



Taskforce on Care Costs

Where are we now? 2006 Interim Review

of the 2005 *Creating Choice: Employment and the Cost of Care Report*

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1 Introduction and Executive Summary

1.1 Introduction

Most Australians will be carers at some stage in their lives. At any one point in time, the Australian Bureau of Statistics estimates that 40% of the population (and 20% of the working population) are caring for a child, a person with a disability and/or an elderly person¹. Research by the Taskforce on Care Costs has clearly demonstrated that the financial cost of care affects carers' employment decisions. In particular, when the cost is perceived to be "too high" carers are forced to leave the paid workforce, rather than balancing paid work and care. Reforms to ameliorate the cost of care (particularly for workers managing multiple caring responsibilities) have the potential to enhance workforce participation rates, stimulate an increase in the availability of caring arrangements, and improve outcomes for carers².

The release of the Taskforce's 2006 *Interim Review* demonstrates that the work/cost of care dynamic is becoming more problematic and that Australia is falling behind international initiatives to address work/cost of care issues. The 2006 *Interim Review* makes findings in relation to:

1. the current cost of care in Australia;
2. current Australian financial supports available for working carers;
3. the international position; and
4. the Taskforce's 2006 national survey of workers and the unemployed with caring responsibilities.

In relation to the Taskforce's 2006 survey, only selected findings are presented in the 2006 *Interim Review*. In Carers' Week in October 2006, the Taskforce intends to publish a 2006 *Final Review* entitled "*Where to next?*" which will present:

1. 2006 survey findings on perceptions of the adequacy of current Government supports for workers with caring responsibilities (eg the Child Care Tax Rebate), as well as possible further financial treatments; and
2. Micro-simulation modelling, and a cost benefit analysis, of a range of financial treatments to alleviate the cost of care and enable increased levels of workforce participation.

Taking into account the findings presented in the 2006 *Interim Review* and consultation outcomes with government, business, non-government leaders, the Taskforce will make recommendations for change in the 2006 *Final Review*.

1 The Australian Bureau of Statistics estimates that in NSW alone nearly 2 million people over 18 years of age care for another adult or child, however only 1 million of those carers are in employment: Australian Bureau of Statistics (2001) *Managing Caring Responsibilities and Paid Employment*, New South Wales, Cat 4903.

2 The Taskforce acknowledges that there are a range of issues associated with balancing work and caring responsibilities beyond the cost of care (eg access to flexible work practices, access to care and quality of care). Given, however, the Taskforce's expertise, the significance of the cost of care on work/care decisions, and the paucity of evidence on the relationship between work and the cost of care, the Taskforce has concentrated its efforts on investigating the work/cost of care dynamic.

1.2 Background

Motivated by a common interest³ in understanding the economic and social impact of the work/cost of care dynamic, in 2003 key business⁴ and non-government stakeholders⁵ formed a strategic alliance⁶ to:

1. investigate the financial cost of care and how it impacts workforce participation; and
2. promote reforms within a policy framework of financial sustainability, equity and choice.

On 24 February 2005 the Taskforce released its original Policy Research Report “*Creating Choice: Employment and the Cost of Care*” (“2005 *Creating Choice Report*”). The research confirmed the direct and causal connection between the cost of care and workforce participation decisions, and that Australia was not well positioned to manage the work/cost of care dynamic.

The 2005 research methodology comprised:

1. a review of the current cost of care in Australia;
2. a review of the available forms of financial support for carers in Australia;
3. an international comparison of the forms of financial support provided for working carers in other countries (eg the USA, Canada, Europe and New Zealand);
4. micro economic modelling of options for reform in terms of different financial treatments (eg a rebate, a tax deduction and the expansion of fringe benefits tax); and
5. a random sample national survey of workers with caring responsibilities.

Key findings from the 2005 *Creating Choice Report* were:

1. *Childcare rebate: The Government’s proposed introduction of a 30% childcare rebate would be of some, but not significant benefit in alleviating the cost of care and therefore increasing levels of workforce participation. Further the \$4,000 cap would unduly limit the effectiveness of the proposed rebate, and discriminates against workers using care in those States (eg NSW and Victoria) where the cost of care is higher. Finally the proposed childcare rebate unfairly excludes care costs for the elderly and those with a disability.*
2. *Current financial supports: the various tax credits, benefits and allowances currently in place in Australia do not adequately meet the high cost of care for the majority of families, especially in urban areas where the costs of care are particularly high. Further current forms of support for workers with caring responsibilities are narrow (focussing on young children) and the Government has not introduced legislation to implement its promised 30% childcare rebate.*
3. *International comparison: In comparison with international provisions, Australian financial support for workers with care costs via a tax deduction or tax credit/rebate falls short of examples of “best practice”.*

³ The Taskforce members represent a broad range of industries and perspectives. The work of the Taskforce has been conducted in an open and inclusive manner, and accordingly it has drawn the collegiate support of organisations which are market competitors, as well as business and non-government stakeholders who traditionally perceive themselves to have divergent interests.

⁴ Aequus Partners, ANZ Bank, The Australian Stock Exchange, Bennelong Media, Blake Dawson Waldron Lawyers, BlueScope Steel, Ernst&Young, Freehills, Hewitts, Hudson, Jones Lang LaSalle, IAG, ING (Australia), McDonalds (Australia), Orijen, Parker&Partners, Qantas, Reuters, Rialto Consulting, Telstra, Toyota, WeeWunz, and Westpac Banking Corporation.

⁵ Australian Women Lawyers, The Bar Council of NSW, The Equal Employment Opportunity Network of Australasia, the Law Society of NSW, the NSW Equal Employment Opportunity Practitioners’ Association, Women in Finance, and Women Lawyers Association of NSW.

⁶ TOCC is also supported by the (Federal Government’s) Sex Discrimination Commissioner.

4. *Potential financial solutions: The most equitable and sustainable tax treatment to alleviate workers' care costs is the introduction of a rebate. The Government's proposed introduction of a 30% rebate for childcare expenses, capped at \$4,000 per annum, is a positive first step. However, the Taskforce finds that a rebate which is uncapped and approximates dollar for dollar out of pocket expenses will have a greater impact on workforce participation rates and reducing the cash economy.*
5. *Survey results:*
 - (i) *There is a direct and causal relationship between levels of workforce participation and the cost of care for elders, children and people with a disability.*
 - (ii) *At present, workers with caring responsibilities lack real choice about working at their optimal levels, and choose between employment and caring when the financial cost of care is perceived as too high. Consequently, the survey identified both an opportunity and a risk for business, and the national economy, in relation to providing adequate forms of financial support for workers with caring responsibilities.*
 - (iii) *There is a high proportion of income paid to carers that is undeclared in terms of the income tax system.*

Arising from these findings in 2005 the Taskforce recommended that the Federal Government:

1. *Immediately draft legislation (for consultation) to implement its promised 30% rebate for childcare costs⁷.*
2. *Extend the proposed childcare rebate to cover elder and disability care costs.*
3. *Extend the proposed 30% rebate to a more meaningful level, i.e. closer to a dollar for dollar rebate, and remove the proposed \$4,000 cap.*
4. *Introduce reforms to assist with the cost of care in combination with a strategy to improve the accessibility and quality of care.*
5. *By 30 June 2006, release a public report identifying the steps it has taken to implement the Taskforce's recommendations.*

Responses to the 2005 *Creating Choice* Report are detailed in the following chapter "*Reflections on the impact of the 2005 Creating Choice Report*". In essence, the Government's public reaction was to acknowledge the need for increasing support for workers with caring responsibilities. Senator the Hon Kay Patterson, the then Minister for Family & Community Services commented: "We're increasing measures as we can in a responsible way" and "We can't run the Budget into deficit – what we have to do is to say there are enormous demands on childcare, on young carers caring for parents. There are a range of issues about carers and we have to deal with them one by one and each of them in a fair way"⁸. The preliminary findings in the 2006 *Interim Review* will assist the Government to understand and implement considered solutions to the work/cost of care challenge.

1.3 Executive Summary of the 2006 *Interim Review*

The aim of the 2006 *Interim Review* is to reflect on the steps that the Federal Government has taken to redress the issues raised in the 2005 *Creating Choice*

⁷ It is of note that when the Taskforce made its recommendations concerning the Childcare Rebate details of the nature of the proposal were not in the public domain, and hence it was not evident that the Government intended to introduce the rebate through the tax system.

⁸ ABC Online *Lack of support for carers strains work force: Report*, 24 February 2005.

Report, and to provide a snapshot of the current cost of care/workforce participation landscape in Australia. The 2006 *Interim Review* answers the question: “*Where are we now?*” and thus lays the foundation for the Taskforce’s final report (due for release in October 2006) “*Where to next?*” which will focus on solutions.

The methodology for the Taskforce’s research undertaken in 2006 comprises:

1. the conduct of a random sample national survey of workers and the unemployed with caring responsibilities;
2. a review of current Australian supports for the financial cost of care (including the introduction of the *Tax Laws Amendment (2005 Measures No.4) Act 2005* which gives form and effect to the 30% rebate on out-of-pocket childcare expenses. This rebate was implemented as a tax deduction to a maximum rebate of \$4000 per annum per child, claimable for the financial year ending 30 June 2006 on 1 July 2006⁹).
3. an international comparison of financial supports for workers’ care costs introduced since February 2005 in similarly placed countries;
4. micro-simulation modelling of potential financial solutions in terms of the cost and expected changes in workforce participation rates.

The 2006 *Interim Review* releases key findings from the (i) national survey; (ii) cost of care review; and (iii) international comparison. In summary the overall key findings from the *Interim Review* are:

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

Detailed below are individual key findings in relation to:

1. The Taskforce’s 2006 national survey of workers with caring responsibilities

⁹ The Taskforce notes that in the Federal Budget 2006 (announced in May 2006) the Government proposed increasing the eligibility for Family Tax Benefit A and the Large Family Supplement along with one-off payments to recipients of the Carer Payment and Carer Allowance, following similar one-off payments in 2005.

2. The current cost of care in Australia
3. Current Australian financial supports for working carers
4. The international position.

The basis for each of these findings is identified in the relevant chapters of the 2006 *Interim Review*.

1.3.1 The Taskforce's 2006 national survey of workers and the unemployed with caring responsibilities

1. **We're flat-lining: the work/cost of care dynamic has not improved between 2004 to 2006.** Approximately 1 in 4 workers with caring responsibilities are still at risk of leaving the workforce because of the cost of care, and 1 in 4 workers with caring responsibilities have already reduced their hours of work because of the cost of care.
2. **In 2006 more workers with caring responsibilities are feeling the financial pain of care costs:** In 2006 over one-third (37%) of workers now feel the cost of care is too high relative to their income (up from 31%).
3. **Businesses continue to miss out on skilled labour force participation by workers with caring responsibilities:** In 2006 more than half (52%) of part-time workers with caring responsibilities would increase their hours of work if care was more affordable.
4. **Skills are walking out the business door:** In 2006, affordability of care influenced the departure of 64% of employed carers from the workforce, and 60% of unemployed carers would return to the workforce if care was more affordable.
5. **Care choices are a package:** Quality, access and affordability are all critical to work/care decisions, but in 2006 affordability is much more of a concern for all carer groups than in 2004. In 2006 nearly 79% of workers with caring responsibilities say that affordability of care influenced their current working arrangements, up from 67% in 2004. This situation is worse for parents with an increase of 21% since 2004 in the importance of affordability (89% up from 68%).
6. **Care costs have a disproportionate negative effect on vulnerable workers:** Unemployed carers are more likely to care for children under school age (46%), or a person with a disability (19%).
7. **The cost of care affects men and women:** In 2006 one-third of working men self-identified as having caring responsibilities.
8. **Leaving the workforce for cost of care reasons has a compound negative effect:** After leaving the workforce half (52%) of unemployed carers feel that their skills have been reduced whilst off work, and half (49%) have reduced confidence in their ability to return to work.

1.3.2 The current cost of care in Australia

1. **Care costs are spiralling upwards:** Since 2004 childcare costs have continued to increase at rates beyond the changes in prices generally (measured by the Consumer Price Index (CPI)) and average weekly earnings, with increases in child care costs of 12.4% each year for the past two years compared to CPI increases of 2.5%

in the year to June 2005 and 4% in the year to June 2006¹⁰. The Taskforce's 2006 survey demonstrates an aggregate increase of 10% for elder, disability and childcare costs since 2004.

2. **Care costs inhibit labour force growth:** At a time of labour shortages, and the higher capacity of women than men to increase their levels of workforce participation, the cost of care is inhibiting women in particular (given their role as primary carers) from meeting labour force growth needs.
3. **There is community consensus that a care crisis exists:** Since 2004 common themes in public debates about childcare have been (i) the inadequacy of the current Childcare Tax Rebate to meet the cost of childcare; and (ii) the persistence of problems in matching the demand for childcare with supply (both in terms of having sufficient places and childcare workers and in having the services located where the demand exists).
4. **The policy framework for care is inconsistent and varies according to the type of care:** Assistance with the cost of care for the elderly and people with a disability is usually provided by way of carers' payments, allowances, bonuses and pensions and demonstrates a health/welfare policy approach. In contrast support for childcare demonstrates a combined approach – part linked to welfare through benefits and part linked to workforce participation through the tax system.
5. **Access to formal and informal care is diminishing:** A substantial shortfall in informal carers is predicted over the next twenty-five years (from 152, 000 to 573,000 in 2031¹¹) at the same time as predicted shortfalls in formal care. The shortfall in carers and formal care services needs to be addressed in order to limit long term labour supply shortages¹².

1.3.3 Current Australian financial supports available for working carers

2. **The dollar value of financial supports have increased in Australia:** In all cases, the dollar amounts of the tax benefits and allowances to support workers with caring responsibilities has increased since the 2005 *Creating Choice Report*.
3. **The introduction of Child Care Tax Rebate is the most notable change since 2005:** The most notable change to the benefits available in Australia since the report of 24 February 2005 is the introduction of the 30% Child Care Tax Rebate. This tax rebate covers 30% of out-of-pocket childcare expenses for approved childcare for families who are working, training or studying, with a rebate of up to \$4,000 (indexed) per child per year.

1.3.4 The international position

1. **The dollar value of international financial supports has increased:** While the benefits and allowances available for workers' care costs in the United States, United Kingdom, Canada and

¹⁰ ABS, 6401.0, Consumer PriceIndex, Australia, June 2006, Tables 7a to 7l

¹¹ Carers Australia, Discussion Paper, *The ageing population – can we rely on informal, unpaid care to provide?* February 2005, P6 (Note: Policy Implications based on NATSEM study, *Who's going to care? Informal care and the ageing population*), p. v.

¹² Predicted labour shortages are identified in Department of Employment and Workplace Relations (2006) *Workforce Tomorrow. Adapting to a more diverse Australian labour market*, Commonwealth of Australia.

France have remained similar since the 2005 *Creating Choice Report*, the dollar amounts of allowances, tax benefits, credits and grants have increased.

2. **Best practice countries demonstrate innovative support for working carer:** eg New Zealand has introduced two new benefits since February 2005, namely the Young Parent Childcare Payment and the Early Childhood Education Funding System and Japan has introduced incentives to employers to assist workers with care costs (including elder care).
3. **Best practice countries demonstrate a breadth of approach**, ie there is a broader scope of support for working carers in both France and New Zealand, which offer a far-reaching spectrum of allowances, tax credits and benefits to assist significantly the costs of caring for children, people with disabilities and the elderly.
4. **We're not innovative or best practice:** Australia's provisions of benefits and allowances to assist workers with the cost of caring is more limited, and less innovative, than best international practice.

2 Reflections on the impact of the 2005 Report Creating Choice

The Taskforce's 2005 *Creating Choice Report* attracted wide spread media attention and resulted in high profile and well received national and international public addresses. It is timely in the context of the launch of the Taskforce's 2006 *Interim Review* to reflect on the high level of public, business and government interest in the work of the Taskforce to date. In summary, the 2005 *Creating Choice Report* identified and quantified the work/cost of care dynamic and has thus become an information touchstone.

The launch in February of the 2005 *Creating Choice Report* caught the zeitgeist and generated national press coverage on 24 February including

1. *print media* (eg the front page of the Sydney Morning Herald "*Workers forced to cut hours for family*", The Australian and The Australian Financial Review)
2. *radio* (eg ABC radio including the "The World Today", and breakfast radio on 2UE and 2GB)
3. *television news bulletins* throughout the day (including Channel 7, 9 and ABC TV)
4. *websites/press releases* of organisations such as Unions NSW, Carers NSW, Carers SA, Freehills, the NSW Equal Employment Practitioners' Association and Women Lawyers Association of NSW.

In addition, findings from the 2005 *Creating Choice Report* were published in

1. *industry journals* such as Childcare Australasia (*Parents Opt out for Work over High Cost of Care*, Vol 1(1) March 2005) and Workplace Info (*Carers to exit workforce*, April 2005), and
2. *articles* including "Valuing Care: The Relationship between workforce participation and the financial cost of care" (2005), Davis, E and Pratt (V) (eds) *Making the Link. Affirmative Action and Employment Relations*, CCH, "Family, Carers and the Workforce" (2005)(2) *Looking Forward*, p. 11-14, and "Mum's the Word" (2006) (4.3) *Human Capital*, p 18-24.
3. *reports* eg Human Rights and Equal Opportunity Commission "Striking the Balance. Women, men, work and family" (Discussion Paper 2005) and AMP.NATSEM "Who Cares. The cost of caring in Australia today 2002-2005 (Income and Wealth Report Issue 13 May 2006).
4. *speeches* eg on International Women's Day 2005, Deputy Opposition Leader Ms Jenny Macklin MP referred in Federal Parliament to the launch of the 2005 *Creating Choices Report*, and cited the Taskforce's published data.
5. *submissions*, namely in April 2005 and April 2006 the Taskforce made submissions to the Standing Committee on Family and Human Services in the context of the Commonwealth Parliamentary Inquiry into *Balancing Work and Family*.

The 2005 *Creating Choice Report* continued to attract national attention when Juliet Bourke, Taskforce Chair, appeared on 28 March 2005 on the ABC's Four Corners discussing the Taskforce's findings and how they demonstrated "the direct and causal relationship" between the cost of care for children, elders and people with a disability and the level of workplace participation of their carers.

The Taskforce has since been invited to present at events both nationally and internationally about its work and findings, including at:

1. The Community Work and Family Conference, *Creating Choice: Employment and the Cost of Caring*, Manchester (UK), March 2005;
2. Working NSW Conference, *The Price of Caring*, Sydney, June 2005;
3. Women, Management and Employment Relations Conference, *Moving Ahead on Equality and Diversity*, July 2005;
4. The National Diversity Think Tank Roundtable, Sydney, October 2005;
5. Politics in the Pub, *The Politics of Childcare: Is there a hidden agenda?*, Sydney, November 2005;
6. The AMP.NATSEM Income and Wealth Report launch, *May the labour force be with you*, Sydney, November 2005;
7. The AMP.NATSEM Income and Wealth Report launch, *Who cares?*, Sydney, May 2006;
8. Mission Australia, The Smith Family and the Social Policy Research Centre *Caring in the 21st Century*, Sydney, May 2006;
9. The International Association for Feminist Economics, *Work and Family in Australia: Through a Gender Lens*, Sydney, July 2006; and
10. Academy of the Social Sciences in Australia Workshop, *Childcare: A Better Policy Framework for Australia*, Sydney, July 2006.

In March 2006 ACTU President Sharan Burrow invited the Taskforce to celebrate this year's International Women's Day at a lunch hosted by the Australian Council of Trade Unions in Melbourne to talk from the employer perspective about labour market issues and retention of carers in the workforce.

In summary, the Taskforce's 2005 *Creating Choice Report* has been published for over a year now and the data has been accepted as credible and reliable, and thus as a touchstone for media attention and public debate. The Taskforce's aspiration is that a similar level of attention and debate will be generated by the 2006 *Interim Review*, and that this will demonstrate to Government the on-going and critical nature of the work/cost of care dynamic, and thus generate a higher level of interest in finding equitable and sustainable solutions that will provide real choice about how workers can balance their work and caring responsibilities.

3 The Taskforce's 2006 national survey of workers and the unemployed with caring responsibilities

3.1 Background

By way of background, the 2005 *Creating Choice Report* provided data from a survey commissioned by the Taskforce in 2004 to investigate the relationship between the cost of care and workforce participation. In particular the Taskforce sought to identify the nature of employees' caring relationships (eg for children, people with a disability and elders), the types of caring arrangements employees use to enable them to work, the factors which impact caring arrangements (eg availability of care, accessibility of care and financial cost), and the relationship between the cost of care and retention, as well as hours of work.

The Taskforce's 2004 survey found:

1. *Strategies to reduce the cost of care will have a direct impact on employment outcomes as there is a strong causal relationship between the financial cost of care and employment choices, and affordability is a key issue for all employees with caring responsibilities.*
2. *The current cost of care increases workforce attrition rates: 1 in 4 employees surveyed (i.e. employees with caring responsibilities) indicated they would be likely to leave the workforce in the future because of the cost of care. This relationship is amplified for employees caring for children under school aged (37%) and the elderly (40%).*
3. *The current cost of care reduces the level of workforce participation: 1 in 4 employees surveyed (i.e. employees with caring responsibilities) had already reduced their hours of work because of the cost of care. This relationship is amplified for employees caring for children under school age (30%).*
4. *Employment levels (and by implication income tax revenue) could be increased by reducing the financial cost of care: 35% of employees surveyed would increase their hours of work if care were more affordable. This relationship is amplified for employees caring for people with a disability (approximately 40%).*
5. *Strategies to reduce the cost of care should target the full range of caring relationships. The focus of current policies is on children under school age, but of the employees surveyed, only 38% fitted this category, whilst 67% cared for school aged children, and 20% had responsibilities for elders and people with a disability. As this latter group is likely to increase in number in light of the ageing population, strategies to address the cost of care should ensure that the focus is broader than children.*
6. *The cost of care is linked to the type of caring arrangement selected. Informal care arrangements (eg shared arrangements between a husband and a wife, or an arrangement with friends/neighbours) are most commonly used for school aged children (83%), people with a disability (45%) and the elderly (58%). In contrast formal care arrangements (eg private care inside or outside the home) are most commonly used for pre-school aged children (59%). It is of note however that a significant proportion of elderly (36%) and people with a disability (31%) also use formal care arrangements inside and outside the home. These data suggest that there may be an unmet need for formal care arrangements for school aged children, people with a disability and the elderly, if the mix of cost and availability of care is addressed appropriately.*

7. *The caring arrangements used for people with a disability and the elderly do not fall as neatly into the formal/informal categories commonly used to identify caring arrangements for children. Approximately 30% of employees identified that the care they provide is “other” than formal or informal and further investigation needs to be undertaken about the nature of these caring arrangements, and whether cost reduction strategies should be refined to address these arrangements.*
8. *There is a significant loss of tax revenue associated with caring arrangements, suggesting that the cost of care (and the lack of a deduction/rebate) acts as a disincentive to formalise the arrangements. Approximately 45% of employees surveyed (i.e. employees with caring responsibilities) pay for their caring arrangements, however between 53-70% of that group do not pay for services formally (i.e. on a tax declared basis). This lack of formality has implications which are broader than taxation, and include the Government’s capacity to understand, and therefore monitor, the quality of care provided.*
9. *A significant proportion of employees surveyed support reforms to reduce the cost of care. Approximately 1 in 3 employees surveyed (31%) perceive the cost of care as “too high” relative to their income, and over half of that group (54.3%) are supportive of a change in the tax system in order to make carers’ costs more affordable. 78% of the tax reform group support the introduction of a rebate or tax deduction.*
10. *The relationship between the cost of care and employment choices affects employees on all incomes, i.e. from those on relatively high incomes (defined as AUS\$90,000 and above) to those on relatively low family incomes (defined as below \$50,000) with the impact on employees on low incomes amplified. Hence strategies to address all income groups will have a significant impact upon choice and workforce participation for all employees.*
11. *The cost of care was important to the employees surveyed, as was the quality of care and its availability. For maximum impact, a strategy to improve choice for carers should be developed holistically, i.e. addressing cost, quality and availability.*

3.2 Introduction to the 2006 *Interim Review* regarding the perspectives of workers and the unemployed with caring relationships: survey results

In May 2006 the Taskforce commissioned a survey of workers with caring responsibilities in order to identify possible changes in the relationship between the cost of care and workforce participation choices since 2004. In addition, the 2006 survey included a new section for unemployed carers to investigate the relationship between the cost of care and unemployment. New questions within the 2006 survey also focussed on possible solutions to the address the work/cost of care dynamic.

