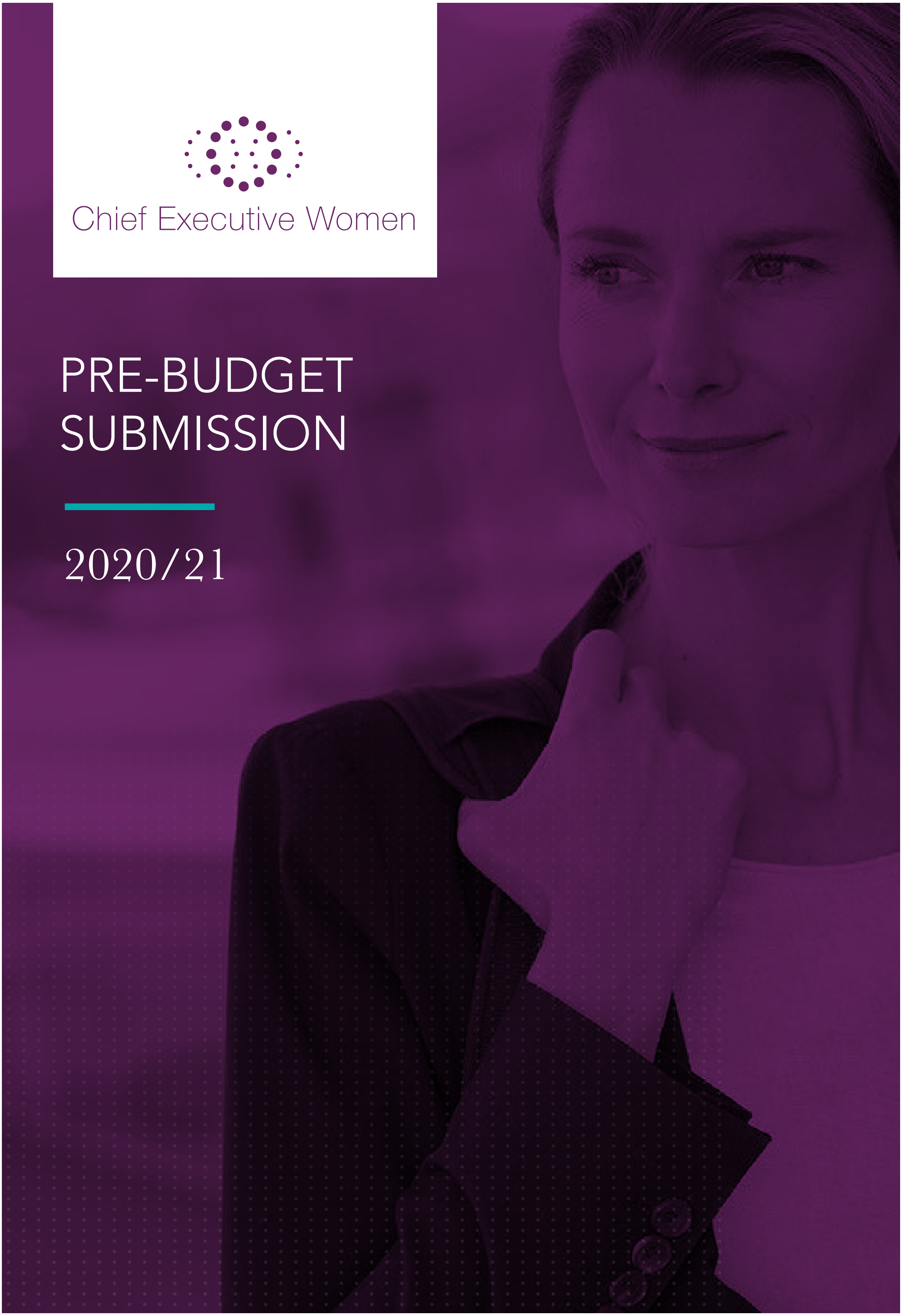
Chief Executive Women



PRE-BUDGET SUBMISSION

2020/21

Chief Executive Women

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

Introduction

In this time of crisis, we come together as a community to protect our most vulnerable and safeguard people's health and livelihoods. CEW commends the Federal and State governments on taking significant action to deliver substantial support to households and businesses; and applauds measures taken by all leaders across the nation to ensure the safety of Australians.

