

Is childcare valuable to the economy? Absolutely ^[1]

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EXCERPTS

The importance of affordable childcare unites many working parents. Most people recognise that access to childcare is a policy that can support a large number of families but particularly women.

When parents have to choose between working and caring responsibilities, the latter predominantly falls to women.

A more accessible childcare system means that men and women can work and maintain caring responsibilities. This sounds like utopia for some (myself included).

The great benefit of government investment in childcare is that it doubles as an economic stimulus measure.

Childcare centres will need to be built, people will need to staff them, government oversight is required and parents are able to return to work.

This might be the greatest economic policy measure barely considered.

But not according to one economist, Judith Sloan, who yesterday argued that the value of investing in childcare is questionable. She is right that the current system of rebates is too convoluted and explains, in part, why childcare fees have sky rocketed in recent years.

She is also right that the Productivity Commission makes presumptions about the economy; like the fact that demand for labour is perfectly elastic. It's not, so the idea that a job would transpire immediately if a person could, because of affordable childcare, suddenly enter the workforce is false.

Sloan writes:

"The bottom line is this: spending more on childcare is unlikely to lift overall labour force participation and it may not even lift female labour force participation unless an activity test is enforced.

The parents of young children may thank the government, but we should not kid ourselves spending more on childcare is an example of economic reform."

To an extent she is right. Spending more money on childcare won't of itself "solve" the childcare problem and boost workforce participation rates. The investment has to be targeted for it to garner the broader economic benefits. And it's worth remembering the benefits are important in the long term.

Due to Australia's aging population and baby boomers exiting the workforce, it is going to become even more important for skilled Australians to participate in the economy to the full extent possible. Currently the lack of accessible and affordable childcare hampers many Australian women from doing that.

A targeted investment in childcare by the government will not be a cure-all for gender equality, but ideally it will form an important piece of infrastructure, that will facilitate greater workforce participation.

The cost of childcare currently limits many highly skilled women from working. Aside from the lost productivity there is a substantial cost incurred in this equation because of the taxpayers dollars spent on their education.

Australia educates women better than any country in the world and yet our female workforce participation rate puts us in 52nd place in the world: how is that divide acceptable? It isn't and it neatly demonstrates why childcare in Australia is a legitimate problem. If it wasn't, our female workforce participation would be a lot higher.

It reminds me of what Chief Justice of Western Australia Sir Francis Burt used to say to new graduates in the 1980s: if any firm wants to keep the best female talent, they will dedicate a floor to childcare.

Nowhere in Australia has that but it's a worthwhile objective. There is absolutely a need for rigorous analysis in terms of how Australia's investment in childcare is spent, but to question whether it's valuable, dismisses the vast economic potential it presents.

Region: Australia and New Zealand ^[3]

Tags: affordability ^[4]

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