The 2006 *Interim Review* provides selected findings from the 2006 survey and the Taskforce intends to release the full compliment of the 2006 survey findings in October 2006 with its *Final Review. Where to next?*. The 2006 *Final Review* will include findings on views about the perceived effectiveness of the Child Care Tax Rebate on employment choices, as well as potential financial solutions for workers and the unemployed with caring responsibilities.

3.3 Key selected findings for the 2006 *Interim Review* regarding the 2006 survey

In summary, the key selected findings from the 2006 survey are:

1. ***We're flatlining: the work/cost of care dynamic has not improved between 2004 to 2006.*** Approximately 1 in 4 workers with caring responsibilities are still at risk of leaving the workforce because of the cost of care, and 1 in 4 workers with caring responsibilities have already reduced their hours of work because of the cost of care.
2. ***In 2006 more workers with caring responsibilities are feeling the financial pain of care costs:*** In 2006 over one-third (37%) of workers now feel the cost of care is too high relative to their income (up from 31%).
3. ***Businesses continue to miss out on skilled labour force participation by workers with caring responsibilities:*** In 2006 more than half (52%) of part-time workers with caring responsibilities would increase their hours of work if care was more affordable.
4. ***Skills are walking out the business door:*** In 2006 affordability of care influenced the departure of 64% of employed carers from the workforce, and 60% of unemployed carers would return to the workforce if care was more affordable.
5. ***Care choices are a package:*** Quality, access and affordability are all critical to work/care decisions, but in 2006 affordability is much more of a concern for all carer groups than in 2004. In 2006 nearly 79% of workers with caring responsibilities say that affordability of care influenced their current working arrangements, up from 67% in 2004. This situation is worse for parents with an increase of 21% since 2004 in the importance of affordability (89% up from 68%).
6. ***Care costs have a disproportionate negative effect on vulnerable workers:*** Unemployed carers are more likely to care for children under school age (46%), or a person with a disability (19%).
7. ***The cost of care affects men and women:*** in 2006 one-third of working men self-identified as having caring responsibilities.
8. ***Leaving the workforce for cost of care reasons has a compound negative effect:*** After leaving the workforce half (52%) of unemployed carers feel that their skills have been reduced whilst off work, and half (49%) have reduced confidence in their ability to return to work.

3.4 Chapter structure

After identifying (i) the survey process and (ii) the characteristics of the survey participant profile, this chapter presents key selected findings in the following sections:

1. What was the pattern of caring responsibilities?
2. What was the pattern of caring arrangements?
3. The cost of care and financial support
4. Working arrangements and the cost of care
 - a. Participants who are employed
 - b. Participants who are not employed
5. Decisions about caring arrangements.

3.5 The survey process

Surveys were conducted in both 2004 and 2006. In both 2004 and 2006 surveys were conducted on a national random sample of people who were currently in the paid workforce and who have day-to-day caring responsibilities for another person

– either to provide direct care for, or to arrange care for. The sample size in 2004 was 512 and in 2006 it was 500. In 2006, a survey was conducted of an additional 500 people who were unemployed and have day-to-day caring responsibilities. Hence the total sample size for the 2006 survey was 1000.

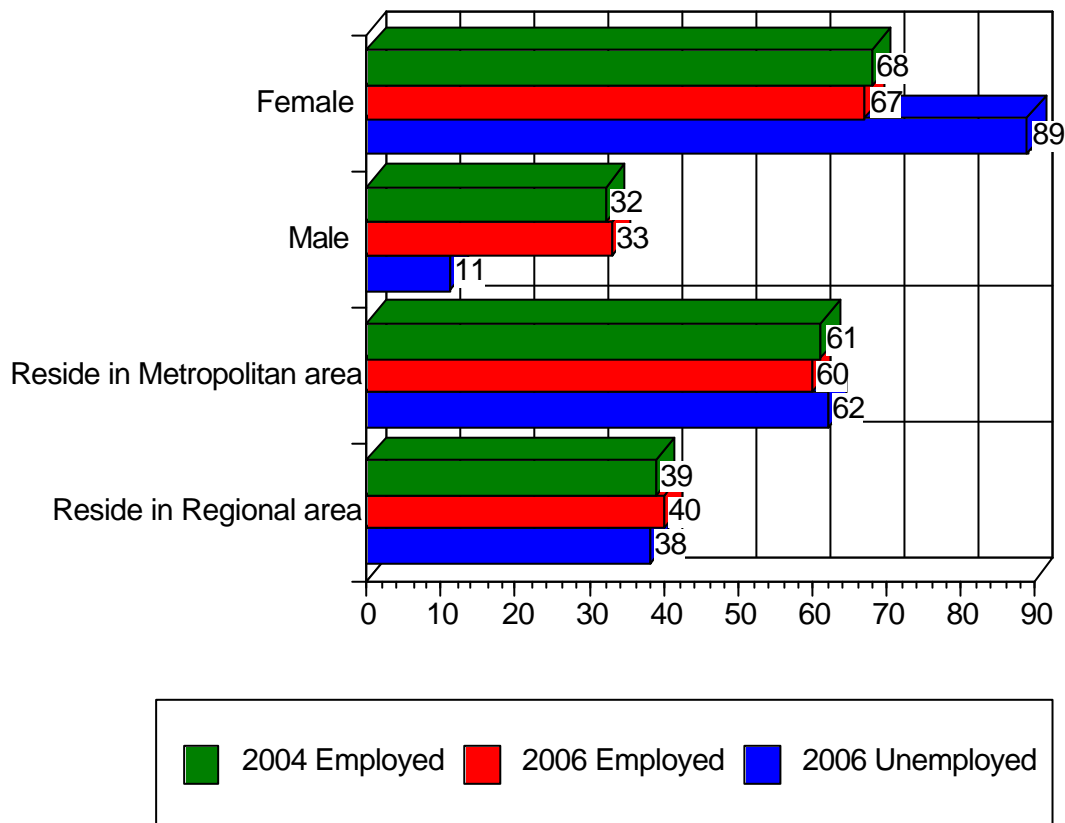
The surveys were designed by Dr Graeme Russell (Associate Professor at Macquarie University and Partner at Aequus Partners) in consultation with the Taskforce, and conducted via telephone by an independent research house, AMRInteractive. The data were analysed by Dr Russell and the Taskforce.

3.6 Who were the survey participants?

The survey respondents (with the exception of the gender mix) were selected on the basis that they are representative of the national profile.

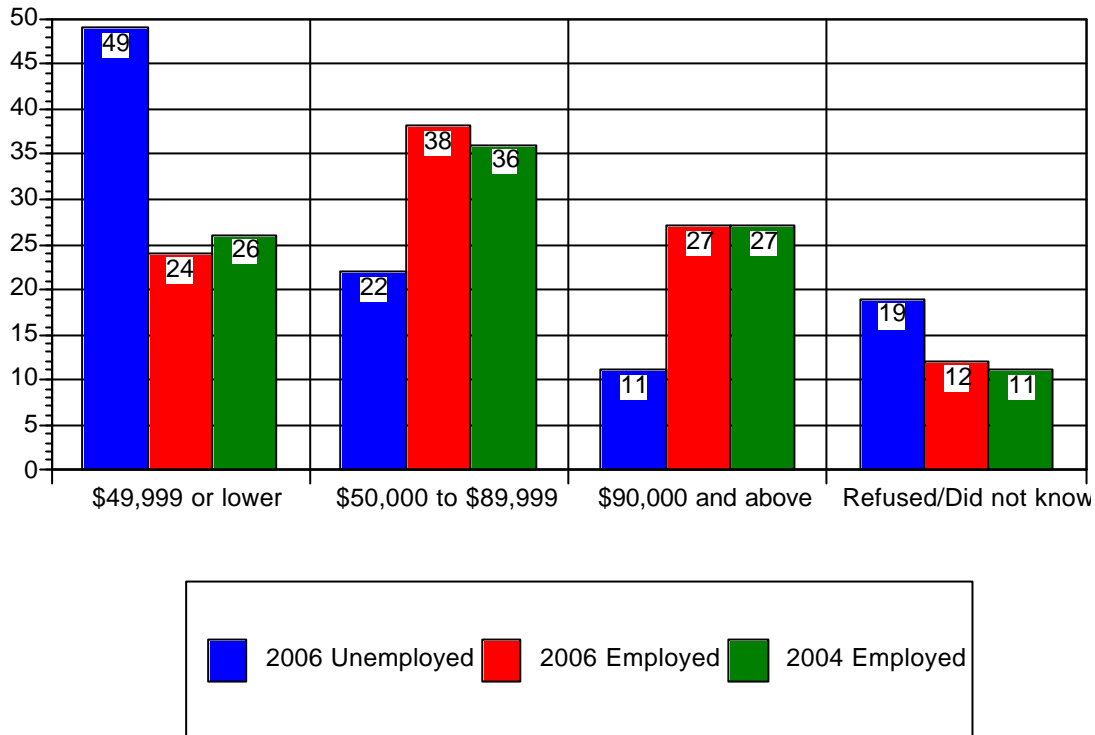
Graph 1 below shows the percentages of male and female respondents in each of the samples as well as the location of their residence. As would be expected, there was a significantly higher proportion of women in the unemployed sample.

Graph1. Sample characteristics: Gender and Location of Residence



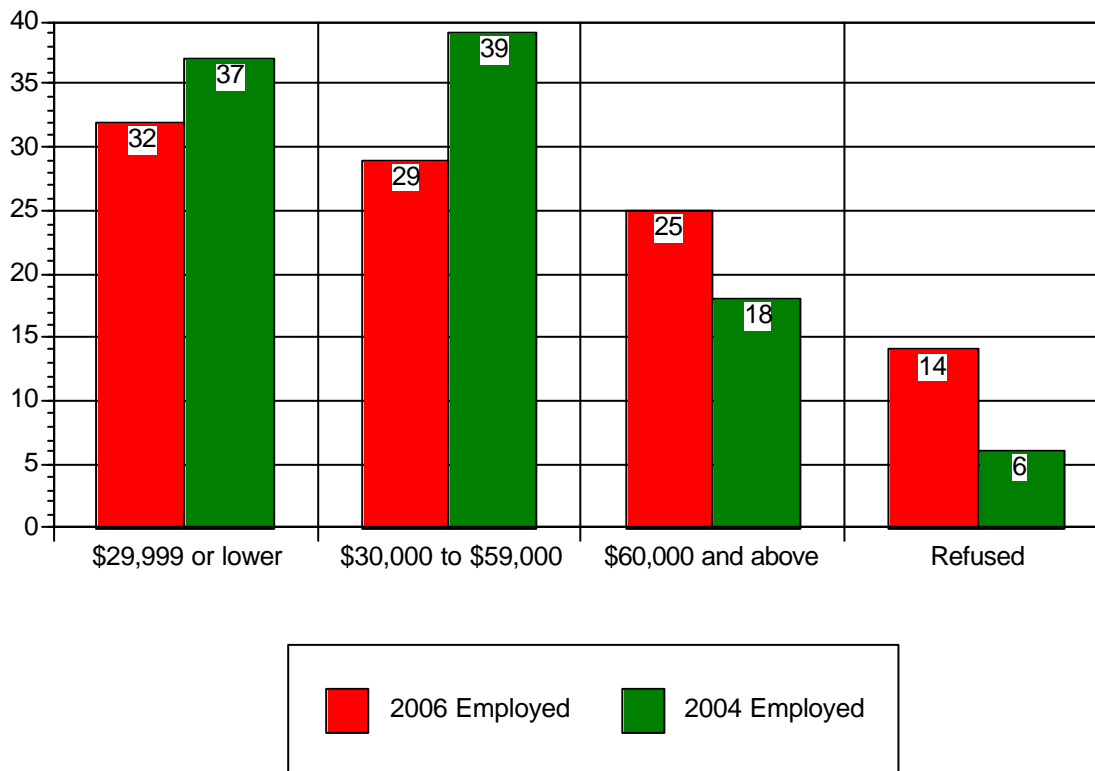
Graph 2 below summarises the household income characteristics for the three samples. There is a high level of comparability between the two employed groups. As would be expected for the unemployed group a higher proportion of the households have an income below \$50,000.

Graph 2. Household income characteristics



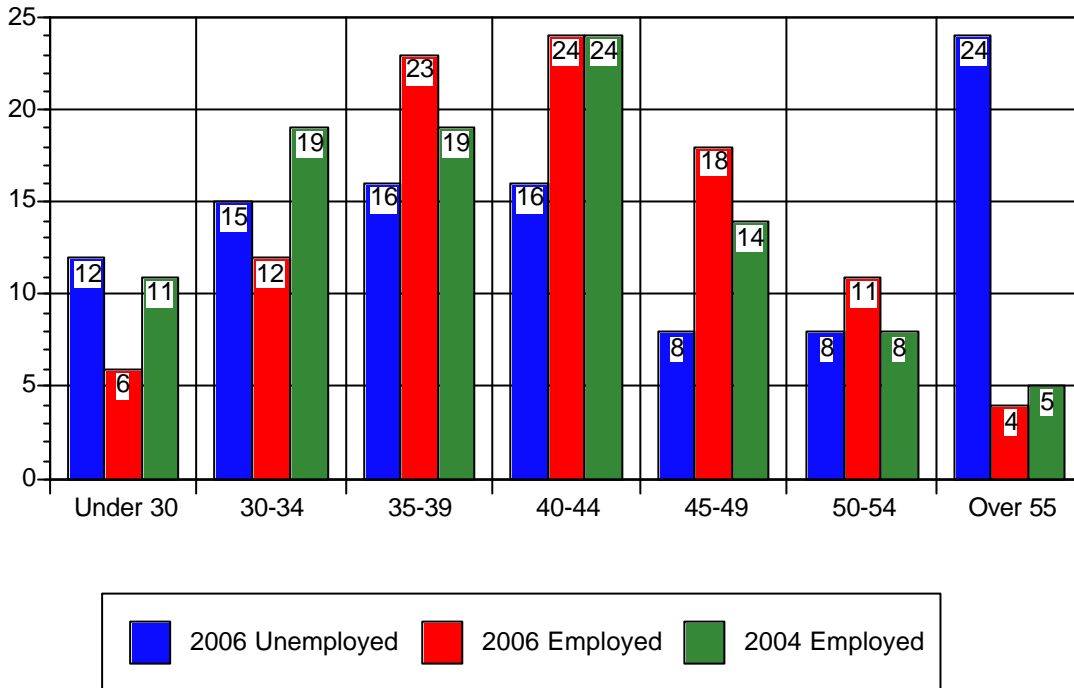
Graph 3 below shows the personal income characteristics for the two employed groups. There appear to be some differences in the patterns of income, with the 2006 sample having proportionally more people with high incomes and fewer with low and medium incomes.

Graph 3. Personal income characteristics



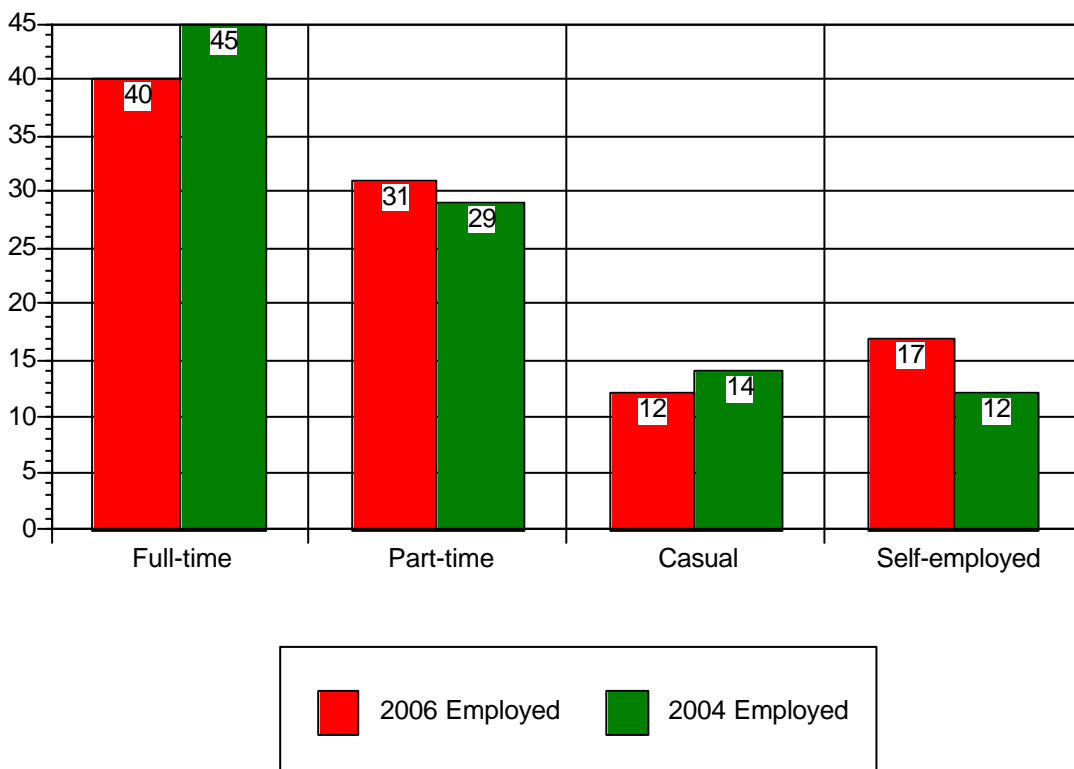
Graph 4 below shows the age distribution for the three samples. On average, both 2006 samples were older than the 2004 sample. The 2006 sample of unemployed carers also had a much higher proportion of people over 55.

Graph 4. Age characteristics



The employment characteristics of the 2004 and 2006 samples are shown in graph 5 below.

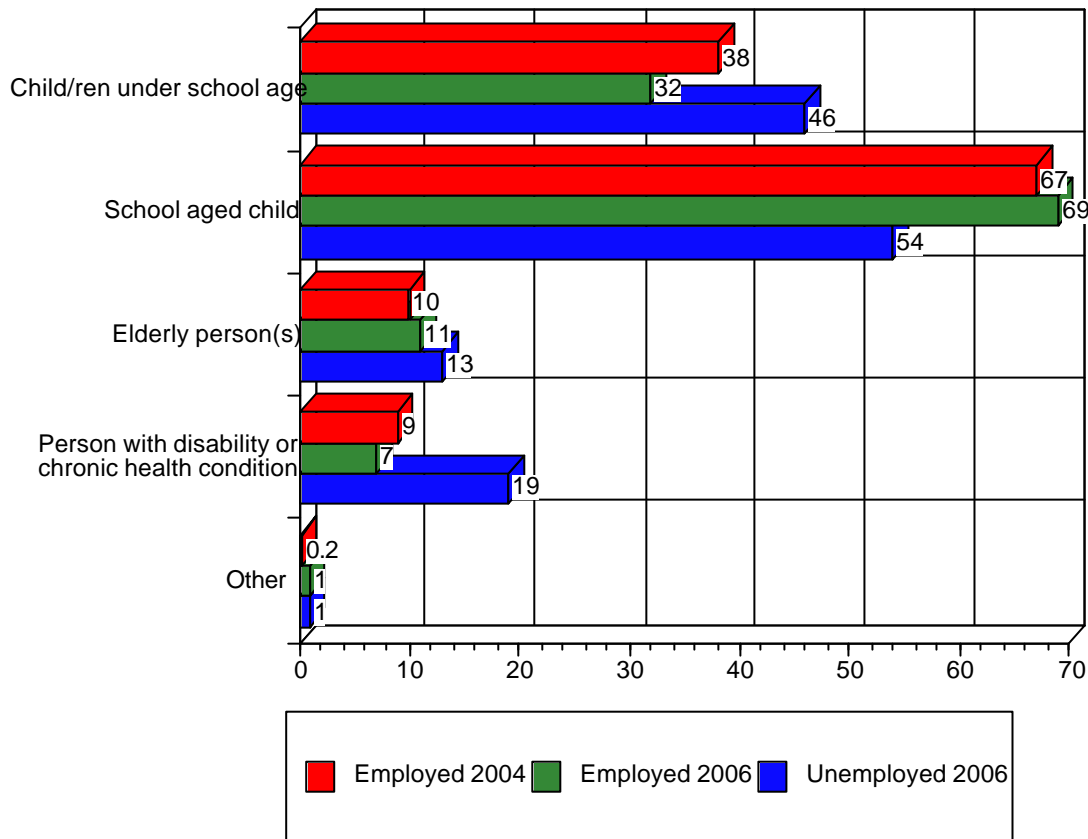
Graph 5. Employment characteristics



3.7 What was the pattern of caring responsibilities?

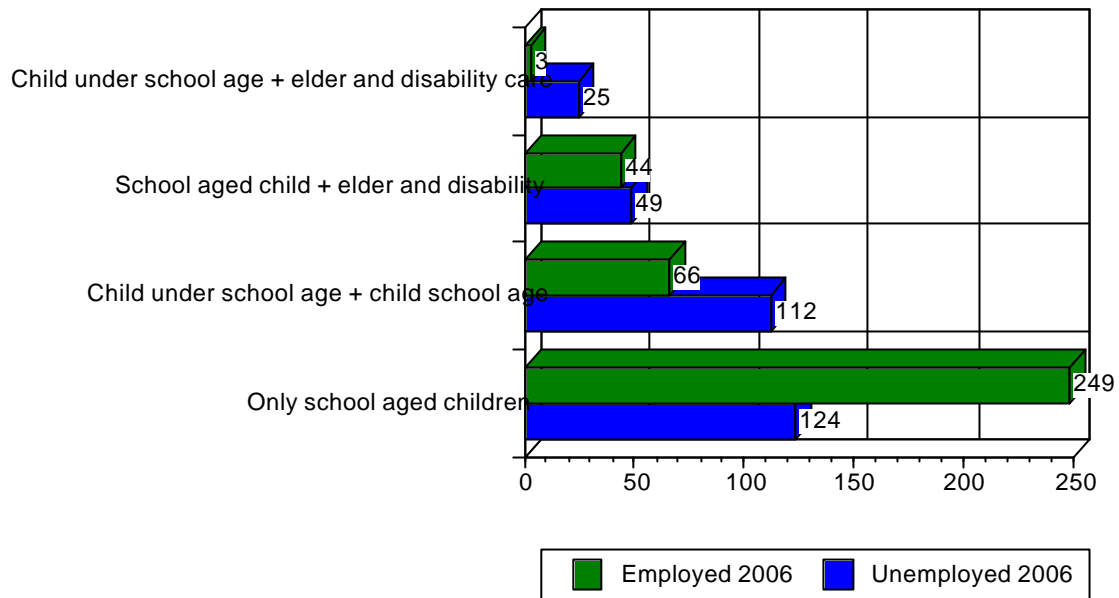
Graph 6 below shows the percentage of participants in each of the samples with various types of caring responsibilities. The most common type of caring responsibility was for school aged children. It is of interest to note, however, that close to 20% of the sample had caring responsibilities for elderly people and people with a disability/chronic health condition – groups that tend to be ignored in discussions about caring responsibilities.

