

# *Gender impact analysis and the taxation of retirement savings in Australia*

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## **Abstract**

*Gender impact analysis of the tax transfer system makes gender issues in policies and budgets visible and enables their complexities to be revealed. By doing so, it facilitates the development of more equitable and efficient alternatives. This article provides a gender impact analysis of Australia's taxation and expenditure arrangements for superannuation and the age pension. By including both paid and unpaid work in the analysis, it identifies a number of critical features of the tax and transfer system that foster gender inequality. The article concludes that the gender impacts of the current policy on retirement savings and income should be addressed through a range of policy and budgetary changes. In particular, it advocates re-balancing the resourcing of superannuation tax concessions and the age pension, improving the rate of the age pension and removing the existing barriers to women's workforce participation that have been created by the income tax/family benefit system, including high childcare costs.*

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## 1. Introduction

Australia's policy on retirement savings and income has a long history and shares several milestones with the *Income Tax Assessment Act 1915* (Cth) (ITAA 1915). The age pension actually pre-dates the ITAA 1915. The *Invalid and Old Age Pensions Act 1908* (Cth) provided all Australians aged over 65 with a pension, subject to a means test.<sup>1</sup> The ITAA 1915 itself provided for tax deductibility of employer contributions to superannuation made on behalf of an employee<sup>2</sup> and contributions to personal superannuation of up to £50.<sup>3</sup> Superannuation fund earnings were also exempted from taxation by the Act.<sup>4</sup>

If we apply a gender lens to this early legislation, we can see that some aspects responded implicitly to the economic positions and interests of men. Most notably, the tax deductibility of contributions to superannuation were primarily relevant to employees, and especially those with access to employer contributions and/or the ability to save privately for their retirement. Around the time of the ITAA 1915, the large majority of employees were men. Indeed, the initial Census of the Commonwealth of Australia in 1911 counted ("exclusive of full-blooded aborigines") 1,566,876 male "breadwinners", and only 394,719 female breadwinners.<sup>5</sup> As a corollary, there were 924,500 women aged over 20 years who were dependent on "natural guardians" (lawful parents) as compared to only 3,451 men. With employer superannuation contributions largely restricted at that time to professional employees, we can also note that there were almost twice as many men (91,638) in this group than women (52,973). These gender differences were embedded by the Commonwealth Court of Conciliation and Arbitration, which established a male basic wage in the 1907 Harvester judgment<sup>6</sup> but did not establish a basic wage for women until 1919, at only 54% of the male basic wage.<sup>7</sup> Also a "marriage bar" excluded married women public sector employees from permanent positions, further serving to disqualify women from superannuation

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1 There was also a character test, and a man who deserted his wife was not eligible for the pension.

2 S 18(j) ITAA 1915.

3 S 18(g) ITAA 1915.

4 S 11(f) ITAA 1915. The Commonwealth's use of its taxation power to control superannuation funds, evident from the beginning, was consolidated by the High Court decision in *Fairfax v FCT* [1965] HCA 64.

5 Australian Bureau of Statistics, 2011, *Census of the Commonwealth of Australia, 1911*, Canberra: Australian Bureau of Statistics. Available at [www.ausstats.abs.gov.au/ausstats/free.nsf/0/672F01666C9728B9CA2578390013E61F/\\$File/1911%20Census%20-%20Volume%20III%20-%20Part%20XII%20Occupations.pdf](http://www.ausstats.abs.gov.au/ausstats/free.nsf/0/672F01666C9728B9CA2578390013E61F/$File/1911%20Census%20-%20Volume%20III%20-%20Part%20XII%20Occupations.pdf), Retrieved 16 May 2015.

6 *Ex Parte HV McKay* (Harvester case) (1907) 2 CAR 1.

7 *The Federated Clothing Trades of Australia v JA Archer & Others* (Clothing Trades case) (1919) 13 CAR 64.

schemes and undermining their capacity to save for retirement.<sup>8</sup> The eligibility criteria for the invalid and old age pension made it more relevant to the economic and social positions of women — and this was enhanced when, in 1910, the Governor General acted on the powers provided to him under the *Invalid and Old Age Pensions Act 1908* to reduce the eligibility age for women (to 60 years of age).

While it is perhaps not too surprising that the gender impacts of income tax and other policy settings did not feature in policy conversations in early 20th century Australia, it is inconceivable that they would be left out of the dialogue 100 years later. However, a full consideration of whether tax and policy settings promote or retard progress towards greater gender equity has, we argue, been lacking in recent debates over the taxation of retirement savings and income policy settings. A very crude measure of this is the absence of explicit references to gender equity (or, for that matter, gender or women) in key government documents that are framing the current debate.<sup>9</sup>

In response to the lack of visibility of gender issues in European public debates, a 2015 study estimated the gender pension gap favouring men for EU countries to provide a “headline” indicator of the problem. It identified an average gender pension gap for 27 EU countries of 39% for the 65 and over age group.<sup>10</sup> The researchers argued that unreformed retirement income systems based on the assumption of the male breadwinner, as well as policy reforms based on greater individualisation of rights, had failed to tackle differential gender entitlements to European pensions, and that these differences were not treated as an issue in their own right. The researchers also argued that gender issues in policies and budgets need to be made visible through public debate and research to enable their complexities to be grasped and alternative options generated.

In this article, we adopt a similar approach by undertaking a gender impact analysis of Australia’s current policies on retirement savings and incomes. In particular, we analyse the taxation and expenditure arrangements for superannuation and the

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8 The first ABS national survey of superannuation coverage was not conducted until 1974. It found only 34% of the workforce held membership of a superannuation scheme (36% male and 15% female). Furthermore only 24% of persons had coverage in the private sector compared to 58% in the public sector. See L Nielson and B Harris, 2010, *Chronology of superannuation and retirement income in Australia*, Parliamentary Library of Australia, p 3. Available at [www.aph.gov.au/library](http://www.aph.gov.au/library). Accessed May 2015.

