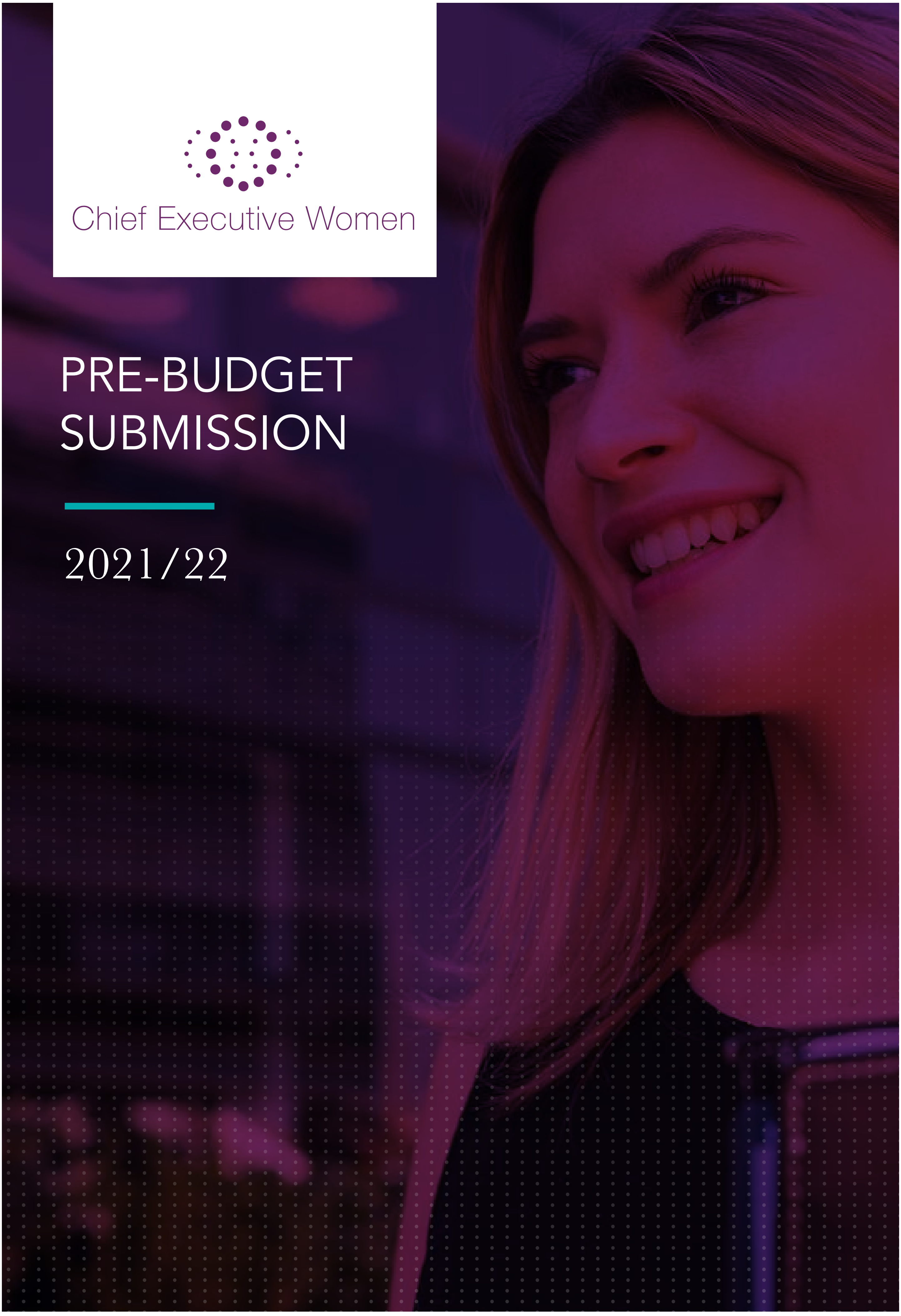
Chief Executive Women

# PRE-BUDGET SUBMISSION

2021/22



Chief Executive Women

# Women Leaders Enabling Women Leaders

Founded in 1985, Chief Executive Women (CEW) now represents over 640 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 Custodians of the lands on which CEW works and pay our respect to the Elders past, present and emerging.

