



Towards a new and improved era in women's equality

Valuing unpaid work



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Overview

Despite the progress made towards women's equality in Australia over more than a century, women continue to face large gender pay gaps, gender income gaps and gender superannuation gaps.

The causes are culturally ingrained social norms that produce economic and social inequities. This includes a persistent expectation that women should perform most of the unpaid caring duties at the expense of, or in addition to, their careers.

Australian men do more paid work than women, but women do most of the unpaid caring work such as housework, home cooking, in-home childcare and supporting elderly and disabled relatives.

KPMG has estimated that when the value of unpaid caring work is added to the value of paid work, women do more than half of all the work performed in Australia. This is based on a combination of formal hours worked (from the Household Income and Labour Dynamics in Australia (HILDA) survey) and survey results on the number of hours women and men spend doing housework and caring work that is unpaid.

The unpaid caring work is obviously of value too; otherwise, it wouldn't be done. KPMG, with the Workplace Gender Equality Agency and Diversity Council Australia, in the recent joint report *She's Price(d)less**, which analyses drivers of the gender pay gap, finds that one-third of the difference between male and female pay outcomes can be attributed to time spent caring for family and career interruptions from the full-time workforce.¹

A failure to recognise the value of unpaid work continues to result in women's inequality.

While Australian men do little more than half the unpaid work of women, in the three Scandinavian countries of Sweden, Denmark and Norway, men do around three-quarters of the unpaid work of women.

Recommendations

To reduce this gender inequality, and building on the reforms of the last few decades, KPMG recommends that the Federal Government:

- 1 Consider introducing a Carers' Income Tax Offset (CARITO) to be credited against any income tax payable upon carers returning to work after caring for children, people with a disability or elderly parents, in recognition of the value of their unpaid caring work;
- 2 Provide greater clarity, either through amending the Sex Discrimination Act or by developing clear guidance, to ensure employers are able to enact affirmative policies to provide higher superannuation payments and other workplace benefits to their female employees;
- 3 Include Superannuation Guarantee contributions in the Commonwealth paid parental leave scheme; and
- 4 Increase the number of weeks of paid parental leave to 26 weeks over a six-year period, with an equality supplement of two weeks where the parents agree to a more equal sharing of the leave.

¹ <https://assets.kpmg/content/dam/kpmg/au/pdf/2022/kpmg-shes-priced-less-2022.pdf>

Overview continued

The proposed CARITO could have similar design features to those of the Low and Middle Income Tax Offset (LMITO). It would be a non-refundable tax offset.

The maximum amount of CARITO would be calculated as the basic offset amount multiplied by the total number of weeks of unpaid caring work performed.

To illustrate, suppose the CARITO base were \$100 per week and the carer took five years away from formal work to do informal, unpaid caring work. A CARITO amount of $\$100 \times 5 \times 52 \text{ weeks} = \$26,000$ would be credited to the carer's tax account held with the Australian Taxation Office (ATO) to be offset against the carer's income earned upon returning to work.

Under this system, where the value of the credit relates to the amount of time spent out of the workforce on caring responsibilities, carers on lower incomes would gain a larger proportional benefit upon their return to work, making the CARITO progressive.

Furthermore, by not phasing the credit out as the recipient's income rises, additional work and career progression would not be disincentivised.

The CARITO would not be gender specific, but since women do most of the caring work it would be most beneficial to them.

Australia could embark upon a new era of reform towards greater equality for women by introducing a CARITO, enabling employers to offer greater benefits to female employees, including Superannuation Guarantee contributions in the Commonwealth paid parental leave scheme and increasing the paid parental scheme to 26 weeks with a more equitable sharing of leave between partners.

A brief history of Australian women's equality

Together with women in other parts of the world, Australian women have been fighting for equality for well over a century. In Australia, there have been two periods during which substantial progress to improve equality has occurred. Addressing the remaining inequities forms the basis of a proposed third era of policy reforms towards gender equality.

Early progress

Even before federation, generations of women had fought for greater equality in workplaces and society. In 1893, New Zealand became the world's first self-governing country in which women had the right to vote in parliamentary elections. Australia soon followed with women gaining the right to vote in the South Australian parliament in 1894, only the fourth parliament to make the change. In 1902, just the second year of federation, the Australian parliament extended that right to all non-Indigenous women. Belatedly, in 1962, Indigenous women were given the right to vote in Australian federal elections.

