

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 30 May – 1 June 2006

Question: bet 43

Topic: Links between child care expenditure and workforce participation

Hansard Page: Written

Senator SHERRY asked:

Objective –

To find out whether Treasury has done any work on positive workforce participation outcomes flowing from extra government spending on child care.

Background –

Labor has heard that the Federal Government (we are not sure which agency) has recently been analysing labour force implications of increased child care spending.

Costello has indicated that the Government will be spending more on child care in the 2006 Budget, with possible policy changes touted.

For instance, several backbenchers and the Australian Industry Group have been pushing for the current class of FBT exemptions applying to child care expenses to be expanded.

Currently, child care benefits provided by an employer to an employee are only exempt if the child care is provided on the business premises.

Questions –

- (1) Has Treasury done any analysis of the workforce participation implications of government spending on child care? At current levels or additional?
- (2) Has Treasury examined the different labour force implications of different *types* of possible additional spending, in particular:
 - a. Increasing the rate of Child Care Benefit (a means-tested benefit available to all parents who use formal child care);
 - b. Making (some) childcare expenses tax deductible;
 - c. Expanding FBT exemptions on child care expenses paid for by employers.
- (3) What policy / expenditure type results in greater numbers of women increasing their workforce engagement?
- (4) What is the estimate of the number of taxpayers who will claim the child care tax offset?
- (5) Are there any supply constraints in the child care sector. Please provide an estimate of the own price elasticity of supply for child care services in Australia (a measure of supply side rigidities).

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Answer:

- (1)-(3) Treasury has not had the modelling capacity to do such work. The participation impacts of child care are one of the areas being investigated by the Participation Modelling Project in Treasury, which was announced in the 2005-06 Budget.
- (4) Around 640,000 families will benefit from the child care tax offset.
- (5) Treasury has not undertaken work to ascertain the existence of supply constraints in the child care sector.