

EQUITY ECONOMICS

The  
Parent  
Hood

# BACK OF THE PACK

HOW AUSTRALIA'S PARENTING  
POLICIES ARE FAILING WOMEN  
& OUR ECONOMY



DECEMBER 2021

REPORT PREPARED BY EQUITY ECONOMICS  
AND DEVELOPMENT PTY LTD FOR THE PARENTHOOD

## ABOUT THE PARENTHOOD

The Parenthood is an independent, not-for-profit advocacy organisation working to make Australia the best place in the world to be a parent. Because when parents are supported, children can thrive and our whole community is stronger. We are an inclusive, independent, not-for-profit movement giving voice to parents, carers and their families. Since 2013, with the support of long-term partners and collaborators, we've built a community of over 75,000 mums, dads, carers and allies. We ensure the voices of mums, dads, grandparents and carers are represented in the national discourse to influence decision-makers to gain positive policy changes for children and families. We've secured a seat at the table to have a say on key debates – in the media and political forums – and empowered our members to use their voice on issues central to families across the country. As a result The Parenthood is positioned as a key influencer and driver in achieving positive outcomes for Australian parents and their children. We focus our efforts on supporting parents and carers to advocate together to affect change in three key policy areas:

- One year of Paid Parental Leave equally shared between parents.
- Universal access to high quality Early Childhood Education & Care delivered by a professionally paid and qualified workforce.
- Family-friendly workplaces that offer flexibility and a culture that values parenting among men and women.



### **Dr Angela Jackson**

(Lead Economist, Equity Economics) is an economist with expertise across health, disability, gender and fiscal policy. She was Deputy Chief of Staff to Australia's Finance Minister the Hon Lindsay

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## **ACKNOWLEDGEMENT OF COUNTRY**

We acknowledge Aboriginal and Torres Strait Islander peoples as the Traditional Owners of Country throughout Australia and their continuing connection to both their land and seas. We also pay our respects to Elders – past and present – and generations of Aboriginal and Torres Strait Islander peoples now and into the future.

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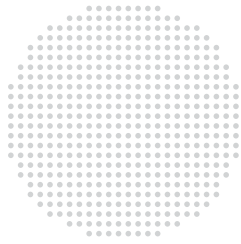
## **CITE THIS REPORT AS:**

Equity Economics (2021), Back of the Pack – How Australia's Parenting Policies are Failing Women and Our Economy, December 2021

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## ABOUT EQUITY ECONOMICS

Equity Economics is an Australian economic consultancy committed to providing quality economic analysis and policy advice to the not-for-profit, corporate and government sectors. We help organisations deliver effective strategies and influence policy debates by leveraging our skills and expertise in economic analysis, policy advice, research, advocacy and strategy on some of Australia's most complex economic and social policy challenges. Equity Economics is uniquely focused on addressing issues surrounding inequality, particularly through inclusive growth, equality of opportunity and stronger bilateral and multilateral relationships. Equity Economics strives to bolster development and shared prosperity in our region and internationally.



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## **Acknowledgement**

Thank you to Thrive By Five and the Minderoo Foundation for supporting this piece of research.

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# FOREWORD

**There is not a country in the world where ‘the motherhood penalty’ doesn’t conspire against women with children. In every country, to varying degrees, having a baby erodes the capacity of women to develop economic security and to participate and progress at work in the same manner as their male peers.**

This gap is costly from a social and economic perspective at an individual and collective level; it relegates too many women and children into poverty or financial insecurity, entrenches gender inequity and hampers national productivity. While the motherhood penalty persists everywhere, among developed countries few have done as little as Australia to tackle it.

Since 2006 when the World Economic Forum published its first Global Gender Gap Index Australia has consistently held the number 1 rank for the educational attainment of women and girls. There are few nations in the world that guarantee girls and women access to education as consistently as Australia. That ought to be a source of pride.

But while we have retained the top rank for educational attainment, when it comes to economic participation women in Australia lag their global peers. Back in 2006 we ranked 12th for women’s workforce participation but since then we have steadily slid backwards and in 2021 Australia fell to 70th on this measure.

This gap is not inexplicable and reflects two things. First, that other countries, by intentionally pursuing policies to close the gap between the working patterns of men and women, have overtaken Australia in their progress towards gender equity.

Second, that our parenting policies perpetuate and entrench a system that means once a woman in Australia has a child her workforce participation drops below her global peers and she never catches up.

This is the reason Australian mothers, who are better qualified and educated than their peers in other developed nations, are more likely to be in part time work than mums in those other countries.

Sweden is well regarded as a world leader in terms of parenting policies. Before women have children, women in Australia participate in work to a higher degree than women in Sweden. After the birth of a child the pattern changes.

**THE MODELLING IN THIS REPORT SHOWS THAT IF AN AVERAGE AUSTRALIAN WOMAN HAD THE SAME WORKPLACE PARTICIPATION PATTERNS AFTER HAVING CHILDREN AS AN AVERAGE SWEDISH WOMAN, SHE WOULD:**

- earn an additional \$696,000 over her working life; and
- retire with an additional \$180,000 in superannuation.

This gap is not intransigent. Mums in Sweden aren't able to work and earn more over the course of their lives than mums in Australia by accident. It's a direct result of Sweden's ambition to provide the necessary infrastructure for families to ensure that mothers and fathers are able to equitably and sustainably combine work and care.

Adequate and equitable paid parental leave and universal access to quality early learning and care are the "bridges and roads" that enable parents to be there for their children and provide for their family.

Without them, parents, carers and children are stranded trying to build their own roads and bridges to get between home and work. You can't go to work if you don't have a road to get there. You can't go to work if you don't have an affordable and safe place for your child. We don't expect commuters to create their own train lines or bus systems to get into the office but that's what parents and carers do day after day.

Parents and carers are forced to piece together a patchwork arrangement that does the job but is very difficult. For many, it's impossible. And it's mums who pay the price.

It is time for Australia to invest in expanded paid parental leave and universal access to high quality early childhood education and care. In doing so Australia will be investing in the economic and social wellbeing of women, children and the nation's future.

*It is time to bring Australian mothers to the front - not the back - of the pack.*



**Georgie Dent**  
EXECUTIVE DIRECTOR







# BACK OF THE PACK

## Australian women are falling behind their international peers.

Ranked number 1 in the world for levels of educational attainment, Australian women fall to number 70 in the world for levels of economic participation. This poor performance is hurting our economy and hindering efforts to achieve equity between men and women.

Tracking the performance of Australian women in the labour market over time, they fall behind when they have children and never catch up. As a result, women retire with 47 percent less superannuation savings than men and single women are more likely to live in poverty in retirement.

“While Australian women spend 45 percent less time in paid work than Australian men, they spend 80 percent more time in unpaid and care work.”

Australian women are not lazy, and are contributing - enjoying ten percent less leisure time than Australian men.

In this report we look at the differences in policies to support parenting across four countries: Australia, Canada, Sweden and Germany. We find that other countries are providing more support in the form of paid parental leave and access to affordable early childhood education and care, and this is contributing to higher female participation and lifetime earnings.

**TABLE 1** INTERNATIONAL COMPARISON OF PARENTING SUPPORT

	MATERNITY LEAVE	PATERNITY LEAVE	AVERAGE CHILDCARE COSTS	ADDITIONAL UNPAID WORK BY FEMALES
<b>Australia</b>	18 weeks	2 weeks	24 percent of earnings	1.8 times
<b>Canada</b>	15 weeks	35 weeks	16 percent of earnings*	1.5 times
<b>Germany**</b>	30 weeks	30 weeks	1 percent of earnings	1.6 times
<b>Sweden***</b>	34 weeks	34 weeks	5 percent of earnings	1.4 times

\*reforms recently introduced in Canada will reduce childcare costs to \$10 per day from 2025.

\*\*up to 22 weeks can be transferred to other parent.

\*\*\*up to 22 weeks can be transferred to other parent.

## Australia's poor supports for parents are costing Australian women

Looking at one of the world leaders in terms of parenting policies, Sweden, Equity Economics estimates that if an average Australian woman had the same participation patterns after having children as an average Swedish women she would:

- Earn an additional \$696,000 over her working life
- Retire with an additional \$180,000 in superannuation

### More investment needed

In order for Australian women to catch up to Australian men and women internationally, more investment is needed in paid parental leave, and early childhood education and care.

In the Parenthood's February 2021 report: *Making Australia the Best Place in the World to be a Parent* Equity Economics modelled the benefits from significant investments in:

1. Universal health and wellbeing support for parents and children through pregnancy and the early years;
2. A parental leave scheme that provides one year of paid leave to be equally shared between both parents;
3. Free and high-quality Early Childhood Education and Care (ECEC) for all families; and
4. Flexible and supportive workplaces with universal access to paid carers' leave for sick children.

### OUR ANALYSIS FOUND THE COMBINED IMPACT OF THE ABOVE POLICIES WOULD:

- Enhance childhood development and lift long-term productivity.
- Increase female participation and productivity, reducing the gender gap in workforce participation and earnings.

Equity Economics estimated that the cumulative impact of the proposed changes could increase GDP by 4.1 percent in 2050 or \$166 billion. If Australia could lift female participation to that of males, it would increase GDP by 8.7 percent or \$353 billion by 2050.

The longer Australia waits to introduce the reforms already implemented overseas, the further behind Australian women will fall. The time to invest and back Australian women to be back at the front of the pack is now.





# A STORY OF PROGRESS

**Australia has had many economic stories to tell over the past fifty years, from the opening up of the economy to competition, the floating of the dollar, the growth of China driving a resource boom and the digital revolution. But there has been no story more important to the lives of Australians and our economic prosperity than the increase in the economic participation of women.**

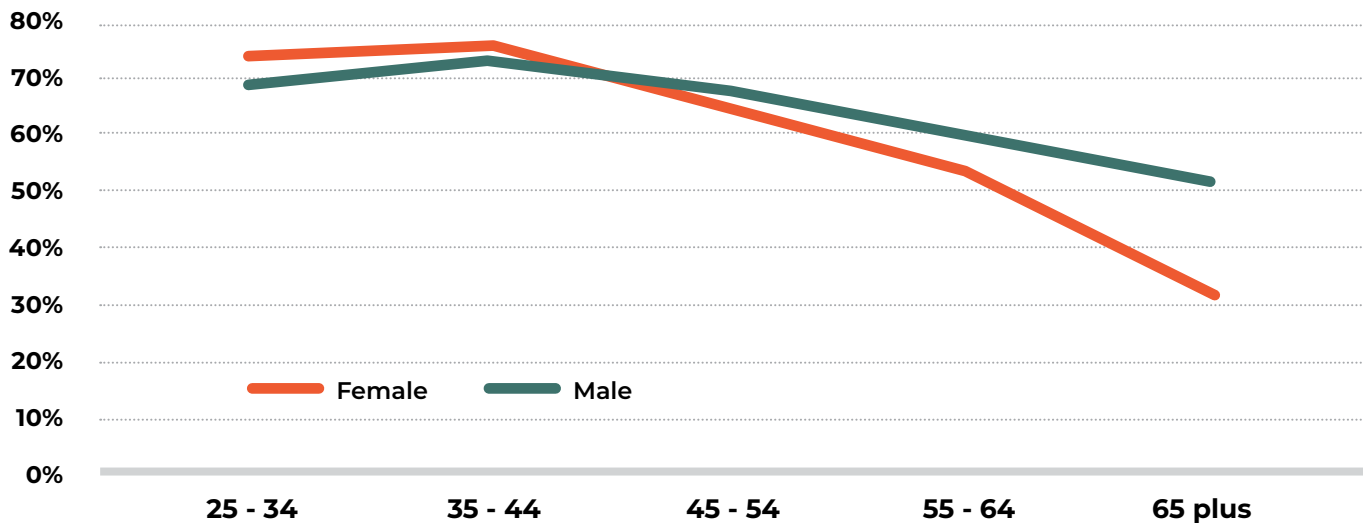
Traditionally women left the formal workforce upon marriage. During World War II, this practice was suspended, with married women re-entering the workforce to support the war effort. However, cultural norms and discriminatory practices still pervaded into the 1960s (and beyond). It wasn't until the 1970s where further social and cultural change, such as the introduction of the oral contraceptive, greater access to higher education and range of employment opportunities that we saw the profile of female economic participation by age change substantially.

It is in education that we see some of biggest gains for women, with younger females now attaining higher levels of education than males.

“ Women made up almost 60 percent of enrolled students in universities and similar institutions in 2017.<sup>1</sup> ”

37.1 percent of females have completed a bachelor or higher degree, compared to 29.4 percent for males.<sup>2</sup> However, in older generations we still see the legacy of lower opportunities for women to complete post school qualifications.

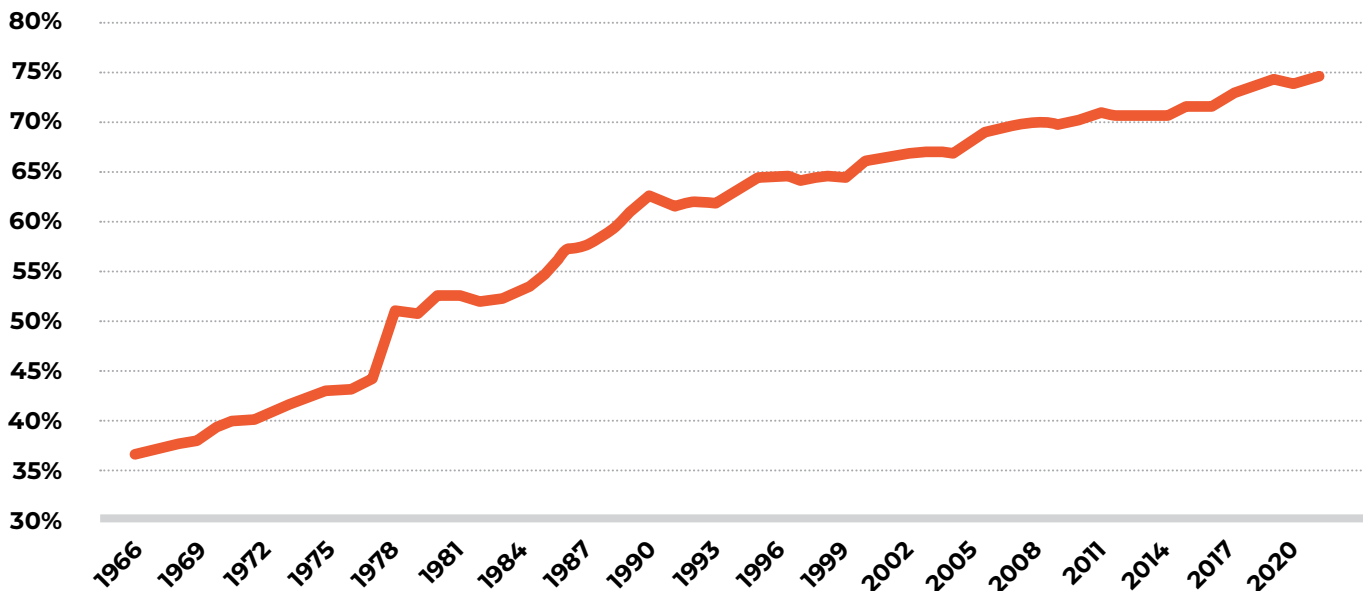
**FIGURE 1** POST-SCHOOL QUALIFICATION BY AGE AND SEX



Source: ABS (2021), Labour Force, Australia, Detailed: October 2021

At the same time, female participation has more than doubled since 1966 from 36.3 percent to 74.4 percent in 2021.<sup>3,4</sup> This increase represents additional workers and labour supply, that has helped drive strong economic growth and increased living standards.

