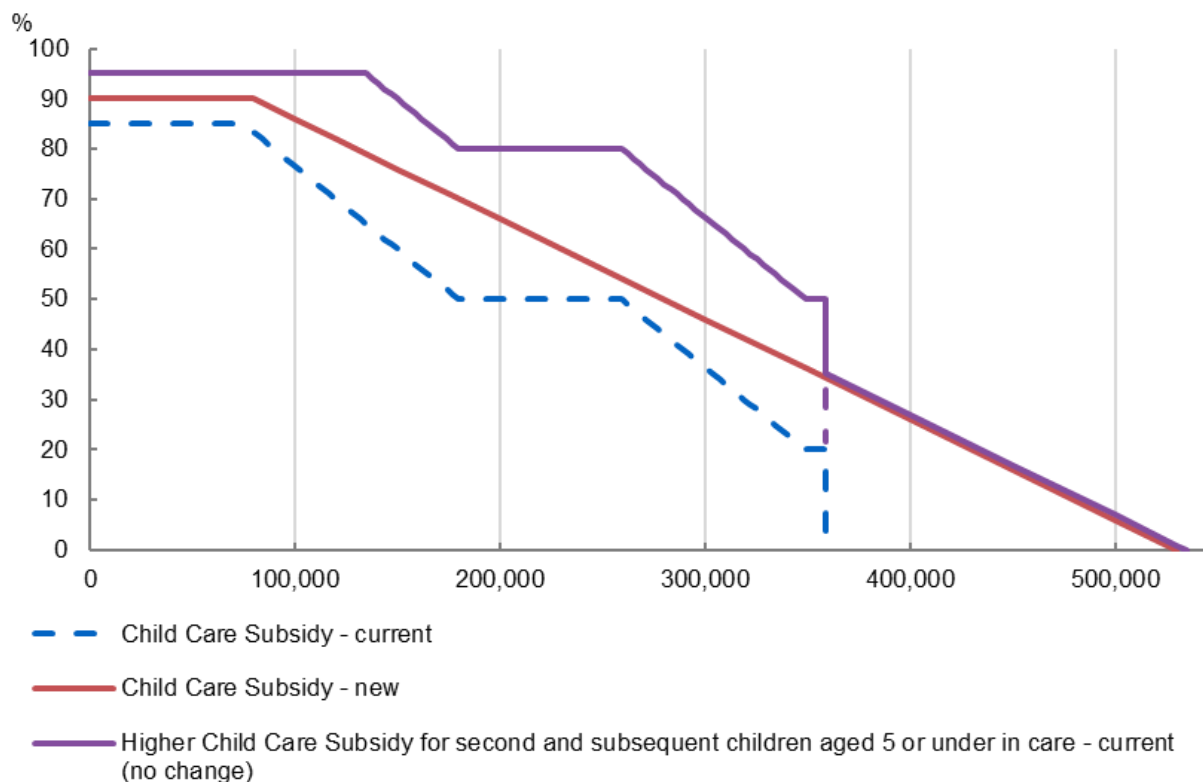
The cost of early childhood education and care is a significant expense for families and can prevent parents, particularly women, from returning to paid work or working the hours they would like.

From July 2023, Child Care Subsidy rates will lift from 85 per cent to 90 per cent for families earning less than \$80,000. Subsidy rates will then taper down one percentage point for each additional \$5,000 in income until it reaches zero per cent for families earning \$530,000.

Families will continue to receive existing higher subsidy rates for their second and subsequent children aged five and under in care, up to 95 per cent.

Gita and Matt have a combined income of \$120,000. Their 2-year-old child attends centre-based day care 3 days a week, costing \$4,700 a year in out-of-pocket child care fees. From July 2023, Gita and Matt will receive a Child Care Subsidy of 82 per cent, an increase from the current 71 per cent. This will save them \$1,780 in out-of-pocket child care fees in 2023-24.

## Changes in Child Care Subsidy rates



## Developing a long-term vision for early childhood education and care

While making early childhood education and care more affordable for families from July 2023 is a critical first step, the Government is committed to addressing other long-standing and persistent issues in the sector.

As agreed by National Cabinet on 31 August 2022, the Government will work with the states and territories to develop a long-term vision for early childhood education and care as a national priority. This will include looking at ways to support parental workforce participation, particularly for women, and deliver improved early learning and child development outcomes. Governments will also focus on the ongoing shortage of workers in the sector.

To further improve the affordability of early childhood education and care in Australia, the Australian Competition and Consumer Commission (ACCC) will undertake a 12-month inquiry into the drivers of prices. The inquiry will also examine the impact of the Child Care Subsidy increases on out-of-pocket fees for families. The ACCC will report by the end of 2023.

The ACCC’s inquiry will complement a comprehensive Productivity Commission review into the early childhood education and care sector, which will commence in the first half of 2023 and report in 2024. The review will examine ways to improve affordability and access for families, including considering a universal 90 per cent Child Care Subsidy rate.

## Supporting children's learning and development



Quality early childhood education and care plays an important role in preparing children for school by developing their literacy, numeracy, and social and behavioural skills.

Australian children who receive some early childhood education and care prior to their first year of school are less likely to be developmentally vulnerable compared to those who did not.

With the first years of life critical to a child's learning and development, the Government is developing an *Early Years Strategy* to create a more integrated and coordinated approach to Commonwealth investment in children.

## Supporting First Nations families



To support First Nations children, the Government is investing \$33.7 million over 4 years from 2022–23. This will provide families with First Nations children access to a minimum entitlement of 36 hours per fortnight of subsidised early childhood education and care from July 2023.

This will help more First Nations children access early childhood education and care and support their readiness for school. For the first time, the Closing the Gap Target 4 to increase the proportion of First Nations children who are assessed as developmentally on track in the Australian Early Development Census to 55 per cent by 2031 went backwards in 2021. This measure will help us to meet this Target.

## Advancing gender equality and supporting the economy



Affordable and accessible early childhood education and care makes it easier for parents and carers to participate in paid work. This is particularly the case for women, who are more likely than men to be the primary carers of children, and more likely to have the cost of early childhood education and care factored against their earnings.

In 2021, around 72,600 Australians reported that they were not in the labour force due to the cost of early childhood education and care. It is estimated these reforms will increase the hours worked by women with young children by up to 1.4 million hours per week in 2023–24, equivalent to 37,000 full-time workers.

Together with the Government's investment of \$531.6 million to expand the Paid Parental Leave scheme to 26 weeks by July 2026, the reforms to early childhood education and care will promote a more equal distribution of paid and unpaid work within households. This seeks to address a key structural barrier, currently preventing women from participating in the workforce or working as much as they would like.