Towards a more equal sharing of work

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Executive summary

While men do more of the paid work in Australia than women, because they spend less time off work caring for children, women do more of the unpaid, caring work. When the value of both paid and unpaid work is taken into account, women do half of all the work performed in Australia.

Yet women continue to face a gender pay, income and superannuation gap. In effect, women are penalised for taking on the bulk of the unpaid caring work in Australian households.

It need not be this way. In northern European countries, men do around three-quarters as much unpaid work as women, whereas Australian men do only a little over half that of women – ranking Australia a lowly 15th among OECD countries on this scale.

Since Australian women spend so much time out of the workforce bearing and caring for children, the gap between male and female workforce participation rates is a full 10 percentage points – the 16th largest gap in the OECD.

The labour force participation gap in northern European countries is around half that of Australia, while in Canada it is around three-quarters of Australia's gap.

Looking specifically at mothers, the proportion of Australian mothers in paid work, at 69 per cent, is lower than in 23 other OECD countries.

Of mothers who are employed, almost 60 per cent of those with a child under the age of six work part time compared with less than 8 per cent of employed fathers. And for parents whose youngest child is aged 6-14 years, close to half of all employed mothers work part time compared with less than one in 10 employed fathers.

Australian women of child-bearing age are far more likely than men to drop out of the labour force altogether. In the age group 30-39 years, women are around three times more likely than men to be outside the labour force.

Australia's tax and transfer system sends contradictory signals to women: it encourages them into tertiary education but penalises them much more heavily than men for wanting to get ahead in their careers.

Around 72 per cent women aged 25-29 years had attained a formal qualification of Certificate III or above in 2020, compared with 65 per cent of men in the same age group. More than 58 per cent of students at university are women.

But when mothers seek to increase their days of work beyond three per week, they are penalised very heavily. KPMG has developed a measure of the disincentives facing working mothers – the workforce disincentive rate (WDR).

The WDR is the percentage of earnings from an extra day worked that is lost from a reduction in Child Care Subsidy, a reduction in Family Tax Benefit and other government income support payments, increased personal income tax and increased out-of-pocket childcare expenses.

KPMG has found WDRs for mothers in the range 75-120 per cent. If a working mother's WDR is 75 per cent, she and her household keep only 25 per cent of her earnings from working an extra day. If her WDR is 100 per cent, her household gains nothing from her extra day's work. If her WDR is greater than 100 per cent, the mother not only earns nothing in net terms from an extra day's work, the household budget actually shrinks.

Compare these WDRs of 75-120 per cent with the top personal tax rate for men of 47 per cent. Working mothers face much harsher work disincentives than men.

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These heavy penalties faced by working mothers for doing extra paid work help explain the large gaps between men and women in pay rates, income and superannuation payouts.

The gender pay gap is 20 per cent. KPMG estimates that, based on the rate of reduction over the four years before the pandemic struck, it will take until 2046 for the gender pay gap to be eliminated.

The gender income gap at age 30 is around 28 per cent and during the peak earning years of 45-49 it opens up to more than 36 per cent.

In the years approaching retirement age, the gender superannuation gap can be anywhere between 22 per cent and 35 per cent.

Existing policy settings are based on a 1.5 earner model in which fathers do most of the paid work while mothers do part-time paid work but most of the unpaid work. In effect, paid work, dominated by men, is being valued more highly than unpaid work, which is mostly performed by women.

KPMG advocates a parent equality model involving parents sharing different burdens at different times, but with a view to caring responsibilities being fairly divided over the parents' lifetimes.

The parent equality model entails greater acceptance of part-time work for fathers where, for example, fathers drop back from five days per week of work to four days and mothers increase their working days beyond three per week.

Policy reforms that would move couples towards a parent equality model include:

1. KPMG's proposals to reform the Child Care Subsidy as set out in *'The child care subsidy: Options for increasing support for caregivers'* comprising raising the Child Care Subsidy to a nearly fully funded 95 per cent from its current 85 per cent and, as an interim measure, the elimination of per-child subsidy caps and an increase in the maximum subsidy for the lowest-income families;
2. A restructured Commonwealth paid parental leave scheme that would encourage more equal sharing of leave entitlements between mother and father, as set out in '*A better system of Paid Parental Leave*';
3. The inclusion of taxpayer-funded Superannuation Guarantee contributions in the Commonwealth paid parental leave scheme;
4. Allowing employers to make unused Superannuation Guarantee concessional contributions for recipients of Commonwealth paid parental leave without a time limit; and
5. Amending the Sex Discrimination Act to ensure employers are able to make higher superannuation payments for their female employees if they wish to do so.

By promoting greater parental equality, KPMG's policy proposals would allow parents to select the optimal balance of work and care responsibilities for their circumstances and open up the choice for mothers to take up additional opportunities in the paid workforce.

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Why women face inequality in the paid workforce

A slowing in the rate of reduction in the gender pay gap in the 12 months before COVID-19 struck has raised fears that business leaders will pay less attention to gender pay equality as they struggle to recover from the economic impacts of the pandemic. Analysis by the Workplace Gender Equality Agency (WGEA 2020) has revealed a 6 percentage-point decline in the number of companies that took action on the gender pay gap in the pre-pandemic 12 months.

