



Chief Executive Women

Women leaders enabling women leaders

Pre-Budget Submission

2020/21



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Women Leaders Enabling Women Leaders

Founded in 1985, Chief Executive Women (CEW) now represents over 650 of Australia's most senior and distinguished women leaders across business, academia, government, the arts and not-for-profit sectors. Our shared mission is 'women leaders enabling other women leaders'.

We strive to educate and influence all levels of Australian business and government on the importance of gender balance. Through advocacy, targeted programs and scholarships, CEW works to remove the barriers to women's progression and ensure equal opportunity for prosperity.

CEW's members work actively to realise our vision of a community where women and men have equal economic and social choices and responsibilities.

Acknowledgment of Country

We acknowledge the traditional owners of the lands on which CEW works and pay respect to Elders past, present and emerging.

Contents

2	Chief Executive Women
3	Introduction
5	Summary of Recommendations
6	Recommendation 1: Embedding a gender lens in policy
8	Recommendation 2: Enabling women's workforce participation and progression
10	Recommendation 3: Strengthening women's economic security
12	Recommendation 4: Advancing gender equality in the workplace

Introduction

Across sectors and industries, the economic case has been made for gender balance in organisations and leadership, for increased female workforce participation, and for equal financial security for women. Leading companies have policies and strategies in place to support gender equality and these organisations acknowledge the benefits in productivity, culture, recruitment and retention, safety and commercial outcomes. Australians increasingly recognise the broader social case for gender equality. All individuals – men and women – stand to benefit from greater diversity and inclusion in all parts of our society; with equal access to choices and opportunities to unlock our full potential and prosperity.

Despite the accepted benefits of gender equality, progress has stalled. The gender gap between men and women persists across all areas of life. Women outnumber men as graduates and yet earn less at every point in their working lives. The burden of caring responsibilities continues to fall disproportionately on women, who spend twice as much time providing unpaid care as men. Women are overwhelmingly concentrated in part-time employment, resulting in fewer opportunities to progress and contributing to their chronic underrepresentation

at senior leadership levels in all institutions. Eventually retiring with a third less superannuation than their male counterparts, women over the age of 55 are now the fastest growing population of those experiencing homelessness.

The progress Australia has made in gender equality has not kept pace with other countries. Internationally, Australia's overall standing in gender parity has lapsed from 15th in 2006 to 44th in 2020, backsliding in women's economic participation and opportunity, health and survival, and political empowerment.ⁱ

In today's environment of a slow growth economy and an ageing population, Australia now more than ever needs to draw on the full strength of its greatest asset in its people, men and women, to confront these challenges. Our economy will be stronger for harnessing the whole workforce to drive growth and productivity. Businesses will reap the benefits of tapping into a broad pool of diverse talent and experience. Our society will enjoy higher standards of living. Our systems, structures and policies will be shaped by more diverse perspectives that represent our communities. Without change, Australia will continue to squander the investment in, and productivity of, more than half its highly educated workforce.



“Our economy will be stronger for harnessing the whole workforce to drive growth and productivity. Businesses will reap the benefits of tapping into a broader pool of diverse talent and experience. Our society will enjoy higher standards of living. Our systems, structures and policies will be shaped by more diverse perspectives that represent our communities.”

Sue Morphet
President

Building on the Government's previous reforms and policy infrastructure to date, this CEW Pre Budget Submission sets out four key policy priorities for action in the 2020-21 Federal Budget:

1. Embedding a gender lens in policy

2. Enabling women's workforce participation and progression

3. Strengthening women's economic security

4. Advancing gender equality in the workplace

Our recommendations offer practical solutions that will drive real, tangible change in improving the lives of all Australians. By embedding a gender lens in the budgetary process, governments can direct more coherent and strategic policy approaches to address gender equality. By reducing the financial disincentives in the tax and transfer system, parents will have greater choice in increasing their hours of work and opportunities to progress. By ensuring parental leave attracts superannuation, more carers will have financial security in their retirement. Finally, by encouraging employers to set KPIs against gender equality objectives, more organisations will prioritise action to close the gender pay gap at all levels and recognise women's leadership capabilities.

Now is the time to focus and regain momentum in driving progress in the lives of women in Australia. These steps will assist Australia to regain our position at the forefront of equity.

Together we can make the step change from incremental gains to systemic change and build a future that enables women and men to have equal opportunities in our economic and social choices and responsibilities.

