The principles of GIA and their application to an analysis of Australia's retirement incomes and savings policies

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This presentation

- Sets out key principles of a gender impact analysis (GIA and identifies a number of features of Australia's retirement income and saving system that have gendered impacts. We argues that a GIA shows that the current savings and retirement income policy settings harm gender equality and are inefficient.

- The presentation is based on:

  Siobhan Austen, Rhonda Sharp and Helen Hodgson, (forthcoming 2015) 'Gender impact analysis and the taxation of retirement savings in Australia' *Australian Tax Forum*

Background

- We draw upon Sue Himmelweit's published work on GIA principles and their application ' Making visible the hidden economy: the case for gender impact analysis of economic policy' *Feminist Economics*, 8(1), 2002.
- GIA formed part of the UK Women's Budget Group (of of which Sue was a member) challenge to the 1999 introduction of the working families tax credit (WFTC) which highlighted many of the gender impacts of taxes and benefits.
- WFTC was designed to make employment pay and help reduce child poverty and the GIA revealed the contradictory impact of the policy highlighting that such an analysis would have informed a better policy design.
- The WBG argued the GIA showed a shift from the 'purse to the wallet' by paying the tax credit to the primary income earner. Their GIA and advocacy brought some changes.

Gender Impact Assessments (GIA)

- Examines the effects of economic policy on both the **paid** and the **unpaid economies** and disaggregates these effects by gender

While economic policy focuses on the paid economy the impact of policy settings on paid and unpaid work is important:

- There are strong links between economic performance and both paid and unpaid economies
- Unpaid work is vital for the production and maintenance of human capabilities relied upon by the formal economy
- Unpaid work (eg care labour) contributes to the provisioning of community needs and wants
- Unpaid hours was estimated 21.4 billion in Australia in 2009- 10 with an imputed value of $650.1 billion (Hoenig and Page 2012)
- Similar labour hours are spend in both economies- making time scarcity a crucial supplementary indicator (Craig and Mullen 2010)

GIA’s

- Are a **critical element of gender responsive budgeting** as it makes visible women and men’s (and different groups of women and men) different circumstances and economic contributions.
- The case for gender impacts assessments of taxation and spending policies is based on both **equity and efficiency grounds.**
- Gender matters to **efficiency** when men and women are systematically placed differently in the paid and unpaid spheres, hence face different constraints, assume different socially determined responsibilities and consequently are likely to behave differently in response to policy.

Principles of gender impact analysis

- The effects of policies on both the paid and unpaid economies must be assessed
- The gender distribution of the effects of policies in the paid and unpaid economies must be examined
- The effects of policies on gender equality both between and within households must be explored.

Source: Susan Himmelweit (2002) 'Making visible the hidden economy: the case for gender impact analysis of economic policy', *Feminist Economics*, 8 (1)

1. The effects of policies on both the paid and unpaid economies must be assessed

The cost of any incentives being provided to either paid or unpaid work should be justified and the consequences of reducing production in one sector to increase it in another should be assessed.

- Eg if unpaid time burdens increase the effect on individual's opportunities to contribute to the paid economy must be assessed as does the consequences for the output of unpaid care when the effect is to encourage greater participation in the paid economy.
- Eg efficiency is not achieved with cost shifting from the paid to the unpaid.

2. The gender distribution of the effects of policies in the paid and unpaid economies must be examined

Policies that improve the conditions of those who participate in paid work and neglect the contribution to production made through unpaid work can harm gender equality:

- 2006 Australian time use data shows men 's daily average is 4.33 hours on paid work and 2.52 hours on unpaid work with women spending 2.21 hours of paid work and 5.13 hours on unpaid work

Do policies:

- reinforce all breakdown the gender division of labour between paid and unpaid work?
- promote or undercut equality within paid work-do any changes in unpaid work responsibilities effect the conditions under which men and women enter the labour market?
- promote sharing of unpaid work?
- (ie follow the 3R's- Recognise, Reduce and Redistribute in relations to Unpaid work)

3. The effects of policies on gender equality both between and within households must be explored.

There are pitfalls in assuming that men and women who share household have identical interests and share resources equally- in couple households the distribution of resources is not always equal, commonly influenced by perceptions have the financial contribution of different household members.

Do policies

- examine what the gender composition of households that are gaining and losing from the policy changes?
- consider how are men and women faring within their households with respect to money, work and power?

