Gender Equality in Australia’s Tax and Transfer System ASSA Workshop

Tax and Transfer Policy Institute (TTPI), Crawford School of Public Policy
The Australian National University, Canberra
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Convenors: Miranda Stewart (ANU), Peter Whiteford (ANU) and Marian Sawer (ANU)

Themes and Participants

The Workshop investigated gender equality in Australia’s tax and transfer (social security) system in light of broader policy goals. The two day program explored how taxes and transfers affect equality of wellbeing, the distribution of benefits and burdens along gender lines and how gender norms affect the design of Australia’s tax and transfer system with significant implications not just for women but for Australian society as a whole. The Workshop examined four themes:
(1) the contemporary fiscal state and its gender impact;
(2) the effect of the tax and transfer system on work, care and capabilities of women;
(3) taxes and transfers and saving and retirement provision for women over the lifecourse;
(4) gender impact analysis in fiscal policy making and reform.

Twenty experienced and early career researchers from social science disciplines of economics, law, social policy and political science participated. In addition to the Australian researchers, Professor Kathleen Lahey of Queen’s University, Canada, participated and gave a Public Lecture entitled ‘Tax and transfers policies and sex equality: what Australia, Canada and the UK should learn from experience’. Professor Lahey’s lecture, funded by the ANU Gender Institute and TTPI, provided an international context and illustrated the role of gender budget analysis with a particular focus on tax and transfer policy approaches. Participants also attended from the Productivity Commission, Office of Women (Department of Prime Minister and Cabinet) and Department of Social Services as well as other researchers and doctoral candidates from the ANU and representatives of non-government organisations, the National Foundation for Australia Women and the Equality Rights Alliance.

Gender Equality and the Fiscal State

Presenters in this theme addressed the gender implications of the recent decline in tax revenue collections; the current bipartisan cap on tax as a percentage of GDP; austerity approaches to transfers in the social security system; a shift of the tax base from income to consumption; and large tax expenditures leading to erosion of the tax base. The Workshop was held after the Abbott-Hockey Government commenced a White Paper tax reform process to report by 2016, five years after the Henry Review (2009) did a comprehensive review of the tax and transfer system. The McClure Welfare Review reported in 2014, and the government is pursing an investment approach’ to welfare and is likely to propose changes to various aspects of the retirement incomes system. These reform processes all have gender equality implications. They all take place in an era of fiscal constraint and global tax competition, changing demographics and slowing productivity growth, which pose challenges to funding government that inevitably have gendered consequences.

In opening the workshop, Marie Coleman AO, drawing on her long experience at a senior level in government and current engagement with the National Foundation for Australian Women, provided a short address in which she stressed the need to advance gender equality by finding practical solutions focused specifically on improving and monitoring policy outcomes in Australia. What appears to be poor government  

policy, not based on data, includes the recent proposed changes to paid parental leave without analysing the harsh impact on low income groups or categories of recipient. Marie Coleman especially emphasised the need for good data to support policy and for public access to government data including by women’s groups and other NGOs seeking to do gender impact analysis.

Miranda Stewart of TTPI, ANU provided an analytical framework of capabilities for gender equality research on taxes and transfers as one possible approach that addresses women’s wellbeing across the lifecourse. A particular element that Nussbaum highlights in considering women’s capabilities is the centrality of care and the need to share the cost of care equally. The Henry Review affirmed that Australia’s personal tax and transfer system is a fundamental part of Australia’s social and economic infrastructure for equity and support of capabilities of individuals and emphasised revenue sustainability for government spending, including transfers, but stated that a pro-growth policy must be adopted because Australia is a small, open economy operating in a globalized world. In our tax-transfer system, a key issue is the gendered distribution of work and care.

