



**Institute of  
Chartered Accountants  
Australia**

3 February 2014

Childcare and Early Childhood Learning  
Productivity Commission  
GPO Box 1428  
Canberra ACT 2601

By email: [childcare@pc.gov.au](mailto:childcare@pc.gov.au)

Dear Commissioners,

### **Inquiry into Childcare and Early Childhood Learning**

The Institute of Chartered Accountants of Australia (Institute) welcomes the opportunity to make a submission to the Productivity Commission's Inquiry into Childcare and Early Childhood Learning (the Inquiry).

The Institute represents accounting and business professionals in Australia and around the globe. Members strive to uphold financial integrity through a commitment to ethics and acting in the public interest.

We focus on educating candidates through the Chartered Accountants Program and engage in advocacy and thought leadership underpinned by our members' knowledge and experience. We influence a range of policy areas impacting the Australian economy and domestic and international capital markets.

A watershed member vote in 2013 set the course for the Institute to amalgamate with the New Zealand Institute of Chartered Accountants (subject to obtaining formal government approvals and effecting amendments to constituent documents), with the vision of becoming the trusted leaders in business and finance.

The proposed new institute – Chartered Accountants Australia and New Zealand – is expected to have more than 90,000 members in total with 17,000-plus candidates, giving us greater scale and influence on the world stage.

We are on the Board of the International Federation of Accountants, and are connected globally through the 800,000-strong GAA and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

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## Workplace participation

High rates of workplace participation are vital for Australia's future productivity. Workplace participation rates provided by the Australian Bureau of Statistics (ABS) in December 2012 recorded a labour force participation rate of almost 80% for males compared with 65% for females. Increasing the working-age population, lifting labour force participation and raising productivity have been identified by the Australian Treasury as critical economic challenges.

While the proportion of Australians participating in the workplace is relatively high, Australia's Future Tax System Review (the Henry Review) stated that:

*Lower participation rates for women of child-bearing age are also reflected in employment rates... women of child bearing age constitute one of the key groups with greater potential for paid employment... The longer the period out of the workforce, the greater the risk of skills atrophying and poorer employment opportunities later on. While there are many factors at play, financial incentives cannot be ignored.*

One of the most important factors in encouraging women to participate in the workplace is through the availability of childcare. Childcare needs to be accessible, affordable and flexible for families to ensure it is meeting its purpose. Despite Federal Government efforts in recent years to increase affordability through rebates, affordability is still an issue for many families. In many areas close to the central business districts of our capital cities daily childcare rates are in excess of \$160 per day. Although there are certainly childcare centres with cheaper rates these are not always accessible to working families in terms of where their employment and homes are located. Accessibility of childcare facilities is also an issue for families in regional and rural towns who often have to travel considerable distances to access childcare facilities. Even in large cities, long waiting lists mean many families do not have access to childcare when it is required.

Flexibility is an often overlooked issue in the availability of childcare. Current childcare rebates encourage the use of childcare centres which have fairly standard operating hours which are designed around the traditional 9am to 5pm working day. Employees who are required to work shifts, such as nurses and those in the emergency services are required to consider alternative childcare arrangements such as 'in-home care' which do not attract the same levels of government subsidies as childcare centres. So affordability becomes more of an issue when flexible childcare arrangements are required. The cost of childcare along with the flexibility of childcare relative to a person's employment has a direct impact on whether they re-enter the workforce after having children. If childcare is too expensive or too inflexible it is likely those skills will be lost from the workforce.

An important but often overlooked piece of the childcare puzzle is the availability of out of school hours care (OOSH). Most of the debate and media is focussed on childcare for children before they start school. However, with school hours completely out of sync with traditional working hours, the availability of before and after school care is important for working families. Accessibility of OOSH is an issue in many areas with a shortage of places limiting parents and carers ability to work. Although 'in-home care' can assist with filling the shortages along with providing the flexibility required with the care of school aged children, affordability is an on-going issue.

The Institute recommends the Inquiry considers the current financial assistance for childcare including 'in-home care' as well as considering other alternatives such as the possibility of making childcare tax deductible. Any change in financial assistance would need to be considered in the context of the current fiscal environment. The current work/study/looking for work tests should also be reviewed to ensure they can be monitored and ensure financial assistance is directed to where it has the greatest impact in lifting workplace participation.

**Holistic approach to policy**

Childcare policy has evolved over the years through a series of separate policy announcements without consideration for the impact on childcare in its entirety. A more holistic approach to childcare policy is required which looks at the financial impact of welfare, tax and childcare arrangements. The Grattan Institute issued a report in 2012 that argued removing the disincentives for women to enter the workforce would significantly increase the size of the Australian economy. These disincentives are the interplay between Family Tax Benefit and Childcare Benefit and the income tax system. The progressive nature of Australia's taxation system combined with the withdrawal of family assistance when women enter the workforce gives rise to high effective marginal tax rates.

The responsibility for some forms of childcare such as OOSH is not always clear with all three levels of government having some involvement at times. The lack of coordination and overall responsibility means issues such as the availability of OOSH places remain unresolved. It is important that all tiers of government work together to provide a more coordinated approach.

Yours sincerely,

**Rob Ward**  
**Head of Leadership and Advocacy**