The fundamental cause of the gender pay gap is not that women are paid a lower wage rate than men for equal work, since this has been illegal for almost half a century. Rather, a major contributor to the gender pay gap is the time mothers spend out of the workforce doing unpaid work associated with rearing children. Men, mostly continuing in full-time work, get more promotions, while mothers typically re-enter on or near the same rung of their career ladder that they stepped off to have babies.

If this were purely a matter of choice, with mothers preferring to dedicate much of their child-bearing years to child rearing while men mostly worked, there would be little or no justification for government intervention. But government itself has, mostly inadvertently, erected high barriers to workforce participation by mothers.

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Barriers to workforce participation by mothers

KPMG (2018; 2019) has estimated WDRs confronting working mothers. The WDR is the percentage of earnings from an extra day worked that is lost from a reduction in Child Care Subsidy, a reduction in Family Tax Benefit and other government income support payments, increased personal income tax and increased out-of-pocket childcare expenses.

If a working mother's WDR is 75 per cent, she and her household keep only 25 per cent of her earnings from working an extra day. If her WDR is 100 per cent, her household gains nothing from her extra day's work. If her WDR is greater than 100 per cent, the mother not only earns nothing in net terms from an extra day's work, the household budget actually shrinks.

KPMG has found that WDRs in the range 75-120 per cent are common in Australia's tax and transfer system right up and down the income scale. For example, if a couple with two young children in long day care both earn the minimum wage, the mother's WDR from increasing her working days from three to four per week is 88 per cent.

Around the middle-income level, if the father earns $80,000 per annum and the mother earns the part-time equivalent of a $40,000 annual full-time wage, her WDR from increasing her working days from three to four per week is 96 per cent.

At the higher end, if the father earns $100,000 per annum and the mother earns the part-time equivalent of $100,000 per annum and she increases her working days from four to five per week, her WDR is 120 per cent. The family budget loses $85 every extra fifth day the mother works. She is heavily penalised for doing full-time work.

The top personal tax rate is 47 per cent. Men paying that rate often complain it is too high. Some men face workforce disincentives of 47 per cent. Yet working mothers are expected to accept disincentives of anywhere between 75 per cent and 120 per cent.

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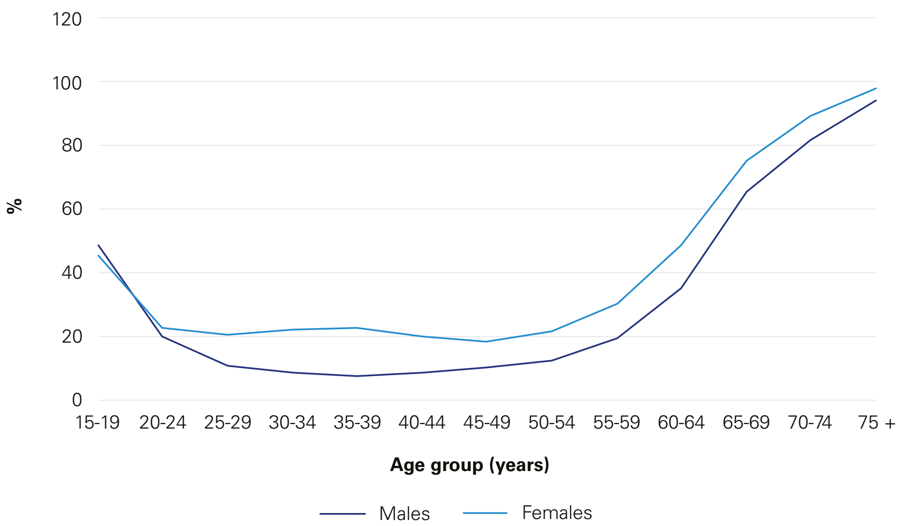
How workforce disincentives affect work patterns

Confronted with such heavy penalties from working extra days per week, it is unsurprising that mothers do much less full-time work than fathers. According to the Australian Bureau of Statistics (ABS 2020), for parents whose youngest child was under the age of six years, almost 60 per cent of employed mothers worked part time compared with less than 8 per cent of employed fathers. A similar pattern occurs for parents whose youngest child was aged 6-14 years, where close to half of all employed mothers worked part time compared with less than one in 10 employed fathers.

Women of child-bearing age are far more likely than men to drop out of the labour force altogether. In the age group 30-39 years, women are around three times more likely than men to be out of the labour force (Chart 1).

Chart 1: Persons not in the labour force, by age and sex, 2019-20



Source: ABS (2020).

The ABS points out that this seems to reflect the age group of women more likely to be having children, and taking a major role in their care, since the median age of mothers at birth in 2019 was 31.5 years.

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What a waste of talent

As a society, we now encourage more women to attain a tertiary qualification than we did several decades ago, yet we penalise them much more heavily than men for wanting to get ahead in their careers.

In 2020, more women aged 25-29 years had attained a formal qualification of Certificate III or above (72 per cent) than men in the same age group (65 per cent), whereas a decade earlier women and men in that age group had around the same level of attainment (ABS 2020).

Many more women than men are enrolling for university courses. More than 58 per cent of students in higher education are women, and women are far more likely to complete their courses than men (WGEA 2019).

