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Mr James Catchpole
Secretary
Standing Committee on Family and Human Services
Parliament House
Canberra Act 2600

Dear Mr Catchpole

SUBMISSION TO THE INQUIRY INTO BALANCING WORK AND FAMILY – THE FRENCH GOVERNMENT'S PLAN FOR HUMAN SERVICES

Aegis Consulting Australia is a boutique consultancy assisting clients to link their business development and corporate strategies with government policy, regulatory and political objectives. We work across industry sectors and policy issues at national and state level.

1. Background

One of our clients is Accor, which is a French multinational company and the largest hotel group in Australia, employing more than 10 000 people.

One part of the worldwide Accor Group is Accor Services, which assists governments to deliver social welfare payments and services, and employers to provide benefits to their employees in 34 countries.

Accor Services does this by designing, implementing and managing smartcard, voucher, electronic voucher and web based systems which are applied by governments to:

- Link the use of direct payments and tax subsidies to the purpose for which they are provided;
- Target welfare delivery to particular areas of need;
- Improve the ability of welfare recipients to choose the services they need;
- Integrate payments and services of various government agencies; and

- Improve data collection and reporting to increase the flexibility of policy responses.

For example, in the United Kingdom it has pioneered an electronic voucher system to enable families and employers to receive the Government's tax subsidies for childcare.

2. Human Services Strategy in France

In France one government strategy in which Accor has participated concerns 'human services'.

Given the terms of reference of the inquiry by the Standing Committee on Family and Human Services, we have taken this opportunity to bring to your attention the direction of the French Government with respect to the 'human services industry'.

The French Government considers that as a result of France's rising standards and cost of living forcing parents to work longer and harder, and the ageing of the population over the last few decades, the use of 'human services' by families has and will continue to increase exponentially.

It defines 'human services' as the following five groups of services:

- Family services – childcare, student support, and support to allow elderly and/or disabled dependents to remain at home instead of institutionalised care.
- Services to promote health at home and the workplace – home based nursing and hospitalisation, health education, counselling.
- Services to promote quality of home life – meal services, home maintenance and repairs, cleaning.
- Accommodation services – caretaking, security, gardening.
- Intermediary services – assistance with finding carers and accommodation for children, the elderly and disabled, legal assistance, assistance with family administration.

The French Government considers that these services are essential to the effective, efficient and compassionate functioning of its society because these services:

- Enable families to use the childcare they need, and support the needs of their elderly and disabled family members at home.
- Give both parents in double income families and sole parents a greater opportunity to return to work because their care and home needs are satisfied.
- Encourage people to have families because they know they have support for the care of their children, elderly and/or other dependents.
- Promote home based care and therefore reduce the cost to government of institutionalised care such as hospitals and aged care facilities.

To ensure that the community can optimise its use of 'human services', the French Government has embarked on a strategy to:

(a) Value, recognise, regulate, and properly reward the professionals who deliver those services; and

(b) Promote through tax incentives the purchase of such services by families and the provision of such services by employers to employees as part of employment benefits.

As a result the strategy is designed to promote the shared responsibility for the full spectrum of care by government, the community and employers.

A voucher scheme is a vital element of this strategy and Accor Services has advised the French Government on the most effective way to use such a scheme to deliver government objectives. In essence the use of vouchers to purchase a service triggers the tax incentive offered by the government.

The French Government's analysis is that 1.3 million are employed in the 'human services' industry, which has demonstrated the highest growth in employment terms of any sector. Its strategy to regularise the industry is designed to stimulate a further 500 000 jobs within it.

We have attached for the information of the Committee a paper prepared by the French Department of Employment, Labour and Social Cohesion, which sets out the Government's objectives and strategy to optimise the human services industry. One of the most remarkable things about this strategy is that is has co-ordinated the missions of 20 government departments into one whole of government agenda.

This document was originally prepared in French and the attached copy is a literal translation undertaken for the Committee. As a result, some of the phrases may be cumbersome. Nevertheless we trust it is of interest and use to the Committee as part of its deliberations.

3. Relevance of French Strategy to Australia

The reasons motivating the French Government's strategy have a range of parallels with social and economic developments in Australia, and appear to be particularly relevant to the terms of reference of the Standing Committee's inquiry into balancing work and family.

This is because the ability of Australian parents to begin families and to enter or return to the workforce when they have children and/or other dependents largely relies on:

- The availability and affordability of quality, trustworthy and flexible care for children, elderly and disabled dependents; and
- The financial incentives to enter or return to the workforce.