9 The “Re:think” discussion paper by the federal Department of the Treasury contains a single reference to women, but only in the context of women’s labour force participation rates. (Treasury, *Re:Think: tax discussion paper*, March 2015). Stewart makes a similar observation about the final report of the Henry Tax Review, 2009: M Stewart, *Gender equity in Australia’s tax system*, 2009. Available at [www.law.unimelb.edu.au/files/dmfile/Stewart\\_Gender\\_Tax\\_Policy\\_20-11-091.pdf](http://www.law.unimelb.edu.au/files/dmfile/Stewart_Gender_Tax_Policy_20-11-091.pdf). Accessed March 2015.

10 G Betti, F Bettio, T Georgiadis and P Tinios, 2015, *Unequal ageing in Europe*, New York: Palgrave Macmillan.

age pension for their contribution to gender-responsive budgeting. We identify a large gender gap in superannuation that favours men and link this to a number of critical features of the tax and transfer system. Our aim is to help redress the current oversight of gender issues in policies and budgets by showing what could be achieved if the current discussion about retirement savings and income policies included a consideration of their gender impacts. The article starts with an overview of the background and general principles of gender-responsive budgeting and gender impact analysis. Section 3 summarises and then presents a gender impact analysis of Australia's current policies on retirement savings and income. The final section makes some suggestions for policy reform aimed at improved gender equity and economic efficiency.

## 2. Gender-responsive budgeting and gender impact analysis

Gender differences in economic activity exist in paid employment, unpaid work, income and wealth, consumption/savings and capabilities. These domains need to be taken into account in order to understand the impact of government expenditures and taxation on men and women and redress gender inequalities.<sup>11</sup> Gender-responsive budgeting (GRB) is a strategy designed to do this by mainstreaming a gender perspective in policies and budgets.<sup>12</sup> It is achieved by both ensuring analyses of the gender-differentiated impacts of government budgets (as measured in a gender impact analysis), as well as changes in budgetary decision-making processes and priorities.<sup>13</sup>

GRB is strongly supported at the international level.<sup>14</sup> IMF economist Janet Stotsky argues that GRB is “just good budgeting” as it seeks to capture positive externalities that occur with improvements in women's health, education and employment, noting that programs and policies that improve women's employment outcomes contribute to higher rates of economic growth.<sup>15</sup> In 2000, the UN General Assembly called on governments to “[i]ncorporate a gender perspective into the design, development, adoption and execution of all budgetary processes ... in order to promote equitable,

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11 K Barnett and C Grown, 2004, *Gender impacts of government revenue collection: the case of taxation*, Commonwealth Secretariat: London.

12 See R Sharp, 2001, “The economics and politics of gender-sensitive budget analyses”, (2001), 61(236) *Investigacion Economica*.

13 D Elson and R Sharp, “Gender-responsive budgeting and women's poverty” in S Chant (ed), *Handbook on gender and poverty*, Edward Elgar, London, 2010, p 522.

14 See, for example, D Elson, 1998, “Integrating gender issues into macroeconomic policy”, *Journal of International Development*, 10, 929–41; M Rubin and J Bartle, “Integrating gender into government budgets: a new perspective”, (2005) 65 *Public Administration Review* 259–272.

15 J Stotsky, 2006, *Gender budgeting*, International Monetary Fund Working Paper 06/232, Washington, DC: IMF, p 3.

effective and appropriate resource allocation and establish adequate budgetary allocations to support gender equality".<sup>16</sup> In 2014, the World Bank and UN Women launched an initiative to support finance ministers to promote "financing for results".<sup>17</sup>

Australia should be a leader in GRB as it has an important place in the history of these initiatives. In the 1980s, the Australian federal, state and territory governments were the first in the world to scrutinise their annual budgets for their impact on women and girls and gender equality, and to publish a "Women's Budget Statement" (WBS) as one of the budget papers.<sup>18</sup> The WBS of the federal government continued in some form under both Labor and Coalition governments for 30 years until PM Tony Abbott, as Minister for Women, failed to publish a WBS as part of the 2014-15 Budget documentation.

This is not to deny that Australia's GRB efforts experienced some problems. Critics argue the WBS varied in quality over time and increasingly served as an advertisement of the government's achievements for women's choices (the expressed goal of Coalition Governments) and gender equality (the expressed goal of Labor Governments), rather than useful gender impact analyses or effective mechanisms for change.<sup>19</sup> However, Sharp and Broomhill argue that Australian Governments continued to publish an annual WBS because they recognised women as an important political constituency with gender issues potentially having an influence on public policy debates.<sup>20</sup>

What is of particular concern is that following the abolition of the WBS in 2014-15, no alternative commitment has emerged to undertake gender impact analyses (GIA)

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16 UN General Assembly resolution S-23/3, annex.

17 See D Elson, 2014, *Gender responsive budgeting: achievements and future perspectives*. Available at [http://wu.ac.at/fileadmin/wu/d/i/vw3/Public\\_Conf\\_Key\\_Note\\_Diane\\_Elson.pdf](http://wu.ac.at/fileadmin/wu/d/i/vw3/Public_Conf_Key_Note_Diane_Elson.pdf). Accessed June 2015.

18 R Sharp and R Broomhill, 2013, *A case study of gender responsive budgeting in Australia*, London: Commonwealth Secretariat.

19 See, for example, S Maddison and E Partridge, 2007, *How well does Australian democracy serve Australian women?* Canberra: Australian National University; R Sharp and R Broomhill, 2002, "Budgeting for equality: the Australian experience", *Feminist Economics*, 8(1), 25-47.