In October 1972, the McMahon Government legislated the Federal Child Care Act. It provided for the funding of centre-based day care facilities for children of sick or working parents.

In December 1972, at the urging of the newly elected Whitlam Government, the Conciliation and Arbitration Commission extended the equal pay principle from 'equal pay for equal work' to 'equal pay for work of equal value'.

The Commission's ruling said:

1960s-1980s

Until 1966, an effective 'marriage bar' was in place whereby married women were not permitted to work as permanent staff in the Commonwealth public service. As temporary staff, women had very limited promotional opportunities, could not be in a supervisory position, had restricted access to superannuation, and were first in line for redundancies.

Heightened activism in the 1960s led to a 1969 decision of the Australian Conciliation and Arbitration Commission to establish the female minimum wage at 85 per cent of the male wage. The ruling assumed men, as 'breadwinners', were entitled to a higher wage than women.² It also secured equal pay for women doing the same work as men in male roles.

The principle of 'equal pay for work of equal value' will be applied to all awards of the Commission. By 'equal pay for work of equal value' we mean the fixation of award wage rates by a consideration of the work performed irrespective of the sex of the worker."

² <https://www.wgea.gov.au/about/our-story>

A brief history of Australian women's equality continued

In 1973, the Whitlam Government introduced the single mothers' benefit and in the next year it legislated paid maternity leave for Commonwealth employees.

Despite the equal pay ruling of 1972, it was only in 1974 that the Conciliation and Arbitration Commission extended the minimum wage to women.

In 1975, the first women's refuges were funded. Also in 1975, a new Family Law Act established the principle of no-fault divorce in Australian law such that a court no longer considered which partner was at fault in a marriage breakdown.

In 1984, the Hawke government legislated the Sex Discrimination Act, sponsored by Senator Susan Ryan, which continues to be in force today. It made illegal discrimination on the grounds of sex, marital status or pregnancy, and outlawed workplace sexual harassment.

To deal with the discrimination women had experienced over many decades, the *Affirmative Action (Equal Opportunity for Women) Act* was legislated in 1986. It compelled all private sector organisations with more than 100 employees to implement an affirmative action program to increase women's representation.

1990s-present

The main reforms since 1990 have been to childcare support, Commonwealth paid parental leave, the creation of the Workplace Gender Equality Agency (WGEA) and family and domestic violence leave.

Childcare support

In 1990, the Hawke Government extended Commonwealth childcare support to commercial childcare centres.

Subsequent governments made various changes to childcare support, introducing a tax rebate and then changing back to a direct payment that is now the Child Care Subsidy.

In its 2021-22 Budget, the Morrison Government announced reforms to the Child Care Subsidy:

- Removal of the annual cap that limited the total yearly subsidy to \$10,560 for families earning more than \$189,390 per annum; and
- An increase in the Child Care Subsidy for second and subsequent children under the age of six years, to a maximum of 95 per cent.

These new arrangements have already come into effect.

The Albanese Government is proceeding with further reforms to the Child Care Subsidy as announced in the 2020 Budget Reply. They are:

- An increase in the base subsidy rate from 85 per cent to 90 per cent; and
- A reduction in the rate at which the subsidy phases down, such that it is not phased out completely until family income reaches \$530,000 per annum.

The Albanese Government will also task the Productivity Commission with a comprehensive review of the childcare sector, with the aim of implementing a universal 90 per cent subsidy for all families.

By further phasing down the Child Care Subsidy with rising incomes the Albanese Government's reformed system would continue to lower workforce disincentives up and down the income scale, providing improved incentives for women to increase their hours of work.

A brief history of Australian women's equality continued

Paid parental leave

In 2010, the Rudd Government introduced the first Commonwealth paid parental leave (PPL) scheme. It is payable at the minimum wage for 18 weeks for mothers plus two weeks for fathers. It sits on top of any private paid parental leave and is income tested.

Workplace Gender Equality Agency (WGEA)

In 2012, the Gillard Government legislated the Workplace Gender Equality Act, introducing a standardised reporting framework and establishing the WGEA. The reporting framework requires private sector employers with 100 or more employees to report against six gender equality indicators, enabling comparative analysis across employers.³

Family and domestic violence leave

In 2018, the Fair Work Commission inserted five days of unpaid family and domestic violence leave into all awards. The Morrison Government later that same year extended five days unpaid family and domestic violence leave to all employees, including part-time and casual employees.

