Time Use Among New Mothers, the Economic Value of Unpaid Care Work and Gender Aspects of Superannuation Tax Concessions

Julie Smith, Australian National University

Abstract

Population aging requires policies addressing ‘population, participation and productivity’. By failing to acknowledge women’s productive work in the unpaid care economy, current retirement income policies may reduce incentives to invest in children, the future labour force, and thereby heighten the economic task of addressing the aging problem.

A nationwide time use survey of new mothers conducted during 2005-06 highlights the time intensity of caring for infants, and its negative impact on women’s current and future labour market earnings. Meanwhile, growing scientific evidence points to potential trade offs between infant health and development and full time maternal employment in the early months of life.

Time is an economic resource that may be allocated to non-market, as well as market, production. Women make substantial investments in human capital through unpaid work bearing and raising children. Current retirement income policies disadvantage and discriminate against this economic contribution in the non-market economy. This works against the national economic reform agenda which seeks to raise future labour productivity through quality early care of children and a healthier labour force.

1. Introduction

In the past two decades there has been a major policy preoccupation with addressing anticipated problems of an ageing population. Initially, policy settings around retirement incomes were altered substantially to reduce fiscal costs such as those of the public

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age pension. In more recent years, emphasis has shifted more appropriately to addressing broader economic implications of population aging, that is, to ensuring that economic participation and productivity growth provides sufficient resources to provide for an increased dependent population (Costello, 2007). Australia’s system of flat rate, means tested age pensions is recognised to put Australia in a better position to deal with the fiscal consequences of ageing than many other OECD countries with earnings related public pension schemes. Thus, according to the Secretary of the Commonwealth Treasury, the effective response to the economic implications of Australia’s aging problem lies in addressing ‘population, participation and productivity’ (Henry, 2004). Since 2005 there have been substantial increases in what is known as ‘the Baby Bonus’, targeting declining fertility. In 2006, the Council of Australian Governments (COAG) agreed on a national economic reform agenda which emphasised increasing labour force participation and workforce productivity (Council of Australian Governments (COAG), 2006). Female workforce participation in particular was to be increased. Governments also agreed to address issues such as early childhood development, and chronic disease burdens. This ‘human capital’ emphasis reflects concerns at the rising cost to the health system, to labour force participation and to productivity, of chronic disease. It also reflected growing evidence of the importance of children’s early life experience for later life learning, labour force participation and productivity, and on the early life origins of chronic illness and disease.

Many studies in the past 20 years have shown that even attributing very low wage values (‘replacement wage’) to unpaid work, the unpaid economy of households contributes output worth at least 60 per cent of ‘market’ output measured as Gross Domestic Product (GDP) (Smith, 1982; Australian Bureau of Statistics, 1990 and Australian Bureau of Statistics, 1992). Much of this is accounted for by household’s provision of unpaid child care. It has been shown that the number of unpaid hours of childcare far exceeds the hours worked in any other market or non market industry (Ironmonger, 2004).

Yet missing from Australia’s population aging policies seems to be an understanding of interactions between the market (paid) and unpaid economies. There also appears to be lack of awareness of the implicit social contract and social institutions and arrangements whereby dilemmas of care provision have been addressed in the past. The market economy does not provide adequately for the creation and formation of human capital because of important public goods aspects of children (Folbre, 1994). There are significant gender dimensions to this as the costs of child rearing fall predominantly on women (England and Folbre, 1999 and England and Folbre, 1999).

Over the past century, societal coercion of women has limited their access to the labour force, such as through unequal pay and the ‘family wage’, in order to increase their availability for care work, especially of children. The non contributory age pension has been an important institutional acknowledgment of women’s unpaid work in raising future citizens and taxpayers (Sawer, 2002). It exemplifies the historical ‘social liberal’ response in Australia to the disparity in lifetime earnings and economic vulnerability in old age, which arose from women’s coerced specialization in production and formation of the nation’s human capital.

