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2007 Budget response by the Taskforce on Care Costs

Getting with the program

The Taskforce on Care Costs (TOCC) congratulates the Federal Government for increasing the Child Care Benefit by 10% (on top of indexation) in the 2007 Budget. This recognises the work done by TOCC over the last three years, which shows that the cost of childcare has risen by 12% each year, putting at risk workforce participation rates. The increase in the Child Care Benefit will go some way to offsetting the 65% increase in childcare costs that parents have experienced over the last 5 years.

“For the past 3 years TOCC has been saying that care is unaffordable. Treasury has finally come to the same realisation” says Juliet Bourke, Chair of the Taskforce on Care Costs.

TOCC’s research has demonstrated the link between the high cost of care, workforce participation and our economic prosperity:

1. 37% of working carers think the cost of care is too high;
2. 1 in 4 are likely to leave the workforce because of the cost of care; and
3. 52% would increase their hours of work if care was more affordable.

The Government also knows that the cost of care will be a real election decider. According to a Newspoll survey (commissioned by TOCC), 73% of Australians surveyed said that providing more support to those with caring responsibilities (to help them take up or remain in paid employment) is important to how they will vote at the next Federal election.

Positively the budget makes childcare more affordable for low income families by increasing the hourly rate of the Child Care Benefit by almost 14%, from \$2.96 to \$3.37 per hour. In real terms this means a family earning \$30,000 pa with 2 children (in part-time long day care) will now pay 19% of their after tax income to cover net childcare costs, rather than 21%.

For middle to high income earners, the news is not as good because of the impact of the means test. Although this group will receive the increases in CCB and the Child Care Tax Rebate (namely a 5% increase from \$4000 pa per child to \$4200), the net cost of childcare will fall by less than that for lower income earners. The reduction in the net cost of care for a family earning \$30,000 is 4.4% of the total cost, whereas for a family earning \$75,000, the reduction is only 2.9% of the total cost.

Middle and high income earners are more reliant on the Child Care Tax Rebate to offset their care costs, and the most significant change in the CCTR has been in the timing of payments, not the amount.

“By bringing the Child Care Tax Rebate forward the Government has responded to a real need expressed by working parents, namely for assistance to be available when costs are paid, not 18 months later” says Bourke, “but it has not significantly reduced the cost of care for middle and high income earners.”

“We will have to see if the budget reforms are sufficient to provide parents with real choice about whether and how much to work. We can expect some positive change

arising from the CCB increase, if it is not immediately swallowed by childcare providers” says Bourke.

Finally, the budget has provided minimal support for employees with elder and disability care costs. Given that 40% of employees with elder care responsibilities are likely to leave the workforce in future because of the cost of care, and we have an ageing demographic, much more than a one-off \$1000 bonus is needed” says Bourke

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Notes

About TOCC

TOCC is supported by over 45 high profile business and non-government organisations. TOCC was established in 2003 to investigate the relationship between work and the cost of care, and propose sustainable and fair solutions to give carers choice. TOCC has found that 1 in 4 workers is likely to leave the workforce because of the cost of care. For more information visit www.tocc.org.au

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