It is perverse that taxpayers willingly subsidise part of the cost of university degrees, which are attained by more women than men, and yet the tax and transfer system penalises those women for trying to get ahead in the paid workforce.

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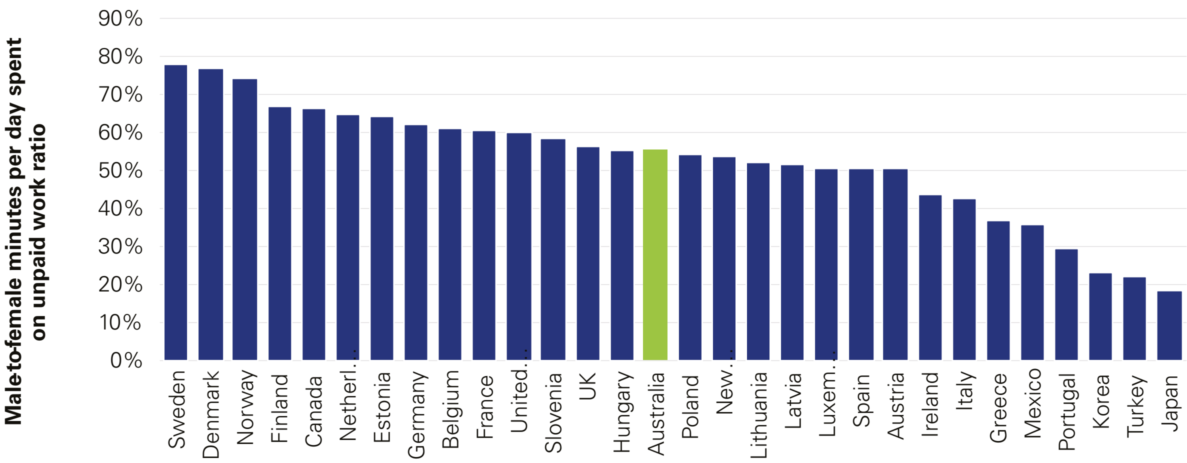
OECD statistics indicate that, on average, Australian men do an estimated 172 minutes of unpaid work per day compared with an estimated 311 minutes per day for women. That is, men do only 55 per cent of the unpaid work of women. That gap would be much larger for women of child-bearing age.

Australian women do most of the unpaid caring work

How does Australia compare with other countries? Chart 2 reveals that the three Scandinavian countries of Sweden (78 per cent), Denmark (77 per cent) and Norway (74 per cent) have the smallest gaps, indicating than men do around three-quarters of the unpaid work of women.

Among OECD countries, Australia ranks 15th, well below Canada (5th) and Germany (8th), but roughly on par with the US (11th), Britain (13th) and New Zealand (17th).

Chart 2: Minutes per day spent on unpaid work, selected OECD countries



Source: OECD (2019 or latest available year)

Note: Data are for 15-64 year olds, except for Australia (15+ year olds), China and Hungary (15-74 year olds), and Sweden (25-64 year olds). Data refer to the latest available year. [1]

Australia ranks lowly among OECD countries in the gap between male and female workforce participation rates and in the proportion of mothers in paid work.

The relatively high proportion of household unpaid work performed by women in Australia helps explain the large gap between the male and female labour force participation rates in Australia relative to other OECD countries. Australia ranks 16th among OECD countries with a gap of more than 10 percentage points between the labour force participation rates of men and women (Chart 3).

[1] For Australia, latest available year for minutes spent per day on unpaid work is in 2006.

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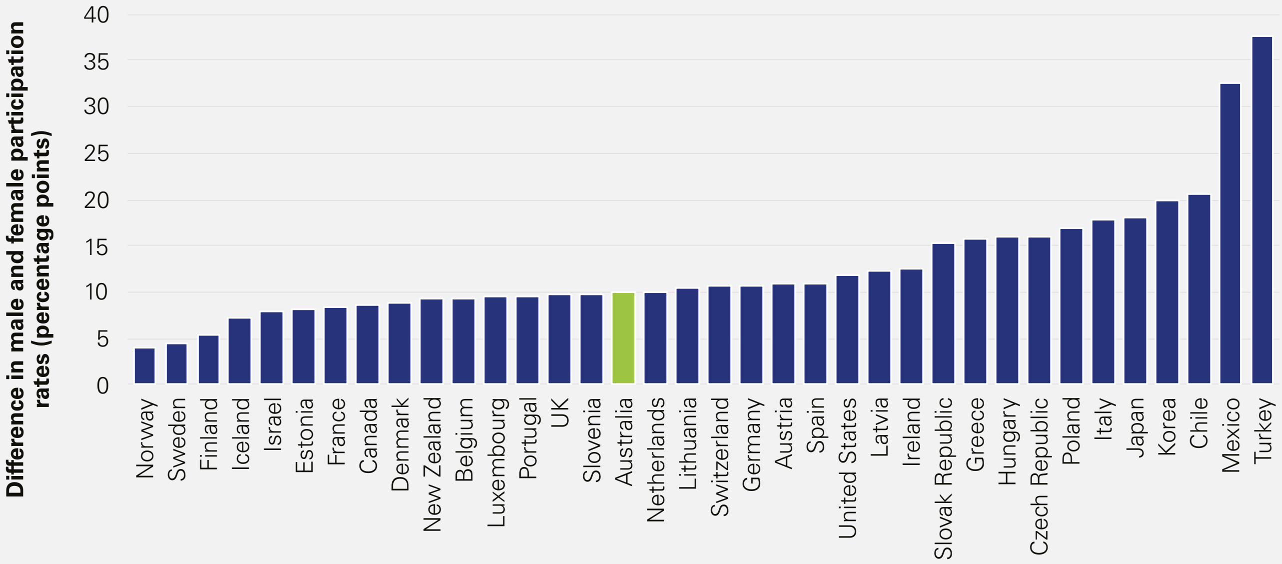
Chart 3: Labour force participation rates, selected OECD countries