These outcomes can be best achieved through an integrated strategy which includes government subsidies paid directly to entitled recipients, and tax incentives which encourage employer contributions towards employee care costs and/or salary sacrificing by employees for their care costs. This combination optimises the opportunity for government to deliver equitable access to affordable care for low, middle and high income families consistent with their means and needs. The combination of direct government assistance and incentives for employer contributions is best international practice in most countries where governments choose to support families with subsidies.

A fundamental issue in the design of this strategy should be that any subsidy, whether paid directly by government or delivered via tax incentives to encourage employers to provide care benefits, should assist families with their cash flow to fund the up front weekly cost of care. This is because subsidy policy that is focused on assisting families with their weekly cash flows for care costs has a higher chance of promoting workforce participation by both earners in a couple family as well as sole parents.

Accordingly, rebates and tax deductions for costs which are only claimable via the tax return process at the end of the financial year are a misplaced investment of public funds, especially where government is interested in decreasing welfare dependence and lifting workforce participation. Such policy does not assist families with their weekly cash flow and therefore does not encourage workforce participation.

For example, in 2000 the Federal Government abolished the rebate scheme for childcare costs and replaced it with the Childcare Benefit (CCB) which entitles recipients to a subsidy for childcare, and pays that subsidy directly to the childcare provider chosen by the recipient. One of the significant problems with the accessibility of the former rebate scheme was that families could only claim their rebate at Medicare Offices, which are sparsely located. As a result it was an inconvenient way for working families to use a government subsidy to assist their up front childcare costs and related workforce participation.

In the 2004 election campaign the Federal Government committed to providing a 30% rebate on the out of pocket expenses of CCB recipients. However this rebate is only claimable once a year as part of the tax return system and therefore does not assist a family meet their weekly up front childcare costs in order to work.

Similarly, even if the cost of care is made tax deductible for employees as many groups propose, it alone is of little assistance in relation to a family's weekly up front care costs. To be effective as a subsidy promoting workforce participation, care costs that are tax deductible for employees would also need to be exempt from Fringe Benefits Tax (FBT) and tax deductible for employers.

By ensuring that care costs are FBT free, government would create incentives, and options for employers to contribute to the care costs of their employees through fortnightly or monthly benefits in addition to salary. It would also create the opportunity for employees to reduce the cost of care on a weekly basis by salary sacrificing their care costs.

Tax deductibility for employee care costs alone will not achieve this because the claimant only receives the benefit from the Australian Tax Office at the end of the financial year.

In the remainder of this paper we have discussed the costs and benefits of FBT exemptions for childcare and home and community care to identify some relevant issues for the inquiry.

3.1 Child Care

The ability of families to access affordable childcare is a key determinant in the level of women's workforce participation.

In its 2003 Inter-Generational Report, the Australian Treasury advised that future GDP growth depended on increasing women's workforce participation and keeping people in the workforce longer. The OECD considers that women aged 25-54 are underemployed and lifting their participation is key to minimizing the adverse economic and social effects of population ageing. [1]

It is clear that there is plenty of scope to raise the participation rate of women in Australia. For example, in Australia 45% of all mothers with a child under the age of six are employed compared with 62 % in the US, 56 per cent in the UK, 73% in Norway, and 70 per cent in Belgium.[2]

The majority of children are born to women aged 25-34. The bulk of these women have either been in the workforce since they left school or obtained both tertiary education and employment experience.[3] Available research indicates two trends - (a) women are less likely to work as the number of young children they have increases and (b) women increase their labour force participation as their children age.[4]

To lift women's workforce participation childcare policy needs to promote:

- Enough affordable long and family day care places for women whose children are too young for school; and
- Enough affordable out of school hours and vacation care places for women with school age children.

3.1.1 The Cost of Care

The cost of childcare can be a significant impediment to workforce participation. Rather than alleviating this, current government subsidies can also operate to discourage workforce participation, particularly by women, because:

- The Government's Childcare Benefit reduces as family income increases;
- Other family payments such as the Family Tax Benefit (Part A), parenting payment and maternity payment also reduce as family income increases; and
- The Family Tax Benefit (Part B) is not income tested and paid to single income families.

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[1] Paul Swaim, 'Women in Employment', presentation to 'Putting More Women to Work Colloquium, at ~~www.oecd.org.au~~

[2] OECD Employment Outlook, 2001.

