

Submission

Review into Australia's Future Tax System

By

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**February 2009**

## Introduction

The purpose of this submission is to bring to the Committee's attention research on the gendered aspects of Australia's retirement incomes system and to highlight the importance of these aspects to the efficiency and equity of retirement income policy.

In 2006, WiSER hosted an Australian Social Science Academy (ASSA) workshop on women's retirement incomes. The workshop brought together academics, policy makers and post graduate students in a discussion of the gender impacts of Australian retirement income policy. It was motivated, in part, by previous research in the field, which had highlighted how the shift in emphasis towards occupational superannuation has increased the economic vulnerability of women in retirement. The aim of the workshop was to update this research knowledge and discuss policy initiatives that could address any inequities.

The papers from the workshop were subsequently published in a special edition of the *Australian Journal of Labour Economics* (Volume 10, Number 2, June 2007). A copy of this edition has been sent to the Review secretariat for the Committee's consideration. A copy of the volume's contents page is included at the end of this submission,

The papers in the edition clearly documented the gendered nature of retirement incomes and the need for new, wide-ranging and gender-sensitive approaches to the design of retirement incomes policy.

The paper by Siobhan Austen and Rhonda Sharp focused specifically on recent policy on superannuation. It provided an analysis of the budgetary changes in relation to superannuation that increased the scope and significance of concessional tax measures. The paper showed how these measures, which involve very sizeable revenue losses to the budget, allocate the greatest gains to those in fulltime work and on the highest marginal rates of tax. They were thus shown as contributing to the already high levels of gender inequity in Australian retirement incomes.

The paper by Patricia Apps, Ray Rees and Margi Woods provided a broader perspective on the efficiency and distributional aspects of current fiscal settings – and on the range of appropriate policy approaches to retirement incomes. Using data from the Survey of Income and Housing Costs, the paper clearly demonstrated the financial penalties imposed on two earner families by current taxation and benefit arrangements. The paper convincingly linked these penalties to the low participation rates and hours of work of Australian women. It, thus, identified the design of tax rates and, especially, family benefit payments as a key source of the ‘fiscal problems’ (including insufficient retirement income) commonly attributed to an ageing population.

Julie Smith's paper provided a different perspective on the efficiency aspects of the policy settings relevant to retirement incomes. She highlighted the large resource costs associated with the care of infants and argued that it is imperative to have these costs reflected in labour market and other policies. Maternity leave is identified as a policy that would provide cost-effective quality infant care, as well as improving gender equity in the short and long term.

The papers by Therese Jefferson and by Craig Speelman, Marilyn Clark-Murphy and Paul Gerrans identified some further issues relevant to women's retirement incomes by addressing the relatively poor engagement of women with retirement savings products. Therese Jefferson identified how some of the most fundamental concepts, such as savings and retirement, do not have equivalent meanings when applied to men's and women's lives. Apparently many women undertaking caring roles do not perceive that they are "working", nor do they necessarily identify a time in their lives when they will cease "working". As a consequence, many women are not significantly engaged with either the concepts or the resources and processes necessary to accomplish sufficient private retirement savings. The data assembled by Craig Speelman, Marilyn Clark-Murphy and Paul Gerrans indicate that this conclusion is not limited to older women. Their comprehensive information on the superannuation choices being made by young Australian women showed that many are opting for low-risk, low-return strategies that are likely to limit their chances of securing an adequate retirement income. Both papers thus highlighted the need for research and policy to take care to appreciate the

links between women's decision-making contexts, processes and outcomes and the ways these affect future access to economic resources.

In total, the papers presented at the WiSER workshop and assembled in the special edition of the AJLE emphasise the need for a gender analysis of the policies relating to retirement income. As noted in the Sharp and Austen paper, this type of analysis was a feature of studies of government budgetary processes in Australia in the mid 1980s. However, in contrast to international experience, where 'gender responsive budgeting' has continued to feature, the 'Women's Budget' process has unravelled in Australia.

The papers emphasise in particular the need for analysis of expenditure and revenue (and the policies and programs the budget supports) settings to determine how they differentially affect the retirement incomes of women and men. This is especially important given the gendered aspects of the trend towards an older population. The papers also demonstrate the need for this evaluation to go beyond consideration of policies that are directly linked to retirement incomes. Policies which affect the ability of women to engage in paid work and be employed on a fulltime basis are central to retirement income results. Furthermore, the evaluation must encompass both paid and unpaid work if it is to contribute to a more efficient and equitable retirement income system.



## Contents

AUSTRALIAN JOURNAL OF LABOUR ECONOMICS  
Vol. 10, No. 2, June 2007

- 59 Introduction to the Special Issue on Retirement Incomes  
in Australia  
*Siobhan Austen, Therese Jefferson and Rhonda Sharp*
- 61 The 2006 Federal Budget: A Gender Analysis of the Superannuation  
Taxation Concessions  
*Rhonda Sharp and Siobhan Austen*
- 79 Population Ageing, Taxation, Pensions and Health Costs  
*Patricia Apps, Ray Rees and Margi Wood*
- 99 Time Use Among New Mothers, the Economic Value of Unpaid  
Care Work and Gender Aspects of Superannuation Tax Concessions  
*Julie Smith*
- 115 Decision Making Clusters in Retirement Savings: Preliminary  
Findings  
*Craig P. Speelman, Marilyn Clark-Murphy and  
Paul Gerrans*
- 129 Discussing Retirement: Insights from a Qualitative Research  
Project  
*Therese Jefferson*