Australia’s retirement income and savings policies

Described as a three pillars model:

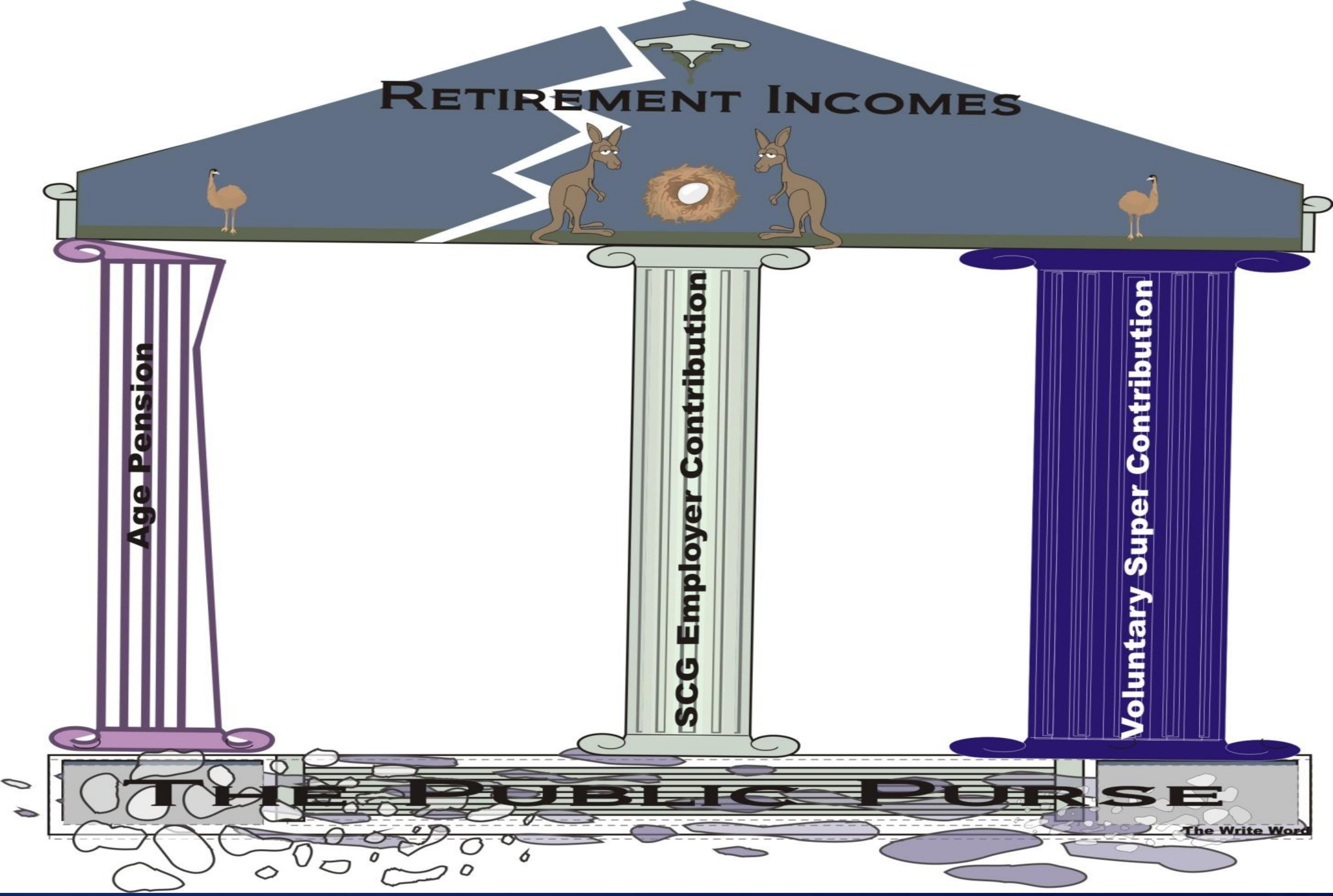
- A mandatory superannuation system (SGC)’s with significant tax concessions (ttE)
- An age means tested (safety net) pension (family home exempt)
- Private savings (tax concessions encourage merging with superannuation)

Relative costs to the public purse

Retirement savings tax concessions (tax expenditures) costs:

- estimated at \$39 billion- \$ 16.3B for the contributions tax concessions and \$13.4B for the superannuation entity concessions (Treasury 2013-14)
- are generous by OECD standards (Disney 2009)
- expected to be valued at 48.5 billion in 2017 – 18

The cost of the age pension in 2017-18 is est. \$49.7B .