[3] Australian Bureau of Statistics

[4] Sex Discrimination Unit, Human Rights and Equal Opportunity Commission

Where the cost of care consumes one person's wage there is little financial incentive for both earners in a couple family or a sole parent to work. If one of them (usually the woman) leaves the workforce, the couple or sole parent saves the cost of childcare, and reduces their household income which:

(a) Reduces their marginal tax rate; and

(b) Entitles them to receive higher government subsidies. This is a perverse policy outcome, in any environment, but particularly when the economy needs to lift participation to maintain GDP growth.

The national average annual cost of two children in long day care (90 hours per week) is about $18 000 (about $360 per week).[5] Research we commissioned in 2004 indicated that this cost can be up to $33 000 in Melbourne (about $650 a week) and $46 000 (about 900 a week) in Sydney.[6]

Childcare costs increased by 32% between 2002 and 2004 which is more than 6 times the rate of inflation (5.2%).[7] Anecdotally it is widely accepted that the average annual cost of long day care for a child ($9000) can be as, if not more, expensive than the cost of sending that child to private school (both independent and catholic).

Families using approved childcare are entitled to receive the Government's Child Care Benefit (CCB). The CCB that a family receives is paid directly to the childcare provider of their choice. Childcare providers rely on CCB payments for about 60% of their revenue and this is the way the Commonwealth Government funds childcare places.

The CCB is income tested and reduces as a family's income increases. A family with an annual income of about $33 000 a year is entitled to receive CCB worth about 75% of their childcare costs. A family with an annual income of about $90 000 a year is entitled to receive CCB worth about 10% of their childcare costs. The average CCB payment is about $53 a week.[8]

Families entitled to CCB can also claim a 30% rebate on their out of pocket childcare expenses (commencing in 2006 and capped at $4000 per year). This can only be claimed as a lump sum at the end of the financial year through the tax system. As it does <u>not</u> assist a family with their weekly cash flow to fund the up front costs of childcare it is unlikely to significantly stimulate workforce participation.

[5] Department of Family and Community Services. Based on 45 hours per week for 48 weeks per year.
[6] Survey of 30 employers undertaken by Australian Research Group
[7] Australian Bureau of Statistics
[8] The Government spent $1.4 billion on the CCB in 2003-04 and it was claimed by about 546 000 families for 48 weeks. The Government anticipates spending $1.5 billion on the CCB in 2004-05.

Example

A double income family with an income of $90 000 a year (a nurse and a teacher earning $45 000 each) and two children in long day care would have high childcare costs ($360 per week on average) but receive a maximum of $36 per week in CCB (10% of their care costs). After tax, but taking into account their CCB, their average out of pocket care costs can consume about 50% of one of their wages on a weekly basis.

They are entitled to a maximum rebate of $4000 on their out of pocket expenses ($83 a week), however because this is only payable as a lump sum at the end of the year it is not something they can rely on to fund their weekly care costs and maintain cash flow for other expenses such as a mortgage (up to 40% of their total income), transportation, food, power, entertainment as well as a savings plan.

This family is also entitled to the lower end of the Family Tax Benefit (Part A), parenting payment, and maternity payment and is not entitled to the Family Tax Benefit (Part B). They are not entitled to tax cuts provided by the Government during the 2004 election because their individual wages are below $52 000 a year.

However if one of these parents chooses to stay at home they would receive higher levels of the first three types of payments and be entitled to receive the fourth. At the same time they would save their childcare costs.

Typically, working couples in the $60 000 - $100 000 a year family income band face this dilemma. One third (or more than 640 000) of working families are in this group. The other two thirds of working families either receive the higher scale of government payments because their family income is low, or benefit from tax cuts but lower end government payments because their wage earner/s earn more than $52 000 each per year.[9]

3.1.2 Other Options to Assist Families with Childcare Costs – FBT Exemptions

Unlike the French example (and also in the UK, Spain, and Germany), there is little attempt by government in Australia to use tax incentives to encourage the provision of employer benefits for childcare.

Such incentives maximise the opportunity for employers to share the responsibility for employee childcare, and importantly ensure that government subsidies for childcare are being optimally used to stimulate workforce participation. This shared responsibility approach benefits:

- Families who work;
- Employers because they can use it to attract labour; and
- Government because it can increase its income tax receipts and reduce the future cost of income support when more people work and save.

[9] National Centre for Social and Economic Modeling

In a period of high employment and skill shortages, employer benefits for childcare are a valuable tool for employers to retain and recruit staff.