**FIGURE 2** FEMALE LABOUR FORCE PARTICIPATION



Source: 1966-1977, ABS 2007, Labour Force Historical Timeseries, Australia, cat. No. 6204.055.001 and 1978-2021, ABS 2021, Labour Force, Australia, cat. No. 6202.0

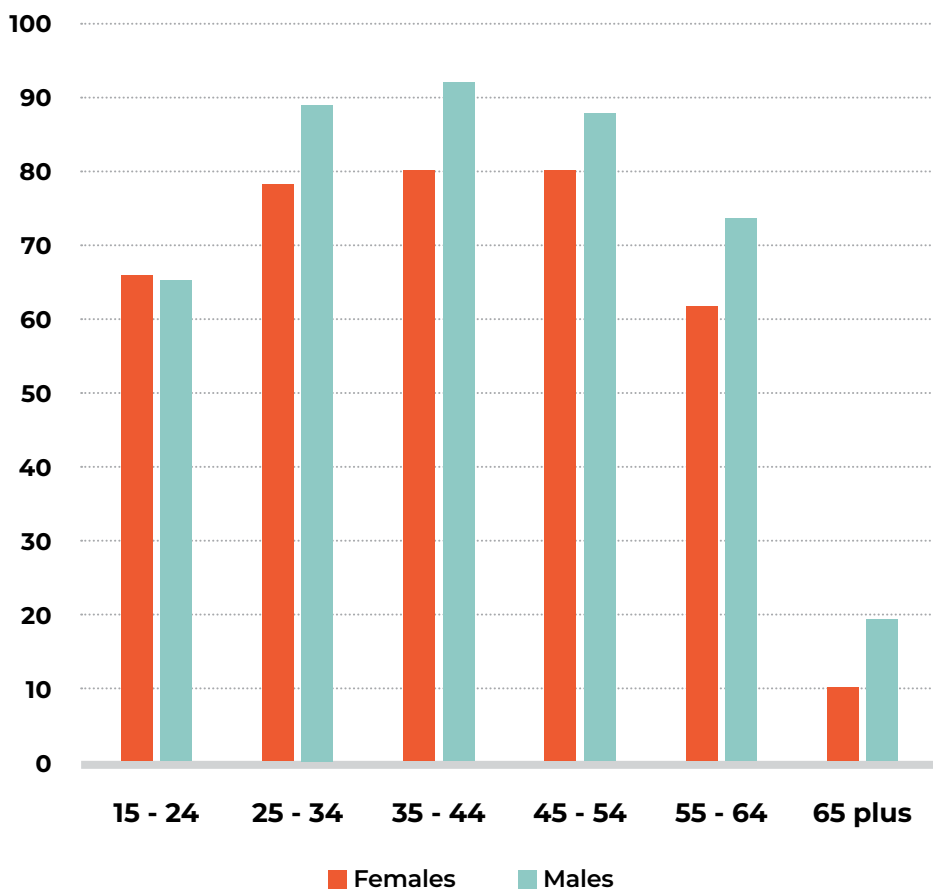
As the Australian economy recovers from the COVID-19 pandemic it makes sense to invest in policies that lift women's participation, especially given the triple whammy that women faced during the pandemic. Women lost more jobs, because: it was sectors that they work in most impacted by lockdowns; women are more likely to be in casual work and because women had to pick up more of the caring burden.

# LARGE DISPARITIES BETWEEN MEN & WOMEN REMAIN

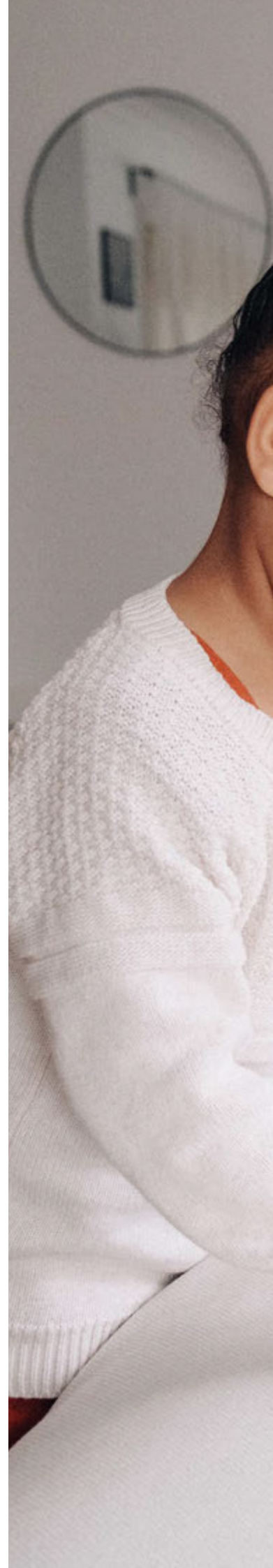
Despite the progress of women’s economic participation, large discrepancies between men and women remain.

In Figure 3 the participation rate for males and females is presented and shows that males have higher participation rates than females for all age groups except 15–24-year-olds.

**FIGURE 3** PARTICIPATION RATES BY GENDER



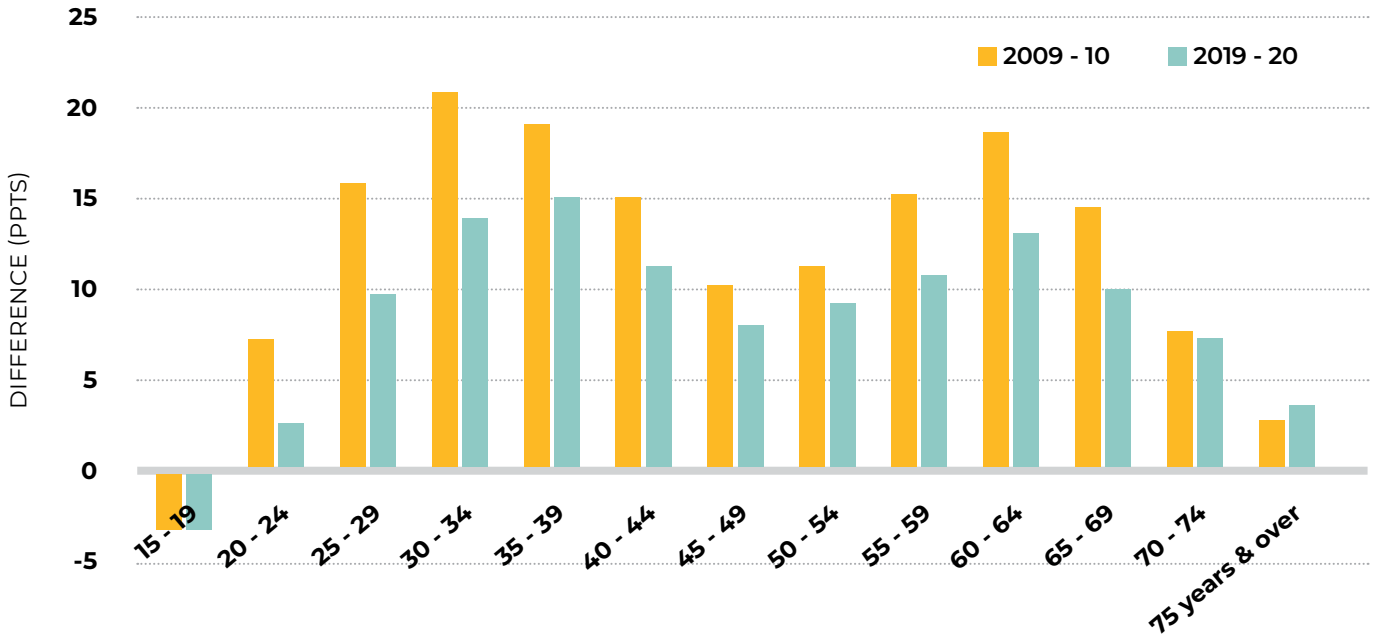
Source: ABS (2021), Labour Force, Australia, Detailed: October 2021





In the last ten years the gap between male and females has narrowed for all age groups, but the pattern remains largely unchanged (see Figure 4). The gap peaks around the age that women are raising children, and points to the importance of this major life event in driving differences in participation between men and women across the life course.

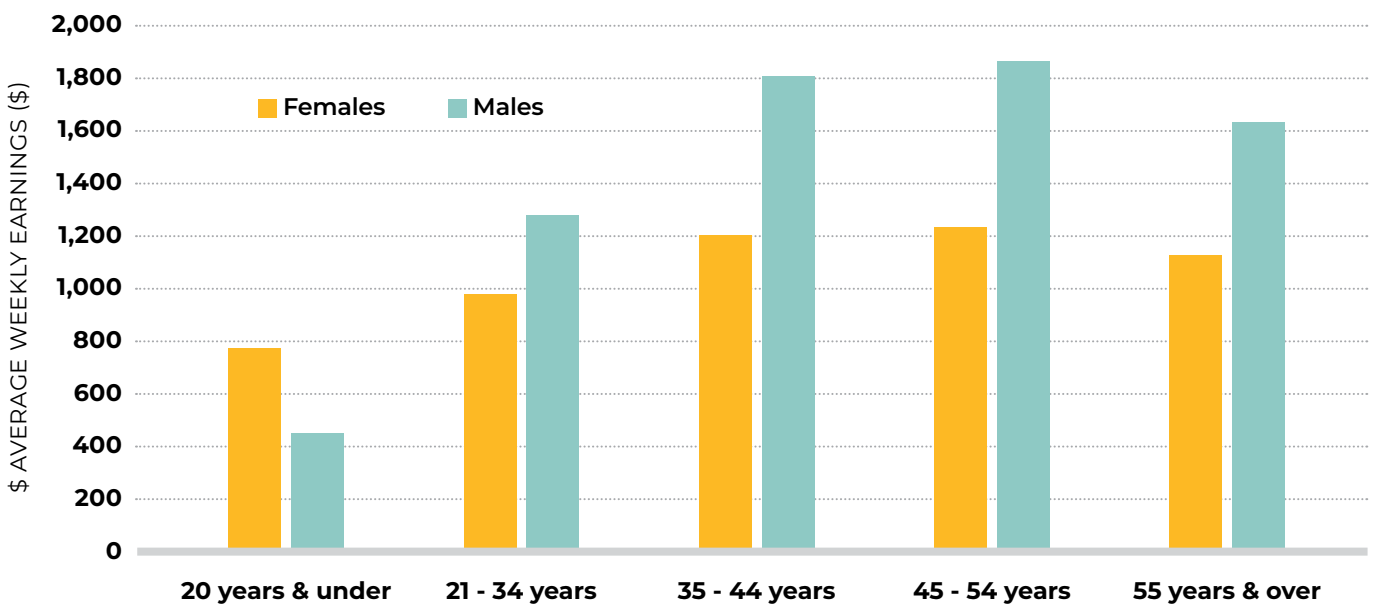
**FIGURE 4** DIFFERENCE BETWEEN MALE AND FEMALE PARTICIPATION RATES



Source: ABS (2020), Gender Indicators, Australia: December, cat. No. 4125.0

There is also a large gap in the wages of men and women in Australia, with men earning more on average per hour than women across different ages. While younger women earn more on average, this trend reverses and is maintained once women reach the age of having children.

**FIGURE 5** AVERAGE WEEKLY EARNINGS BY AGE AND GENDER (2018)



Source: ABS (2018), Employee Earnings and Hours, Australia, May 2018



## Ieva and Dan

Like many couples, Ieva and Dan met while studying at University and found their careers following similar paths until they had children. Early decisions about who cared and who worked were difficult to change, and have led to ongoing negotiations and adjustments as they attempt to rebalance the caring burden.

My partner, Dan and I, both did Arts/Law degrees at university. We started our careers in 2001 as graduates for different Commonwealth Government Departments and really invested in our work lives, gaining experience, skills and promotions at pretty much the same pace.

wasn't working with Dan and I both trying to tackle difficult full-time jobs. We could only access so much childcare and family support. One of my parents fell ill. Something had to give so I stepped down into a more junior role that enabled me to provide more support to my children and family.

“When we had our first child ten years later, our career paths started to diverge...although we didn't see it at first.”

“When I look back now, both Dan and I ask ourselves how we could have started out on such similar paths and ended up in different places at work and in terms of our incomes?”

I took 12 months maternity leave from work and Dan only one month. In retrospect, it was not the ideal way to go and establishing shared parenting and work arrangements from the outset would have been better for us both. When I returned to work, it was to a part-time role. Dan went ahead for a further promotion.

We were both equally committed to our careers and our family. I think we just slipped into gender roles, encouraged by the way the parental leave and childcare system works in Australia.