CEW recognises their continuing connection to land, water and community and acknowledge the strength of Indigenous women leading their communities. We extend that respect to other Aboriginal and Torres Strait Islander people who are part of the CEW community.

# Contents

# Introduction

CEW is pleased to have an opportunity to provide input to the Federal Budget process. The initiatives that we are proposing build on *Chief Executive Women's (CEW) Pre Budget Submission 2020-21*. The submission takes into account the impact of COVID-19 on women in particular and on the nation as a whole.

In addition to the key recommendations that will support a stronger recovery and economy, CEW strongly believes that the active presence and engagement of women leaders from all sectors in discussions in the design and consideration of federal budget policies and measures is vital. CEW stands prepared to draw on our over 640 strong membership of senior women leaders to contribute and participate in further engagement on critical economic policy issues.

CEW commends the Federal and State Governments' investment and action to ensure the safety and support of Australians through this challenge. The Government stimulus programs have played an important part in supporting household and business incomes and mitigating the economic downturn. However, the fundamental and systemic inequities that were exacerbated by the pandemic have not been rectified.

CEW commends the Federal and State Government's investment and action to ensure the safety and support of Australians through this challenge. The Government stimulus programs provided by the Government have played an important part in supporting household and business incomes and mitigating economic downturn. However, the fundamental and systemic inequities that were exacerbated by the pandemic have not been rectified.

The impact of COVID-19 has been far reaching across our community and economy. We know that women entered the pandemic from a position of entrenched disadvantage, and that the impacts of this crisis have been disproportionately borne by women. If we do not take the right action, and make the right investment now, as a nation we risk generations of women and girls struggling to achieve equality, fulfill their full potential and and contribute to our shared prosperity.

The pandemic has exposed and deepened the gendered structural inequalities in the labour market for women, featuring precarious employment, low wages and gender pay gaps. Women were initially the hardest hit by job losses and reduced pay, and in addition have had to undertake the bulk of increased care at home. Women are concentrated in insecure and part time work and overrepresented in industries that have been most impacted.

While, the pandemic has produced untold human suffering and hardship, it has also presented opportunities to accelerate the pace of change in important areas of social and economic policy. The lockdowns have demonstrated the efficacy of remote working and the potential to enhance productivity and efficient use of public infrastructure. Providing greater access to affordable Early Childhood Education and Care (ECEC) has been demonstrated as a clear pathway to higher participation and stronger productivity growth.

Going forward, Australia needs strong economic growth to deliver improvements in living standards and to manage the increase in debt that has been built up. To re-establish a strong growth trajectory we need to see sustained increases in the participation rate and in productivity. Our submission sets out practical initiatives that have the potential to assist in the sustained recovery of the economy by enhancing both participation and productivity.

As we rebuild from COVID-19 we have an opportunity to 'build back better', accelerate progress on gender equality and build a more inclusive, resilient and stronger nation, economy and community.

Key to this will be ensuring women leaders are included in decision-making positions and forums as part of the recovery to contribute to better solutions and outcomes.

There are currently a number of barriers that derail women's progress into leadership and unleashing their full potential. Women's workforce participation still lags significantly behind men's participation. Women's advancement is constrained by the unpaid caring work they do, a lack of economic security, and persistent cultures of gender inequality, violence, and harassment. As a result, women are underrepresented in decision-making structures across businesses, government, and the wider community.

The *CEW ASX200 Senior Executive Census* confirms women are under-represented in leadership roles in top companies in Australia and progress has stalled: only 1 in 25 CEOs appointed in the last year was a woman; there are only 10 female CEOs across the ASX200; and nearly two-thirds of ASX200 companies have no women in executive leadership team line roles. The absence of women in senior leadership roles is holding back our economy:

- Women's contribution to the economy is estimated to have added 22% to GDP in 35 years since 1974[1]. Economic modelling by KPMG shows halving the workforce participation gap between men and women would increase Australia's annual GDP by $60 billion by 2038[2]. Women's economic participation is crucial to GDP and to economic recovery.

