



Submission to the Henry Tax Inquiry – Retirements Incomes

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SUBMISSION SUMMARY

In its submission to the *Henry Inquiry* into the Future of Australia's Tax System, the National Foundation for Australian Women calls on government to reform the Age Pension by creating a centralised retirement insurance plan for low-income earners and increasing the single pension rate, and to introduce policies to encourage women to work such as a national paid parental leave scheme.

After receiving advice from respected economist Professor Patricia Apps and consulting widely with women and women's organisations, NFAW says that the single rate of pension (including the GST supplement) should be benchmarked at 30 per cent of MTAW and raised to 67 per cent of the couple rate.

This equates to an increase of approximately \$35 per week for single aged pensioners.

NFAW is also concerned that there are multiple systemic problems with current models of superannuation savings for lower income women, and calls for the Government to develop a centralised insurance plan for retirement income for low-income earners.

This could be designed to allow additional contributions from Government for those on short or long-term Government income support payments such as Carers' and Disability Support Pension, as well as employer and personal contributions.

Any new superannuation tax measures should discriminate in favour of low-income earners. This would not only allow the super savings of low paid women to grow much faster, it would in part compensate for the tax free final benefit provision which favour high earners.

We also regard the introduction of a national Paid Parental Leave scheme as essential to encourage better workforce participation for women. At an estimated cost of \$500m this would be less expensive than providing tax concessions to well off super savers.

Improving the current system of child care for children under school age, especially in relation to accessibility, quality and cost, and immediate enhancement of the current deplorable provision of out of school hours care and school vacation care for young school age children would also improve workforce participation.

Women's organisations that support the NFAW proposal include:

- Australian Federation of University Women;
- YWCA Australia; Women and Vocational Education;
- United Nations Association of Australia Status of Women Network;
- Queensland Working Women's Service;
- Northern Territory Working Women's Centre;
- Working Women's Centre South Australia;
- Association of Women Educators;
- Children by Choice;
- National Immigrant and Refugee Women's Association;
- Women's Information and Referral Victoria
- Conflict Resolving Women's Network Australia
- Pan Pacific and South East Asian Women's Association
- Aboriginal Law Reform Movement
- Women With Disabilities Australia
- Women's Information and Referral Victoria
- International Women's Federation of Commerce and Industry

Submission on retirement incomes

Background

1. The NFAW is a politically independent feminist organisation, which works in partnership with other women's organisations to achieve its aims. NFAW's aims are:
 - To advance and promote the interests of Australian women
 - To record and make accessible the histories of Australian women and
 - To ensure women's achievements are handed on to future generations.
2. We welcome the opportunity for consideration of the particular issues impacting adequate provision for retirement incomes for women generated by both the Harmer Review of Pensions, and the Henry Review of Australia's Future Taxation System, and their joint consideration by Government in the current Budget cycle.
3. We recognize the difficult economic times for the formation of new spending proposals in the Budget, just as we are aware of the dire circumstances of the many women who find that the Global Financial Crisis has had the impact of significantly reducing the value of their retirement savings.
4. It is in our view critical that the Government take the opportunity to both place current retired people on a more secure and adequate financial footing, and put policy options in place which will assist younger women to make appropriate provisions for the future. We will address particular policy options in a later section of this paper.
5. This submission represents the considered views of the NFAW, not the views of the many women's organisations and individual women who have been consulted in the process of developing the submission. That would not be possible to achieve. We have, however, sought to reflect the views of those who have responded to the extent possible.
6. The Submission's policy proposals have, however, been formally endorsed by some of these women's organisations.¹
7. We have benefited from the support and input of the four Alliances² of women's organisations which are financially supported by the Commonwealth Office for Women (and particularly WomenSpeak who managed the grant) and we thank the Office and the Minister for Women, The Hon. Tanya Plibersek MP, for making this process possible. We also thank the Australian Human Rights Commission for advice reflected in the submission.
8. We have also sought general public input through our web-site (www.nfaw.org) and stimulated interest and discussion through other electronic means such as

¹ Australian Federation of University Women; YWCA Australia; Women and Vocational Education; United Nations Association of Australia Status of Women Network; Queensland Working Women's Service; Northern Territory Working Women's Centre; Working Women's Centre South Australia; Association of Women Educators; Children by Choice; National Immigrant and Refugee Women's Association; Women's Information and Referral Victoria; Conflict Resolving Women's Network Australia; Pan Pacific and South East Asian Women's Association; Aboriginal Law Reform Movement; Women With Disabilities Australia; Int. Women's Federation of Commerce and Industry.

² Australian Women's Coalition; Rural Women's Coalition; Security for Women; WomenSpeak Network.

bulk emails to lists comprising over six thousand women, and a discussion group on Facebook.

9. In addition to the skilled support of the National Foundation for Australian Women's own committee members, we commissioned an expert paper on women and retirement incomes from Professor Patricia Apps of the University of Sydney and subsequently sought views on her policy analysis.
10. That paper is at Attachment A.

Why a specific women's perspective is required

11. Women are disadvantaged by the current superannuation system because of its links to paid work and level of earnings over the individual's life time. As women have disrupted work patterns due to caring responsibilities, and lower earnings over their life times, they accumulate significantly less retirement savings compared to men. The increasing casualisation of the workforce also impacts on women's retirement savings.³

*While there was significant growth in real incomes (i.e. income adjusted to remove the effects of price change) during the decade between 1995-96 and 2005-06, there was very little change in the distribution of men and women across the gross personal income quintiles ... Another reason why the growth in women's employment did not translate into improvements in their position on the distribution of gross income during the last decade is that employment growth was concentrated in part-time jobs.*⁴

12. Current figures show that women's superannuation balances are less than half of those of men.⁵

13. As a result, many women are solely or largely reliant on the Age Pension in retirement. The aim of the Age Pension is to provide a safety net against poverty in retirement.⁶ But the Age Pension does not provide an adequate level of living when compared to even modest expectations (see ASFA/Westpac retirement living studies surveys⁷). Currently, women make up 58%⁸ of Age Pensioners and 73% of those on the single Age Pension rate.

14. Recent media reports suggest a rapid growth in successful claimants for the Disability Support Pension (DSP), of whom many are women.

*The rising cost of the scheme has been driven almost entirely by a surge in the number of female disability support pensioners following the closure of other payments, including the phasing out of widow and partner allowances. Government figures show about 4.5 per cent with working age women are now receiving the pension, compared with about 1.5 per cent in the early 1990s.*⁹

15. The percentage of women in employment in every age group has risen steadily since 1999. So has the percentage who are partnered. There is some continuing growth in DSP numbers due to the changing age structure of the population with more people in their late 50s early 60s. Otherwise the growth is due to women moving from other payments, including parenting payment.

16. Some writers have expressed concern about the apparent growth in Age pensioners. The growth in age pensioners is partly to do with women's age pension age being 63.5 compared with 65 for men, and women's greater

³ <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4102.0Chapter8002008>

⁴ *ibid*

⁵ R. Clare, Retirement Savings Update (2008)

⁶ Australian Government, Australia's future tax system: Retirement income Consultation paper (2008) p.5

⁷ <http://www.westpac.com.au/internet/publish.nsf/Content/PBISPR+ASFA+retirement+research+promo>

⁸ FAHCSIA Annual Report 07-08

⁹ <http://www.smh.com.au/national/3b-blowout-in-disabled-pension-20090214-87na.html?page=2>

longevity, nonetheless, 70% of women in the eligible age group receive age pension compared with 66% of men.

17. Fifty-eight per cent of female age pensioners are paid at full rate, compared to 54 per cent of males¹⁰. Australia's single pension rate, at 60% of the couple pension rate, is less than the OECD average of 63%.^{11 12}

18. In consequence, elderly single female households are at the greatest risk of poverty among the aged population.¹³ As pointed out below, it is the private renters who are in the worst position.

*As an older woman who raised seven children I only returned to work very late and so had little opportunity to contribute to superannuation. Since the death of my husband living on the pension with a very small private contribution has become increasingly difficult even though I own my home. If I had to pay rent or a mortgage I simply would not be able to survive - how are those going to manage who don't have their own homes? It is unfair that women who have spent their whole lives caring and nurturing the future generations have to suffer the indignity of not being financially secure in their old age. The biggest impact for me would be a review of private health care - I can't afford to have this but too scared not have it - there should be a reduction for members who have contributed for over 30 years and barely used it.*¹⁴

19. Broken work force attachment is a particular problem for Aboriginal and Torres Strait Island (ATSI) women, and frequently, ATSI men.

My foster daughter is Aboriginal. She is, 26 has 5 children, one of which I am raising, and has a low level of literacy and numeracy. She is also a frequent carer of her nephew and other family members, which is not uncommon.

She is very smart but will probably take many years before she enters paid work one because of caring for the kids and secondly because she will need to return to further education to improve her literacy and numeracy before she is employable and potentially able to begin to accrue super.

