Policy Report No. 1

Child Care for Low-Middle Income Families:
Current Trends and Unmet Demand Estimates

prepared by

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Executive Summary

The Research Brief

The Centre of Full Employment and Equity, University of Newcastle (CofFEE) was commissioned by the Chifley Research Centre to investigate current use of child care, and to estimate unmet need. The focus of the research was on 3-4 year old children, as this is the age group which uses the most child care and is also within the ‘first three to six years of life’ age span identified by current research as a uniquely influential phase of social and intellectual development. As the project was to enquire into affordability, the other focus was on low income (less than $600 per week) and middle-income ($600-$999) families.

The main source was the unpublished data collected for the most recent Australian Bureau of Statistics report on child care: Child Care, 4402.0, published in June 2000.

The specific issues CofFEE was asked to address were:

a) current patterns of use
b) barriers to access
c) the level of unmet need

CofFEE was also asked to provide:

d) a quantitative model for assessing policy options on improving the affordability of child care services for low-middle income families.

Main Findings

Current patterns of use

Formal care

- Over the six years from 1993 to 1999, the use of formal care for 3 year olds increased and ‘informal care’ and ‘parental care only’ declined as a share of care arrangements. For 4 year olds, these trends were even more pronounced. (Tables 1 to 3)

- Long day care centres and preschools were the most important sources of formal child care for 3 and 4 year olds. (Table 3)

- Parents who were employed, and single parents, were more likely to use child care.

- Regional families were only slightly less likely than their urban counterparts to be using formal care. 22.5 per cent of families living outside the State capital cities were using some formal care, compared to 24.2 per cent in the capitals (pages 17-19)

- 73.2 per cent of 4 year olds and 58 per cent of 3 year olds were using formal care. (Tables 2 and 14)
For children in care for mainly work-related reasons, long day care was the main form of service used. (Tables 15 and 16).

Few children used more than 30 hours of care per week. Typical patterns for 3 year olds were sessions of less than 10 hours per week; and for 4 year olds, 10-30 hours per week. (Tables 15 and 16).

**Informal care**

The largest suppliers of informal care were grandparents. (Table 18)

For both 3 and 4 year olds, informal care was mainly used for non-work related purposes, such as non-work related study/training; sport; shopping; entertainment/social activity; give parents a break/time alone; ill/in hospital/visited doctor/dentist. (Tables 17 and 18)

The type of formal care most likely to respond to this type of demand is occasional care.

However, significant numbers of children (43.1 per cent of 3 year olds and 38.6 per cent of 4 year olds) were using informal care for work-related reasons. (Tables 17 and 18)

**Barriers to access: formal care**

The report found that cost was the major factor (70.9 per cent) preventing 3-5 year old children from using additional formal care. (Table 11)

Other significant factors can be grouped under two categories: local availability and operating hours.

**Local availability** For 12.6 per cent of children, ‘booked out/no places’ was the reason that additional care was not being used. ‘None exists in area’ was cited by 6.5 per cent, with a further 4.3 per cent nominating ‘transport/distance’.

**Operating hours** 10.9 per cent reported that hours or days were unsuitable and a further 1.2 per cent cited ‘not flexible enough/not available at short notice’. (Table 11)

**Trends since 1991**

Long day care and preschool became harder to afford between 1996 and 1999. In that period, the percentage of 3 year olds not using additional preschool or long day care for cost reasons increased from 20 per cent to 44 per cent. The increase for 4 year olds was sharper: from 13 per cent to 39 per cent. (Table 24)

Gap fees increased between 1991 and the first half of 2000. In July 2000 the introduction of Child Care Benefit restored the gap fee for low-income earners to the 1996 level. (page 26)

For both 3 and 4 year olds, the dominant reason for not using additional long day care/preschool in 1996 was that centres were booked out and no places were available. By 1999 the chief reason had become cost. (Table 24)

Similarly, for other types of care the major reason for 3 year olds in 1996 was that places did not exist in the area; in 1999 cost was the most important reason. For 4 year olds, in both years cost was instrumental in the decision not to use other types of additional care. (Table 23)
Level of unmet need

- There was considerable unmet demand for child care, with 16.3 per cent of 3 year olds and 18.0 per cent of 4 year olds requiring additional care. (Table 26)
- The problem was worse for 3 to 4 year old children from families earning less than $600 per week although for 3 year olds, families earning between $600 and $999 per week also have high levels of unmet need. (Table 27)
- The level of unmet need for 3-4 year olds was greater than that for all children under 12. (Table 27)
- The main types of additional care needed by 4 year old children were family day care, occasional care and long day care. Long day care was the principal need for 3 year olds. (Table 20)

Assessing policy options

- There is significant unmet demand for formal child care for 3-4 year olds, particularly in low-medium income families. The analysis suggests that policy development should focus on meeting unmet demand. Given the evidence that cost is the primary reason for not using additional formal care, child care policy should concentrate on easing the cost of formal care.
- There is also evidence from the 1999 data to suggest that supply problems also contribute to unmet demand, although it should be noted that between 1996 and 1999 supply factors were overtaken by cost issues. However, given that supply considerations are still important, policy should also aim to improve the availability of local service.