

Child Care Affordability and Availability

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The changing shape of the family and of women's role in society, together with an increased economic necessity to participate in paid work has meant that child care has become one of the biggest issues for Australian families and social policy makers today. An increasing proportion of mothers entering the workforce has been associated with a parallel increase in the need for non-parental child care. Child care in the shape of informal and formal care aims to fill this gap. Today, the labour force participation rate of women has reached 57 per cent; twenty years ago it was 44 per cent (ABS, 2005b). On the other hand, women remain the primary caregivers of dependent children. As a result, child care demand and use has grown rapidly over the past two decades. In 2004, the Australian Government supported 561,876 child care places (Productivity Commission, 2005). Child care has been shown to benefit both society and the child. It does this, for example, by providing parents (particularly women) with an opportunity to participate in the work force, increasing workforce attachment and human capital, and decreasing reliance on welfare payments (Anderson, Foster and Frisvold, 1999; Blau, 2000; Hofferth and Collins, 2000). While causal relationships between the availability and affordability of child care and female labour force participation remain the subject of debate in Australia and elsewhere, there is substantial work that suggests a connection between the two (Baxter, 2004). Evidence suggests that difficulties experienced in accessing affordable and good quality child care interfere with the ability of mothers of young children to participate in the workforce (Hofferth and Collins; Kisker and Ross, 1997).

Quality child care in the 'early years' is also considered to be beneficial to a child through providing a stimulating, educational and caring environment that aids a child's social, educational and physical development (see, for example, Anderson, Foster and Frisvold, 2004; Burchinal *et al*, 1996). Studies have shown that quality early childhood programs serve as an early intervention device, aiding in reducing future social problems such as crime, unemployment and teenage pregnancies (Weikart, 1998). Child care has also been considered to be an important instrument to encourage higher reproduction and fertility rates in nations experiencing falling fertility levels (OECD, 2004). Castles (2002) found high use of child care to be strongly correlated with high fertility rates.

It is important that high quality child care is accessible to all Australian families. Affordability, together with availability, determines a family's ability to access child care services (Press and Hayes, 2000). Through analysis of the Household Income and Labour Dynamics of Australia (HILDA) survey, we attempt

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to inform Australian researchers and policy makers about the problems associated with accessing child care. We also provide some key statistics about child care use in Australia using data from the HILDA survey and changes in the child care consumer price index.

The next section of the paper details the HILDA survey — its purpose, coverage and limitations, followed by a description of the methodology and the variables used. The fourth section provides the background of child care in Australia, current use patterns and government child care policy. The fifth section details the analyses of self-reported problems with affordability and availability of child care and an analysis of patterns in the child care CPI, while conclusions drawn from the research are provided in the final section.

The HILDA Survey

The HILDA survey is a longitudinal survey funded by the Commonwealth Government through the Department of Family and Community Services (FaCS). The Melbourne Institute of Applied Economic and Social Research, together with the Australian Council for Educational Research and the Australian Institute of Family Studies, have responsibility for the survey's design and management.

The information presented in this paper relates to the household file of the Wave 2 HILDA survey (comprising 7,245 households and 13,041 responding persons), and Wave 2 household weights are used throughout (HILDA, 2003). Wave 3 of the survey was released subsequent to this research. The survey includes private households only, and excludes those persons residing in remote and sparsely populated areas of Australia.

While the HILDA survey provides a rich source of data about child care in Australia, there are limitations to the data, which need to be kept in mind when interpreting the results presented here. For example, data about child care problems were only collected where the parents had used or thought about using child care for paid work, leaving problems that households were experiencing with child care not related to unpaid activities, such as study and exercise, unreported.

Methodology

Descriptive statistics have been calculated for households experiencing difficulties with child care availability and affordability by particular household characteristics and other variables. The statistical significance of the relationships examined has been calculated using bivariate logistic regression. A description of the variables used is given below, and results presented in the following section.

Variable descriptions

We have defined child care as non-parental care for children, either in or away from their place of residence. We have further divided child care into formal and informal care. Formal care is defined as regulated care away from the child's home. The main types of formal care include before and after school care, long day care, family day care, occasional care and preschool. Informal care is defined as non-regulated care, arranged by a child's parent/guardian, either in the child's

home or elsewhere. It comprises care by siblings (including step siblings), by grandparents, by other relatives (including a parent living elsewhere), and by other people such as friends, neighbours, nannies or babysitters (ABS, 2003).

In order to identify the presence of problems with child care affordability and availability, we examined a set of variables available in the HILDA survey, which were based on questions asked of all households with children aged 14 and under that had used or thought about using child care to undertake paid work. These questions covered parental perceptions of various problems and difficulties with child care in the previous 12 months. The problems and difficulties included:

- finding good quality child care;
- finding the right person to take care of a child;
- getting care for the hours you need;
- finding care for a sick child;
- finding care during the holidays;
- the cost of child care;
- juggling multiple child care arrangements;
- finding care for a difficult or special needs child;
- finding a place at the child care centre of your choice;
- finding a child care centre in the right location; and
- finding care my child/ren are happy with.

Respondents were asked to identify the level of difficulty they had with each of these issues on a scale of 0 to 10. A score of 0 indicates 'Not a problem at all', and a score of 10 'Very much a problem'. We defined households experiencing difficulties with child care as those households that reported difficulties of 7 or greater, on a scale of 0 to 10 for any of these variables. The cut-off of 7 was used after careful consideration, but another cut-off may also be appropriate. In earlier analyses the Department of Family and Community Services (FaCS, 2005) has used a score of 8 and above. Obviously, the higher (or lower) the cut-off score used the fewer (or greater) number of households will appear to be experiencing problems.