(per cent)



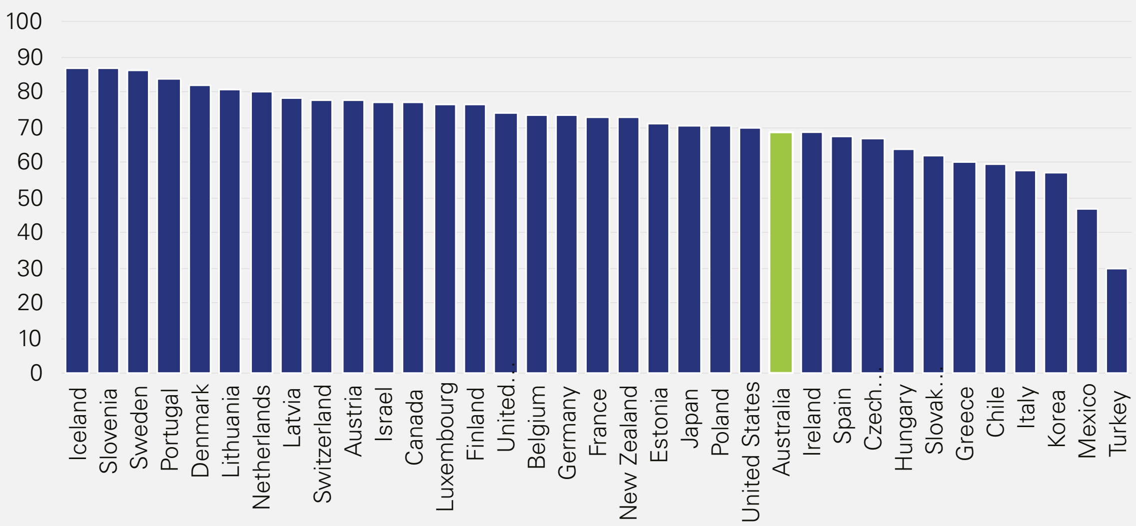
Source: OECD (2019)

The labour force participation gap in Scandinavia and other countries of northern Europe is around half that of Australia, while in Canada it is around three-quarters of Australia's gap.

Looking specifically at mothers, in Australia the maternal employment rate – the proportion of working mothers in paid work – is around 69 per cent (Chart 4), placing Australia a lowly 24th among OECD countries in terms of maternal employment rate.

Chart 4: Maternal employment rate, selected OECD countries

(per cent)



Source: OECD (2019 or latest available year)

Note for Australia:

(a) *For Australia and Japan, data cover all women aged 15 and over, and for Korea married women aged 15-54. For Canada, Korea and the United States, children aged 0-17.*

(b) *For Australia, women with 'at least one child aged 0-14' are those whose 'relationship in household' is classified as either 'wife or partner with children under 15' or 'lone parent with children under 15'. Women with 'no children aged 0-14' are those with any other type of 'relationship in household'. Data refer to June months.*

