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# Taxing Women: The politics of gender in the tax/transfer system<sup>+</sup>

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## **Abstract**

The Australian literature on the politics of taxation is almost totally silent on the gender of taxpayers. This silence reflects a broader division in social science analysis between economic and social policy. While gender equity debates are central to the discussion of social policy (particularly the income transfer and welfare systems), taxation is often represented as operating within a distinct realm of economic policy in which gender considerations are extraneous. This paper explores the changes to family-based tax and transfer policies in the post-war period, with a particular emphasis on policy shifts introduced by the Coalition Government since 1996. We argue that the shift to policies based on (apparently) contrasting family types – couple families with a stay-at-home parent and families in which both parents participate in paid work – represents a substantial and regressive move away from the principles of equity which underpinned policy from the mid 1970s to the mid 1990s. We argue that current arrangements are inimical to the fundamental principles of horizontal, vertical and gender equity.

## **TAX MATTERS CANNOT BE UNDERSTOOD IN ISOLATION FROM THE TRANSFER SYSTEM**

The Australian literature on the politics of taxation is distinguished by its almost total silence on the gender of taxpayers. While feminist economists and lawyers have explored the treatment of individuals and families in the taxation system (Apps 2000; Stewart 2000; Young 2000), political and sociological treatments of the topic are far less common. This silence reflects a broader division in social science analysis between economic and social policy. While gender equity debates are central to the discussion of *social* policy (particularly the income transfer and welfare systems), taxation is often represented as operating within a distinct realm of *economic* policy in which gender considerations are extraneous. This division between the economic and the social effectively hides the economic purposes of social policy, and glosses over the fact that transfer policies have economic objectives. In analysing Australian family policies, it is important to address both the tax and transfer systems, since, from the early part of the twentieth century onwards, they have been based on complementary logics and expected to work in parallel.

Considerations of shifting family policy regimes in Australia must focus on the tax/transfer system as an integrated mechanism. However, use of one or the other route of redistribution (tax or transfer payment) is a significant matter, since the

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assumption of inter-changeability of assistance fails to acknowledge the profound gender issues involved. While in both parts of the tax/transfer equation men and women appear to be treated equally, as individual tax-paying and benefit-receiving citizens in a liberal democracy, in fact, the Australian tax, social security and family payment systems are not “sex-blind functions of citizenship” but are highly gendered (Shaver, 1988: p.150). Women, like men, pay income tax as individuals; but when it comes to tax and transfer arrangements for women with partners and women as mothers with dependent children, gendered circumstances enter the system of eligibility and entitlement. The system of family payments appears to be gender-neutral, but because the vast majority of people taking principal care of children are women, there is in effect, if not in legislation, a profound gender impact of the tax/family transfer payments system. These considerations are not encompassed within a concept of individualised citizenship. Instead, an officially legitimated social or “family” relationship determines who is eligible to receive the benefits to be derived from the tax/transfer interaction, under what conditions and at what rate.

In some ways women have been treated *equally* in the tax/transfer system; in other salient ways they have been treated *differently*, (according to their relational circumstances as wives and mothers) and the mix of equality and difference has varied in different periods since 1915. Different treatment according to family circumstances and income circumstances is not necessarily inequitable – it may be justifiable and appropriate recognition of the additional, responsibilities of caring for dependent children or paying for non-parental child care. The design and implementation of particular policies needs to be explored in order to assess their redistributive consequences. The principles of equity, efficiency and simplicity are frequently invoked as the standards by which taxation systems should be evaluated (AIFS 1990: 7-8). In this paper, we analyse the redistributive impacts of family-focused tax and transfer policies since 1915, especially in the post-world-war II period.

We draw upon three aspects of equity in order to explore the redistributive impacts of tax/family transfer policies:

- horizontal equity, concerned with the extent to which tax/transfer payments redistribute income to the carers of children, in recognition of the additional costs of child rearing, so as to augment the post tax/post transfer incomes of family units with dependent children, compared with units without dependent children in the same income groups;
- vertical equity, concerned with the extent to which tax/transfer arrangements redistribute additional income to low income households, so as to augment the post tax/post transfer incomes of family units with dependent children who are disadvantaged in the distribution of market incomes, as a form of redress (redistributive justice) for market-generated inequalities;
- gender equity, concerned with the extent to which tax/transfer arrangements redistribute income to the principal carers of children, in recognition of the additional costs of child rearing which they bear, in terms of both direct costs and the indirect costs of their foregone workforce earnings - in Australia and all similar countries, a responsibility which is borne predominantly by women as mothers.

## WHY GENDER MATTERS IN CONSIDERING THE TAX/TRANSFER SYSTEM

Why does gender equity matter when analysing the tax/transfer system, when the transfers in question are concerned with the recognition of family responsibilities? Has not the male-breadwinner model as the basis for all Australian public policy been superseded by a dual-earner model? The increased labour force participation of women, the subsequent impacts on family relationships, and the public policies which have either constrained or supported these developments have been analysed in a comparative framework as variants of a “male breadwinner model” embedded in cultural expectations, labour market and employment conditions and tax/transfer policies. Jane Lewis (1992) and O’Connor, Orloff and Shaver (1999) argue persuasively that the various ways in which different social policy systems treat the market work and the non-market family-based caring work of women are associated with the strength and pervasiveness of the “male breadwinner model” in labour market conditions, employment patterns and cultural expectations. While all modern welfare regimes have subscribed to some degree to a male breadwinner model, where men are expected to be either the only or the primary breadwinner in a couple family, and married women/mothers are expected to be either fully financially supported as home-based non-market carers or partially supported as secondary earners, and expectations about the policy treatment of sole mothers wavers ambivalently through the continuum of the citizen worker/citizen mother, the extent to which a male breadwinner model prevails in its pure form in actual social and economic arrangements (in all social classes and ethnic/cultural population sectors), and the extent to which such a model is institutionalised as one of the bases of social protection, is variable.

It has been well substantiated that the Australian income support system is redistributive (Castles and Mitchell, 1992); Whiteford, 1994; Castles, 1997), and even more pertinently, it provides a number of specific benefits which support women both as paid workers and as carers: precisely because access to benefits does *not* depend upon prior workforce attachment or the payment of contributions (except with regard to occupational superannuation which is altering the pathway of redistribution), Australian women have greater access to income support on an individual basis for contingencies such as unemployment, sole parenthood, being a parent in a low income couple family, caring for a severely ill or disabled spouse or other family member, incapacity to work in the market because of their own illness or disability and in retirement and old age compared with women in insurance-based welfare regimes and other liberal welfare regimes (O’Connor, Orloff and Shaver, 1999).

Nevertheless, from the time of Federation in 1901, all the elements of the Australian benefits/tax and wage fixation system were firmly predicated on a male breadwinner model (Baldock, 1988; Cass, 1995); while the paucity of maternity and parental leave and child care services entrenched women’s role as unpaid carers and relegated them to the margins of employment (Brennan, 1998). But, from the early 1970s, the assumption of women’s dependence was significantly weakened and the basis of many policies shifted from ‘difference’ to ‘equality’ (Cass 1995; Mitchell, 1998). Using the framework of Diane Sainsbury (1994), Deborah Mitchell (1998) notes that “the assumptions which underpin the Australian model of welfare state provision have shifted gradually from one which confers social citizenship on women through a male breadwinner towards a model which addresses social rights on an individual basis”.

