

Taxation that recognizes caregiving
Submission to "Re:think- Australian Government Tax Discussion"

By

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Greetings from me in Canada. I must applaud your government for engaging in public consultation on these vital tax issues. In my country we are also dealing with them. In my many years of activism for caregiver rights, I have often cited Australia actually for its birth bonus and its maternity benefit. My son and his wife lived for a year in your country and I had an opportunity to visit and see the amazing array of services available to parents of newborns. It was heartening to see so many moms' groups, so many dads at parks with the kids, so many businesses that not only helped parents but mobilized the economy.

DEFINITION OF CHALLENGES

But I do agree that from statistics I have seen recently, there is a problem in many countries, including yours and mine, with how to continue that momentum and really do what is best for kids, and for parents, and for the economy. The pressure from the 1960s to get more women into the paid labor force so they could show their mettle there and have equal pay was laudable but has had a flip side too. Not all women want to be in that sector when their kids are young. Not all kids are even eligible to attend a 3rd party childcare centre if they are handicapped or even highly allergic or if the household lives rurally or if the parents' paid work shifts are evenings or weekends.

So we have a dilemma that is becoming evident. Not everybody wants to be full time in paid work outside the home because they feel a need to be caregivers in the home. So there is an issue about free choice and what the state can enable.

We have also noticed around the world that this women's right push to let women follow their dreams has had a logical implication- what if the dream is to be a mom at home? To suppress that dream is not consistent with women's liberation. To insult the woman at home as lesser or not contributing to the economy also is inconsistent with an empowerment movement to value all roles.

So we've had to 'rethink' and it is a great word. We are doing that here in Canada also.

We have also noticed that for various reasons the birth rate has declined in the developed world. Though some may see that as freeing, so that every child is wanted, the flip side is that by polls we know that many women would prefer to have more children, but can't afford them. The state often does not offer much help along that line financially and there is social pressure to not be at home with kids and so many women feel why have them if they can't spend time with them? So because we liberated women in a good way to do paid work, we have incurred an unfortunate consequence of a decline in birth rate that has backfired. We now risk negative growth, a drop in the number of taxpayers in one generation and the consequent drop in the tax base itself, and in government revenue to fund good programs, health, education, defence, infrastructure, government itself. With a dwindling tax base we are facing a crisis.

This crisis can be fixed one of several ways. One is to make all paid workers work longer and not retire till late if at all. One is to have all citizens pay higher tax and to contribute more of their own money to employment insurance plans and save for their own pensions. Those solutions however do not solve the problem in a generation. They are stop-gap and the earners still will over time die and the tax base will still be small. So there is another option, to get more immigration- adult workers to come to the country and earn and pay tax. But that solution also is short-term because immigrants also age and die. The other solution though is one nature provides, births.

If we encourage births a lot of good things happen in an economy. There is a perpetual renewing of the tax base. A household with 2 earners can in twenty years have 4-6 earners and this does produce an enlarging tax base, in perpetuity. With more births, we have more people who need more consumer goods, housing, food and whose demands create jobs. People create jobs to serve these needs and the business sector also flourishes. People help care for each other, and with a significant family support network the state is called on less to provide all the care roles for the nation. The state saves money .

The problem with the births solution is that it is a long term plan and a person has to be patient, and visionary. Babies do not at first earn money or pay tax. There will be an interval in which they will need nurturing and it will cost money but in Canada we argue that this is an investment that has huge payoff. A well raised younger generation becomes the lawyers, doctors, engineers of the future, the brilliant innovators, inventors, who propel a nation into a healthy GDP.

And so if we value kids there will be a need to value those who have them and raise them. A tax system is the key way to do that. Your birth bonus alone is probably part of why your birth rate is higher than ours in Canada. But kids need care for many years not just at birth or for the first year. So it is exciting that you are looking at ways to improve a system that already has made some great strides to value children.