While this is a time of great challenge; it is also a time of great opportunity to build strong foundations for a prosperous future for all Australians.

As Australia seeks to rebuild its economy, we need to capitalise on the productivity of our entire workforce and minimise barriers to workforce participation.

We know that COVID-19 is not just a health crisis, but a social and economic one.

Research and emerging data have shown that women and young people have been the hardest hit by job losses and reduction of hours and pay [i]. Women are over-represented in the industries that have been most significantly impacted including retail and hospitality, and are concentrated in casual and insecure work. Women remain a significant untapped workforce, with little progress in women's full-time participation over recent decades and Australia lagging 10% behind the OECD average [ii]. This has been exacerbated by COVID-19 with women shouldering the bulk of increased care at home.

Domestically and globally, we risk losing significant economic and social benefits if women's workforce participation stagnates or goes backwards. We risk long-term negative financial consequences for government budgets if more women need to rely on social security support across their life course. It is time to use this unprecedented moment as a turning point for women in Australia.

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, in response to the impact of the COVID-19 crisis:

1. Embed a gender lens in policy;
2. Enable women's workforce participation through accessible early childhood education and care;
3. Boost recovery through investment in female dominated industries; and
4. Strengthen women's economic security into retirement.

Our recommendations offer practical solutions that will drive improved recovery and resilience.

By embedding a gender lens in the budgetary process, strategic policy approaches can reduce the gendered impacts of the crisis and build stronger foundations for recovery and growth.

By reducing the financial disincentives in the tax and transfer system, families will have greater capacity to increase their hours of work at a time when women's workforce participation is essential to economic recovery.

By investing in female dominated industries, governments can address risks of job scarring amongst women and strengthen job creation in fields that have proven vital to keep Australia going amidst crisis.

By ensuring parental leave attracts superannuation, more caregivers will have financial security in their retirement.

The investment outlined in this Pre-Budget Submission is good for Australia's recovery, for business, for families, the economy and our wider community.

Summary of Recommendations

1. Embed a gender lens in policy

Recommendation 1 – Embed a gender lens in policy

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

- integrating gender impact assessments into budgetary decision-making processes, particularly in measures that respond to the impact of the COVID-19 crisis: and
- reinstating the annual publication of gender budget statements.

2. Enabling women's workforce participation and progression

Recommendation 2 – Enable women's workforce participation and progression through accessible early childhood education and care

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 by:

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

3. Boost recovery

Recommendation 3 – Boost recovery through investment in female dominated industries

CEW calls on the Federal Government to invest in sectors where more women are employed to regrow job opportunities in industries that been shown as vital to support the continued function of our nation and economy, including in:

- nursing, healthcare, teaching and early childhood education and care.

4. Strengthen women's economic security into retirement

Recommendation 4 – Strengthen women's economic security into retirement

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

Recommendation 1

Embed a gender lens in policy

CEW calls on the Federal Government to deliver COVID-19 gender responsive budgeting through:

- integrating gender impact assessments into budgetary decision-making processes, particularly in measures that respond to the impact of the COVID-19 crisis: and
- reinstating the annual publication of gender budget statements.

By embedding a gender lens in the budgetary process, governments can identify how policies will impact women and girls and direct more coherent and strategic policy approaches to address gender equality. Over half of all OECD countries currently employ gender budgeting to guide their development of policies and allocation of resources. Gender impact assessments ensure governments identify and address gendered impacts of initiatives prior to the enactment of legislation, appropriation of funds, or introduction of policy.