*Most Indigenous women and some men I know are raising grandchildren, caring for family and often not in the best health themselves. They more often than not come to paid employment later in life and have a broken pattern of employment.*¹⁵

20. There are also specific issues for women from culturally and linguistically diverse backgrounds:

¹⁰ FAHCSIA Annual Report 2007-08

¹¹ FAHCSIA, Pension Review Background Paper (2008) p.6; R Tanton et al, Old Single and Poor: Using Microsimulation and Microdata to Analyse Poverty and the Impact of Policy Change Among Older Australians (2008) p.15

¹² Note: A single person gets \$562.10 a fortnight. A partnered person gets \$469.50. So if they have the same living costs, the single person might be better off than the partnered person. There is a need for some sort of equivalence calculation to show that a single person living alone has living costs greater than 60% of a couple living alone. By the old OECD scale this leaves the single household better off. By the 'modified OECD scale', the single person household is worse off

¹³ B Heady and D Warren, *Families, Incomes and Jobs, Volume 3: A Statistical Report on Waves 1 to 5 of the HILDA Survey* (2008) p.55 at <http://www.melbourneinstitute.com/hilda/statreport/statreport-v3-2008.pdf>

¹⁴ See <http://www.nfaw.org/women-and-tax/>

¹⁵ Personal communication

CALD women who are mainly employed as cleaners, sweatshops, outwork, do not have contributions for superannuation and therefore no savings. Also many of them have come here older and did not have the opportunity to work therefore, no savings and income and depend on their spouse. Further, CALD women who worked in family business and shops all their lives had no superannuation and at times no income paid to them by their spouses or relatives.¹⁶

21. Most analysts also lack a clear understanding of the issues facing rural women in general.

It is more difficult for women in rural Australia to earn an income in the 'paid' workforce as job opportunities are much less, restricting retirement income or superannuation to be self supporting.

Childcare is difficult to find if at all available to enable the mother to work.

Those with disabilities have far greater costs when living in a rural area, as do their carers.

Most rural women young and older are in partnership in a business with their partners be it agriculture or other business and not in the paid workforce as a weekly wage earner. Because of assets "farm ownership" restrict the ability for owners to be eligible for a pension is another issue, asset rich but cash poor.

Tax rates should be linked to the ARIA and RAMA classifications or similar for rural and remoteness. The cost of living is higher and transport costs greater. Mostly there is no public transport and residents need to own a car or rely on family or friends for transport, for social and personal shopping and medical and there are fewer Government services available in rural areas.¹⁷

22. We have also sought to identify the issues that are specific to young women.

These include a high probability of working in multiple casual jobs, and thus failing to meet the threshold for Superannuation Guarantee payments in one or more of their jobs.

23. Our colleagues in the Young Women's Christian Association of Australia have commissioned a specific report on these issues, and it will be submitted separately to the Review, but should be read in conjunction with this.

24. Overall, the generality of data demonstrate inequities for women.

25. Half of all baby boomer women (i.e. those aged 45-59) have \$8,000 or less in superannuation (compared to \$31,000 for men)¹⁸

26. Current payouts for women are one third of men's - \$37,000 compared with \$110,000¹⁹.

27. Only 58 per cent of women are employed (compared with 72 per cent of men), and 45 per cent of women workers work part time²⁰.

¹⁶ Personal communication NIRWA

¹⁷ Personal communication Country Women's Association member

¹⁸ Simon Kelly, National Centre for Social and Economic Modelling – NATSEM, 2006

¹⁹ Association of Superannuation Funds of Australia – ASFA – 2007

²⁰ ABS Labour Force Australia, annual average 2006-07, ABS Yearbook 2008

28. NATSEM and AMP analysis of the adequacy of retirement incomes suggests that a single person requires an annual income of \$35,000 pa to have a comfortable lifestyle, yet for all except for those in early age groups (up to age 34), the female average is less than half the male average.²¹ We note that the Federal minimum wage is \$25,000; the age pension is \$14,614. \$35,000 is very close to average female earnings.
29. What an individual needs to live on depends on whether he/she owns a house or pays rent, among other things. Very many single people and families live on less than \$35,000 pa.
30. We note as evidence of current policy failure the following table from the AMP²²: Released in June 2007 this index is based on data from 320,000 AMP corporate superannuation clients. Access Economics has used this data to measure the implications of current super data for individual members' future retirement incomes. This data also revealed a significant disparity based on gender, particularly in the older age brackets²³.

Age	Superannuation Balance (\$)		
	Males	Females	Average
20-24	\$5,828	\$4,528	\$5,246
25-29	\$13,886	\$12,142	\$13,131
30-34	\$25,567	\$21,754	\$24,076
35-39	\$37,999	\$28,259	\$34,486
40-44	\$52,471	\$30,116	\$44,233
45-49	\$67,113	\$35,083	\$54,991
50-54	\$86,298	\$42,020	\$69,025
55-59	\$97,533	\$53,749	\$81,257
60-64	\$108,096	\$61,630	\$93,331
65-69	\$96,336	\$59,622	\$86,927
Average	\$46,663	\$27,642	\$39,663

31. In our consultations we have been told that women from culturally and linguistically diverse backgrounds (CALD) have felt excluded from the Treasury consultation processes, by their complexity and the problems of language. Yet many older CALD women fail to understand the concept, let alone the issues around 'retirement incomes'. And many younger CALD women are over-represented in those groups experiencing broken workforce participation and extremely low incomes.
32. We have heard from Aboriginal and Torres Strait Islander Women (ATSI) who have told us of the impacts on these women of long-term involvement in

²¹ Westpac/ASFA Retirement Living Standard Calculator/Kelly, NATSEM, 2006

²² AMP & Access Economics: The AMP Superannuation Adequacy Index

²³ AMP & Access Economics, The AMP Superannuation Adequacy Index report, 2007

Community Employment Development Programs (CDEP) where no provision of any kind has been made for retirement income savings.

33. These women have felt themselves excluded by the Treasury review process.
34. We have heard from women employed in the community based health and community service sector. They have told us that in aged care services there is a pattern not only of disturbingly low wages, but of a deliberate policy of employment of staff on a part-time and sessional and/or casual basis, with consequent disadvantage in terms of opportunities for retirement savings, and other community services such as child care.
35. Other women in these sectors have told us of low wages, and a pattern of encouragement of income sacrifice to finance enhanced retirement savings (of some benefit to employing organisations), with consequent problems in terms of adequacy of current incomes.
36. These comments present challenges for policies directed towards improving pay equity. They also reflect current policies by Commonwealth Government departments responsible for providing subsidies to such human services.
- I have been a single parent on low income so my super was low, then when I work hard and gain higher income I ended up working for two companies that have gone into liquidation and between the pair of them was not paid over \$14k in super I was owed, which I will never see the interest on either. The government doesn't do anything to make them pay the super and don't include this payment in the GEARS payment so I will not have that money when I retire. One owner just transferred business to a new company trading under the same name and does not have to pay the debts of the old company. The other owner is now an employee in another company on a very high income, has maintained a great reputation, but does not have to pay back his debts either.*
- I think honestly the super thing is not a great plan. The government still needs to pay a liveable basic pension and Super which seems to be killing small business who can't always pay, needs to be a bonus if you can get it for when you retire, and not assessed at all.²⁴*
37. This personal anecdote raises an issue of employers not complying with the super guarantee. This is serious issue and unrelated to the other accounts of very low income groups. We are not aware of what actions might be proposed by Government to deal with such matters.
38. There are, in addition, aspects of Australia's current taxation system which adversely affect women's incentives to return to or remain in the work force after child bearing. One such is the effect of the taper of Family Tax Benefit.
39. Note also the observation of our consultant, Professor Apps:²⁵
- While the Personal Income Tax (PIT) is based on individual incomes, Family Tax Benefit Part A (FTB-A) and the Medicare Levy exemption are withdrawn on joint income, while Family Tax Benefit Part B (FTB-B) is withdrawn on the income of the second earner. This has the effect of creating large tax burdens on the income of the second earner, typically the female partner.*

²⁴ <http://www.nfaw.org/women-and-tax/>

²⁵ Apps P. Women and Retirement Incomes (see Attachment A)

40. We are aware of divergent views in regard to the current Superannuation Guarantee (SG): some consider that the compulsory level of 9% should be raised. Some consider it should be abolished for low income earners. There is currently a concerted push to raise it.
*On average women have lower earnings than men. Many women have greater career interruptions than men, and many are more likely to work part-time due to caring responsibilities. This means the ability of many women to save and contribute to superannuation is more limited than for many men.*²⁶
41. This raises the question as to whether Government's long term policy of a shift from the Age Pension, as a pay-as-you-go (PAYG) non-contributory pension scheme, to a retirement income system centred on compulsory contributions to private sector superannuation funds makes economic sense for lower earning women
42. The argument has always been that it will take time for superannuation balances to build up. But with the continuing gender inequality in the Australian labour market this will not happen²⁷. As a consequence women (and others who have low income) are unlikely to ever have a SG balance sufficient for their retirement under the current arrangements.
43. So our view is on the side of 'remedy the inequality re SG as it currently operates' rather than increase the SG rate (as many are likely to argue) where any increase will flow predominantly to male savers. Equally, we do not support proposals for the abolition of the SG - the economy still requires policies to promote personal savings, while recognising that there will always be many women reliant on the Age Pension and/or a part pension.
44. The challenge is to develop policy approaches that do not disadvantage women with limited capacity to save who are yet excluded in consequence from many supports they crave such as access to the benefits associated with the Age pension.
45. We consider that there is currently insufficient empirical evidence to assist us to come to a definite conclusion, but we are sufficiently concerned by Professor Apps' analysis of the distributional impact of current taxation policies to treat proposals for increase in the levy with great caution in so far as low income women are concerned.
46. We consider it would be valuable if some change options could be modelled by an authoritative independent agency such as the National Centre for Social and Economic Modelling (NATSEM) at the University of Canberra. Time and finance limitations have not allowed us to commission this. We will again address these taxation issues specifically in the second submission on Australia's Future Taxation System.
47. There are other factors which are a disincentive to women's work-force participation; the lack of easy access to good quality and affordable child care for children under school age, as well as care for young school age children during school vacations, and before and after school hours, taken together with problems associated with lack of access to family friendly work environments,

²⁶ Review of Australia's future tax system"

²⁷ Currently the House of Representatives Standing Committee on Employment and Workforce Participation is examining pay equity and factors affecting women's work-force participation.

tend to discourage women's work-force attachment- and thus capacity to save for retirement.²⁸

48. The lack of a national system of paid maternity or paid parental leave is also widely recognised as a factor adversely impacting on Australia's potential for increased female workforce participation.²⁹
49. However, it must also be recognised in the formulation of public policy that women and families vary in the relative importance they place on parental care for children and paid employment. Many women make an informed choice to care full-time for their young children or combine part-time paid work with parental care.
50. Current policies on superannuation can disadvantage these women. There is extensive neuropsychological literature³⁰ which argues that full time parental care is highly desirable for infants less than twelve months of age, and preferable to ages two and three.
51. Given this, it is important that public policies provide for an adequate retirement income for those women who chose to interrupt their paid careers for full time child rearing.
52. There are similar arguments for provision of appropriate retirement incomes for women who care for elderly family members, including, as several of our informants have noted, older or frail spouses.
53. The concerns of those who miss out on eligibility for the Age pension and associated entitlements are demonstrated by the following:
I am a single widowed woman, who has worked most of her life. I cannot get even a small part of the pension because I cannot pass the asset test. In order to retire and earn \$50,000 dollars per year in this climate one needs more that \$600,000 invested. I miss out on the asset test.