Market forces, demands for gender equity, and public policy changes over several decades have weakened the socially engineered incentives for households—and particularly, women in those households—to provide the low-cost care services
that they have in the past. Feminist economic analysis has illustrated how the implied
social contract for care was formed and is currently being renegotiated in response to
such forces (Folbre, 2001).

Such analysis also highlights that renegotiation of such social contractual
arrangements may not necessarily produce good outcomes for women or children, or
even for society as a whole, if they have unequal bargaining power compared to market
economy interests and power groups.

If it is the case that economic incentives in the modern economy lead to
underinvestment of resources in infants and children (Folbre, 1994), then the unpaid
economy has significant implications for retirement incomes policy. The benefits to
parents of having children, in particular for economic security in old age, are increasingly
socialized through tax financing and publicly subsidized retirement savings schemes.
On the other hand, the time and money costs of children are still viewed as a private
responsibility, and parents are increasingly bearing costs for their young adult offspring.

Thus a broader feminist economic framework of analysis highlights a significant
unacknowledged tension in the current policy agenda. A comprehensive view of the
economy reveals potential conflict between two important policy objectives, namely:

a) ‘market economy-focused’ objectives of further increasing labour force
participation of women with children, to maintain growth rates in GDP, and

b) population or human capital objectives of policy (such as reversing fertility
decline and promoting optimal early childhood health and development) to
reduce future population dependency rates and fiscal burdens.

The latter are mainly embedded in the unpaid economy, yet conventional
economic policy analysis rarely incorporates such a perspective. Interactions between
the household economy and market sector are not well understood.

Women’s time spent in reproductive work including birth, breastfeeding and
child rising represents a significant investment of time in development of human capital.
This capital in turn yields later returns in the form of economic growth. Early life
experience has been shown to have important consequences for later life economic
outcomes (Heckman, 2004). In relation to the arguments of this paper, there is
considerable evidence that participation in formal early childhood education is generally
beneficial for child development and educational attainment. However, a growing
literature shows harmful effects on child health or development of extended hours in
day care, or of full time maternal employment during the first 12 months of life
(Waldfogel, Han, et al., 2002; Ruhm, 2004 and Berger, Hill, et al., 2005). For example,
lower vaccination rates and reduced breastfeeding have been linked to policy settings
encouraging early maternal employment (Tanaka, 2005). Evidence from a number of
countries including Australia also suggests that full time employment by mothers of
infants reduces the likelihood that their infants will be breastfed (Australian Bureau of
Lower breastfeeding rates increase population level risk of ill health, cognitive
disadvantage and later life chronic disease (National Health and Medical Research
Council, 2003).
There is an increasing recognition that time is a valuable economic resource. There is therefore a significant economic opportunity cost for women’s care work. Substantial maternal investment of time in the care of their children (Craig, 2006) means women have lower labour force participation and hours, and reduced lifetime earnings opportunities (England and Folbre, 1999).

The link between retirement incomes policy, and the time investment that mothers make in reproductive and care work, is rarely recognised. In Australia, unlike in European countries, social security has been provided until recently through means tested payments such as the age pension. A significant feature of the age pension is that entitlement and level of payment, is not contingent on previous, earnings related contributions. Since the late 1980s however, there has been a shift to encouraging private provision for retirement through occupational superannuation. This has resulted in a major and ongoing change in women’s potential access to economic resources later in life. Over the same period, award provisions to assist and maintain mothers’ labour force connections and earnings prospects such as paid maternity leave and family friendly employment conditions have been weakened by labour market deregulation, and welfare reform policies.

This paper will consider the time use of new mothers in the context of the broader unpaid economy, drawing on the results of a unique survey of how new mothers use their time, and how this affects their workforce participation and labour force connection. It will also examine new data from this survey on women’s access to paid maternity leave, and consider the implications of Australian women’s reproductive work for their labour force attachment and future earnings. It will then consider current tax treatment of superannuation, and analyse how this affects women’s access to public subsidy for retirement income. It concludes by drawing connections with the current approach to population aging. It is argued that a further broadening of the ‘Three Ps’ policy approach is needed to take account of the implications of women’s economically valuable reproductive and childcare work in the formulation of labour force and retirement incomes policies.

