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The Parliament of the Commonwealth of Australia

# Balancing Work and Family

**Report on the inquiry into balancing work and family**

House of Representatives  
Standing Committee on Family and Human Services

December 2006  
Canberra

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## Foreword

This inquiry into balancing work and family has been comprehensive. It has covered social change since the 1960s, the tax system, the benefits system, fertility, workplace relations, child care and care of the disabled. Each of these topics could be an inquiry in their own right, but what makes this inquiry stand out is the committee has examined how each of these interacts with the others.

Consistent with the broad scope of the inquiry, the committee received 225 submissions and held 25 public hearings, covering every state and territory. The committee received evidence from over 200 witnesses at these hearings.

One of the common themes throughout the inquiry has been the effect of women's education on Australia's economic growth. Women now comprise the majority of people obtaining post school qualifications and finishing Year 12. If this trend continues, women will hold the majority of Australia's human capital. Women's workforce participation has been consistently increasing over the past few decades, while men's participation has been gradually declining.

The government needs a return on the investment in these women's education, in particular from their participation in the paid workforce, but without forcing them to become the 'overstressed supermum'.

In research commissioned by the committee, Access Economics have found that improved women's workforce participation could add an additional 2.8 to 4.4 per cent to national income over the estimates made in the 2002 intergenerational report. As a policy initiative, improved women's participation would add more to national income than the 2000 tax reforms (2.5 per cent), and could almost be as much as national competition policy (5.5 per cent).

Throughout the inquiry, the committee heard evidence of the stress placed on families by the current child care policies. This has occurred not by design, but because they do not meet the needs of people who want to have a working life and a family life.

For example, a major recurring theme to emerge during the inquiry has been the manner in which our tax system unfairly burdens women in the workforce. It fails to value their growing contribution to taxation revenue. Currently, child care expenses are not tax deductible except by way of salary sacrifice, which is currently very limited. This constitutes a barrier to women wanting to return to the paid workforce and a disincentive to starting families.

This approach may have had some justification when women's participation rate in the workforce was low. Home and work were separate from each other and operated independently.

All this has changed. Women now have a major role in the paid economy whilst still managing their households. Home and work are no longer independent of each other, so to disallow child care expenses as a tax deduction because of their perceived private character no longer makes sense. If the Welfare to Work program recognises that access to suitable child care is a pre-requisite for a parent to be made to participate in the workforce, then so should the tax system.

Giving workers a tax concession for child care expenses would acknowledge the economic contribution made by personal income tax dollars, and give back to these workers some of what they have earned through their own exertions. It acknowledges that, in a competitive global economy, Australia cannot afford to lose some of its most highly-educated and highly-skilled workers.

For the 2003-04 income year, the last year for which tax return data is available from the Australian Taxation Office, 50 per cent of personal income tax - or \$47.8 billion - was collected from the 14 per cent of taxpayers who were in the top marginal bracket in that financial year. While this distribution may have been flattened somewhat by structural tax cuts announced in the 2006-07 Budget, there is no doubt that tax paid by higher income earners represents a significant contribution to government revenue.

Higher income earners, which includes women who have worked and studied hard, contribute to the necessary subsidies paid by way of the excellent Family Tax Benefits and Child Care Benefit to lower and some middle income earners. However, higher income earners receive no recognition of the additional taxation dollars they are generating by remaining in paid work.

One consequence of the Family Tax Benefits and the Child Care Benefit is that families with children now have a higher net tax threshold. This is the income a family needs to earn before its income tax payments exceed benefits and assistance received. The table shows that, over the last 10 years, the real net tax threshold has risen by \$15,000 for many families.

## Increases in real net tax thresholds for families, 1996-97 to 2006-07

Family type	Real net tax threshold (\$)		
	1996-97	2006-07	Change (%)
Sole parent	34,594	48,065	38.9
Single income couple with children	34,021	48,065	41.3
Dual income couple with children (75:25 split)	34,650	51,829	49.6
Dual income couple with children (60:40 split)	34,749	50,910	46.5
Dual income couple with children (67:43 split)	34,703	51,808	48.1

*Source* Budget Paper no 1, 2006-07 Federal Budget, Statement 5: Revenue, table B1, p 5-26. Families are assumed to have two children, one aged three and the other aged eight. The figures in brackets represent the wages of each adult in the family, expressed as a proportion of average weekly ordinary time earnings for full time employees.

In terms of women's participation, Access Economics' report to the committee states that the highest growth in national income will come from more women becoming full time workers. Thus, Australia needs to actively encourage its high-income earners to participate in the workforce, both to their own advantage and that of the nation. A tax deduction gives people an incentive to move from part time to full time work and increase both family income and national income.

Fringe benefits tax was introduced in 1986. The fringe benefits legislation made employer-provided child care exempt from the tax, provided it occurred at a child care centre on the employer's business premises. This 'business premises' test has been interpreted by the Australian Taxation Office so that the employer must demonstrate control over the child care centre by being the owner or leaseholder of the property. Only large employers such as the banks, universities and governments have been able to meet these requirements. Across the economy, the value of salary sacrificing for child care has been marginal at best.

The committee's vision for employers is to greatly increase the options available to them to offer employees better child care options. For example, they are currently limited to building or leasing child care centres at enormous expense and financial exposure. Employers would be able to do a lot more for their staff if they had the choice of paying for: any number of places in a child care centre, an in-home (nanny) carer, family day care, occasional care, vacation care, or outside school hours care, without the penalty of fringe benefits tax.

Government policy has focussed on institutional or collective child care centres and, to a lesser extent, family day care in providing care to children under school age. Governments have overlooked the in-home care sector, including nannies. During the inquiry, the committee took evidence from a number of people who found that in-home care gave them the flexibility required to meet their work commitments. The committee also talked to people who would enter the workforce if they could afford the sort of flexible care that the in-home sector can provide.

Parents might need in-home care if they work night shifts, irregular hours, weekends, or if they have special care requirements. Further, in-home care can be more cost effective for families with more than two children. Governments need to recognise that, as more and more older people continue to work longer, families will be less able to rely on grandparents to fill the child care gaps.

These issues are important to Australia's economic development. The Australian Bureau of Statistics has reported that there are currently 162,000 women in Australia who would join the workforce if they could access child care. If these women were to find child care immediately, this would increase the workforce participation rate for both men and women by over one per cent, with a similar effect on our national income.

The centrepiece of the report, therefore, is a suite of recommendations around the tax and child care systems that will make care more affordable and more flexible. In particular, the committee wished to give choices to mothers returning from the workforce to suit their family and personal circumstances at all incomes and levels of participation.

The committee commissioned research from Econtech to cost these recommendations. Due to time constraints and the fact that the Australian Bureau of Statistics' Child Care Survey is net of Child Care Benefit,<sup>1</sup> Econtech modelled a slightly different proposal.

The proposal modelled by Econtech was the same as the recommendations in this report, except that the tax deduction had some elements of the Child Care Tax Rebate. For example, it was applied to a family's child care costs net of the Child Care Benefit. Econtech found that the additional cost to the Australian Government of this modified proposal would be \$262 million per annum. Although this is slightly different to the recommendations in this report, the committee is confident that these estimates provide a useful indication of the costs of what should be implemented.

The effect of women's education and workforce participation was also reflected in the report's analysis of fertility rates. Evidence taken showed that obtaining post school qualifications tends to reduce a woman's fertility because she delays partnering while initially pursuing a career.

What is less well known is that having paid employment, and a workplace supportive of her wish to raise a family, in fact promotes a woman's fertility. In patriarchal societies where married women are still required to solely undertake domestic tasks, such as Italy, Spain and Japan, the fertility rates are low and are a

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1 The Bureau's data does not show both the amount of Child Care Benefit received and what the child care provider initially charged. They publish the net figure from combining the two.

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major concern for their governments. In countries where women have more support to work, such as France, the Scandinavian and English-speaking countries, the fertility rates are significantly higher. This is a fundamental change to fertility patterns from previous generations.

Other aspects of fertility continue to change. For example, although more children are born before their parents marry, more fathers are being registered for these ex-nuptial births.

A key aspect to this inquiry is how workplaces in Australia are run and to what extent they recognise employees' family responsibilities. The committee found significant evidence that workplaces are changing to meet the needs of their staff. Since 1993, both men and women are now more likely to use work arrangements to care for their children. The arrangement growing the most rapidly is flexible hours, followed by part time work. Further, Australia had high levels of staff working flexible hours, compared with other OECD countries.

Under these circumstances, the committee has not recommended any additional regulation, such as the 'right to request' legislation in the United Kingdom. However, the committee has made some recommendations to improve the climate of negotiation in Australia and to clarify the business case to employers of flexible working. There is much to be gained by both management and staff in effective workplace negotiations. Businesses are more profitable and workers have more options in enjoying their family life.

The last chapter of the report covers carers of the elderly and people with a disability. These people do an enormously demanding job with only modest support from government. Many carers end their working lives socially isolated, with few assets and compromised health. The best way of giving these carers relief is to let them participate in the workforce.

However, the committee found that the services to help these people work, especially for the parents of disabled children, were virtually non-existent. The states, territories, and Commonwealth governments have been disputing who has responsibility for these services while the parents and their children continue to go without. If mainstream children are able to socialise and develop at child care, it is discriminatory to deny similar services to disabled children.

The committee has made recommendations to permit child care funding to be used more flexibly for disabled children. On an individual basis, children with a disability and their parents have much to gain from this report because the services currently available are so limited.

Completing a major report such as this requires the assistance of many people and organisations. Firstly, I would like to thank those who provided submissions and gave evidence at public hearings. The work of this committee depends a great deal on the contributions of ordinary individuals, as well as companies and experts,

and we very much appreciate the time and effort they put in to the inquiry. The Parliamentary Library, the Australian Bureau of Statistics and the Australian Institute of Family Studies provided significant assistance, helping the committee with a broad range of information.

I would also like to thank the members of the committee, particularly the Deputy Chair, Julia Irwin MP. My colleagues invested considerable time and effort in collecting the evidence for this inquiry, which is reflected in the report. The Committee Secretary, James Catchpole, and his team also deserve special mention for supporting the committee in its endeavours.

This report represents a snapshot of change in Australian society. Thirty years ago, whilst there were significant numbers of women in the workplace, participation rates have since increased dramatically while male participation has declined. What has also markedly changed is that many more women have post school qualifications. Women are accumulating economic power and this has given them a platform in the workplace and society from which to promote change.

The debate over balancing work and family still has a long way to go. The trend shows that women will ultimately hold as much economic power as men in Australia, in which case the changes that are occurring and will continue to occur are inevitable and to the benefit of our nation. It is not a question of our final destination, but what path we take and how quickly we arrive.

Hon Bronwyn Bishop MP  
Chairman

## Postscript

For the clarification of readers of the report, I provide the following:

- a statement I made to the House yesterday on the conduct of the committee's report consideration meetings;
- correspondence from committee member Mr Ken Ticehurst MP, to the Speaker, on the conduct of the committee's report consideration meetings; and
- an overview of the report consideration process, including attendance at report consideration meetings.

### Statement to the House from Hansard, Wednesday, 6 December 2006

'I rise to speak briefly about the matter that was raised after question time today concerning the Standing Committee on Family and Human Services and the consideration of the report which has taken place over some weeks. I just want to put on the record that the chairman's – that is, my – draft report was circulated to all members of the committee on Tuesday, 21 November and that there were then five consideration meetings: on Monday, 27 November, from 9.35 to 11.45 am; on Tuesday, 28 November, from 3.45 to 4.35 pm; on Tuesday, 28 November, from 8.11 to 9.33 pm; and on Thursday, 30 November, from 3.46 to 5.56 pm. Those meetings were attended by opposition members of the committee as well as government members, and we covered five-sevenths of the report on those occasions – five of the chapters were dealt with. The remaining two chapters were to be dealt with on Monday, 4 December. We met at about 9.10 am and we sat until 12.15. I realise that there was a vote going on for leadership for the opposition members, but I really did think they would come after the ballot had taken place.

There was also a very important reason for continuing with that meeting on 4 December, and that was that we had to deal with the very serious question of the leaking of the recommendations and material contained in the report. I stood in this place earlier this week and said that a journalist had called a staffer of mine and advised that he had been slipped a copy of the recommendations. I then sought advice of the Clerk. I spoke to the editor of the newspaper concerned and confirmed the advice in writing: that to publish would be in breach of the standing orders and that we would discuss that with the committee subsequently. It was an important thing to do, and it was also important to continue dealing with the report.

Because of the leaking of the material I was careful about the distribution of material. Nonetheless, when the report was finally compiled with all of the

amendments and the work that we had done, it was sent by electronic mail to all members of the committee, both government and opposition. There was a further meeting today at 3 o'clock, when we dealt with minutes. But unfortunately the opposition members did not appear at that meeting. They probably had very good reasons for not being there, but in fact they were not with us at that meeting.

I think the committee worked very hard and very studiously until the matter of the leaking of the recommendations, which really did make life very difficult. The committee really did feel, I think, that when material is leaked you have to take precautions to make sure that more material is not leaked. I would like to place on the record that all members of the committee have worked hard. I think perhaps the spill motion and people wanting to compete for frontbench positions and support other folk got in the way. I have to be very strong and simply say that the work of the committee has been good and that the outcome is important. For the record, I wanted to put those details into the *Hansard*.'

### Correspondence from committee member Mr Ken Ticehurst MP

-----Original Message-----

**From:** Ticehurst, Ken (MP)  
**Sent:** Thursday, 7 December 2006 7:49 AM  
**To:** Hawker, David (MP)  
**Cc:** Bishop, Bronwyn (MP)  
**Subject:** Family & Human Services Committee

Good morning Mr. Speaker,

Yesterday, I watched the orchestrated questions of feigned indignation to you by all the Labor members of the above committee. Although I am mainly recovering at home I have access to the webcast of parliament.

Last Monday morning I participated in the committee meeting by phone, as I was only available for the morning. The draft report had been sent via email many days before. As it runs to over 350 pages this is the best way to deliver such a document. This has been the usual practice.

While I was on the phone I had the radio running and was able to advise the committee members of the Labor leadership change shortly after 10:30 am. Soon after both the old & new Labor leaders were on air. This indicated that the meeting had concluded its main business and if Labor committee members were so concerned they could have joined the meeting. The decision not attend the meeting was theirs alone.

I can also confirm that the meeting was conducted in the normal manner, without any sign of haste, and indeed a little too slow for my phone battery ( which was giving signals of running out of power). The meeting concluded around 12:15 pm.

Regards  
Ken Ticehurst



## Overview of the report consideration process

### Chair's Draft report –

- distributed Tuesday 21 November.

### Report Consideration Meetings

Monday 27 November, 9.35am – 11.45am

Hon B Bishop MP (Chairman)	Mrs J Irwin MP
Hon A Cadman MP	Mr H Quick MP
Ms J George MP	

Tuesday 28 November, 3.45pm – 4.35pm

Hon B Bishop MP (Chairman)	Mrs J Irwin MP
Hon A Cadman MP	Mrs L Markus MP
Mr D Fawcett MP	Mr H Quick MP
Ms J George MP	

Tuesday 28 November 8.11pm – 9.33pm

Hon B Bishop MP (Chairman)	Ms J George MP
Hon A Cadman MP	Mrs J Irwin MP
Ms K Ellis MP	Mrs L Markus MP
Mr D Fawcett MP	

Thursday 30 November, 3.46pm – 5.56pm

Hon B Bishop MP (Chairman)	Mrs J Irwin MP
Hon A Cadman MP	Mrs L Markus MP
Mr D Fawcett MP	Mr H Quick MP
Ms J George MP	


Monday 4 December, 10.09am – 12.15pm

Hon B Bishop MP (Chairman)	Mrs L Markus MP
Hon A Cadman MP	Mr K Ticehurst (audio link)
Mr D Fawcett MP	

### Final Report (near finalised version for printer)

- Hard copy to Chair, 10.50pm, Tuesday 5 December
- Distributed to Members 11.30am, Wednesday 6 December





## Membership of the Committee

Chair            Hon Bronwyn Bishop MP

Deputy Chair   Mrs Julia Irwin MP

Members        Hon Alan Cadman MP

Ms Jennie George MP

Ms Kate Ellis MP

Mrs Louise Markus MP

Mrs Kay Elson MP

Mr Harry Quick MP

Mr David Fawcett MP

Mr Ken Ticehurst MP

## Committee Secretariat

Secretary	Mr James Catchpole
Inquiry Secretary	Mr David Monk
Senior Research Officers	Dr Louise Mendel ( <i>until October 2005</i> ) Ms Anna Engwerda-Smith ( <i>from November 2005</i> )
Research Officer	Ms Belynda Zolotto
Administrative Officers	Ms Cate Dwyer ( <i>until April 2005</i> ) Ms Kyriaki Mechanicos ( <i>until November 2005</i> ) Ms Emily Shum



## Terms of reference

“The House of Representatives Standing Committee on Family and Human Services has reviewed the 2003-2004 Annual Report of the Department of Family and Community Services and resolved to conduct an inquiry.

The Committee shall inquire into and report on how the Australian Government can better help families balance their work and family responsibilities. The Committee is particularly interested in:

- the financial, career and social disincentives to starting families;
- making it easier for parents who so wish to return to the paid workforce;
- and
- the impact of taxation and other matters on families in the choices they make in balancing work and family life.”

Adopted by the Committee 9 February 2005



## List of abbreviations

ABNs	Australian business numbers
ABS	Australian Bureau of Statistics
ADHD	Attention Deficit Hyperactivity Disorder
AEIOU	Autism Early Intervention Outcomes Units Inc
AWAs	Australian Workplace Agreements
CPI	Consumer Price Index
FBT	Fringe benefits tax
GST	Goods and Services Tax
HACC	Home and Community Care
HECS	Higher Education Contribution Scheme
HILDA	Household, Income and Labour Dynamics in Australia Survey
IVF	In-vitro fertilisation
NACBCS	National Association of Community Based Children's Services
NATSEM	The National Centre for Social and Economic Modelling
OECD	The Organisation for Economic Cooperation and Development
PBS	Pharmaceutical Benefits Scheme
TFNs	Tax file numbers



# List of recommendations

## 4 Starting families

### Recommendation 1

The Department of Education, Science and Training arrange for the interest on HECS debts of second earners in couple families, and for single parents, to be frozen until their youngest child reaches school age.

### Recommendation 2

The Department of Families, Community Services and Indigenous Affairs fund a public information campaign, aimed at both men and women, on the effects of age and late partnering on fertility.

### Recommendation 3

The Department of Families, Community Services and Indigenous Affairs and the Attorney General's Department establish the following additions to the relationship education components of the Family Relationships Services Program:

- programs to be offered at different stages of relationships; and
- a multimedia campaign to highlight the availability of these courses and the benefits of attending and completing them.

## 5 Returning to paid work

### Recommendation 4

The Department of the Treasury, for the 2007 and subsequent intergenerational reports, ensure that the analysis of women's workforce participation includes sensitivity analysis and is at least as rigorous as the analysis of men's workforce participation

**Recommendation 5**

The Australian Institute of Family Studies be funded to evaluate and report on the immediate and long term effects of AWAs, awards and certified agreements on how employees balance their work and family responsibilities.

**Recommendation 6**

The Australian Workplace Industrial Relations Survey (last conducted in 1995) be repeated and then conducted on a five year cycle. The survey should also collect the necessary data to assess whether women are paid the same as men for doing work of equal value, before and after the birth of their children.

**Recommendation 7**

The Department of Employment and Workplace Relations give the National Work and Family Awards greater credibility and impact by ensuring that future awards include a quantitative focus on the effectiveness of family friendly arrangements (eg reduced staff turnover) and management practices that deliver change (eg educating and training staff on the arrangements' use).

**Recommendation 8**

The Australian Government include in its WorkChoices program, via the Department of Employment and Workplace Relations, a public campaign highlighting the benefits of family friendly arrangements to both management and employees, including the opportunity for staff to negotiate with their employer on these issues.

**Recommendation 9**

The Department of Employment and Workplace Relations monitor rates of flexible working and caring in Australia and countries with 'right to request' legislation, such as the United Kingdom, and publicly report the results.

**Recommendation 10**

As a priority, the Australian Government target adults in jobless households with the goal of helping them obtain paid employment to break the cycle of disadvantage in Australia.



## 6 Choice and flexibility in child care

### Recommendation 11

In-home (nanny) care be categorised as approved care, and thus attract payments and tax concessions extended to users of approved care, where providers are registered with the Family Assistance Office, and:

- have or are at an advanced stage of attaining a minimum Certificate II qualification in child care, or an equivalent recognition of prior learning; and
- have a current 'working with children' police record check; and
- have a current first aid certification.

### Recommendation 12

The Government investigate the introduction of a national au pair program that would allow child care workers to live-in and work for a host family for 12 continuous months under a special category of visa.

### Recommendation 13

Paid care currently categorised as registered, including family day care, occasional care, outside school hours care, private preschools and in-home care; excluding care provided by grandparents, relatives or friends; be re-categorised as approved care, and thus attract payments and tax concessions extended to users of approved care.

### Recommendation 14

The registered care category and associated rates of Child Care Benefit continue to apply for work-related care that is provided by grandparents, relatives or friends who are registered with the Family Assistance Office.

## 7 Tax relief for child care

### Recommendation 15

Fringe benefits tax be removed from all child care, so that all or any child care provision made by employers to assist employees is exempt, inclusive of salary sacrificing arrangements for child care.

### Recommendation 16

The existing Child Care Benefit and Child Care Tax Rebate be retained.

A choice should be afforded to working parents to opt for the Child Care Benefit and Child Care Tax Rebate, or to claim work-related child care costs as a tax deduction, either by way of a claim through their annual income tax return or by salary sacrificing.

**Recommendation 17**

The *Income Tax Assessment Act 1997* be amended to allow child care expenses incurred for the purposes of earning assessable income to be a tax deduction in the hands of the parent taxpayer who incurs the expenses.

A tax deduction shall only be claimed for the days of work on which the taxpayer can demonstrate that the care was necessary in order for them to work.

A tax deduction between parents in a couple family shall be apportioned between them in proportion to income earned by each.

Any unused portion of the tax deduction shall not be transferable between spouses.

Where a taxpayer elects to claim a tax deduction for child care expenses, Child Care Benefit and the Child Care Tax Rebate shall not be payable.

Where a taxpayer elects to claim the Child Care Benefit and Child Care Tax Rebate, a tax deduction shall not be available.

**8 Elder and disability carers****Recommendation 18**

The Australian Government consider allowing adults, who incur care costs for the care of elderly relatives or relatives with a disability, to have the choice of either receiving all current carers' benefits or claiming these costs as a tax deduction where they can demonstrate that paid care was necessary to allow them to work.

**Recommendation 19**

The Department of Families, Community Services and Indigenous Affairs make access to its funding programs more flexible, including the \$19,000 per child per annum under the Inclusion Support Scheme, so that community groups and businesses can establish child care centres that have expertise in the needs of children with a disability and allow the development of after school hours care and vacation care for special needs children.



# Overview of the inquiry

## Conduct of the inquiry

- 1.1 House of Representatives Standing Order 215(c) permits the committee to, among other things, make any inquiry it wishes to make into the annual reports of specified government departments and authorities. The committee reviewed the 2003-04 Annual Report of the Department of Family and Community Services and resolved on 9 February 2005 to conduct an inquiry into balancing work and family.
- 1.2 The inquiry was advertised in the national print media, through an extensive mail out to relevant parties, and through the House of Representatives' Liaison and Projects Office.
- 1.3 The committee received 225 submissions to the inquiry which are listed at Appendix A.
- 1.4 Eighty-one documents were received as exhibits to the inquiry and are listed at Appendix B.
- 1.5 Given the economic focus of this report, and the complexity of the interactions between families, work and taxation, the committee has invested in specialist analysis. As mentioned above, Access Economics was engaged as a consultant to the inquiry. Access Economics provided specialist macroeconomic modelling and analysis on women's workforce participation and the economic projections of the intergenerational report of 2002. The report is reproduced at Appendix D.
- 1.6 Econtech was also engaged as a consultant to the inquiry to undertake microeconomic modelling on the impact on individual families and on the federal budget of expanded salary sacrificing for child care, and tax deductibility for child care, including in-home carers (nannies). The report is reproduced at Appendix E.

- 1.7 In order to hear first-hand the views of the community, the committee held 25 public hearings between April 2005 and November 2006, taking evidence from over 200 witnesses in Sydney, Brisbane, Canberra, Hobart, Adelaide, Perth and Darwin. Public hearings for the inquiry are listed at Appendix C.
- 1.8 Appendix F contains source notes for Table 2.8: *Summary of major Australian Government payments to families and carers*.
- 1.9 The subject of the inquiry, it became clear, was meaningful to many Australians. It attracted national media headlines throughout, particularly on issues of child care and women's careers.

## Structure of the report

- 1.10 This report is largely structured along the three terms of reference adopted by the committee at the initiation of the inquiry.
- 1.11 The second chapter outlines government assistance for families in Australia.
- 1.12 The third chapter examines taxation measures relevant to families and outlines the taxation treatment of child care in Australia.
- 1.13 The fourth chapter examines the financial, career and social disincentives to starting families. It also considers how tension between the labour market and the family, together with other social factors, could be contributing to Australia's low fertility.
- 1.14 The fifth chapter examines how parents and carers cope with the transition to paid work after periods of unpaid work.
- 1.15 The sixth chapter examines child care in Australia, including whether existing services are providing adequate flexibility and choice to parents.
- 1.16 The seventh chapter examines the child care disincentives and inequities that result under the *Fringe Benefits Tax Assessment Act 1986* and the *Income Tax Assessment Act 1997*. It considers taxation relief for child care.
- 1.17 The eighth chapter considers evidence received by the committee on the added pressures of those who care for a child with a disability or for an aged family member.



## Introduction

### **Social change in Australia**

- 1.1 Australian society, like most developed societies, has experienced tremendous change since the 1960s in social, economic and reproductive life. The widespread availability and use of contraceptives have given women unprecedented control over their reproductive decisions.
- 1.2 There is no doubt that the roles of men and women in public and private spheres have become much more flexible. In families and in workplaces, the traditional division of labour is changing significantly.
- 1.3 These changes have historical roots. Before the industrial revolution, production was based on cottage industries and the family was the primary unit of production. With the concentration of capital required for larger-scale production, workplaces became separated from where people lived. Typically, men went to work and women stayed home. Men had less exposure and involvement in raising children and 'women lost economic power'.<sup>1</sup>
- 1.4 However, the economic arguments in favour of this division of labour have been eroding. In Australia, 75 per cent of all jobs are in the services sector, including education, health, retail trade and tourism. It is difficult to argue that men have innate advantages in this kind of work. Further, many home tasks that required a lot of time and effort

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1 Edgar G, *The war over work* (2005), Melbourne University Press, pp 33-34.

in the past have been made easier through affordable appliances and the food processing and household service industries.<sup>2</sup>

## Distribution of human capital

- 1.5 Amongst the most significant economic and social features of the last thirty years has been the increased participation of women in higher education and in the workforce. As figure 1.1 shows, these decades have seen an expansion of tertiary education in Australia overall. The dramatic upwards curve in student numbers reflects the development of a higher education system through the removal of fees in 1974; the amalgamation of colleges of advanced education with universities; and the introduction of the Higher Education Contribution Scheme (HECS) in 1989.<sup>3</sup>
- 1.6 Like their counterparts across the industrialised world, Australian women have embraced the expansion of tertiary education and the opportunities opening up in the workplace. In 1951, only 20 per cent of university enrolments were women. In 1987, for the first time, female students outnumbered males, and by 2004, this majority had risen to 54 per cent.<sup>4</sup>

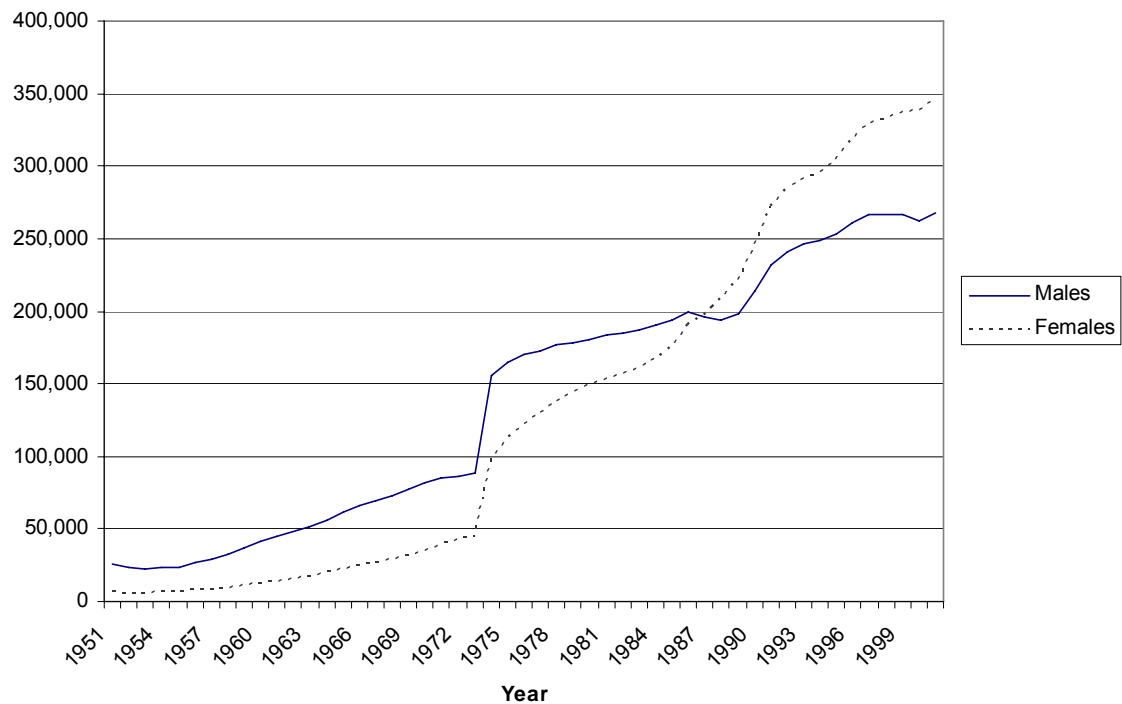
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2 See, for example, Cavalcanti T and Tavares J, 'Assessing the "Engines of Liberation": Home appliances and female labour force participation' (2005), discussion paper, Centre for Economic Policy Research, London, viewed on 22 August 2006 at <http://www.cepr.org/pubs/new-dps/dplist.asp?dpno=5665>.

3 Australian Bureau of Statistics, *Education and training indicators* (2002), Cat No 4230.0, p 56.

4 Australian Bureau of Statistics, *Education and training indicators* (2002), Cat No 4230.0, p 56, and Department of Education, Science and Training, *Higher Education Report 2004-05* (2005), p 32.

Figure 1.1 Higher education students by sex 1951-2001



Source: Department of Education, Science and Training (DEST), *Higher Education Students Time Series Tables, 2000: Selected Higher Education Statistics*; DEST, *Students 2001: Selected Higher Education Statistics*, cited in Australian Bureau of Statistics, *Education and Training Indicators (2002)*, Cat No 4230.0, p 56.

1.7 Buoyed by an economy with increasing demand for services and information, Australian women began to enter professions which had previously been the domain of men. The 'caring' professions which used to attract the brightest and most ambitious female talent – teaching and nursing – were no longer an automatic choice. Today, average incomes and labour market status in teaching and nursing often fail to compete with other professions for female school-leavers and graduates.<sup>5</sup> Nevertheless, outstanding graduates still elect to pursue their career in these areas because they are still regarded as a vocation or calling.

1.8 In 2004, 60 per cent of law students and more than 70 per cent of medicine students at Monash University were women.<sup>6</sup> The *Higher Education Report 2004 -05* stated that women were now well represented in all faculties, including those formerly considered 'non-traditional' for women, such as architecture, business, economics,

5 Wolf A, 'Working girls', *Prospect Magazine* (2006), no 121, pp 4-6, also viewed on 12 August 2006 at <http://www.onlineopinion.com.au/view.asp?article=4489>.

6 Roberts J and Colman E, 'Workplaces wasting our women: Bishop', *The Australian*, 5 May 2006, p 3.



science and agriculture. Their participation remained low for only engineering, at 14.9 per cent, and information technology, at 21.8 per cent.<sup>7</sup>

- 1.9 The National Centre for Social and Economic Modelling (NATSEM), overviewing the last 20 years of labour force development, describes education as 'the silver bullet for Australian workers, directly translating into job opportunities'.<sup>8</sup> The Centre estimates that 7 out of 10 new jobs are now being filled by tertiary-qualified applicants. Women's participation in higher education means that they are in a strong position to take advantage of this growth in tertiary-qualified positions. Forty-three per cent of all new jobs created between 1990 and 2003 went to female graduates, up from five per cent in 1990.<sup>9</sup>
- 1.10 This will have profound implications for Australia's future economic performance. Traditionally, a country's economic output and growth has been explained through its labour force and its physical capital. In 1992, Mankiw, Romer and Weil demonstrated that human capital (that is, education) makes an excellent third determinant of a country's economic performance.<sup>10</sup> Recently, Matsushita, Siddique and Giles of the University of Western Australia found that between 1969 and 2003, education had contributed 31 per cent of the per capita growth in real GDP in Australia.<sup>11</sup> As Access Economics have reported:

There is strong evidence that increasing education is a key driver of participation gains in the long term. Higher education increases the wage an individual can command, giving them a stronger incentive to work, and reduces their likelihood of any spells of unemployment.<sup>12</sup>

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7 Department of Education, Science and Training, *Higher education report 2004-05* (2005), p 32.

8 NATSEM/ AMP Wealth Report, *May the labour force be with you* (2005) issue 12, p 1.

9 NATSEM/ AMP Wealth Report, *May the labour force be with you* (2005) issue 12, p 1. The figures for female graduates in new jobs include both part time and full time jobs, although degree-qualified women are far more likely to be working longer average hours than women with trade qualifications or no qualifications (p 18).

10 Mankiw N, Romer D and Weil D, 'A contribution to the empirics of economic growth' *Quarterly Journal of Economics* (1992) vol 107, pp 407-37.

11 Matsushita S, Siddique A and Giles M, Business School of the University of Western Australia, 'Education and economic growth: A case study of Australia', p 1, viewed on 20 September 2006 at [http://www.econ.uwa.edu.au/\\_data/page/92194/06\\_15\\_Matshushita,\\_Siddique,\\_Giles.pdf](http://www.econ.uwa.edu.au/_data/page/92194/06_15_Matshushita,_Siddique,_Giles.pdf).

12 Access Economics, Appendix D, p 8.

- 1.11 Nearly one in four working women now holds a university degree, up from one in 10 in 1990.<sup>13</sup> Women graduates are steadily making up a greater proportion of Australia's total graduates. In the 1996 census, women comprised 39.8 per cent of total graduates from certificate level upwards. In the 2001 census, this number had increased to 42.2 per cent.<sup>14</sup> If these trends continue, Australian women may comprise more than 50 per cent of total graduates within the next two decades.
- 1.12 If women will hold most of Australia's human capital in the next 20 years, then Australia needs to carefully consider how women will participate in the workforce and, in particular, how they will manage their work and family responsibilities. Access argues that:
- ...it would be a key failing on Australia's part were we to leave these locked-up participation and productivity gains untapped.<sup>15</sup>

## Trends in labour force participation

- 1.13 Australian economic growth in recent decades has been driven by both a general increase in the labour force participation rate and a particular increase in the labour force participation rate of women. The overall participation rate has increased slowly, rising from 60.5 per cent in 1984-85 to 64.5 per cent in 2005-06.

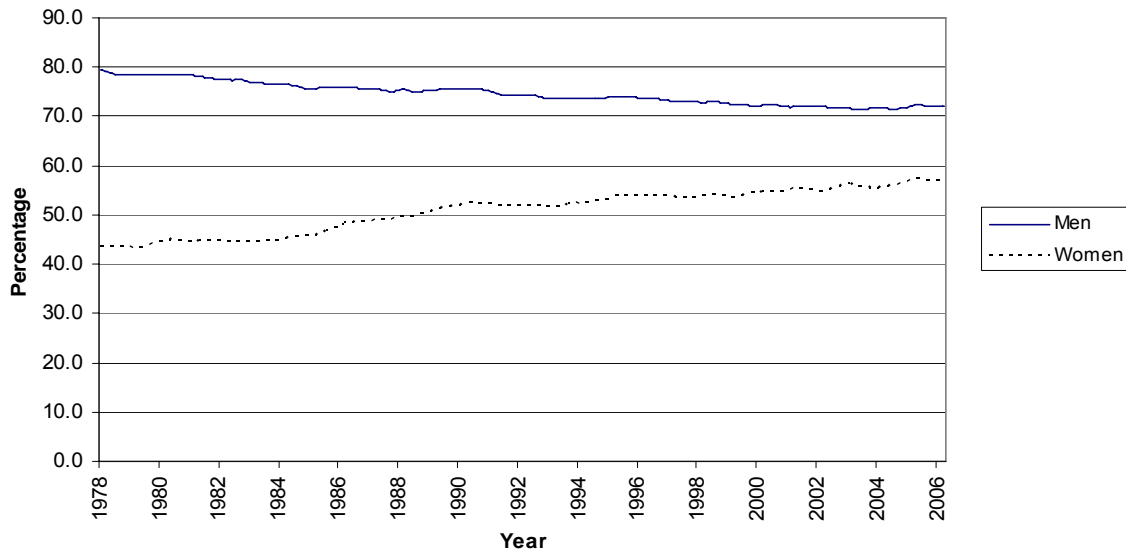
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13 NATSEM/AMP Wealth Report, *May the labour force be with you* (2005), issue 12, p 1. The figures for female graduates in new jobs include both part time and full time jobs, although the report notes that degree-qualified women are far more likely to be working longer average hours than women with trade qualifications or no qualifications (p 18).

14 Australian Bureau of Statistics, 'Census Community Profile Series: Australia', Time Series Profile (2001), viewed on 15 August 2006 at <http://www.abs.gov.au/AUSSTATS/abs@cpp.nsf/DetailsPage/02001?OpenDocument&tabname=Details&prodno=0&issue=2001&num=&view=&>. Figures represent proportions of all persons aged over 15 years with a non-school qualification.

15 Access Economics, Appendix D, p iii.

Figure 1.2 Labour force participation in Australia



Source: Australian Bureau of Statistics, 'Labour Force, Australia, Spreadsheets, May 2006, Cat No 6202.0.55.001 viewed on 26 June 2006 at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6202.0.55.001May%202006?OpenDocument>

- 1.14 Figure 1.2 shows that women's contribution to the workforce has risen steadily. The female participation rate increased from 45.7 per cent in 1984-85 to 57.2 per cent in 2005-06.
- 1.15 As figure 1.2 also shows, men's participation rate in the paid workforce has fallen somewhat since the 1970s, from 81.4 per cent in 1978 to 72.1 per cent in 2005-06. Again, this is common amongst OECD countries.<sup>16</sup> The reasons for decreased male labour force participation may include increased time spent in tertiary education and the impact of economic reform on traditionally male blue-collar industries. It may also reflect a small minority of men who have withdrawn from the workforce to care for their children.
- 1.16 Participation rate figures include both full and part time work. A phenomenal growth in part time work since the 1970s is reflected in women's working patterns. Between 1979 and 2004, women's full time labour force participation grew 2.6 percentage points, from 26.2 per cent to 28.8 per cent. Women's part time participation grew 10 percentage points, from 13.8 per cent to 23.8 per cent.<sup>17</sup> Part time

16 Campbell I and Charlesworth S, Centre for Applied Social Research, RMIT University, *Background report: Key work and family trends in Australia* (2004), p 4.

17 Australian Bureau of Statistics, *Australian social trends* (2006), Cat No 4102.0, p 122. These figures represent participation as a proportion of all women aged 15 years and over.

employed people now account for 28 per cent of all employed people, and women dominate the part time workforce, accounting for 71 per cent of part time workers.<sup>18</sup>

- 1.17 A woman's choice to participate is therefore a major driver of economic output. Access Economics writes that:

The increased participation of Australian women in the paid workforce has – like the recent round of WorkChoices policy changes – contributed to the increased flexibility of Australia's labour market. In turn, that increased flexibility has helped make Australia more prosperous, as well as less liable to fall into recession.<sup>19</sup>

- 1.18 The *Economist* goes so far as to suggest that:

Arguably, women are now the most powerful engine of global growth.... Over the past decade or so, the increased employment of women in developed countries has contributed much more to global growth than China has.<sup>20</sup>

- 1.19 Despite the convergence of male and female participation rates in the paid workforce, having children continues to have different impacts on men and women's respective participation. A man with children is much more likely to be employed than a man without children. In 2003, 91 per cent of Australian fathers with children aged less than 15 years were employed, with 85 per cent employed full time.<sup>21</sup>

- 1.20 For women, however, motherhood decreases the likelihood of being in the paid workforce. While participation rates of Australian women with dependent children have increased significantly, they are not as high as others in the OECD. In 2003, the participation rate for women in Australia with two or more children was 56.2 per cent, compared to 61.8 per cent in the United Kingdom, 64.7 per cent in the United States, 68.2 per cent in Canada and 77.2 per cent in Denmark.<sup>22</sup>

- 1.21 'Motherhood appears to have a bigger impact in impeding employment in Australia than it does in other comparable countries,'

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18 Australian Bureau of Statistics, *Year book Australia* (2006), Cat No 1301.0, p 153.

19 Access Economics, Appendix D, pp iii, iv.

20 'A guide to womenomics: Women and the new world economy', *The Economist*, 15 April 2006, p 69.

21 Australian Bureau of Statistics, *Australian social trends* (2006), Cat No 4102.0, p 39.

22 OECD, *Employment outlook* (2002, 2004), amalgam of data from the Paris and European Labour Force Surveys, cited in Whitehead P, exhibit 71, p 1.

writes Iain Campbell and Sara Charlesworth, in a survey of OECD participation data.<sup>23</sup> In particular:

The absolute drop in employment rates associated with the presence of two or more dependent children in Australia is dramatic.... These data suggest that there is something distinctive about the labour market transitions in relation to Australia.<sup>24</sup>

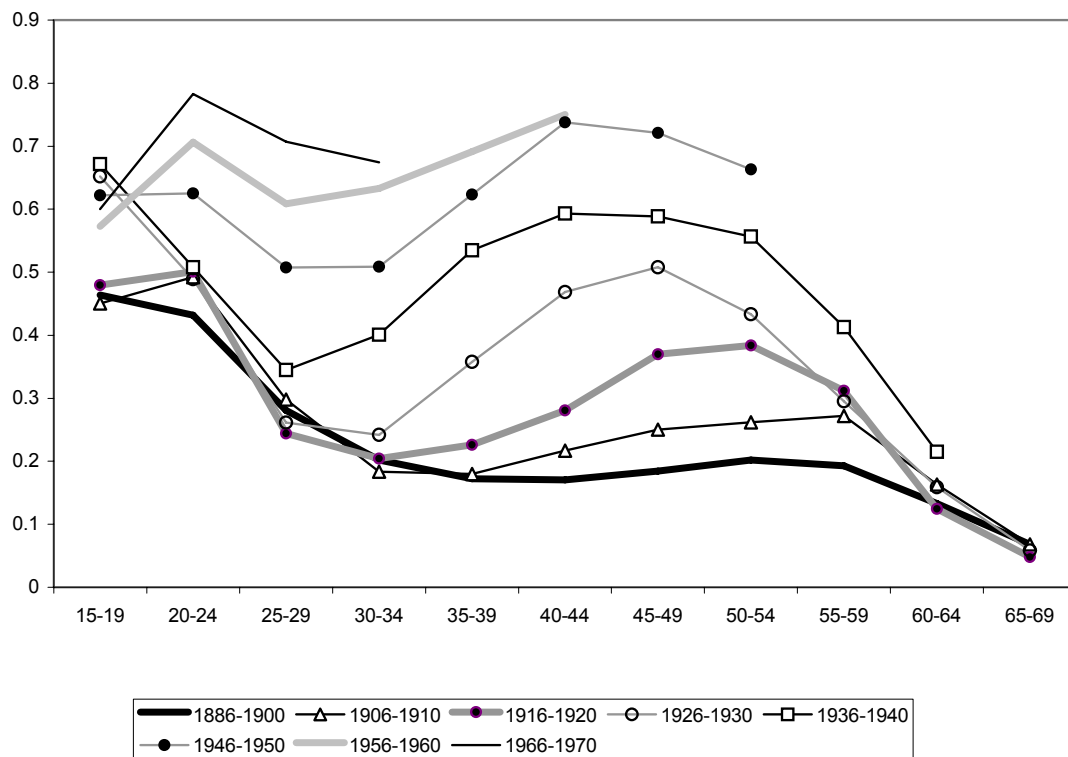
- 1.22 Figure 1.3 illustrates the impact of childbearing on female labour force participation for successive cohorts of Australian women by birth date. The first cohort of women, born in 1886-1900, tended to peak in participation before the age of 20, and the majority of them never returned to paid work following marriage and childbearing.

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23 Campbell I and Charlesworth S, Centre for Applied Social Research, RMIT University, *Background report: Key work and family trends in Australia* (2004), p 12.

24 Campbell I and Charlesworth S, Centre for Applied Social Research, RMIT University, *Background report: Key work and family trends in Australia* (2004), p 12.

Figure 1.3 Lifetime labour participation rates for females: Australia, females born in decade waves from 1886-1900 to 1966-1970



Source: Productivity Commission, *Economic Implications of an Ageing Australia, Technical Paper 3, Cohort Analysis*, (2005) p T3.4 viewed on 26 June 2006 at <http://www.pc.gov.au/study/ageing/finalreport/technicalpapers/technicalpaper03.rtf>.

1.23 As the twentieth century progressed, this developed into a pattern of two peaks separated by a trough between the ages of 20 and 40, as women increasingly returned to work. Each successive cohort of women has had a higher employment rate overall, as less women are withdrawing from the workforce to have children, and when they do, it is for a shorter period. As the Productivity Commission notes, 'For the core years of work from 25 to 59 years, female patterns of workforce involvement increasingly resemble that of males.'<sup>25</sup>

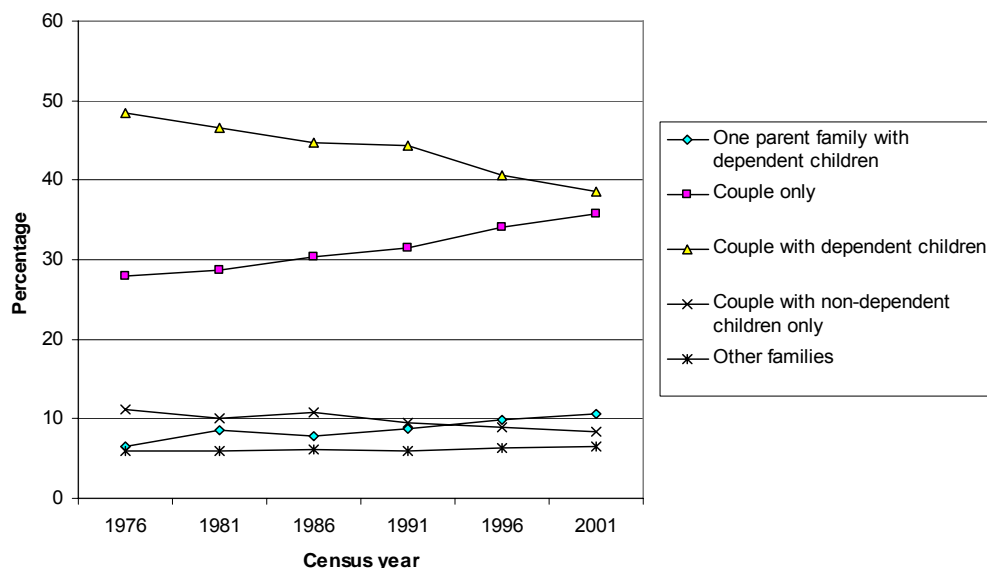
## Changes to families and households

1.24 Families and relationships have also changed, partly as a result of labour force participation patterns and partly as a result of social factors including the *Family Law Act 1975*. Couple families with children are still the most common family type in Australia. But as

<sup>25</sup> Productivity Commission, *Economics implications of an ageing Australia* (2005), p 77.

figure 1.4 illustrates, the last thirty years have seen a growth in couple only families and single parent families, at the expense of couple families with dependent children.

Figure 1.4 Family types in Australia



Source: Australian Bureau of Statistics, *2001 Year Book Australia*, Cat No 1301.0, p 194. 2001 data derived from Australian Bureau of Statistics, '2001 Census Data : Australia,' Basic Community Profile, viewed on 27 June 2006 at <http://www.abs.gov.au/AUSSTATS/abs@cpp.nsf/DetailsPage/02001?OpenDocument&tabname=Details&prodno=0&issue=2001&num=&view=&>.

1.25 Similarly, although most births are still to married couples, there has been a dramatic increase in ex-nuptial births, which more than doubled between 1983 and 2003 to 32 per cent.<sup>26</sup> This reflects the increasing incidence of single parenthood and an increase in de facto partnerships as an alternative living arrangement prior to or instead of marriage.<sup>27</sup> In 2003, 75 per cent of couples cohabited prior to marriage, up from only 16 per cent of couples in 1975.<sup>28</sup> The percentage of ex-nuptial births which are not acknowledged by fathers on the birth certificate is decreasing.<sup>29</sup>

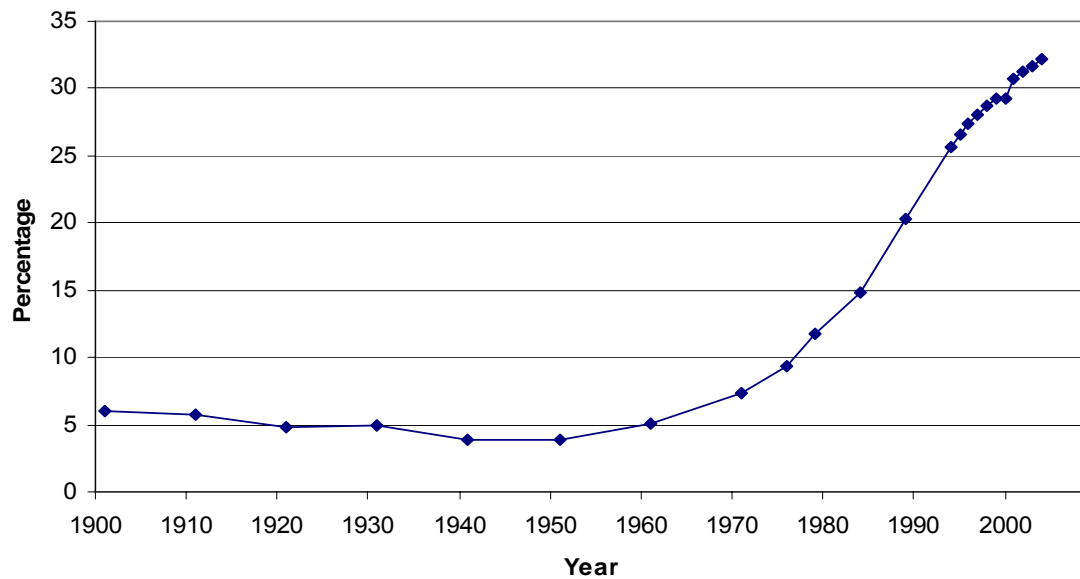
26 Australian Bureau of Statistics, *Australian social trends* (2006), Cat No 4102.0, p 40.

27 Australian Bureau of Statistics, *Year book Australia* (2006), Cat No 1301.0, pp 135-36.

28 Australian Bureau of Statistics, *Year book Australia* (2006), Cat No 1301.0, p 136.

29 Australian Bureau of Statistics, *Australian social trends* (2006), Cat No 4102.0, p 40.

Figure 1.5 Ex-nuptial births as a percentage of all births, 1901-2004



Source: Australian Institute of Family Studies, using Commonwealth Bureau of Census and Statistics (1968), *Demography 1966, Bulletin No. 84, Canberra, ABS (various years), Births, Cat No 3301.0, Australian Bureau of Statistics, Canberra*. These figures are inclusive of births to de facto couples.

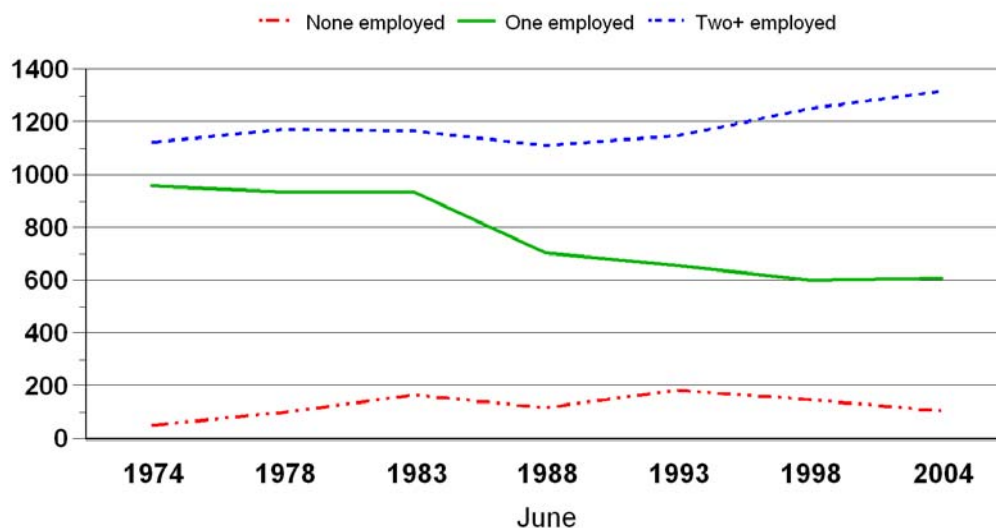
- 1.26 Divorce and separation rates have had an enormous impact on family structures in the last thirty years, and in many families the processes of 'un-partnering' and re-partnering produce complex financial and caring obligations. The introduction of the *Family Law Act 1975*, which provided for the first time for a 'no fault' divorce, led to a sharp increase in divorce applications. It is worth noting, however, that the divorce rate has not fluctuated significantly since the early 1980s, and the average length of marriages to separation and divorce is now increasing.<sup>30</sup>
- 1.27 The structure of families' working lives has also shifted. As figure 1.6 shows, the number of dual income families with dependents has increased since the 1970s. The number of single income (breadwinner) families has decreased by a larger percentage. In couple families today, the most common distribution of work between couple families is for one parent to work full time while the other works part time.<sup>31</sup> Persistent gender pay inequality means that it is often the mother who takes the part time position. This is changing slowly as some women increase their earning power relative to their partners and indeed as some become the major income earner.

30 Australian Bureau of Statistics, *Year book Australia* (2006) Cat No 1301.0, p 138.

31 Catholic Welfare Association, sub 65, p 21.



Figure 1.6 Couple families with dependants, numbers employed



Source: Australian Bureau of Statistics, sub 200, p 27.

1.28 The patterns of increasing labour force participation depicted in figure 1.6 mean that the paid economy is playing a greater role in the arrangements families make to earn income and provide for dependents. For example, the use of child care outside of family members and friends continues to increase, with 35 per cent of Australian children aged nought to four receiving formal child care, including 53.4 per cent of three-year-olds.<sup>32</sup>

1.29 As household disposable income has increased, and as women spend less time at home, more and more of the domestic labour traditionally carried out by wives and mothers is being outsourced to the market. Deidre Macken writes that, 'The biggest growth industries in the past two decades have been in servicing households'.<sup>33</sup> Philip Ruthven, in *The Australian*, has described this as 'the first wave of outsourcing' in the Australian economy. It claims that over the past 40 years, about \$110 billion worth of household work has been outsourced, representing 11 per cent of the economy and creating 1.2 million jobs.<sup>34</sup>

1.30 The Australian Bureau of Statistics' *Household Expenditure Survey* (2003-04) found that spending on household services and operation

32 Australian Bureau of Statistics, *Child care, Australia* (2005), Cat No 4402.0, pp 3, 14.

33 Macken D, *Oh no, we forgot to have children! How declining birth rates are reshaping our society* (2005), Allen and Unwin, pp 80-81.

34 Ruthven P, 'You're the boss', *The Australian*, '2026 - A vision for the nation's future: Work, business and the economy' feature, 26 October 2006, p 8.

had increased at approximately double the rate of CPI growth since 1998-99. The biggest spending proportionally was by couples with dependent children under the age of five.<sup>35</sup> Philip Ruthven, in *The Australian*, predicts that over the next twenty years, this sector will continue to grow. Another \$400 billion worth of household services (including child care) will be outsourced to companies, creating another one million jobs.<sup>36</sup>

- 1.31 Despite the growth in commercial household services, the Australian economy is still supported by a large volume of unpaid work, including informal child care, elder and disability care, household work, food preparation, household financial management and maintenance, and volunteering in the community. Using market replacement valuation methods, this unpaid work is estimated to be equal to approximately half of total GDP.<sup>37</sup>
- 1.32 According to the Australian Bureau of Statistics, approximately 65 per cent of this unpaid work (including production by households for their own consumption and volunteer work in the community) is performed by women. This may be offset by men's tendency to spend longer hours in paid work, many of which are working regular unpaid overtime.<sup>38</sup>

## Trends in fertility rates

- 1.33 Figure 1.7 shows that Australia's fertility rate has experienced many fluctuations since Federation. The significant drop in fertility during the Great Depression, for example, reflected deliberate birth control within marriage and postponement of marriage due to reduced incomes.
- 1.34 After peaks in the early twentieth century and in 1961 (when the fertility rate reached 3.5 babies per woman), the fertility rate has been declining steadily, and is now at a historical low. Demographers estimate that a population's replacement rate (the fertility rate needed

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35 Australian Bureau of Statistics, *Household expenditure survey 2003-04* (2005), Cat No 6530.0, datacube tables 1-26, viewed on 21 July 2006 at [http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6530.02003-04%20\(Reissue\)?OpenDocument](http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6530.02003-04%20(Reissue)?OpenDocument).

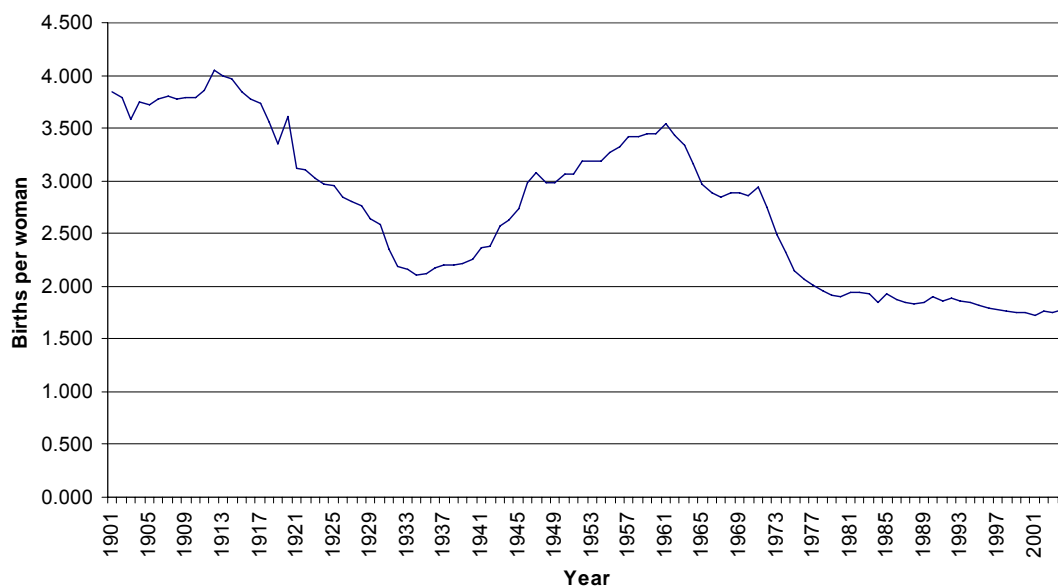
36 Ruthven P, 'You're the boss', *The Australian*, '2026 - A vision for the nation's future: Work, business and the economy' feature, 26 October 2006, p 8.

37 Australian Bureau of Statistics, *Australian economic indicators 2001* (2001), Cat No 1350.0, pp 9-15.

38 Australian Bureau of Statistics, *Australian social trends* (2006), Cat No 4102.0, p 42.

to replace a woman and her partner, allowing for some level of infant mortality) is 2.1 babies per woman. This rate was last recorded in Australia in 1976.<sup>39</sup>

Figure 1.7 Total fertility rate, Australia



Source: Australian Bureau of Statistics, *Births, 2004, Cat No 3301.0*; and Hugo G, 'A century of population change in Australia,' *Year Book Australia (2001)*, Australian Bureau of Statistics, Cat No 1301.0, p 175.

- 1.35 In 2000, the Australian Bureau of Statistics estimated that unless fertility rates changed, almost one in four women of childbearing age would remain childless for life.<sup>40</sup>
- 1.36 Australia's experience of low fertility is typical of OECD countries, and is not an extreme case. In an analysis of international fertility rates from 1960-1998, Francis Castles found that Australia had been in the top half of OECD fertility levels throughout that period.<sup>41</sup>
- 1.37 Encouragingly, there are preliminary signs of a stabilisation in Australia's fertility rate and even of an upwards swing. In 2005 there were 259,800 births registered in Australia, and the total fertility rate (the average number of babies that a woman could expect to bear if current fertility rates continued) was 1.81 babies per woman. This was

39 Australian Bureau of Statistics, *Year Book Australia (2006)*, Cat No 1301.0, p 127.

40 Australian Bureau of Statistics, *Year Book Australia (2006)*, Cat No 1301.0, p 129.

41 Castles F, 'Three facts about fertility: Cross-national lessons for the current debate,' *Family Matters*, Australian Institute of Family Studies, no 63, spring/summer 2002, p 23.

an increase of 2.2 per cent on the number of births registered in 2004, and the highest since 1993.<sup>42</sup>

- 1.38 As a result, discussion of a 'fertility crisis' is receding somewhat, subject to future developments. Rebecca Kippen of Australian National University recently re-examined the Australian Bureau of Statistics' late 1990s prediction that one in four women of childbearing age would remain childless. In the light of current fertility growth amongst women in their thirties, she found that only 16 per cent of women born in the 1970s were now never likely to have children.<sup>43</sup>
- 1.39 Professor Peter McDonald of the Australian National University told the committee:

My view is that the fertility rate in Australia will probably stay up at that level of 1.8 births per women, which is relatively high on an international standard... But the forces of change that have brought down fertility are strong, so I don't think we can sit back comfortably... I think we need to monitor all the time what policies are required to keep the Australian fertility rate at that kind of level.<sup>44</sup>

## Fertility decision-making

- 1.40 The decline in fertility is not necessarily because men and women have lost interest in having children. The Fertility Decision Making Project conducted by the Australian Institute of Family Studies found that, 'For most people, being childless or having fewer children than they ideally would like is not from a lack of wanting children'. For those aged 20-39 the ideal family size for men was 2.4 children, and for women, 2.5 children. A family of four children was more popular than having one child or no children.<sup>45</sup>
- 1.41 Two major features of the decline in fertility since the 1960s are that people are deliberately having fewer children, and they are beginning their families much later than only a generation ago.<sup>46</sup> The tendency to

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42 Australian Bureau of Statistics, *Births, Australia, 2005* (2006), Cat No 3301.0, p 1.

43 Kippen R, 'The rise of the older mother', *People and place* (2006), vol 14, no 3, p 7.

44 McDonald P, transcript, 15 February 2006, p 5.

45 Weston R, Qu L, Parker R and Alexander M, Australian Institute of Family Studies, *'It's not for lack of wanting kids': A report on the Fertility Decision Making Project* (2004), pp xvi, 49.

46 Australian Bureau of Statistics, *Year book Australia* (2006), Cat No 1301.0, pp 127-28.

have fewer children and delayed childbearing are related, of course, because people are running out of time in their reproductive years. This is particularly so for women, who typically experience a dramatic drop in fertility by the age of 38. Recent research is also suggesting that ageing affects male fertility and birth outcomes to a greater extent than previously thought.<sup>47</sup>

- 1.42 While people are now living longer than ever before, and while most stages of the life course are lengthening, the window of fertility is relatively unchanged. Advances in reproductive technology have given families to people who might otherwise have a low probability of conceiving, for reasons of age-related or other types of infertility. Between 2.5 and three per cent of babies born in Australia are now born from in-vitro fertilisation (IVF). However, as Sydney IVF told the committee, due to the declining genetic and metabolic function of a woman's ova as she ages, IVF can have only limited success rates in rescuing women from age-related infertility.<sup>48</sup>
- 1.43 Meanwhile, the median age of both mothers and fathers continues to increase. In 2005, these were 30.7 years for mothers and 32.9 years for fathers.<sup>49</sup> The slight fertility increase noted in the last two years is due to increased fertility in older age groups. Since 2000, women aged between 30 and 34 have experienced the highest fertility of all age groups.
- 1.44 These figures reflect, perhaps, social and structural changes in Australia that mean that many people are not in a position to start a family as early as they used to be. The major life course transitions that have traditionally led to family formation – leaving the family home, education, marriage and home ownership – are being progressively delayed with each age cohort.<sup>50</sup> A younger generation has emerged that values flexibility and mobility, and is likely to spend extended years travelling, studying, building a career and being in a

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47 Sydney IVF, sub 83, p 2; see also ABC Online, 'Male fertility drops with age, study shows', viewed 13 October 2006 at [www.abc.net.au/news/](http://www.abc.net.au/news/); Beckett A, 'Time, gentlemen', *The Age*, 8 May 2006, p 13; and Elliot T, 'Trouble with the old fella', *Sydney Morning Herald*, 28 September 2006, p 12.

48 Sydney IVF, transcript, 3 February 2006, pp 42-43.

49 Australian Bureau of Statistics, *Births, Australia, 2005* (2006), Cat No 3301.0, p 7.

50 Weston R, Qu L, Parker R and Alexander M, Australian Institute of Family Studies, *'It's not for lack of wanting kids': A report on the Fertility Decision Making Project* (2004), pp 6-7; and Xu L and Weston R, 'Starting out together: Through cohabitation and marriage', *Family Matters* (2002), Australian Institute of Family Studies, no 60, p 77.

number of intimate relationships.<sup>51</sup> Dr Bob Birrell of Monash University gave evidence to the inquiry of a serious decline in partnering levels over the past 20 years, particularly married partnering levels, which still indicate the strongest likelihood of having a family.<sup>52</sup>

- 1.45 Submissions to the inquiry also suggest that people are taking longer to get into a position of financial security, including those who have partnered and are hoping to have children.<sup>53</sup> Higher material standards of living, housing prices and the cost of tertiary education have led to high levels of household debt, and this may delay a decision to start a family. Children require a significant financial commitment: the National Centre for Social and Economic Modelling found that it cost about \$448,000 (in 2002 dollars) to raise two children from birth to age 20.<sup>54</sup>
- 1.46 In reality, these direct expenses represent only a part of the costs of raising children. While all women who take time out of the labour force to have children are affected by loss of income, the opportunity costs are particularly high for tertiary qualified women who are a significant proportion of our human capital. It has been estimated that it costs a graduate woman about one-third of all her future possible earnings to have a child.<sup>55</sup> This sum represents the cost of time out of the labour force, the atrophy of professional skills and knowledge, probable periods of part time work and the stunted career development associated with the part time 'mummy track'. Our economy bears a cost as well, in the loss or lower productivity of many of our most highly educated and skilled workers.
- 1.47 While it remains so difficult for women to have both a family and a career, or while, at least, combining the two forces such a compromise, some women will inevitably decide that the costs of motherhood are too high. Deidre Macken, who has interviewed many

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51 Whin J, 'Becoming adult in the 2000s: New transitions and new careers,' *Family Matters* (2004), Australian Institute of Family Studies, no 68, pp 6-12; see also Macken D, *Oh no, we forgot to have children!: How declining birth rates are reshaping our society* (2005), Allen and Unwin, pp 166-67.

52 Birrell B, transcript, 14 June 2006, p 24.

53 See, for example, Young P, sub 21, p 1; Batchler L, sub 87, p 1, or Cotter A, sub 13, p 1.

54 National Centre for Social and Economic Modelling, *All they need is love... and around \$450,000* (2002) AMP/NATSEM Income and Wealth Report, no 3, p 1.

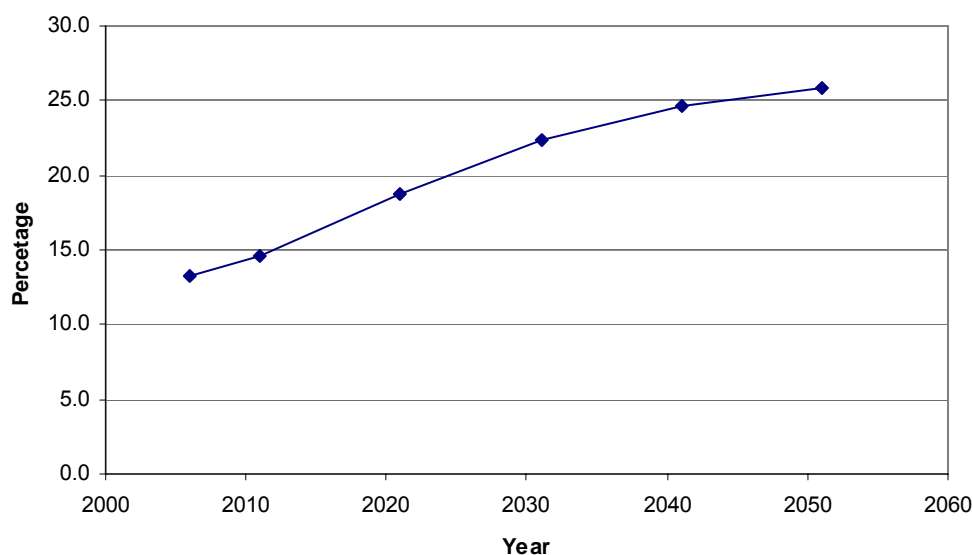
55 Chapman B, Dunlop Y, Gray M, Liu A and Mitchell D, 'The impact of children on the lifetime earnings of Australian women: Evidence from the 1990s,' *Australian Economic Review* (2001), vol 34, no 4, p 383.

women in the course of her research into low fertility, observes that, 'In today's society women don't 'instinctively' have children, they look at the world around them and make choices.'<sup>56</sup>

## Ageing population

1.48 The long-term decline in fertility and increased life expectancies have already changed Australia's population age structure. At the time of Federation, less than one in 25 of the population were aged 65 years or more. They now comprise one in every eight Australians. Combined with the retirement of the baby boomers, the effects of low fertility and increased longevity are expected to accelerate population ageing over the next two decades.<sup>57</sup> By the years 2044-45, it is projected that one in four Australians will be over the age of 65.<sup>58</sup>

Figure 1.8 Projected proportion of the population over the age of 65



Source: Australian Bureau of Statistics, *Population Projections (2006)*, Cat No 3222.0, pp 42, 81. Data used is Series B, which assumes that the average total fertility rate will be 1.7 births per woman.

1.49 The Access Economics report of 2000 commissioned by the Chairman when she was the Minister for Aged Care, the intergenerational report of 2002, and subsequent policy work have highlighted that

56 Macken D, *Oh no, we forgot to have children! How declining birth rates are reshaping our society* (2005), Allen and Unwin, p 7.

57 Productivity Commission, *Economics implications of an ageing Australia* (2005), p xiv.

58 Productivity Commission, *Economics implications of an ageing Australia* (2005), pp xiii-xiv.

Australia and other OECD countries face significant fiscal pressures and challenges in service delivery.<sup>59</sup>

- 1.50 Government expenditure in health, aged care and pensions will likely increase, while the tax revenue base will decline. The 'dependency ratio' of our society - the ratio of the number of non working-age persons divided by the number of working-age persons - will rise. The Productivity Commission has suggested that if the average productivity performance of the past 30 years continues, per capita GDP growth may halve by the mid 2020s.<sup>60</sup> This highlights the imperative for mature aged workers to remain in the workforce longer and for women to return to the workforce after having children.
- 1.51 The shift to a consumption-based tax with the introduction of a Goods and Services Tax (GST) in 2000 will go some way towards reducing the economic impact of our ageing population. Also, as Access Economics has pointed out, there are a number of trends mitigating against the projections of the 2002 intergenerational report. Spending growth under the Pharmaceutical Benefits Scheme (PBS) has slowed. Retirement ages are rising, migration targets have risen and birth rates appear to be stabilising. Women's participation rates have also increased faster than the anticipated projections.<sup>61</sup>
- 1.52 Nevertheless, Australia will still need to work to ensure its economic sustainability by maximising:
- population (how many people are available to participate in the workforce);
  - productivity (how much each of these workers can produce); and
  - participation (how many of these workers choose to work).<sup>62</sup>
- 1.53 This committee engaged Access Economics to produce the research report referred to above on the economic effects of increased female participation in the workforce. Access noted that:

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59 Access Economics, *Too valuable to waste* (2000), for the Department of Health and Aged Care; the Treasury, *Intergenerational report* (2002), Budget Paper no 5, Federal Budget 2002-03; and Productivity Commission, *Economics implications of an ageing Australia* (2005).

60 Productivity Commission, *Economics implications of an ageing Australia* (2005), p xii.

61 Access Economics, Appendix D, p 5.

62 Access Economics, Appendix D, p 2.



Increased workforce participation is the only real counter to the effect of low growth in the working age population on economic growth – and therefore national income.<sup>63</sup>

- 1.54 Access considered alternative future scenarios for the workforce participation of women and the potential impact of further gains. They found that the economic projections made in the Government's 2002 intergenerational report could have had more sensitivity analysis with respect to workforce participation rates of women, given the range of factors impacting on female labour supply, such as the availability of part-time work and child care availability.
- 1.55 The modelling performed by Access Economics produced the following results:
- A scenario in which there were no further gains in women's participation would result in a 2041-42 per capita output of \$2,100 or 2.8 per cent *less* than that implied in the intergenerational report – equivalent to a loss of \$61.8 billion in real output.
  - An increase in part time participation only, with full time participation remaining at current levels, would result in a 2041-42 per capita output of \$1,458 or 1.9 per cent *less* than that implied in the intergenerational report – equivalent to a loss of \$42.4 billion in real output.
  - Access also modelled an increase in the overall participation pattern of women, maintaining current proportions of part and full time work, and assuming that the current gap in men's and women's participation rates would be halved.<sup>64</sup> This scenario would result in a 2041-42 per capita output of \$2,237 or 2.9 per cent *more* than that implied in the intergenerational report – equivalent to a gain of \$65.1 billion in real output.
  - An increase in women's full time participation, halving the gap between men and women's full time participation, would produce the most astonishing results for our national economy. This scenario would result in a 2041-42 per capita output of \$3,385 or 4.4 per cent *more* than that implied in the intergenerational report – equivalent to a gain of \$98.4 billion in real output.
- 1.56 Access Economics commented on the results:
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63 Access Economics, Appendix D, p 10.

64 Access Economics, Appendix D, p 12.

These sums are enormous.

Past analysis has suggested that the tax reforms of 2000 may have added somewhere in the region of 2.5 per cent to the national income of Australians... while promoting national competition policy may have added 5.5 per cent.

Therefore these results are revealing. They suggest that the benefits to the national income of boosting full time female participation rank somewhere above those of tax reform and below those of promoting competition policy. Such estimates are imprecise at best, but they are a timely reminder of the importance of an issue that will grow with the passing of time...

The potential 'bang for the buck' in policies which help to unlock the participation and productivity of women workers is large, not merely in the longer term, but - given the current capacity constraints which the Reserve Bank has highlighted - in the short term as well.<sup>65</sup>

- 1.57 Of course, at the same time that the ageing population is creating a need to boost workforce participation in Australia, it is also causing increased aged care demands. The Productivity Commission expects that government expenditure on aged care will increase from around 0.86 per cent of GDP to around 2.24 per cent in 2044-45.<sup>66</sup> This sizeable increase does not include private outlays of time and money that people will make to care for their ageing family members.
- 1.58 This demographic pattern is leading to a 'care crunch', converging particularly on middle-aged Australians who, after having delayed their own parenting, find that they are responsible for caring for both children and ageing parents. This stress will fall largely on women. The National Centre for Social and Economic Modelling (NATSEM) found in 2005 that of the 105,000 primary carers aged less than 65 and caring for an aged parent, nine out of every ten were women.<sup>67</sup>
- 1.59 While expectations are that women's workforce participation rates will continue to increase, as they have for the last 30 years, this cannot be taken for granted, particularly if the balance between paid work

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65 Access Economics, Appendix D, pp iii, iv.

66 Productivity Commission, *Economics implications of an ageing Australia* (2005), p 175.

67 National Centre for Social and Economic Modelling, *Who cares? The cost of caring in Australia in 2002 to 2005* (2006), AMP.NATSEM Income and Wealth Report, issue 13, p 9.

and care obligations becomes more and more difficult to achieve. Access Economics notes that:

Participation by women aged 20-54 seems to have reached a plateau during the 1990s, particularly in the younger cohorts. This may have to do with time taken off to have and look after children. If that were the case, government policy to improve access to child care may increase participation.<sup>68</sup>

- 1.60 It is true that focussing on boosting participation rates of mature-aged workers up to and beyond retirement age represents a great potential dampener on the effects on the ageing population on our economy, and the committee is supportive of policies that encourage Australians to extend their working lives where possible.<sup>69</sup>
- 1.61 Nevertheless, the committee believes that significant barriers to mothers' workforce participation should also be addressed. The Australian Bureau of Statistics' finding in 2005 that 162,000 women were available to work but were not actively looking for work for child care reasons is indicative of such barriers. Given heavy investment in skills and education, the government has an interest in retaining more women for the benefit of our nation.<sup>70</sup> As the Access Economics modelling illustrates, the potential impact of any increases will have a quantifiable effect on national income:

Australia's women are too valuable to waste – and their participation choices will make a notable difference to Australia's future prosperity.<sup>71</sup>

## **Work and family debate**

### **Who is affected by work and family stress?**

- 1.62 It has been acknowledged at the highest level of political leadership that work and family balance is a crucial issue to the Australian community. In 2002, Prime Minister John Howard said, 'Nothing is more important than the debate that goes in the community – I call it

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68 Access Economics, Appendix D, p 10.

69 Access Economics, Appendix D, p 10.

70 See chapter five, p 6.

71 Access Economics, Appendix D, p iii.

a barbecue-stopper – about the balance between work and family’. ‘Barbecue-stopper’ has since become a signature for the debate.

- 1.63 In a Families Australia poll released in 2006, two-thirds of surveyed Australians believed that striking a good balance between work and family life was now more difficult than five years ago. A similar proportion of people felt that they had less time for family and friends than five years ago.<sup>72</sup>
- 1.64 In the Relationships Indicators Survey (2003) conducted by Relationships Australia, 89 per cent of respondents ‘agreed that relationships are in trouble because finding a work-life balance is so difficult’. Lack of time to spend together was nominated as the biggest negative influence on partner relationship quality.<sup>73</sup>
- 1.65 Similarly, a survey by the Australian Childhood Foundation in 2005 found that three out of four parents believed that balancing work and family was a serious issue for them.<sup>74</sup> And the Longitudinal Study of Australian Children, *Growing up in Australia*, has found that working parents are more likely now to indicate that they feel rushed. Forty-seven per cent of working parents stated that they felt rushed always or often, as compared to 36 per cent of non-working parents.<sup>75</sup>
- 1.66 Evidence given to the committee has reiterated the intensity and the predictability of everyday work and family stress. Families are continually making compromises between competing priorities:

You have the dreaded child care number come up on your mobile phone just when you are about to go into a meeting and you feel terrible.<sup>76</sup>

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72 Families Australia, ‘Families Australia survey shows pressures on families and relationships on the rise’, media release, viewed on 31 July 2006 at <http://www.familiesaustralia.org.au/>.

73 Relationships Australia, *Relationships Indicators Survey 2003*, viewed on 31 July 2006 at <http://www.relationships.com.au/utilities/about/ri2003full.pdf>.

74 Goddard C, Mitchell J and Tucci J, ‘The changing face of parenting: Exploring the attitudes of parents in contemporary Australia’ (2005), Australian Childhood Foundation, viewed on 17 July 2006 at <http://www.childhood.org.au/downloads/2005%20The%20Changing%20Face%20of%20Parenting.pdf>

75 Australian Institute of Family Studies, for the Department of Family and Community Services, *Growing up in Australia: the longitudinal study of Australian children - Annual Report 2004*, viewed on 31 July 2006 at <http://www.aifs.gov.au/growingup/pubs/ar/annualreport2004.pdf>, p 12.

76 Burchsmith E, transcript, 13 March 2006, p 44.

It means... begging child care for those ad hoc occasions. It means always being 'in debt' to a variety of people. It means last minutes panics when children need to stay home ill. It means constant long-term trade offs within the family for annual leave for school holiday care, business travel needs and so on.<sup>77</sup>

I am stuck in a catch-22 situation with it all. It does make it very hard.<sup>78</sup>

It is very hard to achieve work and family balance. I have had to be super organised in every way. Some days I feel so tired but I look at the bigger picture and keep on going.<sup>79</sup>

From dropping the children off at kindy, running to work, working all day, running home, making dinner, with tired children, I feel on a daily basis as though the balls are dropping around me.<sup>80</sup>

Families [are in] a 'pressure-cooker' situation where, no matter which way they turn, there are major and unending stresses to deal with.<sup>81</sup>

- 1.67 Data collected by the Household, Income and Labour Dynamics in Australia Survey (HILDA) suggest that the main indicators for work-family stress are being employed full time, being a woman, and being single. In particular, it suggests that single mothers will significantly increase their stress levels if they change from part time to full time work. However, a majority of all groups report at least a medium level of work-family stress.

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77 Davies K, sub 4, p 1.

78 Griffin S, transcript, 13 March 2006, p 21.

79 Anna, community statements, transcript, 2 August 2005, p 50.

80 Romer J, transcript, 18 October 2006, p 9.

81 Taylor E, sub 14, p 1.

Table 1.1 Work-family stress by gender, marital status and working hours, 2003 (%)

	Low (1-2)	Medium (3-5)	High (6-7)	Total
<i>Employed full-time</i>				
Single mothers	17.1*	68.6	14.3*	100.0
Couple mothers	23.0	67.0	10.1	100.0
Single fathers	17.0	74.0	9.1*	100.0
Couple fathers	22.0	72.8	5.2	100.0
Total	21.6	71.6	6.8	100.0
<i>Employed part time</i>				
Single mothers	29.7	62.5	7.8*	100.0
Couple mothers	37.2	57.7	5.1	100.0
Single fathers	28.7*	71.3*	0.0*	100.0
Couple fathers	32.0	62.7	5.3*	100.0
Total	35.3	59.4	5.3	100.0

Source: Headey B, Warren D and Harding G, *Families Incomes and Jobs: A Statistical Report of the HILDA Survey (2006)*, Melbourne Institute of Applied Economic and Social Research, p 7. \*Estimate not reliable.

1.68 Types of work and family stress differ according to geographic location and industry. In metropolitan areas, submissions to the inquiry state that high housing prices, dual-income mortgages and child care costs are putting stress on family budgets. They are also significantly affecting parents' decisions about when to return to work after the birth of a child. In outer metropolitan areas, there are issues with community facilities, child care provision and poor public transport that is extending travelling time for parents trying to get to work.<sup>82</sup>

1.69 In regional and rural areas of Australia, child care can be extremely limited, with little or no choice and restricted opening hours. As an example, one mother wrote in her submission to the inquiry:

Living in a small country town poses a major disincentive to starting a family because of the lack of full time and part time child care available for families.<sup>83</sup>

1.70 Distances to places of work and career development limitations also have an impact:

82 See, for example, Uniting Care Burnside, sub 89, p 8; and Shop Distributive and Allied Employees Association Ltd, sub 39, p 16.

83 Marsh J, sub 11, p 1.

There are many rural and remote women who never return to the paid workforce, particularly in their chosen field of expertise.<sup>84</sup>

- 1.71 Work and family stress is also experienced differently across different industries, according to the unique requirements of the job. The committee took evidence from workers in industries as diverse as supermarket retail, engineering, law, public service, electrical maintenance, advertising, urban planning, police services, defence, caring, mining and small business. Unsurprisingly, each type of job represented different challenges to work and family balance. For example, many professionals work long hours. Police officers are required to do overnight shift work and to relocate occasionally. Defence personnel have acute problems in managing the child care and education logistics of continual family relocation and deployment.
- 1.72 Those outside the labour force are also affected by work and family balance. The proportion of jobless households in Australia is approaching 14 per cent, whereas the OECD average is under 10 per cent.<sup>85</sup> As figure 1.9 shows, more Australian children are growing up in households where neither parent is employed than 20 years ago. In 2004, of all families with dependents, 20 per cent had no employed parent.<sup>86</sup> The unemployment rate in Australia has dropped since this data was collected, so the current jobless household rate is expected to be slightly less than as represented here.

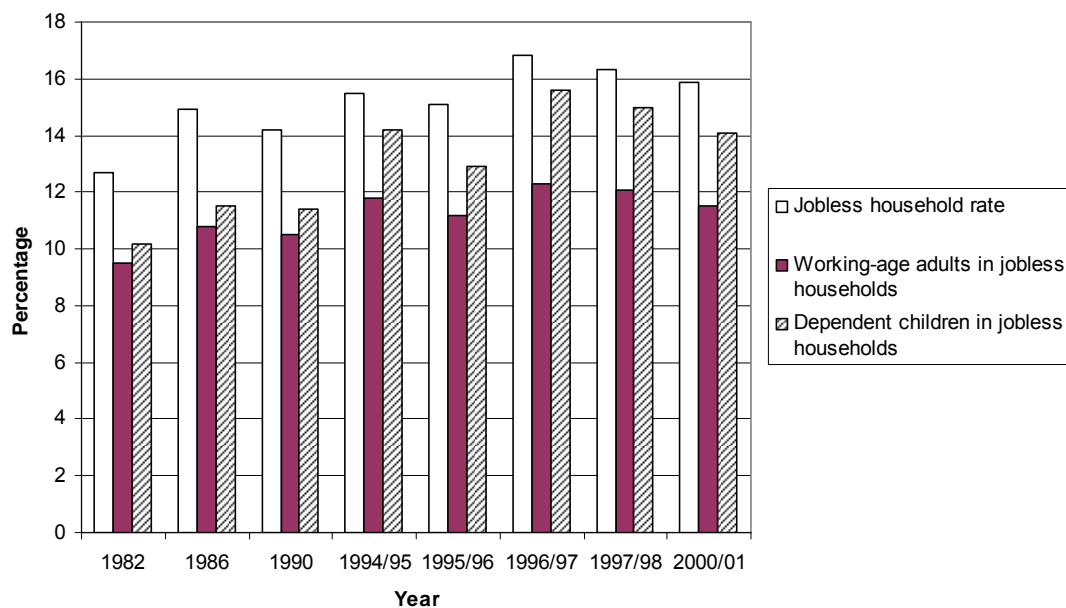
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84 Isolated Children's Parents' Association of Australia Inc, sub 55, p 3.

85 OECD, 'OECD Index of Statistical Variables, Unemployment, Jobless Households', viewed at <http://www.oecd.org/dataoecd/32/21/36029941.html> on 10 November 2006.

86 Australian Institute for Family Studies, sub 76, p 14.

Figure 1.9 Jobless household rates, 1982 to 2000-01



Source: Dawkins P, Gregg P and Scutella R, 'Employment Polarisation in Australia', *The Economic Record* (2005), vol 81, p 338.

1.73 For many parents not in paid work, the high proportion of their income derived from government assistance and the taper rate on means-tested payments mean that returning to work is a complex and confronting decision.

1.74 Professor Alan Hayes, Director of the Australian Institute for Family Studies told the committee:

It is critical that government policies aim to ensure that at least one parent in a family is in paid work for the sake of children as well as the welfare of adults.<sup>87</sup>

There is a long history of research on risk factors... [Parents'] participation in the workforce is probably one of the biggest protective factors for children and children's development, health and wellbeing.<sup>88</sup>

1.75 The Australian Government's Welfare to Work reform package, of \$389.7 million over five years, is targeted at increasing the participation of mothers and others in the workforce. Many parents, particularly single parents, may be making the transition to paid work for the first time after many years of labour force withdrawal. The

87 Australian Institute for Family Studies, sub 76, p 16.

88 Hayes A, transcript, 2 August 2005, p 41.



Welfare to Work program recognises child care as a determining factor for mothers returning to work. If there is no approved outside school hours care available for the times that the parent is expected to work, they do not have to accept a job offer; nor do they have to accept an offer if child care costs are going to leave them less than \$25 per week better off after wages are paid.<sup>89</sup> It is important that government policy continue to recognise such barriers to participation in the paid workforce.

- 1.76 Work and family stress reverberates back into family life; onto children, and onto extended family members. It affects the ability of workers and their families to participate as fully as they might like in their communities. At the workplace level, it has consequences for all workers through increased rates of colleague absenteeism, illness, reduced productivity and stress.<sup>90</sup>
- 1.77 At a time when it is crucial for Australia to maximise its workforce participation, raise productivity levels and retain skilled workers, it is imperative that work and family balance becomes a major priority for government. As Barbara Pocock writes:

The work/life collision has important effects beyond how we feel: it affects vital economic and demographic trends.<sup>91</sup>

## Role of fathers

- 1.78 There is increasing pressure on fathers to be better parents and to have an active and nurturing presence in their children's lives. Amongst a younger generation of fathers, as well, there is a belief that if men and women in a partnership both do paid work, they should share domestic and caring work.<sup>92</sup> A random survey of 1000 Australian fathers conducted in 1999 found that many fathers saw being accessible to their children as 'the most important aspect of their role... in terms of the impact they have on their children's wellbeing and adjustment'. What was most striking overall was:

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89 Morehead A, Department of Employment and Workplace Relations, transcript, 31 May 2006, p 12.

90 Campbell I and Charlesworth S, Centre for Applied Social Research, RMIT University, 'Background report: Key work and family trends in Australia' (2004), p 40.

91 Pocock B, *The work/life collision* (2003), The Federation Press, p 5.

92 Human Rights and Equal Opportunity Commission, *Striking the balance: Women, men, work and family* (2005), discussion paper, pp 53-54.

...the similarity in the desires of fathers and mothers to participate fully in their children's lives while pursuing work for both financial and personal gain.<sup>93</sup>

- 1.79 In the same survey, however, 68 per cent of fathers said that they did not spend enough time with their children, and believed that the major barriers to being an involved parent were their commitments to paid work.<sup>94</sup> Similarly, a 2004 survey found that fathers of preschool children were more likely than mothers to say that their jobs resulted in them missing out on home and family activities.<sup>95</sup>
- 1.80 The percentage of Australians working long hours has increased since the 1970s. While this is true for both men and women, the majority of those working extremely long hours are men.<sup>96</sup> Men are also much less likely than women to take up family friendly provisions such as parental leave, part time work or flexible working hours.<sup>97</sup>
- 1.81 Clearly, long hours and inflexibility in the workplace impact on fathers' ability to support their partners and children with domestic work, including child care. Men's housework, for example, accounts for only 30 per cent of all household work in Australia.<sup>98</sup> Yet the Human Rights and Equal Opportunity Commission states that, 'On average, men and women spend a similar amount of their time each day on paid and unpaid work combined, 7.08 and 7.2 hours per day respectively'.<sup>99</sup>
- 1.82 Traditionally, men bear the greatest responsibility for financially providing for their families, and men working long hours may be conscious of that:

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93 Russell G et al, cited in Hand K and Lewis V, 'Fathers' views on family life and unpaid work', *Family Matters* (2002), no 61, pp 26, 29.

94 Russell et al, cited in Hand K and Lewis V, 'Fathers' views on family life and unpaid work', *Family Matters* (2002), no 61, p 26.

95 Leung C, 'Fathers of preschoolers are 'missing out'' *The Age*, 15 February 2006, p 5.

96 Weston R, Gray M, Qu L and Stanton D, 'Long work hours and wellbeing of fathers and their families' (2004), Australian Institute of Family Studies, Research Paper no 35, p 1.

97 Bittman M, Hoffman S and Thompson D, Social Policy Research Centre, University of New South Wales, 'Men's uptake of family-friendly employment provisions' (2004), Policy Research Paper no 22, Department of Family and Community Services.

98 Human Rights and Equal Opportunity Commission, *Striking the balance: Women, men, work and family* (2005), discussion paper, p 26.

99 Australian Bureau of Statistics, cited in Human Rights and Equal Opportunity Commission, *Striking the balance: Women, men, work and family* (2005), discussion paper, p 26.

For men who are the primary or sole earners in their family, the workplace may be more stressful than for women, given that the risk of unemployment carries the added risk of family poverty.<sup>100</sup>

- 1.83 The Fertility Decision Making project conducted by the Australian Institute of Family Studies found that for both men and women considering starting a family or having another child, the man's job security and being established in his career was ranked as being more important than the woman's job security or career consolidation.<sup>101</sup> This is a historical legacy of the nuclear family, however, and may change as women's wage parity increases in line with the human capital they hold. A minority of families are beginning to make different decisions based on that: for example, female breadwinner families, or couples who both work three or four days per week.