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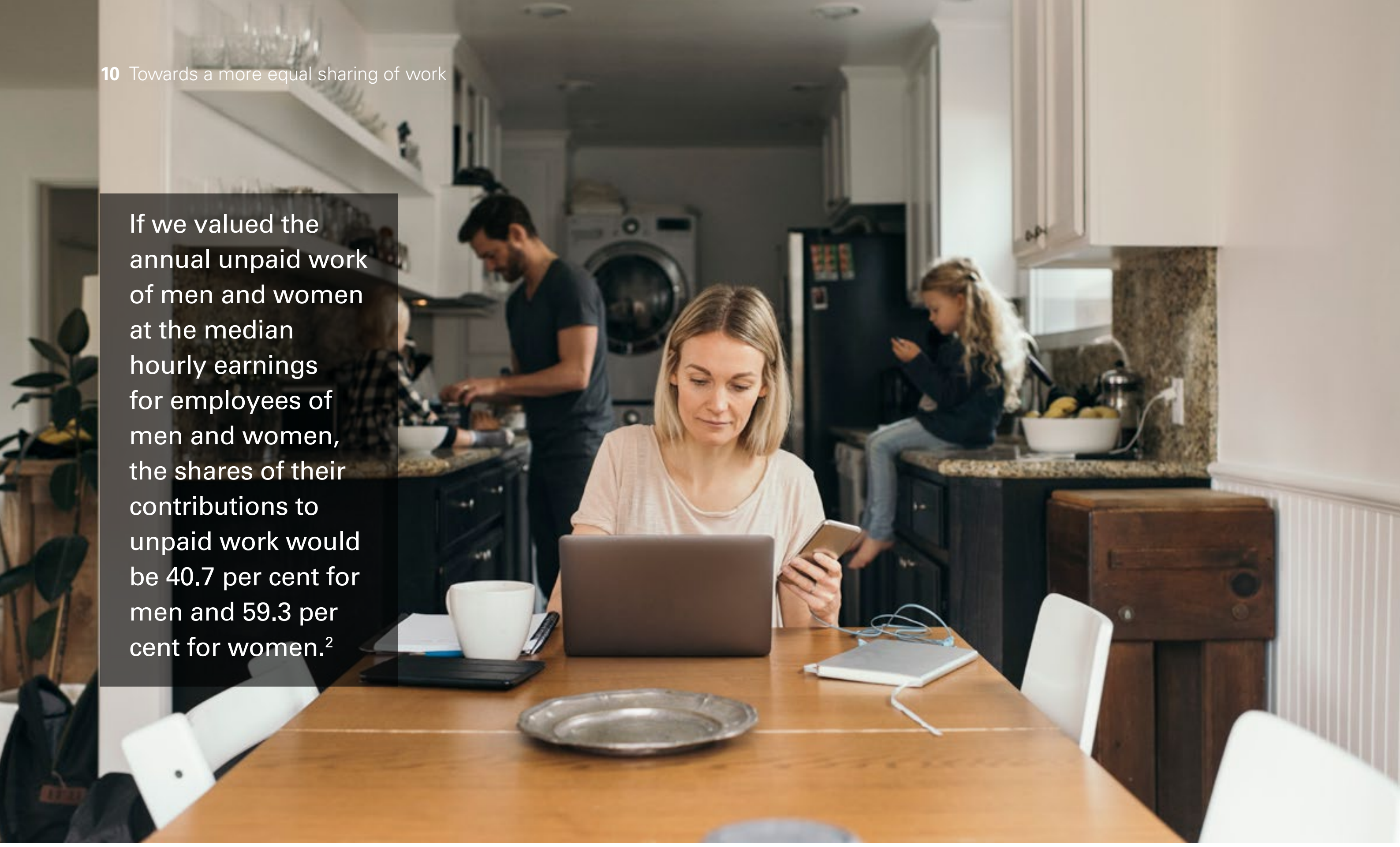

If we valued the annual unpaid work of men and women at the median hourly earnings for employees of men and women, the shares of their contributions to unpaid work would be 40.7 per cent for men and 59.3 per cent for women.[2]

What if we put a dollar value on unpaid work?

Australian men and women do unpaid work, but women do a lot more of it than men. In the national accounts we place a value on paid work but not on unpaid work. In 2019, the year before the COVID-19 pandemic struck, the total value of wages, salaries and supplements in the Australian economy was $919 billion, constituting 47.1 per cent of GDP.

By including the value of unpaid work performed by women and men, KPMG estimates that women contribute 50 per cent of the total value of Australia's work while men also contribute 50 per cent.

By counting only paid work, orthodox economics ignores the much larger contribution of women than men to unpaid work.

When the contribution of women and men to unpaid work is included, Australian women do half the work in Australia.

[2] Hours of unpaid work is estimated using unit record data (wave 19) from the Household, Income and Labour Dynamics in Australia (HILDA) Survey conducted by the Department of Social Services. Unpaid work in the valuation includes housework, caring for a disabled spouse or disabled adult relative, or caring for elderly parents or parents-in-law, caring for and supervising your children, household errands, outdoor tasks, volunteer or charity work, and looking after other people's children on a regular, unpaid basis.

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Gender gaps in pay, income and superannuation

The uneven sharing of paid and unpaid work – with paid work ascribed a monetary value and unpaid work not valued in money terms – explains the gender pay gap, the gender income gap and the gender superannuation gap.

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KPMG estimates that, at recent rates of reduction, it would take until 2046 for the gender pay gap to be eliminated.

Gender pay gap

In the 12-month period ending 31 March 2020 the gender pay gap in total remuneration narrowed by just 0.7 percentage points to 20.1 per cent. Men out-earn women on average by more than $25,000 per annum (WGEA 2020, p. 4).

The gender pay gap is evident not only in male-dominated industries such as construction, agriculture, forestry and fishing, but also in female-dominated industries such as education, health care and retail trade (WGEA 2020, p. 6).

In fact, the gender pay gap in the most heavily female-dominated industry of health care and social assistance, at 15.7 per cent, was actually greater in 2019-20 than four years previously, while the gender pay gap in the second most female-dominated industry of education and training was virtually unchanged on its level four years previously (WGEA 2020, Table 1, p. 6).

KPMG estimates that, based on the rate of reduction over the four years before the pandemic struck, it will take until 2046 for the gender pay gap in total remuneration – now at 20.1 per cent – to be eliminated.