We have also noticed that with a declining birth rate, but also because of medical advances, people are living longer but not necessarily all healthy. The need for care of the handicapped is increasing as is the need for care of the frail elderly. In our country

some have observed that care of the elderly is going to be an issue soon as big as the issue of childcare. And yet the same dilemma exists for both. A government can fund institutions to provide this care so that adults can earn money and not have to provide it themselves. Or the state can fund the person needing care, so that families can set up arrangements they like, in institutions or at home. It is our observation that it costs less to set them up allowing home-based care and saves the state a lot of money. In Manitoba we are trying it with great results. Seniors like the option of care at home and family members are happy and stress is down so medical costs are down,- and the government has less cost .

So we are for sure facing similar dilemmas. I am happy you are opening up the discussion so that we can share ideas.

CONSIDERATIONS:

1. Best interests of the child

-When we look at caregiving, the first priority is what is good for kids. However people differ on that. Not all want care in a childcare centre, not all want care at home. People differ about dietary needs, cultural habits, even how formal to make early education. In the long run we have figured out that the difference in opinions is what we should celebrate and protect in a democracy. Imagine that. We are trying to enable choice because one size does not fit all.

International pediatric societies recommend two years of breastfeeding. It is easiest to have the mother nearby to provide it, not impossible for her to pump milk and have someone else feed the baby but a tax policy about what is good for kids has to notice that the health benefits at stage one of life and getting enough milk matter.

In Canada we have a Senate study called Child at Risk, in 1980, that found that what kids need is a constant caregiver for the first three years, not a series of changing faces. That principal caregiver can be a dad, mom, grandparent, nanny or even a daycare worker but it should be the same person for 3 years. That way kids get stability. The second thing that study found was that this person must really care about the child. You can't legislate love but it does seem to be a factor in how kids thrive. And so this person should feel that this child is specially valued. How can a tax policy ensure this? It is my feeling the best way is to let parents choose the caregiver. Then they arrange that relationship that best suits their child's emotional, physical even practical scheduling needs.

The UN Convention on the Rights of the Child also says that parents should have the say. The child has the right to be raised in the presence of the parent whenever possible, or in the care of someone chosen by the parent. The parent has the right to raise the child in the values and language and culture of the parent. These are basic human rights principles and I urge governments to respect them. Happily it is easy because it just mean that you respect parents and let them make decisions as long as course as the care complies with laws of safety, health, supervision etc.

2. Women's rights

I am a feisty advocate for women. But this is one past wanting pay equity in the paid workforce. Of course I want that. But I also want recognition of traditional care roles too. I want the package. The third wave of feminism has defined this broader recognition of women's equality, so that roles in the home are also an option, are respected and enabled. It is a movement to not just get women paid jobs outside the home and to remove obstacles out there, but to also enable them to be in the home as caregivers, and to remove obstacles to that option, if that is their preference.

This is a slightly different view of liberation than that of the 1960s. The barriers have changed. It used to be that they were out there, keeping women out of academic study of corner offices or elected government positions. But we had some major legal challenges up here in Canada to get women the right to sit in our Senate, to have equal pay, and to not be excluded from any university course. That is no longer the barrier. The real barrier now is, ironically, for those who want to be caregivers. They are often treated as lesser, as if they don't 'work' even, though their care roles in the UK are being redesignated as care work and they are called 'carers' not the more insulting terms of unemployed or 'not working'. The obstacles have changed and we need to address them also, so that women can be fully free to choose where best to serve.

In our country and apparently also in yours, most women and a lot of men actually choose both to work outside the home and to be caregivers in the home, at various points in their adult lives. The norm is to have shifts off and on some roles. Many like to be home for a few years with a child, are called home once in a while for a sick child, may have to be home if they have a sudden injury in the family or a handicapped child, and are called home again once in a while with an aging parent or a dying relative.

Again, a tax system will struggle to try to figure out how to help people who are not reliably and always in just one place. To encourage a dual income lifestyle full time turns out to not be very realistic for most households and as in Australia, so too in Canada, a lot of households actually have one earner sometimes, two sometimes, and often have one and a half incomes since someone earns only part-time. How can a tax system smoothly adapt to these switches?