You may say so what. I would not concern myself about the income I just want access to reduced medical bills like everyone else who is on a pension. There is talk about getting rid of the Commonwealth Health Card as we know it now, and I will definitely require more money. Since retirement I have been ill with operations and expenses for physio etc amounting to quite large amounts. I spent in excess of \$45,000 last year and if prices keep going up I will need all the \$50,000 I planned to earn (if I can). The biggest joke is that after working 5 years past retirement age I could not get the bonus because I was not claiming a pension or part pension. What a joke and insult to women like myself. Surely, if one has worked past retirement age, one should have been able to have this bonus, pension or no pension. I took this up with Julie Bishop when she is was the minister for aging, she missed the point and sent me a whole lot of garbage about salary sacrificing, super etc. As if I did not know all this at this late stage of my life. Such is life.³¹

²⁸ NFAW Submissions to House of Representatives Standing Committee on Employment and Workplace Relations on Pay Equity and on Out of School Hours Care. See also on www.nfaw.org results of a NewsPoll survey on OSHC and family friendly working conditions.

²⁹ NFAW Submissions to the Productivity Commission. Draft Report on Paid Parental Leave by the Productivity Commission www.pc.gov.au

³⁰ See NIFTeY and NSW Commission for Children Submission to the Productivity Commission on Paid Parental leave www.pc.gov.au

³¹ <http://www.nfaw.org/women-and-tax/>

54. Women are also more likely than men to have interrupted careers because of their partners' career exigencies, for example the need to move locations because of their partners' work.
55. Divorce can have catastrophic consequences for some women in their retirement.
I have a good job and an excellent super scheme but I just lost half of my \$200K plus super in a divorce settlement because I was the principal breadwinner throughout the marriage (I lost out to good legislation feminists put in place to protect stay at home wives and mothers). I still have a big mortgage -- and like other women I know who have had to split their super this way -- I won't be retiring until the last possible point because I now won't have enough super to survive³² on. I always thought I'd be ok. Not enough women know that their super is on the line in property settlements.
56. And another comment lodged on www.nfaw.org:
Like many women in their 40's and 50's I find myself divorced and in debt. I'm 46, I rent and have no visible assets and I'm still bringing up a family. Due to foolish legal advice etc I took on the responsibility of paying off the joint debts. Where will I live when I retire? There may be first home buyer's grants but what about grants for people who have been renting for more than 5 years a sort of starting over again grant. 20 years of superannuation will not provide much of a life in retirement. You keep thinking at least if I die before retirement my children will benefit from my superannuation sacrifices.³³
57. That means that while attention to work-force participation strategies is important and attention to pay equity and to family friendly work place issues are important, policy settings must also be appropriate for those women who chose not to participate in the paid work-force on a full-time, continuous basis, those have been unable to do so and those who have encountered unplanned life changing events.

³² <http://www.nfaw.org/women-and-tax/>

³³ <http://www.nfaw.org/women-and-tax/>

International Human Rights Law is applicable

58. Further, the review of the retirement income system raises a number of questions about the extent to which Australians, particularly women, can exercise and enjoy their human rights including: the right to social security; and the principle of non-discrimination and equality.

Older single women have been constantly overlooked by successive governments in recent years. Increasing the age at which women claim age pension for example overlooked the fact that for many, many years women did not receive an equal wage with their male counterparts. During my years in the Women's Royal Aust Army Corps for example I outranked some men who actually earned more than I did! My marriage broke down before the super changes so had no access to the years of super built up by my former partner. I came back into the workforce full time in my 40s and see myself working for many years yet if the govt continues to give away billions in ad hoc payments such as last year's Economic Security Strategy.³⁴

59. Under international human rights law, the Australian Government has an obligation to prevent discrimination and ensure that all women and men equally enjoy their economic, social and cultural rights, including the right to social security and the right to an adequate standard of living.

60. As such, under international human rights law, Australia's retirement income system should not have unfair effect on a particular group such as women or perpetuate gender inequalities. This argument is developed further in an attachment to this submission.³⁵

General principles for retirement incomes

61. NFAW believes that the rationale of public support for retirement incomes is to provide for citizens who are unable to work because of age, or who are non-competitive in the labour market because of age. It is also to allow a period of relative freedom from the necessity to engage in paid work in later life. The level of support should be sufficient to enable older people to live in dignity and comfort, and therefore should be accompanied by policies to ensure appropriate housing, health, safety and human rights protection.

62. A secondary policy aim is to enable people to spread their income from paid employment over their retirement period, so that they are able to maintain their pre-retirement standards of living. This is met through insurance style measures, such as superannuation or social insurance.

63. The right to retire in comfort and security should extend equitably to all citizens and permanent residents. This can be taken to mean that public measures should be either universal in their application or weighted towards compensating the retired for inequalities over the life-course in market incomes.

64. For over a century the age pension has provided an equitable payment, in the sense that it has been available to all who need it, provided they have the requisite qualifying residence, and because of its means tests has partially

³⁴ <http://www.nfaw.org/women-and-tax/>

³⁵ See Attachment B

compensated those whose life circumstances have meant that they do not have adequate funds for their own retirement. This should not be generalised as being due only to a lack of thrift. There are multiple, and often compounding, reasons over the life-course for people to have unequal access to sufficient funds to cover the period of retirement. Women with family and caring responsibilities are a case in point. Disability is another. Therefore age pensioners should not be considered a less worthy or deserving group than superannuants.

65. The age pension, as it is, is no longer considered adequate to provide retirement incomes, particularly for those who have very limited other resources or who are not homeowners. Home ownership has traditionally been the major form of retirement savings in Australia, but will not be as prevalent among future retirees as it is currently.
66. The superannuation guarantee of 9 per cent has made a great contribution to retirement living standards and will continue to do so. Provision for people to make contributions above that level is also valuable in encouraging savings. However, in the Australian system, tax concessions for superannuation are heavily skewed towards the wealthier. In fact people on high incomes and high superannuation assets before retirement can receive tax concessions equal to or higher than the cost of an age pension.
67. Thus the structure of tax concessions does not meet any definition of equity and is not fiscally effective.
68. Unlike retirement systems overseas, which are based on national social insurance, there is no scope in the Australian system for redistribution within the funds towards the less fortunate. This is usually addressed through a floor and a cap on entitlements.
69. Social Security systems may be pay as you go (PAYG) or fully funded; public or private; and contributory or non-contributory. They may work on a basis of a defined contribution, which tends to put the risk on the contributor as to final payout, or defined benefit, which places the risk on the fund manager.
70. We see the need for many changes if Australian superannuation arrangements are to become more equitable in gender terms, and more equitable in treatment of different income groups.

NFAW policy recommendations

Reforming the Age Pension: immediate needs of currently retired women.

71. The NFAW, as did the joint Security for Women and WomenSpeak submission to the Harmer Review of Pensions, addressed the adequacy of the current age pensions and associated allowances. We realise that decisions will be taken in the coming May 2009 Budget.

72. We re-state the recommendations from the Security for Women and WomenSpeak submission³⁶, and urge their adoption in the forthcoming Commonwealth Budget:

- We call on the Government to ensure that any increases in pension rates or additional allowances apply to all pensions on an equitable basis.
- We ask the Government to reassure Australians that the age pension will continue to be available for those in need.
- The GST supplement should be absorbed into the base rate of pension. The single rate of pension (including the GST supplement) should be benchmarked at 30 per cent of Male Total Average Weekly Earnings and raised to 67 per cent of the couple rate.
- CPI indexation should be replaced by a new low income index, taking account of changes in costs of essential goods and services.
- We support any pensioner bonuses going to all pensioners, not only Carer and Age pensioners.
- Rent Assistance needs to be at least doubled, and adjusted by a rental price index. It could vary by where a person lives.
- Eligibility for Rent Assistance should be extended to home buyers.
- Mobility Allowance should be payable to all people with a disability that prevents them from using public transport without substantial assistance.
- Pharmaceutical Allowance should be extended to all allowees, particularly Parenting Payment Partnered.
- Telephone Allowance should be increased to \$90 a quarter and extended to allowees to reflect phone rental charges.
- Utilities Allowance should be extended to Parenting Payment recipients, and possibly other payments.

³⁶ See www.nfaw.org

- Pensioner Education Supplement and Education Entry Payment should be extended to all allowees undertaking education or training, in a general review of student assistance.
- We support fortnightly payments and means test periods, but with the optional flexibility of the existing advances or new ‘savings’ options, where people could defer part of their payment to meet an anticipated expense.
- We recommend a review of pensioner concession cards, health care cards and seniors cards across Commonwealth and the States to get a more simple, effective and rational system.
- We would like to see a broader review looking at the whole income support system, including all pensions, allowances, family payments, student assistance and veterans’ entitlements.
- We support the idea of a single base payment with add-ons applying to various special needs and activity test requirements applying to certain groups.