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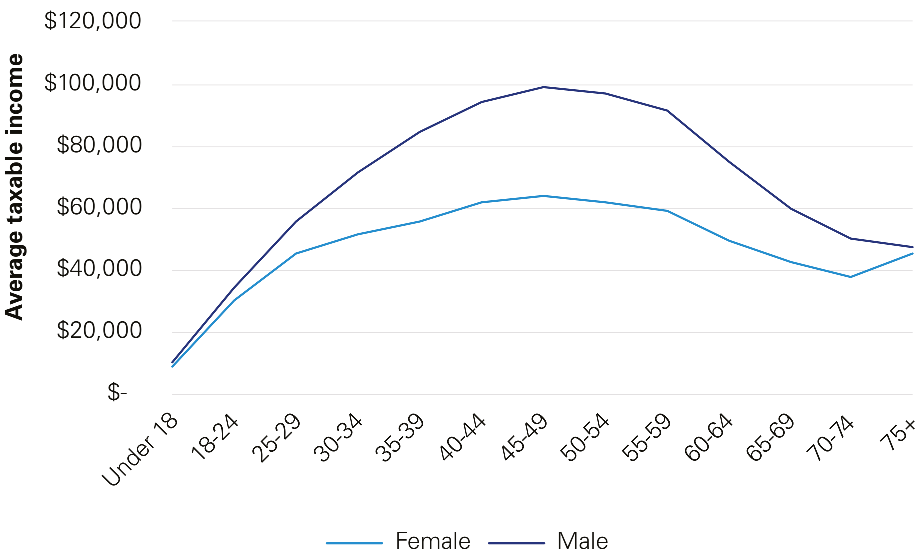
Women not only receive lower average pay rates per hour worked than men, they also on average work fewer hours than men over their working lives owing to the much greater time they spend rearing children. These two effects cause large differences in the incomes of women and men throughout their working lives (Chart 5).

Gender income gap

Chart 5: Average taxable income, by age and gender, 2017-18

($ per annum)



Source: ATO Taxation Statistics 2017-18, Individuals

At age 30, the gender income gap is around 28 per cent, but during the peak earning years of 45-49 it opens up to more than 36 per cent.

During peak earning years the gender income gap in Australia reaches 36 per cent.

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Gender superannuation gap

A combination of lower hourly rates of pay for women compared with men and less time in the paid workforce during their working years results in a pronounced gender superannuation gap.

The median superannuation balance for men aged 60-64 years is $204,107 whereas for women in the same age group it is $146,900, a gender superannuation gap of 28 per cent (Table 1). For the pre-retirement years of 55-59, the gender superannuation gap is 33 per cent and in the peak earning years of 45-49 the gender superannuation gap is 35 per cent.

For all pre-retirement years there is a sizeable gender superannuation gap.

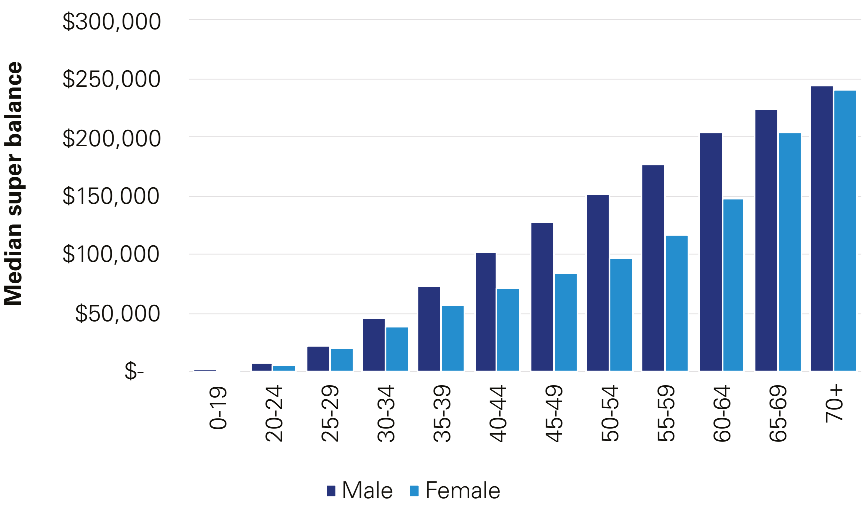
Table 1: Gender superannuation gap, Australia, 2017-18

($ per annum and per cent)

	Mean super balance			Median super balance		
	Male	Female	Gap	Male	Female	Gap
0-19	$ 6,577	$ 3,775	-43%	$ 1,036	$ 832	-20%
20-24	$ 10,538	$ 8,390	-20%	$ 6,636	$ 6,104	-8%
25-29	$ 28,584	$ 24,332	-15%	$ 21,619	$ 20,187	-7%
30-34	$ 56,899	$ 46,309	-19%	$ 45,884	$ 38,389	-16%
35-39	$ 89,433	$ 70,054	-22%	$ 73,247	$ 56,568	-23%
40-44	$ 129,473	$ 97,011	-25%	$ 101,952	$ 71,087	-30%
45-49	$ 171,191	$ 124,862	-27%	$ 127,905	$ 83,582	-35%
50-54	$ 229,634	$ 160,542	-30%	$ 150,622	$ 96,872	-36%
55-59	$ 312,118	$ 225,607	-28%	$ 176,072	$ 117,470	-33%
60-64	$ 402,039	$ 315,481	-22%	$ 204,107	$ 146,900	-28%
65-69	$ 489,227	$ 438,626	-10%	$ 223,523	$ 204,820	-8%
70+	$ 602,127	$ 536,264	-11%	$ 245,059	$ 241,494	-1%

Chart 6 reveals a gender superannuation gap for all age groups in the range 30-34 years through 65-69 years.