Costs of child care are calculated by summing weekly household expenditure across all forms of child care and all children in each of three categories: school-age children during term; school-age children during school holidays; pre-school age children. These components cannot be directly summed to achieve a total, as the school-age variables refer to different types of weeks in the year (that is, school term and holiday), and costs and care for school age and non-school age children differ so substantially that keeping these two age groups separate makes our results easier to interpret.

Much of our analysis focuses on differences between couple and lone-parent families in terms of parental perceptions of child care availability and affordability. Both couple and lone-parent households are defined as households including only the parent or parents and their children, without any other resident adults. Our households are defined in this way because the presence of other adults within households can substantially affect the need for child care. All other households make up a third category of 'other/mixed households', which includes group

households, multi-family households, and other household types with children and others.

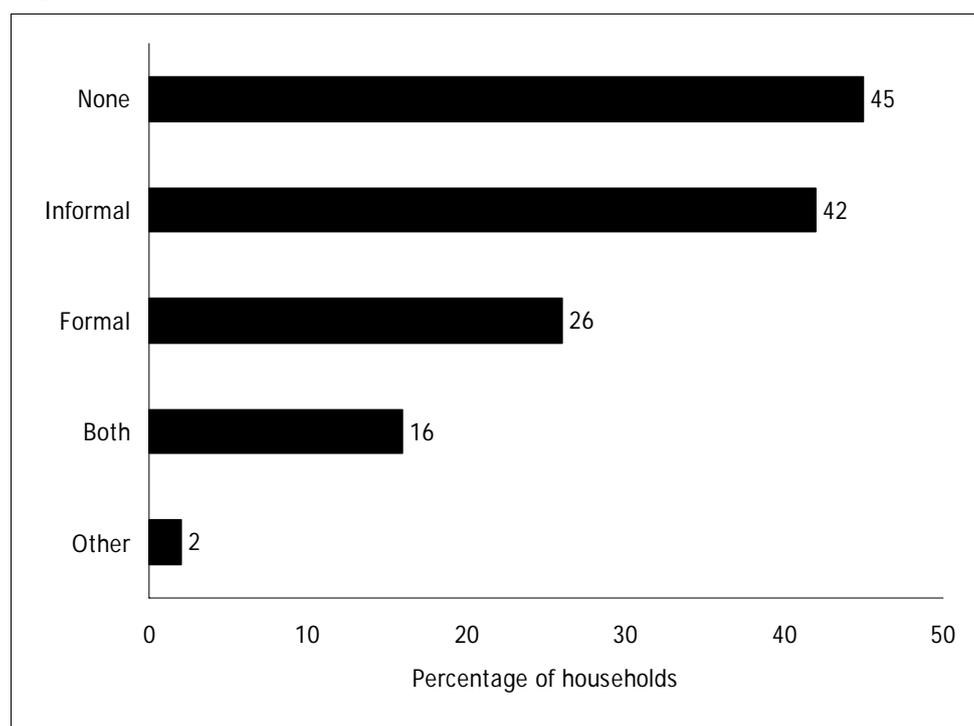
Household income is measured as gross household income per annum. Remoteness is defined using the Accessibility/Remoteness Index of Australia (ARIA). ARIA measures remoteness in terms of access along a road network to service centres (ABS, 2001).

Child Care in Australia

Child Care Use

Figures 1 and 2 refer to families' use of child care for both work-related and non-work related purposes. Figure 1 shows that in 2002, 55 per cent of households with children aged 14 or less used some type of child care. Informal care was the most frequently used type of child care in 2002, with 42 per cent of Australian families using in some type of informal care. Twenty six per cent of all Australian families used formal care, and 16 per cent used both informal and formal care arrangements.

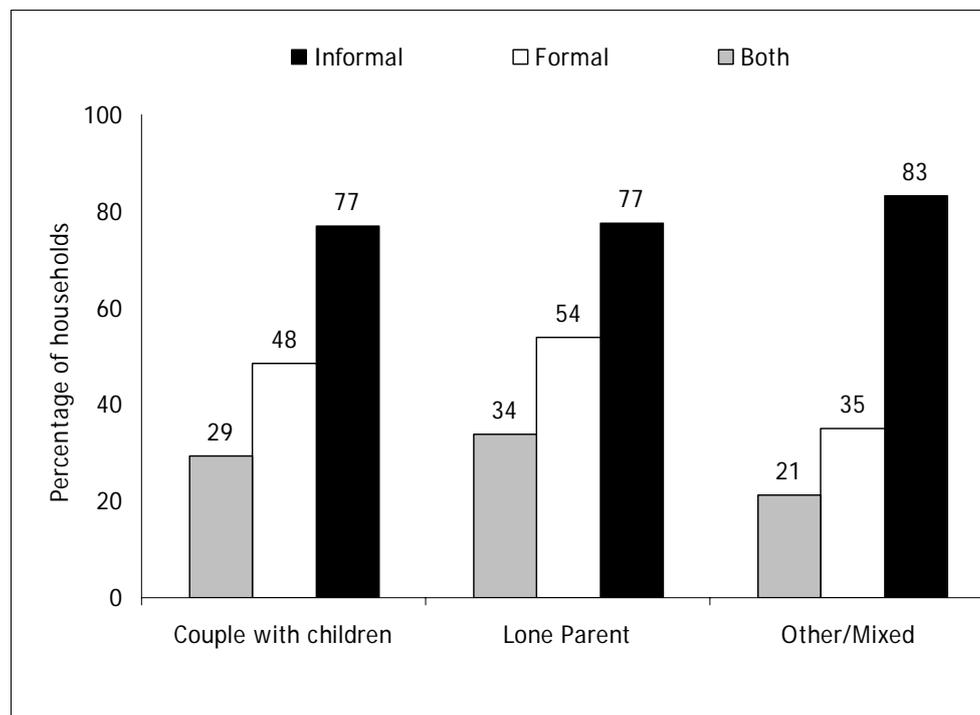
Figure 1: Child Care Use in Australia, 2002