RETIREMENT INCOMES
Age Pension
SCG Employer Contribution
Voluntary Super Contribution
THE PUBLIC PURSE
The Write Word

Context - existing higher levels of gender-based income and wealth inequality

- a **gender pay gap** favoring men of 18.2% (ABS Nov 2014 shows men on average earn $283.20 per week war from their full-time paid work then women)
- large **income gap** with women's share of total income at 37% for decades (Austen and Redmond 2008)
- substantial gender **wealth disparities** with single Australian men in 2010 having average levels of wealth 22.8% higher than single women (Austen et al 2015)

Important to identify existing gender inequalities and look at the policy to see what a policy alternative does to reduce or increase gender inequalities. Often there are contradictions to begin with that the new policy does not address.

Gender equity and superannuation pillar

Superannuation:

+ only interacts with the paid economy
+ adds to gender inequality because contributions are directly linked to earnings (women's lower pay, hours of paid work and broken work's reduce their ability to accumulate superannuation assets)
+ impact is to transpose high levels of gender inequality among men and women of working age into high levels of gender-based inequality among older Australians

Tax expenditures magnify the negative effects of superannuation on gender inequality

Gender impacts occur on each part of the ttE system

- **Concessional contributions** are proportional to the amount of the contribution and the contributor's marginal tax rate:

  - 50% of these super tax expenditures benefit individuals in the top two tax groups (29% men and 14% women)

  -no tax advantage on contributions for individuals in the lowest tax bracket (33% women and 22.6% men)

  -women less likely liable for income tax

Tax expenditures magnify the negative effects of superannuation on gender inequality

A**ccumulations and disbursements** the value of the tax concession is proportional to the superannuation balance:

- average super balances for women is less than half that men and 34.6% of women and 26.1% of men have no superannuation (Clare 2104)

Gender equity and age pension pillar

Age pension:

Does **not** reinforce the distribution of income and wealth associated with the performance of paid and unpaid work

- age pension payments are capped and distributed relatively evenly with the largest amounts available to those with relatively small assets (outside the family home) and low market incomes
- women comprise 55.7% of all Australian age pension recipients and 60.8% of age pension recipients on the maximum rate (DSS 2012)

Attempts to limit access to the age pension and its level can be more detrimental on average to women thus reinforcing gender inequalities.

Incentives and retirement savings and incomes policy

Generally a lack of incentives for women with children to participate in paid work (whose labour supply is relatively elastic) impedes private retirement savings.

Contradictions in policies (Apps, Rees and Wood 2007) can have behavioural impacts that reduce labour force participation and retirement savings:

- -tax subsidies to encourage savings for retirement, but
- -family tax benefit policies that shift the tax unit to a joint or family based policy reduce the financial incentive for second earners (commonly women) in families with children to undertake paid work through imposing high effective marginal tax rates (before childcare costs).

GIA highlights the current policy settings create disincentives for women with children to participate in paid work with negative implications for their retirement savings.

GIA and households

Effects on older single women households:

- make up the majority of households dependent on the full age pension with twice as many single women depending on the full age pension as men
- particularly vulnerable to poverty with policy changes that restrict the growth in age pension rates an increase eligibility limits
- have low wealth portfolios compared to single men

GIA and households

Intra-household effects in couple households:

- super concentrates household money and power in the hands of the primary earner with super accounts 'owned' by their contributors (compared to the age pension which is paid separately to individuals in couple households).
- the distinction is important when there are potentially fundamental differences between men and women's interests and resource allocation in older households.
- women's power in household decision-making is correlated with employment hence to the extent that policy settings provide disincentives for work then decision-making in older couple households will not be equal.

GIA and policy alternatives

- Co-authors, Helen Hodgson and Siobhan Austen, will take up the discussion of policy alternatives.
- Decades of neo- liberal policies have shifted the gender equality goalposts. An emphasis on tax concessions, means tested and highly targeted benefits pose barriers for women and men to participate equally in the paid and the unpaid economies. The second income earner (usually women) faces disincentives from high EMTR's around paid work and those with care responsibilities (more often women) face rising time burdens with government cut backs in services. These inefficiencies and inequities have produced a savings and retirement income system in need of reform.
- Suffice to say that re-establishing the age pension as the central pillar Australia's retirement income system and recasting the system to better reflect the importance of unpaid work over a lifetime and how to appropriately combine it with paid work is crucial.


HEY! WHAT ABOUT FILLING UP THE AGE PENSION VAN??
?
TAX CONCESSIONS $
SLOSH!
DRIP!
WOMEN AND LOW-INCOME EARNERS
GOV.
HIGH-INCOME EARNERS


WHEN I GO DOWN, I'M TAKING THE ECONOMY WITH ME
AGED CARE FACILITY
Macca