Summary of Recommendations

1. Embedding a gender lens in policy

Recommendation 1 – Embedding a gender lens in policy

CEW calls on the Federal Government to deliver gender responsive budgeting through:

- reinstating the annual publication of gender budget statements; and
- integrating gender impact assessments into budgetary decision-making processes.

2. Enabling women's workforce participation and progression

Recommendation 2 – Enabling women's workforce participation and progression

CEW urges the Federal Government to redress the current financial disincentives to women's workforce participation in the Child Care Subsidy by:

- replacing the income-testing 'cliffs' with the continuation of tapering the subsidy rate as family income increases; and
- indexing the income thresholds that apply to the annual cap.

3. Strengthening women's economic security

Recommendation 3 – Strengthening women's economic security

CEW urges the Federal Government to extend the superannuation guarantee to the Commonwealth Paid Parental Leave scheme.

4. Advancing gender equality in the workplace

Recommendation 4 – Advancing gender equality in the workplace

CEW calls on the Federal Government to strengthen the Workplace Gender Equality Agency's (WGEA) gender equality reporting scheme with the requirement for employers to specify targets, timeframes and incentives for addressing workplace gender equality outcomes, including:

- the gender composition of management and executive leadership;
- action to close gender pay gaps across the workforce; and
- staff engagement on and uptake of formal flexible working arrangements by gender.

Recommendation 1

Embedding a gender lens in policy

CEW calls on the Federal Government to deliver gender responsive budgeting through:

- reinstating the annual publication of gender budget statements; and
- integrating gender impact assessments into budgetary decision-making processes.

Reinstatement of annual gender budget statements

The 2017 release of *Towards 2025: an Australian Government strategy to boost women's workforce participation* (Towards 2025) and the 2018 publication of the *Women's Economic Security Statement* articulated clear policy directives for cross-portfolio action on women's economic participation and security.

A natural and timely progression of the Government's agenda is to now reinstate the publication of gender budget statements.

impact aligns with, and contributes to, the achievement of the Government's gender equality priorities. The statements facilitate ongoing measurement of the Government's delivery against formal targets, which is vital to ensuring current policy and interventions are delivering the intended outcomes.

To assess Australia's annual progress and inform future budget decisions and policy directions, CEW recommends current targets to reduce the gender workforce participation gap by 25% by 2025, and achieve gender diversity on government boards, be formally incorporated into future gender budget statements.

Past Women's Budget Statements have been vital mechanisms for appraising the impact of new policy and budget measures on women and girls.

They have been integral to tracking Australia's progress against commitments to the Sustainable Development Goals and agreed conclusions of the United Nations' Commission on the Status of Women.

Annual gender budget statements are needed to ensure the overall budget

Integration of gender impact assessments into budgetary processes

CEW calls for the integration and resourcing of gender impact assessments in all aspects of policy development, implementation and review across the budget cycle. Gender impact assessments enhance gender budget statements by enabling Government to identify and address the gendered impacts of policy prior to the enactment of legislation, appropriation of funds, or introduction of policy. Over half of all OECD countries currently employ gender budgeting to guide their development of policies and allocation of resources. ⁱⁱ

Without a systematic process in place to understand the differential impact of policy decisions on women and men, policies can often produce unintended gendered outcomes.

CEW's research with KPMG has found that this is the case for the operation of the Child Care Subsidy. Secondary earners currently face significant financial disincentives to return to full-time work following the birth of a child due to the interactions between the personal income tax, family tax benefit and Child Care Subsidy policies.ⁱⁱⁱ Such outcomes create further barriers to women's workforce engagement, contrary to the Government's objective of strengthening women's labour force participation.

A comprehensive, whole-of-government application of a gender lens to consideration of all new policy proposals is required to deliver coherent, effective policy. To ensure the needs of different groups of women are considered, gender impact assessments must include an intersectional lens that recognises and addresses the differential impacts on diverse women, including Aboriginal and Torres Strait Islander women, Culturally and Linguistically Diverse women, women with disability, LGBTI communities, and women living in rural and remote communities.

Critical to the effectiveness of gender impact assessments will be the availability and use of gender-disaggregated data for modelling the cumulative distributional, social and economic impact of policies on women. The reinstatement of the Australian Bureau of Statistics Time Use Survey through the *Women's Economic Security Statement* is a crucial step to developing an evidence base for designing gender-equal policies. Beyond this, existing gender equality datasets, including the WGEA reporting requirements, must be further expanded so governments can measure whether policies are delivering a more equitable Australia.

