

# Spotlight on the Budget:

## Impact on women on low incomes

24 May 2021

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The 2021-2022 budget contains welcome initiatives that provide a boost to services that support women's safety. However, it lacks investment in reforms that will significantly improve economic security for low-income women and deliver on the need for structural and cultural change.

Like many budgets before, it locks in gender inequality by failing to address that tax, employment and superannuation systems are stacked in favour of men. It does nothing to specifically support single mothers on low incomes or older women struggling to find paid work and facing homelessness.

To help women on low incomes, we needed to see social security payments brought above the poverty line; employment services that deal with gender and age discrimination; and investment in affordable housing. Instead, \$30 billion a year is being spent on income and business tax cuts, which will further entrench gender inequality and endanger future funding for services that women rely on.

In the analysis below, we explain where the budget could have been better focused to address generations of structural gender inequality, particularly for women on low incomes. In particular, we highlight:

- Tax breaks reinforce gender income inequality
- The budget failed to deliver the income support increase needed urgently for women on low incomes
- The lack of affordable housing for women on low income women
- Labour market programs do not meet women's needs of women
- More investment is needed in the care workforce and to improve pay and conditions for women
- Further action is needed in child care to meet the needs of single mothers and First Nations communities
- Super reform is needed to address women's lower retirement incomes
- More funding is needed to support women's safety, crisis and support services, and economic security

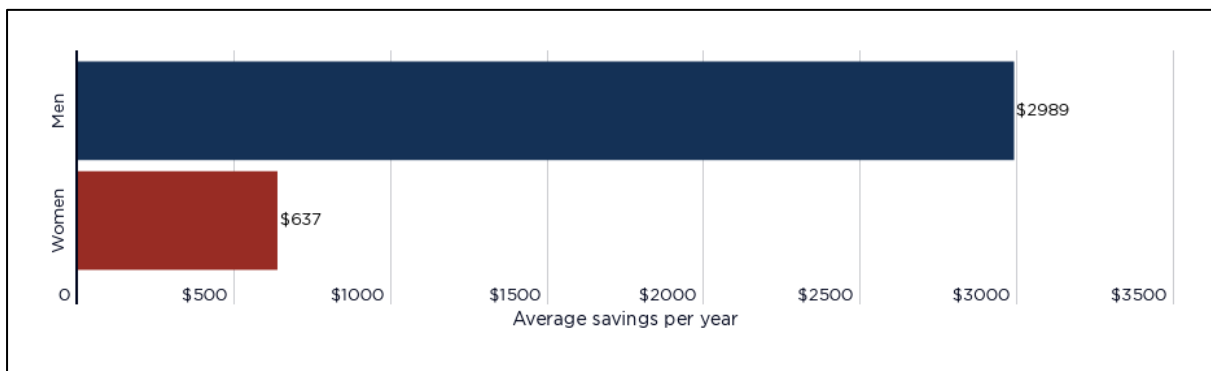
Future budgets should provide a stronger vision for improving women's economic security and Gender Responsive Budgeting (GRB) must be designed with agencies representing the diverse needs of all women.

## Tax breaks reinforce gender income inequality

Tax cuts have a gendered impact because they advantage people already in the workforce, and with higher incomes. At November 2020, women in Australia earn 13.4% less than men.

In particular, 'Stage 2' and 'Stage 3' tax cuts outlined in the 2018 and 2019 budgets will further entrench gendered income inequality because they are targeted at people on higher incomes. If the Stage 3 tax cuts legislated to commence in 2024 proceed, men will receive more than twice the tax cut provided to women – 70% of their annual value compared to 30% for women.<sup>1</sup> Under those tax cuts, men will save five times as much money as women (on average, \$2,989 per year, compared to \$637 per year).

