



Australian Government

Department of Education, Employment and Workplace Relations
Office of Early Childhood Education and Child Care

Office of Early Childhood Education & Child Care



State of Child Care in Australia

This publication provides information on the state of child care in Australia. The report sources information from administrative data and survey data from the Department of Education, Employment and Workplace Relations, the Productivity Commission and the ABS.

Key findings

- There were more than 870,000 children using approved child care in the September quarter 2009, up 8 per cent since the September quarter 2005.
- There are now 5,758 long day care services across the country, an increase of more than 1,000 services since the September quarter 2005.
- The proportion of child care hours being used was 75 per cent in September 2009, compared to 77 per cent in September 2005.
- Across all income levels, out-of-pocket child care costs to families decreased between 2004 and 2009.
- Early childhood education and care funding has more than doubled, up from \$1.7b in 2004-05 to \$3.7b in 2008-09.



April 2010

Introduction

Over the past 20 years the Australian child care market has gone through a period of substantial change, from a sector with around 4,100 services in 1991, the majority of which were community not-for-profit services, to a sector with 13,638 services, with a larger number of private providers. Over that same period the number of children using child care increased from 256,326 in 1991 to 871,107 today. Increasing child care use has supported women's labour force participation, which increased from 52 per cent in January 1991 to 58 per cent in March 2010.

This report focuses on child care in Australia over the past five years and provides a snapshot of how the landscape has changed during that period. What it shows is that the overall health of the market is strong following a period of instability caused by the collapse of ABC Learning.

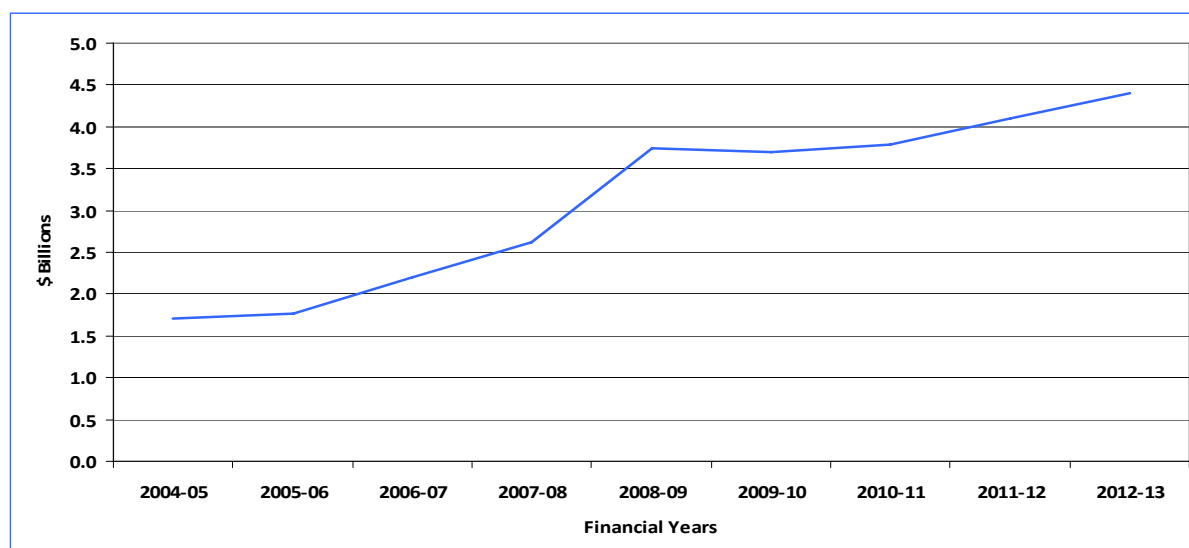
The indicators in this report also show that there is greater child care availability than in the past. In the March quarter 2010, 90 per cent of reporting long day care services in major cities had vacancies, increasing to 98 per cent of reporting long day care services in remote areas. While there are particular circumstances where families face challenges finding child care that meets their particular requirements, supply is largely keeping pace with demand.

Over the past five years there has also been a key change in policy emphasis. Child care is now seen as both a mechanism to support labour force participation and as an important form of early learning and education. Consequently, there is now a greater focus on the quality and experiences that children have within education and care settings.

Child care and early childhood education funding

There has been a long history of the Commonwealth Government providing funding to assist families to access early childhood education and child care. The Commonwealth Government first provided financial assistance for child care in 1972. Today, the majority of Commonwealth funding assists families with their child care costs. Early childhood education and child care funding has more than doubled in the last five years, increasing from \$1.7 billion in 2004-05 to \$3.7 billion in 2008-09 and is expected to further increase to \$4.4 billion in 2012-13. During the next four years, the Commonwealth will invest \$16.1 billion in early childhood education and child care.

Figure 1: Australian Government funding for early childhood education and child care, 2004-05 to 2012-13



Source: DEEWR administrative data.