Graph 6. Patterns of caring responsibilities



Additional analyses were conducted on the 2006 sample to examine the patterns of caring responsibilities within families. Graph 7 below shows a summary of the key findings for this. Figures shown are for the number of respondents rather than for the percentages of respondents. As can be seen, those caregivers who are not in the paid workforce have greater complexity in their care giving responsibilities.

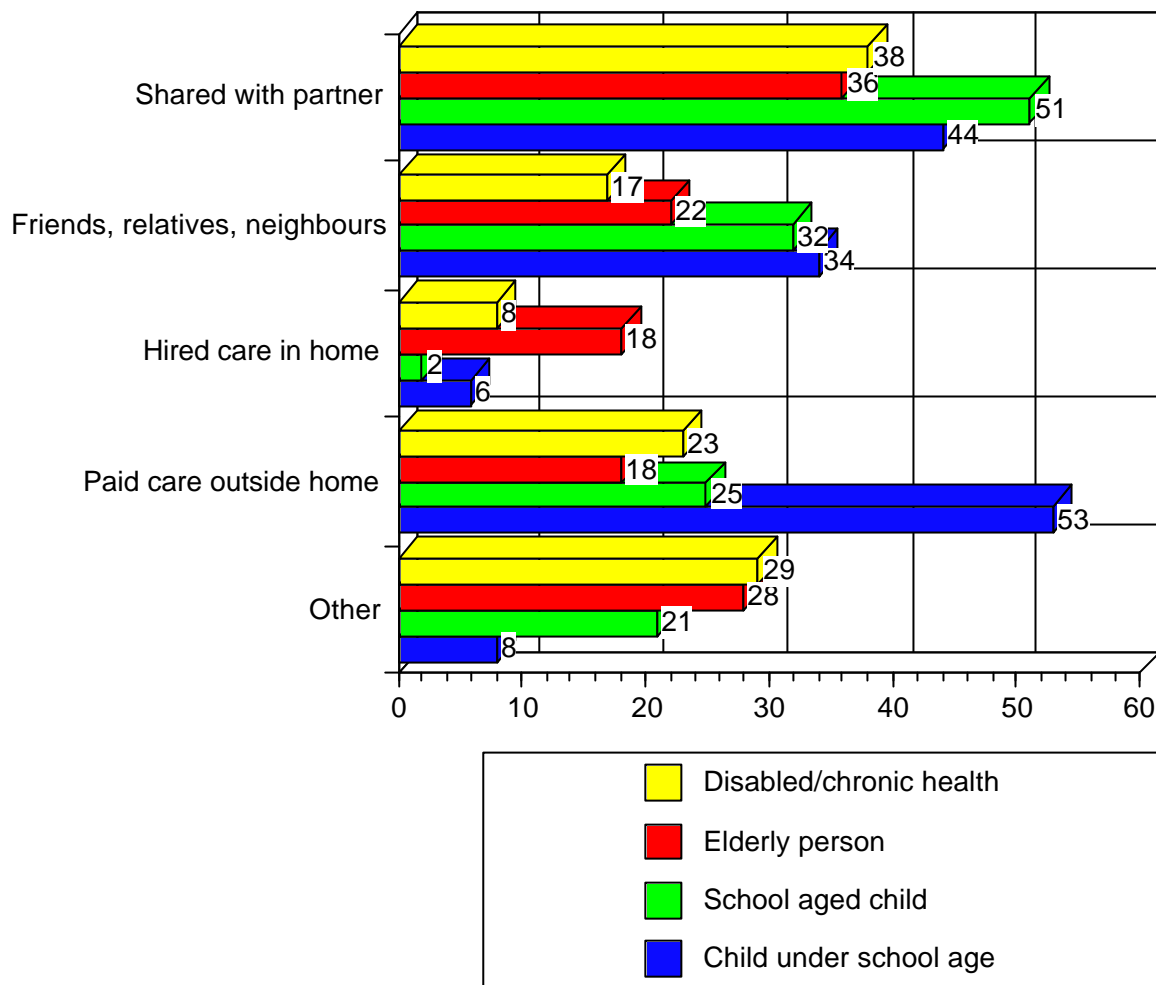
Graph 7. Patterns of multiple caring responsibilities



3.8 What was the pattern of caring arrangements?

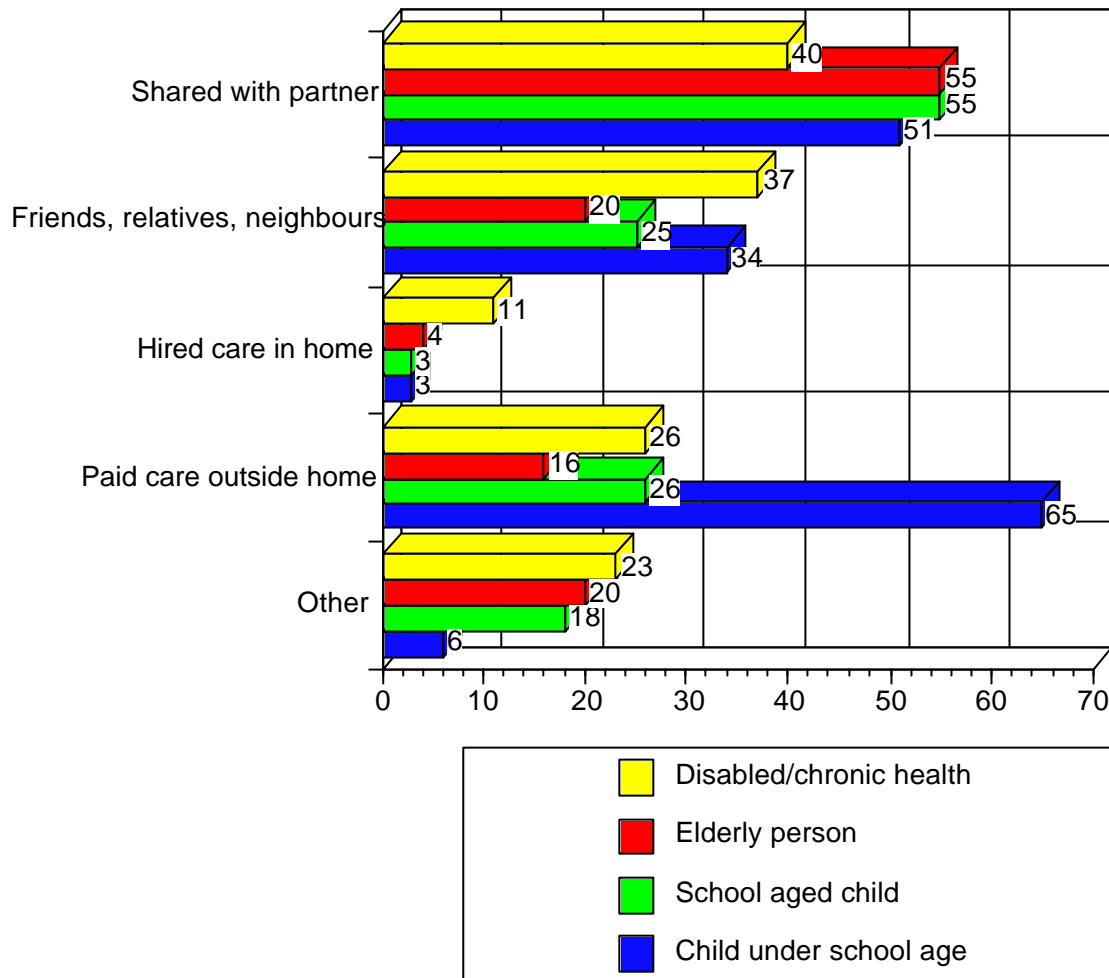
Data presented in graphs 8 and 9 below show the pattern of caring arrangements for the four different types of caring responsibilities. For all types of caring responsibilities apart from “a child under school age”, the most common type of arrangement involves sharing with their partner. The most common type of arrangement for “a child under school age” is formal paid care outside the home. It is of interest though that a significant number of the arrangements for elderly persons and those with a disability/chronic health condition also involve paid care outside the home.

Graph 8. Patterns of caring arrangements for 2004 sample



There are some variations in patterns of care between the two years. This would be expected given the small sample sizes, especially for elder care and caring for a person with a disability or chronic health condition. Interestingly though, in 2006, a higher proportion of those with children under school age used paid care outside the home.

Graph 9. Patterns of caring arrangements for 2006 sample



3.9 The cost of care and financial support

Comparisons were also made in relation to the cost of care and financial support for the 2004 and 2006 sample of employed carers. There were some differences in patterns between the 2004 and 2006 samples. In 2006 more respondents reported they paid for care (45%) and fewer indicated they paid on a formal basis (53%). As would be expected, the average cost of care was higher in 2006 than in 2004 (\$135 vs \$123). This represents an approximate 10% increase in the average amount paid for care. 31% of carers receive governmental assistance for that care, and the average amount is \$52 per week.

Analyses were also conducted for changes in care costs between 2004 and 2006 for different care arrangements. Sample sizes for caring for the elderly and for those who have a disability/chronic health condition are too small to make analyses for these groups meaningful. For those who had a child under school age the average cost for 2006 was \$161 and for 2004 it was \$138 (this difference was not statistically significant). For those with a school-aged child, the average cost for 2006 was \$114 and for 2004 it was \$83 (this difference was statistically significant).

3.10 Working arrangements and the cost of care

3.10.1 Participants who are employed

Several questions were asked to understand better the relationship between the cost of care and engagement in paid work. Findings for the employed group, comparing responses for 2004 and 2006, are presented in table 1 below for the different types of caring arrangements and demographic groups. Analyses were also conducted to examine if there were statistically significant differences in patterns of responses between the two years. Figures for 2006 are shown in brackets. Statistically significant differences are highlighted in bold.

As was the case in 2004, it is clear from the 2006 findings that for a significant number of people, the cost of care does affect decisions about employment, and this impact is particularly significant for those with caring responsibilities for people with a disability or chronic health condition. The impact for this latter group was reported to be much higher in 2006 than in 2004 (two of these differences are statistically significant). Key findings are:

1. 52% of those employed part-time indicated they would increase their hours of work if care was more affordable¹³. This pattern was consistent across all groups.
2. 37% indicated that the cost of care was too high relative to their income, and this was particularly the case for those with children under school age (46%). This figure is also significantly higher than the figure for 2004 (30.7%).
3. 23% indicated that in the future they would be likely to reduce their hours of work because of the cost of care, a figure that is slightly lower than in 2004 but not statistically significant (27.9%). As was the case in 2004, this figure was much higher for those with caring responsibilities for children under school age: 32%. 2006 data also showed that a significantly high number of those with caring responsibilities for someone with a disability and/or chronic health condition would reduce their hours of work in the future because of the cost of their caring responsibilities (49%).
4. 22% indicated they would be likely to leave the workforce in the future because of the cost of care. This figure was slightly lower than the 2004 figure but not statistically significant (25.2%).
5. 25% had already reduced their hours of work because of the cost of care, the same figure as in 2004. 51% of those caring for a person with a disability and/or chronic health condition indicated they had already reduced their hours.
6. 27% indicated that they had considered leaving the workforce because of the cost of care, a figure that is slightly higher than in 2004 but not statistically significant. Figures were significantly higher in 2006 for women (36% vs 25%) and those caring for a school aged child (26% vs 17.8%).

Analyses were also conducted on the 2006 data to investigate whether responses to these questions varied as a function of employment status (for males and females separately), education level (for males and females separately), the number of hours of care (categorised in terms of 10 hours or less; between 11 and 30 hours; and above 30 hours), and for the type of care arrangement they used (for the latter two, initial analyses were only conducted for those who had a child under school age). Some of the group sizes in these analyses are quite small, limiting the value of the analyses.

¹³ This data was not collected in 2004.

In terms of trends and patterns, it can be reported that firstly, those employed in part-time and casual positions were much more likely to indicate that the cost of care had influenced or will influence their workforce participation decisions. For example, 36% of those in part-time positions indicated that they had reduced their hours of work because of the cost of care. Of interest in terms of the analysis by education level, those with higher degrees and working part-time were more likely (75%) to say they would increase their hours of work if childcare was more affordable.

Secondly, those who have their children in care for longer hours, are more likely to report that the cost of care is too high relative to their income (56%) and that they have reduced their hours because of the cost of care (35%). Thirdly, those whose children cared for in centres and by hired care in the home are more likely both to say that they have considered leaving the workforce because of the cost of care (centre: 80%; hired care in home: 55%) and that the cost of care is too high relative to their income (centre: 70%; hired care in home: 65%).

Table 1. Perceived impact of the cost of care on working arrangements and decisions

	Total sample	Men	Women	Under school aged child	School aged child	Elder care	Disability/ chronic health care	Low income	High income
Would increase hours of work if care was more affordable ¹⁴	40 (52)	Sample too small	39 (52)	38 (50)	44 (55)	40 (50)	38 (54)	54 (54)	40 (50)
Cost of care is too high relative to my income	30.7 (37)	32.7 (30)	29.7 (40)	45.6 (46)	27.1 (35)	24 (27)	33.3 (43)	38 (43)	25.9 (30)
Likely to reduce hours in future because of cost of care	27.9 (23)	26.5 (13)	28.6 (28)	38.9 (32)	21.2 (16)	34 (36)	27.1 (49)	31.5 (26)	21.3 (18)
Likely to leave workforce in future because of the cost of care	25.2 (22)	17.9 (10)	28.6 (28)	37.3 (28)	16.9 (16)	40 (40)	33.3 (43)	27.1 (26)	20 (20)
Have reduced hours because of cost of care	25.4 (25)	19.8 (15)	28 (30)	30.1 (26)	24.2 (25)	26 (24)	29.2 (51)	25 (31)	25 (25)
Ever considered leaving the workforce because of the cost of care	22.7 (27)	18.5 (8)	25 (36)	35.8 (30)	17.8 (26)	20 (24)	31.3 (40)	24 (30)	17 (17)

Notes: Data in brackets is for 2006, data unbracketed is for 2004. Data in bold indicates a significant difference between 2004 and 2006.

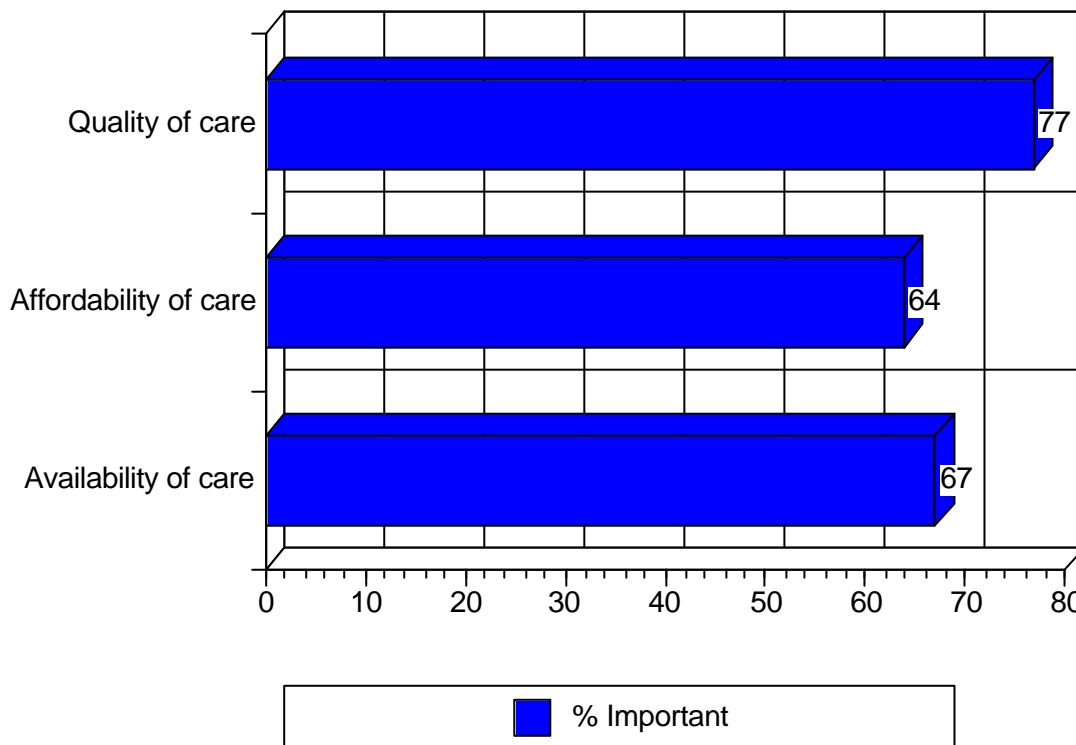
¹⁴ For this question data are only included for those working part-time.

3.10.2 Participants who are not employed

93% of those who were currently unemployed and had caring responsibilities had previously been employed, and of these 70% had been employed in the past 10 years. 56% were previously employed full-time and 44% part-time. 65% of those currently unemployed considered that the cost of care was too high relative to their income when they were employed, and 60% said that they would re-enter the workforce if care was more affordable. These figures were even higher for those with children under school age: 75% and 68%.

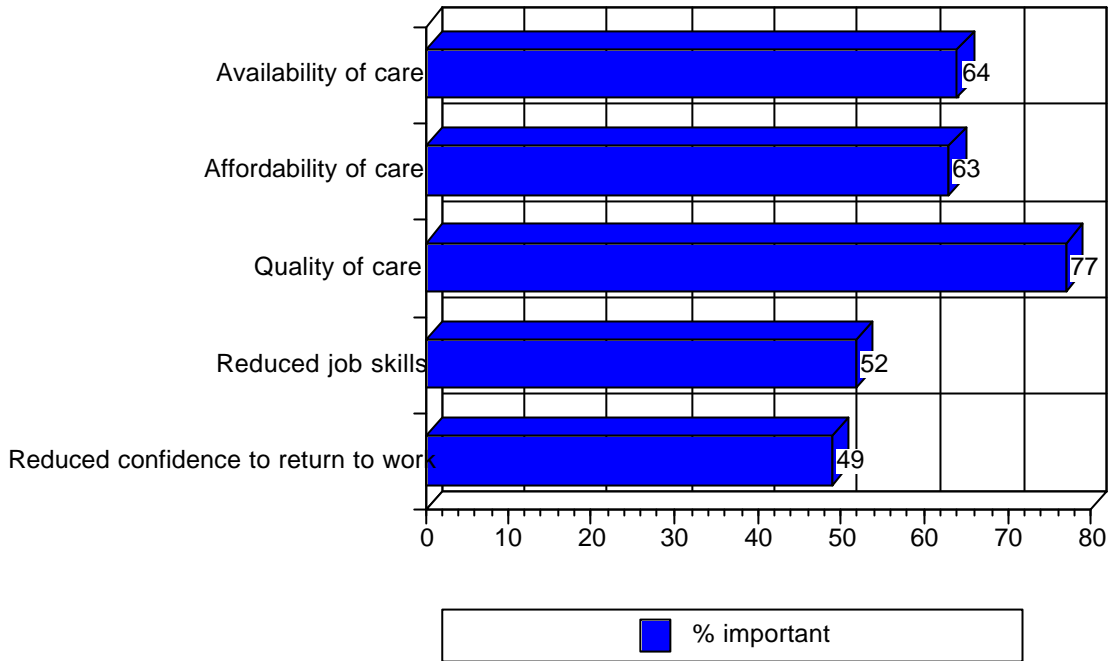
Two sets of questions were asked of this group, firstly in relation to factors influencing their leaving the workforce and secondly, in relation to factors that would influence their decision not to enter/re-enter the workforce. Graph 10 below shows the percentages of respondents who indicated that each of the factors was important in influencing their decision to leave the workforce. As can be seen “quality of care” was rated as being the most important. Overall though, 64% rated the affordability of care as being an important influencing factor.

Graph 10. Perceived impact of care factors on decisions to leave the workforce



Graph 11 below shows the percentages who indicated that each of these factors was important in influencing their decision not to enter or re-enter the workforce. Again, “quality of care” was considered to be the most important factor, and again “affordability of care” was rated as being an important influencing factor by nearly two-thirds of the sample.

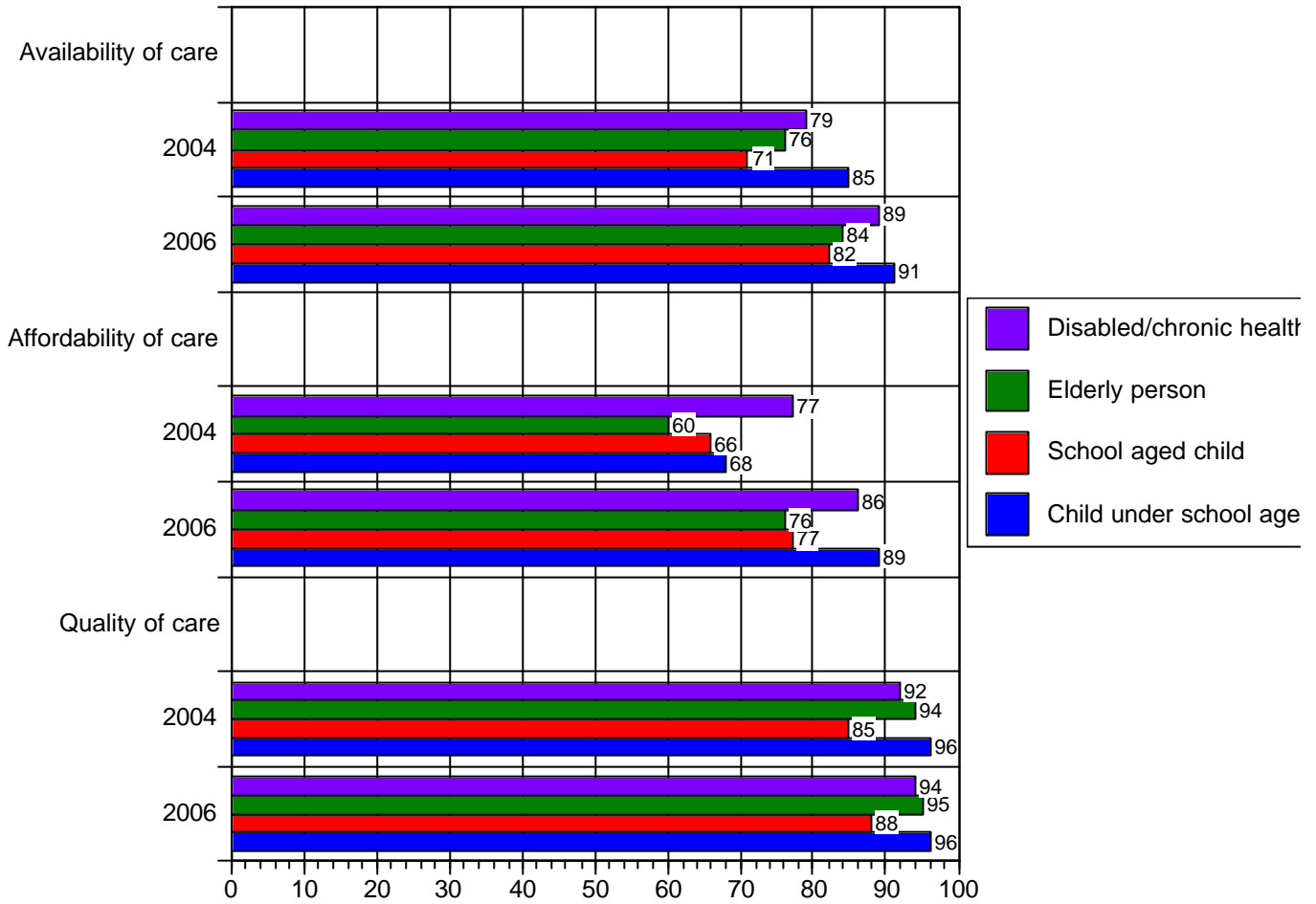
Graph 11. Perceived impact of care factors on decisions not to enter or re-enter the workforce



3.11 Decisions about caring arrangements

Questions were also asked about how important various aspects of caring for others were in influencing their current working arrangements. These responses for 2004 and 2006 are summarised in graph 12 below. Quality of care is clearly the most important issue for all groups. Affordability is more critical for those with children under school age and those caring for a person with a disability or chronic health condition. It is also clear that affordability has become a more a salient issue in 2006 – combining all groups, the importance rating increases from 67% to 79%, a 12% change. This compares with a lesser increase in the salience of the availability of care between 2004 and 2006 (9%), and a lesser increase in the salience of the quality of care (1%) during the same period.