A range of 'feminist-influenced' reforms were initiated and consolidated during the 1980s and early 1990s, particularly as a result of interactions between the women's movement, the trade union movement, the work of "femocrats" with the Federal and State bureaucracies, and Labor governments (O'Connor, Orloff and Shaver, 1999). Two policy initiatives stand out as particularly significant in this period. The first was the establishment of a comprehensive, quality-regulated childcare system, nationally funded, and subsidised on the basis of family income need; a childcare system more in keeping with the generous, public provision of social democracies such as Denmark and Sweden and the corporatist, family-supportive France than with the virtual absence of national support exemplified by other liberal regimes such as the United States, Canada and Britain (Brennan, 2002). The second was the reform of family payments which were increased and restructured so as to ensure that the principal carer (predominantly the mother) received direct assistance, and that the effects of reform were significantly redistributive to lower income families (Whiteford, 1994). In considering these changes, Mitchell concludes that the resulting gendered model of the Australian welfare system "is best described as being a hybrid, where policy assumptions based on the 'norm' of the male breadwinner family co-exist with policies which recognize gender equality and individual social rights." (Mitchell, 1998: p. 20).

However, the reforms in the income support and childcare systems and the transformations in gendered patterns of employment and care did not depart fully or wholeheartedly from the male-breadwinner norm either in practice or social policy. Parents/mothers might be both carers and paid workers (citizen mother/citizen worker) but the necessary policy infrastructure to support these dual responsibilities remains far from comprehensive.

In respect of gendered patterns of employment and care:

The employment pathways for the majority of women in families (sole mothers and partnered mothers) consist of phases and transitions in employment/family care combinations, a series of part-time, casual and full-time jobs, or periods of labour force withdrawal, according to the ages of children, other family caring responsibilities (eg for frail elderly relatives or a family member with a disability), and also according to the availability of suitable and accessible job opportunities and child care services. While the difference between male and female labour force participation rates has decreased considerably since the late 1970s, and both have seen a strong increase in part-time employment, significant gendered differences remain (Cass, 2002; Landt and Pech, 2000). Women's involvement in long hours of unpaid work and the emotional commitments associated with caring obligations reduce the time and energy available in many instances to enter the labour force or to be employed full-time (Baxter, 1998; Mitchell, 1998). These family commitments reduce women's life-time earnings capacity (Beggs and Chapman, 1988). Women's work of family-based care, which may be compounded by reduced access to jobs because of the location of their housing or long periods spent outside the labour force with a subsequent erosion of recognised employment-related skills, may make it difficult for them to re-enter the labour force when children are older. Women's pathways then are framed by both family responsibilities and how they define their identities and commitments within their family-world, as well as by their educationally-constituted employment opportunities. Pathways for the overwhelming majority of men in families on the other hand are comprised of full time employment, except where this is disrupted by unemployment, illness or disability. The decline in employment rates for men over the last 20 years

occurred in the times of the recessions of the early 1980s and the early 1990s, indicating that labour market circumstances rather than family responsibilities play the largest part in shaping men's work pathways.

There are some indications in Australia that trends in gender and family relationships and labour force participation have moved towards a dual breadwinner model, and this is particularly pertinent when considering the significance of women's income in augmenting family incomes and supporting home ownership. However, because of the part-time and interrupted nature of most women's employment patterns when they have dependent children, and the propensity for men (with children) employed full-time to be involved in long, indeed increasing hours of paid work and the fewer hours of household work in which they are engaged, the trend could be better described as a modified male-breadwinner model, characterised by deep ambivalence. Not only is this a significant issue in considering matters of gender equity, but it is also significant in considering the impact of tax/transfer policies designed (ostensibly) to maximise parents', more pertinently women's choices, but which might in effect, have employment disincentive effects which inhibit choice and reduce income earning potential for women affecting vitally the long-term well-being of their families (Travers, 2001).

The inherent problems with a hybrid model of family policy (as defined by Mitchell (1998) is the existence of fault lines which may be exploited, indeed widened by a conservative/neo-liberal government to move the gender assumptions of social policy further to the male breadwinner norm. In the Australian case, the Coalition Government since 1996 has instituted a retreat from the former bipartisan policy of family income support directed to the primary carer which embraced a principle of individual right constituted by care-giving. Policies have moved in favour of the discursive rhetoric of providing "choice" to single income families to remain outside of market work, by increasing the level of family payments to single income families (establishing them as the family-type most in need of support, both morally and financially) and re-instating the legitimacy in family tax/benefit policy, of a male breadwinner model by allowing for receipt of payment through the tax system, where the beneficiary need not be the principal carer. In addition, government reluctance to act in respect of national provision of paid maternity leave is embedded in this shaky policy hybridity and the evident propensity for the re-instatement of the male-breadwinner model under the guise of gender-neutral parental choice.

These changes must also be placed within another significant policy shift – towards recommodification as the nub of social policy transformations, which has been recognised in international analyses as constituted by the move to workfare (compulsory workforce participation as the eligibility criterion for receipt of benefits), rather than welfare entitlement, accompanied by the tightening of eligibility rules for income support such that a person's livelihood is increasingly dependent on market participation (Sainsbury, 2001; Pierson, 2001). This trajectory has been well demonstrated in Australia in the work of Carney and Ramia (2002) amongst others. Sainsbury, in a significant review essay on the recent international literature on welfare state restructuring, notes that analyses which place recommodification at the centre of the explanation and disregard the gendered effects of income support and transfer policies and their transformations are omitting a significant dimension. She asks: "Why should welfare state restructuring deal with recommodification and not refamilialisation of benefits" (Sainsbury, 2001, p. 264). It is our contention in this

paper that both trends are growing in Australia, in tandem, but they operate in different social class contexts.

### **THE TAX/FAMILY TRANSFER SYSTEM, ITS INTERACTIONS AND IMPACTS ON EQUITY: 1941 TO 1996**

Child Endowment, a transfer payment to the mothers of dependent children was introduced nationally in 1941, in particular conditions of war-time wage constraint and as part of the inflation-control policy of the Menzies United Australia Party/Country Party government. There were wage and fiscal policy reasons for the introduction by the Commonwealth of a payment for mothers at this time (Cass, 1988a). However, the introduction of a transfer payment to mothers of dependent children had been a vital element of feminist organisations and trade unions' advocacy from the 1920s, envisioned by labour movement women as an augmentation of the inadequate family wage and as an adjunct to their equal pay claims, and by feminists like Jessie Street as the essential counterpart to arguments for equal pay for men and women (Heagney, 1935; Street, 1966). Feminist and labour women's advocacy converged on the issue of which parent should receive a payment in respect of their children – the mother whose domestic and caring work went unrecognised.

Through the post-war period, child endowment paid to mothers of dependent children, universally without an income test, met the principle of horizontal equity and gender equity, but did so with considerable ineffectiveness. The payments were not indexed to price rises and lost in both real value and in public/political salience. At the same time, the tax deductions for tax payers with dependent children (introduced in 1915) and for a dependent spouse (introduced in 1936), both received predominantly by husbands/fathers, constituted an inequitable system of redistribution, since higher income parents received considerably more than low income parents, very low income parents received no tax-based support, which applied in particular to families in receipt of pensions and benefits, and the parent with the major responsibility for child care was not the beneficiary. Further, the tax deduction (for fathers) was effectively indexed to price rises, in clear contrast to child endowment (for mothers) (Cass, 1988a; Downing, 1964).