Table 1.2 Men's working hours and well being scores

	Usual hours (per week)			
	35-40	41-48	49-59	60+
Satisfaction with job overall	7.5	7.2	7.3	7.4
Satisfaction with relationship with partner	8.5	8.5	8.7	8.8*
Satisfaction with relationship with children	8.6	8.8	8.7	8.8
Negative effect on work-family balance	14.9	15.9*	17.2***	18.8***
Positive effect on work-family balance	14.0	13.7	13.9	13.9
General health	73.2	74.1	73.1	71.5
Vitality	68.2	66.6	65.2*	62.7***

Source: Weston R, Gray M, Qu L and Stanton D, Long work hours and the wellbeing of fathers and their families (2004) Australian Institute of Family Services, Research Paper No. 35, p 15. Relationship satisfaction statistics are self reports. Asterisks denote level of statistical significance against the results for 35-40 hours per week. Confidence levels are: \* 5 per cent; \*\* 1 per cent; \*\*\*0.1 per cent.

- 1.84 The culture of long working hours may be symptomatic of industry type, pervasive workplace or occupational culture, or of the continuing tendency for men to draw identity and meaning from their jobs. The Australian Institute for Family Studies found that overall, fathers' satisfaction with their working hours decreased as the number of hours worked increased. Table 1.2 shows that fathers working in excess of 48 hours a week reported a lower sense of vitality and more negative effects on family life than those working 35

100 Human Rights and Equal Opportunity Commission, *Striking the balance: Women, men, work and family* (2005), discussion paper, p 13.

101 Weston R, Qu L, Parker R and Alexander M, Australian Institute of Family Studies, *'It's not for lack of wanting kids': A report on the Fertility Decision Making Project* (2004), p 126.

to 40 hours per week. Of those working more than 60 hours per week, 58.1 per cent would have preferred to work fewer hours.<sup>102</sup>

- 1.85 Interestingly, when these results are collated according to men's self-reported satisfaction with their working hours, a different picture emerges. Table 1.3 shows that men who are satisfied with long working hours are also satisfied with their work and family balance. This suggests that some men do genuinely enjoy working long hours, and that long hours are not automatically associated with poorer personal and family wellbeing.

Table 1.3 Men's well being scores based on their satisfaction with work hours

	35-40 hours			60+ hours		
	Low	Mod	High	Low	Mod	High
Satisfaction with job overall	6.8	7.1	7.8***	6.4	7.7***	8.9***
Satisfaction with relationship with partner	8.1	8.4	8.6	8.6	8.9	9.1*
Satisfaction with relationship with children	8.6	8.5	8.6	8.5	8.9	9.1**
Negative effect on work-family balance	16.5	15.7	14.4*	20.7	18.9*	15.4***
Positive effect on work-family balance	12.8	13.8	14.2*	13.3	13.6	15.2***
General health	69.7	71.0	74.7	68.1	74.8*	73.1
Vitality	64.9	65.4	69.7*	56.8	64.4*	70.4***

Source: Weston R, Gray M, Qu L and Stanton D, *Long work hours and the wellbeing of fathers and their families (2004)*, Australian Institute of Family Services, Research Paper no 35, p 17. Relationship satisfaction statistics are self reports. Asterisks denote level of statistical significance against the results for low satisfaction. Confidence levels are: \* 5 per cent; \*\* 1 per cent; \*\*\*0.1 per cent.

- 1.86 It is accepted that women bear stress in combining work and family, as a result of increased workforce participation without society and institutions changing in response. A Relationships Australia survey in 2003, however, found that men were significantly more likely than women to say that they had no real choice in how they balanced paid work with family commitments.<sup>103</sup> This may reflect the pressure of being a primary breadwinner and workplace expectations about men's continued presence and availability as workers.

## Can people work *and* enjoy their families?

- 1.87 The economic arguments for increased workforce participation across all age groups are undeniable, and particularly so for women. For

102 Weston R, Gray M, Qu L and Stanton D, 'Long work hours and wellbeing of fathers and their families' (2004), Australian Institute of Family Studies, Research Paper no 35, p ix.

103 Relationships Australia, *Relationships Indicators Survey 2003*, viewed on 31 July 2006 at <http://www.relationships.com.au/utilities/about/ri2003full.pdf>.

some, the policy aim of increasing women's participation might be perceived as antithetical to the policy aims of increasing national fertility.

- 1.88 In fact, the committee received considerable evidence that a stay-at-home mother is no longer correlated with higher fertility. Rather, fertility is now positively associated with a woman's workforce participation:

Most of us were brought up to associate high levels of fertility with traditional values stressing the primacy of the family, and with a traditional gender division of labour in the workplace... This is no longer the case... High levels of fertility [are] occurring precisely in those countries where women's labour force participation is greatest... In a world where women's work is an economic necessity and a cultural preference, factors promoting women's work are simultaneously and necessarily factors promoting higher national levels of fertility.

The great weight of available evidence shows that policies that permit and, indeed encourage women to stay in the labour force when they have children are the policies most conducive to maintaining levels of fertility at or near replacement level.<sup>104</sup>

- 1.89 Professor Peter McDonald of the Australian National University told the committee that:

The general relationship across countries is that, surprising as it may seem, the countries that have the highest labour force participation rates for women have the highest fertility.<sup>105</sup>

- 1.90 The *Economist* has also argued that government policy should recognise the links between women's workforce participation, support for families and national fertility:

Countries with high female labour participation rates, such as Sweden, tend to have higher fertility rates than Germany, Italy or Japan, where fewer women work. Indeed, the decline in fertility has been the greatest in the several countries where female employment is low... To make full use of their

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104 Castles F, 'Three facts about fertility: Cross-national lessons for the current debate', *Family Matters*, Australian Institute of Family Studies (2002), no 63, pp 25, 27.

105 McDonald P, transcript, 15 February 2006, p 7; see also Australian Institute of Family Studies, transcript, 2 August 2005, p 36.

national pools of female talent, governments need to remove obstacles that make it hard for women to combine work with having children.<sup>106</sup>

- 1.91 For some of those who wrote submissions to the inquiry or gave evidence at public hearings, the committee's interest in promoting both workforce participation and parenting conflicted with their ideals about care for children:

It is parents who are best qualified by commitment, emotional bonds and experience to rear their children, not 'professional' child minders, no matter how well qualified... If some parents, for whatever reason, want to work and put their children in child care, that's their decision, but it defies logic to argue that the taxpayer should subsidise them abrogating their responsibilities.<sup>107</sup>

- 1.92 In particular, some were uncomfortable with the disruption of maternal time by mothers returning to paid work:

Research shows that children fare better with parental (often maternal) involvement in the early years... We suspect that far too many submissions to this inquiry will just assume that all or most mums want to work.<sup>108</sup>

The push to get more mothers into the workforce means that many young mothers are now paying a heavy price for a social policy that has relied on a rickety set of women's rights clichés and which has deprived them of the right NOT to work: the institutional care of their children.<sup>109</sup>

This agenda of subsidised, universally available, high-quality professional child care is misconceived, and a rethink is needed. It is only in very unhealthy situations that this is in the best interests of infants or their mothers.<sup>110</sup>

- 1.93 The committee respects the opinions of those who believe that children should only be cared for by their biological parents, or particularly, by their mothers. Parenting and parenting decisions are

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106 'A guide to womenomics: Women and the new world economy', *The Economist*, 15 April 2006, p 70.

107 Morgan B, sub 3, pp 2-3; see also Evatt V, Australian Association for Infant Mental Health, transcript, 13 March 2006, p 6.

108 Australian Family Association, sub 35, pp 3 and 5.

109 Shanahan A, sub 44, p 1.

110 Cook P, sub 180, p 2.

never going to be easy. The committee believes that Australian parents will, when given choice and when supported in their choices, make the best decisions for their families about how to arrange their work and family lives.

- 1.94 The committee also believes, however, that such views do not necessarily take into account the complexity of financial, social and career pressures on young families, and the isolation of many from extended family and traditional support networks. Participation in paid work in no way dilutes consideration about how best to care and provide for children. As the Australian Institute of Family Studies told the committee:

Discussions about paid work and family life often ignore the fact that the breadwinning contributions of either parent represent an essential dimension of their caring or parenting responsibilities.<sup>111</sup>

- 1.95 Similarly, Dr JaneMaree Maher of the Centre for Women's Studies at Monash University said that despite intense ideological discussion in Australia about motherhood, most mothers were focussed on the practical, everyday tasks of providing for their families. Dr Maher reported that in a recent large qualitative study, women had been particularly insistent that paid work was a part of good mothering, in that it enabled them to carry out these tasks:

Paid work was the way that they looked after their children, and they did not want to have discussions about whether a mother is a good mother if she is not eyeball-to-eyeball with her child. That is not good mothering as far as they are concerned; good mothering is making sure that their children are safe and well and have slightly more opportunity than they did...

People make specific choices to manage as best they can in the circumstances. We talk about good mothering and motherhood statements, but the vast part of mothering is actually work. It means making sure that children are fed and looked after and organised to go to school so that they can be educated and become productive citizens in the future.<sup>112</sup>

- 1.96 The link between a mother working and outcomes for her children is more complicated than it initially appears. Barbara Pocock and Jane
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111 Hayes A, transcript, 2 August 2005, p 34.

112 Maher A, transcript, 10 April 2006, p 62.

Clarke of the University of Adelaide conducted a series of focus groups amongst 10-12 and 16-18 year olds to explore how they felt about their parents' work. Pocock and Clarke concluded:

It is not whether parents go to work or not, but the state in which they come home, that really affects children. This 'state' reflects objective characteristics of jobs (like hours and intensity) as well as the extent to which parents' preferences match their jobs. The debate about whether to work or not needs to be reframed in Australia... In particular, less attention should be paid to the issue of whether mothers have paid jobs, and more to the work of fathers.<sup>113</sup>

- 1.97 Similarly, Suzanne Bianchi found that evidence for poor children's outcomes as a result of maternal employment was weak. Bianchi contends that despite the rapid rise in mothers' participation in the paid workforce, the amount of time that mothers spend with their children has not decreased hour-for-hour. In fact, it has remained relatively stable. This is because working mothers actively organise their working lives so as to maximise time with children and because hours spent on housework are declining. Also, fathers are spending more time with their children than they did 30 years ago.<sup>114</sup>
- 1.98 Certainly, many parents do not feel that their employment impacts adversely on their children. The Longitudinal Study of Australian Children, *Growing up in Australia*, found that parents had quite a positive view of work, both in terms of its impact on them and their children. Around 70 per cent of parents agreed that working made them feel more competent. Forty-nine per cent felt that their working had a positive effect on their children, while a further 37 per cent felt the effect was neither positive nor negative.<sup>115</sup>
- 1.99 A 2006 British study tracking 2600 British women for nearly 30 years found that working mothers had better long-term health than stay-at-home mums or childless women.<sup>116</sup>

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113 Pocock B and Clarke J, 'Time, money and job spillover: How parents' jobs affect young people', *The Journal of Industrial Relations* (2005), vol 47 no 1, p 62.

114 Bianchi S, 'Maternal employment and time with children: Dramatic change or surprising continuity?' *Demography* (2000), vol 37, pp 401-414.

115 Australian Institute of Family Studies, for the Department of Family and Community Services, *Growing up in Australia: the longitudinal study of Australian children*, Annual Report (2004), viewed on 31 July 2006 at <http://www.aifs.gov.au/growingup/pubs/ar/annualreport2004.pdf>, p 12.

116 Cresswell, A, 'Working mothers have better health,' *The Australian*, 16 May 2006, p 6.



- 1.100 These attitudes were reflected in the submissions made to the inquiry and the evidence provided by individuals at public hearings:

I work because I enjoy my job, because I think it brings a sense of satisfaction and because I can contribute something to the working community... I like the fact that my daughters can see mum going to work, that they see that it can happen.<sup>117</sup>

Remaining in the workforce was very important to me... I feel that I can add something to the workforce. I think my children get a better balanced mum.<sup>118</sup>

- 1.101 For many mothers, there are a range of reasons for combining paid work and family. Many are compelled by financial necessity:

Being in this situation - a modern mother and single - I did not even think twice about working. It was a case of, 'I'm single, I need an income, I need to work'.<sup>119</sup>

As a young family we are just starting out and I simply could not afford not to work.<sup>120</sup>

- 1.102 Others are compelled by the pace and competitiveness of their chosen careers to keep their skills and qualifications current. Also, a small but growing percentage of couple families now consist of a female breadwinner and male homemaker, and have reversed the traditional division of family labour because of the mother's higher earning potential.<sup>121</sup>

- 1.103 Participation in paid employment also increases mothers' long-term financial security and that of their children, by minimising lost superannuation savings through labour force withdrawal. More equitable access to paid employment for women may go some way towards addressing the disparity in superannuation savings between men and women. It may also reduce, in the future, the number of elderly women living in poverty.

117 Somerville J, transcript, 13 March 2006, p 28.

118 Burchsmith E, transcript, 13 March 2006, p 30.

119 Keech C, transcript, 13 March 2006, p 33.

120 Anna, community statements, transcript, 2 August 2005, p 49.

121 Australian Bureau of Statistics figures from 2003 found that in 3.4 per cent of couple families with children aged 0-14, the father was not employed while the mother worked either full or part time. A proportion of these fathers, however, may be unemployed or out of the labour force for reasons of disability and illness, rather than the couple having made a decision about care on the basis of their respective incomes. *Australian social trends* (2006), Cat No 4102.0, p 41.

1.104 Paid work will not be the choice of some parents. But government policy should support the diversity of contemporary Australian families and the complexity of the caring arrangements that many are juggling. For the return of investment in skills, education and experience, and for the future health of the Australian economy, government policy should not only accept but embrace those parents who do wish to participate in paid work. Alison Wolf writes:

We are no more likely to return to the old patterns than we are to subsistence agriculture, so we need to understand what the new female labour market means to all of our lives.<sup>122</sup>

1.105 The necessity for child care – increasingly, formal child care – as a result of parents’ paid employment should be viewed as an opportunity to invest in children’s development. Compared to other countries, Australia has a consistently high level of child care quality and high levels of accreditation compliance.<sup>123</sup> Evidence presented to the committee by individuals suggests that parents are in any case discerning in their choice of care for their children and will go to considerable lengths to secure an arrangement that they feel is most appropriate for their children.<sup>124</sup>

1.106 The Institute for Family Studies told the committee that, ‘Child care is a key contributor to the development, health and wellbeing of children’.<sup>125</sup> Children who attend high quality child care centres perform better in cognitive and social skills, and can be more ready to make the transition to pre-school and primary school.<sup>126</sup> A recent study by US psychologist Sarah Friedman found that low family income, low level of maternal education and lower levels of maternal psychological wellbeing – rather than hours spent in child care, or types of child care – were the strongest predictors of low development outcomes.<sup>127</sup>

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122 Wolf A, ‘Working girls’, *Prospect Magazine* (2006), issue 121, p 1, also viewed on 12 August 2006 at <http://www.onlineopinion.com.au/view.asp?article=4489>.

123 Australian Institute of Family Studies, transcript, 2 August 2005, p 43.

124 See, for example, Watson K, transcript, 21 June 2006, pp 2-11, and Stapledon A, sub 179, pp 1-2.

125 Hayes A, transcript, 2 August 2005, p 35.

126 Peisner-Feinberg E et al, *The children of the cost, quality and outcomes study go to school: Executive summary* (1999), University of North Carolina at Chapel Hill and Frank Porter Graham Child Development Center, p 1, viewed on 17 August 2006 at <http://www.fpg.unc.edu/NCEDL/PDFs/CQO-es.pdf>.

127 Friedman Dr S, ‘Is child care a risk factor for diminished cognitive and social child outcomes?’ presentation to the Australian Institute of Family Studies, 7 July 2006, viewed on 17 August 2006 at <http://www.aifs.gov.au/institute/seminars/2006/friedman.pdf>.

1.107 The results are most striking for children of disadvantaged backgrounds. Child health expert Professor Fiona Stanley told the committee, 'For disadvantaged children from poor families the influence of really good child care is enormous.'<sup>128</sup> This was confirmed by the National Council of Single Mothers and their Children, who repeated the findings of a sample survey of single mothers from 2001:

Despite the limitations [the expense and inflexibility], high quality affordable, accessible child care was important to reducing isolation among survivors of violence, migrant mothers and others who did not have ready access to informal care sources. The data indicate that accessible, affordable, safe child care remains fundamental to enabling single mothers to participate in paid work, particularly for migrant women and those who have survived violence.<sup>129</sup>

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128 Stanley F, transcript, 30 June 2006, p 66.

129 National Council for Single Mothers and their Children, sub 108, p 9.

# Taxation and Government assistance to families

## Introduction

- 2.1 This chapter describes the Australian Government assistance currently provided to families and carers through the taxation and welfare systems. It gives a context to further discussion about what government can do to better support work and family balance, boost national fertility and facilitate workforce participation to increase productivity levels.

## Australia and the OECD

- 2.2 Internationally, there is a renewed debate on the family in countries which, like Australia, are dealing with issues of demographic and economic change. The meeting of Social Policy Ministers from all 30 OECD countries that took place in April 2005 resulted in the following communiqué:

Social and family policies must help give children and young people the best possible start to their lives and help them to develop and achieve through their childhood into adulthood. Providing all parents with better choices about how to balance work and family life extends opportunities, especially for women, and creates economic gains. More family-friendly

policies could also help raise birth rates in those countries where they are too low.<sup>1</sup>

- 2.3 Australia has a strong tradition of targeted family assistance. Historically, this has taken the form of cash transfers to low income families so that everyone can achieve a basic level of economic survival and opportunity. The welfare system has, and continues to be, an important safety net protecting children from growing up in poverty. Prime Minister John Howard has been supportive of this tradition, often claiming that 'a strong family is the single most important building block of our social stability'.<sup>2</sup>
- 2.4 The Australian Government spends around 2.9 per cent of GDP on family benefits and services, higher than the OECD average of 1.8 per cent of GDP and the European Union average of 2.2 per cent of GDP.<sup>3</sup> Total assistance to families has been estimated at about 12 per cent of the Federal Budget.<sup>4</sup> A 2004 study from the National Centre for Social and Economic Modelling (NATSEM) found a 'substantial redistribution occurring through the tax and benefit programs considered'.<sup>5</sup> Whiteford, Stanton and Gray argued in 2001 that:

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- 1 OECD (2005), cited in Whiteford P, Social Policy Division, OECD, 'Reconciling work and family life: A comparative analysis of OECD countries' (2005), paper for the Annual Conference of the Finnish Social Policy Association 27-28 October 2005, viewed on 29 August 2006 at [http://www.soc.utu.fi/sospol/sosiaalipolitiikanpaivat/puheet/sospolpaivat\\_2005\\_whiteford.pdf](http://www.soc.utu.fi/sospol/sosiaalipolitiikanpaivat/puheet/sospolpaivat_2005_whiteford.pdf).
- 2 Hon J Howard MP, Prime Minister, 'Australian families: Prosperity, choice and fairness', speech to the Menzies Research Centre, 3 May 2005, viewed on 23 February 2006 at <http://www.pm.gov.au/news/speeches/speech1364.html>; see also Hill E, 'Howard's "choice": The ideology and politics of work and family policy 1996-2006', viewed on 8 August 2006 at <http://www.australianreview.net/digest/2006/02/hill.html>.
- 3 OECD, Social expenditure database (2004), cited in Whiteford P, Social Policy Division, OECD, 'Reconciling work and family life: A comparative analysis of OECD countries' (2005), paper for the Annual Conference of the Finnish Social Policy Association 27-28 October 2005, p 29, viewed on 29 August 2006 at [http://www.soc.utu.fi/sospol/sosiaalipolitiikanpaivat/puheet/sospolpaivat\\_2005\\_whiteford.pdf](http://www.soc.utu.fi/sospol/sosiaalipolitiikanpaivat/puheet/sospolpaivat_2005_whiteford.pdf). Data is from 2001.
- 4 Hill E, 'Howard's "Choice": The ideology and politics of work and family policy 1996-2006', p 2, for the symposium A Decade of Howard Government, viewed on 8 August 2006 at <http://www.australianreview.net/digest/2006/02/hill.html>.
- 5 Harding A, Lloyd R and Warren N, 'The distribution of taxes and government benefits in Australia' (2004), paper presented at the Conference on the Distributional Effects of Government Spending and Taxation, The Levy Economics Institute, 15 October 2004, p 14. This comment refers to redistribution of taxes and benefits throughout the Australian population as a whole, not just families with children, although the paper does find that lower income families with children are on average the largest gainers from the operation of the Australian welfare state, p 25.

Overall, the Australian system has gone further than many other countries in emphasising redistribution to low income families and in particular to mothers within families.<sup>6</sup>

- 2.5 In fact, OECD analyst Peter Whiteford found that disposable incomes for Australian families with children on social assistance are amongst the highest in the OECD.<sup>7</sup>

## Government's policy goals

- 2.6 While a concern for social equity in Australia remains strong, family welfare policy is changing its focus. As the Access Economics report commissioned by the committee has highlighted, Australia faces an 'ageing challenge', and welfare policy must now, more than ever, work in conjunction with the tax system to provide incentives for workforce participation. Whereas traditionally, the focus for work programs has been on welfare recipients finding full time work, this is gradually becoming more flexible. The new participation requirements under Welfare to Work, for example, will be for 15 hours a week, in recognition of their continuing caring responsibilities.

- 2.7 The Treasurer's Budget speech for 2004-05 was explicit about the importance of supporting work and family balance and its relationship with workforce participation:

We need to take measures which will help our economy grow to its maximum potential - to help more people into the workforce and make it easier for mothers who are juggling paid work, or part-time work, with the nurture and raising of children.<sup>8</sup>

- 2.8 In addition to the increased imperative for workforce participation, family welfare policy in recent years has reflected increasing

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6 Whiteford P, Stanton D and Gray M, 'Families and income security: Changing patterns of social security and related policy issues', *Family Matters* (2001), no 60, Australian Institute of Family Studies, p 24. The redistributive effect of benefits to single parents in Australia is emphasised by an international comparison in Whiteford P, Social Policy Division, OECD, 'The great welfare expenditure debate: Economic myths of the left and right revisited', presentation to the Research School of Social Sciences, Australian National University, 12 July 2005, p 37.

7 Whiteford P, Social Policy Division, OECD, 'The great welfare expenditure debate: Economic myths of the left and right revisited', presentation to the Research School of Social Sciences, Australian National University, 12 July 2005, p 39.

8 Hon P Costello MP, Treasurer, Budget Speech 2004-05, viewed on 23 March 2006 at <http://www.budget.gov.au/2004-05/speech/html/speech.htm>.

awareness about Australia's fertility rate. The Government has introduced, for example, a universal fertility payment in Maternity Payment ('the baby bonus'). Government outlays in child care fee subsidies have also continued to increase, reflecting a still-rising female workforce participation rate and increasing use of formal child care as opposed to that provided by family members and friends. Further, there remains targeted assistance for stay-at-home parents through Family Tax Benefit Part B.

## Growth in assistance

- 2.9 In 2006-07, it is estimated that the Government will spend nearly \$27.9 billion on assistance to families with children, out of a total social security and welfare budget of \$91.8 billion.<sup>9</sup> This includes direct cash benefits and tax rebates to families as well as programs such as Child Abuse Prevention and Family Relationship Services. Over forward estimates, assistance to families with children is expected to grow steadily at 2.6 per cent in real terms.<sup>10</sup>
- 2.10 In 2006-07, it is estimated that the Government will spend nearly \$12.8 billion on assistance to people with disabilities, and \$31.7 billion on assistance to the aged.<sup>11</sup> Together, these two groups constitute the biggest projected increases in spending over coming years, reflecting the indexation of payments to average weekly earnings, and the increasing number of aged people in our society.<sup>12</sup> These projected increases in assistance to the aged are consistent with recent growth. The Australian Institute of Health and Welfare has found that between 1998-99 and 2003-04, government expenditure on services to the aged had grown by an average 11 per cent each year.<sup>13</sup>

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9 *Budget paper no 1, 2004-05 Federal Budget, Statement 6: Expenses and Net Capital Investment, table 9, p 12.*

10 *Budget paper no 1, 2004-05 Federal Budget, Statement 6: Expenses and Net Capital Investment, table 9, p 12.*

11 *Budget paper no 1, 2004-05 Federal Budget, Statement 6: Expenses and Net Capital Investment, table 9, p 12.*

12 *Budget paper no 1, 2004-05 Federal Budget, Statement 6: Expenses and Net Capital Investment, table 9, p 12.*

13 Australian Institute of Health and Welfare, 'Welfare expenditure grows 15% in 2003-04', media release, 7 September 2006, viewed on 11 September 2006 at <http://www.aihw.gov.au/mediacentre/2006/mr20060907.cfm>.

## More families are receiving transfer payments

- 2.11 Low income families are benefiting from increased family benefit payments and the relaxation of income thresholds. Economic commentator Ross Gittins has claimed that:
- Family payments to a single-income family with two children, where the breadwinner has average weekly earnings, have gone from the equivalent of less than 2 per cent of average earnings in 1990 to more than 20 per cent in 2003.<sup>14</sup>
- 2.12 Low income families received an 18 per cent rise in average income between 1997 and 2004, to which the Australian Institute of Health and Welfare has attributed the increase in family payments.<sup>15</sup> The maximum rate families can receive in assistance per child has almost doubled since 1996.<sup>16</sup>
- 2.13 Policies seeking to graduate the impact of so-called high effective marginal tax rates have resulted in more generous taper rates on income tests, pushing income thresholds for assistance higher. It is not only low income families, therefore, that are benefiting. Whiteford, Stanton and Gray claimed in 2001 that, 'By the middle of the 1990s more than 40 per cent of Australian children were living in families receiving income-tested family assistance'.<sup>17</sup>
- 2.14 Even when the income tax system is taken into account, many families are still receiving significant assistance. A paper by Kerrie Bremner of the Tax Analysis Division of the Treasury suggested that in 2005-06, 38 per cent of Australian families would receive more money in benefits from the Government than they would pay in income taxes. Amongst sole parents, 82 per cent would receive more cash benefits than they would pay in tax.<sup>18</sup> Bremner suggested that:

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14 Gittins R, 'Costello works the women,' *Sydney Morning Herald*, 8 March 2006, p 15.

15 Hill E, 'Howard's "choice": The ideology and politics of work and family policy 1996-2006', p 2, viewed on 8 August 2006 at <http://www.australianreview.net/digest/2006/02/hill.html>.

16 Hon P Costello MP, Treasurer, 'Continuing personal tax reform', Ministerial Statement (2006), Budget 2006-07, viewed on 2 September 2006 at <http://www.budget.gov.au/2006-07/ministerial/html/treasury-04.htm>.

17 Whiteford P, Stanton D and Gray M, 'Families and income security: Changing patterns of social security and related policy issues', *Family Matters* (2001), no 60, Australian Institute of Family Studies, p 34.

18 Bremner K, 'Net tax thresholds for Australian families', *Economic Roundup* (2005), The Treasury, Winter, pp 47-48.



The increase in the proportion of couple families with dependants who are in a positive net tax position is largely the result of increases in family payments.<sup>19</sup>

- 2.15 It may also be influenced by changes in the tax system. Reductions in the marginal tax rate; adjustment of income tax rate thresholds; and the introduction of, and increases in, the value of several tax offsets may mean that some families are in a more positive net tax position.<sup>20</sup>
- 2.16 Generally, between tax and welfare administration, government support for families and carers fall into three categories:
- income support, for those who have no other means of having a minimum standard of living;
  - payments to assist with the general costs of raising children; and
  - payments to assist with specific costs associated with having a family (or caring for another person) such as child care, pharmaceuticals or immunisations.
- 2.17 The major Australian Government payments for families and carers are outlined below, followed by a summary of relevant taxation measures and key points of interaction with family assistance.

## **Government payments to families**

- 2.18 The following payments are coordinated by the Family Assistance Office, which was established in 2000 to provide families with a simplified range of government payments and services. There are approximately 550 Family Assistance Office outlets located in Medicare offices, Centrelink Customer Service Centres and Australian Taxation Office sites across Australia.<sup>21</sup>
- 2.19 Family Tax Benefit Parts A and B are included here under payments rather than in the following chapter on taxation measures. This is because they are included in agency appropriations for the Department of Families, Community Services and Indigenous Affairs,

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19 Bremner K, 'Net tax thresholds for Australian families', *Economic Roundup* (2005), The Treasury, Winter, pp 47-48.

20 Bremner K, 'Net tax thresholds for Australian families', *Economic Roundup* (2005), The Treasury, Winter, p 40.

21 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07* (2006), p 128.

as well as for the Australian Taxation Office. As over 90 per cent of recipients choose to receive Family Tax Benefit through fortnightly payments from Centrelink, it may be considered a cash benefit.<sup>22</sup>

- 2.20 All dollar figures were effective on 1 July 2006; however, these payments are indexed regularly and may change. It is also worth noting that all payments are subject to individual assessment by Centrelink and the Australian Taxation Office, and a person or family's entitlement is affected by many complex circumstances.

## General payments to families

### Family Tax Benefit Part A

- 2.21 Both Family Tax Benefit Parts A and B were introduced by *A New Tax System (Family Assistance) Act 1999*, to provide for a simpler structure and administration of family assistance. From 1 July 2000, Family Tax Benefit Part A replaced the former Family Allowance and Family Tax Initiative Part A payments.<sup>23</sup>
- 2.22 Family Tax Benefit Part A is a tax-free payment designed to assist with the costs of raising children. It is paid to families with dependent children under 21, or a qualifying dependent full time student aged 21 to 24. Worth over \$12 billion annually, it represents the biggest single government outlay for family assistance, and was paid to 2.3 million families in 2004-05.<sup>24</sup>
- 2.23 The amount of Family Tax Benefit Part A paid depends on:
- a family's annual income;
  - how many children they have; and
  - how old their children are.

Maintenance or child support from another parent will also affect assessment of the amount to be paid. Divorced or separated parents

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22 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07* (2006), p 134.

23 Department of Family and Community Services, 'Taxation, social security and family assistance for 2000-01' (2000), research fact sheet no 13, viewed on 8 September 2006 at [http://www.facs.gov.au/internet/facsinternet.nsf/VIA/ResFaCSsheets/\\$File/FacsSheet13.pdf](http://www.facs.gov.au/internet/facsinternet.nsf/VIA/ResFaCSsheets/$File/FacsSheet13.pdf).

24 Department of Family and Community Services, *Annual report 2004-05* (2005), p 88.

who share their children's care are entitled to claim for their proportion of care time.<sup>25</sup>

- 2.24 Family Tax Benefit Part A is means-tested. Maximum payment rates are paid to families with an annual income of up to \$40,000. Maximum rates are currently between \$1,182.60 and \$5,332.65 per annum for each child, depending on the ages of the dependent children. The highest maximum rate of \$5,332.65 is paid for children aged 13-15, reflecting the higher costs of parenting teenagers.
- 2.25 For families on annual incomes higher than \$40,000, payment rates gradually reduce until the minimum rate of Family Tax Benefit Part A is reached. The income point at which this happens will be different for every family. For a family with two children under the age of 12, for example, the minimum rate will be paid once annual income reaches \$64,893. Minimum rate payments are \$1,828.65 per annum for each child aged under 18, and \$2,237.45 for each child aged 18-24 years.
- 2.26 At a certain point, entitlement to Family Tax Benefit Part A cuts out altogether. Again, this varies depending on family income, the number of children in a family, and the children's ages. For the example used above, of a family with two children under the age of 12, Family Tax Benefit Part A will cease to be paid when the annual family income reaches \$104,317. The upper income limits for different families are reproduced below.

Table 2.1 Family income limit at which Family Tax Benefit Part A stops (\$ per annum)

Number of children 0 - 17 years	Number of children 18 - 24 years			
	Nil	One	Two	Three
Nil		\$96,081	\$107,043	\$118,857
One	\$94,718	\$105,680	\$117,494	\$129,308
Two	\$104,317	\$116,131	\$127,945	\$139,759
Three	\$114,769	\$126,582	\$138,396	\$150,210

Source: Centrelink, *A guide to Australian Government payments 1 July - 19 September (2006)*, p 3.

- 2.27 Family Tax Benefit Part A can be paid either fortnightly or as a lump sum at the end of the financial year. It also includes a supplement which is available only after the end of the financial year, and may be used to offset overpayments.<sup>26</sup> Ninety per cent of recipients choose to

25 Family Assistance Office, *The what, why and how of family assistance* (2006), July edition, p 11.

26 Centrelink, *A guide to Australian Government payments 1 July - 19 September (2006)*, p 2.

receive Family Tax Benefit Part A as a fortnightly payment through Centrelink.<sup>27</sup>

- 2.28 Since its introduction in 2000, adjustment to the income limits and taper rates of Family Tax Benefit Part A have meant that middle income earners are also eligible to receive it. From 1 July 2004, the maximum taper rate on the payment was lowered from 30 per cent to 20 per cent. In the 2006-07 Budget, the income threshold at which a family could receive the maximum payment was increased from \$33,361 to \$40,000. This measure was expected to increase the entitlement of almost half a million families.<sup>28</sup>
- 2.29 The Department of Families, Community Services and Indigenous Affairs reports that in 2004-05, the average recipient of Family Tax Benefit Part A received \$190 per fortnight, or \$4,960 a year. The average estimated taxable income for couples receiving Family Tax Benefit Part A was \$56,853; and for single parents it was \$41,304.<sup>29</sup>

## Family Tax Benefit Part B

- 2.30 Family Tax Benefit Part B was also introduced in 2000. It replaced the former Family Tax Initiative Part B, Basic Parenting Payment, Guardian Allowance, Sole Parent Rebate and Dependent Spouse Rebate (with children).<sup>30</sup>
- 2.31 Family Tax Benefit Part B provides extra assistance to sole parent families and to families with one main income, where one parent chooses to stay at home to balance a small amount of paid work with caring for their children.<sup>31</sup> It is paid to families with children aged

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27 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07* (2006), p 134.

28 Hon P Costello MP, Treasurer, 'Continuing personal tax reform', Ministerial Statement (2006), Budget 2006-07, viewed on 2 September 2006 at <http://www.budget.gov.au/2006-07/ministerial/html/treasury-04.htm>.

29 Department of Family and Community Services, *Annual report 2004-05* (2005), p 88. Figures apply to couples and single parent families not in receipt of any other income support payments, so they do not reflect the 449,000 single parents on Parenting Payment Single.

30 Department of Family and Community Services, 'Taxation, social security and family assistance for 2000-01' (2000), research fact sheet no 13, viewed on 8 September 2006 at [http://www.facs.gov.au/internet/facsinternet.nsf/VIA/ResFaCSsheets/\\$File/FacsSheet13.pdf](http://www.facs.gov.au/internet/facsinternet.nsf/VIA/ResFaCSsheets/$File/FacsSheet13.pdf).

31 Family Assistance Office, 'Family Tax Benefit Part B Fact Sheet', viewed on 28 August 2006 at <http://www.familyassist.gov.au/Internet/FAO/FAO1.nsf/content/publications-factsheets-ftbb.htm>.

under 16 or with children aged 16 to 18 who are studying full time. It is paid to approximately 592,000 sole parents and 364,000 couples, and is tax-free.<sup>32</sup>

- 2.32 Family Tax Benefit Part B is only partially means tested. The income of the family's second earner is taken into account, but not the primary earner. Sole parents, therefore, do not have to pass an income test, and receive the maximum rate automatically. In couple families, the primary earner's (most often, the father's) income is not taken into account.
- 2.33 The second earner receives the maximum rate of Family Tax Benefit Part B until their income reaches \$4,234 a year. Maximum payment rates are outlined in table 2.2, below.

Table 2.2 Maximum rates of payment of Family Tax Benefit Part B

Age of youngest child	Per fortnight	Per year
Under 5 years	\$120.96	\$3,153.60
5-15 years (or 16-18 years if a full time student)	\$ 84.28	\$2,197.30

Source: Family Assistance Office, 'Family Tax Benefit Part B Fact Sheet', viewed on 28 August 2006 at <http://www.familyassist.gov.au/Internet/FAO/FAO1.nsf/content/publications-factsheets-ftbb.htm>.

- 2.34 Once the secondary earner's annual income surpasses \$4,234, payments are reduced by 20 cents for every extra dollar of income. Family Tax Benefit Part B cuts out altogether when the recipient's income reaches \$21,572 (if the youngest child is under five years of age), or \$16,790 (if the youngest child is between five and 18 years of age).<sup>33</sup>
- 2.35 Family Tax Benefit Part B can be paid either fortnightly, as an annual lump sum, or as a reduction in tax. Like Family Tax Benefit Part A, it includes a supplement, which is available after the end of the financial year when family assistance payments are reconciled.<sup>34</sup> In 2004-05,

32 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07* (2006), p 135.

33 Family Assistance Office, 'Family Tax Benefit Part B Fact Sheet', viewed on 28 August 2006 at <http://www.familyassist.gov.au/Internet/FAO/FAO1.nsf/content/publications-factsheets-ftbb.htm>.

34 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07* (2006), p 130.

Family Tax Benefit Part B recipients received an average of \$81 a fortnight, or \$2,105 a year.<sup>35</sup>

## Parenting Payment

2.36 Parenting Payment is a means-tested payment designed to assist low income families with the costs of raising children. It is paid to:

- eligible single parents with a child aged eight years and under; and
- partnered parents who have primary care of a child six years and under.<sup>36</sup>

For parents who are separated or divorced, the amount they receive will be subject to their income, maintenance received from their former partner, and their new partner's income, if applicable.<sup>37</sup>

2.37 The maximum rate of Parenting Payment for a partnered parent is \$370.50 per fortnight, or \$9,633 a year.

2.38 For a single parent, the maximum rate is \$499.70 per fortnight, or \$12,992.20 a year.<sup>38</sup>

2.39 Parenting Payment is subject to both an income and an assets test. These are different for single and partnered parents.

2.40 For maximum payment to a partnered parent, where his or her partner does not get a pension, the recipient's income must be no more than \$62 per fortnight, and their partner's income must be no more than \$711 per fortnight. The recipient's income reduces the payment by 50 cents for each dollar between \$62 and \$250, and by 60 cents for each dollar above \$250 per fortnight. The partner's income up to \$711 per fortnight has no effect. Income over this limit reduces the rate by 60 cents for each extra dollar. Partnered parents must also pass an assets test.

2.41 The income and assets tests for single parents are the same as for some other income support payments, including Age Pension and Carer Payment. They are detailed below in tables 2.3 to 2.5.

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35 Department of Family and Community Services, *Annual report 2004-05* (2005), p 88.

36 Centrelink website, viewed on 31 August 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/payments/qual\\_how\\_pp.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_pp.htm).

37 Centrelink and the Family Assistance Office, *Are you separated or divorced? A guide to your options and our services* (2006), p 15.

38 Centrelink website, viewed on 15 September 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/payments/pay\\_how\\_pp.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/pay_how_pp.htm).

Table 2.3 Income test for Parenting Payment

Family situation	For full payment (per fortnight)	For part payment (per fortnight)
Single	Up to \$128 (or \$3328 per year)	Less than \$1,392 (or \$36,185 per year)
Single + one child	Up to \$152.60 (or \$3968 per year)	Less than \$1,416 (or \$36,825 per year)
Partnered (combined)	Up to \$228 (or \$5928 per year)	Less than \$2,328 (or \$60,541 per year)
Additional children	Add \$25 per child (or \$640 per year)	

Source: Centrelink, 'Disability and Carer Payment Rates 1 July – 19 September 2006' (2006), Fact Sheet, viewed 8 September 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031\\_0607/\\$file/co031\\_0607en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/$file/co031_0607en.pdf). Thresholds have been rounded to the nearest dollar.

Table 2.4 Assets test for homeowners claiming Parenting Payment

Family situation	For full payment	For part payment
Single	Up to \$161,500	Less than \$330,000
Partnered (combined)	Up to \$229,000	Less than \$509,500
One partner eligible (combined)	Up to \$229,000	Less than \$509,500

Source: Centrelink, 'Disability and Carer Payment Rates 1 July – 19 September 2006' (2006), Fact Sheet, viewed 8 September 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031\\_0607/\\$file/co031\\_0607en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/$file/co031_0607en.pdf).

Table 2.5 Assets test for non-homeowners claiming Parenting Payment

Family situation	For full payment	For part payment
Single	Up to \$278,500	Less than \$447,000
Partnered (combined)	Up to \$346,000	Less than \$626,500
One partner eligible (combined)	Up to \$346,000	Less than \$626,500

Source: Centrelink, 'Disability and Carer Payment Rates 1 July – 19 September 2006' (2006), Fact Sheet, viewed 8 September 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031\\_0607/\\$file/co031\\_0607en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/$file/co031_0607en.pdf).

2.42 In 2004–05, Parenting Payment became an administrative responsibility of the Department of Employment and Workplace Relations, following the transfer of responsibility for working age income support payments from the Department of Family and Community Services.<sup>39</sup>

<sup>39</sup> Department of Employment and Workplace Relations, *Annual report 2004-05* (2005), p 183.

## Payments for specific circumstances

### Maternity Payment

- 2.43 Maternity Payment, or the 'baby bonus' as it is commonly referred to, was introduced as part of the *More Help for Families* package announced in the 2004–05 Budget. From 1 July 2004, it replaced the Maternity Allowance and the first incarnation of the Baby Bonus tax offset, which effectively allowed stay at home mothers to claim back the tax paid on their income in the year prior to birth.<sup>40</sup>
- 2.44 Maternity Payment is a universal lump sum payment of \$4,000 that recognises the relationship between a mother and her newborn baby and the extra costs associated with the birth or adoption of a baby.<sup>41</sup> It is due to rise to \$5,000 by July 2008, and is indexed each year in line with the Consumer Price Index (CPI). It is paid regardless of the labour market decisions of the mother. Unlike the original Baby Bonus tax offset, stay at home and working mothers receive the same payment.
- 2.45 In 2004–05, the first year the Maternity Payment was available, there were 235,371 recipients.<sup>42</sup> In 2005–06 this number jumped to 268,667, reflecting an increasing birth rate and the fact some parents may have failed to claim the bonus in the previous year.<sup>43</sup>
- 2.46 There are fears that the bonus encourages teenagers to have children. In 2005–06, only 4,800 teenagers or 1.8 per cent of recipients were teenage mothers.<sup>44</sup> It was recently announced that recipients of Maternity Payment under the age of 18 will receive their payment in fortnightly installments to address community concerns about the vulnerability of younger mothers.<sup>45</sup>

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40 Hodgson H, 'A Historical analysis of family payments in Australia: Are they fair or simple?' *Journal of the Australasian Tax Teachers Association* (2005), no 5, p 333.

41 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07* (2006), p 130.

42 Department of Family and Community Services, *Annual report 2004-05* (2005), p 91.

43 McKinnon M and Pirani C, 'Baby bonus boosts birth rate in a year', *The Weekend Australian*, 16 September 2006, p 2.

44 McKinnon M and Pirani C, 'Baby bonus boosts birthrate in a year', *The Weekend Australian*, 16 September 2006, p 2.

45 Hon M Brough MP, Minister for Families, Community Services and Indigenous Affairs, 'Changes to Baby Bonus for under 18 year olds', media release, 12 November 2006.



### Multiple Birth Allowance

- 2.47 Multiple Birth Allowance is a payment to assist parents who have three or more children in the same birth. It is added to Family Tax Benefit payments until the children reach the age of six.
- 2.48 The payment is \$3,076.95 per year for triplets, and \$4,102.60 per year for quadruplets or more.<sup>46</sup>

### Maternity Immunisation Allowance

- 2.49 Maternity Immunisation Allowance is a one-off lump sum payment of \$222.30. It is paid to parents of all children aged 18-24 months who have been fully immunised. In 2004-05, it was paid to 200,343 recipients.<sup>47</sup> In accordance with this committee's recommendation, this allowance is now also paid to parents of children adopted from overseas.<sup>48</sup>

### Large Family Supplement

- 2.50 The Large Family Supplement is paid to all families with three children or more for whom Family Tax Benefit is paid. Historically, it has been paid to families with four children or more, but in the 2006-07 Budget the threshold was reduced to three children. These changes reflect the shrinking size of the average Australian family.
- 2.51 The payment is worth \$9.80 per fortnight, or \$255.50 per year, for each child after the second. It is paid as a supplement to Family Tax Benefit Part A and is tax-free.

### Employment entry payment

- 2.52 While not specifically a family or carer payment, Employment Entry Payment is a lump sum paid to eligible people designed to help cover the associated costs of returning to work. It may be applicable to

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46 Family Assistance Office website, viewed on 29 August 2006 at [http://www.familyassist.gov.au/Internet/FAO/fao1.nsf/content/payments-multiple\\_birth](http://www.familyassist.gov.au/Internet/FAO/fao1.nsf/content/payments-multiple_birth).

47 Department of Family and Community Services, *Annual report 2004-05* (2005), p 91.

48 House of Representatives Standing Committee on Family and Human Services, *Inquiry into overseas adoption in Australia* (2005), p xix.

parents and others affected by policy initiatives to help people move from welfare to work.<sup>49</sup>

- 2.53 To be eligible, claimants must receive, or have been in receipt of, a qualifying payment including Disability Support Pension, Carer Payment, Newstart Allowance, or Parenting Payment.<sup>50</sup>
- 2.54 Those who have been in receipt of Disability Support Pension receive a one-off payment of \$312. Those who have been in receipt of Carer Payment, Parenting Payment or Newstart Allowance (as a principal carer of dependent children) receive a one-off payment of \$104.<sup>51</sup>
- 2.55 In 2004-05, 119,171 occurrences of Employment Entry Payment were paid.<sup>52</sup>

## Payments to help with the cost of child care

- 2.56 The *Child Care Act 1972* marked the beginning of the government's financial involvement in child care.<sup>53</sup> It was designed to reflect 'the government's recognition of the rapidly increasing proportion of married women in the labour force and the consequences of this phenomenon for the care of their children'.<sup>54</sup> The Act provided funding in the form of capital and recurrent grants to non-profit organisations operating centre-based day care facilities.
- 2.57 Over the last three decades, the focus of government child care assistance has shifted from capital grants and operational subsidies to fee relief paid directly to parents.<sup>55</sup> In 1984, child care fee relief was introduced for parents using not-for-profit day care centres, and this was extended in 1990 to include commercial centres. In 1994, this was replaced by the Child Care Cash Rebate, a direct payment designed to

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49 Australian Government, *Moving into Work* website, viewed 5 September 2006 at <http://www.movingintowork.gov.au/movingintowork/Support/ParentingPayment.htm>.

50 Centrelink website, viewed 5 September 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/payments/qual\\_how\\_eep.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_eep.htm).

51 Centrelink website, viewed 5 September 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/payments/pay\\_how\\_eep.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/pay_how_eep.htm).

52 Department of Employment and Workplace Relations, correspondence, 22 September 2006.

53 Parliamentary Library E-Brief, 'Commonwealth support for child care' (2002), p 1.

54 Senate *Hansard*, 25 October 1972, pp 1908-09; cited in Senate Community Affairs Reference Committee, *Report on child care funding* (1998), p 9.

55 Senate Community Affairs Reference Committee, *Report on child care funding* (1998), pp 15, 18.

help parents with fees for work-related child care.<sup>56</sup> The rebate was not means-tested, because, as the then Minister for Family Services stated, child care was:

...no longer a welfare issue. It is an economic issue and is now an integral part of the government's approach to building a highly skilled and adaptable workforce.<sup>57</sup>

- 2.58 The Child Care Cash Rebate was the first time that higher income earners were recognised as having legitimate and equal entitlement to child care assistance, as they were paying more tax dollars and were amongst those 'highly skilled and adaptable' workers so valuable to government.<sup>58</sup>
- 2.59 Today, there are two main payments to assist families with the cost of child care, acknowledging both a need for equity of access to child care for low income earners, and a need to acknowledge other working families paying child care in order to participate in paid work. The Child Care Benefit was introduced in 2000. The Child Care Tax Rebate was introduced in 2004 to provide further assistance to parents dealing with rising child care costs, and to parents who qualify for only a very small amount of Child Care Benefit.
- 2.60 The Australian Government report on the Child Care Workforce Think Tank (2003) said that:
- Child care has emerged as an important platform in policy agendas and frameworks. Increasingly, quality child care is identified as an important element of welfare reform, of work and family policies, of family support, and of early intervention strategies.<sup>59</sup>
- 2.61 As a result, government expenditure on child care support has been rising steadily. In 1992-93, for example, a total of \$546 million was spent by the Australian Government on child care.<sup>60</sup> In 2004-05, it

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56 Hodgson H, 'A historical analysis of family payments in Australia: Are they fair or simple?' *Journal of the Australasian Tax Teachers Association* (2005), no 5, p 332.

57 Sen the Hon Crowley, Minister for Family Services and Minister Assisting the Prime Minister for the Status of Women, Senate *Hansard*, second reading speech on the Child Care Rebate Bill 1993, 26 October 1993, p 2513.

58 Sen the Hon Crowley, Minister for Family Services and Minister Assisting the Prime Minister for the Status of Women, Senate *Hansard*, second reading speech on the Child Care Rebate Bill 1993, 26 October 1993, p 2513.

59 Department of Family and Community Services, *Australian Government report on the April 2003 Child Care Workforce Think Tank* (2003), p 3.

60 Parliamentary Library E-Brief, 'Commonwealth support for child care' (2002), p 7.

spent \$1.89 billion on children's services, including \$1.47 billion, or 77.8 per cent, on financial support to families through fee assistance.<sup>61</sup>

- 2.62 In addition to expenditure by the Commonwealth, state, territory and local governments also expend substantial sums for preschool services, operational subsidies for community-based care, and child care licensing. In 2004-05, state and territory government expenditure on children's services was approximately \$600.3 million. Around 83.8 per cent, or \$503.2 million, accounted for the provision of preschool services.<sup>62</sup>

### Child Care Benefit

- 2.63 The Child Care Benefit is a means-tested payment that helps families to balance their work and parenting roles by assisting with the cost of child care.<sup>63</sup>
- 2.64 Child Care Benefit is a payment of between \$0.497 and \$2.96 per child per hour, depending on the parents' income, the type of care used, and the ages of the children. The rates paid for school-aged children are 85 per cent of those paid for non school-aged children.
- 2.65 Child Care Benefit can be paid in three ways:
- directly to child care centres, and passed on to parents through fee reductions; or
  - as a lump sum to parents at the end of the financial year; or
  - as a payment at the minimum rate, with any remaining entitlement assessed at the end of the financial year.<sup>64</sup>
- 2.66 Child Care Benefit is paid for approved or registered child care, although the assistance is more generous for approved care.
- 2.67 Child Care Benefit for approved care is paid to parents who are not working up to a limit of 24 hours per week. In order for parents to

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61 Productivity Commission, *Report on government services* (2006), vol II: Health, Community Services and Housing, p 14.7.

62 Productivity Commission, *Report on government services* (2006), vol II: Health, Community Services and Housing, pp 14.7-14.8.

63 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07* (2006), p 122.

64 Family Assistance Office, 'Child Care Benefit Fact Sheet', viewed on 28 August 2007 at <http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/publications-factsheets-ccb.htm>.

claim over 24 child care hours, up to limit of 50 hours, they must be in work, study or training for at least 15 hours per week.

- 2.68 Child Care Benefit for registered care is only available for work-related care.<sup>65</sup>
- 2.69 In 2004-05, 561,000 families received Child Care Benefit. Of those, an overwhelming majority (542,000) were using approved child care and receiving Child Care Benefit as a reduction in fees from their child care centre or family day care.<sup>66</sup>

### Child Care Benefit for approved care

- 2.70 Approved child care is care offered by a service provider that participates satisfactorily in the Australian Government funded quality assurance system, and has been approved to receive Child Care Benefit payments on behalf of eligible families. Approved child care providers include:
- long day care centres;
  - some family day care schemes (in which a small group of children are cared for in the home of the carer);
  - some before and after school care;
  - some vacation care;
  - some occasional care; and
  - in-home care provided under the Australian Government's In-Home Care program for families in special circumstances.<sup>67</sup>
- 2.71 Excepting the recently introduced In-Home Care program, and to a lesser extent, family day care schemes, approved care is group care for children in centre-based settings.
- 2.72 The obligations of approved child care services are set out in section 219A of *A New Tax System (Family Assistance) (Administration) Act 1999* (the Family Assistance Administration Act).<sup>68</sup>

65 Centrelink, *A guide to Australian Government payments 1 July - 19 September* (2006), p 5.

66 Department of Family and Community Services, *Annual report 2004-05* (2005), p 117.

67 Family Assistance Office, 'Child Care Benefit Fact Sheet', viewed on 15 November 2006 at <http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/publications-factsheets-ccb.htm>. Further information on the In-Home Care program is provided in chapter six.

68 Centrelink website, viewed on 11 May 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/payments/qual\\_how\\_ccb.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_ccb.htm).

- 2.73 Families with annual incomes of \$34,310 or less, using approved child care, receive the maximum rate of \$2.96 per hour per child, or \$148.00 for a 50 hour week.<sup>69</sup> The Department of Families, Community Services and Indigenous Affairs estimates that 35 per cent of Child Care Benefit recipients, or around 200,935 families, receive the maximum rate of payment.<sup>70</sup>
- 2.74 The rate of Child Care Benefit reduces until the annual family income reaches the thresholds in table 2.6. Thereafter, families receive the minimum rate of \$0.497 per hour for each child, or \$24.85 for a 50 hour week.<sup>71</sup>

Table 2.6 Income limit beyond which only the minimum rate of Child Care Benefit is paid, for families using approved child care

Number of children in care	Annual family income
1	\$98,348
2	\$106,629
3	\$121,130 plus \$20,221 for each extra child in care

Source: Family Assistance Office, *Child Care Benefit Fact Sheet*, viewed on 28 August 2007 at <http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/publications-factsheets-ccb.htm>.

- 2.75 Grandparents may be eligible to access up to 50 hours per week of Child Care Benefit for each child in approved child care. The Child Care Benefit work, training and study test is waived for eligible grandparents who have primary care of their grandchildren.
- 2.76 Eligible grandparents who have primary care of their grandchildren and are in receipt of an income support payment, such as a pension from Centrelink, may receive Grandparent Child Care Benefit. Grandparent Child Care Benefit will cover the full cost of child care for up to 50 hours per child, per week.<sup>72</sup>

69 Centrelink, *A guide to Australian Government payments 1 July - 19 September (2006)*, p 5.

70 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07 (2006)*, p 140.

71 Family Assistance Office, 'Child Care Benefit Fact Sheet', viewed on 28 August 2007 at <http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/publications-factsheets-ccb.htm>.

72 Centrelink website, viewed on 30 October 2006, at [http://www.centrelink.gov.au/internet/internet.nsf/individuals/pg\\_grandparents\\_faqs.htm](http://www.centrelink.gov.au/internet/internet.nsf/individuals/pg_grandparents_faqs.htm).

## Child Care Benefit for registered care

2.77 Individual care that takes place in the child's own home or the carer's home is generally classified as registered care. Registered care includes:

- some family day care schemes;
- some private preschools and kindergartens;
- some outside school hours care services;
- some vacation care; and
- some occasional care centres,

where these providers do not do not participate in the Australian Government's quality assurance program.<sup>73</sup>

Registered care also includes care provided by grandparents, relatives, friends or in-home carers (nannies) that are registered with the Family Assistance Office.

2.78 Registered care is not means-tested, because families using registered care are entitled only to a flat minimum rate of Child Care Benefit. This is currently \$0.497 per hour per child, or \$24.85 for a 50 hour week.<sup>74</sup> This is the equivalent of a postage stamp for each hour of care.

## Jobs Education and Training (JET) Child Care Fee Assistance

2.79 The JET Child Care Fee Assistance program has existed in different guises since 1989. It provides eligible parents with extra help with the cost of approved child care while they are undertaking activities such as job search, work, study or rehabilitation to help them enter or re-enter the workforce.<sup>75</sup>

2.80 To be eligible for Jet Child Care Fee Assistance, parents must be already receiving one of the following Centrelink payments:

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73 Family Assistance Office, 'Child Care Benefit Fact Sheet', viewed on 15 November 2006 at <http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/publications-factsheets-ccb.htm>.

74 Centrelink website, viewed on 11 May 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/payments/qual\\_how\\_ccb.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_ccb.htm).

75 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07* (2006), p 132.

- Newstart Allowance;
  - Parenting Payment;
  - Widow Allowance;
  - Partner Allowance;
  - CDEP Participant Supplement;
  - Youth Allowance (for jobseekers);
  - Widow B Pension;
  - Carer Payment;
  - Means tested ABSTUDY payment; or
  - Special Benefit (in certain circumstances).<sup>76</sup>
- 2.81 Parents must also be receiving Child Care Benefit at the maximum rate. That is, they must have an annual family income of \$34,310 or less, and use approved child care.
- 2.82 For child care provided while parents undertake jobs, education and training activities, the combination of Child Care Benefit and JET fee assistance reduces their fee to 10 cents per hour per child, up to their weekly limit of eligible hours.
- 2.83 In the year 2005-06, the JET Child Care Fee Assistance program assisted over 18,000 parents and nearly 29,000 children.<sup>77</sup> The 2006-07 Budget included additional funding, anticipating an increase in claims from parents subject to new participation requirements under Welfare to Work. The Department of Families, Community Services and Indigenous Affairs estimates that around 33,700 parents will be assisted by the JET Child Care Fee Assistance program in 2006-07.<sup>78</sup>
- 2.84 JET Child Care Fee Assistance is available for a limited amount of time depending of what type of activity the parent is doing, as outlined below in table 2.7:

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76 Family Assistance Office website, viewed on 29 August 2006 at [http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/payments-jobs\\_education\\_and\\_training\\_child\\_care-jet\\_child\\_care.htm](http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/payments-jobs_education_and_training_child_care-jet_child_care.htm). Some of these payments, such as the Widow B pension, were discontinued some time ago and are not available for new claimants.

77 Department of Families, Community Services and Indigenous Affairs, correspondence, 9 August 2006.

78 Department of Families, Community Services and Indigenous Affairs, correspondence, 9 August 2006.



Table 2.7 Activities and time limits for which JET Child Care Fee Assistance will be paid

Activity	Time limit
Job search	20 days in 20 week
Paid and unpaid work	The initial 26 weeks of a job
Study or training	Courses of up to 12 months full time duration, or the equivalent part time duration.
Participation in a labour market program	Up to 12 months, but may be extended
Participation in the Personal Support Program	Up to 12 months, but may be extended
Participation in a government-funded rehabilitation program	Up to 12 months, but may be extended

Source: Family Assistance Office website, viewed on 29 August 2006 at [http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/payments-jobs\\_education\\_and\\_training\\_child\\_care-jet\\_child\\_care.htm](http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/payments-jobs_education_and_training_child_care-jet_child_care.htm).

2.85 These time limits were introduced as of 1 July 2006. Previously, there was no restriction on the duration of the course for those participants undertaking study or training, other than that it had to be completed within eight years.<sup>79</sup>

## Payments for carers and those who need care

### Carer Payment

2.86 Carer Payment is an income support payment for people who cannot support themselves by working, because they are caring for a child or adult with a physical, intellectual or psychiatric disability. The carer need not be living with the person they care for, but they must be providing constant care.

2.87 Carer Payment cannot be claimed by someone who is already receiving another income support payment, such as the Age Pension, Newstart Allowance or Parenting Payment.

2.88 The maximum rate of Carer Payment for a single person is \$499.70 per fortnight, or \$12,992.20 per year. For a partnered person, the maximum rate is \$417.20 per fortnight, or \$10,847.20 per year.<sup>80</sup> Carer Payment is adjusted twice a year in line with CPI.

<sup>79</sup> Department of Families, Community Services and Indigenous Affairs, correspondence, 9 August 2006.

<sup>80</sup> Centrelink, 'Disability and Carer Payment Rates 1 July - 19 September 2006' (2006), fact sheet, viewed on 8 September 2006 at

- 2.89 Payment is, however, means-tested, both for the carer *and* the person being cared for. Generally, the person being cared for must receive a social security income support or a service pension.<sup>81</sup> Carers are assessed under both an income and assets test, and the test that results in the lower rate (or nil rate) will apply. The income and asset tests are the same as those for the Parenting Payment, which are detailed in tables 2.3 - 2.5.
- 2.90 In 2004-05, there were 95,446 recipients of Carer Payment. Only 13 per cent of these reported private income from employment. Amongst those who did, their average amount of income before the Carer Payment was \$448 per fortnight.<sup>82</sup>
- 2.91 The number of recipients for Carer Payment has been increasing, by 11 per cent in 2003-04 and 14 per cent in 2004-05. The Department of Families, Community Services and Indigenous Affairs attributes this to:
- an ageing population;
  - the increase in the number of people with disabilities being cared for at home; and
  - better public awareness of the payment.<sup>83</sup>
- 2.92 In the 2006-07 Federal Budget, the Australian Government announced a one-off lump sum Carer Bonus. Carers in receipt of Carer Payment received a payment of \$1,000.<sup>84</sup>

## Carer Allowance

- 2.93 Carer Allowance is a supplementary payment for parents or carers who provide daily care and attention to a child or adult with a disability or severe medical condition, or for an adult who is frail aged. Carer Allowance (child or adult) may be paid on top of Carer

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[http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031\\_0607/\\$file/co031\\_0607en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/$file/co031_0607en.pdf).

81 Centrelink, 'Disability and Carer Payment Rates 1 July - 19 September 2006' (2006), fact sheet, viewed on 8 September 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031\\_0607/\\$file/co031\\_0607en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/$file/co031_0607en.pdf).

82 Department of Family and Community Services, *Annual report 2004-05* (2005), p 212.

83 Department of Family and Community Services, *Annual report 2004-05* (2005), p 212.

84 Hon M Brough MP, Minister for Families, Community Services and Indigenous Affairs, 'Massive boost to support for Australian families', media release, 9 May 2006.

Payment or other payments, such as Age Pension. Carers must live in the same home as the child or adult they are caring for.

- 2.94 Carer Allowance is not means tested. It is currently paid at \$94.70 per fortnight, the equivalent of \$2,462 per year, and is indexed annually.
- 2.95 In 2004-05, there were 233,332 recipients of Carer Allowance (adult), and 102,535 recipients of Carer Allowance (child).<sup>85</sup>
- 2.96 In the 2006-07 Federal Budget, the Australian Government announced a one-off lump sum Carer Bonus. Carers in receipt of Carer Allowance received a payment of \$600 for each eligible care receiver.<sup>86</sup>

### Disability Support Pension

- 2.97 The Disability Support Pension is a payment for people whose physical, intellectual or psychiatric impairment prevents them from working, or for people who are permanently blind. Recipients must be aged 16 or over, but under Age Pension age. They must be assessed as being unable to work for at least the next two years as a result of their impairment.
- 2.98 Disability Support Pension is subject to an income and assets test, except for recipients who are permanently blind.<sup>87</sup> The income and asset thresholds, as well as the maximum rates of Disability Support Pension are the same as for Carer Payment, above.
- 2.99 A single person on the maximum rate of Disability Support Pension receives \$499.70 per fortnight, or \$12,992.20 per year.
- 2.100 For a partnered person, the maximum rate is \$417.20 per fortnight, or \$10,847.20 per year.<sup>88</sup>
- 2.101 Payment is reduced for people under the age of 21 with no dependent children, and may be affected by whether or not a person is living at home.

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85 Department of Family and Community Services, *Annual report 2004-05* (2005), p 211.

86 Hon M Brough MP, Minister for Families, Community Services and Indigenous Affairs, 'Massive boost to support for Australian families', media release, 9 May 2006.

87 Centrelink, 'Disability and Carer Payment Rates 1 July - 19 September 2006' (2006), fact sheet, viewed on 8 September 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031\\_0607/\\$file/co031\\_0607en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/$file/co031_0607en.pdf).

88 Centrelink, 'Disability and Carer Payment Rates 1 July - 19 September 2006' (2006), fact sheet, viewed on 8 September 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031\\_0607/\\$file/co031\\_0607en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/$file/co031_0607en.pdf).

- 2.102 In 2005-06 there were 712,163 recipients of Disability Support Pension, and 58.4 per cent were male.<sup>89</sup> The number of beneficiaries on Disability Support Pension has been steadily increasing since the mid-1980s, although the rate of increase is now slowing. The three largest categories of disability for recipients are muscular-skeletal and connective tissue conditions, psychological and psychiatric conditions, and intellectual and learning conditions.<sup>90</sup>

## Payments for the elderly

### Age Pension

- 2.103 Australia introduced the age pension in 1908, and while the terms of the means test have changed over the years, it remains essentially intact. It has, as the Parliamentary Library describes, 'retained its character as a modest benefit provided on the basis of need', despite the changing retirement landscape brought about by compulsory superannuation contributions.<sup>91</sup>
- 2.104 Age Pension is paid to ensure relief from poverty from those of pensionable age. It is paid subject to an income and assets test. Men qualify for Age Pension at 65 years of age. Depending on their date of birth, women qualify for Age Pension at different ages. By 2014, the minimum qualifying age for women will be 65 years, making it the same for everyone.<sup>92</sup>
- 2.105 The income and asset thresholds, as well as the maximum rates of Age Pension, are the same as for Carer Payment and Disability Support Pension (see tables 2.3 - 2.5 above).
- 2.106 A single person receives \$499.70 per fortnight, or \$12,992.20 per year. For a partnered person, the basic rate is \$417.20 per fortnight, or \$10,847.20 per year.<sup>93</sup>

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89 Department of Employment and Workplace Relations, *Annual report 2005-06* (2006), p 31.

90 Department of Employment and Workplace Relations, *Annual report 2005-06* (2006), pp 27, 31.

91 The Treasury, 'Towards higher retirement incomes for Australians: A history of the Australian retirement income system since Federation', *Economic roundup* (2001), Centenary edition, pp 65-92.

92 Centrelink website, viewed on 5 September 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/payments/qual\\_how\\_agepens.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_agepens.htm).

93 Centrelink website, viewed on 5 September 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/payments/pay\\_how\\_agepens.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/pay_how_agepens.htm).

- 2.107 The pension still represents a large proportion of retirement income in Australia, although the number of people who rely on Age Pension as their primary source of retirement income is declining, due to increased superannuation and investment income. Between 1997-98 and 2002-03, the proportion of retirees who depended principally on the pension for income fell from 73.4 per cent to 69.1 per cent.<sup>94</sup>
- 2.108 In June 2005, around 66 per cent of the pension-aged population, or 1.9 million people, were receiving Age Pension.<sup>95</sup> Of the recipients, 59.1 per cent were women, reflecting women's lower accumulated superannuation and investment incomes and the fact that they live longer than men.<sup>96</sup>

### Home and Community Care

- 2.109 The Government provides funding for organisations to provide a range of services to help frail aged people and people with a disability to live independently in their own homes for as long as possible. Some of this funding is also available to support carers, for example, in the provision of respite care.
- 2.110 The largest community care program is the Home and Community Care (HACC) program which is a joint Australian Government and State and Territory program.<sup>97</sup> The Commonwealth funds 60 per cent of program costs.<sup>98</sup> In Victoria, there is a financial contribution by local government as well.
- 2.111 The type of services funded through the Home and Community Care Program include, but are not limited to:
- nursing care;
  - allied health care;
  - meals and other food services;
  - domestic assistance;

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94 Department of Families, Community Services and Indigenous Affairs, *Annual report 2004-05* (2005), p 223.

95 Department of Families, Community Services and Indigenous Affairs, *Annual report 2004-05* (2005), p 225.

96 Department of Families, Community Services and Indigenous Affairs, *Annual report 2004-05* (2005), p 226.

97 Department of Health and Ageing, *Portfolio Budget Statements 2006-07*, p 88.

98 Department of Health and Ageing website, 'Home and Community Care Program: Overview', viewed on 11 November 2006 at <http://www.health.gov.au/internet/wcms/publishing.nsf/Content/hacc-index.htm>.

- personal care;
- home modification and maintenance;
- transport;
- respite care;
- counselling, support, information and advocacy; and
- assessment.<sup>99</sup>

2.112 In 2003-04, there were over 700,000 care recipients of Home and Community Care services. Available data for the first three quarters of 2004-05 indicate a growth in the number of clients of 6 per cent for the full year.<sup>100</sup>

## Other payments for families and carers

- 2.113 Families and carers may be eligible for other forms of assistance, depending on their circumstances. For example:
- Rent Assistance assists with paying rent in private housing;
  - Telephone Allowance assists with the cost of renting a domestic telephone line or a mobile phone; and
  - Pharmaceutical Allowance provides extra assistance with the cost of prescription medicines.
- 2.114 Health Care cards entitle the holder to a concessional rate for medicines covered by the Pharmaceutical Benefits Scheme as well as health, household, transport, education and recreation concessions. They are automatically issued to families who receive the maximum rate of Family Tax Benefit Part A.<sup>101</sup>

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99 Department of Health and Ageing website, viewed on 21 September 2006 at <http://www.health.gov.au/internet/wcms/publishing.nsf/Content/hacc-index.htm-copy5>.

100 Department of Health and Ageing, *Annual report 2004-05* (2005), p 112.

101 Families must also be receiving Family Tax Benefit Part A via fortnightly payments. Family Assistance Office website, viewed on 29 August 2006 at <http://www.familyassist.gov.au/Internet/FAO/fao1.nsf/content/payments-hcc>.

Table 2.8 Summary of major Australian Government payments to families and carers (where relevant, families assumed to have two children under the age of five)

<b>Payment, benefit or rebate</b>	<b>Maximum annual amount</b>	<b>Tax status</b>	<b>Means tested</b>	<b>Asset tested</b>
Age Pension	\$9,633, or \$12,992 for single retirees	Taxable payment	Yes	Yes
Family Tax Benefit A	\$8,636	Exempt payment	Yes	No
Disability support pension	\$10,847	Exempt payment	Yes	Yes
Parenting payment single	\$12,992	Taxable payment	Yes	Yes
Family Tax Benefit B	\$6,935	Exempt payment	Not for single parents, but for second earner in couple family	No
Child care benefit	\$15,392	Exempt payment	Yes	No
Carer payment	\$10,847	Exempt payment	Yes	Yes
Partnered parenting payment	\$9,633	Taxable payment	Yes	Yes
Maternity payment	\$4,000	Exempt payment	No	No
Carer allowance (adult)	\$2,462	Exempt payment	No	No
Carer allowance (child)	\$2,462	Exempt payment	No	No
Child care tax rebate	\$8,000	Tax rebate	No	No
JET Child Care Fee Assistance	Approved child care fees reduced so that customer pays only 10 cents per hour	Exempt payment	Yes	Yes
Employment Entry Payment	\$104	Exempt payment	Yes	Yes

Table 2.8 (cont'd)

Who receives it	When received	Number of recipients	Budget 2006-07 (\$ million)
Men aged 65 years and over; or women of various qualifying ages, who have retired	Fortnightly payment	1,915,000	22,095
Families with dependent children	Fortnightly or lump sum	2,312,500	12,347
People who have an illness, injury or disability, and have been assessed as being unable to work	Fortnightly payment	712,163	8,705
Parents who are single and are responsible for the care of a child under eight years	Fortnightly payment	449,000	4,880
Single parent families, and couple families with one main income earner	Fortnightly or lump sum	592,000 sole parents and 364,000 couples	4,127
Families who use approved or registered child care	Fortnightly, lump sum, or as reduction in child care fees	561,000	1,621
People who cannot support themselves while caring for a child or adult with a profound disability, a severe medical condition, or an adult who is frail aged	Fortnightly payment	95,500	1,311
Parents who are partnered and are responsible for the care of a child under six years	Fortnightly payment	167,000	1,294
Families with a newborn baby or a newly adopted child under the age of two	Once-off lump sum at the birth of a child	235,500	1,027
People caring for an adult with a disability or severe medical condition, or an adult who is frail aged at home	Fortnightly payment	233,500	708
People caring for a child with a disability or severe medical condition in their own home	Fortnightly payment	102,500	346
Families who use approved child care	Through tax return at end of financial year	Not available	280
Eligible parents who need extra help with the cost of approved child care while they are undertaking activities such as job search, work, study or rehabilitation to help them to enter or re-enter the workforce	As a reduction in child care fees paid to approved care provider	15,000	27
People starting employment who were previously on an income support payment	Once-off lump sum	81,500	Not available

Source: See Appendix F.



## Conclusion

- 2.115 Australia has a strong system of assistance for families, carers, and the aged, drawn together by payments and offsets provided through the tax and welfare systems.
- 2.116 In general, the committee supports the level of government assistance to families in Australia, and believes it contributes to an environment in which families are valued. Increased family payments have helped families.
- 2.117 The Access Economics report commissioned by the committee has highlighted that the policy focus on encouraging workforce participation is a necessary one, given the challenges of our ageing population.<sup>102</sup> Impending skills and labour challenges already being felt in the Australian economy, and there are looming expenditure increases in services to the aged and those with disabilities.
- 2.118 The committee also supports the introduction of Maternity Payment, or the 'baby bonus', in recognition that all women suffer a drop in income in pregnancy, birth and recovery. The early signs are that this payment has contributed to the first rise in fertility in several decades, as discussed further in chapter four.

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102 Access Economics, Appendix D.

## Family taxation

### Personal income taxation

- 3.1 Australia levies income tax on the basis of individual income, even though some modest offsets are available to recognise that income may be shared between family members.<sup>1</sup>
- 3.2 In 2003-04, the most recent figures available, Australian personal taxpayers paid over \$95 billion in income tax.<sup>2</sup> The most tax was paid by people in the peak income earning and peak reproductive ages, that is between 25 and 54.<sup>3</sup> Men continue to have higher taxable incomes than women, reflecting labour force participation patterns and the high incidence of women in part time work. In 2003-04, for example, the average taxable income for men was \$42,921, and the average taxable income for women was \$28,428.<sup>4</sup>
- 3.3 Tax rates for individuals for the 2006-07 income year are outlined in table 3.1. In tax cuts announced in the 2006-07 Budget, the highest marginal tax rate was reduced from 47 per cent to 45 per cent and the threshold for the that bracket rose from \$95,001 to \$150,001 on 1 July 2006.

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1 Dwyer T, 'The taxation of shared family incomes', *Perspectives on tax reform* (2004), no 2, Centre for Independent Studies Policy Monograph no 61, p 4.  
2 Australian Taxation Office, *Taxation statistics 2003-04* (2006), p 10.  
3 Australian Taxation Office, *Taxation statistics 2003-04* (2006), p 11.  
4 Australian Taxation Office, *Taxation statistics 2003-04* (2006), p 12.

Table 3.1 Personal income tax thresholds for 2006-07

Taxable income	Tax rate
\$1 – \$6,000	Nil
\$6,001 – \$25,000	15 cents for each \$1 over \$6,000
\$25,001– \$75,000	\$2,850 + 30 cents for each \$1 over \$25,000
\$75,001 – \$150,000	\$17,850 + 40 cents for each \$1 over \$75,000
\$150,000 and over	\$47,850 + 45 cents for each \$1 over \$150,000

Source: Australian Taxation Office website, viewed on 30 August 2006 at <http://www.ato.gov.au/individuals/content.asp?doc=/content/33969.htm&pc=001/002/031/005&mnu=1180&mfp=001/002&st=&cy=1>

## Taxation measures relevant to families and carers

- 3.4 Alongside the benefit payments system, the tax system is an important delivery method for family and carers' assistance.<sup>5</sup> Social tax expenditures by the Australian Government (the value of foregone tax revenue) in 2003-04 were estimated at \$20.6 billion. Of this, nearly three quarters of the expenditure was directed at older people. Seventeen and a half per cent was for families and children, and the remainder was for other social expenditures. Almost all of the estimated expenditure on families and children (86.5 per cent) was due to the exemption of Family Tax Benefit from income tax.<sup>6</sup>
- 3.5 The Treasury's *Tax expenditures statement* (2005) states that social security and welfare tax expenditures are estimated to increase within the reporting period of 2002-03 to 2008-09, as outlined below.<sup>7</sup>

5 Hill E, 'Howard's "choice": The ideology and politics of work and family policy 1996-2006', p 3, viewed on 8 August 2006 at <http://www.australianreview.net/digest/2006/02/hill.html>.

6 Australian Institute of Health and Welfare, *Welfare expenditure Australia 2003-04* (2006), Health and Welfare Expenditure Series no 27, Cat No HWE 34, pp 25-26. See Chapter 2, table 2.8 for a summary of which Government payments are taxable and which are exempt.

7 The Treasury defines tax expenditure as a tax concession that provides a benefit to a specified activity or class of taxpayer. A tax expenditure can be provided in many forms, including a tax exemption, tax deduction, tax offset, concessional tax rate or deferral of a tax liability. *Tax expenditures statement* (2005), p 2.

Table 3.2 Aggregate tax expenditures for the social security and welfare function

Estimates (\$m)		Projections (\$m)			
2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
22,962	23,909	25,444	26,845	28,597	30,313

Source: *The Treasury, Tax Expenditures Statement (2005)*, p 12.

## Child Care Tax Rebate

- 3.6 The Child Care Tax Rebate was announced in 2004 and applies to child care costs incurred since 1 July 2004. It is legislated in the *Income Tax Assessment Act 1997*.
- 3.7 To receive the rebate, families must already be eligible to receive the Child Care Benefit, and they must be using approved child care. The rebate is not available for fees for registered child care. This means that parents using some family day care, limited in-home carers (nannies), private preschools and some other types of care have the Child Care Benefit as their only form of assistance with child care costs.
- 3.8 Child Care Tax Rebate provides a 30 per cent tax rebate for out of pocket child care costs, up to a maximum of \$4000 per child per annum. Out of pocket expenses are total child care fees for approved care, less the Child Care Benefit entitlement. The \$4,000 cap will be indexed in line with CPI.<sup>8</sup>
- 3.9 The rebate reduces tax liability by up to \$4,000, and must be claimed in the tax return for the year after the child care expenses were paid. Taxpayers with insufficient tax liability to absorb the whole rebate do not receive a payment for the remaining amount of the rebate. They can, however, transfer any unused amount to their spouse.

## Tax offsets

- 3.10 Tax offsets, also known as tax rebates, directly reduce the amount of tax that a taxpayer must remit to the Australian Taxation Office. In contrast to a tax deduction, which is subtracted from a person's taxable income, tax offsets are subtracted from a person's tax liability.
- 3.11 This means that while the dollar value of a tax deduction will depend on the taxpayer's marginal income tax rate, the dollar value of a tax

<sup>8</sup> Parliamentary Library, *Bills Digest: Tax Laws Amendment (2005 Measures No. 4) Bill 2005*, no 22, 2005.

offset will be constant to taxpayers across all income ranges, except for those with insufficient tax liability to absorb the benefit.

- 3.12 In addition to the Child Care Tax Rebate, the government offers a range of tax offsets to give tax relief for personal circumstances. These are available to families and carers who have maintained their spouse or another family member in the previous financial year, or who have maintained a housekeeper for running a household and caring for dependants. They include:
- Dependent Spouse Tax Offset;
  - Dependent Parent or Spouse's Parent Tax Offset;
  - Invalid Relative Tax Offset;
  - Child-Housekeeper Tax Offset (for the taxpayer's dependent child, adopted child or stepchild who keeps house for him or her full time, in limited circumstances); and
  - Housekeeper Tax Offset (for a person who works full time keeping house for the taxpayer and caring for dependants, in limited circumstances).<sup>9</sup>
- 3.13 The maximum values of these offsets and their eligibility conditions are outlined below.
- 3.14 These offsets are not refundable; that is, they can only reduce a person's tax liability to zero.
- 3.15 In the year 2003-04, 337,914 taxpayers claimed a tax offset for a dependent spouse, for a value of \$396 million. In the same year, 13,508 taxpayers claimed a tax offset for a dependent parent, parent-in-law, or invalid relative, for a value of \$17 million.<sup>10</sup>

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9 Australian Taxation Office website, viewed on 6 September 2006 at [http://www.ato.gov.au/individuals/pathway.asp?pc=001/002/004&mfp=001/002&mnu=6557#001\\_002\\_004](http://www.ato.gov.au/individuals/pathway.asp?pc=001/002/004&mfp=001/002&mnu=6557#001_002_004).

10 Australian Taxation Office, *Taxation statistics 2003-04* (2006), p 19.

Table 3.3 Tax offsets for dependent family members and carers

	Maximum offset	Eligibility
Dependent Spouse Tax Offset	\$1,610	Dependant's separate net income cannot exceed \$282 per year; or \$6,721 for partial offset.  The taxpayer or the dependant must not be eligible for Family Tax Benefit Part B.
Dependent Parent or Spouse's Parent Tax Offset	\$1,448 for each dependant	Dependant's separate net income cannot exceed \$285 per year; or \$6,073 for partial offset.
Invalid Relative Tax Offset	\$725	Dependant's separate net income cannot exceed \$285 per year; or \$3,181 for partial offset.
Child-Housekeeper Tax Offset	\$1,610 (or \$1,930 if the claimant has another eligible dependent child or student)	Child-housekeeper is defined as the taxpayer's child, adopted child or stepchild who kept house for them full time. A child who is a full time student or a full time employee is not considered to keep house full time.  The child-housekeeper must be maintained by the taxpayer.  The child-housekeeper's separate net income must be less than \$282; or \$6,721 for partial offset.  The taxpayer must not be eligible for Family Tax Benefit Part B or Dependent Spouse Tax Offset.
Housekeeper Tax Offset	\$1,610 (or \$1,930 if the claimant has another eligible dependent child or student)	A housekeeper is a person who worked full time keeping house for the taxpayer and cared for a dependant child of theirs, a dependent invalid relative, or the taxpayer's spouse who was receipt of a disability support pension.  The taxpayer must not be eligible for Family Tax Benefit Part B, Dependent Spouse Tax Offset, or Child-Housekeeper Tax Offset.

Source: Australian Taxation Office website, viewed on 6 September 2006 at <http://www.ato.gov.au/individuals/pathway.asp?pc=001/002/004/009&cy=1>.

## Effective marginal tax rates

- 3.16 The committee received evidence on the way in which effective marginal tax rates were making it difficult for low to middle income earners to choose to participate in the paid workforce.
- 3.17 'Effective marginal tax rates' refer to the interaction of the tax and welfare systems where a person either wishes to enter the workforce or increase their hours. As welfare benefits are withdrawn (due to means testing) and income tax increases (due to higher income earned and progressive taxation scales<sup>11</sup>), the net increase in income can be

11 All current income tax brackets and marginal rates are detailed in chapter three.

modest for the time spent in work. Some families face the loss of as much as 80 cents for each additional dollar earned.<sup>12</sup>

3.18 As the Department of Employment and Workplace Relations told the committee, the problem of effective marginal tax rates for parents 'speaks to the generosity of the family payment system'. As chapter two outlined, family payments are contributing an increasing proportion of income to low to middle income Australian families.<sup>13</sup>

3.19 The Department noted that Welfare to Work acknowledges effective marginal tax rates by not requiring parents to accept a job offer if they can demonstrate that they will be less than \$25 per week better off. This financial suitability test takes account of income tax and benefit withdrawal as well as child care and transport costs.<sup>14</sup>

3.20 The interaction of the tax and welfare systems can generate significant disincentives to workforce participation. For example, a mother of five told the committee:

When I was still married, I successfully applied for a position as a medical receptionist. I then found, after I put my children in child care and lost my Parenting Payment and our income tax was adjusted, I was going to take home \$10.00 per week, after I paid for petrol, car maintenance and clothing, I was going to be worse off.<sup>15</sup>

3.21 The National Council of Single Mothers and their Children submitted to the committee comments from a single mother interviewed for a research project in South Australia in the late 1990s:

I was earning maybe one hundred and fifty extra but I had to cut it down to part time and it just wasn't worth it. Housing Trust put your rent up. Social Security takes away money and I was about five dollars better off (Bonny, 28, 3 children).<sup>16</sup>

3.22 A calculation on today's taxation rates and family payments suggests that a single mother with two children below school age would be better off working three days a week on average weekly earnings, but

12 St Vincent de Paul Society, sub 145, p 10.

13 Morehead A, transcript, 31 May 2006, p 18.

14 Morehead A, Department of Employment and Workplace Relations, transcript, 31 May 2006, pp 12-13.

15 Bentley S, sub 43, p 1.

16 McInnes E, *Public policy and private lives: Single mothers, social policy and gendered violence* (2001), thesis for Doctor of Philosophy, FUSA, Bedford Park, cited in National Council of Single Mothers and their Children, sub 108, p 9.

only slightly. After putting her children in long day care for three days a week and paying gap costs after Child Care Benefit, she would be approximately \$140 a week better off.<sup>17</sup> This calculation does not allow, however, for impacts on public housing subsidies or Rent Assistance; nor does it allow for the potential withdrawal of benefits such as the Health Care Card.

- 3.23 Effective marginal tax rates caused by the interaction of the tax and welfare systems can also be compounded by additional costs of working. The St Vincent de Paul Society noted that:

Some of the other difficulties of returning to work for a parent are seemingly insignificant but become large for individuals trying to get back into the daily routine of work and socially reacting with people in a new environment. These include:

- clothing;
- meals may cost more than those in the home;
- donations/charges for work-related functions/events.<sup>18</sup>

- 3.24 In the hypothetical situation considered above, of a single parent returning to work for three days a week, the small amount of additional income earned may be further eroded by expenses such as uniforms or corporate attire, transport and parking.

- 3.25 Even for those whose family incomes preclude them from receiving any significant amount of family assistance, the decision to return to the paid workforce or to increase hours must be compared against the additional costs of working. Child Care Queensland wrote:

Families regularly tell us that it is not worth their while financially for both parents to work on a full time basis and place their children in care five days per week. Families are trying to balance their optimum earning point in relation to their income and costs incurred in obtaining that income. Child

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17 This figure was arrived at using family benefit calculators available on the websites of Centrelink and the Family Assistance Office, and the Australian Taxation Office's basic calculator. Payments taken into account were Parenting Payment, Family Tax Benefit Parts A and B and Child Care Benefit, together with gap costs of child care at \$50 per day per child. Average weekly earnings of \$839.50 for August 2006 were reduced by 40 per cent to account for average lower earnings for women and for those working part time. Australian Bureau of Statistics, *Average weekly earnings, Australia, August 2006* (2006), Cat No 6302.0, p 1.

18 St Vincent de Paul Society, sub 145, p 9.



care costs, travel and taxation are all mentioned as a deterrent to full time employment.<sup>19</sup>

- 3.26 Professor Barbara Pocock, of the University of South Australia, told the committee that:

We need to have arrangements that facilitate transitions between jobs, between care and work, into retirement and so on. I feel, and I think the literature suggests, that lumpy policies – policies that create barriers between transitions like high effective marginal tax rates or the lack of, for example, paid leave – are very problematic. They impede transitions rather than facilitate them.<sup>20</sup>

## **Fringe benefits tax exemption for employer-provided child care**

- 3.27 Fringe benefits tax (FBT), introduced in 1986, was designed to improve public confidence in the fairness of the tax system. Specifically, it was intended to stop people avoiding income tax by converting their salary to non-cash benefits. The Australian Taxation Office defines a fringe benefit as a benefit provided in respect of employment, including any right, privilege, service or facility, provided in place of or in addition to salary or wages.<sup>21</sup> For example, cars made available for the private use of an employee, low interest employee loans and free or discounted air travel are fringe benefits.<sup>22</sup>
- 3.28 The current rate of tax on fringe benefits is 46.5 per cent, equal to the highest marginal tax rate applicable to individuals, including the Medicare Levy of 1.5 per cent. This applies to benefits with a value of over \$1000, soon to be \$2000, provided in an FBT year (1 April to 31 March).<sup>23</sup>
- 3.29 A feature of Australia's fringe benefits tax system is that liability rests with the employer, whether they are sole traders, partnerships, trusts,

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19 Child Care Queensland, sub 198, p 2.

20 Pocock B, transcript, 24 May 2006, p 2.

21 Australian Taxation Office, *Taxation statistics 2003-04* (2006), p 130.

22 Australian Taxation Office, *Taxation statistics 2003-04* (2006), p 130.

23 The Government has announced that from 1 April 2007, the fringe benefits reporting exclusion threshold will increase from \$1,000 to \$2,000.

corporations or government bodies.<sup>24</sup> Since 1994, however, employers have been able to claim tax deductions on the grossed-up rate of benefits provided to employees. In this way, companies are able to offset some of their fringe benefits tax liability against their company income tax.

- 3.30 There are a number of exemptions to fringe benefits tax; that is, some specified benefits can be provided to employees without incurring the tax. An exemption for 'in-house child care facilities for the dependants of employees' was part of the original legislative package.<sup>25</sup> Under section 47(2) of the *Fringe Benefits Tax Act 1986*, employer-provided child care is exempt from fringe benefits tax where child care is provided for children of employees in a facility on business premises. As outlined by the Act:

Where:

(a) a residual benefit provided to a current employee in respect of his or her employment consists of:

- (i) the provision, or use, of a recreational facility; or
- (ii) the care of children of the employee in a child care facility; and

(b) the recreational facility or child care facility, as the case maybe, is located on business premises of:

- (i) the employer; or
- (ii) if the employer is a company, of the employer or of a company that is related to the employer;

the benefit is an exempt benefit.

- 3.31 This exemption, in theory, allows employers to provide either a direct benefit to employees by purchasing child care outright, or to offer them child care as part of their salary sacrificing menu. Salary sacrificing, otherwise known as salary packaging, allows employees to forfeit a portion of their pre-tax income in return for their employer providing an agreed benefit. They do not pay income tax, therefore, for the portion of their income equivalent to the value of the benefit.
- 3.32 Many companies are interested in giving a child care salary sacrificing option to employees, as the cost of the child care is in fact partly borne

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24 Australian Taxation Office, *Taxation statistics 2003-04* (2006), p 130.

25 Hon P Keating MP, Treasurer, *Reform of the Australian taxation system* [White paper] (1985), p 35.

by the government through foregone income tax. In seeking the exemption from fringe benefits tax, however, there have been complexities in defining 'business premises' to the satisfaction of the courts and the Australian Taxation Office. This remains the restriction most difficult for employers to satisfy.

3.33 In 1996, Esso Australia Ltd applied for a private ruling on whether its salary sacrificing arrangements for child care were exempt from fringe benefits tax. Esso, together with two other unrelated companies, had leased premises and entered into an agreement with a child care provider to operate a centre and provide services for their employees.

3.34 The Commissioner of Taxation ruled that these premises could, for the purposes of the *Fringe Benefits Tax Act 1986*, qualify as a site of business operations:

'Business operations' arise only in the context of a business or a profit making undertaking. In this context, the provisions of benefits to employees in the form of child care would be an important factor in recruiting, retaining and otherwise rewarding employees. Activities undertaken in connection with the provision of those benefits to employees would be 'business operations' of the employer who carried on the business or carried out the profit making undertaking.<sup>26</sup>

This broad interpretation was later supported by Justice Merkel in the High Court with regards to the original legislative intent of the exemption.<sup>27</sup>

3.35 The Commissioner of Taxation did not, however, grant the exemption, because he considered that unless an employer had exclusive possession or sole occupancy rights to premises, they could not properly be regarded as business premises. Esso disagreed, arguing that there was no implication of exclusivity in the Act. It sought a review by the Administrative Appeals Tribunal, but was unsuccessful.<sup>28</sup>

3.36 In 1997, the Australian Taxation Office amended its public fringe benefits tax ruling cementing this principle and precluding joint venture agreements from qualifying for the exemption. The Federal

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26 Federal Commissioner of Taxation's private ruling, cited by Merkel J, *Esso Australia Ltd v FC of T 1998 ATC 4953*.

27 *Esso Australia Ltd v FC of T 1998 ATC 4953*.

28 *Esso Australia Ltd v FC of T 1998 ATC 2085*.

Commissioner of Taxation did allow that companies could lease premises, in lieu of ownership, but deemed that the law did not allow for companies leasing premises cooperatively to receive the fringe benefits tax exemption.

Only one person can satisfy the 'business premises' test at any one time and that person is the person who has exclusive occupancy rights in respect of the premises.<sup>29</sup>

Consultancy group Families at Work suggest that this ruling resulted in the closing down of the joint venture child care arrangements of hundreds of Australian companies.<sup>30</sup> A Senate inquiry in 1998 into child care funding reported that:

Evidence received by the Committee indicated that the recent Australian Taxation Office decision has had several effects. Firstly, some centres, particularly in the Sydney and Melbourne CBD, have been forced to close. These centres... ensured a high utilisation through FBT exempt salary packaging of child care fees.

Secondly, the National Association of Community Based Children's Services (NACBCS) stated that some parents who were receiving the benefit of FBT exempt salary packaging of child care fees, no longer receive this benefit and have to pay the full cost of child care.

NACBCS argued that the ruling has 'reduced some of the child care places available, particularly those located close to city perimeters or in the city areas and some families can no longer afford the fees being charged by their services and have not been able to find affordable alternative child care arrangements'.<sup>31</sup>

3.37 Meanwhile, Esso lodged an appeal with the High Court which was upheld in 1998. Justice Merkel said that:

It seems to me that, under s 47(2), for the relevant business premises to be those of an employer, the employer must have a right to possession of the premises, at least to the extent

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29 Federal Commissioner of Taxation, Public Ruling TR 96/27 (withdrawn), 'Fringe benefits tax: meaning of "business premises"'.