20 Above, n 18. One indicator of the power of the women's movement in having a voice about policy and resources has been a well-resourced and strategically placed Office for the Status of Women. Under the Howard Coalition Government in particular, the Office for the Status of Women became less influential in setting policy as a so-called post-feminist agenda rose in prominence. In 2004, the Office for the Status of Women was renamed the Office for Women, downsized and transferred to the Department of Families and Community Service. The WBS was accordingly downgraded because it had relied on the coordinating policy power of the Office for the Status of Women in the Department of the Prime Minister and Cabinet to engage line departments with the process. The idea was promoted that there was no longer any need for gender-specific action and instead the rhetoric of choice and "family values" became common. The Rudd and Gillard Governments revived the WBS but maintained the Office for Women and its location.

of policies and their expenditures and revenues. This is detrimental to both equity and economic efficiency. GIA is positive for equity by making visible, and contributing an understanding of, the different effects of policies on men and women. This visibility and understanding is important to ensuring that any new policy does not exacerbate existing gender inequality. It can also help guide the evaluation of policy alternatives by identifying those policies that, among their various other attributes, help to reduce gender inequality. By making the gender impacts of alternative policies visible, political pressure on governments to improve gender equity is likely to increase.<sup>21</sup>

GIA can also play an important role in ensuring more efficient economic outcomes. This is because, due to their different economic and social positions, men and women have different behavioural responses to many economic policies. Men, due to the traditional male breadwinner role, are more likely to have only a limited ability/willingness to adjust their working hours when their (net) wage changes. Women, due to their different socially determined responsibilities, have, on average, lower paid work hours — and thus a greater ability to respond to changing (net) wage rates. Unless account is taken of gender differences of this type, policy is likely to be poorly targeted, and is unlikely to be effective in achieving its specified goals.

GIA requires appropriate tools of analysis and a conceptual framework that captures the complexity of gender impacts in different domains. A variety of methods can be used for GIA including gender-disaggregated beneficiary assessments, expenditure incidence analysis, tax incidence analysis, impact of the budget on time use and gender-aware policy appraisals. Expenditure incidence analysis (EIA) is likely to be familiar to many economists, and the ability to incorporate a gender perspective has been widely recognised.<sup>22</sup> However, this potential has not been acted on to any substantial degree. Demery observes that the majority of EIAs have overlooked gender “either as a cause of concern in itself, or as a means of interpreting the findings”.<sup>23</sup> A survey of the gender-disaggregated EIA literature undertaken by Glick, Saha and Younger found a mere five systematic studies of the gender differences in access to public services across income distributions.<sup>24</sup> Furthermore, the majority of these studies focused on developing countries. Similarly, tax incidence studies tend not

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21 S Himmelweit, 2002, “Making visible the hidden economy: the case for gender-impact analysis of economic policy”, *Feminist Economics* 8(1): 50-52.

22 For an overview, see S Austen, M Costa, R Sharp and D Elson, 2013, “Expenditure incidence analysis: a gender-responsive budgeting tool for educational expenditure in Timor-Leste?”, *Feminist Economics*, 19(4): 1-24.

23 L Demery, 2002, “Gender and public spending: insights from benefit incidence”, in K Judd (ed), *Gender budget initiatives: strategies, concepts and experiences – papers from high level international conference “Strengthening economic and financial governance through gender responsive budgeting”*, New York: UNIFEM, p 39.

24 P Glick, R Saha and S Younger, 2004, *Integrating gender into benefit incidence and demand analysis*, Food and Nutrition Policy Program Report, Ithaca: Cornell University, pp 39-64.

to be gender disaggregated, with the largest body of country case studies, albeit of developing countries, being published in 2010.<sup>25</sup>

Important recent work by Himmelweit has provided a framework for GIA that represents an advance on these existing approaches.<sup>26</sup> She describes three key principles of GIA.

- 1 Assess the effects of policies on both the paid and unpaid economies. 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.
- 2 Assess the gender distribution of the effects of policies in the paid and unpaid economies. Do the policies add to or reduce gender inequality? Do the policies promote or reduce the opportunities for economic autonomy and wellbeing for men and women?
- 3 Assess the effects of policies on gender equality both between households and within them. Do the policies adversely affect households with a particular gender composition? Do the policies reinforce or help to break down existing gender inequalities in the distribution of money, work and power within households?

In setting out these principles, Himmelweit highlights how, to be meaningful, a GIA must also go beyond a gender-disaggregation of formal economic activity and give full consideration to how policies might differentially impact on individuals involved in both the paid *and* unpaid economies. This is because, although both men and women participate in both economies, rates of participation still diverge strongly on gender lines.<sup>27</sup>

The importance of canvassing policy impacts on paid and unpaid work also derives from the strong links between economic performance and both paid and unpaid work. While less visible than its paid counterpart, unpaid work, such as caring labour performed for children and others in family situations, contributes in numerous and significant ways to the provisioning of community needs and wants. While the “value” of unpaid work is notoriously difficult to measure, an estimated 21.4 billion unpaid care work hours were performed in Australia in 2009–10, with an imputed value of

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25 See C Grown and I Valodia, 2010, *Taxation and gender equity: a comparative analysis of direct and indirect taxes in developing and developed countries*, NY: Routledge.

26 See n 21.

27 See, for example, L Craig, K Mullan and M Blaxland, 2010, “Parenthood, policy and work-family time in Australia 1992–2006”, *Work, Employment and Society*, 24(1), pp 27–45. Available at <http://dx.doi.org/10.1177/0950017009353778>.

\$650.1b.<sup>28</sup> Unpaid work is also vital for the production and maintenance of human capabilities relied upon by the formal economy.<sup>29</sup> It makes little sense, for example, for policy to encourage an increase in paid work if this involves a large sacrifice of “production” that currently occurs in the informal economy, or a sacrifice of the development of human capabilities. The latter point was acknowledged in the Henry Tax Review of 2009: “assistance should not encourage short-term choices which compromise the development of capabilities that offer potential medium to long-term improvements in a person’s well-being”.<sup>30</sup>

