“The Female-Friendliest Treasurer of them All???”

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Introduction

In the lead up to the 2006/07 budget the Australian Treasurer, Peter Costello, informed the national press club that ‘we must look at how to improve the opportunities for women and create the most female-friendly environment in the world’. Two months later the Treasurer handed down the 11th budget of the Howard government which contained a range of concessional tax measures designed ‘simplify and streamline’ private savings for retirement, including the removal of income taxation from superannuation pensions and lump sums for people 60 years and over.

Retirement income policy in Australia in recent decades has been characterized by gender inequalities and differences in benefits (Olsberg 1994; Sharp 1996; Jefferson and Preston 2005; Warren 2006). The most recent changes in retirement income policy, which represent a shift of retirement incomes measures into the arena of fiscal policy, will add to these inequalities. Fiscal policy is rarely gender neutral in its impacts. Men and women systematically occupy different economic and social positions (eg men on average have more assets and higher incomes); and have different responsibilities that are socially determined (eg women have greater responsibility for unpaid care work for children and the aged) (Sharp and Broomhill 1988; Elson and Categary 2000; Himmelweit 2002) As a result, there are likely to be both gender differences in behaviour in response to government spending and the raising of revenue, and in the advantages and disadvantages resulting from the same policy and funding. Rather than being ‘gender neutral’, budgets are more likely to be presented in a way that is blind to their gender impacts.

This paper provides a gender analysis of the Australian Treasurer’s 2006/07 budgetary changes by examining the gender impacts of the tax concessions given to superannuation savings. It identifies the groups most able to take advantage of the Treasurer’s generosity as being income and flexible-asset rich Australians (which include relatively few women). The economic position of the 75% of ‘pensionable age’ Australians who, by the Treasurer’s own estimates, will not be self-funded retirees by 2050 will be jeopardised by the tax initiatives. The paper concludes by identifying the elements of a budgetary approach that would contribute to a more female-friendly retirement incomes policy.


**The case for renewal of gender analysis of budgets in Australia**

One of the tenants of gender budget analysis is that it is ‘general policies, as apposed to gender specific programs to women or men, that have the largest impacts on gender equality. This is because the vast majority of the budget – an estimated 99 percent - is allocated to non gender specific programs (UNIFEM 2000; Sharp and Broomhill 1990).

In the mid 1980s ‘femocats’ within the Federal, State and Territory governments implemented an innovative strategy of scrutinising the annual government budget. These ‘Women’s Budgets’, as they were termed then, sought to mainstream gender throughout government programs and policies. The Women’s Budget process began to fray by the 1990s with the introduction of neoliberal policy approach that emerged under a Labour government in response to the restructuring of the Australian economy (Sharp and Broomhill 2002). In 1996 the newly elected Howard/Costello government eliminated the process of budget scrutiny that had taken place within the bureaucracy with the Women’s Budget. The government also began a systematic dismantling of the women’s policy machinery including gender disaggregated statistical collections that underpinned gender analyses of the budget.

Up until a few years ago, the Women’s Budget was replaced with a Ministerial Statement of the budget’s impact on women. This amounted to an uncritical listing of the government’s achievements in relation to women. It has now diminished to a ‘Women’s Budget Kit’ website of the Office of the Status of Women (recently moved out of its coordinating role in the Dept of the Prime Minister and Cabinet and relocated in the Department of Families and Community Services). The Women’s Budget Kit would best be described as a gender analysis free zone. The Women’s Budget in it’s heyday was far from perfect. However to have nothing that constitutes scrutiny of the budget from a gender perspective is quite another reality. As neoliberalism ushered in its raft of market oriented reforms and cutbacks of government expenditure the Women’s Budgets to some extent took on a role of stopping the worst of the cutbacks from happening. Even this defensive strategy was missing in 2002 when it was later discovered that underspent monies of about $10m in the federal governments ‘partnerships against domestic violence’ had been reallocated to fund the governments household anti-terrorism kit which included a fridge magnet that said ‘be alert but not alarmed’ (Summers 2003:93).