- Bankwest Curtin Economics Centre and Workplace Gender Equality Agency's report *Gender Equity Insights 2020: Delivering the Business Outcomes* provides strong evidence that businesses with gender balance do better, have better company performance, greater productivity and higher profitability. The report demonstrated that having a female CEO led to 5% increase in the company's market value[3]. It is also estimated that companies with three or more women in senior management functions score higher in all dimensions of organisational performance[4]. Companies benefit from increasing employment and leadership opportunities for women, which is shown to increase organisational effectiveness and growth.

In this crucial time, we cannot leave a single resource untapped. We must work to create economic opportunity and jobs for all. As Australia rebuilds its economy, we need to capitalise on the productivity of our entire workforce and minimise barriers to workforce participation. We cannot afford to continue leaving workforce talent on the sideline – Australian women are some of the most highly educated resources in the world.

Women have a critical role in recovery efforts. The views, experience and talent of more than half the population must be actively taken into account and respected. Women, in all their diversity, need to participate at all levels where decisions are being made about the society we are rebuilding.

Further to the Government's previous economic and policy commitments to date, this CEW Pre-Budget Submission sets out five key policy priorities for action in the 2021-22 Federal Budget to build a strong recovery and a stronger economy:

1. Invest in job creation for women and female dominated industries
2. Enable women's workforce participation through accessible Early Childhood Education and Care (ECEC)
3. Strengthen women's economic security into retirement
4. Invest in women's safety and wellbeing
5. Underpinning all this, Government must embed a gender lens in the budget and policy process and ensure gender balance in decision-making spaces and structures

Our recommendations offer practical solutions that will drive improved recovery and a stronger economy.

# Summary of Recommendations

1.

Invest in job creation for women

2.

Enable women's workforce participation and progression

3.

Strengthen women's economic security into retirement

4.

Invest in women's safety and wellbeing

5.

Embed a gender lens in the budget and policy process

### **Recommendation 1:** Invest in job creation for women and female dominated industries

CEW calls on the Federal Government to invest and grow job opportunities in female dominated sectors that have been hardest impacted by COVID-19 and that have been shown as vital to support the continued function of our nation and economy, including in:

- retail, hospitality, tourism, administration
- nursing, health care, disability and aged care, teaching and ECEC
- job creation through capital grant investments in ECEC, health, education, and social services
- implementing key recommendations from the Women in STEM Decadal Plan to support women in STEM

### **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)
- smoothing the taper rate by decreasing consistently by 1% for every $4000 additional income – up to a limit of 30%

### **Recommendation 3:** Strengthen women's economic security into retirement

CEW recommends **JobKeeper** be continued and expanded in the 2021 FY in female dominated industries (notably in the health, education, ECEC, aged and disability care, retail, administration, tourism and hospitality sectors), that are experiencing ongoing job losses and underemployment.

CEW recommends permanently increasing **JobSeeker** payment rates to 2020 levels, based on:

- the rates of income support reflect the household cost of living i.e. the minimum costs for each household type, with supplements for major variable expenses (e.g. rent, costs of disability, illness or single parenthood)
- the establishment of an income floor, which should be set above the poverty line (50% of median income)

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

### **Recommendation 4:** Invest in women's safety and wellbeing

CEW recommends the Federal Government increase funding to:

- deliver the Fourth Action Plan of the National Plan to Reduce Violence against Women and their Children
- develop a Second National Plan to eliminate violence against women

### **Recommendation 5:** Embed a gender lens in the budget and policy process and ensure gender balance in decision-making spaces and structures

Before Budget and policy decisions are finalised, CEW urges the Federal Government to:

- integrate gender impact assessments into budgetary decision-making processes to understand the potentially inequitable outcomes of initiatives, particularly in measures that respond to the impact of the COVID-19 crisis
- Require gender distribution analysis of all Budget measures by the Parliamentary Budget Office (PBO) so that departments can review and revise recommendations to deliver equitable outcomes for the community

# Recommendation 1

## Invest in job creation for women and female dominated industries

CEW calls on the Federal Government to invest and grow job opportunities in female dominated sectors that have been hardest impacted by COVID-19 and that have been shown as vital to support the continued function of our nation and economy, including in:

- Retail, hospitality, tourism, administration
- Nursing, health care, disability and aged care, teaching and ECEC
- Job creation through capital grant investments in ECEC, health, education, and social services
- 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[5]. 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.