However, without GIA, too commonly unpaid work, and women’s economic contributions more generally, becomes invisible in the policy development process, with detrimental consequences for gender equity as well as efficiency. Gender equality is typically harmed by policies that improve the conditions of individuals who participate in paid work and neglect the contribution to production made through unpaid work. This is because paid work is much more the domain of men than it is of women, with the opposite being true for unpaid work. The most recent time use data (for 2006) shows that Australian men spend, on average, 4.33 hours on paid work activities, and 2.52 hours on unpaid activities each day.<sup>31</sup> The pattern of time use for women is almost a mirror image of this. On average, Australian women spend 2.21 hours each day on paid work activities and 5.13 hours on unpaid activities. The negative impacts of extended periods out of paid work — associated with large caring roles — on the lifetime income of women has been documented in a range of Australian and international studies.<sup>32</sup>

Of course, paid and unpaid work are not mutually exclusive. Men and women who are in paid employment also undertake a substantial amount of unpaid work. Thus, account must be taken of the unpaid work performed by individuals who are also in paid jobs. Craig and Mullen make this point by noting that parents who attempt to combine parenthood and paid work experience substantial time strains — with

28 SA Hoenig and A Page, 2012, *Counting on care work in Australia*, Report prepared by AECgroup. North Sydney: economic Security4Women.

29 See, for example, above, n 21, pp 52–53; M Stewart, 2009, *Gender equity in Australia’s tax system*. Available at [www.law.unimelb.edu.au/files/dmfile/Stewart\\_Gender\\_Tax\\_Policy\\_20-11-091.pdf](http://www.law.unimelb.edu.au/files/dmfile/Stewart_Gender_Tax_Policy_20-11-091.pdf). Accessed March 2015.

30 Treasury, 2009, *Australia’s future tax system. Final report to the Treasurer*, Canberra: Australian Treasury. Available at [taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs\\_reports.htm](http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs_reports.htm). Accessed June 2015.

31 Australian Bureau of Statistics, 2015, 4125.0, *Gender indicators, Australia*, Canberra: Australian Bureau of Statistics. Available at [www.abs.gov.au/ausstats/abs@.nsf/Lookup/4125.0main+features410Feb%202015](http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/4125.0main+features410Feb%202015). Accessed May 2015.

32 For an overview, see L Craig and K Mullan, 2010, “Parenthood, gender and work-family time in the United States, Australia, Italy, France, and Denmark”, *Journal of Marriage and Family*, 72(5): 1344–1361. Available at <http://search.proquest.com/docview/759964889?accountid=10382>. Accessed June 2015.



consequent impacts on their health and wellbeing.<sup>33</sup> They emphasise that, while “[s]ocial welfare has traditionally been measured in financial terms, ... time scarcity is a crucial supplementary indicator”.<sup>34</sup>

Craig and Mullen also highlight how this issue is gendered as mothers do substantially more childcare than fathers, even when employed.<sup>35</sup> Thus, policies such as cuts in public expenditures on childcare, eldercare and health care that shift caring responsibilities into the “private” domain will have a larger (negative) impact on women than men, including those living in dual-income families. Conversely, policies that result in improved childcare or eldercare facilities will tend to diminish gender inequalities in both income and wellbeing.

GIA that examines the effects of economic policies on paid and unpaid work also draw our attention to the division of labour within households. In doing so, they help policy-makers avoid the pitfalls of assuming that men and women who share a household (for example, as husband and wife) have identical interests and share resources equally. The weight of empirical evidence shows that the distribution of resources in couple households is not always equal as it is commonly influenced by perceptions of the financial contribution of different household members.<sup>36</sup> This evidence is supportive of policies that enhance the ability of women to participate in paid work — as paid work can enhance women’s bargaining power within their families and households. More generally, evidence on the unequal distribution of resources and power within households supports policies that take account of both the level of household income and wealth, and its gendered distribution within the household.

The Australian and international experience of family payments helps to illustrate and support these points. As Whiteford, Stanton and Gray explain, policy changes were introduced by federal Labour Governments in the 1970s, 1980s and early 1990s to address issues of gender equity and the distribution of income within families.<sup>37</sup> In 1976, an increased level of universal cash benefits paid to mothers replaced tax rebates for children, usually paid to the father. In the second half of the 1980s, income-tested family payments were redirected to mothers. At this time, child-related payments to

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33 Above, n 32.

34 Above, n 32, p 1345.

35 Above, n 32, p 1357.

36 A seminal paper is S Lundberg and R Pollak, 1996, “Bargaining and distribution in marriage”, *Journal of Economic Perspectives* 10(4): 139-158.

37 P Whiteford, D Stanton and M Gray, 2001, “Families and income security: changing patterns and related policy issues”, *Family Matters*, 60: 24–35. Available at <https://aifs.gov.au/sites/default/files/pw.pdf>. Accessed May 2015; see also H Hodgson (2014), “Progressivity in the tax transfer system: changes in family support from Whitlam to Howard and beyond”, *eJournal of Tax Research* 12(1): 218.

unemployed couples and others on income support, which had previously been made as part of the total payment made to claimants, usually fathers, were also redirected to mothers. In the early 1990s, one of the remaining forms of tax assistance for single earner couples with children was also made available in the form of a cash benefit paid to mothers.

Whiteford et al go on to explain how in 1995, the basic income support system was partially individualised so that women received assistance in their own right rather than as dependants of a male “breadwinner”.<sup>38</sup> The income-testing arrangements were also changed to move away from a “fully joint” evaluation of private income. However, changes introduced by the Coalition Government reversed this trend with detrimental effects on gender equity. Most family benefits were combined into a Family Tax Benefit Part A and Family Tax Benefit Part B, with the first part based on total household income, and the latter assessed on the income of a secondary earner.<sup>39</sup> This financially penalised families with dual full-time incomes, and created disincentives for mothers to take up paid work due to very high effective marginal tax rates.<sup>40</sup>

### 3. A gender impact analysis of Australia’s policies on retirement savings and incomes

There is scope — and an important need — to apply the principles of GIA to an assessment of Australia’s policies on retirement savings and income. The details of these policies are generally well understood. However, to date, GIA that examines the effects of the policies on paid and unpaid work have been lacking. This has limited the evaluation of the efficiency and equity of current policy settings.