It was not until the late 1960s that this regressive and gender-discriminatory tax/family transfer system was challenged, not in recognition of gendered inequity, but in the context of the "rediscovery of poverty (Commission of Inquiry into Poverty, 1975). The objectives of the recommendations of the First Main Report of the Commission of Inquiry into Poverty to increase child endowment and abolish regressive tax deductions were to alleviate poverty in large families, to maintain horizontal equity between families of different sizes in the same income group and to establish income differentials between low-paid families with a breadwinner in the workforce and families dependent on social security. All aspects of equity were seen to cohere and not to be contradictory: horizontal, vertical and gender equity were to be brought together in the relief of poverty.

The Whitlam Labor Government began the process of reform in 1975, when tax deductions for children and for a dependent spouse were replaced by less regressive tax rebates. The rebates benefited equally most taxpayers with dependent children and a dependent spouse (in most cases husbands/fathers), but provided no or little additional support to parents on low incomes. In 1976 the Fraser Coalition Government reformed (partially) the dual system of child endowment and tax rebates:

tax rebates for dependent children were abolished and the revenue disbursed in the form of large increases in child endowment, renamed Family Allowance. Low income women, previously unable to benefit from either tax deductions or rebates, were the major beneficiaries. However the Family Allowance reform, fundamental and progressive in many ways, was marred since no decision was made to index the payment to rises in the cost of living. As a result, intermittent political decisions and the advocacy of community and church-based organisations and women's groups were the unpredictable, irregular means by which increases in the rate of family payments were achieved, until the late 1980s.

From the late 1970s, various groups including the Australian Council of Trade Unions (ACTU) called for increases in and indexation of both family allowance and the additional income-tested payments for children made to families in receipt of pensions and benefits, to ensure that they did not erode in real value. Their advocacy highlighted the poverty suffered by children in low income families resulting from their parents' unemployment, or joblessness as sole parents, or low workforce earnings exacerbated by the erosion of the real value of all family payments (Vipond, 1986). Although all pensions and most benefits were indexed to rises in the Consumer Price Index from 1976, neither family allowance nor the additional income-tested payments for dependent children made to parents in receipt of pensions and benefits were indexed and were increased only on an ad-hoc basis. It could certainly be argued that family allowance, as a universal payment made to the principal child carer and therefore predominantly to women, satisfied the principles of horizontal equity and gender equity, but because of the lack of indexation of family allowance and of other child-related payments for low income families, these payments in their cumulative impact failed to meet the principle of vertical equity in an adequate way. The value of the amount redistributed fell in real terms and the evidence of increased poverty in families with children, especially in women-headed families, highlighted the increasing inadequacy of the tax/transfer system (Gallagher, 1985; Cass, 1988b). With family poverty placed on the political agenda by the Australian Council of Social Service (ACOSS), church-based welfare organisations and women's organisations, family income support became a highly contested political issue.

From 1983 to 1996 the Hawke/Keating Labor Governments adopted a 'needs-based targeting' policy in family income support, framed explicitly within a poverty alleviation objective, and rejected a rights-based, or universal system of allocation. Political discourse justified this approach as the most cost effective route to a more equitable and adequate tax/transfer and social security system, focusing on the needs of low income families and private renters in a period of imposed restraint on social expenditures. These developments generated strong debate about the apparently contradictory principles of alleviating poverty or maintaining a more universal rights-based system (Harding and Mitchell, 1992; Mitchell, Harding and Gruen, 1994; Saunders, 1994; Whiteford, 1994).

The principle of maintaining horizontal equity through universal family allowance was officially deligitimated as being in conflict with the principle of vertical equity and as undermining the priority which needed to be given to low income families (see Harding, 1986, for the terms of the debate). Alleviating poverty was given primacy in the Labor Government's agenda supported by both trade union leadership through the ACTU and business organisations with both claiming that universal family allowance involved a considerable degree of unwarranted and unjustifiable "middle class



welfare". However, redistribution to the parent primarily responsible for children's care, gender equity, remained the central issue in the advocacy of women's organisations across the political spectrum, including the Women's Electoral Lobby, the National Council of Women of Australia, the National Women's Consultative Council, the Council for the Single Mother and her Child and the Women's Action Alliance.

The first step in family income support reform in the 1980s was the introduction in 1983 of a tightly income-tested payment, Family Income Supplement (FIS), a bipartisan measure put forward originally by the Fraser Coalition government and implemented by the Hawke Labor Government, and directed to families in low paid employment. It was paid to mothers, in addition to family allowance, at the same rate as the additional children's payments made to families receiving pension or benefit. The key policy consideration was to minimise the work disincentive effects which might arise when family breadwinners moved into low paid work and lost their additional children's payments. Family income supplement was expected to rectify this problem, but the income test was very tight and the visibility of the payment very slight. As a result, only 1-2 per cent of families received it in the period from 1983-1986, and this was considered to be partly a consequence of low take-up by parents who had an entitlement (Cass, 1986; Harding, 1986).

In 1986, the First Issues Paper of the Social Security Review, established in that year by the Minister for Social Security, Brian Howe, was published and became the focus of debate within community organisations and the Australian Council of Trade Unions. The Paper, *Income Support for Families with Children* (Cass, 1986) recommended that the universal family allowance be retained, increased and indexed and paid to all carers in recognition of the increased costs which child rearing incurs, both directly and indirectly through women's foregone earnings. At the same time, the Paper recommended that immediate Government attention be given to substantial increases in income tested payments for low income families, followed by the indexation of these payments. The Issues Paper argued that both horizontal and vertical equity measures have merit in family payments: since they fulfil overlapping and not contradictory objectives, providing parents with additional income, sometimes their only source of income to support their caring work, and being of profound importance for low income families. The Paper also argued for the retention of the gender equity principle: that payments be made to the principal carer, usually the mother, in recognition of the increased direct and indirect costs of care which they bear, and that transfer payments rather than tax measures were the most effective way to meet this principle.

The Labor Government's policy changes were introduced in two stages. In the May Economic Statement of 1987 the treasurer, Paul Keating, announced the intention to income-test family allowances in conjunction with other cuts in social security expenditure designed to reduce the budget deficit. The income test on family allowance was set at \$50,000 of joint parental income, where there was one child, with steps of \$2,500 for each additional child, and the abatement rate was set at 25 cents in every dollar by which joint parental income exceeded the relevant threshold. The income test was to be indexed annually in line with increases in the Consumer Price Index. About ten per cent of families with dependent children lost their entitlement to family allowances as a result of the income test (Cass, 1990).

The next step was the introduction of the Family Assistance Package in the budget of 1987/88, providing a significant increase in income-tested payments for children in families receiving pension or benefit and in low paid employed families. The Family Allowance Supplement (FAS) replaced Family Income Supplement and the totality of measures comprised a significant redirection of family payments towards the principle of vertical equity, with about 63 per cent of expenditure on family payments directed to 30 per cent of families in the lowest income groups. The measures included:

- an increased FAS payment in two tiers, for children aged 0-12, with a higher payment for children aged 13 to 15 to recognise the increased costs associated with teenagers;
- a commitment to increase the payments in stages to achieve 'benchmarks' of 15 percent of the married rate of pension for children under 13 and 20 per cent of the married rate for older children, and then to index the payments. These benchmarks were reached in 1989;
- introduction of rent assistance for family allowance supplement recipients in private rental housing, an innovation for low income workers who were previously not eligible for rent assistance;
- provision of most payments to the parent primarily responsible for children's care;
- an increase in the income threshold at which the family allowance supplement could be received to \$300 per week of parental income for a one child family, plus \$12 a week for each additional child, thus bringing eligibility to receive income-tested payments further up the income distribution.