Graph 12. Perceived impact of care factors on working arrangements for employed groups in 2004 and 2006



4 The cost of care in Australia

4.1 Background

By way of background, the 2005 *Creating Choice Report* made the following findings in relation to the cost of care in Australia:

1. *In 2002, 69.1% of children 0-4 years and 33.0% of children 5-11 years of age were in formal childcare (either solely or in combination with some form of informal care). This represented a 39% increase for children 0-4 years since 1993 and a 60% increase for children 5-11 years.*
2. *Between November 2002 and March 2004 childcare costs increased at a rate 2.2 times more than wage and salary earnings and 4.5 times more than prices generally. This continued a trend identified in a study conducted by the Australian Institute of Health and Welfare (AIHW) in 2003. These increases were reflected in the average cost of full-time childcare for pre-school aged children nationally (\$249 per week), and in New South Wales (\$348 per week) and Victoria (\$313 per week), which is significantly higher than those reported by AIHW in 2002.*
3. *Whilst there is some debate about the impact of the cost of care on parents' employment decisions, the Taskforce found a direct relationship between the cost of care and employment choices. In particular, 35.8% of workers who cared for children under school age have considered leaving the workforce because of the cost of care, and 37.3% are likely to leave the workforce in the future because of the cost of care. This finding is supported by research conducted by the National Centre for Social and Economic Modelling (NATSEM) which concluded that the interaction between childcare costs, income and government tax and benefit structures can limit the benefit of increasing workforce participation, particularly for low income earners.*
4. *The Taskforce's 2004 survey responses indicated that the average actual weekly cost (i.e. including full-time and part time usage) for elder care (\$162 per week) or disability care (\$118 per week) was similar to or more than that paid for by respondents paying for childcare (\$117 per week). Research by Carers Australia showed that other carers paying for care had similar issues to people paying for childcare in terms of affordability and availability of care, and its impact on their workforce participation decisions.*
5. *The potential of the Government's proposed introduction of a childcare rebate (which is set at 30% of out-of-pocket expenses and capped at \$4,000 per annum) to generate a significant increase in workforce participation is questionable. The current level of cost for childcare would result in a low income earner still having to pay on average \$4,000 per annum after government benefits and rebates if they wanted to have one child in full time care. Middle and higher income earners paying for full-time childcare (particularly in New South Wales and Victoria) have on average out-of-pocket expenses which exceed the \$13,333 at which the \$4,000 cap is reached.*
6. *The Taskforce's analysis has been informed by research conducted the Department of Family and Community Services, which found that every dollar spent by the Government on childcare results in a net return to the Government and to the economy in general.*

4.2 Introduction to the 2006 *Interim Review of the cost of care in Australia*

Since the Taskforce released the 2005 *Creating Choice Report*, there has been ongoing debate regarding the appropriate model to assist families cover the cost of care, particularly in relation to childcare. The Federal Government has passed legislation to give effect to the 30% Child Care Tax Rebate, capping the rebate at \$4000 per annum. Some Government members have publicly supported the rebate, while others and the Opposition have publicly opposed it in favour of other models, including Fringe Benefit Tax (FBT) exemptions and tax deductibility. Some business groups have recommended the expansion of FBT exemptions, while Australian Council of Social Service (ACOSS) has recommended changes to the Childcare Benefit structure. In all these debates, there continues to be two constants:

1. Childcare costs have continued to increase at much higher rates than prices generally.
2. The cost of care is part of a matrix of factors influencing work/care choices, and further attention is needed to address additional issues such as access to, and the quality of, care.

Further evidence of the interest in the issues and problems associated with care is the number of studies over the past 18 months in this area. Apart from The House of Representatives Standing Committee on Family and Human Services' Inquiry into *Balancing Work and Family*, chaired by the Hon Bronwyn Bishop MP, which is expected to report shortly, the Australian Bureau of Statistics (ABS), NATSEM (including studies in the AMP.NATSEM Income and Wealth Report series), the ACOSS, the Australian Institute for Health and Welfare (AIHW), the Melbourne institute and other groups, including a business network chaired by Deloitte with 37 other companies, have conducted research on issues regarding childcare, while AIHW, Carers Australia and Access Economics have considered issues related to elder and disability care. The Taskforce draws on the research of these groups and others and acknowledges the valuable contribution their research and recommendations make to understanding the issues and the possibilities.

This chapter reviews the findings from the 2005 *Creating Choice Report* in relation to the following issues:

1. Labour force changes;
2. Use and availability of childcare;
3. Changes in the cost of childcare;
4. Elder and disability care;
5. The continuing debate on childcare costs and financial support models;
6. Development of a revised model

4.3 Key findings for the 2006 *Interim Review regarding the current cost of care in Australia*

In summary this chapter makes the following key findings in relation to the current cost of care in Australia.

1. **Care costs are spiralling upwards:** Since 2004 childcare costs have continued to increase at rates beyond the changes in prices generally (measured by the Consumer Price Index (CPI)) and average weekly earnings, with increases in child care costs of 12.4% each year for the past two years compared to CPI increases of 2.5% in the year to June 2005 and 4% in the year to June 2006¹⁵. The Taskforce's 2006 survey demonstrates an aggregate increase of 10% for elder, disability and childcare costs since 2004.
2. **Care costs inhibit labour force growth:** At a time of labour shortages, and the higher capacity of women than men to increase their levels of workforce participation, the cost of care is inhibiting women in particular (given their role as primary carers) from meeting labour force growth needs.
3. **There is community consensus that a care crisis exist:** Since 2004 common themes in public debates about childcare have been (i) the inadequacy of the current Childcare Tax Rebate to meet the cost of childcare; and (ii) the persistence of problems in matching the demand for childcare with supply (both in terms of having sufficient places and childcare workers and in having the services located where the demand exists).
4. **The policy framework for care is inconsistent and varies according to the type of care:** Assistance with the cost of care for the elderly and people with a disability is usually provided by way of carers' payment, allowances, bonuses and pensions and demonstrates a health/welfare policy approach. In contrast support for childcare demonstrates a combined approach – part linked to welfare through benefits and part linked to workforce participation through the tax system.
5. **Access to formal and informal care is diminishing:** A substantial shortfall in informal carers is predicted over the next twenty-five years (from 152, 000 to 573,000 in 2031¹⁶) at the same time as predicted shortfalls in formal care. The shortfall in carers and formal care services needs to be addressed in order to limit long term labour supply shortages.

4.4 Labour force changes

When considering the use of care and who provides care, it is important to understand the changing nature of the labour force, ie from which worker segment carers will be drawn, and which workers have capacity to increase their workforce participation rates. As indicated in the Taskforce's 2005 *Creating Choice Report*, it was estimated "that male workforce participation rates will decrease from 73% in 1999 to 67% in 2016 due to a significant increase in males over 65 years and a decrease in the number of males aged 25-44, a group that usually makes up a major portion of the workforce (35% in 1998). By contrast, it was predicted that females will increase to 45% of the workforce with a 6-7% points increase in the 25-54 age group and 12% points for females 55-59 years of age"¹⁷.

A recent report by NATSEM on the changing face of the Australian Labour Force, confirmed that male participation rates had decreased in all age groups between 1985 and 2005 except for those over 55 years. The largest decrease was for young men between 20 and 24 years with a 5.3% decrease¹⁸. In contrast,

15 ABS, 6401.0, Consumer Price Index, Australia, June 2006, Tables 7a to 7l

16 Carers Australia, Discussion Paper, *The ageing population – can we rely on informal, unpaid care to provide?*. February 2005, P6 (Note: Policy Implications based on NATSEM study, *Who's going to care? Informal care and the ageing population*), p. v.

17 Taskforce on Care Costs (TOCC), *Creating Choice: Employment and the Cost of Care*, 24 February 2005, source data from ABS, 6260.0, Labour Force Projections, Australia, 1 September 1999.

18 AMP.NATSEM Income and Wealth Report Issue 12, *Changing face of the Australian labour force 1985-2005*, November 2005, p9.

particularly between 1995 and 2005, there had been a 1.7% increase in participation of males 55-59, a 9.3% increase for 60-64 year old males and 2.8% increase (or 30%) for males 65 years or older¹⁹.

As predicted by the ABS Labour Projections, the major growth in workforce participation has been for females. The NATSEM report showed female participation rates grew across all age groups between 1985 and 2005, although most of the change in participation rates for women up to 44 occurred between 1985 and 1995 (a 10 percentage point increase). However between 1985 and 2005, participation rates for women 45-54 increased by 50%, for women 55-59 the increase was 100%, and 300% for women 60-64. Now one third of women in the 60-64 age group are in the workforce²⁰.

There are now 4,818,300 women either in employment or seeking employment, accounting for 47.4% of the labour force in June 2006, an increase of 2.6% (from 44.8%) since June 2003²¹.

In terms of skilled labour, the Australian workforce increased by 1.38m between 1990 and 2003, of which 590,000 or 42.9% were female graduates with at least a university degree, while females accounted for 58.6% of the total increase in employed people²².

For workers in jobs with long, unsociable or variable hours, fixed centre based care arrangements do not always suit, given hours of work and travel. Consequently for many women the options are often to either use private arrangements, or not to take a job. Inclusion of these arrangements as approved for the purposes of Child Care Benefit (CCB) or the Child Care Tax Rebate (CCTR) will be important for the future workforce participation rates of women.

Additionally, not only will female employees be more likely to provide primary care for their children but over 75% of carers of people with a disability or chronic illness or the frail aged are female, with 54.1% of all carers being females between 35 and 54 years²³. In the Taskforce's 2006 Survey 67% of respondents with caring responsibilities were female (including those with young children) while 89% of unemployed respondents with caring responsibilities were female.

These structural changes, particularly with the increase in female workforce participation, make it necessary for (i) the Government to strengthen its policies and support for carers and parents and guardians with young children; (ii) service providers to consider the services provided; and (iii) employers to provide greater support and flexibility to enable employees balance work with their caring responsibilities.

4.5 Uses and availability of childcare

On 22 May 2006 the ABS released the June 2005 Child Care Australia report. At this time 1,553,400 children aged 0-12, or 46% of children in this age group, received some form of childcare. 21% (711,500) of children received formal care,

19 ibid

20 ibid

21 ABS, Labour Force, Australia, June 2006

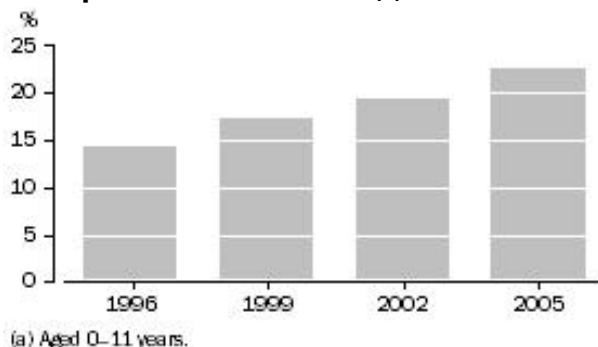
22 AMP.NATSEM Income and Wealth Report Issue 12, p 11

23 Access Economics, *The Economic Value of Informal Care*, Report for Carers Australia, August 2005, p1

alone or in combination with informal care, and 33% (1,104,100) received informal care, alone or in combination with formal care.²⁴

For children aged 0-11, in 2005 48% received some form of childcare. This increased from 45% in 2002 when the previous ABS survey was conducted. The increase was fully attributable to an increase in the use of formal care, where 23% of children received formal care, only 19% received formal care in 2002²⁵. As shown in Figure 1, this continues a steady upward trend in the proportion of children who received formal care that has been evident since 1996.

Figure 1 - Proportion of children (a) who used formal care



Source: Australian Bureau of Statistics 4402.0 Child Care, Australia, June 2005.

In June 2005, 64,400 children required additional before and after school care, 17,900 required additional family day care, while a total of 188,400 children required additional childcare²⁶. Of these 33% reported that available services were booked out or had no places, while a further 10% responded that either no service existed or there was no service that they were aware of in their area.²⁷

Supporting these findings, NATSEM concluded in a study based on data from the Household Income and Labour Dynamics of Australia (HILDA) Survey, that persistent problems with the both the availability and cost of childcare being experienced by almost half the respondents to at least a moderate level. This was particularly evident where there were more than 2 children under 15 years in a family, where a child was under 2 years and/or if they resided in a capital city²⁸.

The availability of care has also increased in importance as a factor influencing the working arrangements of carers of both school age (72% to 84%) and under school age children (86% to 92%) according to the Taskforce's 2006 survey compared to 2004, while 64% of unemployed carers report that availability of care was an important factor influencing their decision to remain out of paid employment. These results confirm that the shortage of quality childcare remains a significant issue affecting parents and guardians decisions about their level of workforce participation.

Over the past 2 years the Federal Government has taken a number of steps to address these issues. In the 2006-07 Federal Budget the Government announced

²⁴ ABS, 4402.0 Child Care, Australia, June 2005

²⁵ ibid

²⁶ ibid

²⁷ ibid

²⁸ NATSEM, *Persistence of problems with child care: evidence from the HILDA survey*, paper presented at the HILDA Survey Research Conference, September 2005

the intention to remove the cap which restricts the number of approved outside school hours and family day care places. The Government estimates this will add 25,000 places and result in an overall total of 700,000 childcare places by 2009²⁹. This followed the announcement in the 2005-06 Federal Budget of the provision of 84,300 outside school hours care, 2,500 family day care and 1,000 in home care places over the next 4 years³⁰.

In March 2006 The Hon Julie Bishop MP, Minister for Education, Science and Training, also announced plans to provide free preschool education to all four-year-olds, providing the opportunity for all children to receive standard, structure pre-school education³¹.

However, while these places and the stronger link between childcare and early learning are welcome and positive steps, there may continue to be problems with availability for some time. It was reported by The Hon Kim Beasley, Leader of the Opposition, when releasing the Australian Labor Party's (ALP) Plan for Childcare On School Grounds, that there are already 67,000 outside of school hours places funded by previous budgets that were unfilled³². As a means of overcoming these shortages, the ALP proposes using available land within school grounds to construct childcare centres³³.

Clearly there is a lag between the Government increasing the number of approved places and the positions becoming available, contributing to a continuing excess of demand for formal childcare over the supply and increasing cost of childcare.

There are a number of factors contributing to this. Ms Anne Clark, President of the Child Care Association of Australia is reported to have estimated that there will be a shortage of 10,000 childcare workers within the next two to three years³⁴. While pay increases received by childcare workers through the various industrial tribunals in early 2006 should attract workers, obtaining qualifications takes time delaying improvement in labour supply in the short term.

ACOSS recently argued that poor coordination between the Commonwealth and States, particularly for Long Day Care Centres which are not subject to planning and allocation controls which apply to other forms of childcare, has resulted in shortages of child care places in some areas but oversupply in others³⁵.

While the plan for early learning announced by the Federal Minister for Education, or an alternate plan announced by the Opposition may increase formal childcare supply, it is clear that addressing the issues of the undersupply of childcare facilities and qualified childcare workers and ensuring increases in supply go to the areas of need will not be easy to overcome. Addressing this must be a priority for the Federal Government, with the full cooperation of the states, if it is to create the conditions to make the increased workforce participation of primary carers of children a real possibility.

29 Australian Government, Budget 2006-07 Overview, 9 May 2006, p 15

30 Australian Government, Minister of Family and Community Services, *2005-06 Budget: Working for Families*, Media Release 10 May 2005.

31 ABC, *Free pre-school plan welcomed*, Radio Transcript, 23 March 2006

32 Australian Labor Party (ALP), *My Plan For Childcare on School Grounds*, Media Statement, 16 March 2006

33 *ibid*

34 Nick O'Malley, Sydney Morning Herald, *Low pay blamed for childcare shortage*, 21 January 2006

35 Australian Council of Social Service (ACOSS), *Fair Start: 10-point plan for early childhood education & care*, ACOSS Info 383, February 2006, p 5

4.6 Changes in the cost of childcare

In the past two years (to March each year) childcare costs increased by 12% each year, while the Consumer Price Index (CPI) increased by 2.6% in the year to March 2005 and 3% in the year to March 2006³⁶. For the March 2006 quarter, childcare costs increased by 5.1%, significantly more than the CPI increase of 0.9% over that period³⁷. Average weekly earnings increased by 4% in the year to November 2004 with a further 5% in the year to November 2005.³⁸ This trend of childcare costs increasing at rates higher than both prices generally and wages was reported by Taskforce in its 2005 *Creating Choice Report* and has more recently been highlighted in studies by the AIHW and NATSEM.

The AIHW, in its Bulletin entitled *Trends in the affordability of childcare services 1991-2004*, compared childcare costs and average weekly earnings and found that the affordability of childcare declined in the 1990's, improved for a short period in 2000 with the introduction of the Child Care Benefit (CCB) then deteriorated again between 2000 and 2004, particularly for lower income earners. AIHW concluded that the "main reason for this was that childcare fees increased at a greater rate than average weekly earnings and the CCB, which is indexed to the Consumer Price Index"³⁹. The AMP.NATSEM study, *The cost of caring in Australia 2002 to 2005*, found that the average annual increase in the childcare CPI between 1990 and 2004 was 4.6%, in stark contrast to the lower and more gradual increase in the CPI⁴⁰.

Between February and March 2006 child care workers in Australia were awarded wages increases of up to 16% over 2 years through pay equity decisions of hearings in the various industrial commissions. While the commissions found that childcare workers were underpaid for the responsibilities they had, such increases will no doubt be passed onto parents through increased fees. This will ensure that childcare costs will continue to increase at a rate above the CPI at least for the next 2 years.

This highlights an issue that the Taskforce and others have raised both in relation to the CCB and the \$4000 cap on the CCTR. Both of these benefits are adjusted annually based on the movement in the CPI. However, ABS figures and studies such as those conducted by AIHW and NATSEM clearly show that childcare costs have consistently increased at rates higher than the CPI. Consequently, while government benefits continue to be linked to the general CPI, net benefits will diminish over time.

As a means of curbing the fee increases and gaining some control over costs, ACOSS recommended in its proposal that the Government publish a Schedule of Government Recommended fees for different types of child care services and linking payment of CCB, in a reshaped form, to the schedule⁴¹. The Taskforce agrees that this would be worthwhile and would assist parents and guardians to compare prices and may lead to control of costs over time.

36 ABS, 6401.0, Consumer Price Index, Australia, March 2006, Tables 7a to 7i

37 ABS, 6401.0, CPI, March 2006

38 ABS, 6302.0, Average Weekly Earnings, November 2005, Table 3

39 AIHW, *Trends in the affordability of child care services 1991-2004*, April 2006, p 5

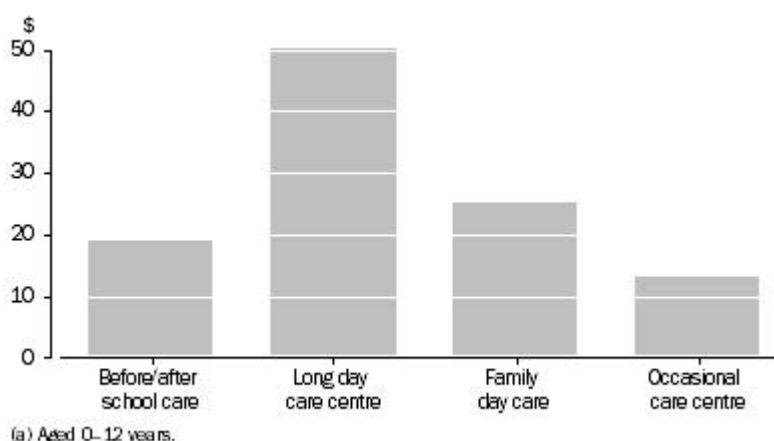
40 AMP.NATSEM Income and Wealth report Issue 13 May 2006, *The cost of caring in Australia 2002 to 2005* p 15

41 ACOSS, *Fair Start*, p 4

An issue that needs to be addressed is that not all parents gain access to the CCB nor are they eligible for the CCTR. To be eligible for the CCB, the care must be provided by a childcare provider approved to receive the CCB. However, this excludes a large amount of care, even though it may be provided by a provider registered by the Family Assistance Office. In the ABS Child Care Survey June 2005, parents of 21% of children in care could not claim CCB because the centre or carer was not eligible to receive the CCB⁴². Therefore there is no relief from the increasing cost of care for parents of 1 in 5 children in care. It is the view of the Taskforce that such distinctions discriminate unnecessarily and consequently all of registered care should be eligible for both the CCB and CCTR.

Data from the Taskforce's 2006 survey also indicates that the average cost of childcare per week ranged from between \$99 to \$164 per week depending on location. According to the ABS Child Care Survey June 2005, the median weekly cost, net of CCB, per child for all formal care was \$31 and \$50 for long day care, with the median cost for care of 45 hours or more being \$145⁴³. Figure 2 below shows the median cost for long day care was approximately double the cost of those using family day care followed by before/after school care and occasional care centres.

Figure 2 - Median cost of care for child(a)



Source: ABS 4402.0 Child Care, Australia, June 2005.

However as reported in the Taskforce's 2005 *Creating Choices* Report, the average weekly fees for childcare are much higher than the median costs. Reporting on the Government's most recent census on fees, Ms Stephanie Peatling of the Sydney Morning Herald, commented that "the average weekly fees paid by parents using long day-care centres is \$208, up from \$184 just two years ago. People using community-run centres have also been hit with price rises, with the average weekly cost rising from \$188 to \$211"⁴⁴. Consistent with this, the Taskforce's 2006 survey also showed that respondents were paying an additional \$20 per week on childcare compared to the 2004 survey results.