Australia’s policies on retirement savings and income policies are part of a “three pillars” model for the retirement system: a mandatory superannuation system organised by a superannuation guarantee (SG) levy; an age pension; and private savings.<sup>41</sup>

Under the current policy settings, significant tax concessions are made available to superannuation, which encourages private savings to be merged with mandatory

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38 Above, n 37.

39 E Hill, 2007, “Budgeting for work-life balance: the ideology and politics of work and family policy in Australia”, *Australian Bulletin of Labour*, 33(2): 226–245.

40 P Apps, 2006, “Family taxation: an unfair and inefficient system”, *Australian Review of Public Affairs*, 7(1): 77–101.

41 Commonwealth of Australia, A plan to simplify and streamline superannuation: detailed outline, May 2006, p 1. Available at [http://simplersuper.treasury.gov.au/documents/outline/download/simpler\\_super.pdf](http://simplersuper.treasury.gov.au/documents/outline/download/simpler_super.pdf). Accessed June 2015.

superannuation. Indeed, Australia has what is known as a 'tE' system that taxes contributions to superannuation funds and income earned by the funds at a concessional (small 't') tax rate; whilst most disbursements from superannuation funds are exempt ('E').<sup>42</sup> In the Australian system, the age pension is increasingly regarded as a safety net, with income and assets testing applied to limit access.<sup>43</sup> However, the family home is excluded from the assets test, and home ownership is completely exempt from income tax.

Australia's approach to the taxation of retirement savings is generous in comparison to the benchmark of standard OECD tax treatments.<sup>44</sup> A 15% contributions tax is levied on amounts that have not been taxed prior to their contribution to a superannuation fund (this applies to SG contributions, voluntary contributions paid from pre-taxed income, and contributions where the member is able to claim an income tax deduction).<sup>45</sup> Non-concessional contributions, which are paid from income that has already been subject to personal income tax, are not taxed in the funds. A 15% tax rate is levied on income earned during the accumulation phase of a superannuation fund; that is, before the member retires and commences a pension. Pensions and lump sums withdrawn from a taxed superannuation fund are exempt where the member is aged over 60 years, and income within superannuation funds is exempt to the extent that the assets are used to pay a pension. Where a member of a fund who is aged under 60 years meets a condition of release, withdrawals from a taxed superannuation fund are taxed at concessional rates.

The generous tax treatment of retirement savings is costly, with the Treasury's own estimates putting this figure in 2013-14 at \$16.3b for the contributions tax concessions; and \$13.4b for the superannuation entity concessions.<sup>46</sup> The combined cost of the tax concessions is rapidly becoming similar to the cost of the system's other key pillar, the age pension, which had an estimated cost of \$39b in 2013-14.<sup>47</sup> By 2017-18, the

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42 From a fund that has paid tax. Untaxed funds, including some public sector funds, are subject to a different, although still concessional, tax regime.

43 These aspects were strengthened in the 2015 federal Budget where changes to the means test for the age pension removed access for couples with assets (outside the family home) of over \$823,000. See S Morrison, "Fairer access to a more sustainable pension", media release, 7 May 2015. Available at <http://scottmorrison.dss.gov.au/media-releases/fairer-access-to-a-more-sustainable-pension>. Accessed June 2015.

44 R Disney, 2009, "Issues in the tax treatment of pensions and housing". Available at [http://taxreview.treasury.gov.au/content/html/conference/downloads/conference\\_report/06\\_AFTS\\_Tax\\_and\\_Transfer\\_Policy\\_Conference\\_Chap\\_6.pdf](http://taxreview.treasury.gov.au/content/html/conference/downloads/conference_report/06_AFTS_Tax_and_Transfer_Policy_Conference_Chap_6.pdf). Accessed March 2015.

45 Specifically, a person who is self-employed who is not covered by SG contributions can claim an income tax deduction for personal contributions to superannuation.

46 Treasury, 2014, *Tax expenditure statements 2014*. Available at [www.treasury.gov.au/PublicationsAndMedia/Publications/2015/TES-2014](http://www.treasury.gov.au/PublicationsAndMedia/Publications/2015/TES-2014). Accessed June 2015.

47 Budget 2013-14, Social Services Portfolio. Available at [www.dss.gov.au/sites/default/files/documents/05\\_2014/2014-2015\\_dss\\_pbs.pdf](http://www.dss.gov.au/sites/default/files/documents/05_2014/2014-2015_dss_pbs.pdf). Accessed June 2015.

costs of the two schemes are expected to be approximately equal, at \$49.7b for the age pension and \$48.5b for superannuation concessions.

A gender impact analysis of retirement savings and income policies is important for reasons that extend beyond the significant fiscal outlays that these policies involve. The policies are “general policies” affecting all older Australian men and women.<sup>48</sup> Furthermore, the policies are relevant to an increasing proportion of the Australian community as the number of older Australian men and women is rising. Significantly, the policies are especially relevant to women, given that they comprise the large majority (65%) of the Australian population aged over 85.<sup>49</sup>

Following the approach recommended by Himmelweit, we assess the effects of the retirement savings and income policies on both the paid and unpaid economies.<sup>50</sup> We evaluate, first, whether the policies add to or reduce gender inequality, and whether they promote or reduce the opportunities for economic autonomy and wellbeing for men and women. The context for this discussion is the already high levels of gender-based income and wealth inequality. Among full-time workers, the gender pay gap favouring men is currently 18.2%; with men, on average, earning \$283.20 more per week from their full-time paid work roles than women.<sup>51</sup> The gender gap in *incomes* is larger. Australian women’s share of total income has stubbornly remained around 37% in recent decades.<sup>52</sup> Gender disparities in wealth are also substantial,

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48 A key tenet of gender budgeting is that “general policies and their budgets” (examples of which include retirement savings policies and age pensions), as opposed to programs designed specifically for women or men, have the largest influence on gender equality. See UNIFEM, 2000, *Progress of the world’s women*, New York: United Nations Development Fund for Women; R Sharp and R Broomhill, 1990, “Women and government budgets”, *Australian Journal of Social Issues*, 25: 1–14.