On 16 May 2022, the Fair Work Commission granted 10 days of paid family and domestic violence leave as a minimum standard for almost 2.7 million workers on industry awards.

The Albanese Government is legislating to extend the 10 days of paid family and domestic violence leave to all employees.

³ https://www3.weforum.org/docs/WEF_GGGR_2022.pdf



The ongoing need for progressing women's equality

Inequalities remain in the treatment of women and men in the paid workforce. The causes are culturally ingrained social norms that produce economic and social inequities. The World Economic Forum (WEF) releases an annual report on its Global Gender Gap Index, which benchmarks progress towards gender parity and compares countries' gender gaps across four dimensions: economic opportunities, education, health and political leadership.

The 2022 WEF report (World Economic Forum 2022) ranks Australia 43rd among 146 countries on the Global Gender Gap, behind countries with which we like to compare ourselves, such as New Zealand (4th), Germany (10th), France (15th), Britain (22nd) and the US (27th).⁴

Gender inequality in society is obvious, and can be measured by a gender pay gap, a gender income gap and a gender superannuation gap. It is also reflected in the under-representation of women in senior management positions and on company boards.

Gender pay gap

The gender pay gap is defined as the difference between the average earnings of men and the average earnings of women, relative to the average earnings of men.

In Australia, the gender pay gap is 13.8 per cent (WGEA 2022, Figure 1). In the public sector the gender pay gap is 11.2 per cent while in the private sector it is much greater, at 17.0 per cent (WGEA 2022, Figure 3). A gender pay gap exists for every major occupational grouping in Australia, including those dominated by women (WGEA 2022, Table 2).

Even at the entry-level ages of 20 years and younger the gender pay gap is 3.7 per cent. Thereafter it continues to widen, until it reaches 17.8 per cent for the 45-54 year age group, before falling back to 13.1 per cent for the 55 and over age group (WGEA 2022, Figure 4).

These findings have been confirmed by KPMG's recent release of the third in a series of joint reports with the Diversity Council Australia (DCA) and the Workplace Gender Equality Agency, *She's Price(d)less: The economics of the gender pay gap*. The report found that the national gender pay gap (defined as average hourly wage) in Australia is estimated at \$966m per week or \$51.8b per year.⁵ Gender discrimination remains the leading driver of the pay gap, accounting for 36 per cent of the total. The other main drivers are caring for family and workforce participation (33 per cent) and the type of job and industry sector of employment (24 per cent).

The report also reveals that women on the lowest hourly rates of pay experience a pay gap of 6 per cent, but as they progress through their careers and their incomes rise, the pay gap increases to a high of 18 per cent. This finding is entirely consistent with WGEA's previous analysis, which found that the gap is widest when women are in their peak earning years (45-54).

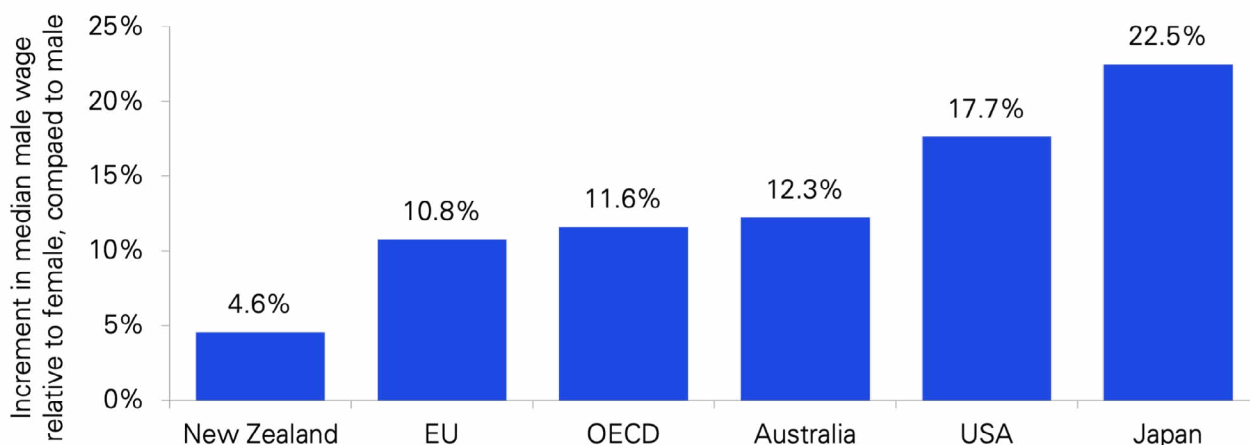
A large gender pay gap persists in most countries. For example, the gender pay gap in the US is around 18 per cent US (Payscale 2022). However, Romania and Luxembourg have the lowest gender pay gaps in the European Union (EU) of 4.2 per cent and 0.7 per cent respectively (Eurostat 2022). These narrow gender pay gaps demonstrate that closing them is possible with the right social norms and institutional arrangements.