Future approaches to the Age Pension and retirement incomes

73. One option frequently canvassed by those consulted has been removal of the means test for the Age Pension, and the use of the taxation system as a claw-back from those with higher incomes. We see little likelihood of this being politically palatable.
74. A further and possibly more desirable option, as suggested to us by Professor Apps and others, is that, given the multiple evident problems with current models of superannuation savings for lower income women, the Government could consider developing a centralised insurance plan for retirement income especially for low to low-middle income earners.
75. This is a radical change from policy over the past decades, we appreciate that. However, such a government backed and managed contributory approach has many attractive features.
76. It can be designed to provide a defined benefit, rather than be based on a defined contribution; it can be designed to allow for women’s greater longevity.
77. It can be designed to allow additional contributions from Government for those on short or long-term Government income support payments, as well as employer and personal contributions.
78. It would avoid the situation where casual employees with multiple employers have multiple small sums of savings in multiple funds.
79. It would avoid the costs in current private insurance-based systems of financial adviser management fees, which consume much of many individual’s modest personal savings.
80. This and other improvements suggested below in relation to adequacy should be funded through a reining in of the currently very generous tax concessions for superannuation, which provide greater tax support to high income earners..

81. We cannot over-emphasise that the concessional treatment of superannuation concessions is inequitable in the comparative outcomes for low-income earners (many of whom are women) and those on high incomes.
82. We have reservations about some current proposals to increase the Superannuation Guarantee, and recommend that the Review carefully consider the potential impact of such changes to the Guarantee on low-income women. We see value in the commissioning of independent modelling which should be publicly available.
83. That said, we recognise the value to women of enhanced savings for retirement. This is one reason for our strong views on policies which will reinforce work-force attachment.
84. We consider that it is entirely feasible for Government to deal with the problems of casual employees with multiple employers.
85. Those earning less than \$450 per month from any single employer do not receive superannuation guarantee contributions. Casual female workers often earn less than this from a number of employers each month and consequently do not pass the threshold entitling them to employer superannuation contributions. This threshold could be abolished, and employers required to pay 9% of every dollar of wages into superannuation- preferably into a central pooled system, as currently exists in the construction industry to manage casual workers with multiple employers; or into a new central government managed fund as suggested above.
86. All Government income support payments (Carer's Pension, potentially a national paid parental leave system, unemployment benefit, CDEP, and the like) should contain a Government paid superannuation contribution, again potentially paid into a central pooled system.
87. We consider this should not be at the expense of the adequacy of these payments. It should be an additional cost to Government.
88. In regard to taxation: any new superannuation tax measures should discriminate on the basis of income with compensatory arrangements for low-income earners. This would not only allow the super savings of low paid women to grow much faster, it would in part compensate for the tax free final benefit provision which will continue to favour high earners.
89. In re tax cuts: when Government as a budget measure or otherwise provides universal tax cuts, those earning below \$40,000 who choose to have the tax cuts paid into their superannuation fund could receive an enhanced amount.
90. We recommend that the adverse position of sole parents and women with a disability who now are placed on NewStart should be relieved by reverting to providing these women with a pension on a similar basis to Carers and the aged, as outlined in our initial submission to the Harmer Review.³⁷
91. We recommend the Review further explore the retirement income issues for self-employed women. Small to medium enterprises are 30% women owners. Many women with a disability are in this category.
92. To encourage work-force participation rates we recommend

³⁷www.nfaw.org

- The introduction of a national Paid Parental Leave scheme
- Enhancements of the current system of child care for children under school age, especially in relation to accessibility, quality and cost
- Immediate enhancement of the current deplorable provision of out of school hours care and school vacation care for young school age children

93. To supplement and support maternal caring roles we recommend consideration of the Productivity Commission's Draft Report on Paid Parental Leave, and its proposals concerning support for mothers of young children.

94. We urge the Treasury and the Review Team to adequately consult with groups such as ATSI and CALD women.

95. We urge appropriate and continuing analysis of the gender implications of taxation and equitable outcomes for men and women.

96. We draw to attention the policy conclusions in Professor Apps' paper which is at Attachment A and commend them to The Review for careful consideration:

- Reform the family tax system: The income tax system should be restored to one based on individual rather than joint incomes with a progressive rate scale³⁸ and universal family benefits. This means reversing the direction of family tax reform in the Howard era. This will:
 - (i) reduce the tax burden on low and average wage second earners
 - (ii) provide working women with higher net incomes, thus enabling them to achieve a higher level of saving and more resources to support themselves in old age.
 - (iii) expand the tax base and improve the ability to fund public expenditure.
- Develop a publicly financed and operated, education-oriented child care system. This will
 - (i) greatly facilitate growth in female labour supply, again expanding the tax base
 - (ii) improve the quality of pre-school education, and therefore the productivity of the next generation
- Expand the Age Pension and integrate it with a public sector contributory defined benefit scheme. This will
 - (i) improve the risk-sharing capabilities of the existing pension arrangements
 - (ii) reduce the administrative and transactions costs associated with the existing arrangements.
- Reduce the SG rate for low and middle income earners. This will:
 - (i) reduce the existing double burden of effective taxation on the majority of married women as second earners and on families least able to afford it

³⁸ See Professor Apps' arguments on the incidence of taxation, and the problem of effective marginal tax rates for second income earners.

- (ii) provide the option for higher income earners to pay a higher rate
- Remove all tax concessions for contributions to superannuation saving that are not finally taken out as an income stream. This will:
 - (i) improve the overall fairness of the tax system, since it is predominantly high income groups who benefit from these concessions
 - (ii) improve incentives for saving by married women, by providing revenue for funding reductions in effective tax rates on second earners working long hours to increase household saving for home purchase and for retirement.

Conclusion

97. We return to the case for better monitoring of trends in women's incomes, including retirement incomes, as well as the need to take urgent steps to reform current policies, and quote in conclusion, Professor Austen

“A number of current trends suggest that the policy importance of women's personal incomes will grow in future years. Rising education levels and changing social norms are increasing expectations of financial independence for both partnered and single women. Women's life expectancy continues to grow and exceed that of men. Women's personal incomes while they are of working age will thus be an important determinant of their ability to secure adequate living standards in old age. Furthermore, for as long as separation and divorce rates remain relatively high, women's access to a source of income will be a crucial determinant of their ability to support themselves and their dependent children. For these reasons and more, it is important to continue to monitor trends in women's personal incomes, as well as those of families and households”³⁹

Marie Coleman

³⁹ Austen *ibid.*

WOMEN AND RETIREMENT INCOMES

January 21, 2009

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1 Introduction

The “Retirement income consultation paper” for the “Review on Australia’s future tax system”⁴⁰ acknowledges the more limited opportunity women have for saving for retirement, observing that:

“On average women have lower earnings than men. Many women have greater career interruptions than men, and many are more likely to work part-time due to caring responsibilities. This means the ability of many women to save and contribute to superannuation is more limited than for many men.” (p.5-6)

The observation raises the question as to whether the ongoing shift from the Age Pension, as a public sector pay-as-you-go (PAYG) pension scheme, to a system centered on a privatized fully-funded scheme in the form of compulsory contributions to private sector superannuation funds, makes economic sense for women.

This paper outlines the economic case for arguing that the vast majority of women, together with low and average wage workers generally, cannot expect to benefit from a system of this kind. The main points in the argument can be summarized as follows:

- Two important types of retirement income risk, for which a pension scheme should provide protection, are social risk, arising from uncertainty about the aggregate level of national income in the future, and longevity risk, arising from uncertainty about how long an individual will live, and therefore require an income, after retirement. Neither of these risks is adequately covered by private markets in pensions, while public pension schemes greatly improve the possibilities of dealing with them adequately. The negative impact of the current economic crisis on the superannuation savings of many Australians, for example, highlights the fact that a *defined contribution* pension scheme fails to provide insurance against social risk

⁴⁰ See Commonwealth of Australia (2008).

- Switching from a PAYG to a fully funded scheme cannot make everyone – current as well as future generations – better off, but can only redistribute the burden of funding pensions across generations. The attempt to deal with the supposed “ageing crisis” by switching from PAYG to funded pensions in fact places an excessively heavy burden on the current generation – current workers pay for their own retirement while continuing to pay taxes that support the currently retired. Moreover, given the high transactions costs associated with privatised pension schemes, a move to funding is actually more costly than making the required changes to an existing PAYG scheme. The main people who gain from the switch are managers of private investment funds and the financial sector.⁴¹
- While there is no overall benefit from a switch to fully funding, some contributors may gain from the tax treatment of the scheme. Large financial benefits from the current preferential tax treatment of superannuation go to high income earners. It is therefore predominantly low and average wage workers, among whom women are over represented, who are likely to pay twice. Put simply, the tax treatment of superannuation is designed to redistribute in the wrong direction.

Support for a privatised fully-funded scheme is frequently motivated by the portrayal of a looming “ageing crisis” based on crude projections of demographic trends that reflect a misunderstanding of the causes and consequences of these trends. It is clear that if productivity remains constant and there is a rise in the Aged Dependency Ratio (ADR) due to increased longevity, then there must be an increase in the retirement age or an increase in the pension contribution rate together with a fall in the pension payment, or a combination of both.

However, when ageing is driven by declines in fertility the policy issues are more complex. There is, in fact, considerable evidence to suggest that the potential for an ageing crisis due to fertility decline is largely policy driven – there is no real need for there to be a crisis. If one appears possible, it is largely because of policies that are misdirected in terms of achieving productivity gains and that also prevent the shifts in resources that need to follow a decline in fertility.