Currently in Australia employers are entitled to an exemption from Fringe Benefits Tax (FBT) where they provide workplace childcare on their business premises or purchase places for employees at childcare centre. However to receive the exemption employers must manage and/or control the centres they establish or purchase places from.

Very few employers utilise this FBT exemption. In 2004 we surveyed 30 employers across 16 industries employing more than 500 000 employees about their use of workplace and non-workplace childcare.[10] The survey identified that only 5 employers provided a total of 240 childcare places via workplace facilities or the purchase of places at other childcare centres. Employers indicated that the provision of workplace childcare is unattractive because:

- The capital cost is too high, particularly if an employer has multiple business locations. The cost can be upwards of $2 million in the Sydney CBD.
- It is uneconomical unless there are at least 1000 employees in any one location and at least 40 children using the facility.
- It creates increased public liability insurance premiums, OH&S and other liabilities and risks.
- Fire and other regulations requiring workplace facilities to be located on ground floor areas make it prohibitive when these areas are premium retail spaces.
- It is non-core business.
- It cannot be provided equitably to all employees.
- Most employees prefer childcare in their local communities.

As an alternative to workplace childcare most of the employers we surveyed preferred to be able to provide childcare benefits that their employees could use to purchase childcare services of their choice outside the workplace.

Employers prefer this option because it does not require capital investment or the assumption of risk by them; delivers greater choice for employees; is more consistent with the childcare preferences and patterns of employees; and promotes equitable access to childcare for all employees needing it.

However, employers cannot offer benefits for non-workplace childcare because such benefits currently attract FBT.

This anomaly between the tax treatment of workplace and non-workplace childcare benefits should be addressed by the Federal Government. The absence of an FBT exemption for non-workplace childcare discriminates against employees of smaller and medium size employers, and employers with multiple business locations for whom workplace childcare is too expensive and impractical.

[10] Conducted by the Australian Research Group

The provision of an FBT exemption for employer benefits for non-workplace childcare has been recommended publicly by the Australian Chamber of Commerce and Industry, Australian Industry Group, National Diversity Think Tank (14 large corporates including financial and banking institutions, Holden and Lend Lease) and a range of other corporates, including Accor, Manpower and MacDonalds.

It was also one of the recommendations by the Standing Committee on Employment, Workforce Relations and Workforce Participation Committee in the report of its recent inquiry into increasing workforce participation.

An FBT exemption for employer benefits for non-workplace care could allow such benefits to be provided as an addition to salary or taken as a salary sacrifice by the employee. A salary sacrificed benefit of $18 000 a year (average childcare costs) would provide a family (with an annual income of between $60 000 and $100 000) with a gain of between about $100 and $140 a week for spending on childcare, depending on their income split. This compares with a maximum of about $40 CCB that they are entitled to.

The advantage to families would vary depending on the income split of the couple (as this is influenced by the marginal tax rate at which the deduction is claimed), and does not increase with higher income alone. As a result, a lower income family could receive a higher benefit than a higher income family. Table 1 below illustrates this.

Table 1 – Estimated gains to families in the $60 000 – 100 000 household income bracket with varying income splits; there are two earners salary sacrificing a total of $18 000 for the cost of non-workplace care; and each earner is salary sacrificing $9000.

	Example 1	**Example 2**	**Example 3**	**Example 4**	**Example 5**
Total family annual income ($)	80 000	80 000	100 000	100 000	60 000
Income split between two earners in the family	62K/18K	40K/40K	50K/50K	70K/30K	30K/30K
Gain to family after FBT free salary sacrifice of $18 000 for childcare ($) (2004-05)	5 115	5 670	5 670	6 672	5 514

The table above indicates that it is possible for families with different income levels to receive the same benefit (compare examples 2 and 3); families with the same income levels to receive different benefits (compare example 3 and 4) and higher income families to receive less benefit than lower income families (compare examples 1 and 5).

3.1.3 Cost of Options to Government and Employers

Option 1 – Employee salary sacrifice for the cost of non-workplace care

Where employees are permitted to salary sacrifice for non-workplace childcare, the cost to government is equivalent to the gain to the family.

However it is offset by reduced CCB payments because under current policy a person cannot receive CCB if they salary sacrifice their full child care fees and their employer is exempt from paying FBT on the cost of their childcare. The cost could also be limited by capping the amount able to be salary sacrificed. A salary sacrificed benefit would be no cost to employers.