In the April Economic Statement of 1989, concerned primarily with the restructuring of income tax marginal rates, the Treasurer announced substantial increases in family allowance (the first since 1982-83) and family allowance supplement. He also announced the indexation (from 1990) of all child related payments, including family allowance, family allowance supplement, child disability allowance, the children's payments received by pensioners and beneficiaries, the dependent spouse rebate and the sole parent rebate. Indexation of family payments was welcomed as an act of "historic justice": for the first time in the history of the Australian tax/family payments system a concerted attempt was made to improve the adequacy of payments for children in low income families and to introduce indexation to protect the real value of all children's payments. As a result of the various increases from 1983-89, the real value of total family payments for children under 13 in low income families increased by 41 per cent and by 84 per cent for children aged 13-15, and some commentators suggested that the conditions were in place to establish a basic income guarantee for children in low income families (Australian Institute of Family Studies, 1989).

From 1993, all children's payments were made to the principal carer, predominantly women. Whereas family allowance and family allowance supplement had previously been paid to mothers, a substantial number of low income women did not until that time receive the additional children's payments: these were women in two parent families dependent on unemployment and sickness benefit where the husband received the total social security payment (Stanton and Fuery, 1996). The changes in 1993 involved an integration of family payments, which resulted in a considerable change in distribution between parents of social security payments for their children, with the most substantial intra-family transfer occurring in couple families where the male partner was unemployed or ill. In the prior arrangements, the logic of the social

security system had followed the male breadwinner model, reproducing the earlier logic of the family wage system in the social security system. Following the reforms of 1987-93, the principles of gender equality and individual social rights were more significant in family tax/transfer policies.

In addition, vertical equity principles were strengthened. The increases in family payments for low income families, combined with the liberalisation of the additional family payment income test which took place from 1987-1993 resulted in increased payments directed to one third of families in the lowest family income category, whereas only one fifth of families had received such assistance prior to the changes (Saunders and Whiteford, 1987; Whiteford, 1994).

A later change in 1994-95 involved the abolition of the Dependent Spouse Rebate, a tax rebate measure which wage-earning tax-payers with a dependent spouse and dependent children were eligible to receive, and its replacement by the Home Child Care Allowance (HCCA). HCCA was created by “cashing out and increasing the amount of the Dependent Spouse Rebate for families with children and paying it directly to the spouse at home caring for children” (Stanton and Fuery, 1996). This payment was subsequently subsumed into the Parenting Allowance, introduced in 1995, as one of the social security reforms introduced following the publication of *Working Nation: White Paper on Employment and Growth* (Commonwealth of Australia, 1994). Parenting Payment was designed to provide direct income support to carers with dependent children, where the carer had a low personal income and where the partner was a social security recipient or low income-earner. The maximum rate was paid where the partner was either not employed or a low-wage earner below a set income ceiling, and the carer had low individual income. From this point the payment was reduced as the employed partner’s income increased, down to an irreducible basic payment, which was the equivalent of the former Home Child Care Allowance. At that point only the recipient’s personal income test was able to reduce the base payment (Stanton and Fuery, 1996).

In all of these tax/transfer changes in the period 1987-1995 the movement away from the tax system for the delivery of family payments and the re-direction of all transfer payments to *women as mothers* was not made explicit. The recipient of payments was legislated as the *principal carer*, (whether male or female) in recognition of the increased costs incurred in caring for children. This marked a clear shift in tax/transfer policy away from the concept of women’s “difference” stemming from their assumed dependency in a couple relationship, to a concept of “gender equality”, where different treatment would be accorded not to “dependency” but to parenting responsibilities which either men or women might fulfil (Shaver, 1995). However, it is evident that, in the majority of cases, women in two parent and sole parent families are the parent with principal responsibility for child care (Cass, 2002), which in effect meant that these changes predominantly benefited women. Stewart (1999) has stated that the payment of all child-related benefits directly to the care-giver was a significant victory for feminists, since the provision of income to the care-giver recognised the carer’s financial independence from her spouse and provided her with control of at least some income, challenging, at least to some extent, the legitimacy of dependency under the male breadwinner model. It would appear that vertical and gender equity were not contradictory principles in these tax/transfer reforms, but were the focus of the transformations, the former (vertical equity) being explicit, the latter (gender equity) being implicit .

It is of considerable significance for understanding the politics of the tax/transfer system in the time of the Hawke/Keating Governments that these increases in and indexation of family payments were negotiated in the incomes and tax policy framework of the Accord between the Labor Government and the ACTU. The Accord was based on the premise that employee wage restraint would be counter-balanced by expanded “social wage” measures, including universal health insurance (Medicare), child care services, the guarantee of occupational superannuation and increased family payments. The support of the ACTU was influential in embedding the case for increased children’s payments within wage and tax negotiations, which gave the increased measure of tax/transfer redistribution to low income families its most powerful supporter in political negotiations and government decisions.

### TAX DEDUCTIONS FOR CHILD CARE EXPENSES

While these debates and policy changes were occurring in relation to family payments, parallel debates and policy changes were taking place in relation to child care policy. Child care had been a peripheral public policy issue since the early 1970s when, in the context of an acute labour shortage, the Coalition government of William McMahon had legislated to enable the Commonwealth to provide subsidies for non-profit care. Child care spending grew rapidly during the Whitlam years but stalled somewhat during the Fraser period.

Following the election of the Hawke Labor Government in 1983, childcare moved to a central position on the policy agenda. The attention given to child care by the Hawke Government can be explained by two features of the new political environment: the emergence of corporatist political structures involving the trade union movement, employers and government, and the new priority given to women and ‘women’s issues’ within the Labor Party and the union movement. Child care was one of the policy areas singled out for mention in the original agreement between Labor and the unions and it consistently featured in the social wage claims put forward by the union movement in subsequent years. The ACTU lobbied vigorously around several aspects of childcare - not simply an expansion in the number of places. It pressed the government to increase both community-based and work-based services, urged it to ensure that fees were kept at levels which could reasonably be afforded by low and middle income families and campaigned for improvements in the pay and conditions of child care workers.

The cost of child care was central to public debate in the 1980s. The Commonwealth reduced costs through two main mechanisms: operational subsidies to all approved services reduced the fees for all users, and this was supplemented by a system of Child Care Assistance (CCA) aimed at reducing the fees paid by low and middle-income families. CCA covered a certain percentage of a government-determined ‘ceiling fee’. Parents were required to meet the gap between the subsidy they received and the *actual* fee charged by the service. While this was an effective system for low-income families, women who were excluded from CCA because of their family income (particularly if most of that income were earned by their partner) felt unfairly treated by the system. Accordingly, they began to lobby for some form of concessional treatment of child care expenses related to earning a living. Support for tax deductibility came from feminist economists such as Meredith Edwards (1980:150-52) and organisations representing professional women, such as the Women Lawyers’

Association and the Business and Professional Women's Association. The Lone Fathers' Association also campaigned in support of tax deductibility.