While policy settings differ considerably across countries, in the case of Australia important policy drivers of an ageing crisis on which the discussion to follow will focus include the system of family taxation, which heavily discriminates against working married mothers, and a poorly developed child care sector that limits access to quality care which is at an affordable price. A number of studies show that the combined effect of both is to reduce fertility and female labour supply simultaneously.⁴² On the one hand the fall in fertility is the root cause of the problem and, on the other, the disincentive effect on female labour supply contributes to the creation of crisis due to the negative effect on labour productivity⁴³ and on the tax base

⁴¹ For discussion of who benefits see, for example, Krugman (2004) and Stiglitz (2005).

⁴² See Feyrer et al. (2008) and Apps and Rees (2004).

⁴³ There is a large literature on the negative effects of non-participation on human capital accumulation and, in turn, on the female wage.

required for funding productivity improving investments in education, health and infrastructure, as well as pension payments. Thus the system clearly fails in terms of efficiency.

A tax system that discriminates against working married mothers also fails on equity criteria. Furthermore, successive reforms to family taxation over the last decade and a half have made the system increasingly unfair, by providing tax cuts for high income earners while raising rates on the incomes of married mothers as second earners.

Sections 2 to 6 expand upon these points and present the in-depth arguments supporting them. Section 7 concludes with a set of specific policy recommendations.

2 Retirement income and insurance

The economic justification for government intervention in the provision of retirement incomes centres on the need to respond to the failure of private insurance markets to offer products for the following types of risk:

(i) Social risk: Private markets generally cannot provide insurance against social (correlated) risk, such as inflation, stock market cycles, unemployment, etc. The solution is for government to spread excessive gains and losses intertemporally and intergenerationally through the tax-transfer system. A defined *benefit* public sector scheme is required. Most superannuation schemes are defined *contribution*, precisely because the private sector cannot deal with *social* risk.

(ii) Longevity risk: Length of life is uncertain, and so the individual does not know how much to save. Policies directed towards increasing saving alone cannot offer a solution. The individual must buy an annuity. However, private annuity markets have tended to yield poor rates of return. The literature attributes this to market failure due to asymmetric information and adverse selection.

Individuals have different innate life expectancies (they are different risk types). Efficiency requires that high risk types, that is, those who expect to live a long time, to pay higher premiums. However, insurance buyers are much better informed about factors such as their state of health, previous and current life style, and family health history that determine their risk class in terms of whether they have a high or low probability of a relatively short life. When the insurer cannot identify risk type, full insurance at a fair premium cannot be offered to the low risk types because the high risk group has an incentive to pass itself off as low risk. Thus the private market solution to the adverse selection problem involves restricted coverage to good risks. This is the market failure.

It can be shown that an insurance system that pools risks by giving everyone the same coverage and the same rate of return, in such a way that the scheme breaks even actuarially, involves no market failure, but does represent a redistribution of income from good to bad risks. For this reason it cannot be sustained on a private annuities market: sellers could always find profitable contracts that would bid good risks away from the pooled contract. However, a publicly operated pension system does not allow such separation of risk types – it

enforces pooling.⁴⁴ For this reason, a public sector scheme is seen as the solution to the adverse selection problem.

(iii) Disability risk: Future state of health is uncertain. The individual will therefore want to purchase insurance against the risk of having to retire early. The provision of insurance against this risk encounters the additional problem of moral hazard - full insurance reduces the incentive work. The solution lies in a trade-off between risk reduction and incentive. In other words, the solution is a “second-best” policy offering less than full insurance, whether provided privately or publicly.

3 Pay-as-you-go vs. fully funded approaches

As noted above, the introduction and expansion of compulsory superannuation in Australia has been widely supported on the basis of the proposition that a privatised, fully funded scheme is required to avoid future budget deficits under a publicly funded PAYG system. The Australian Government has produced two major reports on population ageing that highlight the rising burden on future working age generations of the projected rise in the ADR over the next four decades: Intergenerational Report 2002-03 (IGR1) and Intergenerational Report 2007 (IGR2).⁴⁵ The reports argue that Australia needs to reduce reliance on the non-contributory, income tested PAYG Age Pension, by expanding private saving in superannuation funds as the ADR rises, to avoid an ageing crisis.

It has been known since Samuelson's (1958) classic paper on overlapping generations' economies that switching from a PAYG to a funded pension system cannot, per se, lead to an efficiency gain. There is now a large body of research that draws on the Samuelson model to show that the switch to a fully funded scheme cannot be a solution to the problems raised by declining fertility and increasing ADRs.⁴⁶ A key effect of the policy change is to require the present working generation to pay twice – they must save for their own retirement while continuing to pay taxes that finance the pensions of the currently retired. This double burden is especially problematic for working married women who are already contributing disproportionately to government revenues under the present family tax system (see Section 6 below).

⁴⁴ Rees and Apps (2006) show that this is a better outcome than the market outcome, and would be preferred by any policy maker who is (at least weakly) averse to inequality in levels of welfare among individuals.

⁴⁵ See Australian Government (2002, 2007).

⁴⁶ The studies include Breyer (1989), Geanakoplos, Mitchell and Zeldes (1998), Chand and Jaeger (1996) and Orszag and Stiglitz (1999), Miron and Murphy (2001) and Brown et al. (2005), among others. For a discussion in the Australian context, see Apps and Rees (2002).

To see the fallacy in the argument for switching to a funded scheme, consider an overlapping generation's economy of infinite duration in which individuals live for two periods. In the first period they work, generate income and consume, in the second they just consume. Suppose that output from the working generation will always be 100 in each period. Suppose also that there is an implicit intergenerational contract: the working generation gives 20 units of its output to the retired generation, in exchange for which it receives 20 units in its retirement from the then working generation, who in turn will receive 20 when they retire, and so on ad infinitum.

Now suppose that it is decided to switch to a funded system in which each generation has to put aside the output it will consume one period later when it retires. Then at this point in time, either the currently retired generation must receive nothing, or the currently working generation must reduce its consumption by a further 20 units, to 60, in order to pay the current pensions and save for its own future pensions. The basic principle holds irrespective of whether the scheme is introduced gradually over time, by successive increases in the compulsory contribution rate and reductions in the real value of the PAYG pension.

International evidence indicates that under most private annuity programs, expected rates of return are below market rates of interest due to high administrative costs (commissions, advertising, excessive executive pay, etc). Administrative costs for public sector schemes are far lower (economies of scale, etc). A clear trade-off is recognised: it is administratively less expensive to provide a uniform retirement program for all individuals than to have a large number of competing programs available, among which individuals can choose.⁴⁷

4 Australia's "ageing crisis" is policy driven

Though increasing longevity has been a contributing factor, the primary cause of a rising ADR has been the large decline in fertility since the early 1960's. In 1961 the Total Fertility Rate (TFR) in Australia was 3.5. By 1980 this had fallen to 1.9, and since that time it has tended to level out at 1.7 to 1.8. It is projected to remain at around this level for the next 40 years. IGR2 dramatically portrays the effects of this by pointing out that "In 2007 there are 5 people of working age to support every person aged 65 and over. By 2047, there will only be 2.4 people of working age supporting each person aged 65 and over".

⁴⁷ See Stiglitz (2000) for a discussion of the evidence. For an analysis of administrative costs, fees and charges based on Australian data, see Bateman (2001).

This focus on the ADR is misleading when declining fertility is the major cause of population ageing. In the first instance, what is important is the Total Dependency Ratio (TDR), the ratio of the *total* non-working to the working age population. This is influenced by the child-to-working-age ratio, or Child Dependency Ratio (CDR), and of course declining fertility reduces this. The TDR can therefore be falling as the ADR is rising. This has in fact been the general trend since 1961. The projected levelling out of the fertility rate at its current level will cause the TDR to rise, with the result that the TDR will tend to exhibit a U-shaped profile over the period from 1961 to 2047. Since the minimum point in the profile is around the present time, a continuing rise in the TDR is projected for the next 40 years due, as stated in IGR2, to a fall in the traditional working age category (15-64 years of age) from its current 2007 level of 67.5 per cent of the total population to around 60 per cent by 2047, and a rise in the ADR that is greater in absolute value than the fall in the CDR. However, the projected TDR for 2047 is close to the rate for 1961, which did not appear to cause the collapse of civilisation as we know it.⁴⁸

Secondly, declining fertility and population ageing need not imply an increase in the *resource costs* associated with an increasing TDR. If the cost to the economy of a child is greater than that of a retiree, the overall costs of dependency can be falling even when the TDR is constant or rising, because of the changes in its composition. In developed economies children are very costly. All need full time care for at least some years and, depending on training and education choices, some may not enter the labour market for at least two decades.⁴⁹ It might be argued that the health care costs associated with ageing and greater longevity make retirees more costly than children. However, research in health economics has shown that neither the direct nor indirect effects of ageing can account for much of the sustained rise in medical expenditure in recent decades. A primary cause is rising per capita income,⁵⁰ together with improvements in medical technology.⁵¹

Thus the question arises of what has happened to the resources released by the falling fertility rate. Dramatising the gap (in terms of absolute values) between the ADR and CDR from the present time to 2047 distracts attention from the resource implications of the reverse relationship that held from 1961 to the present time. Given the evidence that, on average, a child is more costly than a retiree,⁵² the period from 1961 to 2007 should have seen a significant rise in output per capita due to demographic change alone. The lower TDR over this period should have provided the resources necessary to offset any fall in output per capita up to 2047. In other words, the period should have seen additional saving and higher tax receipts from a larger tax base as sources of finance for productivity improving investments, such as in education, health and infrastructure.

⁴⁸ It should also be pointed out that with productivity growth in the historically experienced range of 1%-2% per annum, over 40 years the average worker's productivity increases by between 50%-120%, and so productivity growth alone can be expected to continue to make a significant contribution to raising output per capita. See Cutler et al. (1990).

