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Paid post-natal parental leave should be extended to a full year, say the Daycare Trust charity and the Social Market Foundation think-tank.

Then a new "home care allowance" should cover children up to the age of two.

Their report argues that a package of early education, care and parental leave could have significant economic and social benefits for Britain.

This is estimated at 1% to 2% of national income, or £12bn to £24bn a year.

This would come from increasing parental employment and boosting the future productivity of the children who had had high quality early education and care.

The valuation, by PricewaterhouseCoopers, says Sweden and Denmark currently spend about 2% to 2.5% of their gross domestic products on early education and care - excluding parental leave payments.

The social benefits would flow from having fewer children living in poverty and from lifting the "life chances" of those from disadvantaged homes.

The cost to the taxpayer would rise gradually to the equivalent of between £8bn and £15bn by 2020, says the report.

Child care tax credits would eventually be abolished to help meet the costs, with funding going mainly to early education and care providers.

The child care "vision" includes the 8am to 6pm "wraparound" child care set out in the government's proposals for extended schools.

It also envisages free early years places for all two year olds.

The one-year parental leave would involve six weeks at 90% of normal earnings and the rest at the national minimum wage.

An option would be to extend parental leave to 18 months, instead of the care allowance - which would eventually be worth on average 50% of the minimum wage.

The director of the Daycare Trust, Stephen Burke, said: "All parents and children should have the chance to enjoy time as a family and have access to quality affordable child care and early education to get the best start in life.

"It's vital that we continue to be ambitious and develop a clear vision for the future that builds on existing achievements."

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