The benefit of this option to an employee and cost to government and employers is illustrated in Table 2 below.

Table 2 –Illustrates the cost/benefit to an employee and employer when a salary sacrifice for non-workplace childcare is subject to FBT compared with it being FBT free. The family income is $100K and the income split is 50/50.

	Salary Sacrifice with no FBT Exemption		**Salary Sacrifice with FBT exemption**	
	Primary earner	Secondary earner	Primary earner	Secondary earner
Benefit to Family				
Reduction in assessable income	9 000 (9 000 @30%)	9 000 (9 000 @30%)	9 000 (9 000 @30%)	9 000 (9 000 @30%)
Tax saving at 31.5% (including MCL)	2 835	2 835	2 835	2 835
Total gain to family	**5 670**		**5 670**	
Cost to employer				
Provision of benefit	18 000		18 000	
FBT taxable amount (18000*1.9417)	34 951			
FBT payable (taxable amount *FBT rate)	16 951			
Less tax deduction on expense (18000 at 30%)	(5 400)		(5 400)	
Net cost to business	**29 551**		**12 600**	
Additional cost to business over salary	11 551		0	

Option 2 – Employer benefit for non-workplace care provided in addition to salary

A much cheaper option for government would be to limit:

- The FBT exemption to employer benefits provided in addition to salary; and
- The level of employer benefit that would attract the FBT exemption.

For example an employer benefit for non-workplace childcare could be FBT free up to a limit of $1 per hour of care to a maximum of $50 a week per employee.

If this benefit was used by about 250 000 families (half the number of families claiming CCB) for an average of about 30 hours a week, the net cost to government would be $83 million per year.[11] For an employer this same benefit represents a net cost of about $1500 a year per employee.[12] By comparison employers spend on recruitment anywhere between $3000 and $60 000 per employee, depending on their seniority, and experience.[13]

The annual net cost to government of $83 million can be achieved by reducing CCB for middle and higher income families who receive an employer benefit. This would maintain equity between income groups.

For example, the combination of an employer benefit of $1 per hour of care and CCB can fund 100% of the average long day childcare costs for low income families, 70% for middle income families and 60% for high income families. This is higher than the available range of CCB payments which commence at 75% of the long day childcare costs for low income families. In comparison, to provide childcare subsides worth 100% - 60% of care costs, without an employer contribution, government would have to spend $287 million per year.

The net cost to government under both the salary sacrificed and salary top up scenarios would depend on savings and revenue flowing to government from:

- The reduction in CCB payments by government.

- Additional income tax revenue through the earnings of those who use the benefit to increase their hours of work or enter the work force;

- Increases in the superannuation savings of families, which would enable them to rely less on income and services support from government as they grow older; and

- The optimization of public and private investment in women's education. Women make up 58% of undergraduate students and 52% of postgraduate students. [14]

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[11] The net cost is the difference between the tax loss to government and a reduction in CCB for employees receiving an employer benefit.
[12] The net cost is the difference between the additional expense for an employer and the tax deducation it can claim on the benefit.
[13] The Australian Retailers Association and Westpac.
[14] Students 1999 – Selected Higher Education Statistics, Department of Education, Training and Youth Affairs 1999

Another advantage to families, government and the childcare industry of encouraging employer contributions and/or salary sacrificing for non-workplace care, is that it provides new sources of revenue for added investment in childcare places.

There are more than 780 000 children in care but about 95 000 extra places are needed to meet demand.[15] Based on an average of 1.4 children per family, there are about 68 000 families wanting childcare so they can participate in the workforce.

Research indicates that childcare waiting lists grew by 40% in 2003 and that the average wait for places for 0-2 year olds is two years.[16] This limits the opportunity for women with young children to return to the workforce.

Currently investment in childcare places is dependent on Government funding (the CCB) which childcare providers rely on for 60% of their income. It is not sustainable for government to continue to fund childcare places to meet demand. For example the Government is estimated to spend $1.5 billion on the CCB in 2004/05. This is a 67% increase since 2000/01 when it was introduced. [17]

Savings to families from salary sacrificing care costs and employer benefits for care which are encouraged by the FBT exemption can be used to fund investment in childcare places in accord with demand, and therefore reduce the reliance on government funding.

3.1.4 Management of the FBT Exemption

Government can use voucher schemes (both paper and/or electronic) to ensure that any salary sacrificed care costs and employer benefits for care are actually used to purchase childcare. This can guard against fraud, and guarantees that the subsidy provided through the FBT exemption is being used for its policy intention.