**Retirement income is a gender issue**

Whilst it is unlikely that gender budget analysis occur within the machinery of the current Howard/Costello government, the need for such analysis – especially of retirement income measures – remains large. The United Nation’s 2002 report on World Population

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1 Sawer (2002) reports a 40% cut in the funding of the federal Office of Status of Women in 1996 noting that paradoxically these cuts could not be seen in the budget because of the elimination of the Women’s Budget. She also identifies subsequent budgetary decisions that have had adverse gender impacts taken without any attempt to research the impacts (Sawer 2002:61).
Ageing 1950-2050 notes that in most countries older women greatly outnumber older men so that ‘concerns of the older population should in fact be viewed primarily as the concerns of older women’. Australia is a case in point. In 2004, 55% of older people (65+) were women. In the group aged over 85 there were twice as many women as men. The importance of paying attention to older women’s increases further when we look to the future and consider the impacts of an ageing population. By 2024 it is estimated that the number of Australians aged over 85 (the large majority of whom will be women) will have increased by 143% on current levels. (AIHW 2005: 136)

To date, analyses of the gender impacts of the emphasis in Australian retirement incomes policy on occupational-based superannuation have been characterised by a high level of agreement. The approach is considered women unfriendly. The Superannuation Guarantee Charge (SGC) built a strong nexus between retirement income and a person’s paid (and unpaid) work patterns. Many of us argued that it was a guarantee for the gender wage gap (female total earnings in Australia being about 65% of total male earnings) to be transferred into retirement. Jefferson and Preston have recently estimated that over their lifetimes the cohort of baby boomers will spend 35% less time in paid employment than their male counterparts, which contributes to lowering earnings based retirement incomes by a similar amount (Jefferson and Preston, 2005: 95). In the case of Aboriginal women (and men) the superannuation-based retirement incomes policy has been particularly disadvantageous because many never get to collect any superannuation as they have a much lower life expectancy (by approximately 20 years). The government’s own modelling shows that if the SGC was projected over their working lives women would only accrue about half the superannuation retirement benefit of men because of differences in average earning levels and workforce participation (Retirement Income Modelling Task Force 1994:6).

Retirement income and fiscal policy

The Treasurer’s recent budgetary announcements represent an important change in the location of retirement incomes policy in Australia that is likely to have further impacts on gender equality. Over the past two decades retirement incomes generally and superannuation specifically have been the focus wages policy, savings policy and industry policy (Sharp 1993). As will be outlined in the next section, the recent announcements shift the focus to intergenerational fiscal policy and massively increase the importance of private voluntary contributions to superannuation funds. This change in focus is important to recognise for a gender perspective because the new policy agenda will be associated with different politics and, most likely, greater difficulty in getting policy makers to take a gender (and class) perspective.

To illustrate, the erosion of the wages policy aspect of retirement incomes policy that underpinned the introduction of the SGC (Sharp 1993) has virtually eliminated the industrial relations space for feminist politics on superannuation through the voices of trade union women and their allies. These changes have occurred in conjunction with the abolition of the Women’s Labour Market Research unit within the federal (and some
state) governments and the coordinating role of the Office for the Status of Women that contributed a gender perspective on superannuation into government policy from within the bureaucracy.

The scope for forums contributing a gender perspective on retirement incomes has also diminished in the face of the growing power of the superannuation industry, which has been underpinned by the government’s privatisation of retirement savings. This industry now comprises the world’s 4th biggest private funds management market and the largest in the Asia Pacific. It has $550 billion in superannuation assets and $30 million new monies flow into this market each day (Coghill et al 2005:3).

More generally, the ageing population and fears of a fiscal burden of the aged\(^2\) has been used to reinforce the rationale for a retirement incomes policy increasingly based on private provision. This has resulted in greater reliance on neoliberal inspired strategies, such as tax concessionality for private retirement savings, which add to market-based advantage and which leave little to no scope for the representation of needs and concerns that fall outside the market sector. Women and other community members with limited market-based resources, of course, dominate the later group and are marginalised in the new debates.