After the Global Financial Crisis, stimulus investment was largely concentrated in male dominated industries of construction and physical infrastructure projects. Much of the investment of the October Federal Budget was concentrated in male dominated industries such as construction, energy and manufacturing. CEW welcomes this vital investment. However, we must also prioritise investment in regrowing job opportunities for women.

While there have been some positive indications of re-employment of women post-lockdowns, Treasury forecasts suggest unemployment for both women and men will remain above 6% in mid-2022[6] and specific female dominated sectors such as tourism, hospitality and higher education are likely to take longer to recover.

**The opportunity now is to prioritise investment in feminised sectors – such as nursing, healthcare, teaching, disability and aged care 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 CEW 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, disability 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[7].

Similarly, in Australia expenditure in sectors such as ECEC, health, accommodation and hospitality creates more jobs per $1 million spent than expenditure in sectors such as construction, especially for women.

Every million dollars spent on education creates 10.6 direct jobs for women and 4.3 direct jobs for men, compared with 0.2 jobs for women and 1 job for men in construction[8]. Such 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 prevent job scarring amongst women in insecure employment and foster future job opportunities for ongoing workforce participation.

Government can play a critical role in investing in high quality care systems that include decent wages and secure employment for the care workforce, across the aged care disability and ECEC sectors. Investment in this sector will assist to close key gender gaps, including the gender pay gap and the workforce participation gap.

Expanding job opportunities for women in STEM is a key area for jobs of the future. Yet women make up less than 15% of STEM occupations[9] and represent 37% of STEM tertiary education graduates, compared to 63% for men[10]. Building on the commitments in the 2020 Women's Economic Security Statement, 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. Implementing key recommendations from the Women in STEM Decadal Plan will support women in STEM.

# 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)
- 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 ECEC more affordable would provide the biggest boost to workforce participation. 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. 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*[11]. 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)[12].

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 analysis by KPMG in *The Child Care Subsidy: Options for increasing support for caregivers who want to work* report, families across the income scale experience WDRs in excess of 70%[13]. 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 120%. 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%. By modifying the current "curve" of the reduction in the CCS as family income increases, all families would benefit and the financial barriers to working would be reduced for many.

KPMG estimates that the GDP benefit of this reform could exceed by more than 110% the additional CCS expenditure (net of additional income tax recipients). [14]. At an estimated additional cost to Government of $2.5 billion, this policy change can deliver immediate economic support and long-term economic reform.

The projected benefit is significant:

- Estimated $5,424 billion boost to GDP
- Estimated 207,114 additional work days per week

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 more 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

## Strengthen women's economic security into retirement

CEW recommends **JobKeeper** be continued and expanded in the 2021 FY for female dominated industries (notably the health, education, disability, aged and early childhood education and care, retail, administration, tourism and hospitality sectors).

CEW recommends permanently increasing **JobSeeker** payment rates to 2020 levels based on:

- the rates of income support reflect the household cost of living i.e. the minimum costs for each household type, with supplements for major variable expenses (e.g. rent, costs of disability, illness or single parenthood).
- the establishment of an income floor, which should be set above the poverty line (50% of median income).

Women were already under-represented in employment outcomes prior to the COVID-19 pandemic and during the pandemic were faced with greater job losses, reduced hours and loss of income.

During this period the Coronavirus supplements, along with **JobKeeper** and increased JobSeeker, were critical to supporting women financially, supporting women's workforce participation and strengthening the economy. The Grattan Institute has identified that for every dollar of cash payments made to low-income households, through payments such as the Coronavirus Supplement, GDP is boosted between 60c and one dollar[15]. and serves as a vital support for the economy in the current uncertain environment.

**The pending cessation of JobKeeper, Coronavirus supplements and associated reduction to JobSeeker payments will impact harshly on women's workforce participation and income source.**

CEW recommends continuing and expanding **JobKeeper**, particularly for sectors that are vulnerable to ongoing job losses and reduced hours, including female dominated industries (notably the health, education, care, retail, tourism and hospitality sectors) that have not had the benefit of Government investment that male dominated industries have received.

