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| Memorandum  |
| Date | 16 November 2016 |
| To | Board of Taxation – Sounding Board |
| From | Brian Purdy – South32 |
| Our Ref |  |

**CHILD CARE PRODUCTIVITY INITIATIVES
INEFFECTIVE IMPLEMENTATION OF GOVERNMENT POLICY**

As evidenced by a number of recent productivity related reports (and submissions thereto), there are undeniable benefits associated with promoting diversity in, and increasing participation levels across, the Australian workplace. However, as discussed below, current measures seeking to promote the Government’s policy (in relation to the availability and affordability of child care) are, put simply, ineffective and are of little assistance to the majority of Australian workers.

The aim of this paper is not to advocate a particular solution, but rather to facilitate discussion around the challenges faced by the resources industry in this respect which, it is hoped, will lead to effective implementation of the policy.

**EXISTING FBT MEASURES**

There are two Fringe Benefits Tax (**FBT**) exemptions currently available which relate to child care:

1. Exemption for the provision of child care facilities – a key requirement is that the **employer** must provide the child care facilities **on its business premises**.
2. Exemption for contributions made to obtain priority of access.

The intent behind the above measures was to encourage employers to participate in solutions to their employees’ child care needs.

It is understood that only an exceptionally small number of employers nationwide have taken advantage of the FBT exemption for the provision of child care facilities. The key requirement (noted above) results in only a limited number of employers having the necessary fact pattern which makes it practical for them to provide and run a facility – being those with a large and centralised work force located on or near premises which can in fact accommodate a child care facility.

For the vast majority of employers, running a child care facility is not part of their core business nor do they have the necessary expertise to do so in a cost effective manner. For families, it is often preferable to use child care facilities located near home to meet their flexible needs (as opposed to the workplace of one parent – i.e. to assist with alternating or staggered drop-off / pick-up duties).

In relation to the exemption for priority of access fees, it is noted that compared to the actual costs of child care, the practical value of this exemption is marginal.

**CHALLENGES FACED BY THE RESOURCES INDUSTRY**

In addition to the general impediments faced by the broader business community in providing meaningful solutions to the child care needs of their employees (outlined above), there are additional challenges faced by the resources industry given the particular nature of their activities. The issues are centred around:

* The number of different operating locations that a company has and their geographical diversity;
* The fact that the majority of resource projects are located outside of traditional metropolitan areas;
* The nature of the workforce engaged at a particular operation (i.e. residential, FIFO, or a combination thereof); and
* The rosters and/or shifts in place at a particular operation (for example, a 24 hour operation running 12 hour shifts).

**WHERE TO FROM HERE?**

It is clear that the measures currently included in the FBT legislation do not promote greater participation levels across the wider Australian workforce. We welcome discussion of the issue, including the suggestion of potential solutions, to demonstrate the importance of the topic so that it can be included on the Government’s agenda.

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**Ideascale – Idea No.43**

# Productivity and workplace diversity – current measures ineffect Selected

Can Government Fix it