The next presentations provided historical, comparative and economic frames for the discussion. Marian Sawyer of the ANU summarized the historical backdrop of the tax unit in Australia, dating back to the late 19th century, and the history of key welfare payments such as the age pension. She highlighted the path breaking work of Meredith Edwards and others in the early 1980s about the tax and transfer unit. Building on both academic work and long-standing policy engagement in the Women’s Electoral Lobby, Sawyer situated gender equality analysis in Australia in a complex web of Australia tax and transfer policies over the course of the century. She called for a renewal of Australian commitment to best practise with respect to gender responsive tax, transfer and budgeting that comes early in the policy process, not after the fact, and also highlighted the data gap, including the cancellation of the ABS time use survey scheduled for 2013 (we continue to rely on 2006 data). Rhonda Sharp of Uni SA observed that Australia has slipped significantly behind other countries on gender budgeting, a topic on which Australia was a pioneer recognised globally during the 1980s and 1990s, in relation to both engagement and institutional support. Sharp highlighted recent developments in the UK and Scottish Women’s Budget Groups, working within and outside government, as well as the use of gender analysis in recent work in Penang, Malaysia supported by Nordic country aid. Equality, human rights and capabilities approaches must all work together to integrate gender perspectives into budgets and policies.

Patricia Apps of Uni of Sydney applied optimal tax theory to demonstrate the impact of conflicting policies on female capabilities through an economic lens, in an era of decline in Australia’s fertility rate from around 3.5 in the 1960s to 1.8 today, and a gap of 40% to 50% in labour supply during prime working age years of women. Apps focused especially on the negative incentive effects for work and saving of women as second earners in the household, in income taxation, the Goods and Services Tax (GST) and superannuation. The negative policy outcomes ultimately contribute to low female workforce participation leading to lower economic wellbeing, unfair tax burdens and gender inequality. In contrast, during the 1980s the Australian personal income tax was highly progressive and family payments were universal. The system ranked well in terms of gender equity and female labour supply incentives. During the Howard years, the progressivity of the rate scale declined dramatically and the individual as the unit of taxation was replaced by a system of “quasi-joint” family taxation. Today, many partnered mothers as second earners now face effective marginal tax rates that are well above the top rate on personal income and women, typically on lower pay, cannot gain equally from tax-advantaged superannuation or from the much-promoted expansion of the GST.

Work, Care and Capabilities of Women Over the Lifecourse

Researchers under this theme addressed the efficiency and equity implications for family configurations and women’s workforce participation, the impacts of childcare and other forms of care on female capabilities, family benefits and taxes on work and the gender implications of higher education tax and transfer settings.

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Guyonne Kalb of the Melbourne Institute, Uni of Melbourne, began by addressing the interrelated nature of issues affecting female labour force participation, analysing a number of policies, taxes and payments altogether, specifically the general income tax and social security system, family transfers, childcare and paid and unpaid parental leave. Australian policy goals and designs are inconsistent and this mismatch has a damaging effect on both women and society, as women (in families) make decisions under uncertainty. Australian tax and transfer policy remains incoherent and proposals for reform face constraints of cost to government. A societal investment in increasing female labour force participation would generate long-term returns both for individual women and collectively, including in reduced fiscal cost of age pensions, increased taxation revenues, productivity yields and reduced loss of human capital. Despite these obvious beneficial outcomes, current government policies are under-investing in achieving any such returns.

Sarah Voitchevsky of the Melbourne Institute presented work in progress on top incomes and the gender divide, analysing variations between female and male top incomes across jurisdictions. The research is part of a larger comparative project4 investigating women at the top of the distribution; paid employment and self-employment and other characteristics, using tax record data for a sample of 8 countries with individual taxation (ignoring capital gains). Women account for between a fifth and a third of the top 10%. Higher up the income distribution, the proportion is lower, with women constituting between 14% and 24% of the top 1%. The presence of women in top income groups has increased over time, but the rise becomes smaller at the very top. It is difficult to interpret the characteristics of women at the top of the distribution. A particular characteristic in Australia, which seems to be an anomaly in the data, is the presence of a larger cohort of women in the top 1% than in other countries and the presence of women with low salaries in that distribution, which may be an indication of income splitting among top earning households.