The Taskforce also reported in 2005 that, based on confidential data it received, full-time weekly childcare costs nationally were higher than the median figure

42 ABS, 4402.0 Child Care, Australia, June 2005

43 ibid

44 Stephanie Peatling, *Child care eating away weekly wage*, Sydney Morning Herald, April 28, 2006

indicated at \$249 at the time, with New South Wales (\$348) and Victoria (\$313)⁴⁵. These figures are further borne out by a number of media reports, including from Mr Matt Wade and Mr John Garnaut of the Sydney Morning Herald, indicating that some childcare centres in Sydney are charging more than \$100 a day⁴⁶.

The cost of childcare continues to influence parents' decisions on the use of childcare. As reported by the ABS, parents of 16% of children (30,700 children) who required additional care in June 2005 did not use the additional care due to the cost. Further parents of 99,000 children did not consider additional care due to the cost⁴⁷.

The ABS data is consistent with responses by employed respondents to the Taskforce's 2006 survey namely:

- 27% had considered leaving employment because of the cost of care;
- 25% had reduced working hours due to the cost of care;
- 49% would increase working hours if care was more affordable; and
- 37% believed care costs were too high relative to their income.

Further to this 60% of unemployed respondents also reported that they would return to paid employment if care was more affordable.

The evidence shows that childcare costs are increasing faster than income or prices generally and that these costs are influencing decisions of parents to join, remain in or re-join the workforce. Reductions in income tax rates over the last two years, the introduction of the Child Care Tax Rebate, and increasing eligibility for Family Tax Benefit A and the Large Family Supplement will help people afford childcare. To avoid further deterioration in affordability of childcare, the Taskforce is considering recommending to Government that:

- Government benefits relating to childcare be adjusted in line with changes in the childcare CPI as an immediate action; and
- As proposed by ACOSS, the Government publish a schedule of Government Recommended Fees for services so parents can compare costs and quality of different service providers.

The Taskforce will make final recommendations for change in its 2006 *Final Review* (to be released in October 2006).

4.7 Workforce participation and costs of elder and disability care

A recent Discussion Paper by Carers Australia titled *The ageing population – can we rely on informal, unpaid care to provide?* calculated that in 2001 there were 57 primary carers for every 100 people over 65 years and that this would drop to 35 for every 100 person over 65 by 2031⁴⁸. The paper estimated that there is a current shortfall of 152,000 primary carers and this will increase to 573,000 by 2031⁴⁹. These statistics indicate there will be an increased need for formal care services. However there is already a labour shortage for nursing staff in residential care⁵⁰ and this is likely to continue.

45 Taskforce on Care Costs (TOCC), *Creating Choice: Employment and the Cost of Care*, 24 February 2005, p17

46 Matt Wade and John Garnaut, *Revealed: The soaring cost of child care*, Sydney Morning Herald, January 26, 2006

47 ABS, 4402.0 Child Care, Australia, June 2005

48 Carers Australia, Discussion Paper, *The ageing population – can we rely on informal, unpaid care to provide?* February 2005, P6 (Note: Policy Implications based on NATSEM study, *Who's going to care? Informal care and the ageing population*)

49 *ibid*, p. v

50 *ibid*, p 17

It is estimated that in 2005 there were 2.6m carers in Australia, 494,000 of whom are primary carers⁵¹. According to ABS survey data from 1998, only half the primary carers were in employment and they were more likely to be on lower incomes⁵².

These data have implications for the labour force as a whole. As previously mentioned, over 75% of carers of people with a disability or chronic illness or the frail aged are female, with 54.1% of all carers being females between 35 and 54 years⁵³. As NATSEM indicated in a recent report on the cost of care, there is an obvious cost benefit to Australia by care being provided in the home because the carer bears the cost⁵⁴. However there are labour supply and income issues that are a consequence of this situation.

First, the expected increase in workforce participation is foreshadowed to be attributable mainly to increased female participation. However, the ageing population, the increasing shortfall in informal carers, and the current and expected shortfall in formal care providers will negatively impact the ability of women to return to or remain in the workforce, which will further impact projected labour shortages.

Second, NATSEM calculated that if a “single person on average weekly earnings in December 2005 of \$1030 per week (with after tax income of \$775) were to leave his or her employment to care for and receive only the carers’ income support payment, their weekly income would drop to \$294”⁵⁵. In the Taskforce’s 2005 *Creating Choice Report*, survey respondents reported paying \$162 per week in elder care and \$118 per week for disability care, which were higher than the average weekly costs for childcare (\$117 per week)⁵⁶.

The Taskforce’s 2006 survey found that between 2004 and 2006 there have been significant increases in the importance of both the availability and affordability of care as influencers on the decisions of carers about their current working arrangements. For workers providing care to someone with a disability or chronic health condition, the importance of the availability of care increased 10 percentage points (from 78% to 88%) and the importance of the affordability of care increased 8 percentage points (from 78% to 86%). For elder care the importance of availability of care increased 8 percentage points (from 76% to 84%), while affordability of care increased 14 percentage points (from 60% to 76%). In relation to the cost of care for someone with a disability/chronic health condition, 62% of working carers indicated they would increase their hours of work if care was more affordable while 43% indicated they are likely to leave the workforce due to the costs. For carers of elderly people, 49% indicated they would increase hours of work if care was more affordable while 40% are likely to leave the workforce due to the cost of care. These results are similar to those for parents and guardians of young children dealing with the issue of the cost and availability of childcare.

51 Access Economics, *The Economic Value of Informal Care*, Report for Carers Australia, August 2005, p. i.

52 *ibid*, p. 26

53 Access Economics, *The Economic Value of Informal Care*, Report for Carers Australia, August 2005, p 1

54 AMP.NATSEM Income and Wealth report Issue 13 May 2006, *The cost of caring in Australia 2002 to 2005* p 2

55 *ibid*

56 Taskforce on Care Costs (TOCC), *Creating Choice: Employment and the Cost of Care*, 24 February 2005, p20

However, while issues regarding childcare are being dealt with through both government support payments and the tax system, solutions for other carers are principally through government support payments. For instance, in the 2005-06 Federal Budget the Government announced that a bonus payment of \$1000 would be made to recipients of the Carer Payment and \$600 to recipients of the Carer Allowance, at a total cost of \$317m, following a similar Carers Bonus paid following the 2004-05 Budget⁵⁷. In the 2006-07 financial year, these payments have again been announced, at a total cost of \$358m with the payment also now being extended to recipients of the Wife Pension and the Veterans' Affairs Partner Service Pension⁵⁸. However, as noted by Carers Australia in their Budget Response, there are still a number of carers, including those on the Aged Care Pension, who are not entitled to this payment⁵⁹. While the payments will be welcomed by carers they do not address issues of workforce participation or make it more practical for carers to increase their participation and income.

The National Strategy for Ageing Australia is a step in the right direction in that it identifies, among a range of actions, as priority issues both ensuring that Australia has sufficient and well trained formal care providers plus providing support for older people and their carers⁶⁰. These issues should be in the forefront of those involved in the long term planning for this area of care.

However, it is recommended that the support provided to employed carers should be similar to that provided to compensate for the costs of childcare. It is on that basis that the Taskforce is developing a model for the future.

4.8 The continuing debate on childcare and financial support models

The high level of continuing debate on childcare and financial support models is an indicator of the complexity of affordable, accessible quality childcare issues, and the difficulty in finding a solution to meet the different aspirations of key stakeholders. Members of the Government, the opposition parties, ACOSS, the Taskforce, employer and industry groups and the Australian Council of Trade Unions (ACTU) have all suggested alternatives to improve access, improve the quality of early learning, or reduce the cost impact on parents and guardians.

Notwithstanding the Government's introduction of the CCTR, which is supported by senior members of the Government such as the Treasurer, The Hon Peter Costello MP⁶¹, and the Minister for Families, Community Services and Indigenous Affairs, The Hon Mal Brough MP⁶², other members of the Government have questioned the suitability of the CCTR as a means of addressing the cost of childcare. Liberal MPs including The Hon Bronwyn Bishop MP and The Hon Jackie Kelly MP have questioned the Government's approach to childcare access and cost, believing the expense and inaccessibility of childcare results in women opting out of paid employment⁶³. Kelly has publicly supported expanding Fringe Benefit Tax (FBT) exemptions for employer sponsored childcare while Bishop has

57 Minister for Family and Community Services, *One-off payment windfall for Australia's carers*, Media Release 10 May 2005

58 Australian Government, Budget Overview 2006-07, p 17

59 Carers Australia, Budget Response, *Carers Bonus*, Media Release 12 May 2006, p 1

60 The Hon Kevin Andrews, MP, Minister for the Ageing, *The National Strategy for an Ageing Australia*, February 2002, pp61-62

61 Kerry-Anne Walsh, The Sydney Morning Herald, *Costello kills chills-care rebate debate* 23 April 2006

62 Minister for Families, Community Services and Indigenous Affairs, *Report confirms chills care costly under Labor*, Media Release, 27 April 2006

63 Patricia Karvelas, The Australian, *High Cost of holding a baby*, 18 March 2006

argued for the expansion of the CCTR to include nannies and other private arrangements as well as removing the \$4000 cap⁶⁴.

Ms Tanya Plibersek MP, the ALP's childcare spokesperson, has argued against current limits on the FBT exemption to employer owned and operated centres⁶⁵, that CCB should be linked to childcare costs and that the CCB is too low⁶⁶. More recently, on 28 July 2006, the Hon Kim Beasley MP, Leader of the Opposition, announced the ALP Policy for Childcare which proposed FBT reform to extend the current FBT exemption requirement that the childcare centre must be located on the employers' business premises, to include all employer provided childcare where the employer provides "approved childcare for employees, or who contribute to the quality of existing approved services"⁶⁷. This provision would also be extended from the current limit for care for children under 6 years to include children up to fifteen years⁶⁸.

Plibersek has also questioned whether the community had considered if it is acceptable from a policy perspective for private providers to make money out of 6 month old children in childcare when providers do not make money out of 6 year olds in education⁶⁹.

In March 2006 ACOSS announced its proposed *Fair Start: 10-point plan for early childhood education and care* which recommended publishing a schedule of Government recommended fees, replacing the CCTR with changes to the Child Care Benefit so that it covers a minimum of 30% of childcare costs, providing 20 hours per week of free State-funded Preschool Education in the year before school and building a better planning system to match supply with demand⁷⁰. The ACTU also supported the provision of 20 hours subsidised childcare along with a plan to encourage the Government to fund 1000 new childcare centres⁷¹.

As previously mentioned Federal Minister for Education, Science and Training, The Hon Julie Bishop MP, announced the Government has proposed a nationally consistent approach for a structured early childhood education program through free preschool education⁷² and the Opposition Leader, The Hon Kim Beasley MP, announced a proposal to work with State governments, school systems, local councils and private providers to establish centres on primary school grounds⁷³.

In a submission to the Federal Treasurer, Deloitte together with 37 top 200 companies proposed changes to FBT including removing the current restriction to company provided childcare, making the FBT exemption generally available where the care is utilised as a result of a person's employment and broadening of the definition of "childcare services" to include childcare centres, before and after school care, family day care and nannies⁷⁴.

64 *ibid*

65 Transcript of Interview by Emma Alberici, ABC TV, The 7.30 Report, Child Care 'shambles' under the spotlight, 16 January 2006

66 Patricia Karvelas, The Australian, High Cost of holding a baby, 18 March 2006

67 Australian Labor Party, Fact Sheet, Childcare Fringe Benefit Tax Reform.

68 *ibid*

69 Transcript of Interview by Emma Alberici, ABC TV, The 7.30 Report, Child Care "shambles" under the spotlight, 16 January 2006.

70 Australian Council of Social Service, *Fair Start: 10-point plan for early childhood education & care*, ACOSS Info 383, February 2006

71 Mark Skulley and Sophie Morris, Australian Financial Review, Use budget surplus on child care: ACTU, 7 March 2006

72 ABC, *Free pre-school plan welcomed* Radio Transcript, 23 March 2006

73 Australian Labor Party (ALP), *My Plan For Childcare on School Grounds*, Media Statement, 16 March 2006

74 Deloitte, *Submission to Federal Treasurer – Exemption of Child Care from Fringe Benefit Tax*, 11 November 2005, p 1

Whilst there are significant differences between proposals of the various groups, there appears to be general agreement among most that:

- The CCTR with the \$4000 cap is not sufficient to enable families to meet the cost of childcare; and
- There are persistent problems in matching the demand for childcare with supply both in terms of having sufficient places and childcare workers, and in having the services located where the demand exists.

The differences between the various groups seems to depend on their frame of reference, ie whether their focus is on workforce participation, alleviating costs and making childcare accessible to children of lower income and unemployed parents and guardians, or in the link between childcare and early learning. For school aged children, school has a clear focus on education, but for younger children the focus becomes blurred between “child caring” and “early learning”, leading to less uniformity of approach.

The Taskforce suggests that the Government demonstrate further leadership by negotiating with the States and childcare providers to ensure that there are sufficient childcare facilities/arrangements available, and that there are sufficient qualified childcare workers to provide equal access to quality childcare and early learning.

The Taskforce is also of the view that the current carer payment system and the interaction between Government benefits and tax regimes for working carers creates inconsistency and sends mixed messages about what the Government wants to achieve in terms of workforce participation. In its Supplementary Briefing to the Standing Committee inquiry into *Balancing Work & Family*, the Taskforce concluded that while acknowledging the Government’s policy is to deliver assistance to Australian families with caring responsibilities, the interaction between Government benefits to carers and income tax is very complex with a mix of “hourly thresholds, income tests, asset tests, per dependent thresholds, etc.”⁷⁵. In the Taskforce’s view, this complexity has made it difficult for policymakers over time to design balanced subsidies and has fuelled the continuing debate.

4.9 Developing a Revised Model

The Taskforce is currently developing a model to improve the work/cost of care dynamic. The model has three core objectives, namely that any recommended solution must:

- be financially sustainable to the economy;
- be equitable across income groups; and
- provide real choice for carers.

This model is being developed with the assistance of microeconomic simulation modelling by the Melbourne Institute, and will be released in October 2006 with the Taskforce’s 2006 *Final Review*. The Taskforce invites the Government to work in partnership with the Taskforce to develop this model.

⁷⁵ Taskforce on Care Costs, *Supplementary Briefing to Standing Committee Inquiry on Balancing Work and Family*, April 2006, p 3

5 Australia: current financial support for working carers

5.1 Background

By way of background, the 2005 *Creating Choice Report* made the following findings in relation to current financial support for working carers in Australia:

1. *Fringe benefit tax exemptions for working carers tend to assist large employers only and do not therefore assist the majority of Australian employees.*
2. *Care costs are not tax deductible.*
3. *Various tax credits and benefits are available under Australian taxation law, including the Maternity Payment, Family Tax Benefits, the invalid relative tax offset, parent or spouse's parent tax offset and the beneficiary tax offset; these amounts are generally dependent upon income and range from approximately \$500 to \$1,381 per dependent per annum (for the income year 2003/2004).*
4. *In the 2005/2006 tax year, the Government has promised to introduce a 30% childcare rebate in relation to out of pocket expenses from 1 July 2004 onwards; this rebate will be capped at \$4,000, and will be collectable in the following tax year. Legislation has not yet been introduced to implement the Government's promised childcare rebate.*
5. *Various allowances in respect of formal childcare, carers of people with disabilities and other dependents are available independently of the taxation system.*

5.2 Introduction to the 2006 *Interim Review* regarding current financial supports for working carers in Australia⁷⁶

This chapter reviews the findings from the 2005 *Creating Choice Report* in relation to the following range of tax benefits and allowances available to support a worker caring for a child, elderly person or person with a disability⁷⁷. These benefits and allowances are reviewed in light of the findings from the 2005 *Creating Choice Report*. Schedule two provides a comparison of the level of financial support available to working carers in 2004 and 2006.

Australia offers a number of tax benefits to assist with the cost of childcare, care for someone with a disability and elder care. These tax benefits include:

- Family Tax Benefit;
- Child Care Tax Rebate
- Child-housekeeper tax benefit;
- Parent tax offset;
- Invalid Relative Tax Offset; and
- Beneficiary Tax Offset.

Additionally, there are a number of payments and allowances to assist parents and carers with such costs. These include:

- Parenting Payment;
- Newstart Allowance;
- Child Care Benefit;
- Carer Allowance;

⁷⁶ The Taskforce on Care Costs acknowledges the valuable assistance of the Department of Family and Community Services and Indigenous Affairs and the Department of Employment and Workplace Relations for reviewing this chapter in terms of accuracy of the available financial support for working carers as at August 2006. The findings are those of the Taskforce.

⁷⁷ This chapter does not review financial support available to a carer who is unemployed, and neither does it review financial support paid to the person in need of care.

- Carer Payment;
- Maternity Payment;
- Maternity Immunisation Allowance; and
- Double Orphan Pension.

Details of each of these financial arrangements are described below.

5.3 Key findings for the 2006 *Interim Review* regarding current financial supports for working carer in Australia

In summary this chapter makes the following key findings about the current cost of care in Australia:

1. **The dollar value of financial supports have increased in Australia:** In all cases, the dollar amounts of the tax benefits and allowances to support workers with caring responsibilities has increased since the 2005 *Creating Choice Report*.
2. **The introduction of Child Care Tax Rebate is the most notable change since 2005:** The most notable change to the benefits available in Australia since the report of 24 February 2005 is the introduction of the 30% Child Care Tax Rebate. This tax rebate covers 30% of out-of-pocket childcare expenses for approved childcare for families who are working, training or studying, with a rebate of up to \$4,000 (indexed) per child per year.

5.4 Fringe Benefit Tax

Under the current law, childcare fees are exempt from fringe benefits tax if the services are provided to employees on an employer's business premises. The services will also be exempt if they are provided on business premises of a related company in a wholly owned company group⁷⁸. Business premises can include premises shared with multiple employers at a separate site used solely for childcare purposes. Employers can also sponsor a childcare service, reserve places in an existing service, or use an agency to find suitable childcare places in the wider community. Payments made by employers to secure priority of access for employees' children in an eligible childcare facility may also be considered as FBT exempt benefits. FBT provisions in relation to caring facilities have not changed since the 2005 Report.

5.5 Tax credits

The following sections identify the tax credits and rebates which are currently available to carers in Australia.

(i) Family Tax Benefit Part A (FTB(A))

The FTB(A) is a benefit paid per child to assist families with the cost of raising children. To be eligible for FTB(A), a claimant must have a dependent child up to the age of 21, or a full-time student aged 21–24 in his or her care, and be an Australian resident, or hold certain temporary or Special Category visas or a Criminal Justice Stay visa, and reside in Australia. The actual amount of the FTB(A) depends on:

- the family's annual income;
- how many children in the family; and
- the age of the children.

⁷⁸ Australian Taxation Office website – www.ato.gov.au

If the family income is \$40 000 or less, that family may be eligible to receive the maximum amount of FTB(A).

Maximum Rate of Family Tax Benefit Part A

For each child	Per fortnight	Per year
Under 13 years	\$140.84	\$4 317.95
13-15 years	\$179.76	\$5 332.65
16-17 years	\$45.36	\$1 828.65
18-24 years	\$61.04	\$2 237.45
In an approved care organisation - 0-24 years	\$45.36	\$1 182.60

If the family income is \$40 001 or more a year, but less than the amounts in the table below, the family will be on a sliding scale and the maximum rate per year will be reduced by 20 cents for each dollar earned above \$40 000.

Income limit beyond which only base rate is paid

No Children	—	\$57 520	\$75 040	\$92 560
One	\$52 447	\$69 967	\$87 487	\$105 007
Two	\$64 893	\$82 413	\$99 933	\$117 453
Three	\$77 340	\$94 860	\$112 380	\$129 900

If the family income is more than the amounts in the table above, but less than \$88 622, a family may be able to get the base rate of FTB (A).

Base rate of Family Tax Benefit Part A

For each child	Per fortnight	Per year	Per year with supplement
Under 18 years	\$45.36	\$1 182.60	\$1 828.65
18-24 years	\$61.04	\$1 591.40	\$2 237.45

The FTB(A) Supplement is also available and is an increase in the annual rate of Family Tax Benefit Part A of \$646.05, paid after the end of the financial year. The Supplement is not included in the fortnightly figures stated above. Approved care organisations are not entitled to the FTB(A) Supplement.⁷⁹

A **Large Family Supplement** may also be payable. This is a fortnightly payment of \$9.80 for the second and each subsequent child. This Large Family Supplement is now \$255.50 a year.⁸⁰ This is paid on top of the Family Tax Benefit.

⁷⁹ Australian Taxation Office website

⁸⁰ Family Assistance Office http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/payments-large_family_supp

Additionally, **Multiple Birth Allowance** may be payable. This is a fortnightly payment of \$118.02 for triplets and \$157.36 for multiple births of quadruplets or more and ceases when the child turns six.

(ii) Family Tax Benefit Part B (FTB(B))

The FTB(B) provides extra assistance to single parent families and to two-parent families with one main income, where one parent chooses to stay at home or balance some paid work with caring for their children. The FTB(B) is paid per family rather than per child.

To be eligible for the FTB(B) a person, or his or her partner and their child must:

- (a) have a dependent child under 16 years, or between 16 and 18 years who is a full-time student (and who does not receive youth allowance or a similar payment); and
- (b) meet the residency requirements, that is be an Australian resident; a Special Category visa holder residing in Australia; the holder of a Criminal Justice Stay visa; or a holder of a temporary visa of a subclass listed by the Australian Family Assistance Office.

An eligible family may get FTB(B) on its own or both FTB(A) and FTB(B). Single parent families always get the maximum rate of the FBT(B) regardless of income.

Maximum rates of FBT(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

In families with two parents, the income of the main earner is not taken into account when calculating the FTB(B). It is the income of the lower earner that affects how much FTB(B) the family will receive. The FTB(B) payments will stop if the partner earning the lesser amount earns above:

- \$21,572 a year if your youngest child is under five; and
- \$16,790 a year if your youngest child is between five and 18.

FTB(B) also includes a FTB(B) Supplement, which is available after the end of the financial year after the family's tax return has been lodged. The FTB(B) Supplement is an increase in the annual rate of FTB(B) of \$313.90. As the FTB(B) Supplement is paid after the end of the financial year, the amount is not included in the above figures. Families who share the care of a child will be eligible for a portion of the supplement in line with their shared care percentage.

The benefit can be paid fortnightly, as reduced fees, annually as a lump sum or by reduced tax.

(iii) Child Care Tax Rebate

In addition to the Child Care Benefit (discussed below), certain claimants may also be eligible to receive a 30% Child Care Tax Rebate. The 30% Child Care Tax Rebate covers 30% of out-of-pocket childcare expenses for

approved childcare, with a rebate of up to \$4,000 (indexed) per child per year. Out-of-pocket expenses are paid fees for approved childcare, less Child Care Benefit entitlements.

The rebate 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.⁸¹ The CCTR is transferable between spouses if the claimant has insufficient tax liability to claim the full amount.