Chart 6: Gender superannuation gap for various age groups



Source: 2017-18 ATO 2 percent sample file

Note that if average balances instead of median balances were used, the gender superannuation gap for the 60-64 age group would be 22 per cent, for the 55-59 group it would be 28 per cent and for the 45-49 age group it would be 27 per cent.

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A parent equality model

It is clear that Australia's tax and transfer system contains a strong bias towards a parenting model in which fathers do most of the paid work while mothers do some paid work but most of the unpaid work. This family model of 1.5 earners (Stewart 2017, p. 16) is a logical consequence of the design of the tax and transfer system. In fact, the increase in women's workforce participation in Australia since the 1970s has been almost entirely in part-time work.

While the laws and customs that largely barred women from the workplace in previous decades have been eroded over time, the vast majority of the work of parenting, along with other forms of unpaid work, is still performed by women in our society.

This 1.5 earner model can lead to unfair economic outcomes – such as the entrenchment of income and wealth inequality between the sexes. But it is also inherently unfair, with paid work, dominated by men, being valued more highly than unpaid work, which mostly is performed by women.

This unfairness can be addressed by the promotion of a parent equality model involving parents sharing different burdens at different times, but with a view to caring responsibilities being fairly divided over the parents' lifetimes. It would entail greater acceptance of part-time work for fathers where, for example, fathers drop back from five to four days per week of work and mothers increase their working days beyond three per week.

By promoting greater parental equality, KPMG's policy proposals would allow parents to select the optimal balance of work and care responsibilities for their circumstances and open up the choice for women to take up additional workplace opportunities.

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Policies for a parent equality model

KPMG has been advocating reforms designed to move Australia towards a parent equality model. These are:

1. KPMG's proposals to reform the Child Care Subsidy as set out in 'The child care subsidy: Options for increasing support for caregivers' comprising raising the Child Care Subsidy to a nearly fully funded 95 per cent from its current 85 per cent and, as an interim measure, the elimination of per-child subsidy caps and an increase in the maximum subsidy for the lowest-income families; and

2. A restructured Commonwealth paid parental leave scheme that would encourage more equal sharing of leave entitlements between mother and father, as set out in 'A better system of Paid Parental Leave';

KPMG is now adding three policy recommendations to its proposals:

3. The inclusion of taxpayer-funded Superannuation Guarantee contributions in the Commonwealth paid parental leave scheme;

4. Allowing unused concessional contributions to be made for recipients of Commonwealth Paid Parental Leave without time limit; and

5. Amending the Sex Discrimination Act to ensure employers are able to make higher superannuation payments for their female employees if they wish to do so.

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Including superannuation in the Commonwealth paid parental leave scheme

When the Commonwealth paid parental leave scheme was legislated with effect from 1 January 2011, it did not include Superannuation Guarantee contributions. Since it is mostly mothers who take paid parental leave, this omission is contributing to both the income and superannuation gender gaps.

If KPMG's recommendations for a restructured Commonwealth paid parental leave scheme were implemented, then over time paid parental leave would be more equally shared between parents. Under existing arrangements, and even under KPMG's proposed model, as either parent takes paid parental leave, they would not receive Superannuation Guarantee contributions for the period of leave.

If Superannuation Guarantee contributions were included in the Commonwealth paid parental leave scheme the next question is: who pays? The Productivity Commission Report that informed the design of the Commonwealth paid parental leave scheme recommended that businesses pay the Superannuation Guarantee but that this be deferred until after three years of operation of the scheme, subject to various considerations including "any significant detrimental effects on business viability at that time or on compliance costs" (Productivity Commission 2009, p. 2.21).

In the event, the Commonwealth decided against including Superannuation Guarantee contributions in its paid parental leave scheme.

KPMG considers that since the Commonwealth pays parental leave to eligible workers, and compulsory superannuation contributions rightly form part of remuneration, it follows logically that the Commonwealth should make Superannuation Guarantee contributions under its paid parental leave scheme.

KPMG recommends that the Commonwealth add Superannuation Guarantee contributions to its paid parental leave scheme.

Unused concessional contributions

As present employers and individuals can make concessional contributions of up to $25,000 per annum. Any unused concessional contributions for those with a total superannuation balance of less than $500,000 on 30 June of the previous financial year can be used in subsequent years but only for up to five years, after which they will expire.

Primary carers, usually the mother, might be out of the workforce or working part time for extended periods of time. The expiry after five years of unused concessional superannuation contributions during periods of parental leave disadvantages primary carers for no obvious policy reason.

KPMG recommends that the unused concessional superannuation contributions during periods of paid parental leave be allowed to be used in subsequent years without a time limit.

Amending the Sex Discrimination Act

Employers might wish to make higher superannuation contributions for their female employers to attract and retain female employees in recognition of the greater time they typically spend out of the workforce caring for children. However, doing so is strictly in contravention of the Sex Discrimination Act.

Some employers have applied for and obtained an exemption from the Sex Discrimination Act to enable them to make higher contributions for female employees (Senate Economics References Committee 2016, pp. 102-106).

The multi-party Senate Economics References Committee recommended that the Australian government amend the Sex Discrimination Act 1984 to ensure companies are able to make higher superannuation payments for their female employees when they wish to do so (Recommendation 16, p. 106).