2. Women’s Unpaid Care of Infants – the Time Use Survey of New Mothers

The Australian Time Use Survey of New Mothers (TUSNM) was conducted at the Australian National University during 2005-2006 and is a nationwide survey of mothers of infants aged between three and nine months of age. The survey was conducted in response to a perceived deficiency in the information available from the Australian Bureau of Statistics (ABS) Time Use Survey (TUS) regarding time use of families with an infant under one year.1 Approximately 190 women enrolled for the TUSNM study. Of these 162 (86 per cent) participated in the survey and tracked their time using an electronic tracking device, the TimeCorder.

Table 1 sets out the activities which were tracked. The activities are categorised in a way which allows comparison with the ABS TUS.

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1 The TUS is a regular series of cross-sectional time use surveys which collect data from 4,059 randomly selected households. However, it only contains around 109 mothers with children aged less than one year of age. It tracks time using the time diary method for only two days, and information on unpaid domestic work and childcare activities is limited.
The TUSNM collected usable data from 344 tracking sessions and generated data from 2,311 diary days of tracking. The mothers averaged just less than seven days tracking each (161.2 hours for the week). Data on socio-demographic, employment, wage and hours in childcare variables, and infant feeding practices was also collected via questionnaire. Maternity leave access and return to work intentions were also recorded.

The TUSNM was a non random national sample of new mothers with recruitment via health professionals, child care centres, and women’s organizations such as Playgroups Australia and the Australian Breastfeeding Association. Participants self selected into the survey. Nevertheless, data from this questionnaire showed that the sociodemographic characteristics of participants in the TUSNM broadly matched that of the ABS surveys. The main differences were in the TUSNM over representing couples, and tertiary educated women and somewhat under representing employed mothers. As can be seen in table 2, around 91-95 per cent of Australian families with infants were couples in the ABS TUS and LSAC samples (99 per cent in TUSNM), only 50-61 per cent of new mothers were tertiary educated (97 per cent), and 48 per cent of families with infants had both parents in paid employment (29 per cent).

\footnote{This compares very favourably with the 1,690 diary days collected by the TUS for families with children under five years of age.}
Table 2 - Sample Characteristics and Comparison, Per cent

<table>
<thead>
<tr>
<th></th>
<th>LSAC infants</th>
<th>Census</th>
<th>TUSNM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Family type</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>two resident parents/guardians</td>
<td>91</td>
<td>88</td>
<td>99</td>
</tr>
<tr>
<td>one resident parent/guardians</td>
<td>9</td>
<td>12</td>
<td>0</td>
</tr>
<tr>
<td><strong>Age of mother (years)</strong></td>
<td></td>
<td></td>
<td>33</td>
</tr>
<tr>
<td>Siblings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>only child</td>
<td>40</td>
<td>36</td>
<td>48</td>
</tr>
<tr>
<td>one sibling</td>
<td>37</td>
<td>36</td>
<td>34</td>
</tr>
<tr>
<td>two or more siblings</td>
<td>24</td>
<td>28</td>
<td>18</td>
</tr>
<tr>
<td><strong>Work status</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Both parents or lone parent in work</td>
<td>48</td>
<td>n.a</td>
<td>29</td>
</tr>
<tr>
<td>One parent works in couple family</td>
<td>41</td>
<td>n.a</td>
<td>67</td>
</tr>
<tr>
<td>No parent works</td>
<td>11</td>
<td>n.a</td>
<td>3</td>
</tr>
<tr>
<td><strong>Educational status</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mother completed year 12</td>
<td>67</td>
<td>57</td>
<td>97</td>
</tr>
<tr>
<td>Father completed year 12</td>
<td>59</td>
<td>50</td>
<td>n.a</td>
</tr>
<tr>
<td><strong>Parents combined income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than $800 per week</td>
<td>32</td>
<td>41</td>
<td>39</td>
</tr>
<tr>
<td>$800-1499 per week</td>
<td>41</td>
<td>39</td>
<td>47</td>
</tr>
<tr>
<td>$1500 or more per week</td>
<td>27</td>
<td>20</td>
<td>14</td>
</tr>
<tr>
<td><strong>State</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New South Wales</td>
<td>32</td>
<td>35</td>
<td>25</td>
</tr>
<tr>
<td>Victoria</td>
<td>25</td>
<td>24</td>
<td>21</td>
</tr>
<tr>
<td>Queensland</td>
<td>21</td>
<td>19</td>
<td>17</td>
</tr>
<tr>
<td>South Australia</td>
<td>7</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Western Australia</td>
<td>10</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Tasmania</td>
<td>2</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td></td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td><strong>Region</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital city statistical division/capital city</td>
<td>63</td>
<td>65</td>
<td>52</td>
</tr>
<tr>
<td>Balance of state/other urban or rural</td>
<td>38</td>
<td>35</td>
<td>50</td>
</tr>
</tbody>
</table>