From 1 July 2006, a claimant may claim the rebate for approved childcare expenses that the claimant had to pay from 1 July 2004 to 30 June 2005 for the weeks that he or she:

- used approved childcare;
- received Child Care Benefit, and
- passed the Child Care Benefit work/training/study test.⁸²

Eligible persons who did not receive Child Care Benefit for approved care for the period 1 July 2004 to 30 June 2005, may be able to lodge a Child Care Benefit lump sum claim with the Family Assistance Office.⁸³

(iv) Child-housekeeper tax benefit

A claimant may be able to claim a child-housekeeper tax offset if their child, adopted child or stepchild 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. Keeping house means more than just child minding or performing domestic duties. It includes having some responsibility for the general running of the household.

To be eligible for a child-housekeeper tax offset, a claimant:

1. must have maintained a child-housekeeper and the child-housekeeper was an Australian resident for tax purposes;
2. is an Australian resident for tax purposes at any time in 2004-05;
3. was not eligible for a dependent spouse tax offset; and
4. is entitled to family tax benefit (FTB) Part B or were only entitled to it at the shared care rate.

Offset rates

	If claimant did not have another dependent child	If claimant had another dependent child
Maximum Separate net income	\$6,569	\$7,821
Maximum Annual rate	\$1,572	\$1,885

⁸¹ Australian Taxation Office website: <http://www.ato.gov.au/individuals/content.asp?doc=/content/52998.htm&page=2&H2>

⁸² Ibid

⁸³ Ibid

	If claimant did not have another dependent child	If claimant had another dependent child
Daily rate	\$4.31	\$5.16

(v) Parent/spouse's parent tax offset

A claimant may be eligible to claim the parent/spouse's parent tax offset if each of the following conditions are met:

1. The claimant's parent or spouse's parent must be a dependant who has been maintained by the claimant. This means that:
 - the claimant and the dependant resided together, or
 - the claimant gave the dependant food, clothing and lodging, or
 - the claimant helped them to pay for their living, medical and educational costs.
2. The claimant and the claimant's parent or spouse's parent must be Australian residents for tax purposes.

The maximum tax offset is \$1,414 for each dependent parent or spouse's parent for the income year 2004-05. The maximum allowable tax offset only applies if:

1. the claimant and their dependent parent or spouse's parent were Australian residents for tax purposes, and
2. the dependent parent or spouse's parent:
 - has a separate net income of less than \$286, and
 - is a dependant for the full income year.⁸⁴

(vi) Invalid relative tax offset

A tax offset is available to Australian residents who maintain a dependent invalid relative. An invalid relative is "maintained" if the claimant lives with them, provides them with food, clothing and lodging or helps them pay for their living, medical and educational costs.

The invalid relative must be an Australian resident, over 16 years and the claimant's child, brother or sister. The invalid relative must also receive certain disability pensions or have a medical certificate stating that they have a continuing inability to work. The invalid relative's income must also be below a certain amount.

For the income year 2003/2004 the maximum tax offset was \$691 for each dependent invalid relative⁸⁵.

(vii) Beneficiary tax offset

This tax offset is available to people who receive certain Centrelink payments and allowances (including the Parenting Payment) and have no other assessable income⁸⁶. This benefit is not directly relevant to employees however has been included in this section for completeness.

⁸⁴ Australian Taxation Office website – www.ato.gov.au

⁸⁵ Australian Taxation Office website – www.ato.gov.au

⁸⁶ Australian Taxation Office website – www.ato.gov.au

5.6 Allowances

Financial help for people who are principal carers for children is provided mainly through:

1. Parenting Payment or
2. Newstart Allowance.

To qualify for either payment a claimant must:

1. have income and assets below certain limits; and
2. meet the residence requirements.

Principal carers whether on Parenting Payment or Newstart Allowance with part-time participation requirements will be required to look for, or undertake, at least 15 hours of paid work a week.

(i) Parenting Payment

Parenting Payment is an income support designed specifically for people, either single or partnered, who have principal care of a child, including grandparents and foster carers.

Parenting Payment (Partnered) is only paid to one member of the couple. Only one person can receive Parenting Payment in respect of a child (for example a natural/adoptive parent and a foster carer cannot receive Parenting Payment for the same child).

Parents who claim Parenting Payment from 1 July 2006 may receive Parenting Payment until their youngest child turns 6 (if partnered) or eight (if single), subject to meeting other eligibility requirements. Parents who require assistance after this need to apply for another payment, typically Newstart Allowance. Single parents receiving Parenting Payment have part-time participation requirements from when their youngest child turns 6.

Parents receiving Parenting Payment prior to 1 July 2006 are able to remain on Parenting Payment until their youngest child turns 16 years, subject to meeting other eligibility requirements. These parents will have part-time participation requirements from 1 July 2007 or when their youngest child turns 7, which happens later.

Maximum Rate of Parenting Payment

Status	Maximum Rate Per Fortnight
Partnered	\$370.50
Partnered but separated due to illness, respite care or prison	\$444.20
Single	\$499.70*

*This payment includes a supplement of \$17.80.

(ii) Newstart Allowance

Principal carer parents whose youngest child is aged six or more (if partnered) or eight or more (if single) will usually need to apply for Newstart Allowance (NSA), an income support payment for people aged over 21 years and below age pension age who are unemployed. A principal carer on Newstart Allowance will have part-time participation requirements.

In general terms, to qualify for NSA, a claimant must:

- be aged 21 or over and under Age Pension age;
- be unemployed or in part-time work;
- be prepared to enter into an Activity Agreement;
- be an Australian resident, in Australia and not subject to the two year newly arrived residents waiting period;
- not be involved in industrial action;
- satisfy the income and assets test; and
- satisfy the Activity test.

For the purposes of qualifying as a principal carer parent on NSA, the claimant must have principal care of a child under the age of 16 years.

(iii) Child Care Benefit

The Child Care Benefit is available to assist with the costs of approved childcare fees (ie for long day care, family day care, occasional care, outside school hours care, vacation care and in-home care) and registered care.

To be eligible for the Child Care Benefit, a claimant must have to pay childcare fees for approved or registered childcare, be living permanently in Australia, be an Australian citizen (or a New Zealand citizen if they hold a relevant visa) and have a child who is immunised or exempt from the immunisation requirements. Guardians, including foster parents and grandparents, responsible for the day-to-day care of children/grandchildren may be eligible for Australian Government assistance with their childcare fees and should contact the Family Assistance Office for more information.

Approved Care:

“Approved childcare” is care provided by services that participate satisfactorily in the Australian Government’s Quality Assurance system and meet certain operating requirements. Families using approved services can claim up to the maximum rate of Child Care Benefit and the Child Care Tax Rebate. Child Care Benefit is intended as a payment to families. However Child Care Benefit can be paid directly to childcare services to reduce the fees charged to families or as a lump sum claimed by families after the end of the financial year. Child Care Benefit 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. The payment is subject to an income test but not an assets test.

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 childcare used. This means that families who are on the lowest incomes and use approved services, receive the highest rate of CCB. CCB is intended to be

a contribution to the cost of care rather than to cover the whole cost. It is increased every year in line with inflation to maintain the value of the payment to families, and grew by 2.8% in July 2006. Every family using approved childcare is eligible for at least the minimum rate of CCB which is currently \$24.85 per week per child in full-time approved care.

Status	Approved Care Rate Per Hour
Non school-age child in 50 hours of care	Up to \$2.96* (AUD\$148.00* per week)

* Rates for school children are 85 per cent of the non-school rate.

Registered Care:

“Registered childcare” is care provided by relatives, friends, nannies, preschool teachers or certain private care centres that are registered with the Family Assistance Office. This payment is paid by direct credit when a claimant presents their receipts to the Family Assistance Office and is not subject to an income test or an assets test.

Families using registered care can only claim the minimum rate of the Child Care Benefit and cannot claim the CCTR for any out-of-pocket expenses.

Status	Registered Care Rate Per Hour
Non school-age child in 50 hours of work related care	Up to \$0.49 (AUD\$24.85* per week)

* Rates for school age children are 85 per cent of the non-school age rate.

(iv) Carer Allowance

Carer Allowance is a supplementary payment for parents or carers who provide daily care for children or adults with a disability or severe medical condition at home. The Carer Allowance may be paid on top of Carer Payment or other payments, such as the Age Pension.

A \$1,000 one-off payment was made to recipients of the Carer Payment and a \$600 one-off payment made to recipients of the Carer Allowance before 30 June 2006.⁸⁷

(v) Carer Payment

Carer Payment is available to Australian residents who provide constant care in the home. The care must be to:

1. a child under the age of 16 with a profound disability or medical condition who has extremely high care needs;
2. two or more children under the age of 16 with severe disabilities or medical conditions who together require an extremely high level of care;
3. a person aged 16 or over with a severe disability or medical condition; or

4. an adult with moderate care needs and supervision of their dependent child if this child is under six years of age or between six and 16 years of age and attracts payment of Carer Allowance.⁸⁸

The payment is subject to both income and assets tests.

Maximum Rate of Carer Payment

Status	Payment Rate Per Fortnight
Single	\$499.70
Couple	\$417.20 (each)

(vi) Maternity Payment

The Maternity Payment is a one-off payment available to assist with the extra costs of a new baby and is payable for babies born or adopted on or after 1 July 2004. The Maternity Payment is available to people who:

1. have a newborn child or have care of a newborn child born on or after 1 July 2004 within 13 weeks of the child's birth and are likely to continue to have care for no less than 13 weeks; or
2. have a child born on or after 1 July 2004 which has been entrusted to the claimant's care for adoption before 2 years of age; or
3. have a stillborn child or a child who dies shortly after being born (for a child born on or after 1 July 2004); and
4. meet the residency requirements for Family Tax Benefit Part A within 13 weeks of the child's birth or of the child being entrusted to the claimant's care;
5. claim within 26 weeks of the child's birth or the child entering their care. In the case of an overseas adoption, the claim must be made within 26 weeks of the child entering Australia⁸⁹

The Maternity Payment is indexed in line with the Consumer Price Index (CPI) in March and September each year. The payment rate is effective from 20 March 2006 and is only paid for babies born or adopted on or after 1 July 2004. Maternity Payment can be paid as a non-taxable lump sum or as six equal fortnightly instalments. The Secretary may also direct payment methods that differ from a lump sum or six equal fortnightly instalments. This payment is not subject to an income test or assets test.

The payment is \$4000 per child. For multiple births, maternity payment is paid for each child. For example, twins attract two payments of Maternity Payment (\$8000).

As announced in the May 2004 Budget, the Maternity Payment will increase to \$5000 from 1 July 2008.

⁸⁸ Australian Government, Centrelink, 'Payments while you are ill, injured or have a disability'

http://www.centrelink.gov.au/internet/internet.nsf/individuals/iid_pay_adult.htm

⁸⁹ Australian Government, Centrelink, 'Who can get Maternity Payment'

http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_maty.htm

(vii) Maternity Immunisation Allowance

Maternity Immunisation Allowance is a one-off, non taxable payment of \$222.30 paid for children born on or after 1 January 1998. The Allowance is often paid with an instalment of the Family Tax Benefit (where Family Tax Benefit is paid fortnightly and not through the tax system). The Allowance is available to people who have:

1. a child who is fully immunised between 18 and 24 months; or
2. a child who is on a recognised immunisation catch up schedule; or
3. a child has an approved exemption from being immunised; or
4. a child is stillborn or dies before 24 months; and
5. made a claim on or before the child's second birthday.

A claimant may get an approved immunisation exemption for their child if they have a conscientious objection to immunisation or if there are medical reasons why their child should not be immunised.⁹⁰

The payment is not subject to an income test or assets test.⁹¹

(viii) Double Orphan Pension

The Double Orphan Pension is to assist with the costs of caring for children who are orphans. It is a non-taxable fortnightly payment of \$47.50, which is usually paid on top of the Family Tax Benefit.

The Pension is available for a child if:

1. the child's parents or adoptive parents have both died; or
2. one of the child's parents is dead and the other parent is in long term imprisonment or is on remand for an offence that is punishable by long term imprisonment, lives in a psychiatric institution or nursing home on a long term basis, or their whereabouts is unknown; or
3. the child is a refugee and has not at any time lived in Australia with either or both parents, and whose parents are outside Australia or their whereabouts are unknown; and
4. the claimant has the care and control of the child; and
5. the child is under 16 (or is a full time student aged 16 to 21 who does not get Youth Allowance); and
6. the claimant is eligible for Family Tax Benefit for the child (or would be eligible for payment but the claimant's income is above the limit or the child, or the claimant on behalf of the child, are receiving payments under a prescribed educational scheme); and
7. the claimant is living in Australia (that is, Australia is their permanent home) and is either an Australian citizen, a New Zealand citizen, the holder of a permanent visa or the holder of certain temporary visas.⁹²

The payment is not subject to income test or assets tests.⁹³

⁹⁰ Australian Government, Centrelink, 'Who can get Maternity Immunisation Allowance?' http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_mia.htm

⁹¹ Australian Government, Centrelink, 'How much Maternity Immunisation Allowance do I get?' http://www.centrelink.gov.au/internet/internet.nsf/payments/pay_how_mia.htm

⁹² Australian Government, Centrelink, 'Who can get Double Orphan Pension?' http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_dop.htm

6 The international position

6.1 Background

By way of background, the 2005 *Creating Choice Report* reviewed the financial supports available internationally to support working carers and found:

1. *Care costs are tax deductible in Canada, Austria and Belgium.*
2. *Tax credits to offset the costs of care are available in the United States, the United Kingdom, the Netherlands, France and New Zealand.*
3. *Carer and other allowances are available in the United States, the United Kingdom, Canada, the Netherlands, Sweden, Austria, France, Germany, Belgium and New Zealand.*
4. *Generally speaking, the tax deductions and tax credits available in the countries examined appear to be structured to enable workforce participation by carers. By contrast, the allowances available appear to be structured to facilitate the provision of care independently of the carer receiving paid income.*
5. *The variety of tax treatments and allowances available reflect the different social and economic frameworks operating in the countries examined. Notwithstanding these differences, general comparisons can be drawn between taxation and benefits structures available in Australia, and those available in the countries examined.*
6. *Countries that appear to exemplify best practice include Belgium (in which up to 80% of childcare costs are deductible up to a maximum of €11.20 per day) and the United Kingdom (in which a tax credit is available of up to 70p for every £1 paid in childcare costs).*

6.2 Introduction to the 2006 *Interim Review* regarding the International position

This chapter identifies the current position in the United States, the United Kingdom, Canada, France, New Zealand, Japan and the Netherlands⁹⁴ in relation to the deductibility of care expenses and the tax credits and allowances currently available for carers of children, people with a disability and the elderly⁹⁵. With the exception of Japan, these countries were selected on the basis that they were considered in the 2005 *Creating Choice Report*, and are similarly placed to Australia (in terms of approach and economic context). Details of each of the financial arrangements in the countries reviewed are described below.

A key focus of the international review was the identification of changes of scope/approach to supporting carers since the 2005 *Creating Choice Report*. Given the global economy these data are critical to assessing the adequacy of Australia's current support for working carers in terms of managing the work/cost of care dynamic, as well as opportunities for improvement. To assist in comparability, financial supports for carers have been converted into Australian dollars.

93 Australian Government, Centrelink, 'How much Double Orphan Pension do I get?'

http://www.centrelink.gov.au/internet/internet.nsf/payments/pay_how_dop.htm

94 The information is largely based on information available on the relevant country websites (not all of which are government sponsored) and is not based on a direct analysis of taxation and other legislation relevant to each country.

95 This section does not detail the full range of supports a government may provide to those in need of care, only those which assist a working carer of that person.

6.3 Key findings for the 2006 Interim Review regarding the international position

In summary this chapter makes the following key findings about International supports for working carers (of the researched countries) and compares Australia's approach:

1. **The dollar value of international financial supports has increased:** While the benefits and allowances available for workers' care costs in the United States, United Kingdom, Canada and France have remained similar since the 2005 *Creating Choice Report*, the dollar amounts of allowances, tax benefits, credits and grants have increased.
2. **Best practice countries demonstrate innovative support for working carers,** eg New Zealand has introduced two new benefits since February 2005, namely the Young Parent Childcare Payment and the Early Childhood Education Funding System and Japan has introduced incentives to employers to assist workers with care costs (including elder care).
3. **Best practice countries demonstrate a breadth of approach,** ie there is a broader scope of support for working carers in both France and New Zealand, which offer a far-reaching spectrum of allowances, tax credits and benefits to assist significantly the costs of caring for children, people with disabilities and the elderly.
4. **We're not innovative or best practice:** Australia's provisions of benefits and allowances to assist workers with the cost of caring is more limited, and less innovative, than best international practice.

6.4 United States

6.4.1 Summary

United states has a number of tax credits available for children, the disabled and the elderly. These are known as the child and dependent care credit, the child tax credit and credit for the elderly and disabled. In addition to these credits, many states in the United States also offer credits and allowances to assist with various care costs.

6.4.2 Federal tax credits

(i) Child and Dependant Care Credit

Credit for child and dependant care expenses may be claimed if the expenses are associated with the care of a 'qualifying individual'. The United States Department of Treasury Internal Revenue Service defines a 'qualifying individual' as someone who is either:

1. a dependant who is under the age of 13 when care is provided;
2. a dependant who is mentally or physically unable to look after themselves, for whom an exemption can be claimed and who has the same principal place of abode as the person claiming the benefit for more than one and a half years; or
3. a spouse who was either a full-time student or mentally or physically unable to look after themselves.

The credit is a percentage, based on adjusted gross income of the amount of work-related child and dependent care expenses paid to a care provider. The

credit can range from 20-35% of the qualifying expenses, depending on the income of the person claiming the credit.⁹⁶

The maximum dollar limit of dependant care expenses is dependant on the taxable year and the number of qualifying children. In 2004, a carer could use up to US\$3,000 (AUD\$4,015.35)⁹⁷ of the expenses paid in a year for one qualifying individual, or US\$6,000 (AUD\$8,030.70) for two or more qualifying individuals.⁹⁸ The dollar limits must be reduced by the amount of any dependent care benefits provided by the carer's employer that are excluded from the carer's income.⁹⁹ To be eligible for the tax credit a claimant must have earned income during the year and must be responsible for the cost of running a home.¹⁰⁰

(i) Child Tax Credit

A Child Tax Credit is available for people who have a 'qualifying child', in addition to the credit for child and dependant care expenses.¹⁰¹ A 'qualifying child' is:

1. the son, daughter, stepchild, foster child, bother, sister, stepbrother, stepsister, or a descendant of any of them, of the carer;
2. who was under the age of 17 at the end of 2005;
3. who did not provide over half of his or her support for 2005;
4. who lived with the carer for more than half of 2005; and
5. who was a US citizen, a US national or a resident of the US.

For 2004, the total amount of Child Tax Credit could not exceed US\$1,000 (AUD\$1,338.32) for each qualifying child. The credit is limited if the carer's modified adjusted gross income is above a certain amount. The amount at which this phase-out begins varies depending on the applicant's filing status:

1. Married Filing Jointly – US\$110,000 (AUD\$147,229.50);
2. Married Filing Separately – US\$55,000 (AUD\$73,614.75); and
3. All others – US\$75,000 (AUD\$100,383.75).¹⁰²

In addition, the Child Tax Credit is limited by the amount of the income tax owed as well as any alternative minimum tax owed. For example, if the amount of the credit that can be claimed by the carer is US\$1,000 (AUD\$1338.32), but the amount of the carer's income tax is US\$500 (AUD\$669.68), the credit ordinarily will be limited to US\$500 (AUD\$669.68).

6.4.3 State care tax credits

A number of US states also offer tax credits for child and dependant care assistance. For example, Oregon's tax credit permits an employer to offset 50% of its childcare expenditures against its state tax liability. The credit allows an annual limit of US\$2,500 (AUD\$3347.97) per employee.¹⁰³

6.4.4 Childcare and Development Fund

The Childcare and Development Fund provides financial assistance for the costs of childcare to those who are the primary caregiver for children under 13 years (or under 19 if incapable of self care or under court supervision) and employed with a

⁹⁶ Department of Treasury, Internal Revenue Service, "Child and Dependant Care Credit", Tax Tip 2005-47, 8 March 2005.

⁹⁷ All currency conversions as at 2.06.06, using 'The Universal Currency Converter' at <http://www.xe.com/ucc/>

⁹⁸ Ibid.

⁹⁹ Ibid.

¹⁰⁰ Ibid.

¹⁰¹ Department of Treasury, Internal Revenue Service, "Child Tax Credit", Publication 972, 2005.

¹⁰² Department of Treasury, Internal Revenue Service, "Child Tax Credit", Tax Tip 2005-46, March 7 2005

¹⁰³ Oregon Employment Department – Childcare Division, http://www.oregon.gov/EMPLOY/CCD/dependant_care_tax_credit.shtml

low or very low income.¹⁰⁴ In order to qualify, a claimant must also be either employed or in some States enrolled in a training or education program. Each state establishes its own guidelines for the use of the funds, as well as the procedures and time frames for applying.

6.6 United Kingdom

6.6.1 Summary

The United Kingdom offers two types of tax credits and a number of allowances and benefits to assist with the costs of the childcare and care for the elderly and the disabled. The tax credits available are the Child Tax Credit and the Working Tax Credit. Other allowances and benefits are known as the child benefit, the carer's allowance, the Sure Start Maternity Grant and the Child Maintenance Bonus.

6.6.2 Tax Credits

There are two types of tax credits in the United Kingdom:

1. Child Tax Credit - a means-tested tax credit for people with children; and
2. Working Tax Credit - a tax credit for working people on low incomes.

Both tax credits are administered by the Inland Revenue and were introduced in April 2003, replacing the previous system of children's and working family's tax credits.

(i) Child Tax Credit

The UK Child Tax Credit is a payment to support families with children. It provides support for:

1. a child until 1 September following his or her 16th birthday;
2. a young person aged under 19 in full-time non-advanced education, up to and including 'A' levels, NVQ level 3 or Scottish Highers;
3. a young person aged 16 or 17 who has left full-time education, does not work more than 24 hours a week or have a paid training place and has registered with the Careers Service or Connexions Service (the Connexions Service does not operate in Wales, Scotland or Northern Ireland).¹⁰⁵

The tax credit has a number of elements:

1. a 'family element' (one per family) of £545 (AUD\$1,364.50) per year,
2. a family element, 'baby addition' (paid to families with a child under one year old on top of family element) of £545 (AUD\$1,364.50) per year;
3. a 'child element' (including those under one year old, paid for each child) of £1,690 (AUD\$4,231.20) per child per year;
4. a 'disabled child element' (paid in addition to the child element) of £920 (AUD\$2,303.37); and
5. a 'severely disabled child' element (paid in addition to the child and disability elements) of £945 (AUD\$2,353.67).¹⁰⁶

The Child Tax Credit is paid in addition to the Child Benefit. The table below provides a guide as to how much can be received for the financial year 2005-2006, if the family does not qualify for Working Tax Credit.¹⁰⁷

¹⁰⁴ US Department of Health and Human Services, Administration for Children and Families, National Childcare Information Centre – www.nccic.org

¹⁰⁵ HM Revenue and Customs "WTC2 – Child Tax Credit and Working Credit – A Guide", <http://www.hmrc.gov.uk/leaflets/wtc2.htm>

¹⁰⁶ BBC News Q&A: Tax Credit, 26 September 2005, <http://news.bbc.co.uk/go/pr/fr/-/1/hi/business/3198211.stm>

¹⁰⁷ HM Revenue and Customs "WTC2 – Child Tax Credit and Working Credit – A Guide", <http://www.hmrc.gov.uk/leaflets/wtc2.htm>

Child Tax Credit (£)			
Gross Annual Joint Income (£)	One Child	Two Children	Three Children
5,000	2,240 (AUD\$5,608.20)	3,930 (AUD\$9,835.83)	5,625 (AUD\$14,077.12)
10,000	2,240 (AUD\$5,608.20)	3,930 (AUD\$9,835.83)	5,625 (AUD\$14,077.12)
15,000	1,835 (AUD\$4,593.04)	3,530 (AUD\$8,834.73)	5,225 (AUD\$13,076.08)
20,000	545 (AUD\$1,364.15)	1,680 (AUD\$4,204.37)	3,375 (AUD\$8,446.27)
25,000	545 (AUD\$1,364.15)	545 (AUD\$1,364.15)	1,525 (AUD\$3,816.33)
30,000	545 (AUD\$1,364.15)	545 (AUD\$1,364.15)	545 (AUD\$1,364.15)
40,000	545 (AUD\$1,364.15)	545 (AUD\$1,364.15)	545 (AUD\$1,364.15)
50,000	545 (AUD\$1,364.15)	545 (AUD\$1,364.15)	545 (AUD\$1,364.15)
60,000	0	0	0

If the child is under one year old or has a disability, then the amount received will be higher.