**The Treasurer's budget measures on retirement incomes**

The Treasurer described the changes in the taxation arrangements for superannuation announced in the 2006-7 budget as “the biggest change to superannuation in taxation terms for at least two decades” (Costello 2006a) The government’s expressed justification for these changes was the need simplify the tax complexities faced by retirees in order to encourage people to save for retirement (Australian Government 2006)\(^3\) They included:

- A reduction in taxes on superannuation benefits (pensions or lump sums) from taxed funds to zero for people aged 60 and over\(^4\);  

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\(^2\) Several commentators question the assumptions on which fears of ageing populations are based (see McDonald and Kippen 1999). The Treasurer’s own Intergenerational Report (2002) estimated that spending by the national government as a result of the ageing of the population would rise from 13.9% to 19.2% over the period 2000-2041 (ie by only 5 percentage points), using relatively conservative assumptions (Dowick and McDonald 2002).

\(^3\) The superannuation changes were outlined in the government’s *A Plan to Simplify and Streamline Superannuation* (2006), released as part of the 2006-7 Budget. The proposed changes would take effect July 1, 2007. In addition to the changes outlined above the plan includes the non-disclosure of superannuation income in taxation returns so other income is potentially taxed at a lower rate, increased access to the aged pension by those receiving superannuation and the ability to make deductible superannuation contributions until age 75.

\(^4\) Benefits paid by untaxed funds (mainly to public servants) would continue to be taxed but at a lower rate (10% tax offset on pensions and lump sums up to $1 million would be taxed concessionally at 15%).
• New (non-aged based) limits on contributions to superannuation at the concessional tax rate of 15%. These are set initially at $50,000 a year. During a 5 year transitional period, people aged 50+ will be able to make concessional contributions of $100,000 a year;
• Allowance for the self-employed to claim a full deduction for their superannuation contributions and to be eligible for the Government co-contribution for their personal post-tax contributions;
• A $150,000 annual limit on post-tax superannuation contributions. People aged less than 65 will be able to bring forward two years of contributions, enabling $450,000 to be contributed in one year, with no further contributions in the next two years. Before 30 June 2007, people will be able to make up to $1 million in post-tax contributions; and
• Allowance for post tax contributions of:
  o Proceeds from the sale of small business assets which have been held for 15 years (up to a lifetime limit of $1 million); and
  o Settlements for injuries resulting in permanent disablement.

Key features of the previous system included:

• ‘Reasonable Benefit Limits’, which acted as a ceiling on the total tax concessions available from superannuation (that is, they defined the maximum amount of retirement benefit an individual could receive at the concessional tax rate);
• ‘Age-Based Limits’ that applied to superannuation contributions. For someone aged under 35 the limit was $15,260; for someone aged 35-49 the limit was $42,385; and for those aged 50 to 70 (and 28 days!) it was $105,113\(^5\);
• No limits on post tax (‘undeducted’) contributions to superannuation; and
• Limitation of the tax deductability of superannuation contributions by the self employed to $3,000.

The Treasurer estimates that the cost of the changes over the 2006-2010 period will be $7.2b (Costello, 2006b). Importantly, they add to a system that the Treasurer has himself described as generous and expensive to maintain. In January 2006, he asserted in a press interview that:

… if you put money into superannuation, the taxes you pay are substantially less than if you take it as income. If you are on the top rate of tax and you have the employer put money into superannuation rather than take it as salary you get a 32 per cent discount on the tax rate. And the tax that you pay on the contributions is also rebated on the exit (Costello 2006c).

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International comparisons also identify the generosity of the Australian government’s treatment of private savings for retirement. Australia is ranked 5 out of the 21 OECD countries in terms of the relative tax concessionality given to savings for retirement income (Hendy and Warburton 2006:233).