During crises such as COVID-19, and as we recover, gender impact assessments enable governments to equally consider the needs and circumstances of each half of the population before implementing stimulus packages and responses.

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.

For example, the Government's announcement of early access to superannuation intends to relieve financial stress. The ability to act swiftly during times of crisis is vital to strong leadership, and it is acknowledged that this intervention was implemented under constrained timeframes. However, without an existing gender lens to draw on, an unintended consequence now lies in the ongoing implications for women who have disproportionately low retirement savings. With women over the age of 55 the fastest growing population experiencing homelessness, any reduction in superannuation has serious, long-term costly economic and social impacts.

A comprehensive, whole-of-government application of a gender lens to consideration of all new policy proposals is required to deliver coherent, effective policy, especially in response to the COVID-19 crisis. 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, LGBTIQ communities and women living in rural and remote communities.

Gender responsive budgeting builds on the cross-portfolio priorities identified in *Towards 2025* and the Women's Economic Security Statement. Critical to the effectiveness of gender impact assessments is the availability and use of sex-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.

Recommendation 2

Enable women's workforce participation and progression through accessible early childhood education and care

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 by:

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

Increasing female workforce participation is one of Australia's biggest economic opportunities; and making quality Early Childhood Education and Care (ECEC) more affordable is one of the most effective policy levers to do that. Investment in accessible ECEC will deliver real benefits in short-term, medium-term and long-term economic recovery, workforce participation and productivity.

As we recover, we need an environment where people have the maximum flexibility to respond to employment opportunities. Every worker who is offered a job should be able to take it. Every worker who is offered a shift should be able to take it. We can support more families into work by removing disincentives embedded in the childcare subsidy system. This investment allows employers to maintain the connection with their employees and access the best skills and talent as job opportunities regrow.

Making ECEC more accessible and affordable will benefit families, business, and the economy.

When all households can access more affordable early childhood services, more parents, particularly women, will have the opportunity to work additional days and increase their household budget. By supporting more people to return to work, sooner and for more hours, businesses will benefit from a better utilised workforce and access to a broad pool of talent.

By removing workforce disincentives for women, and other caregivers, productivity can be unlocked to assist stronger economic recovery.

Workforce Disincentive Rates created by the Child Care Subsidy (CCS)

An unintended consequence of the CCS is that while primary caregivers are supported in taking up part-time work, they face high barriers to taking up full-time work – as found by CEW's 2019 partnership report with *KPMG Unleashing our potential.* [iii] The interaction of the family income-based CCS taper with the rate of withdrawal of other government transfer payments, such as Family Tax Benefit (FTB), contribute to the magnitude of what has become known as the Workforce Disincentive Rate (WDR). [iv] The WDR is 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 an extra day's work. Working parents wanting to do an extra shift or an extra day's work are confronted by powerful financial disincentives to do so. They can lose between 70% and 120% of their additional earnings [see case studies in appendix].

According to initial analysis by KPMG, families across the income scale experience WDRs in excess of 70%. At lower family income levels, the withdrawal of FTB can be a significant contributor at 20 cents for every additional dollar earned. Some families with a household income of up to $67,000 can face a WDR as high as 89%. At higher family income levels, the combination of marginal income tax rates of 39% or 47% (including Medicare levy) can combine with lower CCS percentages to ramp up the WDR as high as 107% . This means some families would be losing more income than they have earned from an additional day's work to childcare costs.

Proposed reform

The proposed model is to 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%.

Without change, Australia will continue to squander the investment in, and productivity of, more than half its highly educated, well trained and experienced workforce. Investment in ECEC has flow on impacts allowing equal distribution of caring responsibilities and workforce participation within households; advancing women's leadership in their career formative years; and strengthening women's economic security across their life course and into retirement.

As Australia seeks to rebuild economic capacity following the COVID-19 crisis, we cannot afford a childcare structure where workforce participation is inhibited by (mostly women) taking home just 25% of days' pay, or in some cases losing money because they have taken on additional work. By modifying the CCS and removing financial disincentives, families can be supported to maximise their workforce participation and productivity.