Recommendation 2

Enabling women's workforce participation and progression

CEW urges the Federal Government to redress the current financial disincentives to women's workforce participation in the Child Care Subsidy by:

- replacing the income-testing 'cliffs' with the continuation of tapering the subsidy rate as family income increases; and
- indexing the income thresholds that apply to the annual cap.

A significant barrier to women's participation in the workforce, economic security, and progression into leadership is the time that they spend out of the workforce caring for young children.

Women often use part-time employment to balance work and family responsibilities, limiting opportunities for promotion and to advance their career. The availability of affordable, accessible and flexible early childhood education and care is therefore key to enabling more opportunities for women to participate in the workforce and contribute to Australia's economy and prosperity – as the *Towards 2025* strategy affirms.

One of the objectives of the introduction of the 2018 Child Care Subsidy (CCS) was to boost participation in employment. However, recent monitoring of parents' take up of child care indicates that, to date, most report no changes in their use of child care, nor in their level of engagement in employment.^{iv} One of the major shortcomings of the subsidy is the financial disincentive created by the current income testing arrangements, which limit carers – predominantly women – from having real choices about balancing work and parenting responsibilities.

High and uneven effective marginal tax rates related to the tapering of subsidy rates are a significant deterrent for secondary earners returning to full time employment, as shown in CEW's 2019 partnership report with KPMG *Unleashing*

our Potential.^v The costs of losing child care subsidies and family payments, as well as the additional tax on income, and increased out-of-pocket child care costs, means that for many families the choice to increase working days does not add up. In financial terms, this equates to the loss of 75% to 120% of additional income (whereby the individual is effectively losing their additional earnings) for increasing their days of work beyond three per week.^{vi} This disincentive to increase workforce participation beyond three days can have a significant impact on an individual's promotion opportunities, career progression, and lifetime contribution to the economy.

Another consequence of the design of the CCS is that it sets up perverse incentives for some families to not increase or even to reduce employment hours, due to the withdrawal of subsidised child care hours at certain income thresholds. For example, families with a combined income of \$186,958 and a child in long-day care for four or five days per week will lose more than \$5,000 per annum in child care subsidies for exceeding this income threshold by an extra dollar.^{vii}

With the finalisation of the CCS evaluation not due until 2021, CEW calls for urgent action to enable greater parental participation in the workforce and ensure families have more flexibility and choice in managing their work commitments with family responsibilities.

As an immediately actionable first step, CCS income-testing 'cliffs' that result in the withdrawal of subsidies by up to \$5,000 must be replaced with the continuation of tapering of the subsidy rate as family income increases. This recommendation is consistent with the current approach of the CCS but levels the impact of the effective marginal tax rate and would be relatively simple to administer. KPMG estimates the removal of these cliffs would boost Australia's GDP by around half a billion with addition of 6,500 full-time equivalent workers in the labour force.^{viii} Compared with an estimated cost of \$250 million per annum in additional CCS expenditure, taking these steps would deliver large economic returns for the Government and provide a net positive for the Budget.

CEW also calls for this Budget to address the inadequate indexation of the income thresholds that apply to the CCS annual cap. Without action, more and more families will be adversely impacted by the cap as a result of bracket creep. More families will face the difficult trade-off of withdrawing their hours of work or continuing to develop their careers at a financial cost.

Recommendation 3

Strengthening women's economic security

CEW urges the Federal Government to extend the superannuation guarantee to the Commonwealth Paid Parental Leave scheme.

Across their life course women's economic security lags behind men's. *Towards 2025* highlighted that women are more likely than men to have broken work patterns due to family responsibilities. The combination of career breaks, part-time employment and an inherent wages gap between men and women compounds throughout women's lives and significantly hampers women's ability to save for retirement. Women around the age of 45 tend to have lower average superannuation balances compared to males of similar age and income level due to breaks from paid work for family responsibilities.^{ix}

As a result, women in Australia currently retire with around 65% of the superannuation balance of men.^x This leaves them at higher risk of poverty in older age, with women over the age of 55 the fastest growing population of those experiencing homelessness.