For the next ten years, Dan and I tried many combinations to juggle work and family life. While Dan has, at times, used long-service leave and four-day weeks to try and get better balance, he has largely continued to work full-time. I have mostly tried to fit full-time roles into part-time work with lots of childcare and job-share combinations! With the arrival of our second child, I took another 12 months maternity leave. Dan was in a senior role at the time and just couldn't step away as much as he wanted to.

We are definitely now advocates when talking with friends and family of the importance of setting up shared parental care at the very beginning and are all for pushing for the system reforms that need to make that easier! We are also far better at having the right conversations and sharing the load between us.

I did step up to take on a senior full-time role for a year after the children were both in child-care and school, but our family just

Maybe we will get our goal of jointly balancing work and parenting in the end. We have a way to go yet but I think we will. However, we both ask ourselves why it needed to be this hard?

CASE STUDY

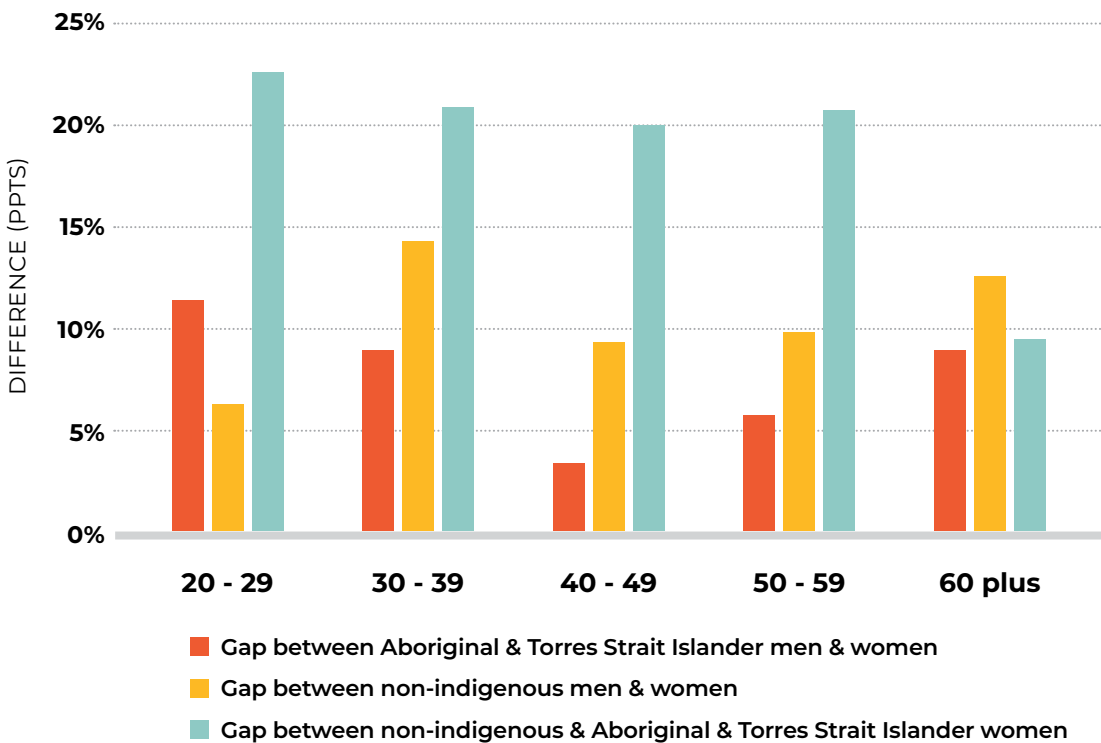
# ABORIGINAL & TORRES STRAIT ISLANDER WOMEN

**Aboriginal and Torres Strait Islander women are less likely to participate in the labour force than non-Indigenous women and Aboriginal and Torres Strait Islander men.**

The last available data is from the 2016 Census as the Australian Bureau of Statistics does not regularly collect data on employment outcomes for Aboriginal and Torres Strait Islander people. While the latest Closing the Gap agreement includes a commitment to lift the employment of Aboriginal and Torres Strait Islander people, there are no specific targets for the employment or economic participation of women.

Consistent with the commitments made in the Closing the Gap agreement, governments should support Aboriginal and Torres Strait Islander led initiatives to improve the economic participation of Indigenous women. The 2020 Australian Human Rights Commission Report: *Wiyi Yani U Thangani (Women's Voices, Securing Our Rights Securing Our Future)*<sup>5</sup> also provides guiding principles and reforms to strengthen economic participation of Aboriginal and Torres Strait Islander women.

**FIGURE 6** DIFFERENCE IN PARTICIPATION RATES OF ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLE AND NON-INDIGENOUS PEOPLE BY AGE



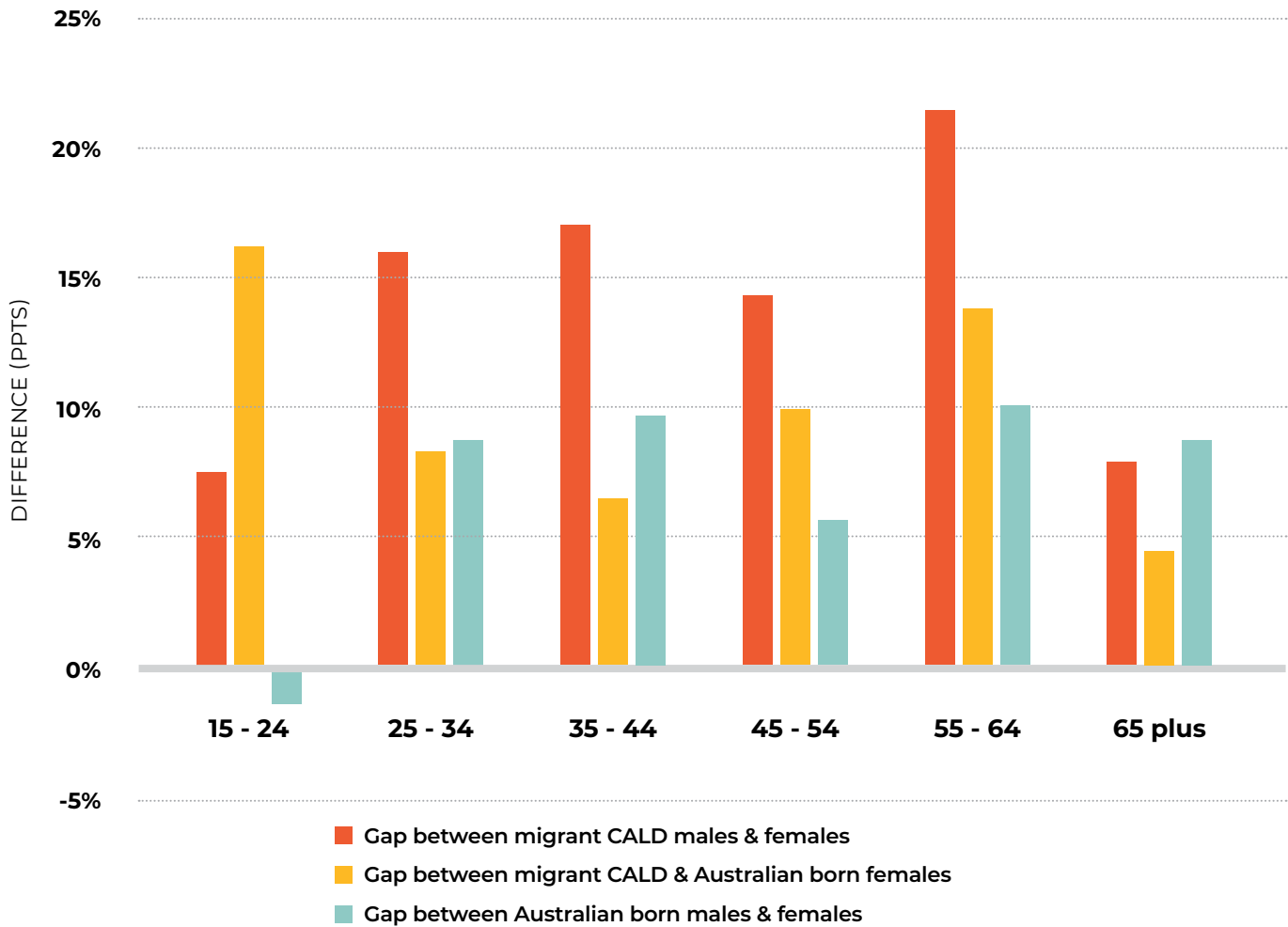


# MIGRANT WOMEN

Migrant women from culturally and linguistically diverse backgrounds are less likely to participate in the labour force than women born in Australia. Importantly the gap between migrant men and women from CALD backgrounds, is greater than the gap between men and women born in Australia and migrants from English-speaking backgrounds.

There is a need for a much greater focus on the economic participation of migrant women from CALD backgrounds, with a lack of research and policy focus resulting in consistently poorer outcomes for this cohort of Australians.

**FIGURE 7** DIFFERENCE IN PARTICIPATION RATES OF MIGRANT CULTURALLY AND LINGUISTICALLY DIVERSE MALES AND FEMALES BY AGE



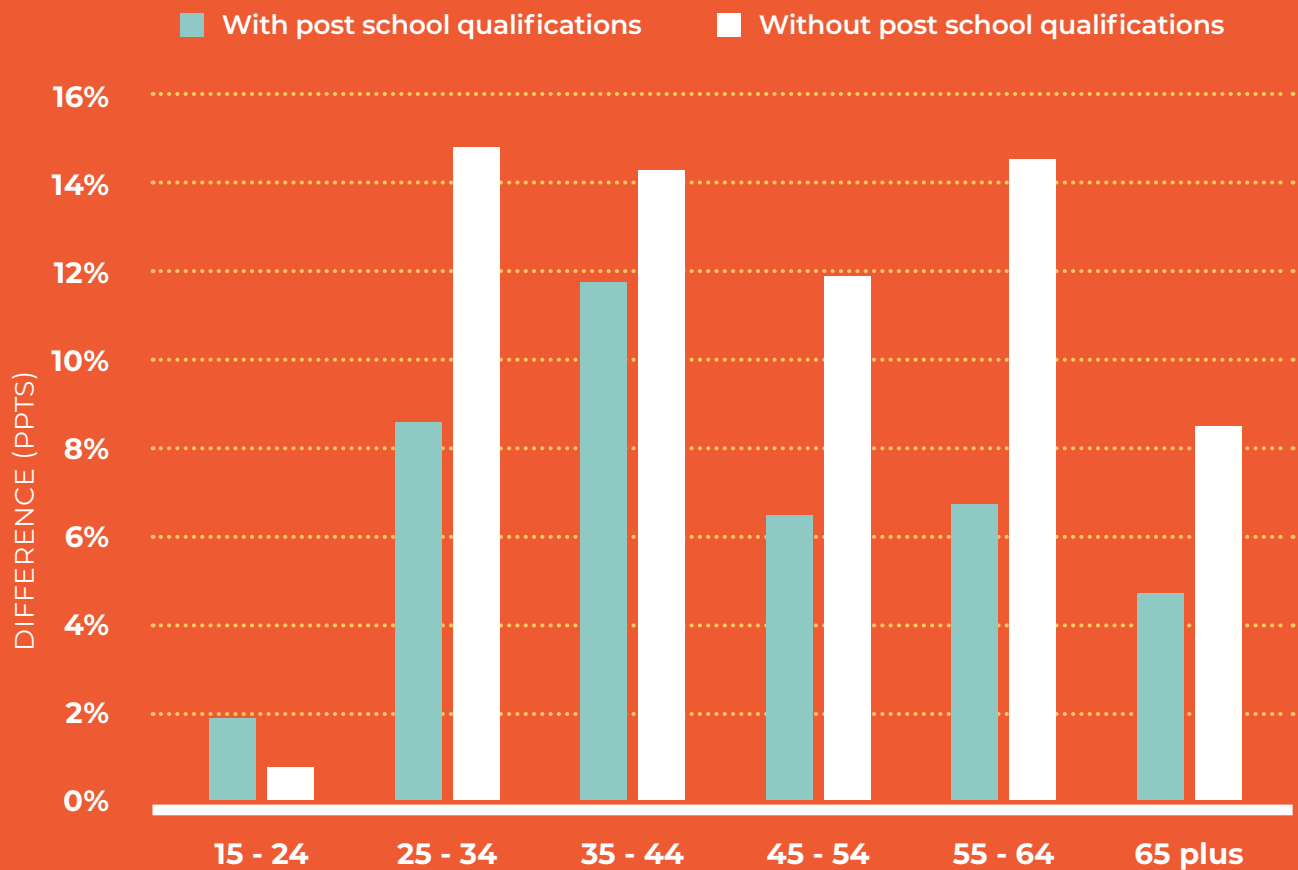
Source: ABS (2021), Labour Force: Detailed, October 2021

# WOMEN WITH LOWER LEVELS OF EDUCATION

Men and women with no post school qualifications are less likely to participate in the labour market. However, the relative gap between men and women with no post school qualifications is greater than the gap between men and women with post school qualifications.

This points to the need to focus policies not just on supporting highly educated women to remain in the workforce, but also women with lower levels of skills and on increasing the educational opportunities for women without post school qualifications.