Accessibility

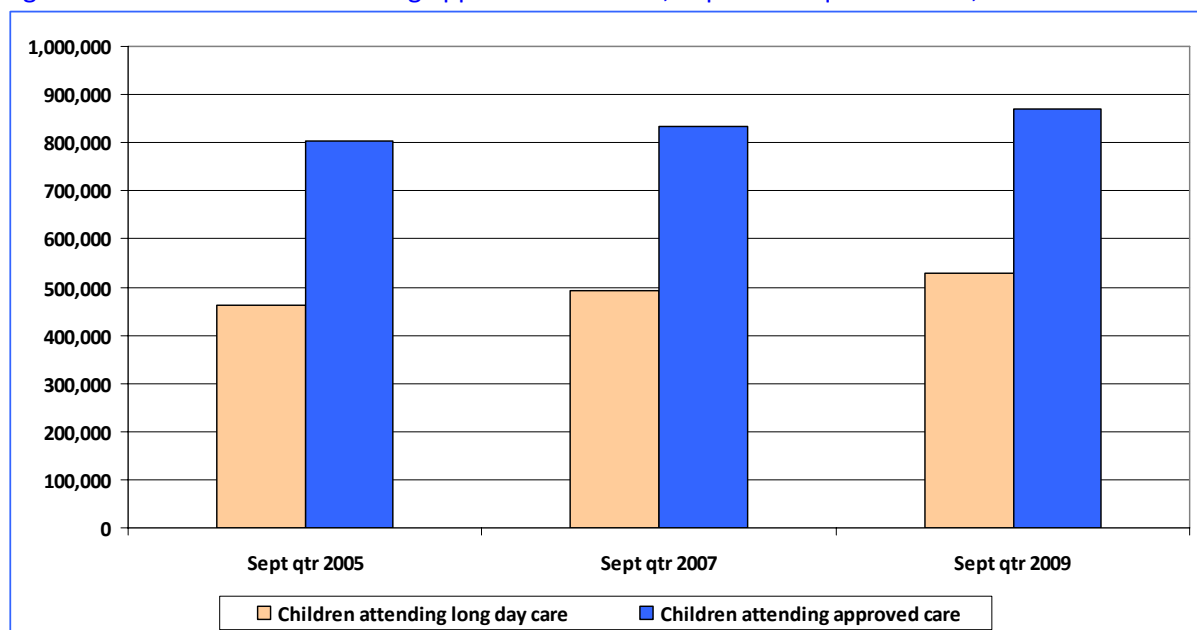
Children

According to the Australian Bureau of Statistics (ABS) *Childhood Education and Care Survey*, the proportion of children aged 0-11 using formal child care has increased over time, from 14 per cent in March 1996 to 22 per cent in June 2008. During this period the proportion of 0-11 year old children using long day care has doubled, and now accounts for more than half (54 per cent) of all formal care. Usage of informal care has remained relatively stable, representing 36 per cent of children in 1996 compared to 34 per cent 12 years later.

The number of children using approved child care services in Australia has increased from 804,314 in the September quarter 2005 to 871,107 in the September quarter 2009 – an increase of 8 per cent. Of the 871,107 children in approved care in the September quarter 2009, 69 per cent were aged 0-5 years.

The average amount of time individual children spend in care has also increased. In 2004, children attending long day care did so for an average of 19 hours per week. This has increased to an average of 26 hours in 2009.

Figure 2: Number of children using approved child care, September quarter 2005, 2007 and 2009



Source: Child Care Management System, September quarter 2009; and Centrelink Childcare Operator System, previous quarters.

Approximately six in 10 (61 per cent) of all children using approved child care services attended long day care services in the September quarter 2009 (Table 1). Since the September quarter 2005, there has been an increase of 68,402 (15 per cent) in the number of children attending long day care services in Australia.

Table 1: Children attending approved child care services, September quarter 2009

| Service type | Number of children | Proportion |
|----------------------------------|--------------------|-------------|
| Long day care | 530,028 | 61% |
| Family day care and in-home care | 106,638 | 12% |
| Outside school hours care | 208,096 | 24% |
| Vacation care | 135,260 | 16% |
| Occasional care | 8,117 | 1% |
| Total | 871,107 | 100% |

Source: Child Care Management System, September quarter 2009.

Notes:

1. As children may use more than one service type, the sum of the component parts does not equal the 'Total' category.
2. The proportion reflects the number of children in each service type as a percentage of the total number of children using approved care.
3. Most occasional care is funded by state and territory governments.