Child Tax Credit replaced the child-related elements of Families' Tax Credit and the Disabled Person's Tax Credit, plus the Children's Tax Credit from 6 April 2003. From April 2004 it replaced the child elements of Income Support and income based Jobseekers Allowance.

Changes to the Child Tax Credit have been debated in Parliament. These changes will enable families of 16-19 year olds on unwaged work-based training programs to have access to the same support as families with young people in full-time education.¹⁰⁸

(ii) Working Tax Credit

The Working Tax Credit is a payment to assist the earnings of low paid working people, including those that do not have children. The credit, apart from the childcare element, is paid with wages. Working Tax Credit replaced, among other things, the adult elements of Working Families' Tax Credit and the Disabled

108 HM Revenue and Customs 'Child Benefit and Child Tax Credit – improving support for young people' 3 February 2006, <http://www.gnn.gov.uk>

Person's Tax Credit from 6 April 2003.¹⁰⁹ To claim the credit, the person must be either working (whether in employment or self-employment) or starting paid work within seven days of making a claim.

The Working Tax Credit contains a number of elements:

1. basic element (one per single claimant or couple), of £1,620 (AUD\$4,053.68) per year;
2. couple's and lone parent elements (paid in addition to basic element but only one couple's element allowed per couple), of £1,595 (AUD\$3,991.13) per year;
3. 30 hour element (paid in addition to other elements but only one 30 hour element allowed per couple), of £660 (AUD\$1,651.23) per year;
4. disability element (paid in addition to other elements), of £2,165 (AUD\$5,416.52) per year;
5. severe disability element (paid in addition to other elements) of £920 (AUD\$2,301.63) per year;
6. 50+ return to work element (16-29 hours per week) (paid in addition to other elements) of £1,110 (AUD\$2,776.97) per year;
7. 50+ return to work element (30 or more hours per week) (paid in addition to other elements), of £1,660 (AUD\$4,152.24) per year;
8. childcare element, maximum eligible cost for families with childcare for one child, of £175 (AUD\$437.74) per week; and
9. childcare element, maximum eligible cost for families with childcare for two or more children, of £300 (AUD\$750.38) per week.¹¹⁰

The childcare element of the Working Tax Credit assists with the cost of registered or approved childcare while claimants are working. The childcare element can assist with up to 70% of the costs of childcare up to a maximum of £175 (AUD\$437.74) per week for one child and £300 (AUD\$750.38) per week for two or more children.¹¹¹ This translates to a £122.50 (AUD\$306.45) per week for families with one child and £210 (AUD\$525.33) per week for families with two or more children.

Where the claimant is responsible for a child or young person, the claimant must be aged 16 or over and work at least 16 hours a week to be eligible for the childcare element. Where the claimant does not have children, to be eligible for the Working Tax Credit the claimant must:

1. be aged 25 or over and work at least 30 hours a week; or
2. be aged 16 or over and work at least 16 hours a week and have a disability which puts them at a disadvantage in getting a job; or
3. be aged 50 or over and work at least 16 hours a week and are returning to work after claiming qualifying out-of-work benefits.¹¹²

6.6.3 Benefits and Allowances

(i) Child Benefit

Child Benefit is a benefit provided in the United Kingdom for people bringing up children. It is not affected by income or savings. To be eligible for Child Benefit, a claimant must be responsible for a child who lives with them, whether or not they

¹⁰⁹ HM Revenue and Customs, 'Working Tax Credit paid with wages' http://www.hmrc.gov.uk/employers/wtc_paid_with_wages04.htm

¹¹⁰ HM Revenue and Customs "WTC2 – Child Tax Credit and Working Credit – A Guide", <http://www.hmrc.gov.uk/leaflets/wtc2.htm>

¹¹¹ Ibid.

¹¹² HM Revenue & Customs 'WTC 1 - Child Tax Credit and Working Tax Credit - An introduction' - <http://www.hmrc.gov.uk/pdfs/wtc1.htm#3>

are the child's parents. A claimant may also be eligible for Child Benefit if the child lives with someone else, if:

1. the claimant is paying money to bring up the child, and
2. the amount the claimant pays is the same as, or more than the weekly rate of Child Benefit for them, and
3. the person the child lives with is not getting Child Benefit for them.

The child must be:

1. aged under 16;
2. aged under 19 and studying full-time up to A level, Advanced Vocational Certificate of Education (AVCE) or equivalent; or
3. aged 16 or 17 years old and has left school recently, and has registered for work or training with the Careers Service or Connexions Service (in Northern Ireland, Training and Employment Agency).

The amount that can be received for Child Benefit is £17.00 (AUD\$42.49) each week for the eldest child and £11.40 (AUD\$28.49) each week for each additional child.¹¹³ If two families join together to become one family, the higher rate of Child Benefit will only be paid for the eldest child in the new family.

(ii) Carer's Allowance

The Carer's Allowance is a taxable benefit for informal carers. It is available for carers who:

1. are over 16 years of age;
2. spend at least 35 hours a week caring;
3. earn less than £82 (AUD\$222.47) a week; and
4. is not currently in full time education (21 hours or more a week of supervised study).¹¹⁴

The allowance is means tested and a carer's individual circumstances affect the amount each carer receives. However, as a guide, the Carer's Allowance is as follows:

1. personal weekly rate of £45.70 (AUD\$114.25);
2. extra weekly rate for a dependant adult of £27.30 (AUD\$68.24);
3. weekly earnings limit (personal rate) of £82.00 (AUD\$204.96); and
4. weekly carer premium rate of £25.80 (AUD\$64.49).¹¹⁵

(iii) Sure Start Maternity Grant

A Sure Start Maternity Grant is also available for each new baby expected, born or adopted to parents who receive Income Support, Income based Jobseeker's Allowance, Pension Credit, Child Tax Credit which includes an amount higher than the family element or Working Tax Credit where a disability or severe disability element is included in the award.¹¹⁶ The grant is £500 (AUD\$1,249.70) for each baby.¹¹⁷

¹¹³ HM Revenue & Customs 'Claiming Child Benefit – Notes and claim form, October 2005 <http://www.hmrc.gov.uk/forms/ch2notes.pdf>

¹¹⁴ Department for Work and Pensions, Services and benefits, 'Carer's Allowance' April 2005,

http://www.dwp.gov.uk/lifeevent/benefits/carers_allowance.asp

¹¹⁵ Ibid.

¹¹⁶ United Kingdom Department for Work and Pensions, Benefits and Services, SB16 - A guide to The Social Fund, April 2004 – <http://www.dwp.gov>

¹¹⁷ Ibid

(iv) Child Maintenance Bonus

Prior to 3 March 2003, a Child Maintenance Bonus was available for people who received child maintenance and who were also claiming income support or income-based job-seekers' allowance (including a child maintenance payment decided by a court order or child support agency). The Child Maintenance Bonus was a one-off payment of up to £1,000 (AUD\$2,499.40).¹¹⁸ However, the calculation of the Child Maintenance Bonus was changed on 3 March 2003 and the Bonus is being phased out. For Child Support Maintenance claims after 3 March 2003 under the new rules, claimants will be allowed to keep the first £10 (AUD\$24.99) of any maintenance paid for children.¹¹⁹

6.6.4 Childcare Voucher system

The United Kingdom has introduced a childcare voucher system to encourage more employers to assist employees with their childcare responsibilities. The voucher system can be administered either through a provider company on behalf of employers or by the employers themselves. When the voucher is used, £50 (\$122.50) of childcare costs is exempt from tax and National Insurance Contributions provided that three conditions are met. These conditions are:

1. the child must be a child or stepchild of the employee, or a resident with the employee of whom the employee has parental responsibility;
2. the childcare provided must be qualifying childcare, which is approved or registered; and
3. the childcare vouchers must be available to either all the employees or to all of the employees at that particular location.¹²⁰

If an employee receives childcare vouchers any entitlement to the Working Tax Credit and the childcare element of Working Tax Credit is likely to be affected. This is because the employer is meeting the childcare cost instead of the parent. Working parents can only claim the childcare element of Working Tax Credit for approved childcare costs that they have met themselves.¹²¹

6.7 Canada

6.7.1 Summary

Canada provides a Child Tax Benefit, and three benefits for people with disabilities, namely, the Tax credit for people with disabilities, the disability support deduction.

6.7.2 Child Tax Benefit

The Canadian Child Tax Benefit is a non-taxable monthly payment made to eligible families to assist with costs associated with raising children.¹²²

The basic benefit is CAN\$102.33 (AUD\$123.64) per month for each child under the age of 18. A supplement of CAN\$7.16 (AUD\$8.65) per month is available for a third and additional child. An additional CAN\$20.25 (AUD\$24.48) per month is also available for each child under the age of seven (which is reduced by 25% of any amount claimed for childcare expenses).

¹¹⁸ United Kingdom Department for Work and Pensions, Benefits and Services, 'Child Maintenance and Child Maintenance Premium', April 2004, http://www.dwp.gov.uk/lifeevent/benefits/child_maintenance_bonus.asp

¹¹⁹ Ibid.

¹²⁰ HM Revenue and Customs "Vouchers and credit cards" <http://www.hmrc.gov.uk/manuals/eimanual/eim16057.htm>

¹²¹ HM Revenue and Customs "Vouchers and credit cards" - <http://www.hmrc.gov.uk/manuals/eimanual/eim16059.htm>

¹²² Canada Revenue Agency, 'Your Canada Child Tax Benefit', 16/6/05, <http://www.cra-arc.gc.ca/E/pub/tg/t4114/t4114-e.html>

The Child Tax Benefit includes a National Child Benefit Supplement (NCBS), which is a monthly benefit for low income families with children. This benefit is CAN\$143.50 (AUD\$173.47) per month for the first child, CAN\$125.16 (AUD\$151.31) per month for the second child and CAN\$118.33 (AUD\$143.06) per month for each additional child. The NCBS is reduced by a percentage of family net income that is more than CAN\$21,480 (AUD\$201.49).¹²³

The Child Tax Benefit also includes a Child Disability Benefit, which is a benefit for families with children who qualify for the disability amount. The Child Disability Benefit is based on family net income and provides up to a maximum of CAN\$166.66 (AUD\$201.49) per month.¹²⁴

To be eligible for the Child Tax Benefit, a claimant must:

1. live with the child and the child must be under the age of 18;
2. be the person who is primarily responsible for the care and upbringing of the child;
3. be a resident of Canada; and
4. either the claimant or spouse be a Canadian citizen, a 'permanent resident', 'protected person' or 'temporary resident' as defined in the *Immigration and Refugee Protection Act*.

The benefit is calculated on the basis of the number and ages of children of the claimant, the province or territory of residence, the family net income, the amount claimed in childcare expenses and any eligibility for the disability amount.¹²⁵

6.7.3 Tax deduction for childcare expenses

Childcare expenses may be tax deductible for children less than 16 years living with the claimant.¹²⁶ However, the age limit does not apply if the child was mentally or physically infirm. Expenses can be claimed if they are amounts paid to a childcare provider to allow the claimant to earn income from employment, run a business or attend an educational program.

The deduction is limited to:

1. a maximum of CAN\$10,000 (AUD\$11,631.32 per year for each eligible child in respect of whom the taxpayer may claim the disability tax credit for the year;
2. a maximum of CAN\$7,000 (AUD\$8,464.35) per year for each other eligible child who is under 7 years of age at the end of the year; and
3. a maximum of CAN\$4,000 (AUD\$4,836.20) per year for each other eligible child.¹²⁷

A claim for childcare expenses may reduce an individual's entitlement to the child tax benefit supplement and disability tax supplement.

¹²³ Canada Revenue Agency, 'Your Canada Child Tax Benefit', 16/6/05, <http://www.cra-arc.gc.ca/E/pub/tg/t4114/t4114-e.html>

¹²⁴ Ibid.

¹²⁵ Ibid.

¹²⁶ Canada Customs and Revenue Agency, 'Childcare Expenses Deduction 2005'

¹²⁷ Canada Customs and Revenue Agency, 'Income Tax Interpretation Bulletin', 11 May 2005, <http://www.cra-arc.gc.ca/E/pub/tp/it495r3/it495r3-e.pdf>

6.7.4 Tax credit for people with disabilities

A non-refundable tax credit, which reduces the amount of income tax payable, is available to individuals with a prolonged impairment. The tax credit includes a supplement for persons under 18. However, childcare expenses and attendant care expenses claimed for the individual may reduce the claim.

6.7.5 Deductions and credits for people supporting people with disabilities

A number of deductions and credits exist for people supporting other people with a disability. These include:

1. Childcare expenses – up to CAN\$4,000 (AUD\$4836.20) can be claimed for a child born in 1989 or earlier who has a mental or physical infirmity but does not qualify for a disability amount. A deduction of up to CAN\$10,000 (\$AUD12,090.49) can be claimed for a child who qualifies for the disability amount; and
2. Eligible dependant expenses – an amount available for single people who are supporting a dependant at a home. To be eligible, the dependant must have been either a parent or grandparent, or child, grandchild, brother, or sister and either under 18 years of age or mentally or physically infirm.

6.8 France

6.8.1 Summary

France has a comprehensive number of allowances available for parents and carer's of children, people with disabilities and the elderly. These include the Family allowance, the Flat-rate allowance, Basic allowance, Back to school allowance, Parent's attendance allowance, Family support allowance and the Single parent's allowance. In addition to these allowances, France has a number of benefits and grants available for low-income families. These include the Infant Accommodation Benefit; the Birth or Adoption Grant, the Supplement for Free Choice of Working Time, the Supplement for Free Choice of Custodial Care; the Education Allowance for a disabled child, the Family income supplement.

6.8.2 Allowances

(i) Family Allowance

A basic Family Allowance is available for families with two or more dependant children living in France. To qualify for the allowance, the children must be under 20 years of age and their monthly earnings be less than 55% of the minimum wage.

The Family Allowance is tax-free and is not means tested.¹²⁸ At 1 January 2006, the Family Allowance was 32% of the calculation basis¹²⁹ for 2 or more children, which equates to €117.71 (AUD\$203.03) per month, and 41% of the same basis per additional child, which is €150.82 (AUD\$260.18) per additional child.¹³⁰ However, the benefit may be increased by up to 9% of the calculation basis for any child, except for the elder child in the families with less than 3 children aged 11 to 16 and by 16% of the same amount for any child, except for the elder child in families with less than 3 children aged 16 and over.¹³¹

128 The Clearinghouse on International Developments in Child, Youth and Family Policies at Columbia University, France, August 2005
<http://www.childpolicyintl.org/countries/france.html>

129 The calculation of the allowance is a percentage of a monthly calculation basis ("BMAF") decided by an Order. The BMAF at 1 January 2006 is €367.87.

130 CLEISS, The French Social Security System, III Family allowances, http://www.cleiss.fr/docs/regimes/regime_france/an_3.html

131 Ibid.

(ii) Flat-Rate Allowance

A Flat-Rate Allowance is payable to families who have three or more dependant children and whose family allowances have been reduced due to one or more of the children reaching the age of 20.¹³² The Flat Rate Allowance is paid on behalf of the concerned child for a year from the first day of the month during which the child's twentieth birthday occurs up to the month preceding his or her twenty-first birthday. The amount of the flat rate allowance equals 20.234%, which is €74.43 (AUD\$128.40) as of 1 January 2006.¹³³

(iii) Infant Accommodation Benefit (PAJE)

Benefits for the maintenance and accommodation of infants have been merged into the one benefit scheme called the Infant Accommodation Benefit or PAJE (Prestation d'accueil du jeune enfant). The benefit was introduced after major family reforms were introduced in January 2004. It applies to births occurring from 1 January 2004 and is intended to gradually replace other existing benefits linked with infancy and childcare.¹³⁴

The benefit consists of a birth or adoption grant, a means-tested monthly allowance paid from birth up until the child's third birthday, a supplement for free choice of working time and a supplement for free choice of custodial care.

(iv) Birth or adoption grant

The means-tested Birth or Adoption Grant is equivalent to 229.75% of the calculation rate (€845.18 (AUD\$1457.67)) and the adoption grant is 459.50% of the calculation rate (€1,681.91 (AUD\$2900.77)). It is intended to cover some of the expenses related to childbirth or adoption.

In order to qualify for the grant, a pregnant woman must submit to the first prenatal examination within the first 14 weeks of pregnancy. The amount of the grant depends on the number of already born children or children to be born. This amount is increased when both parents are working or in case of a single family.

As of 1 January 2006, the income of any one-child family must not exceed €25,005 (AUD\$43,125.89) or €33,044 (AUD\$57,003.19) if both parents are working or in case of a single parent.¹³⁵

(v) Basic allowance

The means-tested Basic Allowance is available after the Birth or Adoption Grant from the child's birth to his or her third birthday. To be eligible for the allowance, the child must attend a compulsory medical examination within eight days of birth, and during the child's ninth and twenty fourth month.

Where the child has been adopted, the Basic Allowance is paid for three years after the child's arrival in the family, provided that the child is under twenty years of age. The amount received is €169.04 (AUD\$291.61) per month.

(vi) Supplement for Free Choice of Working Time

This non means-tested Supplement is paid to parents who decide to suspend or reduce their paid employment in order to look after a child under three years old. It

¹³² Ibid.

¹³³ CLEISS, The French Social Security System, III Family allowances, http://www.cleiss.fr/docs/regimes/regime_france/an_3.html

¹³⁴ These include the Infant Allowance, the Adoption Allowance, Parental Education Allowance and a number of other benefit schemes.

¹³⁵ Ibid.

is payable from the first child provided that the parent was previously employed for 2 years. The allowance is paid for 6 months for a first child and up until the age for three for the second child or any additional child. The amount varies depending on whether the concerned party ceased working totally (€521.85 (AUD\$900.24)) or whether they continued part time (€396.82(396.82)).¹³⁶

The supplement can be paid on top of the Basic Allowance provided the concerned party fulfils the income conditions or can be paid independently. However, if the family is not entitled to the Basic Allowance, the amount of the Basic Allowance will be added to the Supplement for Free Choice of Working Time.¹³⁷

For adopted children the Supplement for Free Choice of Working Time is paid for a minimum of one year, even if the adopted child is older than three years old. However, the child must be below 20 years.

(vii) Supplement for Free Choice of Custodial Care

This allowance is paid to assist with the costs of childcare. A full rate allowance is available and paid up until the child's third birthday and then a partial rate between the child's third and sixth birthday. It is paid either to the household or to the person who is hiring directly the registered childminder and can be paid on top of the Basic Allowance provided the concerned party fulfils certain income conditions.¹³⁸

6.8.3 Other family allowances and benefits for special purposes

There are a number of other allowances and benefits available in France for carers and parents of children. These include:

(i) Education allowance for a disabled child

This is a non-means tested allowance paid to parents of a child with a severe disability. This allowance is not payable if the child is in boarding school and if all expenses are paid by health insurance, by the State or social welfare. The payment amounts to €117.72 (AUD\$203.04) per month.¹³⁹

(ii) Back-to-school allowance

This allowance is for families whose earnings are below a certain earnings limit, with children aged from 6-18 attending school, amounting to €269.35 (AUD\$464.57) for the 2005-2006 school year.

(iii) Parent's attendance allowance

This allowance is a payment for parents who stop working totally or partially in order to look after a child who is seriously injured in an accident or who suffers from a severe disease or disability. The amount of the payment depends on whether partial or total leave is taken and whether it is a single or two parent family. It is paid every month for 1 year per child per disease, injury or disability.

¹³⁶ Ibid.

¹³⁷ Ibid.

¹³⁸ Ibid.

¹³⁹ Ibid.

(v) Family income supplement

This supplement is a means-tested benefit payable to families with at least 3 children between the ages of three and twenty-one, amounting to €153.22 (AUD\$264.22).¹⁴⁰

(v) Family support allowance

The family support allowance is a non-means-tested allowance payable to orphan children or children without parental support. This allowance is equal to 30% of the monthly calculation rate when the child is an orphan (€110.36 (AUD\$110.36)) and is equal to 22.5% when the child is a partial orphan or in a similar situation (€82.77 (AUD\$142.73)).¹⁴¹

(vi) Single parents allowance

The single parent allowance is to ensure a minimum family income for any single parent raising 1 or more children alone, or for a single mother who is pregnant. The allowance is a supplement which is the difference between 150% of the monthly calculation rate – for a pregnant woman without a child, plus an additional 50% increase of the same amount per dependant child – and the claimant's income. This amounts to €735.75 (AUD\$1,268.88) for a single parent with one dependant child, increased by €183.94 (AUD\$317.22) per additional child and €551.81 (AUD\$951.65) for a pregnant woman without children.¹⁴²

(vii) Family housing allowance

An allowance to assist with housing costs, payable to families who meet certain conditions.

6.9 New Zealand

6.9.1 Summary

New Zealand provides four tax benefits for low-income families with children as well as a tax rebate. The tax benefits include a refundable tax credit known as Family Support, a Family Tax Credit, a Child Tax Credit and a Parental Tax Credit. All payments are made to the eligible parent or child carer to assist with the family's living costs. To be eligible to receive family assistance the person must be 16 years or older and be either a New Zealand resident and living in New Zealand or be caring for a child who is both resident and present in New Zealand.

6.9.2 Family Support

Family Support is paid to low and middle income families for each dependent child aged 18 or younger. The payment amount varies depending on income, number of children, the children's ages and any shared care arrangements.

To qualify for family support from 1 April 2006 to 31 March 2007, a family's income must be less than the maximum income levels below.¹⁴³

140 Ibid.

141 Ibid.

142 Ibid.

143 New Zealand Inland Revenue, Family assistance, <http://www.ird.govt.nz/familyassistance/intro/familysupport/>

Number of children:	Total annual family income is up to (\$NZD):	
	Family Support only (NZD\$)	With in-work payment (NZD\$)
1 child	53,720 (AUD\$45,146.47)	69,320 (AUD\$58,360.09)
2 children	65,940 (AUD\$55,415.69)	81,540 (AUD\$68,643.54)
3 children	78,160 (AUD\$65,671.35)	93,760 (AUD\$78,940.35)
4 children	90,380 (AUD\$75,938.80)	109,880 (AUD\$92,490.40)
5 children	102,600 (AUD\$86,197.24)	126,000 (AUD\$106,059.26)
6 children	114,820 (AUD\$96,463.62)	142,120 (AUD\$119,573.34)

The amount received varies. At April 2005, the rates of pay are summarised in the following table.¹⁴⁴

Age of oldest child	Max weekly payment (NZD\$)
16, 17 or 18 years old	\$85 (AUD\$71.51)
15 or younger	\$72 (AUD\$60.58)

For each other child	Max weekly payment (NZD\$)
16, 17 or 18 years old	\$75 (AUD\$63.10)
13, 14 or 15 years old	\$55 (46.27)
12 or younger	\$47 (AUD\$39.54)

Family Support is not available to families receiving a foster, orphan's or unsupported child's benefit, or for families receiving parent's allowance.