30 Families at Work, *Tax and child care: A strategy to reform the fringe benefit tax treatment of employer funded child care* (2001), p 11.

31 Senate Community Affairs Committee, *Inquiry into child care funding* (1998), pp 123-24.

necessary to enable the conduct thereon of the relevant recreational or child care facility.

If the employer has the requisite possessory entitlement in respect of the premises it does not appear to matter whether that entitlement is one of ownership, exclusive possession or non-exclusive possession.

In the present case, Esso is in possession of the leased premises for the purpose of the provision of the relevant child care facilities at those premises. I can see no reasons why Esso's possession must be exclusive.<sup>32</sup>

- 3.38 Following the outcome of the Esso case, the Commissioner of Taxation published a revised public ruling on the meaning of 'business premises' on 1 March 2000.<sup>33</sup> There remains the restriction that the employer must have 'the requisite possessory entitlement in respect of the premises'; that is, the employer must have control over and entitlement to the child care facility. It is not possible for an employer to receive the exemption if they would like, for example, to purchase child care places from a nearby long day care centre.
- 3.39 Continuing uncertainty surrounding the business premises test has meant that many employers have sought private rulings from the Commissioner of Taxation before investing in the lease or ownership of a child care facility for their employees. The committee has received evidence from several companies and Australian Government departments who have sought private rulings on the fringe benefits tax exemption for child care, and several who, at the time of writing, were preparing an application.
- 3.40 The committee has received evidence that employees of some large Australian companies, universities, hospitals and Australian Government departments are able to salary sacrifice their child care fees in an arrangement that is fringe benefits tax exempt. Further information on employers who offer salary sacrificing for child care can be found in chapter seven.
- 3.41 The value of the fringe benefits tax exemption for child care, or the number of employees taking advantage of it, is not known. This is because exempt benefits are not required to be reported to the

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32 *Esso Australia Ltd v FC of T* 1998 ATC 4953.

33 A draft version of the revised ruling was published by the Australian Taxation Office in August 1999 (TR 1999/D11).

Australian Taxation Office.<sup>34</sup> In modelling commissioned by the committee, consultants Econtech calculated that the cost of the fringe benefits tax exemption for child care fees is approximately \$14.08 million per year.<sup>35</sup> This figure was based on evidence gathered by the committee on private companies and public sector agencies currently offering salary sacrifice; evidence presented in submissions and public hearings; and available workplace surveys from recent years, which are detailed further in chapter seven.

- 3.42 The committee notes, in addition, that the Australian Taxation Office has no idea if there are employers offering salary sacrificing for child care that does not meet the requirements of the public ruling. In evidence, the Australian Taxation Office said that because fringe benefits were self-assessed by employers, it was possible that some employers were assuming compliance when this was not the case, and this information was not recorded as a fringe benefits tax liability. Commissioner of Taxation Michael D'Ascenzo said that, 'There is no requirement in the law or in our practices for people who salary sacrifice to indicate to the tax office that they are salary sacrificing.'<sup>36</sup>

### Interaction of salary sacrificing with other forms of assistance

- 3.43 Salary sacrificing for child care does have an impact on a parent's entitlement to other government subsidies for child care. Where employers provide exempt child care through a salary sacrifice agreement, employees are not eligible for Child Care Benefit or the Child Care Tax Rebate. This is because entitlement to the Child Care Benefit is dependent on a parent being liable for child care costs. Under a salary sacrificing agreement it is the employer who is contractually liable for child care costs.<sup>37</sup>
- 3.44 A parent can still claim Child Care Benefit and Child Care Tax Rebate for the costs of child care outside of the salary sacrificing agreement, but these costs are of course paid from their net (post-tax) income.

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34 D'Ascenzo M, Commissioner of Taxation, transcript, 29 November 2006, p 4; see also Walker C, Australian Taxation Office, transcript, 21 June 2006, p 21.

35 Econtech, Appendix E, p i.

36 D'Ascenzo M, transcript, 29 November 2006, p 4.

37 Department of Family and Community Services, 'Impact of salary sacrificing on Child Care Benefit,' *Child Care News* (2003), no 12, attachment no 2; see also the Tax Commissioner's private ruling 65073 (2006).

## Fringe benefits tax exemption for priority of access payments

3.45 There is a further exemption for child care under the *Fringe Benefits Tax Assessment Act 1986* that should be noted here. Under section 47(8), payments made by employers to child care providers to secure priority places for their employees are exempt:

If:

(a) a residual benefit provided in respect of the employment of an employee arose out of priority of access, for a child or children of the employee, to:

(i) a place that is an eligible child care centre for the purposes of any provision of the *Child Care Act 1972*; or

(ii) family day care provided before the commencement of item 1 of Schedule 10 to the *A New Tax System (Family Assistance) (Consequential and Related Measures) Act (No. 2) 1999*; or

(iii) care outside school hours provided before the commencement of item 1 of Schedule 10 to the *A New Tax System (Family Assistance) (Consequential and Related Measures) Act (No. 2) 1999*; or

(iv) care in school vacations provided before the commencement of item 1 of Schedule 10 to the *A New Tax System (Family Assistance) (Consequential and Related Measures) Act (No. 2) 1999*; or

(v) an approved centre based long day care service within the meaning of the *A New Tax System (Family Assistance) (Administration) Act 1999*; or

(vi) an approved family day care service within the meaning of the *A New Tax System (Family Assistance) (Administration) Act 1999*; or

(vii) an approved outside school hours care service within the meaning of the *A New Tax System (Family Assistance) (Administration) Act 1999*; or

(viii) an approved in-home care service within the meaning of the *A New Tax System (Family Assistance) (Administration) Act 1999*; and

(b) in order to obtain that priority of access, the employer of the employee, or an associate of the employer, made a contribution under a program administered by the Department of Health, Housing, Local Government and Community Services; the residual benefit is an exempt benefit.

- 3.46 When first introduced by Treasurer Paul Keating in 1986, this exemption included only payments made to long day care facilities; this was expanded in 1993 to include a far greater range of child care services than that permitted under the exemption in section 47(2). It now includes payments made to family day care providers, outside school hours care, in home, and vacation care, in addition to approved long day care.<sup>38</sup>
- 3.47 The exemption was intended to compensate for the drawbacks that were already obvious in the exemption under section 47(2). The then Treasurer said that:
- The program offers an alternative to the establishment of in-house child care facilities for those private sector employers who require a relatively small number of dedicated places.<sup>39</sup>
- 3.48 Available information, however, suggests that it is poorly exploited by employers. Deloitte describe this exemption as being complicated and poorly understood by employers. In a survey they conducted of 599 employers, not one had taken advantage of the exemption.
- 3.49 This was most likely because:
- priority access payments were not to be paid directly to the child care provider, but through an administratively complex arrangement with the relevant Commonwealth department; and
  - the exemption is limited to payments made in order to guarantee child care places, but does not exempt the actual child care fees.<sup>40</sup>

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38 House of Representatives *Hansard, Taxation Laws Amendment Bill (no. 2) 1993: Second Reading*, 5 May 1993, p 114.

39 Deloitte et al., 'Submission to the Federal Treasurer: Exemption of child care from fringe benefits tax' (2005), p 25.

40 Deloitte et al., 'Submission to the Federal Treasurer: Exemption of child care from fringe benefits tax' (2005), p 25.



## Tax deductibility status of child care

3.50 Within the Australian tax system, taxpayers can claim various deductions, such as for gifts, industry incentives and the costs of managing one's own tax affairs. The most common deductions are those claimed are for work-related expenses. For the financial year 2003-04, seven million personal taxpayers claimed \$11.1 billion in work-related expenses.<sup>41</sup>

3.51 This is made possible by section 8-1 of the *Income Tax Assessment Act 1997*, by which taxpayers can claim deductions for expenses that are 'incurred in gaining or producing assessable income':

### General deductions

- (1) You can *deduct* from your assessable income any loss or outgoing to the extent that:
  - (a) it is incurred in gaining or producing your assessable income; or
  - (b) it is necessarily incurred in carrying on a business for the purpose of gaining or producing your assessable income.
- (2) However, you cannot deduct a loss or outgoing under this section to the extent that:
  - (a) it is a loss or outgoing of capital, or of a capital nature; or
  - (b) it is a loss or outgoing of a private or domestic nature; or
  - (c) it is incurred in relation to gaining or producing your exempt income or your non-assessable non-exempt income; or
  - (d) a provision of this Act prevents you from deducting it.

3.52 The Australian Taxation Office reported that, for the financial year 2003-04:

Clothing was the most common work-related expense claimed, with 4.7 million taxpayers claiming around \$1.1 billion worth of clothing (uniform) expenses. However,

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41 Australian Taxation Office, *Taxations statistics 2003-04* (2006), p 14.

in value terms, motor vehicle expenses accounted for the largest share (40%) of total work-related expenses claimed, with the average claim valued at \$1,965.<sup>42</sup>

- 3.53 Other valid work-related deductions include expenses for union fees; overtime meals; seminars, conferences and workshops; self-education; tools and equipment; computers and software; books, journals and trade magazines; and telephone and home office equipment.<sup>43</sup>
- 3.54 Taxpayers cannot, however, claim child care as a work-related deduction. This has been the subject of sporadic debate since the 1970s, when women began participating in the paid workforce in significant numbers.<sup>44</sup>
- 3.55 In *Lodge v Federal Commissioner of Taxation 1972*, a single mother's appeal against the Commissioner of Taxation's ruling was dismissed. The taxpayer had attempted to claim 'nursery fees' for the care of her infant daughter whilst she worked as a law cost clerk. Without placing her child in care, the appellant argued, it was impossible for her to work and earn a sufficient income.
- 3.56 The High Court accepted the argument that child care in this case was an essential prerequisite to the earning of income. It found, however, that the expenditure was not of a nature that would allow it to be deductible under the Act.
- The expenditure was incurred for the purpose of earning income and it was an essential prerequisite of the derivation of that income. Nevertheless its character as nursery fees for the appellant's child was neither relevant nor incidental to the preparation of bills of cost, the activities or operations by which the appellant gained or produced assessable income.<sup>45</sup>
- 3.57 Justice Mason also expressed a view, that, notwithstanding the judgement in the paragraph above, that expenses for child care were of a 'private and domestic nature'. They could thus be dismissed under the exceptions to allowable deductions in the Act.

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42 Australian Taxation Office, *Taxation statistics 2003-04* (2006), p 15.

43 Australian Taxation Office website, viewed on 31 August 2006 at <http://www.ato.gov.au/individuals/content.asp?doc=/content/18839.htm&pc=001/002/013/008/001&mnu=1220&mfp=001/002&st=&cy=1>.

44 Strategic Research Unit, Department of Research and Information, Law Institute of Victoria, *Tax deductibility of child care: Discussion paper* (2000), p 4.

45 *Lodge v FC of T 1972 ATC 4174*.

3.58 The Federal Court also confronted this issue in *Martin v Federal Commissioner of Taxation 1984*, and *Hyde v Federal Commissioner of Taxation 1988*.<sup>46</sup> In both cases, the presiding Justices again acknowledged that the expenditure on child care was necessary in order for the taxpayers to work. In both cases, however, it was ruled that the taxpayers were not entitled to deductions because the character of the expenditure meant that it was not incurred in the actual production of income.

## **Goods and Services Tax (GST) treatment of child care**

3.59 Goods and Services Tax (GST), introduced on 1 July 2000, is a tax of 10 per cent on the supply of most goods and services and other taxable supplies in Australia.<sup>47</sup> Along with other types of supplies such as rent, wages, fresh food, exports, water, and most education and health services, eligible child care is not subject to GST.<sup>48</sup>

3.60 Under section 38 of the *A New Tax System (Goods and Services Tax) 1999*, the exemption from GST applies to approved child care and any care provided by a registered carer. Long day care, family day care, occasional care, outside school hours care, and vacation care are therefore GST-free.

3.61 GST treatment is not so straightforward for in-home (nanny) care. In-home care is GST-free where:

- the care is provided by an approved in-home care provider under the Australian Government's program for families in special circumstances;<sup>49</sup> or
- the carer is registered with the Family Assistance Office; or
- the carer is employed directly by a family, as GST is not payable on wages.

3.62 Where an unregistered nanny is employed by an agency, however, and parents pay the agency a fee for service, that supply of child care is not GST-free. Agencies with a turnover of more than \$50,000 per

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46 *Martin v FC of T 84 ATC 4513* and *Hyde v FC of T 1988 ATC 4748*.

47 Australian Taxation Office, *Taxation statistics 2003-04* (2006), p 149.

48 Australian Taxation Office, *Taxation statistics 2003-04* (2006), p 151.

49 Further information on the In-Home Care program can be found in chapter six.

annum must be registered with the Australian Taxation Office for GST purposes.<sup>50</sup>

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50 D'Ascenzo M and Chooi A, Australian Taxation Office, transcript, 29 November 2006, pp 21-22.



## Starting families

- 4.1 The Australian Institute of Family Studies submitted that there is a significant gap between the number of children that families are having (1.8 for 2004-05) and the number that they regard as ideal (2.4 to 2.5).<sup>1</sup> Professor Peter McDonald gave the committee a broad explanation for these statistics:

... the desire for family life has remained remarkably resilient because of humankind's basic need for intimacy. Over 80 per cent of young people in their early twenties express the desire to marry and to have children, but, in their later 20s, when confronted by the realities of risk in today's social and economic institutional structures, many do not achieve these aims. It is not uncommon for regret to be expressed at older ages when people do not have children or are not in a satisfying intimate relationship. The high demand among older couples for medically assisted pregnancies is one manifestation of this situation.<sup>2</sup>

- 4.2 This chapter will explore the environment in which families are making these fertility decisions to help explain why families are unable to completely fulfil such an important aspect of their lives.

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1 Australian Bureau of Statistics, *Australian demographic statistics, December quarter 2005* (2006), Cat No 3101.0, p 22 and Australian Institute of Family Studies, sub 76, p 5.

2 McDonald P, sub 134, p 2.

## Financial disincentives to starting a family

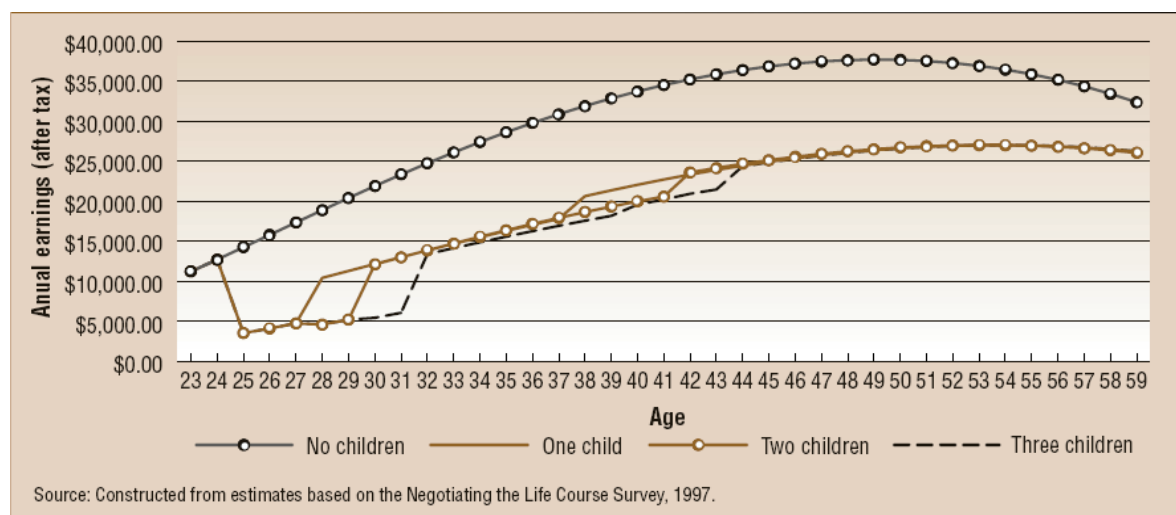
### Loss of salary and wages

4.3 One of the most important disincentives to having children is the financial costs to the mother. In terms of salary, women who raise one or more children forego a certain amount of potential salary through the following:

- they lose salary if they leave the workforce for a period, or reduce the hours that they work;
- people who leave the workforce or decrease their hours either stop accruing on-the-job skills and experience or accrue it at a reduced rate, which affects their hourly wage rate; and
- being absent from the labour market leads to an atrophy in skills and experience, reducing the employee's hourly wage rate.<sup>3</sup>

4.4 In the journal *Family Matters*, Matthew Gray and Professor Bruce Chapman investigated these issues with data from 1997. They calculated the average loss of income for a hypothetical woman who completes secondary school and then commences having a family at the age of 25, with the option of further children at the ages of 27 and 29. The woman's earning pattern is represented in figure 4.1:

Figure 4.1 Lifetime earnings of women with completed secondary education, by number of children



Source: Gray M and Chapman B, 'Foregone earnings from child rearing', *Family Matters* (2001), no 58, p 8.

3 Gray M and Chapman B, 'Foregone earnings from child rearing', *Family matters* (2001), no 58, p 5.

- 4.5 The first observation from the figure is the decision to have the first child has a much greater effect on a woman's earnings than her decision to have a second or third child. In fact, the simple fact of having had a child reduces a woman's lifetime chance of being employed by 7 per cent.<sup>4</sup> The authors calculated that, on average, this hypothetical woman would lose 37 per cent of her lifetime earnings by having one child. The results for women with differing levels of education are similar.<sup>5</sup>
- 4.6 Gray and Chapman compared this data against a similar study using data from 1986. The results are summarized in table 4.1:

Table 4.1 Estimated lifetime earnings due to having children, percentage of earnings of a comparable woman with no children

Mother's education	Degree		Secondary		Incomplete Secondary	
	1986	1997	1986	1997	1986	1997
One child	58.6	65.7	46.0	62.9	37.5	61.6
Two children	47.8	63.6	36.9	60.6	29.7	58.8
Three children	38.8	59.3	30.0	55.8	24.2	53.3

Source: Gray M and Chapman B, 'Foregone earnings from child rearing' *Family Matters* (2001), no 58, p 9.

- 4.7 The first point from the table is that all women in 1997 lost less income, on average, from having children than they would have in 1986. This is due to women with young children being more likely to participate in the labour force.<sup>6</sup> Further, the gains were much higher for women with more children and for women with lower levels of education.
- 4.8 One of the explanations for this loss of lifetime earnings is that the most common distribution of work in couple families now is for one parent to work full time and the other part time.<sup>7</sup> In these relationships, women usually make the sacrifice of working fewer hours to devote extra time to the family. The effect of part time work on earnings is demonstrated in figure 4.2 on the next page:

4 Gray M and Chapman B, 'Foregone earnings from child rearing' *Family matters* (2001), no 58, p 7.

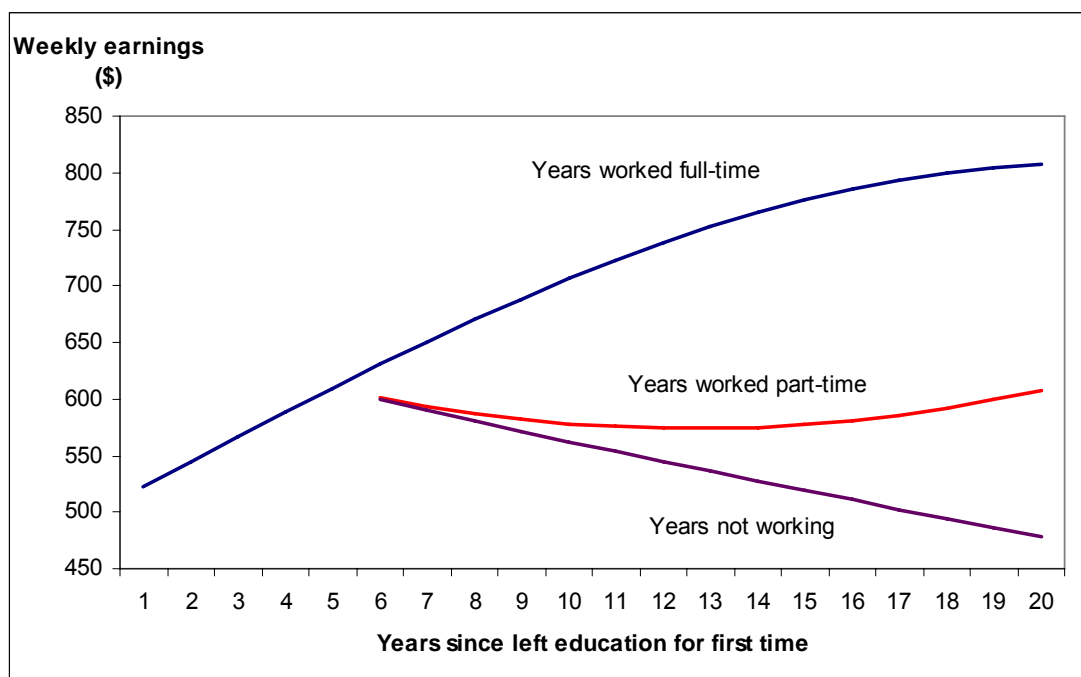
5 Gray M and Chapman B, 'Foregone earnings from child rearing' *Family matters* (2001), no 58, p 8.

6 Gray M and Chapman B, 'Foregone earnings from child rearing' *Family matters* (2001), no 58, p 9.

7 Catholic Welfare Association, sub 65, p 21.



Figure 4.2 Estimated impact of employment history on current earnings of full-time employees



Source: Chalmers J and Hill P, 'Part-time work: Integrating or marginalizing women in the labour market?' Academy of the Social Sciences in Australia Workshop, 'Taking Care of Work and Family: Policy Agendas for Australia,' University of Sydney, 17-18 Nov 2005.

4.9 The graph shows the weekly earnings of an average employee who faces a decision, five years after finishing their education, of whether to finish work, work part time, or continue to work full time. Employees who stay full time continue to increase their earning capacity. The salaries of those who change to part time work will plateau. Employees who leave the workforce face a reduced salary when they return, with the reduction increasing for the amount of time out of a job.

4.10 Although many women will maintain their attachment to the workforce by moving to part time work, on average their salaries will remain steady. They do not receive recognition at the workplace for their extra period of work.

## Superannuation

4.11 A number of submissions referred to the fact that, on average, women have less superannuation than men. In 2001, the Australian Bureau of Statistics reported that, for persons with superannuation who were yet to retire, the median balance for men was \$13,436, whereas the

median balance for women was \$6,399.<sup>8</sup> The South Australian Premier's Council for Women outlined the reasons for this:

- Occupation linked superannuation schemes which disadvantages female employees and women who are not in the paid workforce;
- Compulsory employer contributions to superannuation being linked to wage levels which are low for women;
- Less hours spent by women in the paid workforce;
- Interruptions to women's work history due to child bearing, the care of children and extended family members; [and]
- Difficulties experienced by women in making additional voluntary payments into superannuation funds.<sup>9</sup>

4.12 The committee received evidence that women are two and a half times more likely than men to be living in poverty during retirement.<sup>10</sup> Australia's superannuation arrangements appear to be geared towards a full time worker who continuously stays in the workforce for a period of 30 to 40 years. Women's patterns of work, in particular taking time off to have their children and working part time while they are young, means they have considerably less superannuation than men in later life.

## Cost of raising children

4.13 In their paper, 'The Costs of Children in Australia Today,' Richard Percival and Ann Harding estimated what Australian families spent on raising children from birth to their 21<sup>st</sup> birthday. Their primary data source was the 1998-99 Household Expenditure Survey published by the Australian Bureau of Statistics (prior to the introduction of the family tax benefits). Their general observation was that, in 2002 dollars, it costs the average Australian couple \$448,000 to raise two children to their 21<sup>st</sup> birthday. This represents 23 per cent of the \$2 million earned by this couple during this time.<sup>11</sup>

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8 Australian Bureau of Statistics, *Superannuation, Australia, 2000* (2001), Cat No 6360.0, p 28.

9 South Australian Premier's Council for Women, sub 67, p 3.

10 Women's Electoral Lobby, sub 164, p 43.

11 Percival R and Harding A, 'The costs of children in Australia today', *AMP-NATSEM income and wealth report* (2002), issue 3, pp 6-7, viewed on 21 August 2006 at <http://www.natsem.canberra.edu.au/publication.jsp?titleID=CP0301>.

- 4.14 These authors updated their research for the 2005 report of the Ministerial Taskforce on Child Support (the Parkinson report).<sup>12</sup>
- 4.15 One of the important things to note about expenditure on raising children is that there is a great deal of variation, depending on the age of the child and the family's income. The Parkinson report compared costs of children in sole parent families for families on a low income (the bottom one-fifth of all couples with children), a middle income (the middle one-fifth) and a high income (the top one-fifth):

Table 4.2 Estimated average costs of a single child, sole parent families (2005-06 dollars per week)

Level of income	Average income	Age of child			
		0 to 4	5 to 12	13 to 15	16 to 17
Low income	284	77	81	94	179
Middle income	459	102	106	125	220
High income	1,169	184	186	218	345
Average	583	115	119	140	240

Source: Ministerial Taskforce on Child Support, *In the Best Interests of Children – Reforming the Child Support Scheme (2005)* Commonwealth of Australia, p 125, viewed on 3 December 2006 at <http://www.facs.gov.au/internet/facsinternet.nsf/family/childsupport.htm>.

- 4.16 For sole parent families, children become more than twice as expensive to feed, clothe, transport and educate as they grow older. There is a sharp jump in costs between the ages of 13 to 15 and 16 to 17. Children in the youngest age group take up 6 to 7 per cent of their family's gross income, whereas this increases to 20 per cent (for high income families) to 39 per cent (for low income families) for children in the higher age groups.<sup>13</sup>
- 4.17 As might be expected, the extra costs for each additional child are less than those for the previous child. For example, a third child will cost their parents approximately one half to two-thirds of the cost of the first child:

12 Ministerial Taskforce on Child Support, *In the best interests of children – reforming the Child Support Scheme (2005)*, Commonwealth of Australia, viewed on 3 December 2006 at <http://www.facs.gov.au/internet/facsinternet.nsf/family/childsupport.htm>.

13 Ministerial Taskforce on Child Support, *In the best interests of children – reforming the Child Support Scheme (2005)*, Commonwealth of Australia, p 124, viewed on 3 December 2006 at <http://www.facs.gov.au/internet/facsinternet.nsf/family/childsupport.htm>.

Table 4.3 Estimated average marginal costs of children, couple family, (2005-06 dollars per week)

Level of income	Average income	Number of children				
		1	2	3	4	5
Low income	661	114	209	290	362	427
Middle income	1,330	179	317	428	522	605
High income	2,662	285	492	651	779	888
Average	1,473	188	331	446	543	627

Source: Ministerial Taskforce on Child Support, *In the Best Interests of Children – Reforming the Child Support Scheme (2005)*, Commonwealth of Australia, p 125, viewed on 3 December 2006 at <http://www.facs.gov.au/internet/facsinternet.nsf/family/childsupport.htm>.

4.18 Table 4.3 makes intuitive sense. Subsequent children can use toys, clothes and equipment that their older siblings used previously. As a matter of practicality, families may simply have less funds available to spend on additional children.<sup>14</sup>

4.19 In summary, the cost of raising children is considerable and is felt hardest by low income families. The Government's family tax reforms, however, have provided significant relief, especially to low income families. For example, for a child under 13, the maximum rate of Family Tax Benefit A is \$70.42 per week, plus the supplement at year's end of \$646.05.<sup>15</sup> This compares against the expenditure by a low income, single parent family of \$77 per week to raise a child aged 0 to 4.

## HECS debts

4.20 The issue of HECS debts was commonly raised in submissions. Currently, the minimum debt for a humanities student in a Commonwealth supported place who defers payments is \$5,000 per year of study. Degrees in a national priority area such as education and nursing cost \$4,000 per year and those in professions such as medicine and law cost over \$8,000 per year.<sup>16</sup> A \$15,000 debt will be

14 Ministerial Taskforce on Child Support, *In the best interests of children – reforming the Child Support Scheme (2005)*, Commonwealth of Australia, p 125, viewed on 3 December 2006 at <http://www.facs.gov.au/internet/facsinternet.nsf/family/childsupport.htm>.

15 Centrelink, 'How much Family Tax Benefit Part A do I get?', viewed on 27 August 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/payments/pay\\_how\\_ftba.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/pay_how_ftba.htm).

16 Department of Education, Science and Training, 'What you pay', viewed on 27 August 2006 at <http://www.goingtouni.gov.au/Main/FeesLoansAndScholarships/Undergraduate/CommonwealthSupportForYourPlaceAndHECS-HELP/WhatYouPay.htm#top>.

common to many graduates, which will be indexed to the consumer price index (CPI).

- 4.21 As the Queensland Government pointed out, HECS is an additional financial burden placed on young families and young women during the reproductive years.<sup>17</sup> The Working Women's Centre of South Australia advised the committee that women generally prefer to organize themselves financially before taking on the commitment of having children:

Many women feel they cannot afford to start having children until they are debt free. Many women who have studied begin their working lives with a HECS debt which they feel puts them at a financial disadvantage. It is not uncommon for women to state that they wish to pay off their HECS debt before considering having children and are keen to do that as quickly as possible.<sup>18</sup>

- 4.22 The committee also received a number of personal stories about how young people were dealing with their HECS debt. For example, one father stated about his daughter:

Until she switched jobs recently she was on a salary of about \$50,000 which even she admits was pretty good for someone her age... She is in love, will marry later this year and openly professes to wanting children. The problem is, even after three years of fulltime work, she owes over twenty thousand dollars in HECS fees. She does not object to imposition of this charge. Whilst she maintained her payments via the tax system she has hardly made a dent in the balance because of the interest rates imposed [indexed to the CPI]. She, fair enough, wanted to be independent of us but has had to pay \$250 a week in rent, buy a car (\$4,500 taken over two years) and live... Three years of work and no waste money.<sup>19</sup>

- 4.23 The committee is concerned that working parents, especially women, take on a considerable burden by managing a HECS debt in addition to the other steps in starting a family, such as finding a partner and establishing themselves financially. The most common family structure today is a couple with one partner pursuing a career and the other partner working reduced hours to spend more time with the
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17 Queensland Government, sub 128, p 23.

18 Working Women's Centre of South Australia, sub 74, p 2.

19 Hutchinson P, sub 18, p 1.

family. If this second partner holds a HECS debt, then this will continue to increase in line with the CPI when their ability to repay it has been compromised because they are building a family. The HECS system assumes that graduates will put their energies into earning an income, but for parents who are educated and have deferred their career for family reasons (mainly women), this is difficult to do.

- 4.24 Single parents are probably placed in worse position. They have much lower employment rates than married women and are less likely to be able to reduce their HECS debt while their children are young.
- 4.25 The National Union of Students has estimated that, '93% of men will have paid their HECS debt by age 65, but only 77% of women will'.<sup>20</sup>
- 4.26 The Women's Action Alliance suggested to the committee that parents' HECS debts be frozen while they are out of the workforce caring for dependants.<sup>21</sup> The committee sees value in a change along these lines. The only amendment the committee would make to the Alliance's recommendation is that an objective cut off period should apply instead of leaving it to the parent's discretion. The obvious candidate is when the family's youngest child reaches school age.

### Recommendation 1

- 4.27 **The Department of Education, Science and Training arrange for the interest on HECS debts of second earners in couple families, and for single parents, to be frozen until their youngest child reaches school age.**
- 4.28 Approximately 30 per cent of women graduates born in the early 1960s were childless when they turned 40.<sup>22</sup> This appears to be due to rates of partnering because, if educated women partner, their fertility rate is above 2.0. The problem is that many educated women are unable to partner in the first place. In the 2001 census, 48.3 per cent of

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20 National Union of Students quoted in Dufty R, 'Increased institutional wealth at the cost of student futures, implications of increasing HECS fees at UNSW', p 6, viewed on 18 November 2006 at [http://oldwww.pgb.unsw.edu.au/content/files\\_pdfs/Implications%20of%20Increasing%20Fees%20at%20UNSW3.doc](http://oldwww.pgb.unsw.edu.au/content/files_pdfs/Implications%20of%20Increasing%20Fees%20at%20UNSW3.doc).

21 Women's Action Alliance, sub 54, p 16.

22 Wolf A, 'Who's afraid of the closing gender gap,' *The Australian*, 6 May 2006, p 24.

women aged 25-29 with bachelors degrees or above were unpartnered, compared with 43.2 per cent of women with no post-school qualifications.<sup>23</sup> Later in the chapter, the committee will examine to what extent education causes people to delay partnering and reduce their fertility.

## Housing costs

4.29 The increased cost of housing has received considerable media coverage recently and received some attention in submissions. The Women's Action Alliance, in discussing a report by the National Centre for Social and Economic Modelling, noted:

...in 1998 first home buyers paid an average of 30 per cent of disposable income on mortgage repayments but this had spiralled to 39 per cent in 2004. The study found all home borrowers paid an average of 27 per cent of disposable income on their mortgage repayments, compared with 26 per cent in 1996. The researchers had found that 883,000 families and singles were suffering housing stress. Those considered in housing stress spend more than 30 per cent of disposable income on housing and are in the bottom 40 per cent of income earners.<sup>24</sup>

4.30 The price of housing has also increased over the long term. In evidence, the Australian Housing and Urban Research Institute advised the committee that, during the twentieth century, the long run historical average was that an average house cost six times the average income. This ratio is now up to nine times and would exceed that in cities such as Sydney.<sup>25</sup>

4.31 Currently, the Australian Government offers a \$7,000 grant to first-time home buyers through the First Home Owner Grant Scheme. Many people using the grant would be young couples who are thinking of starting a family or who have already done so. Since the scheme's introduction in July 2000, the Australian Government has paid out \$6.2 billion to 828,000 applicants.<sup>26</sup> The eligibility criteria include:

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23 Norton A, 'Student debt: A HECS on fertility?' *Issue Analysis* (2003), no 32, p 5.

24 Women's Action Alliance, sub 54, p 8.

25 Winter I, transcript, 10 April 2006, p 75.

26 Australian Government, Budget 2006-07, 'Delivering further tax reform', viewed on 3 December 2006 at [http://www.budget.gov.au/2006-07/bp3/html/bp3\\_main-05.htm](http://www.budget.gov.au/2006-07/bp3/html/bp3_main-05.htm).

- Individuals over 18 years of age - a company or trust does not qualify;
- An applicant or applicant's spouse must not have received an earlier grant or previously owned a home in Australia before 1 July 2000;
- At least one applicant must be an Australian citizen or permanent resident;
- Joint applicants will be restricted to one application and only one payment will be made; and
- At least one applicant must live in the home as their primary place of residence for a continuous period of six months, within 12 months of settlement or construction.<sup>27</sup>

4.32 The increased cost of housing is relevant because purchasing a house is now a precursor to starting a family. The Institute advised the committee:

The typical life course pattern these days is marriage or partnering, then entry to home ownership, then the birth of the first child. This is a change; for earlier generations, the first child was typically born before entry to home ownership. The key reason for this change is the need for two incomes to enter home ownership...

...the strongest aspiration for home ownership is found amongst those who intend to have children. Those who intend to have children are seven times more likely to aspire to home ownership. Indeed, the sociologist Lyn Richards comments that renting is one of the most effective forms of contraception that we know.<sup>28</sup>

4.33 This increase in house prices has had an effect on the number of young people buying their first home. The Institute stated during evidence:

...in the decade 1986-1996 in metropolitan cities, there was a 10 percentage point decline in the rate of entry to home ownership amongst 25- to 44-year-olds.<sup>29</sup>

4.34 Earlier this year, the *Daily Telegraph* conducted an online survey with the Housing Industry Association. Of the respondents, 63 per cent

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27 Wizard, 'First Home Owner Grant Scheme', viewed on 3 December 2006 at <http://www.wizard.com.au/homeloans/task.aspx?id=49>.

28 Winter I, transcript, 10 April 2006, p 65.

29 Winter I, transcript, 10 April 2006, p 65.



reported that they had delayed starting a family because of increased house prices.<sup>30</sup>

- 4.35 The Institute does not expect any particular relief for young couples seeking to buy a house in the future. The demand for housing will continue to grow because of the growth in single person households, partially driven by divorces.<sup>31</sup>

## Child care

- 4.36 This issue was the most common subject among submissions and was well represented during public hearings.

- 4.37 Cost was especially important. One parent in Sydney advised the committee:

Most child care centres cost between \$75 and \$100 per child - one just opened in North Sydney charging \$110/day for under 2 year olds.

This means that a woman has to earn more than \$50,000 just to cover the cost of childcare. This is ridiculous...<sup>32</sup>

- 4.38 Another stated:

The cost of childcare is also prohibitive. In our case we are lucky enough to attend a centre run by a NPO [non-profit organisation], charging us \$80 per day. This fee is payable even on public holidays when the centre is closed, in order to keep our place. We receive \$4.50 per day back under the current child care rebate scheme. Even though our family earns a relatively high salary, we are only able to afford three days per week at the centre and rely on grandparents to cover the extra two days.<sup>33</sup>

- 4.39 The high cost of child care also affects employers. The Western Australia Police Service noted that its efforts to retain experienced police officers were restricted by factors outside its control, including the high cost of child care.<sup>34</sup> The owner of MotherInc, a small business, told the committee of her experience:

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30 Saurine A, 'Families paying the price' *Daily Telegraph*, 9 March 2006, p 17.

31 Winter I, transcript, 10 April 2006, pp 75-76.

32 Ralston T, sub 51, p 1.

33 Hawker C and Kleiman A, sub 42, p 5.

34 Western Australia Police Service, sub 189, p 5.

One of my workers would like to work three days a week and I need her to, but she cannot get the child care. I do not want to lose her, but then do I go and get somebody for a day a week? Actually, what we are doing is working really hard and waiting until October when she has her third day...

...I do not want to lose her. I value her. We will just muddle our way through. The pressure is not just on her but also on the employer.<sup>35</sup>

4.40 The recent rapid increases in child care costs have exacerbated this problem. Between June 2002 and June 2006, the CPI measure of child care costs rose from 136.0 to 226.5, an increase of 66.5 per cent over four years.<sup>36</sup>

4.41 Access to child care was also important. Many parents expressed concern about long waiting lists and needing to put their children's names down at many centres. They also reported difficulty in being able to place two or more children at the one centre. One mother, who had two young children (one of whom had a food allergy), advised the committee:

I have had a real issue, and still do, with accessing formal child-care services on the northern beaches. It has taken our family over three years to access a reasonable level of long day-care positions – even then, I would classify only one of these two positions as being in any way suitable. You will note from the attachment to my written submission a record of 50 registered child-care centres and family day-care providers that I have kept regarding the availability of positions last year. For the last 18 months prior to this year, there were just no vacancies, despite being on the waiting list, and we were forced to rely primarily on my mother and friends in order to get by...

Finally, this year, we secured a position for both girls but not at the same centre. Instead, for the first two months we endured the geographical spread of more than 25 kilometres between their centres and had to drive two cars into the CBD

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35 Keech C, transcript, 13 March 2006, p 44.

36 Australian Bureau of Statistics, *Consumer Price Index, Australia, Jun 2006* (2006), Cat No 6401.0, Tables 7A to 7L, 'CPI: Groups, sub-groups and expenditure class, weighted average of eight capital cities' viewed on 28 August 2006 at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6401.0Jun%202006?OpenDocument>.

to get to work. Thankfully, we now have found a centre for each child, approximately four kilometres apart, but you would have no idea of the impracticality that we face even with this on a daily basis. For instance, the additional burden of dropping a second child to a second centre before and after work each day adds a time lag of around 25 minutes each day, each way. That is around an hour a day out of our lives that is unnecessarily wasted because I cannot access one service provider for both children.<sup>37</sup>

- 4.42 Many parents try to plan ahead and put their children's names down as early as possible, but this approach is often not enough:

I am a senior executive in a large global company in my mid 30s and am childless. The majority of staff in our organisation have children. Most of the staff had enrolled their unborn babies into child care when they found out they were pregnant and the child was placed onto a waiting list. Child care was to commence when they returned from maternity leave, some 18 - 20 months down the track (12 months maternity leave plus the duration of pregnancy). At this time there were still no vacancies for full time day care.<sup>38</sup>

- 4.43 Child care providers also recognise this dilemma:

Waiting lists are at crisis points in many communities, such as the City of Port Phillip in Victoria which has 1,600 children on the centralised waiting list, making it virtually impossible for families in that geographical area to access child care. Women in many parts of Australia are aware that they will not be able to return to work after giving birth, even if they must do so out of financial necessity, as child care places are simply not available. Not-for-profit child care waiting lists have risen steadily over the last five years and waiting lists are so long in many areas of Australia that many women are placing their names on waiting lists prior to or in the early stages of pregnancy. Even then there are no guarantees of a place.<sup>39</sup>

- 4.44 The cost of child care and access to this service is of major concern to parents. High quality child care is an investment in children. In the view of the committee, if parents believe that some form of child care
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37 Watson K, transcript, 21 June 2006, p 2.

38 Huxtable T, sub 15, p 1.

39 Community Child Care, sub 142, p 4.

is good for their children and family, then they should be supported in this choice. Problems with child care will be further considered by the committee in chapters five and six.

## Career disincentives to starting a family

### Loss of career path

4.45 Parents' career path and their incomes are linked. The further one is able to pursue a career, the higher one's salary is likely to be. Given that women forego a significant proportion of their lifetime income by having a child, it would be reasonable to expect that a woman's career is also likely to suffer.

4.46 This was very much the tone of submissions:

For many working women their career peaks around 30 yrs of age. Careers become more demanding and there are tougher challenges out there for women to face. It is also at this time that women consider their biological clock as fertility starts to decline at this age...

There is also a reluctance to discuss the future with your work manager as the woman feels they need to put out a perception that they can cope with their career and the additional demands of having children.

When the woman does return to her career, she is expected to give the same commitment as she had done previously (prior to having children). This is not always possible due to the new child/ren commitments that she has. She then feels bad that she can't give 100% and normally opts for a demotion. She ends up feeling grateful for just having a job – from climbing the corporate ladder, she is left holding onto the first rung of the step ladder.<sup>40</sup>

4.47 Just as going part time means that a person's salary plateaus, so does their career. As one professional woman stated:

My career has plateaued since having my children. However I was aware that this would occur as I chose to return to work in a part time capacity. I purposely chose to have my children

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40 Ishlove M, sub 58, pp 1-2.

close together in age so that I could minimise the interruption to my clients. However I expected my career advancement to improve once I had returned to the workforce after my second child. That has not happened. I suspect it may not happen unless I return to work four days per week (in which case I will most likely be doing a five day job in four days).<sup>41</sup>

- 4.48 Professor Barbara Pocock's research has confirmed these findings about part time work. Part time work is less valued in Australia. As a society, we are yet to recognise its contribution. In one case study, Professor Pocock commented:

Vera has a deep sense of loss about making the decision to go part time to care more for her dependent older relatives and her two sons with disabilities. This sense of loss is not about income; it is about the lost opportunity to make a leadership contribution in her workplace – a loss not only to her, but also to her employer...<sup>42</sup>

These workers have struggled to maintain their professional jobs, by adopting part time work. However, they struggle with their own internal sense of how this diminishes them as 'proper doctors' and 'proper lawyers', and their discounted status in the eyes of their colleagues.<sup>43</sup>

- 4.49 Women also have difficulty negotiating within their relationships a chance to pursue a career. Katrina Flynn advised the committee in evidence that, although she was the major income earner in her family and her husband's business was struggling, she was taking time off work, despite their original plans:

That is funny because that is always what we said we would do. I think it is different once you have a child because you see that a woman's role is very important as a mother and babies do need their mother. In our situation because of my husband's business he has debt that he cannot walk away from. If we do have a second child, it will probably come down to that – he will have to give away his business and stay at home.<sup>44</sup>

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41 Women Lawyers' Association of New South Wales, sub 99, p 3.

42 Pocock B, *The work/life collision* (2003), The Federation Press, p 169.

43 Pocock B, *The work/life collision* (2003), The Federation Press, p 170.

44 Flynn K, transcript, 19 April 2005, pp 42, 45.

- 4.50 The Association of Professional Engineers, Scientists and Managers, Australia noted that, of their female membership, 69 per cent did not have children. By comparison, the current estimate for the Australian population generally is that 16 per cent of women are likely to remain childless.<sup>45</sup> The Association concluded:

The very high proportion of childless female professionals found in the [Association's] Surveys also reflects the reality that professional women with children are leaving the workforce or reducing their level of workforce participation due to family responsibilities and are therefore less likely to be Association members.<sup>46</sup>

### Reduced training and professional development

- 4.51 If women tend to lose their career path by having a child, then an unfortunate consequence of this is that they are also likely to lose training and development opportunities. A number of submissions advised the committee that full time work is a precondition to workplace learning.<sup>47</sup> In its submission, the Association of Professional Engineers, Scientists and Managers, Australia, stated:

Lack of access to part-time work in such professions has not been caused by any industrial or legal limitation, but by culture, custom and practice. This is also reflected in the predominance of professional development opportunities being based upon full time workplace participation.<sup>48</sup>

- 4.52 As a matter of practicality, part time workers find it more difficult to access training and professional development because they often need to first respond to the immediate pressures of their work. The risk is that workplace training will be permanently set aside.<sup>49</sup>

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45 Kippen R, 'The rise of the older mother', *People and place* (2006), vol 14, p 1.

46 Association of Professional Engineers, Scientists and Managers, Australia, sub 101, pp 6-7.

47 Association of Professional Engineers, Scientists and Managers, Australia, sub 101, p 8.

48 Association of Professional Engineers, Scientists and Managers, Australia, sub 101, p 10.

49 Western Australia Police Service, sub 189, p 5.

## Social disincentives to starting a family

### Families devalued

4.53 A number of submissions argued that motherhood and parenting are no longer valued by the community.<sup>50</sup> In 2004, the Victorian Women's Trust conducted focus groups on women's perceptions of their roles. The Trust concluded, 'Mothering more often than not, without understanding and support from others, leads to a loss of self-esteem and confidence'.<sup>51</sup> The themes emerging from the focus groups included:

- Women who are (full-time) mothers have a poor self-image
- Women who are (full-time) mothers feel isolated...
- Other women are the most critical of full-time mothers...
- There is nowhere to learn how to be a mother – we are expected to know...
- Children don't like to say their mother is 'just a full-time mother'. They don't mind telling their friends that their mother does community work, but they like their mothers to be around when they need attention.<sup>52</sup>

4.54 Professor Peter McDonald asserts that there is a critical reproduction rate of 1.5 births per female and that if the fertility rate falls below this figure children themselves will no longer be valued. Professor McDonald has stated:

As you get more and more people who don't have children, society adjusts to that and it becomes more attractive not to have children. Having fewer children doesn't usually mean you treasure the children you have, it generally means the opposite. Germany, for instance, is emerging as a no-child preference country. German demographers are talking about 30 per cent or more of women not having a child and they say this is the result of a very child unfriendly society.<sup>53</sup>

4.55 Germany is not alone in this development. Other countries also have low fertility rates. For example Japan, Spain and Italy have rates below 1.3 births per woman. This idea may appear to draw a long

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50 O'Carroll G, sub 40, p 1 and Cook P, sub 163, p 14.

51 Victorian Women's Trust, sub 116, pp 2-3.

52 Victorian Women's Trust, sub 116, p 3.

53 Quoted in Macken D, *Oh no, we forgot to have children* (2005), Allen & Unwin, p 160.

bow, but commentators have argued that this attitude is emerging. Deidre Macken has written:

The ways in which societies become intolerant of children have not been explored much, if only because it appears to be such a new phenomenon. On a personal level, it's possible to see it when you take a pram and a toddler through a child-scarce society. Amble through an inner city suburb of DINKs and empty-nesters and see how easy it is to get in and out of shops, to find a bus in off-peak hours and then see how the cafe proprietor greets the family when the place is full of adults reading the paper.<sup>54</sup>

- 4.56 One of the committee's concerns about such a development is that these societies are less likely to consider what legacy they will leave for the next generation. Professor Fiona Stanley advised the committee:

But the downside of people opting to not have children is that they therefore do not look to the future; they are not going to have grandchildren to worry about, and they might not want their taxes to be used – 'You've had the kids, you look after them,' kind of attitude.<sup>55</sup>

- 4.57 The committee regards the development of such a social outlook as unhealthy. It betrays a lack of vigour and direction. As one American commentator recently stated:

...at some point [Australia] will have to confront these issues – not just the falling birth rate and aging population, but the underlying civilizational ennui of which the big lack of babies is merely the most obvious symptom.<sup>56</sup>

## Increased life risks

- 4.58 In his submission, Professor Peter McDonald advised the committee that one of the reasons that fertility rates have dropped over the past half a century is that individuals face more risks in their lives. The first wave of change was social and occurred in the 1960s and 1970s. Women's roles were much less constrained due to the availability of

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54 Macken D, *Oh no, we forgot to have children* (2005), Allen & Unwin, p 163.

55 Stanley F, transcript, 30 June 2006, p 69.

56 Steyn M, 'Does western civilisation have a future?', CD Kemp Lecture, 17 August 2006, Institute of Public Affairs, p 4.



the contraceptive pill and no-fault divorce meant adults could not place as much reliance on the institution of marriage as previously.

4.59 The second wave of change was economic and occurred in the 1980s and 1990s. Tariffs were reduced, international capital flows increased, and labour markets were deregulated. Although this meant many jobs became more rewarding and challenging, the risk of dismissal increased. Employees are now less able to rely on other parties (their employers) and must accept more risk and responsibility themselves.<sup>57</sup>

4.60 Dr Bob Birrell from Monash University advised the committee that the risk women face from divorce is very real. In particular, 'Sole parenthood in Australia is a pathway to a near poverty existence'.<sup>58</sup> He also compared today's environment with that faced by the post war generation:

You have to remember that back in the 1950s and 1960s, when young men and women partnered very early and had children very early, they were able to do that with a secure expectation on the part of the men that there was employment available to them literally for life. There was no real concern that they could be left hanging onto a mortgage without the income to finance it.<sup>59</sup>

4.61 Professor McDonald summarised people's reactions to these changes as follows:

...both changes have led to a greatly heightened sense of risk particularly among young people starting out in life. They have witnessed the effects of relationship breakdown in the parental generation, the frustration of the ambitions of parents, the stress of the work-family balance under poor policy settings, and the loss of employment by the older generation and by their peers. While some people are risk takers, the majority of people are risk-averse. Most have been socialised to be prudent and to seek ways to hedge against risk. For both men and women, the most obvious way to hedge against personal and economic risk in today's society is to invest in one's own human capital rather than leaving

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57 McDonald P, sub 134, pp 1-2.

58 Birrell R, transcript, 14 June 2006, p 23.

59 Birrell R, transcript, 14 June 2006, p 32.

oneself in a situation of dependency either upon parents, a partner, a union or the state. This is today's morality...<sup>60</sup>

- 4.62 Another way of saying that individuals invest in their own human capital is that they spend more time in formal education and in collecting skills and experience on the job before commencing a family. This explains the positive correlation between women's participation in the workforce and fertility rates. This view was also supported by the Australian Institute of Family Studies.<sup>61</sup>
- 4.63 Professor McDonald argues that many of these changes, such as the increased education of women, have broad community support.<sup>62</sup> The committee agrees with this assessment. However, it is important to recognise that 'the wheel has turned' and people in their twenties today face a more uncertain, if potentially more rewarding, future than their grandparents. Young adults face a new environment that legitimately affects their decisions to have children.<sup>63</sup>

## Gender roles

- 4.64 The committee received a number of submissions which argued that a disincentive to women to starting families was that they are still required to do most of the housework and caring tasks in families.<sup>64</sup> The committee received figure 4.3 from the Australian Bureau of Statistics that confirms this. It is reproduced on the next page.
- 4.65 In terms of time, men and women make the same contribution to their households. The difference between the two is that men spend the majority of their time at work, whereas women spend approximately half their time on domestic and shopping tasks. Women also spend more time on child care than they do in paid work. This data confirms the comments by the Australian Bureau of Statistics and Professor McDonald that the most common family arrangements today are that the husband works full time and the mother part time.<sup>65</sup>

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60 McDonald P, sub 134, p 2.

61 Gray M, transcript, 2 August 2005, p 47.

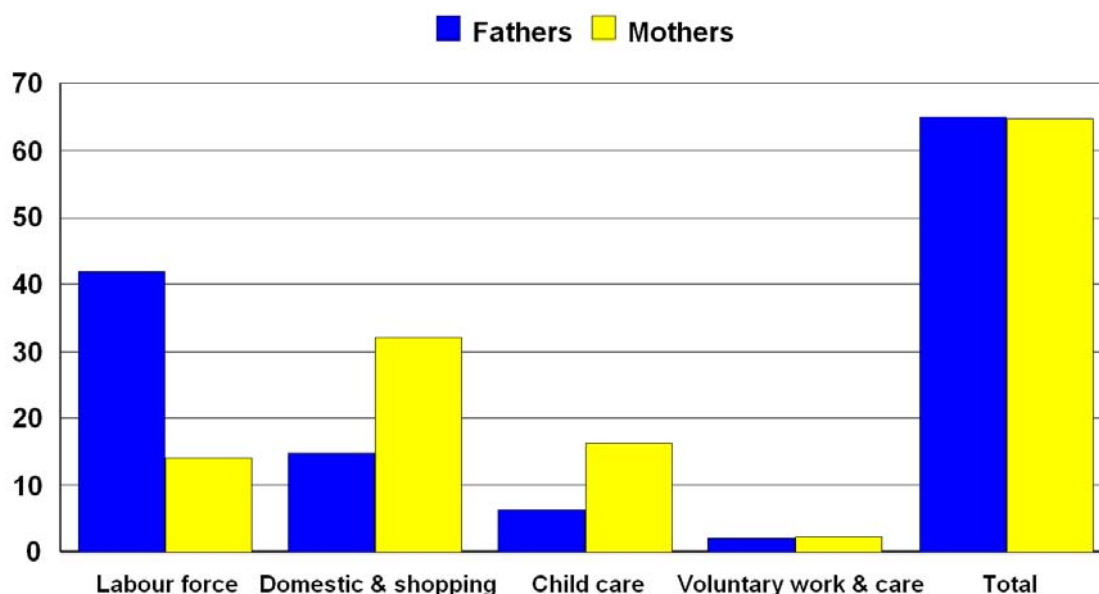
62 McDonald P, sub 134, p 3.

63 McDonald P, sub 134, p 3.

64 For example, Craig L, sub 50, p 2 and Australian Education Union, sub 121, p 4.

65 Posselt H, transcript, 14 June 2006, p 11 and McDonald P, transcript, 15 February 2006, p 12.

Figure 4.3 Time spent on paid and unpaid work, 1997, parents of children aged 0-14 years (hours per week)



Source: Australian Bureau of Statistics, sub 200, p 29.

4.66 As most women know, this work is very intense due to the high levels of multi-tasking involved.<sup>66</sup> Further, this division of roles places more risk on women as well. Peter McDonald has written:

...the movement to gender equity has been focused upon individual-oriented social institutions (education, employment) and, consequently, family-related institutions, especially the family itself, have continued to be characterized by gender inequity. By the time that women begin to consider family formation, their experience has been of considerable freedom and gender equality through education and wage employment. However, they are very aware that their freedoms and equality will be distinctly compromised once they have a baby. This is especially the case in labour markets where little or no provision is made for the combination of work and family. There is a considerable economic dimension to the gender argument, the mechanism being the lifetime earnings lost to women through having children.

In these circumstances, women exercise careful control over their own fertility, delay their family formation and have fewer children to an extent that fertility falls to very low

66 Craig L, sub 50, p 2.

levels. The central problem is that family formation involves greater risks for women than it does for men and that women will be wary about embarking upon marriage and childbearing if they do not feel confident about their future opportunity to combine family with the other opportunities that have opened up for women, especially work.<sup>67</sup>

- 4.67 Despite this imbalance in gender roles, women remain committed to securing the best outcome for people around them, regardless of how it affects them:

Working mothers appear to try to avoid an unacceptable trade-off between time in paid work and time in care of their own children, by using non-parental childcare as much to reschedule their own care as to replace it. They do this by flexibly shifting and squeezing their own time in sleep, leisure and personal care around their responsibilities to market work and childcare. This implies that mothers are more willing to contemplate adverse outcomes to themselves than to their employers or to their children. Working fathers do not sacrifice their rest and recuperation time to the same extent as working mothers do.<sup>68</sup>

- 4.68 Families, and in particular women, face considerable disincentives to starting families. The committee will next examine the factors that explain Australia's fertility rate and whether other countries face similar problems to Australia.

## Explaining fertility rates

### International comparisons

- 4.69 As discussed earlier, Australia's fertility rate has approximately halved from the end of the Baby Boom in 1961. Although many parties have expressed concern about this development, it may be useful to compare Australia's position with other developed countries. Professor Peter McDonald provided table 4.4 to the committee.

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67 McDonald P, exhibit 34.2, pp 7-8.

68 Craig L, sub 50, p 5.

Table 4.4 Total fertility rates (TFR) (births per woman), selected countries, 2003

Group one countries	TFR	Group two countries	TFR
<i>English speaking</i>		<i>Romance</i>	
USA (2002)	2.01	France	1.89
Ireland	1.98	Portugal	1.44
New Zealand	1.96	Spain	1.29
Australia	1.75	Italy	1.29
UK	1.71	<i>Germanic</i>	
Canada (2002)	1.50	Switzerland	1.41
<i>Scandinavian</i>		Austria	1.39
Iceland	1.99	Germany	1.34
Norway	1.80	<i>Mediterranean</i>	
Denmark	1.76	Malta	1.41
Finland	1.76	Greece	1.27
Sweden	1.71	<i>East Asia</i>	
<i>Benelux</i>		China (2001)	1.4
Netherlands	1.75	Japan	1.29
Luxembourg	1.63	Singapore	1.26
Belgium	1.61	Republic of Korea	1.19
		Hong Kong SAR	0.94

Source: McDonald P, *exh 34.2, p 12.*

- 4.70 In demographic terms, the main feature of the table is that the group one countries all have fertility rates of 1.5 or more. The group two countries are all below 1.5, except for France. The importance of a fertility rate of 1.5 is that, below this level, a country will ultimately have very small numbers of children and productive adults compared with older persons needing support or care. Although 1.5 is below the replacement level of 2.1, immigration can potentially bridge the gap. All the countries with fertility rates below 1.5 are concerned about their future.<sup>69</sup>
- 4.71 Why are these high fertility countries and low fertility countries almost entirely divided along cultural and language groups? Why is France an outlier? Professor McDonald stated:

I suggest the cultural divide is due to the way that family is regarded in these societies. The countries that have very low fertility rates are those that have a history of nonintervention of the state in family affairs. They have no culture or history of the state providing support to families. Their cultural view

69 McDonald P, transcript, 15 February 2006, pp 5-6.

is that the state should stay out of it – families can and should look after themselves. If you look at, for example, employment structure by industry, the countries that have very low fertility, Italy for example, have very underdeveloped service industries compared with the countries with high fertility – say, Australia. Those services are not there. Who is expected to provide those services, no matter what they are? Women. So it is not just looking after young children, all services in the society are expected to be provided by women.

The consequence is that a lot of women do not have children or they have just one child, as in Italy. They stop at one. The evidence is very strong that state support for families makes a difference, and the countries that have done it, such as France and the Nordic countries – they are the leading countries in family support – ...are at the top of the table on fertility rates.<sup>70</sup>

4.72 There have been some recent studies that have assessed which programs are more likely to affect fertility. Professor Francis Castles from the University of Edinburgh compared the fertility rates in OECD countries with various family friendly policies. The results are listed in table 4.5.

Table 4.5 Relationship between government policies and total fertility rates, 21 OECD countries, 1998

Government policy	Correlation
Formal child care for 0-3 years (public and private)	.73**
Formal child care, 3 years to school age (public and private)	.37
Publicly funded child care, 0-3 years <sup>a</sup>	.44
Publicly funded child care, 3-6 years <sup>a</sup>	-.52*
Duration of maternity leave (weeks)	-.07
Maternity leave replacement rate (per cent average wages)	-.44
Total leave following birth of child (weeks)	-.32
Percentage of GDP on family cash benefits	.35
Family cash benefits per capita	.18
Percentage of GDP on family services expenditure	.07
Family service expenditure per capita	-.01
Percentage of employees working flex-time <sup>a</sup>	.50*
Percentage of women voluntarily working part time	.01

70 McDonald P, transcript, 15 February 2006, p 6.

Source: Castles F, 'Three facts about fertility' (2002), *Family Matters* No 63, p 26. \*\* = significant at 0.01 level and \* = significant at 0.05 level. <sup>a</sup> = 18 cases only.

- 4.73 The two factors that appear to support fertility the most are formal child care for children aged zero to three and the proportion of employees working flex-time. Although not statistically significant, a number of other factors appear to help, namely formal child care for children over three, publicly funded child care for children aged zero to three, and the percentage of GDP spent on family cash benefits.
- 4.74 In this study, maternity leave does not positively correlate with increased fertility. Professor Castles suggests that some governments have used maternity leave as a means to encourage women to leave the workforce to have children.
- 4.75 These results are reflected in other research. In 2003, the OECD published a review of the many pieces of literature in this area. They concluded:
- family cash benefits have small positive effects in most countries;
  - tax policies such as tax offsets for low income earners with children have positive effects in the United States and Canada;
  - part time and flex-time work have a positive effect;
  - maternity leave has a weak or contradictory effect; and
  - child care has a positive effect, although weak in some countries.<sup>71</sup>
- 4.76 One conclusion from this evidence is that the Australian Government's policies, with a focus on financial support to families and the child care sector, are most likely effective in helping couples start and grow their families. For some, it may well make the difference in having an extra child. The committee, therefore, supports the general principle of the Government's family assistance programs.

## Factors in fertility decisions in Australia

- 4.77 In its report on fertility decision making, the Australian Institute of Family Studies asked people what factors were important to them in

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<sup>71</sup> Sleebos J, *Low fertility rates in OECD countries: Facts and policy responses* (2003), OECD Social, Employment and Migration working papers, no 15, p 45, viewed on 21 September 2006 at <http://www.oecd.org/dataoecd/13/38/16587241.pdf>.

deciding whether to have a child. The factors examined in the study are on the next page.

- 4.78 The most commonly important factor to both men and women is that they feel they must be able to support a child financially. The next most important factors are that each partner would make a good parent. The Institute suggested that these related 'to the overall ability to provide support for the child, either financially or in terms of quality of parenting'.<sup>72</sup>
- 4.79 Over half the submissions to the inquiry dealt with child care. The importance of this issue was reflected in the Institute's survey as it came eighth on the table.

Table 4.6 Proportion and ranking of factors considered important in having children, by gender

	Men	Women	Men	Women
	%	%	Rank	Rank
Afford support child	65	67	1	1
Female partner makes a good parent	65	58	1	3
Male partner makes a good parent	63	60	3	2
Male partner's job security	53	57	5	4
Female partner's age	49	56	6	5
Having someone to love	57	46	4	7
Uncertain that relationship will last	47	47	7	6
Finding good affordable child care	40	46	11	7
Male partner's age	42	42	9	9
Add purpose/meaning to life	45	39	8	11
Male partner established in job/career	41	37	10	13
Giving child(ren) a brother/sister	40	37	11	13
Female partner's job security	34	38	14	12
Time/energy for male partner's career	30	40	17	10
Female partner established in job/career	29	37	19	13
Ability to buy/renovate/move home	32	30	15	17
Child would make partner happier	37	23	13	23
Child would be good for relationship	32	27	15	19
Suitable world for children	30	29	17	18
Stress & worry of raising child	24	34	22	16
Time for leisure & social activities	27	24	20	21
Time/energy for female partner's career	26	24	21	21
Too much stress on relationship	22	26	24	20

72 Weston R et al, "It's not for lack of wanting kids" (2004), Australian Institute of Family Studies, p 126.



Ability to make major purchases	22	22	24	24
Other children would miss out	19	22	26	24
Have at least one/another boy	23	12	23	28
Have at least one/another girl	18	16	27	26
Child difficult to raise	11	15	28	27

Source: Weston R et al, *"It's not for lack of wanting kids" (2004), Australian Institute of Family Studies, p 126.*  
 Factors ordered by the total percentage of men and women who regarded a factor as important.

## Age and delays in partnering

- 4.80 In table 4.6, the female partner's age was viewed as the fifth most important factor in deciding whether to have a child. The male partner's age was ninth.
- 4.81 The median age of first-time mothers giving birth has increased from 26.0 in 1984 to 30.4 in 2004. Over the same period, the median age of first time fathers increased from 28.4 to 32.4.<sup>73</sup>
- 4.82 The Institute elaborated why this was the case, in particular the importance of when people marry:
- Delays in achieving those milestones that precede having children, most particularly delays in marrying, are clearly important factors affecting the fall in the fertility rate. Despite the rise in ex-nuptial births, most women wait until they are married before they have their first child... and women giving birth when at least 30 years old are increasingly likely to be first-time mothers...
- Inextricably linked with these trends is the rise in cohabitation, coupled with an increasing tendency for such relationships to end in separation, and a divorce rate which is high relative to the rates apparent for most years in the 1980s. Partly as a result of these trends, the overall partnership rates across all ages have fallen. Such trends not only limit the total childbearing years of women, but also increase the risks of childlessness.<sup>74</sup>
- 4.83 Dr Bob Birrell from Monash University advised the committee that the drop in partnering levels is acute in groups with lower levels of education:

73 Australian Bureau of Statistics, *Births, Australia, 2004 (2005)*, Cat No 3301.0, p 16.

74 Australian Institute of Family Studies, sub 76, p 8.

Our empirical work shows that there has been a serious decline in partnering levels, particularly married partnering levels. When we look at the socioeconomic characteristics of men and women we find that this decline in partnering has been particularly precipitous amongst women who do not have post-school education. That is of great significance because they are the ones who, in per capita terms anyway, have the most children...

Whether the arresting of the decline in partnering helps explain why the total fertility rate has plateaued is a difficult question. But I would regard that as part of the explanation. I believe this is very strong in the case of men and women who do not possess postschool credentials. Their propensity to partner is very closely associated with the state of the job market. You can see the correlations are very, very strong for men aged 30 to 34 or 35 to 39. The higher the level of income, the more secure the occupation, the higher the level of partnering and marriage.<sup>75</sup>

- 4.84 Dr Birrell's comments are confirmed by the data. The survey of Housing, Income and Labour Dynamics in Australia provided the following table:

Table 4.7 Marital status of men by age and income quartile, 2003 (%)

Income quartile	Percentage married by age group				
	25-29	30-39	40-49	50-59	Total (15+)
1 (lowest 25%)	15.4*	34.2	70.4	70.8	37.0
2	19.3*	35.7	41.0	59.6	43.3
3	23.0	49.3	67.3	72.3	50.3
4 (highest 25%)	38.1	68.4	74.4	84.5	70.0
Total	27.2	57.3	68.9	76.2	53.4

Source: Headey B, Warren D and Harding G, *Families Incomes and Jobs: A Statistical Report of the HILDA Survey (2006)*, Melbourne Institute of Applied Economic and Social Research, p 34. \*Estimate not reliable.

- 4.85 Men in the lowest income quartile for the key ages for having and raising children have half the marriage rates of men in the highest income quartile. Incomes are strongly related to education levels. Men with lower qualifications and education, therefore, are less likely to achieve their ideal family size.

75 Birrell R, transcript, 14 June 2006, p 24.

- 4.86 Dr Birrell also confirmed the importance of timely marriage, which very often leads to people having a child:

We have paid some attention to the marriage factor ... because the empirical evidence indicates that by the time women get to age 35 to 39, if they are living in a married partnership, they almost always have a child under 15. It is almost universal; our figures show 87 per cent in 2001. When you take into account some women who are infertile or whose partner is infertile, this is a very high rate indeed. It has not changed since 1986 when we were first able to cut up the data to accurately compare.<sup>76</sup>

- 4.87 The Centre for Women's Studies and Gender Research at Monash University provided some corroborating evidence for this. In the Centre's fertility research, they found that approximately 50 per cent of all first-born children are the result of accidental pregnancies. Women, however, are much more discerning about additional pregnancies.<sup>77</sup>

- 4.88 There are a number of dimensions to the decline and delay in partnering. Many life milestones have been set back, including leaving the parental home. The Australian Housing and Urban Research Institute told the committee in evidence:

If you look at the data on the age at which people first leave the parental home, it has not changed a great deal in the past 50 years, but the age at which children finally leave the parental home has increased, because there is a pattern now of returns to the parental home after first leaving which did not used to be there...people are delaying their leaving the parental home, staying longer in education and delaying partnering and marriage...<sup>78</sup>

- 4.89 This is confirmed by data from the Australian Bureau of Statistics. The Bureau has reported that, in 1976, 20.7 per cent of people aged 20-29 were living with their parents. This had increased to 29.9 per cent in 2001.<sup>79</sup>

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76 Birrell R, transcript, 14 June 2006, p 24.

77 Centre for Women's Studies and Gender Research, sub 79, p 4 and Maher J, transcript, 10 April 2006, p 56.

78 Winter I, transcript, 10 April 2006, p 68.

79 Australian Bureau of Statistics, *Australian Social Trends 2005* (2005), Cat No 4102.0, p 19.

4.90 Why are young adults delaying these key life stages? Professor McDonald's view that individuals are hedging their risks by spending more time on their education and career appears to be supported by the work of the Australian Institute of Family Studies:

- 'male partner's job security' was rated fourth;
- 'male partner established in job/career' was rated 11<sup>th</sup>;
- 'female partner's job security' was rated 13<sup>th</sup>; and
- 'female partner established in job/career' was rated 15<sup>th</sup>.

4.91 Another argument put to the committee by a number of people is that a rise in consumerism and instant gratification distracts people from the goal and the realities of starting a family.<sup>80</sup> For example:

Consumerism, exacerbated by sharp marketing strategies, has led to young couples not wanting to make the necessary sacrifices, nor forgo any comfort, in order to have a family. Many people think that they must 'have everything' before launching into child-rearing.<sup>81</sup>

4.92 There was mixed support for this view in the Institute's results. 'Ability to buy/renovate/move home' featured in the middle of the table, but 'ability to make major purchases' was near the bottom.

4.93 Dr Leslie Cannold has suggested how the need to be financially secure plays out within relationships. She notes that women focus more on the risk of being childless, whereas men focus on financial and relationship risks:

Recent research for the European Commission found that approximately one-third of couples disagree about whether or not to have a child (or, if they already have one, about whether or not to have another). Women, either driven by their own internal goals regarding motherhood or their ticking biological clocks, are nearly always the ones to initiate discussions about children and to continue to press the issue as the relationship progresses. Men, on the other hand, are nearly always the ones putting up obstacles. While many are vaguely in favour of becoming fathers, they decide that 'one

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80 Morgan B, sub 3, p 3 and Australian Baha'i Community, sub 60, p 2.

81 Australian Family Association (NSW), sub 181, p 4.

day' is 'now' only when the relationship is firmly established and travelling well and they feel economically secure.<sup>82</sup>

- 4.94 Again, the support for this theory was mixed. The Institute's research suggests that women are more concerned about their age than men in planning a child. Men also scored more highly than women for the factor 'having someone to love'. However, men and women provided very similar scores for the factors 'afford support child' and 'uncertain that relationship will last'.
- 4.95 Another reason why young adults may be partnering and starting a family at a later age is that they are unaware of exactly how age will affect their fertility. A small-sample survey of women aged 35-55 conducted by the Family Planning Association in 2002 produced the following estimates by these women of the chances of a pregnancy for the following cases:
- a 62 per cent chance per year for a 40 to 44 year old woman with regular menses;
  - a 40 per cent chance per year for a 45 to 49 year old woman with irregular menses; and
  - an 18 per cent chance per year for a post-menopausal woman aged over 50.
- 4.96 These results significantly over estimate the likely chances of pregnancy. For example, it is biologically impossible for a post-menopausal woman to have a child. The survey also included some general practitioners, who made the following over-estimates:
- a 34 per cent chance per year for a 45 to 49 year old woman with irregular menses;
  - a 14 per cent chance per year for a 45 to 49 year old woman who had reached menopause; and
  - a 25 per cent chance per year for a 50 year old woman with irregular menses.<sup>83</sup>
- 4.97 Although these results are in one sense alarming, Sydney IVF advised the committee that such perceptions are not unreasonable, given there is no outward indication that fertility is dropping:

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82 Cannold D, exh 50, p 184.

83 Sydney IVF, sub 83, p 4.

That will not be revealed by regular ovulation. A woman's cycle will appear to be completely normal. The hormone levels look fine. They often pride themselves on their fitness, their ability to juggle work, life and other issues, but none of this, sadly, helps them in their quest to achieve pregnancy, because of the declining genetic and metabolic function of the eggs.<sup>84</sup>

- 4.98 There has been recent discussion in the media about the effects of age on fertility and there has been some suggestion that women are now more aware of this. However, Sydney IVF argued in evidence that the level of awareness needs to be improved:

It has been getting better in the 12 years that I have been in private practice. There is an increasing knowledge out there, and also amongst their referring GPs. Sometimes it has failed to be recognised even at that level. I think that people are fast-tracking referral to a fertility specialist, in both their presentation to the original doctor and the referral itself, more than they were a decade ago, but there is still a message to be had out there.<sup>85</sup>

- 4.99 This evidence suggests that there may be a role for a government information campaign about individuals' biological clocks. There is a general misconception among young adults about how age affects their fertility. This may be a factor in families not having the number of children they would like. Two out of every three Australian families are having one less child than they prefer.<sup>86</sup>
- 4.100 The alternative view is that the timing of the decision to start a family or have another child is a very personal one. Many people would agree that governments should not be telling people how to run their lives. The committee accepts the view that the best time for a couple to start a family is when they feel ready.
- 4.101 On balance, the committee is of the view that this general misconception in the community about individuals' biological clocks should be addressed. Many people are compromising their enjoyment of the intimacy of family life due to late partnering and to some extent

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84 Bowman M, transcript, 3 February 2006, p 42.

85 Bowman M, transcript, 3 February 2006, pp 46-47.

86 The gap between the average number of preferred children (2.5) and the current total fertility rate (1.8) is 0.7 (see paragraph 4.1). On average, each family is having two third of a child less than they prefer, or two out of three families are having one less child than they prefer.

this appears to be related to a lack of knowledge of the effects of age on fertility. The committee strongly believes that men should also be targeted in such a campaign. Firstly, their fertility appears to decline with age. Secondly, women welcome the support and encouragement of their husbands and partners in planning and starting a family.

## Recommendation 2

- 4.102 **The Department of Families, Community Services and Indigenous Affairs fund a public information campaign, aimed at both men and women, on the effects of age and late partnering on fertility.**

### Partnering in the future

- 4.103 It is clear that men and women's expectations about their partners are changing. As discussed earlier, there are now significantly more women than men graduating with post school qualifications, reversing the position of 50 years ago. Similarly, more girls than boys complete Year 12.<sup>87</sup>
- 4.104 There is some statistical evidence that, in the past, women have preferred to marry men of a higher educational status and that men have preferred the reverse. For people aged in their 40s in the 1996 census, the education rates for men were higher than for women. However, there were 17,000 more unpartnered women with bachelors degrees or above than men with the same qualifications. Of all partnered women with bachelors degrees or above in this census, 50.2 per cent had partnered with a man with these qualifications as well. Only 17.7 per cent had partnered with someone with no formal qualifications.<sup>88</sup>
- 4.105 If these educational preferences for partnering do exist, then they do not reflect the statistical reality. If women remain more reluctant to 'marry down' than men, and men remain more reluctant to 'marry up' than women, then there will not be enough partners to go around.

87 Australian Bureau of Statistics, *Australian Social Trends 2006*, 'Boys' schooling', Cat No 4102.0, viewed on 18 November 2006 at <http://www.abs.gov.au/ausstats/abs@.nsf/7d12b0f6763c78caca257061001cc588/e29750ff86d9e72cca2571b00014b9e3!OpenDocument>.

88 Norton A, 'Student debt: A HECS on fertility?' *Issue analysis* (2003), issue no 32, p 5.

- 4.106 This raises the question of whether men and women will adapt to these new circumstances. Dr Birrell was optimistic:

That will increasingly occur, I think, as women adjust to this situation and – let us say – marry down. That is an intelligent adaptation. There are a lot of associate professional men and tradesmen who would make good husbands.<sup>89</sup>

## Quality of the relationship

- 4.107 As noted earlier, the Australian Institute of Family Studies' report on fertility making decisions found that couples regarded the quality of their relationship as very important. In particular, 'having someone to love' was ranked sixth out of 28 on the list of important factors and 'uncertain that the relationship will last' was ranked seventh. The Institute advised the committee:

In short, the ability to establish a secure and rewarding relationship is an important prerequisite for having children. Strategies that strengthen relationships are clearly important for enabling people to have the children they want. These include not only interpersonal skills education and counselling, but also strategies that help people avoid or overcome those pressures that threaten relationships, such as financial and parenting pressures.<sup>90</sup>

- 4.108 These comments raise the issues of divorce, separation and the quality of our relationships. The lifetime divorce probability for an Australian has increased from 10 per cent in the 1960s to 40 per cent today.<sup>91</sup> On the other hand, married couples today report high satisfaction rates. In Australia, 'approximately 85 per cent to 90 per cent of currently married people report high to very high relationship satisfaction'.<sup>92</sup>

- 4.109 Stable and satisfying marriages are important to families and society for a number of reasons. In particular, they promote:

- men and women's physical and mental health;
- men and women's longevity;

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89 Birrell R, transcript, 14 June 2006, pp 27-28.

90 Australian Institute of Family Studies, sub 76, p 9.

91 Wolcott I and Hughes J, *Towards understanding the reasons for divorce* (1999), Australian Institute of Family Studies, working paper no 20, pp 1-2.

92 Halford W et al, 'Best practice in couple relationship education', *Journal of marital and family therapy* (2003), vol 29, p 386.



- couples' material wealth; and
- better outcomes for children.<sup>93</sup>

4.110 Given these universally important benefits of marriage, why have divorce rates increased? Many of the social changes over the last 50 years such as the effect of contraception, the increased education of women and government financial support for sole parenting have reduced the necessity of marriage. Couples do not need to become husband and wife in order to survive. Rather, marriage is now often seen as something that improves one's quality of life. In its working paper on divorce, the Australian Institute of Family Studies stated:

In such a society, individuals are not necessarily dependent on a traditional marriage or family structure to survive or to pursue productive lives. Nye and Berardo argue that in an affluent society where men and women can earn higher incomes, or a welfare safety net can provide for the minimum needs of children and other family members: 'This type of society provides an alternative to unsatisfactory marriages.' Within the community, an ideological emphasis on personal growth, individual rights and choice may thus conflict with an ethos of responsibility, compromise and commitment.

Contemporary expectations of marriage place a high value on meeting the somewhat ambiguous desires for mutuality, intimacy, happiness and self-fulfilment, a more daunting task, perhaps, than fulfilling the more modest and rigidly defined expectations associated with traditional 'breadwinner husband' and 'homemaker wife' roles.

Such expectations, whether realistic or not, can be severely tested over the course of married life when couples are confronted with the reality of caring for children or elderly parents, managing work demands, paying bills and doing mundane household tasks.<sup>94</sup>

4.111 These changes have been examined and debated by our political leaders. In 1998, the House of Representatives Standing Committee on Legal and Constitutional Affairs released its report, *To have and to hold: Strategies to strengthen marriage and relationships*. This committee found

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93 Wolcott I and Hughes J, *Towards understanding the reasons for divorce* (1999), Australian Institute of Family Studies, working paper no 20, p 1.

94 Wolcott I and Hughes J, *Towards understanding the reasons for divorce* (1999), Australian Institute of Family Studies, working paper no 20, p 2.

that the direct costs to Australia of divorce and marriage breakdown were \$3 billion annually, but Commonwealth Government support for preventive strategies and parenting skills was less than \$6 million annually.<sup>95</sup>

4.112 The Government has since expanded the Family Relationships Services Program from approximately \$28 million in 1996-97 to approximately \$80 million in 2005-06.<sup>96</sup> The program includes a wide range of counselling and mediation services, including pre-marriage education, family relationships skills training, family relationships mediation and children's contact services.

4.113 Relationships Australia gave the committee an overview of pre-marriage education and how it can help couples:

What I would say is that people really enjoy the process because it taps them into things that they may not even have considered, even though some people have been together for some years and have been living together for some years before they do that. Some of the questions or statements to which they have to respond, 'agree with', 'disagree with' or 'undecided', are still quite challenging and new for them to be hit with. My experience is that all of the couples I have seen have found it a really positive tool...<sup>97</sup>

So people go in with their eyes wide open. It gives them a chance to ask some of the hard questions: are we going to have children? When are we going to have them? What happens when we do? Will there be a breadwinner? How will we look after our finances? Where will we live? Near your parents or near mine? What is your family of origin? It gives a chance to work through some of those issues.<sup>98</sup>

4.114 One advantage of counselling and education at this stage of a relationship is that it appears to be more effective than when conducted later. As one academic discussion recently noted:

Helping couples to develop skills and knowledge that enhance relationships seems to be most effective when

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95 House of Representatives Standing Committee on Legal and Constitutional Affairs, *To have and to hold: Strategies to strengthen marriage and relationships* (1998), Commonwealth of Australia, p xiv.

96 Turnbull M, 'Connections WJ Craig Lecture', viewed on 10 September 2006 at <http://www.malcolmturnbull.com.au/news/article.aspx?ID=351>.

97 Hamilton J, transcript, 29 May 2006, p 7.

98 Mertin-Ryan M, transcript, 29 May 2006, p 9.

offered to couples early in their relationship, when they are satisfied in that relationship. Skill-based relationship education for marrying couples consistently produces large effects in enhancing couple relationship skills and reducing risk for future relationship problems. However, similar programs provided to couples once they have been together for 7 or 8 years may be less effective. The effect size of skill-based relationship education in enhancing couple relationships is, on average, larger than the effect size of skill-based couple therapy with distressed couples.<sup>99</sup>

- 4.115 Current attendance rates at pre-marriage education appear to be moderate. In an Australian mail out survey conducted from 1999 to 2001, 29 per cent of respondents had attended pre-marriage education.<sup>100</sup> However, Relationships Australia did not support making pre-marriage counselling mandatory. Rather, they suggested that it would be more appropriate if it could be viewed culturally as normal, or as a good thing to do.<sup>101</sup> The committee agrees with this approach.
- 4.116 Relationship education in Australia is largely aimed at couples about to marry using standard-design courses, typically in a face to face format. Although there are many advantages in this approach, Australian researchers have identified some areas for improvement.<sup>102</sup> For example, there are a range of other occasions during a relationship when education may be helpful, such as before the birth of the first child. A 'relationship checkup' regularly during a relationship may also assist, so as to detect emerging difficulties before negative behaviours become entrenched.
- 4.117 Chapter one demonstrated that working longer hours, if not properly managed, can increase stress related to balancing work and family (see tables 1.1 and 1.2). This stress has a negative impact on relationships. The Tasmanian Government stated:

Certainly, it has been argued that creating a family-friendly culture within and without the workplace would help to

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99 Markman H, Halford W, 'International perspectives on couple relationship education' *Family process* (2005), vol 44, p 142.

100 Halford W et al, 'Do couples at high risk of relationship problems attend premarriage education?', *Journal of family psychology* (2006), vol 20, p 161.

101 Hamilton J, transcript, 29 May 2006, p 9.

102 Halford W, Simons M, 'Couple relationship education in Australia', *Family process* (2005), vol 44, pp 152-56.

ameliorate the problem of increasing relationship breakdown.<sup>103</sup>

- 4.118 Relationships Australia advised the committee that these work and family effects eventually flow on to children:

The imbalance between work and family commitment affects family relationships and the wellbeing of children. From our experience and anecdotal research competing commitments at home and in the workplace are significant factors in increased stress and conflict in families and in marriage and relationship breakdown. It is well known that conflict in families has a detrimental impact on children.<sup>104</sup>

- 4.119 In the view of the committee, couples will benefit through developing the skills to communicate and work their way through problems, such as stress at work and its effect on home. Although much of this report is aimed at reducing work and family stress, some work and family problems are unavoidable. Strengthening relationships at different life stages and before stresses become too much to handle will help couples manage their work and family responsibilities.

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103 Tasmanian Government, sub 129, p 4.

104 Relationships Australia, sub 59, p 2.

### Recommendation 3

4.120 **The Department of Families, Community Services and Indigenous Affairs and the Attorney General's Department establish the following additions to the relationship education components of the Family Relationships Services Program:**

- **programs to be offered at different stages of relationships; and**
- **a multimedia campaign to highlight the availability of these courses and the benefits of attending and completing them.**

### Recent changes to Australia's fertility rate

4.121 As discussed earlier, there has been a recent increase in Australia's fertility rate. Births in 2005 were 2.4 per cent higher than those in 2004. The committee received a number of different explanations for this increase. Professor Peter McDonald stated:

In the first full three months in which the maternity payment could have an impact on births, the number of births was 10 per cent above the equivalent quarter in the preceding year. Ten per cent is a fairly sizeable jump. I think, and I have always argued that, that kind of payment was a good approach. There has also been discussion in Australia about the fact that, if you want to have children, you should not wait too long. There is enormous public discussion about that, and I think that has its impact as well.<sup>105</sup>

4.122 Dr Birrell thought there may be other factors at work:

I think the upturn in births that we have seen in the last couple of years mainly reflects the increase in the number of young women aged 30 to 34, because that is the peak period of childbirth now. Also, we can see there is a bit of catch-up going on. Women who have delayed previously and who are now into their early and late 30s are having kids, so those two factors help to explain it.<sup>106</sup>

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105 McDonald P, transcript, 15 February 2006, p 5.

106 Birrell R, transcript, 14 June 2006, p 31.

- 4.123 The Australian Institute of Family Studies drew on both explanations in providing their advice to the committee:

It would be a package of factors, and that may be one of the contributing factors – media attention, the attention of policy makers about having children, the discussions in the media about people who are sorry now they have left it too late or have changed their minds and now it is too late to have children. There has certainly been on the radio quite a bit of talking about reasons people are not having children, lost opportunities and so forth. So, yes, all of this attention, including the baby bonus and other factors, are likely to have influenced people's decisions about having children. Whether it is about people who are just bringing forward the child that they intended to have, we do not know yet.<sup>107</sup>

- 4.124 A recent paper by Dr Rebecca Kippen at the Australian National University has analysed the latest fertility data. It shows that large numbers of women are delaying starting a family until their 30s. Projections of childlessness made in the 1990s, that one quarter of women will be childless, have now been revised down to 16 per cent. If there has been a large, one-off delay by Australian women in starting families, then this may also explain why the fertility rate has started to increase.<sup>108</sup>

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107 Weston R, transcript, 2 August 2005, p 44.

108 Kippen R, 'The rise of the older mother', *People and place* (2006), vol 14, pp 1-11.



## Returning to paid work

### Introduction

- 5.1 This chapter will cover the second term of reference for the inquiry, 'making it easier for parents who so wish to return to the paid workforce'. Given that women still largely have responsibility for looking after their children, this chapter will generally focus on them, although the committee will also consider men's perspectives where appropriate.
- 5.2 During the inquiry, the committee was impressed by the determination of many women to maintain their career, or develop new careers, while still bringing up their children. The committee recognises their desire to maintain their attachment to the workplace, which should not go unrewarded.
- 5.3 It is also worth reiterating the discussion in chapter four; in developed economies, women's employment is now positively associated with fertility. Enabling women to achieve a fulfilling work environment where they have some control over their work practices and where they receive understanding about their home life will give them confidence to have children. The Organisation for Economic Cooperation and Development (OECD) has argued that good work practices make a difference:

On the one hand, such policies enable women who previously stayed at home to take care of their children to combine family life with participation in the labour market.



On the other hand, women who had previously chosen to reduce their family size to participate in the labour market can now have more children.<sup>1</sup>

- 5.4 Chapter four showed how in patriarchal societies (for example, Italy, Spain and Japan) birth rates are under the critical point of 1.5. In these countries, women's priorities are domestic tasks and they tend to stop at one child. In countries that have encouraged women to work and have careers, birth rates are over 1.5 and typically closer to 2.
- 5.5 The committee's final preliminary observation is that enabling parents to combine their work and families is not new in human history. Chapter one discussed how, prior to the industrial revolution, cottage industry was the norm; the home was the primary unit of economic production. Changes in technology and the rise of intellectual capital and reproductive control mean that families and their workplaces need not, and in many cases should not, now be divorced from each other.

## Employment rates for women

### Australia – the effects of economic factors

- 5.6 The consistent finding from the research about women's workforce participation is that women's employment decisions are sensitive to external factors, much more so than men.<sup>2</sup>
- 5.7 The effect of various external factors on women's workforce participation is measured by elasticities, which is the average percentage change in a woman's behaviour, given an initial percentage change in wages or some other variable. The current estimate of the own-wage elasticity for women's labour force participation in Australia is 0.6. In other words, if a woman's potential

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1 Jaumotte F, 'Labour force participation of women; empirical evidence on the role of policy and other determinants in OECD countries' (2004), *OECD Economic Studies*, no 37, p 73, viewed on 26 October 2006 at <http://www.oecd.org/dataoecd/12/39/34562935.pdf>.

2 Doiron D, Kalb G, 'Demands for child care and household labour supply in Australia' (2005) *The Economic Record*, vol 81, p 230 and Bassanini A, Duval R, *Employment patterns in OECD countries: reassessing the role of policies and institutions* (2006), OECD Social, Employment and Migration Working Papers, No 35, pp 41, 43, viewed on 21 September 2006 at <http://www.oecd.org/dataoecd/47/61/36888714.pdf>.

wage increases by 10 per cent, she will be six per cent more likely to enter the workforce. The current estimate of the own-wage elasticity with respect to hours of work is 0.5. Therefore, if an employed woman receives a pay rise of 10 per cent, on average she will increase her hours by five per cent.<sup>3</sup>

- 5.8 There are also estimates of the effect of family income, or unearned income, on women's labour supply. Examples of unearned income are investments and government family payments. The current estimate is minus 0.1, which means that a 10 per cent increase in unearned income would result, on average, a woman decreasing her labour force participation by one per cent.<sup>4</sup>
- 5.9 Financial need also plays a large role in women's decisions to work. Using 1991 data, researchers have found that a \$10,000 increase in mortgage debt, on average, has the following increases in annual hours:
- 17 hours for Australian-born women;
  - 33 hours for immigrant women from English-speaking countries; and
  - 14 hours for immigrant women from non-English-speaking countries.<sup>5</sup>
- 5.10 The Australian Bureau of Statistics has found that the most common reasons why women return to work after the birth of a child are financial (73 per cent), 'adult interaction and mental stimulation' (30 per cent) and 'maintaining career and skills' (29 per cent).<sup>6</sup>
- 5.11 Women's education, or human capital, also plays a significant role. The committee received table 5.1 on the next page as evidence.
- 5.12 The pattern from the table is clear. The higher a woman's education, the more likely she is to be employed and the less likely she is to work part time. This finding is consistent with the data in chapter one,

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3 Birch E, 'Studies of the labour supply of Australian women: what have we learned?' (2005), *The Economic Record*, vol 81, p 71.

4 Birch E, 'Studies of the labour supply of Australian women: what have we learned?' (2005), *The Economic Record*, vol 81, p 72.

5 Birch E, 'Studies of the labour supply of Australian women: what have we learned?' (2005), *The Economic Record*, vol 81, p 72.

6 Australian Bureau of Statistics, *Pregnancy and Employment transitions, Australia, 2005* (2006), Cat No 4913.0, Table 14, viewed on 23 October 2006 at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4913.0Nov%202005?OpenDocument>.

which showed increasing rates of female education and workforce participation.

Table 5.1 Employment status of partnered and single mothers by education level, 2001 (%)  
(Proportion of women working part time is a percentage of women employed)

Highest education level	Employed		Part time	
	Partnered	Single	Partnered	Single
Bachelor degree or higher	77	80	55	44
Other post school qualification	67	56	61	58
Year 12	57	46	60	59
Incomplete secondary	54	37	63	64

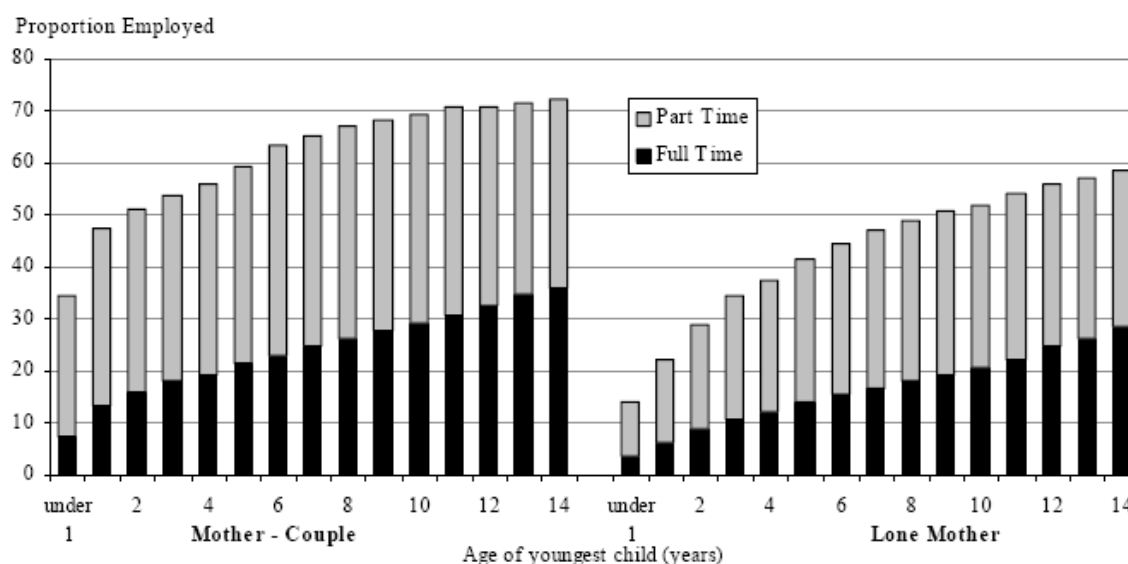
Source: Australian Institute of Family Studies, sub 76, p 15. Mothers defined as living with dependent children aged less than 15 or living with dependent students less than 25.