The Federal Government's 2018 measure to allow catch-up concessional contributions recognised the superannuation deficit that women face by providing greater flexibility to make additional contributions. However, as the measure largely benefits those with the capacity to contribute, attempts to address the retirement savings gap through taxation concessions on personal superannuation contributions are insufficient. Instead, what is required is an approach to retirement savings that

addresses carers' forgone earnings from interrupted work arrangements. Parental leave continues to be one of the few types of leave yet to attract superannuation.

Within the current superannuation system, there is an in-built gender bias which assumes continuous work history to accumulate sufficient funds for retirement to live without pension support. This does not reflect women's experiences of missing out on crucial years of superannuation accumulation due to career breaks. As a nation we must recognise and value unpaid work and caring responsibilities and the vast contribution that carers make to our society and economy.

CEW calls for the Superannuation Guarantee to be applied to the Commonwealth Paid Parental Leave scheme. This is consistent with recommendations of recent Senate Committee inquiries into women's economic security and gender segregation.

As a key component of the Productivity Commission's original design of the scheme, the application of the superannuation guarantee to paid parental leave is long overdue.

It is a critical step in safeguarding women's economic security and ensures parents' superannuation continues to grow while on parental leave, with its impact compounding over the course of their careers to deliver real benefits in retirement.

The importance of this investment has taken hold in the business community and many employers in Australia contribute superannuation to parental leave – paid and unpaid. These employer schemes are consistent with the Fair Work Ombudsman's best practice guide on parental leave and demonstrate the support and activity in corporate Australia to address the gap in retirement incomes.

Given the weight of evidence, and with the Retirement Income Review not due for completion until mid-2020, government action to strengthen women's economic security by extending the superannuation guarantee to paid parental leave cannot afford to be further delayed. Such amendments to the statutory Paid Parental Leave scheme would represent a small but significant step to recognise and address the systemic financial disadvantage that many women face in retirement as a result of their caring commitments.

Recommendation 4

Advancing gender equality in the workplace

CEW calls on the Federal Government to strengthen the Workplace Gender Equality Agency's (WGEA) gender equality reporting scheme with the requirement for employers to specify targets, timeframes, and incentives for addressing workplace gender equality outcomes, including:

- the gender composition of management and executive leadership;
- action to close gender pay gaps across the workforce; and
- staff engagement on and uptake of formal flexible working arrangements by gender.

Since 2012, non-public sector employers with 100 or more employees have been required to submit annual gender equality reports to WGEA covering data on the gender composition of their workforce and governing bodies, remuneration between women and men and the availability and use of flexible working arrangements.

Six years of WGEA data shows that employers who take remedial action, implementing policies and strategies, deliver stronger outcomes in gender balanced leadership, pay equity and workplace flexibility.^{xi} Organisations that embrace gender equality recognise that increasing women's representation at all levels will drive enhanced business performance and improved capacity to respond to the diverse demands of ever-changing business environments. Yet these organisations remain the exception rather than the rule.

The incremental growth in the representation of women in senior leadership, reinforced by the slow year-on-year change demonstrated in CEW's *ASX200 Senior Executive Census*, and the negligible improvements in the gender pay gap, shows that the majority of employers have been slow to act on the results of their WGEA data.

In 2018-19:

- Over three-quarters of employers have a gender equality strategy or policy, but less than one in three have implemented KPIs for managers relating to gender equality outcomes;
- 44.7% of current employers conduct pay gap analyses, yet almost 40% of these employers do not prioritise action to close their pay gaps; and
- 72.7% of employers promote flexible work, though only 5.6% have set targets for employee engagement and only 2.3% have set targets for men's engagement.^{xii}

CEW calls for an enhancement of the regulatory reporting framework to encourage employers to develop gender equality policies and strategies with targets, timeframes and incentives for advancing gender equality outcomes in the organisation. This is a logical and necessary expansion of WGEA's current reporting requirements and must include resourcing for WGEA's administration of new reporting. It builds on the momentum of employers reporting on workplace gender data each year to spur action in addressing gender equality outcomes within their organisation.

Including employer-set, measurable and timebound objectives in WGEA reporting will significantly strengthen employers' capacity and likelihood of achieving targets around workplace gender diversity and equality.

Aspirational objectives are unlikely to be effective in improving gender diversity unless they are backed up with appropriate numerical targets.^{xiii}

Numerical targets with timeframes for achieving gender balanced governing bodies are already required for employers to achieve WGEA's Employer of Choice citation. Consistent with WGEA's guidelines, such targets need to be underpinned by organisational infrastructure and accountabilities.

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