

TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Gender Responsive Budgeting

Committee Room G7 & G8, East Melbourne—Monday, 3 February 2020

Members

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr Gary Maas

Mr Danny O'Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Ingrid Stitt

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WITNESS

Associate Professor Janine Dixon, Centre of Policy Studies, Victoria University.

The CHAIR: Thank you. We will open the public hearings for the gender-responsive budgeting Inquiry. Can I begin by acknowledging the traditional custodians of the land on which we meet and pay my respect to their elders past, present and emerging.

Welcome to the public hearings for our Inquiry. Thank you, everyone, if you could turn your mobile phones to silent. I just need to inform you that all evidence taken by this Committee is protected by parliamentary privilege. Therefore you are protected against any action for what you say here today, but if you go outside and repeat the same things, including on social media, those comments may not be protected by this privilege.

You will be provided with a proof version of the transcript for you to check. Verified transcripts, PowerPoint presentations and handouts will be placed on the committee's website as soon as possible. If we have any media present, which I do not believe we do—but just in case—we welcome any media covering the hearing today. We remind you of the following guidelines: cameras must remain focused only on the person speaking; operators must not pan the public gallery, the Committee or witnesses; and filming and recording must cease immediately at the completion of the hearing. Broadcasting or recording of this hearing by anyone other than accredited media is not permitted.

Thank you, Professor Dixon, for your time today, and we invite you to make a 15-minute presentation.

Assoc. Prof. DIXON: Thank you. Thanks for the opportunity to speak to the Committee today. I will just start by introducing myself a little. I am an economist at Victoria University's Centre of Policy Studies, also known as COPS. Before getting into an economist's take on gender-responsive budgeting, I will just give you a little background on COPS.

COPS is a team of economists specialising in computable general equilibrium, or CGE, modelling—just remember those letters. This is essentially very detailed macro-economic modelling recognising responses to economic policy shocks by industries, investors, households, government and the rest of the world. These models pick up links between all parts of the economy, both complementary and competitive—for example, a stimulus to the car industry would have had a complementary link to producers of car parts but also a competitive link to almost every other industry as it draws resources away from other sectors and makes it more difficult to compete.

So CGE models of the Australian economy were first built in the 1970s at the Impact project under the Industries Assistance Commission and quickly became world's best practice with their emphasis on practicality and relevance to policymakers. Through the reform period of the 1980s CGE modelling became entrenched in the policy analysis landscape, so for over four decades the industry and regional detail revealed by CGE analysis has given governments confidence to proceed or pause for thought on many policy measures, including tariff cuts, wage accords, the GST, carbon tax and company tax cuts.

So Australia's approach to economic modelling has been exported to the rest of the world, with COPS staff supporting the development of similar models in many countries, including the USA, China, Brazil and Indonesia. In Australia numerous consultancies have taken up the challenge of CGE modelling, COPS style, and many government departments, including Victoria's DJPR and the Treasury, have in-house capacity in CGE modelling that is supported by COPS.

Today this is what I want to talk about in relation to gender budgeting: I will give a quick overview of male and female employment in Australia and a comment on male and female time use and how that affects labour market participation, and I will cover how detailed macro-economic analysis of policy change or external shocks can reveal the consequences, either intended or unintended, for men's and women's incomes and labour market participation. These are not the only indicators of economic wellbeing of course, but they are important and this is where I am best placed to make a contribution. So what I will give you is a fairly narrow view of gender budgeting, but this is where I feel I can make the best contribution. On other aspects of GRB, including why it is important and how it might be operationalised and made a priority in policymaking, I refer the

Committee to excellent submissions to this Inquiry made by Angela Jackson and Leonora Risse, and by the National Foundation for Australian Women.

On male and female employment, first I will talk about industries. This is important because it reveals male and female exposure to economic structural change. Employment by industry in Australia conforms to strong gender-based norms. In Victoria in 2019 there were over 3 million people employed, and just over half of these, at 1.8 million, were men. Going into a little more detail than what was in my written submission, the top employers for men in Victoria were cafes and restaurants, 75 000 people; computer system design and related services, 60 000 people; building installation services—think plumbing and electrical—60 000 people; building completion services—here are plasterers, tilers and painters—another 60 000 people; architectural, engineering and technical services, 50 000 people—50 000 men; road freight—truck drivers—50 000 men; residential building, 50 000 men; supermarkets; public order; and schools. This is a pretty blokey set of activities. These industries account for more than 500 000 men's jobs, employing almost one in three men.

Now, the employment of 1.6 million women working in Victoria is less diverse and completely different. Here we have the largest employers of women: schools, 110 000 women—that is more than any single industry for the men; hospitals, more than 100 000; cafes and restaurants, again, 93 000; other social assistance, 50 000; residential care, 48 000; allied health; legal and accounting; supermarkets; tertiary education; medical services; and child care. Apart from the ubiquitous cafes and supermarkets, which are very, very big employers, women's employment is totally different to men's. These industries employ more than 600 000 women, so a narrow handful of industries—600 000 women, or almost 4 in 10.

To summarise very roughly—very roughly—men design and build things and move things around and women work in industries that involve a lot of interaction with people.

Now, all industries are exposed to all parts of the economy, but let us classify them into three groups—trade exposed, investment exposed and domestic servicing. Many policy changes create winners and losers, tending to favour one or another of these groups. Policies that boost domestic expenditure can create a net positive impact but are often bad for trade-exposed industries because they cause the exchange rate to go up, which makes it more difficult for Australian producers to compete on world markets. These types of policies include fiscal stimulus or industry stimulus—industry subsidies. On the other hand, policies that boost the productive capacity at home, perhaps through increasing labour supply or through productivity, tend to make us more competitive, which is good for trade-exposed industries and can divert resources away from the domestic servicing industries. Policies that stimulate investment create demand essentially for construction services.