**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 increased 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[16]
- 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 significant 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[17], 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 Senate Committee inquiries into women's economic security and gender segregation.

Investments in JobKeeer, JobSeeker and superannuation strengthen women's economic security at key points across women's working lives and into retirement.

# Recommendation 4

## Invest in women's safety and wellbeing

CEW recommends the Federal Government increase funding to:

- deliver the Fourth Action Plan of the National Plan to Reduce Violence against Women and their Children
- develop a Second National Plan to eliminate violence against women

Family, domestic and sexual violence is a significant problem in Australian society [18] and has specific consequences on the Australian economy and on women's participation in work and leadership roles.

**The Australian Institute of Health and Welfare reports that:**

- One in 6 (17%, or 1.6 million) women have experienced physical and/or sexual violence by a current or previous cohabiting partner since the age of 15
- Almost 1 in 5 (18%, or 1.7 million) women have experienced sexual violence since the age of 15[19]

Price Waterhouse Coopers has estimated that violence against women in Australia imposes a financial cost of $21.7 billion a year, with victims/survivors bearing the main burden of this cost[20]. If appropriate action is not taken, this toll could rise to $323.4 billion by 2045.

It costs around $18,000 for a victim/survivor to leave a violent relationship and establish safety. This includes costs associated with reallocation, safety upgrades, legal costs and medical costs[21].

### CEW recommends to the Federal Government to invest:

- expanding the capacity of specialist women's services and community-led responses to violence against women
- ensure victim/survivors of domestic and family violence have access to essential services, including crisis support, information, referrals, court advocacy, case management, supported accommodation, legal advice and advocacy and income support
- ensure that perpetrators of domestic and family violence have access to accredited behaviour change programs

Around 62% of women who experienced domestic violence in the last 12 months were in paid work[22]. Domestic violence can impact negatively on women's workforce participation through disrupting their work history and their income stream and means they are more likely to be employed in casual and part time work than women with no experience of violence[23].

**Women experiencing domestic, family and sexual violence and harassment also experience disruption to employment and lower economic security. Progressing women's workforce participation and economic security is based on women and their children being safe from violence.**

CEW recommends the Government invests in appropriate services to support women experiencing family and domestic violence, particularly services that support workforce participation and continuity in employment.

Tracking and transparently reporting on Australian Government funding for programs focused on violence against women, as part of gender responsive budgeting and processes, will assist to demonstrate the Government's commitment to addressing this.

# Recommendation 5

## Embed a gender lens in the budget and policy process and ensure gender balance in decision-making spaces and structures

Before Budget and policy decisions are finalised, CEW urges the Federal Government to:

- integrate gender impact assessments into budgetary decision-making processes to understand the potentially inequitable outcomes of initiatives, particularly in measures that respond to the impact of the COVID-19 crisis
- Require gender distribution analysis of all Budget measures by the Parliamentary Budget Office (PBO) so that departments can review and revise recommendations to deliver equitable outcomes for the community

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 responsive 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 support 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 provision for early access to superannuation was intended 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.

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.

The Joint Committee of Public Accounts and Audit, in its *Review of the Operations of the Parliamentary Budget Office 2019-20* recommended the PBO consider applying gender distributive analysis to the Budget[24]. Implementing this recommendation will be a key mechanism for integrating gender impact analysis as part of the Budget process.

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 welcome crucial step to developing an evidence base for designing gender-equal policies.

# Appendix

## CCS Workforce Disincentive Rates

### **Case study 1:** Family with a household income of less than $92,000

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%. 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%. 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%. 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.

### **Case study 3:** Family with a household income over $198,000

A couple has two children in long-day care for four days per week. One parent earns $120,000 working full-time, the other earns $80,000 working four days per week.

Due to the pandemic, the parents' hours are scaled back such that family income reduces to $175,000. However, the family still requires four days per week of child care in order for the parents to meet their work commitments.

Although family gross income has reduced by 12.5%, the CCS does not increase to compensate. This is because the family income remains in the range where a maximum of 50% of child care costs can be reimbursed by the CCS. The family's out of pocket child care costs remain at $20,800 per annum.

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