The next two papers in this session addressed the position of women who are often situated at the bottom of the income distribution in the tax and transfer system; sole parents. Peter Whiteford of the ANU explored the participation and equality amongst sole parents, of which women still make up over 85%. Whiteford surveyed the history of sole parent pensions dating to 1942 and presented evidence that suggests that poverty rates are strongly correlated with employment. Sole parents comprise 20% of families with children under 15 and the highest rates of child poverty linked to families whom have no paid employment. Joblessness for sole parents occurs at a rate almost twice as high as for the average working-age population. Since 2005, there has been a reduction of sole parent benefits but the employment rate of lone parents has risen from 40% to 55% from 1980 to 2012. This has led to higher incomes for a significant number of sole parents but those lone parents who remain reliant on government support, in particular Newstart unemployment benefit, have faced declining living standards. There is increasing inequality and heterogeneity in income among sole parents.

Ben Phillips of NATSEM at the University of Canberra, using the STINMOD model and ABS income surveys, presented a micro-simulation of the distributional impact of the Australian tax and transfer system for sole parent families compared to other families, based on a report prepared for Anglicare. The standard of living of sole parent families has grown by 8% less than that for couples with children. Phillips also confirmed the story of Peter Whiteford that living standards of lowest income sole parents are going backwards. Based on current tax and transfer policies for these families, and those proposed in the budget of 2014, these trends are expected to continue, and in fact worsen by the year 2024.

In the next three papers under this theme, attention was paid to reproductive work and care, including time and childcare funding and the impact of this across other policies, especially in a superannuation system. Julie Smith of the ANU discussed unpaid care work (household production) that is typically invisible in economic analysis and so is unnoticed or undervalued by policy makers. This distorts policy making in a way that actively contributes to gender inequality. Both caring work and breast feeding of infants are examples of this unpaid economic contribution. Mother’s unpaid investment in human capital has a cost to women, in lower income and security across the lifecourse, yet benefits society. Smith concluded that not only must we start to

4 with A. B. Atkinson Nuffield College, Oxford; INET, Oxford Martin School, A. Casarico Università Bocconi and Dondena, Milan; CESifo, Munich, S. Voitchovsky MIAESR, University of Melbourne and With: F. Alvaredo (INET), J. Modalsli (Statistics Norway), J. Sogaard (U. Copenhagen).
account for unpaid work, but we must recognise the tax and transfer policies that impact unpaid work; to ignore this fundamental area means that the government is retreating from human capital investment. There is a clear role for the state and social institutions to adapt to and modify the incursions of the market into the household care economy, to ensure quality human capital formation and future economic wellbeing.

Maria Racioneros and Huong Dinh of the ANU presented current research on the question, do mothers and fathers differ in the way they trade off childcare time for market time? They utilized the ABS 2006 time use survey and employing a system of censored regression equations of the time parents spend in development-oriented childcare, non-development-oriented childcare and market work. Mothers and fathers adjust their childcare time differently depending on which partner (father or mother) changes their time in market work, which childcare type (development-oriented or non-development-oriented) is considered and the age of the youngest child (less than 5 years or 5-14 years old). There is a gender difference in the way each member of the couple adjusts childcare time in response to an increase in his or her own or partner’s market time, which may need to be accounted for in policies to promote women’s workforce participation. A conclusion drawn out by discussion was the importance of incorporating household production in tax and transfer analysis.

Jenny Gordon of the Productivity Commission presented on childcare policy including the effect of the tax-transfer system.\(^5\) Parents and mothers in particular as the usual primary carer of young children, can face very high effective marginal tax rates in returning to work or choosing to work more hours. This arises from a combination of the loss of welfare payments, income tax, the out of pocket cost of childcare, and for some the restoration of Higher Education Loan Provision (HELP) debt repayments. Combined with the additional costs of working, some mothers derive little, if any, financial return from a return to work. Yet the decision not to work, or to work only a few hours, made on the basis of short-term returns can have long term consequences on the earning capacity of mothers over their lifetime. This impact is complex and a result of the system as a whole not just the tax system, including access to childcare and its cost. Getting the balance right is difficult. The Commission faced a revenue-neutral constraint as it sought to find a subsidy system that encouraged women to work, while ensuring that young children facing disadvantage could attend affordable early childhood care services.