It is my observation that the ability to file a joint income tax form is a lovely solution. In that way the total household income is the key element and who earns it and how much each contributed is not government's concern.. The US has a joint income splitting filing option and this seems very useful. It is progressive and still has tax brackets, so it maintains vertical equity, and it is optional so those who object to income splitting on principle or who do not share income, do not have to do it. But it really is a very logical way to ensure that the fluidity of who earns this year and for how many hours is a decision the householders make. It also then would ensure that all equally earning households, with equal ability to pay tax, do pay the same tax. In Canada we have had a huge problem with horizontal inequity, and higher taxes on some households of up to

40% penalty, just for how they earned, even though they had the same total earnings as the household next door.

The Canadian government has recently chosen to allow income spitting for some households, those with children under age 18, and to a limited amount of transfer of income between spouses, but to create at least some adjustment to more horizontal equity. Canada also has already permitted income splitting of pensions and seniors are very happy with this development because it has done a lot to remove senior poverty.

What is often ignored in the discussion of income splitting is the message of it. If we assume one earner and one dependent, then we are making the lower earner or unpaid adult, feel lesser. Historically this forced dependency on paper was usually about the woman. It was a subtle way to keep women feeling less valued. I have argued that income splitting is a beautiful way to show that the contribution of the lower paid or unpaid adult is still its own half of the household economy. It is a huge message to empower women.

It is often ignored also that many countries, mine for sure and likely yours, allow income splitting already on a huge scale, for the rich. In Canada the rich can set up income trusts and family trusts and can transfer for tax purposes huge amounts of money between family members, reducing tax significantly. Wealthy professionals can incorporate and can declare their spouse as an employee, reducing their own personal tax. In these ways income splitting is already well under way for the rich and it is more and more perceived as unfair that the middle class and poor do not at least have some access to it.

In our country too, there are two other oddities. One is government inconsistency about individual or joint taxation. In the past the state had two policies, that handily always tended to make the state rich and the householder poor. That was noticed and resented. The government taxed us as individuals so it got higher tax from each of us. Then it returned benefits to us, based on household shared income, so it gave less back to us. If it taxed us as individuals and gave benefits back to us as individuals that would have been at least consistent and would have given the nonearner a lot of benefits, back based on low income. But it did not do that. If it taxed us jointly and returned benefits based on household income, it would get less money from us but would also have to give back less to us. However the state had for years chosen to get its own win-win and this was perceived as unfair. We now have joint filing or income splitting to at least partly correct the inconsistency.

The other oddity is divorce. In Canada during a marriage there has for years been no assumed sharing of income. It was 'every man for himself' it seemed, as one interpretation of women having their 'own' money in a marriage. However on divorce, suddenly the courts ruled that all along during a marriage the household had been an economic unit and that the lower earner or nonearner had a right to half the assets because he/she had made half the contributions either through paid or unpaid work. So we allowed a kind of asset splitting and income splitting on divorce and then for years after with spousal support and child support. This inconsistency has also been noticed. If

you were equals in retrospect during marriage when it ended, then you were likely equals while the marriage was not ending - so marriage seemed likely and logically to be one where income splitting was also at least a legal option.

3. Government costs

You doubtless have created many charts and graphs to determine how much your government would 'lose' in revenue if you allowed income splitting. It is a legitimate concern. But we have noticed here that the sides of the ledger have to be fully disclosed. There has all along been a gain to the state in receiving the benefit of those who provide free care of the young, sick, handicapped and elderly. When the state did not have to pay for it, but the work got done anyway, the state incurred a gain that simply was not recorded anywhere. If the state has to pay for the care of those sectors, then suddenly it is a huge cost. To allow income splitting then, that might enable some people to provide care at home again, would only be a loss if viewed half way. It is also a gain because the state then does not have to pay for institutional setting care.

In Canada we have a category of the budget called 'government expenditures' where the money that government did not take in, that it could have, is viewed as a kind of loss but for some noble reason. The state forgives some things, allows certain tax breaks, deductions, contributions to political parties and charities for instance. It lets people pay less tax because they did some good other thing with their money, or needed it to run their business and so on. This incurred loss or cost is accepted as part of the requirement for running a government. I have felt for some time that there is another side to the ledger on that though, because government for years also had a gain that it did not declare or tally. It got all this care work done without having to pay anyone. And mostly this work was done by women, and maybe it is time to admit that this was a huge part of the economy.