Note: Numbers will not add to 100 due to those families using "both" care being included in the informal and formal types of care use.

Figure 2 illustrates the types of care that different household types are using. Lone parents are more likely than other family types to use formal care, with 54 per cent of these households using formal care. This may be the result of lone parents finding formal care more affordable, as they are likely to be receiving greater amounts of Child Care Benefit. It may also reflect the absence of a pool of informal care, particularly resident spouses but also other family members such as grandparents, to help with child care responsibilities. Higher use of formal care by lone parents may also indicate the need for longer hours of child care, which is often easier to obtain in a formal rather than informal setting. Lone parents are also more likely than other family types to be using both types of care, with 34 per cent of these households using both formal and informal care. The higher propensity of lone parents to use a combination of formal and informal care may be the result of these households trying to minimise their child care costs. Other/mixed households use informal care (83 per cent) more frequently than other household types. This may be due to the presence of other persons in the household who are able to help with child care responsibilities.

Figure 2: Child Care Use by Household Type and Care Type, 2002



Note: Numbers will not add to 100 due to those families using 'both' care being included in the informal and formal types of care use.

Child Care Subsidies

Child-care expenditure was first subsidised by the Australian government in 1984 through the payment of Childcare Assistance. Childcare Assistance was a means-tested payment that allowed a family's child care expenditure to be reduced if it had children under the age of 13 years in particular types of care.

On 1 July 1994, the Childcare Cash Rebate was introduced in recognition of child-care expenses being seen as a legitimate cost associated with earning an income (Schofield, Polette and Harding, 1996). The payment had no income test attached to it, but did require the beneficiaries to be working, seeking work or studying. The Childcare Cash Rebate was also broader in its scope, incorporating a wider number of child care options such as care by relatives and friends, but with the stipulation that care providers be registered with the government.

From 1 July 2000 Child Care Benefit (CCB) was introduced to replace the two existing forms of child care subsidy. CCB is a means-tested payment available to families that have children in approved or registered care. The amount of Child Care Benefit available to families is dependent on a number of variables, including the number of children in care, type of care, and family income.

More recently, the government has announced additional assistance with child care costs through a 30 per cent child care tax offset for out-of-pocket child care expenses up to a maximum of \$4,000 per child (FaCS, 2005). The offset will be available to families who receive CCB and meet work/training/study tests.

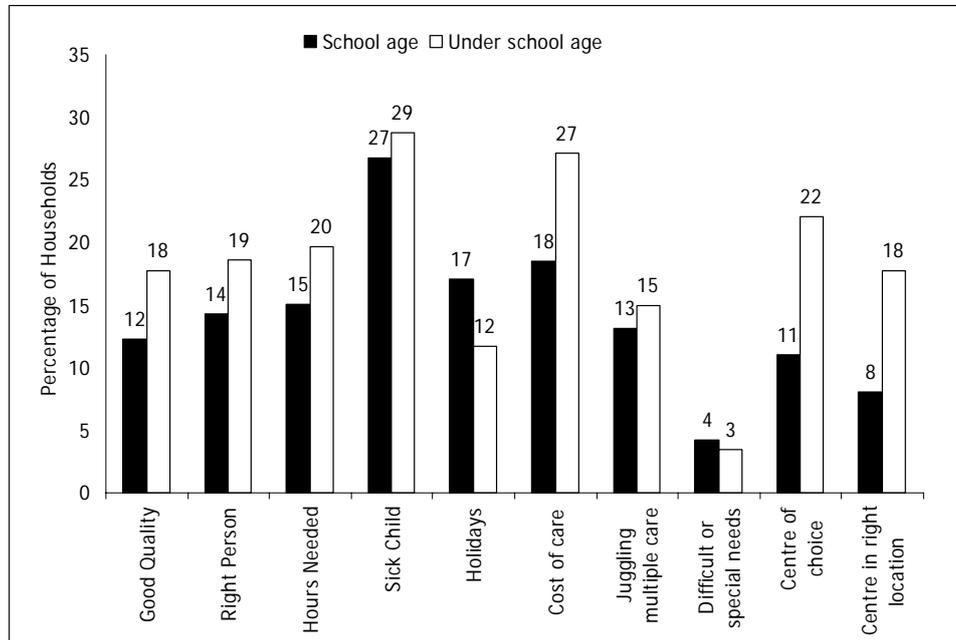
Results

Child care availability

As noted earlier, we have based our definition of child care availability on information provided in HILDA about the severity of problems experienced by parents in regard to a range of issues associated with child care use. Parents who reported a degree of difficulty of seven or more on a scale of 10 were defined for the purposes of this study as having a problem. In 2002, 520,000 Australian families with children aged 14 years or under reported at least one of the problems with child care.

