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2 March 2005

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

Submission to the Standing Committee Inquiry on Balancing work and family

I refer to my recent telephone conversation with your Dr Louise Mendel (Senior Research Officer) concerning the *Standing Committee Inquiry on Balancing work and family*.

I commend to you the Policy Research Paper of the Taskforce on Care Costs entitled *Creating Choice: Employment and the Cost of Care*, which was launched on 24 February 2005 in Sydney, and ask that you consider its findings and recommendations as part of your Inquiry.

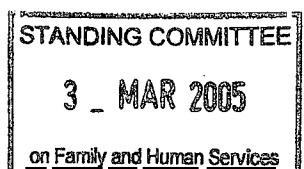
1. Background

By way of background, in 2003 the Taskforce on Care Costs was established by key Australian business and non-government stakeholders to investigate the financial cost of care and how it impacts workforce participation, and to promote reforms within a policy framework of financial sustainability, equity and choice. The Taskforce:

- (i) Reviewed the current cost of care in Australia;
- (ii) Reviewed the available forms of financial support for carers;

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- (iii) Compared the forms of financial support for carers in Australia and other countries (eg the USA, Canada, European countries, and New Zealand);
- (iv) Undertook micro economic modelling on options for reform in terms of different tax treatments (eg a rebate, fringe benefits tax and a tax deduction); and
- (v) Commissioned a random sample national survey entitled '*Creating Choice: Employment and the cost of caring survey*'

2. Findings

The policy report presents the Taskforce's research on each of these 5 issues, as well as key findings and recommendations. Key findings include:

1. **Affordability:** Affordability of care is a key issue for employees with caring responsibilities and strategies to reduce the financial cost of care will increase workforce participation levels.
2. **Current support:** The Australian Government's current financial support for workers with caring responsibilities is below best practice internationally.
3. **Neglecting elder and disability care:** Current strategies to reduce the cost of care focus on child-care and neglect workers with elder and disability caring arrangements. This is particularly critical given the ageing demographic.
4. **Direct impact on workforce participation:** For workers with caring responsibilities:
 - a. 1 in 4 has already reduced their hours of work because the cost of care is too high, and
 - b. 1 in 4 is likely to leave the workforce because the cost of care is too high (and these results are amplified for workers with elder care responsibilities – 40% of whom are likely to leave the workforce because of the cost of care).
5. **Impact at all income levels:** The relationship between the cost of care and employment choices affects employees at all income levels (ie from low to high).



6. **Positive return on investment:** For every \$1 spent by Government on child-care there is a direct return to the Government of \$1.8 in terms of increased tax contributions and reduced government outlays¹.
7. **Government's response:** The Government's proposed introduction of a 30% rebate for child-care costs (capped at \$4,000 per annum) is a welcome first step, but it has not yet been introduced and does not go far enough to provide meaningful assistance.

A copy of the report can be downloaded from www.neeopa.org.

3. Conclusions and recommendations

The Taskforce concluded that there is a direct and causal relationship between levels of workforce participation and the cost of care for elders, children and people with a disability. At present, workers with caring responsibilities lack real choice about working at their optimal levels, and choose *between* employment and caring when the financial cost of care is perceived to be too high. Consequently, the Taskforce identified both an opportunity and a risk for business, and the national economy, in relation to providing adequate forms of financial support for workers with caring responsibilities.

The Survey provided evidence about the nature of caring relationships and the high proportion of income paid to carers that is undeclared in terms of the income tax system. The implementation of substantial financial support for carers in the form of a rebate would provide an incentive for workers to declare the amount of income paid to carers, thus ensuring that a greater number of caring arrangements were formalised and could therefore be monitored/supported.

¹ Martin, J (2004) Childcare Benefits Branch, Department of Family and Community Services: "More than just play dough: A preliminary assessment of the contribution of childcare to the Australian economy" *Australian Social Policy*. www.facs.gov.au

Within a policy framework of financial viability, choice and equity, the Taskforce recommended that to assist workers with caring responsibilities the Federal Government:



- (i) Immediately draft legislation (for consultation) to implement its promised 30% rebate for childcare costs;
- (ii) Extend the proposed childcare rebate to cover elder and disability care costs;
- (iii) Extend the proposed 30% rebate to a more meaningful level, i.e. close to a dollar for dollar rebate, and remove the proposed \$4000 cap;
- (iv) Introduce reforms to assist with the cost of care in combination with a strategy to improve the accessibility and quality of care; and
- (v) By 30 June 2006, release a public report identifying the steps it has taken to implement the Taskforce's recommendations.

On 24 February 2005 the Taskforce's findings received saturation media coverage (including television, radio and print press). This media coverage, and the subsequent high number of inquiries received by the Taskforce, suggest that the issue of the financial cost of care and workforce participation has struck a chord with the Australian community. The Taskforce is pleased to hear that the House of Representatives Standing Committee has taken an interest in investigating balancing work and family and we thank you for the opportunity to make this written submission.

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

Yours faithfully

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