5.13 The data demonstrates that women's decisions about work are strongly influenced by economic factors such as their wages, income, and education.

## Australia – the effects of family responsibilities

5.14 Although paid work gives women greater willingness to have children, having a young child at home will still affect many women's work decisions, as the following figure demonstrates.

Figure 5.1 Return to work by couple and lone mothers by age of youngest child (2001)



Source: Department of Family and Community Services, sub 102, p 11.

5.15 Women's workforce participation is less when a woman has a child aged nought or one at home. The second conclusion from the figure is

that being a single mother also has a large, negative effect on a woman working. Fifty per cent of partnered mothers are working by the time their youngest child is two, but for single mothers this rate of employment is not reached until their youngest child is nine. This difference in employment rates would appear to be due to the additional support partnered mothers receive through their partner and the partner's family.

- 5.16 The fact that single mothers are spending an additional seven years out of the labour force, on average, compared with partnered mothers, means they suffer significant disadvantage that family payments cannot rectify. While out of the labour force, these women are losing skills, self esteem, social contacts and the increased resources of a working wage.<sup>7</sup>
- 5.17 The figure shows relatively high rates of part time work for women whose youngest child is under 15 (in excess of 50 per cent). Table 5.2 demonstrates that the main reason women work part time is to care for children:

Table 5.2 Main reason for working part time, persons with youngest resident child under 15, 2003 (%)

	Women	Men
Caring for children	74.2	21.7
Could not find full time work	4.3	19.0*
Prefer part time (PT) work	10.5	11.6*
Other personal or family responsibilities	3.3	6.1*
Prefer job and PT hours are requirement of job	3.6	8.1*
Going to school, college or university	1.2*	**
Own illness or injury	0.8*	15.1*
Other	2.1	14.6*

Source: Department of Employment and Workplace Relations, sub 53, p 11. \*\* indicates estimate unreliable. \* indicates standard of error is between 25 and 50 per cent and estimate should be treated with caution.

- 5.18 The reasons for men working part time tend to be more widely spread, but the most common reason they work part time is to care for children as well.
- 5.19 The committee also received evidence that women working part time do not want to work more hours, as table 5.3 shows.

7 Taylor E, sub 14, p 30; Shop Distributive and Allied Employees' Association, sub 39, p 19; Women's Action Alliance, sub 54, p 18.

Table 5.3 Female part time employed persons, whether more hours of work preferred, by age, 2005 (%)

Age	No more hours	More hours		
		Full time hours	Part time hours	Not looking yet
15-19 years	68.1	8.0	6.6	17.3
20-24 years	61.8	13.4	2.8	21.9
25-34 years	77.0	6.5	2.3	14.2
35-44 years	80.0	3.9	2.6	13.5
45-54 years	79.3	4.3	1.9	14.5
55-59 years	85.8	3.3	1.2	9.7
60-64 years	90.3	0.4	1.3	7.9
65 years and over	96.4	0.8	0.3	2.6

Source: Department of Employment and Workplace Relations, sub 53, p 13.

5.20 Generally, the older a part time employed woman, the less likely she is to want more hours. The greatest demand for full time hours is amongst women aged 20 to 24, who are most likely to have finished education but yet to start a family. The highest demand for part time hours is amongst women aged 15 to 19, who are probably still in education.

5.21 Whether this data demonstrates that employed women are happy to work part time as a way of managing work and family is subject to some debate. The ACTU described part time work as 'a constrained choice'.<sup>8</sup> The OECD has argued that decisions about part time work usually depend on current work practices and culture.<sup>9</sup> This issue will be discussed more thoroughly later in the chapter.

## Australia – the role of child care

5.22 Child care, in terms of both cost and availability, was the issue most commonly raised in submissions. The committee decided to investigate the effect of these child care problems on women's workforce participation. In 2003, the Australian Bureau of Statistics published its family characteristics survey, as well as its regular data on people not in the labour force. This latter survey included

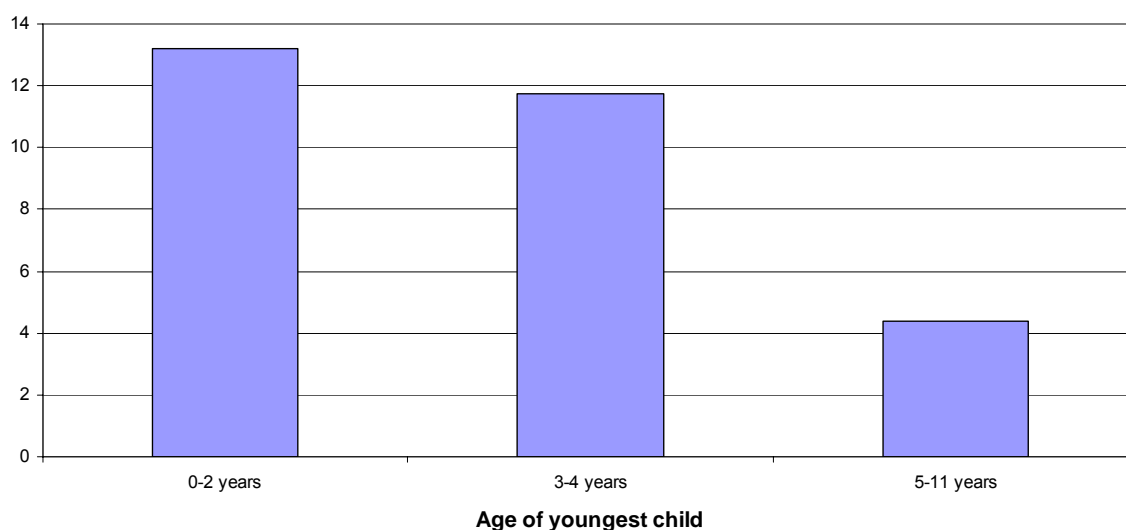
8 ACTU, sub 104, p 48.

9 Jaumotte F, 'Labour force participation of women; empirical evidence on the role of policy and other determinants in OECD countries' (2004), *OECD Economic Studies*, No 37, p 87, viewed on 26 October 2006 at <http://www.oecd.org/dataoecd/12/39/34562935.pdf>.

information on the number of women who would look for work if they could obtain child care.

- 5.23 Combining the two gives the following graph, which shows the proportion of women, who have their youngest child of a particular age, who would enter the workforce if they could address child care issues:

Figure 5.2 Percentage of women available for work but not looking, for child care reasons, 2003



Source: Australian Bureau of Statistics, Family Characteristics 2003 (2004), Cat No 4442.0, p 30 and Australian Bureau of Statistics, Persons not in the Labour Force 2003 (2004), Cat No 6220.0, p 20.

- 5.24 The graph shows that, of all women with children aged nought to two, over 13 per cent of them would work if they could obtain child care. For women with a youngest child of three to four, this statistic is almost 12 per cent.
- 5.25 This lack of child care has implications across the economy. In 2005, there were 162,000 women who were available to work but not actively looking due to child care problems. In the same year, there were 4.7 million women in the labour force out of a total female population, aged 15 to 69, of 7.2 million. In other words, if child care issues were addressed, women's workforce participation rate would rise from 66.2 per cent to 68.5 per cent, an increase of 2.3 percentage points.
- 5.26 The increase in the participation rate across the economy as a whole (covering both men and women) would be in excess of one per cent.

- 5.27 Recently, the Australian Government has claimed that widespread child care shortages do not exist because there are up to 120,000 child care vacancies in Australia, depending on the day of the week. The committee notes, however, that child care is a complex market. It is not 'deep and liquid' like foreign currency markets.
- 5.28 Firstly, child care greatly depends on location. The committee has received evidence that even moderate amounts of travel to child care centres adds considerable travel time and cost to a parent's day and is not sustainable in the long run. As one parent in northern Sydney advised the committee:
- Finally, this year, we secured a position for both girls but not at the same centre. Instead, for the first two months we endured the geographical spread of more than 25 kilometres between their centres and had to drive two cars into the CBD to get to work. Thankfully, we now have found a centre for each child, approximately four kilometres apart, but you would have no idea of the impracticality that we face even with this on a daily basis. For instance, the additional burden of dropping a second child to a second centre before and after work each day adds a timelag of around 25 minutes each day, each way. That is around an hour a day out of our lives that is unnecessarily wasted because I cannot access one service provider for both children.<sup>10</sup>
- 5.29 Child care also depends on quality. Although all approved care must meet quality standards, different centres are run by different people. Parents are entitled to be selective about where they send their children for care, especially when they are very young. If a parent does not feel comfortable about sending their child to a particular centre, then governments need to accept this. Vacancies may exist in centres where particular parents may not be convinced that they are suitable for their children.
- 5.30 The Australian Government needs to accept that more flexibility and choice is required in delivering child care to Australians. Ways to achieve this will be further considered in chapter six.

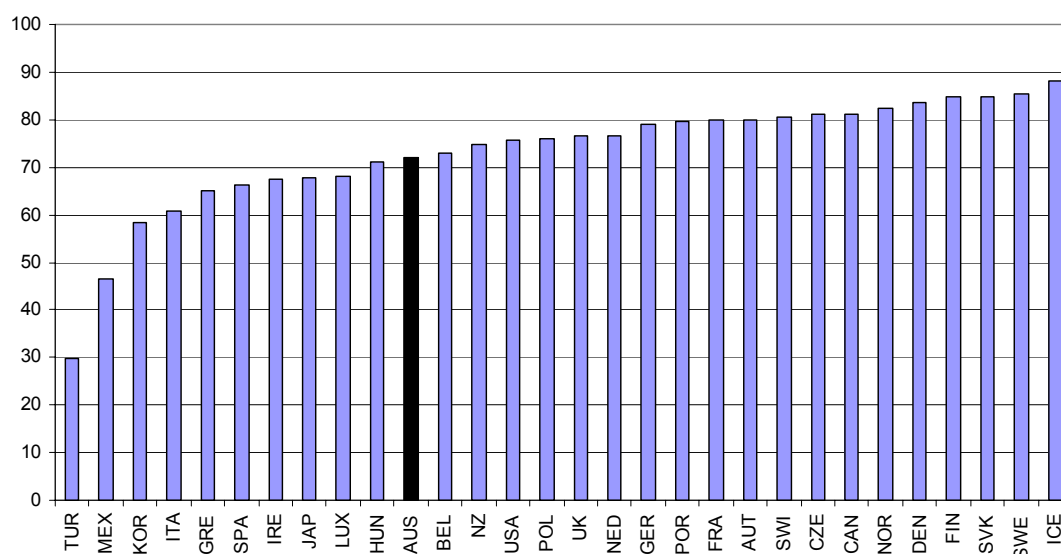
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10 Watson K, transcript, 21 June 2006, p 2.

## Comparisons against the OECD

5.31 In international terms, Australia's rate of female workforce participation is low. The graph below shows how Australia compares with 29 other OECD countries in relation to women of prime working age.

Figure 5.3 Labour force participation rates for women aged 25 to 54, 30 OECD countries, 2003 (%)



Source: *OECD Labour Market Statistics* viewed on 25 September 2006 at <http://www1.oecd.org/scripts/cde/members/lfsdataauthenticate.asp>.

5.32 Australia is ranked 20<sup>th</sup> out of 30. The five Scandinavian countries (Denmark, Finland, Iceland, Norway and Sweden) are all ranked in the top six. The four other English-speaking countries in the OECD (the United States, the United Kingdom, New Zealand and Canada) are all ranked above Australia as well.

5.33 In a study of women's workforce participation in 2003, the OECD found child care and tax to be key matters for attention. Australia came 23<sup>rd</sup> out of 25 countries in public expenditure on formal day care and pre-primary education as a proportion of GDP (1999 data, predating the government's changes to child care funding). Australia came 21<sup>st</sup> out of 31 countries in terms of the amount of tax paid by a second earner in a family with two children, compared with a single earner on the same income without a child (2000-01 data).<sup>11</sup>

11 Jaumotte F, 'Labour force participation of women; empirical evidence on the role of policy and other determinants in OECD countries' (2004), *OECD Economic Studies*, No 37,



- 5.34 The OECD conducted a more detailed study in 2006, covering 20 OECD countries from 1982 to 2003. The main findings from the study were:
- women's participation rates are more sensitive than men's to policy settings, to all external factors;
  - paid maternity leave tends to promote full time work and reduce part time work, with the two effects largely cancelling each other out in terms of women's participation overall;
  - family payments tend to reduce female part time work but not full time work, thus reducing women's participation overall;
  - child care subsidies increase women's employment, especially when working or looking for work is a requirement for receiving them;
  - women are sensitive to where the tax burden lies; and
  - taxing second earners more heavily at income levels corresponding to part work was empirically shown to increase women's full time work at the expense of part time work.<sup>12</sup>
- 5.35 Access to child care is probably the single largest factor in determining female employment in the OECD. Peter Whiteford, currently the director of the OECD's social policy department, and previously the Deputy Director, Research, at the Australian Institute of Family Studies, recently stated:
- Despite the fact that everyone gets totally excited about effective marginal tax rates, comparatively speaking, this is not the problem. I think it is child care.<sup>13</sup>
- 5.36 This conclusion is backed up by the data. The committee received figure 5.4 in evidence (see next page).
- 5.37 Across these 20 OECD nations, there is a positive relationship between the use of formal child care for children aged nought to three and women's employment. Further, this relationship is reasonably

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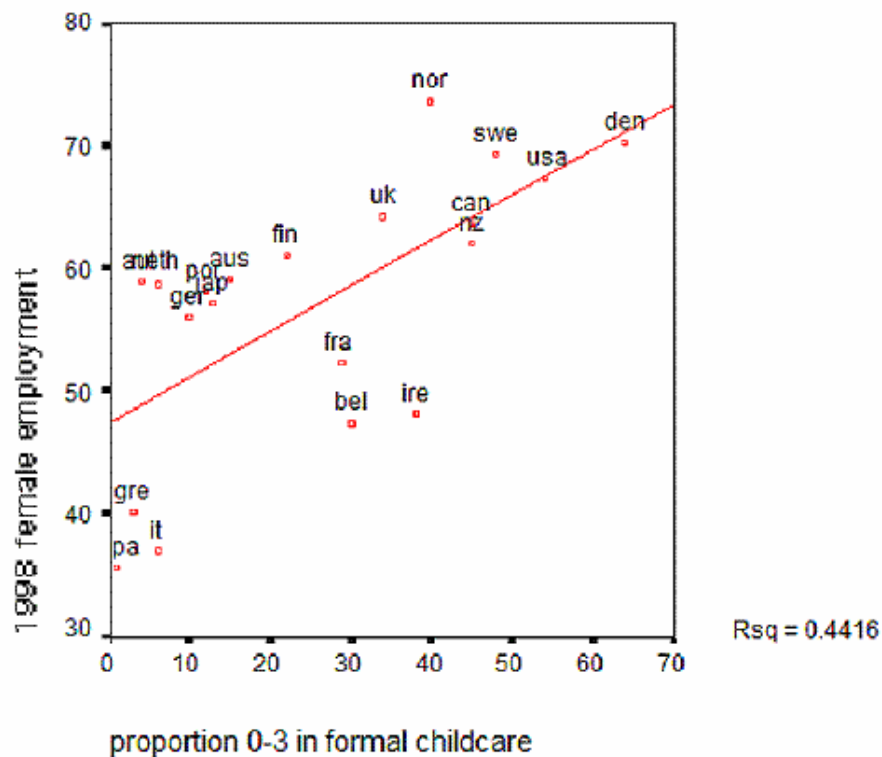
pp 58, 62, 63, viewed on 26 October 2006 at <http://www.oecd.org/dataoecd/12/39/34562935.pdf>.

12 Bassanini A and Duval R, *Employment patterns in OECD countries: reassessing the role of policies and institutions* (2006), OECD Social, Employment and Migration Working Papers, No 35, pp 43-45, 83, viewed on 21 September 2006 at <http://www.oecd.org/dataoecd/47/61/36888714.pdf>.

13 Uren D, 'Tax locks mums to home life', *The Australian*, 4 April 2006, p 4.

strong. Forty four per cent of the variation in female employment rates across these 20 countries is explained by the use of formal child care alone.

Figure 5.4 Relationship between female employment and use of formal child care, 20 OECD countries, 1998 (%)



Source: *Catholic Welfare Australia, sub 65, p 25.*

## Discussion

- 5.38 The main conclusion from the data is that women's workforce participation is sensitive to policy settings because women, as the traditional carers in families, will opt out of the paid workforce when children are young if the workplace is unsupportive or the financial return on work is low.
- 5.39 Once again, the committee would like to reiterate the importance of women's workforce participation to Australia's future. The ageing of the population, combined with the fact that women will eventually hold the majority of post school qualifications, means that we need to remove all barriers to women working, where they so wish.
- 5.40 The committee commissioned Access Economics to model the effect of increased women's participation on the economy. Access found that

GDP could increase by 4.4 per cent more than that estimated by the government in the intergenerational report. As a reform initiative, increased women's participation would be placed above the 2000 tax reforms (a 2.5 per cent increase) and below national competition policy (5.5 per cent).<sup>14</sup>

- 5.41 This research confirms the committee's belief in the vital importance of women's workforce participation to Australia's future.
- 5.42 Women's workforce participation has more variation than men's. Therefore, variation in women's workforce participation should be incorporated in the Australian Government's macro-economic forecasting.
- 5.43 One example of such forecasting is the inter-generational report, which the government is required to release at least once every five years under section 2(4) of the *Charter of Budget Honesty Act 1998*. The first report was released in 2002. It includes some sensitivity analysis of how the government's financial position would change over time for different rates of male employment.<sup>15</sup> The document discusses its assumptions for women's workforce participation, but does not conduct sensitivity analysis on this.<sup>16</sup>
- 5.44 However, it is clear that women's workforce participation is more sensitive to policy changes and, as chapter one showed, it has changed more than men's participation rates over the last 30 years. Although a sensitivity analysis of men's rates is not without value, such an analysis of women's participation rates is more important because their employment patterns are more variable.
- 5.45 The committee commissioned research from Access Economics on the relationship between women's workforce participation and economic output. In their analysis, Access commented that women's employment has risen more quickly than predicted by the 2002 intergenerational report.<sup>17</sup>

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14 Access Economics, Appendix D, p iii.

15 Sensitivity analysis is a way of testing the importance of an assumption in modelling or forecasting. The assumption to be examined is varied by a certain amount (eg increased or decreased by 10 per cent) and the results re-calculated. The greater the variation in the final result, the more significant the assumption.

16 Hon P Costello MP, *Intergenerational Report 2002-03* (2002), 2002-03 Budget Paper No 5, pp 26-28, 71-74.

17 Access Economics, Appendix D, p 10.

- 5.46 Given that the last intergenerational report was released in 2002, the next report should be released in 2007. The committee believes it is important that the next intergenerational report include sensitivity analysis of the assumptions made about women's workforce participations.

#### **Recommendation 4**

- 5.47 **The Department of the Treasury, for the 2007 and subsequent intergenerational reports, ensure that the analysis of women's workforce participation includes sensitivity analysis and is at least as rigorous as the analysis of men's workforce participation**
- 5.48 This section has made the case for the pre-eminent role of child care in helping women work. The later chapters of the report will present the committee's policy proposals for innovative, flexible, affordable child care. The remainder of this chapter will examine workplace issues.

## **Work practices and culture**

### **Introduction**

- 5.49 There is a myriad of work arrangements that can help employees look after their families while still getting their work done. The OECD has made a compilation of over 20 family friendly work arrangements under four main categories.<sup>18</sup>
- 5.50 The first category of family friendly work arrangements is leave from work for family reasons. This includes:
- emergency leave, for example to look after a sick child;
  - additional maternity leave beyond the statutory minimum;
  - paternity leave;
  - career break; and

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18 Evans J, *Firms' contributions to the reconciliation between work and family life* (2001), OECD Labour Market and Social Policy Occasional Papers, No 48, p 41, viewed on 25 October 2006 at <http://ideas.repec.org/p/oec/elsaaa/48-en.html>.

- leave to look after an elderly relative.

5.51 The second category is changes in work arrangements for family reasons. These are:

- part time work;
- flexible hours, provided some weekly or monthly aggregate is met;
- working during term time (to look after children during the holidays);
- job sharing (two employees working different days to fill the full time requirements of a job); and
- working at home.

5.52 The third category of family friendly arrangements is help with caring responsibilities. These comprise:

- workplace nursery;
- financial subsidy for child care or elder care;
- breast feeding or lactation facilities;
- a workplace parent support group; and
- having a telephone at work to use for family reasons.

5.53 The final group is information and training. It includes:

- maternity packs with information on maternity pay and leave;
- policy of informing staff of benefits available and encouraging their use;
- additional support information, such as child care locations;
- contact during maternity leave and career breaks; and
- refresher courses and retraining while returning to work.

5.54 For a family or parent who has a strong network of extended family or contacts in their local community, many of these work arrangements may not appear important. However, due to demographic changes and increased relocation, many families and parents do not have these support networks and need the extra help of these work arrangements.<sup>19</sup> This report will now demonstrate just how important these arrangements are.

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19 Boerma B, Catholic Welfare Australia, transcript, 19 April 2005, pp 30-31.

## What can go wrong in the workplace?

- 5.55 During the inquiry, the committee took evidence from a number of witnesses who were dealt with harshly by their employers when they tried to modify their work practices to help them meet their caring responsibilities. In other words, their workplaces refused to recognise their family life.
- 5.56 Almost all these witnesses were women.
- 5.57 The Australian Bureau of Statistics recently released its survey on how pregnancy affects women's work, both before and after the birth of their child. The survey questioned birth mothers who had children under two living with them (467,000 women in total). Unfortunately, many women still experience difficulties in the workplace due to pregnancy and when they return to work after the birth of their child.

Table 5.4 Difficulties in the workplace: women who worked while pregnant, 2005

	Number	Proportion
	'000	%
Experienced difficulties in the workplace		
Received inappropriate or negative comments	24	9
Missed out on training or development opportunities	22	9
Missed out on opportunity for promotion	18	7
Given different duties without consultation	11	4
Received less favourable account of work performance	10	4
Hours of work reduced without consultation	7*	3*
Demotion	5*	2*
Other difficulties	12	5
All who experienced difficulties in the workplace	56	22
Did not experience difficulties	197	78
Employees (excluding owner managers)	253	100
Owners of incorporated or unincorporated businesses	42	NA
Total	294	NA

Source: Australian Bureau of Statistics, *Pregnancy and Employment Transitions*, Australia, 2005 (2006), Cat No 4913.0, Table 7, viewed on 23 October 2006 at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4913.0Nov%202005?OpenDocument>  
 Respondents may have experienced more than one type of difficulty. \* indicates relative standard error of 25% to 50% and should be used with caution. NA indicates not applicable.

- 5.58 The first observation from the table is that 22 per cent of pregnant female employees experienced difficulties in the workplace. The committee regards this level of workplace difficulty as unacceptable. It places a needless burden on women. It could also reduce national

productivity by deterring women, many of whom are highly qualified, from participating in the workforce.

- 5.59 The second observation is that, for some women, pregnancy has direct costs to their career. Nine per cent of working pregnant employees missed out on training and development and seven per cent missed out on promotions. The committee once again regards this level of workplace difficulty as unacceptable (see table 5.4).
- 5.60 The Australian Bureau of Statistics recently published data on how employees manage their caring responsibilities in New South Wales. The reasons why employees could not use work arrangements for caring are given in table 5.5.

Table 5.5 Reasons why employees could not use work arrangements for caring, New South Wales, 2005

	By employees who already had access to arrangements		By employees who did not have access to arrangements	
	'000	%	'000	%
Work commitments	27.1	24.4	9.0	14.5
Nature of work	26.9	24.3	12.8	20.7
Arrangements not adequate	26.8	24.2	20.4	33.0
Thought would be refused	15.9	14.4	5.9*	9.5*
Not paid for time off	13.3	12.0	6.7*	10.9*
Subtle pressure at work	9.6	8.6	5.4*	8.7*
Asked but refused	4.9*	4.4*	7.6*	12.3*
Other reasons	7.2*	6.5*	5.9*	9.6*
Don't know	6.7*	6.0*	NA	NA
Total	111.0	NA	61.7	NA

Source: Australian Bureau of Statistics, *Managing Care and Work, New South Wales, 2005 (2006)*, Cat No 4912.1, pp 11-12. \* is standard error of 25% to 50% and use with caution. \*\* is standard error greater than 50% and too unreliable for general use. Figures do not sum to total because employee could have had more than one reason. Left hand columns refer to workers who would have liked to use arrangements more. NA indicates not applicable.

- 5.61 In the case of workplaces where employees already had some access to working arrangements to care, the most common reasons why they could not access them more were work commitments, the nature of the work, or the arrangements were insufficient. In workplaces where the arrangements were not available, the most common reason why workers could not access them was because the arrangements did not exist, which would be expected.
- 5.62 'Subtle pressure at work' and 'thought would be refused' were more likely to be cited at workplaces where employees already had the

arrangements. Reflecting this result, the response 'asked but refused' was more likely in workplaces that did not have the arrangements. These statistics suggest that there is a significant number of workplaces where arrangements may be officially available, but implementation falls short.

- 5.63 Outlined below are some examples of the difficulties women face in maintaining their careers after the birth of a child in some of the less supportive workplaces.

### Anne Gardiner

- 5.64 Anne demonstrated to the committee how employees can be adversely affected by the personal attitudes of their supervisor:

...in 1998 I commenced a job share arrangement in a public sector management position. This job share lasted for more than a year and was so successful that it was cited in a document published by the NSW Premier's Department in 2000 titled "Strategies for Flexible Workplace Arrangements". The document was accompanied by Memorandum No 2000-10 from the Premier recommending such flexible workplace arrangements to all Public Sector CEOs.

Several years later, due to carer responsibilities, I once again asked to job share the same position. I was advised by new management that my position was too senior to job share.

Such blatantly inconsistent decision making undermines the relevance of these policies.<sup>20</sup>

### Jody Duncan

- 5.65 Jody recounted to the committee the difficulties she had in negotiating with her employer her return to work after the birth of her first child. Jody did not wish to work full time, so arranged a permanent part time position of two days per week with her employer:

After accepting my position the company then placed an expectation on me to perform various interstate trips to conduct interstate training sessions in Darwin as well as various other trips including Melbourne and Brisbane. These trips were for periods over and above my agreed two days of

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20 Gardiner A, sub 30, p 1.



work and at times were up to five days. This ultimately left me in an impossible situation, as I had confirmed two days child care arranged for my son. My husband worked full time and I have no family support network to assist with child care.

In desperation I attempted to negotiate some workable solutions. However, these suggestions were dismissed outright without further discussion. My team leader and the company gave me an ultimatum to perform the travel requirements verbally and compared my child care issues to that of looking after a dog. I was therefore forced to resign from my position due to family responsibilities. I was personally and professionally devastated.<sup>21</sup>

- 5.66 Jody had nine years experience with the firm, a prominent travel retailer. Her roles included account manager, recruitment manager for South Australia and the Northern Territory, and state sales manager for insurance products. Her supervisor's reference to 'looking after a dog' suggests to the committee that Jody's treatment was based more on ingrained culture, rather than a cost-benefit analysis of the value of her skills, expertise and corporate knowledge to the business.
- 5.67 Jody Duncan found new employment with a previous supervisor. She stated in evidence:
- My new employer has been extremely supportive and, as a family man, completely understands my worth and my family responsibilities.

### Annabelle Harvey

- 5.68 Annabelle wanted to return to work, this time keeping the two days a week that she worked before the birth of her child. She approached the Working Women's Centre in Adelaide to determine whether she could reasonably propose to her employer that she work from home. The Centre agreed she could, so Annabelle developed a proposal with the Centre and approached her employer. The employer rejected her proposal:
- The non-government organisation – funded by the government – that I worked at funds a full-time position and

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21 Duncan J, transcript, 4 May 2006, p 61.

a part-time position, which I held. Its mandate was to provide information, support and referral for people with eating disorders, their carers and the community in general. Ninety-five per cent of that work was done via email and over the telephone. Any face-to-face work was done via appointment, and the number of drop-ins would have been about one per month. So the executive decided that the office needed to be manned at all times, and thus rejected my proposal to work from home.

For the last three years that I worked there, there were many times that the office was not manned. The one full-time employee was out attending meetings, so the office was frequently manned by the answering machine. Their being intent on having this office manned seemed like a very bureaucratic response to our mandate and did not consider the reality of the job that I did, which was covered mostly by phone and email... They needed me in the office.<sup>22</sup>

- 5.69 It appears that some workplaces are basing employment decisions about what has traditionally been done, rather than the 'reality of the job' in question.
- 5.70 These instances hurt the women involved and can dissuade these women's colleagues from having children or encourage them to delay their decision to start a family further.<sup>23</sup>
- 5.71 The committee would like to express its appreciation to the people who gave public evidence on these difficult topics. After talking face to face with these witnesses, the committee was impressed by the effort they put into their paid and domestic work, both of which were important to them.

## Workplace better practice

- 5.72 The committee received evidence from employers who were proud to offer family friendly environments. The Benevolent Society stated that 89 per cent of their staff has reported that their manager is supportive when they wish to alter their hours to deal with a personal situation.<sup>24</sup> The ANZ Bank stated that work and family issues 'has a relatively

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22 Harvey A, transcript, 4 May 2006, pp 62-63.

23 Edmonds-Wilson E, sub 77, p 2.

24 The Benevolent Society, sub 80, p 7.

senior positioning within the bank'. The executive in charge of work and family reports directly to the bank's CEO.<sup>25</sup>

5.73 The Centre for Women's Studies and Gender Research at Monash University noted that women who had three or more children 'very often cited their supportive work circumstances as central to their decisions about having a second or third child'.<sup>26</sup>

5.74 Combined with Professor McDonald's evidence, this suggests that women who work, and do so in supportive workplaces, are more likely to realise the number of children they would like to have.

## Use of family friendly arrangements

5.75 The committee is not aware of any comprehensive Australian statistics on who is using family friendly arrangements across the whole spectrum of caring responsibilities, including children older than two and disabled and elder care. The Australian Bureau of Statistics has, however, published recent statistics on this topic for New South Wales. The results are reproduced in table 5.6.

Table 5.6: Employees who care, work arrangements used, New South Wales, 2005 (%)

Work arrangement used	Men	Women	Persons
Paid leave (all types)	57.8	47.5	52.0
Flexible working hours	34.8	37.6	36.4
Rostered days off	19.1	13.4	15.9
Unpaid leave	10.8	17.0	14.3
Informal arrangement with employer	11.4	13.5	12.6
Part time work	1.6*	17.1	10.3
Working from home	10.8	7.8	9.1
Casual work	4.1	12.5	8.9
Shift work	8.3	5.4	6.6

Source: Australian Bureau of Statistics, *Managing care and work, New South Wales, 2005 (2006)*, Cat No 4912.1, p 8. Paid leave includes all types of paid leave, including maternity leave. \* indicates relative standard error or 25% to 50% and should be used with caution.

5.76 Although practices in New South Wales are not a precise sample of the situation in Australia, they do give some indication of what is occurring nationally. The two initial points from the table are that men are more likely to use paid leave and rostered days off, whereas women are more likely to use unpaid leave, part time work and

25 Freeman S, transcript, 2 August 2005, p 11.

26 Centre for Women's Studies and Gender Research, sub 79, p 5.

casual work. The committee's conclusion is that women are more likely to use arrangements that come at a cost to their career.

- 5.77 The Bureau also noted that rates of use are higher in the public sector, compared with the private sector. Of employees with caring responsibilities, both men and women in the public sector are 56 per cent likely to use work arrangements to care. In the private sector, however, the rates drop to 48 per cent for women and 37 per cent for men.<sup>27</sup> This result suggests that the differing attitudes to workforce participation between men and women are more strongly displayed in the private sector. This is probably due to more supportive workplaces in the public sector as the government is meant to be a model employer.

## Australian Workplace Agreements and WorkChoices

- 5.78 There has been considerable debate in the community about the government's new industrial relations system, WorkChoices.<sup>28</sup> These changes reduce the number of minimum conditions under federal awards to five matters and place more responsibility on employees and management to negotiate pay and conditions themselves.<sup>29</sup>
- 5.79 The argument against the government's legislation is that many employees do not have the bargaining power or expertise to negotiate these matters effectively.<sup>30</sup>
- 5.80 The opposing argument is that with a tight labour market and an ageing population, demand for labour will remain high, giving employees sufficient bargaining power.<sup>31</sup> In the case of Australian Workplace Agreements (AWAs), employees also have the right to have a third part bargain on their behalf.<sup>32</sup>
- 5.81 The committee received evidence during the inquiry about AWAs. In particular, the debate concerned whether AWAs were delivering

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27 Australian Bureau of Statistics, *Managing care and work, New South Wales, 2005* (2006) Cat No 4912.1, p 8.

28 For example, see the ACTU's website at <http://www.rightsatwork.com.au>.

29 Maximum hours per week, minimum rates of pay, personal and carer's leave, unpaid parental leave, and paid annual leave.

30 Gittins R, 'WorkChoices' class war'; *The Sydney Morning Herald*, 21 November 2005, p 24.

31 Richardson C, 'What's eating up our time?', *About the House*, May 2005, p 17.

32 Workplace.gov.au, 'Negotiating a family friendly agreement', viewed on 5 December 2006 at <http://www.workplace.gov.au/workplace/Category/SchemesInitiatives/WorkFamily/Negotiatingfamilyfriendlyagreement.htm>.

enough family friendly arrangements to employees. The Department of Employment and Workplace Relations argued that:

Agreement-making at the workplace and enterprise level is particularly suited to tailoring working arrangements in ways that assist employees to balance work and family responsibilities. Increasing numbers of organisations have found that agreement-making provides a wide variety of options for new and innovative initiatives that benefit both employees and the business.<sup>33</sup>

5.82 The alternative view was put by the Women's Electoral Lobby and the National Pay Equity Coalition:

Over time we have been involved in submissions to the industrial commission and the Federal Parliament on having such things introduced as paid maternity leave, access to rights to return to part time work, superannuation and equal pay. We have had all those sorts of things put into awards and agreements. We are very concerned that the current government policy will move people away from those awards and agreements and force them onto individual contracts, Australian Workplace Agreements. Studies that we look at indicate to us that work and family provisions are neglected in those agreements. We are concerned that women will miss out.<sup>34</sup>

5.83 The most recent data available on family friendly provisions in AWAs is from 2002 and 2003, represented in table 5.7.

5.84 At first glance, these figures appear low. However, the picture may be more complicated. Firstly, it is possible that staff are able to make informal negotiations about family friendly arrangements, outside what was agreed in the AWA. The Australian Institute of Family Studies stated in evidence that men, in particular, are more likely to informally negotiate an arrangement than use something formally established.<sup>35</sup> Further, these arrangements may only be sought after by working carers, who are a subset of all employees.

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33 Department of Employment and Workplace Relations, sub 53, p 22.

34 Suzanne, community statements, transcript, 2 August 2005, p 52.

35 Hayes A, transcript, 2 August 2005, p 41.

Table 5.7 AWAs with specific work and family provisions, 2002 and 2003 (%)

	<b>AWAs with the provisions</b>
Family or carer's leave	25
Paid family or carer's leave	24
Sick leave able to be taken as family leave	17
Parental leave	24
Paid maternity leave	8
Paid paternity leave	5
Paid adoption leave	4
Option for additional maternity leave	1
Purchased leave scheme	4
Bereavement leave	49
Paid bereavement leave	47

Source *Barbara Pocock, 'The Impact of The Workplace Relations Amendment (Work Choices) Bill 2005 on Australian Working Families, viewed on 30 November 2006 at <http://www.barbarapocock.com.au/documents/IRVBillPaper.doc>.*

5.85 The Human Rights and Equal Opportunity Commission added another view on AWAs. If they tend to promote longer working hours, then employees will have less time for their families:

Some research suggests that agreement making through certified agreements, and particularly AWAs, while generally containing provision for family friendly working arrangements, tend in fact to make balancing work and family responsibilities more difficult for employees because they commonly also include provisions which expand the hours of ordinary work both during the week and on weekends, and reduce penalty and overtime rates. A survey on AWAs conducted for the Office of the Employment Advocate found evidence that AWAs were being used less to enhance work and family balance than to extend working hours so that enterprises' trading hours could be increased.<sup>36</sup>

5.86 Until recently, the Office of the Employment Advocate was publishing research on the removal of award provisions from AWAs. At recent Senate Estimates hearings, however, the Employment Advocate advised that, due to concerns about the methodology used

36 Human Rights and Equal Opportunity Commission, *Striking the balance: Women, men, work and family* (2005), Discussion Paper, p 91.

by his office, this practice has been discontinued.<sup>37</sup> Some of these items would be family friendly provisions.

- 5.87 In view of the uncertainty about the effects of AWAs on family friendly arrangements, the committee believes that it is necessary to evaluate same. The Australian Government has committed to evaluate Welfare to Work.<sup>38</sup> The committee considers it would be appropriate to evaluate the effects of AWAs and WorkChoices on family friendly arrangements. To ensure that the evaluation is independent and has the necessary expertise in family issues, the committee recommends that it should be conducted by the Australian Institute of Family Studies.

### Recommendation 5

- 5.88 **The Australian Institute of Family Studies be funded to evaluate and report on the immediate and long term effects of AWAs, awards and certified agreements on how employees balance their work and family responsibilities.**

- 5.89 A topic related to access to family friendly arrangements in the workplace is whether women are likely to be paid less for doing the same work as men. Using data from the HILDA survey, Hiau Joo Kee demonstrated that women continue to be paid less than men for doing the same work by, on average, 15 per cent. In the public sector, this wage gap is spread over all income ranges. In the private sector, it is concentrated at high incomes, suggesting a glass ceiling.<sup>39</sup>

- 5.90 The committee is concerned about this inequality. Not only do women have primary responsibility for raising children in families, but their employment enables them to have children. Being paid less for doing work of equal value as men is holding Australia back. At the minimum, this pay gap should be monitored and regular workplace surveys are a useful way of achieving this.

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37 Rollins A, 'AWAs: accusations of cover-up' *Australian Financial Review*, 3 November 2006, p 22.

38 Australian Government, Budget 2005-06, 'Employment and workplace relations: Welfare to Work reform package 2005' viewed on 9 November 2006 at <http://www.budget.gov.au/2005-06/bp2/html/expense-09.htm>.

39 Hiau Joo Kee, 'Glass ceiling or sticky floor? exploring the Australian gender pay gap' *The Economic Record* (2006), vol 82, pp 408-27.

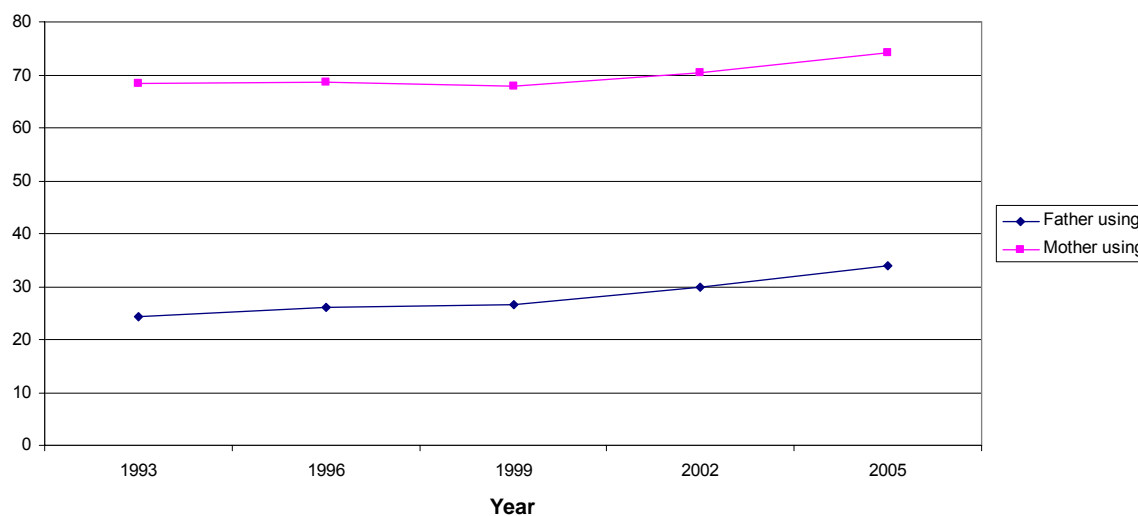
## Recommendation 6

5.91 **The Australian Workplace Industrial Relations Survey (last conducted in 1995) be repeated and then conducted on a five year cycle. The survey should also collect the necessary data to assess whether women are paid the same as men for doing work of equal value, before and after the birth of their children.**

### Are family friendly arrangements changing over time?

5.92 Although the Australian Workplace Industrial Relations Survey has not been updated since 1995, the Australian Bureau of Statistics has been keeping some time series data on child care arrangements since 1993. The first graph examines the behaviour of parents.

Figure 5.5 Parents using work arrangements to care for a child (%)



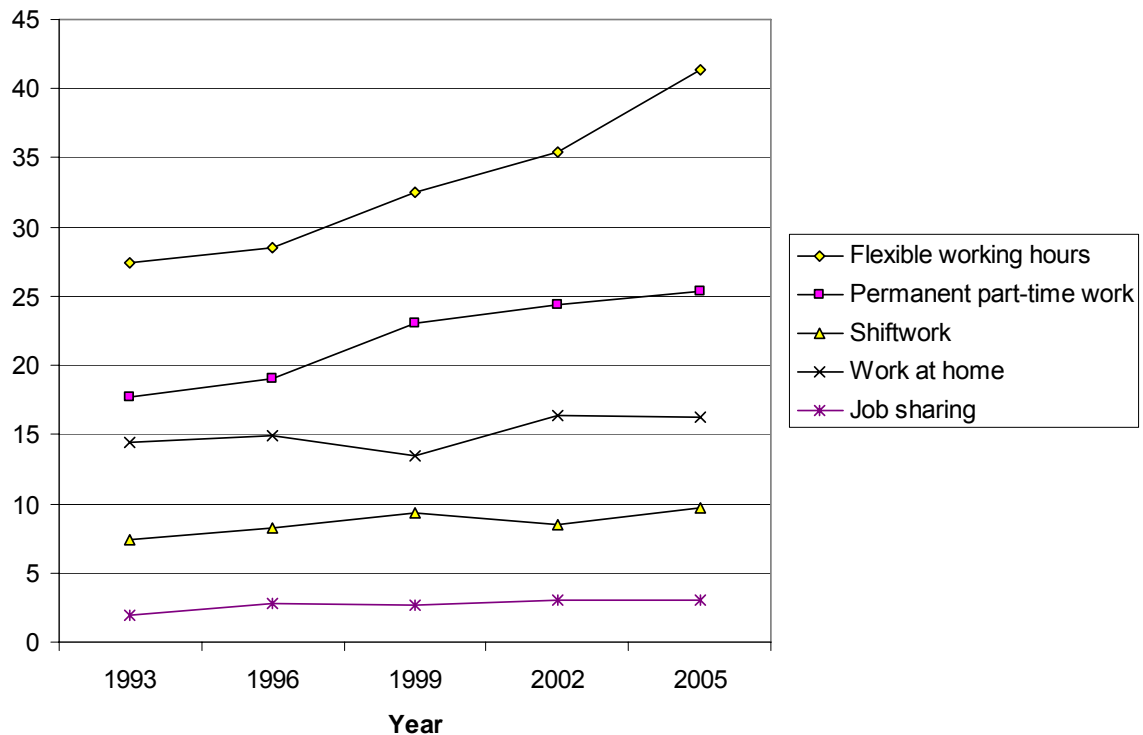
Source: Australian Bureau of Statistics, *Child Care Australia 2005 (2006)*, Cat No 4402.0, p 46 and Centre for Applied Social Research, RMIT University, sub 26, p 32.

5.93 The figure shows that women are much more likely to use family friendly work entitlements and/or arrangements to care for a child than men. It also shows, however, that both men and women are becoming more likely to do so. Although coming off a small base, the number of men using work arrangements to care for a child has increased by 34 per cent. It appears that both men and workplaces are changing their attitudes to family friendly arrangements.



5.94 The next graph examines what arrangements are being used to care for a child.

Figure 5.6: Work arrangements used by parents to care for a child (%)



Source: Australian Bureau of Statistics, *Child Care Australia 2005 (2006)*, Cat No 4402.0, p 46 and Centre for Applied Social Research, RMIT University, sub 26, p 32. There is an additional category 'other' which ranges from 1.5 per cent to 3.3 per cent.<sup>40</sup>

5.95 As the graph shows, the most common work arrangement used is flexible working hours and its use is increasing more rapidly than any other arrangement. The second most common arrangement is part time work, and this is also increasing. The other arrangements show gradual increases. This data demonstrates that many people are not necessarily interested in working less to care for their children, but wish to manage work and family around each other.

40 The data in this graph is not fully comparable with the data from the New South Wales survey earlier in the chapter. This survey covers all of Australia but is limited to where parents care for children. The earlier survey is limited to New South Wales but covers all caring situations.

## How are workers adapting?

- 5.96 It is clear to the committee that the traditional career path is not suitable for some parents who wish to get the most out of their work and family lives. Chapter three demonstrated that the cost to a woman's career of having a child is high and the same would most likely apply to men who took time away from their career to care for their family.
- 5.97 Instead, the committee has received evidence that parents, especially women, are now thinking more flexibly about their careers. In its managing care and work survey for New South Wales, the Australian Bureau of Statistics reported that, of all carers who were self employed, 18 per cent of those women became self employed to make caring easier. The figure for men was six per cent, which made the average for persons overall 10 per cent.
- 5.98 Over time, women are making an increasing contribution to the Australian economy through the small business sector. In the five years to 2003, there was a 20 per cent increase in the number of women running home businesses.<sup>41</sup> Further, women owned businesses are growing at twice the rate of male owned companies.<sup>42</sup>
- 5.99 The committee received a number of examples in evidence of how women reach this decision and how they implement it. The CEO of motherInc, which produces an online magazine for mothers stated:
- ...the only reason I could continue working was that I had the skills to re-create my career. I find for a lot of women your solution is to almost re-create how you work or it becomes an issue. I work online because I cannot actually work normal hours. I have a young son who is at school ... he had an injury on the sports field and I had to leave and drive right across the city to get him because he was in a bit of a bad state. My job means that I can work at night and I can work on weekends. In fact, it is the only way I can create my income.<sup>43</sup>
- 5.100 Karen Davies from Perth gave the committee two examples of how a mother can combine managing a family and a small business. The first example was her own IT business:
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41 Macken D, *Oh no, we forgot to have children* (2005) Allen & Unwin, p 194.

42 Sherry A, 'Contact required in female corporate exodus' *Australian Financial Review*, 11 July 2006, p 59.

43 Keech C, transcript, 13 March 2006, p 36.

It has been going for almost eight years. That happened within six months or so of me having my first child. This was pre the dotcom crash. It was a small, very developing area of my career before I finished work. I began training myself in it while I was looking after my child and then someone asked me to do some work, and some more and some more, and so now it is a business. It is part time; it fits in around the children. It certainly does not use my scope of experience from before I had my son, but it would not be possible for me to work in the job that I had before.<sup>44</sup>

- 5.101 Ms Davies' second example was of a mother in Sydney who started a local newspaper and looked after her children simultaneously:

She literally put a seven-month-old baby in a stroller and wheeled him up and down Darling Street in Balmain and started a paper. She since has sold that to a multinational publishing company. Her children are older now and she is back being employed as a senior editor. But the only reason it worked for her was that she did it on her terms. For the first few years they published out of her garage and they were subediting with children crawling around on the floor underneath them. She employed her staff on the basis that they would understand that there is a playpen in the corner and they needed to put up with that. I do not think you would get away with that in larger, more traditional corporate organisations.<sup>45</sup>

- 5.102 It appears that starting up a business is not necessarily the first choice for these women, but they do so in order to meet the financial and caring demands of their family. After all, the most common reason for women to return to work with a young child is financial. This behaviour is consistent with the research of Suzanne Bianchi, who suggests that women operate in a similar way to sweepers in a soccer team, attending to whatever issue is the most important at any particular point in time.<sup>46</sup>

- 5.103 Not everyone, however, wishes to start a business. The alternative is part time and casual work. The Productivity Commission has noted that:
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44 Davies K, transcript, 30 June 2006, p 29.

45 Davies K, transcript, 30 June 2006, p 33.

46 Bianchi S, 'Maternal employment and time with children: dramatic change or surprising continuity?' (2000), *Demography*, vol 37, pp 139-54.

For one in four families, non-traditional work [casual, self-employed contractors, fixed-term employees and labour hire employees] is the main source of wage income. Such families are found in all income deciles, indicating that reliance on non-traditional work for wage income is not synonymous with low family income.<sup>47</sup>

- 5.104 The Australian Institute of Family Studies has argued that this sort of work gives mothers the flexibility they need to return to the workforce.<sup>48</sup> However, the committee has demonstrated earlier that casual and part time work significantly depresses a woman's earnings and career. The next question to consider is what work arrangements people prefer.

### What arrangements do workers want?

- 5.105 The New South Wales managing care and work survey gives a useful overview of what arrangements are most preferred. This survey focuses on employees in New South Wales with the full range of caring responsibilities (elder, disability and children).
- 5.106 The Bureau reports that there are 1.163 million employees in New South Wales with caring responsibilities. Of these, 111,000, or 9.5 per cent, had access to work arrangements to care but would have liked more. A further 61,700, or 5.3 per cent, did not have access to work arrangements but would have liked to.<sup>49</sup>
- 5.107 The Bureau also reported that, of the 172,700 people who had unmet demand for caring arrangements, 75,800, or 43.9 per cent, could not access care arrangements either due to work commitments or the nature of their work made using the arrangements difficult.<sup>50</sup> In the view of the committee, these are legitimate reasons for an employee not to be able to use work arrangements to care.
- 5.108 Overall, it appears that well over a majority of working carers have access to the work arrangements for caring that they require.

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47 Productivity Commission, *The role of non-traditional work in the Australian labour market* (2006), Commission Research Paper, p xviii.

48 Cooke D, 'Mothers opt for autonomy, control over hours' *The Age*, 24 October 2006, p 3.

49 Australian Bureau of Statistics, *Managing care and work, New South Wales, 2005* (2006), Cat No 4912.1, pp 3, 11-12.

50 The 75,800 people are derived from adding the categories of 'work commitments' and 'nature of work makes using difficult' at Australian Bureau of Statistics, *Managing care and work, New South Wales, 2005* (2006), Cat No 4912.1, pp 11-12.

Table 5.8: Work arrangements preferred by employees for caring, New South Wales, 2005

	By employees who already had access to the arrangements		By employees who did not have access to the arrangements	
	'000	%	'000	%
Paid leave	47.7	43.0	21.5	34.7
Flexible working hours	32.8	29.6	15.2	24.6
Unpaid leave	10.0	9.0	5.9*	9.5*
Working from home	7.3*	6.6*	9.9	16.1
Rostered day off	6.3*	5.7*	4.0*	6.5*
Informal arrangement	6.2*	5.6*	3.2*	5.3*
Shift work	3.8*	3.5*	1.3**	2.0**
Part time work	3.2*	2.9*	4.8*	7.7*
Casual work	2.7*	2.4*	1.8*	3.0*
Other	1.4**	1.3**	6.7*	10.9*
Total	111.0	..	61.7	..

Source: Australian Bureau of Statistics, *Managing care and work, New South Wales, 2005 (2006)*, Cat No 4912.1, pp 11-12. Paid leave includes all types of paid leave, including maternity leave. \* indicates relative standard error of 25% to 50% and should be used with caution. \*\* indicates relative standard error of over 50% and is too unreliable for general use. Percentages do not add up to 100 because an employee could select more than one type of arrangement. Left hand columns refer to workers who would have liked to use arrangements more.

5.109 Paid leave is the most sought after arrangement in New South Wales, but this is not surprising given that parents are being paid while absent from work. The form of paid leave with the highest profile is paid maternity leave, which will be discussed later in the chapter.

5.110 The arrangement with the second highest level of demand is flexible working hours. Unlike paid leave, it imposes few direct financial costs on employers. The committee has already discussed the evidence which suggests that women are prepared to start up their own business because of the flexibility it gives them. Recent research by psychologists suggests that flexible working hours has great potential in workplaces because people don't necessarily want to sacrifice their career because of family caring responsibilities:

One interpretation of this research is that the label 'work/life balance' may not be the most appropriate. Many people imagine work/life balance refers to a quieter life, working fewer hours, and achieving greater separation between work duties and life/family duties. We would suggest this isn't what most people want. Employees seem to be very willing to work long hours in a job they love, so long as they have some control over where and when they work. Employees want the flexibility to leave work early to pick up the kids or do some

banking, and many are quite willing to replace the lost hours by working at nights or on the weekend...

Peace [a quieter life] may be a legitimate goal for ethical or moral reasons, or in an attempt to reduce direct costs associated with stress claims. We may, however, be doing ourselves a disservice, as individuals and as a profession, if we continue to argue that peace is a primary method for enhancing productivity, morale, attraction and retention.<sup>51</sup>

- 5.111 The demand for flexible working, and the productivity gains it promises (since carers don't have to compromise their careers), contrast against part time work. Only 8,000 workers in New South Wales wanted greater access to part time work, compared with 48,000 who wanted more flexible hours. Six times more people wanted flexible working compared with part time work.
- 5.112 Further, the committee received considerable evidence that part time work has many disadvantages. In evidence, the ACTU confirmed that women look for part time work as a way of combining work and family, but this can detract from their career because they move out of their chosen field:

In order to take up part-time work, they take up work in the areas where part-time work is concentrated – that is, in the hospitality and retail industries, which are low-paid and casual jobs. The penalty of motherhood is moving into those casual jobs...<sup>52</sup>

- 5.113 One witness told the committee, 'I cannot help but feel that in reality part-time work and meaningful employment are mutually exclusive concepts'.<sup>53</sup>

- 5.114 The committee has earlier dealt with the cost to women's careers of entering into part time work. In short, their careers are on hold until they return to full time work. The Women Lawyers' Association of New South Wales provided further evidence to the committee on this:

Most women the private industry [private legal practice] were so grateful that there was any part time work available

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51 Langford P, Parkes L, 'Peace, passion and progress: are they compatible?' *InPsych Highlights*, June 2006, viewed on 14 September 2006 at [http://www.psychology.org.au/publications/inpsych/12.2\\_158.asp](http://www.psychology.org.au/publications/inpsych/12.2_158.asp)

52 Bowtell C, transcript, 3 August 2005, p 4.

53 Watson K, transcript, 21 June 2006, p 4.

to them that they simply did not consider themselves to be in a position to negotiate any kind of pay increase...

It is usual for a female employee in private practice to have her career prospects and her income plateau from the date upon which she announces her pregnancy until she returns to full time employment.<sup>54</sup>

- 5.115 Another criticism of part time work is that, in many cases, staff do not do any less work than their previous full time job, and they are expected to do it over fewer days:

When I returned to work after my first baby, I worked part-time for three days per week. While my supervisor was very supportive, I essentially found myself working a full-time job in three days per week, and being paid accordingly. This caused me stress which manifested in my family life and I also undertook unpaid work in evenings and weekends to keep up.<sup>55</sup>

- 5.116 Further, staff are sometimes expected to be available during their days off when they are meant to be undertaking their caring roles:

There is one girlfriend of mine who technically works part time. She is in a very senior role in Sydney and she is constantly called in on her off day, which means she then has to drop everything...

She is encouraged not to bring the child to work, even if it is a one-hour urgent meeting that cannot possibly wait. She constantly feels in debt. She is always slightly out of breath, having to keep up with it all. There is an idea that just because she is off on Friday, she is not doing anything, and she is available on the phone and she is available to check her email. There is a mentality that she must just be doing personal stuff. Personal stuff happens to be work as well. She is shopping, she is cooking, she is cleaning, she is child-caring. So that is very difficult.<sup>56</sup>

- 5.117 It appears that part time work is a second-best choice for some parents in managing work and family. Flexible working hours offers

54 Carr B, transcript, 13 March 2006, p 55.

55 Name suppressed, sub 95, p 2. See also Caroline, community statements, transcript, 4 May 2006, pp 64-65 and Waldock J, Association of Professional Engineers, Scientists and Managers Australia, transcript, 3 August 2005, p 29.

56 Davies K, transcript, 30 June 2006, p 31.

much more to parents and, if managed well by the employer, should impose few costs on them as well.

## What does a flexible workplace look like?

5.118 To some extent, it is difficult to prescribe what makes a flexible workplace because the workforce in each business and organisation will be different, as will be the clients and locations. Perhaps the best way of addressing this problem is through examples. The Centre for Women's Studies and Gender Research at Monash University described how one simple arrangement made a large difference for one mother:

One of the stories that stuck out for me was about a woman from down Gippsland way who worked as a horse coper – I think that is the term. The substantive thing for her was that her employers did not mind if her child got off the school bus at four o'clock in the afternoon and came and hung around with her for the two hours that were needed to put the horses away or finish up. It was a very simple thing. She was parent raising a child alone. She did not have access to any other care. It made a huge difference to her financially and also in terms of her profession.<sup>57</sup>

5.119 Car safety restraint manufacturer Autoliv Australia provides a range of pay and leave arrangements to its staff, who are predominantly women. The firm's CEO, Robert Franklin, also offers flexibility:

In the manufacturing environment, there is a belief that everyone needs to have the same start and finishing times. But who says? We need to change the thinking! I don't let staff decide their individual start and finishing times, but I do give them choices. I say, 'if you want to start at 6 am, you can work in this area' and 'if you want a shorter shift, then perhaps you should work in that area'.

Traditionally, operations like ours have always been run like a huge 'sausage' machine, with all the processes linked and dependent on each other. What I've created is a whole lot of smaller factories within the bigger one – and I'm letting people reconfigure their 'factories' all the time so that they have more flexibility and choice. Having choices makes the

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57 Maher J, transcript, 10 April 2006, p 45.



employees feel better and it delivers a better bottom-line, so I feel good about it too.<sup>58</sup>

5.120 Between 1997 to 2004, Autoliv Australia's turnover grew from \$50 million to \$260 million. Its employee turnover rate is below two per cent per annum and absenteeism averages below three per cent. These management practices appear to be delivering Autoliv Australia solid business performance.

5.121 Sara Lee Household and Body Care Australia also offers flexible working hours:

Probably our most popular reform has been our flexible working hours. People here can start earlier and finish earlier, for instance, or start later and finish later...

One challenge, however, was getting all our managers to accept the flexibility of working hours, such as early starts and finishes. A parent with young children, for instance, might be in a meeting and say 'I have to go at four to pick up my child'. Some managers found these constraints difficult to deal with at first. Of course once you take it on board and plan accordingly, you schedule meetings differently. We now tend to hold meetings during core business hours (10 am to 4 pm).

Of course, the advances in technology have been fantastic too - they've made a huge difference. All our managers have laptops and if they want to file that report from the side of a swimming pool while their children have swimming lessons, I don't care. Every person in the company has set goals and objectives and as long as they deliver - and they do - I don't care how they do it.<sup>59</sup>

5.122 Sara Lee Household and Body Care Australia has won a number of awards for equal opportunity, including within the Sara Lee global

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58 Brouard J, Annese L, Krautl F, *Chief executives unplugged: business leaders get real about women in the workplace* (2004), Equal Opportunity for Women in the Workplace Agency, pp 27-28.

59 Brouard J, Annese L, Krautl F, *Chief executives unplugged: business leaders get real about women in the workplace* (2004), Equal Opportunity for Women in the Workplace Agency, p 36.

group. This has translated into superior business performance as well, with the company achieving a record profit year.<sup>60</sup>

- 5.123 A final example is the ANZ Bank. During public hearings, ANZ described how it communicated with staff on maternity leave and confirmed that each employee has differing needs:

I actually have two of my team members on maternity leave right now. I keep in touch with them in a number of ways. I phone them regularly, I keep them on the email distribution list for our regular communication. One of them is studying as well while she is on maternity leave, and we pay for her study. So it comes down needing to allow for the fact that individuals are individuals and you can use a variety of means to keep in touch. One of the women on leave at the moment – the one who is studying – is quite active on email because she has remote access from home. The other one is less so. It depends on what that staff member wants, to a large degree.<sup>61</sup>

- 5.124 ANZ also demonstrated a mature approach to dealing with staff in how it managed its career break policy and made clear to the committee that the organisation expected a level of commitment in return from staff:

You can see that, if I just take the career break policy, with an organisational 20,000 people it is not abused. I think some big employers would look at it and say, 'What? You give people time off and then they come back two years later – the world is going to fall apart.' It is not abused. People are pretty sensible about what they take and what they can afford to take in terms of time off. Likewise, we have an interest in making sure that, as we have this policy, people when they come back to work are as skilled and capable and can move back into the work force very easily.<sup>62</sup>

- 5.125 In the committee's view, what characterises a flexible workplace is a readiness to negotiate and an acceptance that employees will not be disadvantaged if they attempt to negotiate. Beyond this, there does not appear to be any requirements for flexible working to succeed. In

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60 Brouard J, Annese L, Krautl F, *Chief executives unplugged: business leaders get real about women in the workplace* (2004), Equal Opportunity for Women in the Workplace Agency, p 40.

61 Nash J, transcript, 2 August 2005, p 9.

62 Freeman S, transcript, 2 August 2005, p 9.

other words, flexible working depends more on the culture of an organisation, rather than any particular right, requirement, benefit or agreement.

## Business case for family friendly working arrangements

- 5.126 Autoliv and Sara Lee reported strong performance while implementing family friendly policies. There is general support that family friendly policies can improve organisational performance through a number of methods:
- reduced casual sickness absence;
  - improved retention;
  - improved productivity through increased motivation, morale and commitment; and
  - improved recruitment by offering better conditions.<sup>63</sup>
- 5.127 In 1999, the Department for Education and Employment in the United Kingdom commissioned research by the Institute for Employment Studies on family friendly employment. It showed that replacing a job leaver would cost an organisation at least one third of the recruit's first year salary.<sup>64</sup>
- 5.128 The Council for Equal Opportunity in Employment (now Diversity Council Australia) calculated that the cost of a job leaver was 50 to 130 per cent of the salary involved. The final figure depends on the skills and experience of the staff member leaving and increases with their influence on company decisions.<sup>65</sup>
- 5.129 Helping a mother after giving birth to return to work part time reduces labour turnover. ANZ Bank advised the committee:
- ANZ has found that the average length of service of female staff members aged 35 and older has increased from around

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63 Bevan S, et al, 'Family friendly employment: The business case' (1999), Department for Education and Employment, Research Brief No 136, p 1, viewed on 14 September 2006 at <http://www.dfes.gov.uk/research/data/uploadfiles/RB136.doc>

64 Bevan S, et al, 'Family friendly employment: The business case' (1999), Department for Education and Employment, Research Brief No 136, p 4, viewed on 14 September 2006 at <http://www.dfes.gov.uk/research/data/uploadfiles/RB136.doc>

65 Equal Opportunity for Women in the Workplace Agency, 'Costing turnover calculator' viewed on 7 November 2006 at [http://www.eowa.gov.au/Developing\\_a\\_Workplace\\_Program/Six\\_Steps\\_to\\_a\\_Workplace\\_Program/Step\\_2/\\_Costing\\_Turnover\\_Calculator/calc\\_home.htm](http://www.eowa.gov.au/Developing_a_Workplace_Program/Six_Steps_to_a_Workplace_Program/Step_2/_Costing_Turnover_Calculator/calc_home.htm)

7.8 years in 1998 to around 9.4 years in 2005. Over the same period, length of service for male employees at the ANZ has fallen from 15.2 years in 1998 to 12.4 years in 2005.

In our view, the observed rise in the average length of service for female staff at ANZ is at least partly attributable to ANZ's family-friendly policies, especially the policy of encouraging women to return to ANZ following a period of maternity leave on a part-time basis.<sup>66</sup>

- 5.130 The Business Council of Australia represents Australia's 100 largest companies. In evidence, the Council advised the committee of the results of one of its member surveys:

We found that a very high majority of our members were offering quite a wide range of policies. When they were asked about why they were doing that, the answers were very much in terms of trying to attract and retain quality staff, improve staff morale and improve productivity. They were indeed the results that they found. Many of our member companies were also happy to say that the costs of those policies were far exceeded by the benefits of implementing those policies. As one example, if you think about the cost of losing a middle to senior management person – having to recruit, advertise, retrain and the time spent in doing those things – that can run to tens of thousands of dollars when you are talking about replacing a member of your team who is senior and experienced. So there is a very clear business case.<sup>67</sup>

- 5.131 Given the well-documented advantages to organisations in retaining staff, the puzzle, then, is why there is significant unmet demand for family friendly arrangements. The answer, it appears, is the uncertainty of change combined with culture. The Institute for Employment Studies stated:

The economic uncertainties involved in operating small and medium firms makes them reluctant to incur costs where there is no evident conventional or immediate return. Even if convinced that deferred benefits will accrue, many companies

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66 ANZ Bank, sub 161, p 7.

67 Cilento M, transcript, 10 April 2006, p 3.

will be worried about cash flow and unleashing an uncontrollable demand from employees.<sup>68</sup>

5.132 The OECD made a similar comment in 2001:

Overall, it seems difficult to reach a general judgement about the salience of the business case on the basis of current knowledge. There is clear agreement on the importance of retaining qualified and experienced staff, and some means of quantifying the advantage. However, it is difficult to measure the economic advantages of improved morale. In addition, many of the costs are very difficult to quantify, such as the costs of the absence of experienced staff and the costs of moving staff from full- to part-time jobs. If the business case is unclear, or indecisive, values are likely to play an important part. (Some of the companies interviewed by the author said that decisions about family-friendly arrangements would be taken primarily for reasons of values – for example a belief in the value of family life, or the desire to treat employees in a “holistic” way (as one HR manager put it). They said the attitudes of top managers were likely to be of great importance. Decisions might often be taken on the ground of values. In such cases, costings might be foregone, or prepared mainly for presentational reasons.)<sup>69</sup>

5.133 Flexible workplaces appear to be successful because of the cultural basis on which they operate (readiness to negotiate). Similarly, the business case in favour of family friendly arrangements is blurred by a non-receptive culture. These observations suggest that the method by which workplaces can be made more family friendly is through cultural change.

5.134 It is clear to the committee that there are different methods of delivering cultural change. During the committee’s deliberations, it became clear that there was a variety of views on the committee as to how cultural change in organisations could be achieved.

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68 Bevan S, et al, ‘Family friendly employment: The business case’ (1999), Department for Education and Employment, Research Brief No 136, p 4, viewed on 14 September 2006 at <http://www.dfes.gov.uk/research/data/uploadfiles/RB136.doc>

69 Evans J, *Firms’ contribution to the reconciliation between work and family life* (2001) OECD, Labour Market and Social Policy Occasional Papers, No 48, p 26, viewed on 9 October 2006 at [http://www.oilis.oecd.org/OLIS/2001DOC.NSF/LINKTO/DEELSA-ELSA-WD\(2001\)1](http://www.oilis.oecd.org/OLIS/2001DOC.NSF/LINKTO/DEELSA-ELSA-WD(2001)1)

## Driving cultural change

5.135 The importance of culture in the workplace was reiterated to the committee by a number of witnesses. Professor Hilary Winchester from the University of South Australia, whose experience includes women's access to senior academic positions in universities, stated in evidence:

We have a number of family-friendly initiatives such as extensive maternity leave, flexible working hours and so on. But those will work only if the cultural expectations change. I think they operate more at the margins and do not affect that very basic conception of the male breadwinner and the female doing a little bit of part-time work, which is seen as not really being of great significance.<sup>70</sup>

5.136 The committee received considerable evidence along these lines. In particular, there is often a large difference between what may be officially offered to staff and what staff may perceive that they are permitted to take in practice. For instance, a year's unpaid parental leave is offered to all mothers under legislation, but only 37 per cent of non-union mothers take it in the private sector. The rate for union-member mothers in the public sector is 47 per cent.<sup>71</sup>

5.137 Although this statistic suggests that the culture is better in the public sector, this is not always the case:

The gap between the stated 'family friendly workplace' and actuality. I am currently employed in the NSW Public Service. Since returning from maternity leave of my second child, my employment has been changed to 3 days a week to allow me to provide a correct level of parenting to my children. I face severe difficulties in obtaining any certainty that this arrangement will continue. Despite the policy of being *family friendly*, the reality differs. From conversations with other mothers; this is not an isolated case.<sup>72</sup>

5.138 The earlier case study about Anne Gardiner is a similar example. Her job sharing arrangement in the New South Wales public sector was specifically mentioned as an illustration of better practice in a Premier's Memorandum (a publicly released management policy of

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70 Winchester H, transcript, 18 October 2006, p 3.

71 Baird M, Litwin A, 'Rethinking work and family policy: The making and taking of parental leave in Australia' (2005) *International Review of Psychiatry*, vol 17, p 396.

72 Name suppressed, sub 193, pp 1-2.

the government). However, when she tried to repeat the arrangement in the same position following the birth of a subsequent child, she was denied by her new supervisor.<sup>73</sup>

5.139 The criticisms of part time work also follow this theme. Many women found themselves doing a full time job over three or four days and week. By necessity, they had to do considerable amounts of work at home.

5.140 This cultural barrier is recognised by both employers and employees. The ACTU stated in evidence:

...we could tell you case after case where it is just a cultural view in businesses that you work a set number of shifts or work nine to five and there is no flexibility in that at all – usually there is an HR manager or an employer in small business who is a male and consequently has never tried it.<sup>74</sup>

5.141 The Business Council of Australia commented:

This gives me an opportunity to raise the key issue that was highlighted in this survey as the impediment to the take-up of work-family policies. Quite simply, it was the fact that they are still seen as women's business.<sup>75</sup>

5.142 The culture of organisations tends to change slowly. Firstly, an organisation must recognise the need to change. Individuals then assess potential solutions and then the organisation must formally decide whether to change its practices. Finally, individuals will evaluate the change and, to succeed, it must be confirmed. All this occurs against a background of deeply held beliefs and lifelong practice.<sup>76</sup>

5.143 However, a number of case studies have demonstrated that it is possible for senior management to achieve these changes more quickly. The Rural Industries Research and Development Corporation researched how to improve women's leadership and higher level participation in agri-business organisations. The Corporation published a list of critical success factors based on the study of two organisations:

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73 Gardiner A, sub 30, p 1.

74 Burrow S, transcript, 3 August 2005, p 5.

75 Cilento M, transcript, 10 April 2006, p 12.

76 Dimopoulos M, Sheridan M, *Missed opportunities: Unlocking the future of women in Australian agriculture*, (2000), Stage 2 Report, Rural Industries Research and Development Corporation, p 33.

- the organisation must recognise that it needs to change, for reasons such as improved performance or survival;
- leaders such as CEOs must drive the change and they need to be credible, have sufficient organisation skills and the authority to allocate resources to the process;
- the relevant project officer must have high order communication skills, facilitation skills and infectious enthusiasm; and
- stakeholders within the organisation and external to it must be informed about the change and involved in its implementation.<sup>77</sup>

5.144 Although these actions require significant commitment on the part of the organisation, they can be done. The previous CEO of McDonald's Australia, Guy Russo, explained how he achieved cultural change:

While I am certainly pro creating a work/life balance for all employees, it is also a real challenge as it involves moving away from traditional ways of thinking and working. I've taken advantage of flexible working hours myself, doing occasional lunch time tuck shop duties at my son's school. The way I manage my senior management team, and myself, is intended as an example and I expect managers to implement the policies as I do.

Slowly the culture is changing and we are seeing more managers and employees making efforts to negotiate a balance between work and personal life. It's been interesting to work through the resistance from both men and women to this change in workplace culture, and change in attitudes is difficult to monitor. For example, there are employees who feel guilty, we've discovered, about taking advantage of some of the policies and initiatives we offer. And there are some managers who see all cost and no up side for the business in flexible work arrangements.

What they are not getting is what I know to be true: looking after your employees is simply good business. And innovative work practices are becoming the way of taking

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<sup>77</sup> Dimopoulos M, Sheridan M, *Missed opportunities: Unlocking the future of women in Australian agriculture*, (2000), Stage 2 Report, Rural Industries Research and Development Corporation, p xii.



care of people in this age. Indeed, innovation is critical to success across the whole business.<sup>78</sup>

- 5.145 The Business Council of Australia confirmed that not only must CEOs have commitment to helping women in the workplace, but they need to constantly ensure that everyone else in the organisation follows their example:

One of the issues that we found with our employers was that, even within organisations where there is absolute buy-in at the senior management and CEO levels, there is the ongoing need to push that down throughout the management of the organisation to make sure that, day by day, the decisions being taken reflect higher level policy and support for work-family policies.<sup>79</sup>

- 5.146 The OECD, in its comprehensive study *Babies and Bosses*, agreed that CEOs must drive the necessary changes to encourage women to fulfil their potential in the workplace.<sup>80</sup> The OECD further noted that a 'landmark event' in an organisation can send a clear signal from management that more flexible working arrangements will be permanent and that all staff should make use of them:

It is noticeable that firms which do claim to have significantly altered the work culture of their organisation have focused attention as much on the management as on 'the shop floor'. For example, various companies have referred to the following events as being 'breakthroughs' which brought home to the workforce more generally that the management was serious about family-friendly policies: the promotion of a woman even whilst she was pregnant; the promotion of a woman to a more senior management post even though she was working part time; a male partner of a law firm choosing to work part-time.<sup>81</sup>

- 5.147 Cultural change is occurring in Australian workplaces. Figures earlier in the chapter show that the rate at which flexible working hours are
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78 Brouard J, Annese L, Krautl F, *Chief executives unplugged: business leaders get real about women in the workplace* (2004) Equal Opportunity for Women in the Workplace Agency, p 56.

79 Cilento M, transcript, 10 April 2006, p 12.

80 OECD, *Babies and bosses: Reconciling work and family life, Volume 1, Australia, Denmark and the Netherlands*, (2002), OECD, p 194.

81 OECD, *Babies and bosses: Reconciling work and family life, Volume 1, Australia, Denmark and the Netherlands*, (2002), OECD, p 195-96.

being used to care for children has increased from 27.4 per cent in 1993 to 41.4 per cent in 2005. The rate at which part time work is being used to care for children has increased over the same period from 17.7 per cent to 25.4 per cent. The number of men who use work arrangements to care for their children is also increasing, although the rate is much lower than for women.

5.148 The committee is of the view that, although change is occurring, there are a number of methods by which it could be accelerated that do not increase red tape. The first is to upgrade the National Work and Family Awards, which are sponsored by a range of organisations including the Business Council of Australia, the Australian Chamber of Commerce and Industry and the Department of Employment and Workplace Relations.

5.149 The awards list organisations which offer new and innovative working arrangements to their employees. The benefits for business of family friendly arrangements are typically expressed in general terms such as 'improved employee retention' or 'increased customer satisfaction'.

5.150 However, the committee received evidence that there is considerable scope to improve the awards. The Business Council of Australia accepted in evidence that more value could be gained from each round of the awards:

So that is something that we are looking at over the next 12 months in developing a more formal promotional campaign and getting people who have won awards in the past to use their information so that there is a better understanding of what they have done. This is early days. It is not entirely formalised, but we are looking at ways in which we can get those people together with others who are interested in what they have done, what some of the hurdles and obstacles were and how they got around them.<sup>82</sup>

5.151 The Women's Lawyers Association of New South Wales provided specific recommendations. They argued that the awards:

...should place a greater emphasis on recognising the value of educating and training male employees on flexible work arrangements. Increases in the rate at which such arrangements are taken up by male members of staff should

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82 Cilento M, transcript, 10 April 2006, p 14.

also be acknowledged as an achievement on the part of organisations applying for such awards.<sup>83</sup>

- 5.152 This suggestion makes sense, given that men have considerable scope to improve the rate at which they use work arrangements to manage family responsibilities. As Guy Russo from McDonald's Australia stated earlier, one method by which an organisation can encourage the spread of family friendly arrangements is senior male managers using these arrangements themselves.
- 5.153 One of the other insights of the Women Lawyers' Association of New South Wales is the need for quantification and measurement in driving change. This can work in different ways. For example, the committee has already noted the gap between what is officially available at workplaces and what is taken up in practice. Firms can measure this statistic and track changes over time. They can also measure their staff profile, including retention rates and absenteeism. A more difficult task would be to measure the financial costs and benefits of family friendly working, but it could be attempted.
- 5.154 The committee is also concerned that awards are not effective in disseminating some of the more innovative, family friendly practices in Australian firms. For example, ANZ Bank stated in evidence:
- One of the ways we do that – and this again is part of keeping in touch – is by providing all new staff joining ANZ with access to a program called PCs at Home. It is heavily subsidised access to a PC in your home with internet access. You get that for about \$40 a month. That enables staff to keep in touch with ANZ. Part of that is to access training at home via our training system called e-train. So it is very alive, and we do not mandate it. But a number of our staff actually want to keep in touch, because they know they are coming back.<sup>84</sup>
- 5.155 Given the cultural barriers to firms implementing family friendly arrangements, the business case needs to be made as clearly as possible.

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83 Women Lawyers' Association of New South Wales, sub 99, p 8.

84 Freeman S, transcript, 2 August 2006, p 9.

### Recommendation 7

- 5.156 **The Department of Employment and Workplace Relations give the National Work and Family Awards greater credibility and impact by ensuring that future awards include a quantitative focus on the effectiveness of family friendly arrangements (eg reduced staff turnover) and management practices that deliver change (eg educating and training staff on the arrangements' use).**
- 5.157 Although the workplace is where much of the negotiation is conducted by a parent in making arrangements to manage family responsibilities, parents also need to conduct negotiations within their homes and with friends and relatives. People are judged by society by what they do and whether they meet community expectations.
- 5.158 This is confirmed through research by Professor Michael Bittman for the Department of Family and Community Services. Professor Bittman argued that one of the barriers to men taking up family friendly provisions (and hence a barrier for women as well) is the wider social culture.<sup>85</sup>
- 5.159 Recommendations aimed at changing the culture in the workplace will be useful. Wider action, however, is necessary.

### Recommendation 8

- 5.160 **The Australian Government include in its WorkChoices program, via the Department of Employment and Workplace Relations, a public campaign highlighting the benefits of family friendly arrangements to both management and employees, including the opportunity for staff to negotiate with their employer on these issues.**
- 5.161 One further observation the committee will make about encouraging flexible working is that it is consistent with some of the Australian

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85 Bittman M, Hoffman S, Thompson D, *Men's uptake of family-friendly employment provisions* (2004), Policy Research Paper No 22, Department of Family and Community Services, p 158.

Government's other policy goals. For instance, the Welfare to Work program aims to get unemployed people, and people out of the workforce, into jobs. Many of these people have caring responsibilities or other issues that have made it difficult in the past for them to obtain employment. Making workplaces more flexible can only help these people find work.

## Is regulation required?

- 5.162 A new overseas development, brought to the committee's attention by the ACTU, is the United Kingdom's 'right to negotiate' legislation. Broadly, an employee in that country has the right to request flexible working from the employer to meet their caring responsibilities for a child under six and a child with a disability under 18. From April 2007, this criterion will be extended to caring for adults.<sup>86</sup>
- 5.163 Prior to the legislation, employees could still request flexible working hours and had a success rate of 77 per cent of such requests being successful.<sup>87</sup>
- 5.164 Under the legislation, the employer cannot unreasonably refuse the request. Examples of reasonable grounds for refusal include the burden of additional costs, inability to meet customer demand, and inability to reorganise existing work.<sup>88</sup>
- 5.165 Appeal processes have been put in place. If the dispute cannot be resolved and if the employer is found to have unreasonably refused the request, they are liable to pay a fine no greater than eight weeks of the employee's pay.<sup>89</sup>
- 5.166 In 2005, the Department of Trade and Industry published a survey of how the legislation was operating. The results were:
- 65 per cent of employees were aware of the right to request;

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86 Department of Trade and Industry, 'Work and families: Flexible working and work-life balance' viewed on 9 November 2006 at <http://www.dti.gov.uk/employment/workandfamilies/flexible-working/index.html>

87 Holt H, Grainger H, *Results of the second flexible working employee survey* (2005), Employment Relations Research Series No 39, Department of Trade and Industry, pp 1-2, viewed on 20 September 2006 at <http://www.dti.gov.uk/files/file11441.pdf>

88 Department of Trade and Industry, *Flexible working: The right to request and the duty to consider: A guide for employers and employees* (2003) Department of Trade and Industry, p 24, viewed on 9 November 2006 at <http://www.dti.gov.uk/files/file21364.pdf>

89 Regulation 7 of *The flexible working (eligibility, complaints and remedies) Regulations 2002*, Statutory Instrument 2002, No 3236, viewed on 9 November 2006 at <http://www.opsi.gov.uk/si/si2002/20023236.htm>

- 14 per cent of employees reported they had made a request in the last two years;
- the two most requested arrangements were part time work (25 per cent) and flexible hours (23 per cent);
- 81 per cent of employees had their request accepted (in part or in full), up from 77 per cent of requests accepted before the legislation was introduced.<sup>90</sup>

5.167 Approximately one year after the legislation commenced, Working Families, a non-government organisation, conducted a review for the British Government. Its employee sample largely comprised target users of the legislation, with over one quarter being parents of disabled children. The survey found that 22 per cent of this sample found the legislation useful, with 60 per cent not yet having any experience of it. Respondents stated that the legislation helped people come forward and made employers consider their requests seriously. Other parents argued that the legislation was not strong enough.

5.168 In evidence, Professor Barbara Pocock advised the committee that the amount of litigation coming out of the British legislation is very low.<sup>91</sup> The committee notes that the documentation produced to advise workplaces about the legislation focuses on negotiation.

5.169 In evidence to the committee in August 2005, the ACTU's argument in support of the legislation was:

There was an interesting analysis of how the requests are handled in business. One of the concerns employers have expressed is that it has increased red tape. In fact, the majority of the requests were handled verbally and the verbal requests were more likely to be agreed to, so it is handled quite informally, but the UK assessment is that there has been a cultural change that the regulation encourages employers to take requests seriously and also encourages employers to make the request, confident that they can do that. There has been a take-up, but there has been very limited impact on business...<sup>92</sup>

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90 Holt H, Grainger H, *Results of the second flexible working employee survey* (2005), Employment Relations Research Series No 39, Department of Trade and Industry, pp 1-2, viewed on 20 September 2006 at <http://www.dti.gov.uk/files/file11441.pdf>

91 Pocock C, transcript, 24 May 2006, p 10.

92 Bowtell C, transcript, 3 August 2006, pp 4-5.

- 5.170 On 2 November 2005, the Hon Kevin Andrews MP, Minister for Employment and Workplace Relations, introduced the *Workplace Relations Amendment (Work Choices) Bill 2005* into the House of Representatives.
- 5.171 The government supports negotiation between staff and management. Employees are free to approach their supervisors already and make requests similar to those contained in the British legislation. Opposition policy is to implement right to request legislation for extended parental leave and returning to work part time.<sup>93</sup> This does not go as far as the British legislation.
- 5.172 In 2001, the OECD published an analysis of how Australia compares with other countries in rates of flexible working (1995 data). It focussed on the percentage of employees in 19 OECD countries who worked flexible hours (ie have some control over their start and finishing times):

Table 5.9 Employees in 19 OECD countries reporting whether they work flexible hours, 1995 (%)

Country		Country	
Australia	50	Canada	23
United States	45	Austria	22
Netherlands	36	Finland	22
Germany	33	Spain	20
Sweden	32	Ireland	19
United Kingdom	32	Italy	19
Belgium	26	Japan	19
France	26	Portugal	19
Denmark	25	Luxembourg	18
Greece	23		

Source: OECD, *Employment Outlook 2001: Reconciling Social and Employment Goals*, (2001), OECD, p 149.

- 5.173 Australia topped the list with 50 per cent. The rate in the United Kingdom was 32 per cent and the unweighted average was 26.8 per cent. This data is consistent with the evidence earlier in the chapter about the high use of flexible working hours by Australian employees to meet their caring responsibilities. It is also consistent with the evidence from the Australian Institute of Family Studies that, 'rates of

93 Australian Labour Party, 'Childcare - A key building block for economic success', Media statement, 27 July 2006, viewed on 9 November 2006 at <http://www.alp.org.au/media/0706/msloo280.php>

unmet need for flexible work practices and provisions are relatively low overall'.<sup>94</sup>

- 5.174 Australia is a world leader in one of the most important aspects of flexible working. The committee accepts that right to request legislation in the United Kingdom has had some effect (the positive response to requests has increased from 77 per cent to 81 per cent) but that country is coming off a much lower base in this area compared with Australia.
- 5.175 In light of the OECD data, the committee is of the view that the outcomes of the British legislation be monitored to give a sound basis for any future discussion in this area.

### **Recommendation 9**

- 5.176 **The Department of Employment and Workplace Relations monitor rates of flexible working and caring in Australia and countries with 'right to request' legislation, such as the United Kingdom, and publicly report the results.**

## **Paid maternity leave**

### **Access in Australia**

- 5.177 Access to paid maternity leave is a matter for negotiation between an employer and management. There is no universal entitlement for paid parental leave, but there is a right under WorkChoices for 12 months unpaid leave. Table 5.x shows that, in practice, access to these entitlements depends on a person's employment status:
- 5.178 The data show that a person is more likely to be able to access paid parental leave after the birth of their child if they are a man and if they are a union member or work in the public sector. The gender difference is probably due to women's higher representation in casual work. In line with the committee's earlier comments that men are less likely to compromise their careers, women are more likely to take unpaid parental leave than men.

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94 Australian Institute of Family Studies, sub 76, p 26.



Table 5.10 Probabilities for accessing paid parental leave and using unpaid parental leave, 2002 (%)

	Employment status	Men	Women
Access to paid parental leave	Union member	60	50
	Public servant	77	69
	Both	84	78
	Neither	49	39
Use of unpaid parental leave	Union member	25	45
	Public servant	21	39
	Both	26	47
	Neither	19	37

Source: Baird M, Litwin A, 'Rethinking work and family policy: The making and taking of parental leave in Australia,' *International review of psychiatry* (2005) vol 17, p 396.

5.179 In its pregnancy and employment transitions survey, the Australian Bureau of Statistics estimated that there are 294,000 women in Australia, currently with a child aged under two, who worked in a job while pregnant. Of these, 101,000, or 34.4 per cent, took paid maternity leave. 217,000 women (73.8 per cent of working women) took leave of some sort after the birth. With all types of leave combined, the most common period of leave after birth was between six months and one year (37 per cent of all women who took leave). The next most common period was between three and six months (23 per cent).<sup>95</sup>

5.180 The Bureau's data also shows that greater tenure increases a mother's chances of taking paid maternity leave.<sup>96</sup>

## Comparison with OECD countries

5.181 Most OECD countries have higher legislated maternity leave entitlements, both in terms of paid leave and total leave, than Australia.

5.182 Amongst OECD countries, only Australia, the United States and New Zealand did not offer paid maternity leave. The committee

95 Australian Bureau of Statistics, *Pregnancy and employment transitions, Australia, 2005* (2006), Cat No 4913.0, Table 10, viewed on 23 October 2006 at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4913.0Nov%202005?OpenDocument>

96 Australian Bureau of Statistics, *Pregnancy and employment transitions, Australia, 2005* (2006), Cat No 4913.0, Table 10, viewed on 23 October 2006 at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4913.0Nov%202005?OpenDocument>

understands that New Zealand has subsequently legislated for 12 weeks paid maternity leave, capped at the minimum wage.<sup>97</sup>

## Discussion

- 5.183 The Human Rights and Equal Opportunity Commission released a report on this topic in 2002, *A time to value*. The Commission proposed a 14 week scheme, with payments set at the minimum wage. The Commission argued, for example, that paid maternity leave encouraged a woman to spend a longer time at home after the birth to help her recuperate, bond with the child and establish breastfeeding.<sup>98</sup>
- 5.184 The Commission's proposal had a net cost to government of \$213 million per annum.<sup>99</sup>
- 5.185 Subsequent to this report, the Australian Government introduced a maternity payment of \$3,000 per child. This payment is currently \$4,000 and will increase to \$5,000 in July 2007. The payment currently has a total cost to government of \$1 billion per annum (chapter two). This will increase to approximately \$1.25 billion next financial year.
- 5.186 In its submission, the Business Council of Australia noted there is a strong focus on paid maternity leave, when other family friendly arrangements could be used to help families.<sup>100</sup> Paid maternity leave could well be less important to mothers if mothers with young babies have a graduated return to work, can access lactation and breastfeeding facilities, can work from home, can bring her baby with them while they are at work, and are given alternative duties to facilitate this, if need be.
- 5.187 The committee also notes that it is much easier to collect data on legislated paid maternity leave than family friendly arrangements in workplaces. The information on paid maternity leave is collected from pieces of legislation, which are widely distributed, public documents.

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97 Jaumotte F, 'Labour force participation of women: empirical evidence on the role of policy and other determinants in OECD countries' (2004), *OECD Economic Studies*, No 37, pp 62-63, viewed on 26 October 2006 at <http://www.oecd.org/dataoecd/12/39/34562935.pdf>

98 Human Rights and Equal Opportunity Commission, 'A time to value: Proposal for a national paid maternity leave scheme: Part C, The benefits' viewed on 10 November 2006 at [http://www.hreoc.gov.au/sex\\_discrimination/pml2/partc.html#5\\_3\\_health](http://www.hreoc.gov.au/sex_discrimination/pml2/partc.html#5_3_health)

99 Human Rights and Equal Opportunity Commission, 'A time to value: Proposal for a national paid maternity leave scheme: Launch Speech' viewed on 10 November 2006 at [http://www.hreoc.gov.au/sex\\_discrimination/pml2/launch\\_speech.html](http://www.hreoc.gov.au/sex_discrimination/pml2/launch_speech.html)

100 Business Council of Australia, sub 86, p 4.

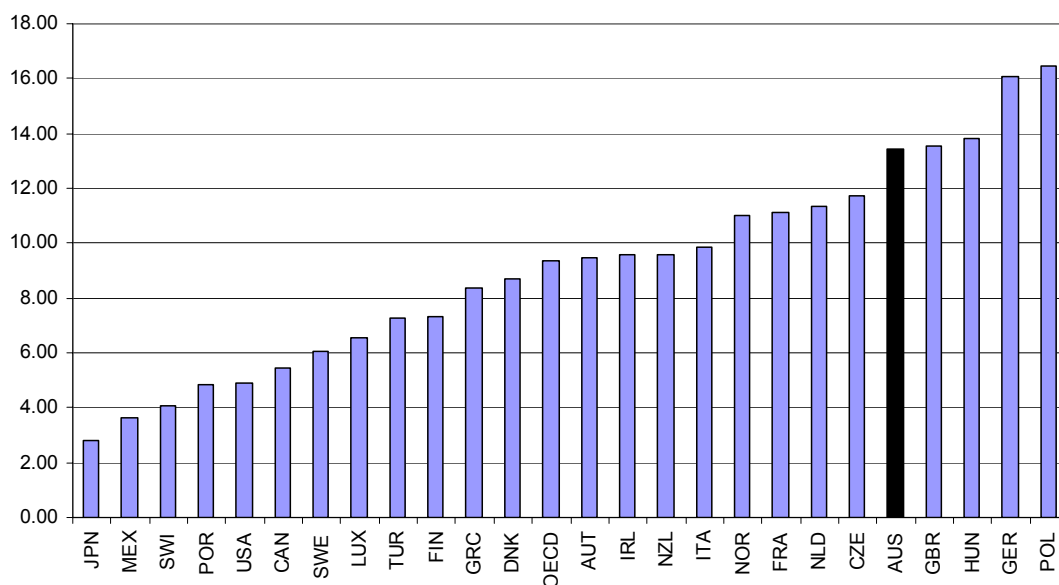
Data on workplaces require expensive, specific surveys. In 2001, the OECD noted that comprehensive data on family friendly arrangements only existed in four countries, one of which was Australia.<sup>101</sup> Possibly, ease of access to data has pushed paid maternity to the front of the policy debate ahead of other issues.