Figure 3 shows clearly that households with under school-age children generally experience more problems with child care than households with school-aged children. Figure 3 shows that the greatest difficulty with child care reported by households was finding care for a sick child — with 27 per cent of households with school-aged children and 29 per cent of households with under-school aged children reporting experiencing this difficulty. This result is not unexpected, as registered and approved child-care centres must abide by strict illness rules, and the care that a parent gives a sick child is often difficult to substitute. Consequently parents are often left with no other choice but to stay home and care for the child themselves, particularly if there is no extended family or network available to help with caring for sick children. The problem is exacerbated in lone-parent households, as seen in Figure 4, and where the child is sick for long periods at a time.

Figure 3: Proportion of Households Experiencing Difficulties with Child Care by Age of Children and Nature of Difficulty, 2002



Note: Difficulties with child care were calculated as households reporting difficulties of 7 or greater, on a scale of 0 to 10, with 10 being the greatest difficulty.

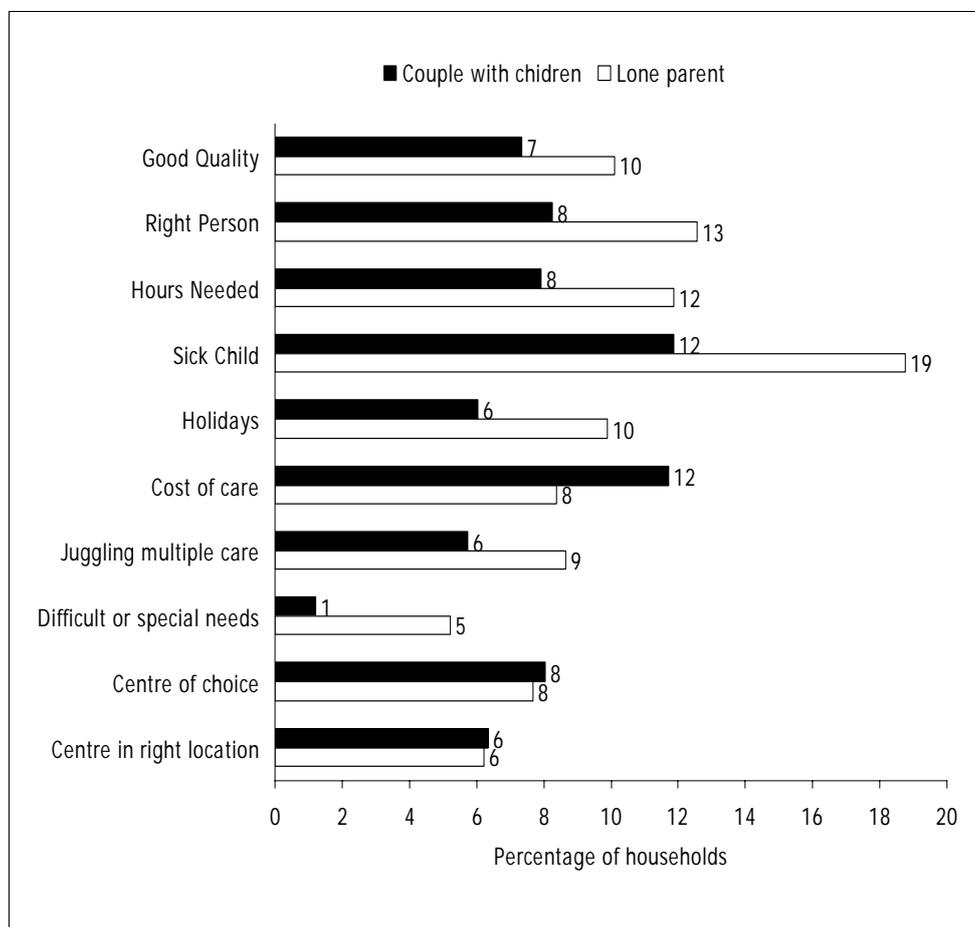
The second most common difficulty reported by households relates to the cost of child care. This difficulty is more pronounced in households with under-school age children, with 27 per cent of these households reporting difficulties with the cost of child care. Difficulties with the costs of child care are analysed further below.

Other common difficulties with child care for households with both under-school age and school-age children include finding a place at the child care centre of choice, finding a place at a child care centre in the right location, getting care for the hours needed, finding the right person to take care of children, juggling multiple child care arrangements and finding good quality child care.

Problems with child care can be further analysed by examining differences in patterns of difficulty for couple and lone-parent households. These results are presented in Figure 4, which shows that, on average, lone parents have more difficulties with child care arrangements than couple households. The figures show that problems with finding care for a sick child, finding care during the school holidays, finding care for the hours needed, juggling multiple care, finding good quality care and finding the right person were all greater problems in lone-parent households than in couple households. However, difficulties with the cost of care were reported as more of a problem in couple households than in lone-

parent households. Bivariate logistic regression analysis was used to test for statistical significance of family type for each of the difficulties reported (results not shown). We found that couple families were significantly less likely to report problems with finding care during the school holidays, finding care for the hours needed, finding care for a sick child, juggling multiple care needs, and finding the right person to care for child, than lone parents ($p < 0.05$). The likelihood of reporting problems with the cost of child care, finding good quality child, finding care for a difficult or special needs child, finding care in the centre of choice and finding care in the right location were not significantly different for couple families and lone-parent families ($p < 0.05$).