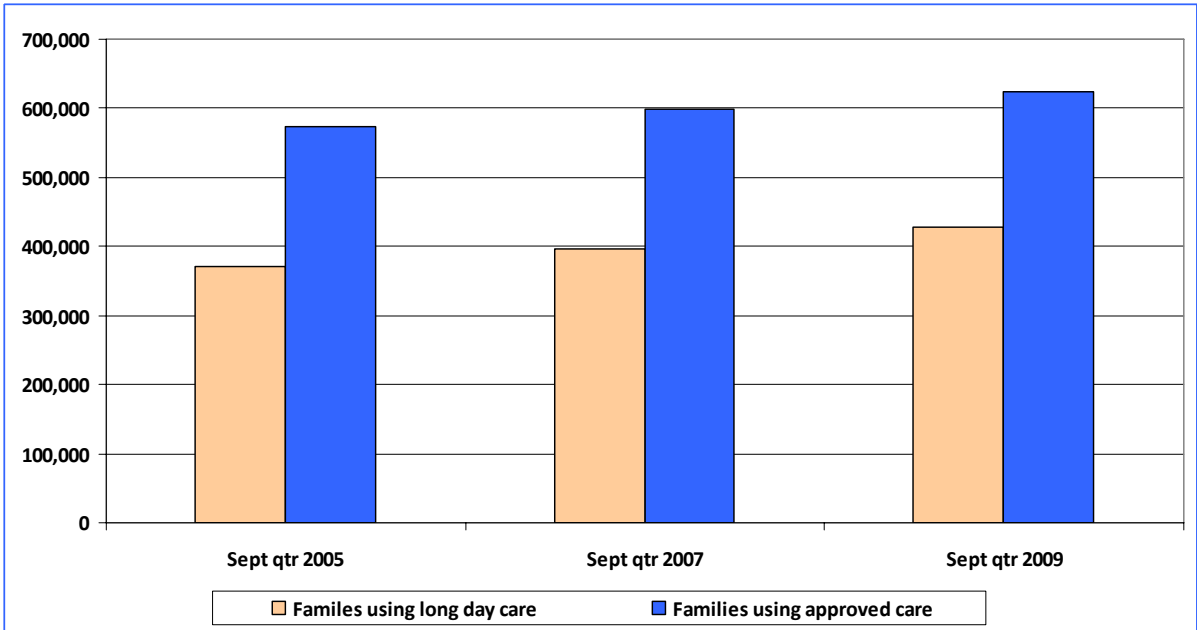
Families

The number of families using approved child care has increased from 574,057 in the September quarter 2005 to 624,639 in the September quarter 2009 – an increase of 9 per cent.

During the September quarter 2009, approximately two thirds of all families using approved child care used long day care services for their children.

Since the September quarter 2005, there has been an increase of 57,047 (15 per cent) to the September quarter 2009 in the number of families using long day care services for their children.

Figure 3: Number of families using approved child care, September quarter 2005, 2007 and 2009

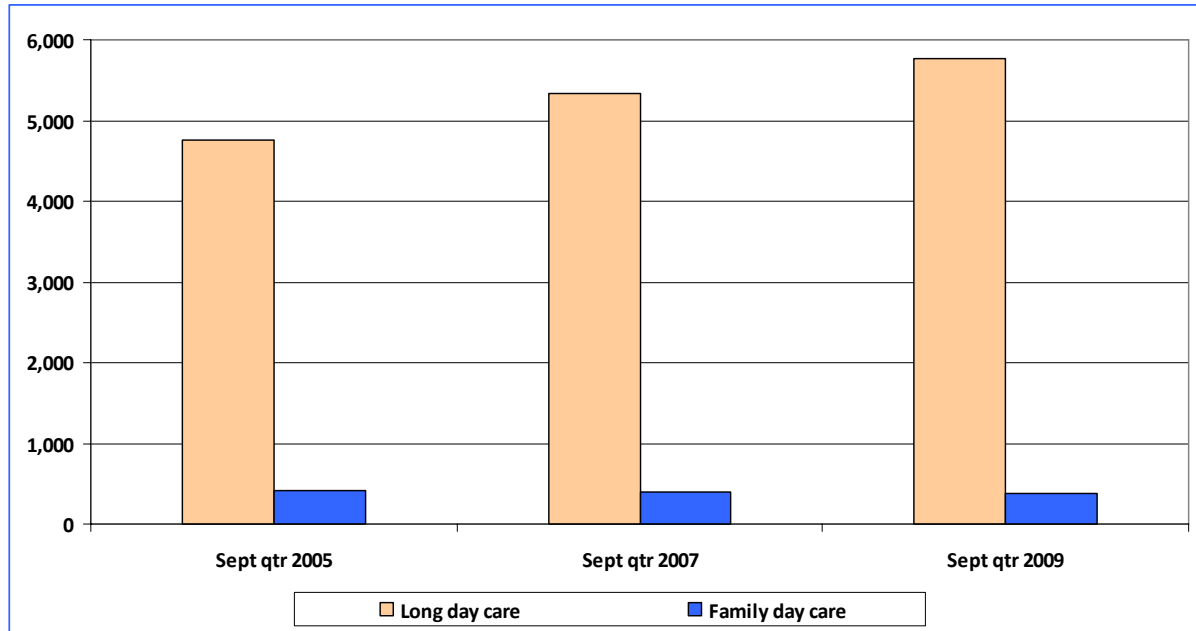


Source: Child Care Management System, September quarter 2009; and Centrelink Childcare Operator System, previous quarters.