The Victorian Government included in its submission to the federal review of Australia's retirement system that all employers should be allowed to make higher super contributions for their female employees. However, the report of the retirement income review does not appear to have covered this issue.

KPMG supports inserting into the Sex Discrimination Act an exemption that would allow employers to make higher superannuation contributions for female employees.

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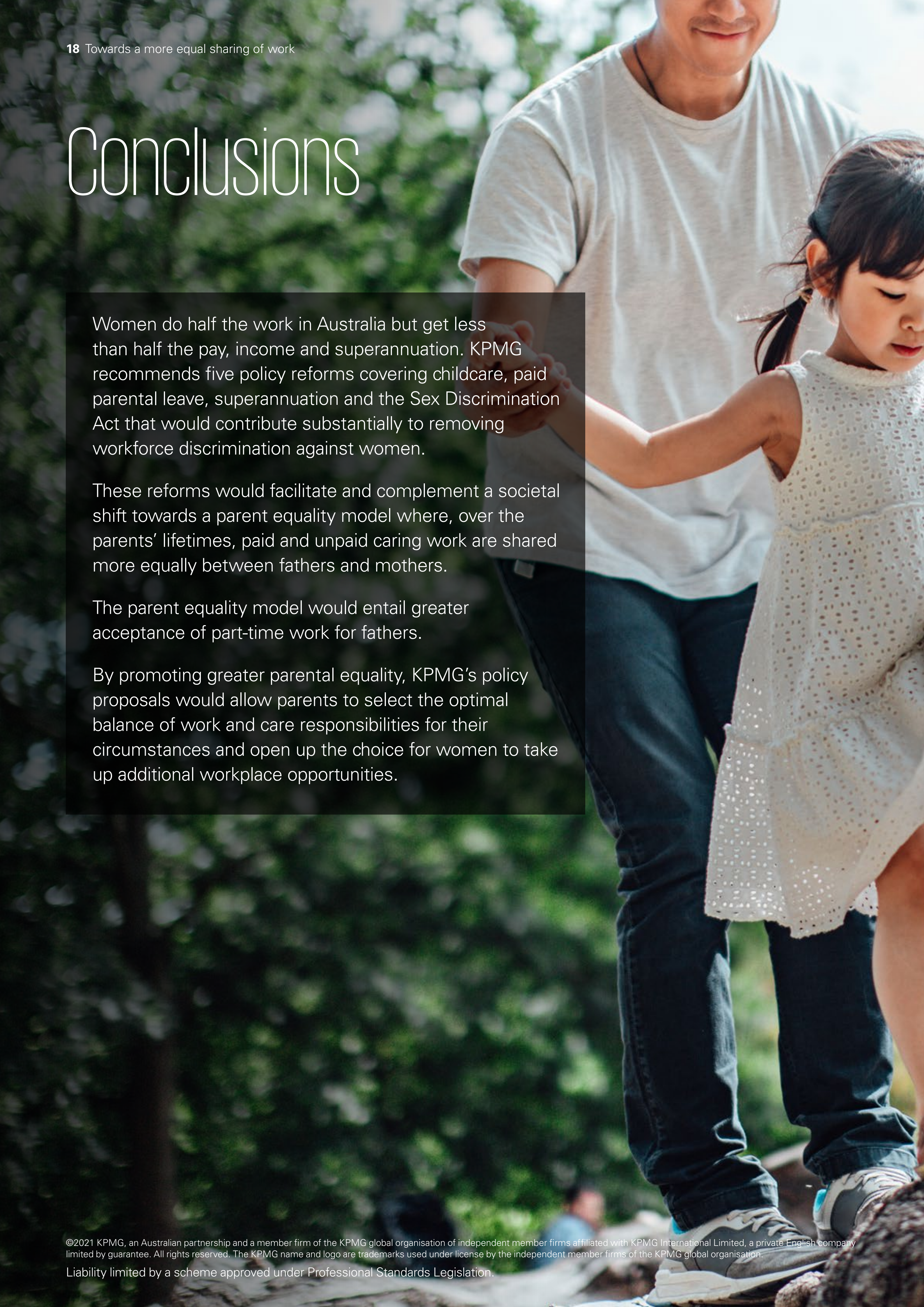

Conclusions

Women do half the work in Australia but get less than half the pay, income and superannuation. KPMG recommends five policy reforms covering childcare, paid parental leave, superannuation and the Sex Discrimination Act that would contribute substantially to removing workforce discrimination against women.

These reforms would facilitate and complement a societal shift towards a parent equality model where, over the parents' lifetimes, paid and unpaid caring work are shared more equally between fathers and mothers.

The parent equality model would entail greater acceptance of part-time work for fathers.

By promoting greater parental equality, KPMG's policy proposals would allow parents to select the optimal balance of work and care responsibilities for their circumstances and open up the choice for women to take up additional workplace opportunities.

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[3] This paper uses unit record data from the Household, Income and Labour Dynamics in Australia Survey (HILDA) conducted by the Department of Social Services (DSS). The findings and views reported in this paper, however, are those of the authors and should not be attributed to the Australian Government, DSS, or any of its contractors or partners. DOI: 10.26193/3QRFMZ.

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