**FIGURE 8**  
DIFFERENCE IN PARTICIPATION BETWEEN MALES AND FEMALES BY AGE & EDUCATIONAL LEVEL



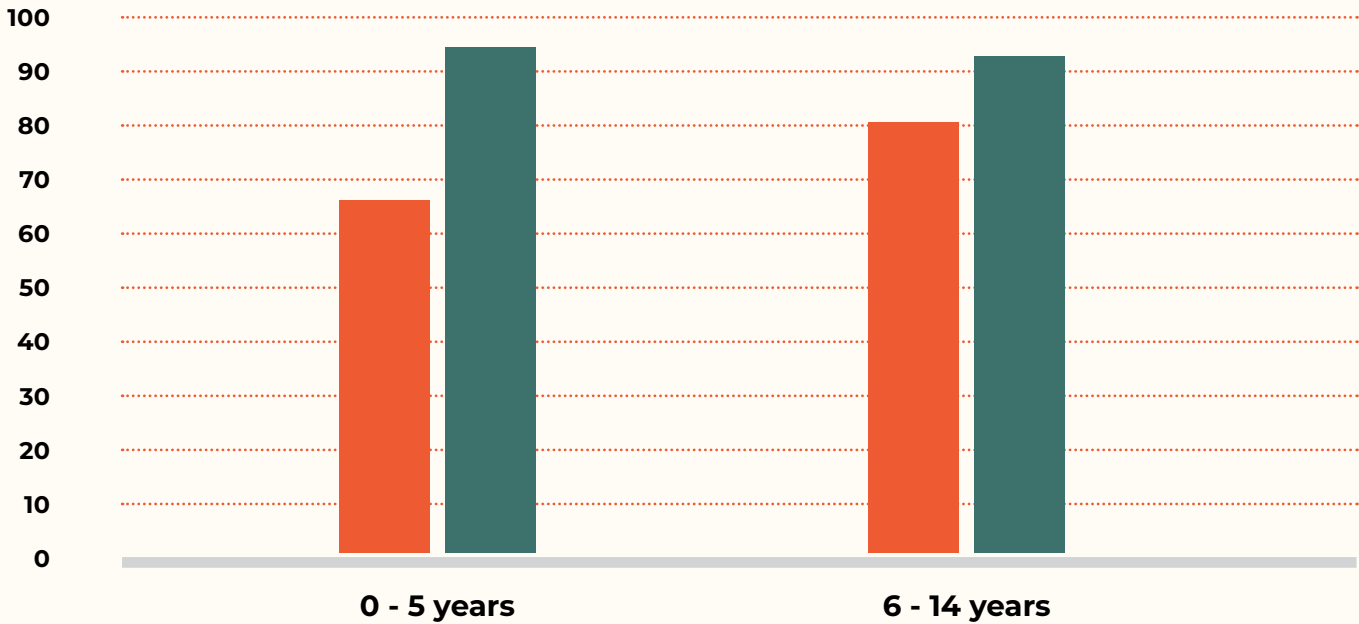
Source: ABS (2021), Labour Force: Detailed, October 2021

# MOTHERHOOD HAS A BIG IMPACT ON FEMALE LABOUR SUPPLY

The role that motherhood plays in driving the gap between male and female participation is clear from analysing the employment rate of mothers, and comparing it to fathers (see Figure 9).

“Mothers’ participation rate is almost 28.2 percentage below that of fathers when the youngest child is 0-5 years, and 12.2 percentage points where the youngest child is 6-14 years.”

**FIGURE 9** PARTICIPATION RATE OF MOTHERS AND FATHERS BY AGE OF YOUNGEST CHILD

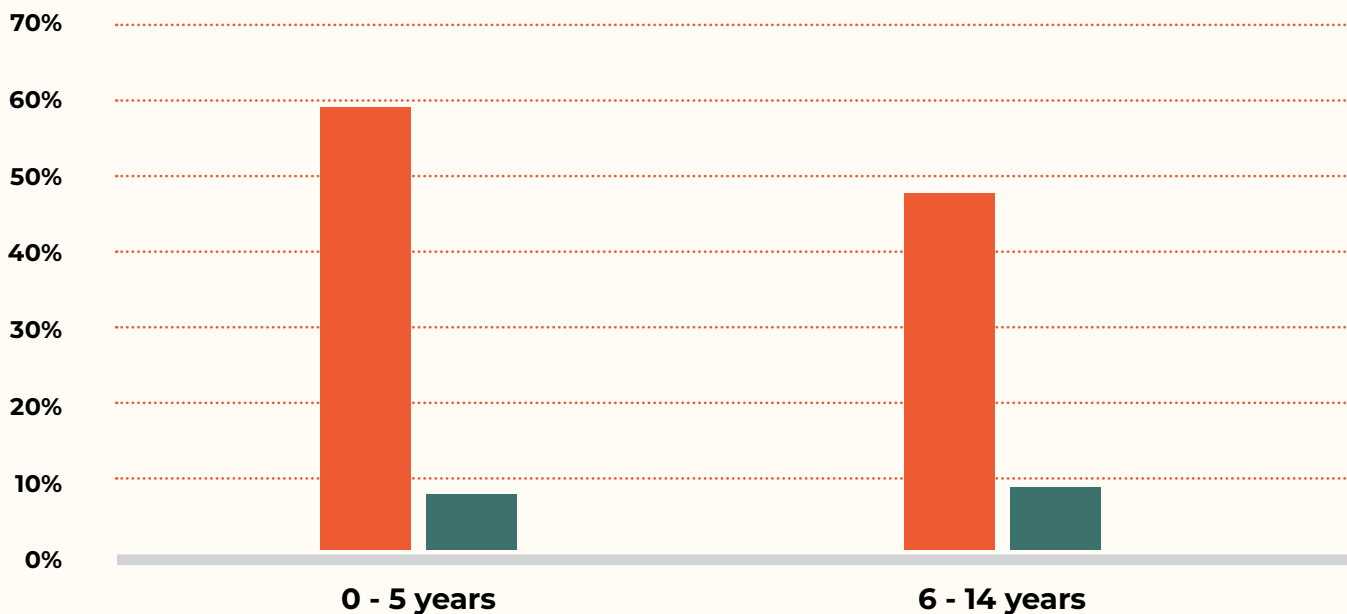


Source: ABS (2020), Gender Indicators, Australia: December, cat. No. 4125.0

It follows that as we address all the historical drivers of the gap in employment and wages, the one effect that hasn't changed over time, is the impact of children on mothers' careers.

“All other sources are declining, but the child effect sticks, and that ends up taking over as the key driver.”<sup>6</sup>

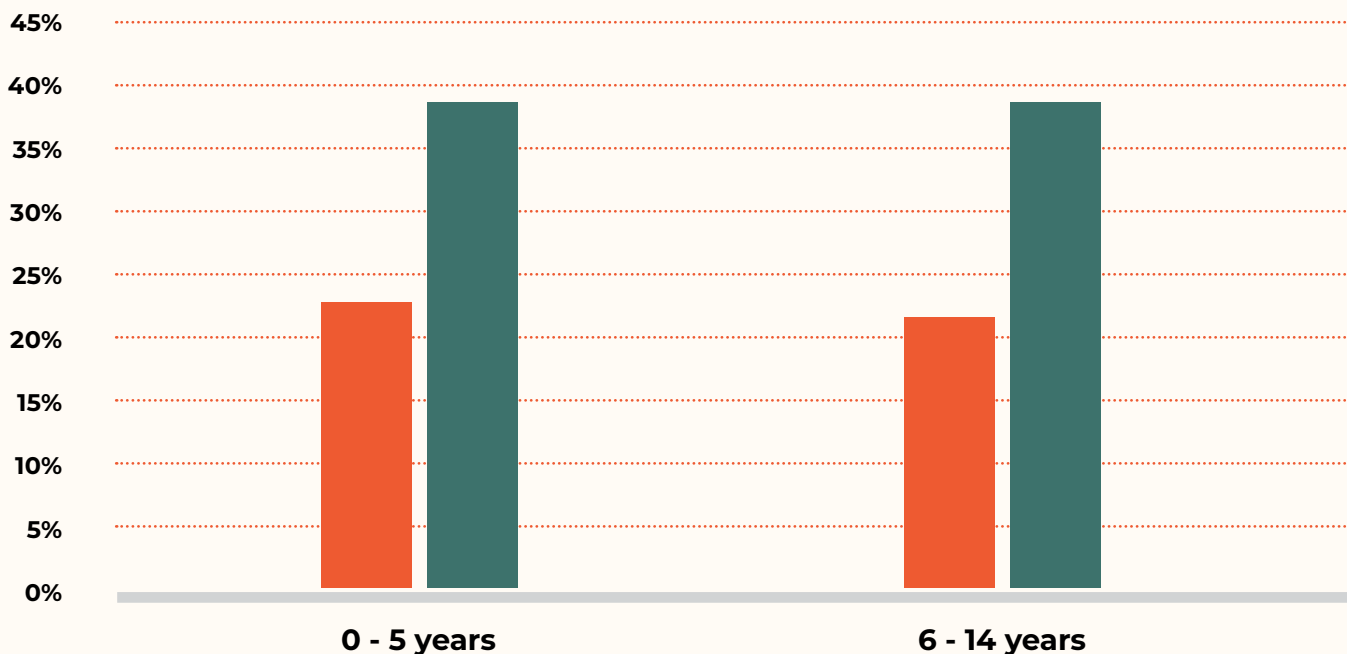
**FIGURE 10** PROPORTION OF PARENTS THAT WORK PART TIME



Source: ABS (2020), Gender Indicators, Australia: December, cat. No. 4125.0

As a result of mothers being more likely to work part time, the hours of paid employment are far lower for mothers than they are for fathers (see Figure 11).

**FIGURE 11** AVERAGE HOURS WORKED BY MOTHERS AND FATHER BY AGED OF YOUNGEST CHILD, 2019-20



Source: ABS (2020), Gender Indicators, Australia: December, cat. No. 4125.0

While part time work is often sought for the flexibility it provides, it can impact on the job opportunities available and in the long term contribute to women retiring with substantially less than their male counterparts.

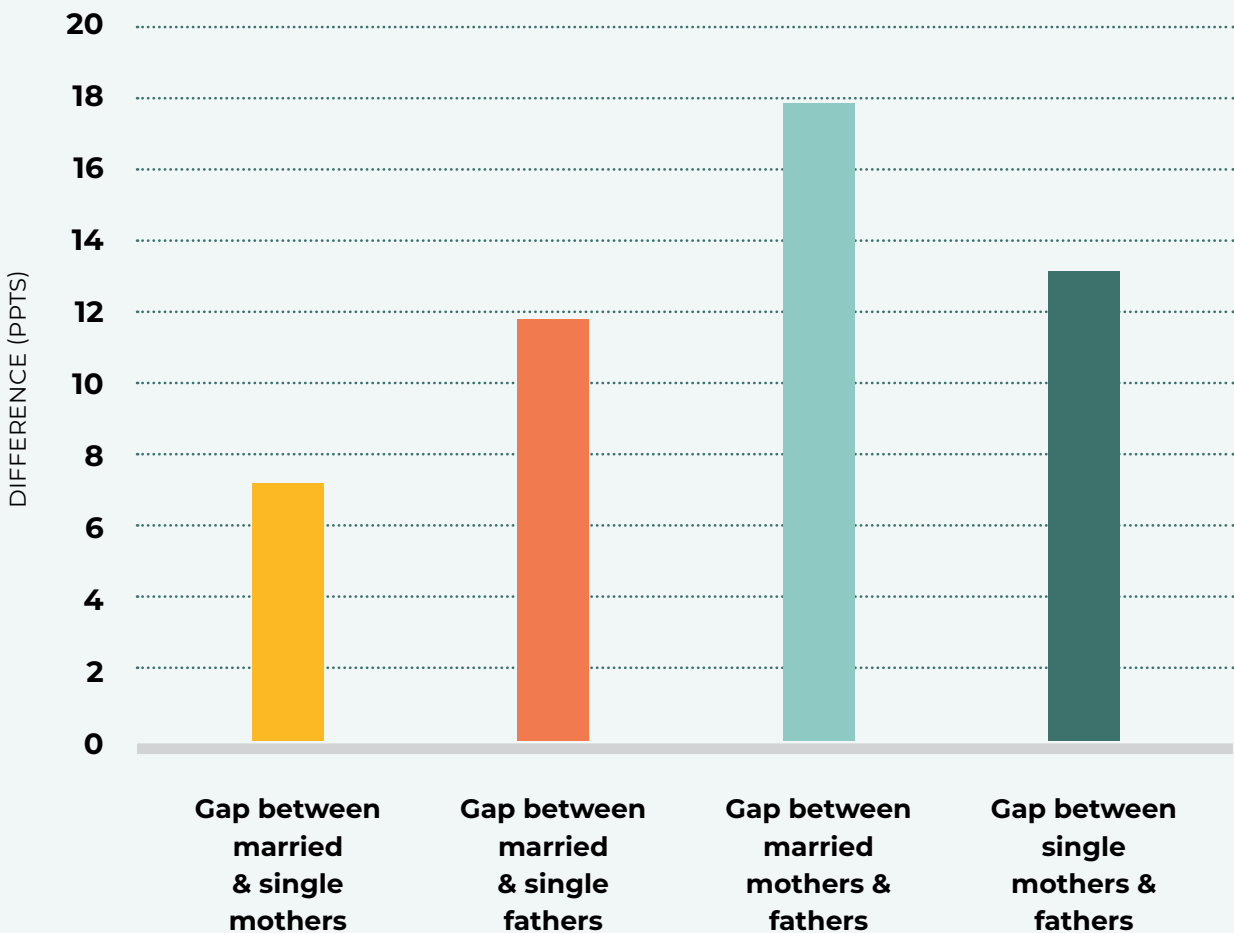
# SINGLE PARENTS FACING BIGGER BARRIERS

Single parents face additional barriers to employment, with the additional caring load impacting their labour force participation.

Single mothers comprise 80 percent of single parent families, and are less likely than married mothers and single fathers to participate in the labour force. This plays out in poverty statistics,

“...and at the 2016 Census 38.8 percent of single parents were living in poverty.”

**FIGURE 12** PARTICIPATION RATE OF MOTHERS AND FATHERS BY AGE OF YOUNGEST CHILD



Source: ABS (2020), Gender Indicators, Australia: December, cat. No. 4125.0



CASE STUDY

## Natalie

Natalie is a single mum with four kids and has struggled to manage work and caring for her growing family for the past 12 years.

Before I had children I worked at a University full time, and was fortunate to get maternity leave for my first child before the national scheme was introduced. My partner didn't get any leave, and had to use holiday pay to take two weeks off when my daughter was born. While I was lucky to be able to manage a full year off for my eldest by taking the maternity leave at half pay, for subsequent children I wasn't as lucky and had to return to work after just three months with my youngest child.

“Working has always been a priority, but the cost of care and the logistics of managing through school holidays makes it a constant struggle as I now care for the four children alone.”

At times working full time just wasn't financially viable, with the cost of care at \$90 a day after government rebates quickly swallowing up my pay. I have had to move from Brisbane to Canberra to be closer to family, because without that support it simply wouldn't be possible.

My 71 year old Mum looks after my youngest child two days a week to help balance out the financial burden of childcare. At her age she my Mum getting tired a lot easier now and I worry that the child minding is getting too much. But I'm left with no other choices.