⁴⁹ This point is highlighted by Barro and Becker (1989). For an analysis using Australian data, see Apps and Rees (2002).

⁵⁰ See Hall and Jones (2007), Cutler and McClellan (2001) and Cutler et al. (2006).

⁵¹ Barro (1996) argues that medical advances have made an important contribution to sustaining a long-term positive growth rate. See also Nordhaus (2003) and Becker et al (2005) who conclude that increases in longevity have contributed almost as much to welfare as increases in non-health consumption in the US and worldwide.

⁵² For an analysis of child costs in a lifecycle framework, see Apps and Rees (2003).

Provided the resources released by a declining fertility rate have been used for these purposes, there can be no reason to anticipate an “ageing crisis” with the leveling out of the fertility rate to 2047.⁵³ The problem is that they have not. A range of government policies have contributed to an ageing crisis. Here we focus on those that inhibit the efficient reallocation of female labour from the home to the market, in line with the decline in fertility. Arguably, among the most damaging is the family tax system.

5 Why productivity and labour supply are central

For a successful approach to demographic change it is essential to focus on improving labour productivity. It therefore makes no sense to impose a tax of 9 per cent on the working population in the form of the SGC unless the revenue/saving goes to investments that improve the productivity of the next generation.

To see more simply why productivity is central, consider a highly stylised life cycle model in which all individuals live for 80 years and the life span contains three phases:

Phase 1: 0-20 years, a dependent childhood phase

Phase 2: 20-60 years, the working age phase

Phase 3: 60-80, the retirement phase

In a perfect capital market, the individual borrows (at least implicitly) in phase 1 to fund the cost of child care, education and consumption. In phase 2 the individual repays the debt incurred in childhood (in our society, by having children and supporting them) and saves for retirement.

It is clear that, in this simple model, at any *point* in time the output of the working population must support all three phases. If demographic change causes a rise in the “true” dependency ratio and there is no rise in productivity, living standards must fall. Under a PAYG system the working population pays higher per capita contributions, while those in phase 3 face a cut in their pension. Under a fully funded system, a negative interest rate produces an equivalent outcome. This is the Samuelson result.

⁵³ If fertility rises significantly, then of course the cost of dependency per working-aged individual could rise significantly.

The interest rate is negative because, with a decline the relative size of phase 2 over successive generations, the demand for capital is continually falling, and this implies a negative real interest rate.⁵⁴

Female labour supply⁵⁵ is also central because the tax base cannot include home production.⁵⁶ Policies that discourage female labour supply, by imposing high tax rates on the income of the second earner, therefore undermine the tax base. The labour supply of married women of prime working age in Australia is presently around only 50 per cent of that of married males in the same age category. It is of interest to note that the ratio for countries with similar policies, such as the US and UK, are only marginally higher.⁵⁷ However, countries with well developed child care sectors, notably Sweden, have a much higher ratio of female to male hours, at around 75 per cent. In contrast, Australia's rate of 50 per cent is above that of countries that more strongly disadvantage women who work, such as Germany, a country that also has a much lower fertility rate.

A more rational set of Australian family tax and child care policies, together with paid maternity leave, can be expected to achieve an increase labour supply, and therefore in the tax base, that will allow Australia to become a more productive economy, as well as a lower taxed country, without an ageing crisis. Some of the limitations of the family tax system are detailed below.

6 Family tax system

Over the last decade and a half, the progressivity of the Personal Income Tax has been reduced significantly by tax cuts at higher income levels, together with the use of the Low Income Tax Offset (LITO) to increase the zero rated threshold. It is well recognised that the resulting changes in the rate scale have had the effect of shifting the tax burden towards the middle of the earnings distribution during a period increasing inequality.⁵⁸ Over the same period, Family Tax Benefits reforms have transformed Australia's system of taxing families from one based primarily on individual incomes to one based on joint income, with the highest rates applying across low to average incomes.

⁵⁴ Note that the capital market is far from perfect, which is one of several factors that justify public funding of child care and education.

⁵⁵ Or, more generally, the labour supply of the "second" earner. In around 12 per cent of families with dependent children, the male is the partner on lower earnings.

⁵⁶ For a formal analysis of the implications of this constraint on tax policy instruments, see Apps and Rees (1999a,b).

⁵⁷ See Apps and Rees (2009) for a comparative analysis of the tax and family benefits policies of these countries.

⁵⁸ See Apps et al. (2007)

Switching to a tax system of this kind shifts the burden towards two-earner families and therefore towards the second earner, typically the female partner. In effect, successive tax cuts at the top of the income distribution have been financed, at least partly, by higher taxes on working married women. This has resulted in excessive rates on the income of second earner in low to average wage families, as illustrated in the table below.

The table lists the marginal tax rate (MTR) and average tax rate (ATR) faced by a second earner as her income rises, in a household in which the primary income is only \$40,000, and where there are two children under 13, with one under 5. The figures show the combined effect of the following elements of the family tax system in 2007-08:

- Personal Income Tax (PIT);
- Low income tax offset (LITO);
- Medicare Levy (ML); and
- FTB-A and FTB-B.

MTRs and ATRs on the second income 2007-08

Taxable income	Tax rates on second earnings	
	MTR	ATR
\$0 - \$1,318	0.015	0.015
\$1,319 - \$4,380	0.215	0.155
\$4,381 - \$11,000	0.415	0.311
\$11,001 - \$22,302	0.565	0.440
\$22,303 - \$27,014	0.365	0.427
\$27,015-\$30,000	0.165	0.401
\$30,001 - \$40,000	0.355	0.389

Primary income = \$40,000 pa

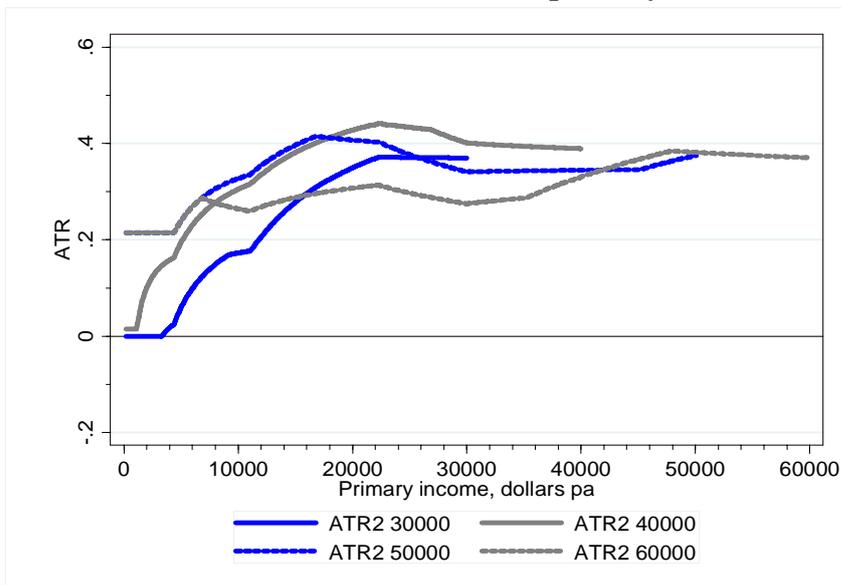
From \$1,319 to \$4,380 the MTR on the second earnings is 21.5, due to the withdrawal of FTB-A on family income at 20 cents in the dollar and the ML of 1.5 cents. At \$4,380 the MTR goes up an additional 20 cents, to 41.5 cents in the dollar, due to the withdrawal of FTB-B on the second income. At \$11,000 the MTR rises to 56.5 cents in the dollar, because the second income hits the 15 per cent rate of PIT scale. Because FTB-A, excluding the base rate, is fully withdrawn at a family income of \$67,014, the second earner's MTR falls to 16.5 cents in the dollar, the rate on personal income plus the ML, at \$27,015. At \$30,000 her MTR is 36.5 cents in the dollar, the sum of the 30 per cent rate on personal income, the 4 cents withdrawal rate of the LITO, and the ML rate.

At just over \$22,000, the second earner has an ATR of 44 cents in the dollar – she has lost almost half her income. At \$40,000 she has faced such high MTRs on her earnings up to \$22,302 that her ATR remains at around 40 per cent. Taxes on second earners at these levels in low and average wage families leave little for the cost of child care

When we consider the SGC as an additional 9 per cent tax, it is clear that it makes very little sense for a family with children under school age, and on low to average earnings. Furthermore, married women on low to average earnings who manage to accumulate saving may find they are no longer eligible for the aged pension – they truly pay twice.

The figure below plots the ATRs faced by a second earner at selected levels of primary income: \$30,000, \$40,000, \$50,000 and \$60,000. In all cases, the second earner faces excessively high ATRs once her income exceeds \$12,000. Her ATR rises to around 40 per cent as her income approaches the level of primary earnings.

ATR2s on second income at selected primary income levels



An income tax policy of this kind, in combination with a poorly developed and costly childcare system and lack of paid maternity leave, make it very difficult for married women to work when they have young children. Their withdrawal from the workforce at this time has a negative impact on their labour supply across the entire life cycle. The literature provides evidence of “persistence”.⁵⁹ The available data also show that there is a strong positive

⁵⁹ See Shaw (1994).

relationship between female labour supply and household saving.⁶⁰ Much of the saving is for the purpose of house purchase. Australia's high rate of home ownership among retirees makes the country well placed relative to many others to deal with demographic change.⁶¹ The advantage needs to be preserved.⁶²

The family tax benefit system clearly fails in terms of efficiency. Basing taxes on joint income is also unfair. A system of joint taxation discriminates against two-earner couples working long hours, by taxing the second income at higher rates as illustrated. The Australian system is especially unfair because we now have an effective rate scale that is no longer progressive. The highest rates apply at low and average earnings.⁶³

7 Conclusions

Rather than summarizing the points made in this paper, the following sets out directions in which policy must move in order to provide a sensible and lasting solution to the resource allocation problems that arise with demographic change, and to begin building a fair and affordable retirement income system.