Table 3 reports summary data from the TUSNM on time use of mothers in the first 3-9 months after a baby is born. The data highlights the significant impact of the birth of an infant on the economic activity of the mother. New mothers in the TUSNM sample worked a total of over 70 hours a week in unpaid and paid work. ‘Total work hours’ is defined here as employment, childcare, housework, shopping, and voluntary work as a main activity. It excludes time spent on personal care, recreation and socializing, and does not account for childcare as a secondary activity or for the effects of childcare responsibility on the intensity of work (Smith and Craig, 2007). Weekly hours of work increased by around two hours as the infant age increased to nine months. This resulted from a decline in mothers’ time on childcare (mainly reduced infant feeding time) being more than offset by more hours in paid employment, shopping and housework.
3. Employment, Income and Maternity Leave

Despite the high apparent employment rate and usual work hours of fathers of infants, family incomes are likely to be considerably affected by the reduced employment and income of the mother after the birth of a child.

Most of the mothers did not return to paid employment until after six months, with around a third of mothers in the survey reporting employment at nine months. Most of these were employed part time. At three months and six months, around three quarters of mothers reported they were not in the labour force; those employed were predominantly working part time. Only between 1-5 per cent of mothers with infants aged 3-9 months were employed full time.

Among mothers reporting that they were in employment, hours at work averaged around 12 hours. The wage rate of TUSNM mothers who were in employment averaged around $33 per hour, compared to the average of around $30 reported for husbands. The TUSNM did not collect data on husband’s hours of unpaid work. The husbands’ paid hours of work, as reported by the mother, averaged 39 hours.

Few new mothers received paid maternity leave (table 4). Approximately 18 per cent of TUSNM participants reported receiving any paid (maternity, recreation, or other forms of) leave during the first nine months after the birth of their child. This is consistent with data from the Longitudinal Survey of Australian Children (LSAC) participants, where only 14 per cent of mothers of infants reported receiving paid maternity leave.

<table>
<thead>
<tr>
<th>Maternity Leave Access</th>
<th>Time Use Survey of New Mothers</th>
<th>Longitudinal Survey of Australian Children</th>
<th>Maternity Leave Entitlements of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>paid</td>
<td>17</td>
<td>14</td>
<td>44</td>
</tr>
<tr>
<td>unpaid</td>
<td>42</td>
<td>32</td>
<td>78</td>
</tr>
<tr>
<td>no entitlement</td>
<td>41</td>
<td>46</td>
<td>n.a</td>
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</tbody>
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<table>
<thead>
<tr>
<th></th>
<th>Longitudinal Survey of Australian Children</th>
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<tbody>
<tr>
<td></td>
<td>a Employees who took leave (Whitehouse, 2007); b ABS, access in current job.</td>
</tr>
</tbody>
</table>
two or more children, only around one in ten reported that they accessed any paid leave, whilst more than half had no entitlement to paid or unpaid leave from employment after the birth of the recent child.