⁴ https://www3.weforum.org/docs/WEF_GGGR_2022.pdf

⁵ <https://assets.kpmg/content/dam/kpmg/au/pdf/2022/kpmg-shes-priced-less-2022.pdf>

The ongoing need for progressing women's equality continued

Gender pay gap



Source: KPMG, OECD

Gender pay gaps have been narrowing in many countries but the pace has been slow. Between 1975 and 2020, OECD data⁶ confirms that the gender pay gap in Australia, the US and Japan was almost halved.

Gender lifetime income gap

A persistent gender pay gap, combined with the large amount of time that working mothers typically spend out of the workforce, create a gender income gap over their working lives. At age 30 years, the gender income gap is around 28 per cent and in the peak earning years of 45-49 it widens to more than 36 per cent.⁷

Gender superannuation gap

The gender income gap creates a gender superannuation gap, as women spend less time in the paid workforce and receive lower pay than men when they are working. The gender superannuation gap averages around 30 per cent when women reach retirement age.⁷

Board representation

To illustrate the persistence of social norms favouring men and discriminating against women in workplaces, the most senior roles in organisations remain heavily dominated by men, who account for more than 80 per cent of CEOs. Men still comprise two-thirds of board members, more than 80 per cent of board chairs and two-thirds of key management positions.⁸

⁶ The OECD data are based on median earnings rather than average earnings.

⁷ <https://assets.kpmg/content/dam/kpmg/au/pdf/2021/towards-a-more-equal-sharing-of-work-parental-equality.pdf>

⁸ <https://www.wgea.gov.au/women-in-leadership>

The ongoing need for progressing women's equality continued

Paid and unpaid work

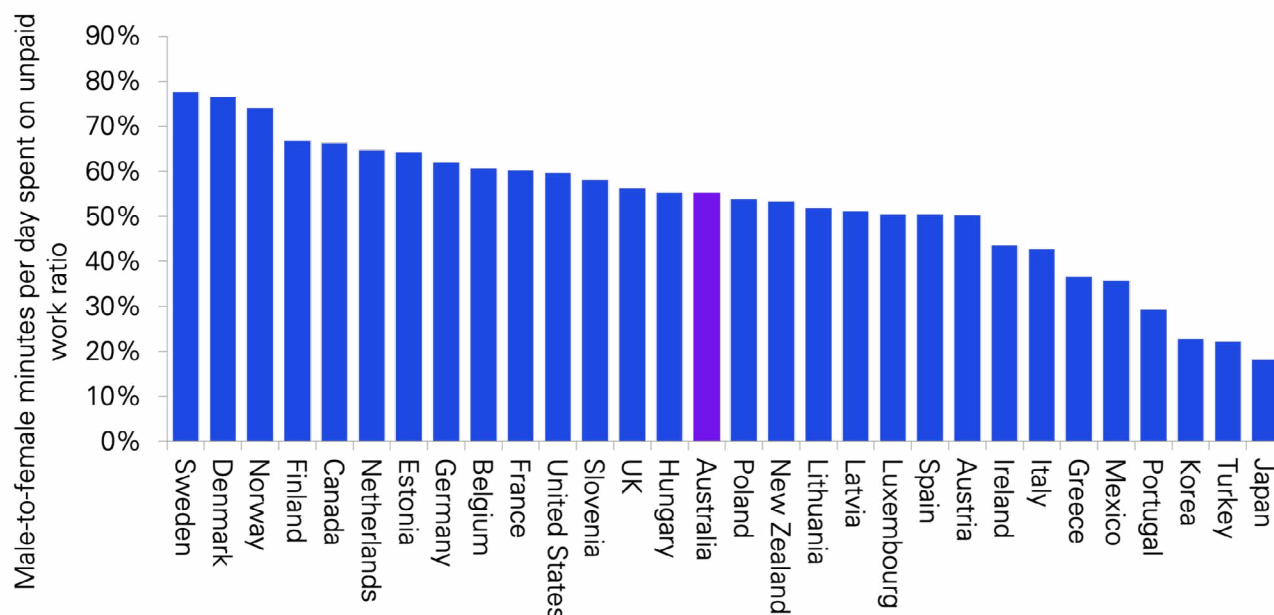
Another social norm which is ingrained in Australia is the distribution of paid and unpaid work within families. In a formal sense, only paid work performed in Australia is measured and valued. Yet unpaid work, such as housework, home cooking, in-home childcare and supporting elderly and disabled relatives is obviously valued too; otherwise, it wouldn't be done.

