

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 51

Topic: Female Labour Supply to Child-Care Costs

Hansard Page: E52 (02/06/2010)

Senator PRATT asked:

Senator PRATT—Thank you. I understand that there was a Treasury working paper published in April on the responsiveness of female labour supply to child-care costs. This showed that the effects of child-care costs on labour supply were indeed statistically significant—I appreciate that this might not actually be your report—and on that basis is it true to say that changes—

Senator Sherry—Senator, sorry to cut you off, but that is actually for revenue group. It would have to go to revenue group.

Senator PRATT—If you would let me conclude the question you would find that it is not about the report necessarily.

Senator Sherry—I have just been advised that it needed to go to revenue group.

Senator PRATT—On the basis of what that report found, my question is: is it true to say that child-care costs could have a significant impact not only on birth rates but also on workforce participation rates in the future and thus mitigate the effects of an ageing population, particularly when we are looking at trying to keep in balance the ratio of workers versus those that the community supports?

Mr R Murray—Senator, I am not across that particular analysis. We could certainly take on notice where it relates to that analysis. Just from a general proposition, as I have pointed out previously and as Mr Gallagher has pointed out, at least the OECD studies and some country studies indicate that there is a positive relationship between participation and family-friendly policies, including child care. They also have a positive effect on fertility.

Senator PRATT—Great. Thank you.

Answer:

The Treasury paper Senator Pratt refers to, *How Responsive is Female Labour Supply to Child Care Costs - New Australian Estimates*, found that there is a statistically significant relationship between a change in child care costs and the labour supply of married women with young children in Australia.