Nearly half of new mothers in the TUSNM reported no entitlement to even unpaid leave from an employer. This reflects that some mothers had already left the labour force after previous births, and also reflects that some employees, casual workers, for example, or those who have changed employers within 12 months are not covered by statutory maternity leave provisions. This supports previous studies suggesting that surveys of employees overstate access to maternity protection provisions among women giving birth in Australia (Whitehouse, 2005).

The above reveals stark patterns of low maternal labour force participation, part time employment hours and poor maternity leave access for women having recently given birth. This serves to illustrate the process by which women’s lifetime labour force earnings are reduced by their entry into childbearing and child rearing.

In particular, TUSNM data for maternity leave access, labour force participation and work hours emphasise how lack of entitlement to even unpaid maternity leave for many women leads to high levels of disconnection from the paid labour force in Australia. This is especially the case for those who have more than one child, confirming findings from other studies about the adverse effect of children on women’s lifetime earnings (Breusch and Gray, 2004).

The TUSNM is illustrative of other Australian time use research over the past decade which has shown the significant time costs of parenting, especially for women (Craig, 2007). For example, Craig (2006) has shown using ABS time use data that compared to fathering, mothering involves not only more overall time commitment but more multitasking, more physical labour, a more rigid timetable, more time alone with children, and more overall responsibility for managing care. Such gender differences in the quantity and nature of care apply even when women work full time, and are most apparent when the time use of new mothers is examined (Smith, Craig, et al., 2007).

Under a privatised system of retirement income provision, the retirement income penalties for mothering work may have significant adverse consequences for the level and quality of Australia’s human capital stock.

Supportive workplace conditions for mothers with young children, including flexible or part time working hours and paid maternity leave policies are critical to reducing the opportunity cost to women of having children. Such policies recognize that having and rearing children is costly, and that these costs need to be shared more fully by society as a whole if the well being of children, the nation’s future human capital stock’ , is to be protected through an adequate supply of maternal childcare.

International comparisons by the OECD suggest that Australian mothers are less likely to participate in paid employment than those from comparable countries (Adema, Gray, et al., 2002). In countries with well-developed policies and provisions for maternity leave and other family friendly policies, mothers of young children are much less likely to drop out of the workforce (Gornick, Meyers, et al., 1998).

Generous maternity protection and high quality childcare services for older children also support higher levels of lifetime labour earnings in these countries. Such provision is particularly necessary to protect women’s access to adequate retirement incomes in countries with earnings-related social (or private) insurance as the basis
for their pension system. The role such provisions play in protecting women’s labour market connection and lifetime earnings, highlights significant gaps in institutional arrangements underpinning Australia’s recent move to a more privatized retirement incomes policy. The contribution of economic value from women’s work in the unpaid care economy will need to be more appropriately reflected in Australia’s retirement income policies to maintain economic incentives for such maternal time investments.

In particular, public contributions to private or social insurance for retirement should be designed to reduce, not exacerbate market based disparities between men and women in lifetime earnings and private savings. Thus the recent shift to private superannuation in Australian retirement income policy raises new concerns about gender income disparities arising from child-rearing, and emphasizes the importance of improving paid maternity leave and childcare services. The policy shift encouraging private superannuation accumulation means that mothers’ investments of time in caring for infants or young children, now also has potentially significant adverse implications for their economic security and for gender income equality in old age.


In the past two decades, successive Commonwealth governments have introduced policies de-emphasising the role of the age pension and increasing the significance of private superannuation in Australia’s retirement income system. The main policy instruments used to achieve this have been compulsory employer contributions on behalf of most employees, and generous tax concessions for voluntary contributions to private superannuation (Smith, 2004).