Australian women do most of the unpaid work, with Australian men doing little more than half the unpaid work of women. By contrast, in the three Scandinavian countries of Sweden, Denmark and Norway, men do around three-quarters of the unpaid work of women.

On the score of the gap between men and women doing unpaid caring work, Australia ranks 15th among OECD countries – around the middle – but well below Canada (5th) and Germany (8th), and roughly on par with the US (11th), Britain (13th) and New Zealand (17th).

Minutes per day spent on unpaid work, selected OECD countries

% male / female



Source: OECD (2019 or latest available year)

KPMG has calculated that, when the value of both paid and unpaid work is considered, women do just over half of all the work performed in Australia (KPMG 2021b). Yet women face a gender pay gap, a gender income gap and a gender superannuation gap.

Expecting women to do more of the unpaid work than men is a social norm inherited from a bygone era. It is a relic from the times when men were regarded as the main breadwinners, with women being permitted to do some paid work to bolster household incomes.

Features of a new era of reform

Women's ongoing economic disadvantage will become increasingly entrenched if government policy does not better support shifting social norms faster and meet changing socio-economic expectations.

A new era of reform would start with already-announced policies:

- Reform of the Child Care Subsidy; and
- An extension of Family and Domestic Violence Leave.

In addition to reforms previously advocated by KPMG (e.g., in relation to PPL and the inclusion of the Superannuation Guarantee in PPL), we propose that the above policies be followed by:

- Higher superannuation contributions and other workplace benefits for female employees; and
- A tax credit in recognition of unpaid caring work, where caring work encompasses all responsibilities (children, elderly parents and disability care).

Higher superannuation contributions and other benefits for female employees

An obvious measure that would acknowledge and reduce the inequities associated with the gender pay, income and superannuation gaps is for employers to make higher superannuation contributions for female employees. This would be a continuation of the principles enshrined in the *Affirmative Action Act (1986)*, which require companies to proactively support women's participation to overcome engrained social norms. Ironically, it is the landmark Sex Discrimination Act that arguably makes it unlawful for employers to do so, unless they can successfully navigate a lengthy process.

A company wishing to make higher superannuation contributions for female employees is obliged to apply to the Australian Human Rights Commission for an exemption from the Sex Discrimination Act.

Rice Warner was one of the few companies to have sought and obtained such an exemption, which was granted in 2012.⁹ The process took 18 months. Rice Warner paid female staff an extra 2 per cent superannuation on top of the compulsory employer contribution. Rice Warner also continued to pay superannuation contributions while staff were on maternity leave and counted maternity leave towards long service leave.

In 2014, a private member's bill, the *Sex Discrimination Amendment (Boosting Superannuation for Women) Bill 2014*, sought to amend the Sex Discrimination Act to allow for employers to make higher superannuation contributions for female employees without needing to seek an exemption from the Human Rights Commission.

⁹ https://humanrights.gov.au/sites/default/files/content/legal/exemptions/sda_exemption/exemption/rice_warner_IGA_25_9_2012_12_15_19_709.pdf

Features of a new era of reform continued

While the bill was withdrawn after the second reading in July 2016,¹⁰ the Senate Economics References Committee subsequently conducted an inquiry into the superannuation system and published its report, 'A husband is not a retirement plan', in 2016. The Committee recommended that:

The Australian Government amend the Sex Discrimination Act 1984 to ensure companies can make higher superannuation payments for their female employees when they wish to do so. As part of this process the Australian Human Rights Commission should explore options and advise the Australian Government on appropriate legislative changes.

Following any amendments to the legislation, the Australian Human Rights Commission should develop guidelines and advice for any organisation contemplating providing additional superannuation payments for women."¹¹

The Australian Government and the Australian Human Rights Commission noted the recommendation and together decided that the Commission would develop guidance to employers on the lawfulness of addressing retirement savings gaps. No such guidance has been released to date.