Recommendation 3

Boost recovery through investment in female dominated industries

CEW calls on the Federal Government to invest in sectors where more women are employed to regrow job opportunities in industries that been shown as vital to support the continued function of our nation and economy, including in:

- Nursing, healthcare, teaching and Early Childhood Education and Care (ECEC);
- Job creation through potential capital grant investments in ECEC, health, education, and social services;
- Expanding employment guarantee for ECEC professionals to be 'fit-for-purpose' for the industry and equivalent to JobKeeper timeframes and safety net; and
- Implementing key recommendations from the Women in STEM Decadal Plan to support women in STEM.

The Australian labour market is highly gender-segregated by industry and occupation, a pattern that has persisted over the past two decades.[vi] Traditionally, female dominated industries and roles have been undervalued and lower paid. Women are over-represented in industries that have been hardest hit by COVID-19, concentrated in frontline services and in industries that have seen most significant job losses.

As Australia rebuilds the economy, it will be vital to invest in sectors where more women are employed to regrow job opportunities in industries that been shown as vital to support the continued function of our nation and economy.

After the Global Financial Crisis stimulus investment was largely concentrated in male dominated industries of construction and physical infrastructure projects. Recent Government efforts such as "HomeBuilder" predominantly benefit male dominated industries to ease a predicted downturn in construction demand.

The opportunity now is to prioritise investment in feminised sectors – such as nursing, healthcare, teaching and ECEC without which our nation and economy would have collapsed during the pandemic. Capital grant investments in these services could have a flow on effect for both construction as well as job creation across these vital services. When aligned with proposed changes to the Child Care Subsidy, such investment could meet demand during the recovery phase as families take on increased employment opportunities.

Care systems including ECEC and aged care are critical now more than ever in Australia and globally. A UK study on selected OECD countries highlighted the potential for investing in care and social infrastructure as a cost-effective route to recovery – finding fiscal returns from investing in care were higher than in construction for the same cost, accounting for wage levels [vii].

A similar investment in Australia will stimulate growth in essential social services and lead to resilient sectors better equipped to respond in times of crisis. It will help job scarring amongst women in insecure employment and foster future job opportunities for ongoing workforce participation.

Investments in social infrastructure such as ECEC should also deliver a sustainable workforce with the appropriate level of skills, experience and qualifications. Early childhood educators are a highly feminised workforce and are currently some of the lowest paid professionals in Australia. Exploring an employment guarantee for ECEC professionals that is 'fit-for-purpose' for the industry and equivalent to JobKeeper will retain an equitable safety net across sectors.

Expanding job opportunities for women in STEM is a key area of potential. Yet women make up less than 15% of STEM occupations and represent 37% of STEM tertiary education graduates, compared to 63% for men [viii]. Government should prioritise support to implement key recommendations from the Women in STEM Decadal Plan on leadership and cohesion; visibility of women in diverse STEM careers; and cultural shifts in workplace culture to create gender equity for women in STEM.

Recommendation 4

Strengthen women's economic security into retirement

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

The cumulative impact of the gender pay gap results in lifelong lower earnings and constricted accrual of superannuation funds. Women's disproportionately low retirement savings place increasing pressure on the Australian economy, social protection systems, and community services.

- In 2017-18, the median superannuation balance for retiring women was around 65% of the median balance for men - $119,000 for women (at or approaching 55-64 years) and $183,000 for men.[ix]
- Prior to COVID-19 women over the age of 55 were the fastest growing population experiencing homelessness.

COVID-19 has further weakened women's economic security. The impact of job losses and loss of income will be felt by many women for years to come and will exacerbate the superannuation gap. The implementation of early access to superannuation during COVID-19 is of great concern for women, given their disproportionately low retirement savings.