## Welfare to work

### Jobless households in Australia

5.188 Compared with other OECD countries, Australia has a high rate of jobless households:

Figure 5.7 Persons living in households with a working-age head where no one works, as a proportion of the total population, 26 OECD countries, 2000 (%)



Source: OECD, 'OECD index of statistical variables: Unemployment, jobless households', viewed on 10 November 2006 at <http://www.oecd.org/dataoecd/32/21/36029941.html>. Data for Australia is from 1999.

5.189 Figure 5.7 shows that the proportion of jobless households in Australia was approaching 14 per cent, whereas the OECD average was under 10 per cent. Since this data was collected, the

101 Evans J, *Firms' contributions to the reconciliation between work and family life* (2001) OECD Labour Market and Social Policy Occasional Papers, No 48, p 4, viewed on 25 October 2006 at <http://ideas.repec.org/p/oec/elsaaa/48-en.html>.

unemployment rate in Australia has dropped from 7.2% to 4.9%.<sup>102</sup> This improvement across the economy will have reduced the jobless household rate in Australia as well. Jobless households are at increased risk of poverty. The OECD commented:

But most of all, having a job is the single most important antidote to poverty, and getting people ready and into work should be a primary focus of policy.

The risk of low income for someone living in a jobless household is five times higher than that in households where some members go to work. Poverty is common among lone parents. In fact, the relative poverty rate of single-parent families is three times higher than for families with children in general, but when the lone parent has a job, the risk of falling into poverty is greatly diminished, as it is for couples with children. Little wonder that those OECD countries where employment rates of mothers are highest also show low rates of child poverty.<sup>103</sup>

5.190 In evidence, the Australian Institute of Family Studies agreed and noted that addressing household poverty through paid employment had a considerable protective effect for children:

There is a long history of research on risk factors for children, and risk factors related to low education, unemployment and low participation in the work force come through consistently in that research. Participation in the work force is probably one of the biggest protective factors for children and children's development, health and wellbeing. Availability of other supports – effective provisions prior to school and during schooling – equally play their part, but there is a massive social benefit for participation in employment and a capacity to address the issues that often attend poverty and poor life chances for children. So there is a much bigger national issue that is at stake in terms of promoting the development, health and wellbeing of children, and

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102 June figures from Australian Bureau of Statistics, *Labour force, Australia, October 2006* (2006), Cat No 6202, p 7 and Australian Bureau of Statistics, *Labour force, Australia, December 1999* (2000), Cat No 6202, p 7.

103 Forster M, Mira d'Ercole M, 'Tackling poverty' *OECD Observer*, viewed at [http://www.oecdobserver.org/news/fullstory.php/aid/1586/Tackling\\_poverty.html](http://www.oecdobserver.org/news/fullstory.php/aid/1586/Tackling_poverty.html) on 10 November 2006.

employment and productive income is one of the most salient protective factors.<sup>104</sup>

- 5.191 Chapter one demonstrated that women's participation is increasing while men's participation is decreasing. Australian academics have suggested that, over the past few decades, the returns for men from employment have been decreasing. One reason for this is the significant social support payments now available.<sup>105</sup>
- 5.192 The Department of Employment and Workplace Relations confirmed that the substantial safety net in Australia is a factor leading to jobless households:

We have 600,000 children in Australia who live in jobless families where no parent has a job. For example, a single mother with a nine-year-old and a 13-year-old child receives around \$26,600 a year in government income payments.<sup>106</sup>

## Australian Government policy

- 5.193 In this context, the government introduced the Welfare to Work program in the 2005 Budget. The key elements of the program for parents who receive the parenting payment are:
- it only applies to parents who start receiving the payment after 1 July 2006;
  - a partnered parent who is the principal carer will receive the payment until his/her youngest child turns six. Then they will apply for a different payment (such as Newstart Allowance) and need to comply with part time participation requirements; and
  - single parents will receive the payment until their youngest child turns eight, whereupon they will apply for a different payment (such as Newstart Allowance). Their part time participation requirements start when their youngest child turns six.
- 5.194 The part time participation requirements include:
- Looking for a part time job of at least 15 hours per week;

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104 Hayes A, transcript, 2 August 2005, p 41.

105 Dawkins P, Gregg P, Scutella R, 'Employment polarisation in Australia' (2005), *The Economic Record*, vol 81, pp 336-37, 349.

106 Morehead A, transcript, 31 May 2006, p 17.

- participating with an employment services provider (such as Job Network); and
- meeting an annual mutual obligation requirement (for example, Work for the Dole, community work, or part time work averaging out to at least five hours per week for half a year).<sup>107</sup>

5.195 The OECD has welcomed the introduction of Welfare to Work in Australia.<sup>108</sup> It has also noted that similar programs are often successful overseas as well:

The system seems to work. The number of people receiving certain key welfare benefits fell by more than half from their peak levels in the mid-1990s in the UK and the US, by a third or more in Canada and the Netherlands, and by a quarter in Finland. In the US, most of those off the benefit lists are working, often full-time, with near-average wages. Some disability programmes, like the UK's Pathways to Work pilots, appear quite effective as well. These reforms may not always have cut relative poverty by much, but they have contributed to stop the long-term trend towards greater inequality in the distribution of market income that has affected all OECD countries in recent years.<sup>109</sup>

5.196 During the inquiry, the National Council of Single Mothers and their Children raised with the committee the question of whether single parents, in being required to find work, 'would have to take work which conflicts with their family responsibilities'.<sup>110</sup>

5.197 In evidence, the Department of Employment and Workplace Relations advised the committee of some of the requirements that must be met to demonstrate that a job is suitable for a parent to take include:

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107 Centrelink, *Helping people move into work: A community information pack*, pp 15, 52, viewed on 12 November 2006 at

[http://www.centrelink.gov.au/internet/internet.nsf/filestores/lw028a\\_0609/\\$file/lw028a\\_0609en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/lw028a_0609/$file/lw028a_0609en.pdf)

108 OECD, 'Economic survey of Australia 2006: Improving incentives to work', viewed on 10 November 2006 at

[http://www.oecd.org/document/63/0,2340,en\\_2649\\_201185\\_37177599\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/63/0,2340,en_2649_201185_37177599_1_1_1_1,00.html)

109 Forster M, Mira d'Ercole M, 'Tackling poverty' *OECD Observer*, viewed on 10 November 2006 at

[http://www.oecdobserver.org/news/fullstory.php/aid/1586/Tackling\\_poverty.html](http://www.oecdobserver.org/news/fullstory.php/aid/1586/Tackling_poverty.html)

110 McInnes E, transcript, 4 May 2006, p 72.

- there must be approved outside school hours care for the period the parent is required to work;<sup>111</sup>
- the child must be supervised travelling to and from the place of care;
- the parent must be at least \$50 per fortnight better off by accepting the job, taking into account costs such as child care, transport, reduced benefits, increased income tax and increased rent (if in public housing);
- if there is no approved child care place, then the parent alone decides whether alternative arrangements are suitable; and
- transport costs must be less than 10 per cent of the gross wage.<sup>112</sup>

5.198 The Department also stated there is a range of other exemptions that recognise a family's particular situation:

- if the parents are foster caring;
- if they have four or more school age children; and
- if they are home schooling or supervising the distance education of their children.<sup>113</sup>

## Conclusion

5.199 Australia must address the emerging issue of jobless households. These homes are at greater risk of poverty and the development, health and well being of the children in these households are also at greater risk.

### Recommendation 10

5.200 **As a priority, the Australian Government target adults in jobless households with the goal of helping them obtain paid employment to break the cycle of disadvantage in Australia.**

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111 If a parent is not satisfied with the child care in question, they may request that Centrelink not require them to take the job: Taylor J, National Council of Single Mothers and their Children, transcript, 4 May 2006, pp 75-76.

112 Morehead A, transcript, 31 May 2006, pp 12-14.

113 Morehead A, transcript, 31 May 2006, p 16.

## Choice and flexibility in child care

- 6.1 Child care issues have dominated this inquiry. Over two-thirds of the submissions received make comment on the accessibility and affordability of child care in Australia, and its impact on women's ability to participate in paid work at an optimum level. Continuing increases in women's workforce participation, the intensity of modern working lifestyles and pressures of cost and supply in the child care market are highlighting child care as a flashpoint in balancing parenting with paid work.
- 6.2 As noted in the previous chapter, difficulties in accessing child care not only push families to make stressful compromises, but directly affect labour market participation. Single parents are particularly affected, given the simple fact that one parent cannot be in two places at once. Women are also particularly affected, as child care, whether provided by the mother or by someone else, is still often conceptualised as a mother's responsibility, particularly if she is a part time or secondary earner relative to a full time breadwinner.<sup>1</sup>
- 6.3 This chapter is about developing a child care system that provides parents with more choice and flexibility in the types of child care that are available to them, and real support for those choices from government.

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1 Smyth C, Rawsthorne M and Siminski P, Social Policy Research Centre, University of New South Wales, *Women's lifework: Labour market transition experiences of women, final report* (2006), SPRC report 7/06, p 55.



## Use of child care in Australia

### Types of care

- 6.4 A survey conducted in 2005 by the Australian Bureau of Statistics found that in any given school week, 35 per cent of Australian children aged 0-4 received formal child care; that is, regulated care that takes place away from the child's home.<sup>2</sup>
- 6.5 Informal care, which includes care by family members, friends, neighbours, babysitters and in-home (nanny) care, was used by 38.4 per cent of children aged 0-4, either alone or in combination with formal care.<sup>3</sup>
- 6.6 The use of formal care varies with age. As figure 6.1 shows, the use of formal care for very young children is low, but by the age of two, 46.3 per cent of children are in formal care; and by the age of three, 53.4 per cent. From age four, when many children have started preschool, the percentage of children in formal care begins to decline. Seventeen per cent of 6-8 year olds attended formal care, down to eight per cent for 9-12 year olds.<sup>4</sup>
- 6.7 The use of informal care peaks between the ages of nought and two, possibly reflecting parents' preferences for infants and very young children to be cared for in the home; if not by themselves, by an in-home carer, grandparent, friend or relative. Informal care use varies less with age than formal care. A significant number of children aged 5-12 are still receiving informal care after formal care use has tapered off.

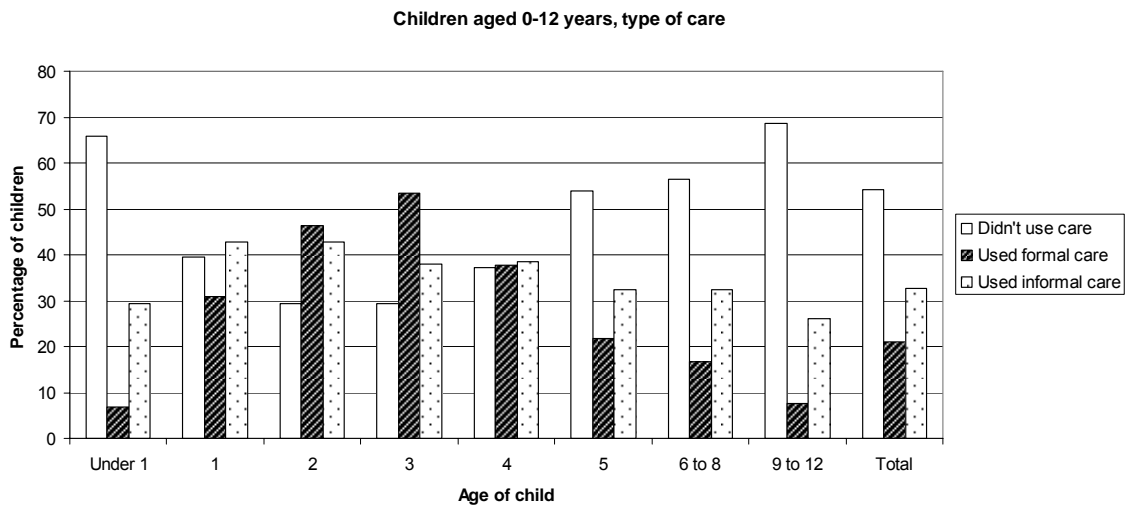
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2 Australian Bureau of Statistics, *Child care, Australia, Jun 2005* (2006), Cat No 4402.0, p 42.

3 Australian Bureau of Statistics, *Child care, Australia, Jun 2005* (2006), Cat No 4402.0, p 42.

4 Australian Bureau of Statistics, *Child care, Australia, Jun 2005* (2006), Cat No 4402.0, pp 4, 14.

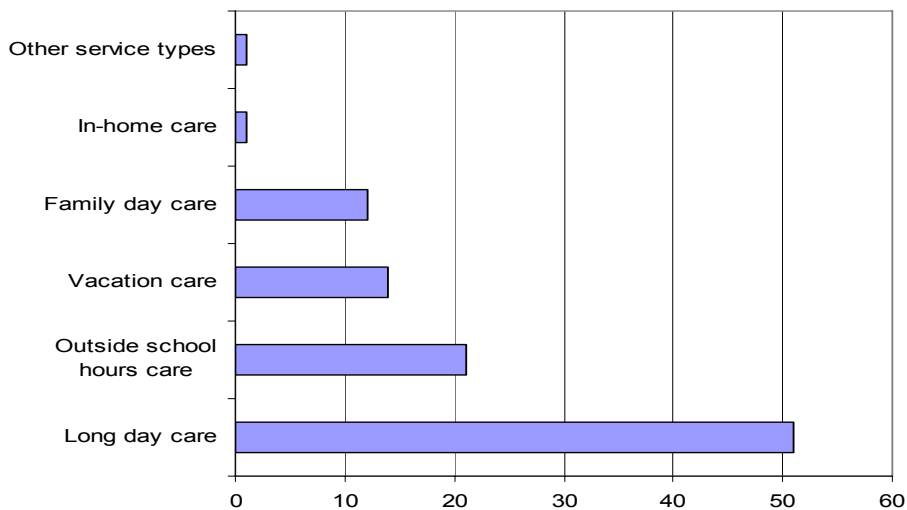
Figure 6.1 Use of formal and informal child care in Australia, 2005



Source: Australian Bureau of Statistics, *Child care, Australia, June 2005 (2006)*, Cat No 4402.0, p 14.

6.8 Amongst those children receiving formal child care, the majority are in long day care, as figure 6.2 illustrates:

Figure 6.2 Children by formal child care service type, 2004 (%)



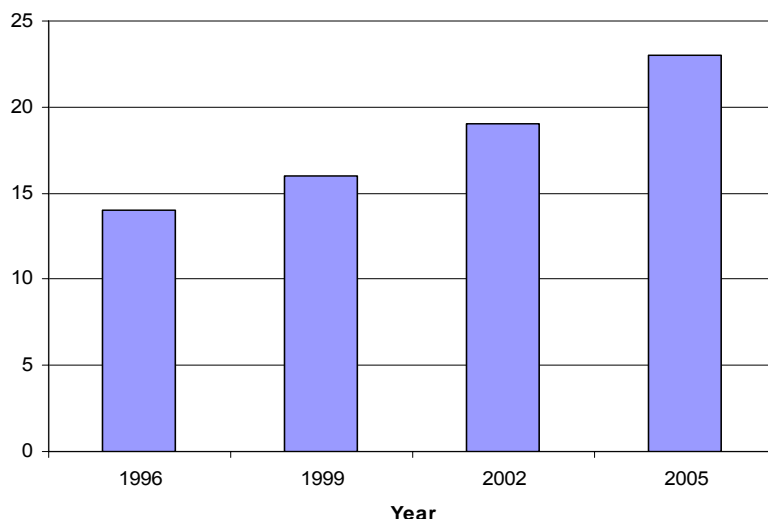
Source: Department of Family and Community Services, *2004 Census of child care services (2005)*, p 13. This data covers children in government-funded care only, and does not include children being cared for informally by family members or friends, or through a cash arrangement with an unregistered in-home carer. The in-home care category refers to care provided under the Australian Government's In-Home Care program.

6.9 Regular survey data is revealing steady increases in the use of formal care. This may reflect increasing women's workforce participation; the increased workforce participation of mature workers who can longer care

for grandchildren; family isolation from support networks; and changing social attitudes towards the use of child care.

- 6.10 As figure 6.3 shows, the proportion of children using formal care, either alone or in combination with informal care, has increased nine percentage points since 1996, from 14 to 23 per cent.<sup>5</sup> The figures from the 2004 census of child care services, published by the Department of Family and Community Services, suggest an even larger increase. The census reports that since 1999, the number of children in formal care had increased by an estimated 30 per cent.<sup>6</sup> These increases may have been even more significant if not for strong unmet demand for child care places in many areas of Australia.

Figure 6.3 Proportion of Australian children aged 0-11 who used formal care 1996-2005 (%)



Source: Australian Bureau of Statistics, *Child care, Australia, June 2005 (2006)*, Cat No. 4402.0, p 3. Formal care refers to regulated care that takes place away from the child's home, for example long day care, before and/or after school care and family day care.

- 6.11 Increases in the number of children in care are corroborated by increases in the number of child care services in Australia. The 2004 census of child care services found that the number of child care services had increased seven per cent in only two years. The strongest increases were in the long day care sector, at eight per cent, and in in-home care services, at 44 per

5 Australian Bureau of Statistics, *Child care, Australia, June 2005 (2006)*, Cat No 4402.0, p 3.

6 Department of Family and Community Services, *2004 Census of child care services (2005)*, p 13. The differences in statistical estimates may be accounted for in definitional slippage between formal and informal care (ABS); and Australian Government approved care and other care (FACS).

cent. The dramatic increase in in-home care services was partly due to the fact that the program was still in an implementation phase.<sup>7</sup>

## Work-related child care

6.12 Unsurprisingly, child care use is more likely when both parents in a family are employed, or when a sole parent is employed.<sup>8</sup> Work-related reasons are the most common for parents using formal child care in Australia.<sup>9</sup> As table 6.1 shows, this relationship is strongest for outside school hours care, vacation care and long day care, with over 90 per cent of care hours being work-related. Across the different types of formal care, an average 83 per cent of care hours are work-related.

Table 6.1 Percentage of care that is work-related (as % of hours of care)

Long day care	90%
Family day care	88%
Outside school hours care	97%
Occasional care	49%
Vacation care	93%

Source: Department of Family and Community Services, *2004 Census of child care services (2005)*, p 15.

## Child care costs

6.13 There is little current data on average child care costs in Australia, especially given that child care costs are increasing at a rate far in excess of CPI.<sup>10</sup> The Australian Bureau of Statistics conducted a Child Care Survey in 2005, but the data collected details only the cost of care net of Child Care Benefit, rather than the actual fees charged by child care providers.<sup>11</sup> The most recent comprehensive statistical data to do this comes from the 2004 census of child care services conducted by the Department of Family and Community Services.

6.14 Table 6.2 details the average fees reported to the Department by child care providers in 2004:

7 Department of Family and Community Services, *2004 Census of child care services (2005)*, pp 7, 9.

8 Australian Bureau of Statistics, *Child care, Australia, June 2005 (2006)*, Cat No 4402.0, p 9.

9 Australian Bureau of Statistics, *Child care, Australia, June 2005 (2006)*, Cat No 4402.0, p 5.

10 Taskforce on Care Costs, *2006 Interim review: Where are we now? (2006)*, p 7.

11 Australian Bureau of Statistics, *Child care, Australia, June 2005 (2006)*, Cat No 4402.0, p 6.

Table 6.2 Average fees for child care services, 2004

Average weekly fees		Average hourly fees	
Private long day care	\$208	Occasional care	\$5.35
Community long day care	\$211	In-home care	\$11.84
Family day care	\$185		
Vacation care	\$139		

*Source:* Department of Family and Community Services, *2004 Census of child care services (2005)*, p 11. Given the data subsequently published from the census by the Productivity Commission, it would appear that average weekly fees refer to the cost of 50 hours of care. Productivity Commission, *Report on Government services 2006 (2006)*, vol II, p 14.22. Such a figure is not available for other types of care as they have different fee structures.

- 6.15 The census also reported that outside school hours care services charged on average \$6.68 per session for before school care, and \$10.28 per session for after school care. Before school care providers offered an average session of one hour and 53 minutes, while after school care providers offered an average session of three hours and two minutes.<sup>12</sup>
- 6.16 Child care costs appear to reflect local characteristics of supply and demand, as well as state requirements that may influence fees through differences in staffing ratios, licensing, wages, and whether fees are charged for additional supplies such as nappies and meals.<sup>13</sup> The 2004 census of child care services, for example, found that while the average weekly fee for a long day care centre in Queensland was \$195, it was \$229 in the Australian Capital Territory.
- 6.17 Anecdotal evidence provided to the committee confirms that long day care fees vary greatly across Australia, between states and between regional and metropolitan areas. While fees in regional areas and some states can be \$40 or \$50 per day, fees reported to the committee by mothers living in Sydney and Melbourne ranged between \$70 and \$120 per day. One Sydney mother made the extraordinary admission that she had sent one of her children to a top private school a year early, because it was cheaper than child care.<sup>14</sup>
- 6.18 Fees are highest for nought to two year olds, due to higher staffing ratios and more intensive caring requirements. The 2004 census of child care services found that while the average weekly cost of long day care was

12 Department of Family and Community Services, *2004 Census of child care services (2005)*, pp 114, 119.

13 Productivity Commission, *Report on Government services 2006 (2006)*, vol II, p 14.23.

14 Clark K, transcript, 22 September 2005, p 44.

\$208, this rose to \$210 for a two year old, and \$218 for a one year old.<sup>15</sup>

More recently, the Benevolent Society, who operate two child care centres in Sydney's eastern suburbs, told the committee that, 'We now find that we need to set our fees for children under two years of age at \$75 - \$80 per day just to break even'.<sup>16</sup>

- 6.19 Calculations by the National Centre for Social and Economic Modelling (NATSEM) on the Australian Bureau of Statistics' 2002 child care survey reveal that there is not a strong relationship between parental income and child care usage.<sup>17</sup> In fact, child care usage is represented fairly evenly across all income scales. At the lower end of the income scale, this reflects the targeted assistance provided by the Child Care Benefit. At the higher end of the income scale, there is a likelihood that families will have two parents working and thus have a greater propensity to use child care. Nevertheless, increasing care costs since 2002 may be putting pressure on families' ability to access care.

## Informal care arrangements

- 6.20 In 2005, 32.6 per cent of children aged 0-12 and 38.4 per cent of children aged 0-4 received regular informal care, either alone or in combination with formal care.<sup>18</sup> Informal care, under the Australian Bureau of Statistics' definition, includes care by family members, friends, neighbours, babysitters and in-home (nanny) carers. It is grandparents who are the main informal carers, providing care for 20 per cent of children aged 0-12. A further five percent of children receive care from a sibling or another relative in any given reference week.<sup>19</sup>
- 6.21 Many grandparents in Australia selflessly provide hours of child care every week, 'taking on the role sometimes lovingly, but not necessarily willingly'.<sup>20</sup> They make it possible for their adult children to work without incurring child care costs.
- 6.22 Grandparent care is not an option for all families. Grandparents may well be living thousands of kilometres away. Parents who do not have the

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15 Department of Family and Community Services, *2004 Census of child care services* (2005), pp 28, 29.

16 Benevolent Society, sub 80, p 2.

17 National Centre for Social and Economic Modelling, *Who cares? The cost of caring in Australia in 2002 to 2005* (2006), AMP.NATSEM Income and Wealth Report, issue 13, p 7. These figures predate the introduction of the Child Care Tax Rebate.

18 Australian Bureau of Statistics, *Child care, Australia, June 2005* (2006), Cat No 4402.0, pp 14, 42.

19 Australian Bureau of Statistics, *Child care, Australia, June 2005* (2006), Cat No 4402.0, p 3.

20 Quinlan F, Catholic Welfare Australia, transcript, 19 April 2005, p 36.

physical and emotional support of extended family in their local area feel this absence keenly.<sup>21</sup>

- 6.23 Even when grandparents are nearby, grandparent care is not necessarily a solution. Increased longevity and the need to increase superannuation savings mean that some grandparents are still working themselves, up to and beyond what has hitherto been regarded as retirement age. The number of women aged over 65 in paid employment increased by 85 per cent between 1984-85 and 2004-05. The number of men aged over 65 in paid employment increased by 20.5 per cent; one of only two male age cohorts that increased their participation over the last twenty years. The other was for men aged 55 to 64.<sup>22</sup>
- 6.24 Even in the shorter term, there have been increases to mature age workforce participation, possibly fuelled by changes to superannuation law. In their report commissioned by the committee, Access Economics notes that participation rates for older workers are rising at a faster rate than anticipated in the intergenerational report of 2002.<sup>23</sup>
- 6.25 The committee received a number of comments from parents trying to balance their urgent need for child care with a sensitivity for the needs of grandparents:

For the last 18 months prior to this year, there were just no vacancies, despite being on the waiting list, and we were forced to rely primarily on my mother and friends in order to get by. Bear in mind that both my parents have failing health and my mother also works a full-time night job in her own right on the days I am not working.<sup>24</sup>

I used to be able to rely upon my parents a lot. My father has now passed away... I know my mother has got a plateful [dealing with other family members], so I just do not feel it is my place to impinge on her any more than I have to. I have a nephew and his wife that can sometimes help out with babysitting.<sup>25</sup>

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21 Smyth C, Rawsthorne M and Siminski P, Social Policy Research Centre, University of New South Wales, *Women's lifework: Labour market transition experiences of women, final report* (2006), SPRC Report 7/06, p 54; see also Bentley S, sub 43; McLachlan E, sub 194.

22 Australia Bureau of Statistics, *Year Book Australia, 2006* (2006), Cat No 1301.0, p 153.

23 Access Economics, Appendix D, p 5.

24 Watson K, transcript, 21 June 2006, p 2.

25 Richards P, transcript, 30 June 2006, p 20.

Although we are now nearer my husband's parents, they are still an hour away and both work full-time. So they can provide us little support for child care.<sup>26</sup>

I think a lot of people juggle with their parents, 'Can the grandparents look after them?' or whatever. I did not want to burden my mum with that because she has already raised a family. I know a lot of people rely on grandparents, and if the grandparents are not available then day care can sometimes be more expensive than what you are earning. Everyone has that struggle... So, definitely, having someone regularly to be a carer for your child, because it is paid work, means that it is a lot easier – asking someone that you are employing to work rather than trying to get your parents, friends or whatever to rearrange their life.<sup>27</sup>

- 6.26 Other sources of informal care are also increasingly difficult to find. As a Perth mother observed:

Our support networks are often thinner than they used to be. We don't tend to live as near family as we used. Grandparents may be busy doing their own things, possibly still working themselves, to take grandchildren for extended periods. We don't know our neighbours like we used to, particularly if we are still working as we'll never see them.<sup>28</sup>

- 6.27 The committee acknowledges the enormous contribution of grandparents in raising and caring for children, usually with little or no financial compensation. Measures such as the Grandparent Child Care Benefit are positive recognition of this contribution.
- 6.28 Indications are, however, that neither parents nor government policy can continue to rely on grandparents as a source of low or no-cost care. The government has a policy of encouraging mature aged workers to remain in the workforce, and has put several initiatives in place to achieve this, such as the Pension Bonus Scheme and changes to superannuation announced in the 2006-07 Budget. Relying on grandparents to provide care while their adult children work is in conflict with this policy.
- 6.29 Some parents feel more comfortable leaving their children with a family member or friend rather than a 'stranger' in a child care centre. Others, like one of the mothers quoted above, prefer to secure care within a

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26 Langham J, sub 171, p 2.

27 Romer J, transcript, 18 October 2006, pp 10, 11.

28 Davies K, sub 4, p 2.



business agreement where roles and responsibilities are clearly defined. Informal arrangements do have the advantages of being cheap and flexible. Realistically, however, the use of child care provided by carers who are not family members or friends will continue to increase. The availability and accessibility of child care will continue to play a significant role in Australian families' decisions about work and family.

## Child care and the economy

### Facilitating economic activity

- 6.30 Government expenditure on child care is often characterised as a 'soft' welfare measure. The committee is of the view, however, that child care should be recognised as a measure that supports a range of essential economic activities. This is true both now and increasingly as the ageing population presses workforce participation and national productivity downwards. As economic commentator Ross Gittins writes in *The Sydney Morning Herald*, child care is the key to keeping 'an ever-growing proportion of well-educated married women' in the workforce: 'Be clear: fixing child care is as much about economics narrowly defined as it is about social concerns'.<sup>29</sup>
- 6.31 Several government-sponsored studies in the last 15 years have examined the economic benefits of child care. In 1994, the Australian National Audit Office, in an 'efficiency audit' of Commonwealth child care services, reported that work-related child care was revenue-neutral:
- The costs to the Commonwealth of workforce-related care are substantial, but the break-even point where tax revenue and social security savings equal this cost in all cases comes well below average earnings.<sup>30</sup>
- 6.32 Similarly, a 1998 study by the Centre for Economic Policy Research at the Australian National University found that:

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29 Gittins R, 'Costello's failed experiment: reform without pain', *The Sydney Morning Herald*, 15 May 2006, p 19.

30 Australian National Audit Office, *Mind the children: Management of children's services (1994)*, Efficiency Audit, Audit Report no 42, 1993-94, p 42; cited in Senate Community Affairs Reference Committee, *Report on Child Care Funding (1998)*, p 9.

Child care has a net cost to the budget far less than the gross cost... and could very likely save taxpayers more than it costs.<sup>31</sup>

By attracting more women into the labour force, the Children's Services Program [government funding for child care] helps to decrease interruption to careers, which has beneficial effects for society as well as for the individual. With less depreciation of work-related skills and a greater commitment to the labour force as a result of the program, the economy will tend to create better jobs than it would do in the absence of the program. Also, the increase in female labour supply resulting from the program will generate more jobs in the longer term.<sup>32</sup>

6.33 Most recently, a research paper published by the Department of Families and Community Services in 2004 made a preliminary assessment of the actual value of these returns to the government. It estimated that in 2001-02, paid work facilitated by government-funded child care use generated \$1.6 billion in income tax, breaking even with the \$1.6 billion spent by the Government on child care.<sup>33</sup>

6.34 The government also saves money, however, on foregone income from Family Tax Benefit and Parenting Payment. Taking this into account, the paper found that:

Every dollar spent on child care returns \$1.86 directly to the Government's bottom line, in the form of increased taxation and reduced government outlays.<sup>34</sup>

6.35 These findings are consistent with international studies on the economic value of child care:

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31 Centre for Economic Policy Research at the Australian National University, for the Department of Community Services and Health, *Government spending on work-related child care: Some economic issues* (1988), p 1.

32 Centre for Economic Policy Research at the Australian National University, for the Department of Community Services and Health, *Government spending on work-related child care: Some economic issues* (1988), p 1.

33 Martin J, Department of Family and Community Services, 'More than just play dough: A preliminary assessment of the contribution of child care to the Australian economy', *Australian Social Policy* (2004), p 9, viewed on 10 March 2006 at [http://www.facs.gov.au/research/austsocpolicy\\_2004/australian\\_social\\_policy\\_2004.pdf](http://www.facs.gov.au/research/austsocpolicy_2004/australian_social_policy_2004.pdf).

34 Martin J, Department of Family and Community Services, 'More than just play dough: A preliminary assessment of the contribution of child care to the Australian economy', *Australian Social Policy* (2004), p 9, viewed on 10 March 2006 at [http://www.facs.gov.au/research/austsocpolicy\\_2004/australian\\_social\\_policy\\_2004.pdf](http://www.facs.gov.au/research/austsocpolicy_2004/australian_social_policy_2004.pdf).

Returns to the government budget, per dollar spent, have variously been estimated at \$1.56 in Texas; \$1.50 to \$3.00 for the United States in total... and \$2.00 in Canada.<sup>35</sup>

6.36 The actual returns to government, however, will be even greater, as these figures represent only the impact on the government's bottom line. The more diffuse effects of increased economic activity and other flow-on effects multiply the benefits many times over. These include:

- increased productivity;
- increased household expenditure;
- increased superannuation for carers and others remaining in the workforce;
- reduction in the child care cash economy, and an increase in income tax paid by child care workers; and
- skill retention and decreased business staff turnover costs.<sup>36</sup>

6.37 The value of diffuse benefits is, of course, difficult to measure accurately. The Department of Family and Community Services paper estimates the total economic benefits of child care to be worth \$8.11 per dollar spent. On current government child care expenditure of \$2.3 billion dollars per annum, this estimate suggests a return of \$18.6 billion to the economy.<sup>37</sup>

6.38 As Jay Martin writes, 'The value of the [child care] sector is not only what it produces, but also what it supports others to produce.'<sup>38</sup> He argues that child care should be considered among the essential infrastructure of an industrial Western economy:

In 2002 in Australia, around half of all children in the 0 to 11 age group used care, a total of around 1.5 million children (Australian Bureau of Statistics (ABS) 2003). The skills and experience of the

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35 Martin J, Department of Family and Community Services, 'More than just play dough: A preliminary assessment of the contribution of child care to the Australian economy', *Australian Social Policy* (2004), p 9, viewed on 10 March 2006 at [http://www.facs.gov.au/research/austsocpolicy\\_2004/australian\\_social\\_policy\\_2004.pdf](http://www.facs.gov.au/research/austsocpolicy_2004/australian_social_policy_2004.pdf).

36 Taskforce on Care Costs, *Where to now? 2006 Final report* (2006), pp 4-5, 33.

37 In the 2006-07 Federal Budget, the Minister for Families, Community Services and Indigenous Affairs, the Hon Mal Brough MP, announced a record \$9.6 billion investment in child care over four years. '2006-07 Budget - A more responsive, quality child care system', media release, 9 May 2006.

38 Martin J, Department of Family and Community Services, 'More than just play dough: A preliminary assessment of the contribution of child care to the Australian economy', *Australian Social Policy* (2004), p 3, viewed on 10 March 2006 at [http://www.facs.gov.au/research/austsocpolicy\\_2004/australian\\_social\\_policy\\_2004.pdf](http://www.facs.gov.au/research/austsocpolicy_2004/australian_social_policy_2004.pdf).

parents of these children obviously represent a considerable economic and social resource to the community, much of which would be unavailable to employers for substantial periods of time if child care was not available.

Therefore, one of the major contributions that child care makes is to enable the 'nation's pool of talented and skilled parents to engage in the formal economy', as MCubed [a consultancy] noted in 2002. This places it among the essential infrastructure of a society, such as transportation, telecommunications or education, without which a range of economic activities would not be possible.<sup>39</sup>

- 6.39 A 2003 OECD paper on the labour force participation of women also supports the view of child care as a facilitator of economic activity. For low income families, particularly, government child care assistance can operate as a financial 'leg-up' into the labour market and path to increased future earnings for parents:

Credit market imperfections (such as adverse selection and moral hazard) may prevent women in low-income families from borrowing against future earnings to finance child care and break away from welfare dependence (Walker, 1996). The implicit assumption is that employment facilitates the accumulation of human capital and work experience which will generate future earnings sufficiently high to repay the initial loan. Thus, child care subsidies could be expected to result in lower future welfare spending (Robins, 1991).<sup>40</sup>

## Long-term socio-economic outcomes

- 6.40 Beyond returns to the bottom line in each budget cycle, government investment in child care also contributes to important long-term socio-economic outcomes. The OECD paper cited above notes additional justifications for government expenditure on child care, including child development, social integration, and gender equity.<sup>41</sup> Increasing evidence

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39 Martin J, Department of Family and Community Services, 'More than just play dough: A preliminary assessment of the contribution of child care to the Australian economy', *Australian Social Policy* (2004), p 3, viewed on 10 March 2006 at [http://www.facs.gov.au/research/austsocpolicy\\_2004/australian\\_social\\_policy\\_2004.pdf](http://www.facs.gov.au/research/austsocpolicy_2004/australian_social_policy_2004.pdf).

40 Jaumotte F, 'Labour force participation of women: Empirical evidence on the role of policy and other determinants in OECD countries' (2003), *OECD Economic Studies*, no 37, p 60.

41 Jaumotte F, 'Labour force participation of women: Empirical evidence on the role of policy and other determinants in OECD countries' (2003), *OECD Economic Studies*, no 37, p 60.

in early childhood development is supportive of the gains achieved by quality child care for future social health and wellbeing:

Child care contributes to the economy by acting as an early intervention in children's lives. Quality child care, which is of great benefit to disadvantaged and at-risk children, decreases health, welfare and legal cost outlays by Government and decreases the chance of these occurring later in life.<sup>42</sup>

Alternatively, as a 1988 report into government funded child care put it, 'Well-brought up children make good citizens – less crime, better voters, larger tax base.'<sup>43</sup>

## Problems in accessing care

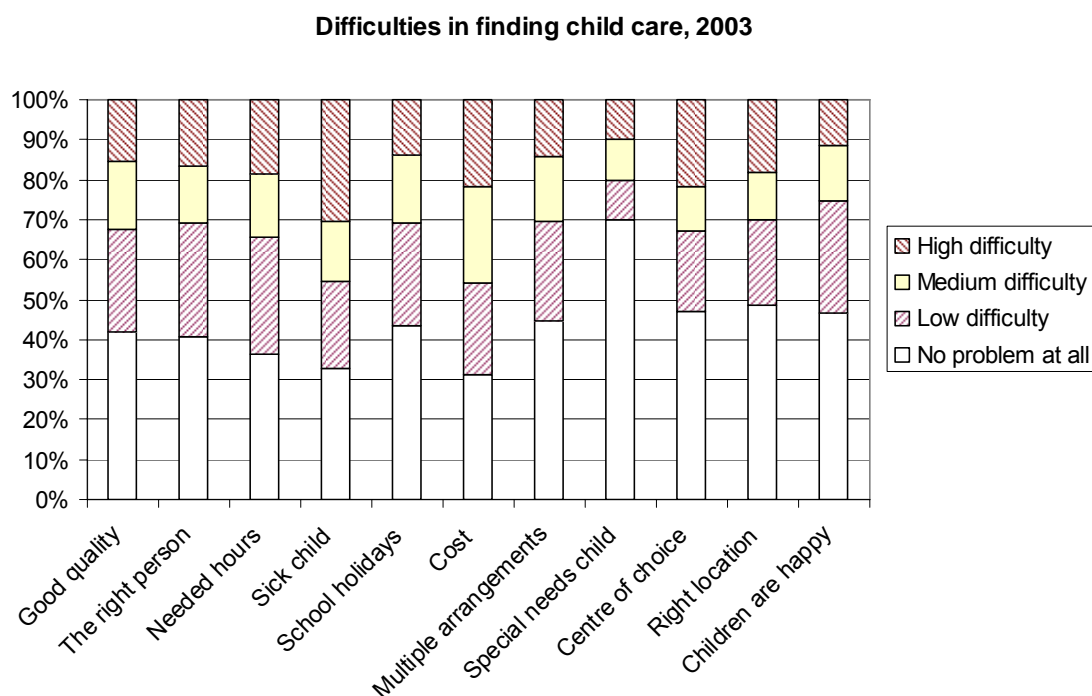
- 6.41 Unfortunately, given the economic importance of child care provision, some Australian families are experiencing problems in accessing affordable care. In part, this is the result of present child care policy and its total lack of flexibility. For most families, the approved care category, which is the only category for which any meaningful assistance is provided, offers only group care in a centre-based environment. It provides one solution to fit all when clearly families' wants and needs are different.
- 6.42 As figure 6.4 illustrates, these wants and needs are diverse. Some of the criteria that parents consider are subjective, for example, whether a parent feels that their child could be happy in an arrangement. Others are not discretionary. School holidays and sick children are particular hot spots, and parents have little influence over the number of hours and days they are offered by a child care centre.

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42 Martin J, Department of Family and Community Services, 'More than just play dough: A preliminary assessment of the contribution of child care to the Australian economy', *Australian Social Policy* (2004), p 5, viewed on 10 March 2006 at [http://www.facs.gov.au/research/austsocpolicy\\_2004/australian\\_social\\_policy\\_2004.pdf](http://www.facs.gov.au/research/austsocpolicy_2004/australian_social_policy_2004.pdf).

43 Centre for Economic Policy Research at the Australian National University, for the Department of Community Services and Health, *Government spending on work-related child care: Some economic issues* (1988), p 10.

Figure 6.4 Difficulties in finding child care, 2003



Source: The Melbourne Institute of Applied Economic and Social Research, The University of Melbourne, *Families, incomes and jobs: A statistical report of the Household Income and Labour Dynamics Survey (HILDA) (2006)*, p 11. Household Estimates for special needs children for difficulty categories are not reliable.

6.43 For some parents, problems in accessing care mean that they may have to choose an imperfect option which creates stress for the family, although it allows parents to take on paid work. For other parents, the impossibility of accommodating work and family obligations within existing child care options means that they cannot work at all.

## Parents' working hours and working patterns

6.44 Parents who do shiftwork, work on weekends, work at night, or who regularly work overtime have immense difficulties in accessing child care.

6.45 The 2004 census of child care services produced by the Department of Families and Community Services reported that long day care centres opened for an average 10 hours and 48 minutes per day, generally between 8 am and 6 pm. Of 3,812 long day care services surveyed, only 21 opened on weekends, and of these eight opened on both Saturday and Sunday. There were only two centres operating for 24 hours a day.<sup>44</sup>

44 Department of Family and Community Services, *2004 Census of child care services* (2005), pp 10-11.

Occasional care tends to have shorter opening hours than long day care; an average of 8 hours and 20 minutes per day. Outside school hours care typically provides three hours of care per day.<sup>45</sup>

- 6.46 Family day care is more flexible, although its carers are more likely to lack child care qualifications.<sup>46</sup> The main use of family day care schemes occurred during the hours of 8 am and 6 pm, but seven per cent of children in family day care received care between the hours of 6 pm and 8 am.<sup>47</sup> While nothing precludes family day care providers from offering overnight or after hours care, this can in practice be difficult to find. A Sydney mother told the committee:

There are issues with family day care. Invariably they do not suit many working parents typically needing eight hour days. I spoke with someone from [the local council] family day care only yesterday and, unfortunately, there really are no spaces for children of women who require longer day care situations. Her words to me were, 'Look, if you were more flexible with hours, we'd obviously have a better chance of placing you'. I asked what the times were, and she said, 'Generally eight or eight-thirty to about four'. That does not suit my needs.<sup>48</sup>

- 6.47 For parents working business hours, their only care option is often long day care, and the standard 6 pm closing time of most centres can be difficult to accommodate within a business culture that expects them to remain at work if a meeting runs overtime, or if an urgent task materialises. The practice of charging fines by the minute for late pick-ups means that many parents are, in one mother's words, 'zooming across town' in peak hour traffic to make the closing time.<sup>49</sup> The Women Lawyers Association of New South Wales said that:

The opening and closing hours of child care centres are often inflexible and do not coincide with the sometimes long hours that lawyers work. Late fees are imposed for every hour that a lawyer is, for example, caught up with a client or in city traffic and delayed from picking up their children.<sup>50</sup>

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45 Department of Family and Community Services, *2004 Census of child care services* (2005), pp 10-11.

46 Department of Family and Community Services, *2004 Census of child care services* (2005), p 10.

47 Department of Family and Community Services, *2004 Census of child care services* (2005), p 10.

48 Watson K, transcript, 21 June 2006, p 8.

49 McNee R, sub 127, p 2.

50 Women Lawyers' Association of New South Wales, sub 99, p 3.

- 6.48 If parents working business hours have problems finding suitable care, then it is even more difficult for those working non-standard hours. A single mother from Coffs Harbour told the committee:

There are a lot of problems, especially with after school care. For instance, you may have a job that starts at seven o'clock in the morning and finishes at four o'clock in the afternoon, but there is no care before eight o'clock in the morning... When it comes to working and being offered a job to start at seven o'clock in the morning, I cannot take it because I do not even have the option to put my children into care. It makes it very hard.<sup>51</sup>

- 6.49 Casual or sporadic workers may not be able to use long day care because they do not always know in advance when or for how long they will be working. A 2001 survey cited by the National Council of Single Mothers and their Children found that 'child care usually had to be booked in advance, creating difficulties for women who worked casual hours and were unsure of their child care needs'.<sup>52</sup> The Australian Council of Trade Unions said that in a child care 'phone-in' they conducted in 2004, parents complained that child care centres were inflexible. 'Fees were charged on public holidays which is hard for casual workers who do not receive any pay for public holidays'.<sup>53</sup> Similarly, the YWCA reported that its clients often struggled to find flexible child care, which was 'essential for casual or temporary staff with irregular hours or for students whose class timetable changes from term to term'.<sup>54</sup>

- 6.50 Salary packaging provider McMillan Shakespeare observed that:

The greatest demand for child care is actually casual child care... [but] it does not exist. The home care proposition that you put is one that would overcome that. If you could call up an agency and say, 'Come in and look after my child for this day because I have a meeting, but my mother and father happen to be caravanning up in Cairns' – for example – 'or unavailable because they have doctors' appointments,' there are no conflicts. If we had a system that allowed that flexibility you talk about, Madam Chair, that would help overcome that problem as well. Casual care is in big demand. There is no-one in the market place that is providing any support for that market.<sup>55</sup>

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51 Griffin S, Uniting Care Burnside, transcript, 13 March 2006, p 19.

52 National Council of Single Mothers and their Children, sub 108, p 8.

53 Australian Council of Trade Unions, sub 104, p 16.

54 YWCA of Australia, sub 113, p 5.

55 Podesta A, transcript, 1 November 2006, p 10.



6.51 An example of a worker affected by such inflexibilities is that of a single father of four from Perth, Paul Richards, who gave evidence to the committee. Mr Richards was an electrical maintenance contractor who was offered a \$100,000 position in regional Western Australia. The job was on a fly-in, fly-out arrangement, however, with two weeks on and two off. Although he wanted to work, and his family needed the money, he was unable to take up the position. While he did, eventually, locate overnight care, the lack of government assistance with in-home care meant that he was unable to afford the up-front costs of the care.<sup>56</sup>

6.52 Another example is that of a mother of three, Jenny de Lacy, who wrote to the committee of her difficulties in finding care to match her irregular work as a contractor in education. These had in fact led her to quit her job and find alternative employment for the sake of her family arrangements:

Recently we decided I would return to more regular work, as contracting work is hard on the family, and ad hoc child care almost impossible for us to find. We have no family support for child care, and working as a contractor is not predictable, so child care had to be permanent even if the work was not.<sup>57</sup>

6.53 In many cases, for parents working casual or irregular hours, it is only informal care provided by grandparents, relatives and family friends that enables them to earn an income. A professional mother told the committee that, 'Flexibility is not part of child care. If you are required to work additional hours, travel interstate or go to breakfast meetings, these can only occur with the support of other family members'.<sup>58</sup>

6.54 Such arrangements rely on goodwill, however, and as noted earlier, grandparents and other family members may be less and less able to provide such care in the future. A single mother of five wrote that while she worked doing night fill in supermarkets, one of her sons cared for the younger children overnight. This informal arrangement was about to be disrupted and there was no alternative child care available to her:

I will soon have to quit my part time employment (night fill in the supermarket) as my 16 year old son will be moving out to live with his father. This is mainly due to having better living conditions due to more money in the household and the fact that he finds the responsibility of looking after his siblings (on the

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56 Richards P, sub 170, p 1.

57 De Lacy J, p 172, p 1.

58 Waldock J, The Association of Professional Engineers, Scientists and Managers Australia, transcript, 3 August 2005, p 27.

nights I am working, if I need to go to appointments, studying or shopping), tedious and tiring. I will have no-one to look after the children.<sup>59</sup>

6.55 Amongst couple families there is evidence that some manage the dearth of out-of-hours child care by working alternate 'shifts' across day and night. This means that one parent is always at home with the children, but it can have negative consequences for parents' health and their own relationship, as they may seldom see each other except to 'hand over'. Mr John Hart, Chief Executive Officer of Restaurant and Catering Australia, told the committee that because 'after-hours places are as scarce as hens' teeth', these arrangements were quite common in his industry, where 56 per cent of business was transacted after 7 pm.<sup>60</sup>

6.56 The Working Women's Centre of South Australia said:

Women report that they take on night shifts thinking that child care will be easier to manage if their partners can look after the children at nights. They describe relationships where they rarely spend time together and worry about the impact of this on their children.<sup>61</sup>

## Waiting lists for child care places

6.57 The qualities of child care make it difficult for access to be nationally consistent. Child care supply is heavily localised, as there is a limit to the travelling times which parents can reasonably undertake on a daily basis.

6.58 In the long day care sector, which cares for the majority of children in formal care, some centres do have vacancies. As noted in chapter five, the Australian Government has claimed that there are up to 120,000 child care vacancies in Australia, depending on the day of the week.<sup>62</sup>

6.59 There are pockets of intense shortages in long day care, however. Earlier this year, the Melbourne bayside municipality of Port Phillip had 1,935 children on the waiting list for care.<sup>63</sup> In evidence the committee has heard of waiting lists of 18 months or more in some metropolitan areas, particularly inner metropolitan areas. The committee heard that some mothers put their names down on waiting lists virtually 'at conception' of

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59 Bentley S, sub 43, p 2.

60 Hart J, transcript, 3 February 2006, p 28.

61 Working Women's Centre of South Australia, sub 74, p 6.

62 Hon M Brough MP, Minister for Families, Community Services and Indigenous Affairs, 'Childcare places and the Childcare Access Hotline', media release, 27 September 2006.

63 Clausen L, 'Putting a price on our children', *Time*, 13 March 2006, p 43.

their children. There were many comments on the frustrations of finding child care:

The waiting lists for child care are enormous... When I found out I was pregnant I called my obstetrician, my private hospital and my child care provider before I even told my family, because the child care centre needs to know before anybody else does.<sup>64</sup>

It has taken our family over three years to access a reasonable level of long day-care positions... You will note from the attachment to my written submission a record of 50 registered child care centres and family day care providers that I have kept regarding the availability of positions last year.<sup>65</sup>

When our children were born, the key issue for my wife and I was the difficulty in accessing child care. It was a very stressful time, involving a huge number of phone calls and waiting lists.<sup>66</sup>

When I was returning to work after each baby, access to child care was a problem. We were on the waiting list for many child care centres and eventually were offered a place. I found having an impending date of return to work with no child care yet in place an extremely stressful situation.<sup>67</sup>

Our situation is not unique. We have heard of people who put their child's name on a waiting list only to be told that there are six A4 pages of names before them, or that the child may get a place by the time it is of school age, or simply not to bother putting a name down as there is no chance of getting a place.<sup>68</sup>

We were on about 12 different waiting lists for about 14 months. The only reason we got child care in the end was that I was diagnosed with postnatal depression and given a priority placement.<sup>69</sup>

## Child care affordability

6.60 Alongside issues of availability, affordability was an issue consistently raised in submissions. The 2006 Household Income and Labour Dynamics Survey found that 45 per cent of parents report medium or high

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64 Somerville J, transcript, 13 March 2006, p 27.

65 Watson K, transcript, 21 June 2006, p2.

66 Fulton P, transcript, 11 April 2006, p 24.

67 Name withheld, sub 95, p 1.

68 Hawker C and Kleiman A, sub 42, p 4.

69 Hawker C, transcript, 13 March 2006, p 31.

difficulties in finding affordable care.<sup>70</sup> The Taskforce on Care Costs found in their 2006 survey that 37 per cent of employees with caring responsibilities now feel that the cost of care is too high relative to their income, up from 31 per cent in 2004.<sup>71</sup>

6.61 High child care costs are not merely a perception. They are real. The Taskforce reported that since 2004, child care costs have seen annual increases of 12.4 per cent, whilst the annual average Consumer Price Index increases have been 2.5 per cent.<sup>72</sup>

6.62 Some parents who gave evidence to the committee suggested that in light of such fees, government assistance with child care was not generous and the current system was unfair. Some families were receiving Child Care Benefit of \$0.457 per hour when their annual child care costs could be almost \$20,000. One mother commented:

While it would be nice to receive some assistance in caring for our children while I return part time to the workforce, I recognise that I am in a well-paid profession and probably do not need the same level of assistance that many others do... I believe that child care assistance payments of some form should be made to people who are below a certain salary bracket. However I do believe that in addition all people who use child care so that they can return to the workforce should be able to claim their child care expenses as a tax rebate/deduction.

I appreciate that the government does give some non-means tested assistance to child care. Currently that is approximately \$3 per day. When the centre charges \$80 per day, the \$3 per day is laughable.<sup>73</sup>

6.63 Over most of the period of taking evidence, parents had not yet been able to claim the 30 per cent Child Care Tax Rebate, although it was positively anticipated.

6.64 This issue of government assistance with child care costs and the most appropriate mechanisms for that assistance will be discussed further in chapter seven.

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70 Melbourne Institute of Applied Economic and Social Research, The University of Melbourne, *Families, incomes and jobs: A statistical report of the Household Income and Labour Dynamics Survey (HILDA)* (2006), p 11.

71 Taskforce on Care Costs, *Where to now? 2006 Final report* (2006), p 11.

72 Taskforce on Care Costs, *2006 Interim review: Where are we now?* (2006), p 7.

73 Somerville J, sub 61, p 3.

## Difficulties related to the age of children

- 6.65 Some parents' difficulties in accessing child care lie in finding age-appropriate care for children. Care for children aged two and under is a particular problem. The Benevolent Society stated:

There is a significant shortage of child care spaces for children under two years of age. Many centres find this age group hard to cater to and they are more expensive rooms to run due to the staffing ratios... Both of The Benevolent Society's child care centres run rooms for children from six weeks of age. Our waiting lists for care of under twos means that for a possibility of securing a place, women need to get on the waiting list while pregnant and may still have to wait at least 18 months before that chance of securing a place.<sup>74</sup>

- 6.66 At the other side of the scale, the care of teenagers has emerged as a hidden issue for many parents. Workforce Participation Minister Sharman Stone recently said that in a series of nationwide consultations, care for teenagers had emerged as one of the biggest concerns for parents.<sup>75</sup> The Minister acknowledged that this concern was affecting parents' decisions about taking on paid work. A single mother of teenagers who had turned down a job offer told *The Australian*:

Thirteen is not a good age to be alone, it is vulnerable time for kids. I want to work, but... I was worried about the non-supervision hours.<sup>76</sup>

- 6.67 A 2006 study of women's labour market transitions, conducted by the Social Policy Research Centre at the University of New South Wales, found that the care of teenage children was a source of concern for the mothers interviewed. 'During the teenage years the conflict between "labour force participation" and "parental responsibility" discourses come most starkly into conflict'.<sup>77</sup>
- 6.68 The study found that government policy reflected an assumption that children were old enough to look after themselves after they started high school, but that on the other hand, parents were still held responsible for

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74 Benevolent Society, sub 80, p 4.

75 Karvelas P, 'Teens new childcare hole', *The Australian*, 19 April 2006, p 2.

76 Karvelas P, 'Teens new childcare hole', *The Australian*, 19 April 2006, p 2.

77 Smyth C, Rawsthorne M and Siminski P, Social Policy Research Centre, University of New South Wales, *Women's lifework: Labour market transition experiences of women, final report* (2006), SPRC report 7/06, p 55.

anti-social and criminal behaviours by teenagers. Sole parents had the greatest concern about unsupervised teenagers.<sup>78</sup>

- 6.69 A single mother from Coffs Harbour told the committee that the gap in provision for young people in this age group that made it difficult for parents to work and be assured of their security:

The other side of [child care problems] is with children who go into high school. They are 11 or 12 when they start year 7. Once they get out of year six and hit high school, they are no longer eligible for outside of school hours or vacation care. Under the Department of Community Services, a child is not able to be left at home until the age of 14. So it is very contradictory...<sup>79</sup>

- 6.70 Many teenagers, of course, are antagonistic to the idea of formal care, particularly if they will be joining a group of younger children, and most child care providers do not cater for children over the age of 12. In 2004, less than 0.05 per cent of all children in outside school hours care were aged 13. There were no children aged 14 or over.<sup>80</sup>

## Preferences for child care

- 6.71 In the real world, parents' actual choices do not purely reflect their preferences; they are circumscribed by the services that are available in their local area and the cost of those services.
- 6.72 Committee members, after hearing of difficulties such as those outlined above, often asked witnesses to indulge in a 'blue sky' perspective for a moment and describe what sort of child care they would have in a perfect world. Unsurprisingly, the diversity of Australian families is represented in a range of preferences for care types. There are probably as many 'ideal' child care arrangements as there are families.

## Children's development

- 6.73 Parents consider their children's social and cognitive development when making child care choices. Many parents who gave evidence to the

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78 Smyth C, Rawsthorne M and Siminski P, Social Policy Research Centre, University of New South Wales, *Women's lifework: Labour market transition experiences of women - Final report* (2006), SPRC report 7/06, p 55.

79 Griffin S, *Uniting Care Burnside*, transcript, 13 March 2006, p 19.

80 Department of Family and Community Services, *2004 Census of child care services* (2005), p 126.

committee sent their children to day care for the opportunity to socialise with other children. A Sydney mother working part time said:

We chose a centre rather than an individual nanny as such...  
[because] I personally think the social interaction for children is very important.<sup>81</sup>

- 6.74 The witness and her husband were also attracted by the structured learning opportunities on offer in formal group care:

At kindy [my daughter] gets exposed to Japanese and health classes, they have language and music classes. I could not do all that at home and I think it would be a rare individual nanny who would offer all of that to a child.<sup>82</sup>

- 6.75 On the other hand, some parents choose in-home carers because of the intensive one-on-one language development opportunities afforded to children who get a carer's constant attention. A manager of a nanny agency in Sydney, Marina McHutchison, said:

Most of the good professional nannies I have met all talk underwater. It is constant. It promotes language skills with the children because they are constantly talking.<sup>83</sup>

- 6.76 Children's developmental needs vary not only from child to child but between children of different ages. There was a preference to have very young children cared for in an in-home situation, through a nanny, family day carer, or by a family member or friend in their own home where possible. This is reflected in the higher numbers of nought to two year olds in family day care and in-home care than in any other form of care, even without including those infants and toddlers being cared for within the in-home care cash economy.<sup>84</sup>

- 6.77 As children reach the ages of three and four this preference turns to group care situations where they can begin to make friends. Given the trend towards smaller family sizes, many children do not have as many siblings as they may once have had, and group care gives them a chance to interact with others in preparation for primary school.

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81 Somerville J, transcript 13 March 2006, p 38.

82 Somerville J, transcript 13 March 2006, p 39.

83 McHutchison M, *The Australian Consortium of Nannies*, transcript, 22 September 2005, p 57.

84 Department of Family and Community Services, *2004 Census of child care services* (2005), p 13.

## Children's care needs

- 6.78 For parents of children with particular health or care needs, formal group care, such as long day care or outside school hours care, may not be an option. For example, the committee heard that parents choose to use in-home carers if their children are vulnerable to multiple coughs and colds after being exposed to a large number of children in a day care centre.<sup>85</sup>
- 6.79 A Sydney mother who gave evidence to the committee told how her search for child care places had been made especially difficult by the fact that one of her sons suffered from anaphylaxis, a severe food allergy. Many of the long day care centres she contacted in her local area could not provide a peanut-free environment.<sup>86</sup>
- 6.80 The committee also heard evidence from parents of children who had Attention Deficit Hyperactivity Disorder (ADHD), autism, behavioural problems and moderate to profound disabilities.<sup>87</sup> Where these children exhibit challenging behaviour or have complex care needs, a long day care or after school care program may not be a solution for the child, the provider, or the parent, who may be frequently called back from work to attend to problems. In many cases care providers will simply not accept children with behavioural problems or disabilities.
- 6.81 A Brisbane mother told the committee that the lack of adequate child care for her three year old autistic son was the reason why she was not considering returning to the workforce, noting, 'The current day care system does not meet the needs of children with ASD [autism]'.<sup>88</sup> Respite care and specialist care programs exist, although these can be difficult to find and access. Care of children with disabilities is a problem and will be further considered in chapter eight.

## Reliability and security

- 6.82 For some parents, the reliability of their care arrangements was also a primary concern. For busy parents, the threat of being thrown into panic over the sudden collapse of child care arrangements was too much. Agencies that provide in-home carers to families may often be able to provide a replacement carer at short notice if a carer is sick or on leave. Individual in-home carers or family day care providers may not, however,

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85 Gibietis P, Nanny Sharing Connections, transcript, 22 September 2005, p 9.

86 Watson K, transcript, 21 June 2006, p 6.

87 See, for example, Griffin S, transcript, 13 March 2006, p 20; Richards P, transcript, 30 June 2006, p 17; Stapledon A, sub 179, p 1; Engwirda F, sub 221, p 2.

88 Engwirda F, sub 221, p 2.



be able to offer this back-up, and for this reason some parents prefer the security of an established long day care centre or outside school hours care.

As to child care and the choices you make, it is an extremely complex decision. I am speaking for myself here. I was not particularly interested in the at-home child care solution. I saw that there were risks involved in it to do with the reliability of it... The advantage of a crèche system or an out-of-hours school program is that, because it is run for a number of families, you know that there will be staff there. If your individual at-home carer is unwell or is called away because of their own family requirements, you are left trying to juggle it.<sup>89</sup>

We looked at child care and nannying. We thought that a child care centre would better suit our needs because there is the support of a centre and a lot of other carers. I didn't want to be in the situation where I am reliant on one person only to look after my children, and there is some benefit – from my perspective – when there are other people around.<sup>90</sup>

- 6.83 Some parents, such as the Sydney mother quoted above, also feel that there is increased safety in the numbers of staff working at a child care centre, while others prefer to have control by selecting their children's carer and monitoring the situation themselves. Clearly, choice is needed.

## **In-home care sector**

- 6.84 One kind of care which can accommodate the varied working patterns and care requirements of many families is in-home care, in which a carer comes to care for children in their own home. Government assistance for child care is heavily focussed on group care settings outside of the child's home, as in long day care, preschool, outside school hours care, vacation care and occasional care. Family day care, which is funded through registered and approved models, involves a small group of children being cared for in the home of the carer.
- 6.85 The Australian Government's recently established In-Home Care program is the only form of care in the child's home that is funded at approved care

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89 Waldock J, Association of Professional Engineers, Scientists and Managers Australia, transcript, 3 August 2005, p 31.

90 Burchsmith E, transcript, 13 March 2006, p 30.

rates of Child Care Benefit, and the only one that is eligible for the Child Care Tax Rebate. Access to the program is heavily restricted, however. By and large, the in-home care industry in Australia is happening in the black economy.

## Australian Government's In-Home Care program

- 6.86 The Australian Government established an in-home care program in 2001. Under this model, care is provided in the home of the child by an approved carer, and parents can claim Child Care Benefit at the approved care rate as well as the Child Care Tax Rebate. The program supports a highly flexible form of care: the 2004 census of child care services reported that 18 per cent of children in in-home care were being cared for between the hours of 8 pm and 6 am, a higher proportion than any other type of care.<sup>91</sup>
- 6.87 Ms Susan Rogan, operator of a nanny agency and an approved in-home care provider, offered the following as advantages of in-home care:
- increased flexibility results in decreased pressure on families;
  - child care can be accessed when children are unwell;
  - one-to-one care is less stressful for children; and
  - care is provided in a familiar environment by a familiar carer.<sup>92</sup>
- 6.88 The program is limited, however, to families whose child care needs cannot be met by an existing service. Families that may be eligible for in-home care include:
- families where the parent/s or child has an illness or disability;
  - families in remote or rural areas;
  - parents working shift work or non-standard hours;
  - parents who have had a multiple birth (three or more), and/or have three or more children under school age; and
  - breastfeeding mothers working from home.<sup>93</sup>

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91 Department of Family and Community Services, *2004 Census of child care services* (2005), p 10.

92 Susan Rogan Family Care, sub 159, p 2.

93 Department of Families, Community Services and Indigenous Affairs website, viewed on 5 October 2006 at [http://www.facsia.gov.au/internet/facsinternet.nsf/childcare/families-in\\_home\\_care.htm](http://www.facsia.gov.au/internet/facsinternet.nsf/childcare/families-in_home_care.htm).

- 6.89 Take-up of in-home care places has been steady, although the program remains modest in size. The 2004 census of child care services reported that 68 in-home schemes were in operation, providing carers to 3,240 children, up from 45 schemes and 1,500 children in 2002.<sup>94</sup>
- 6.90 In-home care places are capped by the Australian Government pending finalisation of a review into the program. Since its commencement in January 2001, 7,700 in-home care places have been allocated. In the 2005-06 Budget a further 1,000 places were allocated over four years, to better support those affected by Welfare to Work.<sup>95</sup> It appears unlikely that 7,700 places will enable all families in the situations above to access in-home care.<sup>96</sup> In any case, evidence taken by the committee suggests that most families are not aware that the program exists.<sup>97</sup>
- 6.91 Ms Kay Ganley, Chief Executive Officer of the Charlton Brown Group, made some positive comments about the program. Charlton Brown are a child care training organisation, nanny agency and an approved provider of in-home care services in four states:

We would like to congratulate the federal government on this initiative of in-home care provision. Prior to this, there was no subsidy available to families who could not access centre based or family day care because they lived in remote or rural areas, because they were shift workers or because they had an ill child. We have demand from people in very unfortunate circumstances, such as where children have cancer et cetera and they cannot access care. There are also children or young people with disabilities who are in care or in integrated situations but for after school hours they need a break and need individual care.<sup>98</sup>

## In-home (nanny) care industry

- 6.92 The committee took evidence on an extensive in-home care industry in Australia, which is only captured in small part by the Australian Government's In-Home Care program. A 'nanny day' roundtable on 22 September 2005 brought together parents, nannies, approved in-home

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94 Department of Family and Community Services, *2004 Census of child care services* (2005), pp 7, 9.

95 Department of Families, Community Services and Indigenous Affairs, correspondence, 23 November 2006.

96 Australian Bureau of Statistics, *Australian demographic statistics* (2006), Cat No 3101.0, p 18.

97 Nannies day roundtable, transcript, 22 September 2005, p 26.

98 Ganley K, transcript, 22 July 2005, p 37.

care providers, and nanny agency directors to discuss the state of the industry and how to bring it forward.

- 6.93 In considering how this sector can be given recognition and reformed so as to be more widely available to families who need in-home support, the committee has found it more useful to refer to 'in-home carers'.
- 6.94 The work of nannies is very similar to the work done by approved in-home care providers under the Australian Government program for families in special circumstances. In fact, most approved in-home care providers are nanny agencies. Outside of the auspices of government-funded in-home care places, however, parents who use in-home carers receive no or minimal assistance. If their carer registers with the Family Assistance Office, they receive Child Care Benefit at a flat minimum rate, currently \$0.497 per hour per child.<sup>99</sup> Nannies may be unwilling to register if they are paid in cash, as the Family Assistance Office will therefore have evidence of an income-earning relationship. From the parents' point of view, a maximum of \$24.85 per week may not be sufficient incentive for them to push their carer to register, given that the assistance also involves substantial paperwork.
- 6.95 There is a common perception that in-home carers are only employed by wealthy families, but the committee has not found this to be the case. Those who participated in the roundtable told the committee:
- In 2005, employing a nanny is no longer for the privileged and wealthy of Australia to take leisurely lunches and play tennis.<sup>100</sup>
- I have worked for different people, from those on the rich 200 list right down to policemen and ambulance people.<sup>101</sup>
- 6.96 For some families, particularly for those with three or more children, it can actually be more cost-effective to hire an in-home carer than to put all their children into long day care. A Sydney mother told the committee:
- I am the mother of three children of preschool age. This year I was ecstatic to secure a part time job in a fantastic company – it is a great feeling to be using my skills and contributing to society (and finally being paid for it). With such young children my only child care option was to hire a nanny – this was actually cheaper than putting all three children into long day care. You seem to fall for

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99 Centrelink website, viewed on 11 May 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/payments/qual\\_how\\_ccb.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_ccb.htm).

100 Elite Nanny Service, supplementary sub 157, p 2.

101 Slattery L, transcript, 22 September 2005, p 45.

the general view that if you can afford a nanny you must be really well off. This is absolutely not the case with many families I know.<sup>102</sup>

- 6.97 Other parents hire in-home carers simply because they cannot access long day care; they need to return to work and cannot wait the 18 to 24 months it may take to get a place. A nanny agency operator reported that, 'This agency receives calls daily from distressed parents unable to access approved child care places seeking information about nanny care'.<sup>103</sup> Another nanny agency operator, who was also a mother, said that:

The government is taking away choice from families who are considering their child care options. Employing a nanny may be the only option as child care places are unavailable... I have employed a nanny since my child was six months old given that no suitable place in child care was available.<sup>104</sup>

- 6.98 Other workers employ in-home carers because their job requirements mean they can't use long day care or after school care. For all the reasons outlined in the sections above, shift workers, weekend workers, and those who do regular overtime need child care outside of standard centre opening hours. Nannies and agency directors reported that there was a lot of interest in in-home care from flight attendants, police officers and emergency services workers.<sup>105</sup> A Sydney businesswoman told the committee the reasons why she employed an in-home carer:

As a business woman running a small business I do not have the luxury of a 9 to 5 position and as such have few alternatives in the way of care for my child. Even if a suitable child care place was available in relatively close proximity to our home or my work, the hours that I work in order to maintain my business and the people I employ do not fit into the narrow constraints imposed by the child care centres.<sup>106</sup>

## Black market in in-home care

- 6.99 A cash economy in child care has been active in this country for many years, although there are varied estimates on its size. The Australian Taxation Office suggests that the nanny industry in Australia could be

102 McDonald E, sub 154, p 1.

103 Susan Rogan Family Care, sub 159, p 2.

104 Elite Nanny Service, sub 147, p 2.

105 Nanny day roundtable, transcript, 22 September 2005, pp 5-6, 13, 43, 46.

106 Elite Nanny Service, supplementary sub 157, p 2.

worth about \$400 million to \$500 million a year, but they have no evidence of the compliance rate in the industry.<sup>107</sup> This does not include cash paid to babysitters, housekeepers, cleaners and unregistered carers. Furthermore, it only includes the cost of goods and services themselves, and not the income tax that the government would otherwise be collecting.

- 6.100 In 1998, the Australian Taxation Office's Cash Economy Task Force found that personal and household services (for example, child care, appliance repairs and installations, gardening, car repairs etc) appeared to be amongst the fastest growing sectors in the cash economy.<sup>108</sup>
- 6.101 It is not known what size this sector has grown to now, but there is some statistical data suggestive of the value of the black economy in child care. The Australian Bureau of Statistics found in 2005 that six per cent of children aged 0-12, or over 200,000 children, were being cared for in an informal and unregulated arrangement by a person unrelated to the family. This would include friends, neighbours and babysitters, but the committee would also expect it to include the nanny industry.<sup>109</sup>
- 6.102 In their 2006 survey of 1,000 Australians with caring responsibilities, the Taskforce on Care Costs found that 17 to 26 per cent of workers who pay for their caring arrangements do so on an informal basis; that is, by paying cash to family members, friends or unregistered carers such as nannies.<sup>110</sup> If the transactions currently generated by the formal child care industry in Australia represent only 75 or 80 per cent of the market, the remainder is significant. Given the greater likelihood that cash will be changing hands in an informal business relationship rather than between family members, the size and value of the black economy in child care may in fact be in the billions of dollars.
- 6.103 Parents and nannies testified to the committee that the black market is 'alive and kicking':<sup>111</sup>

If I put an ad in the paper [for my agency] the phone does not ring as much as if I just put my mobile number. When you answer the phone, people say, 'Are you an agency?' You say, 'Yes', and they bang down the phone. If you can get them to talk they say, 'I want

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107 Konza M, transcript, 21 June 2006, p 12.

108 Australian Taxation Office, *Improving tax compliance in the cash economy* (1998), p 16.

109 Australian Bureau of Statistics, *Child care, Australia, June 2005* (2006), Cat No 4402.0, p 3.

110 Taskforce on Care Costs, *Where to now? 2006 Final report* (2006), p 33.

111 Watson K, transcript, 21 June 2006, p 4.

cash'. I can't tell you how many people say that to me on the phone.<sup>112</sup>

The black market is huge and we need to hit that on the head and stop it as much as we can.<sup>113</sup>

The 'black market' that is spoken of has grown due to a desperate need to obtain any child care.<sup>114</sup>

6.104 The committee heard of registered nannies who had an agreement with their family that only part of their income would be declared, and the rest would be paid in cash, pushing up their hourly rate.<sup>115</sup> The committee was also told of arrangements where working mothers were paying cash to non-working mothers to mind their children. These mothers were not only earning a cash income, but claiming family tax benefits for staying at home. If they put their own children in care, they were not only taking up child care places ahead of working mothers but claiming Child Care Benefit as well.<sup>116</sup>

6.105 Where there is no incentive for registering an in-home carer, where the cost of child care is a financial stress, and where parents can avoid paying superannuation and sick leave, the black economy will thrive. Many will continue to negotiate cash payments to their carer. The Women Lawyers Association of New South Wales told the committee that based on the results of a recent survey:

Many colleagues have found the cost of full time nannies prohibitive and have been forced to make arrangements to employ friends or family members on a cash basis as an alternative. In my observation, the prohibitive cost and unavailability of child care appears to be sparking a flourishing tax-free industry.<sup>117</sup>

6.106 Parents who made submissions to the inquiry also identified a link between low government assistance for in-home care (a maximum of \$24.85 per week for registered nannies) and the black economy in child care:

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112 Clark C, My Little Friend Nanny Agency, transcript, 22 September 2006, p 82.

113 Kerr C, Charlton Brown Group, transcript, 22 September 2005, p 7.

114 Name withheld, sub 193, p 2.

115 Douglas D, Mothercraft and Nannies Pty Ltd, transcript, 22 September 2005, p 15.

116 Name withheld, sub 193, p 2.

117 Carr B, transcript 13 March 2006, p 56.

By offering so little support to families who use nannies, many families just pay their nannies cash, so it costs them less. That just encourages a black market.<sup>118</sup>

- 6.107 As a result, many in-home carers in this country are being employed on the black market. This is not the best outcome for parents, who often get a less committed carer. Parents are also, of course, committing an illegal act by employing someone on a cash basis. The black market is also not the best outcome for the carers. As heard by the committee at the nanny day roundtable, the lack of a legitimate employment record means that nannies have problems getting car loans and mortgages. Also of concern was the fact that carers working for cash accumulate no superannuation, and many are worried about how to provide for their future.<sup>119</sup>

### Encouraging a professional in-home care sector

- 6.108 Long day care is an established model of child care provision and remains the preference of many parents, particularly those who have secured a place in a centre which their children enjoy. As the committee has seen, however, the personal circumstances of many families are not accommodated by the child care industry. Family day care offers a more flexible alternative to centre-based care, but it is still not delivering the flexibility that families need. Places in either sort of care are in extremely high demand in some areas and parents may have to wait 18 months for a place, which even then may not be for the hours or days requested.

- 6.109 Susan Rogan, operator of a nanny agency and an approved in-home care provider, told the committee that:

It appears that care 'out of home' is the preferred option of funding and training bodies, although many families would prefer child care at home.<sup>120</sup>

- 6.110 The committee agrees with this statement. While it supports the continuation of the current long day care model, it also believes that a greater range of child care options are needed to service workers in a flexible and responsive domestic economy. Those who do not wish to use long day care, or the many families who simply cannot, should not be penalised for their choice by receiving lesser government assistance.

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118 MacDonald E, sub 154, p 1.

119 Nanny day roundtable, transcript, 22 September 2005, pp 3-13.

120 Susan Rogan Family Care, sub 159, p 2.



- 6.111 In Australia, in-home care seems to suffer from a stigma that is not found in other countries where nannies, au pairs and other forms of in-home care are an accepted part of the child care landscape. In Italy, 27 per cent of children aged 0-3 receive in-home care.<sup>121</sup> In France, parents of children aged 0-3 receive government assistance for carers (*garde à domicile*) who will come into the home and care for infants and toddlers.<sup>122</sup> The Netherlands also has an in-home care program.<sup>123</sup>
- 6.112 The United Kingdom set up a Home Childcarers Scheme in April 2003 'to help widen the availability of tax credit support by ensuring that parents can access approved forms of child care to use within their own homes'.<sup>124</sup> Nannies, or 'home childminders', must be registered and must have completed induction-level training at a minimum. They must also have first aid qualifications and have passed a police record check. The program aims to raise the standard of home-based care and allows parents employing a registered carer to access the child care element of the Working Tax Credit and other forms of government child care assistance where eligible.<sup>125</sup>
- 6.113 The United Kingdom system also incorporates:
- mothers' helps, who work alongside the mother in the home and assist with child care and housework;
  - maternity nurses, who are live-in nurses specially trained to take care of new babies for up to three months after the birth;
  - childminders, who are similar to our family day carers; and
  - au pairs.<sup>126</sup>
- 6.114 The committee received a number of comments from parents who were puzzled and unhappy that the Australian government did not offer similar assistance, except within the very limited In-Home Care program:

121 OECD, *Starting strong II: Early childhood education and care* (2006), p 363.

122 OECD, *Starting strong II: Early childhood education and care* (2006), pp 325-27.

123 OECD, *Starting strong II: Early childhood education and care* (2006), p 386.

124 Department for Education and Skills, and Department for Work and Pensions (United Kingdom), Sure Start website, viewed on 6 November 2006 at <http://www.surestart.gov.uk/aboutsurestart/parents/childcareapprovalscheme/>.

125 Department for Education and Skills, and Department for Work and Pensions (United Kingdom), SureStart website, viewed on 6 November 2006 at <http://www.surestart.gov.uk/aboutsurestart/parents/childcareapprovalscheme/>.

126 Department for Education and Skills, and Department for Work and Pensions (United Kingdom), SureStart website, viewed on 6 November 2006 at <http://www.surestart.gov.uk/aboutsurestart/parents/needananny/whatisananny/>.

I don't see why families that use nannies should not be able to benefit from all the rebates that are offered to other forms of child care. The amount we receive back under the 'registered carer' category is pathetic.<sup>127</sup>

I have had to cancel my arrangement with the nanny agency as it is ludicrous to work and give it all away in tax and child care costs. Why aren't the subsidies for in-home care as good as the child care centres?<sup>128</sup>

- 6.115 In-home care subsidies have been the subject of political debate in Australia for several years now. While the Government has repeatedly rejected calls to increase assistance for in-home care, the Prime Minister himself has expressed sympathy for supporting choices more equally. As reported in *The Australian* in 2005:

Mr Howard has previously resisted subsidising nanny care, arguing nannies were mostly employed by the rich. But yesterday he acknowledged the growth in the use of nannies by working parents, saying, 'I think the proposition that if it's good enough to pay somebody X dollars a week to defray the cost of formal child care, then why isn't it good enough to pay the same amount of money to another couple in a similar situation where the care occurs at home? I think there is some argument for that'.<sup>129</sup>

- 6.116 The development of a professional and accessible in-home care sector would not only benefit parents, but could also benefit the child care industry as a whole, which is struggling to meet demand in some areas. A recent OECD paper on women's workforce participation noted that home-based child care arrangements could be seen to increase the responsiveness of child care supply because they had low start-up and maintenance capital arrangements.<sup>130</sup> Extending in-home care assistance to families with children in all circumstances may therefore solve some of the problems with long day care waiting lists, particularly for children aged 0-2, for whom parents may prefer a home-based care environment in any case.<sup>131</sup>

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127 McDonald E, sub 154, p 1.

128 De Lacy J, sub 172, p 1.

129 Overington C and Karvelas P, 'Howard reversal on nanny rebate', *The Australian*, 22 October 2005, p 1.

130 Jaumotte F, 'Labour force participation of women: Empirical evidence on the role of policy and other determinants in OECD countries' (2003), *OECD Economic Studies*, no 37, p 92.

131 Ganley K, Charlton Brown Group, transcript, 22 July 2005, p 38.

- 6.117 Kathy Clark, of My Little Friend Nanny Agency, said that many parents chose to employ a nanny because in-home care made such a dramatic difference to their ability to balance work and family. The extra support and not having to coordinate two trips to a child care centre every day had a positive influence on their relationships with their children and their spouse:

A lot of my clients say to me that, if they have got to get to work by eight o'clock, they have to get up, get the babies dressed, pack their bags, get them in the car, drive to the child care centre, put the children in the child care centre, unpack the children's bags, get the children settled, then get back in the car and drive to work.

Then, if they are in the middle of a meeting they have to say, 'I've got to go. It's 10 to six. I've got to be at the child care centre.'

However, if you have a nanny and you are in the middle of an important meeting you just SMS the nanny and say, 'I'm running half an hour late.' When the mother walks in the door at the end of the day, the children are bathed and fed, the house is relatively tidy and the washing has been done. Mum walks in, she sits down and she spends quality time with her children... has a conversation with her husband – and then tries to be the mother, the lover and everything else.

But that is the difference for a lot of my clients. They say to me, 'Otherwise, I drive in traffic and pick my kids up at six o'clock. They are screaming tired; they are dirty. I've got nothing for dinner. I've got to go to the shop and pick something up and then come home. By the time I've fed the kids it's 7.30 or eight o'clock. I've got to bath the kids and put them to bed. By that stage I'm exhausted and I start screaming at my husband. My life is a tragedy!' That is my life when I do not have a nanny. I can tell you: that is me.<sup>132</sup>

- 6.118 Kay Ganley, of nanny agency and training organisation Charlton Brown, told the committee that a professional in-home care sector would be complementary to, and not competitive with, the choices that families currently have:

One of the arguments that we would have is that families require different care at different times...I will give you an example: we have a family where the mum is a nurse and she has four children, including one set of twins, under school age. You could imagine

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132 Clark K, transcript, 22 September 2005, p 46.

how difficult it is for her to try to get the four children prepared, into the car and into child care, and then get herself off to work and then back to pick them all up and put them in the car.

Whereas, thinking of work-life family balance, having a carer looking after those children at home allows her to go to work without being worried about time constraints. The children are well cared for. As the children grow older and she would like them to go to child care or to family day care, there should be a transition. It should not be one against the other; it should not be competitive within the services. The services should be cooperative and provide the care that the family needs.<sup>133</sup>

- 6.119 The committee considers that a system of nanny registration is required, affording in-home care the same recognition that other forms of child care receive, and linking registration to more generous assistance for parents. This could potentially be achieved through an expansion of the existing In-Home Care program.
- 6.120 Subject to further industry consultation, the committee proposes that such a system be based on the following criteria:
- a minimum Certificate II qualification in child care, or an equivalent recognition of prior learning;
  - a current working with children police record check; and
  - a current first aid certification.
- 6.121 Where in-home carers are employed by an agency, taxation arrangements would take place through the agency, and parents would pay their fees to the agency. Where parents employ in-home carers directly, the carer would need to provide a tax file number, and parents would withhold and remit to the Australian Taxation Office a small withholding tax.
- 6.122 At the nanny day roundtable held by the committee, nannies, parents and agency operators were positive about such a registration system linked to government assistance for parents. It would not only provide cost relief to families but provide them with a real incentive to use only registered in-home carers who were legitimately employed with superannuation and sick pay entitlements. The in-home care industry would have more legitimacy, and by providing nannies with a more sustainable career path, it would have a better chance of attracting and retaining workers to the profession. Professional in-home carers, as recognised by government,

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133 Ganley K, Charlton Brown Group, transcript, 22 July 2005, p 38.

- would receive better and safer working conditions through payment of superannuation and workers compensation entitlements.
- 6.123 While opinions differed on what the minimum qualification requirements should be and whether additional duty of care conditions should be included, there was broad acceptance that if in-home carers were to gain from increased professionalism there was also a responsibility on the part of the industry to achieve and maintain a standard.
- 6.124 As the committee has heard, there are many experienced and wonderful in-home carers currently working with no qualifications, and there needs to be recognition of prior learning to take account of this. Transitional arrangements would be appropriate, which would allow in-home carers to register provided they were in the process of gaining a minimum qualification.
- 6.125 Nannies and training providers would also need to collaborate on the development of an appropriate course. Current Certificate courses in Children's Services cater to workers going into centre-based care, and feedback from the nanny industry is that they do not provide adequate training for workers going into a home environment.
- 6.126 Charlton Brown in Brisbane has developed a specialist in-home care qualification; the committee understands that they are the only organisation in Australia to do so.<sup>134</sup> The Certificate II in Community Services (Nanny Award) is tailored to training in-home carers, and includes 15 hours per week of experience in a family's home with a baby and a toddler. It also includes first aid, self-defence, defensive driving, lifesaving, emergency procedures and food preparation. Additionally, New Zealand has a National Nanny Certificate which could act as a model.
- 6.127 A minimum in-home care qualification would need, in any case, to be offered via flexible delivery, with the option of part-time or online study, so that carers do not have to stop working and give up their income in order to meet the new requirements.
- 6.128 The nannies who gave evidence to the committee felt that being part of a professional in-home care sector, recognised by government as a legitimate and vital part of child care services, would benefit their industry. It was felt that linking registration to tax relief for parents would increase the professionalism of interaction between nannies and parents:

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134 Ganley K, telephone conversation, 2 November 2006.

If you know you can get tax relief for employing a nanny... then you are also going to find out what your obligations are and how to meet those obligations. In a long term situation it is going to improve the status of nannies as being regarded as professionals and treated correctly.<sup>135</sup>

I think if nannies became tax deductible as employees, the standard and quality of girl would improve.<sup>136</sup>

- 6.129 Clearly too, such arrangements would dramatically reduce the incentives for employing in-home carers on the black market. Nanny agency operator Marina McHutchison gave evidence referring to the Child Care Cash Rebate (which preceded the Child Care Benefit) which was not means-tested and was paid for in-home care:

When I spoke to the Cash Economy Task Force about seven years ago, I asked if there was an increase of nannies on the books. They said that they were surprised that there was a dramatic increase of nannies in the taxation bookwork. What it did for our industry was that it made the parents sit up and take notice of the nannies. Instead of being paid cash, suddenly the nannies were on the books, which meant that they were getting holiday pay, sick leave and superannuation. So there was recognition there. Then, when means testing was brought in suddenly all the payment went back under the table. So there is proven history that if parents are given some sort of subsidy then they do come onto the books.<sup>137</sup>

## Recommendation 11

- 6.130 **In-home (nanny) care be categorised as approved care, and thus attract payments and tax concessions extended to users of approved care, where providers are registered with the Family Assistance Office, and:**
- **have or are at an advanced stage of attaining a minimum Certificate II qualification in child care, or an equivalent recognition of prior learning; and**
  - **have a current 'working with children' police record check; and**
  - **have a current first aid certification.**

135 Scrimizzi G, transcript, 22 September 2005, p 19.

136 Clark C, transcript, 22 September 2005, p 4.

137 McHutchison M, The Australian Consortium of Nannies, transcript, 22 September 2005, p 16.

## Au pairs

- 6.131 Au pairs are working holidaymakers between 18 and 26 years who receive board and an allowance in return for child care and supporting family activities. Au pairs currently receive between \$250 and \$300 per week, in addition to accommodation and board, for up to 45 hours per week of child care.<sup>138</sup> There are a number of specialist placement agencies in Australia who make the connection between parents and au pairs for a placement fee. Many nanny agencies will also have au pairs on their books. Suzanne Adelman, of nanny agency Mum's Best Friend, said that, 'Au pairs is an industry in Sydney which is certainly booming'.<sup>139</sup>
- 6.132 Most au pairs in Australia enter the country on a working holiday visa which permits them a 12 month stay but limits work with each employer to three months. This is inappropriate for child care workers for obvious reasons: families put a lot of time and effort into selecting an au pair, and it may take some time for a carer to get to know the family's routine and specific requirements.<sup>140</sup> The current system encourages illegal activity, as au pairs are likely to stay on with a family on a cash basis.
- 6.133 When an arrangement does work, however, it can deliver the benefits of in-home care to a family, together with an element of cultural exchange for both children and au pair. A small businesswoman from Sydney told the committee:
- A live-in au pair makes life easier and makes the family flow better. When I got home from work with an au pair, dinner was starting to be prepared or they could go shopping during the day with the baby, or have the washing on the line. The daily things that a stay-at-home mum would do the au pair does for you. I did not feel as stressed, I guess you could say, when I had an au pair. I was stressed financially, but I was not as stressed physically and emotionally.<sup>141</sup>
- The in-home care support was so important to this mother's life and her ability to continue to manage a retail business that she refinanced her mortgage three times in order to pay for it.<sup>142</sup>
- 6.134 Unlike many other countries, such as Germany, Switzerland, Belgium, the USA and Canada, Australia's au pair industry is unregulated. Participants
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138 Storm D, sub 167, p 1.

139 Adelman S, transcript, 22 September 2005, p 5.

140 Adelman S, transcript, 22 September 2005, p 5.

141 Romer J, transcript, 18 October 2006, pp 9-10.

142 Romer J, transcript, 18 October 2006, p 11.

at the nanny day roundtable felt that this leads to undesirable outcomes for some working travellers who are usually young, unfamiliar with Australian employment standards and may not have resources to manage a compromising situation:

I feel that having no guidelines within that particular market of child care leads to a lot working travellers and students here in Australia being taken advantage of and, unfortunately, leads to bad feeling. That is no good for industry, no good for child care, and no good generally. I would like to see that industry become more regulated.<sup>143</sup>

Overseas, in London and in America, there are regulated au pair industries and I believe that Australia should look into that.<sup>144</sup>

6.135 In the USA there has been an au pair program since 1986. Au pairs are admitted under a special category of visa for a placement of 12 to 24 months with a family. Applicants must:

- be between 18 and 26 years old;
- have 200 hours of child care or babysitting experience;
- have completed high school;
- have a drivers licence,
- have a clean criminal record;
- and be interviewed in person for a mature and appropriate attitude.<sup>145</sup>

Host families are also interviewed personally and must sign a contract detailing the family schedule, care requirements, pay and holidays as under regulations.

6.136 Another model for consideration could be Canada's. Canada has a Live-In Caregiver program, which allows professionals in child care, aged care and disability care into the country under a special class of visa. Applicants must have six months of full-time training in a classroom setting or twelve months of full-time paid employment in their chosen area of care.<sup>146</sup>

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143 Adelman S, transcript, 22 September 2005, p 5.

144 Slattery L, transcript, 22 September 2005, p 5.

145 Storm D, sub 167, p 3.

146 Citizenship and Immigration Canada website, viewed on 6 November 2006 at <http://www.cic.gc.ca/english/pub/caregiver/caregiver-2.html#1>.



- 6.137 The committee received a small number of submissions suggesting that Australia consider such programs as models for one of our own. It notes a recent OECD report which suggests that a more responsive supply of affordable child care could be encouraged by 'less restrictive immigration policies'.<sup>147</sup> Given current pressures on the long day care system and shortages of child care workers, a special visa category for au pairs would create some elasticity in local child care markets. By imposing some degree of regulation on the system and setting standards for things such as maximum working hours and workers compensation, this would also prevent the exploitation of young women travellers in Australia.
- 6.138 The committee considers that it would not be appropriate to make au pair expenses eligible for Child Care Benefit. Au pairs are employed under a unique pay structure which does not translate well into a level of assistance paid per hour: they are paid only a small allowance in recognition of the fact they receive accommodation and meals.

## Recommendation 12

- 6.139 **The Government investigate the introduction of a national au pair program that would allow child care workers to live-in and work for a host family for 12 continuous months under a special category of visa.**

## Supporting all child care choices

### Inconsistencies in approved and registered care

- 6.140 The inconsistencies between government assistance for registered care, in the case of nannies, and approved care, in the case of long day care centres, drew the committee's attention to other inconsistencies in this classification that effectively attributes greater or lesser values to different types of care.
- 6.141 Child Care Benefit for approved care (most long day care, family day care, before and after school care, vacation care, some occasional care and some in-home care providers) is means-tested, ranging from \$0.497 to \$2.96 per child per hour depending on family income. All families using approved

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<sup>147</sup> Jaumotte F, 'Labour force participation of women: Empirical evidence on the role of policy and other determinants in OECD countries' (2003), *OECD Economic Studies*, no 37, p 92.

care are, however, eligible for the 30 per cent Child Care Tax Rebate for out-of-pocket child care costs, to a maximum value of \$4,000.

6.142 Registered care, on the other hand, is care provided by family day care, some private preschools and kindergartens, some outside school hours care services and some occasional care centres. It also includes care by grandparents, relatives, friends or nannies that are registered with the Family Assistance Office. Families using registered care are entitled to only the minimum rate of Child Care Benefit, currently \$0.497 per hour per child.<sup>148</sup> They are not eligible for the Child Care Tax Rebate.

6.143 These inconsistencies have not escaped the notice of parents, for whom there may be thousands of dollars in Child Care Benefit and Child Care Tax Rebate at stake. A mother wrote to the committee about preschools:

The preschool my son attends on the days I work is registered rather than approved, and, therefore, I will not be assisted by the Federal Government's 30 per cent Child Care Tax Rebate.

The premise of the rebate was surely to provide taxation relief to young families where all guardians were undertaking work, study or training, making child care an essential expense. What then should it matter whether this be an approved or registered child care provider? It should be sufficient that they be licensed to provide child care services. The taxpayer's choice of supplier should not affect eligibility for the rebate.

This legislation, as it stands, is going to lead to the inequitable treatment of Australian taxpayers. The Child Care Tax Rebate was meant to help working families with the cost of child care. Some families don't deserve that more than others because of the *type* of child care provider they choose.<sup>149</sup>

6.144 The committee agrees that if the government offers child care assistance (and there are strong social and economic imperatives for doing so) parents should have more choice about how they expend that assistance. Providing that all subsidised care meets minimum qualification and registration standards, there is no reason to distort market behaviour by giving parents a greater subsidy for a form of care which may not suit their work and lifestyle needs, nor the needs of the child. As we have seen, there are many parents who cannot use long day care or after school care because they need care outside of the opening hours, or because the

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148 Centrelink website, viewed on 11 May 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/payments/qual\\_how\\_ccb.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_ccb.htm).