**Figure 1: 'Stage 3' tax cuts for men and women compared**



Source: ACOSS representation of data from Australia Institute report

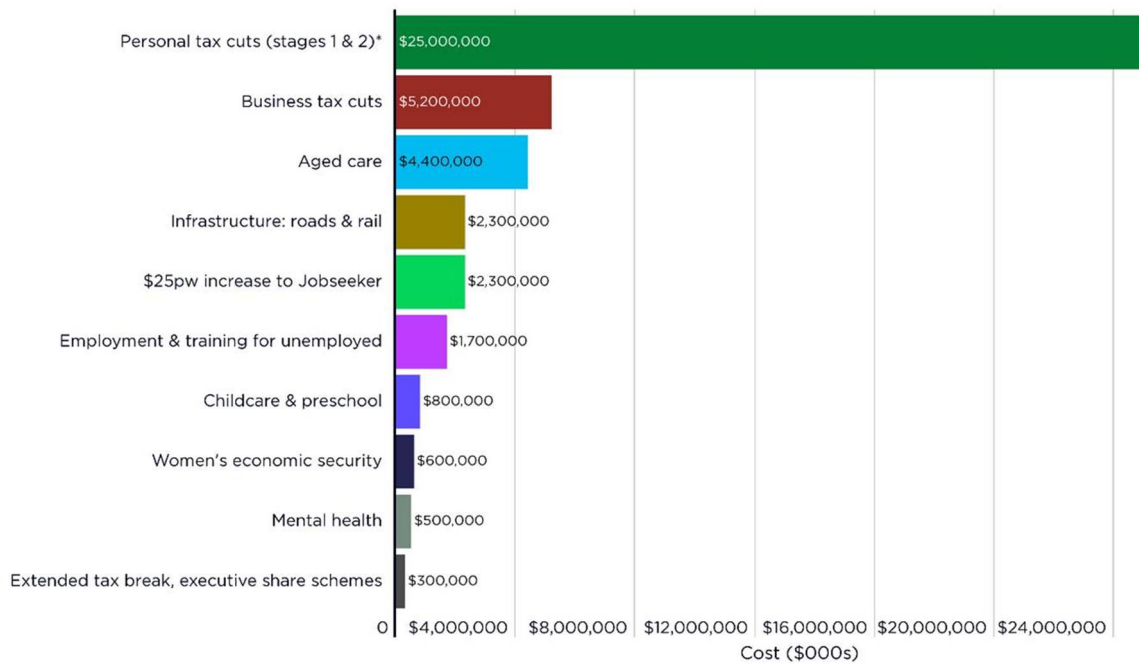
The budget also included business tax incentives worth \$14 billion in 2022, many of these focused on business write-offs that advantage trade-related workforces, which are predominantly male. Further tax breaks for executive share schemes are increased at a cost of \$345 million in 2023-24, mainly benefiting an exclusive group of highly-paid men.

The total value of tax cuts legislated for 2021-22 is \$25 billion, rising to around \$35 billion in 2024-25. As set out in Figure 2, personal tax cuts and business tax cuts – with disproportionately benefit to men – far overshadow spending in other areas, including those identified as being for women's economic security. These will also likely result in future budget cuts to essential services.

<sup>1</sup> Grundoff, M, [The Australia Institute, \(2020\) Early tax cuts as stimulus – gender analysis](#)

**Figure 2: Cost of budget measures compared**

## Cost of major budget measures, Budget 2021



\* Cost of Stage 1 and 2 tax cuts in 2021-22, including extension of the LMITO.

Sources: Australian Treasury (2021) *Budget 2021-22 papers*. Canberra, Australia.

Grudnoff, M (2020) *Tax cuts or spending: What is the most effective stimulus?* Australia Institute

## Budget failed to deliver the income support increase needed urgently for women on low incomes

Most people accessing income support are women. Women comprised the majority (56%) of people who lost \$50 a week on 1 April 2021 when the Coronavirus Supplement was abolished, plunging 1.2 million women further into poverty. Prior to COVID, older women were the fastest growing group of people ending up on unemployment payments. Nearly all (95%) single parents receiving Parenting Payment Single are women, and single parents are most at risk of living in poverty because income support payments fail to meet basic costs.