Campaigns around this issue sought recognition of the fact that child care expenses are an essential item of expenditure incurred in the course of earning their income by taxpayers with responsibility for young children. The absence of a tax concession for child care expenses, they argued, represented an anomaly within the system. Recognition of these costs would remove one of the disincentives to workforce participation faced by those with child care responsibilities and would thus be a step towards a more neutral tax system. Proponents argued that women who cared for their own children at home did not get taxed for providing this service, and that women who could organise to exchange their own labour in return for child care were not taxed either. Only those who pay for child care from their (already taxed) earnings are required to pay tax for this service.

Detailed arguments in favour of tax deductibility were put forward in a 1980 submission to the federal Treasurer by the Women Members' Group of the Australian Society of Accountants. The submission urged that tax deductions for child care expenses be made available to working mothers and single fathers, claiming that such a system, by decreasing the net cost of going out to work, would encourage more women to earn taxable income, thereby increasing tax revenue. It also argued that welfare payments would be reduced and employment created as a result of increased demand for child care places, and that facilitating women's return to the workforce after the birth of their children would result in a better return from public investment in the education and training of women. Further, the introduction of tax deductibility (and the consequent necessity for documentation of financial transactions involving child care) would increase tax revenue by bringing the underground child care economy into the open (Australian Society of Accountants 1980).

Concern about the vertical equity impacts of tax *deductions* led some to argue in support of flat-rate tax *rebates* which would provide the same dollar value for all those eligible. While deductions are clearly regressive (benefiting the individual at the level of his or her marginal tax rate) rebates appeared more equitable. In fact, however, tax rebates only benefit those with sufficient tax liability to qualify. Those with no or low earned incomes would be excluded from, or only marginally assisted by, rebates. In any case, advocacy for rebates remained a minority position. Most of those advocating recognition of child care expenses within the tax system saw the campaign for deductibility as 'a simple campaign with a distinct goal that fits into the current tax system', particularly as child care expenses 'can be compared with those deductions already allowed' (Johnston, 1982).

Child care lobby groups, however, were opposed to concessional tax treatment of child care fees. They based their arguments on an analysis of the vertical equity issues involved in tax deductions and also on their strategic assessment of the best way to encourage public expenditure on children's services. They pointed out that tax deductions for any purpose are regressive, in that the higher an individual's income, the greater the benefit. Tax deductions would therefore lead to a situation where a high income-earner would actually pay less for child care than a middle or low income-earner. Low income-earning women with high income-earning partners could be particularly disadvantaged because, for the purpose of assessing their child care fees, both incomes would be taken into account (thus rendering them liable for a higher fee than if only their personal income was considered) while the tax deduction

would most likely be claimed by their (male) partner in order to maximise the benefit. Opponents of tax deductibility also argued that the amount of revenue which would be foregone by the Commonwealth in any such scheme might jeopardise the future of the Children's Services Program (Morrow 1981; Children's Services Action 1982). In 1984 the Department of Social Security estimated that tax deductions for child care expenses would cost about \$400 million per year compared with expenditure on the Children's Services Program of \$110 million (*Australian Financial Review*, 31 July 1984). The Minister for Community Services and Health, Senator Grimes, stated that if tax deductions were introduced the Government would regard the tax foregone as equivalent to an item of expenditure. It would be unlikely to continue direct outlays on the Children's Services Program in addition to tax deductibility.

The debate about child care tax deductions was effectively brought to an end in 1994 when the Hawke government introduced a non means-tested subsidy, the Child Care Rebate, specifically intended to assist with the costs of work-related child care. The rebate could be paid in respect of either formal or informal care (which meant it could be claimed for care provided by nannies and other private carers) and was payable in addition to the means-tested Child Care Assistance.

#### **TAX MEASURES OR TRANSFER PAYMENTS: THE POLITICAL DEBATES**

Throughout the twenty year period of family tax/transfer policy and child care reforms from 1976, there was a bi-partisan convergence in the trend away from tax measures and their replacement by transfer payments, - with consequent redistribution to mothers. But the bi-partisan trend in family payments did not go uncontested – indeed there was strong political debate about the most desirable ways to promote tax equity through family unit taxation rather than individual taxing arrangements, and this debate was accompanied by denunciation of the creeping dangers of “welfarism” in responding to family needs (Tapper, 1990). While transfer payments were characterised, in effect denigrated as a visible and rapidly growing budgetary expenditure item and one which established employment disincentives (welfarism), tax deductions/rebates or family income splitting were seen as tax equity measures, rather than expenditure, even though they result in foregone revenue (a “tax expenditure”). Supporters of increased assistance to families through the tax system argue that some form of income-splitting such as family unit taxation is a preferred means of reducing the tax liability and therefore of increasing the disposable income of taxpayers with children. It is argued that income-splitting among family members for tax purposes, either covering the couple or including also children in the family as in a family “tax quotient system”, would better recognise the increased costs of rearing children in single income families, since the current income tax policy based on the individual discriminates in favour of two income families by providing a tax-free threshold for each tax-payer. (This argument is well summarised, but not necessarily supported in the Australian Catholic Social Welfare Commission Discussion Paper, *Financial Assistance to Two Parent Families*, 1996).

Advocacy for a family-oriented tax system sensitive to the family responsibilities of tax payers was framed in opposition to the increased prevalence of family payments and the removal of most family-oriented deductions/rebates from the income tax system (Women's Action Alliance, amongst other groups, quoted in Pinkney, 1995). On the one hand, child-related transfer payments usually received by women were depicted as a costly welfare system; on the other hand, tax measures through some

form of family unit taxation, where the benefit is usually received by the male breadwinner as the higher income tax payer, were seen as the most effective method of delivering tax equity (Tapper, 1990). The countervailing argument that tax measures do not necessarily redistribute income to women, as principal carers of children, was dismissed by commentators such as Tapper as irrelevant in considering the relative merits of tax or transfer measures, since he claimed that the evidence indicating an unequal distribution of income within families is inadequate and the case unproven. He also stated that it is not the business of the state to intervene in intra-family relations of dependency; only “extremes of injustice within the family” should fall within the state’s domain.

On the issue of the lack of vertical equity provided by family unit taxing arrangements: a large scale comparative study of different types of family income support through the tax and transfer systems in 18 developed countries found that income-splitting and family tax quotient policies (as in France and Luxembourg) are the least progressive, tax rebates or credits are more progressive and cash transfers are the most progressive in that they provide assistance to those whose incomes are so low that they do not pay tax (Whiteford, 1995). This study found that the Australian tax/transfer system in the mid 1990s was significantly redistributive but provided only low benefits to higher income families, indicating the greater priority given to vertical rather than horizontal equity. Supporting this conclusion, Eardley (1996) found in comparing Australian tax/transfer policies with those of the 12 member countries of the European Union using 1994 figures, that Australia was maintaining one of the most progressive tax/transfer systems of the countries in the study. Nevertheless, the quantum of income redistributed was not sufficient to alleviate poverty in low income families, although improvements were made in reducing the rate of poverty in families over the period from the early 1980s to the mid-1990s (NATSEM and the Smith Family, 2000).