49 Australian Bureau of Statistics, 2013, 3222.0, *Population projections, Australia, 2012 (base) to 2101*, Canberra: Australian Bureau of Statistics. Available at [www.abs.gov.au/ausstats/abs@.nsf/Lookup/3222.0main+features52012%20\(base\)%20to%202101](http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/3222.0main+features52012%20(base)%20to%202101). Accessed May 2015. Individuals in this age group are relatively unlikely to have accumulated superannuation during their working life, which substantially predated the introduction of the superannuation guarantee.

50 Above, n 21.

51 Australian Bureau of Statistics, 2014, 6302.0, *Average weekly earnings, Australia, Nov 2014*, Canberra: Australian Bureau of Statistics.

52 S Austen and G Redmond, 2008, “Women’s incomes” in Australian Bureau of Statistics, 4102.0, *Australian social trends, 2008*, Canberra: Australian Bureau of Statistics. Available at [www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4102.0Chapter8002008](http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4102.0Chapter8002008). Accessed May 2015.

with single Australian men<sup>53</sup> having, on average, levels of wealth in 2010 that were 22.8% higher than single women.<sup>54</sup>

The superannuation pillar of Australia's retirement system adds to gender inequality because contributions are linked to earnings. Women's relatively low wages, together with lower hours of paid work and broken patterns of workforce participation, reduce their ability to accumulate superannuation assets.<sup>55</sup> Thus, because superannuation only interacts with the paid economy, it transposes high levels of inequality among working age men and women into high levels of gender-based inequality among older Australians.

The generosity of the tax expenditures on superannuation greatly magnifies the negative effects of a superannuation system on gender inequality. The groups most able to benefit from the tax expenditures on superannuation are high-income earners and those with flexible assets that can be moved into the tax-advantaged superannuation system. Because women are underrepresented in these groups, they receive a relative small share of the benefits of the increasingly large tax expenditures on superannuation.

Gender impacts are associated with tax expenditures on each part of the "ttE" system. The value of the concessional tax treatment of *contributions* to individuals is proportional to the amount of the contribution and the contributor's marginal tax rate.<sup>56</sup> Reflecting this, 50% of the tax expenditures on superannuation contributions flow to individuals in the top two tax groups,<sup>57</sup> while there is no tax advantage associated with making contributions to superannuation for individuals in the lowest tax bracket.<sup>58</sup> Gender impacts arise in this part of the ttE system because, due to their lower market earnings, the proportion of women in the top two tax brackets is less than half the proportion of men (14%, as compared to 29%).<sup>59</sup> A much higher proportion

53 Australian data collections do not permit an analysis of the gender wealth gap among partnered men and women.

54 S Austen, R Ong, S Bawa and T Jefferson, 2015, "Exploring recent increases in the gender wealth gap among Australia's single households", *Economic and Labour Relations Review*, 26(1): 3–28. Available at <http://elr.sagepub.com/content/26/1/3>. Accessed June 2015.

55 See, for example, T Jefferson and A Preston, 2005, "Australia's 'other' gender wage gap: baby boomers and compulsory superannuation accounts", *Feminist Economics*, 11: 79–101.

56 Contribution caps place some limits on these benefits.

57 R Clare, 2014, *The equity and sustainability of government assistance for retirement income in Australia*, Sydney: Association of Superannuation Funds of Australia.

58 Currently the low income superannuation offset is available to taxpayers earning less than \$37,000 per annum to ensure that superannuation is concessionally taxed. However, this has been repealed with effect from 2017: *Minerals Resource Rent Tax Repeal and Other Measures Act 2014* (Cth).

59 Taxation statistics 2011–12. Available at <http://data.gov.au/dataset/taxation-statistics-2011-12/>. Accessed April 2015.

of female taxpayers are in the lowest tax bracket (33%, as compared to 22.6% of male taxpayers). The negative gender impact of the expenditures on superannuation tax concessions increases further when account is taken of individuals (more commonly women) who are not in the paid workforce and, thus, are generally not liable for income tax.

Tax expenditures on superannuation accumulations and disbursements also have negative impacts on gender equality. Almost two-thirds of the tax expenditures on accumulations (which are uncapped) flow to individuals in the top two tax groups, where, as has already been noted, women are poorly represented.<sup>60</sup> For both accumulations and disbursements, the value of the tax expenditures is proportional to the balance of the superannuation account. However, the average superannuation balance of Australian women is less than half that of men, and a substantially higher proportion of women (34.6%) than men (26.1%) have no superannuation.<sup>61</sup>

In contrast to superannuation, the age pension pillar of Australia's retirement system does not reinforce patterns in the distribution of income and wealth associated with the performance of paid and unpaid work. Payments under the age pension are capped and subject to income and assets tests. As such, they are distributed relatively evenly, with the largest (but still very modest) amounts available to those with relatively small assets (outside the family home) and low market incomes. Women, more than men, are represented in these groups. Thus, the age pension helps to ameliorate gender inequality. Women comprise 55.7% of all Australian age pension recipients and 60.8% of the age pension recipients on the maximum pension rate.<sup>62</sup> However, increasingly attempts are being made to limit access to the age pension (for example, by raising the age requirements), and the level of financial support it provides (as witnessed, for example, by the 2014 proposals to tie adjustments in the age pension to the CPI, rather than changes in average weekly earnings).<sup>63</sup>

Returning to the key principles of GIA, our evaluation of Australian policy on retirement savings and income on the criteria of gender equity is negative. The shift in focus toward superannuation, and especially the large tax expenditures on superannuation, has exacerbated rather than reduced gender inequality. Generally,

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60 Above, n 59.

61 R Clare, 2014, *An update on the level and distribution of retirement savings*, Sydney: Association of Superannuation Funds of Australia.