The budget provided \$164 million for women escaping domestic violence, including packages totalling \$5,000 for women fleeing an abusive partner (a cash payment up to a maximum of \$1,500, with the remainder provision of goods, services and support from a community service provider or other items needed to establish a home free from violence). This measure is welcome but the government must ensure women have enough income to cover the basics. Lack of financial security is one of the largest barriers to women being able to leave an abusive partner.

The budget did not provide additional support to women through the income support system other than the already announced \$25pw increases that took effect in April, when the \$75pw Coronavirus Supplement was abolished.

The budget included a cruel \$671 million cut to income support for migrant residents, extending waiting periods to four years. With delays impacting on Family Tax Benefit, Paid Parental Leave and carers payments, women will likely be overrepresented among people affected by these cuts. ACOSS opposes these changes.

ACOSS continues to call for income support to be lifted to \$65 a day, so that people receiving JobSeeker, Youth Allowance and Parenting Payment are not living below the poverty line. In addition, ACOSS is calling for Rent Assistance to be increased by 50%, and supplementary payments for single parents and people with disability or illness to reflect the additional costs they face.

## Lack of affordable housing for women on low incomes

There are 450,000 women over 45 at risk of homelessness in Australia, and women receiving income support generally have insufficient income to cover housing costs. Anglicare estimated<sup>2</sup> there are no affordable rentals for people receiving JobSeeker Payment and only 0.3% of rentals were affordable to people receiving Parenting Payment, the vast majority of whom are women.

The budget committed \$300,000 over the forward estimates for 10,000 places for [the Family Home Guarantee](#), which will provide single parents an avenue to purchase a home with a deposit of as little as two percent.

While this will help some women, this will do nothing to support women on the lowest incomes who need access to social housing.

## Labour market programs do not meet women's needs

Under-employment and long-term unemployment is increasing for women especially those who cannot work full time because of their caring responsibilities. Before COVID, older women were the fastest growing group of people receiving unemployment payments. Eighty-two percent of all single parents are women,<sup>3</sup> and at end of January 2021 there were 130,701 single parents in *jobactive*; 95% of ParentsNext participants are women (78,007); and more than half of the 344,487 people aged over 50 in *jobactive* are women.<sup>4</sup> These women and carers are not well-served by punitive and supervisory programs like ParentsNext, Disability Employment and *jobactive* services and mature-aged women experience age-related discrimination from employers.

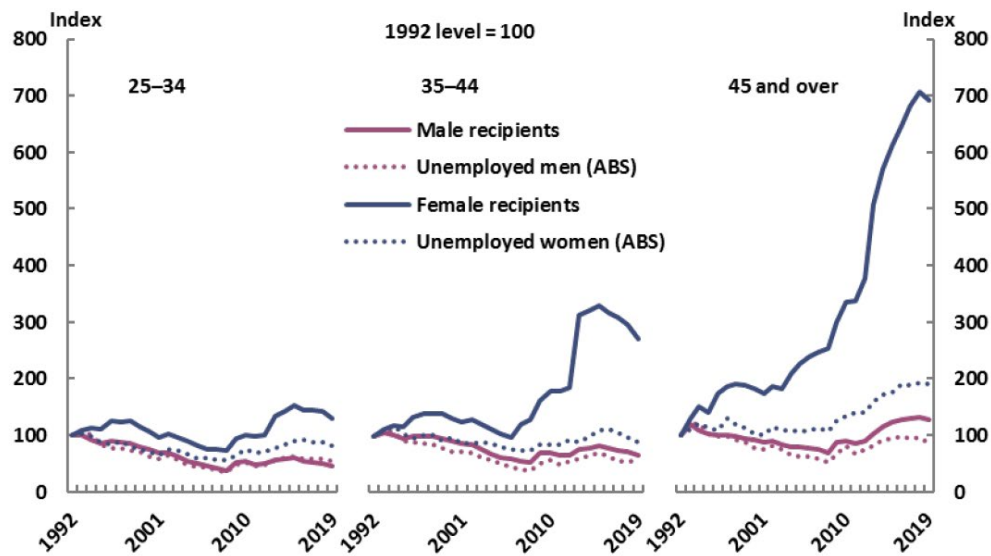
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2 <https://www.anglicare.asn.au/research-advocacy/the-rental-affordability-snapshot/docs/default-source/default-document-library/rental-affordability-snapshot-2021>