The findings of such comparative studies however did not stem the rhetoric of opposition which saw family policy as discriminating against single income families. It was stated explicitly by the Coalition parties that the amount received by a mother without independent income through the Home Child Care Allowance (created by the “cashing-out” of the dependent spouse rebate where the spouse was caring for children) was significantly less than the amount provided under the Child Care Cash Rebate, received by parents using formal or informal child care for work-related purposes (Pinkney, 1995). The Opposition spokeswoman on the family, Senator Jocelyn Newman, asserted in Parliament that the Government had a “blinkered vision – about the needs of different kinds of families”, since a person “should have a real choice of being able to live on one income without being discriminated against as compared with other families” (quoted in Pinkney, 1995: p. 21). It would appear that in the gendered politics of the tax/transfer system, it was not redistribution to the principal carer, vertical equity or horizontal equity which were the relevant principles for the Coalition parties, but the extent to which the system in its interactions supported families of different composition: single income or two income families –in other words, male breadwinner or dual earner families, and the extent to which it simulated income-splitting in the tax system. The discursive rhetoric however revolved around “choice” – the choice of an apparently genderless parent to remain outside of the workforce to care for children and to have that “choice” better supported by the tax and transfer systems.

**RECONFIGURING TAX AND TRANSFER PAYMENTS IN THE NEW TAX SYSTEM: 1996-2002: THE ILLUSION OF CHOICE**

This was the debate about choice and a family-sensitive tax system within whose terms of reference the in-coming Coalition Government under Prime Minister John Howard made its family policy changes. The year before his election as Prime Minister, John Howard released a document outlining the 'values, directions and policy priorities' of a Coalition government. In a section entitled 'Greater Choice and Security for Families' it stated: 'A Coalition Government will move immediately to reduce the economic pressures on families (especially those with dependent children), to increase the opportunities open to them and to give them more genuine choices about how they live' (Howard 1995: 36). Specific priorities included giving families 'greater freedom to choose whether one parent cares full-time for their children at home or whether both are in the paid workforce' and 'address[ing] Labor's current discrimination against parents who choose to remain at home to care for their children' (1995: 36).

In the Coalition's first budget of 1996-97, a new measure of family income support was introduced, named the Family Tax Initiative, which authorised use of the tax system as well as the transfer system to deliver the additional benefits. From January 1997 the Family Tax Initiative provided tax assistance for families with children in two circumstances:

- \$1,000 increase in the tax free threshold was provided for one member of a couple or for a sole parent, for each dependent child up to the age of 16 or secondary student up to the age of 18 years, where family taxable income was less than \$70,000 (with this income limit increased by \$3,000 for each additional child after the first); and
- \$2,500 increase in the tax free threshold for single income families (including sole parents) where at least one child is under the age of 5 and the breadwinner's taxable income is less than \$65,000 (with this income limit increased by \$3,000 for each additional child after the first) and for couples where the income of the other parent was less than the income cut-off for basic Parenting Allowance (then at \$4535 per annum).

This measure signalled, both in its symbolic naming and in the mechanism for delivery of the benefit, a clear reversion to the use of the tax system (through a tax rebate method) to deliver family income support, the first part of the benefit most likely to be claimed by the primary breadwinner in a couple family, and the second part (by definition) to be claimed by the primary breadwinner, since the parent caring for a child or children under 5 must, by the rules of eligibility, have either no independent income or very little independent income and that would be below the tax threshold. Thus, those with even a few hours work each week would be ineligible. The Family Tax Initiative in respect of two parent families made a U-turn from the bipartisan policies of the previous 20 years by reverting to the tax system as the delivery mechanism and in so doing reversing the policy of directing payment (or tax relief) to the parent with principal child care responsibility. Paradoxically, given the pro-two parent family rhetoric of the Coalition Government, sole parents, predominantly women, were not subject to this discrimination, being eligible, by definition, to receive both Family Tax Assistance and the Family Tax Payment.



The Family Tax Initiative was welcomed, with some reservation, by ACOSS, because it provided an “important boost to the family budget” (ACOSS, Budget Supplement, 1996). This was so because the Family Tax Initiative would extend extra help to most families with children, particularly single earner and jobless parents of a young child. Sole parents, unemployed couples and recipients of disability pension would generally benefit from both components and receive the payment through the social security system; while other families at higher income levels would claim the benefit as a tax rebate. The commentary noted some problems with the new measure: it added unnecessary complexity to the tax/transfer system and the “case for focusing attention on single-income households was somewhat debatable” (ACOSS, 1996: p. 10).

The impact of the Family Tax Initiative was modelled by the National Centre for Social and Economic Modelling (NATSEM), which found that the new measure satisfied the test of vertical equity: less than 30 per cent of eligible families would gain no increase in their disposable income because their taxable income brought them beyond the income test cut-off; while families with taxable incomes below \$38,700 would receive two thirds of the total gains from the package. In addition, about 40 per cent of the total gains would be received by families in the bottom 30 per cent of the family income distribution. The impact for sole parent families was also favourable. Overall, single income families and sole parents would receive greater average percentage changes in their disposable incomes than dual income families (Beer, 1996).

Gender equity was not seen as a key issue by either of these commentaries. Neither ACOSS nor Beer mentioned the fact that use of the tax system broke with the twenty-year tradition of directing assistance to the principal carer in two parent families. Analysis by Lambert did enter this terrain, through examination of the workforce incentive effects of the tax/benefit measure. Focusing on the component of the Family Tax Initiative which provided low to middle income with children under 5 an increase in their tax free threshold of \$2,500 on the condition that at least one parent earn less than the cut-off for basic parenting allowance (less than \$4,500 per annum), she argued that the measure distorted incentives for women with partners in respect to their employment choices, and also discriminated against two parent, low income families where both parents are employed. On the one hand, she concluded that the Family Tax Initiative would laudably assist sole parents, but would effectively penalise low income married women with young children who are on the margin of entering the workforce by providing them with a financial incentive to stay at home, thus limiting their future economic opportunities. However, low income couple families where each earns more than the low cut-off would be ineligible for the additional support, even where their combined income is less than the combined income of a single earner family where one parent is engaged in full-time child care. In other words, it was not vertical equity which was the priority in this policy, but the political commitment to provide additional benefit to single income families, that is, to discriminate in favour of the (male) primary breadwinner family model. Even Prime Minister John Howard’s model family type: “as represented by the metaphor of the policeman and the part-time sales assistant” (John Howard Prime Minister’s website, 2003), was likely to be excluded.

The thrust of this argument is strengthened when other parts of the 1996-97 Budget relating to child care policy are scrutinised. The budget outlined cuts to various components of assistance to families with children in child care: tightening the income

test for Child Care Assistance; reduction of the Child Care Rebate for families above the Family Tax Initiative income ceiling; significant reduction in child care Operational Subsidies for; removing the new growth policy for long day care centres. In effect, these measures reduced the public outlay support for child care services and their affordability while increasing support for families where one parent, predominantly the mother, is outside the workforce engaged in full-time care of a child under school age (Brennan, 2002). Accordingly, it could be argued that the combination of the Family Tax Initiative providing additional benefit to a family breadwinner with a partner engaged in full-time child care, and the measures reducing the affordability of children's services for employed parents did not so much establish support for the "choice" of one parent (usually the mother) to remain outside the workforce, but established financial disincentives for an employment choice to be made.