Figure 4: Proportion of Households Reporting Difficulties with Child Care by Household Type and Nature of Difficulty, 2002



Note: Other/mixed households have not been included in this analysis due to small sample sizes.

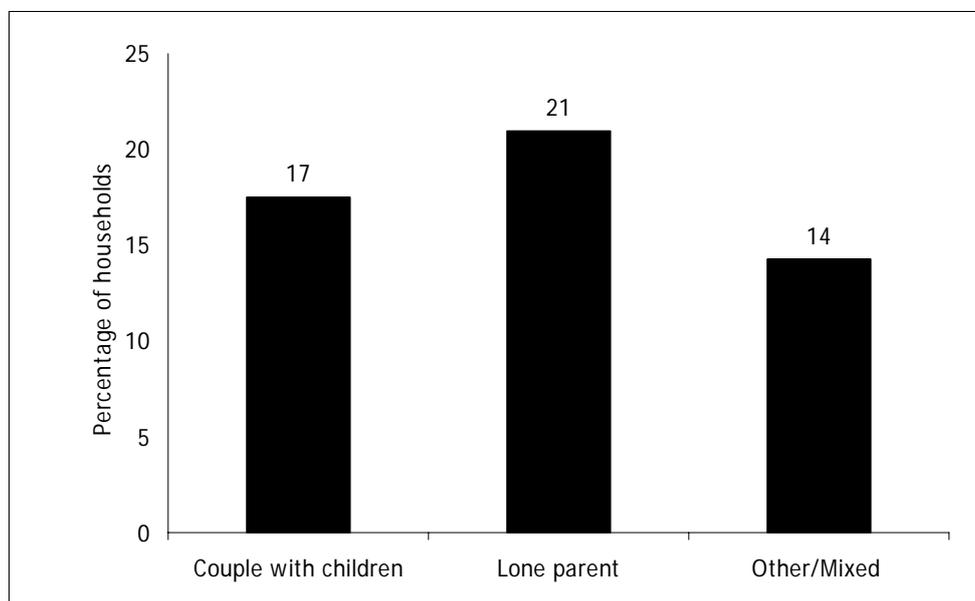
Multiple child care difficulties

Of the households that had used or thought about using child care, 24 per cent experienced at least one difficulty with child care and 75 per cent expressed multiple child care difficulties — that is, more than one problem.

Our analysis (presented in Figure 5) shows that 21 per cent of lone parents experienced multiple child care problems, as opposed to 17 per cent of couple households and 14 per cent of other/mixed households. These results are not surprising, as lone parents rely more heavily on non-parental care than households that include more adults. Other/mixed households have fewer problems with child care. These households are those that include people other than the parent/parents and dependent children, and it may be that these other household members (older children, grandparents and so on) help with child care.

When we analysed the proportion of households experiencing multiple problems with child care by child care type (results not shown), we found that households using both formal and informal care are more likely to suffer from multiple child care problems than all other households. Thirty-two per cent of households experiencing multiple child care difficulties were users of formal only care and 21 per cent users of informal only care. It is interesting to note that of those households that reported multiple child care difficulties (households that had used or thought about using child care), 5 per cent of households were not using any form of child care. This may mean that households are *not* using any form of child care because the problems they are facing are too severe.

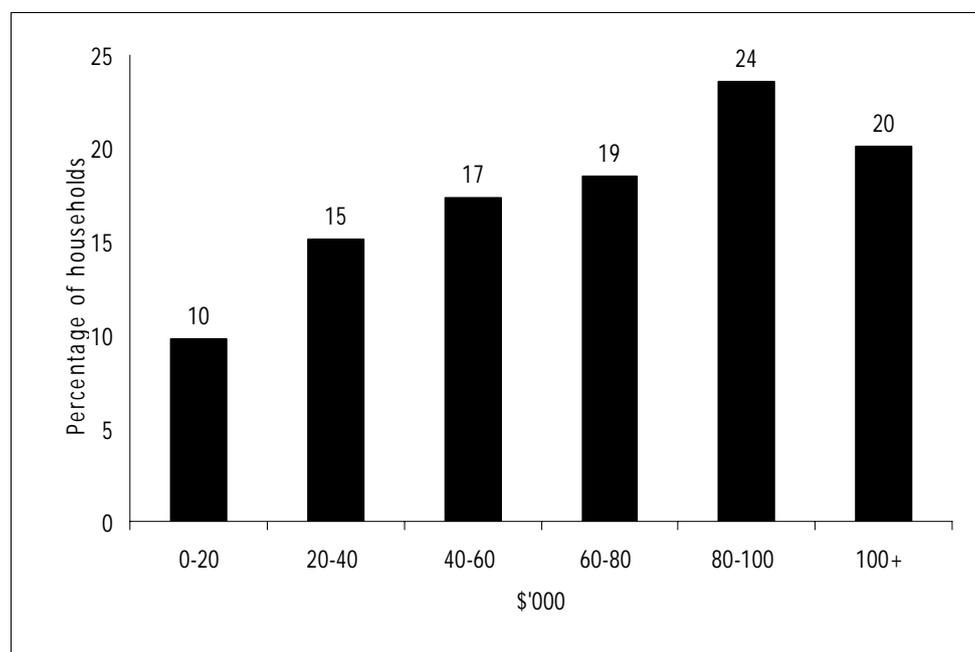
Figure 5: Proportion of Households Experiencing Multiple Child Care Problems by Household Type, 2002



As noted earlier, HILDA includes a remoteness index that is derived from the ARIA scores from the 2001 Census. Our analyses of multiple child care problems by ARIA score (not shown) revealed that residents of major cities are more likely to suffer from multiple child care difficulties than other Australians, and that the more remote a household is, the less likely it is to experience multiple child care problems. This trend may be due to the higher labour force participation of women in major cities, therefore requiring more child care, and consequently encountering more problems. It may also be that families living in country areas are more likely to have extended family and closer community networks available for child care purposes, decreasing the problems associated with child care.