Government can also use smartcards as a platform to host any direct government childcare payments, such as the CCB, as well as an employer subsidy adding to the convenience and usefulness of subsidies for the user. A smartcard can also host information required by childcare operators, such as the vaccination status of a child. This makes a smartcard an effective information and payment tool.

[15] Australian Institute of Health and Welfare
[16] Australian Council of Social Services and Australian Council of Trade Unions.
[17] Australian Treasury, Budget Papers, 2004-05.

3.2 Aged Care

3.2.1 Aged Population Growth and its Impact on Home Care Services

In Australia, home and community care services are jointly funded and administered by the Federal and State governments. Some State and local governments directly provide home and community care services. Community care is primarily delivered by NGOs under the following programs:

- Home and Community Care (HACC) Program; and
- Community Aged Care Packages (CACPs).

Government provides no tax incentives for employers to contribute to the cost of aged care for their employees, and does not permit employees to salary sacrifice for the cost of such care.

The availability and affordability of home based care services for elderly and disabled people, like those included in the French Government's human services strategy, can also be a major factor in the decision of families, particularly women, to participate in the workforce.

The need for such services for the aged in particular are likely to increase as the population of elderly people in the Australian community grows. This is because most aged people requiring care prefer to remain in their own homes or with relatives for as long as possible, rather than enter institutionalised care. For example, only 7% of aged people requiring care are currently in residential care.[18]

It is widely accepted that the proportion of people aged 65 and over is projected to grow from 12.4% in 2001 (2.4 million people) to over 21.9% in 2031 (5 million people).

Currently 1.7 million people are over 70 years old (8.9% of the population). This is estimated to grow to 3.7 million in 30 years (15.9% of the population). Over the next ten years the growth in the number of people over 70 is estimated to be 2.2 times faster than the growth in the general population.

Currently 582 000 are over 80 years old (2.9% of the population). This is estimated to grow to 1.3 million in 30 years (5.8% of the population). Over the next ten years the growth in the number of people over 80 is estimated to be 4.2 times faster than the growth in the general population.

Currently about 52 % of older people receive the full pension and about 25% receive part pensions and this is expected to grow in proportion to the population growth discussed above. [19]

[18] Aged and Community Services Association of NSW
[19] Ibid and Australian Institute of Health and Welfare

Reliance on home care services may also increase as the hospital system comes under increasing pressure to deal with the conflict between treating an ageing population and optimising the use of and throughput on available beds.

For example, 60% of people moving into residential care go there straight from hospital. This reflects the reality that elderly people who become seriously ill tend to require long term institutionalised care. [20]

However, the economics of the health system also encourage hospitals to move elderly patients to residential care after a specified period in order to free up hospital beds for other patients who may require less care. Studies by the Australian Institute of Health and Welfare in 2000/01 indicate that in public hospitals:

- The number of hospital procedures per 1000 population was highest for patients in the 85 years and over age group.
- The highest number of patient days for females was in the 75 to 84 years age group.
- The highest number of patient days for males was highest in the 65 to 74 years age group.
- The average length of stay in hospital was longest for patients aged 85 years and over.

When figures for public and private hospitals are combined it is clear that:

- The population group aged 65 years and over (about 2.4 million or 12% of the total population) accounted for 2 million or 33% of hospital procedures, and about 11 million or 48% of patient days.
- The average length of stay in hospital for this age group was 5.3 days compared to 3.7 days for all patients.
- As the aged population grows, this demand is likely to increase and home based care may become an increasingly appealing option to reduce hospital system costs.

3.2.2 Home and Community Care (HACC) Program

Currently, there is a range of home and community care services funded by government and generally delivered by NGOs. These are:

- Home help (including personal care) such as house cleaning, washing, ironing and shopping and personal care such as bathing and dressing. Volunteer carers often provide these services.

[20] Ibid

- Respite care, which allows family members or other permanent carers of older people the opportunity to take a break. This can be provided either by a trained person assuming the carer's responsibility at home for a short time or longer term respite care in a day centre or nursing home.

- Home maintenance and modification, which involves assistance with essential home repairs and modifications, such as the installation of safety ramps, support rails, doorway widening and alike.

- Transport services which provide older people with the opportunity to access private travel (taxis) to assist them with shopping, doctors appointments etc.