### **“NOT A NEW TAX BUT A NEW TAX SYSTEM”: INTRODUCTION OF THE GST AND THE POLITICS OF FAMILY POLICY**

The implementation of the Goods and Services Tax in July 2000 by the Coalition Government was accompanied by cuts in personal income tax and a substantial restructuring of the family tax/benefit system. Personal income tax was reduced through a general increase in the tax free threshold, decreases in most of the marginal rates and increases in the incomes at which each marginal rate became applicable. Twelve transfer payments and taxation rebates for families were amalgamated into three generic tax/transfer programs: Family Tax Benefit Parts A and B and the Child Care Benefit. The design of the Family Tax Benefits built on and went considerably further than the Family Tax Initiative which it replaced, in directing substantially increased assistance to single income families. This restructuring re-positioned the family tax/benefit system further towards a male breadwinner model. It did this in particular by moving more components of support into the delivery mechanism of the tax system, where the recipient need not necessarily be the principal carer of the children, but may in fact be the primary breadwinner.

In promoting its plan to introduce the Goods and Services Tax, the Government's publication, *Tax Reform: not a new tax - a new tax system*, (Commonwealth of Australia, 1998) included a substantial section on plans to reform the family tax/benefit system. The proposed changes were explained and legitimated as both increased assistance and simplification of the complex system which included transfer payments and tax rebates, and the projected reforms were encapsulated as essential components of the implementation of the GST.

In respect of the simplification of the family tax/benefit system, the following changes were spelt out:

- a number of payments designated as “outlays” and the Family Tax Assistance Part A, designated as a Taxation Program, were amalgamated into one payment designated “Family Tax Benefit Part A”;
- a number of outlay payments formerly directed to low income parents and those with young children, together with Family Tax Assistance Part B, were amalgamated into one payment designated “Family Tax Benefit Part B”;

- two payments/rebates designed to reduce the costs of non-parental child care (Child Care Assistance and the Childcare Cash Rebate) were amalgamated into one payment designated “Child Care Benefit”.

The powerful symbolism of the use of the term Family Tax Benefit in the first two programs is apparent: to ensure that the changes were perceived as part of the new tax system; were seen as a corollary to the introduction of the GST and the cuts to personal income tax (they were described as the family component of the personal income tax cuts), and promulgated as fulfilment of the political commitment to introduce a family-centred tax system which would provide the most substantial benefit to single income families.

The political discourse before and during the introduction of the GST focused on the need for family-directed tax benefits to accompany personal income tax cuts, and provided for the doubling of the additional tax free threshold for families with dependent children from \$1000 to \$2000; and from \$2500 to \$5000 for single income families (both to be received in addition to the general tax free threshold of \$6,000). This reform was justified in terms of “recognition of the extra costs involved in raising children and the sacrifices that families make” (Commonwealth of Australia, 1998: p.50). Increased family-directed payments were necessary to offset the substantial impact on the expenditure of families with children following the introduction of the GST, since families have little financial capacity to substitute savings for consumption.

There was a significant change in family income support policy introduced in the GST context. Whereas Family Tax Benefit part A, for which both single income and two income families are eligible, is income tested on joint parental income; the additional benefit received by single income families - Family Tax Benefit Part B has no income test imposed on the primary earner's income. This is a departure from the arrangements which had pertained to Family Tax Assistance Part B which it replaced. In the case of Family Tax Benefit Part A, which can be received by families with a dependent child up to the age of 20, or 21-24 if a full-time student and not in receipt of Youth Allowance, there is an income test imposed when joint parental income reaches \$28,2000 a year. From this point the payment (at a maximum rate of \$116.20 per fortnight for a child under 13, to use only one example) is reduced by 30 cents in the dollar, until the amount of payment for a child up to 18 reaches \$37.38 per fortnight. A second income test cuts in at \$73,000 (plus \$3,000 for each eligible child after the first) with the payment abating at 30 cents in the dollar until it reaches zero. On the other hand, in the case of Family Tax Benefit Part B, which can be received by families with a single income earner who have a child aged up to 16 or to 18 if a full-time student, an income test is imposed only on the income of the carer (called the “secondary earner”), and there is no income test imposed on the income of the “primary earner”. Maximum benefit (\$99.80 per fortnight where there is a child under 5 and \$69.58 where there is a child aged 5-16 or 18 if a full-time student) is received when the carer/secondary earner's income is below \$1616 per annum, after which the benefit is reduced by 30 cents in the dollar. Payment under Family Tax Benefit Part B cuts out entirely when the secondary earner's annual income reaches \$10,291 where there is a child under 5, and cuts out at an annual income of \$7,633 where there is a child under 16, or 18 in the case of a full-time student. The primary earner's income is not taken into account at all in the assessment of eligibility or the rate of payment.

It is evident that vertical equity was given considerably less consideration in the design of the Family Tax Benefit system than was the politics of increased reward for single income families. While many low income families, both two parent and sole parent, derive much needed assistance from these family tax benefit measures in the context of the additional costs of consumption flowing from the GST, those who gain most assistance are single income families (or those where the principal carer's income is very low), while two earner families, even those where both may earn just above the Family Tax Benefit cut-offs, are not eligible for any additional support under this program. The employment disincentive effects of such a family tax regime for the parent with principal childcare responsibility (euphemistically termed the "secondary earner") are apparent. To an even more marked extent, the Prime Minister's model family "as represented by the metaphor of the policeman and the part-time sales assistant" is excluded, unless the sales assistant as secondary earner receives very little income.

In respect of vertical equity considerations: analysis carried out by the National Centre for Social and Economic Modelling for the *Australian* newspaper with the objective of estimating the distributional impact of the combination of the cost of living adjustment associated with the GST, the personal income tax cuts and the family/tax benefit changes concluded that the impacts were biased towards single income families and would also make increased support available to more higher income households through relaxed eligibility tests (NATSEM website, 3 July, 2000). It was predicted that the ensuing impacts would widen the income distribution gap and favour families who could "afford to have one parent stay at home to raise the children" (The Weekend Australian, July 1-2, 2000: p. 35).

It is sometimes claimed that an additional payment to single income families is an appropriate measure to balance the assistance provided through child care subsidies to two-income families. Such claims are not valid for three reasons. Child care subsidies are not restricted to two-income families – families are entitled to up to twenty hours subsidised care regardless of workforce status. Secondly, child care subsidies are subject to an income test on joint parental income. Thus, a family in which the mother has no income and the father/husband earns \$100,000, would be eligible for the Family Tax Benefit B, but not for subsidised child care. Thirdly, child care subsidies are available only to those who can gain access to registered care and who meet the eligibility requirements. In addition, Peter McDonald notes that the family Tax Benefit Part B provides significantly more support to single earner families over a much longer period of the child's life than does Child Care Benefit (McDonald, 2001).