The Treasurer’s generosity does not come cheaply. He has acknowledged this, expressing the expense of the system in the following terms:

[Superannuation is] The largest tax expenditure in the Federal Budget …. That is, superannuation is still so concessionally taxed that it appears as a tax expenditure and is the fastest growing tax expenditure.

Treasury estimates add to this comment. Relating only to the structure of concessions, benefit taxes and contribution rules applying before the last budget, the cost of the superannuation tax concessions were the largest single tax expenditure estimated at 15.5b in 2005-06 and projected to reach $19.3b by 2008-9 (Treasury 2005)\(^6\), an amount equivalent to 3.0% of GDP. If we factor in the $2.3b that the Treasury estimates to be the additional cost of the recent budget changes in 2008-9, the ‘new’ cost of superannuation tax expenditures becomes $21.6b. Providing additional context for this figure, it is equivalent to 81.5% of the estimated cost of the government age pension.

It is important to note that the main source of the high tax expenditures on superannuation are the concessional taxes levied on employer contributions (of 15%) and the concessional taxation of fund earnings (where earnings on investments, supporting pensions and annuities are not taxed). Treasury (2005: 163) estimates that together these elements comprised 95.7% of the total tax expenditure on superannuation in 2005-6. Other elements of the system – such as the spouse contribution and rebate and the measures of low income earners (such as co-contribution) – represent a very small part of the expenditure burden.

**Elements of a gender budget analysis of the ‘new’ retirement income system (With friends like the Treasurer who needs enemies…)**

There is very little cause for celebration about the Treasurer’s latest budget by the large majority of Australian women, although certain groups of women stand to gain. The groups most able to benefit from the Treasury’s largesse will be high income earners and those with flexible assets that can be moved into the now highly tax-advantaged superannuation system. As noted previously, women do not figure prominently in this group and, thus, they are likely to receive a disproportionately small share of the ‘gifts’ being distributed. Furthermore, as the changes represent a major change in the direction of government expenditure on retirement incomes and away from the age pension

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(expenditures on which are forecast to fall in 2006-7), large numbers of women should be concerned that their economic futures will suffer to help meet the cost of the Treasure’s latest round of gift giving.

The nature of the distribution of the gains from the recent budgetary gains is fairly easy to determine. The removal of all benefits taxes will deliver tax savings only to individuals with very high superannuation balances. In 2005-06, the ‘flat dollar’ Reasonable Benefit Limits (RBLs) applying to superannuation benefits were $648,946 for lump sum payments and approximately $1.3m for pensions (ATO 2006b). The Institute of Actuaries of Australia (2006: 2) estimated that only a minority of retirees reach these limits. In their calculations, less than 10% of people (implying even fewer women) have a total super balance of more than $320,000 (ie about half the RBL). They also predict that under a mature SGC the RBL’s would have affected only the wealthiest of superannuants, as the average account balance (across all individuals) is estimated to only reach $320,000 by this time.

The changes in the age-based limits on contributions are likely to affect two groups of income earners. The clear winners are very high income individuals in their 20s and early 30s. They will now be able to achieve substantial reductions in their taxes by directing more income to superannuation. Are there gender impacts here? Most definitely! As is shown in the following graph, the median earnings for young women do not come close the new age-limits on contributions, and even those young women at the 90th percentile of the earnings distribution have earnings that fall below the age-contribution limits. In other words, extremely few would have high levels of surplus funds to direct to superannuation.
Figure 1: Financial year gross wages and salaries by gender and 5 year age groups

2003-4 ($)

Source: HILDA Wave 4

It is interesting to note that the example used by the Association of Super Funds to support the removal of age-based limits on contributions was that of professional footballers. These young men will gain tax advantages under the new system by channelling increased amounts of their salaries into super. It is most unlikely that young professional netballers would have ever reached the existing contribution limits in any case!