I take contract jobs, which while not as secure as I would like give me the flexibility that full time permanent roles simply don't and mean I can better manage my work and caring responsibilities. But this comes at a cost. I am still renting and often struggle to keep our car on the road.

“The government says it wants single parents to work, but then doesn't provide us the support we need to make that a reality.”

The cost of care and the lack of flexibility around government support just puts roadblock after roadblock in front of us. Having experienced domestic violence in my last relationship, what would have helped is a system that understands our struggles and the additional burden we carry. Rather than judging us, supporting us to work and care for our children.

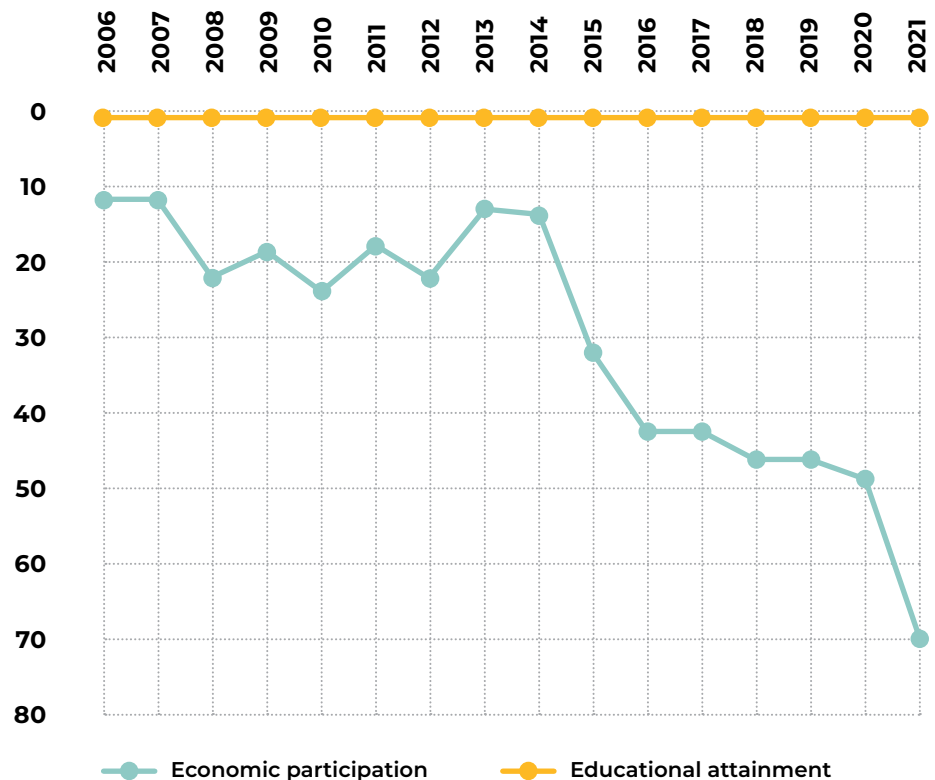


# AUSTRALIA'S PROGRESS HAS STALLED

The progress of Australian women relative to the rest of the world has stalled in recent years. In 2006 Australia was ranked 15 overall in the World Economic Forum's Gender Gap Rankings but dropped to 50th in the world by 2021.<sup>8</sup>

Critically this drop has been driven by a growing disconnect between the educational outcomes of Australian women, where they rank number 1, and their economic participation, where they now rank 70th in the world.

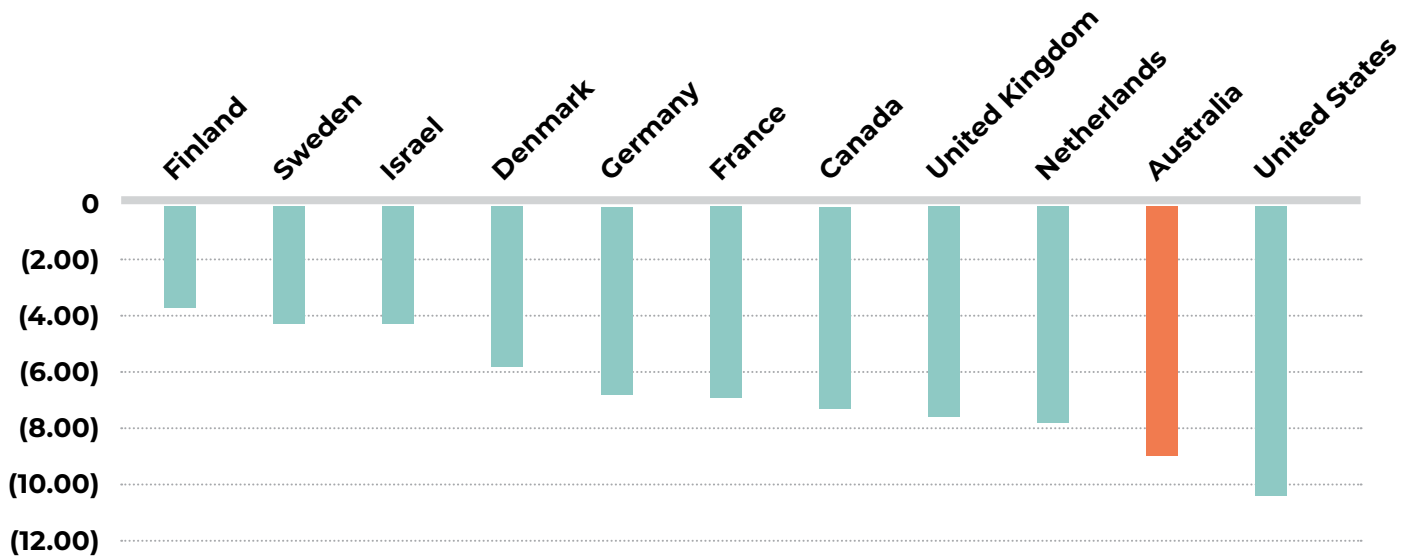
**FIGURE 13** AUSTRALIA'S WORLD ECONOMIC FORUM GLOBAL GENDER GAP DETAILED RANKINGS



Source: World Economic Forum, Global Gender Gap Report 2006-2021.

Australia's poor performance is partly due to the high gap between male and female participation in the labour force. This metric provides a useful gauge of how the combination of policies impacting labour supply within countries are acting to reduce female participation. In Figure 14 we compare a number of advanced OECD countries, illustrating that a number of countries outperform Australia.

**FIGURE 14** DIFFERENCE BETWEEN MALE AND FEMALE PARTICIPATION AMONGST 15-64 YEAR OLDS



Source: OECD (2020)

## WHAT IS DRIVING AUSTRALIA'S POOR PERFORMANCE?

There are often differences between countries and groups within society across key metrics.

### THESE CAN GENERALLY BE EXPLAINED BY A NUMBER OF FACTORS, INCLUDING:

- Observable differences in individuals such as levels of education;
- Unobservable differences such as differences in individual preferences and cultural norms; and
- Differences in government policy settings.

Given that Australian women are amongst the most educated in the world, this is unlikely to be driving their poor economic performance. There are likely to be cultural differences but discerning this from the impact of the policy landscape is often difficult.

### HOWEVER, THERE ARE NUMBER OF GOVERNMENT POLICY SETTINGS THAT INFLUENCE FEMALE LABOUR FORCE PARTICIPATION WHICH DIFFER ACROSS COUNTRIES, INCLUDING:<sup>9</sup>

- Anti-discrimination legislation that ensures women are not discriminated against;
- Workplace policies that encourage and support flexible work practices, allowing women and men to balance their caring and work responsibilities;
- Childcare policies that ensure the cost of childcare does not act as disincentive to work;
- Paid parental leave policies that encourage equal sharing of childcare responsibilities within the home;
- Tax and welfare policies that do not discourage the second earner in the household from working.

# HOW DO PARENTAL POLICIES IMPACT UPON MATERNAL LABOUR FORCE PARTICIPATION?

These differences and Australia's poor performance relative to international comparators is driven by a multitude of factors but various studies have found that parenting and family policies matter.<sup>10</sup>

Parental leave and childcare have a direct impact on how much leave is taken after the birth of a baby, who takes that leave, and what return to work looks like.

## Parental leave

Access to maternity leave is linked to higher rates of post birth labour force participation by mothers.<sup>11</sup> This is because it maintains the link between mothers and employers, and makes it easier for women to balance the caring responsibilities associated with a newborn child and returning to work.

However, as the duration of maternity leave increases this relationship weakens and at high levels actually reduces participation. The same is not the case for paternity leave, with policies that encourage men to also care for young children linked to higher female participation in the short and long term.

Paternity leave is important because it sets up more equal patterns of caring within the household and frees a mother to return to work when her partner takes over the primary care role.

In Quebec, the introduction of non-transferable paternity leave reserved for men led to mothers earning an additional \$5,000 per year and doing an hour extra of paid work per day.<sup>12</sup>

## Early childhood education and care

Access to early childhood education and care has been prioritised as one of the most effective ways to remove barriers to female employment. Early childhood education and care not only increases parents' earnings, it also benefits employers through increasing productivity today of mothers and in the future of their children.

The costs of childcare matter because they effectively reduce the returns from working, acting as a disincentive to work or to work additional hours. A number of studies have found a causal link between the level of childcare subsidies and the amount women work.<sup>13</sup>

## Tax and welfare support for families

When tax and welfare systems base assistance on the household, rather than the individual, income they effectively tie the return a second earner (most likely a woman) gets from work to a partner's income. This can create very high effective marginal tax rates as we see in Australia, because of the interaction between marginal tax rates and reduced family assistance.

These high effective marginal tax rates can reduce female labour force participation.



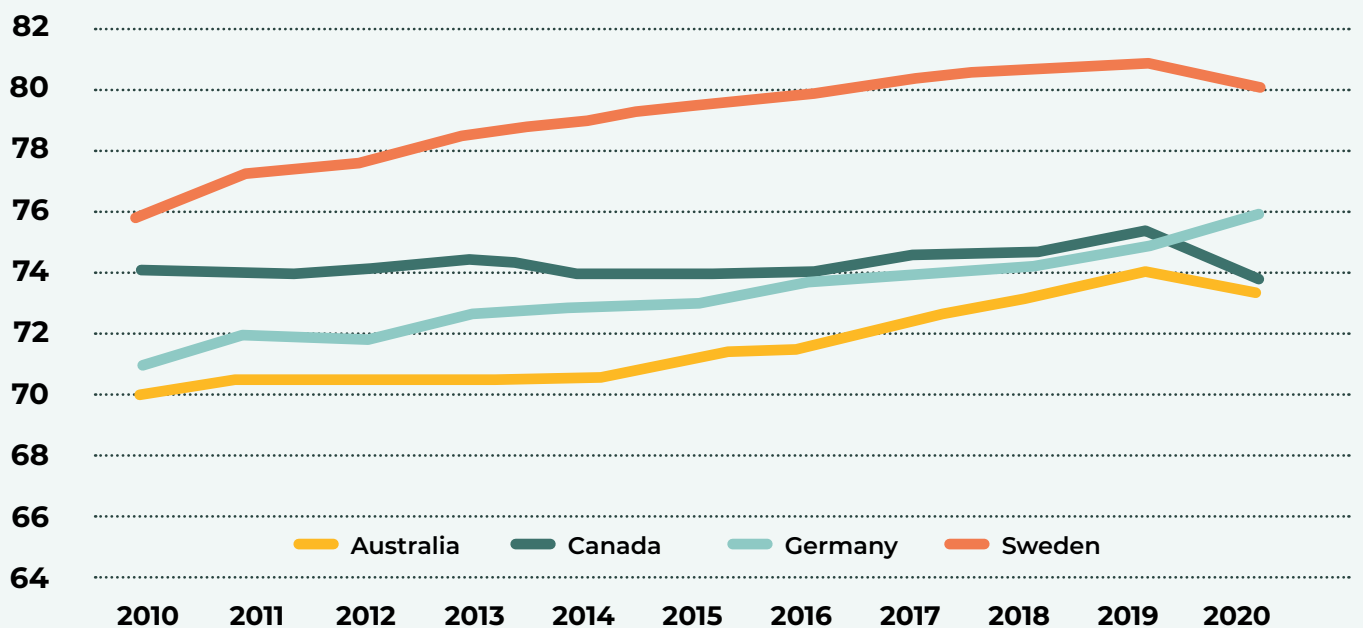
## HOW DO AUSTRALIAN WOMEN COMPARE?

**Below we compare in detail the outcome of Australian women to counterparts in Canada, Germany and Sweden. We document how Australian women compare over time, and how the supports provided to families are impacting outcomes. We find that Australian women start their working journey well ahead of women in comparator countries, but fall quickly behind after they have children.**

As illustrated in Figure 15, Sweden has the highest participation rate by a significant margin. Australia's female participation rate has been following a similar trajectory as the other countries, albeit a few percentage points lower, with the exception of 2020, which is a reflection of the differential responses taken to the Covid-19 pandemic.



**FIGURE 15** FEMALE LABOUR FORCE PARTICIPATION RATE

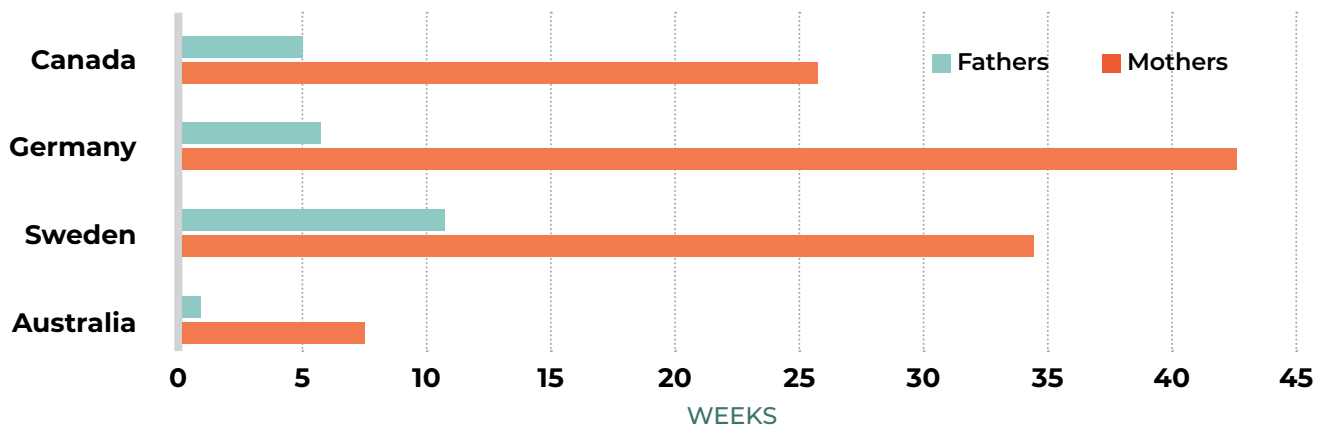


Source: OECD.stat (2021), Dataset: LFS – Sex and age composition

# PAID PARENTAL LEAVE AMONGST THE LEAST GENEROUS

Australian parents receive some of the least generous paid maternity and paternity leave in the OECD, with the number of weeks reserved for fathers of 0.8 weeks of normal pay low by international standards.