Services

The number of long day care services increased from 4,751 in the September quarter 2005 to 5,758 in the September quarter 2009. This is an increase of more than 1,000 centres, or 21 per cent. This equates to an average annual increase of around 250 centres each year. Long day care services now represent 42 per cent of all services in the child care sector.

Figure 4: Number of long day care and family day care services, September quarter 2005, 2007 and 2009



Source: Child Care Management System, September quarter 2009; and Centrelink Childcare Operator System, previous quarters.

The following table highlights the strong growth in the number of services since the September quarter 2005. The strongest growth has been in the number of long day care centres. The number of family day care services has declined slightly during this period.

Table 2: Number of services by service type, September quarter 2005 and September quarter 2009

| Service type | September quarter 2005 | September quarter 2009 |
|----------------------------------|------------------------|------------------------|
| Long day care | 4,751 | 5,758 |
| Family day care and in-home care | 408 | 379 |
| Outside school hours care | 3,279 | 5,300 |
| Vacation care | 1,850 | 2,110 |
| Occasional care | 105 | 91 |
| Total | 10,393 | 13,638 |

Source: Child Care Management System, September quarter 2009; and Centrelink Childcare Operator System, previous quarter.

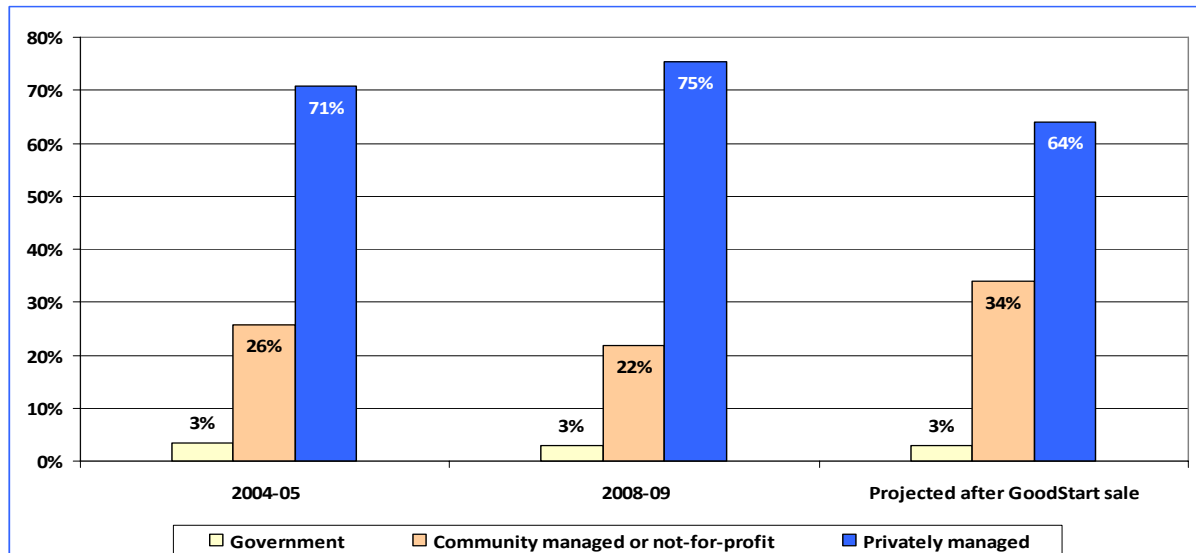
Note: Due to the introduction of the Child Care Management System, which enabled the splitting of outside school hours care into both before school and after school care, the outside school hours numbers should not be compared.

Long day care ownership structure

The Productivity Commission's 2010 *Report on Government Services* shows that nationally the proportion of long day care services that were privately managed increased from 71 per cent in 2004-05 to 75 per cent in 2008-09. During the same period the proportion of the sector that was government managed remained stable at approximately 3 per cent (predominantly local government), while the proportion of community managed services fell from 26 per cent to 22 per cent.

In December 2009, the ABC Learning receiver announced its intention to sell around 650 centres to GoodStart – a not-for-profit consortium consisting of Social Ventures Australia, Mission Australia, Brotherhood of St Laurence and the Benevolent Society. As a result of this sale, which is expected to be finalised in 2010, the community managed or not-for-profit sector of the market is expected to increase from 22 per cent to 34 per cent. This greater diversity is expected to create a more stable child care sector.

Figure 5: Structure of long day care services



Source: 2010 Report on Government Services, jurisdictional data and Departmental projections.

Note: This data is based on state/territory licensing information provided to the Productivity Commission, and will include services that are not Child Care Benefit approved. The numbers in the above graph may not add to 100 per cent due to rounding.