Figure 6 shows that the greater the household income, the higher the proportion of households reporting multiple child care difficulties. These results are interesting, as households with higher incomes would be expected to have greater access to child care than lower income households, because their higher incomes would be likely to provide better opportunities to afford high quality child care. It may be, however, that higher income households are also those in which parents work more hours, and therefore have more complex and extensive child care needs. Further analysis of these data, particularly in regard to the links between the amount of work done by parents, income and child care use, is needed before conclusions can be drawn about the apparent relationships presented in Figure 6.

Figure 6: Proportion of Households Experiencing Multiple Child Care Problems by Household Income, 2002



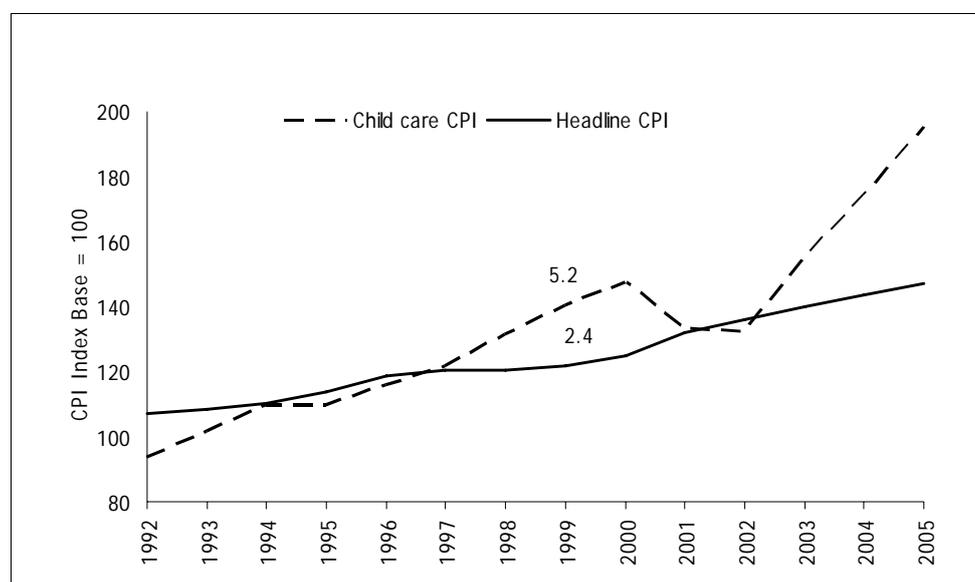
Multiple problems with child care are further exacerbated in households with 'under school age' children. Forty-two per cent of households that had an under school age child, reported multiple difficulties with child care, whereas only 32 per cent of households with a school age child reported such difficulties (results not shown). These results are not surprising as households with under school age children typically require more hours of care than those households with school age children.

Child care affordability

The cost of child care in Australia has increased significantly over the past 15 years. Figure 7 shows an average annual increase of the child care Consumer Price Index (CPI) of 5.2 per cent over the period March 1992 to September 2005. In the 12 months from September 2004 to September 2005, the cost of child care for Australian families increased by 9.1 per cent (ABS, 2005c). This is the second highest price increase for all goods and services over this period, second only to automotive fuel, which increased by 19.3 per cent (ABS, 2005c).

Figure 7 also illustrates the effect of the introduction of the new Child Care Benefit in July 2000. The price of child care fell by over 21 per cent from July 2000 to September 2001, however since then, prices have climbed very steeply. Prices remained stable for the following year, but then climbed steeply from June 2002, rising by over 62 per cent between June 2002 and June 2005.