149 Selas J, sub 185, p 1.

inflexible payment model for child care places is not appropriate to casual or sporadic working patterns.

6.145 There is a precedent for offering government assistance for a more flexible range of child care options. As noted above, the Child Care Cash Rebate, introduced in 1994, was innovative both in its break from means-tested child care assistance (it was paid to all working parents) and in its flexibility. The 1996 Economic Planning Advisory Commission report on child care found that the advantage of the Child Care Cash Rebate was that it was 'payable for a wide range of child care services, delivered in a variety of settings'. This included in-home care.<sup>150</sup>

6.146 The Economic Planning Advisory Commission concluded that a funding distinction between different forms of care was illogical and unreasonably distorted parents' choices about the care they used for their children:

The Task Force considers that both equity and efficiency considerations would require that all forms of paid child care provided outside the family should achieve equivalent treatment in terms of funding. The Task Force recommends that all forms of paid child care, including occasional care, vacation care, nanny care and informal care, which meet required quality standards should be equally eligible for financial assistance.<sup>151</sup>

6.147 The Taskforce on Care Costs, a group of business and non-government organisations, recently made a similar recommendation to government:

The extension of [the current child care assistance] to fully cover registered care will place approved care and registered care on a level playing field and provide real choice to carers with dependents. It is anticipated that the extension of benefits to registered care will improve the quality of care outside the approved care sector and will also reduce the cash economy, with significant secondary benefits.<sup>152</sup>

6.148 In light of the above, the committee makes the following recommendations.

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150 Economic Planning Advisory Commission, *Child Care Task Force interim report: Future child care provision in Australia* (1996), pp 101-102.

151 Economic Planning Advisory Commission, *Child Care Task Force interim report: Future child care provision in Australia* (1996), p 111.

152 Taskforce on Care Costs, *Where to now? 2006 Final report* (2006), p 43.

**Recommendation 13**

- 6.149 **Paid care currently categorised as registered, including family day care, occasional care, outside school hours care, private preschools and in-home care; excluding care provided by grandparents, relatives or friends; be re-categorised as approved care, and thus attract payments and tax concessions extended to users of approved care.**

**Recommendation 14**

- 6.150 **The registered care category and associated rates of Child Care Benefit continue to apply for work-related care that is provided by grandparents, relatives or friends who are registered with the Family Assistance Office.**



## Tax relief for child care

### Salary sacrifice

- 7.1 As outlined in chapter three, employer-sponsored child care is exempt from fringe benefits tax (FBT), where provided on business premises. This means that employers can give staff the option of salary sacrificing child care fees, by which employees forgo part of their salary and employers pay the child care fees. Employees do not pay income tax on the portion of salary they have sacrificed, so they gain what amounts to a tax deduction in every pay packet.
- 7.2 Without the exemption under the *Fringe Benefits Tax Assessment Act 1986*, employers offering this would incur a fringe benefits tax penalty of 46.5 per cent of the value of the benefits provided. Regardless of whether this liability would be borne by the employer or transferred to staff by means of an employee contribution, it would mean that salary sacrificing would not be worthwhile.
- 7.3 The intention of the exemption, therefore, was to encourage employers to participate in solutions to their employees' child care needs. This would assist not only employees but contribute to the government's objectives for increased women's workforce participation.
- 7.4 In fact, the committee has found that the business premises limitation of the exemption, combined with continuing uncertainty about the Australian Taxation Office's rulings on the exemption legislation, is discouraging employers from getting involved.

## Who is salary sacrificing for child care?

- 7.5 The exact number of employees salary sacrificing for child care is not known, and nor is the value of this practice as a tax expenditure by government. This is because exempt benefits do not have to be reported to the Australian Taxation Office. As the Office told the committee:
- In-house child care benefits – that is the exempt benefits – provided under salary sacrificing arrangements or otherwise are exempt fringe benefits that are not required to be reported in the payment summary or disclosed in the FBT returns. We would have no information on that.<sup>1</sup>
- 7.6 The Australian Taxation Office also disclosed that due to the self-assessment of fringe benefits by employers, it was possible that there were employers offering salary sacrificing for child care that was not exempt and not reporting the fringe benefits tax liability. Commissioner of Taxation, Michael D’Ascenzo, said that, ‘There is no requirement in the law or in our practices for people who salary sacrifice to indicate to the Tax Office that they are salary sacrificing’.<sup>2</sup>
- 7.7 In modelling commissioned by the committee, consultants Econtech calculated that the cost to revenue of the fringe benefits tax exemption for child care fees is approximately \$14.08 million per year.<sup>3</sup> This figure was based on evidence gathered by the committee on private companies and Australian Government departments currently offering salary sacrifice; evidence presented in submissions and public hearings; and available workplace surveys from recent years.
- 7.8 Available data suggests that there are very few employers offering salary sacrificing for child care. The impracticalities of the exemption for most businesses, together with the inhibiting effect of Australian Taxation Office rulings, are evidenced by low levels of take up around Australia. A review in 2000 found that there were only 65 employer-sponsored child care centres nationwide.<sup>4</sup>

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1 Chooi A, transcript, 29 November 2006, p 10.

2 D’Ascenzo M, transcript, 29 November 2006, p 4.

3 Econtech, Appendix E, p i.

4 Department of Family and Community Services and Department of Employment and Workplace Relations, *Australia’s background report (2002) for the OECD Review of family-friendly policies: The reconciliation of work and family life*, p 49.

- 7.9 Deloitte and 37 other top 200 companies made a submission to the Federal Treasurer on the subject of this exemption in 2005. Deloitte said:

Numerous surveys indicate that there are very few child care facilities located on the employer's business premises... From our own survey in 2005 of 599 employers with a total workforce of over 300,000 employees, less than ten employers provided a facility that qualified for this exemption.<sup>5</sup>

- 7.10 Similarly, salary packaging provider McMillan Shakespeare told the committee that across their 1000 employer clients there was a very small number who were able to take advantage of the exemption:

I guess as a provider of salary packaging services to a wide range of employers across the country, from the Kimberley to far north and far south of the country, with 160,000 people packaging [for a range of benefits], it is pretty damning to say that fewer than 1,000 people are currently participating in salary packaging arrangements [for child care] out of the 160,000 that we have. Of the 1,000 employers, obviously very few are able to offer that as a benefit.<sup>6</sup>

- 7.11 In its submission, the South Australian Government claims that there is only one employer large enough to sustain an onsite child care centre in the entire state, so that the fringe benefits tax exemption in practice offers no assistance to close to 100 per cent of South Australian workers.<sup>7</sup> Meanwhile, Westpac Bank claimed to have opened the first corporate child care centre in Brisbane only in August 2006.<sup>8</sup>

- 7.12 There are, as the committee has discovered, a minority of employees in major banks, universities and Australian Government departments who are able to salary sacrifice for child care. Employers offering salary sacrificing for child care in Australia include those detailed below in figures 7.1 - 7.3:

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5 Deloitte et al., 'Submission to the Federal Treasurer: Exemption of child care from fringe benefits tax' (2005), synopsis, pp 2, 4.

6 Podesta A, transcript, 1 November 2006, p 2.

7 South Australian Government, sub 155, p 14.

8 'Westpac opens the first corporate child care centre in Brisbane', media release, 25 August 2006.



Figure 7.1 Private sector employers offering salary sacrificing for child care

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ANZ Bank  
Westpac Banking Corporation  
National Australia Bank  
Shell Australia

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*Source: Correspondence with employers, various, 2006.*

Figure 7.2 Universities offering salary sacrificing for child care

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Monash University  
Griffith University  
Curtin University  
University of Western Australia  
University of Wollongong  
University of Adelaide  
University of Western Sydney  
University of New England  
Flinders University  
Queensland University of Technology

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*Source: Correspondence with employers, various, 2006.*

Figure 7.3 Australian Government agencies offering salary sacrificing for child care

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Department of Foreign Affairs and Trade  
 Department of Finance and Administration  
 Department of the Treasury  
 Department of Defence  
 Attorney-General's Department  
 Department of Employment and Workplace Relations  
 Department of Agriculture, Fisheries and Forestry  
 Department of Industry, Tourism and Resources  
 Department of Immigration and Multicultural Affairs  
 Australian Taxation Office  
 Australian Sports Commission  
 Commonwealth Science and Industrial Research Organisation  
 Australian Bureau of Statistics  
 Australian Fisheries Management Authority  
 Biosecurity Australia  
 Land and Water Australia  
 Dairy Adjustment Authority  
 Office of Parliamentary Counsel  
 Office of the Privacy Commissioner  
 Australian Sports Commission  
 Australian National Museum  
 Special Broadcasting Service (SBS)  
 Australian Broadcasting Corporation (ABC)  
 Telstra  
 Australian Communications & Media Authority  
 Australian Sports Anti-Doping Authority  
 Commonwealth Grants Commission  
 Austrade  
 Private Health Insurance Administration Council  
 Tourism Australia  
 Australian National Audit Office  
 Office of the Governor-General  
 Australian Securities and Investment Commission  
 Australian Office of Financial Management

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Source: Correspondence with agencies, various, 2006.

7.13 It should be noted that not all employees of these agencies and companies will have access to salary sacrificing for child care, if their work location is not in proximity to a child care facility that meets the requirements of the fringe benefits tax exemption. Staff members in outlying campuses and branch offices in regional and outer metropolitan areas are unlikely to be able to take up salary sacrificing

for child care, because there will not be a sufficient concentration of staff for employers to establish a child care centre.

- 7.14 Australian Government departments are advantaged in respect of the exemption by section 4(1) of the *Fringe Benefits Tax (Application to the Commonwealth) Act 1986*, which says that a department should be regarded as if it were a company, and each other department or authority of the Commonwealth should be regarded as a related company.
- 7.15 This means that if employees of one department salary sacrifice for child care on the premises of another government department, that will qualify as the 'business premises' of a related company and hence qualify for exemption from fringe benefits tax. For example, the Department of Finance and Administration has advised that its staff can salary sacrifice for child care fees at a centre located in the Treasury building. The Australian Tax Office has advised that its staff can do the same at a centre owned by the Australian Bureau of Statistics.<sup>9</sup>
- 7.16 Employees of Australian companies, universities and public sector agencies that do offer salary sacrificing for child care fees are fortunate to work for an employer with both the initiative and capacity to establish a child care centre on business premises. However, the available information suggests that they are a privileged few in relation to Australia's total workforce.
- 7.17 Lenore Taylor writes in the *Australian Financial Review*:

When one woman at our Canberra mothers' group confided she could salary sacrifice for child care it was like the famous scene from *When Harry Met Sally*. En masse. We all wanted what she was having.<sup>10</sup>

## Business premises limitation

- 7.18 Under section 47(2) of the *Fringe Benefits Tax Assessment Act 1986*, where:

the recreational facility or child care facility, as the case maybe, is located on business premises of:

(i) the employer; or

9 Department of Finance and Administration, transcript, 11 October 2006, p 1; Australian Taxation Office, correspondence, 14 August 2006.

10 Taylor L, 'A sacrifice worth making', *Australian Financial Review*, 19 August 2006, p 30.

(ii) if the employer is a company, of the employer or of a company that is related to the employer;

the benefit is an exempt benefit.

7.19 The Commissioner of Taxation and the courts have assessed 'business premises of the employer' by way of a two-part test. Firstly, business premises must be the site of business operations; and secondly, in order to be *of the person*, there must be a relationship of ownership or control between the employer and the premises.

7.20 The first test has been interpreted broadly by the Commissioner and the courts, who have held that child care provision is a part of business operations. The site of a child care facility may therefore be business premises.<sup>11</sup> Justice Merkel of the Federal Court found that:

Once it is accepted that the provision of benefits to employees in the form of child care at business premises of an employer is an important factor in recruiting, retaining and otherwise rewarding employees and, as such, is part of the business operations of the employer, it does not seem to be relevant whether the child care facilities are located at the premises where the employer carries out other business operations, or are located at premises of the employer which have been procured solely for the purpose of the provision of a child care facility thereon.<sup>12</sup>

7.21 If, for example, an employer takes a commercial lease on a site several blocks away from the office, in order to operate a child care facility there, that may qualify for the exemption. Another example, provided in the Commissioner of Taxation's public ruling, is of a mining company, whose staff are located in a company town 30 kilometres from the site of mining operations. Should that mining company construct a child care centre in the town, for the use of employees, that would be considered fringe benefits tax exempt.<sup>13</sup>

7.22 The second part of the test, whether the premises are *of the person*, has been more contentious. In both of the examples above, the employer has sufficient control of the premises and of the child care operations to satisfy the requirement for possession. In another of the

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11 Federal Commissioner of Taxation's private ruling, cited by Merkel J, *Esso Australia Ltd v FC of T* 1998 ATC 4953.

12 *Esso Australia Ltd v FC of T* 1998 ATC 4953.

13 Federal Commissioner of Taxation, public ruling TR 2000/4, 'Fringe benefits tax: meaning of "business premises"'.

Commissioner of Taxation's examples, however, a professional child care provider establishes a centre in the CBD of a major city, and enters in arrangements with surrounding employers to provide child care to their children. Even if these employers enter into a series of subleases for undivided shares of the premises, they still cannot demonstrate sufficient control of the premises or of the management of the child care operation.<sup>14</sup>

- 7.23 For most employers, the expense and increased legal liability incurred in doing that will be too onerous. Deloitte has asserted:

The cost of an [on site child care facility] and the associated administration costs will usually outweigh the benefits for most employers... The administration and risks associated with government regulations and industry accreditations in operating and managing a child care facility are significant.<sup>15</sup>

- 7.24 Establishing an in-house child care facility also exposes employers to considerable risk should business needs change. McMillan Shakespeare told the committee:

We have some cases where employers have set up such establishments and then they find it is a white elephant a number of years later because the demographics change and they have been caught.<sup>16</sup>

- 7.25 Aegis Consulting confirms the cost of an employer establishing a child care centre in the Sydney CBD can be upwards of \$2 million; the Department of Finance and Administration advised that it had cost \$2 million to establish their child care in Canberra's Parliamentary Triangle.<sup>17</sup> Deloitte claims that an on-site centre might take ten years to become financially sustainable for an employer.<sup>18</sup>

- 7.26 It is difficult for employers to justify taking on such a risk when it does not relate to a company's core business.<sup>19</sup> BHP Billiton told the

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14 Federal Commissioner of Taxation, public ruling TR 2000/4, 'Fringe benefits tax: meaning of "business premises"'.

15 Deloitte et al., 'Submission to the Federal Treasurer: Exemption of child care from fringe benefits tax' (2005), synopsis, p 3.

16 Podesta A, transcript, 1 November 2006, p 3.

17 Aegis Consulting, sub 107, p 8; and Department of Finance and Administration, Hutson J, transcript, 11 October 2006, p 5.

18 Deloitte et al., 'Submission to Federal Treasurer: Exemption of child care from fringe benefits tax', 11 November 2005, p 11.

19 Deloitte et al., 'Submission to the Federal Treasurer: Exemption of child care from fringe benefits tax' (2005), synopsis, p 3.

committee that they wanted to assist employees with child care, and were even willing to provide seed funding for a child care venture near one of their mining operations in Western Australia. They felt, however, that they did not have the necessary expertise or inclination to operate a child care centre. 'The BHP Billitons of this world do not know how to run child care', said the company in evidence.<sup>20</sup> Additionally, where the company was installing major mining operations adjoining small regional towns, it was unwilling to create a climate of community resentment by reserving 'soft' infrastructure and services such as child care for BHP Billiton employees.

- 7.27 The committee considers this a reasonable attitude, particularly when there are already professional providers with child care expertise, not to mention facilities in which they are already operating child care services.
- 7.28 The Department of Defence's dilemma is another case in point. Defence own 19 child care centres which are available for employee use; shortly before giving evidence to the committee they had acquired a further 30 centres through a lease licence arrangement with ABC Learning Ltd. A significant number of Defence children are already enrolled, and the Department has applied for a private ruling on whether the parents of these children would be able to salary sacrifice for the child care fees. At the time of giving evidence, the Department of Defence felt that given the restrictions of the business premises test, it was unlikely to be successful.<sup>21</sup>
- 7.29 Centrelink told the committee that they were negotiating with tenderers but were yet to apply for a private ruling which would cover their 38,000 employees across Australia. At the time of writing, however, it was not clear what the terms of the application would be and whether it would be successful.<sup>22</sup>

## Small and medium-sized workplaces

- 7.30 If the establishment of a child care centre is daunting for a company of BHP Billiton's size, the exemption certainly discriminates against small and medium-sized businesses. These typically have smaller workforces, have lesser financial resources, and are less likely to pay for professional legal advice for a matter outside their core business.

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20 Murray F, transcript, 30 June 2006, p 49.

21 Stodulka J, Defence Community Organisation, transcript, 21 August 2006, pp 23-24.

22 Cotterill P, 13 September 2006, transcript, private briefing, pp 3-4.

7.31 In a survey conducted by Aegis Consulting, employers said that they felt it was uneconomical to establish a child care centre unless there were at least 1,000 employees in any one location and at least 40 children using the facility.<sup>23</sup> Three and a half million Australians, however, are employed by small businesses with less than 20 workers, representing 49 per cent of all private sector employment.<sup>24</sup> As at June 2004, 32.8 per cent of all small businesses employed between one and four people.<sup>25</sup> Under current fringe benefits tax legislation and the Commissioner of Taxation's rulings, a number of such businesses cannot combine together in order to operate a child care cooperative for the benefit of their workers.<sup>26</sup>

7.32 Aegis told the committee, 'At the moment there is what we would consider an anomaly in the tax system that discriminates against small and medium sized employers'.<sup>27</sup> Under questioning about the fringe benefits tax exemption for child care, the Australian Taxation Office agreed that, in a practical sense, this was so:

Legally, all taxpayers are able to enter into the same arrangements as described in our public ruling and get such an exemption. But we are aware that it is not very practical for small business.<sup>28</sup>

7.33 The committee received a number of comments on this subject:

As a PAYE employee without access to employer supplied child care, there is no possible mechanism for me to pay child care fees from pre-tax income. If my employer was a university or a large bank or another employer with child care facilities on-site, this would be possible, saving me 32 per cent of child care costs...Why are these avenues open to only select people within society?<sup>29</sup>

It is unfortunate that salary sacrifice is available to a select few. It is impossible for a small business to erect and maintain

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23 Aegis Consulting, sub 107, p 8.

24 Australian Bureau of Statistics, *Small business in Australia, 2001* (2002), Cat No 1321.0, p 1.

25 Australian Bureau of Statistics, *Characteristics of small business, Australia, 2004* (2005), Cat No 8127.0, p 31.

26 Federal Commissioner of Taxation, public ruling TR 2000/4, 'Fringe benefits tax: meaning of "business premises"'; see also Konza M, Australian Taxation Office, transcript, 21 June 2006, p 19.

27 Beri V, transcript, 22 July 2005, p 19.

28 Konza M, transcript, 21 June 2006, p 17.

29 Fulton P, sub 38, p 1.

a child care facility whilst the Australian Government and other large groups, e.g. banks, are able to fully sustain their own work based child care centre.<sup>30</sup>

## Regional and rural workplaces

7.34 For the same lack of economies of scale, regional and rural workplaces are unlikely to benefit from the fringe benefits tax exemption for child care. In many rural centres, it is difficult to sustain a single public access child care centre, let alone to establish another for the employees of one company.

7.35 Businesses with a national distribution of staff are finding that they are unable to offer regional employees the same conditions as their metropolitan counterparts. It is not feasible for them to enter in leasing and operating arrangements for child care centres in every town where they have branches. ANZ Bank gave evidence on their suite of family-friendly provisions, including five child care centres, to be followed with a further six leased through an agreement with ABC Learning:

Whilst many of our ANZ families have utilised child care provided through ANZ's partnership with ABC, it is impractical for a company that operates in so many communities across Australia to ensure these centres are accessible to every employee.

ANZ locates centres in areas where there is likely to be a high demand from ANZ families which tends to be CBD locations. This excludes many of our staff outside CBD locations and staff based in regional Australia.

We receive regular feedback from staff requesting the ability to salary sacrifice child care other than that provided by ABC, however due to current fringe benefits tax arrangements salary sacrificing outside of our ABC partnership arrangement is not tax effective for either ANZ or for our staff.

These tax restrictions prevent ANZ from providing support to defray the cost of child care for staff in non-metropolitan areas. The removal of FBT on all child care would enhance

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30 Childcare Queensland, sub 198, p 6.



ANZ's ability to assist our people with their caring responsibilities.<sup>31</sup>

## Are workplaces places for children?

7.36 A further problem with the exemption is that many business premises and related areas are inappropriate places to have a child care facility. As Justice Merkel of the Federal Court noted:

Common sense would dictate that in many instances basic requirements for child care facilities may be such that it is inappropriate for the facilities to be located upon the same premises where the other business operations of an employer are conducted.<sup>32</sup>

7.37 Deloitte argued that:

Business premises are generally not designed to house child care facilities creating significant set-up and investment costs for employers... A CBD location brings its own concerns. [They include] the difficulty in accommodating drop-off zones for parents as well as the difficulties involved in meeting noise, health and safety, fire and pollution regulations.<sup>33</sup>

7.38 ABC Learning gave evidence to the committee that:

We are seeing a lot more child care centres in business parks. We have corporate care services, where we provide centres at the workplace... One of the difficulties we have is that, in many instances, it is unlikely that councils will approve centres in locations that are quite industrial. Also, state regulations have a requirement that centres not be provided in hazardous environments. So where there is storage of chemicals and petroleum products, or concrete batch plants and so on, that will often rule out placing a child care centre in that area.<sup>34</sup>

7.39 As another example, the Western Australia Police Service told the committee that police stations were not appropriate places for

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31 ANZ Bank, sub 133, p 6.

32 *Esso Australia Ltd v FC of T* 1998 ATC 4953.

33 Deloitte et al., 'Submission to the Federal Treasurer: Exemption of child care from fringe benefits tax' (2005), synopsis, p 3.

34 Kemp M, transcript, 22 July 2005, p 11.

children, and that the business premises limitation was having an impact on which child care options they were able to consider.<sup>35</sup> The inflexible requirements of the legislation, as interpreted by the Australian Taxation Office, are holding back many employers on the basis of the nature of their business and the working environment of their staff.

- 7.40 Child Care Associations Australia, the national peak body representing primarily private long day care centres, reported that the child care market in the Australian Capital Territory was being distorted by the limitations to the exemption. This was because parents could not exercise choice over where they put their children without losing a financial benefit:

Within the ACT this [business premises limitation] creates distortions in the local market with parents making their choices about child care not on the basis of centre of choice, but the centre offering the most affordable care available. Individual parents in the ACT have found the choices distressing emotionally as they are not necessarily in the best interests of their child. It can also influence the employment decisions made by parents.<sup>36</sup>

## Reforming the business premises limitation

- 7.41 Evidence received by the committee indicates that the business premises limitation is distorting the intended outcome of the exemption and imposing penalties on those whom it was designed to benefit.
- 7.42 The Australian economy is already suffering from skills shortages, which are likely to be exacerbated by demographic changes. Therefore, the provision of child care should be a legitimate way for businesses to attract and retain staff, should they choose to do so.
- 7.43 The committee is also concerned that the Australian Taxation Office's interpretation of the legislation is not giving employers certainty about whether they might qualify for the exemption, and that the Office's jurisdiction is potentially straying into policy grounds. It notes that the Inspector-General of Taxation expressed similar concerns in his 2005-06 Annual Report:

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35 Harrison-Ward J, transcript, 30 June 2006, p 46.

36 Child Care Associations Australia, sub 130, p 8.

I am concerned about how the Tax Office approaches interpretation and administration of the law in some significant cases and the potential for this issue to be systemic... I notice that the Tax Office from time to time seems to blur the gap between tax policy and administration... I have noted signs that the Tax Office is willing to interpret and administer the law in line with its view of policy even if the letter of the law does not adequately support it.<sup>37</sup>

- 7.44 Considerable financial and legal resources are being expended in order to meet the business premises rule. Evidence was taken from multiple witnesses who had applied for, or were in the process of applying for, a private ruling from the Taxation Office on their specific circumstances. Despite expenditure of time and money by employers who have a genuine wish to offer child care to their staff, private rulings are returned in the negative. This has been the case for salary packaging provider McMillan Shakespeare, who revealed that their two applications for a private ruling had cost an estimated \$50,000 apiece.<sup>38</sup> The Australian Taxation Office, on the other hand, incurred no such expenditure in order to institute its own salary sacrificing arrangements for child care. In response to a question from the Chairman, it advised:

The Tax Office, as an employer, after reviewing publicly available guidance issued by the tax administration arm of the Office, formed its own view in relation to the application of fringe benefits tax exemption for the salary packaging of child care expense payments.<sup>39</sup>

- 7.45 All this effort, from the committee's point of view, is to satisfy a requirement that is at odds with the encouragement of family-friendly workplaces.
- 7.46 Removing the business premises limitation to the exemption would give employers the opportunity to legitimately assist employees with child care without having to make a long-term commitment to an inflexible and prohibitively expensive child care facility. Removing the fringe benefits tax liability for child care altogether would be even better.

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37 Inspector-General of Taxation, *Annual report 2005-06* (2006), pp 4-5.

38 Podesta A, transcript, 1 November 2006, p 3.

39 Australian Taxation Office, correspondence, 14 August 2006, p 4.

- 7.47 This would mean that small and medium sized businesses could better compete against large firms in attracting and retaining staff who want family-friendly working provisions. It would allow, for example, a small business owner to buy several child care places at a local centre for his staff. It would allow, as well, employees to choose where their children are cared for without losing the ability to salary sacrifice for child care fees.
- 7.48 Employers could also be much more responsive to the changing needs of their workforce. Under the current system, it is difficult for an on-site child care facility to cope with changes in demand. Too much demand, and parents are put onto a waiting list; too little demand, particularly on the last few days of the week, and the centre becomes unsustainable. The Australian Chamber of Commerce and Industry have said:
- If an employer can buy childcare from a number of providers, then sudden changes in demand can be managed. It is less likely that an on-site provider would be able to cope with sudden demand changes.<sup>40</sup>
- 7.49 The committee notes that salary sacrificing is used most for vehicles, superannuation and computers, none of which require a business premises test or indeed any other test except that they are work-related. Child care should be treated in the same way.

### Child care facility limitation

- 7.50 Under section 47(2) of the *Fringe Benefits Tax Assessment Act 1986*, the exemption is only available for a 'child care facility', a term that is subsequently defined in section 136(1) as follows:
- Child care facility* means a facility at which a person receives, or is ready to receive, two or more children under the age of six, not being associates of the person, for the purpose of minding, caring for or educating them for a day or part of a day without provision for residential care but does not include a facility at the place of residence of any of those children.
- 7.51 This definition includes long day care centres and after school hours care facilities, but it is unclear whether occasional care and vacation
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40 Australian Chamber of Commerce and Industry, submission to the Joint Standing Committee on Public Accounts and Audit, Inquiry into a range of taxation issues in Australia, sub 43, p 9.

care are captured. Again, there is business confusion about what does and does not qualify for the exemption. In their submission to the Federal Treasurer, Deloitte wrote that, 'The exemption does not contemplate before and after-school care arrangements... further, the exemption does not consider the demands of vacation care'.<sup>41</sup> In the only interpretative decision made by the Commissioner of Taxation on the subject, he deemed that an after school facility located on the premises of an employer did in fact qualify for the exemption.<sup>42</sup>

- 7.52 Family day care, in-home care (nanny care) and other forms of care, because they are provided in a residential setting, do not qualify for the exemption.
- 7.53 Aegis Consulting suggested to the committee that the restrictiveness of the 'child care facility' requirement meant that employers were not free to find creative child care solutions that met the needs and lifestyles of their workers:
- If an employer cannot afford to set up a child care facility and they want to provide the exact same dollar amount to employees to use at their local not-for-profit organisation or even to have the grandparents look after their children, they cannot do it. That means the majority of employers in Australia cannot support their employees' child care needs.<sup>43</sup>
- 7.54 Abacus Ark Corporate Child Care told the committee that employers recognised that parents' work was contingent on their ability to find child care, but that fringe benefits tax penalties were putting them off from pursuing in-home care:
- We specialise in providing child care services to companies directly, rather than to the general public. They are saying to us, 'Yes, we'd like to subsidise child care, particularly if we need our employees to come in on their day off, for example, or when there is a project on and they need to work back late'. Somebody has to pay for the child care in that situation. [But] the FBT is putting them off, obviously.<sup>44</sup>
- 7.55 There is also an inconsistency between the exemption in section 47(2), for in-house child care, and the additional exemption in section 47(8)

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41 Deloitte et al., 'Submission to the Federal Treasurer: Exemption of child care from fringe benefits tax' (2005), 11 November 2005, p 13.

42 Australian Taxation Office, interpretative decision, ATO ID 2001/309.

43 Beri V, transcript, 22 July 2005, p 19.

44 McInnally A, transcript, 22 September 2006, p 37.

for payments made by employers to secure priority access to child care centres for their employees. Section 47(8) was extended to cover priority access payments made not only to long day care centres but to family day care, vacation care, outside school hours care and approved in-home care services.<sup>45</sup> It is illogical for the exemption under 47(2) to persist with a definition of a child care service that does not reflect the child care options currently available to parents.

- 7.56 In the twentieth anniversary year of fringe benefits tax, the committee considers it timely to update the exemption for child care to make its benefits available to a greater number of Australian workplaces.

### Recommendation 15

- 7.57 **Fringe benefits tax be removed from all child care, so that all or any child care provision made by employers to assist employees is exempt, inclusive of salary sacrificing arrangements for child care.**

### Business support for reform

- 7.58 Evidence given by many employers over the course of the inquiry indicates that employers are increasingly aware of their employees' child care issues. The current competitiveness of the labour market and economic projections of increased skills shortages are strengthening the business case for offering some form of assistance, whether that be a direct child care benefit or the option of a salary sacrifice arrangement. McMillan Shakespeare, who provide salary packaging services to around 1000 employers across the country, told the committee about the costs of child care shortages to employers across the country:

From our discussions with our employer base, which is predominantly state government employers, Federal Government departments and agencies, public hospitals, for example, it has become clear to me that there is an enormous cost and burden being placed upon the state in particular due to the fact that teachers, police officers and nurses often find child care access difficult and as a result would stay away from work to provide that support for their children at various times. A lack of access to child care means that the

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45 For further information on the exemption under section 47(8), see chapter three.

state effectively has to replace the teacher with a replacement teacher for the day to teach the kids; likewise with nurses, the nurses have to be substituted, and I suspect that in the case of police officers it is about extra overtime and shift work that takes place to cover those shifts. So there is a real burden in terms of those occupations to which I refer and their need for child care.

Likewise, I am told by various authorities that they find it very difficult in some cases to get employees to remote locations or out of city locations because of the issues associated with child care. It is very difficult to get people to rural locations if there are no child care facilities because very often both parents have a job, be they police officers or teachers. That is often the case with hospital workers as well. There is a real need for both working parents to find access to child care in remote locations.<sup>46</sup>

- 7.59 Similarly, the Business Council of Australia reported on the stress that child care shortages were placing on their members:

The vast majority of [our member companies] seek to be employers of choice. They are looking to employ the best people that they possibly can and they are increasingly competing in a very tight labour market. Work-family policies are one of those issues which allow them to attract and retain quality staff... [Child care] is an area where there is growing pressure and where businesses are finding that it is cutting across their own employees' ability and willingness to work.<sup>47</sup>

- 7.60 As an example, a chartered accounting firm in Tasmania gave evidence on how the loss of female workers due to child care costs was causing a critical workforce shortage. Current fringe benefits tax arrangements, however, were making it prohibitive for employers to assist:

There seems to be no logical reason that I can possibly think of why child care on an employer's premises should be exempt from fringe benefits tax when child care provided anywhere else would not be exempt from fringe benefits tax...

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46 Podesta A, transcript, 1 November 2006, p 7.

47 Cilento M, transcript, 10 April 2006, pp 2-3.

From the point of view of being an employer, I can say to you that it has a massive effect on us. The public accounting profession has a huge number of females coming into it. They come out of university, they are 21 years old and we spend a massive amount of time on training them, but by and large we will lose those females four or five years down the track because child care is just too expensive for them.

I know that we as an employer would be more than happy to consider giving child care support if it were not subject to fringe benefits tax.<sup>48</sup>

- 7.61 McMillan Shakespeare felt that their clients, who include employers in the government, non-profit, and private sectors, would welcome the opportunity to assist with child care without the penalty of fringe benefits tax:

I think employers would be delighted to see that test being removed. If the provision of child care was fringe benefits tax exempt, if it were just seen as part of the cost of employment, like laptop computers, mobile phones, income protection insurance, for example – if it were seen as just part of our Australian workplace culture and needs – then I think employers would be delighted.<sup>49</sup>

- 7.62 Aegis Consulting spoke about one of its clients, tourism and services group Accor, who employ about 10,000 people in Australia, and of MacDonald's:

Most of [Accor's employees] are casuals but Accor would love to be able to give them the opportunity to salary sacrifice or even in some circumstances give them an extra top-up for child care, because it is an industry that relies on people where there are skills shortages. As you know, the workforce of McDonald's is pretty casual but they are firmly behind the notion of having flexibility to provide that kind of child care benefit to their employees.<sup>50</sup>

- 7.63 On 11 November 2005, Deloitte and 37 other corporate participants lodged a submission with the Federal Treasurer appealing for reform

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48 Leighton C, partner of Ruddicks Chartered Accountants, Joint Committee of Public Accounts and Audit, Inquiry into Certain Taxation Matters, transcript, 24 August 2006, pp 32-33.

49 Podesta A, transcript, 1 November 2006, p 8.

50 Beri V, transcript, 22 July 2005, p 28.



of the fringe benefits tax treatment of child care. The group, which included many top Australian companies, asked the Treasurer to remove both the business premises and the child care facility limitation to the exemption.<sup>51</sup>

- 7.64 The committee has received correspondence from Shell Australia Ltd expressing full support for the reforms proposed by Deloitte and their partners.<sup>52</sup> Other major representative business groups, such as the Business Council of Australia and the Australian Chamber of Commerce and Industry, have spoken in support of fringe benefits tax reform for child care.<sup>53</sup>
- 7.65 Health insurance and health care corporate BUPA Australia have said to the committee that child care is poorly supported by the existing fringe benefits tax legislation. The expense and logistical problems posed by operating a child care facility were the reasons why they chose not to provide salary sacrificing arrangements to their staff.<sup>54</sup>
- 7.66 As a further example, Monash University has written to the committee to:
- ...express general concern about the restrictions imposed by fringe benefits tax on an individual organisation's capacity to enable staff to benefit from salary packaging...
- Monash University would encourage the implementation of suggested amendments which would enable a shared provision of child care, for example as a partnership between the University and other employers in the local community. This could be of benefit both to our staff and to the strengthening of our relationships with other local organisations.<sup>55</sup>
- 7.67 The committee believes that this interest in child care by employers is encouraging, and that ideas such as this one show promise. It is contradictory to the best interests of government, business and workers that employers continue to decide against child care assistance due to tax penalties.

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51 Deloitte et al., 'Submission to the Federal Treasurer: Exemption of child care from fringe benefits tax' (2005).

52 Shell Australia Ltd, correspondence, dated 27 September 2006.

53 Ker P, 'Family still "women's business"', *The Age*, 11 April 2006, p 9; Australian Chamber of Commerce and Industry, supplementary sub 153, p 7.

54 BUPA Australia, correspondence, dated 27 September 2006.

55 Monash University, correspondence, dated 27 September 2006.

7.68 Employers who are already offering salary sacrificing for child care have reported that the administrative burden on the business is minimal. The Commonwealth Scientific and Industrial Research Organisation told the committee:

We allow salary sacrifice directly from our pay system, and that is administratively efficient for us. In a sense, it is no different from allowing people to make deductions to a bank or anywhere that takes electronic funds transfers. So it is pretty efficient and it is not administratively burdensome for us.<sup>56</sup>

The Department of Foreign Affairs and Trade agreed:

We are the same: salary sacrificing is not an administrative burden at all. In terms of the child care centre, we have a staff member who has, as part of their responsibilities, the management of the contract and a liaison role with the child care centre, but I would not consider it to be at all onerous. In fact, it is relatively easy. There is an issue in terms of being able to get staff back to work a little quicker, so it is an easy trade-off.<sup>57</sup>

## Tax deductibility for child care

7.69 In this section, the committee will explore a solution that could be available simultaneously with increased salary sacrificing; i.e., a tax deduction for work-related child care.

7.70 A single father of four children, Paul Richards, forwarded to the committee a letter he received from the Treasurer in response to his question about whether child care could be made tax deductible. In this person's case, his fly-in fly-out job necessitated overnight care, so he could not use long day care or access any financial assistance that would enable him to work. The Treasurer wrote:

Expenses of a predominantly private or domestic nature, such as child care expenses, do not qualify for deductions.

If individuals were able to access deductions for child care, the benefit received would reflect their marginal tax rate,

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56 Smith W, transcript, 11 October 2006, p 11.

57 Williams P, transcript, 11 October 2006, p 11.

resulting in different treatment of individuals contingent on their income. The individuals who would benefit most would, of course, be on the top marginal tax rate. Individuals without a tax liability would not be able to benefit from deductions.<sup>58</sup>

- 7.71 The committee accepts that tax deductibility for child care, if applied as the sole form of government assistance for child care, would not be advantageous for people with a low or nil tax liability. This problem has been considered seriously by the committee and is addressed later in this chapter.
- 7.72 But there is a logical inconsistency in the Government's policy position on tax deductibility for child care. Public servants in the Treasurer's own department can salary sacrifice for child care, as can employees of the Australian Taxation Office. Through the fringe benefits tax exemption, an elite number of Australian employees are permitted to deduct the cost of child fees from their pre-tax income. They enjoy, in fact, tax deductibility for child care. The Australian Taxation Office, in evidence, confirmed that while the mechanisms were different, the monetary outcomes of salary sacrificing for child care and a tax deduction for child care were exactly the same.<sup>59</sup>
- 7.73 The public service has a role as a model employer, and the committee congratulates the agencies offering salary sacrificing for child care for taking leadership.<sup>60</sup> But the Government's obligation is to make sure that other workers can also access these benefits. The self-employed and those working for small businesses need equity in their child care choices. Why should a tax deduction not also be available to those who do not have a workplace offering on-site child care?
- 7.74 The policy idea of tax deductibility for child care is not new. Since the 1970s, governments have repeatedly rejected calls to make child care costs a tax deduction. In 1980, for example, the Women Members Group of the Australian Society of Accountants made a submission to the Federal Treasurer urging that tax deductions for child care expenses be made available to working mothers and single fathers. The group claimed that:

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58 Annexure B to Richards P, sub 170, p 1.

59 D'Ascenzo M, Commissioner of Taxation, and Chooi A, transcript, 29 November 2006, p 8.

60 Australian Government agencies offering salary sacrificing for child care are detailed in figure 7.3.

... such a system, by decreasing the net cost of going out of work, would encourage more women to earn taxable income, thereby increasing tax revenue. It also argued that welfare payments would be reduced and employment created as a result of increased demand for child care places, and that facilitating women's return to the workforce after the birth of their children would result in a better return from public investment in the education and training of women.<sup>61</sup>

These arguments still resonate.

## Child Care Tax Rebate

- 7.75 The Child Care Tax Rebate, announced in the 2004-05 Budget, acknowledges for the first time the vital role that taxation plays in women's ability to work. It is not means-tested and provides vertical equity for child care costs across the income scale, while targeted assistance remains in the form of the means-tested Child Care Benefit.
- 7.76 It could, however, go further in stimulating workforce participation outcomes. Unlike a tax deduction for a work-related expense, the Child Care Tax Rebate is not strongly linked to workforce participation and does not make explicit recognition of child care as an essential cost of working.<sup>62</sup>
- 7.77 The rebate is capped at \$4,000, which may not be sufficient for families dependent on formal care, particularly if they are living in the inner metropolitan areas of cities like Sydney. Additionally, as the committee explored in the previous chapter, the Child Care Tax Rebate is only payable for approved care, meaning that many families miss out.
- 7.78 The following section will examine arguments for and against making child care expenses tax deductible.

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61 Cass B and Brennan B, 'Taxing women: The politics of gender in the tax/transfer system', *eJournal of tax research* (2003), University of New South Wales, vol 1, no 1, p 48.

62 There is a child care benefit test for the Child Care Tax Rebate, but it is not stringent. The then Assistant Treasurer the Hon Mal Brough MP moved in 2005 to ensure that parents who worked less than 15 hours a week would continue to have access to the rebate provided that they participated in work, training or study at some time during the week. Hon Brough MP, Assistant Treasurer, 'Child care rebate assured in tax changes', media release, 7 December 2005.

## Essential cost of working

7.79 Despite the rejection of a number of attempts by Australian taxpayers to claim child care expenses as a deduction, the courts and the Federal Commissioner of Taxation have accepted that in many cases child care expenditure is necessary for a person to be able to work. In fact, they have been generally sympathetic to taxpayers. Justice Mason noted in 1972 that:

The [child care] expenditure was incurred for the purpose of earning assessable income and it was an essential prerequisite of the derivation of that income.<sup>63</sup>

7.80 Similarly, Chief Justice Bowen and Justices Toohey and Lockhart acknowledged in 1984 that:

It may be accepted that the placing of [the taxpayer's] child in a kindergarten (and the incurring of expenses thereby) was a prerequisite to the taxpayer's employment. It was not suggested that any other course was open to her if she was to take on any of the three jobs in question.<sup>64</sup>

7.81 This is consistent with evidence received by the committee that for many parents, child care is an unavoidable cost incurred in taking paid work. It is often calculated against potential increased income when a parent decides whether to return to the workforce. The committee received many impassioned comments on the necessity of child care to the working parent:

As a civilized society we should be ready to accept that if parents are to work they need child care - not all families are fortunate to have relatives to take care of the children or earn enough (a minimum of A\$60k in Sydney), to pay for quality child care. It should be deductible for families.<sup>65</sup>

Child care is absolutely essential to me being able to be employed, so why is it not tax deductible? Why is my briefcase, my computer, my corporate clothes, my study expenses etc all tax deductible, whereas child care is not? Child care costs me 150 per cent more than my mortgage

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63 *Lodge v FC of T* 1972.

64 *Martin v FC of T* 1984.

65 Carroll G, sub 40, p 3.

costs, and this is... only for 3 days per week for two children.<sup>66</sup>

Child care is a work-related expense for the vast majority of parents, and thus should be tax-deductible for working parents.<sup>67</sup>

If something as obscure as a handbag or a briefcase is deemed to be a necessary tax-deductible cost of employment, I struggle to see how child care costs for a working parent could sensibly be interpreted otherwise.<sup>68</sup>

In my book, child care has to be considered a work related expense... If you are paying child care, taxable income is a grossly exaggerated figure as opposed to what you are actually taking home. I pay \$6,000 per annum in child care. If that \$6,000 was taken off my taxable income I would get tax breaks and far more assistance. I find it really strange.<sup>69</sup>

Deductibility for individuals with child care expenses for work-related reasons acknowledges that today there is a nexus between child care expenses and income: some of us with children cannot work unless our children are looked after. Without child care, we would not be working.<sup>70</sup>

## Nexus between child care and income

- 7.82 The courts have held that the essential nature of child care is not sufficient to qualify for a deduction under section 8-1 of the *Income Tax Assessment Act 1997*. As outlined in chapter three, allowable deductions must be 'incurred in gaining or producing the taxpayer's assessable income'. That is, they must arise directly from the nature of the activity whereby a person earns an income.
- 7.83 It is possible that many of the deductions presently allowable as business expenses have a less direct relationship to work activity than, say, a plumber or carpenter to his tools. In a well-known Canadian case, *Symes v The Queen 1993*, a married woman working full time in a Toronto law firm attempted to claim deductions for the

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66 Fulton P, sub 38, p 1.

67 Name suppressed, sub 95, p 2.

68 Carr B, Women Lawyers Association of NSW, transcript, 13 March 2006, p 57.

69 Fenney-Walch B, transcript, 11 April 2006, p 16.

70 Jacobsen S, 'Child care is taxing', *Law Institute Journal* (2005), vol 79, no 12, p 83.

cost of employing a nanny. Justice L'Heureux-Dubé, a Supreme Court judge who dissented from the final decision, wrote:

One must ask whether the many business deductions available, for cars, for club dues and fees, for lavish entertainment and the wining and dining of clients and customers, and for substantial charitable donations, are so obviously business expenses rather than personal ones.<sup>71</sup>

- 7.84 In Australia, where boardroom lunches and magazine subscriptions are tax-deductible, but child care is not, there is a similar confusion about what constitutes a legitimate expense of doing business.

### 'Private and domestic' expense

- 7.85 Further to the fact that a deductible expense must be incurred in gaining or producing income, there is a disqualification in the *Income Tax Assessment Act 1997* of deductible expenses that are private or domestic:

You cannot deduct a loss or outgoing under this section to the extent that... it is a loss or outgoing of a private or domestic nature.

- 7.86 For over 30 years it has been a principle of Australian tax law that child care costs are essentially expenses of a private nature. In a society dominated by a traditional breadwinner model, this assumption was unchallenged. At the time of Justice Mason's decision in 1972, which created precedent for the taxation treatment of child care in Australia thereafter, the average participation rate for women was only 37.1 per cent.<sup>72</sup> The concept prevailed of the breadwinner husband earning income to provide for the family, supported by a wife at home performing the 'private' tasks of housekeeping and caring for children.
- 7.87 Increasingly, however, the sole breadwinner division of labour resembles fewer and fewer Australian households. Women's still-growing participation in the workforce means that there can no longer be an assumption that a worker has someone at home to perform the 'private' tasks that support their ability to work. Parents of both genders now move more fluidly between the spheres of public

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71 *Symes v the Queen* 1994 [Canada], L'Heureux-Dubé J, dissenting report, p 81.

72 Australian Bureau of Statistics, *Census of population and housing* (1971), cited in *Australian social trends, 2003* (2003), Cat No 4102.0, p 134.

and private labour: from the kitchen to the workplace; and from the child care centre to the home office. It is unsurprising that there are continuing tensions in our income tax law about what expenses are legitimately 'work-related'.

7.88 Justice L'Heureux-Dubé in the Canadian case offers a thoughtful interpretation of the public/private divide:

In my view, it is important to look closely at the dichotomy of business as opposed to personal expenses. If we survey the experience of many men, it is apparent why it may seem intuitively obvious to some of them that child care is clearly within the personal realm. This conclusion may, in many ways, reflect many men's experience of child care responsibilities.

In fact, the evidence before the Court indicates that, for most men, the responsibility of children does not impact on the number of hours they work, nor does it affect their ability to work. Further, very few men indicated that they made any work-related decision on the basis of child-raising responsibilities.

The same simply cannot be said for women. For women, business and family life are not so distinct and, in many ways, any such distinction is completely unreal, since a woman's ability to even participate in the workforce may be completely contingent on her ability to acquire child care. The decision to retain child care is an inextricable part of the decision to work, in business or otherwise.<sup>73</sup>

7.89 In the case mentioned above, a majority of 5-2 in the Supreme Court of Canada held that child care expenses were not deductible. The decision was split along gender lines; the five men sitting on the case found that the expenses were not deductible, whilst the two women sitting on the case found the opposite.<sup>74</sup>

7.90 The presiding chief justice, while not in the end able to justify a work-related deduction under the law, nevertheless found the case a challenging one. He noted that the traditional characterisation of child

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73 *Symes v the Queen* 1993 [Canada], L'Heureux-Dubé J, dissenting report.

74 Young C, 'Taxing times for women: Feminism confronts tax policy', *Sydney law review* (1999), vol 19, viewed on 13 October 2006 at <http://www.austlii.edu.au/au/journals/SydLRev/1999/19.html>.



care expenses as private in nature pre-dated significant numbers of women of child-bearing age entering the workforce:

Proper analysis of this question demands that the relationship between child care expenses and business income be examined more critically.<sup>75</sup>

- 7.91 In his judgement he invoked the legal principle that if expenses arose from personal circumstances rather than business circumstances, then the expense was personal and non-deductible.

There are obvious tautologies within this approach. 'Personal expenses' are said to arise from 'personal circumstances' and 'business expenses' are said to arise from 'business circumstances'. But, how is one to locate a particular expense within the business/personal dichotomy?

- 7.92 As an example of this difficulty, Chief Justice Lamer cited an earlier case from the Canadian Federal Court, where the presiding judge had concluded that a taxpayer had used good business and commercial judgement in using child care to enable her to take paid work. 'The decision', he had said:

... was acceptable according to business principles which include the development of intellectual capital, the improvement of productivity, the provision of services to clients and making available the resource which she sells, namely her time.<sup>76</sup>

- 7.93 In concluding his judgement, he took the step of saying that the law should be changed to take account of the evidence the court had heard.

We propose to permit deduction of the child care expenses that face many working parents today. The problem of adequately caring for children when both parents are working, or when there is only one parent in the family and she or he is working, is both a personal and a social one. We consider it desirable on social as well as economic grounds to permit a tax deduction for child care expenses, under carefully controlled terms [i.e. for work-related child care only].<sup>77</sup>

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75 *Symes v the Queen 1994* [Canada].

76 Federal Court, Trial Division 1989 3 FC 59 (Cullen J) [Canada], cited in *Symes v the Queen 1994* [Canada].

77 *Symes v the Queen 1994* [Canada].

7.94 Australian courts have been less forthright in airing ambiguities in this question of child care expenses. In his judgement of 1972, Justice Mason noted some tensions in the legislation, although he did not speculate on how they had arisen, and how the distinction of 'work-related' and 'private' expenses might have been made more complex by the fact that the appellant was a single working mother:<sup>78</sup>

I express no opinion on the question whether an expenditure which is incurred in gaining or producing assessable income may nevertheless be of a 'private' or 'domestic' nature.

7.95 Justice French, in his judgement for *Hyde v FC of T 1988*, went further:

It is evidently the fact, and is accepted by the Commissioner, that the taxpayer's expenditure on child minding was necessary to enable him to undertake the employment from which he derived his assessable income... One can accept that the taxpayer may well feel some sense of grievance at the fact that the expenditure cannot be claimed as a deduction, but as the courts have said on occasions before today, the answer to that grievance will not be found in the courts but in changing the law and that is a matter for the legislature.<sup>79</sup>

7.96 The committee notes that the courts have, in previous cases, changed their minds on their interpretation of the law and have reversed long-entrenched policy positions. An example is *Ha and Hammond v NSW 1997* in the High Court of Australia, which overturned previous findings on the definition of excise duties and led to the dismantling of state taxes on fuel, alcohol and tobacco worth billions of dollars.

7.97 The best solution, however, is for legislators to take responsibility for clarifying the status of child care, and acknowledge it as an expense legitimately and necessarily incurred in the 'business' of earning an income. The courts have invited the legislature to take this course of action, and the committee believes that it should be undertaken.

## Benefits of a tax deduction for child care

7.98 Offering families a tax deduction would acknowledge child care as a legitimate cost of working, and would align government expenditure in this area more closely with workforce participation outcomes. This is consistent with OECD recommendations that Australia's child care

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78 *Lodge v FC of T 1972*.

79 *Hyde v FC of T 1988*.

assistance be made more conditional on employment.<sup>80</sup> By giving a benefit proportional to the marginal tax rate of the worker, a tax deduction would actually give an incentive for increased participation in the workforce, as it would reward parents by returning to them some of their own hard-earned income which would otherwise go to government revenue.

7.99 Certainly, the individuals who gave evidence to the committee in favour of a tax deduction saw government expenditure on child care not as a welfare payment but as an investment for workforce participation. Many parents, and especially mothers, are keen to use their skills, experience and talent in society at large:

I am asking... that you give long and hard consideration as to how the tax system can help families with their child care costs. Why can you not consider making child care (and that includes nannies) tax deductible? Can't you see that meaningful support like that will enable an army of qualified, enthusiastic and capable women to return to the workforce?<sup>81</sup>

It would make a big difference to us as a family if child care costs could be claimed as a tax deduction. Child care costs are a work related expense. I would not have to use child care if I did not have to work. I do not mind paying tax as I believe we all need to contribute to pay for the community and social structure that we have, however, I believe that as child care is primarily used to support working parents it should be seen as an expense incurred because of work and treated as such by our tax system.<sup>82</sup>

The Tax Office's narrow view of the modern world is shameful. This is the 21st century where woman are encouraged to not only be parents but also to have careers and contribute to the economy. It is the century of flexible hours, globalisation and virtual offices. It is the century where Australian women are constantly being encouraged to not only have children to help address the ageing population crisis but also publicly admonished if they don't return to work...

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80 OECD, *Economic survey of Australia 2006* (2006), p 11; see also Jaumotte F, 'Labour force participation of women: Empirical evidence on the role of policy and other determinants in OECD countries' (2003), *OECD Economic studies*, no. 37, p 88.

81 MacDonald E, sub 154, p 2.

82 Langham J, sub 171, p 2.

I would encourage the committee to embrace the 21st century and understand the dilemma facing working women and families who employ nannies and allow these to be legitimate tax deductions. In doing this they may also encourage more women to return to work, either for organisations or to start their own business, thereby contributing even further to the Australian economy.<sup>83</sup>

7.100 Similarly, a single father wrote to the committee:

These last 12 years I have been raising four children and I work at every opportunity I can. There are a few reasons I don't work now mostly related to raising my kids. One thing which would be of a great help to me and most probably others was if employing a live in nanny could be regarded as a legitimate work-related tax deduction.<sup>84</sup>

7.101 The South Australian Premier's Council for Women also made a submission to the inquiry urging that a tax deduction for child care would offset the costs of working for parents, and would be an incentive in encouraging their participation in the workforce.<sup>85</sup>

7.102 The comments above, of course, also incorporate a plea for flexibility in the type of child care costs considered as legitimate deductions. The committee considers that if such a deduction were to be implemented, it should include in-home care, consistent with its findings from chapter six about the need to recognise a more flexible range of child care options to suit contemporary workers.

7.103 Also following on from the previous chapter, a tax deduction that included in-home care would further assist with the fight to legitimise the nanny industry and reduce the size of the black economy. Parents claiming tax deductions would need to provide the tax file numbers (TFNs) or Australian business numbers (ABNs) of their child care providers, and so would have a strong incentive to make sure that they are hiring a carer who is registered and qualified. Parent employers would withhold a small amount of withholding tax which they would then remit to the Australian Taxation Office.

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83 Moulder A, attachment to The Elite Nanny Service, supplementary sub 157, p 4.

84 Richards P, sub 170, p 1.

85 South Australian Premier's Council for Women, sub 67, p 13.

## Ensuring a fair distribution of assistance

- 7.104 The most common criticism of proposals to make child care tax deductible - or to expand salary sacrificing for child care - is that it will only benefit high income earners paying higher marginal rates of tax. The question is one that the committee has considered seriously.
- 7.105 Government policy has been to target family assistance for low to medium income earners, and over the last decade this has successfully raised the real disposable income levels of many families. Table 7.1 shows increases in real net tax thresholds for families since 1996-97; or rather, the level of private income at which income tax paid first exceeds cash benefits received. A dual income couple with two children, for example, are now earning over \$50,000 before they begin to pay any tax:

Table 7.1 Increases in real net tax thresholds for families, 1996-97 to 2006-07

Family type	Real net tax threshold		
	1996-97	2006-07	Per cent change
Sole parent	\$34,594	\$48,065	38.9
Single income couple with children	\$34,021	\$48,065	41.3
Dual income couple with children (75:25 split)	\$34,650	\$51,829	49.6
Dual income couple with children (60:40 split)	\$34,749	\$50,910	46.5
Dual income couple with children (67:33 split)	\$34,703	\$51,808	48.1

*Source* Budget paper no 1, 2006-07 Federal Budget, Statement 5: Revenue, Table B1, p 5-26. Dollar amounts are calculated in 2005-06 prices. Families are assumed to have two children – one aged three years and the other aged eight years. The numbers in brackets represent the wages of each working adult in the family, expressed as a proportion of average weekly ordinary time earnings for full time employees (AWOTE).

- 7.106 Given increasingly generous assistance to low and middle income families, the committee considers that there is a need to acknowledge higher income earners as the biggest contributors to income tax collected by the Australian Government. Their tax contribution funds, in part, the assistance received by many other families.

- 7.107 As Sinclair Davidson writes:

When rhetoric is swept aside and taxation data is examined more carefully, evidence shows that, contrary to popular belief, it is relatively high income earners who are paying the lion's share of personal income tax.<sup>86</sup>

86 Davidson S, 'Who pays the lion's share of personal income tax? (2004)', *Perspectives on tax reform*, no 4, Centre for Independent Studies, p 1.

- 7.108 For the 2003-04 income year, the last year for which tax return data is available from the Australian Taxation Office, 50 per cent of personal income tax - or \$47.8 billion - was collected from the 14 per cent of taxpayers who were in the top marginal bracket.<sup>87</sup> While this distribution may have been flattened somewhat by structural tax cuts announced in the 2006-07 Budget, there is no doubt that tax paid by higher income earners represents a proportionally significant contribution to government revenue.
- 7.109 Higher income earners who pay the most tax can only receive any real assistance for child care by way of salary sacrificing, which as this chapter shows, is limited to the elite echelons of the public service and employees of a handful of large corporations.
- 7.110 Giving workers a tax concession for child care expenses would acknowledge the economic contribution made by personal income tax dollars, and give back to these workers some of what they have earned through their own exertions. It acknowledges that in a competitive global economy, Australia cannot afford to lose some of its most highly-educated and highly-skilled workers to parenthood or caring responsibilities.
- 7.111 Furthermore, the committee believes that tax measures for child care may be useful to employees across a broad range of income strata. Professor Peter McDonald of the Australian National University argued that, combined with policy initiatives to ensure a basic level of equity of benefit, salary sacrificing was not necessarily discriminatory:
- Salary sacrificing could be extended to right across the range of incomes. I think it could be beneficial to those on lower incomes as well.<sup>88</sup>
- 7.112 Similarly, Aegis Consulting told the committee that being able to pay for child care with pre-tax income, either through salary sacrificing or a tax deduction, would be expected to make it attractive for many more women to want to participate in the workforce:
- We would not lose all those women in that bracket between about \$20,000 and \$50,000 per year, who are sitting at home because it is not worth going to work.<sup>89</sup>

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87 The Treasury, *Pocket brief on Australia's tax system* (2006), viewed 10 August 2006 at <http://www.treasury.gov.au/contentitem.asp?NavId=002&ContentID=866>.

88 McDonald P, transcript, 15 February 2006, p 2.

89 Tranent A, transcript, 22 July 2005, p 23.

- 7.113 Modelling shows, however, that some families would not receive a benefit from a tax deduction for child care which is superior to the current system of Child Care Benefit and Child Care Tax Rebate.
- 7.114 Accordingly, the committee recommends that the Child Care Benefit and Child Care Tax Rebate be retained. A choice should be afforded to working parents to opt for the Child Care Benefit and Child Care Tax Rebate, or to claim work-related child care costs as a tax deduction, either by way of a claim through their annual income tax return or by salary sacrificing.
- 7.115 In this way, no-one will receive any less than they do presently, but those who are producing more will benefit to a greater extent by keeping some of their own earned income.
- 7.116 Ultimately, under the committee's proposed model, families will have the responsibility of choosing which form of assistance best suits their needs. Parents who have provided evidence to the committee have a high degree of awareness of what they think their options should be. These families want to exercise choice about how they organise their work and family life.

### **Recommendation 16**

- 7.117 **The existing Child Care Benefit and Child Care Tax Rebate be retained.**

**A choice should be afforded to working parents to opt for the Child Care Benefit and Child Care Tax Rebate, or to claim work-related child care costs as a tax deduction, either by way of a claim through their annual income tax return or by salary sacrificing.**

### **Recommendation 17**

- 7.118 **The *Income Tax Assessment Act 1997* be amended to allow child care expenses incurred for the purposes of earning assessable income to be a tax deduction in the hands of the parent taxpayer who incurs the expenses.**

**A tax deduction shall only be claimed for the days of work on which the taxpayer can demonstrate that the care was necessary in order for them to work.**

**A tax deduction between parents in a couple family shall be apportioned between them in proportion to income earned by each.**

**Any unused portion of the tax deduction shall not be transferable between spouses.**

**Where a taxpayer elects to claim a tax deduction for child care expenses, Child Care Benefit and the Child Care Tax Rebate shall not be payable.**

**Where a taxpayer elects to claim the Child Care Benefit and Child Care Tax Rebate, a tax deduction shall not be available.**

## Note for implementation

- 7.119 An unintended side effect of introducing tax deductibility for child care costs would be flow-through effects for the Family Tax Benefit and Child Care Benefit income tests. Any reduction in taxable income reduces the income base used to test these payments. In order to prevent distortion, the tax deduction would be disregarded for the purposes of Family Tax Benefit and Child Care Benefit income tests. These income tests are already based on Adjusted Taxable Income (ATI), rather than actual taxable income, for exactly this reason. Adjusted Taxable Income takes into account things such as deductible child maintenance expenditure, tax-free pensions or benefits, and net rental property losses, so that families do not receive more or less than they were intended to receive through inflation or deflation of their taxable income.<sup>90</sup>

## Conclusion

- 7.120 In the preliminary stages of drafting this report, the committee commissioned Econtech, a modelling firm, to cost proposed changes to child care support. The first model put to Econtech was to replace the Child Care Tax Rebate with a general tax deduction and to make all employer-provided child care exempt from fringe benefits tax. Econtech calculated the net cost to the Australian Government of this proposal at \$218.5 million annually (in addition to current outlays). However, Econtech also found that low income earners would decrease the number of hours they worked under this new system

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<sup>90</sup> Australian Government, *Family Assistance Guide* (2006), version 1.82, section 3.2.1, viewed on 24 November 2006 at [http://www.facs.gov.au/guides\\_acts/fag/faguide-3/faguide-3.2/faguide-3.2.1.html](http://www.facs.gov.au/guides_acts/fag/faguide-3/faguide-3.2/faguide-3.2.1.html).



and would be worse off.<sup>91</sup> Accordingly, the committee has not put this proposal forward as a recommendation.

- 7.121 Following this analysis, Econtech was asked to model the cost of a second proposal, which is reproduced in the recommendations of this report. However, Econtech modelled a slightly different proposal due to time constraints and the fact that the cost data published in the Australian Bureau of Statistics' Child Care Survey is net of Child Care Benefit (rather than showing both the amount of Child Care Benefit received and what the child care provider initially charged).
- 7.122 The second proposal modelled by Econtech was the same as the recommendations in this report, except that the tax deduction had some elements of the Child Care Tax Rebate, for example it was applied to a family's child care costs net of the Child Care Benefit. Although this is slightly different to the recommendations in this report, the committee is confident that the estimates provide a useful indication of the costs of its proposals. Econtech estimated that this second proposal would have a net cost to the Australian Government of \$262 million annually.<sup>92</sup>
- 7.123 In the context of other government programs, such as Family Tax Benefit Part A (\$12.3 billion annually), Family Tax Benefit Part B (\$4.1 billion annually) and the Child Care Benefit (\$1.6 billion annually), spending \$262 million annually to improve flexibility in child care delivery is good value for money. The committee's proposals are affordable and the committee believes a significant number of Australians would be better off if they were implemented without delay.
- 7.124 The cost to revenue identified should be regarded as an investment to stimulate greater full time female participation, particularly targeting tertiary-qualified mothers to rejoin the full time workforce. As the committee's research has shown, the majority of today's university graduates are women, and the choices they make about work and family will make a difference to our national prosperity. These women will make up an increasing proportion of the workforce in the future, with total women graduates in the workforce likely to outnumber male graduates in the decades to come.<sup>93</sup>

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91 Econtech, Appendix E, p 20.

92 Econtech, Appendix E, p 23.

93 Trends in human capital distribution are detailed in chapter one.

- 7.125 In light of the Access Economics report at Appendix D, showing potential gains of increased female participation in full time work of between 2.9 and 4.4 per cent of national income, it is in the national interest to implement the recommendations made.

### **Additional comments by the Hon Alan Cadman MP**

- 7.126 A crucial principle established in this report is that all parents should be able to claim some tax relief for sharing their incomes with their young dependent children. Greater emphasis and higher allowances should be given to children under the age of five, even though older children on balance 'cost more', as parents can more easily manage their work/home responsibilities once children reach school age.
- 7.127 The present Child Care Rebate is limited to \$4,000 for formal child care. Child care needs to be extended to as wide a range of services as possible. The rebate currently limits the type of child care. By providing support through the Family Tax Benefit, choices can be expanded and the options of using grandparents, relatives, in-home care and other types of child care become accessible. An increase to the Family Tax Benefit (Part A) by \$4,700 for each child under five would give families the opportunity of choosing the type of child care which is best suits them, and counteracts high effective marginal tax rates. No longer would it be a matter for the goodwill or generosity of the employer or the family making a decision to salary sacrifice.
- 7.128 Expensive child care is not available to everybody, nor do all parents endorse the use of centre-based care as the best means of caring for their young children. The registration of informal care will help reduce the prospect of abuse but continue to give parents choice. Once a real choice is available for parents, then work participation and family satisfaction both increase.
- 7.129 These changes would cost approximately \$1.7 billion but with other options escalating in cost, together with the complex administration involved, it provides a realistic and practical alternative to some of the proposals put forward by those giving evidence to this committee. Under this proposal, recommendations 14 and 15 would become superfluous as families would have additional resources, by way of the Family Tax Benefit (Part A), to use on the child care of their choice.



## Elder and disability carers

### Introduction

#### Profile of elder and disability caring in Australia

- 8.1 The Australian Bureau of Statistics defines a person with a disability as someone who has 'a limitation, restriction or impairment, which has lasted, or is likely to last, for at least six months and restricts everyday activities'.<sup>1</sup> This definition includes limitations caused by ageing.
- 8.2 In its survey of disability, ageing and carers in 2003, 20 per cent of the population reported having a disability within this umbrella definition.<sup>2</sup>
- 8.3 There are a wide range of disability classifications. The most limiting type of disability is where it interferes with the core activities of communication, mobility and self-care. The four categories of core-activity limitation are:
- profound core-activity limitation: where the person is unable to do, or always needs help with, a core-activity task;
  - severe core-activity limitation: where the person sometimes needs help with a core-activity task, has difficulty understanding or being

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1 Australian Bureau of Statistics, *Disability, ageing and carers: Summary of findings, Australia, 2003 (2004)*, Cat No 4430.0, p 72.

2 Australian Bureau of Statistics, *Disability, ageing and carers: Summary of findings, Australia, 2003 (2004)*, Cat No 4430.0, p 16.

understood by family or friends, or can communicate more easily using sign language or other non-spoken communication;

- moderate core-activity limitation: where the person needs no help but has difficulty with a core-activity task; and
- mild core-activity limitation: where the person needs no help and has no difficulty with a core-activity task, but has other limitations, such as using aids and equipment and not being able to walk 200 metres easily.<sup>3</sup>

8.4 As an overlapping category, the Bureau also classifies people whether they cannot attend school or work on a normal basis. This category includes people who have difficulty at school, attend a special school, are restricted in the work they can do, or need at least one day off a week on average. The proportion of the population with a disability in Australia is reported below:

Table 8.1 Disability status rates by sex, 2003 (%)

	<b>Profound core activity limitation</b>	<b>Severe core activity limitation</b>	<b>Moderate core activity limitation</b>	<b>Mild core activity limitation</b>	<b>School or work restriction</b>	<b>All with a disability</b>
Men	2.4	3.1	3.3	5.6	9.6	19.8
Women	3.6	3.5	3.7	5.1	8.2	20.1
Persons	3.0	3.3	3.5	5.3	8.9	20.0

Source: Australian Bureau of Statistics, *Disability, ageing and carers: Summary of findings, Australia, 2003 (2004), Cat No 4430.0, p 16.*

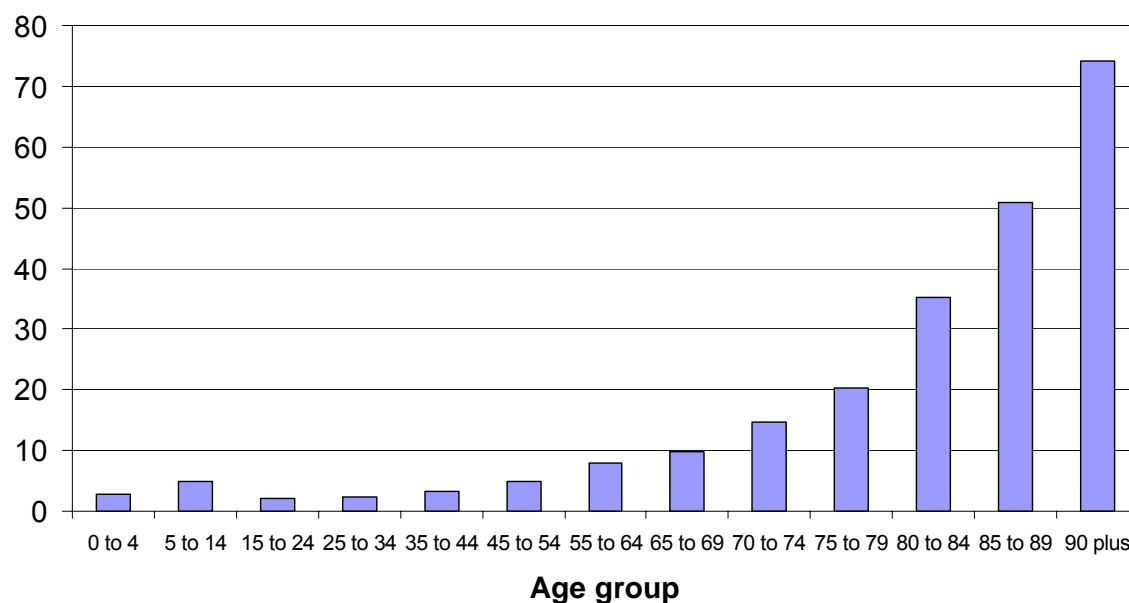
8.5 Almost nine per cent of people aged between five and 64 has a school or employment restriction. Twenty per cent of the population has reported a disability of one sort or another. Over six per cent of the population have either a profound or severe core activity limitation and need high levels of care and assistance.

8.6 The prevalence of the more limiting types of disability is relevant to this inquiry because of the impact these people have on their families and how the adults in these families can participate in the workforce.

8.7 As a person ages, the chances increase that they may develop a more limiting disability, such as a profound or severe core activity limitation. The relationship between disability and age is demonstrated in the next figure.

3 Australian Bureau of Statistics, *Disability, ageing and carers: Summary of findings, Australia, 2003 (2004), Cat No 4430.0, p 72.*

Figure 8.1 Profound or severe core activity limitation rates by age, 2003 (%)



Source: Australian Bureau of Statistics, Disability, ageing and carers: Summary of findings, Australia, 2003 (2004), Cat No 4430.0, p 18.

- 8.8 Once a person reaches the age of 80, the chance that they will need significant levels of care increases greatly. The ageing of the population, combined with the increase of age at which mothers give birth, means that many parents are now faced with the responsibility of looking after their own parents as well. These parents are now called the 'sandwich generation'.
- 8.9 The Australian Institute of Family Studies suggests that the number of employed people who will be caring for elderly or disabled adults is likely to increase.<sup>4</sup>
- 8.10 Table 8.2 outlines which sections of the Australian population are providing care for the disabled and elderly. Women are more likely to be a primary carer than men, but the rates of being a secondary, or non-primary carer, are the same. The older a person is, the more likely they are to provide this sort of care, especially after the age of 35. Men's rates of care continue to rise as they age, possibly because they are less likely to have competing work commitments, which they would normally prioritise over caring responsibilities.

4 Australian Institute of Family Studies, sub 76, p 25.

Table 8.2 Carer status by age and gender, 2003 (%)

	Under 18	18-24	25-34	35-44	45-54	55-64	65-74	75 plus	Total
<b>Males</b>									
Primary carer	0.1**	0.3*	0.6*	1.2	2.4	2.5	3.6	5.7	1.4
Other carer	3.5	8.8	8.8	12.1	13.9	17.0	18.5	18.5	10.6
<b>Females</b>									
Primary carer	0.1**	1.3	2.4	4.4	6.2	7.6	5.7	4.5	3.4
Other carer	3.5	7.7	9.7	15.1	16.2	16.5	13.5	8.9	10.6

Source: Australian Bureau of Statistics, Disability, ageing and carers: Summary of findings, Australia, 2003 (2004), Cat No 4430.0, p 49. \* indicates estimate has a relative standard error of 25% to 50% and should be used with caution. \*\* indicates estimate has a standard error greater than 50% and is considered too unreliable for general use.

8.11 The Australian Institute of Family Studies provided an interesting insight into men's caring behaviour:

The rates are different... in terms of the role in caring for children as opposed to caring for elderly parents. You find greater engagement of men in the care of elderly parents, typically their own parents, though it seems within the family there is a split between whose parents they actually are...<sup>5</sup>

8.12 In summary, a large number of people in Australia require care, either through ageing or having a disability. These rates of care will affect a significant number of people in how they manage their work and family lives.

## Economic value of informal care

8.13 In 2005, Access Economics estimated the annual value of informal (unpaid) care in Australia. Using the opportunity cost method (that is, the amount that carers could earn if they entered the workforce, rather than caring), Access estimated the value of this care at \$4.9 billion.<sup>6</sup>

8.14 Using the replacement value method (that is, the cost of employing someone to do the work instead), Access estimated the value of this care at \$30.5 billion.<sup>7</sup>

5 Hayes A, transcript, 2 August 2005, p 40.

6 Access Economics, *The economic value of informal care* (2005), Carers Australia, p 13.

7 Access Economics, *The economic value of informal care* (2005), Carers Australia, p 15.

8.15 Informal carers are making a considerable contribution to the Australian economy and shoulder a sizeable burden that might otherwise be placed on the Australian taxpayer. In comparison with these sums, Commonwealth assistance to unpaid carers under the carer payment and carer allowance is approximately \$2.4 billion (see chapter two).

## Effect of caring on labour force status

8.16 Clearly, having significant caring obligations will affect whether a person can work or otherwise participate in the workforce. The table below demonstrates this effect:

Table 8.3 Labour force status of carers, 2003 (%)

	Primary carer	Other carer	Total carers	Not a carer	Total
Unemployment rate	3.1*	6.2	5.7	5.3	5.3
Participation rate	39.0	60.2	56.1	67.9	66.1

Source: Australian Bureau of Statistics, *Disability, ageing and carers: Summary of findings, Australia, 2003 (2004), Cat No 4430.0, p 51.* \* indicates estimate has a relative standard error of 25% to 50% and should be used with caution.

8.17 Being a primary carer significantly reduces the chances of a person being in the workforce by almost 30 per cent. Being a secondary carer also reduces the chance of being in the workforce, but the effect is much smaller.

8.18 Using data from the Australian Bureau of Statistics' 1998 survey on disability, ageing and carers, the Australian Institute of Health and Welfare calculated the effects of caring on employment and income. The results are reproduced in table 8.4.

8.19 In terms of income, approximately half of carers experienced no effect, but the other half stated they were worse off. In terms of employment, 10 per cent of carers said they had to leave work to meet their caring responsibilities. Although not picked up in the table, a significant number of people would also fail to re-enter the workforce due to caring responsibilities.



Table 8.4 Impact of caring on primary carers regarding employment and income, 1998 (%)

	Age group				Total
	15-24	25-54	55-64	65 +	
Effect on income					
Not affected	71.5	39.3	49.2	57.2	45.9
Has increased	2.4**	2.8*	2.0**	1.9**	2.5
Has decreased	5.4**	27.2	18.8	6.8*	20.7
Has extra expenses	16.7**	25.5	26.0	28.1	25.8
NA	4.0**	5.2	4.0**	6.0*	5.2
	100.0	100.0	100.0	100.0	100.0
Effect on hours of paid work					
No effect	37.0*	36.8	14.5	2.8*	25.6
Reduced hours	-	11.2	5.1*	0.4**	7.5
Increased hours	5.8**	3.4*	2.8**	0.5**	2.8
Not applicable	57.2*	48.6	77.6	96.3	64.2
	100.0	100.0	100.0	100.0	100.0
Left work	-	11.4	17.2	4.4*	10.6
Total number ('000)	13.6	259.0	79.1	96.4	448.1

Source: Australian Institute of Health and Welfare, *Carers in Australia (2004) Aged Care Series no 8*, p 23.

\* indicates estimate has a relative standard error of 25% to 50% and should be used with caution.

\*\* indicates estimate has a relative standard error over 50% and is considered too unreliable for general use. - indicates rounded to zero.

#### 8.20 UnitingCare Burnside's submission gave a sense of how a carer of a child with a disability slipped out of the workforce:

Balancing work and family life?... It's very hard... I was actually working full-time and then I had to go part-time... I then took leave without pay, and now I've given up work altogether. Coping on a sole parents' pension.... don't get me wrong... I appreciate the benefit the government gives but with a child with a disability, even with the extra \$90, it's not enough... Sometimes I'm up all night with him... and for me to get up at 6 am and to function, head-wise... it doesn't work... I'm tired... he's tired.<sup>8</sup>

#### 8.21 Another parent recounted the struggle to stay within the labour market:

Adding up school holidays and sick days, I lose an average of seven weeks pay each year, taking up all of my annual leave and sick leave entitlements. Not to mention my credibility in

8 UnitingCare Burnside, sub 89, p 10.

the workplace, my efficiency at getting the job done, and my sanity through all the worrying, prioritizing and organising that takes up my week. All this because the system is not designed for working mothers with special needs children.<sup>9</sup>

8.22 Currently, the Commonwealth spends \$1.3 billion per annum on the carer payment (means tested) and \$1 billion per annum on the carer allowance (not means tested).

8.23 Although these payments help an individual with a disability receive a higher level of care, they do not give the carer any additional options to help them with their burden. The Taskforce on Care Costs stated in evidence:

We do not have anything supportive for elder care and disability care for people who want to stay in the work force. The emphasis on the benefits that we currently have available, particularly in relation to elder care and disability care, is supporting people to stay at home, and that is not what people want to do. They want to be in the work force, but they just cannot do the juggle with the two of them.<sup>10</sup>

8.24 In the view of the Australian Institute of Health and Welfare, a carer's attachment to the labour market is at the most risk during the early stages of caring:

... workplace flexibility is crucial in the early stages of caring. Carers in countries with high levels of community support and well-developed formal services are reportedly more able to adapt their working lives to new caring roles, gradually easing back to earlier patterns of work when support arrangements with formal providers are in place. In countries with fewer and less coordinated sources of formal support, carers tend to withdraw from the workforce or reduce their hours of paid employment. There is evidence that once these changes are made, earlier work patterns are not recovered when caring ceases.<sup>11</sup>

8.25 This evidence suggests that the barriers to workforce participation for the carers covered by this chapter are very great. Further, this situation

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9 Stanford J, sub 173, p 2.

10 Bourke J, transcript, 19 April 2005, p 10.

11 Australian Institute of Health and Welfare, *Carers in Australia* (2004), Aged Care Series no 8, pp 25-26.

can be addressed, but it requires intervention during the early stages of caring.

## Family friendly work arrangements

8.26 The Australian Institute of Family Studies outlined how women generally adapt their work around their caring responsibilities for children, whereas men do not. In the case of elder care, however, the situation is different:

Mothers with child-care responsibilities are much more likely than fathers with child-care responsibilities to make use of family-friendly work arrangements and also report that they made job changes to assist in balancing their work and family responsibilities. For elder care it changes. Where men are reporting having caring responsibility for a disabled adult, a sick adult or an older person and that care is of an ongoing nature, their rate of using family-friendly work arrangements is similar to that of women with elder care responsibility... In part I think that is because many fathers still do not take the primary role in caring for children.<sup>12</sup>

8.27 One interpretation of this evidence is that it is somehow more manly to care for one's parents, but not one's children.

8.28 Further, the Institute advised that all parents are less likely to be able to negotiate family friendly arrangements for elder and disability care at the workplace:

While rates of unmet need for flexible work practices and provisions are relatively low overall, they are higher for elderly and/or disabled care than for child care. This applies to almost all types of work arrangements except shift, casual or part-time work and unpaid leave. The reasons given suggest that people think employers are more likely to refuse use of flexible work practices and provisions for elder and/or disabled care than for child care.<sup>13</sup>

## Psychological and physical impact on carers

8.29 The National Carers Coalition advised the committee that informal caring is an isolating task that increases the carer's risk of depression

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12 Gray M, transcript, 2 August 2005, p 40.

13 Australian Institute of Family Studies, sub 76, p 26.

and the physical effects of depression. They are more likely to become disabled themselves, due to the stress of caring and physical demands, such as lifting.<sup>14</sup> The Australian Institute of Health and Welfare reports that there is a link between carer burden and some of the symptoms of dementia.<sup>15</sup>

- 8.30 The burden of caring can also end marriages. As Amanda Stapledon, a parent of a child with a disability, stated:

I believe that was the last nail in the coffin, definitely. We couldn't cope with the constant trips to hospital. We were often being rushed to hospital. I have had to revive my son more times than I care to remember. That put a lot of stress on me. It also put a lot of stress on my husband but he simply could not cope with all that was involved. It is all-encompassing, Mrs Bishop. I cannot tell you. It consumes, every day, every waking hour of my day.<sup>16</sup>

- 8.31 On the other hand, being able to go to work is of great help to carers. It offers them a break from caring and reduces isolation.<sup>17</sup> Amanda Stapledon advised the committee:

It is the interaction. I have worked here for 10 years, and the people here are like a family. To come to work, to be dressed in a suit, to put on my make-up, to do my hair – it probably sounds insignificant to someone else, but it is important to me – and to interact with so many wonderful people keeps that isolation down. I feel that if I were at home – probably working is a better alternative to not working – I could become depressed. I often try to fight that.<sup>18</sup>

- 8.32 While parents benefit from being able to go to work, the children benefit from being placed in care programs. Casey Kidz Klub in Melbourne, which has provided after school care for intellectually disabled children, has delivered promising results:

These children used to be pretty boisterous at the start and they were just really hard to handle, very difficult children. They're

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14 National Carers Coalition, sub 199, pp 3, 9.

15 Australian Institute of Health and Welfare, *Carers in Australia* (2004), Aged Care Series no 8, p 25.

16 Stapledon A, transcript, 16 August 2006, p 6.

17 Australian Institute of Health and Welfare, *Carers in Australia* (2004), Aged Care Series no 8, p 23.

18 Stapledon A, transcript, 16 August 2006, p 10.

communicating a lot better with one another, their social skills have improved out of sight. This program has just helped them integrate into normal mainstream a lot better. If we could have these sort of programs happening all the time I think they'd improve and to the point where they may even be able to get jobs and be really useful to society. That's what it's all about.<sup>19</sup>

- 8.33 A common theme in this inquiry is the benefits that paid employment gives to families. This theme is also relevant for families with members requiring elderly or disability care.

## Policy issues

### Cost of care

- 8.34 Although governments in Australia provide respite care and other programs to carers, the main financial support to carers comes from the Carer Payment, which pays up to \$10,847 per annum, and the Carer Allowance, which is \$2,462 per annum.
- 8.35 To put these sums in context, Catholic Welfare Australia advised the committee:

It was interesting that a carer for a child with a disability, for someone with a disability or for an older person gets a \$50 allowance per week at the moment for caring for that person.

When we are looking for foster carers – people outside of a traditional family – to provide care for a child the rate is about \$175 per child per week and it is an allowance that is paid to cover their out-of-pocket expenses. That goes up to about \$250 per child per week if the child has a disability or any special needs. The feedback we get from our foster carers – and it is increasingly difficult to find foster carers – is that this barely covers their costs, and in many cases they are out of pocket.

So, if you are trying to put a figure on what it costs to care for a child, we are finding it very difficult to find people who will do it for between \$170 and \$250 per week per child just to cover their costs. We are also trying to have foster carers, or people

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19 Farley M, quoted in Hall C, 'Governments turn their backs on after school program for disabled', Stateline Victoria, transcript, 27 October 2006, viewed on 1 November 2006 at <http://www.abc.net.au/stateline/vic/content/2006/s1775428.htm>.

who are available, to take children at short notice and to encourage them to stay out of the workforce and be available for this we are trying things like retainers, but even with those retainers, which are \$300 at the moment, we cannot find enough people and we are looking at possibly raising that to \$500. So there are some real issues in terms of what it actually costs to have somebody looking after a child, and that is not even taking into account the lost opportunity of employment and that sort of thing. So it is a fairly significant issue, we think.<sup>20</sup>

- 8.36 At the maximum rates of assistance, someone caring for a person with a disability will receive \$13,000 per annum. A foster parent will receive a similar amount for caring for a child with a disability, and Catholic Welfare Australia has noted that this is the minimum needed to attract people to do the work. Using the replacement value method, it appears that the rates of assistance for disability carers have been set at the absolute minimum.
- 8.37 The most significant financial support to parents, the Carer Payment, is means tested. One result of this is that higher income earners, who make the effort to work, do not receive it. However, due to the absence of accessible and affordable after hours school care and vacation care for children with disabilities, a working carer needs to pay for additional formal care.
- 8.38 The National Carers Coalition gave the committee the example of a sole parent, Mary, who earns \$85,000 per annum. Her tax is \$29,000, leaving her \$56,000. From this after tax income, she pays \$22,500 to a nanny to look after her son outside his program hours of 9 am to 3 pm. This leaves her with \$24,500 per annum for her family's basic living expenses.<sup>21</sup> If she were to receive a tax deduction for the nanny, this would reduce her tax bill by \$13,500, leaving her with \$38,000 instead.<sup>22</sup>
- 8.39 In the view of the committee, unpaid carers are making an enormous contribution to the community at considerable personal cost to themselves. They sacrifice their health, social networks, career and

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20 Boerma B, transcript, 19 April 2005, p 31.

21 National Carers Coalition, sub 199, p 8.

22 Using the comprehensive calculator on the website of the Australian Taxation Office, viewed on 20 November 2006 at <http://calculators.ato.gov.au/scripts/axos/axos.asp?CONTEXT=&KBS=ctax2006.xr4&go=ok>.

finances to care for a loved one in return for modest government support.

- 8.40 The Australian Government needs to address the plight of carers. The model detailed earlier in the report in relation to taxation relief for child care generally is a useful template. Some submissions suggested that the Child Care Tax Rebate be extended to this type of care.<sup>23</sup> Many carers themselves use paid care in order to work. The bar against private expenses not being a tax deduction is no longer defensible because so many women participate in the workforce.
- 8.41 The committee, therefore, agrees that making caring expenses a tax deduction to allow carers to work should be thoroughly investigated by the government.<sup>24</sup>

### Recommendation 18

- 8.42 **The Australian Government consider allowing adults, who incur care costs for the care of elderly relatives or relatives with a disability, to have the choice of either receiving all current carers' benefits or claiming these costs as a tax deduction where they can demonstrate that paid care was necessary to allow them to work.**

### Program flexibility

- 8.43 A common theme in the submissions from the carers of children with a disability was that there is insufficient after school hours care and vacation care, which will take disabled children, to permit carers to work or look for paid employment.<sup>25</sup>
- 8.44 For parents with a teenager with a disability, the problems appears to be as follows:
- Commonwealth funding for mainstream vacation care programs is limited to primary school children;

23 Autism Early Intervention Outcomes Units, sub 222, p 2; Women's Lawyers' Association of New South Wales, sub 99, p 8; Taskforce on Care Costs, sub 6, p 4.

24 The reason why the committee does not fully recommend that the proposal be implemented is because it received much less evidence on this issue.

25 National Carers Council, sub 199, p 6; Stanford J, sub 173, pp 1-2; Australian Association for Families of Children with a Disability, sub 174, p 1.

- Commonwealth funding for child care programs for children with a disability extends to the age of 17, but only for 'Commonwealth approved programs';
  - an approved program includes the requirement that children without a disability also use it (the inclusive model);
  - but the Commonwealth does not fund vacation care for teenagers, therefore, there is no demand for mainstream vacation care for secondary school children and, therefore, none exists;
  - so although the inclusive model exists on paper, it does not exist in practice because there are no mainstream programs for teenagers with a disability to use.<sup>26</sup>
- 8.45 The committee agrees with the Australian Association for Families of Children with a Disability that the current situation is a Catch-22. This Commonwealth funding has been applied in a circuitous, bureaucratic manner that does not assist these families.
- 8.46 It appears that the inclusion requirement may be based more on reducing the Commonwealth's exposure to funding these services, rather than delivering outcomes for people in need. The Commonwealth argues that these services are respite care and a state responsibility. The states argue that they are after school care and a Commonwealth responsibility.<sup>27</sup>
- 8.47 Such negotiations are unlikely to resolve the matter because these programs have elements of both respite care and after school care. In the view of the committee, viewing this issue as one of after school care and helping these parents work is the most complete approach. Mainstream child care empowers the parents and assists the development of the children. Denying children with a disability access to these benefits through bureaucratic rules amounts to discrimination. Families looking after children with a disability should be able to access these benefits as well.
- 8.48 The committee received a submission on a related matter from Autism Early Intervention Outcomes Units Inc (AEIOU). This group wishes to attach early intervention pods to mainstream child care centres to provide intensive early intervention for 25 hours per week per child. To
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26 Australian Association for Families of Children with a Disability, 'Vacation Care "Catch 22"', March 2004, Edition 12, pp 1-2.

27 Hall C, 'Governments turn their backs on after school program for disabled', Stateline Victoria, 27 October 2006, viewed on 1 November 2006 at <http://www.abc.net.au/stateline/vic/content/2006/s1775428.htm>.



be of benefit, each child requires two years in the program. AEIOU estimate the savings to governments from these programs at \$1 billion annually (up to \$2 million per child over their lifetime, with 800 new diagnoses per year).<sup>28</sup>

- 8.49 In order to fund the annual \$37,000 required for a placement, AEIOU would like to access the \$19,000 per child allowable under the Inclusion Support Scheme. The cost to the Commonwealth would be \$30 million annually (\$19,000 per child for two years). Funds under the scheme are available for special needs children at mainstream centres, with a maximum of 10 per cent of a centre's population being able to receive the support.
- 8.50 However, under the guidelines for the Inclusion Support Scheme, the funds can only be disbursed for the period while the child is in the mainstream centre, not the AEIOU pod. The \$19,000 per annum would be reduced on a pro-rata basis.
- 8.51 The most troubling aspect of this situation is that the Commonwealth is prepared to spend \$19,000 per annum per child on attendance at a child care centre with staff that are not required to have any expertise in caring for someone with a disability. While time spent out of the home and being around other children may be of benefit, it is unlikely to deliver the long term outcomes of an intensive early intervention program.
- 8.52 Once again, this issue appears based on a dispute between governments over responsibility. These facilities involve both child care and early intervention. Attendance at these centres allows parents to work and assist with the children's development. If community groups have the initiative to establish specialised child care centres that deliver such large returns to the community, then the committee sees no reason why Commonwealth funding should not be available.

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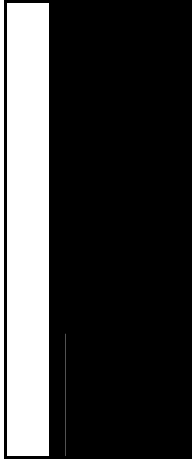
28 Early Intervention Outcomes Units Inc, sub 222, p 2.

**Recommendation 19**

- 8.53 **The Department of Families, Community Services and Indigenous Affairs make access to its funding programs more flexible, including the \$19,000 per child per annum under the Inclusion Support Scheme, so that community groups and businesses can establish child care centres that have expertise in the needs of children with a disability and allow the development of after school hours care and vacation care for special needs children.**

**Hon Bronwyn Bishop MP  
Chairman**





## Clarifying Statement – Mrs Louise Markus MP

In general, I support the report. I believe that its recommendations will help Australia move through this current transition where more women are being educated, entering the workforce, and increasing their influence in workplaces. This is also a time where men are being encouraged to play a greater role at home.

However, there is an aspect of the report where I believe a different approach needs to be taken.

Recommendations 17 and 18 will allow high income earners, depending on their circumstances, to obtain higher assistance for child care costs than that available to middle and low income earners. To my mind, this proposal does not meet the standards of fairness expected by the community.

For a tax deduction to be fair, I believe it should have an additional component. Firstly, there should be a cap or sliding scale to moderate the amounts available so that high income earners do not receive significantly more child care assistance than middle and low income earners.

Uncapped tax deductions that favour the wealthy could create market distortions such that providers might be inclined to service wealthier people at higher cost on the basis that they have a deduction, rather than servicing middle and lower income families who have less capacity to pay. Over time uncapped tax deductions are likely to push up fees, which may impact unfairly on low to middle income earners.

If government were to make further investment then some of that should be shared with lower and middle income earners.

In developing these recommendations in relation to child care costs, I note that the committee has sought to ensure that no-one is worse off by retaining all current arrangements. I support this approach in principle.

Although government assistance works well for the child care categories that exist, additional impetus to develop new, innovative categories in the community and private sectors would create further flexibility and choice for families.

