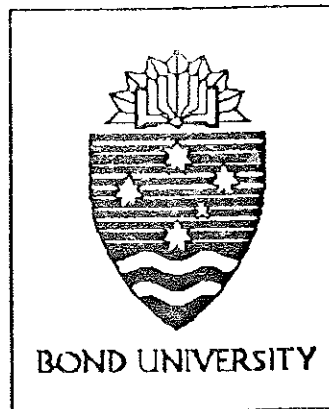


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Mr. Krista Gerrard, Secretary
Senate Select Committee on Superannuation
The Senate
Parliament House
Canberra, ACT 2600

Monday, February 27, 1995

SW-57 (28.2.95)
TAPEN SINHA
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Dear Ms. Gerrard:

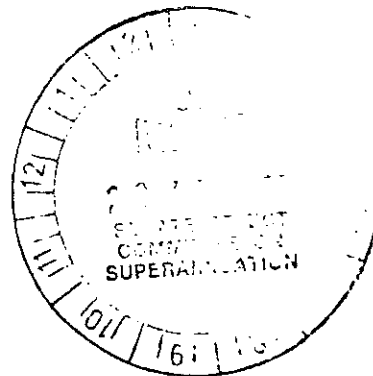
Enclosed herewith is my submission for the Committee.

Thank you.

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enc.



Economic Aspects of Superannuation and Women

by

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Executive Summary

Women account for a large proportion of part time workers in the labour force. Part time workers have a very high labour supply elasticity. Therefore, the employers (rather than employees) will bear most of the burden of SGC for such workers. The result will be a reduction in employment among women more pronounced as a result of the SGC than among men.

Introduction

There are stark differences in lifetime working pattern of men and women in Australia. On the average, men work for 39 years whereas women work for only 17. Moreover, for most women, work is not spread continuously over a period of 17 years. Thus, women end up with periods of low paid jobs over lifetime (as discontinuity affects seniority quite apart from other forms of discrimination women might suffer). These facts are well known. They have been documented and commented upon by many researchers (EPAC, 1994).

The Facts

For the companies with a payroll less than \$1m, the prescribed schedule was 3% till 30 June 1994. Then, over the next decade, it gradually increases to 9% by 2003. There is a provision for an additional 3% tax to be levied on the employees some time in the future. A firm date has not been set for employee contribution. There are indications that in the forthcoming budget, the employee contribution of 3% will be introduced some time in 1995. Thus, the SGC is a *proportional* tax (rather than a *unit* tax) that initially starts at 3% and then gradually rises to 9% (and probably to 12%).

As of December 1994 (ABS, 1995), there were 4,111,600 males employed full time in the workforce. In contrast, there were only 1,969,900 females employed full time. Among males, there were only 484,200 part time workers. A majority of these part time workers are new entrants to the labour force. Among women, there were 1,387,800 part time workers. More than half of them were not new entrants.

Among the unemployed too, the contrast can be seen vividly. Among the 512,600 unemployed males, only 57,800 were looking for part time employment or about 11%. Among the 341,400 unemployed females, 96,200 were looking for part time employment or about 24%. Average weekly total earnings for full time (adult) male workers were \$690.00. Average weekly total earnings for a full time (adult) female workers were \$551.60.

The obvious conclusions are two: (1) women will accumulate a lower amount of lifetime earnings and (2) their behaviour is geared towards looking for part time work more frequently than men. Women stay home and work within the household more frequently than men.

How these Facts Affect Women

There is a deeper economic significance of part time work by women: women have very elastic labour supply curve. I have explored elsewhere the significance of labour supply elasticity on who bears the burden of SGC (Sinha and Sinha, 1994, enclosed as an appendix to this submission). Here I will simply reiterate the result: high labour supply elasticity implies that employers bear most of the burden of the tax. Thus, the reduction of number of jobs I have argued in my previous submission will work with vengeance for women working part time in the labour force. Therefore, all of this will show up as an additional cost to age pension in the future when these women who are working now, retire.

A Solution?

A solution of lower accumulation of lifetime super has been suggested by some in the form of a subsidy to unwaged workers (EPAC 1994). This solution ignores the problem of the burden of super on employers brought about by the high elasticity of supply of labour of women workers.

References

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EPAC, *Women and Superannuation*, Background Paper No. 41, 1994.

Sinha, Tapen and Dipendra Sinha, "Incidence and Welfare Cost of Superannuation, *Economic Papers*, September 1994, 21-29.