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31 August 2006

The Hon Bronwyn Bishop MP
Chairman of the Standing Committee on Family and Human Services,
House of Representatives Standing Committee
Parliament House
Canberra 2600

Dear Chairman

**Further submission to the
Standing Committee Inquiry on Balancing work and family**

I refer to our recent meeting with you on 10 August 2006 regarding the Taskforce's 2006 Interim Review entitled *Where are we now?*

As you know the 2006 Interview Review builds on the Taskforce's 2005 Report entitled *Creating Choice: Employment and the Cost of Care*. I commend the 2006 Interim Review to you and ask that you consider its findings.

The 2006 Interim Review specifically addresses many of the issues relating to the second and third components of the Inquiry's current Terms of Reference - namely:

- “(2) making it easier for parents who so wish to return to the paid workforce; and
- (3) the impact of taxation and other matters on families in the choices they make in balancing work and family life.”

The Interim Review confirms that the cost of care (for children, elders and people with a disability) is a major impediment to workers with caring responsibilities entering or remaining in the workforce, despite the fact many of them wish to do so.

The Taskforce's Final Review will canvass a number of financial solutions, including some with taxation implications, which will impact favourably on those families seeking to better balance work and family life.

More broadly, our Interim Review does, and Final Review will, take into account the Federal Government's current focus on maximising workforce participation whilst also maximising choice available to Australians - each of which directly impact upon the need to balance work and family.

In essence the 2006 Interim Review argues that without strong leadership and significant policy change, the cost of care for children, the elderly and people with a disability will continue to rise, and the work/cost of care dynamic will become increasingly problematic.

1. Background

The aim of the 2006 Interim Review is to reflect on the steps that the Federal Government has taken to redress the issues raised in the 2005 *Creating Choice Report*, and to provide a snapshot of the current cost of care/workforce participation landscape in Australia. The 2006 Interim Review answers the question: "Where are we now?" and thus lays the foundation for the Taskforce's Final Review (due for release in October 2006), entitled *Where to next?*, which will focus on solutions. A key part of developing those solutions has been the Taskforce's engagement of the Melbourne Institute in micro-simulation modelling (ie of the cost of the potential solutions and the return in terms of increased levels of workforce participation).

Building on the February 2005 *Creating Choice Report*, the 2006 Interim Review methodology comprised:

1. An analysis of the current cost of care in Australia;
2. A review of current financial supports for care in Australia;

3. A comparative analysis of international financial supports for workers with caring responsibilities; and
4. The administration of random sample national survey of 1000 workers and the unemployed with caring responsibilities on perceptions of the cost of care on workforce participation.

2. Key findings

Key findings from the 2006 Interim Review include:

1. ***We're in crisis:*** Australia is in the grip of a work/cost of care crisis and without significant policy change the situation will not improve. In 2006 nearly 79% of workers with caring responsibilities say that affordability of care influenced their current working arrangements, up 12% from 67% in 2004.
2. ***There's a clear work/cost of care dynamic:*** The high cost of care continues to put workforce participation rates of carers at risk. One in four workers with caring responsibilities is at risk of leaving the workforce and the affordability of care influenced the departure of two-thirds (64%) of carers from the labour force.
3. ***The situation is getting worse, not better:*** Over the last two years the cost of care crisis has worsened: care costs are spiralling upwards and over a third of workers with caring responsibilities (37%) now feel that the cost of care is too high relative to their income (up from 31% in 2004).
4. ***We can increase levels of skilled labour:*** In 2006 more than half (52%) of part-time workers with caring responsibilities, and one in four workers overall, would increase their hours of work if care was more affordable.
5. ***We need to introduce innovative reforms to stay ahead of our global competitors:*** Australia's global competitors are introducing innovative reforms to assist workers with a broad range of caring responsibilities. Australia has taken some steps to address care costs since 2005, principally via the Child Care Tax Rebate, but we need to be broader in scope if we are to stay competitive.

The overall findings from the 2006 Interim Review demonstrate there has been no substantial improvement in the work/cost of care dynamic since 2004, and in fact that there has been a deepening of the work/cost of care challenge. Accordingly, the Taskforce suggests that at a time of skills shortages and an ageing workforce, the Government needs to quickly intervene and alleviate the high cost of care.

3. Options for reform

The Taskforce's Final Review, to be released in October 2006, will canvass a number of possible options for financial reform for the Federal Government to consider (some of which were detailed to you in our Confidential Submission dated 5 April 2006). These options will be based on sound economic modelling and consideration of international best practice.

A key focus of Taskforce's recommendations will be a recognition of the need for a holistic approach to be taken to addressing the cost of care – and incorporating childcare, aged care and disability care. The Taskforce will suggest to Government that it is vital that the cost of care is considered not only in the context of social support but in the broader context of Australia's economic productivity.

Possible options for reform include: expanding the childcare tax rebate to cover elder care and disability care, increasing the level of the childcare tax rebate and removing the cap, introducing a rebate simpliciter (ie not administered through the tax system) and expanding current FBT arrangements.

The Taskforce looks forward to receiving the Inquiry's report. The Taskforce also invites members of the Inquiry to sit on the Taskforce to work in partnership to develop a model for reform.

If we can assist you further, please do not hesitate to contact me on (02) 9810 7176 or 0414 426 939.

Yours faithfully

Juliet Bourke
Chair, Taskforce on Care Costs