**FIGURE 16** PAID LEAVE FOR FAMILIES BELOW INTERNATIONAL NORMS

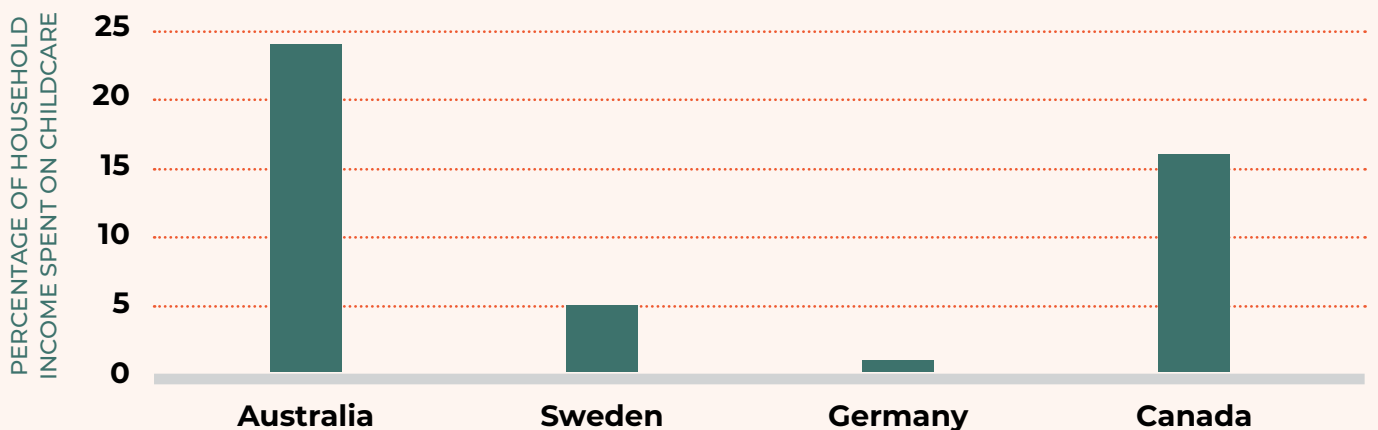


Source: OECD (2020), OECD Family Database, [www.oecd.org/els/soc/PF2\\_1\\_Parental\\_leave\\_systems.pdf](http://www.oecd.org/els/soc/PF2_1_Parental_leave_systems.pdf)

# CHILDCARE AMONGST THE MOST EXPENSIVE

At the same time as receiving much lower levels of support around the birth of a child, Australian parents face some of the highest out of pocket early childhood education and care costs in the OECD, making returning to work harder, and placing families under financial pressure in the pre-school years.

**FIGURE 17** NET CHILDCARE COSTS FOR COUPLES ON AVERAGE WAGE (% OF EARNINGS)



Source: OECD (2021), Net childcare costs (indicator). doi:10.1787/e328a9ee-en (Accessed on 30 November 2021)



## Alice

Alice had her son Peter two years ago, after experiencing a miscarriage with her first pregnancy. She lives on the North Coast of NSW with her partner of 10 years, James.

I worked for 20 years prior to having our now two year old Peter, first in the Commonwealth public service in Canberra and then in local government on the north coast of NSW. During this time, I completed a Masters and an MBA – oh and a graduate diploma just to keep busy! My partner earned less than me as a disability support worker, which meant that when we had Peter we had to cope with a big fall in income. This coincided with the need to finance extensive repairs to our house – something we weren't really prepared for and struggled with throughout my time off work to care for him. Having worked for so long, it was a real financial shock.

I managed to cobble together the government minimum maternity leave, and my work's additional maternity leave alongside long service leave and other personal leave to take eight months off work in total. I know I was lucky to get this time, but it seemed crazy that I had to put together five different types of leave to get make it through. My partner was only entitled to the government's two weeks leave but also used his long service leave and personal leave to take two months off when our son was born. We made choices for our family, but it was harder than it needed to be and would have been much better for Peter and our family if we could have shared my leave or had more time to care for our son in his first year of life. The system didn't give my partner time to care for our son by himself, and gain the confidence that that can bring.

We were hoping to be able to just have Peter in childcare for two days, and use a combination of grandparents and my husband to cover the remaining three days when I returned to work but this didn't end up working. Even though my partner was part time, work would always expect him to work extra days and we ended up having to put him in full time care well before we were planning. While I earn a good wage, we are not high-income earners and the costs of full-time childcare place us under a lot of additional pressure. Sometimes I wonder if it is worth it at all, but work is important to me and we need the income.

“ Now we are spending \$564 on childcare a fortnight, which is 15 percent of our total income. It's more than our mortgage. We have at least another three years of this and the financial pressure takes its toll – but what choice do we have? ”

CASE STUDY

# PARENTING POLICIES COMPARED

## Australia

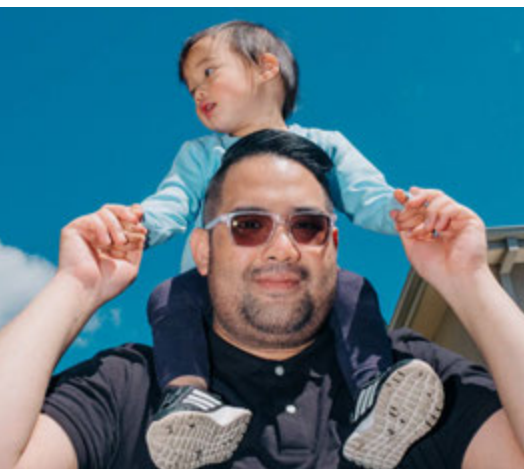
In Australia eligible<sup>14</sup> mothers or primary carers are entitled to 18 weeks at the minimum wage and fathers (or the secondary carer) are entitled to two,<sup>15</sup> although parents are entitled to take up to two years leave, and retain their job.

It follows then, that the cost, quality and availability of early education and d care plays an important role in the decision of parents, but particularly mothers, to return to work, and for how many hours, they will do so. This has been borne out empirically, with countries that have greater availability of affordable childcare exhibiting higher maternal labour force participation rates.<sup>16</sup>

In Australia families can access subsidies which reduce the cost of care to \$5 per hour for up to 70 percent of working families, or \$40 per day. Up to 85 percent of the cost of long day care and family day care where family income is below \$70,015 with this reducing to 50% for incomes up to \$175,015. Families with income over \$354,305 receive no support. Parents have to meet work and study tests to access support.

A national funded program provides up to 15 hours of free pre-school for all four year olds, with some states and territories extending this to three year olds during COVID-19.

Average wage earners in Australia with two children aged 2 and 3 in full time care pay 24 percent of earnings on child care including government subsidies.<sup>17</sup>



## Sweden

Sweden is known for having some of the most family friendly policies of any country.<sup>18</sup> Parents in Sweden receive 480 days of paid parental leave when a child is born or adopted. In two parent families parents are entitled to 240 of those days each, with 90 days reserved exclusively for him or her. A single parent is entitled to a full 480 days.<sup>19</sup> 390 of the days are paid according to the sickness benefit rate, which is linked to prior income, and 90 days is paid at a lower base amount.

Public child-care is available to all children aged 1-12, regardless of whether parents are working or not. Non-working parents are entitled to up to 15 hours per week of free care, with costs for all parents capped at 3 percent of income.

Average wage earners in Sweden with two children aged 2 and 3 in full time care pay 5 percent of earnings on child care including government subsidies.<sup>20</sup>

## Germany

In Germany parents are entitled to up to 14 months (paid for a period of 12 plus 2 'Partner bonus months') if both parents take at least two months of leave. The amount of pay varies between 65 percent and 100 percent of previous earnings depending on the duration of leave taken and your salary, with lower income earners receiving a higher percentage of prior income.<sup>21</sup>

Families on low incomes can access free child care funded by the central government. For other families it depends on their local area, with some providing free care from either birth or two years of age, and others incurring costs on families.

Average wage earners in Germany with two children aged 2 and 3 in full time care pay 1 percent of earnings on childcare including government subsidies.<sup>22</sup>

## Canada

In Canada new mothers receive a maximum of 15 weeks paid maternity leave, after which time both parents can access up to 35 weeks of paid leave within the first 12 months of a child's life.<sup>23</sup> The benefits are payable at 55 percent of the recipients average weekly insurable earnings up to a maximum amount. Extended benefits of up to 61 weeks exist and are payable at 33% of the claimant's average weekly insurable earnings up to a maximum amount.

In Canada childcare subsidies vary between provinces, however the central Government is currently implementing a national plan to reduce fees in all provinces to \$10 a day by 2025. In Quebec families currently pay \$8.50 per day for care.

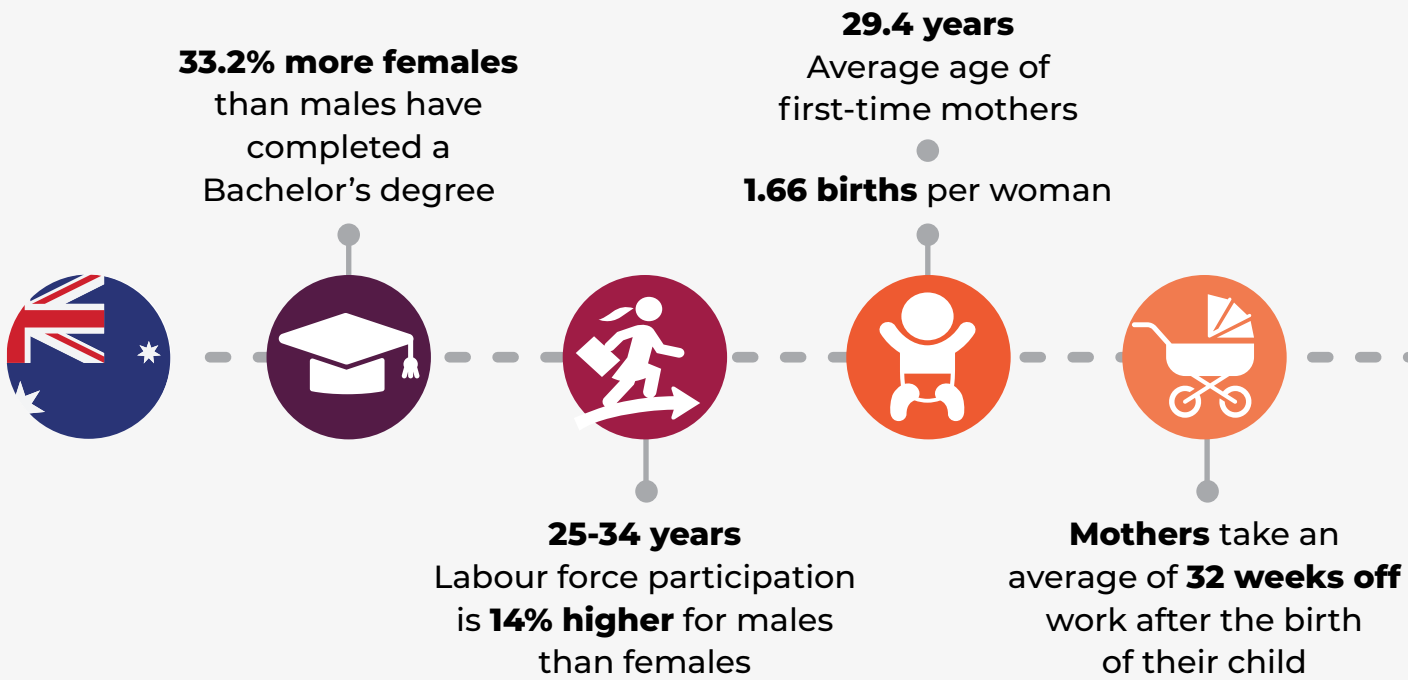
Average wage earners in Canada with two children aged 2 and 3 in full time care pay 16 percent of earnings on childcare including government subsidies.<sup>24</sup>

	MATERNITY LEAVE	PATERNITY LEAVE	AVERAGE CHILDCARE COSTS
<b>Australia</b>	18 weeks	2 weeks	24 percent of earnings
<b>Canada</b>	15 weeks	35 weeks	16 percent of earnings*
<b>Germany**</b>	30 weeks	30 weeks	1 percent of earnings
<b>Sweden***</b>	34 weeks	34 weeks	5 percent of earnings