62 Department of Social Services, 2012, Statistical paper no. 11, Canberra: Australian Government Department of Social Services. Available at [www.dss.gov.au/about-the-department/publications-articles/research-publications/statistical-paper-series/statistical-paper-no-11-income-support-customers-a-statistical-overview-2012](http://www.dss.gov.au/about-the-department/publications-articles/research-publications/statistical-paper-series/statistical-paper-no-11-income-support-customers-a-statistical-overview-2012). Accessed March 2015.

63 See, for example, "Joe Hockey flags changes to age pension, Opposition says that would break election promise" 2014, *ABC News*, 13 April. Available at [www.abc.net.au/news/2014-04-13/joe-hockey-flags-changes-to-age-pension-eligibility-age/5386828](http://www.abc.net.au/news/2014-04-13/joe-hockey-flags-changes-to-age-pension-eligibility-age/5386828). Accessed May 2015.

the policy settings are also contributing to higher levels of inequality in the incomes of older Australians.<sup>64</sup> Under the current policy settings, some retirees, and statistically more men than women, who have accumulated significant assets in superannuation will access large tax-free incomes in retirement and derive the benefits for health and care that this provides. Others, and more commonly women than men, will continue to depend on the age pension, which will deliver them an increasingly frugal existence. The superannuation-based policies promote the economic opportunities and wellbeing of those who have been able to participate successfully in paid work over their working lives. Due to their massive call on fiscal resources, these policies also reduce the scope for improving the age pension, and thus the opportunity to improve the economic autonomy and wellbeing of the many women and men who have been less able to participate in paid work and achieve high earnings.

Other principles of GIA are also relevant to the policy debate over retirement savings and income. For example, the lack of incentives for women with children to participate in paid work can be identified as a significant impediment to private retirement savings. As Apps, Rees and Wood observe, Australian policy is characterised by a contradiction between policy settings that provide tax subsidies to encourage savings for retirement and income tax and Family Tax Benefit policy settings that strongly reduce the financial incentive for second earners in families with children to engage in paid work.<sup>65</sup>

As noted earlier, while the individual is ostensibly the formal unit of assessment in Australia's income tax system, Family Tax Benefits Parts A and B shift the tax-transfer system towards a family unit-based system. The tax benefits impose very high effective marginal tax rates on second earners (most commonly women) in households. Part A is means tested and withdrawn at rates of 30% and an additional 20% if the family qualifies. When added to the marginal tax rate, these withdrawals can cause a second earner to lose 80–90% of gross earnings on returning to work, and this is before childcare costs are met.

Given that women's labour supply is relatively elastic, particularly when they have children, the policy settings have large negative effects on women's workforce participation.<sup>66</sup> Further, given that household savings are strongly correlated with the earnings of the second worker, the policy settings are negative for private retirement

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64 P Whiteford, 2011, "Are the rich getting richer and the poor getting poorer?", *Inside story*, 28 September. Available at <http://insidestory.org.au/are-the-rich-getting-richer-and-the-poor-getting-poorer>. Accessed March 2015.

65 P Apps, R Rees and M Wood, 2007, "Population ageing, taxation, pensions and health costs", *Australian Journal of Labour Economics*, 10(2): 79–97.

66 P Apps, "Taxation and labour supply", (2007) *Australian Tax Forum* 22(3): 89–116.

savings.<sup>67</sup> Our GIA thus also highlights that the current policy settings create *disincentives* for women with children to participate in paid work, with negative implications for their retirement savings. We can also note that the income test on the Australian age pension also discourages paid work by its recipients — and in this way restricts their opportunities for wellbeing.<sup>68</sup>

The final part of our GIA considers the effect on particular household types of Australia's policy on retirement savings and income, and its effects on the intra-household distribution of household money, work and power. One type of household that is particularly vulnerable in the current policy environment is households comprised of older single women. They make up the large majority of households dependent on the full age pension, with more than twice as many single women depending on the full age pension as men.<sup>69</sup>

Due to their current high rate of dependency on the age pension, older single women are particularly vulnerable to policy changes that restrict the growth in age pension rates and increase eligibility limits. As single women, much more than single men, often have a “wealth portfolio” that is heavily dominated by the family home, any moves to include primary home assets in the assets test for the age pension will have a disproportionate negative impact on them.<sup>70</sup> Due to their relatively low incomes, this group is also highly vulnerable to reductions in government spending on health, aged care, transport and other services.

The single age pension is meagre. Although it is intended to provide a basic acceptable standard of living, taking into account community standards, it is currently only indexed to 25% of male average weekly ordinary time earnings.<sup>71</sup> The Association of Superannuation Funds of Australia (ASFA) standard for a comfortable lifestyle

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67 P Apps, 2015, “Personal income tax rates, work and saving”, presentation to the *Looking forward at 100 years: where next for the income tax* conference, Tax and Transfer Policy Institute, ANU, 27 April.

68 Guest notes that workforce participation rates among “older” men and women in New Zealand are substantially higher due to the absence of income tests. He also cites survey data showing that a substantial number of age pension recipients who wanted to work had turned down part-time employment because they would have faced a cut in their pension. R Guest, 2013, *Comparison of the New Zealand and Australian retirement income systems*. Available at [www.melbourneinstitute.com/downloads/hilda/Bibliography/Other\\_Publications/2013/Guest\\_RI-Review-2013\\_Comparison\\_NZ\\_&\\_Aus\\_Retirement\\_Income\\_Systems.pdf](http://www.melbourneinstitute.com/downloads/hilda/Bibliography/Other_Publications/2013/Guest_RI-Review-2013_Comparison_NZ_&_Aus_Retirement_Income_Systems.pdf). Accessed May 2015.

69 Above, n 62.

70 See S Austen, T Jefferson and R Ong, 2014, “The gender gap in financial security: what we know and don't know about Australian households”, *Feminist Economics*, 20(3): 25–52.