Figure 7: Annual Changes in the Child Care Consumer Price Index, 1992-2005

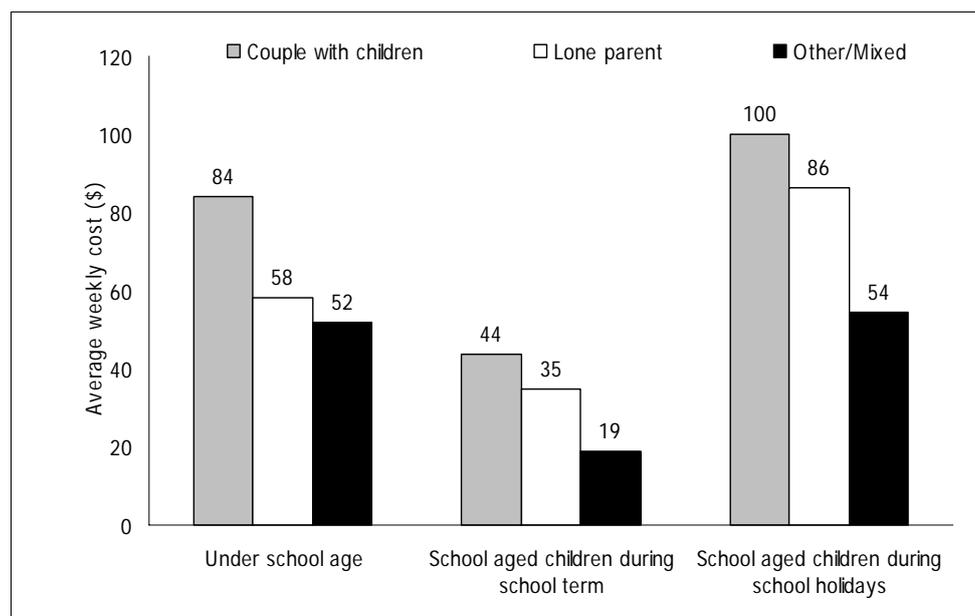


Note: The CPI used is the weighted average of eight capital cities. The average of the four quarters to June was calculated to obtain percentage changes.

Data source: Consumer Price Index, Australia, ABS Catalogue No. 6401.0.

In comparison, the headline CPI maintains a fairly gradual increase over the same period, with an annual increase of the prices of all goods and services averaging around 2.4 per cent from March 1992 to September 2005. Over the period shown in Figure 7, prices of child care rose by almost double the amount of the headline CPI.

Figure 8: Average Weekly Cost of Child Care by Household Type and Child Age Group, 2002



Note: Includes only those households with children aged 14 and under, that had a weekly cost of greater than \$0. Collection for this variable was limited to those households where BOTH primary caregivers were employed. Amounts refer to costs after Child Care Benefit deducted.

Figure 8 shows the average weekly costs of child care for various family types as shown by the HILDA survey. The most expensive care arrangement for all households was care for school-aged children during the school holidays. This is not surprising, as vacation care involves more hours than care during the school term, and not all vacation care programs attract Child Care Benefit. Couple households were paying the highest weekly fees for all care types, perhaps reflecting larger numbers of children on average in these households, higher use of care or lower rates of Child Care Benefit. The lower costs of child care to lone-parent families may in part reflect their heavier reliance on formal care, which is more likely to attract Child Care Benefit than informal care arrangements. Further analysis of use patterns and hours of child care is needed to draw any firm conclusions.

Difficulties with the cost of child care

This section presents results related to those households that reported a difficulty of 7 or more on the 10-point scale described above with the cost of child care. The population is limited to those households with children aged 14 years or less that had used or thought about using child care in the last 12 months to participate in paid work.

Figure 9: Proportion of Households Reporting Difficulties with the Cost of Child Care by Household Type, 2002

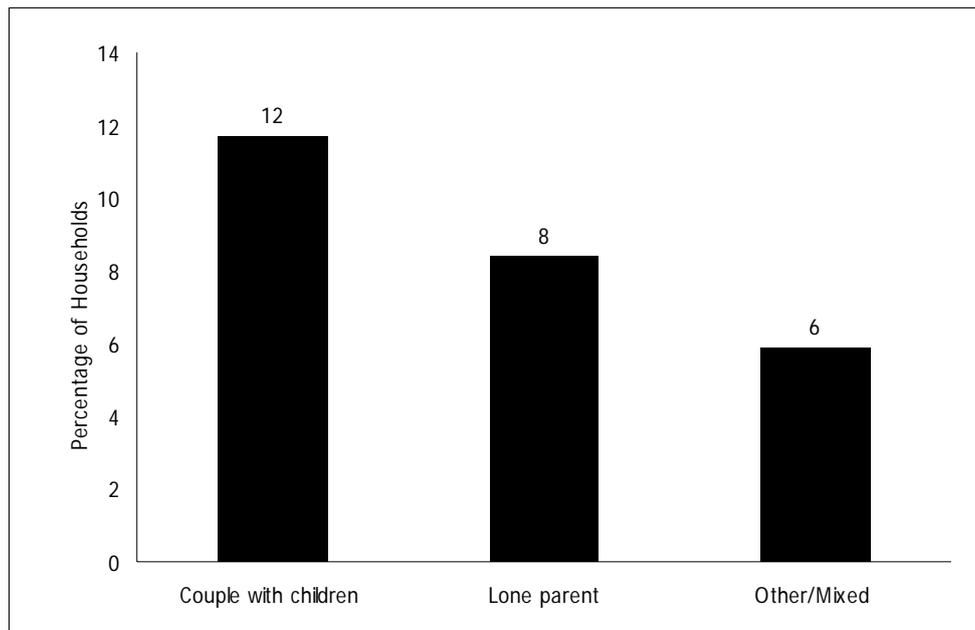


Figure 9 shows that couples with children reported more difficulties with the cost of child care than lone parents and other/mixed households (which may in part reflect the higher actual child care costs for these family types shown above). As already noted, couple families may attract lower rates of Child Care Benefit and may be using more hours of care than lone-parent households. This may be contributing to a greater level of perceived difficulty with child care costs among couple families than among lone-parent families. The results may also be due to couple families being likely to have more children than lone-parent families. The 2002 HILDA data reveal that 44 per cent of couple families had 2 children in the household where as only 32 per cent of lone-parent families had 2 children.

Further analysis revealed that the majority of households reporting difficulties with child care costs were those households using both informal and formal care and those using formal care only (results not shown). Of the households reporting difficulties with child care costs, 19 per cent were using informal care only, suggesting that formal child care may be too costly for them to access, or that these households are paying for types of informal care that do not qualify for

the Child Care Benefit. Five per cent of households reporting difficulties with cost were using no care at all, which may imply that child care is too expensive for them.