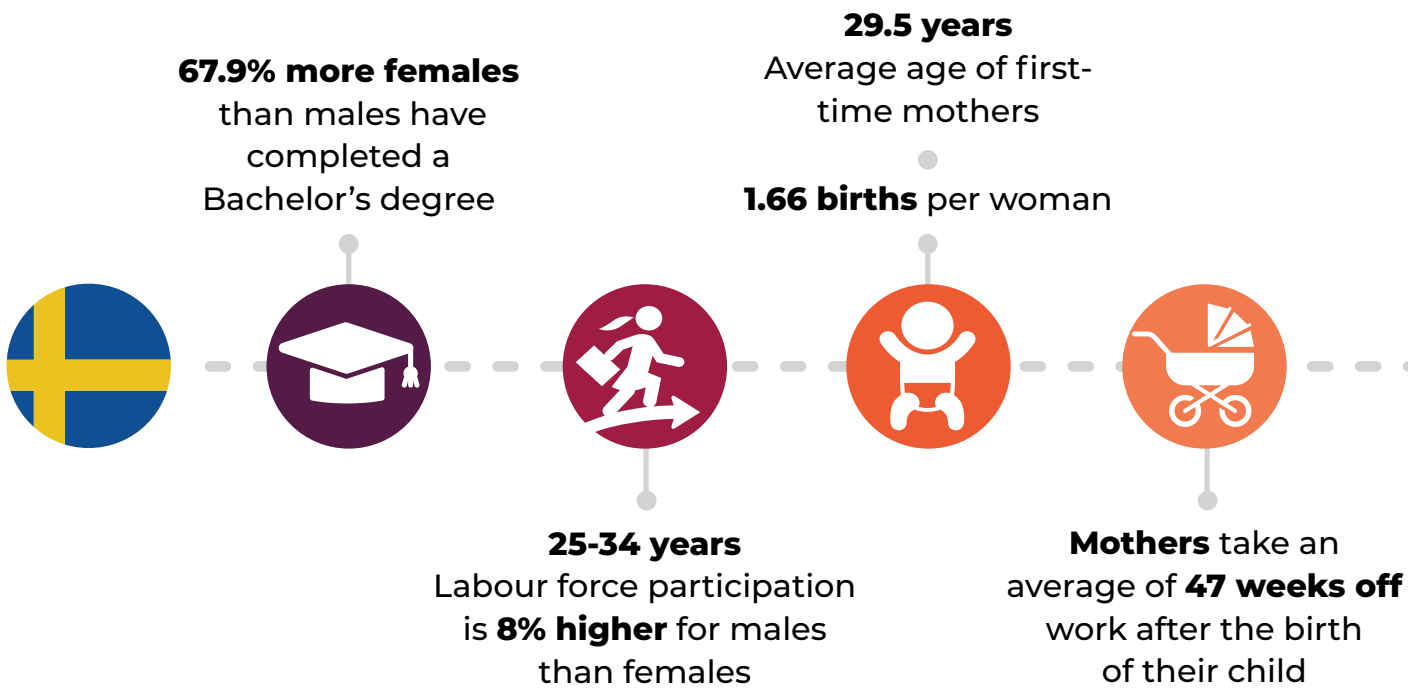
\*reforms recently introduced in Canada will reduce childcare costs to \$10 per day from 2025.

\*\*up to 22 weeks can be transferred to other parent. \*\*\*up to 22 weeks can be transferred to other parent.

# AUSTRALIA



# SWEDEN



**39.8% of children** aged 0-2 years attend ECEC

ECEC costs 24% of the average wage



**68.8% of mothers** are employed, 37.0% part time, 31.8% full time



**35-44 years** Labour force participation is **17% higher** for males than females



**36 years:** Average age of first home buyer



**Females do** 1.6 X unpaid work, and 2.4 X the care work of males



**45-54 years** Labour force participation is **11% higher** for males than females

**46.3% of children** aged 0-2 years attend ECEC

ECEC costs 5% of the average wage



**86.1% of mothers** are employed, 8.5% part time, 76.7% full time



**35-44 years** Labour force participation is **7% higher** for males than females

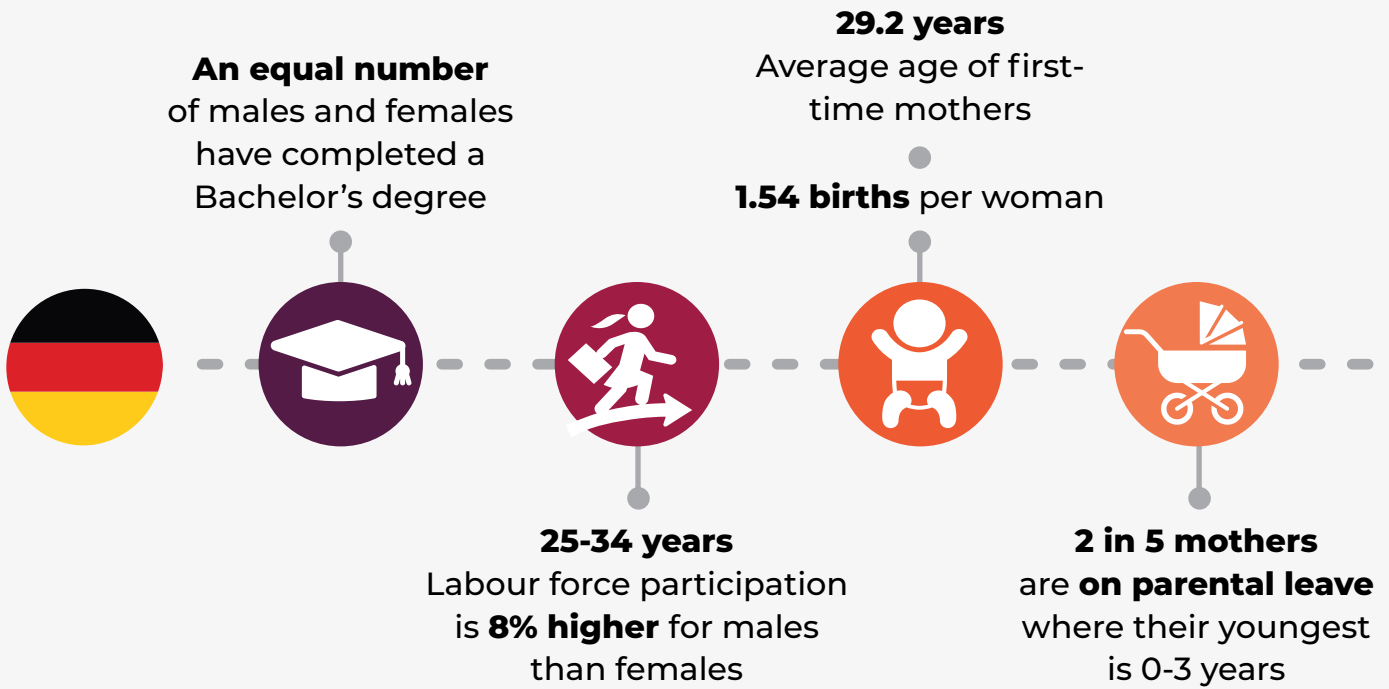


**Females do** 1.4 X unpaid work, and 1.7 X the care work of males

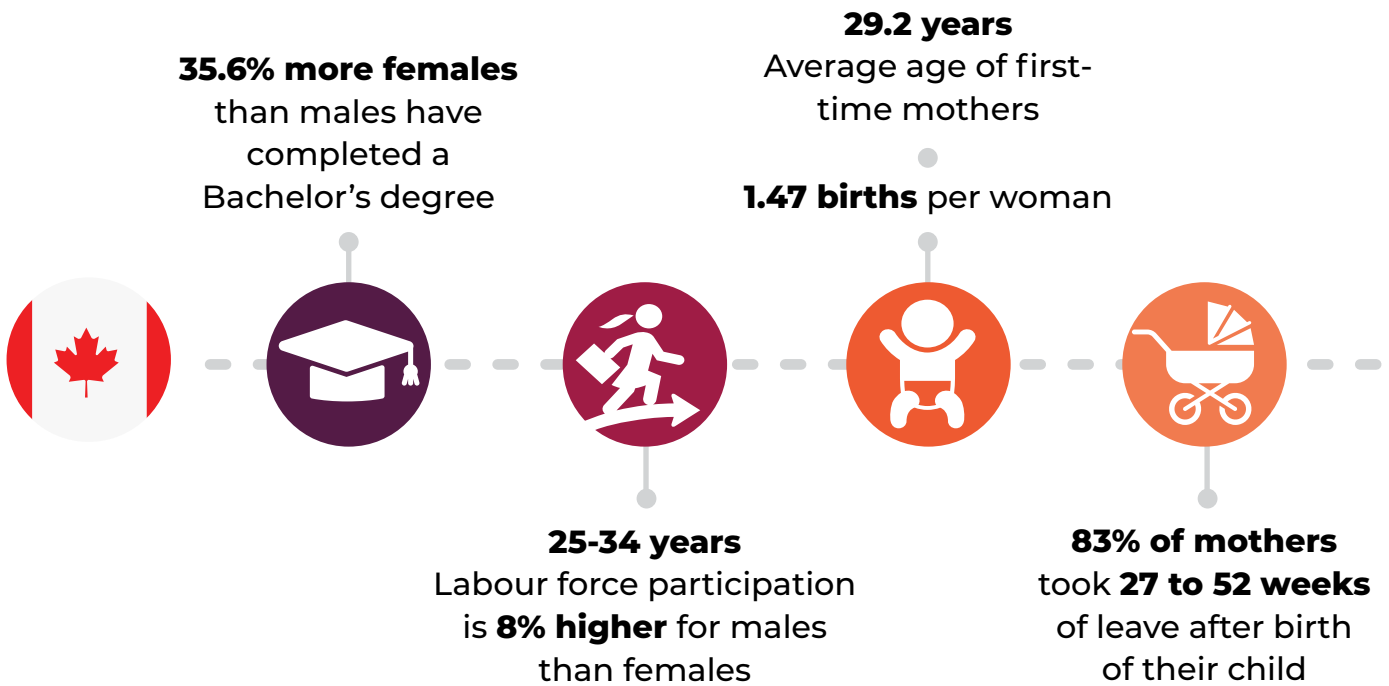


**45-54 years** Labour force participation is **3% higher** for males than females

# GERMANY



# CANADA



**37.7% of children**  
aged 0-2 years  
attend ECEC

ECEC costs  
1% of the  
average wage



**73.2% of mothers** are  
employed, 37.5% part  
time, 35.7% full time

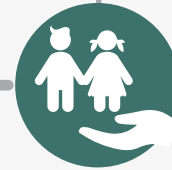


**35-44 years**  
Labour force  
participation is  
**9% higher** for males  
than females



**34 years:**  
Average age  
of first home  
buyer

**Females do**  
1.6 X unpaid  
work, and  
1.2 X the care  
work of males



**45-54 years**  
Labour force  
participation is  
**9% higher** for males  
than females



**52% of children**  
aged 0-5 years  
attend some type  
of child care

ECEC costs  
16% of the  
average wage



**76.8% of mothers**  
are employed,  
16.1% part time,  
60.7% full time



**35-44 years**  
Labour force  
participation is  
**11% higher** for males  
than females



**36 years:**  
Average age  
of first home  
buyer

**Females do**  
1.5 X unpaid  
work, and  
2 X the care  
work of males



**45-54 years**  
Labour force  
participation is  
**9% higher** for males  
than females



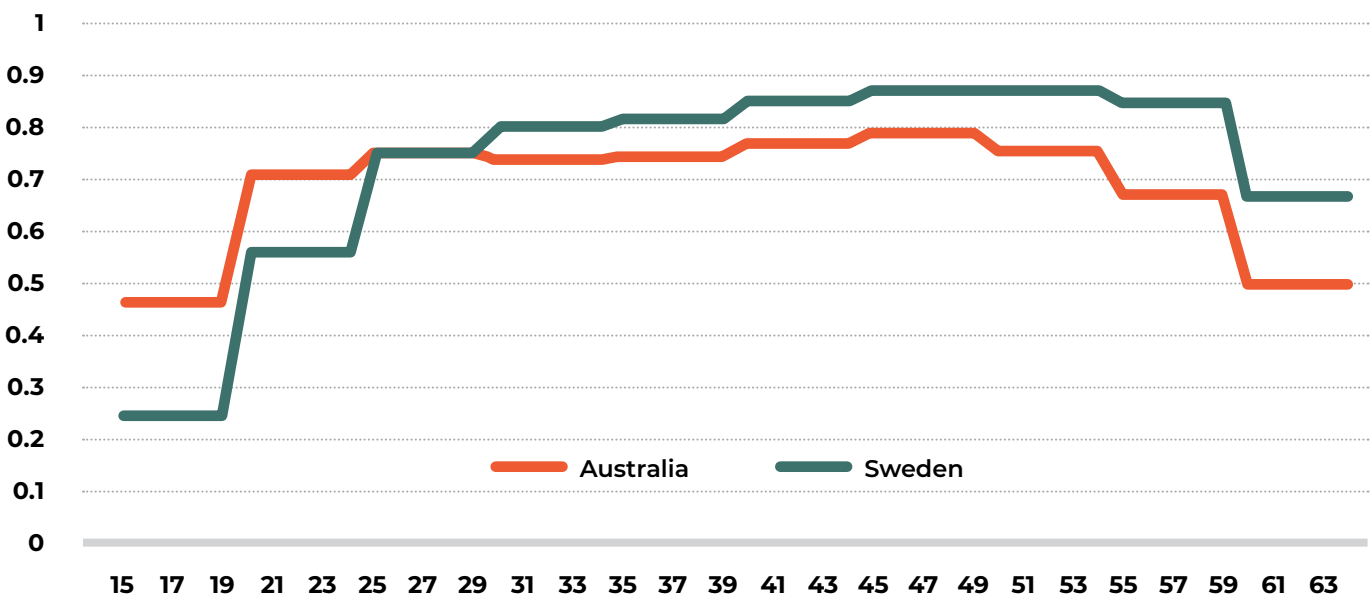
**Note:** SEE APPENDIX: Detailed statistics comparing countries for further detail on the statistics and their sources.

# WHAT IS AUSTRALIA’S POOR PERFORMANCE COSTING?

A number of studies have looked at the potential economic benefits of improving Australia’s paid parental and child care policies. In this section we take a look at how much the average Australian woman is losing over her life due to the combination of factors that result in lower earnings and labour force participation for Australian versus Swedish women. We choose Sweden as one of the exemplar countries, where women are much closer to achieving gender equity.

Comparing rates of employment across the life course, we see that while Australian women start off ahead of Swedish counterparts they fall behind during the peak period for having children.

**FIGURE 18** EMPLOYMENT RATE ACROSS LIFE COURSE



Source: OECD.stat (2021), Dataset: LFS – Sex and age composition

If instead of falling behind after having children she had the same employment patterns as a woman in Sweden, an average Australian woman’s lifetime earnings would increase by 32 percent or \$696,000.<sup>25</sup>

This would also have a big impact on her retirement savings, lifting her projected superannuation balance at retirement by \$180,000 or by 20 percent.