A group that is potentially disadvantaged by the move to a ‘flat’ (ie non age-based) system of contribution limits are the ‘late bloomers’; that is, those people who are unlikely to be able to make additional contributions to their superannuation until they are in their 40s. Disturbingly, many women fit into this category due to interrupted working lives. Under the new system eligible contributions will be limited to $50,000 per annum. The previous maximum (and the limit applying for those aged 50+ for the next 5 years) was double this rate.

It is important to note that the distributional impacts of the changes in the age-based contribution limits add to a system that is already regressive in nature and biased against the circumstances of most women. The concessional taxation of income deposited into superannuation provides tax relief in proportion to the marginal tax rate (and, thus, the

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income level) of the individual. For someone on the top marginal tax rate of 45% (earning more than $150,000 per annum), the government effectively provides a subsidy on the income they direct to super of 30% (45% - 15% contributions tax). However, the taxpayer on the 30% tax rate ($25-75,000) only receives a subsidy of 15% and the taxpayer on 15% ($6-25,000) receives no subsidy through this part of the system. The benefits to high income earners can be further enhanced if, by salary-sacrificing to super, they are able to lower their taxable income and, thus, reach a lower tax rate.

The following table contains information compiled by the Australian Tax Office from the 2003-4 tax returns. It shows the numbers of men and women who fall into the income and tax ranges referred to in the above paragraph. Clearly demonstrated is the very small number of women eligible for the largest tax subsidies. Only 4.7% of female PAYG taxpayers (just 185,539 women) are in the two tax brackets attracting the highest subsidies; whilst 36.5% (1.45 million women) are in the lowest tax bracket where deductible contributions have no tax advantage. For men the pattern is similar, however, much larger numbers of men have taxable incomes that give them access to the superannuation subsidies. 12.5% of male PAYG taxpayers (610,632 men) are in the highest tax brackets, whilst 22.8% (1.1 million men) are in the lowest bracket.

### Table 1: Australian taxpayers by taxable income categories, 2003–04 income year

<table>
<thead>
<tr>
<th>Grades of taxable income</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>% of returns</td>
</tr>
<tr>
<td>$8,244 to $24,846</td>
<td>1,111,378</td>
<td>22.8%</td>
</tr>
<tr>
<td>$24,847 to $73,963</td>
<td>3,108,702</td>
<td>63.8%</td>
</tr>
<tr>
<td>$73,964 to $135,689</td>
<td>473,468</td>
<td>9.7%</td>
</tr>
<tr>
<td>&gt;$135,689</td>
<td>137,164</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

Source: ATO (2006c)

A further important aspect of the new retirement income policy is the large increase in the opportunity for self employed Australians to achieve tax concessions on their superannuation contributions. Previously only contributions up to $3,000 were tax deductible, now all contributions are fully tax deductible. It appears that age limits will not apply to the small business sector.

Insights to the gender impacts of these changes are provided in the recent AMP-NATSEM (2005a) report on small business. A relatively low proportion of small business operators (SMOs) are women: in 2004 30.4% of SMOs, as compared to 47.9% of employees, were women. Furthermore, many (42.0%) of female SMOs work only 0-20 hours in a typical week (the equivalent figures for male SMOs is 8.7%). In sum, it appears that there are relatively less women who will be able to take advantage of the increased limits on tax deductible contributions to superannuation.

The final aspect of the new system discussed here are the rules relating to post tax contributions to superannuation. As noted in the previous section, some of these also relate specifically to the small business sector. The value of these changes relates to the new tax free status of earnings generated in superannuation funds. However, the benefits
of this tax regime will be delivered to individuals in proportion to the assets they can
direct towards superannuation – especially in the next 12 months when large post tax
contributions are allowed. Thus, continuing the pattern created by the other policy
changes, this element of the new system will exacerbate the gender and class inequalities
in retirement incomes. Only the wealthiest Australians will be able to take full advantage
of the changes and the nature of women’s asset holdings make it less likely that they will
be able to respond to the new set of initiatives.