Figure 10: Proportion of Households Reporting Difficulties with the Cost of Child Care by Household Income, 2002

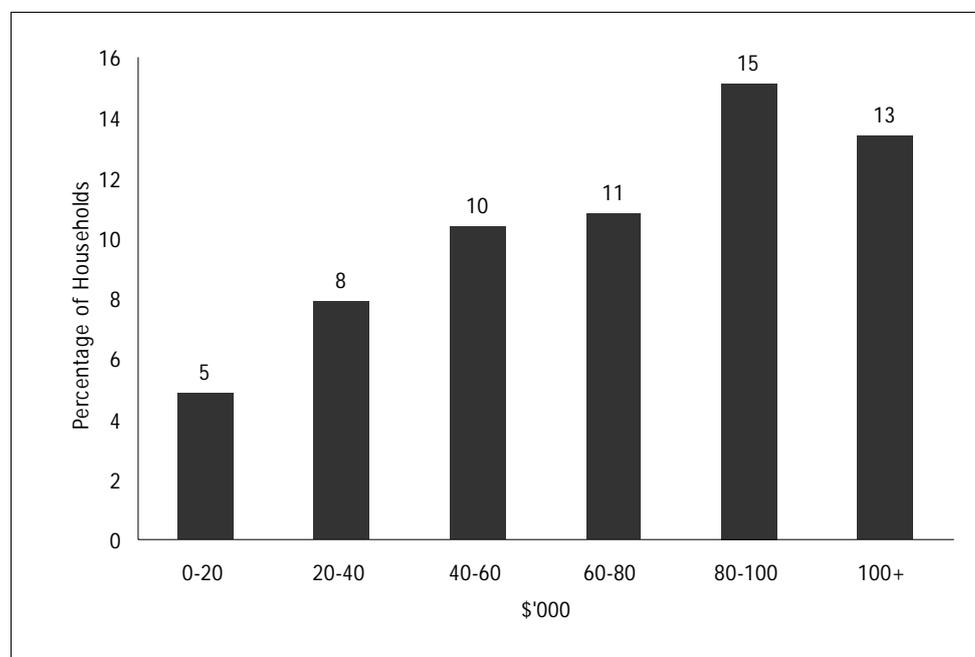


Figure 10 tells a similar story to Figure 6, where the greater the income of a household, the more difficulties that are reported. Again, it is interesting that the higher-income households recorded greater difficulties with the cost of child care than lower-income households. This may be the result of the Child Care Benefit income tests and thresholds making child care more costly for these households. In addition, as noted above, these results may also reflect relationships between income, hours worked and the amount of child care required.

Conclusion

We have used data collected by the HILDA survey to analyse self-reported problems with child care affordability and availability within Australia. We have also looked at movements in the child care consumer price index since 1990 to enhance our analysis of child care costs.

Our study showed that about one in every five households using or thinking about using child care experienced at least one of the 11 difficulties identified in the HILDA survey. This figure is based on a relatively restrictive definition of difficulties (a score of at least seven on a scale of 10 in terms of the severity of

the problem), and a more relaxed definition would have shown substantially higher proportions of households having problems with child care.

We found that for many categories of problems, a higher proportion of lone parents than couples with children households were experiencing difficulties with child care availability. Among the most notable of these difficulties were caring for a sick child, getting the hours needed and finding care during the holidays. Our results also showed that lone parents were significantly more likely to report difficulties.

Lone parents were also more likely than any other household group to be experiencing multiple child care difficulties. These results are particularly important given the current drive to move lone parents into the work force through 'welfare to work' reforms. The welfare to work program involves (amongst other things) new compulsory work obligations for single parents receiving Parenting Payment Single, when their youngest child turns 7 (Employment and Workplace Relations Legislation). These new work obligations include either working part-time for a minimum of 15 hours per week, seeking part-time work or participating in Job Network or other services. Our results have shown that already lone parent families are facing a higher incidence of difficulty with child care availability than any other household type, including juggling multiple child care arrangements. The new employment requirements are likely to amplify these difficulties, requiring more lone parents to seek work-related child care and the proportion of lone-parent families in Australia is also projected to rise by up to five per cent by 2026 — in 2001, 11.6 per cent of families were lone-parent families (ABS, 2005a). If patterns identified in this research continue, difficulties with child care will be experienced by more and more Australian families.

The price of child care has been shown to have increased at a dramatic rate since 2002, and rate of increase is currently over three times the headline CPI. Whilst the new 30 per cent child care tax offset may bring these costs down slightly, it is doubtful that it will be enough to completely negate this growth, and the rebate itself may push child care centre fees up. Our analysis of the HILDA survey showed that couple households with children were more likely to report difficulties with the cost of child care than other household types. This is interesting as it would be expected that couple households would on average have higher incomes than lone-parent households, and therefore a greater capacity to pay for child care. As mentioned above, this finding may be due to the likelihood that these households attract lower CCB payments than lone-parent households, and this may add to the perceived burden that these households bear in relation to child care costs, and also to the fact that couple households have on average more children than lone-parent households. Further analysis is required to draw any firm conclusions about this association.

Our results have shown that thousands of Australian households are experiencing difficulties related to child care affordability and availability. The study represents a first step in determining the extent of difficulties with child care affordability and availability in Australia and the possible relationships that exist between household characteristics and perceived difficulties.

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