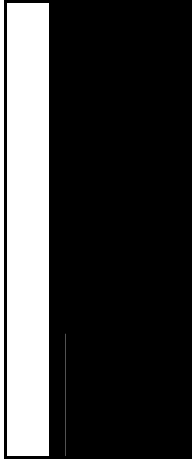
From the evidence presented during the inquiry, it appears that parents have had little opportunity to contribute to how child care assistance is structured in this country.

I would like to see further evidence based research targeted at identifying what assistance families need.

The report also discusses in-home care arrangements, including the Commonwealth's In-Home Care Program. This program is under review. If changes are made to the In-Home Care Program, I ask they be monitored from the moment of implementation and an evaluation conducted within 18 months of their commencement.

This evaluation could include an analysis of how the program helps people manage their work and family responsibilities. It could also examine whether the service provided to parents is flexible enough to meet their needs, such as through client surveys.

Mrs Louise Markus MP



## Dissenting Report – Julia Irwin MP, Jennie George MP, Harry Quick MP and Kate Ellis MP

### Introduction

The inquiry and report of the Family and Human Services Committee – Balancing Work and Family has been a wasted opportunity. For what is one of the most important issues facing Australia today, the report fails to get to the heart of the issue. It is narrowly focused on short term political measures despite a wealth of evidence pointing to the need for greater depth of analysis and innovation in policy making.

For working families, the report offers little in the way of constructive measures to address the increasing stress caused by the intrusion of work into family life and the care of children. The report naively relies on the Government's WorkChoices Legislation and Welfare to Work Program as a panacea to the needs for flexibility and family friendly workplaces. Government advertising and industry awards are the ineffective tools proposed to bring about the cultural change in workplaces necessary to allow employees to balance their work and family lives.

The committee heard evidence of innovative policies which governments in other countries are adopting to address these issues. Labor members believe that substantial opportunities to help working families exist in adopting such initiatives as: the right to request part time work, paid maternity leave, unpaid extended maternity leave and providing greater financial security.

For the nation, the report acknowledges the need for increased female participation in the workforce and recognises that this is critical to maintaining overall participation as the population ages. But the measures

proposed do little to improve female workforce participation, their effect as measured by consultants Econtech, provide for greater compensation for high income earners with no changes proposed for low and middle income earners. None of these recommended changes were seen to improve participation.

The operations of existing child care programs, the Child Care Benefit and Child Care Tax Rebate, were not examined for improvement. Instead, the inquiry focused on tax deductibility for child care expenses as a cure-all for the problems faced by working parents. As clearly shown in the Econtech report commissioned by the committee, only families with individual incomes above \$75,000 will benefit and there is no real incentive to encourage the bulk of working age women to increase work hours. Tax deductibility for child care is simply welfare for the wealthy.

The opposition members on the Family and Human Services Committee wish to thank the many organisations and individuals who made submissions to or appeared before the committee. We regret that the committee process did not allow for many submissions to be fully considered. The report would have been far more valuable if the input from the wide range of community and expert views were taken on board.

The opposition members also wish to express their thanks to the committee secretariat staff. The comments in this dissenting report should in no way be taken as a reflection on their competence or diligence.

The conduct of proceedings at the consideration stage of the report prevented a full discussion of the draft report. The concerns of opposition members are expressed in the attached letter to the Speaker from the Deputy Chair of the committee, Julia Irwin MP.

Opposition members embarked on this inquiry with great hope and enthusiasm to address this critical social and economic issue. We would have hoped that a bipartisan report could have been adopted by the committee. It is with great disappointment that we submit this hastily prepared dissenting report.

Signatories to this dissenting report are:

Julia Irwin MP (Deputy Chair)

Jennie George MP

Harry Quick MP

Kate Ellis MP





*Julia Irwin MP*

Federal Member for Fowler



COMMONWEALTH OF AUSTRALIA  
HOUSE OF REPRESENTATIVES



The Hon David Hawker MP  
Speaker of the House of Representatives  
Parliament House  
CANBERRA ACT 2600

6 December 2006

Dear Mr ~~Speaker~~ *David,*

I am writing to express my grave concerns about many aspects of a parliamentary inquiry and the ensuing report, stemming from the unprofessional conduct of the committee chair.

As raised with you this morning, Labor members of the Committee on Family and Human Services are deeply disappointed by a variety of actions and decisions taken in recent weeks by the Member for Mackellar, Chairperson of the Committee's inquiry into balancing work and family.

The final report as agreed by the Committee on Monday – necessarily in the absence of Labor members – is likely not to reflect the views of the committee as a whole. I say likely rather than certainly only because at the time of writing I have been denied access to the final report or even the latest draft.

I wish to bring to your attention the following matters.

1. Labor members of the Committee, including the Deputy Chair, have been denied access to the final report as adopted by the Committee in our absence on Monday 4 December.
2. Economic modelling on key recommendations of the report, commissioned by the Committee and paid for by the taxpayer (at the price of \$17 000), was delivered to my office at 10:30 am this morning but had not been circulated to other Labor members of the Committee at the time of writing.
3. This information has been provided to Liberal members.
4. Labor members of the Committee have been insulted by the decision of the Chair – acting outside her powers - to enable them to merely 'view' the consultant's report in her office or in the office of the secretariat, despite Liberal members of the Committee being given copies to take away.

Heart of the  
South-West.



Julia Irwin MP

5. The Chair told me an untruth about access to the consultant's report— she claimed in conversation with me on the evening of Tuesday 5<sup>th</sup> December that Liberal members of the Committee had not been given copies of it, and they had.
6. The Chair has harassed the staff of the secretariat, imposing completely unreasonable deadlines on them, as well as unreasonable restrictions on their obligations to other committee members.

I note for example that committee members have received emails from secretariat staff after midnight. Staff have been required to work excessive hours for many weeks. The Chair has also directed the secretariat to withhold information on a partisan basis that all committee members are entitled to, which has clearly put a great amount of stress on the staff.

The Chair's unconscionable treatment of the secretariat staff is chillingly ironic, given that we are conducting an inquiry into work and family balance.

7. Labor members of the Committee are unable to receive secretariat assistance in preparing a dissenting report, because the Chair's demands are already forcing staff to work around the clock. Labor MPs are not prepared to increase the massive burden and stress on the secretariat staff by asking for assistance with a dissenting report, despite being entitled to do so.
8. Labor MPs have been given a deadline of 2 pm on Thursday 7 December for a dissenting report or comments, despite not being provided with a copy of the final report. It is impossible to write a dissenting report without access to the report. It is manifestly unreasonable to be expected to write a dissenting report in less than 36 hours on an inquiry that has lasted for 2 years and heard countless hours of evidence.
9. The Chair held a meeting at 10 am Monday 4 December, when no Labor members of the Committee could be present because of a leadership ballot. The Chair proceeded with this meeting despite being notified of the clash, and asked to postpone it to later time that day.
10. At this meeting, Liberal members of the Committee voted to adopt the report, knowing that ALP members did not support key recommendations, and had not been provided with the consultant's evidence about the effect of some of the key recommendations.
11. The Chair did not allow me access to the draft minutes of the meeting on Monday, thereby hiding all other motions carried at the meeting from Labor members.

I seek your view that each of the above matters is contrary to the spirit and practice of committee practice.



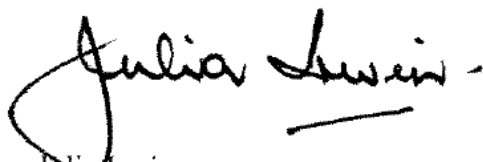
Julia Irwin MP

I also seek your confirmation of the following principles of House of Representatives Committee procedure in this Parliament:

- All members of a committee are entitled to receive information commissioned by the Committee, both automatically and on request;
- the Chair has no right to direct secretariat staff otherwise;
- All members of a committee should be treated equally;
- In particular, information made available to members of the committee from one political party must be available to members from other political parties;
- All members of a committee are entitled to view the most recent draft, as well as the final report, that have been viewed by other committee members and agreed to by the committee;
- Secretariat staff have rights and conditions, and should not be required to work unreasonable hours;
- Secretariat staff are not the personal staff of the chair, and it is unreasonable for the Chair to treat them as such.

Finally, I understand that the Chair wishes to table the final report out of session at the end of this week, to enable certain newspapers to cover the report in their weekend editions. I request that if she seeks your consent that you exercise your powers (under Standing Order 247) to refuse publication of the report, and to order that it be referred back to the Committee, so that its content can be considered by Labor as well as Liberal members.

Yours sincerely,



Julia Irwin  
Member for Fowler  
Deputy Chair of the House of Representatives Standing Committee on Family  
and Human Services

## Recommendation 1 (freezing HECS debts) – Disagree

Labor disagrees with recommendation one. Instead of freezing HECS debts the Government should be addressing the level of debt.

The minimum debt for a humanities student with a Commonwealth supported place who defers payments is \$5,000 per year of study.<sup>1</sup> While degrees in national priority areas such as education and nursing are slightly lower (costing \$4,000 per year), those in fields such as law and medicine can cost up to \$8,000 per year of study.<sup>2</sup> A debt of \$15,000 (indexed to CPI) is common for graduates.<sup>3</sup>

The National Union of Students estimates that by the age of 65 only 77 per cent of women will have paid their HECS debt, compared to 93 per cent of men.<sup>4</sup>

Estimates figures from the Department of Education, Science and Training show that university graduates and students will owe \$18.8 billion by 2008-09 (includes both HECS and FEE-HELP). This is up from \$13.1 billion in 2005-06.<sup>5</sup>

The Australian Vice Chancellors Committee 'Report on applications for undergraduate courses' shows that the Government's fee increases are turning some young Australians away from going to university. The report shows a 'decline in applications over the last three years from a high of 229,427 in 2003 to 218,529 in 2006'.<sup>6</sup>

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- 1 Department of Education, Science and Training, 'What you pay' viewed on 27 August 2006 at <http://www.goingtouni.gov.au/Main/FeesLoansAndScholarships/Undergraduate?commonwealthSupportForYourPlaceAndHECS-HELP/WhatYouPay.htm#top>.
  - 2 Department of Education, Science and Training, 'What you pay' viewed on 27 August 2006 at <http://www.goingtouni.gov.au/Main/FeesLoansAndScholarships/Undergraduate?commonwealthSupportForYourPlaceAndHECS-HELP/WhatYouPay.htm#top>.
  - 3 Department of Education, Science and Training, 'What you pay' viewed on 27 August 2006 at <http://www.goingtouni.gov.au/Main/FeesLoansAndScholarships/Undergraduate?commonwealthSupportForYourPlaceAndHECS-HELP/WhatYouPay.htm#top>.
  - 4 National Union of Students quoted in Duffy R, 'Increased Institutional Wealth At The Cost Of Student Futures, Implications Of Increasing HECS Fees at UNSM', p 6, viewed on 18 November 2006 at [http://oldwww.pgb.unsw.edu.au/content/files\\_pdfs/Implications%20of%20Increasing%20Fees%20at%20UNSW3.doc](http://oldwww.pgb.unsw.edu.au/content/files_pdfs/Implications%20of%20Increasing%20Fees%20at%20UNSW3.doc).
  - 5 Department of Education, Science and Training, quoted by Jenny Macklin, media release.
  - 6 Australian Vice Chancellor's Committee, Report on Applications for Undergraduate Courses', 2006.

Instead of simply freezing the HECS debt of second earners in couple families and for single parents until their youngest child reaches school age, the Government should take more concrete measures to stop the massive HECS fee increases.

The Australian Labor Party believes the Government should be providing greater assistance to university students by stopping the massive HECS fee increases, reducing the overall financial burden on students and providing HECS relief for degrees in areas of skill shortages.

## Recommendation 2 (fertility information campaign) – Partly Agree

Labor commends the committee report for noting the impact financial security has on couples when choosing to start a family.

Young people are taking longer to get ahead, and thus are taking longer to have a family.

Many young couples are concerned about their financial stability as a key factor influencing when they have children.

The Working Women's Centre of South Australia informed the committee:

Many women feel they cannot afford to start having children until they are debt free. Many women who have studied begin their working lives with a HECS debt which they feel puts them at a financial disadvantage. It is not uncommon for women to state that they wish to pay off their HECS debt before considering having children and are keen to do that as quickly as possible.<sup>7</sup>

Labor acknowledges that bearing children is an expensive endeavour.

In their paper, 'The costs of children in Australia today', Richard Percival and Ann Harding estimate that in 2002 dollars it costs the average Australian couple \$448,000 to raise two children to their 21<sup>st</sup> birthday, representing 23 per cent of the \$2million earned by an average couple in this time.<sup>8</sup> The research findings also noted that the cost of raising children was felt hardest by low income families.

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7 Working Women's Centre of South Australia, sub 74, p 2.

8 Percival R and Harding A, 'The Costs of Children in Australia Today', *AMP-NATSEM Income and Wealth Report* (2002), issue 3, pp 6-7, viewed at <http://www.natsem.canberra.edu.au/publication.jsp?titleID=CP0301> on 21 August 2006.

While the committee has acknowledged that the birth rate in Australia is affected by the lack of financial security of young people, it has failed to offer meaningful solutions as to how this could be improved.

For this reason, Labor members of the committee are opposed to taxpayers funding an 'information campaign' about the dangers of late partnering. There is no evidence that this is not already known in the community; it would cause alarm amongst some young people who want to find a partner but have not yet; and could offend many young men and women who will find it not only obvious but offensive.

Instead, the Government should directly tackle the reasons why young couples delay starting a family, most notably the rising burden of HECS debts, poor housing affordability and rising interest rates.

HECS repayments in particular place a great strain on young Australian couples.

## **Recommendation 9 (WorkChoices) - Disagree**

The Australian Labor Party strongly disagrees with recommendation nine.

A public campaign attached to WorkChoices will not alleviate the devastating impact the laws will continue to bring to working Australian families.

Labor has argued since the introduction of the laws for their abolition, and that position stands.

The increase in the number of Australian Workplace Agreements (AWAs) and changes to unfair dismissal provisions severely inhibit a better balance between work and family.

Professor Barbara Pocock told the committee:

Individual agreements, if we look at the data on them, are incontrovertibly less family friendly in terms of their access to annual leave, long service leave and sick leave – the fundamentals for working carers. Something like 12 per cent of AWAs between 1995 and 2000 had any work and family provisions, and a very small proportion in 2002-03 had family or carers leave – way less than in collective agreements. Only eight per cent had paid maternity leave and five per cent had paid parental leave. All of that data suggests that AWAs are family unfriendly.<sup>9 10</sup>

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<sup>9</sup> Pocock B, transcript, 24 May 2006, p 12.

The Australian Labor Party believes these findings are absolutely alarming.

Labor's own Industrial Relations Taskforce found that there was no evidence to suggest that paid maternity leave was likely to increase under the WorkChoices legislation.

## **Recommendation 10 (flexible working) – Partly Agree**

The Labor members of the committee believe recommendation ten of the committee report, stipulating that 'right to request' flexible work legislation in countries such as the United Kingdom be monitored, does not go far enough.

Labor members of the committee believe that similar legislation should be created to protect and support Australian parents.

Australian labour law should address the process by which an individual can negotiate the change from a full time job to part time hours. Australian workers currently have no right to request a conversion to part-time work, or to have it seriously considered by their employer. This is unacceptable in a modern economy and a country that wants to encourage a higher birth rate.

Labor members of the committee believe that employers should be obliged to give reasonable consideration to a request from an employee with caring responsibilities for part-time work, and have the right to refuse only if acceding to the request would be detrimental to the business.

There is considerable evidence to demonstrate the success of 'right to request' laws in facilitating more flexible working and caring arrangements, particularly in the United Kingdom.

The Australian Council of Trade Unions informed the committee of the success of 'right to request' legislation in the United Kingdom.

Drawing on data from the Lovell's 2003 CIPD report *A parent's right to ask – a review of flexible working arrangements* the Australian Council of Trade Unions found that the 'right to request' legislation in the United Kingdom has had a largely positive impact on had a positive effect on employee attitudes and morale, and provided few problems for businesses in complying with the legislation.<sup>11</sup>

The following argument was put forth by the Australian Council of Trade Unions in support of similar legislation in Australia:

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10 Pocock B, transcript, 24 May 2006, p 12.

11 Australian Council of Trade Unions, sub 104, pp 56-57.

There was an interesting analysis of how the requests are handled in business. One of the concerns employers have expressed is that it has increased red tape. In fact, the majority of the requests were handled verbally and the verbal request were more likely to be agreed to, so it is handled quite informally, but the UK assessment is that there has been a cultural change that the regulation encourages employers to take requests seriously and also encourages employers to make the request, confident that they can do that. There has been very limited impact on business...<sup>12</sup>

Other witnesses gave evidence that the right to request provision would not be onerous for employers.<sup>13</sup>

The Labor members of the committee urge the Australian Government to take immediate steps to introduce 'right to request' legislation. Specifically, the Government should legislate for the right to request comparable part time work for parents returning from parental leave.

Labor members recommend any disagreements about a refusal to provide part time work be resolved by the Industrial Relations Commission, depending on the size and nature of the employer.

The Australian Government should consider the model put forward by the United Kingdom when considering its own 'right to request' legislation.

Labor members believe that 'right to request' legislation in Australia would provide families with greater flexibility in managing their family and caring responsibilities, and should be endorsed in the committee report.

## **Recommendation 12 - extending subsidies and tax concessions to parents who use nannies**

Labor members reject this proposal.

Instead, the existing in-home child care program, where parents get both Child Care Benefit and the Child Care Tax Rebate, should be expanded.

This would be much fairer.

The in-home care program is for parents whose children can't attend other child care because it is unavailable or unsuitable, for example because parents do shiftwork at night, or live or work in remote locations, or have children with significant disabilities who cannot be cared for in child care centres.

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12 Bowtell C, transcript, 3 August 2006, pp 4-5.

13 Pocock B, transcript, 24 May 2006, p 10.



Parents using the in home care program are eligible for both CCB and CCTR. Unfortunately, as this program is capped by the Federal Government, needy parents on modest incomes who have a genuine need for assistance at home often miss out.

Where the needs of the children or the parents dictate that children cannot be cared for other than by in-home care, taxpayer subsidies are necessary and should be more widely available.

Taxpayer subsidies should not be available simply because parents would prefer the convenience of a nanny to other types of care.

For example, if high paid parents want a nanny to be waiting in the afternoon when their 14 and 16 year old children arrive home from school to cook dinner and supervise homework - should this be subsidised by other parents who can't even afford long day care for their three year old?

Should a taxpayer subsidy be available if the nanny is also acting as a housekeeper and doing housework? We don't think so.

Rather than have the taxes of middle Australia pay for the private choices of high-earning couples, the in-home care program should be expanded so that all families who need in-home care get it.

Labor recognises that in-home care is genuinely needed by many families and should be expanded, however, scarce taxpayers' dollars have to be directed first to where they are needed most.

Parents should have to prove a need for in-home care, rather than an automatic assumption be made that anyone who hires a nanny/housekeeper will have that choice subsidised by taxpayers.

In a society where thousands of parents with disabled children cannot get any child care at all, taxpayer subsidies for nannies is simply unjustifiable.

## **Recommendation 16 - fringe benefit tax reform**

Labor announced a fringe benefit tax reform package months ago. The Liberal members of the committee are just playing catch up on this, while the Government continues to sit on its hands.

Suggestions from the business community for fringe benefit tax law on childcare to be overhauled must be taken up.

The current law is a farce, effectively benefiting only public servants and employees of very large companies. Labor members of the committee thoroughly endorse the findings of the majority that:

Evidence received by the committee indicates that the business premises limitation is distorting the intended outcome of the exemption and imposing penalties on those whom it was designed to benefit (paragraph 7.40).

This is the fault of the Government.

The Howard Government could abolish the business premises rule tomorrow if it wished to - the Government knows that it operates to cut off employer child care assistance from millions of Australians.

For example:

- An employer with a chemical factory cannot have on-site child care;
- A small suburban supermarket cannot afford to set up an on-site child care centre for its employees.

The law is unduly restrictive and outdated. It does not take into account the needs of small and medium sized business.

Employer child care policy in this country is a shambles. Labor members point to the Opposition policy announced in July - to abolish the business premises rule, and reward good employers.

Under Labor's policy alternative, employers will be eligible for tax breaks where they expand the supply of approved child care places, and/or substantially improve the quality of existing approved care used by their employees.

Labor will also extend eligibility for employer tax breaks from the current limit of assisting with child care for children under 6, to children up to 15.

This means employers could help employees with outside school hours care as well as innovative care for 13- to 15-year olds, without paying a heavy tax penalty.

Under Labor's proposal, the following child care investments by employees, which are currently not possible under fringe benefits tax law, will become possible:

- after-hours centre jointly financed by employers at a shopping mall;
- vacation care program run by the YMCA, funded by local employers;

- contribution towards start-up and/or recurrent costs of a family day carer, paid for by various employers, near a train station or school;
- renovation of a school hall in a regional town, so that an after school service can be set up and licensing standards met.

## Recommendations 17 and 18 - enable child care to be tax deductible

Labor members, like the Prime Minister and the Treasurer, are opposed to making child care tax deductible, because it is regressive and will only benefit high-earning taxpayers.

This is the clear conclusion of the economic consultants commissioned by the committee, who found:

...two main effects. First, those parents in low income brackets... will decrease their working hours...Second, those parents in high income brackets... will increase their working hours (p vi, Econtech report).

In other words, high-income earners will have tax incentives to earn more and to use more child care, while those on lower incomes will have disincentives to work, and cut back their hours.

This is a perverse outcome that should not be supported by the taxpayer.

Any tax change that results in reduced labour supply by a large section of the taxpaying community is a bad outcome.

Econtech found that, even under the model preferred by Liberal members of the Committee, the only winners from tax deductible child care are those who pay more than 30 cents tax in the dollar (currently, those earning more than \$75,000).

And while this will cost the budget an extra \$218 or \$262 million (depending on the model) annually, there will be virtually no increased workforce participation (the income tax that is forecast to flow from allowing childcare as a tax deduction is a miniscule \$1 million per year).

Damningly, Econtech finds that:

the main reason for this cost increase is the extension of the childcare subsidy to couple families with only one parent working (p 21).

In other words, the real winners under tax deductible child care are families that don't need child care - those where a parent stays at home to look after the children. For these families, the breadwinner can reduce his or her tax bill by using child care, even though child care for that family is not necessary.

From the taxpayer's perspective, this is a ludicrous proposal. For this reason, Labor cannot support it.

Ironically, despite Econtech being instructed by the Chair not to look at the 'behavioural and distributive effects' of allowing child care to be tax deductible, the following findings were unavoidable:

Econtech estimated that the effect of the new arrangements [the Chair's proposal] on income tax collected would be an increase in revenue of \$1.0 million per annum due to the changes in labour supply [ie, virtually none]. This means that the cost of the new arrangements to the government is \$499.2 million per year [ie, tax savings by people already in the workforce].

This speaks for itself.

Tax deductible child care will not lift women's workforce participation, it will just allow existing taxpayers on higher incomes to pay less tax.

It therefore is not a solution to the unaffordability of child care, or to increasing the labour participation of women in Australia.

## **Other comments**

### **Housing Affordability**

Rising housing costs means it takes young Australians longer to get ahead and thus longer to start their families.

In 2006, housing affordability is at its worst ever.

According to the Women's Action Alliance, drawing on a report by the National Centre for Social and Economic Modelling:

... in 1998 first home buyers paid an average of 30 per cent of disposable income on mortgage repayments but this had spiralled to 39 per cent in 2004. The study found all home borrowers paid an average of 27 per cent of disposable income on their mortgage repayments, compared with 26 per

cent in 1996. The researchers had found that 883,000 families and singles were suffering housing stress. Those considered in housing stress spend more than 30 per cent of disposable income on housing and are in the bottom 40 per cent of income earners.<sup>14</sup>

The committee was advised by the Australian Housing and Urban Research Institute that during the twentieth century, the long run historical average is that an average house costs six times the average annual income. In cities such as Sydney, this has now sky rocketed to nine times.<sup>15</sup>

As the committee report notes, owning a house is now a precursor to starting a family for many Australians. The logical impact of this desire is that when housing affordability falls, couples are likely to take longer to buy a house and thus longer to start a family.

The Australian Housing and Urban Research Institute informed the committee that:

The strongest aspiration for home ownership is found amongst those who intend to have children. Those who intend to have children are seven times more likely to aspire to home ownership.<sup>16</sup>

An online survey conducted by the Daily Telegraph found that of the respondents, 63% reported a delay in starting a family because of increased house prices.<sup>17</sup>

Despite the Government's promise to keep interest rates low, there have been eight interest rate rises.

A paper released by the Property Council of Australia on 21 November 2006, 'Improving housing affordability in NSW: A plan for industry and Government', revealed that housing affordability is worse now in 2006 than it was under 17 per cent interest rates, and Sydney housing is more expensive than London or New York. Furthermore, at least 750,000 people nationally suffer housing stress (paying a third of their income on housing).<sup>18</sup>

Labor members find the housing affordability crisis deeply disturbing. Young couples feel they need to own a home before they start a family, and this is

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14 Women's Action Alliance, sub 54, p 8.

15 Winter I, transcript, 10 April 2006, p 75.

16 Winter I, transcript, 10 April 2006, p 75.

17 Saurine A, 'Families Paying the Price' *Daily Telegraph*, 9 March 2006, p 17.

18 Perinotto T, 'Housing Shortage an Economic Threat', *Australian Financial Review*, 22 November 2006, p 53.

not an unreasonable expectation. Housing affordability has been an issue the Howard Government has failed to address for far too long.

Labor members believe that if the Government is going to encourage couples to have children earlier, it must address the issue of housing affordability so that this becomes a realistic possibility.

## Welfare changes

Labor members note the devastating impact of the welfare changes are already having on families, and in particular single mothers.

Labor supports workforce participation, and believes any one who can work should, however we also believe that we should care for those who can not.

The Government has shown with these changes how out of touch it is with the many sole parents who want to work but struggle to balance paid work with their parenting responsibilities.

Under Welfare to Work, a parent has to look for work when their youngest child turns six, and is dumped onto the dole when their youngest child turns eight. On the dole they will be over \$55 a fortnight worse off than if they were on the Single Parenting Payment.

Labor finds the impact of Welfare to Work on sole parents deeply concerning.

Labor recognises that for many disadvantaged job seekers, removal of barriers such as access to affordable quality child care and quality training and skills development are equally important measures needed to assist the unemployed find work.

Labor is committed to removing the barriers facing many of the long-term unemployed, especially sole parents, mature aged, the disabled and indigenous job seekers and providing incentives in the transition from welfare into work.

## Maternity Leave

The committee report has failed to recommend improvements to Australia's current legislated provisions for maternity and parental leave.

Greater unpaid parental leave and state funded maternity leave are two important ways to facilitate a better work family balance.

The Labor members note that Australia and the United States are the only two OECD countries that do not have a national paid maternity leave scheme. Australia should aim to meet OECD standards on paid maternity leave.

Professor Barbara Pocock told the committee:

I feel, and I think the literature suggests, that lumpy policies – policies that create barriers between transitions like high effective marginal tax rates or the lack of, for example, paid maternity leave – are very problematic. They impede transitions rather than facilitate them.<sup>19</sup>

The Labor members concur with Professor Pocock that a lack of adequate paid and unpaid maternity leave impedes transitions between jobs, care and work.

In regards to paid maternity leave, Professor Pocock stated:

It is quite hypocritical to make the implication that parental care is essential to babies but not to facilitate it. I think Australia has the resources. It is a rich country. It should be offering 12 months of paid carers leave to all its citizens who are workers. As I said in my first principle, this is not something that will just have meaning for working mothers; it will have meaning for the growing proportion of Australians who will find themselves caring for an aged parent or partner.<sup>20</sup>

Labor members support Professor Pocock's view that paid carers leave is both important and feasible.

Labor members advocate a fourteen week state funded paid maternity leave scheme as we believe paid maternity leave is both economically and socially responsible.

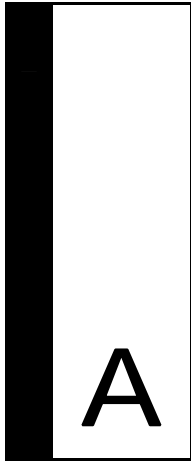
If maternity leave was funded by the state it would alleviate the potential costs to small businesses.

Labor supports an extension of the current provisions for unpaid maternity leave from one to two years. This would enable mothers to spend more quality time with their children in the early years, which we believe is important not only for families but for the community at large.

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19 Pocock B, transcript, 24 May 2006, p 2.

20 Pocock B, transcript, 24 May 2006, p 3.



## Appendix A - List of submissions

1. Mr Adrian Lee
2. Ms Danny Kingsley
3. Mr Barry Morgan
4. Ms Karen Davies
5. Upper Murray Family Care Inc.
6. Taskforce on Care Costs
7. Dr John Leonard
8. Associate Prof Margaret Sims, Edith Cowan University
9. Mr Tony Lewis
10. Confidential
11. Ms Jillian Marsh
12. Ms Kath Day
13. Ms Angela Cotter
14. Ms Elly Taylor
15. Ms Tracey Huxtable
16. Ms Sarah Cooke
17. Ms Suraya Wager
18. Mr Paul Hutchinson



19. Mr Gary Coxon
20. Ms Kate Potter
21. Ms Paula Young
22. Mr Ben and Mrs Helen Starr
23. Capital Agricultural Consultants Pty Ltd
24. Mr Anthony Clark
25. Ms Louise John
26. Centre for Applied Social Research, RMIT University
27. Mr Greg Byrne
28. Endeavour Forum Inc
29. Dr Leslie Cannold, Centre for Applied Philosophy and Public Ethics,  
University of Melbourne
30. Ms Anne Gardiner
31. Centre for Child and Family Development
32. Ms Julie Lee, Employment Studies Centre, University of Newcastle
33. Mr Anthony Cruickshank
34. Mr Gary Coxon (Supplementary to Submission No. 19)
35. The Australian Family Association
36. Ms Linda Savage Davis
37. Ms Selina Lyons
38. Mr Paul Fulton
39. Shop, Distributive and Allied Employees' Association
40. Ms G O'Carroll
41. OzProspect
42. Ms Clara Hawker and Mr Alex Kleiman
43. Ms Susan Bentley
44. Ms Angela Shanahan
45. Confidential
46. The Church of Jesus Christ of Latter-Day Saints

47. Australian Infant, Child Adolescent and Family Mental Health Association Ltd
48. Australian Association for Infant Mental Health, SA Branch
49. Catholic Women's League Australia Inc.
50. Dr Lyn Craig
51. Ms Thomasina Ralston
52. Ms Elise Burchsmith
53. Australian Government – Department of Employment and Workplace Relations
54. Women's Action Alliance (Australia) Inc.
55. Isolated Children's Parents' Association of Australia Inc.
56. Families First Community Development Project and The Hills Community Aid and Information Service Inc.
57. Lutheran Church of Australia, Commission on Social and Bioethical Questions
58. Ms Marcia Ishlove
59. Relationships Australia Inc.
60. Australian Baha'i Community
61. Ms Julie Somerville
62. Families Australia Inc
63. Early Childhood Australia
64. Ms Kate Eastman
65. Catholic Welfare Australia
66. Ms Belinda Fenny-Walch
67. South Australian Premier's Council for Women
68. ACT Council of Social Service Inc.
69. Finance Sector Union of Australia
70. National Tertiary Education Industry Union
71. Ms Caroline Walch
72. Ms Jane Barrow

73. Prof Patricia Apps, Public Economics in Law, The University of Sydney
74. Working Women's Centre of South Australia Inc.
75. Ms Nicole Hurt
76. Australian Institute of Family Studies
77. Ms Ellen Edmonds Wilson
78. Job Futures Ltd.
79. Centre for Women's Studies and Gender Research, Monash University
80. The Benevolent Society
81. Ms Susan Bentley
82. Name Suppressed
83. Sydney IVF
84. Family First Party
85. COTA National Senior Partnership
86. Business Council of Australia
87. LCDR Lisa Batchler
88. Thomas More Centre
89. UnitingCare Burnside
90. Australian Government - Department of Human Services
91. Aston Family Relationship Centre
92. LCDR Elizabeth Mulder
93. Australian Federation of University Women Inc.
94. La Trobe University
95. Name Suppressed
96. Australian Chamber of Commerce and Industry
97. The Australian Family Association (NSW)
98. The Australian Family Association (VIC)
99. Womens Lawyers' Association of NSW Inc.
100. Restaurant and Catering Australia

101. Association of Professional Engineers, Scientists and Managers, Australia
102. Australian Government - Department of Family and Community Services
103. ABC Learning Centres Limited
104. Australian Council of Trade Unions
105. Dr Karleen Gribble
106. Ms Caroline Holmstrom Hoban
107. Aegis Consulting Australia Pty Ltd
108. National Council of Single Mothers and their Children Inc.
109. Western Australian Government - Minister for Consumer and Employment Protection
110. Ms Susan Courtney
111. Australian Capital Territory Government - Minister for Industrial Relations
112. National Family Day Care Council of Australia
113. YWCA of Australia
114. Australian Housing and Urban Research Institute Limited
115. Independent Education Union of Australia
116. Victorian Women's Trust Limited
117. The Australian Psychological Society Ltd
118. OzProspect (Supplementary to Submission No. 41)
119. Mr Michael Packman
120. Ms Narelle Ladd
121. Australian Education Union
122. Mr James Adams
123. Carol
124. Ms Margaret Blackman
125. Northern Territory Government - Office of the Commissioner for Public Employment

126. Mr John McAuley
127. Ms Robyn McNee
128. Queensland Government
129. Tasmanian Government, Paul Lenon, Premier
130. Childcare Associations Australia
131. Mr Glenn Thorpe
132. New South Wales Government
133. ANZ Banking Group Limited
134. Prof Peter McDonald, Head of Demography and Sociology Program,  
Research School of Social Science, Australian National University
135. Nanny Sharing Connections
136. Charlton Brown Group
137. Just for Kids Pty Ltd
138. Ms Helen Hesse-Patching
139. Dr Catherine Hakim, London School of Economics
140. Name Suppressed
141. Ms Lucy Sullivan
142. Community Child Care
143. Centre for Independent Studies
144. Ms Jesse Rowan
145. St Vincent de Paul Society
146. Walgett Shire Council
147. The Elite Nanny Service
148. Name Suppressed
149. Ms Debra Hampson
150. Victorian Government
151. Ms Suzanne Kowalski-Roth
152. Association of Professional Engineers, Scientists and Managers,  
Australia (Supplementary to Submission No. 101)

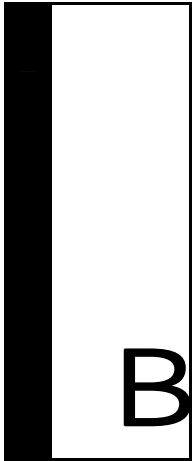
153. Australian Chamber of Commerce and Industry (Supplementary to Submission No. 96)
154. Ms Edwina MacDonald
155. South Australian Government
156. Australian Institute of Family Studies (Supplementary to Submission No. 76)
157. The Elite Nanny Service (Supplementary to Submission No. 147)
158. The Work and Family Policy Roundtable
159. Susan Rogan Family Care
160. University of Ballarat, School of Business
161. ANZ Banking Group Limited (Supplementary to Submission No. 133)
162. Just Nannies
163. Dr Peter Cook
164. Women's Electoral Lobby Australia Inc.
165. Canberra Montessori Society Inc
166. Honeybrook
167. Ms Danielle Storm
168. Study Work and Travel.Com
169. Ms Yvonne Wiltshire
170. Mr Paul Richards
171. Ms Jo'Anne Langham
172. Ms Jenny De Lacy
173. Ms Jo Stanford
174. Association for Children with a Disability
175. Australian Council of Trade Unions (Supplementary to Submission No. 104)
176. Toddler Kindy GymbaROO Pty Ltd
177. Mrs Annette Milburn
178. Mrs Sally Shackcloth

179. Ms Amanda Stapledon
180. Dr Peter Cook (Supplementary to Submission No. 163)
181. The Australian Family Association NSW (Supplementary to Submission No. 97)
182. The Australian Family Association NSW (Supplementary to Submission No. 97 and 181)
183. The Australian Family Association NSW (Supplementary to Submission No. 97, 181 and 182)
184. CareforKids.com.au
185. Mrs Jennifer Selas
186. Centre for Women's Studies and Gender Research, Monash University (Supplementary to Submission No. 79)
187. Confidential
188. Planning Institute Australia
189. Western Australia Police Service
190. Name Suppressed
191. Ms Jac Taylor
192. Professor Patricia Apps (Supplementary to Submission No. 73)
193. Name Suppressed
194. Mrs Edwina McLachlan
195. Mrs Edwina McLachlan (Supplementary to Submission No. 194)
196. Isolated Children's Parents' Association of Australia Inc. (Supplementary to Submission No. 55)
197. Ms Katrina Clark
198. Childcare Queensland
199. National Carers Coalition
200. Australian Bureau of Statistics
201. Prof Fiona Stanley
202. Mr Trevor Hay
203. Confidential

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204. Relationships Australia Inc (Supplementary to Submission No. 59)
  205. Centrelink
  206. Australian Government - Department of Employment and Workplace Relations
  207. Australian Bureau of Statistics (Supplementary to Submission No. 200)
  208. Dr Peter Cook (Supplementary to Submission No. 163 and 180)
  209. Australian Government - Department of Families, Community Services and Indigenous Affairs
  210. Ms Mary Lou Carter
  211. Number not assigned
  212. Taskforce on Care Costs (Supplementary to Submission No. 6)
  213. Ms Amanda Stapledon (Supplementary to Submission No. 179)
  214. Confidential
  215. Ms Joan Garvan
  216. Mr Louis Leahy
  217. The Australian Family Association VIC (Supplementary to Submission No. 98)
  218. McMillan Shakespeare Limited
  219. McMillan Shakespeare Limited (Supplementary to Submission No. 218)
  220. Mr Andrew Gordon
  221. Mrs Fiona Engwirda
  222. Autism Early Intervention Outcomes Units
  223. Australian Government - Department of Families, Community Services and Indigenous Affairs (Supplementary to Submission No. 209)
  224. Mrs Barbara Page-Hanify
  225. Australian Breastfeeding Association







## Appendix B - List of Exhibits

- 1 Taskforce on Care Costs, Policy Research Paper, *Creating Choice: Employment and the Cost of care*, 24 February 2005  
(Related to sub 6)
- 2 Taskforce on Care Costs, *Summary report on survey findings: Creating Choice: Employment and the Cost of Care Survey*, 16 December 2004  
(Related to sub 6)
- 3 Newman L, *Family size and fertility gaps in Australia: the influence of men's and women's experiences of conception, pregnancy, birth and early parenthood*, September 2004  
(Provided by Ms Lareen Newman)
- 4 Newman L, *Geographical differences in fertility rates in Adelaide: A reflection of the social conditions of parenting?*, April 2004  
(Provided by Ms Lareen Newman)
- 5 Centre for Applied Social Research, RMIT University, *Background Report: Key Work and Family Trends in Australia*, April 2004  
(Related to sub 26)
- 6 *Australian Computer Society Policy Statement on Work Life*, February 2005  
(Provided by Australian Computer Society)
- 7 The Church of Jesus Christ of Latter-day Saints, *The family: A Proclamation to the World*  
(Related to sub 46)

- 8 Australian Council of Trade Unions, *Fifty Families: what unreasonable hours are doing to Australians, their families and their communities?* July 2001  
(Related to sub 121)
- 9 Relationships Australia Inc, *Relationship Indicators Survey 2003*, December 2003  
(Related to sub 59)
- 10 Prof Patricia Apps, University of Sydney, *The high taxation of working families*, October 2004  
(Related to sub 73)
- 11 Australian Council of Social Service, *The ACOSS better family income package*, Paper 135, February 2004  
(Related to sub 121)
- 12 Australian Education Union, *Submission to Senate Employment, Workplace Relations & Education Legislation Committee Inquiry into the Workplace Relations Amendment (Paid Maternity Leave) Bill 2002*, July 2002  
(Related to sub 121)
- 13 Chalmers J & Hill T, *Part-time work and women's careers: Advancing or retreating?*  
(Related to sub 26)
- 14 *SureStart - Childcare Approval Scheme Application Form*  
(Provided by Australian Professional Nannies)
- 15 Australian Council of Trade Unions, *Work and Family Test Case 2004*, ACTU *Outline of Contentions*, April 2004  
(Related to sub 121)
- 16 Department of Employment, Labour and Social Cohesion, *Plan for the Development of Human Services: To establish a national centre of excellence in the Human Services sector*, February 2005  
(Related to sub 107)
- 17 *Charlton Brown Group* (brochure package) and *Presentation to Standing Committee on Family and Human Services*, July 2005  
(Related to sub 136)

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- 18.1 Finance Sector Union of Australia's submission sent to HREOC in response to the inquiry into Pregnancy at Work  
(Related to sub 69)
- 18.2 Finance Sector Union of Australia's submission sent to HREOC in response to sex discrimination commissioner's paper, *Evaluating parenthood: Options for paid maternity leave*  
(Related to sub 69)
- 18.3 Finance Sector Union of Australia, *Pressure from all sides: life and work in the finance sector*, July 2000  
(Related to sub 69)
- 19 Brigham Young University, *Navigating a successful course, harmonising work and family: a successful course towards a better business bottom line*, 2001  
(Related to sub 46)
- 20 Planning Institute Australia, *Findings and Recommendations of the National Inquiry into Planning Education and Employment*, August 2004  
(Related to sub 188)
- 21.1 Dwyer T, *The Taxation of Shared Family Incomes*, Perspectives on Tax Reform 2, CIS, 2004  
(Related to sub 143)
- 21.2 Saunders P & Maley B, *Tax Reform to make work pay*, Perspectives on Tax Reform 3, CIS, 2004  
(Related to sub 143)
- 21.3 The Centre for Independent Studies, *Where the Ideas Come From*, PreCIS, Vol 15(2), December 2005  
(Related to sub 143)
- 21.4 Saunders P, *The \$85 Billion Tax/Welfare Churn*, CIS, Issue Analysis No 57, April 2005  
(Related to sub 143)
- 21.5 Humphreys J, *Reform 30/30: Rebuilding Australia's Tax and Welfare Systems*, Perspectives on Tax Reform 3, CIS, 2005  
(Related to sub 143)

- 22 Centre for Applied Social Research, RMIT University, *Right to Request Flexible Working: Review of impact in the first year of legislation* (Related to sub 26)
- 23.1 de Vaus, D, *Diversity and Change in Australian Families: Statistical Profiles*, AIFS, 2004 (Related to sub's 76 & 156)
- 23.2 Weston R, Qu L, Parker R, "It's Not for Lack of Wanting kids" *A report on the fertility decision making process*, AIFS, 2004 (Related to sub's 76 & 156)
- 24 The Australian Psychological Society Ltd, *Diagram: Factors impacting on fertility decline*, August 2005 (Related to sub 117)
- 25.1 Shop Distributive and Allied Employee Association, *National Survey of Members: Work and Family*, 2005 (Related to sub 39)
- 25.2 Shop Distributive and Allied Employee Association, *Work and Family: Impact of Changed Conditions in the Retail Industry on the Families of Workers, Executive Summary* (Related to sub 39)
- 26.1 Australian Chamber of Commerce and Industry, *Work and Family: Principals of Work and Family Policy* (Related to sub 96)
- 26.2 Australian Chamber of Commerce and Industry, Extract, *Work and family, Modern Workplace: Modern Future Blueprint*, (chapter 9.4) (Related to sub 96)
- 26.3 Australian Chamber of Commerce and Industry Review, *Who pays for parenthood*, April 2002 (Related to sub 96)
- 26.4 Australian Chamber of Commerce and Industry Review, *Dissecting the Work and Family Debate*, January 2003 (Related to sub 96)

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- 26.5 Australian Chamber of Commerce and Industry Review, *National Work and Family Test Case - A lot at Stake*, October 2004  
(Related to sub 96)
- 26.6 Australian Chamber of Commerce and Industry, *Work and Family Solutions Package*, August 2003  
(Related to sub 96)
- 26.7 Australian Chamber of Commerce and Industry, *Introduction - Work and Family in Contemporary Australia* (ACCI/NFF Submission to AIRC Family Provisions Test Case), April 2004  
(Related to sub 96)
- 26.8 Australian Chamber of Commerce and Industry, *Best Practice Paper No.7, Encouraging Work and Family Measures in Australian Workplaces*, September 2000  
(Related to sub 96)
- 26.9 Australian Chamber of Commerce and Industry, Article, *The Sex Discrimination Act- An Employer Perspective Twenty Years On*, December 2000  
(Related to sub 96)
- 27.1 Women's Action Alliance, *Statistics on Labour Force*  
(Related to sub 54)
- 27.2 Women's Action Alliance, *Figures on the value of unpaid work*  
(Related to sub 54)
- 27.3 Women's Action Alliance, *Do women want to be in paid employment during their children's early years?*  
(Related to sub 54)
- 28 The Law Society of New South Wales, *The Case for Flexibility: Delivering Best Practice in Integrating Work and Life in the Legal Profession*
- 29 Sullivan L, *Keeping the household income on an even keel to promote family fertility*, March 2003  
(Related to sub 141)
- 30.1 Business Council of Australia, *Balancing work and Family: A Business Council of Australia Survey*  
(Related to sub 86)

- 30.2 Business Council of Australia, *Workplace relations - the way forward*  
(Related to sub 86)
- 30.3 Business Council of Australia, *Taxation action plan for future prosperity*  
(Related to sub 86)
- 30.4 Business Council of Australia, *Workplace Relations Action Plan for Future Prosperity*  
(Related to sub 86)
- 31.1 Hakim C, *Competing family models, competing social policies*, AIFS, Family Matters No. 64, Autumn 2003  
(Related to sub 139)
- 31.2 Hakim C, *A new approach to explaining fertility patterns: Preference theory*, Population and Development Review 29(3):xx-xxx, September 2003  
(Related to sub 139)
- 31.3 Transcript, ABC Radio program, *The Europeans, Fertility rates, women in the workforce, and economic health*, February 2003  
(Related to sub 139)
- 32 Murray J, *Report on International Trends in the Reconciliation of Work and Family Life*, School of Law, La Trobe University, April 2004
- 33 Australian Federation of University Women Inc, *Beijing +10 questionnaire*  
(Related to sub 93)
- 34.1 McDonald, Prof P, *An assessment of policies that support having children from the perspectives of equity, efficiency and efficacy*, December 2005  
(Related to sub 134)
- 34.2 McDonald, Prof P, *Low Fertility and the State: The Efficacy of Policy*  
(Related to sub 134)
- 35.1 Australian Association for Families of Children with Disability, Newsletter, *National Notice Board*, Edition 12, March 2004  
(Related to sub 174)
- 35.2 Australian Association for Families of Children with Disability, Newsletter, *National Notice Board*, Edition 23, January 2006  
(Related to sub 174)

- 35.3 Association for Children with a Disability Inc, Magazine, *Notice Board*, January 2006  
(Related to sub 174)
- 35.4 Association for Children with a Disability Inc, Brochure, *Information, support and advocacy for families of children with a disability in Victoria*  
(Related to sub 174)
- 35.5 Australian Association for Families of Children with Disability, Brochure, *Supporting families of children and young adults with disability across Australia*  
(Related to sub 174)
- 36 South Australian Government, Department of Trade and Economic Development, *The Virtual Village: Raising a child in the new millennium*, Report of the Inquiry into Early Childhood Services, January 2005  
(Related to sub 155)
- 37.1 United Kingdom Department of Trade and Industry, *The right to request and the duty to consider*, A guide for employers and employees, Flexible working, February 2003. (Received from the Centre for Applied Social Research, RMIT University, 2 August 2005)  
(Related to sub 26)
- 37.2 United Kingdom Department of Trade and Industry, *The Second Work-Life Balance Study: Results from the Employers' Survey – Executive Summary*, Employment Relations Research series no. 22, National Centre for Social Research, 2003. Received from the Centre for Applied Social Research, RMIT University, 2 August 2005)  
(Related to sub 26)
- 37.3 Chartered Institute of Personnel and Development and Lovells, *A parent's right to ask: A review of flexible working arrangements*, Survey report, October 2003. Received from the Centre for Applied Social Research, RMIT University, 2 August 2005)  
(Related to sub 26)
- 38.1 Australian Council of Trade Unions, *Family Provisions Case*, Agreement Arising from Conciliation, 27 June 2004. (Provided by ACTU)  
(Related to sub 175)



- 38.2 Chartered Institute of Personnel and Development, *Quarterly HR trends and indicators*, Survey report, Summer 2004. (Provided by ACTU, August 2005)  
(Related to sub 175)
- 38.3 Australian Council of Trade Unions, *Section 7: The Anti Discrimination Cases*. (Provided by ACTU, 10 August 2005)  
(Related to sub 175)
- 38.4 United Kingdom Department of Trade and Industry, *Results of the first flexible working employee survey*, Employment Relations Occasional Papers, 2004. (Provided by ACTU, August 2005)  
(Related to sub 175)
- 38.5 United Kingdom MORI Social Research Institute, *The Second Work-Life Balance Study: Results from the Employees' Survey*. (Provided by ACTU, August 2005)  
(Related to sub 175)
- 38.6 United Kingdom Department of Trade and Industry, *Choice and Flexibility*, Regulatory Impact Assessment, Work and Families, February 2005. (Provided by ACTU, August 2005)  
(Related to sub 175)
- 39 Australian Government, Department of Family and Community Services, *A preliminary assessment of the contribution of child care to the Australian economy*. (Received from ABC Learning Centres Pty Ltd, 22 July 2005)  
(Related to sub 103)
- 40.1 Cook PS, *Rethinking the early childcare agenda: Who should be caring for very young children?* Appendix 9, Viewpoint, The Medical Journal of Australia, 170: 29-31, 1999;  
<http://www.mja.com.au/public/issues/jan4/ccok/ccok.html>  
(Related to sub 180)
- 40.2 Cook PS, *Feminism, childcare, and family mental health: have women been mis-led by equality feminism?* Appendix 10, 1999  
(Related to sub 180)

- 40.3 Brundtland Dr Gro Harlem, former Director-General, World Health Organization, biographical details, Appendix 11. (Provided March 2006)  
(Provided by Dr Peter Cook)  
(Related to Sub 180)
- 40.4 Freeman D, *The fateful hoaxing of Margaret Mead: Unravelling the hoax on the nature of human nature: an Historical Analysis of her Samoan Researches*, Boulder, Colo, Westview, 1999. For a summary/review of this book contact [pcook@midcoast.com.au](mailto:pcook@midcoast.com.au) (Provided by Dr Peter Cook)  
(Related to sub 180)
- 41 Australian Council of Social Service, *Fair Start: 10-point plan for early childhood education & care*, ACOSS Info 383, February 2006
- 42.1 MotherInc., *Balance - A guide for busy parents*, produced by Nurofen for Children in association with motherinc.om.au. (Received March 2006)
- 42.2 MotherInc., *Balance - A guide for busy mothers managing work & family*, produced by Nurofen for Children in association with motherinc.om.au. (Received March 2006)
- 43.1 The Australian, *Paedophiles among female carers*, article, 7 March 2006  
(Related to sub 97)
- 43.2 Australian Family Association, *Aims and Objectives*, pamphlet.  
(Provided by the Australian Family Association, NSW)  
(Related to sub 97)
- 43.3 Daily Telegraph, *Families paying the price*, article.  
(Provided by the Australian Family Association, NSW)  
(Related to sub 97)
- 43.4 Australian Family Association, *Men and Women Apart: Partnering in Australia*, Centre for Population and Urban Research, Monash University, 2004. (Provided by the Australian Family Association, NSW)  
(Related to sub 97)
- 44 Women Lawyers Association of NSW Inc, *Submission to the Human Rights and Equal Opportunity Commission*  
(Related to sub 99)

- 45.1 Sydney IVF, *National Health and Medical Research Council*  
(Related to sub 83)
- 45.2 Sydney IVF, *Submission to legislation Review Committee to Amend the Prohibition of Human Cloning Act 2002*  
(Related to sub 83)
- 45.3 Sydney IVF, *National Health and Medical Research Council - Ethical guidelines on the use of assisted reproductive technology in clinical practice and research*  
(Related to sub 83)
- 46.1 Australian Education Union, *Australian Education Union Submission to the Senate Employment, Workplace Relations and Education Legislation Committee*  
(Related to sub 121)
- 46.2 Australian Education Union, *Australian Council of Social Service - The ACOSS better family incomes package*  
(Related to sub 121)
- 46.3 Australian Education Union, *Teacher Leave Entitlements Table*  
(Related to sub 121)
- 47.1 Care For Kids.com.au, *Australia's online child care resource*  
(Related to sub 184)
- 47.2 Care For Kids.com.au, *Parents Comments from the 2006 Care for Kids.com.au Annual Child Care Survey*  
(Related to sub 184)
- 48 Victorian Women's Trust, *Ordinary Women, Extraordinary Lives*  
(Related to sub 116)
- 49 Monash University, *What Women (and men) Want Births, Policies and Choices*  
(Related to sub 79)
- 50 Dr Leslie Cannold, *What, No baby?*  
(Related to sub 29)
- 51.1 Australian Institute of Family Studies, *Family Matters- Australian Institute of Family Studies 25th Anniversary; Growing Up in Australia*  
(Related to sub 76)

- 51.2 Australian Institute of Family Studies, *Family Matters - Australian Institute of Family Studies; Attitudes to Child Support*  
(Related to sub 76)
- 52.1 Catholic Women's League Australia Inc  
*Day-care nightmare: Child expert warns of mental-health risk*  
(Related to sub 49)
- 52.2 Catholic Women's League Australia Inc, *Paediatrics- Electronic Article: Influence of Day Care Attendance on the Use of Systemic Antibiotics in 0-to 2 Year Old Children*  
(Related to sub 49)
- 53.1 Monash University, *Monash University - Recruitment Data from the Family, Fertility and the Future Study: Final Recruitment Report, October 2003*  
(Related to Submission No. 79)
- 53.2 Monash University, *Interview Questions from the Family, Fertility and the Future Study*  
(Related to sub 79)
- 54 Australian Infant, Child, Adolescent and Family Mental Health Association Ltd, *Selected mental health brochures produced by the Commonwealth Department of Health and Ageing, the Australian Infant, Child Adolescent and Family Mental Health Association*  
(Related to sub 47)
- 55 Isolated Children's Parents' Association of Australia Inc  
*The impact of drought on secondary education access in Australia's rural and remote areas*  
(Related to sub 55)
- 56 Department of Trade and Economic Development  
*Better Skills. Better Work. Better State. - A Strategy for the Development of South Australia's Workforce to 2010*  
(Related to sub 155)
- 57.1 MotherInc., Media Release: 28 Nov 2002 - *New Research Shows Biggest Challenge for Working Mothers is Being Available for Sick Children*
- 57.2 MotherInc., Media Release- *Australian Women Say YES to Maternity Leave*

- 57.3 MotherInc., *Media Release- 16 Aug 2005 - 21st Century Dad: How do Australian Fathers Measure Up at Home?*
- 58 Australian Council of Social Service  
*Facts about single parent families and welfare*
- 59 Dr Marian Baird, *Rethinking work and family policy: The making and taking of parental leave in Australia*
- 60 Apps P, *Family Taxation: An Unfair and Inefficient System*, Discussion paper no. 524, Centre for Economic Policy Research, The Australian National University, May 2006  
(Related to sub 73)
- 61.1 Jansen RPS, *Clinical Perspectives: Benefits and challenges brought by improved results from 'in vitro' fertilization*, *Internal Medicine Journal* 2005; 35: 108-117  
(Provided by Sydney IVF)  
(Related to sub 83)
- 61.2 Jansen RPS, *The effect of female age on the likelihood of a live birth from one in-vitro fertilization treatment*, *Research, MJA*, Vol 178, 17 March 2003.  
(Provided by Sydney IVF)  
(Related to sub 83)
- 61.3 Jansen RPS and GJ Burton, *Mitochondrial dysfunction in Reproduction*, *Mitochondrion* 4 (2004) 577-600, accepted 12 July 2004.  
(Provided by Sydney IVF)  
(Related to sub 83)
- 61.4 Jansen RPS, *Older ovaries: ageing and reproduction*, *The Medical Journal of Australia*, Vol 162, 19 June 1995. (Provided by Sydney IVF)  
(Related to sub 83)
- 62 Relationships Australia, *Relationships Indicators Survey 2003*, December 2003. Received 29 May 2006.
- 63 Complete Childcare Solutions, *Feasibility, implementation and management of workplace childcare services*, Complete Childcare Solutions Pty Ltd, 2006.

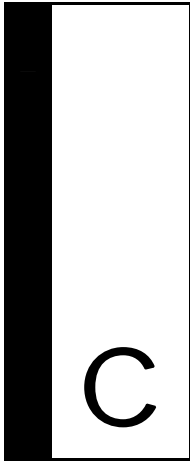
- 64.1 Australian family Carers for the *Walk a Mile in My Shoes Campaign*, Discussion Paper 1, *The Australian Constitution (S. 177), the Universal Declaration of Human Rights and The Absence of Rights for Australian Family Carers of Citizens with Dependent Disabilities*, September 2005.  
(Related to sub 199)
- 64.2 Australian family Carers for the *Walk a Mile in My Shoes Campaign*, Discussion Paper 2, *Unpaid Caring: 'Voluntary or involuntary Slavery?'*, September 2005.  
(Related to sub 199)
- 65 Stapledon A, *Children with a disability [who have challenging behaviour and/or complex care needs] - A vision to enhance their lives and those of their families*, speech presentation to a Respite Network Meeting, 13 June 2006.  
(Related to sub 179)
- 66 Australian Bureau of Statistics, *Statistical Summaries (20)*, 14 June 2006.  
(Related to sub 200)
- 67 Relationships Australia, Family Relationships Education Course Audit 2005, RA Internal Working Document, received at Public Hearing 29 May 2006.  
(Related to sub 204)
- 68 Australian Bureau of Statistics  
*Taxation Ruling; Fringe Benefits tax: meaning of business premises*
- 69.1 Cook P, extracts from: 'The Forgotten Sides of Day Care for Under 3s', *early child care: Infants and Nations at Risk*, The Canadian Society for the Prevention of Cruelty to Children, 12/14/2004.
- 69.2 Wade M, *ALP's baby bonus - more leave - less tax*, The Sydney Morning Herald, 29 July 2006. (Provided by Dr Peter Cook)  
(Related to sub 208)
- 69.3 Cook P, *The Forgotten Sides of Daycare for Under 3's*, Canadian Society for the Prevention of Cruelty to Children, Canada, January 2004.  
(Related to sub 208)
- 70 Northern Territory Government, Commissioner for Public Employment, *Managing Work Life Balance in the NTPS*, Policy and Implementation Plan 2004-2006, August 2004.  
(Related to sub 125)

- 71 OECD, selected statistics from OECD study on reconciling work and family life (unpublished). Provided by Peter Whiteford, OECD, 5 April 2006.
- 72 Selected correspondence, reports and articles concerning care for children with special needs over 12 years of age. (Provided by Amanda Stapledon) (Related to sub 213)
- 73 Currawong Childcare Centre, *Currawong Childcare Centre Waiting List Application and Allocation Policy*, Application Form, rev 7, July 2005. (Provided by Department of Foreign Affairs and Trade)
- 74 Biddulph S, *Raising Babies: Should under 3s go to nursery*, HarperCollins Publishers Ltd, 2005. (Provided by Dr Peter Cook)
- 75 Guyonne Kalb and Wang-Sheng Lee, *A Note on the Microsimulation Modelling Results of the "Working Model": An Alternative Policy for Alleviating the Cost of Care*, commissioned by the Taskforce on Care Costs, 16 October 2006. (Provided by Juliet Bourke, Aequus Partners, 17 October 2006)
- 76 Taskforce on Care Costs, *Where to now? 2006 TOCC Final Report*, 18 October 2006.
- 77 Deloitte Australia, submission to the Federal Treasurer, *Exemption of Child Care from Fringe Benefits Tax*, 11 November 2005.
- 78.1 Garvan G, *A point of vulnerability: links between domestic violence and mothering*, report and annotated bibliography, funded by Centre for Research for Women, Curtin University of Technology, WA, December 2002 (Related to sub 215)
- 78.2 Newman L, *Family size and fertility gaps in Australia: the influence of men's and women's experiences of conception, pregnancy, birth and early parenthood*, Population and Society: issues, research, policy; 12th Biennial Conference of the Australian Population Association, 15-17 September 2004, Canberra. (Provided by Ms Joan Garvan) (Related to sub 215)
- 78.3 Garvan J, *Summary Transition to Parenthood Research* (unpublished). Received 1 November 2006. (Related to sub 215)

- 78.4 Garvan J, *Mothering - Fathering Bibliography*, Joan Garvan, ACT, 17 October 2003.  
(Related to sub 215)
- 79.1 Combined Advocacy Groups of Queensland, Response to *Enhancing the National Disability Advocacy Program*, Consultation Paper, October 2006.  
(Related to sub 224)
- 79.2 Community Resource Unit Inc, letter to New South Wales Government, Department of Families, Community Services & Indigenous Affairs; Response to Consultation Paper, *Enhancing the National Disability Advocacy Program* (undated). Received 29 November 2006.  
(Related to sub 224)
- 79.3 Queensland Advocacy Incorporated, Review of National Disability Advocacy Program, a response by Queensland Advocacy Inc., QAI submission to Queensland Government, Department of Families, Community Services and Indigenous Affairs, 27 October 2006.  
(Related to sub 224)
- 80.1 Australian Breastfeeding Association, *Australian Breastfeeding Leadership Plan*, Victoria, August 2004.  
(Related to sub 225)
- 80.2 Kerr CM, *Nannies – The Invisible Workforce: Conceptions of Their Role*, School of Early Childhood, Faculty of Education, Queensland University of Technology, thesis for Master of Education, August 2003.







## Appendix C – List of Public Hearings

### Public Hearings

Tuesday, 19 April 2005 - Sydney

#### **Individuals**

Ms Katrina Flynn

#### **Australian Computer Society**

Mr Edward Mandla, President

#### **Catholic Welfare Australia**

Mr Frank Quinlan, Executive Director, National Secretariat

Mr Bernard Boerma, Director

#### **Taskforce on Care Costs**

Ms Juliet Bourke, Chair

Ms Gabrielle Upton, Deputy Chair

#### **Social Policy Research Centre, University of NSW**

Dr Lyn Craig

Friday, 22 July 2005 - Brisbane

**ABC Learning Centres Limited**

Mr Martin Kemp, Executive Director

**Aegis Consulting Australia**

Mr Vishal Beri, Director

Ms Annette Tranent, Specialist Adviser

**Charlton Brown Group**

Mrs Kay Ganley, Chief Executive Officer

**COTA National Seniors**

Mr David Deans, Chief Executive

Tuesday, 2 August 2005 - Melbourne

**Australian Chamber of Commerce and Industry**

Mr Chris Harris, Senior Adviser, Workplace Relations

**ANZ Banking Group Ltd**

Mr Shane Freeman, Group General Manager, People Capital

Ms Jane Nash, Head of Government and Regulatory Affairs

Mrs Colleen Starick, Project Manager, Child Care

**Australian Chamber of Commerce and Industry**

Mr Peter Anderson, Director, Workplace Policy

**Australian Institute of Family Studies**

Mr Michael Alexander, Principal Research Fellow

Dr Matthew Gray, Deputy Director Research

Prof Alan Hayes, Director

**Australian Psychological Society**

Prof Lyn Littlefield, Executive Director

Dr Susan Bourke, Research Officer, Social Issues

**Centre for Applied Social Research, Royal Melbourne Institute of Technology University**

Dr Jenny Chalmers, Senior Research Associate

Dr Sara Charlesworth, Research Fellow

**Australian Institute of Family Studies**

Ms Ruth Weston, Principal Research Fellow

**Women's Action Alliance (Australia) Inc.**

Mrs Pauline Smit, National Secretary

Mrs Isabel Schofield, Victorian State President

Mrs Helen Richards, Member, Victorian Branch

**Wednesday, 3 August 2005 - Melbourne**

**Association of Professional Engineers, Scientists and Managers Australia**

Ms Karina Bader, President

Ms Erin Wood, Director

Ms Jane Waldock, National Assembly Member

**Australian Council of Trade Unions**

Ms Sharan Burrow, President

Ms Cath Bowtell, Industrial Officer

**Shop Distributive and Allied Employee Association**

Mr Ian Blandthorn, National Assistant Secretary

Mrs Therese Bryant, National Women's Officer

**Thursday, 22 September 2005 - Sydney**

**Australian Professional Nannies**

Mr David Wilson, Director

Mrs Sarah Elghitany, Scheme Coordinator

**Care For Kids.com.au**

Ms Lara Slattery, Proprietor

Ms Donna Douglas

Mrs Susanne Adelman

**Charlton Brown Group**

Mr Trevor Ganley, Director

Ms Kerrie Van Veenendaal, Agent (Victoria)

Mrs Christine Kerr, Academic Director

**Elite Nanny Service**

Mrs Grace Scrimizzi, Managing Director

**Nanny Sharing Connections**

Mrs Hilary Gibietis, Director

Mr Paul Gibietis, Director

**The Australian Consortium of Nannies**

Ms Marina McHutchison, Director

Ms Anita McInally, Abacus Ark Corporate Childcare

**Individual**

Mrs Edwina McDonald

**My Little Friend**

Mrs Kathy Clark, Proprietor

Ms Sonya Stankovic, Registered Nanny

**Friday, 3 February 2006 - Sydney**

**Centre for Independent Studies**

Prof Peter Saunders, Director, Social Research

Mr Barry Maley, Senior Fellow

Miss Arti Sharma, Research Officer

**Job Futures Ltd**

Ms Sheridan Dudley, Chief Executive Officer

**Restaurant and Catering Australia**

Mr John Hart, Chief Executive Officer

**Sydney IVF**

Prof Robert Jansen, Medical Director

Dr Mark Bowman, Clinical Director

Dr Devora Lieberman, Gynaecologist

**Wednesday, 15 February 2006 - Canberra**

**Australian National University**

Prof Peter McDonald, Head, Demography and Sociology Program

**Wednesday, 1 March 2006 - Canberra**

**Department of Families Community Services and Indigenous Affairs**

Ms Alanna Foster, Acting Branch Manager, Family Payments,

Ms Kerry Flanagan, Group Manager, Women and Youth, Office for Women

Mr David Henri, Acting Branch Manager, Family and Children's Policy Branch,

Mr Jeff Pople, Branch Manager, Child Care Policy and Planning

**Monday, 13 March 2006 - Sydney**

**Individuals**

Mrs Elise Burchsmith

Ms Clara Hawker

Mrs Julie Somerville

**The Australian Family Association (NSW)**

Mrs Mary Louise Fowler, State President

Ms Angela Conway, Research Officer

**Women Lawyers Association of NSW Inc**

Ms Lee-May Saw, Treasurer

Mrs Bronwyn Carr, Committee Member

**UnitingCare Burnside**

Ms Sandra Simmons, Senior Manager, Social Justice, Partnerships and Communication

Ms Jenny Pannell, Policy Officer

Miss Sharon Griffin, Service User

Ms Gayle Lazonby, Service User

**The Australian Association for Infant Mental Health Inc**

Mr Victor Evatt, National President

**motherInc**

Ms Claudia Keech, CEO

**Monday, 10 April 2006 - Melbourne****Individuals**

Dr Leslie Cannold, Research Fellow, Centre for Applied Philosophy and Public Ethics, University of Melbourne

Dr JaneMaree Maher, Senior Lecturer, Centre for Women's Studies and Gender Research, Monash University

**Australian Housing and Urban Research Institute**

Dr Ian Winter, Executive Director

**Australian Institute of Family Studies**

Prof Hayes, Director

Dr Matthew Gray, Deputy Director

Ms Ruth Weston, General Manager

Mr Michael Alexander, Principal Research Fellow

**Business Council of Australia**

Ms Melinda Cilento, Chief Economist

**Community Child Care Association of Victoria**

Ms Barbara Romeril, Executive Director

**Tuesday, 11 April 2006 - Hobart**

**Individuals**

Ms Belinda Fenney-Walch

Mr Paul Fulton

Ms Jane Barrow

Ms Caroline Walch

**Catholic Women's League Australia Inc**

Mrs Maria Fracalossi, Social Issues Member

Mrs Maree Triffett, Social Issues Member

**Tasmanian Government**

The Hon Steven Kons MLA, Attorney-General, Minister for Justice, Minister for Workplace Relations and Minister for Planning for the State of Tasmania

Mr Jim Evans, Acting Director, Industrial Relations and State Service Management Division, Department of Premier and Cabinet

Ms Carol Herbert, Senior Policy Analyst, Policy Division, Department of Premier and Cabinet

**Thursday, 4 May 2006 - Adelaide**

**South Australian Government**

Mr Christopher Shakes, Director, Children's Services, Department of Education and Children's Services

Ms Karen Lablack, Director, Population and Migration, Department of Trade and Economic Development

Ms Fiona Mort, Area Manager, Policy, Office for Women

Ms Christine Harrison, Director, Strategy, Department of Further Education, Employment, Science and Technology

**Children of Mentally Ill Consumers**

Ms Paola Mason, Co-Convenor



**Children of Parents with Mental Illness, Australian Infant, Child,  
Adolescent and Family Mental Health Association**

Ms Elizabeth Fudge, Project Manager

**Isolated Children's Parents Association of Australia Inc**

Ms Glennis Crawford, Federal Secretary

Ms Bernadette Devenish-Batzloff, Publicity Officer

**National Council of Single Mothers and their Children Inc**

Dr Elspeth Margaret McInnes, Convenor

Ms Jac Taylor, Executive Officer

**South Australian Premier's Council for Women**

Ms Sally Ryan, Executive Officer

Ms Janet Giles, Council Member

**Working Women's Centre South Australia Inc.**

Sandra Dann, Director

**Tuesday, 16 May 2006 - Sydney**

**Individuals**

Ms Edwina McLachlan

**University of Sydney**

Prof Patricia Apps, Professor in Public Economics

Dr Marian Baird, Senior Lecturer, Faculty of Economics and Business

**The Australian Council of Social Services**

Mr Andrew Johnson, Director

Mr Gregor Macfie, Policy Officer

**Wednesday, 24 May 2006 - Canberra**

**Adelaide University**

Prof Barbara Pocock

**Monday, 29 May 2006 - Canberra**

**Relationships Australia**

Ms Mary Mertin-Ryan, Acting National Director

Ms Janenne Hamilton, Manager

**Wednesday, 31 May 2006 - Canberra**

**Department of Employment and Workplace Relations**

Ms Helen Innes, Director, Workplace Flexibility Section

Dr Alison Morehead, Assistant Secretary, Parent Policy Branch,  
Working Age Policy Group

Mr Malcolm Greening, Assistant Secretary, Wages Conditions Policy  
Branch

**Wednesday, 14 June 2006 - Canberra**

**Australian Bureau of Statistics**

Dr Patrick Corr, Director, Demography Section

Ms Barbara Dunlop, First Assistant Statistician, Social and Labour  
Statistics Division

Mr Paul McCarthy, Branch Head, Prices Branch

Mr Bob Mcoll, Assistant Statistician, Social Conditions Branch

Mr Horst Posselt, Director, Family and Community Statistics

Ms Sue Taylor, Team Leader

**Monash University**

Dr Robert Birrell, Centre for Population and Urban Research

**Wednesday, 21 June 2006 - Canberra**

**Individuals**

Ms KerriAnne Watson

**Australian Taxation Office**

Mr Mark Konza, Deputy Commissioner Small Business,

Mr Colin Walker, Assistant Commissioner

**Department of Treasury**

Mr Rob Heferen, General Manager, Social Policy Division

Mr Hector Thompson, Manager, Social Policy Division

**Friday, 30 June 2006 - Perth****Individuals**

Ms Karen Davies

Mr Paul Richards

Professor Fiona Stanley

**Western Australian Government**

The Hon. Suzanne Ellery MLC, Parliamentary Secretary to the Western Australian Attorney General and Parliamentary Secretary to the Western Australian Minister for Health

Ms Claire Purcell, Senior Labour Relations Adviser, Department of consumer and Employment Protection

**Western Australia Police Service**

Dr Karl O'Callaghan, Western Australian Police Commissioner

Ms Josephine Harrison-Ward, Executive Director

Mr Ford Murray, Community and Government Relations Manager, BHP Billiton

**Wednesday, 16 August 2006 - Canberra****Individuals**

Ms Amanda Stapledon

**Australian Bureau of Statistics**

Ms Barbara Dunlop, First Assistant Statistician, Social and Labour Statistics Division

Mr Bob McColl, Assistant Statistician, Social Conditions Branch

Mr Horst Posselt, Director, Family and Community Statistics, Social Conditions Branch

**Monday, 21 August 2006 - Darwin****Australian Defence Force**

Brigadier Craig Orme, Commander 1st Brigade, Australian Army

Captain Aaron Ingram, Commander, Patrol Group Darwin, Royal Australian Navy

Group Captain Mark Kelton, Senior Air Force Officer North, Royal Australian Air Force

Ms Janet Stodulka, Director-General, Defence Community Organisation

**Defence Partner's Support Group (Darwin)**

Ms Joanne Aboud, President

Ms Kim Meehan, Secretary

**Wednesday, 11 October 2006 - Canberra****CSIRO**

Mr Trevor Heldt, General Manager, People and Culture

Mr Warren Smith, Executive Manager, Specialist Services

**Department of Finance and Administration**

Mr Jonathan Hutson, General Manager, Corporate Group

Ms Philippa Crome, Branch Manager, HR Services

**Department of Foreign Affairs and Trade**

Ms Penny Williams, FAS, Corporate Management

Ms Lynda Worthaisong, Director, Recruitment and Workforce Planning

**Wednesday, 18 October 2006 - Canberra**

**Individuals**

Ms Jodie Romer

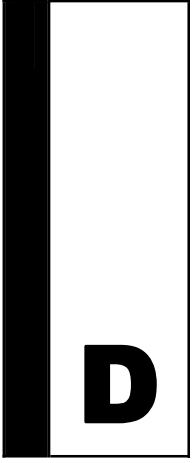
Prof Hilary Winchester

**Wednesday, 1 November 2006 - Canberra**

**McMillan Shakespeare Limited**

Mr Anthony Podesta, Chief Executive Officer

Mr John Jordan, Manager, Policy and Development



## **Appendix D**

### **Consultant's Report: Access Economics Pty Ltd**

8 November 2006



# Meeting Australia's Ageing Challenge:

## The Importance of Women's Workforce Participation

Report by Access Economics Pty Limited for

**The House of Representatives  
Standing Committee on Family  
and Human Services**

## The Importance of Women's Workforce Participation

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## EXECUTIVE SUMMARY

As part of its inquiry into balancing work and family, the House of Representatives Standing Committee on Family and Human Services has asked Access Economics to undertake macroeconomic modelling of the impact of changes to women's workforce participation on projected economic growth in coming decades.

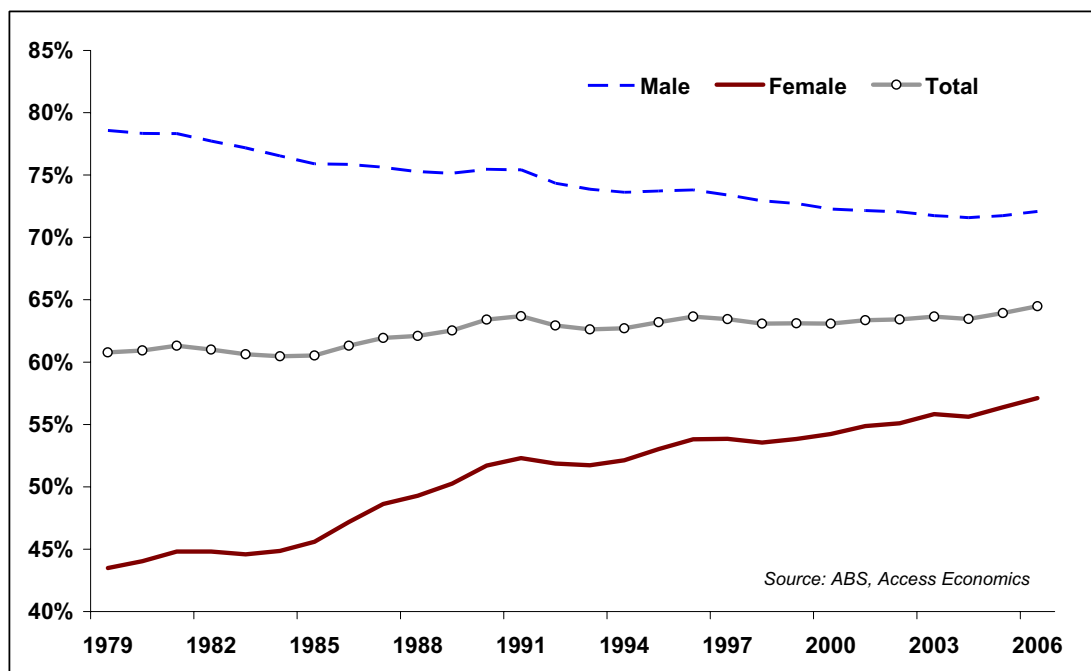
### THE INTERGENERATIONAL CHALLENGE

Over the next forty years the number of Australians aged 85 and over will go up by a factor of 5 – some 7 times for men, and 4 times for women. As the Australian Government's 2002 *Intergenerational Report* (IGR) noted, that will have a dramatic impact on both the economy and the Federal Budget:

- ❑ **Economic growth will slow** as a smaller share of the community will be of working age, reducing overall workforce participation.
- ❑ **Government finances will come under pressure** as pension and health care subsidies extended by society to the aged will pose a heavier burden in the future than they do at the moment.

So the potential problems here are well known. And so too are the potential solutions – **Australia needs to see a lift in its productivity growth and its participation rates.** Over the past three decades there has been a rise in the overall participation rate in Australia. That rise has been driven by a dramatic shift of women into the paid workforce, and builds on the increased availability of part-time jobs, child care and a more flexible work-life balance.

**TOTAL WORKING AGE PARTICIPATION IN AUSTRALIA**



## The Importance of Women's Workforce Participation

The increasing tendency of women to be in the workforce has helped lift overall participation rates across this period, even as male participation rates have declined. **In other words, there has been a major shift in the gender balance of Australia's workforce.** Workforce participation rates continue to differ between men and women, but the overall gap has been narrowing.

**This report considers the potential for and effects of further gains – or losses – in female participation.**

### POTENTIAL IMPACT OF FURTHER GAINS IN FEMALE PARTICIPATION

We consider two alternative scenarios for greater future workforce participation by women:

- (1) **Narrowing the 'gender gap' in participation rates.** In this scenario, female participation rates are increased so that the final gap between male and female participation rates is halved (excluding those aged 15-19, where female participation rates are higher). The split between full- and part-time employment (as a percentage of female participation) is unchanged.
- (2) **Boosting full-time participation rates for women.** Total participation rates for females rise as in the above scenario. However, part-time participation rates do not change, so that all the change occurs in full-time female employment.

In each case, participation rates for men are unchanged from the baseline scenario.

### WHAT IF FEMALE PARTICIPATION GAINS STALL?

Again two alternative scenarios for the future participation of women are considered:

- (3) **Constant female participation rates.** Where female participation rates are expected to rise they instead remain constant.
- (4) **An increase in part-time participation, with no lift in full-time participation.** This scenario includes increases in part-time participation as in the baseline scenario, but holds full-time participation rates at current levels.

The table below compares the resultant different visions of Australia's future.

ECONOMIC PROJECTIONS – CHANGES UNDER ALTERNATIVE SCENARIOS				
2041-42	Closing the gap	Boosting full-time participation	No further gains	Part-time increase only
	(1)	(2)	(3)	(4)
<b>Employment (000s)</b>	<b>467.5</b>	<b>467.5</b>	<b>-433.8</b>	<b>-213.0</b>
Full-time	218.1	513.0	-214.5	-212.2
Part-time	249.4	-45.5	-219.4	-0.8
<b>Full-time equivalent</b>	<b>326.1</b>	<b>493.3</b>	<b>-309.4</b>	<b>-212.5</b>
<b>Real Output (\$bn)</b>	<b>\$65.1</b>	<b>\$98.4</b>	<b>-\$61.8</b>	<b>-\$42.4</b>
% change	2.9%	4.4%	-2.8%	-1.9%
<b>per capita (\$)</b>	<b>\$2,237</b>	<b>\$3,385</b>	<b>-\$2,123</b>	<b>-\$1,458</b>

In brief, by 2041-42 these different scenarios have the potential to result in:

## The Importance of Women's Workforce Participation

- ❑ A range of employment outcomes from 300,000 *less than* projected in the IGR to 500,000 *more than* projected in the IGR.
- ❑ In turn, that implies a difference in national income (measured here in 2005-06 dollars) ranging from \$2,100 per head *less than* implied in the IGR to \$3,400 per head *more than* implied in the IGR.
- ❑ Or, put differently, that range implies a difference in national income ranging from 2.8% per head *less than* implied in the IGR to 4.4% per head *more than* implied in the IGR.

These sums are enormous.

Past analysis has suggested that the tax reforms of 2000 may have added somewhere in the region of 2½% to the national income of Australians (Access Economics, 2000), while promoting national competition policy may have added 5½% (Industry Commission, 1995).

Therefore these results are revealing. They suggest that the benefits to national income of boosting full-time female participation rank somewhere above those of tax reform and below those of promoting competition policy. Such estimates are imprecise at best, but they are a timely reminder of the importance of an issue that will grow with the passing of time.

**Australia's women are too valuable to waste – and their participation choices will make a notable difference to Australia's future prosperity.**

### OUR FUTURE – AND THE POLICIES REQUIRED TO UNLOCK ITS POTENTIAL

Australians have known for some time that key challenges await us. Indeed, a 2000 report for the Department of Health and Aged Care (Access Economics, *Too Valuable To Waste* – a report commissioned by the then Minister for Aged Care, the Hon Bronwyn Bishop MP) set out these risks and opportunities. The latter report concentrated on the potential opportunities from better tapping Australia's mature aged workforce. This report concentrates on the potential opportunities from better tapping Australia's female workforce.

Both these groups are vital to our future, because both groups contain large numbers of potentially underutilised skilled workers. As NATSEM has noted<sup>1</sup>:

- ❑ 7 out of every 10 new jobs created since 1990 have gone to tertiary qualified applicants.
- ❑ Nearly one in four working women now holds a university degree, up from one in ten in 1990.
- ❑ Education is closing the gender participation gap, with 43% of all new jobs created between 1990 and 2003 going to female graduates, up from 5% in 1990.

Indeed, more women than men now (a) graduate Year 12 and (b) earn tertiary qualifications, so **it would be a key failing on Australia's part were we to leave these locked up potential participation and productivity gains untapped.**

---

<sup>1</sup> *May the labour force be with you, The changing face of the Australian labour force 1985 – 2005*, AMP.NATSEM Income and Wealth Report Issue 12. November 2005, at page 1.

## The Importance of Women's Workforce Participation

### **WORKCHOICES – AND CHILDCARECHOICES TOO**

The increased participation of Australian women in the paid workforce has – like the recent round of *WorkChoices* policy changes – contributed to the increased flexibility of Australia's labour markets. In turn, that increased flexibility in labour markets has helped make Australia more prosperous, as well as less liable to fall into recession.

But more may yet be needed. In particular, as the modelling results in this report help to highlight, policy changes aimed to help to capture the economies of scale in the provision of childcare make sense.

The potential 'bang for the buck' in policies which help to unlock the participation and productivity of women workers is large, not merely in the longer term, but – given the current capacity constraints which the Reserve Bank has highlighted – in the short term as well.

**Access Economics**  
**8 November 2006**

## 1. INTRODUCTION

As part of its inquiry into balancing work and family, the House of Representatives Standing Committee on Family and Human Services has asked Access Economics to undertake macroeconomic modelling of the impact of changes to women's workforce participation on projected economic growth in coming decades.

In examining how the Australian Government can better help families balance their work and family responsibilities, the mix of financial and social incentives that Australian women face when choosing to enter or return to the paid workforce is crucial.

This report focuses on an important goal for those incentives – encouraging more women to take up flexible and rewarding roles in the paid workforce. It examines the economic projections of the Australian Government's 2002 *Intergenerational Report*, and assesses the contribution of expected increases in workforce participation by women to future growth in the Australian economy.

It also considers alternative assumptions about future work trends among women, highlighting the potential economic benefits of encouraging more women into the paid workforce.

The remainder of this report is arranged in three chapters:

- ❑ **Chapter 1** outlines the ageing challenges facing the Australian economy in coming decades.
- ❑ **Chapter 2** examines past trends in women's workforce participation, and reviews the prospects for the future.
- ❑ **Chapter 3** provides alternative projections of employment and economic growth under a range of assumptions about women's future work patterns.

## 2. AUSTRALIA'S AGEING CHALLENGE

It is now well known that Australia has an ageing population structure. A combination of falling death rates and associated rising life expectancy with the demographic bulge of the baby boomers will lead to a dramatic rise in the number of older Australians:

Over the next forty years the number of Australians aged 85 and over will go up by a factor of 5 – some 7 times for men, and 4 times for women (as relative life expectancy for men and women moves closer into alignment).

As the Australian Government's 2002 *Intergenerational Report* (IGR) noted, that will have a dramatic impact on both the economy and the Federal Budget:

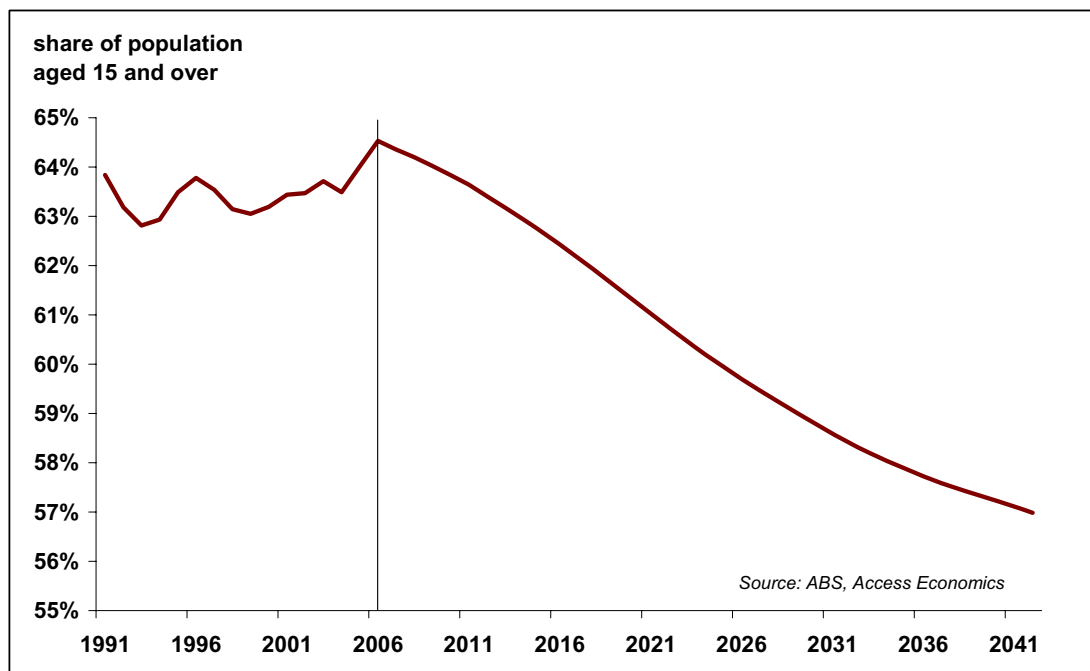
- ❑ **Economic growth will slow** as a smaller share of the community will be of working age, reducing overall workforce participation.
- ❑ **Government finances will come under pressure** as pension and health care subsidies extended by society to the aged will pose a heavier burden in the future than they do at the moment.

### 2.1 ECONOMIC GROWTH AND THE 'THREE PS'

Economic output – or the size of the national 'pie' – has three basic drivers:

- ❑ **Population:** How many people are available to the economy.
- ❑ **Participation:** How many of those potential workers choose to work.
- ❑ **Productivity:** How much each of those workers can produce.

CHART 1: TOTAL PARTICIPATION RATE PROJECTIONS



## The Importance of Women's Workforce Participation

In one sense, population provides a basic proxy for underlying *demand* growth in the economy. The *supply* growth implied by those overall population numbers will depend on how many Australians seek work in coming decades.

Overall participation rates are traditionally defined as the share of those in the working age population (those aged 15 and over) who are in work or looking for it. The chances are that increasing rates of retirement among the boomers may see Australia's participation rates fall over time (see Chart 1).

To that impact of ageing on likely numbers of workers may be added the effect of the expected slowing in overall population growth, with both factors implying that the first two 'Ps' – population and participation – may wane over coming decades.

### 2.2 THE AUSTRALIAN GOVERNMENT'S 2002 INTERGENERATIONAL REPORT

Life cycles can be usefully divided into three: childhood, working age and retirement.

These *three ages of life* are important because, as a society, we treat them differently.

In essence every society makes an intergenerational compact with itself. It subsidises investment in children by subsidising the education costs of children, and also their health costs. Society also subsidises retirement, by paying pensions to the less well off and by subsidising the healthcare costs of the ill and aged. Society pays for these subsidies to the young and the old by taxing the incomes of workers. There is therefore a budget government balance over the life cycle, as workers subsidise the young and the old.

However, as the Australian Government's *Intergenerational Report* (IGR) effectively noted, key **quantity** and **price** effects will change the nature of Australia's current intergenerational compact with itself.

In May 2002 the IGR noted our intergenerational compact was at risk in coming decades:

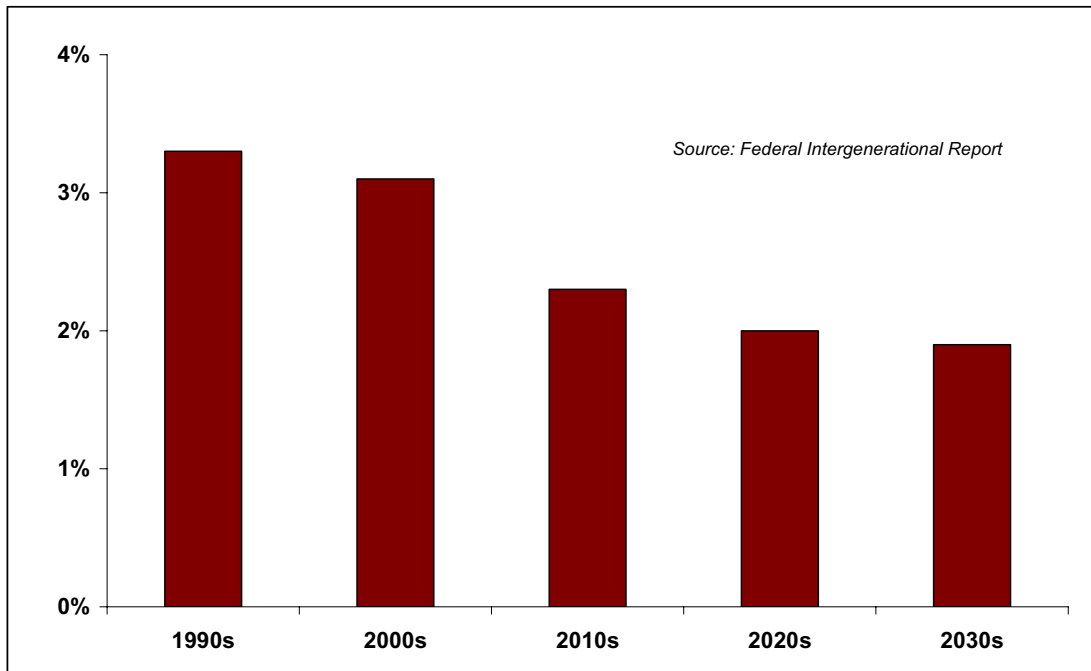
- ❑ **First from a quantity challenge:** Australia's ageing population means there will be a big increase in numbers of the aged relative to numbers of workers.
- ❑ **And second from a price challenge:** As the Australian Government heavily subsidises health spending for the aged in particular, the fact that the cost of delivering health care tends to rise over time relative to other costs in the economy means an additional strain.

Those twin challenges are projected to slow the rate of economic growth in coming decades. As shows, economic growth is tipped to slow by close to a third (see Chart 2), with potential growth rates to peak in the near future.

Alongside that slowdown in potential output growth, there will be considerable pressure on government finances. With greater quantities demanded of various goods and services implied by an ageing population structure in Australia, there are also relative price effects at work. The 2002 *Intergenerational Report* noted that health care costs, which make up a large proportion of Australian Government subsidies to the aged (and other age groups), have tended to grow at a faster rate than economy-wide prices in recent decades.