Vacancies

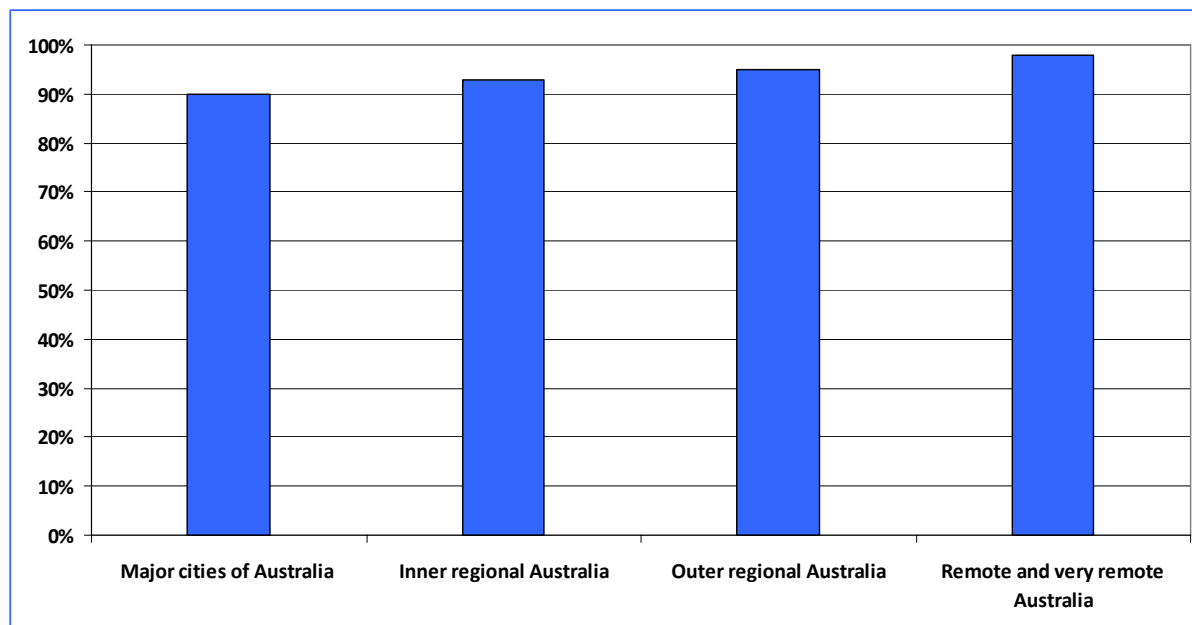
Since August 2009 the Australian Government has been collecting consistent vacancy data across the child care sector for the first time. Services are now required to report on how many permanent full day vacancies they have available.

More than 4,300 long day care services reported vacancy information in the reference week (week ending 19 March 2010), representing 75 per cent of services. The data shows that there was an average of 65,780 vacancies per day in long day care.

In major cities, 90 per cent of reporting long day care services had vacancies, with up to 98 per cent with vacancies in remote and very remote Australia.

On average, across all long day care services in Australia, more than a quarter of child care places were available during the reference week, indicating, at an aggregate level, that there is available supply in the sector.

Figure 6: Proportion of long day care services with vacancies by remoteness category for week ending 19 March 2010



Source: Child Care Management System, week ending 19 March 2010.

For the week ending 19 March 2010, approximately three-quarters of family day care providers (76 per cent) reported vacancy information. Of the family day care providers that reported, 97 per cent indicated that they had at least one vacancy and on average there were 5,970 family day care vacancies, across Australia, available each day.

For the September quarter 2009, there were 5,300 approved outside school hours care services in Australia, of which 73 per cent reported vacancy information for the reference week. Of reporting outside school hours care services, 89 per cent indicated they had at least one vacancy during the reference week, which equated to an average of 70,640 vacancies nationally per day.

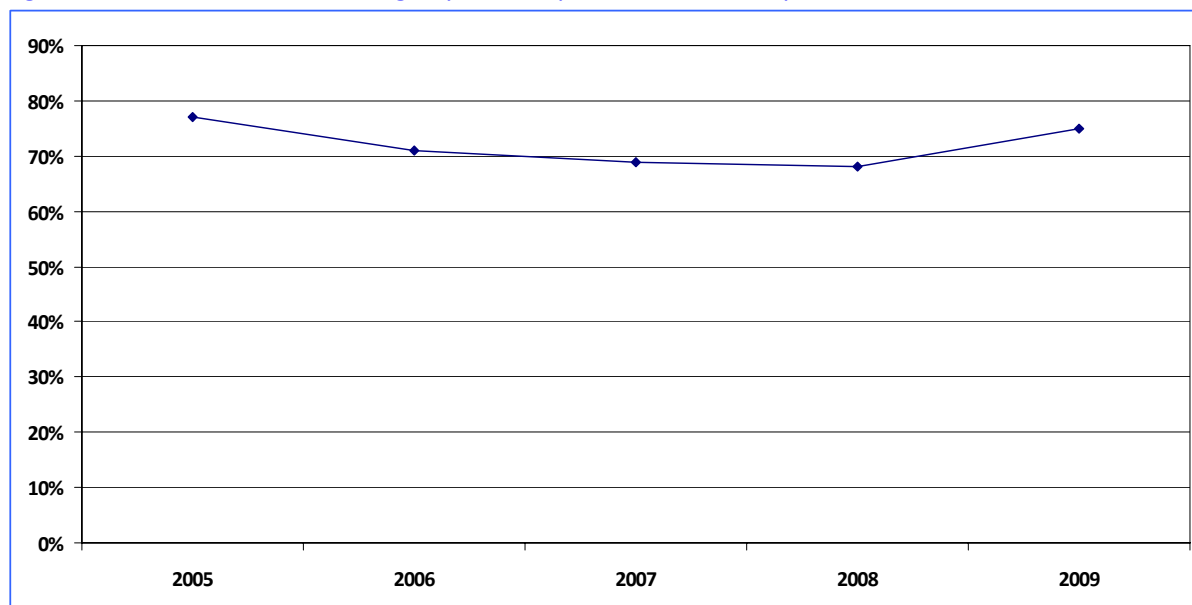
In a new initiative, national vacancy reports will be provided on a quarterly basis. The first report *Child Care Vacancies – Quarterly Snapshot* is available on www.mychild.gov.au.