A significant matter which has received little attention in the commentary on family tax/benefit restructuring in the GST context is the greater recourse to the tax system for the delivery of the benefit. In the process of the amalgamation of 12 separate payments and tax rebates into three programs, considerably greater emphasis was placed on the tax system as the vehicle for the delivery and receipt of family assistance. Payments which were once unequivocally transfer payments and directed to the principal carer, in being amalgamated with pre-existing tax rebates and the elements of the prior Family Tax Initiative were not only retitled "Family Tax Benefit Parts A and B", but parents were presented with the choice to access them through the tax system. The booklet published and distributed by the Family Assistance Office (a new agency which links the income support administration of Centrelink and the tax administration of the Australian Tax Office) informs parents that they may chose to

have their Family Tax Benefit paid into their bank or credit union account each fortnight, or access it through the tax system. If the tax system option is chosen, the parent may choose to take a lump sum by claiming Family Tax Benefit at the end of the financial year; or by asking the employer to reduce the tax instalment deductions in each pay period on the wages of either the principal carer or their partner. Those who do not have the choice of using the tax system are families in receipt of social security or veterans' affairs payments, who continue to receive their family assistance as a regular fortnightly payment. It is evident that families where at least one parent or the sole parent is in the workforce are provided with the option to access the benefit through a tax rebate, on either a regular pay period basis or an annual basis. It is significant that the policy move to the tax system for the delivery of family benefits appears not to have addressed the question of whether or not the benefit will be received by the parent with primary child care responsibility. Indeed, there appears to have been little debate on the matter. In addition, even if the payment route is chosen by recipients (and this appears from current information to be the majority choice), the logic of the tax system is embedded in the administration of the payment since the recipient is required to predict their annual income, on the basis of which payment is made. If annual income exceeds the amount predicted (eg if the principal carer gains a short-term part-time job, not previously planned), the recipient incurs a legal obligation to pay back the "overpayment". Using the logic of the tax system is a significant retreat from the former bipartisan policy of family income support directed to the primary carer on a regular basis, in favour of the discursive rhetoric of providing choice to single income families and re-instating the legitimacy, at least in family tax/benefit policy, of a male breadwinner model.

The argument that there has been a significant redirection of family tax/transfer policy away from vertical equity and in favour of promoting the legitimacy of and rewarding the single income family is reinforced by a consideration of the "Baby Bonus" – the most recent introduction to the Government's array of family policies. First announced in the context of the 2001 Federal election, and subsequently introduced in 2002, this program provides a tax rebate for parents (either the mother or father depending on who takes time out of employment) in the five years after the birth of their first child, or, as a transitional measure, for a subsequent child born after 1 July 2001 (to apply to only one child in each family). The First Child Tax refund pays back tax paid by the mother (the most likely recipient) in the tax year prior to the birth of the child, over five years, if she remains outside the workforce. The maximum rebate is \$2,500 per year for five years (with the mother not in the paid workforce, to be reduced if she returns to the workforce in that period). The maximum amount is payable where the mother previously earned at least \$52,666 per annum before the birth of the child. There is a minimum floor of \$500 per annum for lower income women, women who were not employed before the birth of the child and women reliant on welfare, and this too is payable only if the woman remains outside the work force. It is also important to note that the rebate is not income tested on the income of the husband/partner. The regressivity of this policy is apparent: women who had previously earned at least \$52,666 (which applies to only 5% of employed women) are eligible to receive a total rebate of \$12,500 if they remain outside the labour force for 5 years – a situation which Australian Bureau of Statistics data indicate is normally only applicable to women with high income spouses; while lower income women receive only the minimum \$2,500 over five years, one fifth of the maximum amount. Other ABS wage figures indicate that more than a third of female employees receive less than \$20,000 per annum, and over one half of the female workforce receives less than \$26,000 per

annum. The rebate for these women will vary between \$500 and \$800 per annum. In addition, the rebate is claimable only through the tax assessment at the end of the taxation year, and is not therefore available to the mother as cash in hand during the day-by-day period of early child care.

The regressive impact of this tax rebate proposal was noted by a range of groups, including the Australian Council of Social Service, the trade unions, women's organisations, and also by conservative family groups (who were not impressed by the small amount of the rebate, especially for lower income women). An article in the Australian Financial Review (29 October 2001) stated that the amount of the rebate is small, the policy regressive, and that the more appropriate alternatives facing an Australian government would be either universal paid maternity leave or targeting on the basis of need.

What is the current government view on changes to the tax/transfer system? In his opening address to the Liberal Women's Conference National Convention in Adelaide on 6 June 2003, the Prime Minister re-iterated the theme of choice for families and argued that the Government's reform of the family tax/transfer system had effectively delivered income-splitting to families, with Family Tax Benefit Part B acting like a second tax free threshold for single income families (Howard, 2003). He argued that the tax system advantages two earner families who have two tax free thresholds and the Coalition government reforms have attempted to redress that inequity. This represents the conservative politics of the tax/transfer system, linked with endorsement of the male breadwinner model of family policy.

## CONCLUSION

While the formal structures of the tax/transfer system are gender-neutral, the reality of people's lives – especially the gendered division of paid work and caring responsibilities – means that in practice men and women are treated differently by the tax/transfer system. Thus, in addition to the traditional axes of horizontal and vertical equity, it is important to consider the gender politics embedded in family tax and transfer policies. Our argument is not that different treatment is necessarily undesirable, but that its politics - and especially its redistributive consequences - need to be examined and debated.

In the post-war period until the mid-1970s, the key political issues that featured in debates about families and tax concerned the extent to which transfers and payments assisted taxpayers with children compared with those without (horizontal equity) and the extent to which particular policies redistributed support to low-income families (vertical equity). In addition, the debates focused on the contrast between, on the one hand the universal transfer payment of child endowment to mothers which met the test of horizontal equity but whose unindexed form meant that the value of the payment was ineluctably eroded, and on the other hand tax concessions which usually benefited fathers in an inequitable way. From the mid-1970s, in the context of the 'rediscovery of poverty' – especially child poverty – a third equity issue emerged: providing financial assistance directly to the principal carer (usually the mother) rather than to taxpayers for the presence of 'dependents'. This reflected evidence that many mothers had no other source of income in their own right and that direct transfers were an effective way of providing support to children. The policy focus from the mid 1980s rejected horizontal equity, and gave priority to the principle of vertical equity through increased and indexed payments, targeted payments to lower income families (and by

extension to lower income mothers) and directed all family-related payments to the “principal carer”, predominantly mothers. In broad terms, this bi-partisan approach to gender equity remained in place for approximately two decades

Under the current government, this bi-artisan consensus has been overturned. Family payments have been renamed and restructured as ‘Family Tax Benefit’ and, in the name of choice, a key component of the payment can be taken either by reducing the tax of the principal earner or a providing a direct cash payment to the parent whom the government now calls the ‘secondary earner’.

In developing family-related tax and transfer payments since 1996, current policy has evoked two dichotomous family types: families with a stay-at-home parent and families in which the sole or both parents participate in paid work. Moral legitimacy has been accorded in greatest measure to single income two parent families (or, at best) those where one parent, usually the mother, is employed for limited hours. The politics which have been built around these contrasting types are socially divisive and take no account of the research which shows the phases of transition in employment/family care combinations which women construct, usually related to the ages of their children, the availability of suitable employment, the availability of affordable child care. Perhaps more pertinently, the policy rhetoric of parental choice obscures a much more hard-headed policy trend to the favouring of family support delivered through the tax system, giving priority to single income families through tax relief – a policy signifying a perspective which takes the care-giving parent out of the circuit of redistribution .It is not “motherhood” which actually counts in such a circuit, but a family-oriented, apparently (but not in effect) gender-neutral tax policy.

The paradox of the current trend to familialisation of tax/transfer policy is that a policy emphasis on choice actually reduces choice, in the gendered world of the balancing of paid work and family responsibilities. The political value commitment to the male breadwinner model of family form and process - a model which is not conducive to the support of dual-earner families, nor to the support of long-term economic security for mothers - sustains tax/transfer arrangements which fail the tests of horizontal, vertical and gender equity.

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