

08 January 2014

Dr Wendy Craik AM  
Commissioner  
Childcare Inquiry  
Productivity Commission  
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Business  
Council of  
Australia



### **Inquiry into Child Care and Early Childhood Learning**

Dear Dr Craik

The Business Council of Australia (BCA) is pleased to make a submission to the Productivity Commission's Inquiry into Child Care and Early Childhood Learning. The BCA strongly supports the inquiry's focus on the two key areas of optimising children's learning and development, and increased participation in the workforce, particularly for women. Both of these goals are crucial in underpinning an effective child care and early childhood learning system. They have the potential to yield benefits to individuals and to society as a whole.

#### **Optimised children's learning and development**

Policies to optimise children's learning and development are important in enabling children to successfully establish foundation skills and navigate the education system as they grow up. Ultimately, these foundations enable people to realise their potential in work and in the life of the community.

There is powerful international evidence that the early years are important in both creating or combating inequality, and in producing skills for future success in the workforce. A compelling body of international evidence gives us three critical insights. First, that cognitive and "soft" skills are important. Many economic and social problems – dropping out of school, poor health and getting involved in crime – are linked to low levels of skill and ability that give people a real place in society.

Second, we know that inequalities open up early in life. Interventions in the early years for children from disadvantaged families, in particular, can improve their cognitive and socio-emotional skills, reduce inequality and raise productivity. Third, it is dramatically more effective to intervene early with children than to apply remedial interventions to the same children as they get older, both for the individual in question and also in the financial and social cost to society.

In light of a wide body of evidence of the importance of high quality early childhood education, the BCA supports the National Quality Framework as a way of raising the quality of education services. It also supports the extension of access to formal preschool for all children in the year before school.

#### **Increased participation in the workforce**

Policies to boost labour force participation have the potential to make an important contribution to Australia's future prosperity as well as the wellbeing of individuals. In facing the current and projected population pressures, it will be increasingly important to engage those who are not currently in the workforce but who are willing and able to work, as well as those who are in the labour force but are under-utilised – including the unemployed and under-

employed. Of these people, parents of young children, particularly mothers, are a key group, and child care is a key support for this goal.

For those parents who pay for child care, affordability of suitable care remains a consideration, despite increases in subsidy rates over the past decade. For instance, one BCA member company recently made the comment,

‘Affordable and available child care, together with lack of flexible working opportunities, tend to be the largest barriers to women returning to the workplace after having children.’

Another stated,

‘The major issue in retaining employees (predominantly women) in our workforce following periods of parental leave is the lack of affordable, accessible, flexible and quality child care, particularly during, but not exclusive to, early childhood years. Providing on-site child care for all employees is not possible, so we instead actively support flexible work arrangements such as compressed work weeks, flexible start and finish times, job sharing, telecommuting, part time work arrangements and additional leave to enable families to effectively manage their work and caring commitments.’

When parents pay for child care, the financial disincentives to work that result from high effective tax rates can have a significant impact. These financial disincentives come from the direct costs of child care added to the combination that other parents who do not pay for child care face – that is, the combination of withdrawal of income support, withdrawal of family tax benefits, and increases in personal income tax. This mix of taxes and withdrawal rates can lead parents to avoid extra hours of work or higher paid work because they will see little gain over certain income ranges and family situations. It can also lead them to decide against taking any paid work at all.

The BCA recommends that the Productivity Commission give consideration to the combined impact of income support, family assistance and personal income tax in considering options for reform of child care funding and support, and not limit its considerations to the subsidies specifically earmarked for child care. The BCA further recommends that the Productivity Commission consider the impact of rebalancing government subsidies in favour of child care that supports parents’ work, study and training, and away from untied cash subsidies for children in the form of family tax benefits.

Yours sincerely

**Maria Tarrant**  
Acting Chief Executive