Utilisation

Child care utilisation shows the proportion of available child care hours that are actually being used. The proportion of child care hours being used was 75 per cent in September 2009, compared to 77 per cent in September 2005.

One quarter of available child care is not being utilised. Taken with the vacancy data, this suggests that on aggregate there is child care available.

Figure 7: Utilisation rates for long day care, September 2005 – September 2009



Source: Child Care Management System, September quarter 2008 and 2009; and Centrelink Childcare Operator System, previous quarters.

Mychild

Parents are also able to access vacancy information for individual services in their area using the www.mychild.gov.au website and by contacting the child care access hotline.

The *mychild* site was established to provide greater information for families. The site includes a searchable database of more than 13,500 approved child care services, and includes information on vacancies, fees, service providers and locations of child care services.

This helps parents more easily identify the child care that best meets their family's needs.

The *mychild* website also provides access to a child care estimator. This estimator allows families to estimate their possible entitlement to government provided child care subsidies such as Child Care Benefit and Child Care Rebate.

Affordability

Investment in the Child Care Benefit and Child Care Rebate

The Australian Government provides the Child Care Benefit and the Child Care Rebate to help parents with the cost of approved child care.

From 1 July 2008, the Child Care Rebate increased from 30 per cent to 50 per cent of all approved out-of-pocket child care costs up to a maximum of \$7,500 per child, which was indexed on 1 July 2009 up to a maximum of \$7,778 per child.

ABS data shows that this increase contributed to the reduction in the net costs of child care to parents by more than 20 per cent in the June to September quarter 2008.

In 2004-05 the Government provided \$1.5 billion to parents to help with the costs of approved child care through the Child Care Benefit. By 2008-09 Government support for parents had increased to \$3.3 billion covering both the Child Care Benefit and the Child Care Rebate.

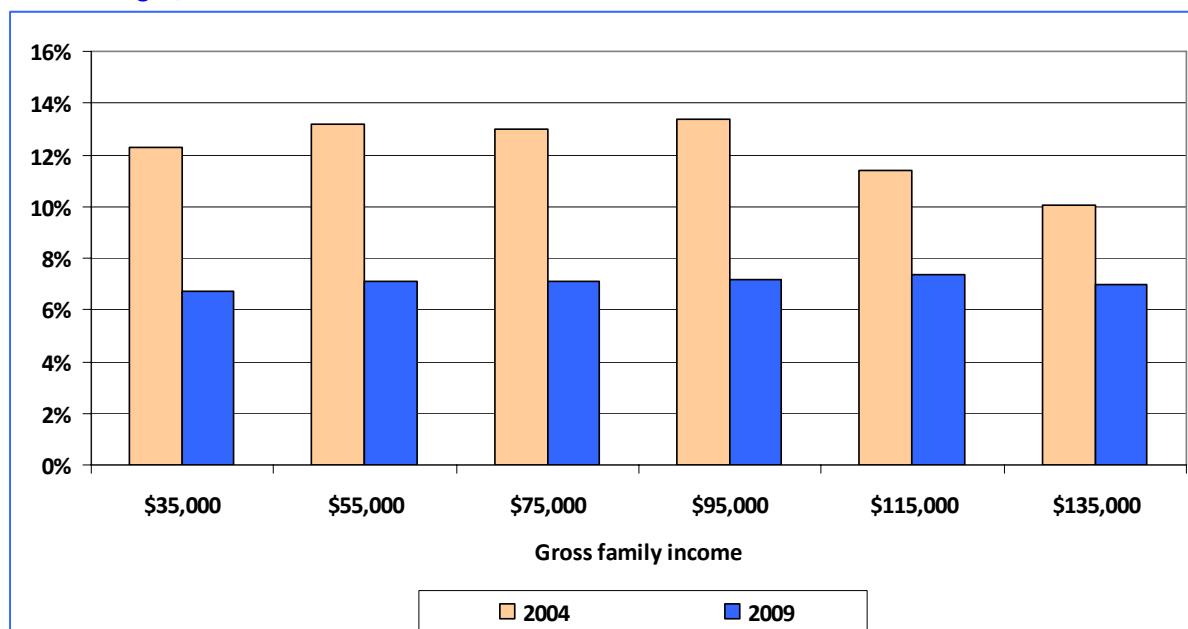
Costs of care

Before Child Care Benefit and Child Care Rebate are taken into account, the long day care national average fee as at July 2008 was \$60.68 per day and \$287 per week, with the majority of fees between \$50.00 and \$70.00 per day. Child Care Benefit and Child Care Rebate bring down the cost of care to families considerably.