In Canada our statistics division, Statistics Canada, estimates that unpaid labor, if counted, would be one third to one half of the GDP. So the state was able to balance its books really, because it just assumed a lot of the work vital to the country would be done free. And it is time to maybe be more realistic about that. If women are pressured to leave the home, then someone has to do those care roles, and if women say they deserve the state to fund their childcare or eldercare so they can do paid work, then the state will have a huge, let me repeat, huge bill it did not used to have.

That is what happened in Sweden, where the high costs of providing universal childcare at first made government raise personal taxes very high, then made them cut corners and increase groups sizes of kids to one adult in daycare, and then led to a fall of the government itself. The universal childcare program still exists in Sweden but there is pressure now to also fund care at home and there are moves to do this - it costs less.

It is what happened in Norway where funding of care at home has become also an important option. In our Canadian province of Quebec, universal daycare has been hugely costly to the province and fees have gone up, and the province is facing financial

challenges to keep paying the bills even at that. I see by your statistics in Australia that your childcare costs for the government have gone from \$2 billion ten years ago to \$7 billion now and forecast to soon be \$11 billion so you see what I am talking about.

So in terms of what governments can do that is affordable, it does seem that allowing care at home for those who want to be caregivers, actually ends up costing the state less. It is partly because parents and family members are very particular about the care the state is providing, want high quality, want low ratios, are litigious and angry if standards are not met, and want early education and attentive loving care with high health standards. Those things are costly to provide and families may even want the state to make sure the paid caregivers are trained, certified. The ones who provide are in term will want to see this role as a career, with significant pay, benefits, chance for promotion and good pensions. All of this costs money. In Canada many of the childcare workers are also members of powerful trade unions and they negotiate salaries in groups, and can threaten to strike.

All of this means that once government goes down that road to have the state be the caregiver so all adults can work outside the home and not be caregivers, the state is taking on a huge bill. In Canada we know that universal daycare alone would cost \$12 billion a year, just for preschoolers,, which is something like 3 times the current budget allotted for childcare. In other words, we can't afford NOT to have income splitting. We need to enable some parents to be home with their kids.

4. Legal rights

The UN Universal Declaration of Human rights points out the right to equal benefit under the law. If a government funds some children not others, for instance children in daycare but not children at home, there is unequal benefit that may be seen to violate this fundamental principle.

There is to be no favoritism under the prohibited grounds of race, religion, gender, nationality, country of origin, marital status. We are noticing that if a country provides unequal taxation for equally earning households, there is a risk that this is a discrimination that that law would actually prohibit. It could be seen as a discrimination based on family status, or on lifestyle preference for who earns and for how much time, which is actually often a personal lifestyle decision.

In our Supreme court we had a case M v H which determined that the state had no right to intervene in personal lifestyle decisions.

In addition, a single mother, whether widowed, separated, divorced or never married may want to assert her right to equal treatment under the tax law, regardless of her marital status. She may want to also income split and that is indeed possible as in the French system where she can declare some of her income transferred to her nonearning or low earning child. She may also want to make sure that her options for care of a child are no fewer than are the options for married women. She may balk at any suggestion that her

child does not deserve her presence when young, or that she has to use third party care and can't be home with her child. We are looking at the legal implications of choice and again the fairest way to ensure it is to let all parents have the income splitting option and to provide funds for care of a child that flow with the child are not contingent on paying a third party.

Maternity benefits that are based on what the woman earned last year may also be questioned about whether they discriminate between babies. Why one mother is paid to be home with an infant and another is not may be seen as unfair discrimination and unequal benefit under the law for a personal lifestyle decision- having a child. In our country we still tie maternity benefits to paid work but it may be time to be more universal as you are, and to tie them simply to maternity.

