



11 June 2014

Committee Secretary  
Senate Education, Employment and Workplace Relations  
Legislation Committee  
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Dear Secretary

**Re: *Inquiry into the Family Assistance Legislation Amendment (Child Care Measures) Bill 2014***

Ai Group makes this submission in response to the Committee's inquiry into the *Family Assistance Legislation Amendment (Child Care Measures) Bill 2014 (the Bill)*.

The Bill would:

- Maintain the current Child Care Rebate (CCR) limit at \$7,500 per child, per financial year, by continuing to pause the indexation of the CCR limit for a further three income years to 30 June 2017; and
- Maintain the Child Care Benefit (CCB) income thresholds at the amount applicable as at 30 June 2014, for three income years to 30 June 2017.

### **Employers' interest in child care matters**

Employers have a strong and direct interest in child care matters:

- Employers need their employees to be able to attend work as required;
- Employers want their employees to remain in the workforce after taking parental leave;
- Employers benefit from increased workforce participation (e.g. it increases the pool of skilled people available from which to recruit); and

- Employers want their future employees to have had the best possible early learning foundation in order to improve future literacy, numeracy, education, training and skills.

Ai Group supports affordable child care measures to improve productivity and workplace participation, particularly of parents of young children. The CCR and CCB are important mechanisms to help parents cover the cost of approved child care.

### **Impact of the Bill on productivity and workforce participation**

Ai Group understands the decisive steps which the Federal Government has taken to put the Federal Budget back on a firm long-term footing, and the need to rein in spending growth.

In Ai Group's view, the Bill should not have a significant impact on productivity or on workforce participation.

The suspension of indexation of the eligibility threshold will reduce by a small amount the quantity of CCB that families with incomes above the threshold would receive relative to the amount they would have been eligible to receive were indexation not suspended.

Further, the overall impact of the non-indexation of the eligibility threshold on families' child care costs is complicated by the interactions between the CCB and CCR. If a family is eligible for the CCR and would otherwise not have exhausted the \$7,500 cap, a reduction in the amount of CCB received would see their rebate rise by half the amount lost in CCB.

The measure is not likely to have an impact on productivity which we would generally think of as the amount produced per unit of labour employed. However, it may have a small impact on workforce participation. This would occur if the addition to a household's disposable income from an extra hour of work were lower (because the cost to the household of child care was higher) than it would have been if the CCB eligibility threshold had been indexed. To the extent that there were to be an impact on workforce participation, it could be expected to grow over the period of the suspension of the indexation of the CCB eligibility threshold.

If there was a negative impact on workforce participation, the amount of household disposable income would be lower than otherwise and that would be likely to flow through to a level of consumption expenditure by households that was lower than it would otherwise have been. Even if there was not a negative impact on workforce participation, the higher expenditure by households on child care could be expected to reduce other expenditure on consumption. The overall impact on consumption would be likely to be less than the impact on household disposable incomes because households could alternatively reduce their saving (or debt repayment) below the levels they would otherwise have targeted.

**If the proposed PPL scheme was abolished, additional funding could be devoted to child care measures**

The Government's proposed 'gold plated' Paid Parental Leave (PPL) Scheme should be abandoned and the existing PPL Scheme retained. This would allow additional funding to be devoted to child care measures. If additional funding was available through the abandonment of the proposed PPL Scheme, the measures in this Bill may no longer be necessary.

We would be happy to provide any further information that the Committee may require.

Yours sincerely

**Stephen Smith**  
DIRECTOR – NATIONAL WORKPLACE RELATIONS