According to the ABS *Childhood Education and Care Survey*, conducted in 2008, for 75 per cent of all children who usually attended child care, the cost of care after the Child Care Benefit and the 30 per cent Child Care Rebate was less than \$40 a week.

Out-of-pocket costs to parents have fallen from 2004 to 2009 across the income spectrum. In 2004, the out-of-pocket costs, after subsidies, for a family with one child in long day care and earning \$55,000 a year was 13 per cent of their disposable income. In 2009, this proportion had declined to 7 per cent. For families with a gross annual income of \$115,000 the proportion of their disposable income spent on child care declined from 11 per cent in 2004 to 7 per cent in 2009.

Figure 8: Out-of-pocket costs as a proportion of disposable income in long day care by selected family income ranges, 2004 and 2009



Source: DEEWR data as reported in the Report on Government Services and DEEWR administrative data.

Note: This graph depicts families with one child, using 50 hours of care per week.

Quality care

There is now a greater policy focus on child care as a vehicle for early learning. As a result, the Council of Australian Governments agreed to a new *National Quality Framework* for early childhood education and care which will be implemented over several years. It includes:

1. The introduction of a new, single *National Quality Standard* for child care across Australia. It will include increased staff-to-child ratios to give each child more individual care and attention. It will also include higher staff qualifications to ensure staff have the skills to lead activities that help children learn and develop.

2. The introduction of a new national and transparent ratings system that will allow families to have access to information relating to the quality of early childhood education and care services to make informed choices about their child's care.
3. The establishment of a new national body to oversee the *National Quality Standard* and how it is applied.
4. A more streamlined regulatory approach to reduce the regulatory burden for services so they have more time to spend providing high quality early childhood education and care.

From 2006 to 2009, the proportion of the workforce with a Certificate III or Certificate IV qualification increased from 18 per cent to 27 per cent. Concurrently, the unqualified proportion of the workforce decreased from 45 per cent in 2006 to 37 per cent in 2009. With the new standards established by the *National Quality Framework* the profile of Australia's early childhood education and care sector is anticipated to change further in line with these trends.

The Government is also working with the states and territories to develop an *Early Childhood Development Workforce Strategy* in 2010 that will complement existing measures aimed at improving the supply and quality of the early childhood workforce.

Quality reforms are expected to improve outcomes for children, so children can start school as happy and confident learners. For the first time, there is now a comprehensive picture of how children are developing in their early years, through the Australian Early Development Index (AEDI). The first national report released in December 2009 shows that the majority of children are doing well, but that 23.5 per cent of children are developmentally vulnerable on one or more of the AEDI domains as they enter school.

For further AEDI results and information go to www.aedi.org.au.

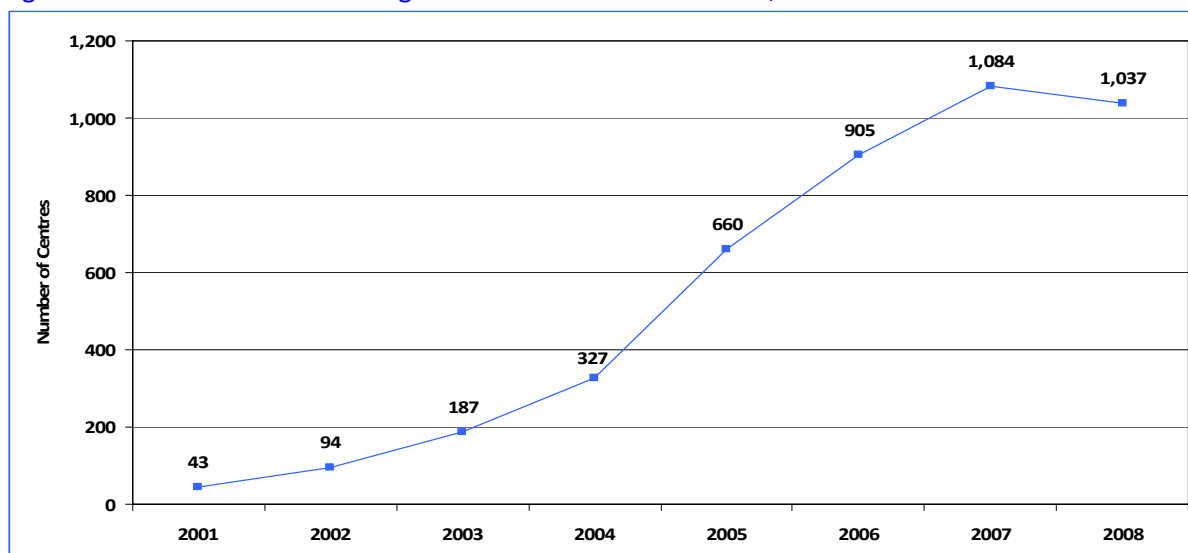
Stability

Rise and fall of ABC Learning

ABC Learning was the first child care operator to be listed on the Australian Stock Exchange in 2001 and it grew rapidly to become by far the largest operator in Australia.

