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Dr Wendy Craik AM
Childcare and Early Childhood Learning
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2601

Sent via email: childcare@pc.gov.au

Dear Dr Craik,

Childcare affordability is a major barrier to workplace participation among women, and this was highlighted in the majority of submissions submitted to the Childcare and Early Childhood Learning public inquiry in February this year. As I was disappointed by the Commission's decision not to recommend either, tax deductibility of child care for women in the workforce, or a tax credits system on the grounds of equity, I am making a submission in respect of the Draft Report. I have also taken the opportunity to address the proposal in the Report, that home based child carers, must obtain qualifications to justify support.

If Australia is to obtain the social benefits of a more inclusive society from gender diversification in the workforce, and of women in leadership roles in our community, we need to remove barriers which impede this.

In addition, in an environment of an ageing population and potential declining participation rate in the workforce, our economy will benefit from women with children, participating in senior roles in the Public Service, Corporations and Not For Profit organisations. Women now make up 58% of Australia's tertiary education enrolment¹ but yet women's participation in the total workforce is 46%. We cannot assume this participation rate will improve unless we provide incentives for this to occur.

A Bain Report in 2011 established that for a women wishing to have a family, "the juggling act of a career and a family, can seem very tough..." Women in the workforce still provide a material amount of time to family matters. In my experience, women in leadership positions who face this dilemma, report that flexible home-based child care is essential if they are to adequately fulfil what is expected of them in their roles. Child care outside the home (even if it is available and affordable), does not deal with the 'sick child', nor does it provide the flexibility both the women and the child require, when her role requires extended working hours, to meet work demands. As the Commission would be aware, such care in Australia is expensive compared, with like care in other OECD countries, especially the USA, UK and Europe (and in Asia) where it appears to be cheaper. The proposals suggested by the Commission that funding for carers require qualifications will most likely increase the cost of such carers.

First, the proposal for tax deductibility is coupled with support measures for low income families, given that the deductions maybe of no or little benefit to them. Equity requires that women earning income which may be above the \$60,000-\$80,000 level should not have the cost of home-based

¹ Norton, A. (2012) Mapping Australian Higher Education, Grattan Institute

child care and entry to the top marginal rate, deprive them of much of their income when they are salaried employees. Second, and as an alternative, I support the provision of tax credits along the lines mentioned on page 511 of the Report. Where it stated that *"in principle tax credits can be designed to be progressive, paying a higher dollar rebate or offset to workers on lower incomes"*. It continues on to say that it *"could also include a means test so that once an individual's income exceeded a certain threshold, they would no longer be eligible to claim the rebate"*. This is attractive as it addresses the situation many women face, namely the combination of high cost of in-home child care and bracket creep of fix rates, means that they take home little income after these outlays. Equity issues are addressed in each alternative.

Despite there being an argument in the Henry Review that concludes that child care assistance is better provided through the payments system than the tax return, the benefits of facilitating greater workforce participation of women across all income levels, are likely to far outweigh the costs and administration. The benefits are both economic and societal, as the Australian community will be enriched by greater gender diversity in leadership roles.

On page 38 of the draft report, there is a statement *"The impact on Gross Domestic Product (GDP) associated with the workforce participation effects of the proposed reforms is estimated to be relatively small – an increase of less than 0.4%, or \$5.5 billion, in GDP, compared with that under the current ECEC system in 2013-14."*

On page 590 of the report, the Commission also acknowledges that the estimates of GDP outcomes are inherently uncertain. The draft report notes that the Grattan study does not consider the cost of ECEC services that might reduce potential increases in the female labour participation. In contrast, the Commission estimates are for the impact of the proposed and costed policy options on female workforce participation. The Grattan Report is interesting in that, if Australian women did as much paid work as women in Canada, employing an extra 6% of women in the workforce, Australia's GDP would be about \$25 billion higher. The Commission comments on the Grattan Report submission does not appear to recognise that Canada is a jurisdiction which permits deductibility of child care for income tax purposes. (If it is not stated the extent of the deduction.)

I would make two other observations on female workforce participation. [It is noteworthy that participation rates are in the Australian workforce by women aged in child bearing age and slightly beyond, is low by OECD standards, (presumably because women in this age bracket are engaged in child caring which accounts for their exit from the workforce).

In support of the benefits of gender diversity, there is factual data which establishes that Companies, where Boards and executive ranks are gender diverse, perform more effectively ("Women Matter" – McKinsey Report).

While I accept the benefit of this may be regarded as difficult to measure, and perhaps intuitive, nonetheless, it is a goal our society generally accepts.

I also point out that the Commission does not consider the benefits of an inclusive workforce which promotes gender diversity and provides greater opportunity for women to achieve leadership roles in our society.

In conclusion, I suggest that adopting a means tested tax credit or allowing for child care costs to be deductible (especially home based care) along the lines discussed above), deserves more consideration and analysis.

The Report proposes that to qualify for funding, a nanny carer must have a Certificate III in Child Care. I note that while the cost of this is covered by the subsidy, the time to obtain it is as follows:

- Via a private college in classroom (18 weeks x 2 days per week + 3 weeks full time work placement) or online (self paced, so potentially quicker)
- At TAFE (self paced, at 11 hours per week finish in 1 year)

This will cause dislocation among the current carer workforce.

In this regard, I am relieved to note that while no Certificate is required for parent carers either before or after conception (or unpaid grandparent carers), the Report ignores work experience and character of a nanny. My daughter's nanny has raised 5 children of her own, as well as the children of a family of 4 for 17 years, and cared for my daughter's twins of 1.5 years, for almost a year. She enjoys impeccable references as to character and competence yet this avails for nothing, and a qualification will be required under your recommendation. If funding is to be provided, may I suggest this requirement is unnecessary where the nanny has work relevant experience. To require this nanny to obtain a Certificate III is bureaucratic red tape which will involve cost without worthwhile benefit.

Regards

Mr H Kevin McCann AM