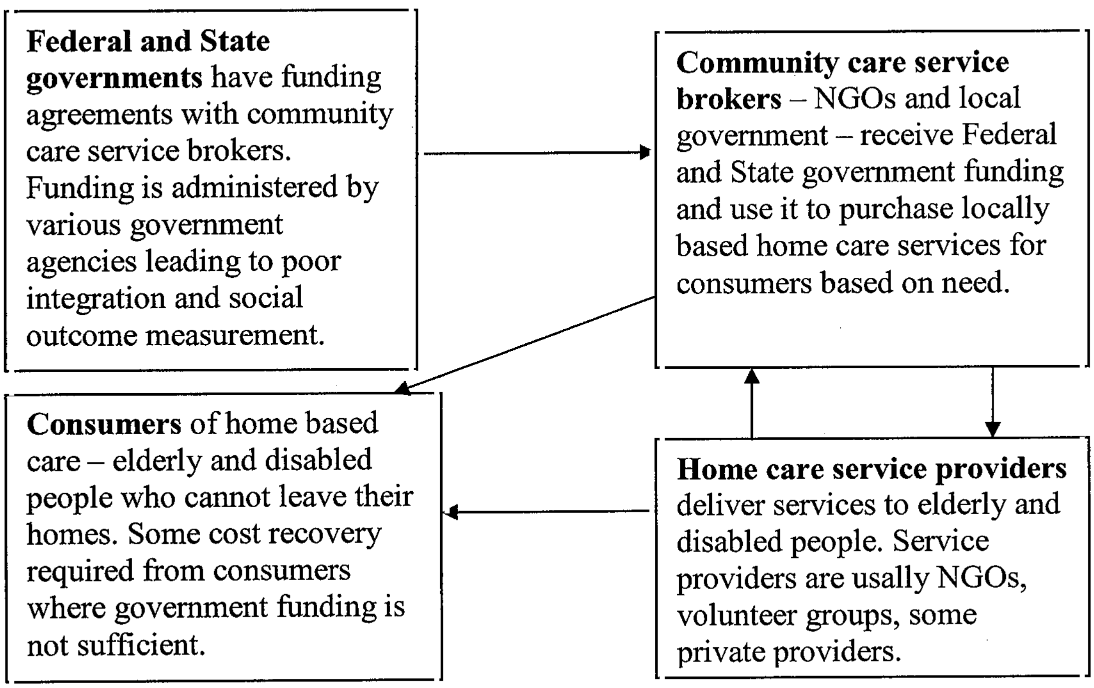
- Food services, which involve the delivery of meals to an older person's home or community centre where they are staying, and food purchasing.

- Home nursing, which involves the provision of health services by a trained nurse in a person's home.

- Allied health services, which involves the provision of physiotherapy, podiatry, speech therapy and occupational therapy in a person's home.

The Federal Government provides about 60% of funding for HACC services and the State governments provide about 40% of funding.

HACC services are funded and delivered under the following model.



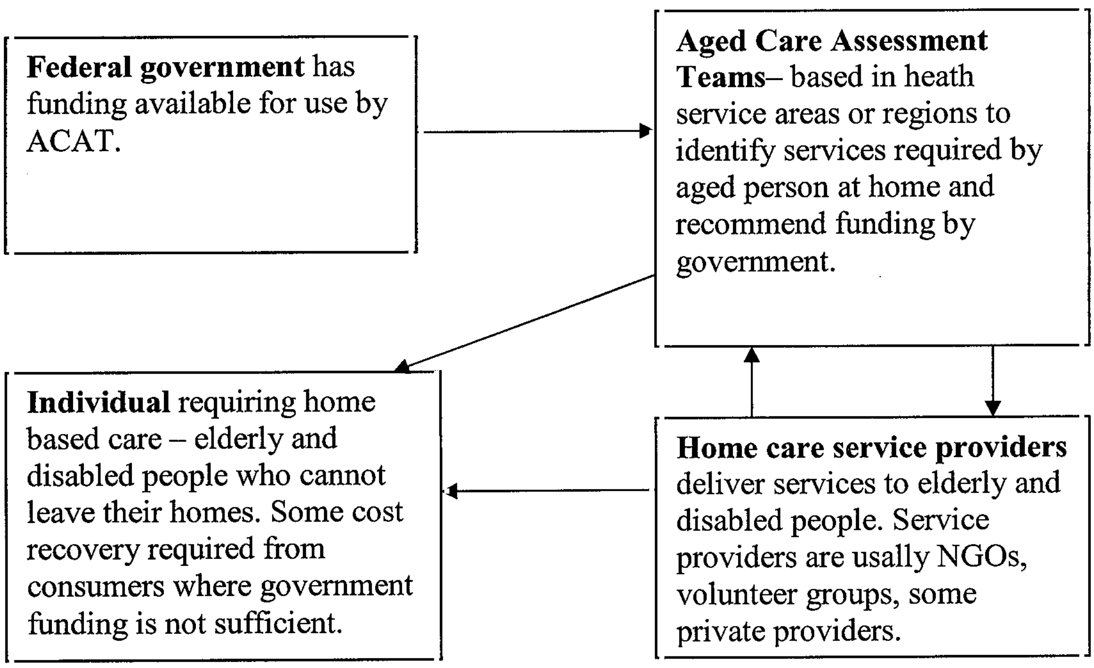
Some HACC facts are:[21]