1. Reform the family tax system

The income tax system should be restored to one based on individual rather than joint incomes, with a progressive rate scale and universal family benefits. This means reversing the direction of family tax reform in the Howard era. This will:

- (i) reduce the tax burden on low and average wage second earners
- (ii) provide working women with higher net incomes, thus enabling them to achieve a higher level of saving and more resources to support themselves in old age.
- (iii) expand the tax base and improve the ability to fund public expenditure.

2. Develop a publicly financed and operated, education-oriented child care system.

This will

- (i) greatly facilitate growth in female labour supply, again expanding the tax base
- (ii) improve the quality of pre-school education, and therefore the productivity of the next generation

3. Expand the Age Pension and integrate it with a public sector contributory defined benefit scheme.

⁶⁰ See Apps and Rees (2003) and Apps (2007)

⁶¹ Data from the Australian Bureau of Statistics 2003-04 Household Expenditure Survey indicate that over 90 per cents of retirees are home owners and that their debt to house price ratio is close to zero. In contrast, a country such as Germany has a low rate of home ownership which, together with a joint income tax system and poor access to child care, creates an almost intractable ageing problem.

⁶² The gains could be seriously undermined by policies directed toward encouraging home owners to take out "reverse mortgages" to supplement their retirement incomes, as an alternative to maintaining the real value of pension payments for low and average wage workers. Policies of this kind are essentially a strategy for extracting hard earned assets from the elderly, the majority of whom are women.

⁶³ For a detailed analysis, see Apps (2007).

This will

- (i) improve the risk-sharing capabilities of the existing pension arrangements
- (ii) reduce the administrative and transactions costs associated with the existing arrangements.

4. Reduce the SG rate for low and middle income earners

This will:

- (i) reduce the existing double burden of effective taxation on the majority of married women as second earners and on families least able to afford it
- (ii) provide the option for higher income earners to pay a higher rate

5. Remove all tax concessions for contributions to superannuation saving that is not finally taken out as an income stream.

This will:

- (i) improve the overall fairness of the tax system, since it is predominantly high income groups who benefit from these concessions
- (ii) improve incentives for saving by married women, by providing revenue for funding reductions in effective tax rates on second earners working long hours to increase household saving for home purchase and for retirement.

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Human Rights and Women's Retirement Incomes

Australia's retirement income system is currently being reviewed as part of a broader review of the tax system.

The review raises a number of important questions on how we can create a fair and equal Australia where social well being remains central to our economic growth.

The ability for all Australians to exercise and enjoy their human rights across the lifecycle should be a key consideration for governments across all areas of policy-making.

This paper sets out some of the key human rights issues relevant to the issue of retirement incomes.

How are human rights relevant to retirement incomes?

Australia's retirement incomes system has three pillars which are a government funded Age Pension, a compulsory savings component through superannuation and voluntary savings.

Women are disadvantaged with the current superannuation system because of its link to paid work and level of earnings over the life time. As women have disrupted work patterns due to caring responsibilities and lower earnings over the life time, they accumulate significantly less retirement savings compared to men. Current figures show that women's superannuation balances are less than half of those of men.⁶⁴

As a result, many women are solely reliant on the Age Pension in retirement. The aim of the Age Pension is to provide an acceptable standard of living in retirement.⁶⁵ Currently, women make up 60% of Age Pensioners and 73% of those on the single Age Pension rate. Australia's single pension rate at 60% of the couple pension rate is less than the OECD average of 63%.⁶⁶

As a result, elderly single female households are at the greatest risk of poverty.⁶⁷

⁶⁴ R Clare, Retirement Savings Update (2008)

⁶⁵ Australian Government, Australia's future tax system: Retirement income Consultation paper (2008) p.5

⁶⁶ FAHCSIA, Pension Review Background Paper (2008) p.6; R Tanton et al, Old Single and Poor: Using Microsimulation and Microdata to Analyse Poverty and the Impact of Policy Change Among Older Australians (2008) p.15

⁶⁷ B Heady and D Warren, *Families, Incomes and Jobs, Volume 3: A Statistical Report on Waves 1 to 5 of the HILDA Survey* (2008) p.55 at <http://www.melbourneinstitute.com/hilda/statreport/statreport-v3-2008.pdf>

The review of the retirement income system raises a number of questions about the extent to which Australians, particularly women, can exercise and enjoy their human rights including:

- the right to social security; and
- the principle of non-discrimination and equality.

What human rights are relevant to retirement incomes?

98. The right to social security

Australia's superannuation system and Age Pension are examples of social security.

Social security is a system or program which provides people with a basic level of income support in circumstances where they are unable to secure appropriate paid employment or where people need additional assistance to realise basic human rights.

Social security can take a number of forms.

- *Systems of social insurance*: This is where individuals, employers and in some cases governments make contributions to ensure people have access to income support when their earnings are interrupted or cease. Old age or retirement is one of these circumstances. Australia's superannuation system is an example of this.
- *Universal schemes of social assistance*: These are met entirely through the general resources of governments and provide important financial support and protection for people who are particularly vulnerable or need particular assistance to realise basic rights such as older people, people with a disability or other marginalised groups. The Age Pension is an example of this.

Social security is an internationally recognised human right. This right is enshrined in the Universal Declaration of Human Rights (article 22) and in article 9 of the *International Covenant on Economic, Social and Cultural Rights* (ICECSR),⁶⁸ which says:

The States Parties to the present Covenant recognize the right of everyone to social security, including social insurance.

Australia became a party to the *International Covenant on Economic, Social and Cultural Rights* in 1976.

⁶⁸ *International Covenant on Economic, Social and Cultural Rights*, opened for signature 16 December 1966, 993 UNTS 3 (entered into force 3 January 1976).

The right to social security is important for people being able to enjoy a range of other human rights. Income poverty prevents people from being able to realise human rights such as housing, food, health services and education.

Social security plays an important role in poverty reduction and alleviation as well as preventing social exclusion and promoting social inclusion.

The Committee on Economic, Social and Cultural Rights (the Committee) is responsible for monitoring the implementation of ICESCR by those States which are party to it. The Committee states:

*The right to social security is of central importance in guaranteeing human dignity for all persons when they are faced with circumstances that deprive them of their capacity to fully realise their Covenant rights.*⁶⁹

These circumstances may include old age, unemployment, disability, injury and maternity.

The principle of non-discrimination and equality

All human rights are underpinned by the principles of non-discrimination and equality. Article 2 of the Universal Declaration of Human Rights states:

Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.

Under international human rights law, the Australian Government has an obligation to prevent discrimination and ensure that all women and men equally enjoy their economic, social and cultural rights, including the right to social security and the right to an adequate standard of living.

As such, under international human rights law, Australia's retirement income system should not have unfair effect on a particular group such as women or perpetuate gender inequalities.

These concepts are explained further below.

Non-discrimination

The definition of discrimination has developed through specific international human rights treaties. For example, Article 1 of CEDAW explains the definition of discrimination particularly as it applies to women.

⁶⁹ UN Committee on Economic, Social and Cultural Rights (CESCR), General Comment 19: The Right to Social Security, E/C.12/GC/19, adopted 23 November 2007.

the term "discrimination against women" shall mean any distinction, exclusion or restriction made on the basis of sex which has the effect or purpose of impairing or nullifying the recognition, enjoyment or exercise by women, irrespective of their marital status, on a basis of equality of men and women, of human rights and fundamental freedoms in the political, economic, social, cultural, civil or any other field.

There are two types of discrimination which are prohibited under international human rights law – direct discrimination and indirect discrimination.

- *Direct discrimination* is when a law, policy or treatment discriminates against a group of people in an obvious way.
- *Indirect discrimination* is when a law, policy or treatment applies to everyone the same, but which has an unfair effect on a particular group of people.

Article 2(2) of ICESCR ensures the principle of non-discrimination is guaranteed for economic, social and cultural rights, such as the right to social security and the right to an adequate standard of living:

The States Parties to the present Covenant undertake to guarantee that the rights enunciated in the present Covenant will be exercised without discrimination of any kind as to race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.

Equality

Article 3 of ICESCR imposes a duty for governments to not only to prevent discrimination, but also to ensure that women and men equally enjoy economic, social and cultural rights:

The States Parties to the present Covenant undertake to ensure the equal right of men and women to the enjoyment of all economic, social and cultural rights set forth in the present Covenant.

The Committee has stated that the definition of equality includes both formal and substantive equality.

Formal equality assumes that equality is achieved if a law or policy treats men and women in a neutral manner. Substantive equality is concerned, in addition, with the effects of laws, policies and practices and with ensuring that they do not maintain, but rather alleviate, the inherent disadvantage that particular groups experience.⁷⁰

⁷⁰ CECSR, General Comment 16: The equal right of men and women to the enjoyment of all economic, social and cultural rights, 11 August 2005, E/C.12/2005/4, para 7.

The Committee has directed governments to take specific action to ensure substantive equality:

Substantive equality for men and women will not be achieved simply through the enactment of laws or the adoption of policies that are gender-neutral on their face. In implementing Article 3, States parties should take into account that such laws, policies and practice can fail to address or even perpetuate inequality between men and women, because they do not take account of existing economic, social and cultural inequalities, particularly those experienced by women.⁷¹

What human rights standards should apply to the retirement income system?

The Committee has set out a number of basic standards which are essential to the right to social security.⁷² These standards should apply to Australia's retirement income system.

