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Childcare reforms will boost the economy: report shows

Independent research has concluded the Federal Government's childcare package, currently before the Senate, is estimated to add the equivalent of nearly 20,000 full time workers to the labour force and \$3.1 billion to national GDP by 2020.

The modelling, by PricewaterhouseCoopers (PwC) and commissioned by Goodstart Early Learning, also shows the extra tax receipts and welfare savings from the measures will reduce its annual net cost to just \$170 million by 2020.

Goodstart CEO Julia Davison said, given these figures and the evidence of the value of quality early learning for children, the package represented a very sound investment in Australia's long-term economic and social well-being.

The modelling estimates that the effect of the childcare package would be:

- By 2050, the equivalent of 29,000 full time workers joining the workforce (about half of which comes from current workers increasing their hours and the other half from new workers joining the workforce)
- By 2050, an increase of \$7.6 billion in real GDP, and a net fiscal saving to the Australian Government of \$4.3 billion (in net present value terms)
- By 2020 (i.e. within three years), the equivalent of 19,000 full time workers joining the labour force, contributing \$3.1 billion to GDP.
- By 2020, those extra workers will be paying \$850 million more in tax and receiving \$150 million less in transfers, reducing the net fiscal cost of the package to just \$170 million.

"The Jobs for Families childcare package will deliver a significant economic gain for our nation by making returning to work more attractive for parents," Ms Davison said.

"Australian mothers with children under five have one of the lowest rates of workforce participation in the developed world. Improving that rate will create significant economic growth," she said.

PwC Partner James van Smeerdijk said the estimated economic impacts of the reform were significant in terms of the positive impact on the workforce, the economy and the Federal budget.

"The estimates were produced using publicly available information and PwC's Intergenerational Fiscal and Economic Model (IFEM), and are similar to the modelling results in the Productivity Commission's report which had identified childcare affordability as a key impediment to maternal workforce participation," he said.

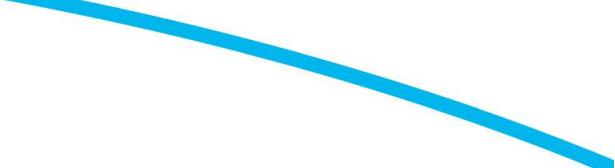
"This analysis shows there are immediate economic gains from increased workforce participation and that, over time, there are net savings to government due to the increased tax receipts and reduced expenditure.

"On top of the economic benefits there is a multitude of social benefits associated with parents returning to work and higher levels of education for children.

"This work builds on modelling PwC undertook in 2014 which also found significant benefits to GDP available from increased workforce participation, improvements in quality and increased participation of vulnerable children in early learning," he said.

Ms Davison said the report confirmed that increases in childcare assistance would largely pay for themselves with additional tax revenues and welfare savings flowing from a bigger workforce.

"Working mothers in Australia pay more tax than they receive in childcare subsidies," she said.



“We know making childcare more affordable increases workforce participation. When Quebec increased childcare assistance in 1997, 70,000 mums returned to work and economic analysis shows the Government received \$1.51 in fiscal benefits for every \$1 paid in additional subsidies.

“Improving access to affordable quality childcare supports increased workforce participation not just in the short term, but in the long term because more children starting school ready to learn will mean more Australians entering the workforce ready to work.

“With an ageing population, that is a win-win result that will better position Australia to compete in the knowledge-based economy of the future,” she said.

Media Contact:

John Cherry, Advocacy Manager - Goodstart Early Learning

M: 0477 370 634 or 0429 553 103

E: jcherry@goodstart.org.au