



Chief Executive Women

Enabling economic recovery through accessible early childhood education and care

CEW has long advocated for improved early childhood education and care (ECEC) affordability to increase primary care givers' (particularly women) opportunities to work and grow their household income and superannuation, while Australian businesses benefit from improved access to a broader pool of experienced talent.

Disincentives to workforce participation

Now more than ever, ECEC affordability is critical. Today, too many women are unable to work more than 3 days per week because childcare on days 4 and 5 does not make sense financially. An unintended consequence of the current Child Care Subsidy (CCS) is that while primary carers, predominantly women, are supported in taking up part time work, they face high financial barriers to full time work. A woman may lose 70% of what she earns on those additional days and take home just 30% of what she earns. Some may even lose money by working extra hours or days. This has become known as the 'Workforce Disincentive Rate' – the percentage of income that a person loses to additional income tax, withdrawn FTB, reduced CCS and increased out-of-pocket childcare costs after taking on extra work.¹

As business responds to the pandemic, we need to remove any barriers that stand in the way of Australians looking to return to the workforce. With uncertainties in household incomes going forward, Australia needs every person who is offered a job and every person who is offered a shift to be able to take it.

Investment in ECEC is an investment in the country's infrastructure to enable highly capable experienced women from all walks of life to participate more fully in the workforce to the level of their choice.

Businesses need to be able to tap into the best talent and right people for jobs to regrow businesses, maximise productivity and in turn create jobs.

Nearly 40% of small businesses are owned by women. Many of these women have young families. Small to medium enterprises have been significantly affected by COVID-19. If we want these businesses to survive and regrow job opportunities, women owners and employees need access to low cost ECEC.

Proposed reform

CEW urges the Federal Government to support all families into work by redressing the current financial disincentives to secondary earners' (primarily women) workforce participation in the Child Care Subsidy (CCS):

- increase the Subsidy to 95% for low-income households (up to \$80,000); and
- smooth the taper rate by decreasing consistently by 1% for every \$4000 additional income – until a floor of 30%.

These measured and immediate changes to the CCS will have immediate benefits to working women and their families, Australian businesses, and the economy.

¹ KPMG (2019) *Unleashing our Potential: The case for further investment in the child care subsidy*, <https://assets.kpmg/content/dam/kpmg/au/pdf/2019/case-for-further-investment-in-child-care-subsidy-october-2019.pdf>

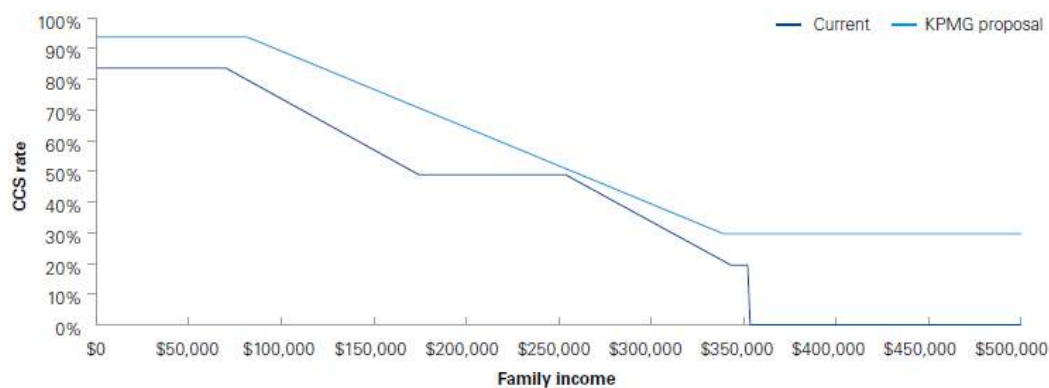


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Benefits delivered

- KPMG estimates this proposed reform to the CCS would enable between **160,000 and 210,000 additional working days** per week, which equates to **30,000 to 40,000 full-time jobs**.²
- KPMG estimates that the GDP benefit of this measure could exceed by more than 110% the additional CCS expenditure (net of additional income tax recipients). **An estimated \$2.5bn expenditure, could result in the annual GDP benefit arising from extra days worked of \$5.4bn.**

By modifying the current “cliffs” in the reduction in the CCS as family income increases, all families would benefit and the financial barriers to working would be reduced for many.



Source: KPMG 2020

- In the current environment, businesses will continue to have to operate with a workforce at times working remotely. Access to affordable ECEC will be crucial to **maximise productivity**.
- More women earning more puts more **discretionary spending power** into household budgets. This will be vital to stimulate the economy post-COVID in the retail, hospitality, entertainment, and tourism sectors that have been hardest hit by job losses, particularly for women and young Australians.
- Now is a crucial time to maintaining women’s connection to the labour force to **address job scarring** and close the gap in male and female workforce participation.
- This is much-needed investment in enabling workers in **female dominated sectors** which have been on the front line of this crisis; health care, retail, hospitality, teaching, and early childhood.

Australian business cannot afford to leave experienced people and productivity on the sidelines. Increasing female workforce participation is one of Australia’s biggest economic opportunities; and making quality ECEC more affordable is one of the most effective policy levers to unleash that untapped potential.

² KPMG (2020) *The Childcare Subsidy: options for increasing support for caregivers who want to work*, <https://assets.kpmg/content/dam/kpmg/au/pdf/2020/kpmg-child-care-subsidy-report.pdf>