The expanded role of private superannuation in Australia since the early 1990s significantly disadvantages women who have children, because it presumes that their family is willing and able to prioritise private continued superannuation contributions on the mother’s behalf. The age pension is non-contributory, paid for from Commonwealth general revenue, whereas access to private superannuation payments requires a history of contributions from earnings or other private sources. The effects of the shift to contributory superannuation is therefore to replicate in retirement, women’s relatively low incomes during their working life (O’Connell, 2000 and Smith, 2001).

5. Tax Concessions for Superannuation

The disadvantageous effect on mothers of the policy shift towards private superannuation provision for retirement is reinforced by the high and increasing levels of tax concessions for superannuation. These are illustrated in table 5, taken from the Treasury’s annual Tax Expenditures Statement (TES) (Australian Treasury, 2006).

In the TES, the Commonwealth Treasury estimates the fiscal cost of tax concessions including for superannuation, on the basis that the cost to the budget of such incentives is comparable with the outlays side of the budget such as for the age pension. The cost to the budget is equal to the revenue foregone as a result of the

\footnote{For discussion of the fiscal and policy and measurement issues regarding tax expenditures, see Smith (2003).}
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</tr>
</thead>
<tbody>
<tr>
<td>1 Under taxation of employer contributions (c)</td>
<td>6,100</td>
<td>5,950</td>
<td>8,050</td>
<td>7,800</td>
<td>8,750</td>
<td>9,100</td>
<td>9,750</td>
<td>10,300</td>
</tr>
<tr>
<td>2 Deduction for non-employer sponsored contributions</td>
<td>270</td>
<td>320</td>
<td>340</td>
<td>430</td>
<td>410</td>
<td>420</td>
<td>460</td>
<td>510</td>
</tr>
<tr>
<td>3 Under taxation of fund earnings</td>
<td>4,150</td>
<td>3,650</td>
<td>5,300</td>
<td>5,750</td>
<td>6,100</td>
<td>6,400</td>
<td>7,100</td>
<td>7,750</td>
</tr>
<tr>
<td>4 Measures for low-income earners (d)</td>
<td>9</td>
<td>8</td>
<td>6</td>
<td>75</td>
<td>220</td>
<td>250</td>
<td>260</td>
<td>280</td>
</tr>
<tr>
<td>5 Spouse contributions and rebates</td>
<td>13</td>
<td>14</td>
<td>12</td>
<td>14</td>
<td>13</td>
<td>14</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>6 Capital gains tax discounts for funds</td>
<td>350</td>
<td>210</td>
<td>70</td>
<td>110</td>
<td>190</td>
<td>210</td>
<td>230</td>
<td>250</td>
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**Sub-total** 10,890 10,150 13,780 14,180 15,885 16,395 17,615 19,105

<table>
<thead>
<tr>
<th>Less offsets</th>
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<tbody>
<tr>
<td>7 Tax on funded pensions (e)</td>
<td>*</td>
<td>*</td>
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<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>8 Tax on funded lump sums relating to pre-July 1983 service</td>
<td>-20</td>
<td>-18</td>
<td>-17</td>
<td>-16</td>
<td>-15</td>
<td>-14</td>
<td>-13</td>
<td>-13</td>
</tr>
</tbody>
</table>

**Sub-total** -240 -208 -197 -176 -165 -159 -148 -138

| Total tax expenditures                                                     | 10,650  | 9,945   | 13,580  | 14,005  | 15,520  | 16,235  | 17,665  | 18,965  |

(a) The concessional treatment of unfunded superannuation (C2) and the concessional treatment of non-superannuation benefits (C3) are reported as separate tax expenditures and are not included in this table. (b) Totals may not sum due to rounding. (c) Includes the revenue impact of the surcharge on superannuation contributions for high income earners which applied to some contributions for 2004-05 and earlier years. (d) For years up to 2002-03 this line shows the level of the tax offset available to low income earners who made personal contributions. From 2003-4 the line shows the impact of the government co-contribution being untaxed. (e) Indeterminate, but likely to be insignificant.
concession. The Treasury has thus estimated that the tax expenditure involved in these concessions for superannuation cost $15.9 billion a year in 2005-06.