71 Treasury, 2009, *Australia's future tax system*, Canberra: Australian Treasury. Available at [http://taxreview.treasury.gov.au/content/ConsultationPaper.aspx?doc=html/publications/Papers/Retirement\\_Income\\_Consultation\\_Paper/Chapter\\_2.htm](http://taxreview.treasury.gov.au/content/ConsultationPaper.aspx?doc=html/publications/Papers/Retirement_Income_Consultation_Paper/Chapter_2.htm). Accessed June 2015.



specifies a minimum income of \$42,158 for single people who own their own home;<sup>72</sup> however, the current full single age pension (including Pension Supplement and Clean Energy Supplement) only equates to around \$22,365. The age pension rate is closer to ASFA's standard for a "modest" lifestyle, which allows \$74.23 per week for food expenditures and \$38.06 per week for health.<sup>73</sup> Guest links the low level of the Australian age pension to the relatively high rate of poverty among older (over 64) Australians.<sup>74</sup>

In couple households, the redirection of fiscal resources away from the age pension and towards tax expenditures on superannuation creates further negative gender impacts by concentrating household money and power in the hands of the primary "earner". The age pension is paid separately to individuals in couple households. In contrast, superannuation accounts are "owned" by their contributors. These distinctions are important given that there are potentially fundamental differences between men's and women's "interests" in resource allocation in older households, associated with their different life expectancies. An individual's pure self-interest is to exploit all resources before they die, which will conflict directly (and significantly) with the interests of a surviving (and "dependent") spouse.

## 4. Summary

This article has reviewed the principles of gender impact analysis and applied them to a review of Australia's current retirement savings and income policies. The evaluation has identified significant problems with the policies' impact on gender equity and efficiency.

Our key areas of concern with current policy settings relate, first, to their negative effect on gender equality. The large tax expenditures on superannuation favour the economic opportunities and wellbeing of individuals with unbroken patterns of workforce participation and high earnings. Thus they add to, rather than correct for, the substantial gender pay and earnings gaps that characterise the Australian labour market.

The tax expenditures on superannuation have a high fiscal cost and have placed significant pressure on federal expenditure programs. The role of the age pension has been downgraded to a safety net for those unable to accumulate private retirement

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72 R Clare, "Spending patterns of older retirees: new ASFA Retirement Standard" – September quarter 2014, ASFA. Available at [www.superannuation.asn.au/policy/reports](http://www.superannuation.asn.au/policy/reports). Accessed June 2015.

73 ASFA, 2013, "Super system evolution: achieving consensus through a shared vision", ASFA white paper – part 4, May.

74 Above, n 68.

savings. It continues to help correct the skewed distribution of the tax expenditures on superannuation; however, the positive role that the age pension plays in promoting gender equality is being eroded.

A further general area of concern, identified in this GIA of Australia's retirement savings and income policies, are the impediments to private retirement savings by women with children. These impediments are the result of current features of the Family Tax Benefit system, in addition to high childcare costs. They highlight the problems that are brought about by poor policy integration — and a lack of focus on the opportunities for women to participate in paid work. The current design of Australia's retirement savings and income policies also discourage paid work by age pension participants, the majority of whom are women.

This GIA has identified particular vulnerabilities for older single women in the current policy environment. Women comprise the large majority of single age pension recipients. The low rate of the pension prevents them from achieving a basic acceptable standard of living, taking into account community standards, let alone a comfortable lifestyle. The group is highly vulnerable to reductions in government spending on health, aged care, transport and other services.

This GIA has also raised concerns about the further concentration of household resources in the hands of “breadwinners”. The redirection of fiscal resources toward superannuation negatively impacts on gender equality within households, and undermines the opportunities to pool longevity risk.

## 5. Conclusion

The gender impacts of current policy on retirement savings and income should be addressed in ongoing policy reviews. Looking forward, a number of policy changes are required. Fundamentally, there is a need to re-balance the resourcing of superannuation tax concessions and the age pension. This will require a substantial winding back of the tax concessions available for superannuation. ASFA's current recommendations are a good start as they include: lifetime caps for non-concessional contributions, in place of the current annual and three-year bring-forward caps; and the exclusion of very high account balances (eg those over \$2.5m) from tax concessions.<sup>75</sup>

Improvements in the rate of the age pension are necessary to bring it closer to community standards for comfortable living. Current policy frames the age pension as a safety net; as a fallback source of income for people who have not been able to save enough for their retirement. This is an individualised approach, which ties

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75 Recently announced ALP policy incorporates some of these recommendations.

retirement income to a person's earnings, consumption and savings "choices" over the life course. Apart from neglecting the strong economic arguments in favour of pooling longevity risk, the approach fails to take account of the unpaid contributions of women especially, both when they are younger (for example, in their roles as parents) and when they are older. The latter contributions are substantial (estimated at \$15.5b per annum),<sup>76</sup> and predicted to grow. The age pension should be re-established as the central pillar of Australia's retirement system and recast to better reflect the importance of unpaid work. One potential, suggested by Guest, is for the "citizenship dividend" aspects of the age pension to be re-emphasised.<sup>77</sup>

The barriers to women's workforce participation created by the income tax/family benefit system (including high childcare costs) need to be rectified. To further support the opportunities for women to save for their retirement, the low income superannuation contribution should be at least retained and the SG rate should be increased. The income tests on the age pension need to be eased to improve the opportunities for older women (and men) to participate in paid work.

Achieving these policy improvements is undoubtedly a difficult task. While our GIA has identified important concerns — and made some policy recommendations — it is not enough to bring about gender-responsive policy and budget changes. Achieving change will require attending to the political context and the institutional structures associated with retirement saving and income policies in Australia; the development of strategies to communicate the findings of this GIA and other related studies; and a clear understanding of relevant policy actors, their roles and the links between them.

New institutions, such as a re-established Office of the Status of Women, are important to ensure that information on gender inequality is brought to the realm of policy making. Australia achieved this in the past through the production of women's budgets and published budget documents that used a variety of printed and agency sex-disaggregated data. It also had a woman in the federal cabinet responsible for the government's policies and active civil society groups advocating what needed to change. It is imperative that we attempt this again.

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76 E Brooke, 2015, *Appreciating value: measuring the economic and social contributions of mature age Australians*, Brisbane: National Seniors Australia.

77 Above, n 68.

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