Figure 9 demonstrates the growth in the number of ABC Learning child care centres in Australia from 2001 to 2008. The company entered into an agreement in July 2007 to sell 45 of its child care centres, which contributed to a reduction in the number of centres in 2008.

Figure 9: Number of ABC Learning child care centres in Australia, 2001 - 2008



Source: ABC Annual Report 2007: ABC Receiver Update 2008.

By 2008, ABC Learning represented around 20 per cent of the long day care market in Australia, providing care to more than 100,000 children and employing around 16,000 staff. At its peak, ABC Learning had about 300 child care centres in both Queensland and Victoria, around 250 centres in New South Wales, and a significant presence in all states and territories.

ABC Learning's rapid growth, not only in Australia but overseas, was sustained by very substantial borrowing. During the course of 2008, speculation intensified about the financial circumstances of ABC Learning. The Directors of the company placed it in the hands of voluntary administrators on 6 November 2008 and receivers were appointed by ABC Learning's banking syndicate on the same day.

The insolvency of ABC Learning is the greatest ever shock the Australian child care market has experienced. A large number of ABC Learning centres could have ceased operating. Given the substantial disruption this would have caused, the Commonwealth Government provided support to the receivers to keep the centres operating for a transitional period.

The Government later supported the appointment and operations of a Court Appointed Receiver whose task was to manage the orderly sale of the 262 centres judged by the receiver to be unviable.

Since the ABC Learning receivership commenced, the following outcomes have been achieved:

- 90 per cent of all ABC Learning centres continue to operate today.
- 236 of the 262 centres that were deemed to be unviable were sold or transitioned to new operators, thereby increasing the diversity of the sector.
- A not-for-profit consortium, GoodStart, comprising Mission Australia, the Benevolent Society, the Brotherhood of St Laurence and Social Ventures Australia, has exchanged contracts with the receiver to purchase up to 678 of the remaining ABC Learning centres. Settlement of the purchase is expected to occur in the near future.
- The emergence of GoodStart is expected to increase the community managed or not-for-profit share of long day care provision from 22 per cent to about 34 per cent, thereby materially rebalancing the structure of the child care market. This is being assisted through the provision of a fully repayable loan of \$15 million from the Commonwealth to GoodStart, subject to final settlement.
- In the minority of locations where ABC Learning centres have closed, alternate care has been identified at nearby services for the affected families.

As the ABC Learning insolvency moves towards its conclusion, the following lessons can be learnt:

- In many locations, ABC Learning's growth appears to have created an over-supply in long day care provision. There is considerable scope for occupancy of the remaining centres to grow and where centres closed alternative care was readily available.
- Unfettered growth in the provision of corporate child care created an unacceptable risk of serious disruption in the market.
- The market will benefit from a period of stability after the uncertainties created by the ABC Learning insolvency.

Conclusion

Access to child care has grown during the past five years. There are now more than 870,000 Australian children using child care in a given quarter, equating to more than 600,000 families. The number of children using child care increased by 8 per cent from the September quarter 2005 to the September quarter 2009 and the number of long day care services increased by 21 per cent, suggesting greater supply in the sector.

Vacancy data shows that, nationally, approximately one in five long day care places are available, with an average of 65,780 long day care vacancies each day. The amount of long day care used as a proportion of total hours available was 75 per cent in September 2009.

The evidence contained in this report suggests that nationally there is child care available, and supply is largely meeting demand. However, in some circumstances families may experience difficulties in finding the type of care that suits their needs.

In relation to affordability, Government investment in fee assistance for families has increased from \$1.5 billion in 2004-05 to \$3.3 billion in 2008-09. The out-of-pocket costs for families across the income spectrum have fallen and child care affordability has improved. For example, out-of-pocket costs for a family earning \$55,000 a year with one child in full-time care have declined from 13 per cent in 2004 to 7 per cent in 2009.

In terms of quality, new standards are being introduced that will improve the quality of care and outcomes for children. The proportion of the workforce that is qualified has grown in recent years and due to the quality reforms this is expected to accelerate into the future.

In relation to the stability of the market, the ABC Learning collapse represented a significant shock. The actions undertaken at the time of the ABC Learning collapse by the Government averted a crisis in child care supply. Overall, 90 per cent of ABC Learning centres continue to provide care today. The ABC Learning sale is expected to rebalance the sector, with a greater not-for-profit share of the market. The assessment is that the market is now entering a period of stability following the ABC Learning collapse.

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