3 <https://www.abs.gov.au/statistics/people/population/household-and-family-projections-australia/latest-release#families>

4 Department of Education, Skills and Employment Question No. SQ21-000023

**Figure 3: Jobseeker recipients and unemployed persons by gender and age, 1992 to 2019**



Note: Data on JobSeeker are as at June except for the year 2000 which are as at May. Data on unemployment are averages of original monthly data over the year July to June. JobSeeker data to 2013 are from DSS Payment Demographic Data; JobSeeker data from 2014 to 2019 are sourced from DSS Bluebook. '45 and over' refers to 45–64 for unemployment data.

Source: DSS Payment Demographic Data, ABS year books (cat no. 1301.0), ABS labour force (cat no. 6291.0.55.001), DSS Bluebook and PBO analysis.

The budget neglected the needs of these women and reflects inherent stigmatisation of women and single mothers. ParentsNext should be replaced by voluntary career advice scheme. Other employment services should be reformed, consistent with the proposals of the government's Expert Advisory Panel so that people who are unemployed have greater control over their pathway to employment and providers have resources to offer work experience in regular paid jobs (rather the Work for the Dole), skills advice and training to improve each person's employment prospects.

## More investment is needed in the care workforce

Work in the women-dominated care economy is underpaid, insecure and not supported by sufficient investment in workforce development initiatives. Women make up 80% of the care workforce. While there was renewed interest in the important role the front-line care sector played during the COVID crisis, these jobs remain amongst lowest paid in the labour market.

The budget included some welcome new investments to support the aged care workforce including funding for nursing scholarships; establishing single aged care assessment workforce; workforce screening, register and code of conduct; and training for new home care workers. However, these measures did not go far enough to improve employment conditions and pay in the care sector.<sup>5</sup> Further, ACOSS supports the Aged Care Royal Commission recommendation that

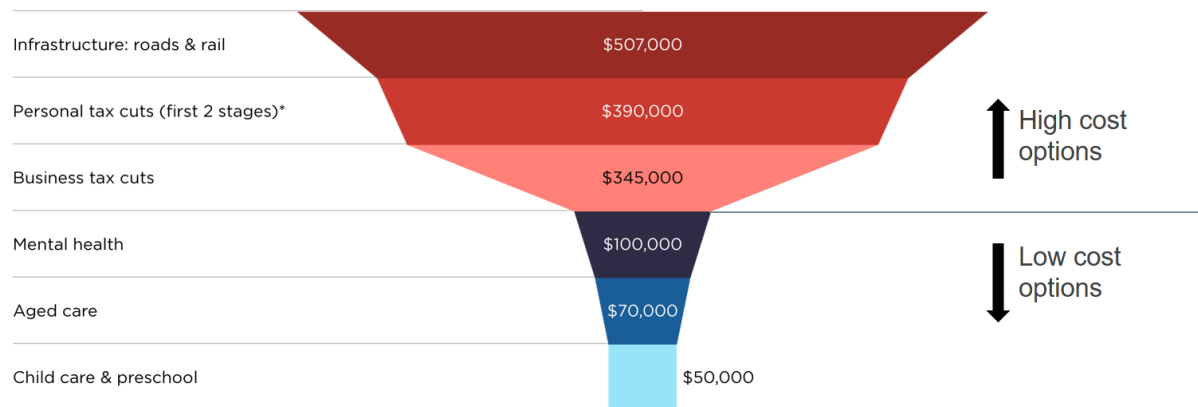
<sup>5</sup> See [ASU Campaign Essential not Expendable](#)

a 'work value' case be lodged to ensure aged-care workers are appropriately paid for the work they do.

There was an opportunity to use the budget to provide invest in care-related jobs, rather than focus on job creation in low yield male-dominated sectors like construction and roads.

As Figure 4 shows, a single job created in road building costs \$300,000, whereas jobs in women-dominated industries like aged and child care cost \$70,000 and \$50,000 respectively. In part this is due to the undervaluing of care labour, which must be addressed, but nonetheless we should be investing further in vital care services.