The cost of the tax subsidy for superannuation will increase substantially in the future as recent changes to taxation of superannuation payouts take effect. This is close to the total cost of the aged pension (around $30 billion in 2005-06), but whereas a high proportion of citizens received age pension, most of the value of the fiscal subsidy for private superannuation is concentrated on a relatively small number of private superannuitants. This is because the tax benefits of private superannuation are highly skewed to higher income earners and those able to make large contributions to superannuation.

The concessional tax treatment of superannuation contributions, through salary sacrifice and other arrangements taking advantage of the 15 per cent rate of tax on employer contributions, accounts for around $9 billion of fiscal subsidy a year. The greatest fiscal subsidy accrues to those whose marginal tax rate is higher than 15 per cent, and especially those on the top marginal tax rate. The greater the contributions made, the greater the subsidy from the public for private superannuation payouts.

Likewise, the 15 per cent concessional tax rate on the earnings from superannuation investments is of greatest financial benefit to those with large balances and whose marginal tax rate is higher than 15 per cent, that is, high income earners with significant superannuation balances. The revenue cost of these provisions is $6.4 billion a year with a further $210 million added through the capital gains tax discount on fund earnings. Taxation of payouts is complex, but a similar pattern of greatest fiscal subsidy to those with large payouts (based on high, and continuous, lifetime earnings and marginal tax benefits from contributions, and high capacity to make large superannuation contributions) will again apply.

A number of studies have shown how women’s superannuation balances are low and insufficient to provide adequate income in retirement (Jefferson and Preston, 2005). Low superannuation balances receive low fiscal subsidies, and are eroded most by fund management fees (Bateman, 2001). This is unlikely to change in the near future unless there is a major and immediate change in the pattern of women’s labour force participation during the early years of child rearing.

Policy reforms in the past decade have aimed to facilitate contributions by the spouse to the mother’s superannuation fund during the period of reduced labour force participation due to child rearing. However, these concessions are poorly designed to make a significant difference for most couples because pressures on family finances when children are very young reduce the capacity to attract the subsidy by making superannuation contributions, except in relatively well off families. The lack of practical access to the taxation subsidy in these circumstances is reflected in the minuscule revenue cost reported for these items by the Treasury ($13 million in 2006-07). Tax incentives for low income earners cost $250 million a year, again, very small in relation to the major, and more highly skewed tax concessions for superannuation.

The pattern of tax favoured private superannuation being used disproportionately by higher income individuals is evident in other countries (Antolin, Serrin, et al., 2004). Empirical studies suggest the effects of tax incentives on savings patterns are stronger for lower or middle income savers. Analysis of 17 OECD countries
also found that net budgetary savings from tax-favoured retirement saving plans were highly sensitive to whether the tax preferences stimulated new saving; tax incentives were likely to remain a net cost to the budget unless they were better targeted to low and middle income individuals and designed to stimulate personal savings.

Replacing Australia’s existing tax concessions for private superannuation contributions with a means tested income tax credit, as for example has been proposed by the Australian Council of Social Services (ACOSS) (Kehl, 2001) would be more equitable, less wasteful of revenue, and more likely to achieve the policy aims of reducing demands on future budgets and encouraging self provision for retirement. This would result in a major improvement in women’s access to the current, very large and gender biased fiscal subsidies for private retirement savings. It would also help ensure that taxpayer subsidies helped reduce, rather than exacerbate, the effects of lower lifetime earnings on women’s retirement incomes.