6.9.2 Tax Credit

(i) Family Tax Credit

The Family Tax Credit is payment to ensure that a family's after tax income does not fall below NZD\$17,680 (AUD\$14,870.89) (as at 1 January 2006). Families entitled to the credit must qualify for Family Support and have at least one parent working for salary or wages. In a single parent family, the parent must work for at least 20 hours and in a two-parent family the parents must work a total of 30 hours combined.¹⁴⁵

¹⁴⁴ New Zealand Ministry of Social Development, 'Work and Income' <http://www.workandincome.govt.nz/get-financial-assistance/extra-help/family-support.html>

¹⁴⁵ New Zealand Inland Revenue, Family assistance, <http://www.ird.govt.nz/familyassistance/intro/familytaxcredit/>

(ii) Child Tax Credit

The Child Tax Credit is a means tested payment for parents with dependant children aged below 18 years old. The maximum rate of child tax credit is NZD\$780 (AUD\$656.07) a year for each dependant child. To be eligible for the credit, a family cannot be receiving any other form of government assistance.

The Child Tax Credit will be phased out from 1 April 2006 and will be replaced by an 'in-work payment'. In-work payment is a payment for families who are in paid work.¹⁴⁶

(iii) Parental Tax Credit

The Parental Tax Credit is a payment to assist with costs associated with a new baby. The payment is for the first eight weeks (56 days) after birth. Depending on the income of the family, the payment can be up to NZD\$1,200 (AUD\$1,009.07).

To receive the Parental Tax Credit, the total annual family income must be below NZD\$108,427 (AUD\$91,175.30) with one child, NZD\$120,647 (AUD\$101,445.62) with two children, NZD\$132,867 with three children, NZD\$148,987 (AUD\$125,355.29) with four children and NZD\$165,107 (AUD\$138,918.40) with five children.¹⁴⁷ However, these amounts can increase in certain circumstances.

6.9.3 Tax rebate

In New Zealand a tax rebate is allowed for childcare expenses for a sole parent, or where both spouses work. The amount of the tax rebate is NZ\$310 (AUD\$260.83) or 33% of the childcare/housekeeper payments, whichever is less. Household earnings do not affect the tax rebate.¹⁴⁸

6.9.4 Child Disability Allowance

The New Zealand Child Disability Allowance is paid to the parent or guardian of a seriously disabled child. The Allowance is non means-tested payment of NZD\$49.48 (AUD\$41.63 weekly rate, non-taxable) paid fortnightly. The allowance is available where the child lives in a home or hostel and the child's parent or guardian is required to contribute to the costs of maintaining them.¹⁴⁹

6.9.5 Subsidy for childcare expenses

The Childcare Subsidy program assists low to middle income families with dependent children under the age of five with costs associated with childcare. In addition, the Out of School Care and Recreation Subsidy (OSCAR) helps low to middle income families pay for before and after school programs and school holiday programs for children aged between 5 and 13. At October 2005, the Childcare Subsidy or OSCAR subsidy rates were as follows.¹⁵⁰

146 New Zealand Inland Revenue, Family assistance, <http://www.ird.govt.nz/familyassistance/intro/childtaxcredit/>

147 New Zealand Inland Revenue, Family assistance, <http://www.ird.govt.nz/familyassistance/intro/parentaltaxcredit/>

148 Section KC of the Income Act 1994.

149 New Zealand Ministry of Social Development, 'Work and Income, 1 April 2005 <http://www.workandincome.govt.nz/get-financial-assistance/extra-help/disability-child-allowance.html>

150 New Zealand Ministry of Social Development, Work and Income 'Childcare and OSCAR subsidy', 3 October 2005, <http://www.workandincome.govt.nz/get-financial-assistance/extra-help/childcare-oscar-subsidy.html>

Number of Children	Family's weekly income (before tax) (NZD\$)	Maximum subsidy (per hour) per child(NZD\$)
1	less than \$770 (AUD\$646.54)	\$3.21 (AUD\$2.70)
	\$770 to \$849.99 (AUD\$713.81)	\$2.23 (AUD\$1.87)
	\$850 to \$929.99 (AUD\$780.99)	\$1.24 (AUD\$1.04)
	\$930 or more (AUD\$780.99)	no subsidy
2	less than \$950 (AUD\$797.79)	\$3.21 (AUD\$2.70)
	\$950 to \$1,039.99 (AUD\$873.36)	\$2.23 (AUD\$1.87)
	\$1,040 to \$1,129.99 (AUD\$948.95)	\$1.24 (AUD\$1.04)
	\$1,130 or more (AUD\$948.95)	no subsidy
3	less than \$1,110 (AUD\$932.16)	\$3.21 (AUD\$2.70)
	\$1,110 to \$1,219.99 (AUD\$1,024.55)	\$2.23 (AUD\$1.87)
	\$1,220 to \$1,329.99 (AUD\$1,116.93)	\$1.24 (AUD\$1.04)
	\$1,330 or more (AUD\$1,116.93)	no subsidy

6.9.6 Young parent childcare payment

The Young Parent Childcare payment is to assist with childcare costs for parents aged under 18 and completing secondary school. To be eligible, the parent cannot be receiving a Domestic Purposes Benefit, Emergency Maintenance Allowance or a Widow's Benefit.

The payment covers the cost of childcare at an approved childcare centre for the time the parent is at work. The amount is NZD\$6 (AUD\$5.05) an hour for each child under 5 to a maximum of \$180 (AUD\$151.45) per week. The payment does not continue over school holidays.¹⁵¹

151 New Zealand Ministry of Social Development, Work and Income, 'The Young Parent Childcare Payment' 1 April 2005
<http://www.workandincome.govt.nz/get-financial-assistance/extra-help/young-parent-childcare-payment.html>

6.9.7 Disability allowance

Disability Allowance (DA) is available to people who have a disability likely to last at least six months, who have ongoing and additional costs arising from the disability, and who meet an income test. Disability Allowance is available on its own or with a main type of income support (such as an Invalid's Benefit). A person can apply for it on behalf of a child if they are 18 years or under and financially dependent on that person.¹⁵²

The maximum Disability Allowance is NZD\$49.48 (AUD\$41.63) a week.

6.9.8 Special Disability Allowance

The Special Disability Allowance is to assist with the costs of visiting a partner if they are in hospital (for at least 13 weeks) or getting a Residential Care Subsidy. The allowance is NZD\$30.87 (AUD\$25.97) a week, paid in addition to income support.

6.9.9 Out of School Care and Recreation Subsidy

An Out of School Care and Recreation Subsidy (OSCAR) is available for children aged 5 to 13 (or up to 18 if they receive a Child Disability Allowance). The Subsidy is to assist with the cost of both before and after school up to 20 hours a week and school holiday programmes of up to 50 hours a week. To be eligible for the subsidy the person must be:

- working, doing a work related activity or studying, or
- seriously ill or disabled, or
- paid a Child Disability Allowance for any of their young children, or
- caring for a child that is in hospital.

The service that provides the care must be approved by Child, Youth and Family.

6.10 Japan

6.10.1 Summary

Japan provides a childcare allowance system and a sole parent benefit to support the costs of childcare. Japan also provides subsidies for promoting the employment of elderly people and a grant system for employing people with a disability.

6.10.1 Allowances for children

(i) Childcare allowance system

Child allowance is available to parents and guardians with children who have not finished primary school, up to March 31 of a school year in which they reach twelve years of age. There is no citizenship or nationality requirement to qualify as eligible parents and guardians for the child allowance. However, the recipients must be a resident of Japan.¹⁵³

The allowance is ¥5,000 (AUD\$58.68) for the first child, ¥5,000 (AUD\$58.68) for the second child and ¥10,000 (AUD\$117.36) for the third and subsequent children.

¹⁵² New Zealand Ministry of Social Development, Work and Income, 'Disability allowances', April 2005
<http://www.workandincome.govt.nz/documents/brochures/disability-allowances.pdf>

¹⁵³ Ministry of Health, Labour and Welfare Japan - <http://www.mhlw.go.jp/english/topics/child-support/index.html>

There is an income-ceiling threshold for the allowance, which is determined by the annual income of the previous year.¹⁵⁴

(ii) Lone-parent benefit

A means tested sole parent benefit is available to single parents with a child under 18 years old. The amount of the benefit is ¥41,880 (AUD\$491.49) per child per month or ¥46,880 (AUD\$550.29) for 2 children per month with an additional ¥3,000 (AUD\$35.21) each month for each additional child.

6.10.2 Additional government support for childcare and elder care

(i) Reduced working hours

In addition to the above-mentioned allowances, Japan has legislation in place to ensure employers are taking measures to reduce working hours. Under the legislation, employers must take at least one of the following measures for workers who have children under 3 years of age or with family members in need of care.

These measures include:

1. reduced working hour system;
2. fewer working hours per day, per week or per month;
3. fewer working days per week or per month;
4. give workers the right to request certain hours or certain days off;
5. flextime system;
6. earlier start or later finish of work period;
7. limitation on overtime work;
8. on-site day care or equivalent financial support for childcare; and
9. financial support for elder care services.¹⁵⁵

Employers must also ensure that no employee is relocated or transferred to a new office if doing this would hinder the worker's care of a family member. Additionally, the legislation specifies that employers must nominate an employee of the company to coordinate work/life compatibility issues and to liaise with the local equal employment office. The work/life compatibility coordinator is responsible for implementing and ensuring compliance on behalf of the employer.¹⁵⁶

(ii) Financial support measures

The Japanese government also provides a number of financial benefits to encourage employers to assist with childcare and eldercare. These benefits include:

1. reimbursement of up to ¥229,466 (AUD\$2,618.35) or 50% of the total costs, whichever is greater for the establishment and/or operation of on-site day care;
2. reimbursement of between 33% and 55% of the cost for employers cover for their employees to secure care providers depending on the size of the company. The total amount the government will pay is capped at approximately ¥ 344,056 (AUD\$3925.76) per worker and ¥3,917,310 (AUD\$44,637) per workplace;
3. support of up to ¥573,737 (AUD\$6543.73) for the hiring of temporary staff to cover employees taking childcare leave so that the employees can return to their previous positions once the leave expires;

¹⁵⁴ Ministry of Health, Labour and Welfare Japan - <http://www.mhlw.go.jp/english/topics/child-support/index.html>

¹⁵⁵ Iwao S., (2005), 'Government Policies Supporting Workplace Flexibility: The state of play in Japan', (forthcoming) in "Why Flexibility Matters", Alfred P Sloan Foundation, USA.

¹⁵⁶ Ibid.

4. support of up to ¥573,737 (AUD\$6543.73) per year per workplace for creating a work environment that encourages fathers to take childcare leave; and
5. providing additional childcare leave in excess of 3 consecutive months for workers with pre-school children above the age of 3.

A number of seminars are held for employers by local government offices to assist employers to achieve work/life balance for their employees and promote further improvement.¹⁵⁷

6.11 Netherlands

6.11.1 Summary

The Netherlands has a number of tax credits available for carers of children including a child tax credit, a single parent's tax credit, a tax credit for parental leave and a tax benefit for carers of disabled children. The government and employers also make contributions to child care costs in certain situations. In addition, a portion of parents' out of pocket childcare fees are tax deductible.

6.11.2 Tax Credits

(i) Child tax credit

A child tax credit is available for parents or carers who support a child who is under 18 and living in the household for more than 6 months.¹⁵⁸

	Aggregate income below €28,521 (\$47,898.62)	Aggregate income between €28,521 and €44,034 (\$47,898.62)	Aggregate income above €44,034 (\$73,950.00)
Under 65	€802 (\$1,347.17)	€802 (\$1,347.17) reduced by 5.75% of the difference between the aggregate income and €28,521 (\$47,898.62)	Not eligible
Over 65	€425 (\$713.738)	€425 ((\$713.738)) reduced by 2.74% of the difference between the aggregate income and €28,521 (\$47,898.62)	Not eligible

(ii) Combination tax credit

A person is entitled to the combination tax credit if that person does paid work for which they receive more than €4,405 (\$7,398.45) and that persons household includes a child under 12. For persons 65 and younger, the combination tax credit amounts to €146 and for persons over 65, the tax credit amounts to €70 (\$117.57).

A supplementary combination tax credit is available for persons who are entitled to the combination tax credit and who do not have a partner, or are the partner on a

¹⁵⁷ Ibid.

¹⁵⁸ http://www.belastingdienst.nl/variabel/buitenland/en/buitenland_en-21.html

lower income. The supplementary combination tax credit amounts to €608 (\$1,021.08) for persons under 65 and €290 (\$487.028) for persons 65 and over.¹⁵⁹

(iii) Single parent's tax credit

Single parents are entitled to the single parent tax credit if he or she has not had a partner for more than 6 months and that parent supports one or more children below the age of 27. For persons younger than 65 the single parent's tax credit amounts to €1,414 (\$2,374.38) and for persons over 65, the credit is €674 (\$1,131.78).

A supplementary single parent's tax is available to persons who are eligible for the single persons tax credit who work and have a child under 16 living in the household. For persons younger than 65, the supplementary single parent's tax credit amounts to 4.3% of the amount earned from present employment, up to a maximum of €1,414 (\$2,374.38). For persons older than 65, the credit is a maximum of €674 (\$1,131.78).¹⁶⁰

(iv) Tax credit for parental leave

A person is entitled to a tax credit for parental leave if that person takes parental leave in 2006 and takes part in the life course saving scheme. The credit is calculated by multiplying the number of parental leave hours taken during the calendar year by an amount equalling 50% of the gross minimum hourly wage per leave hour taken.

(v) Tax Benefit for parents/carers supporting children with a disability

Parents or carers supporting children under 18 years who have a disability are eligible for a supplementary benefit to assist with the costs associated with caring for the child. The benefit is €199.28 (\$334.64) each 3 months.¹⁶¹

6.11.3 Childcare costs

(i) Childcare arrangements

Childcare is paid by 3 parties, namely parents, the government and employers. The employer is obliged to pay one third and the remaining two thirds are paid by the government and parents. The contributions of the government and parents are income related, with parent on low incomes only paying approximately 20c in every dollar. Parents on high incomes pay two thirds of the cost (and the government pays nothing). The government only contributes if the parent is combining work and care obligations.¹⁶²

By 1 August 2007 primary schools are obliged to offer out-of-school childcare from 7.30am to 6.30pm, if requested by parents.

¹⁵⁹ Ibid

¹⁶⁰ Ibid

¹⁶¹ OECD – Social Policy Division – Directorate of Employment, Labour and Social Affairs – Netherlands 2004 www.oecd.org/els/social/workincentives

¹⁶² Ibid.

(ii) Out of pocket childcare fees paid by parents

Parents pay a fee according to their income, starting at 5% of the actual costs at an annual income of €15,000 (\$25,195.54), up to 60% at an income of €57,000 (\$95,768.77). A part of these fees are tax deductible. On average, out of pocket fees for parents range from €600 (\$1,008.04) to €7,200 (\$12,096.47), based on income.¹⁶³ To be eligible, the childcare centre needs to be an approved centre.

¹⁶³ Ibid.

Schedule 1 - Summary of changes in childcare allowances and tax credits in the US, the UK, Canada, France and New Zealand

Report as at 24 February 2005

Report as at 3 March 2006

UK

Childcare Element of Working Tax Credit – up to 70% of costs of childcare, capped at £135 per week for one child and £200 for two or more children, which translates to £94.50 per week for one child and £140 per week for two or more children.

Childcare Element of Working Tax Credit – up to 70% of costs of childcare, capped at £175 per week for one child and £300 per week for two or more children, which translates to £122.50 per week for families with one child and £210.00 per week for families with two or more children.

Carer's Allowance – maximum personal weekly rate: £44.35.
Weekly earnings limit of £79.00.

Carer's Allowance – maximum personal weekly rate: £45.70
Weekly earnings limit of £82.00.

Child Benefit - £16.50 per week for eldest child and £11.05 per week for any other qualifying child.

Child Benefit - £17.00 per week for eldest child and £11.40 per week for any other qualifying child.

Canada

Child Tax Benefit – CAN\$100.66 per month plus supplement of CAN\$7.00 per month for 3rd and additional children. Supplement of CAN\$19.91 per month per child under seven.

Child Tax Benefit – CAN\$102.33 per month plus supplement CAN\$7.16 per month for 3rd and additional children. Supplement of CAN\$20.25 per month per child under seven.

National Child Benefit Supplement – CAN\$125.91 per month for first child, CAN\$233.82 per month for second child, CAN\$233.82 per month plus an additional CAN\$1,215 per year for families with three or more children.

National Child Benefit Supplement - CAN\$143.50 per month for first child, CAN\$125.16 per month for second child, CAN\$118.33 per month for any additional child.

Child Disability Benefit – up to CAN\$137.75 per month.

Child Disability Benefit – up to CAN\$166.66 per month.

France

Child Benefit – rate of €109.40 for family with two children with an increase per month of €140.17 for each additional child.

Family allowance - €117.71 per month for family with two children and €150.82 for each additional child.

Birth or Adoption Grant - monthly amount of €157.09 from the fourth month of pregnancy till the child is three years old.

Birth or Adoption Grant - €845.18 for birth grant and €1,681 for adoption grant

Child Home Care Allowance – maximum

Supplement for Free Choice of Working

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is sick

for a first child and up to the age of three for additional children.

Education Allowance for Disabled Child – €109.40 per month up until child is twenty years old.

Education Allowance for Disabled Child – €117.72 per month.

Single Parents Allowance – difference between €512.81 plus €170.94 per child and the beneficiary's income.

Single Parents Allowance – €735.75 for a single parent with one child, increased by €183.94 per additional child.

Orphan Allowance – means tested.

Family Support Allowance – €110.36 per month.

Family Income Supplement – €141.68 per month.

Family Income Supplement – means-tested payment to families with at least 3 children – €153.22.

Beginning of School Year Allowance – €249.07.

Back-to-School Allowance – €269.35.

Young Child Allowance – maximum of €156.31 per month.

Basic Allowance – available until child is 3 years old – €169.04 per month.

Flat-Rate Allowance – €74.43 per month (introduced in July 2003).

New Zealand

Family Support – maximum varies between NZD\$32 – NZ\$60 per child per week.

Family Support – maximum varies between NZ\$47 – NZ\$85 per child per week.

Child Disability Allowance – NZ\$48.18 per child per week.

Child Disability Allowance – NZ\$49.48 per child per week.

Subsidy for Childcare Expenses – NZ\$2.85 per hour per child.

Subsidy for Childcare Expenses – between NZ\$1.24 and NZ\$3.21 per hour per child.

Young Parent Childcare Payment – NZ\$6 an hour for each child under five to a maximum of \$180 per week (introduced in January 2006)

Early Childhood Education Funding System – From July 2007, three and four-year-olds will be eligible to receive up to 20 hours free early childhood education per week (introduced in April 2005). The free ECE will be introduced for all teacher-led early childhood education services and will be available to up to 6 hours per child per

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day and up to 20 hours per child per week. Children enrolled for longer than 20 hours may also access up to 10 partly funded hours each week through the ECE funding subsidy.

Schedule 2 - Summary of changes in childcare allowances and tax credits in Australia

Report as at 24 February 2005

Position as at 3 March 2006

Family Tax Benefit Part A – as of the end of the 2003/2004 income year, families eligible to receive FTB (A) will receive an additional supplementary yearly payment of \$600 per child.

Family Tax Benefit Part A – for the 2005/2006 income year, families eligible to receive FTB (A) will receive an additional supplementary yearly payment of \$627.80 per child.

As foreshadowed in the Report of 24 February 2005, from 1 July 2005 parents who return to work after the birth of a child may be entitled to the maximum rate of FTB (B) for the financial year period before they returned to work.

Invalid Relative Tax Offset – for the income year 2003/2004 the maximum tax offset was \$691 for each dependent invalid relative.

Invalid Relative Tax Offset – for the income year 2004/2005 the maximum tax offset was \$708 for each dependent invalid relative.

Parent Tax Offset – for the income year 2003/2004 the maximum tax offset was \$1,381 for each dependent parent.

Parent Tax Offset – for the income year 2004/2005 the maximum tax offset was \$1,414 for each dependent parent.

Parenting Payment – a maximum fortnightly payment of \$356 for partnered parents and \$470.70 for single parents.

Parenting Payment – a maximum fortnightly payment of \$370.50 for partnered parents and \$499.70 for single parents.

Childcare benefit – the maximum payment for “approved childcare” is \$140.50 per week for a non school-age child in 50 hours of work-related care; the maximum payment for “registered childcare” is \$23.55 per week for a non school-age child in 50 hours of work-related care.

Childcare benefit – the maximum payment for “approved childcare” is \$144 per week for a non school-age child in 50 hours of work-related care; the maximum payment for “registered childcare” is \$24.15 per week for a non school-age child in 50 hours of work-related care. From 3 July 2006, the number of eligible hours increased from 20 hours to 24 hours per week for children in non-work-related care.

Double Orphan Pension – a non-taxable fortnightly payment of \$45.20.

Double Orphan Pension – a non-taxable fortnightly payment of \$47.50.

Carer Allowance – a non-taxable fortnightly payment of \$90.10. In or about June 2004, recipients of the Carer Allowance received a one-off payment of \$600.

Carer Allowance – a non-taxable fortnightly payment of \$94.70. In or about June 2005, recipients of the Carer Allowance received a further one-off payment of \$600.

Carer Payment – a maximum fortnightly payment of \$470.70 for singles and \$393 for each member of a couple. In or about

Carer Payment – a maximum fortnightly payment of \$499.70 for singles and \$417.20 for each member of a couple. In

Report as at 24 February 2005

Position as at 3 March 2006

eligible recipients of Carer Payment.

\$1,000 was paid to eligible recipients of Carer Payment.

As foreshadowed in the Report of 24 February 2005, from 1 April 2005 the number of hours a carer can work, train or study increased from 20 to 25 hours, before it impacts on their Carer Payment.

Maternity Payment – a one-off, non-taxable payment of \$3000.

Maternity Payment – a one-off, non-taxable payment of \$3166.

Maternity Immunisation Allowance – a one-off, non-taxable payment of \$213.60 per child.

Maternity Immunisation Allowance – a one-off, non-taxable payment of \$222.30 per child.

Childcare Tax Rebate – as foreshadowed in the Report of 24 February 2005, parents can claim a 30% childcare rebate in their tax return for the year ended 30 June 2006 on out-of-pocket childcare expenses incurred, with a maximum rebate of \$4,000 per child per year.

Out-of-pocket childcare expenses are total childcare fees less childcare benefit entitlement. The rebate, which came into force on 19 December 2005, will be back-dated in relation to all such expenses from 1 July 2004 onwards.

Newstart Allowance – a maximum fortnightly payment of \$44.20 for single with children rate and \$370.50 for partnered rate.