So we are working at some issues, and at others are at a bit of an impasse. Governments in a democracy that say they value choice have to follow through. They are not themselves supposed to tilt the balance and favor some ways to rear kids over others or some styles of earning over others.

As a women's rights activist I have argued for years about what choice implies. It has to be equally weighted or supported options- otherwise it is a false choice. When Henry Ford said you can have a Model T in any color so long as it is black, that was no choice. If you say to parents you can with your child and get no money or you can get money but not get to be with your kids, that is a lose -lose so also not a choice. But a fair choice is to make all options respected and valued and equally funded. Then people have a choice.

And income splitting does permit that. People could choose whether to declare that they share income or not. They could choose how much to transfer between each other's earnings and in essence then to arrange their earning style and hours in ways that personally suited them best. The state does not tell them or tilt the balance. The state enables choice. That's democracy.

5. Preference and Practice

In Canada we have noticed an irony about how lobby groups present their cases. It is not surprising really but they tend to represent the numbers in ways that gloss over what is not supportive of their case. However this clever little strategy can risk misrepresenting facts and misleading you as you deliberate.

If you see for instance how many women 'work', first of all I would say that all mothers work and just some are paid, but let's go with the traditional older definition that this is about paid work. Even at that

- mothers on maternity leave are counted as in the paid labor force
`in some countries like Canada, but not in others, like Australia.

Those who wish to show that a lot of women are in the paid labor force may prefer to cite stats that make it look like

many mothers at home in this situation are actually earning.

-If a woman is earning part time some would say this person is in the paid labor force and would count that person without too clearly pointing out otherwise, as if this was a full-time paid worker. Others however seeing that she was home half time would as easily say that she was at home. So when you get statistics of how many women are in the paid labor force you may wish to see if they are there full time. To make social policy as if they are may be very inappropriate to need.

-many women now earn from home. Some have home-based business, some telecommute. Many women take the child to paid work. Many have a paid job evenings and weekends only, or school hours only or they offshift the father so that they are earning but the numbers who earn are not the same numbers as those who need 3rd party childcare. To assume for instance that 67% of mothers earn and therefore 67% of mothers need daycare is an error.

-there is a growing disconnect lately between what polls tell us parents want and what they are doing. Many say they would like to have more children but can't afford them. Many women in their late 30s and 40s now say they want children but their bodies not longer are at high fertility so they are urging the health care system to spend thousands of dollars to help them get pregnant. Many parents say they would like to be home with the child but are not able to be for financial reasons. When we have this level of gap between what people want to do and feel they have a right to do, and what they are doing in practice, this tension has created in my country some very high anxiety, stress and depression levels among adults. It has been linked to low productivity and to not just absenteeism but also presenteeism, being on the paid job but not being happy there.

-some people are trying to resolve their dilemmas about care roles and lifestyle preference by tag-team parenting, having the dad at home, becoming mompreneurs and starting their own business, using the Internet capability to work from home and remotely to try to stay mentally well and achieve the goals of time with the kids and earning. But a fair government should also enable and encourage such creative solutions, recognizing the ups and downs of income with such innovations. Income splitting as a tax option would do that.

-many parents when asked want the best of both worlds, to earn well and have a successful paid career but also to have the number of children they want and to spend all the time with them that the kids and parents want. This win-win preference is tricky for government however to enable. In Canada we are about to have a federal election and I am pleased to notice that our two major parties - the Conservative and the Liberal, are both for the first time promising significant moves on both fronts. They are both promising significant per child benefits that flow with the child. The Conservatives are also enhancing income splitting. Our third party, the New Democrats, is promising only universal daycare however - so the discussion up here about taxation and how to value childrearing is front burner. People vote for such issues. When our Liberal government last fell, it was right after a series of rallies across the country protesting their lack of recognition of the costs of at-home care of children.

CONCLUSION

I am very impressed with the discussion you are enabling. It matters. I recommend in your country a continuation of your birth bonus and universal maternity parental benefit. I also recommend income splitting for the reasons above, and for funding per child that flows with the child to age 18.

I wish you great vision and a feeling of joy as you make these important decisions for your country.

Respectfully submitted

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