Another approach would be to pursue greater gender equity in the allocation of unpaid caring work, by making access to tax privileged superannuation benefits contingent on a minimum lifetime contribution of care work (Craig, 2007).

However, women’s unpaid contribution to the production and accumulation of Australia’s human capital would still remain substantially unacknowledged in retirement income policy even if these measures were adopted. Many women caring for infants, for example, would receive no benefit from reform of tax concessions for superannuation, because their child-caring work is unremunerated, and their employment earnings zero or minimal. There is a need for more specific policies to address the issue of unequal maternal access to earnings and to earnings-related taxpayer subsidies for private superannuation accumulation.

For example, it should be feasible to match the tax subsidy available for contributions and accumulations of private superannuation savings, for those working mainly in the unpaid economy. This could take the form of a Commonwealth government contribution to a parent’s private superannuation account, where the maternal or parental commitment of unpaid hours to the care of children under a specified age, say 10 years, can be demonstrated as an alternative to full time employment. The government contribution would represent two elements:

a) an amount equal to the nine per cent superannuation guarantee charge employer contribution, perhaps calculated based on median full time weekly earnings; and,

b) an amount equivalent to the average annual tax subsidy on voluntary superannuation contributions for taxpayers on the highest marginal tax rate.

This would redress the retirement income penalty for those investing in human capital, as well as produce greater equity in retirement incomes between men and women. While a criticism may be that this would provide a benefit to ‘well-off’ women in middle or even higher income families, the current superannuation tax concessions are subject to the same, or greater, criticism.

Furthermore, while the ACOSS proposal may be attractive on social equity grounds, because it is means tested, it would add to the existing high levels of effective
marginal tax rates for low income secondary earners. These arise from income tests for various family payments which are based on family rather than individual income. These and other family income based tax provisions including the Medicare levy surcharge provide a highly complex set of financial incentives for parents. These are likely to impact in a relatively arbitrary way on women’s childbearing and employment choices. While these taxation and family payment arrangements also have some implications for women’s labour force attachment and lifetime earnings, and therefore retirement income prospects, this is beyond the scope of the present paper.

6. Conclusion
Solving the aging problem by addressing the ‘Three P’s’ of population, productivity and participation is a policy agenda that relies heavily on the increased investment of time by women—in childbearing, in quality early childhood care and education, and in paid employment. The first two of these are unpaid yet economically productive activities.

An increasingly incoherent mixture of taxation and social security policies, childcare and family assistance measures, and the remnants of the ‘living wage’ award system, originating in the late 19th century, presently constitute the implicit social contract for care in Australia. These social contractual arrangements — in particular the retirement income system — need reassessment if market forces are not to erode the supply of care and the important process of human capital formation.

Labour market rewards and policies are drawing mothers’ time increasingly toward remunerated market activities, and away from investment of time in unpaid care work directed at the health and development of children. There is an increasing trend of return to work including during the first year of the infant’s life. The TUSNM shows that for most mothers, the birth of each successive child results in decreasing levels of connection to employment earnings and reduced maternity leave access, and illustrates how childbearing impacts on lifetime earning prospects and now, economic security in retirement.

Australia is one of the few developed countries without universal and extended paid leave for new mothers. Because of current arrangements for taxpayer support of contributory private superannuation, women who reduce or leave employment to give birth to and care for infants in the first year of life face a growing fiscal penalty as they age, from having allocated time to the unpaid care of infants and children. Without the market earnings to make large contributions to private superannuation accumulation, they forgo large fiscal subsidies.

These arrangements represent a substantial discouragement for women to invest time in the care of infants and young children. This could have long term adverse implications for the quality of Australia’s human capital, and the productivity of its future labour force. It also will do little to address the decline in Australia’s fertility rate.

Addressing the three ‘Ps’ of population, participation and productivity requires a more balanced set of economic and fiscal incentives for mothers and their families. This should be based on a perspective which encompasses the economic value of contributions made in the unpaid care economy, not just in the market economy.
References


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