Data on the distribution and composition of the wealth of Australian households collected
in the wealth module of the 2002 HILDA survey allow us to elaborate on these themes.
The RBA (2004) uses the data to establish the high level of inequality in the wealth of
Australian households. In 2002, the average wealth holding of a household located in the
top 20% of the household wealth distribution was $1.23m. In extreme contrast, the
average net worth of households located in the lowest 20% of the distribution was only
$4,500. Not surprisingly, the data also show that the ownership of assets beyond the
family home is heavily skewed towards the top of the wealth distribution. Whilst only 9%
of households in the lowest quintile of the distribution held an equity investment (such as
shares, managed funds and property trusts), 78% of households in the top quintile did so.
Whilst only 2% of households in the lowest quintile had assets in residential property
other than their own home, 42% of those in the top quintile did so. In sum, whilst the
wealthiest Australian households appear well placed in terms of their asset positions to be
able move resources into tax-advantaged investments such as superannuation, it is very
hard to see how those at the other end of the wealth distribution will be able to do so.

The HILDA wealth data was collected at the household level and, thus, it is difficult to
use it to establish gender differences in wealth positions for the whole community.
However, a recent AMP-NATSEM (2005b) report on the financial impact of divorce
provides some important insights. Its primary context is data on trends in the divorce rate,
which show that by 2015 more than half of all Australian marriages will end in divorce.
With this in mind, the information in the report showing that, typically, women’s
disposable incomes fall in the year following divorce (whilst men’s rise substantially) is
troubling. The data in the report also shows that women are much more likely to remain
single post-divorce than men. Of all the women who divorced in the previous 10 years,
35% were in a couple relationship in June 2003. The equivalent figure for the male
divorcees is 50%.

Of particular relevance to the current discussion is the data in the AMP-NATSEM
(2005a) report on the wealth positions of divorced people (aged 30-49) according to their
current household type in 2002. Lone parents (of whom 80% are women) are shown to
have an average net wealth of $153,700, with the net value of their own home asset

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8 Headey et al (2006: 55), using the same data source as the RBA (ie the HILDA 2002 wealth survey),
reports that the wealthiest 5% of households had a median net wealth of $2.5m in 2002 and held 31.0% of
total household wealth

9 Headey et al (2006: 55) reports that the median net wealth of the least wealthy 10% of households was
zero in 2002
comprising 77.7% of this amount. In contrast, single person households (of whom 75% are men) have an average net wealth of $155,200, with the net own home asset accounting for 39.0% of the total. Both groups have much lower net wealth positions than couple household types (that comprise a greater number of divorced men). For example, the average net wealth of the couple-only household type was $278,800 in 2002. In sum, the large majority of divorced women in Australia have low wealth holdings and the wealth that they do have is typically ‘bound up’ in their own home – and not easily re-directed to tax advantaged superannuation schemes. Many women also experience falls in their disposable income post divorce. As a group, then, they have a very limited capacity to invest in superannuation and very little opportunity to benefit from the changes in retirement income policy announced by the Treasurer in the last budget.

Be Alert and Alarmed!

An important addition to the discussion of the gender impacts of the changes in the rules and rates applying to superannuation assets is consideration of the likely consequences of the changes for the age pension. Women, much more than men, rely on the age pension for their economic security in old age (currently close to two thirds of age pensioners are women and, of these, about 70% are on the full pension (Department of Family and Community Services 2002)). The data assembled in this paper and many other reports (see Jefferson 2005 for an overview) indicate clearly that this pattern will persist in the future. Indeed, the Treasury’s own estimate is that only 25% of the pensionable age population will be self funded retirees by 2050 under the SGC (Treasury 2006). What should women make then of the Treasury’s comments that the generous tax concessions given to superannuation savings “will help to reduce budgetary expenses in future years, particularly in government age pension payments, through encouraging private provision for retirement” (Treasury 2006: 158. emphasis added).