This pandemic has highlighted the vast contribution that caregivers make to our society and economy. The current superannuation system has an in-built gender bias, which assumes continuous work history to accumulate sufficient funds for retirement to live without pension support. This is inconsistent with women's experience of missing out on crucial years of superannuation accumulation due to career breaks, often a result of child raising or caring commitments. The 2016 Senate Economics Committee inquiry report into retirement incomes for women, found that Australia's retirement income system does not adequately accommodate the different experience of women compared to men in work.

Now, more than ever, the superannuation system requires reform to address caregivers' forgone earnings from interrupted work arrangements to ensure this crisis does not further escalate financial insecurity across women's lives.

CEW outlined a number of recommendations in our Submission to the Retirement Income Review, including extending the superannuation guarantee to the Commonwealth Paid Parental Leave scheme. Parental leave continues to be one of the few types of leave yet to attract superannuation. Extending the superannuation guarantee to paid parental leave is consistent with recommendations of recent Senate Committee inquiries into women's economic security and gender segregation.

Appendix

CCS Workforce Disincentive Rates

Case Study 1: family with a household income of less than $67,000

A family has two children in long day care for three days each week. One parent works full-time on a salary of $55,000. The other parent works three days a week and earns $24,000. The parent working-part time has the opportunity to take an extra day's work.

The family currently pays $5,700 per year (after CCS) for three days' child care per week for the two children. The extra day's income will result in a reduction in the family's CCS percentage (for all four days it is now using) and a reduction in FTB. Out of pocket childcare costs will increase to around $8,760.

The WDR in relation to the extra day's work would be around 80 percent. The family would have just $32 a week extra, after paying for child care, from the parent taking on an extra day's work each week.

Case Study 2: family with one full-time working parent and one part-time working parent

A couple has two children in long-day care. One parent earns $100,000 working full-time, while the other earns $60,000 per annum working three days per week.

For this professionally trained couple, the WDR from moving from three to four days of work per week is 74 percent. If the parent currently working part-time were to increase working days from four to five per week, the family would face a WDR of 120 percent. This is due to the per-child cap, which limits a family with income above $189,390 to a maximum annual CCS of $10,560.

This means the family budget would shrink by 20 cents for every extra dollar earned on the fifth day, making the household financially worse off by $4,082 a year, or $85 each week.

References

i Grattan Institute (2020) *Shutdown: estimating the COVID-19 employment shock*, https://grattan.edu.au/wp-content/uploads/2020/04/Shutdown-estimating-the-COVID-19-employment-shock-Grattan-Institute.pdf

ii OECD, 2018, *Labour Force Statistics*, (Women 25 to 54), https://stats.oecd.org/Index.aspx?DataSetCode=FTPTC_I

iii 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

iv KPMG, 2018, *The Cost of Coming Back: Achieving a better deal for working mothers*, https://assets.kpmg/content/dam/kpmg/au/pdf/2018/achieving-better-deal-working-mothers.pdf

v WGEA, 2019, Gender Segregation in Australia's Workforce, https://www.wgea.gov.au/data/fact-sheets/gender-segregation-in-australias-workforce

vi De Henau, J., and Himmelweit, S. (2020), *Stimulating OECD economies post-Covid by intesting in care*, http://www.open.ac.uk/ikd/publications/working-papers/85

vii Australian Government, Department of Industry, Science, Energy and Resources, STEM Equity Monitor (2019), https://www.industry.gov.au/data-and-publications/stem-equity-monitor/workforce

viii Australian Government, Department of Industry, Science, Energy and Resources (2019), https://www.industry.gov.au/data-and-publications/stem-equity-monitor/higher-education/university-enrolment-and-completion-data

ix Australian Bureau of Statistics, November 2019, *Gender Indicators Australia: Economic Security*, https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/4125.0~Nov%202019~Main%20Features~Economic%20Security~4

Contact

cew@cew.org.au
cew.org.au

Chief Executive Women

Women leaders enabling women leaders