Tim Higgins of the ANU presented on a potential policy of optional income contingent loans for paid parental leave. It is well recognised that 18 weeks paid parental leave (current policy) is not sufficient. Many parents do not have supplementary support to extend this 18 weeks (such as accrued leave, employer run schemes, funds and savings). Taking into account current fiscal conservatism, Higgins examined the viability of an extension through income contingent loans similar in some respects to the HELP system for higher education. Modelling demonstrates that this is viable from a fiscal cost and individual household or lifecycle perspective. The benefit of such a scheme meant parents who have few or no options beyond taxpayer funded schemes would be able to access such support. Discussion focused on the benefits and risks of income contingent loans and concerns about debt creation, inequality, poverty cycles and gendered burdens were raised. An interesting tension arises between a social rather than individual approach to the financing of female labour force participation and care responsibilities.

Mathias Sinning of TTPI presented research that emphasised the lifecourse for economic modelling, including joint research with Tim Higgins about the gender impact of income contingent student loans, and also separately presented his new research on the return to work (wages) for women and men of higher education. Modelling earning profiles of men and women using empirically sound HILDA data clearly indicates the pattern of irregular work and time out of the labour force. As a result, women are less likely to be able to repay their HELP/HECS debts. Expressed in terms of subsidy, the results indicate that women receive a 27% subsidy from the HELP scheme while males receive an 11% subsidy; of course, this is because women are not returning to work at the same level and are not earning equal wages. In terms of the benefits of higher education for work, Sinning’s data and modelling in his work in progress on lifecycle earnings indicates that men with higher education levels tend to have higher earnings but the same conclusion does not hold for women. Women with degree qualifications do better than those without, in terms of wages, but there is little

difference between those with honours and postgraduate degrees for women. Nor is there any difference between those without post-schooling education and TAFE/certificate holders.

**Saving, Assets and Retirement Provision in the Tax and Transfer System**

In general, women have less income and assets than men, and women’s wealth remains limited because female working life is interrupted by care responsibilities. Women’s limited asset portfolios and interrupted working lives imply that women derive fewer and smaller capital gains and benefit less from tax concessions. However, detailed data and analysis of women’s savings and asset positions to date is limited and the link between women’s work and saving warrants further exploration.

**Rhonda Sharp** of Uni SA returned us to the theme and approach of gender impact analysis in the specific context of analysing Australia’s retirement income and saving policies.6 This clearly shows that Australia’s current system of retirement saving harms gender equality and is inefficient. The analysis aims to examine the effect of policy on paid and unpaid economies. Similar labour hours are spent in both economies, with unpaid hours being estimated at 21.4 billion in 2009-10, with an imputed value of $650 billion.7 Superannuation in the retirement incomes system only interacts with the paid economy and the tax concessions magnify inequities in paid work and participation. In contrast, the age pension is distributed relatively evenly across paid and unpaid work contributions and does not reinforce the unequal distribution of market returns. Within households, the superannuation system concentrates household money and power in the hands of the primary earner. An approach that reinstates the age pension as the central pillar in the retirement income system would better reflect the distribution of unpaid work over the lifecourse and would alleviate gender inequality.