**Figure 4: Cost per job created, Budget 2021**



Note: Average cost (rounded) for each additional job created within the next two years.

\* Cost of Stage 1 and 2 tax cuts in 2021-22, including extension of the LMITO. Cost per job generated by extension of the LMITO only, which costs \$7B in 2021-22. Other tax cuts will be more costly per job created as they mainly go to people on higher incomes, who are more likely to save them.

Sources: Australian Treasury (2021) *Budget 2021-22 papers*. Canberra, Australia.

Grudnoff, M (2020) *Tax cuts or spending: What is the most effective stimulus?* Australia Institute

## Funding for equal pay must be extended to all services

Equal Remuneration Orders agreed to by Fair Work Australia have been an important mechanism for redressing the gender pay gap in the care sector. The Federal Government and State and Territory Governments provided billions of dollars in funding to ensure that workers were paid fairly and organisations could meet their obligations under the ERO. When coupled with the ERO itself, this funding was critical to addressing the chronic, gender-based undervaluation of the work performed by the predominantly female workers in the community services sector.

This funding is set to expire in June 2021, and the budget provided \$124.7 m (over 3 years) to the homelessness sector to continue this funding for equal pay, along with \$16.8 m over two years for the Alcohol and other Drugs sector. Continued funding has previously been confirmed for most parts of the sector.

This funding will continue to make a real difference to the capacity of the sector's highly feminized workforce to deliver services to people who need them. However, there remains gaps in funding for equal pay in other parts of the sector organizations funded by Home Affairs delivering services to migrants.

## **More needed on childcare for single mothers and First Nations communities**

The cost of child care inhibits women's workforce participation. This exacerbates income inequality and poverty for low-income women who are unable to join or progress in the workforce until children are older.

The budget provided an extra \$1.7 billion to increase the Child Care Subsidy to up to 95% for families with two or more children aged five and under, and to remove the annual cap. This is welcome because it should improve women's workforce participation, which can improve productivity and revenue from taxes.

However, the Child Care Subsidy measure does not meet the needs of most single parent households, and will not help First Nations community childcare centre funding gaps<sup>6</sup> and Early Childhood Australia had called for an increase in the Child Care Subsidy (CCS) to 95% for low-income families.<sup>7</sup>

The next step for the Federal Government is to address a range of other childcare issues, including the activity test that restricts children's access, particularly those from low income and sole parent families, to early childhood education and care. Furthermore there is a need to improve conditions and pay in the child care workforce, and chronic understaffing of child care centres.

## **Women retire poorer than men**

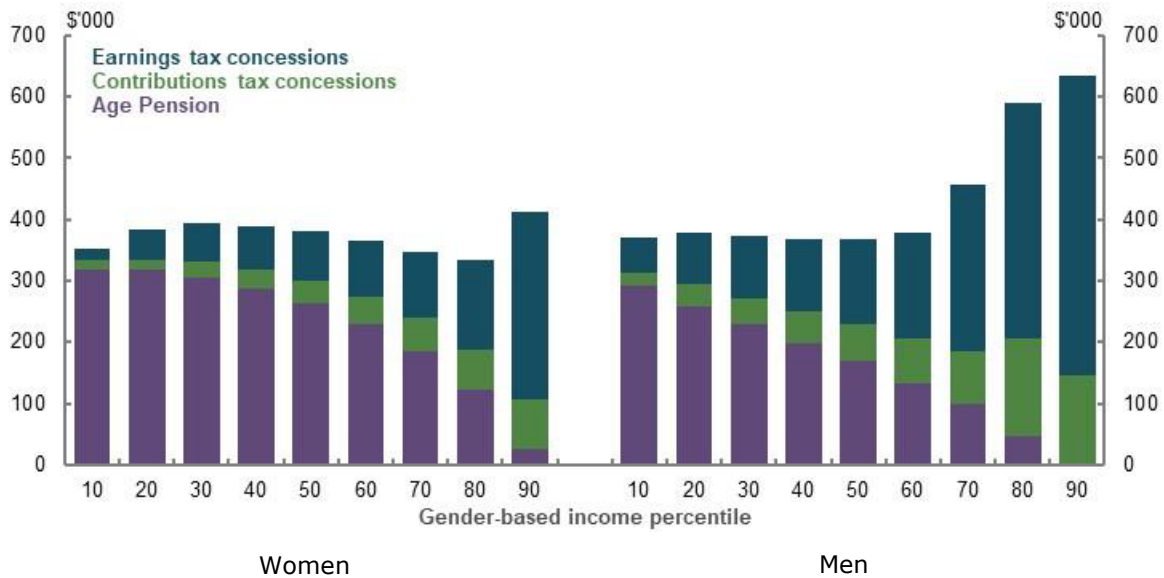
Women retire with lower retirement incomes than men because of the impact of caring and lower paid work on earnings over their lifetimes. In 2019, women received just 40 per cent of all superannuation tax concessions because of lower earnings, and the skewing of tax concessions to high earners, most of whom are men. Men have average super balances around 20% more than women at age 60-64: \$279,000 for women and \$345,000 for men.