Available, accessible and non-discriminatory

Social security must be provided under a system which is established under domestic law and administered or supervised by public authorities. Social security must be available and accessible to all people who are in need, especially people who belong to marginalised or disadvantaged groups. Social security must be provided in a way which is not discriminatory.

Comprehensive

Social security systems must provide income support in a range of possible circumstances or life events which affect people's ability to maintain employment or provide themselves with an adequate standard of living. These include:

- Old-age – Governments must ensure that older people who reach an age specified by national government and who do not have access to an income based pension or any other income have access to old-age benefits, services and other assistance.
- Sickness, injury and disability – Governments must provide cash and other health benefits to people who are incapable of working either temporarily or permanently due to ill-health, injury or disability.

⁷¹ CESCR, General Comment 16, para 8.

⁷² CESCR, General Comment 19, paras 9-28.

- Unemployment – Governments must endeavour to provide adequate protection for people who are unable to secure suitable employment.
- Maternity – Governments must provide all working mothers with paid leave or leave with adequate social security benefits. The right to paid maternity leave is also recognised in article 11(2)(b) of CEDAW.
- Families and children – Governments must provide cash benefits and social services to families including survivors and orphans.
- Health care – Governments have an obligation to guarantee the establishment of health systems which provide adequate access to health services for all.

Adequate

Social security benefits can take the form of cash payments and in kind benefits such as concessions. In order to be considered adequate, social security benefits must ensure that people are able to afford the goods and services to realise the other rights under the ICESCR, including adequate food, clothing and housing. Access to health care should also ensure people are able to enjoy the highest attainable standard of physical and mental health.

Participation and information

People who receive social security benefits must be able to participate in the administration of the system. Social security systems must ensure the right of individuals and organisations to seek, receive and impart information on all social security entitlements.

Affordable

Where a social security system requires contributions, the costs and charges associated with making those contributions must be affordable for all people and must not impinge upon the enjoyment of other rights.

What are the international human rights obligations of the Australian Government in relation to retirement incomes?

To fulfil its international human rights obligations the Australian government must take steps to realise the right to social security in accordance with the standards set out above.

Under article 2 of ICESCR, the Australian Government is obliged to:

take steps... to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means, including particularly the adoption of legislative measures.

These steps must be underpinned by the principle of non-discrimination and equality which means that they should not have an unfair effect on a particular group or perpetuate inequalities.

The obligation to fulfil the right to social security requires the Australian Government to:

- Adopt necessary measures directed towards the full realisation of the right to social security.⁷³
- Take positive measures including legislative and policy measures, to assist individuals and communities to enjoy the right to social security.⁷⁴
- Ensure appropriate education and public awareness of social security schemes.⁷⁵
- Establish non-contributory schemes and other measures to provide support to people who are unable to make contributions to social insurance schemes.⁷⁶

At a minimum, governments have a core obligation to ensure people have access to a social security system and benefits which allow them to acquire essential health care, basic housing, water and sanitation and food as well as the most basic forms of education.⁷⁷ This means Australia's retirement system should ensure that these rights can be enjoyed by all individuals, men and women.

In addition governments have the following obligations under international human rights law:

- To avoid any deliberate retrogressive measures which will reduce the availability, accessibility and coverage of the right to social security.⁷⁸
- To adopt a national strategy and plan of action to realise the right to social security.⁷⁹

⁷³ CESCR, General Comment 19, para 47.

⁷⁴ CESCR, General Comment 19, para 48.

⁷⁵ CESCR, General Comment 19, para 49.

⁷⁶ CESCR, General Comment 19, para 50.

⁷⁷ CESCR, General Comment 19, para 59(a).

⁷⁸ CESCR, General Comment 19, para 42.

- To regularly review social security systems to ensure they comply with the right to social security.

National plans of action or strategies should include indicators of adequacy, the coverage of social risks and contingencies, affordability and accessibility.

Governments should also consider setting appropriate national benchmarks in order to monitor their implementation of the right to social security.

What is the situation in Australia?

Australia has no legislated protection of economic, social and cultural rights, including the right to social security. In response to the Government's report on the implementation of ICESCR, the Committee has strongly recommended that Australia incorporate ICESCR in its legislation. This would ensure the rights set out in the ICESCR are applicable in domestic courts.

What will be considered an adequate level of social security or income support enabling access to an adequate standard of living, access to health care and basic education, will vary according to the specific circumstances in each country.

However, the Committee has expressed concern that the lack of an officially set poverty line in Australia means it is not possible to determine the progress of Australian Government efforts to reduce poverty.⁸⁰ The Committee, "*strongly urges the State party to establish an official poverty line, so that a credible assessment can be made of the extent of poverty in Australia.*" They also requested that Australia provide more detailed information in their next report to the Committee.⁸¹

In its concluding observations on Australia's report under CEDAW in 2006, the CEDAW Committee also urged Australia to take measures to introduce maternity leave with pay or with comparable social benefits.⁸²

What can be done by the Australian Government to monitor and fulfil women's human rights in relation to retirement incomes?

Gender budgeting is one practical way governments can assess the gendered impact of the current tax and retirement income system and take immediate steps towards fulfilling the equal enjoyment of the right to social security.

Government budgets and economic management policies are increasingly viewed as key policy instruments that reflect Government policies.⁸³ Analysis of Government

⁷⁹ CESCR, General Comment 19, para 59(d).

⁸⁰ CESCR, General Comment 19, para 20.

⁸¹ CESCR, UN Committee on Economic, Social and Cultural Rights: Concluding Observations: Australia, 11 September 2000. E/C.12/1/Add.50, para 33.

⁸² UN Committee on the Elimination of Discrimination Against Women (CEDAW), *UN Committee on the Elimination of Discrimination against Women: Concluding Comments, Australia*, 3 February 2006. CEDAW/C/AUL/CO/5, para 25.

budgets from a gender perspective questions the assumption that policies will have an equal effect and outcome for women and men and asks instead 'In what ways are the policies and their associated resource allocations likely to reduce or increase gender inequalities.'⁸⁴

There are many different tools to examine Government budgets and advocate for more responsive budgets. Some of these are:

- Gender - disaggregated public expenditure incidence analysis - compares public expenditure for a given program, usually with data from household surveys, to reveal the distribution of expenditure between women and men, girls and boys.
- Gender - disaggregated tax incidence analysis - examines both direct and indirect taxes in order to calculate how much taxation is paid by different individuals or households.
- Gender - disaggregated analysis of the impact of the budget on time use - examines the relationship between the national budget and the way time is used in households. It accounts for time spent by women in unpaid work such as caring for the sick, childcare and other domestic work.⁸⁵

For example, the Government's allocation of funds for the payment of different forms of social security benefits should be analysed to consider:

- Whether it perpetuates or alleviates the poverty gap between men and women;
- Equal opportunity expenditure for civil servants; and
- What percentage of funds encompasses women specific expenditure,⁸⁶

In the United Kingdom, a gender budget analysis of New Deal programs revealed that only 8 per cent of funding for these programs go to 'lone parents', of whom

⁸³ UNIFEM, 'Tools for Gender-Sensitive Analysis of Budgets', April 2005. at http://www.idrc.ca/uploads/user-S/11279431651Tools_for_Gender-Sensitive_Analysis_of_Budgets.pdf (viewed 3 February 2009).

⁸⁴ UNIFEM, 'Tools for Gender-Sensitive Analysis of Budgets', April 2005. at http://www.idrc.ca/uploads/user-S/11279431651Tools_for_Gender-Sensitive_Analysis_of_Budgets.pdf (viewed 3 February 2009).

⁸⁵ Unifem, 'Tools for Gender-Sensitive Analysis of Budgets', at http://www.idrc.ca/uploads/user-S/11279431651Tools_for_Gender-Sensitive_Analysis_of_Budgets.pdf (viewed 3 February 2009),

⁸⁶ Based on Rhonda Sharp's three-way categorization of expenditures model in R Sharp, 'How to do a Gender-sensitive Budget Analysis, Ausaid 1998 cited in UNIFEM, 'Tools for a Gender-Sensitive Analysis of Budgets' at http://www.idrc.ca/uploads/user-S/11279431651Tools_for_Gender-Sensitive_Analysis_of_Budgets.pdf (viewed 3 February 2009),

95% are female. Yet 57% of funds go to young people, of whom only 27% are female.⁸⁷

Why gender budgeting?

The Committee has observed, *'the principles of equality and non-discrimination, by themselves, are not always sufficient to guarantee true equality.'*⁸⁸ Where there is a group of people who are marginalised or disadvantaged and unable to enjoy particular human rights, it may be legitimate for governments to take actions which are discriminatory or constitute unequal treatment. These are called temporary special measures. Governments may take temporary special measures which are advantageous to that group of people and aim to deliver formal and substantive equality. If these measures are necessary to redress discrimination and last only until equality is achieved, they will not be considered to be a violation of the right to non-discrimination and equality.⁸⁹

Gender budgeting tools, as outlined above, help governments understand how they may need to adjust their priorities and reallocate resources to achieve gender equality.⁹⁰

In relation to retirement income systems, gender budgeting would allow the government to introduce specific strategies to realise women's equal enjoyment of the right to social security. This may be considered a special temporary measure.

⁸⁷ UNIFEM, 'Frequently Asked Questions about Gender Responsive Budgets?' at http://www.unifem.org/gender_issues/women_poverty_economics/gender_budgets_3.php (viewed 3 February 2009).

⁸⁸ CESCR, General Comment 16, para 15.

⁸⁹ CESCR, General Comment 16, para 35.

⁹⁰ UNIFEM, 'On the Agenda: Budgeting for Gender Equality' at http://www.unifem.org/attachments/stories/2005WorldSummit_GenderBudgets.pdf (viewed 3 February 2009).