A further review of retirement incomes was conducted by the Morrison Government in 2019-2020. In its submission, the Victorian Government recommended amending the Sex Discrimination Act to allow employers to make extra voluntary superannuation contributions for their female employees when they wish to do so without requiring an exemption or a special measure from the Australian Human Rights Commission.¹² However, the report arising from that review did not reference or address this recommendation.¹³

Extra superannuation contributions are but one way of providing a benefit to women in recognition of the workforce disadvantages they face as reflected in the gender pay, income and superannuation gaps. There may be other ways of benefiting women in workplaces as well.

It is proposed that the Federal Government conducts a review of the Sex Discrimination Act with a view to making amendments or streamlining processes that would enable employers to make higher superannuation contributions to female employees and adopt any other appropriate workplace measures that would help close the gender pay, income and superannuation gaps.

¹⁰ https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r5383

¹¹ https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Economic_security_for_women_in_retirement/Report

¹² <https://treasury.gov.au/sites/default/files/2020-02/industrialrelationsvictoria100220.pdf> p. 30.

¹³ <https://treasury.gov.au/publication/p2020-100554>

A tax credit following unpaid caring work

In recognition of the value of unpaid caring work performed by women and men, an earned income tax credit could be paid to carers returning to the paid workforce. It could take the same general form as the Low and Middle Income Tax Offset (LMITO). It would be a non-refundable tax offset.

The amount of CARITO would be calculated as the basic offset amount multiplied by the number of years, or part thereof, of unpaid caring work performed. To illustrate, suppose the CARITO base were \$100 per week and the carer took five years away from work to care for a child, a person with a disability or an elderly parent. A CARITO amount of $\$100 \times 5 \times 52 \text{ weeks} = \$26,000$ would be credited to the carer's tax account held with the Australian Taxation Office (ATO) to be offset against the carer's income earned upon returning to work.

Under this system, where the value of the credit relates to the amount of time spent out of the workforce on caring responsibilities, carers on lower incomes would gain a larger proportional benefit upon their return to work, making the CARITO progressive.

Furthermore, by not phasing the credit out as the recipient's income rises, additional work and career progression would not be disincentivised.

A positive aspect to a proposed CARITO is that it could be applied to carers in circumstances where they have been or are inactive in the workforce on a full-time or part-time basis. It would help support in the transition to part time and, importantly, full employment for carers where they may have otherwise not returned to work at all or delayed the transition.

The proposed CARITO would not be gender specific. Circumstances will arise where a male employee does caring work that qualifies for the CARITO. But as has been demonstrated by KPMG, females typically do much more of the caring work in Australia than men. This proposal might provide a reasonable incentive for men to take up more equal sharing of caring responsibility.

Caring work would be defined in legislation and integrity measures put in place, just as integrity measures apply to Commonwealth transfer payments.

The feasibility and design features of the proposed CARITO could be examined through an inquiry that could include the Productivity Commission, the Workplace Gender Equality Agency, the Treasury and the Australian Taxation Office. While some of the beneficiaries would have re-entered the workplace regardless, KPMG would expect a net positive result for the economy. The people benefiting would be earning an income (and so spending through the economy), paying tax, contributing to their superannuation, and continuing to upskill and boost their productivity.

Recommendations

The analysis in this report shows a third era of reform towards gender equality, based on affirmative action policies, is both timely and necessary. In addition to the reforms to the Child Care Subsidy and the extension of Family and Domestic Violence Leave already underway, KPMG proposes four affirmative action policies. KPMG recommends that the Federal Government should:

- 1** Consider introducing a Carers' Income Tax Offset (CARITO) to be credited against any income tax payable upon carers returning to work after caring for children, people with a disability or elderly parents, in recognition of the value of their unpaid caring work;
- 2** Provide greater clarity, either through amending the Sex Discrimination Act or by developing clear guidance, to ensure employers are able to enact affirmative policies to provide higher superannuation payments and other workplace benefits to their female employees;
- 3** Include Superannuation Guarantee contributions in the Commonwealth paid parental leave scheme; and
- 4** Increase the number of weeks of paid parental leave to 26 weeks over a six-year period, with an equality supplement of two weeks where the parents agree to a more equal sharing of the leave.¹⁴



14 <https://assets.kpmg/content/dam/kpmg/au/pdf/2021/better-system-for-paid-parental-leave-report.pdf>

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