**Helen Hodgson** of Curtin Uni presented a comparison of retirement income systems of Australia, New Zealand and Singapore. Hodgson argued that the Australian system based on work contributions and voluntary saving is of most benefit to those on high incomes with stable earnings over the lifecycle. This is not statistically a typical female work experience. Combining contributory and non-contributory retirement systems can increase adequacy of payment, the gender inequity of a work-based system is clear. However, the UN concludes social pensions are vital for reducing older women’s poverty, that both household members should be entitled and that eligibility and benefit formulae of contributory pension schemes need to be adapted to recognise women’s lifecourse and carer roles.8 Comparing Australia with New Zealand, the latter has a much lower gender savings gap at retirement between women and men – although increasing with the new Kiwisaver system – but overall, adequacy of incomes in retirement is lower in NZ. The low income superannuation contribution can assist, however spousal contributions are generally not helpful. Interestingly, the gender profile of self-managed super funds in Australia is different; it is at the higher end of the distribution, half members are female with substantial average balances.

**Siobhan Austen** of Curtin Uni presented work in progress with Rachel Ong and Gavin Wood, on housing and retirement incomes, specifically the impact of including the home in the age pension means test, a proposal currently on the policy agenda. Home ownership is at the core of the current Australian retirement income system, whether that is superannuation or the age pension. The research problem is the “annuity puzzle” – why do households with large value assets in the home not draw down on this equity for retirement incomes? The preliminary results of modelling using HILDA data and the AHURI-Curtin 3G model indicate that including the home in the asset test would have a large impact – potentially affecting 2 million pensioners. This reflects the high rate of home ownership and high coverage of the age pension. More than half would face a decrease in their age pension and more women than men would be affected negatively; a lot of people face income stress but live in valuable homes. Single women would be hit especially hard although the amount of income loss would be greatest for single men (who have higher value homes). A lesser, partial inclusion of the home in the pension would affect fewer people but would generate much less fiscal saving.

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The workshop concluded with a panel including researchers and government officials who lead a discussion on how to engage gender analysis, evaluation and research insights into policy processes with implication for women and Australian society as a whole. The panel was chaired by Miranda Stewart and included Kathleen Lahey (Canada), who presented on comparative lessons from Canada, Meredith Edwards (University of Canberra) and Troy Sloan (Director of Social Policy, Prime Minister and Cabinet).

Meredith Edwards focused on key process issues that are relevant in developing and implementing gender impact analysis. First, context matters. Australia has international obligations, in particular about workforce participation and children, in the G20 and OECD, CEDAW and Sustainable Development Goals. Identifying the problem and what data and evidence can be brought to its analysis, is critical. There is a role for international comparisons with approaches of other countries. Currently, Australia is equal last (with Slovakia) on gender impact analysis indicators. Dialogue between researchers and policy makers is also critical. Networks, relationships and strategic cross-sector collaboration are vital. Tying any policy agenda – including gender equality policies – to a government’s current agenda is likely to improve results. We must be politically pragmatic while being cautious about going backwards in key indicators.

Troy Sloan agreed that a focused effort is needed for the Office for Women to find the right balance between government and the non-government women’s sector and the next steps in this government-NGO-researcher relationship. He highlighted the shift of the Office of Women to DPMC, giving it a coordinating role, and called for further collaboration in gender analysis.

There was a lively discussion about direction and next steps following the four themes of the Workshop. Through linking research, policy and practice the workshop enabled discussion about potential policies that would contribute to the capabilities of females, helping decision makers meet such challenges. A key issue raised in discussion was the need to re-introduce the expertise and training mechanisms for integrating gender analysis across government departments. This called for combining effective consultation and evidence-based policies from inside government, given especially the inadequacy of funding, resources and access to data of external volunteer organisations such as NFAW.

Debate centered on three areas: (1) the nature and extent of critical engagement from a gender perspective of government policy, requiring data and evidence, and including academic outputs. It was agreed that contributors would aim to produce a research book, that continue to build the theoretical and empirical analysis; (2) The prioritisation of specific policy goals and reinstatement of gender analysis in key areas; (3) the question of how to engage with government. There was general agreement with the proposal of Meredith Edwards for a round table of researchers, NGO and government representatives to take the agenda forward.

I am grateful for all of the energy, enthusiasm and vital contributions of the Workshop participants and look forward to continuing the output and engagement in the field.

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