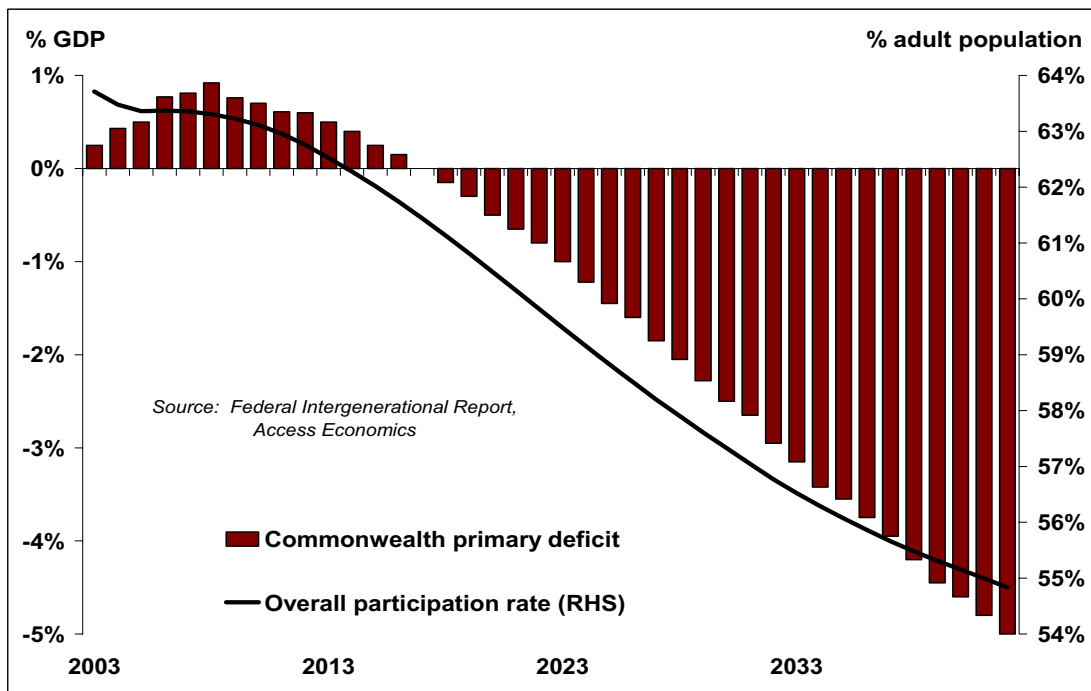
## The Importance of Women's Workforce Participation

**CHART 2: AVERAGE ECONOMIC GROWTH RATES BY DECADE – IGR PROJECTIONS**



Or, in other words, both quantity and price effects are set to operate to raise the cost of society's subsidies to the aged, leading to large, rising and ultimately unsustainable Australian Government deficits.

**CHART 3: PROJECTED FEDERAL DEFICITS AND LABOUR FORCE PARTICIPATION**





## The Importance of Women's Workforce Participation

So the 2002 IGR told Australians that, for this nation's intergenerational compact with itself to be sustained, either tax rates on workers will have to rise, or subsidy rates and/or the level of services to the young and the old will have to fall – or some mix of those two.

Adding to the problem faced by policymakers, the coming fiscal problems will mirror a wider slowdown in the Australian economy. Chart 3 shows that government spending will be rising at a time when the relative size of the workforce is shrinking.

### HOW HAS THE IGR PICTURE CHANGED SINCE 2002?

The *Intergenerational Report* will be updated ahead of next year's Budget. Since the initial IGR was released in 2002, some factors have improved the basic figuring on longer term fiscal finances, while others have worsened the outlook. On the plus side:

- ❑ The last two years have seen a notable slowdown in spending growth under the Pharmaceuticals Benefits Scheme (PBS) – a key culprit in the expected blowout in Government costs over coming decades.
- ❑ Retirement ages are rising once more – after being relatively steady for some time, participation rates among older Australians are rising at a faster rate than expected in the IGR.
- ❑ Another plus for the future workforce is that official migration targets have risen since the IGR was released.
- ❑ And, finally, birth rates look like stabilising at a higher rate than envisaged back in 2002.

Against that:

- ❑ Productivity growth has faltered in recent years – failing to meet the benchmark assumed in the IGR – and there is a risk that 'reform fatigue' could keep productivity growth, on average, below that benchmark.
- ❑ Life expectancy continues to rise at a faster rate than the IGR expected (that is, people may be working longer, but they are living longer too).
- ❑ Spending and tax cuts announced since the 2002 IGR have been considerable. Indeed, net new policy announcements since 2001 are now running at \$41 billion a year, or 4% of GDP. That is not having a major impact on current Budget surpluses thanks to strong economic conditions (and, in particular, high global commodity prices), but the latter may yet prove to be rather shorter-lived than the demographic challenges Australia faces.

### 3. WOMEN'S WORKFORCE PARTICIPATION

So the potential problems are well known.

And so too are the potential solutions – **Australia needs to see a lift in its productivity growth and its participation rates.**

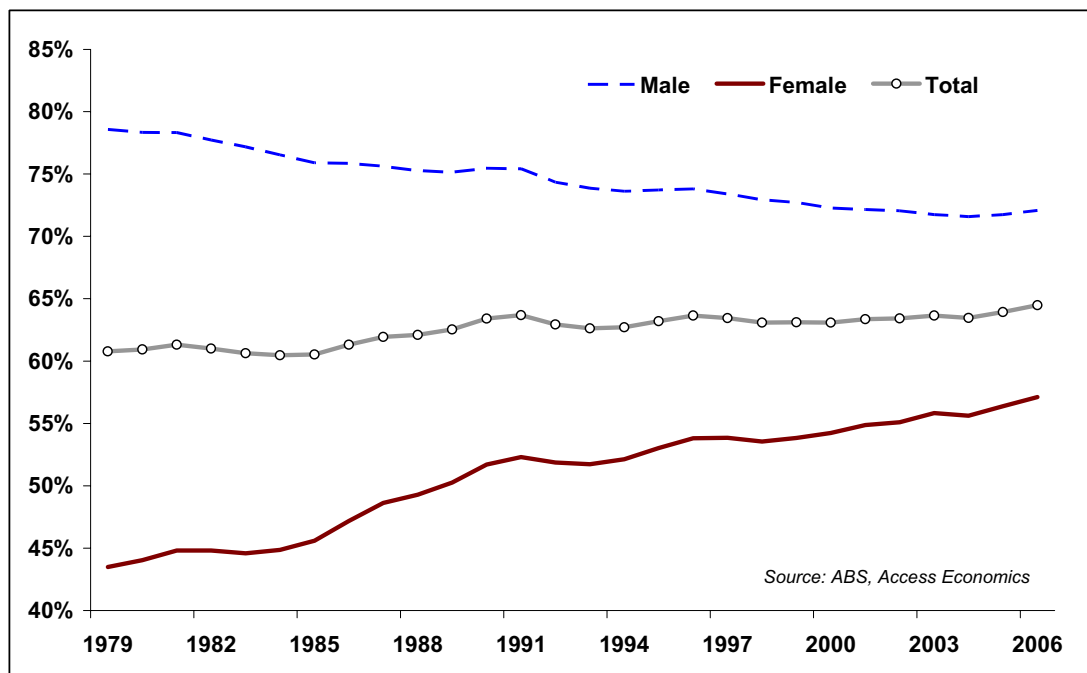
Over the past three decades there has been a rise in the overall participation rate in Australia. That rise has been driven by a dramatic shift of women into the paid workforce, and builds on increased availability of part-time employment, child care and a more flexible work-life balance.

#### 3.1 PAST FEMALE PARTICIPATION TRENDS

The increasing tendency of women to be in the workforce has helped lift national participation rates across this period, even as male participation rates have declined.

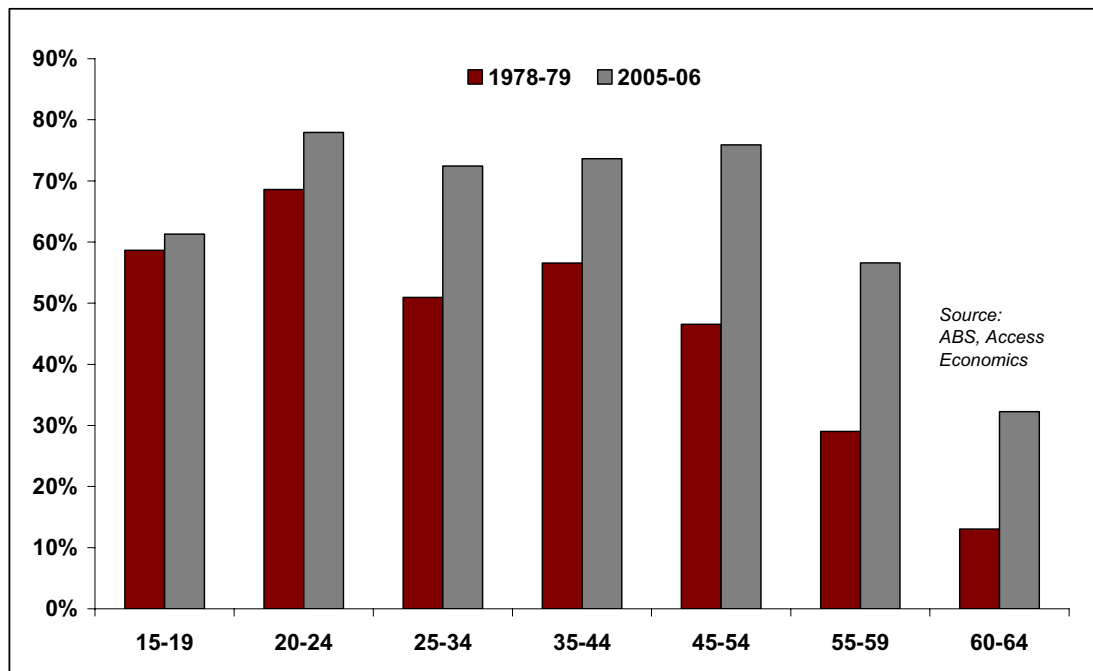
**In other words, there has been a major shift in the gender balance of Australia's workforce.** Workforce participation rates continue to differ between men and women, but the overall gap has been narrowing (see Chart 4).

CHART 4: TOTAL WORKING AGE PARTICIPATION IN AUSTRALIA

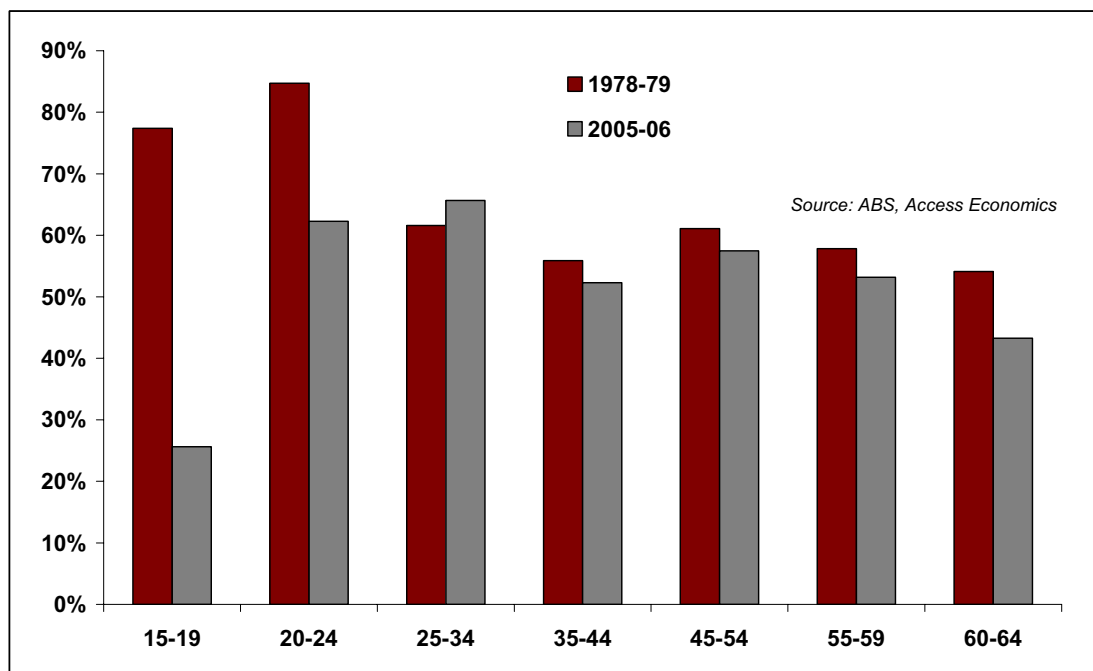


**The lift in women's participation has varied across age groups.** Much of the overall lift in female participation has come from older women, and those of prime working age. In contrast, overall participation rates among women aged 15-24 have been relatively flat.

## The Importance of Women's Workforce Participation

**CHART 5: FEMALE AGE-SPECIFIC PARTICIPATION RATES**

Workforce participation rates for those aged 45-54 started the 1980s at a lower base than the younger cohorts, but have since caught up, standing at just over 70%. From age 55 upwards female participation drops off markedly, but it has been rising too: participation by women aged 55-59 has increased by more than 20 percentage points over the past 20 years.

**CHART 6: FULL-TIME SHARE OF THE FEMALE WORKFORCE**

## The Importance of Women's Workforce Participation

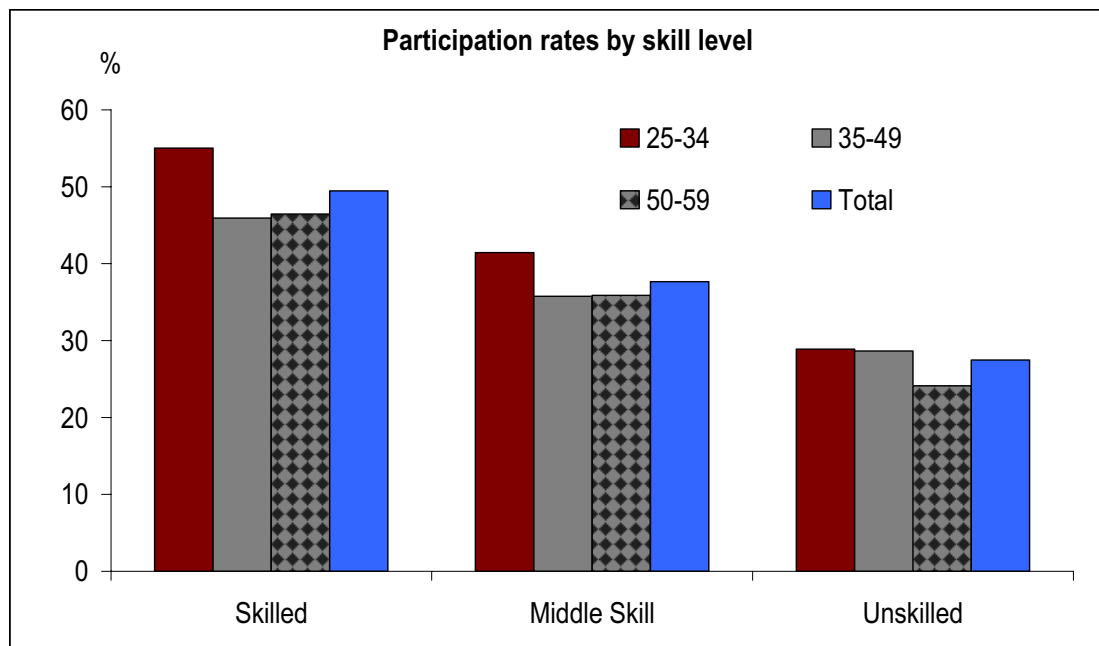
**Relatively more women are now working part-time.** The rate of full-time employment halved (as a share of total employment) in the 15-19 year age cohort between 1996 and 2001, and the increase in part-time work for women in their late-twenties in particular means that increases in absolute participation in this age cohort may not translate to a significant increase in the amount of hours worked.

This tendency almost certainly reflects an increasing move to completing secondary education and starting tertiary education. That is likely to be a key positive for future participation, particularly among women, as there is strong evidence that increasing education is a key driver of participation gains in the long term.

Higher education increases the wage an individual can command, giving them a stronger incentive to work, and reduces their likelihood of any spells in unemployment.

To the extent that higher skilled jobs tend to be less 'back breaking' and more interesting, it also means that older higher skilled workers are more likely to be willing and able to maintain a connection with the workforce than less skilled workers. There is ample evidence that increased educational attainment results in increased labour force participation – see Chart 7.

**CHART 7: AUSTRALIAN PARTICIPATION RATES AND SKILL LEVELS**



\*Where Skilled represents a bachelor degree or higher, and unskilled no qualification

### 3.2 RECENT DEVELOPMENTS

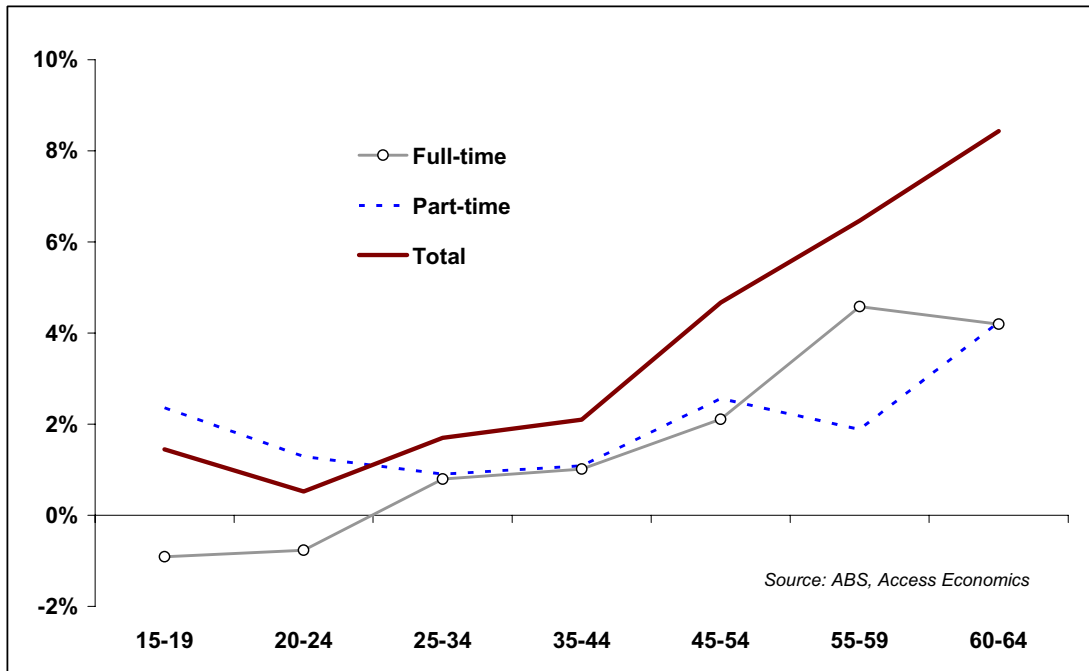
That pattern is evident in Chart 8, which shows that female participation rates have fallen at younger ages and risen at older ages in the past four years.

This pattern is promising – it suggests women are gaining more education in their younger years, which will in turn see them working harder for longer as they age.

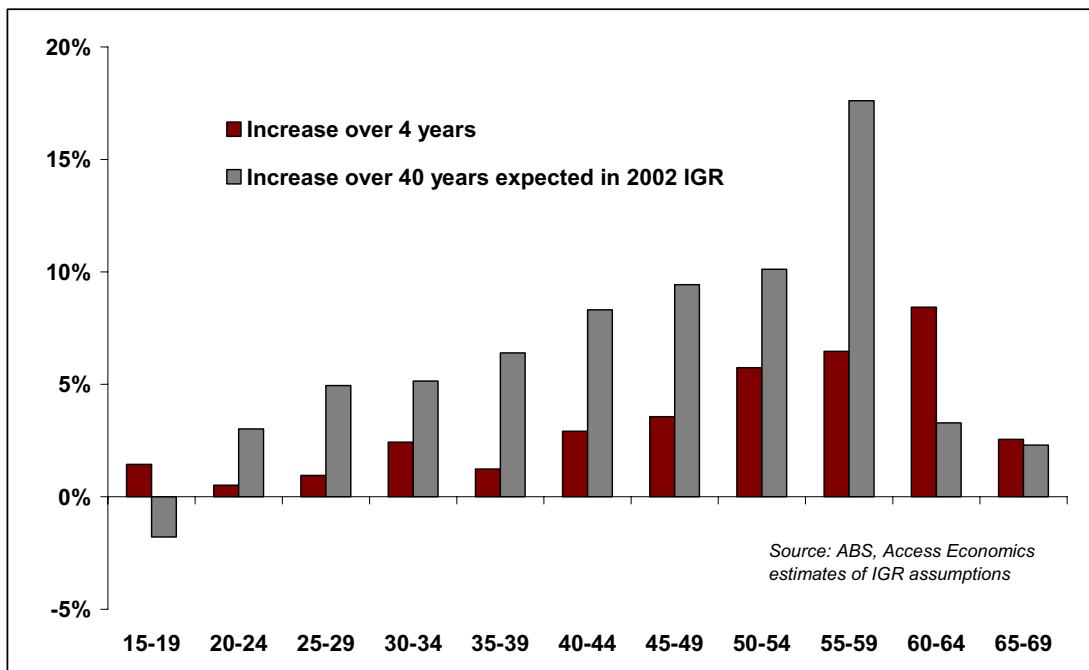
## The Importance of Women's Workforce Participation

Importantly, recent increases in participation have been evenly split between full and part-time work, with today's women showing an increasing desire to work longer hours than their predecessors.

**CHART 8: CHANGES IN FEMALE PARTICIPATION RATES, 2001-02 TO 2005-06**



**CHART 9: FEMALE PARTICIPATION RATES – IGR ASSUMPTIONS AND RECENT CHANGES**



## The Importance of Women's Workforce Participation

It is worth noting that gains in female participation since 2002 have outpaced the assumptions underlying the IGR projections. In particular:

- ❑ **Teenagers** have increased their workforce participation. Participation in this age group was expected to fall slightly over coming decades.
- ❑ **Younger workers** have seen slower gains than the IGR predicted, in part reflecting a greater increase in educational commitments.
- ❑ **Older workers** have produced the biggest surprise, with the last 4 years seeing a dramatic acceleration in the number of women choosing to work longer rather than opt for an early retirement.

While the outcomes of the past four years are over a far shorter period than the projected changes in the 2002 IGR, they mean that a significant proportion of the predicted gains in female employment have already been achieved.

They also highlight rapidly changing attitudes to retirement among older women which may help to achieve a sustainable lift in overall participation rates.

If these recent increases prove to be a lasting phenomenon, future changes to participation may start from a higher base than that envisioned at the time of the first IGR.

### 3.3 THE POTENTIAL FOR FURTHER GAINS

Increased workforce participation is the only real counter to the effect of low growth in the working age population on economic growth – and therefore national income. Potential for raising participation further over time varies by gender and age group:

- ❑ For 15-19 year-olds of both genders, education is likely to be a priority and any increases in participation limited. Even if these cohorts were willing to sacrifice education to work, for many occupations, they would not yet have gained the skills required to participate.
- ❑ For men aged 20-54, participation is already at very high levels, and may not be able to increase much further, especially given stated preferences for less work by younger people.
- ❑ Participation by women aged 20-54 seems to have reached a plateau during the 1990s, particularly in the younger cohorts. This may have to do with time taken off to have and look after children. If that were the case, government policy to improve access to childcare may increase participation.
- ❑ Increases in participation by mature Australians in the 55-70 age range have perhaps the greatest potential to dampen the effects on the economy of an ageing population, both because of the size of these cohorts and their relatively low starting positions. With a change in policy and attitude, participation could build on recent increases to lift further still in these cohorts.

It should be noted that, even with increasing **specific** participation rates in older age groups, the **overall** rate of participation in Australia will decline as the population ages. Even if a 60 year old is far more likely to be working in 20 years than a 60 year old today, that same 60 year old is still far less likely to be working than a 40 year old is today.

## 4. ALTERNATIVE ECONOMIC PROJECTIONS

### ACCESS ECONOMICS' INTERGENERATIONAL MODEL

Underlying the results in this chapter is Access' Economics model of the economic and fiscal implications of an ageing population. The methodology and assumptions in this model are broadly consistent with those in Treasury's IGR modelling, as are the major outputs.

**Economic projections are** based on the 'three Ps' framework outlined above. That framework emphasises Population, Participation and Productivity as the building blocks of long run economic growth.

In order to examine the role of workforce participation in the long run, this chapter outlines some key long run economic outcomes under a range of scenarios.

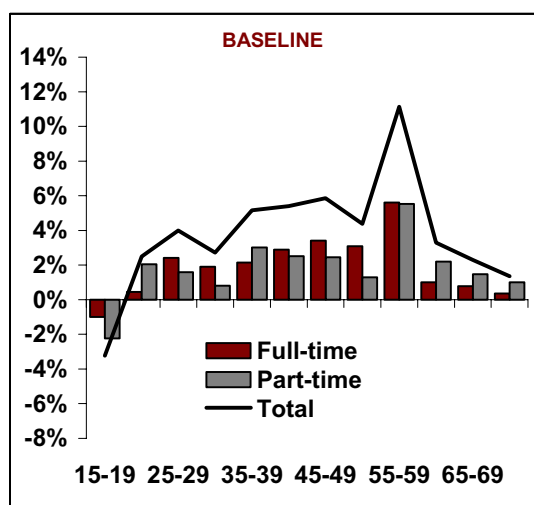
The first of these is a '**baseline**' scenario, which updates the participation assumptions in the 2002 IGR to reflect recent trends.

As noted above, changes to participation rates mean that the starting points for participation seen here are somewhat different from those envisioned in the first IGR. As a result, the changes implied by the long run targets may differ from those in the original IGR modelling.

Levels of workforce participation among older women also differ from IGR assumptions. In particular, these projections allow for higher long run participation rates among 60-69 year old women, where recent changes have already exceeded the expectations of the first report.

In the baseline scenario seen here, participation rates for women aged under 60 move towards their final positions in the 2002 IGR from their 2005-06 averages. Participation rates for 60-69 year old women see the same absolute increase, but from a higher base. A constant share of women participate in paid work choose to work full-time.

**CHART 10: FEMALE PARTICIPATION ASSUMPTIONS – LONG RUN CHANGE FROM 2005-06 RATES**



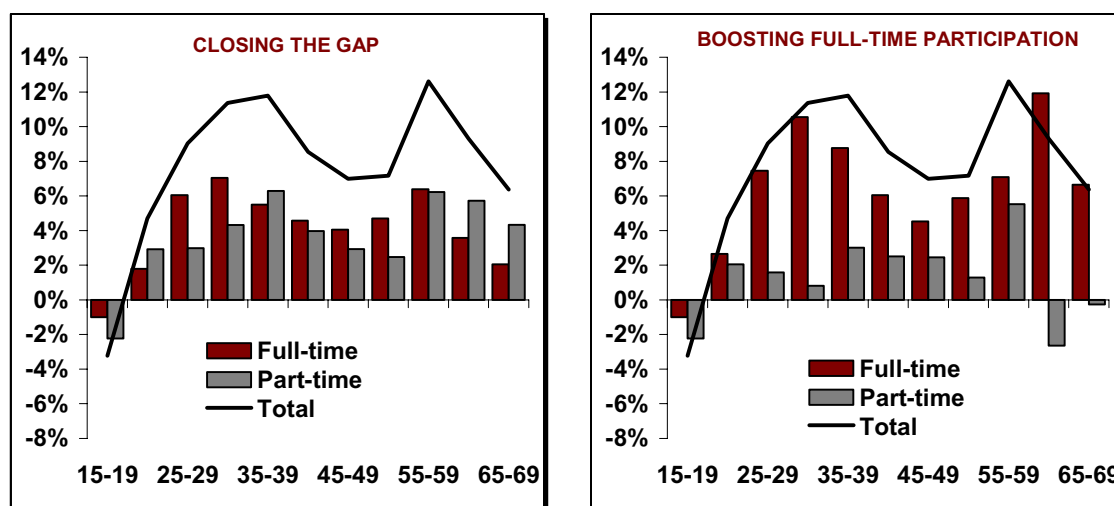
## The Importance of Women's Workforce Participation

### 4.1 FURTHER GAINS IN FEMALE PARTICIPATION

Here two alternative scenarios for the future workforce participation of women are examined, while rates for men are unchanged from the baseline scenario:

- ❑ **Narrowing the 'gender gap' in participation rates.** In this scenario, female participation rates are increased so that the final gap between male and female participation rates is halved (excluding 15-19 where female participation rates are higher). The split between full- and part- time employment (as a percentage of female participation) is unchanged.
- ❑ **Boosting full-time participation rates for women.** Total participation rates for females rise as in the above scenario. However, part-time participation rates do not change, so that all the change occurs in full-time female employment.

**CHART 11: FEMALE PARTICIPATION— LONG RUN CHANGE FROM 2005-06 RATES, HIGH CASES**



Both of these scenarios represent a lift in the number of women in the workforce, and produce a long term boost for the Australian economy.

As Table 1 shows, both scenarios provide a large economic benefit, but increasing the share of women working full-time (and therefore the total number of hours worked) has the potential further boost future prosperity.

**TABLE 1: ECONOMIC PROJECTIONS – INCREASED FEMALE PARTICIPATION**

2041-42	Baseline	Closing the gap	Boosting full-time participation
<b>Employment (000s)</b>	<b>13,442</b>	<b>13,910</b>	<b>13,910</b>
Full-time	9,403	9,622	9,917
Part-time	4,039	4,288	3,993
<b>Full-time equivalent</b>	<b>11,152</b>	<b>11,478</b>	<b>11,645</b>
<b>Real Output (\$bn)</b>	<b>\$2,226</b>	<b>\$2,291</b>	<b>\$2,324</b>
<b>per capita (\$)</b>	<b>\$76,524</b>	<b>\$78,761</b>	<b>\$79,909</b>



## The Importance of Women's Workforce Participation

### 4.2 WHAT IF FEMALE PARTICIPATION GAINS STALL?

Again two alternative scenarios for the future workforce participation of women are examined, with rates for men unchanged from the baseline:

- ❑ **Constant female participation rates.** Where female participation rates are expected to rise, they instead remain constant (the 15-19 year age group sees a similar fall to that in the baseline scenario).
- ❑ **An increase in part-time participation, with no lift in full-time participation.** This scenario includes the increase in part-time participation as the baseline scenario, but holds full-time participation rates at current levels.

**CHART 12: FEMALE PARTICIPATION— LONG RUN CHANGE FROM 2005-06 RATES, LOW CASES**

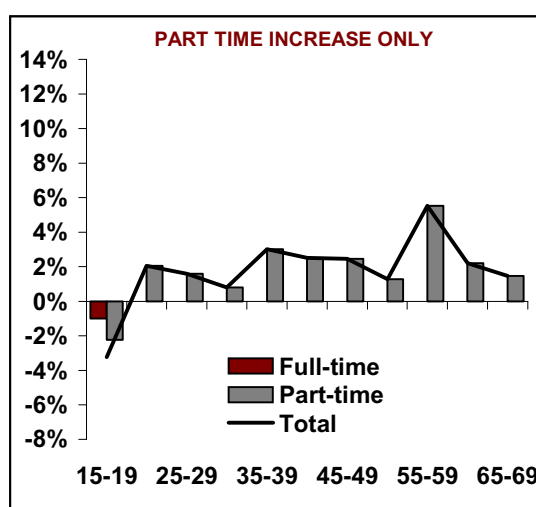


Table 2 shows the result of slowdown in - or an end to - increases in female participation. If participation were to level off at existing rates then the Australian workforce would be smaller still than that predicted by the IGR.

These results highlight the importance of encouraging women to take up roles in the paid workforce, and of boosting full-time participation in particular. Without the predicted boost to full-time participation, Australia may fall short of achieving even the modest long term economic outcomes identified in the 2002 IGR.

**TABLE 2: ECONOMIC PROJECTIONS – SMALLER GAINS IN FEMALE PARTICIPATION**

2041-42	Baseline	Part-time increase only	No further gains
<b>Employment (000s)</b>	<b>13,442</b>	<b>13,229</b>	<b>13,008</b>
Full-time	9,403	9,191	9,189
Part-time	4,039	4,038	3,819
<b>Full-time equivalent</b>	<b>11,152</b>	<b>10,940</b>	<b>10,843</b>
<b>Real Output (\$bn)</b>	<b>\$2,226</b>	<b>\$2,183</b>	<b>\$2,164</b>
<b>per capita (\$)</b>	<b>\$76,524</b>	<b>\$75,066</b>	<b>\$74,401</b>

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## The Importance of Women's Workforce Participation

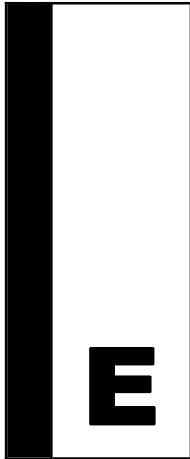
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## **Appendix E -Consultant's Report: Econtech Pty Ltd**

### **BUDGET IMPACTS OF CHANGES IN CHILD CARE TAX BENEFITS**

This report was prepared for  
The House of Representatives Standing Committee on Family and Human  
Services  
by Econtech Pty Ltd.

1 December 2006

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#### **CANBERRA HEAD OFFICE**

Econtech  
P.O. Box 4129  
Kingston ACT 2604  
Phone: (02) 6295-0527  
Fax: (02) 6295-8513  
E-mail:office@econtech.com.au

#### **SYDNEY OFFICE**

Econtech  
Suite 304, 66 Berry Street  
North Sydney NSW 2060  
Phone: (02) 9929-4700  
Fax: (02) 9929-4793  
E-mail: sydney@econtech.com.au

Web-site: [www.econtech.com.au](http://www.econtech.com.au)

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## Executive Summary

### Introduction

In February 2005, the House of Representatives Standing Committee on Family and Human Services (“the Committee”) resolved to conduct an inquiry into Balancing Work and Family. As part of this inquiry, the Committee is now looking at the issue of child care support and commissioned Econtech to analyse the impact on the federal budget of two alternative policy options relating to child care services. The first policy option is:

- a) replacing the current 30 per cent rebate for child care with a general tax deduction; and
- b) extending the current Fringe Benefit Tax (FBT) exemption on employer funded child care so as to:
  - i. include all types of formal child care; and
  - ii. remove the “business premises” requirement for this exemption.

By removing the business premises requirement on the FBT exemption, this new policy would make all formal child care provided by employers FBT exempt.

The second policy option is:

- All the current child care assistance remains unchanged;
- Families are given the option to choose a general tax deduction or the Child Care Tax Rebate; and
- The current FBT exemption is extended so that all formal child care provided by employers becomes FBT exempt.

Importantly, Econtech was not commissioned to analyse changes to the current Child Care Benefit (CCB) arrangements. Therefore, this study assumes that the current CCB arrangements remain unchanged.

Further, Econtech was only commissioned to estimate the budget effects of alternative child care arrangements. However, the alternative child care policies being analysed by the Committee would have important behavioural and distributive effects that also need to be considered when making a decision on whether to change the current policies. The analysis of these behavioural and distributive effects is outside the scope of this study.

Whilst being as detailed as possible considering the time and information available for the preparation of this report, the calculations presented in this study are broad estimates of the effect of alternative child care arrangements on the Government budget and should only be taken as a broad indication of the likely budget effects of the alternative child care arrangements being analysed. When making the decision to implement a specific policy, more detailed estimates of the budget effects should be produced.

## Current Government Child Care Assistance

The current financial supports for child care in Australia are:

- Child Care Benefit (CCB) -The CCB assists families with the costs of approved and registered child care. The payment of CCB varies depending on family income and work status, the number of children in care, the hours of care, and the type of child care used.
- Child Care Tax Rebate (CCTR) -In addition to the CCB, a claimant may be eligible for the 30 per cent CCTR if the claimant has used approved care, received CCB and met the CCB work, training and study test. The CCTR covers 30 per cent of out-of-pocket child care expenses for approved child care, with a rebate of up to \$4,000 (indexed) per child per year. The CCTR is a tax offset that reduces the tax calculated on income when a personal income tax return is lodged and is transferable between spouses if the claimant has insufficient tax liability to claim the full amount.
- Fringe Benefits Tax (FBT) Exemption -Under the current tax laws, child care fees are exempt from fringe benefits tax if the services are provided to employees on an employer's business premises or on business premises of a related company in a wholly owned company group. Importantly, this FBT exemption is not available if the employer pays for childcare provided by another party.

## Costs of the Current Government Child Care Assistance

Based on data contained in the Child Care Survey (CCS) of the Australian Bureau of Statistics (June, 2005), Econtech estimated that the costs of the current CCTR to the Government are approximately \$266.7 million per year of operation.

Additionally, based on estimates provided by the Committee on the approximate number of employees salary sacrificing child care fees, Econtech calculated that the cost of the FBT exemption for child care fees is approximately \$14.08 million per year, which represents the forgone income tax stemming from the exemption.

## Literature Survey

The evidence in the empirical literature, both Australian and international, on the impact that child care costs have on employment decisions is mixed and empirical results vary considerably with the methodology used as well as with the dataset.

Some studies, such as those by Teal (1992), Vandenheuvel (1996), Cobb-Clark et al. (2000), Rammohan and Whelan (2005), and Rammohan and Whelan (2006) find that the cost of child care is not a significant deterrent to labour market activity. Although the greatest demand for formal child care arises for work-related issues, these studies found that the cost of child care is not a barrier to parents' labour force participation decisions.

In contrast, other studies from the United States, Canada, United Kingdom, Germany, France, Japan and Australia find that higher child care costs have negative effects on labour participation and hours worked. Doiron and Kalb (2005) and Anderson and Levine (1999) present a comprehensive review of international literature on this field. A summary of studies on the effects of child care costs on participation rates and hours of work is presented in the body of the report. Generally, these studies found that policies that reduce the costs of child care induce an increase in both labour supply and child-care use. Nonetheless, the

range of estimated elasticities reported for both participation in the labour force and hours of work with respect to child care costs is rather large, ranging from just over zero to almost -1.

Aside from methodological differences, some of these studies use data on all mothers, while others use single mothers, and still others concentrate on married mothers. Some focus on mothers in low-income families. Some restrict their analysis to women with pre-school age children (under age 6), while others include women with children up to age 15. Under these circumstances, pinning down the specific factors that generate the discrepancies across studies is difficult. Thus, for this report, Econtech based its estimates of the changes in labour force participation and hours worked in the estimates presented in Doiron and Kalb (2005). The reason for this is twofold. First, although there are some studies that find that the cost of child care is not a barrier to parents' labour force participation decisions, the number of studies that do find a negative relationship between child care costs and employment (regardless of the econometric technique used) greatly outweighs the number of studies that find no relationship. Second, the study by Doiron and Kalb provides estimates that are specific to the labour supply in Australia.

### Impacts on Families of the Alternative Child Care Arrangements

Under the alternative child care arrangements, the subsidy that a family would get for their child care fees would depend on the effective marginal tax rate (EMRT<sup>1</sup>) of the highest income earner in the family. Therefore, families that are currently claiming the CCTR will pay lower child care fees under the alternative child care arrangements if the highest income earner in the family faces an EMRT (which equals the new deduction rate) higher than 30 per cent, which is the rate of the current rebate.

Table 1 shows the percentage increase/decrease in child care costs compared to the existing arrangements by type of family and family income. A couple with one parent working would have lower child care cost under the alternative arrangements because those arrangements would provide them with the child care subsidy for the first time. For families where both parents are working, the alternative arrangements would provide savings in child care costs provided that the highest income earner in the family has an annual taxable income of over \$25,000.

**Table 1**  
**Increase/Decrease in Cost of Child Care by Type of Family**  
**Compared to Existing Arrangements**

<b>Couple Family with one parent working</b>	
<b>Weekly Family Income</b>	<b>Increase/Decrease in Cost of Childcare</b>
Less than \$400	-15.00%
\$400-\$599	-15.00%
\$600-\$799	-35.50%
\$800-\$999	-31.50%
\$1000-1199	-31.50%
\$1200-\$1399	-31.50%
\$1400-\$1999	-41.50%
\$2000 or more	-41.50%

<sup>1</sup>EMRT refers to the effective marginal rate of tax to be paid by taxpayer including the Medicare levy and the low income tax offset.



**Couple Family with both parent working**

Weekly Family Income	Increase/Decrease in Cost of Childcare
Less than \$400	21.43%
\$400-\$599	21.43%
\$600-\$799	21.43%
\$800-\$999	21.43%
\$1000-1199	-20.00%
\$1200-\$1399	-7.86%
\$1400-\$1999	-2.14%
\$2000 or more	-2.14%

**One parent family**

Weekly Family Income	Increase/Decrease in Cost of Childcare
Less than \$400	21.43%
\$400-\$799	-20.00%
\$800-\$1199	-2.14%
\$1200 or more	-2.14%

Source: Econtech estimates using ABS data

Note: Assumes that in couple families with both parents working, each parent earns 50 per cent of the family income and that parents receive income 52 weeks a year.

**Effects of Alternative Arrangements on Labour Supply**

The effects on the labour supply of the alternative arrangements will depend on various different factors, namely:

- If the family currently uses child care or not;
- The type of child care they use (formal/informal);
- If they currently salary sacrifice child care fees or no;
- The working status of the parents; and
- The level of income of the highest income earner.

To facilitate the understanding of all these effects, Econtech constructed the following tables that capture the before and after situation of families currently using formal child care and families not using child care but who have children aged 0-12 years. Families currently using informal care are not included in these tables because the new arrangements would not change their current situation.

**Table 2**  
**Families Currently Using Formal Child Care**

Type of Family	Support received before	Support received under new arrangements	Effect
<b>COUPLE FAMILIES</b>			
Both parents working and not salary sacrificing child care fees.	CCB and rebate of 30% of child care out-of-pocket expenses.	CCB and CCTD that depends on effective marginal rate of tax of highest income earner.	Depends on the income of highest earner. If EMRT > 30%, family would pay less for child care. If EMRT=30% family is same as before. If EMRT < 30%, family would pay more for child care.

Type of Family	Support received before	Support received under new arrangements	Effect
Both parents working and one salary sacrificing child care fees.	FBT exemption (support is based on their EMRT)	Same as before	No change
Only one parent working and not salary sacrificing child care fees.	CCB	Can receive FBT exemption	Child care would be cheaper than before. Second parent chose not to work before when fees were more expensive. Making fees cheaper is unlikely to increase participation.
Only one parent working and salary sacrificing child care fees.	FBT exemption (support is based on their EMRT)	Same as before	No change
<b>ONE PARENT FAMILIES</b>			
Parent working and salary sacrificing child care fees.	FBT exemption (support is based on their EMRT)	Same as before	No change
Parent working and not salary sacrificing child care fees.	CCB and rebate of 30% of child care out-of-pocket expenses.	CCB and CCTD that depends on effective marginal rate of tax of the parent.	Depends on the income of parent. If EMRT > 30%, family would pay less for child care. If EMRT=30% family is same as before. If EMRT < 30%, family would pay more for child care.

Source: Econtech

Notes: - Assumes that current CCB arrangements remain unchanged.

- EMRT refers to the effective marginal rate of tax to be paid by taxpayer including the Medicare levy and the low income tax offset.

**Table 3**  
**Families Currently NOT Using Child Care**

Type of Family	Support received before	Effect of new child care arrangements
<b>COUPLE FAMILIES</b>		
Both parents working	N/A	If under current arrangements both parents are working and not using child care, the new child care arrangements are unlikely to change their hours of work.
Only one parent working	N/A	Will only use child care and join the workforce if one of the parents earn enough to be in an EMRT > 30% (i.e. to pay lower child care fees than they would pay with the current rebate)
<b>ONE PARENT FAMILIES</b>		
Parent working	N/A	If under current arrangements parent is working and not using child care, the new child care arrangements are unlikely to change his/her hours of work.
Parent not working	N/A	Will only use child care and join the workforce if parent can earn enough to be in an EMRT > 30% (i.e. to pay lower child care fees than he/she would pay with the current rebate)

Source: Econtech

Notes: - Assumes that current CCB arrangements remain unchanged.

- EMRT refers to the effective marginal rate of tax to be paid by taxpayer including the Medicare levy and the low income tax offset.

Based on the information contained in Table 1 to 3, Econtech estimated the increase/decrease in the number of working hours of parents currently in the workforce, the effects of the new child care arrangements on labour force participation, and the effect that these changes would have on income tax collected by the Government.

To estimate the changes in labour force participation and hours worked, Econtech used the elasticity estimates presented in Doiron and Kalb (2005).

Importantly, the new arrangements would have two main effects. First, those parents in low income brackets for whom the child care costs increase with the new arrangements will decrease their working hours. This will decrease the amount of income tax revenue that the Government will receive. Second, those parents in high income brackets for whom the child care costs decrease with the new arrangements will increase their working hours. This will increase the amount of income tax revenue that the Government will receive. The net effect will depend on the magnitude of the increase and the decrease of hours worked and the income received for those working hours.

### Budget Effects of the Alternative Child Care Arrangements

The estimated cost of the new alternative arrangements (extension of FBT exemption and CCTD) to the Government is approximately \$499.2 million per year of operation. Taking into consideration the savings from removing the existing arrangements (which cost to the Government approximately \$280.7 million per year), the net cost to the government of the alternative arrangements is \$218.5 million per annum. Table 4 below summarizes the estimated effects of the alternative child care arrangements on the Government Budget.

**Table 4**

**Direct Effects on the Government Budget (\$million, annually)**

Annual cost of new arrangements	\$500.2
Increase in income tax collected	\$1.0
Cost of Alternative Arrangements to Government	\$499.2
Savings from removing existing arrangements	\$280.7
<b>Net Cost to Government of Alternative Arrangements</b>	<b>\$218.5</b>

Source: Econtech Estimates.

In summary, compared with the current arrangements, the new child care arrangements would increase the Government costs by \$218.5 million a year. The main reason for this cost increase is the extension of the child care subsidy to couple families with only one parent working. The other reason is that for most of the families, tax deductibility provides a larger benefit than the tax rebate.

### Budget Effects of Second Alternative Scenario

The second alternative scenario differs from the one just considered in that it gives the family the option to choose between the CCTR and the CCTD rather than just replacing the current CCTR with a general tax deduction.

The likely effects of this second alternative scenario are as follows.

- Couple families with both parents working will choose to claim the CCTD if the highest income earner in the family is in an EMRT<sup>2</sup> (which would be the new deduction rate) higher than 30 per cent, which is the rate of the current rebate. If the EMRT of the highest earner is less than 30 per cent, families will choose to claim the CCTR.
- Couple families with only one parent working are likely to choose the FBT exemption option because they can not claim the CCTR or CCTD.
- One parent families with parent working will choose to claim the CCTD if he/she is in an EMRT<sup>3</sup> (which would be the new deduction rate) higher than 30 per cent, which is the rate of the current rebate. If his/her EMRT is less than 30 per cent, he/she will choose to claim the CCTR.

Econtech estimated that the cost of this new scenario to the Government is approximately \$542.7 million per year of operation. Taking into consideration the savings from removing the existing arrangements, the net cost to the government of the alternative arrangements is \$262 million per annum. Table 5 shows the direct effects on the Government budget on the new scenario by program.

**Table 5**  
**Direct Effects on the Government Budget of New Scenario**  
**(Extension of FBT Exemption and Choice of CCTR or CCTD)**

Program	Cost (\$million, annually)
Child Care Tax Rebate	\$85.5
Child Care Tax Deduction	\$322.7
Extended FBT Exemption	\$136.6
Increase in income tax collected	\$2.0
Total cost of the Alternative Scenario	\$542.7
Savings from removing existing arrangements	\$280.7
<b>Net Cost to Government of Alternative Arrangements</b>	<b>\$262.0</b>

Source: Econtech Estimates.

In conclusion, the first alternative scenario (CCTD and extension of FBT exemption) would increase the Government costs by \$218.5 million a year, while the second alternative scenario (choice of CCTR or CCTD and extension of FBT exemption) would increase the Government costs by \$262 million a year. The second scenario is more costly because it gives the families the option to choose the arrangements that would provide them with the highest child care subsidy.

<sup>2</sup> Including the Medicare levy and the low income tax offset.

<sup>3</sup> Ibid

## 1. Introduction

In February 2005, the House of Representatives Standing Committee on Family and Human Services (“the Committee”) resolved to conduct an inquiry into Balancing Work and Family. The Committee aims to explore how the Australian Government can better help families balance their employment and family responsibilities. Between March 2005 and August 2006, the committee has held numerous public hearings and received many submissions on this issue. As part of this inquiry, the Committee is now looking at the issue of child care support and commissioned Econtech to analyse the impact on the federal budget of two alternative policy options relating to child care services. The first policy option is:

- c) replacing the current 30 per cent rebate for child care with a general tax deduction; and
- d) extending the current Fringe Benefit Tax (FBT) exemption on employer funded child care so as to:
  - i. include all types of formal child care; and
  - ii. remove the “business premises” requirement for this exemption.

By removing the business premises requirement on the FBT exemption, this new policy would make all formal child care provided by employers FBT exempt.

The second policy option is:

- All the current child care assistance remains unchanged;
- Families are given the option to choose a general tax deduction or the Child Care Tax Rebate; and
- The current FBT exemption is extended so that all formal child care provided by employers becomes FBT exempt.

Importantly, Econtech was only commissioned to estimate the budget effects of alternative child care arrangements. However, the alternative child care policies being analysed by the Committee would have important behavioural and distributive effects that also need to be considered when making a decision on whether to change the current policies. The analysis of these behavioural and distributive effects is outside the scope of this study.

Further, whilst being as detailed as possible considering the time and information available for the preparation of this report, the calculations presented in this study are broad estimates of the effect of alternative child care arrangements on the Government budget and should only be taken as a broad indication of the likely budget effects of the alternative child care arrangements being analysed. When making the decision to implement a specific policy, more detailed estimates of the budget effects should be produced.

This report is structured as follows.

- Section 2 outlines the current Government child care assistance.
- Section 3 describes the alternative child care assistance arrangements that the Committee is analysing.
- Section 4 presents a literature review of previous studies on child care costs and labour supply.

- Section 5 describes the effects of the current child care assistance on employee remunerations and Government's costs.
- Section 6 presents the effects of the alternative child care assistance arrangements on the Government Budget.
- Section 7 presents the effects of the additional scenario of child care arrangements on the Government Budget.
- Section 8 present the references used to prepare this report.

While all care, skill and consideration has been used in the preparation of this report, the findings refer to the terms of reference of the House of Representatives Standing Committee on Family and Human Services and are designed to be used only for the specific purpose set out below. If you believe that your terms of reference are different from those set out below, or you wish to use this work or information contained within it for another purpose, please contact us.

The specific purpose of this report is to analyse the impact on the federal budget of two alternative policy options relating to child care services.

The findings in this report are subject to unavoidable statistical variation. While all care has been taken to ensure that the statistical variation is kept to a minimum, care should be used whenever using this information. This report only takes into account information available to Econtech up to the date of this report and so its findings may be affected by new information. Should you require clarification of any material, please contact us.

## 2. Current Government Child Care Assistance

This section outlines the current financial support for child care in Australia<sup>4</sup> and it is divided in three sections. Section 2.1 outlines the child care benefit. Section 2.2 presents the child care tax rebate. Finally, Section 2.3 outlines the fringe benefits tax exemption.

### 2.1 Child Care Benefit

The Child Care Benefit (CCB) assists with the costs of approved and registered child care. Approved child care is provided by a child care service that has been approved to receive CCB payments on behalf of families. Most long day care, family day care, outside school care, vacation care, occasional care services, and some in house care offer approved care. Registered child care is care provided by nannies, grandparents, relatives or friends who are registered as carers with the Family Assistance Office.

To be eligible for a CCB, the following conditions must be met:

- Claimant's child attends an approved or registered child care;
- Claimant is liable for paying child care fees;
- Claimant is living permanently in Australia, is an Australian or New Zealand citizen or hold a relevant visa; and
- Claimant's child is immunised or exempt from the immunisation requirements.

The payment of CCB varies depending on family income and work status, the number of children in care, the hours of care, and the type of child care used. Importantly, from 3 July 2006, there have been changes to the number of hours a family can receive CCB for children in approved child care. These changes affect families who receive CCB as reduced fees. Families who claim CCB as a lump sum payment will be affected when they lodge their claim for the next financial year.

Depending on the family circumstances, a family can be entitled to the following care hours.

- Approved care- CCB is limited to 24 hours of care per child per week unless the work, training, study test is met. If this test is met, up to 50 hours care per child per week can be obtained. A claimant can get more than 50 hours of CCB if both the claimant and his (her) partner are both unavailable at the same time to care for their child (en) due to work, study or training commitments. CCB is only payable above 50 hours per week for the actual hours the child physically attended the child care service. The payment is subject to an income test but not an assets test.
- Registered care- CCB is limited to 50 hours per child per week if the claimant is working, training or studying at some point in time or has an exemption.

The basic CCB rates for approved and registered child care are outlined below.

- Approved care- every family using approved child care is eligible for at least the minimum rate of CCB, which is currently \$0.497 per hour (up to \$24.85 for 50 hours of approved care). The maximum rate per week for 50 hours of approved care is \$148 for

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<sup>4</sup> The information contained in this section is mainly sourced from the Australian Taxation Office website- [www.ato.gov.au](http://www.ato.gov.au).

one non-school child (\$ 2.96 per hour per child), \$309.35 for two non-school children (\$3.09 per hour per child), \$482.84 for three non-school children (\$ 3.21 per hour per child), and an additional \$160.94 for each additional non-school child in care after the third (\$3.21 per hour per additional child). Rates for school children are 85 per cent of the above non-school rates.

The maximum rate for approved care is payable for actual annual family income under \$34, 310 or if the claimant or the claimant's partner are receiving an income support payment (such as Parenting Payment of Newstart). As income increases above this threshold, the amount of CCB decreases. A claimant receives the minimum rate payable for annual family incomes over the following thresholds:

Number of children in care	Upper income threshold
1	\$98, 348
2	\$106 629
3	\$121 130 + \$20 221 for each child in care, after the third.

- Registered care- families using registered care can only claim the minimum rate of the CCB (\$0.497 per hour, up to \$24.85 for 50 hours of registered care) and cannot claim the Child Care Tax Rebate (explained in the following section) for any out of pocket expenses. Rates for school children are 85 per cent of these non-school rates. CCB for registered care is not subject to an income test.

## 2.2 Child Care Tax Rebate

In addition to the CCB discussed above, a claimant may be eligible for the 30 per cent Child Care Tax Rebate (CCTR) if the claimant has used approved care, received CCB and met the CCB work, training and study test.

The CCTR covers 30 per cent of out-of-pocket child care expenses for approved child care, with a rebate of up to \$4,000 (indexed) per child per year. Out-of-pocket expenses are paid child care fees, less CCB entitlements.

The CCTR is not a "cash in hand" refund. It is a tax offset that reduces the tax calculated on income when a personal income tax return is lodged. The CCTR is transferable between spouses if the claimant has insufficient tax liability to claim the full amount.

The CCTR payment will be received by the claimant at least 12 months after the child care costs have been incurred and the delay could be more than 2 years.

This benefit does not cover "registered care" (such as care provided by nannies, grandparents, relatives or friends).

## 2.3 Fringe Benefits Tax Exemption

Fringe benefits tax (FBT) is a tax paid on certain benefits employers provide to their employees or their employees' associates. FBT is separate from income tax and is based on the taxable value of the various fringe benefits provided.



Under the current tax laws, child care fees are exempt from fringe benefits tax if the services are provided to employees on an employer's business premises or on business premises of a related company in a wholly owned company group. Business premises can include premises shared with multiple employers at a separate site used solely for child care purposes. Employers can also sponsor a child care service, reserve places in an existing service, or use an agency to find suitable child care places in the wider community. Payments made by employers to secure priority access for employees' children in an eligible child care facility may also be considered exempt of FBT. Importantly, this FBT exemption is not available if the employer pays for childcare provided by another party.

Significantly, this FBT exemption only supports employees of large organisations that can afford to establish in-house child care facilities and does not support people employed in small and medium companies or those self-employed.

### 3. Alternative Child Care Assistance Arrangements

The House of Representatives Standing Committee on Family and Human Services is analysing two alternative policy changes relating to the current Government support for child care services. The first policy option is:

- e) replacing the current 30 per cent rebate for child care with a general tax deduction; and
- f) extending the current Fringe Benefit Tax (FBT) exemption on employer funded child care so as to:
  - i. include all types of formal child care; and
  - ii. remove the “business premises” requirement for this exemption.

By removing the business premises requirement on the FBT exemption, this new policy would make all formal child care provided by employers FBT exempt.

Under this first policy option, the families could choose between two options:

- Claim the CCB plus a general tax deduction; or
- Salary sacrifice child care fees.

Consistent with the general philosophy of the CCTR, the child care tax deduction (CCTD) would be an eligible option only if both parents are working at the time. Single parents working full time would also be able to claim the deduction. Furthermore, consistent with the current practice of the CCTR, parents can select which one will claim the deduction. Importantly, under the new CCTD, the parent earning the highest salary (and hence facing the highest effective marginal rate of tax) would be the most likely to claim the deduction.

With respect to the FBT exemption, the new child care arrangements would imply that all child care payments provided by employers would be generally FBT exempt (i.e. this would be equivalent to removing the business premises rule). Consistent with the current practice, there would be no work test for salary sacrificing. Therefore, couple families with only one parent working are likely to choose the FBT exemption option.

The second policy option is:

- All the current child care assistance remains unchanged;
- Families are given the option to choose a general tax deduction or the Child Care Tax Rebate; and
- The current FBT exemption is extended so that all formal child care provided by employers becomes FBT exempt.

Importantly, Econtech was not commissioned to analyse changes to the current Child Care Benefit (CCB) arrangements. Therefore, this study assumes that the current CCB arrangements remain unchanged.

#### 4. Previous Studies on Child Care Costs and Labour Supply

This section reviews a selection of studies available in the empirical literature on the relationship between child care and employment decisions. Whilst being as comprehensive as possible considering the time available for the preparation of this report, the list of studies contained in this review is by no means exhaustive. However, the studies presented in this section provide a useful source of estimated parameters relating to the effects of child care costs on participation rates and hours of work.

The evidence in the empirical literature, both Australian and international, on the impact that child care costs have on employment decisions is mixed and empirical results vary considerably with the methodology used as well as with the dataset.

Some studies, such as those by Teal (1992), Vandenheuvel (1996), Cobb-Clark et al. (2000), Rammohan and Whelan (2005), and Rammohan and Whelan (2006) find that the cost of child care is not a significant deterrent to labour market activity. Although the greatest demand for formal child care arises for work-related issues, these studies found that the cost of child care is not a barrier to parents' labour force participation decisions.

In contrast, other studies from the United States, Canada, United Kingdom, Germany, France, Japan and Australia identify a negative relationship between child care costs and labour participation and between child care costs and hours worked. Doiron and Kalb (2005) and Anderson and Levine (1999) present a comprehensive review of international literature on this field. A summary of studies on the effects of child care costs on participation rates and hours of work is shown in Table 4.1.

Generally, the studies presented in Table 4.1 found that policies that reduce the costs of child care induce an increase in both labour supply and child-care use. Nonetheless, as can be seen in the table, the range of estimated elasticities reported for both participation in the labour force and hours of work with respect to child care costs is rather large, ranging from just over zero to almost -1. These studies also found that the use of child care by employed mothers is more price sensitive than for unemployed mothers and that formal child care is also more sensitive to price and wage effects than informal care. Further, Doiron and Kalb (2005) found that males in two-parent households are hardly affected by child-care fee increases.

**Table 4.1**  
**International Estimates of Elasticities of Labour Supply to Child Care Costs**

Author (s)	Country (Year)	Population (age of youngest child)	Estimated Elasticity	
			Participation rate	Average hrs worked
Anderson & Levine (1999)	US (1980–1994)	All women (<13)	-0.055 to -0.358	
Blau & Hagy (1998)	US (1989/1990)	Married & single mothers (<7)		-0.20 <sup>a</sup>
Blau & Robins (1988)	US (1980)	Married women (<14)	-0.38 <sup>a</sup>	

Author (s)	Country (Year)	Population (age of youngest child)	Estimated Elasticity	
			Participation rate	Average hrs worked
Connelly (1992)	US (1984/1985)	Married women (<13)	-0.20 <sup>b</sup>	
Ribar (1992)	US (1985)	Married women (<15)		-0.74 <sup>b</sup> or -0.64 <sup>a</sup>
US Government Accounting Office (1994)	US (1990)	All mothers (<13)		
		Poor	-0.50	
		Near Poor	-0.34	
		Non-poor	-0.19	
Kimmel (1995)	US (1988)	Single mothers in poverty	-0.35	
Ribar (1995)	US (1984/1985)	Married women (<15)		-0.024 to -0.088 <sup>a</sup>
Averett, et al. (1997)	US (1986)	Married women (<6)	-0.78	
Gelbach (1997)	US (1980)	Single mothers (<5)	-0.13 to -0.36	
Powell (1997)	Canada (1988)	Married women (<6)	-0.38 <sup>b</sup>	-0.32 <sup>b</sup>
Kimmel (1998)	US (1988)	Single mothers (<13)	-0.22	
		Married mothers (<13)	-0.92	
Han and Walsfogel (1998)	US (1991-1994)	Single mothers (<6)	-0.31	
		Married mothers (<6)	-0.21	
Powell (2002)	Canada (1988)	Married women (<7)	-0.16 <sup>a, c</sup>	
Michalopoulos & Robins (2000) <sup>d</sup>	Canada (1988) & US (1990)	Married mothers (<5)	-0.156 (all) <sup>a</sup>	
			-0.142 (US) <sup>a</sup>	
			-0.203 (Canada) <sup>a</sup>	
Michalopoulos & Robins (2002) <sup>d</sup>	Canada (1988) & US (1990)	Single parents (<5)	-0.26 <sup>a</sup>	
Blundell <i>et al.</i> (2000) <sup>e</sup>	UK (1994– 1996)	Married women: Unemployed partner	-0.075 <sup>a</sup>	-0.084 <sup>a</sup>

Author (s)	Country (Year)	Population (age of youngest child)	Estimated Elasticity	
			Participation rate	Average hrs worked
		Employed partner	-0.066 <sup>a</sup>	-0.048 <sup>a</sup>
		Single women	-0.021 <sup>a</sup>	-0.020 <sup>a</sup>
Kornstad & Thoresen (2002)	Norway (1998)	Married women (1–2)	-0.12 <sup>a</sup>	-0.14 <sup>a</sup>
Wrohlich (2004)	Germany (2002)	Married women (<6)	-0.03 (east) <sup>a</sup> -0.07 (west) <sup>a</sup>	-0.04 (east) <sup>a</sup> -0.09 (west) <sup>a</sup>
Choné <i>et al.</i> (2003)	France (1997)	Married women (<3)	-0.01 <sup>a</sup>	-0.02 <sup>a</sup>
		Married women (<7)	-0.01 <sup>a</sup>	-0.01 <sup>a</sup>
Oishi (2002)	Japan (1998)	Married women (<7)	-0.60	
Doiron and Kalb (2005) <sup>f</sup>	Australia (1996/1997)	Married women (<12):		
		Total	-0.020 or -0.020 <sup>a</sup>	-0.021 or -0.034 <sup>a</sup>
		Low wages	-0.023 or -0.047 <sup>a</sup>	-0.027 or -0.045 <sup>a</sup>
		Preschool child	-0.050 or -0.050 <sup>a</sup>	-0.048 or -0.066 <sup>a</sup>
		Preschool child & low wages	-0.031 or -0.061 <sup>a</sup>	-0.053 or -0.079 <sup>a</sup>
		Lone parents (<12):		
		Total	-0.050 or -0.100 <sup>a</sup>	-0.053 or -0.150 <sup>a</sup>
		Low wages	-0.038 or -0.189 <sup>a</sup>	-0.062 or -0.263 <sup>a</sup>
		Preschool child	-0.136 or -0.136 <sup>a</sup>	-0.175 or -0.280 <sup>a</sup>
		Preschool child & low wages	-0.126 or -0.000 <sup>a</sup>	-0.216 or -0.054 <sup>a</sup>

Source: Doiron and Kalb (2005) and further additions from Anderson and Levine (1999).

a Evaluated at each observation and averaged across all observations.

b Evaluated at the sample means.

c This elasticity is derived from the simulation of a decrease in the formal child-care price ('centre price') in table 4 in Powell (2002).

d This elasticity is for a price change in the base model (see table 5, p. 486).

e These elasticities are derived from tables 7–9 and 11 in Blundell *et al.* (2000).

f Both the results from doubling the gross price and doubling the net costs (largest effects) are presented.

The papers presented in Table 4.1 use different methodological approaches to study the impact of the variability of child care costs on employment decisions. Most of these studies employ a probit model to estimate the discrete employment decisions. Other studies use a structural model based on utility maximizing behaviour and specific functional form

assumptions and estimate the parameters for the model. Another methodological approach used is to estimate a maximum likelihood model that incorporates the probability that an individual's choices rest on any particular segment of their budget constraint.

Aside from these methodological differences, some studies use data on all mothers, while others use single mothers, and still others concentrate on married mothers. Some focus on mothers in low-income families. Some restrict their analysis to women with pre-school age children (under age 6), while others include women with children up to age 15. Under these circumstances, pinning down the specific factors that generate the discrepancies across studies is difficult. Thus, for this report, Econtech based its estimates of the changes in labour force participation and hours worked in the estimates presented in Doiron and Kalb (2005). The reason for this is twofold. First, although there are some studies that find that the cost of child care is not a barrier to parents' labour force participation decisions, the number of studies that do find a negative relationship between child care costs and employment (regardless of the econometric technique used) greatly outweighs the number of studies that find no relationship. Second, the study by Doiron and Kalb provides estimates that are specific to the labour supply in Australia.

## 5. Effects of the Current Child Care Assistance

This section presents the effects of the current child care financial assistance on employee remunerations and on Government expenses. Section 5.1 provides examples of the difference that the current Government financial supports for child care make to the total remuneration package of an employee. Section 5.2 analyses the current cost of the child care tax rebate for the Government. Finally, Section 5.3 analyses the current cost of the FBT exemption for the Government.

### 5.1 Effects on Employee Remunerations

Table 5.1 examines examples of the difference that the current Government financial supports for child care make to the total remuneration package of an employee. The table looks at an employee with a set \$65,000 salary package. In the first case, part of this package is access to FBT-exempt child care facilities. The second package includes child care paid by the employer through employee's salary sacrifice, but this is not provided on-site. The third package does not include any child care assistance; hence the employee has to pay for these expenses.

**Table 5.1**  
**Effects of Current Child Care Assistance on Employee Remunerations**

	In-house Child Care (1)	Off-site Child Care paid by employer (2)	Off-site Child Care paid by employee (3)
Wages & salary	\$50,459	\$50,459	\$59,633
Child Care	\$10,000	\$10,000	\$0
Superannuation	\$4,541	\$4,541	\$5,367
<b>Total Employee package</b>	<b>\$65,000</b>	<b>\$65,000</b>	<b>\$65,000</b>
Income tax	\$11,244	\$11,244	\$14,134
FBT	\$0	\$8,692	\$0
Child Care Benefit	\$0	\$0	-\$814
Child Care Tax Rebate	\$0	\$0	-\$2,756
<b>Total Taxes less rebates/benefits</b>	<b>\$11,244</b>	<b>\$19,936</b>	<b>\$10,565</b>
<b>Net Employee package</b>	<b>\$53,756</b>	<b>\$45,064</b>	<b>\$54,435</b>

Source: Econtech estimates.

a CCB can not be claimed when an employee is salary sacrificing childcare fees.

b The CCTB can only be access by employees who received CCB.

c Assumes the minimum CCB rate is received.

While the total employee package is the same value in all cases, the tax treatment is quite different.

- In the first case, the employee is able to take less of his/her package as taxable salary and is thus paying less income tax. This is possible because the employer is offering an employee benefit, in the form of child care assistance, which is FBT exempt. Nonetheless, in this case the employee is not eligible to receive either the CCB or the CCTB.
- In the second case, while the package structure and the income tax component is the same, the child care assistance is subject to FBT. Although the FBT is paid by the employer, it would generally be incorporated into the employee's total package, leaving

the employee worse off under the off-site child care scenario. Also, because the employer is the person ultimately liable for the child care fees, the employee cannot get the CCB and hence cannot get the CCTB either.

- In the third case, a larger proportion of the employee's package is subject to income tax. This is because, in this case, the employee does not have the option to salary sacrifice child care assistance. Nonetheless, as the employee has to pay child care and incur in out-of-pocket expenses, he can get the CCB and claim the 30 per cent child care rebate.

As a result of all these different effects, an employee is better off in the third scenario where he/she pays for off-site child care facilities out of his/her pocket.

## 5.2 Cost of Child Care Tax Rebate for the Government

Econtech calculated the yearly cost of the CCTR for the Government based on data contained in the Child Care Survey (CCS) of the Australian Bureau of Statistics (June, 2005). The main inputs and assumptions used by Econtech to estimate this cost are the following.

### Inputs

- Data on number of children aged 0–12 years that used formal child care by weekly cost of care. These data is presented in Table 5.2.
- Number of children in formal child care for whom the CCB was claimed: 585,600 (Source: Table 15, Child Care Survey, ABS).
- Number of children who used formal care in couple families with both parents working (includes mother working part time): 393,100 (Source: Table 21, Child Care Survey, ABS).
- Number of children who used formal care in one parent families with parent working: 96,100 (Source: Table 22, Child Care Survey, ABS).

### Assumptions

- The weekly cost of care per cost bracket in Table 5.2 is assumed to be the average between the minimum and the maximum rate paid.
- The numbers of weeks paid for child care are assumed to be 52.
- Estimates do not include parents looking for work or studying/training.
- Families receive the maximum amount of rebate they can claim for their out-of-pocket expenses.
- The CCTR costs are calculated without taking into account the effect of delaying the payment of the rebate (i.e. claiming child care costs from the year 2004-05 at the end of the financial year 2005-06).

Based on these inputs and assumptions, Econtech estimated that the CCTR costs to the Government approximately \$266.7 million per year of operation.



**Table 5.2  
Children Aged 0–12 Years Who Used Child Care, Type Of Care By Weekly Cost Of Care (a). Australia, June 2005**

	No cost	Weekly cost of care								Total	
		\$1–\$9	\$10–\$19	\$20–\$39	\$40–\$59	\$60–\$79	\$80–\$99	\$100 or more			
NUMBER OF CHILDREN ('000)											
Formal care(b)											
Before and/or after school care	15.1	50.9	49.0	60.7	31.4	11.4	5.1	6.3	230.0		
Long day care centre	6.4	15.6	31.1	72.1	56.1	33.1	28.3	81.9	324.7		
Family day care	8.3	16.5	15.9	30.2	8.7	8.2	7.5	11.5	106.9		
Occasional care centre	4.1	15.3	12.7	9.6	5.6	2.5	0.0	1.6	51.4		
Other formal care	3	4.5	3.3	2.2	2.2	0.3	0.9	2.2	18.5		
Children who used formal care(b)(c)(d)	34.0	96.6	106.4	166.7	105.2	57.2	40.0	105.0	711.5		
Informal care											
Grand parent	640.7	1.0	3.5	7.1	3.3	4.0	0.8	0.9	661.2		
Other relative (e)	289.1	0.9	1.1	5.2	3.2	2.0	0.4	2.3	304.3		
Other person	146.4	3.5	8.9	16.7	9.3	9.2	0.5	12.8	207.3		
Children who used informal care (d)(f)	1007.5	5.3	13.6	29.0	15.8	15.2	1.7	16.0	1104.1		
Children who used formal care(b) only	24.0	59.8	67.8	110.1	64.3	34.3	21.7	67.2	449.3		
Children who used informal care only	768.9	4.6	10.4	18.7	12.0	12.5	1.7	13.1	841.9		
Children who used formal(b) and informal care	8.7	34.7	36.4	55.3	39.4	24.9	21.3	41.6	262.2		
All children aged 0–12 years who used child care	801.6	99.1	114.6	184.1	115.7	71.7	44.7	121.9	1553.4		

Source: Child Care Survey, ABS (June 2005)

(a) Net cost to parent(s) after the Child Care Benefit has been paid but does not include adjustment for the new Child Care Tax Rebate.

(b) In surveys prior to 2005, the definition of 'formal care' included preschool.

(c) All children who used formal care, including those who used both formal and informal care.

(d) Components do not add to total as children could use more than one type of care.

(e) "Other relative" includes non-resident parent, brother/sister and other relative.

(f) All children who used informal care, including those who used both informal and formal care

### 5.3 Cost of FBT Exemption for the Government

The cost of the FBT exemption for child care fees is shown in Table 5.3. As shown in this table, the cost for the Government is the forgone income tax stemming from the exemption. Importantly, the exact number of employees salary sacrificing for child care under the FBT exemption is not known because exempt benefits do not have to be reported to the Australian Taxation Office. Therefore, the estimates presented in Table 5.3 were based on estimates provided by the Committee on the approximate number of employees salary sacrificing child care fees.

**Table 5.3**  
**Estimated Cost of the FBT**

Employees Salary Sacrificing child care (FBT exempt) <sup>(a)</sup>	10,000
Average annual payment for in-house child care <sup>(b)</sup>	\$ 6,400
Total income not taxed	\$ 64,000,000
Average income tax rate in the economy <sup>(c)</sup>	22%
Forgone income tax	\$ 14,080,000

Source: Econtech's estimates.

(a) Estimate provided by the Committee.

(b) Source: McMillan Shakespeare Submission to the Committee.

(c) 22 per cent is the average tax rate (total tax as a proportion of income) for a worker earning the male average wage in Australia. Source: ATO, International Comparison of Australian Taxes Report, April 2006.

## 6. Effects of Alternative Child Care Assistance Arrangements

This section presents the effects of the alternative child care assistance arrangements described in Section 3 and it is structured as follows. Section 6.2 presents the effects of the alternative child care arrangements on the child care costs for families. Section 6.3 describes the direct effects on the Government costs of replacing the current CCTR with a general tax deduction and of extending the FBT exemption. Finally, Section 6.4 presents effects of the new child care assistance arrangements in the hours of work for families using formal child care and the changes in participation rate for families currently not using child care.

### 6.1 New Cost of Child Care

The current weekly cost of care for families using formal care by type of care is shown in Table 5.2 in the previous section. This cost represents the net cost to parent(s) after the CCB has been paid but does not include adjustments for the CCTR. Table 6.1 below shows the weekly cost of care after the CCTR has been deducted.

**Table 6.1**  
**Weekly Cost of Care (Net of CCB)**

Cost Bracket	Current Cost after CCB	Current Cost after CCTR
No cost	\$0.0	\$0.0
\$1–\$9	\$5.0	\$3.5
\$10–\$19	\$14.5	\$10.2
\$20–\$39	\$29.5	\$20.7
\$40–\$59	\$49.5	\$34.7
\$60–\$79	\$69.5	\$48.7
\$80–\$99	\$89.5	\$62.7
\$100 or more	\$100.0	\$70.0

Source: Econtech estimates using ABS data.

Note: Assumes that the weekly cost of care per cost bracket is the average between the minimum and the maximum rate.

Under the alternative child care arrangements, the subsidy that a family would get for their child care fees would depend on the effective marginal rate of tax<sup>5</sup> (EMRT) of the highest income earner in the family. Tables 6.2 to 6.4 show the new deduction rate for families with different income. As shown in the tables, families that are currently claiming the CCTR will only pay cheaper child care fees under this new arrangements if the highest income earner in the family faces a effective marginal rate of tax (which equals the new deduction rate) higher than 30 per cent, which is the rate of the current rebate.

**Table 6.2**  
**New Deduction Rate for Couple Families with One Parent Working**

Weekly Family Income	Yearly Income	Effective Marginal Rate of Tax= new deduction rate
Less than \$400	\$400	15.0%
\$400-\$599	\$500	15.0%
\$600-\$799	\$700	35.5%
\$800-\$999	\$900	31.5%
\$1000-1199	\$1,100	31.5%

<sup>5</sup> Including the Medicare levy and the low income tax offset.

<b>Weekly Family Income</b>	<b>Yearly Income</b>	<b>Effective Marginal Rate of Tax= new deduction rate</b>
\$1200-\$1399	\$1,300	31.5%
\$1400-\$1999	\$1,700	41.5%
\$2000 or more	\$2,000	41.5%

Source: Econtech estimates using ABS data

Notes: - Assumes that the weekly income per income bracket is the average between the minimum and the maximum income and that parents receive income 52 weeks a year.

- The effective marginal rate of tax includes Medicare levy and the low income tax offset. Medicare levy is calculated based on the following low income thresholds: \$16,284 for individuals and \$27,478 for families.

**Table 6.3**

**New Deduction Rate for Couple Families with Both Parents Working**

<b>Weekly Family Income</b>	<b>Yearly Income</b>	<b>Effective Marginal Rate of Tax= new deduction rate</b>
Less than \$400	\$200	15.0%
\$400-\$599	\$250	15.0%
\$600-\$799	\$350	15.0%
\$800-\$999	\$450	15.0%
\$1000-1199	\$550	44.0%
\$1200-\$1399	\$650	35.5%
\$1400-\$1999	\$850	31.5%
\$2000 or more	\$1,000	31.5%

Source: Econtech estimates using ABS data

Notes: - Assumes that the weekly income per income bracket is the average between the minimum and the maximum income, that the highest income earner earns 50 per cent of the family income and that parents receive income 52 weeks a year.

- The effective marginal rate of tax includes Medicare levy and the low income tax offset. Medicare levy is calculated based on the following low income thresholds: \$16,284 for individuals and \$27,478 for families.

**Table 6.4**

**New Deduction Rate for One Parent Families**

<b>Weekly Family Income</b>	<b>Yearly Income</b>	<b>Effective Marginal Rate of Tax= new deduction rate</b>
Less than \$400	\$400	15.0%
\$400-\$799	\$600	44.0%
\$800-\$1199	\$1,000	31.5%
\$1200 or more	\$1,200	31.5%

Source: Econtech estimates using ABS data

Notes: - Assumes that the weekly income per income bracket is the average between the minimum and the maximum income and that parents receive income 52 weeks a year.

- The effective marginal rate of tax includes Medicare levy and the low income tax offset. Medicare levy is calculated based on the following low income thresholds: \$16,284 for individuals and \$27,478 for families.

Since only some families will face a effective marginal rate of tax higher than 30 percent, the child care costs under the new arrangements will not decrease for all the families. Table 6.5

shows the percentage increase/decrease in child care costs compared to the existing arrangements by type of family and family income. A couple with one parent working would have lower child care cost under the alternative arrangements because those arrangements would provide them with the child care subsidy for the first time. For families where both parents are working, the alternative arrangements would provide savings in child care costs provided that the highest income earner in the family has an annual taxable income of over \$25,000.

**Table 6.5**  
**Increase/Decrease in Cost of Child Care by Type of Family**  
**Compared to Existing Arrangements**

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**Couple Family with one parent working**

Weekly Family Income	Increase/Decrease in Cost of Childcare
Less than \$400	-15.00%
\$400-\$599	-15.00%
\$600-\$799	-35.50%
\$800-\$999	-31.50%
\$1000-1199	-31.50%
\$1200-\$1399	-31.50%
\$1400-\$1999	-41.50%
\$2000 or more	-41.50%

**Couple Family with both parent working**

Weekly Family Income	Increase/Decrease in Cost of Childcare
Less than \$400	21.43%
\$400-\$599	21.43%
\$600-\$799	21.43%
\$800-\$999	21.43%
\$1000-1199	-20.00%
\$1200-\$1399	-7.86%
\$1400-\$1999	-2.14%
\$2000 or more	-2.14%

**One parent family**

Weekly Family Income	Increase/Decrease in Cost of Childcare
Less than \$400	21.43%
\$400-\$799	-20.00%
\$800-\$1199	-2.14%
\$1200 or more	-2.14%

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Source: Econtech estimates using ABS data

Note: Assumes that in couple families with both parents working, each parent earns 50 per cent of the family income and that parents receive income 52 weeks a year.

## 6.2 Effects of Alternative Arrangements on Government Costs

Econtech calculated the yearly cost of the alternative arrangements for the Government using the information presented in Section 6.1 about the new costs of child care for families and information about the current cost of child care cost presented in Section 5.2. Also, Econtech used the following assumptions to estimate this cost.

## Assumptions

- The numbers of weeks paid for child care are assumed to be 52.
- Estimates do not include parents looking for work or studying/training.
- The number of families using formal child care with both parents not working is approximately zero.
- Families receive the maximum amount of deduction they can claim for their out-of-pocket expenses.
- Couple families with only one parent working will choose the FBT exemption. The rest of the families choose the CCTD option.

Based on the inputs and assumptions explained above, Econtech estimated that the cost of the new alternative arrangements (extension of FBT exemption and CCTD) to the Government is approximately \$500.2 million per year of operation. In comparison with the current arrangements, which cost to the Government approximately \$280.7 million per year (CCTR and current FBT exemption), these new arrangements will increase the Government costs by \$219.5 million a year. Importantly, these estimates only represent the direct cost to the Government for the subsidies paid and do not include the effects that the new arrangements would have on the labour supply, and subsequently, on the income tax collected by the Government. The effects of the alternative arrangements on the labour supply of families with children under the age of 12 are presented in the next section.

### 6.3 Effects of Alternative Arrangements on Labour Supply

The effects on the labour supply of the alternative arrangements will depend on various different factors, namely:

- If the family currently uses child care or not;
- The type of child care they use (formal/informal);
- If they currently salary sacrifice child care fees or no;
- The working status of the parents; and
- The level of income of the highest income earner.

To facilitate the understanding of all these effects, Econtech constructed the following tables that capture the before and after situation of families currently using formal child care and families not using child care but who have children aged 0-12 years. Families currently using informal care are not included in these tables because the new arrangements do not change their current situation.

**Table 6.5**  
**Families Currently Using Formal Child Care**

Type of Family	Support received before	Support received under new arrangements	Effect
<b>COUPLE FAMILIES</b>			
Both parents working and not salary sacrificing child care fees.	CCB and rebate of 30% of child care out-of-pocket expenses.	CCB and CCTD that depends on effective marginal rate of tax of highest income earner.	Depends on the income of highest earner. If EMRT > 30%, family would pay less for child care. If EMRT=30% family is same as before. If EMRT < 30%, family would pay more for child care.
Both parents working and one salary sacrificing child care fees.	FBT exemption (support is based on their EMRT)	Same as before	No change
Only one parent working and not salary sacrificing child care fees.	CCB	Can receive FBT exemption	Child care would be cheaper than before. Second parent chose not to work before when fees were more expensive. Making fees cheaper is unlikely to increase participation.
Only one parent working and salary sacrificing child care fees.	FBT exemption (support is based on their EMRT)	Same as before	No change
<b>ONE PARENT FAMILIES</b>			
Parent working and salary sacrificing child care fees.	FBT exemption (support is based on their EMRT)	Same as before	No change
Parent working and not salary sacrificing child care fees.	CCB and rebate of 30% of child care out-of-pocket expenses.	CCB and CCTD that depends on effective marginal rate of tax of the parent.	Depends on the income of parent. If EMRT > 30%, family would pay less for child care. If EMRT=30% family is same as before. If EMRT < 30%, family would pay more for child care.

Source: Econtech

Notes: - Assumes that current CCB arrangements remain unchanged.

- EMRT refers to the effective marginal rate of tax to be paid by taxpayer including the Medicare levy and the low income tax offset.

**Table 6.6**  
**Families Currently NOT Using Child Care**

Type of Family	Support received before	Effect of new child care arrangements
<b>COUPLE FAMILIES</b>		
Both parents working	N/A	If under current arrangements both parents are working and not using child care, the new child care arrangements are unlikely to change their hours of work.
Only one parent working	N/A	Will only use child care and join the workforce if one of the parents earn enough to be in an EMRT > 30% (i.e. to pay lower child care fees than they would pay with the current rebate)
<b>ONE PARENT FAMILIES</b>		
Parent working	N/A	If under current arrangements parent is working and not using child care, the new child care arrangements are unlikely to change his/her hours of work.
Parent not working	N/A	Will only use child care and join the workforce if parent can earn enough to be in an EMRT > 30% (i.e. to pay lower child care fees than he/she would pay with the current rebate)

Source: Econtech

Notes: - Assumes that current CCB arrangements remain unchanged.

- EMRT refers to the effective marginal rate of tax to be paid by taxpayer including the Medicare levy and the low income tax offset.

Based on the information contained in Table 6.4 to 6.6, Econtech estimated the increase/decrease in the number of working hours of parents currently in the workforce, the effects of the new child care arrangements on labour force participation, and the effect that these changes would have on income tax collected by the Government.

To estimate the changes in labour force participation and hours worked, Econtech used the elasticity estimates presented in Doiron and Kalb (2005). These estimates are presented in Table 4.1. Additionally, to estimate the changes in labour force participation, Econtech first estimated the number of parents in the labour force with children in formal child care and the number of parents in the labour force with children aged 0-12 years that did not use child care. For this estimate, Econtech assumed that each family has, on average, 1.8 children<sup>6</sup>.

Consistent with Doiron and Kalb (2005) findings, it is assumed that males in two-parent households are not affected by child-care fee increases and hence will not change their working hours. Additionally, based on the explanation provided in Table 6.5, it is assumed that those parents currently salary sacrificing, will not change their working hours either.

Importantly, the new arrangements will have two main effects. First, those parents in low income brackets for whom the child care costs increases with the new arrangements, will decrease their working hours. This will decrease the amount of income tax revenue that the Government will receive. Second, those parents in high income brackets for whom the child care costs decreases with the new arrangements, will increase their working hours. This will increase the amount of income tax revenue that the Government will receive. The net effect

<sup>6</sup> Australia's fertility rate in 1997 (Source: ABS). The fertility rate in 2005 is not very different from this estimate (1.81 according to ABS).



will depend on the magnitude of the increase and the decrease of hours worked and the income received for those working hours.

Based on the inputs and assumptions explained above, Econtech estimated that the effect of the new arrangements on income tax collected would be an increase in revenue of \$1.0 million per annum due to the changes in labour supply. This means that the cost of the new arrangements to the government is \$499.2 million per year. Taking into consideration the savings from removing the existing arrangements, the net cost to the government of the alternative arrangements is \$218.5 million per annum. Table 6.7 below summarizes the estimated effects of the alternative child care arrangements on the Government Budget.

**Table 6.7**

**Direct Effects on the Government Budget (\$million, annually)**

Annual cost of new arrangements	\$500.2
Increase in income tax collected	\$1.0
Cost of Alternative Arrangements to Government	\$499.2
Savings from removing existing arrangements	\$280.7
<b>Net Cost to Government of Alternative Arrangements</b>	<b>\$218.5</b>

Source: Econtech Estimates.

In summary, compared with the current arrangements, the new child care arrangements would increase the Government costs by \$218.5 million a year. The main reason for this cost increase is the extension of the child care subsidy to couple families with only one parent working. The other reason is that for most of the families, tax deductibility provides a larger benefit than the tax rebate.

## 7. Alternative Scenario

The second alternative scenario differs from the one just considered in that it gives the family the option to choose between the CCTR and the CCTD rather than just replacing the current CCTR with a general tax deduction. In summary, this alternative scenario involves the following:

- All the current child care assistance remains unchanged;
- Families are given the option to choose a general tax deduction or the CCTR; and
- The current FBT exemption is extended so that all formal child care provided by employers becomes FBT exempt.

The likely effects of this second alternative scenario are as follows.

- Couple families with both parents working will choose to claim the CCTD if the highest income earner in the family is in an EMRT<sup>7</sup> (which would be the new deduction rate) higher than 30 per cent, which is the rate of the current rebate. If the EMRT of the highest earner is less than 30 per cent, families will choose to claim the CCTR.
- Couple families with only one parent working are likely to choose the FBT exemption option because they can not claim the CCTR or CCTD.
- One parent families with parent working will choose to claim the CCTD if he/she is in an EMRT<sup>8</sup> (which would be the new deduction rate) higher than 30 per cent, which is the rate of the current rebate. If his/her EMRT is less than 30 per cent, he/she will choose to claim the CCTR.

Econtech calculated the yearly cost of this new scenario Government following the same methodology used in Section 6 and based in the following assumptions:

### Assumptions

- The numbers of weeks paid for child care are assumed to be 52.
- Estimates do not include parents looking for work or studying/training.
- The number of families using formal child care with both parents not working is approximately zero.
- Families receive the maximum amount of deduction they can claim for their out-of-pocket expenses.
- People salary sacrificing are equally distributed among the different type of families and income brackets.
- Families who were salary sacrificing before the policy changes, will continue to do so.
- All couple families with one parent working will choose the FBT exemption.
- Couple families with both parents working will choose to claim CCTD if the EMRT (inclusive of Medicare Levy and the low income tax offset) of the highest earner is

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<sup>7</sup> Including the Medicare levy and the low income tax offset.

<sup>8</sup> Ibid

higher than 30 per cent. If EMRT of higher earner is less than 30 per cent, families will choose to claim the CCTR.

Based on the inputs and assumptions explained above, and taking into account labour market changes, Econtech estimated that the cost of this new scenario to the Government is approximately \$542.7 million per year of operation. Taking into consideration the savings from removing the existing arrangements, the net cost to the government of the alternative arrangements is \$262 million per annum. Table 5 shows the direct effects on the Government budget on the new scenario by program.

**Table 7.1**

**Direct Effects on the Government Budget of New Scenario  
(Extension of FBT Exemption and Choice of CCTR or CCTD)**

<b>Program</b>	<b>Cost (\$million, annually)</b>
Child Care Tax Rebate	\$85.5
Child Care Tax Deduction	\$322.7
Extended FBT Exemption	\$136.6
Increase in income tax collected	\$2.0
<b>Total cost of the Alternative Scenario</b>	<b>\$542.7</b>
<b>Savings from removing existing arrangements</b>	<b>\$280.7</b>
<b>Net Cost to Government of Alternative Arrangements</b>	<b>\$262.0</b>

Source: Econtech Estimates.

In conclusion, the first alternative scenario (CCTD and extension of FBT exemption) would increase the Government costs by \$218.5 million a year, while the second alternative scenario (choice of CCTR or CCTD and extension of FBT exemption) would increase the Government costs by \$262 million a year.

Importantly, whilst being as detailed as possible considering the time and information available for the preparation of this report, the calculations presented in this study are broad estimates of the effect of alternative child care arrangements on the Government budget and should only be taken as a broad indication of the likely budget effects of the alternative child care arrangements being analysed. When making the decision to implement a specific policy, more detailed estimates of the budget effects should be produced.

Furthermore, Econtech was only commissioned to estimate the budget effects of alternative child care arrangements. However, the alternative child care policies being analysed by the Committee would have important behavioural and distributive effects that also need to be considered when making a decision to change the current policies. The analysis of these behavioural and distributive effects is out of the scope of this study.

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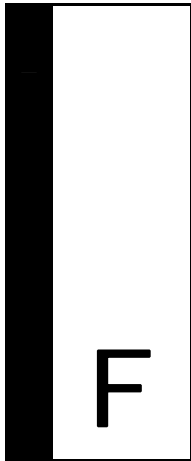
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## Appendix F – Source Notes for Table 2.8

### Sources for table 2.8, Australian Government payments to families

- Centrelink, *A guide to Australian Government payments, 1 July – 19 September* (2006).
- Department of Employment and Workplace Relations, *Annual report 2004-05* (2005), pp 31, 32.
- Department of Employment and Workplace Relations, *Agency Budget Statements 2006-07* (2006), pp 28, 44.
- Department of Family and Community Services, *Annual report 2004-05* (2005), pp 88-88, 91, 112-18.
- Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07* (2006), p 57.
- The Treasury, *Tax expenditures statement* (2005), Table A35.

### Notes

- Dollar figures have been rounded to the nearest million.
- Where relevant, rates are calculated for a couple family living together with two children in child care under the age of five.
- The number of recipients for each payment is based on the most recent available data on actual recipients, so where there is a data lag of a year or more, the Budget estimates for 2006-07 may not reflect the cost of providing services or assistance to these exact numbers of people.

- Data on the number of Child Care Tax Rebate claimants is not available, as tax returns for 2005-06 have not been finalised. The Assistant Treasurer and Minister for Revenue, the Hon Peter Dutton MP, announced on 9 November 2006 that over 193,000 families had claimed the rebate to date. The final number of recipients is likely to be considerably higher, given that all tax returns have not been received by the Australian Taxation Office, and many may not yet be aware of the rebate. Also, the expenditure to date reported by the Assistant Treasurer represents only about 55 per cent of the Budget allocation of \$280 million ('Australian families benefit from Child Care Tax Rebate', media release, 9 November 2006).
- The majority of the budget allocation for Family Tax Benefit is administered by the Department of Families, Community Services and Indigenous Affairs, but an additional special appropriation of \$1,974 million is administered by the Australian Taxation Office, to cover payments claimed through the tax system and payment reconciliation at the end of the financial year.

The Australian Taxation Office is not able to split the 2006-07 figure into allocations for Family Tax Benefit Parts A and B, because the assessment of entitlement is undertaken by Centrelink.

For the purposes of this table, the Tax Office's special appropriation for Family Tax Benefit Parts A and B has been added to the main appropriations in the same proportion as the division between Parts A and B to the Department of Families, Community Services and Indigenous Affairs.

- The Budget allocation for the Employment Entry Payment is not available because it is appropriated against the main income support payment the recipient is receiving. If they are receiving Disability Support Pension, for example, the Employment Entry Payment is appropriated against that payment (Department of Employment and Workplace Relations, correspondence, 22 September 2006).