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<sup>6</sup> [First Nations organisations disappointed in 2021 Budget failure to #CloseTheGap • Change the Record](#)

<sup>7</sup> [ECA's Federal Budget for early childhood education \(earlychildhoodaustralia.org.au\)](#)

**Figure 5: Gender breakdown of tax concessions in superannuation**



Source: Treasury Retirement Income Review, 2020

The budget measures affecting superannuation after retirement – the abolition of work test for new contributions by people up to 74 years and the extension of downsize contributions – mainly benefit men, who have accrued more wealth because of the gender pay gap, to shift more money into their tax-free superannuation accounts.

The \$450 a month wage threshold for compulsory super contributions will be removed, and this will mainly benefit low-paid women workers. This measure is welcome and will modestly improve women's retirement incomes, provided these contributions aren't eaten up in fees and charges.

To make a real difference to the super savings of women with low incomes, ACOSS proposes major reform of the inequitable tax breaks for contributions, which mainly benefit men on higher incomes. We propose a two-tier refundable rebate of 100% for the first \$500 a year of contributions, and 20% for additional contributions up to a modest annual contributions cap.

## **More funding is needed to support women's safety, crisis and support services, and economic security**

There is a strong link between women's safety and economic security. Some women may be unable to leave homes because of financial dependency and/or coercive control of finances. The National Council of Single Mothers and their Children found that one in four women returned to an abusive partner because of lack of financial security. In 2020, ACOSS heard directly from women on income support who said that they could leave an abusive partner because of the doubling of income support. Having enough money to cover the cost of new place to live, and being able to afford food and other essentials is critical to



supporting women's safety. As outlined above, ACOSS remains concerned about the woefully inadequate levels of income support for women.

The widespread unmet demand for services is a barrier to improving women's safety. Prior to the budget, the Australian Women Against Violence Alliance identified a need for \$1 billion per year to address violence against women, including for women's safety prevention and response services.<sup>8</sup>

The Budget delivers an almost \$1 billion over the forward estimates, which will provide a much-needed funding boost to family and domestic violence services, with further investment needed to address the demand for services.

The budget commitments fell short of meeting the needs of First Nations women, with a failure to provide sufficient funding for the Aboriginal and Torres Strait Islander women's safety service. Although \$26m over the forward estimates will be provided to Family Violence Prevention Legal Services to improve support services for Aboriginal and Torres Strait Islander women, the sector had been asking for \$28m per year.<sup>9</sup>

The safety and security of women with disabilities were overlooked – People with Disability Australia<sup>10</sup> described the commitments as a 'paltry sum' with only \$9.3m sum allocated for the prevention of violence against disabled women.

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8 [AWAVA \(2020\) Submission on priorities for the 2020-2021 Budget](#)

9 [First Nations organisations disappointed in 2021 Budget failure to #CloseTheGap • Change the Record](#)

10 <https://pwd.org.au/media-release-budget2021-not-a-budget-for-people-with-disability/>