- There are 3500 HACC funded services delivered to about 583 000 people each year.
- The average age of a HACC client is 71.6 years with 66% being female, 93% being pensioners and 52% have a carer available to assist them (usually a family member).
- The most hours of care were provided by the following services in this order – centre based care, personal care, social support, home nursing and respite care.

3.2.3 Community Aged Care Packages (CACPs)

CACPs are individually tailored packages of care services to frail older people in their own homes. Aged Care Assessment Teams (funded by the Federal government) assess the package of care services a person requires. CACPs are usually applied as an alternative for those people assessed to be frail enough to qualify for a place in low level residential care, but who prefer to remain in their own homes.

CACPs services are delivered under the following model:



Some CACPs facts are:[22]

- Over 24 100 people receive CACPs.
- Up to 5% of existing low level residential care paces may be converted to CACPs.

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[21] Ibid
[22] Ibid

- For CACPs, the maximum fee rate for pensioners on the basic rate of pension is around $1850. The maximum Federal government subsidy per person is $11 216 annually.

3.2.4 Other Options to Assist Families with the Costs of Home Based Care

An FBT exemption for home based care costs, similar to that proposed for childcare, is an investment of public funds that assists working families fund the costs of caring for their elderly parents or relatives in their or their parent's homes. This is consistent with the preferences of aged people requiring care to remain in their own homes for as long as possible and allows their families to better support this preference financially.

Simultaneously it promotes the workforce participation of families with care responsibilities as their employment can provide employer contributions or salary sacrificed savings to fund their care costs.

As with various international models, smartcard, electronic voucher and/or paper voucher systems can be used to link the tax incentive to its use for the care costs for which it is intended. This eliminates any potential for fraud and permits government to target incentive schemes.

In this context smartcard systems offer the most advanced platform because they can host such tax incentives as well as other direct government subsidies to which an aged person is entitled. For example, a smartcard can host:

- Direct government subsidies and employer benefits which a person can use to purchase HACC services. This promotes choice for the user of HACC services and stimulates competition for the delivery of HACC services;

- Various Federal and State government health subsidies provided to aged people in regional areas to purchase private medical services such as dentistry, tests and podiatry; and

- Medicare and private health subsidies for high and low level medical services provided in a person's home, ranging from regular medical assessments for prevention and management, to post operative or post treatment care aimed at assisting a person transition from hospital to home. This could reduce the demand that older people place on beds in public hospitals, which has obvious benefits for health system management and funding at State and Federal levels.

This approach is both a strategic and localised one because it enables government to focus on the needs of aged people as users or clients of services and stimulate service delivery to meet those needs. This is often preferable to systems where service providers dictate service provision to attract government subsidies.

4. Conclusion

As discussed in this submission, the French Government has a strategy to support a spectrum of care issues facing families through taxation incentives that also encourages shared responsibility by employers for the care needs of their employees; promotes workforce participation generally; stimulates job creation in its highest growing employment sector (human services); and reduces costs to government associated with institutionalised care.

This is an excellent example of creative and joined up thinking by government on a strategic and grand scale.

There are similar opportunities for the Australian Government to use the tax system and new technology such as smartcards and electronic vouchers to encourage shared responsibility for care costs by government, employers and employees. By taking this approach government can reduce its costs but simultaneously offer families access to integrated and cheaper childcare and home and community care (HACC) services to satisfy their care needs.

Doing so also promotes choice for the recipients of care and ensures that care responsibilities do not impede workforce participation.

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Yours sincerely

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