The only answer appears to be that we should be alarmed! Entitlements to the age pension are likely to be curtailed in coming decades and the real value of the pension is likely to be eroded. The ability to live with dignity on the age pension is under threat by the move to a privatised retirement income and this will have large consequences for older Australian women. That this will come at the cost of large tax expenditures for the wealthiest Australians makes this move all the more painful.

We should also be alert to the rhetoric from the superannuation industry as it has been very successful thus far in convincing the Treasurer to alter the retirement income system in ways that ultimately promote its growth and profitability. An emerging theme in industry commentaries on retirement incomes is that the ‘privileged’ status of the family home should be challenged. They see this as a way of encouraging households to hold more assets in forms that will be available to finance retirement needs (it also increases their profit opportunities). The following comments by Craig Dunn, Managing Director, AMP Financial Services are illustrative:
In Australia the family home is also a tax haven. And while family homes continue to receive such favourable tax treatment, people will continue to drive cash into them – even when that cash could be invested in other assets that provide real income in retirement (Dunn 2004)

Some in the industry appear to want the Treasurer to go further than the removal of taxes on superannuation benefits and increases in the tax deductability of superannuation contributions. They appear to have their sights on the exemption of homes (and not most superannuation assets) from the age pension eligibility test (see Dunn 2004). They may stretch the same logic further and claim that the exemption of own housing from assessments of eligibility for care places is encouraging an over-investment in housing and this ‘bias’ and should be removed.

Women need to be alert to this as housing is the most important asset most of us will have in old age. Women’s absolute and relative economic position will be threatened by less favourable treatments of housing in the tax/benefit system and by the redirection of scarce pension and care resources to holders of other asset types.

**Conclusion: Elements of a policy approach that would promote gender equality in retirement incomes**

This paper points to several elements of a woman friendly budgetary approach to retirement incomes policy.

In the first instance we have sought to highlight the importance of a gender analysis of the budget. Fiscal policy has increasingly underpinned Australia’s privatised approach to retirement incomes since the late 1980s. Budgetary decision making is rarely gender neutral and policy decisions that are of great consequence to the largest proportion of the aged population (ie women) without any research into their potential impact is likely to fail the standard policy tests of efficiency, effectiveness and equity.

Second, the reliance on tax expenditures, or the preferential treatment of certain groups of taxpayers and/or particular activities, as a policy instrument should be avoided. Tax concessions applied to a progressive marginal rate structure provide greater gains to higher income earners- those with the highest marginal rates of tax who are disproportionately men. Also, the increased use of large tax expenditures for superannuation savings has implications for government revenues and the capacity to provide services, much of which is not estimated. While tax expenditures are effectively equivalent to direct government spending for public policy purposes ‘they largely escape the detailed parliamentary scrutiny and accountability processes associated with budget outlays’ (Smith 2003: 2). Federal Treasury in its *Tax Expenditure Statement 2002* notes that ‘the apparent size of government could be reduced simply by pursuing the objectives of expenditures programs through tax expenditures’ (Treasury 2002:2).
Third, differences in women’s and men’s work patterns need to be given particular attention. The 2006-7 budget initiative which replaced aged based (15%) concessional contributions to superannuation funds with a flat level ($50,000) of concessional contributions does not recognise these differences. We have argued in this paper that women’s capacity to contribute to superannuation is likely to be greater in the older age groups.

Fourth, differences in women and men’s asset holdings need to be reflected in policy. Apart from women’s relatively lower levels of asset holdings their investment in their own home is a distinguishing feature of their retirement savings. Home ownership is a major factor in avoiding poverty in retirement and women are more likely to comprise the aged poor. Home ownership should not be undermined in the face of calls from the superannuation industry to increasingly privilege superannuation savings.

Finally, the central role of the age pension in Australia’s retirement income system needs to be better recognised. The safety net discourse that has emerged around the age pension is inconsistent with the high proportion of the population that will rely on it at least until the middle of the 21st Century. Long term savings for retirement for women and men and different socio-economic groups is likely to be enhanced if it is conducted within a policy framework that recognises the important and continuing role of the age pension.

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