# A BETTER FUTURE FOR AUSTRALIAN WOMEN AND OUR ECONOMY

**In order to catch up to Australian men and women internationally, more investment is needed in paid parental leave, and early childhood education and care.**

In February 2021 Equity Economics and Parenthood released the report: *Making Australia the Best Place in the World to be a Parent*. The report recommended significant investment in:

1. Universal health and wellbeing support for parents and children through pregnancy and the early years;
2. A parental leave scheme that provides one year of paid leave to be equally shared between both parents;
3. Free and high-quality ECEC for all families; and
4. Flexible and supportive workplaces with universal access to paid carers' leave for sick children.

## THE REPORT FOUND THE COMBINED IMPACT OF THE ABOVE POLICIES WOULD:











- Enhance childhood development and lift long-term productivity.
- Increase female participation and productivity, reducing the gender gap in workforce participation and earnings.

Equity Economics estimated that the cumulative impact of the proposed changes could increase GDP by 4.1 percent in 2050 or \$166 billion. If Australia could lift female participation to that of males, it would increase GDP by 8.7 percent or \$353 billion by 2050. This is exactly the type of investment our economy needs to recover from the COVID-19 pandemic, which disproportionately impacted women.










The longer Australia waits to introduce the reforms already implemented overseas, the further behind Australian women will fall. The time to invest and back Australian women to be back at the front of the pack is now.

## APPENDIX: DETAILED STATISTICS COMPARING COUNTRIES

## AUSTRALIA

	36.9% of females aged 25-34 have attained a Bachelor degree or equivalent in 2020. This compares to 27.7% of males.	Data extracted from OECD.Stat, Education at a Glance 2021. National data sources and technical notes are available in Annex 3 of EAG.
	78.5% of females aged 25-34 participated in the labour force in 2020. This compares to 89.9% of males.	Data extracted from OECD.Stat
	Mean age of a woman at birth of her first child in 2019 was 29.4 years.	<a href="http://www.aihw.gov.au/reports/mothers-babies/australias-mothers-babies/data">www.aihw.gov.au/reports/mothers-babies/australias-mothers-babies/data</a>
	Average number of children born per woman over a lifetime given current age-specific fertility rates was 1.66 in 2019.	Australian Bureau of Statistics via OECD Family database, Chart SF2.1.A.
	The average length of leave mothers took from their job for the child's birth and subsequent care (until the mother returned to or joined the workforce, or until the date of survey) was 32 weeks.	Australian Bureau of Statistics 2013, Australian Social Trends, cat. No. 4102.0
	39.8% of children aged 0-2 years of aged were enrolled in early childhood education and care in 2018.	OECD Education at a Glance 2020: OECD Indicators, Chart PF3.2.A.
	Average wage earners (one parent earns 67% of the average wage, and the other, average wage) in Australia with two children aged 2 and 3 in full time care pay 24% of earnings on child care including government subsidies.	OECD (2021), Net childcare costs (indicator). doi: 10.1787/e328a9ee-en
	In 2019 68.8% of women aged 15 years and over with at least one child aged 0-15 years are employed, 37.0% part time, 31.8% full time	Australian Bureau of Statistics via OECD Family database, Chart LMF1.2.A
	78.6% of females aged 35-44 participated in the labour force in 2020. This compares to 91.7% of males.	Data extracted from OECD.Stat
	Average age of first home buyer was 36 years in 2020	Haqqi, S. 2020, 'Age of the first time buyer', <i>Money</i> , <a href="http://www.money.co.uk/guides/first-time-buyers-around-the-world">www.money.co.uk/guides/first-time-buyers-around-the-world</a>
	In 2008, females (15 years and over) spent 17.3% of their day doing unpaid work and 5.3% providing care, compared to 10.5% and 2.2% respectively for males.	OECD Family database, Chart LMF2.5.A
	79.7% of females aged 45-54 participated in the labour force in 2020. This compares to 88.8% of males.	Data extracted from OECD.Stat











SWEDEN

	29.9% of females aged 25-34 have attained a Bachelor degree or equivalent in 2020. This compares to 17.8% of males.	Data extracted on 24 Nov 2021 04:54 UTC (GMT) from OECD.Stat, Education at a Glance 2021. National data sources and technical notes are available in Annex 3 of EAG.
	84.2% of females aged 25-34 participated in the labour force in 2020. This compares to 91.1% of males.	Data extracted from OECD.Stat
	Mean age of a woman at birth of her first child in 2019 was 29.5	<a href="http://ec.europa.eu/eurostat/web/population-demography-migration-projections/population-data/database">http://ec.europa.eu/eurostat/web/population-demography-migration-projections/population-data/database</a>
	Average number of children born per woman over a lifetime given current age-specific fertility rates was 1.70 in 2019.	Statistics Sweden via OECD Family database, Chart SF2.1.A.
	On average, mothers take 10.9 months of parental leave in the first year after the birth of their child. This compares to 3.0 months for their partner.	Grandahl, M., Stern J. and Funkquist, EL. 2020, 'Longer shared parental leave is associated with longer duration of breastfeeding: a cross-sectional study among Swedish mothers and their partners', <i>BMC Pediatrics</i> , vol.20, no. 159.
	46.3% of children aged 0-2 years of aged were enrolled in early childhood education and care in 2018.	OECD Education at a Glance 2020: OECD Indicators, Chart PF3.2.A.
	Average wage earners (one parent earns 67% of the average wage, and the other, average wage) in Australia with two children aged 2 and 3 in full time care pay 5% of earnings on child care including government subsidies.	OECD (2021), Net childcare costs (indicator). doi: 10.1787/e328a9ee-en
	In 2019 86.1% of women aged 15-64 years with at least one child aged 0-15 years are employed, 8.5% part time, 76.7% full time	European Union Labour Force Survey via OECD Family database, Chart LMF1.2.A
	89.6% of females aged 35-44 participated in the labour force in 2020. This compares to 96.0% of males.	Data extracted from OECD.Stat
	In 2001, females (20-74 years) spent 14.0% of their day doing unpaid work and 3.0% providing care, compared to 10.0% and 1.8% respectively for males.	OECD Family database, Chart LMF2.5.Aw
	91.7% of females aged 45-54 participated in the labour force in 2020. This compares to 94.8% of males.	Data extracted from OECD.Stat

## GERMANY

	19.0% of females, and 19.6% of males aged 25-34 have attained a Bachelor degree or equivalent in 2020.	Data extracted on 24 Nov 2021 04:54 UTC (GMT) from OECD.Stat, Education at a Glance 2021. National data sources and technical notes are available in Annex 3 of EAG.
	83.5% of females aged 25-34 participated in the labour force in 2020. This compares to 90.6% of males.	Data extracted from OECD.Stat
	Mean age of a woman at birth of her first child in 2019 was 29.8 years.	<a href="http://ec.europa.eu/eurostat/web/population-demography-migration-projections/population-data/database">http://ec.europa.eu/eurostat/web/population-demography-migration-projections/population-data/database</a>
	Average number of children born per woman over a lifetime given current age-specific fertility rates was 1.54 in 2019.	Destatis via OECD Family database, Chart SF2.1.A.
	In 2019, 42% of women are on parental leave where their youngest child is under 3 years. This compares to 2.6% of men. Parental leave refers to an unpaid entitlement.	<a href="http://www.destatis.de/DE/Themen/Arbeit/Arbeitsmarkt/Qualitaet-Arbeit/Dimension-3/elternzeit.html">www.destatis.de/DE/Themen/Arbeit/Arbeitsmarkt/Qualitaet-Arbeit/Dimension-3/elternzeit.html</a>
	37.7% of children aged 0-2 years of aged were enrolled in early childhood education and care in 2018.	OECD Education at a Glance 2020: OECD Indicators, Chart PF3.2.A.
	Average wage earners (one parent earns 67% of the average wage, and the other, average wage) in Australia with two children aged 2 and 3 in full time care pay 1% of earnings on child care including government subsidies.	OECD (2021), Net childcare costs (indicator). doi: 10.1787/e328a9ee-en
	In 2019 73.2% of women aged 15-64 years with at least one child aged 0-15 years are employed, 37.5% part time, 35.7% full time	European Union Labour Force Survey via OECD Family database, Chart LMF1.2.A
	85.3% of females aged 35-44 participated in the labour force in 2020. This compares to 93.3% of males.	Data extracted from OECD.Stat
	Average age of first home buyer was 34 years in 2020	Haqqi, S. 2020, 'Age of the first time buyer', Money, <a href="http://www.money.co.uk/guides/first-time-buyers-around-the-world">www.money.co.uk/guides/first-time-buyers-around-the-world</a>
	In 2012-13, females (10 years and over) spent 15.9% of their day doing unpaid work and 1.7% providing care, compared to 9.8% and 1.4.% respectively for males.	OECD Family database, Chart LMF2.5.A
	84.7% of females aged 45-54 participated in the labour force in 2020. This compares to 92.1% of males.	Data extracted from OECD.Stat

CANADA

	33.0% of females aged 25-34 have attained a Bachelor degree or equivalent in 2020. This compares to 24.3% of males.	Data extracted on 24 Nov 2021 04:54 UTC (GMT) from OECD.Stat, Education at a Glance 2021. National data sources and technical notes are available in Annex 3 of EAG.
	82.1% of females aged 25-34 participated in the labour force in 2020. This compares to 88.9% of males.	Data extracted from OECD.Stat
	Mean age of a woman at birth of her first child in 2019 was 29.2 years.	<a href="https://doi.org/10.25318/1310041701-eng">https://doi.org/10.25318/1310041701-eng</a>
	Average number of children born per woman over a lifetime given current age-specific fertility rates was 1.47 in 2019.	Statistics CanADA via OECD Family database, Chart SF2.1.A.
	83% of mothers took 27 to 52 weeks of leave after birth of their child	<a href="http://www150.statcan.gc.ca/n1/pub/11-627-m/11-627-m2020048-eng.htm">www150.statcan.gc.ca/n1/pub/11-627-m/11-627-m2020048-eng.htm</a>
	52% of children aged 0 to 5 participated in some type of child care, formal or informal, in Canada in 2020	<a href="http://www150.statcan.gc.ca/n1/daily-quotidien/210407/dq210407b-eng.htm">www150.statcan.gc.ca/n1/daily-quotidien/210407/dq210407b-eng.htm</a>
	Average wage earners (one parent earns 67% of the average wage, and the other, average wage) in Australia with two children aged 2 and 3 in full time care pay 16% of earnings on child care including government subsidies.	OECD (2021), Net childcare costs (indicator). doi: 10.1787/e328a9ee-en
	In 2019 76.8% of women aged 15-64 years with at least one child aged 0-17 years are employed, 16.1% part time, 60.7% full time	Canadian Labour Force Survey via OECD Family database, Chart LMF1.2.A
	82.4% of females aged 35-44 participated in the labour force in 2020. This compares to 91.6% of males.	Data extracted from OECD.Stat
	Average age of first home buyer was 36 years in 2020	Haqqi, S. 2020, 'Age of the first time buyer', <i>Money</i> , <a href="http://www.money.co.uk/guides/first-time-buyers-around-the-world">www.money.co.uk/guides/first-time-buyers-around-the-world</a>
	In 2010, females (15 years and over) spent 15.1% of their day doing unpaid work and 3.4% providing care, compared to 10.3% and 1.7% respectively for males.	OECD Family database, Chart LMF2.5.A
	82.5% of females aged 45-54 participated in the labour force in 2020. This compares to 89.8% of males.	Data extracted from OECD.Stat



# METHODOLOGY:

## BENEFITS TO THE INDIVIDUAL FROM PARENTAL POLICIES SUPPORTING WORKFORCE PARTICIPATION

### Additional earnings

To estimate the benefits to the individual from more supportive parental policies we consider the additional earnings that a woman could earn by returning to work sooner, and when she does, working full time rather than part time.

As there is no typical or average woman, the benefit to the individual is a weighted average of all women. We do this by estimating the probability of being employed, the probability of working full time or part time,<sup>26</sup> and using the average wage (corresponding to full time and part time work),<sup>27</sup> and we do this by age group using female specific data.

To ensure that the earnings are in current prices we inflate the May 2018 data using the wage price index,<sup>28</sup> and multiply the weekly earnings data by 52 to calculate annual earnings for each year of a woman's working life (15 to 64 years).

On this basis we estimate that that an Australian woman will earn \$2.19 million over her working life.

To model the impact of parental policies increasing female participation, we estimate what lifetime earnings would look like if we had the same employment data as Sweden. It should be noted that because the policy would only affect participation after child birth, we only apply the Swedish employment rate and status of employment after the average age a woman first gives birth – 29 years.

While working longer hours obviously increases a woman's earnings, there is also an important increase in productivity generated by an increase in participation by women. Researchers in the United States found that for each 10 percent increase in women working, wages increased by 5 percent.<sup>29</sup>

Across the working population (15-64 years), we estimate that the employment rate is 4.9 percent higher in Sweden. It follows then, that increasing participation in life with Sweden could lead to a 2.45 percent increase in wages in Australia.

On this basis, we estimate that an Australian woman earning the average wage could earn \$2.88 million – \$700,000 more than anticipated with current level of employment.

### Superannuation

The lower levels of participation by mothers impacts not just their earnings throughout their life, but also their superannuation, which they receive upon retirement.

Calculated as 9.5 percent of ordinary time earnings, it is estimated that the "weighted average woman" will \$0.91 million upon retirement. If we can increase women's participation (and specifically, bring more women back into full time employment after child birth), a woman could have as much as \$1.09 million at retirement – almost \$180,000 more.

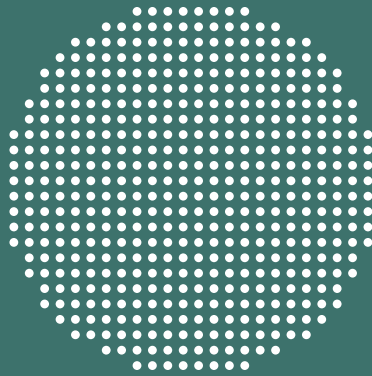
All photos in this report were taken by Julien Chichignoud (<https://frame.kitchen/>).

## FOOTNOTES

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