So given the very different nature of male and female employment, it is highly likely that the winners and losers also follow a gender-based pattern. For example, policies that favour investment are very good for men, who outnumber women seven to one in the construction sector; policies that penalise trade-exposed industries, particularly manufacturing, are very bad for men; and policies that involve cuts to expenditure on health or education are very bad for women. This may seem obvious, but it is not always obvious which industries will be favoured or overlooked in seemingly neutral policy measures, and the systematic link between industry outcome and male and female employment is not routinely modelled in macro-economics.

Going a little further, within industries we can look at occupations. Recognising the occupational dimension is important in modelling because it helps us pinpoint two things: the flexibility of workers to shift between industries and the exposure of workers to automation—of whether automation is likely to replace them or augment their productivity. There are some obvious correlations between occupations and industries—for example, nurses work in hospitals, primary school teachers work in schools. But looking more closely, there are gendered patterns by occupation too. So in construction, 88 per cent of workers are male, yet within the industry 98 per cent are technicians and trade workers, while 78 per cent of the clerical and administrative workers are women. In health and education, the majority of workers are female, but the male workers are more likely to be in management or professional roles, while the females are more likely to be in clerical, administrative or personal service roles.

Now I move on to male and female time use. So men and women do not only work in different industries, their home lives are pretty different too. According to census data, women spend more time than men on unpaid domestic work and caring for children and less time in paid employment and leisure. When thinking about

labour supply therefore, it is important to go beyond the usual labour-leisure choice favoured by economists. Rather than asking, ‘How much of a wage increase would induce people to give up an extra hour of leisure?’, which is the usual paradigm, we ought to ask, ‘How much of a wage increase would induce people to give up an extra hour of leisure or housework or caring for children?’. In asking this question we could also approach it from the other direction: ‘How much of a decrease in the cost of child care would induce an extra hour of labour market participation?’.

Of course not all women look after children and not all men do not look after them, so we have set up a model in which we look at the average male and average female in 67 different skill groups. Perhaps unsurprisingly men and women who are university qualified tend to work more than those who are not, but across the board women do more unpaid housework and child care than men of the same skills or qualifications. This has consequences. In highly male-dominated occupations, such as the trades, it may be difficult to fill jobs in a sudden uptick in demand. We probably experienced this during the mining boom. People already working five days a week are unlikely to want to work more. However, an increase in hours worked in female-dominated occupations, such as community and personal service workers, may be relatively easier to achieve through better remuneration, cheaper child care and flexible working arrangements.

Disincentives to women working, through punitive withdrawal of childcare subsidies above certain thresholds, help nobody—granted this is a Commonwealth Government policy. How much of the services of physiotherapists, nurses and teachers are lost to society because the system is currently set up to penalise second earners for working more than three days per week? I do not know the answer to this question, but gender-responsive budgeting informed by a robust economic modelling would ensure that if such perverse outcomes exist, at least policymakers would not be creating them by accident.

When I presented this paper at the global economic analysis conference in Warsaw, an economist remarked to me, ‘Why bother?’. I was quizzical for a moment—I thought it was a great piece of work—before he delivered his punchline: ‘There’s no electorate for women’. And of course the cynical view is that regional analysis, and to an extent industry analysis, has an electoral dimension so it is given the most attention. Indeed the field of CGE modelling, always striving to be relevant to policymakers, has evolved in this direction in Australia over more than four decades. So I am gratified to have come home from hearing this cynical point of view to discover that the Victorian Parliament is really taking this issue seriously. I hope that what I have presented today gives you confidence that gender-responsive budgeting is both relevant and feasible.

The CHAIR: Thank you very much. That was a great presentation. I will open up to questions.

Mr RIORDAN: An interesting summation, I am sure, of a lot of detailed work. One thing in the gender budgeting that has not sort of been mentioned in some of the evidence and hearings that we have had is the growing trend of not seeing gender as an issue. I think of my 23-year-old son. In a country town agricultural workshop there are actually more girl apprentices than there are boys. Obviously a lot of things have to change and your evidence clearly puts that, but more and more we build toilets to be whatever. Everything is trying to move gender as the reason out of it. How does your work deal with that? Or does it not really matter ultimately if it works out? Or how do we—

Assoc. Prof. DIXON: Generational change, I think, is slow to evolve. This may be true for the 23-year-olds, but I do not think it would be true for the 55-year-olds.

Mr RIORDAN: I absolutely agree, yes. I guess it is sort of in that budgeting and doing that modelling.

Assoc. Prof. DIXON: Yes, and certainly—

Mr RIORDAN: There must be a change occurring at the bottom end—

Assoc. Prof. DIXON: Yes, there is.

Mr RIORDAN: that we will have to factor in too, I guess.

Assoc. Prof. DIXON: Yes, indeed. So the way that this model works is that over a long-range forecast you have demographic factors at play. I have looked at the skill acquisition patterns by men and by women over

time and by age as well. So what you have every year is a set of people retiring from the workforce and a set of people coming in sort of at the bottom, roughly speaking. Those that are coming in are coming in with the qualifications that are typical of the 20- to 25-year-old age group, whereas those that are leaving leave with the qualifications that are typical of that end of the cohort. So you do see amongst qualifications still a very strong bias. Men pick up the architectural and building qualifications; women are picking up the nursing, the education, the management. I do not know about agriculture in particular. But certainly this is something, and it is modelling. The joy of modelling is that you can play with it. You can change it. So I have a set of forecasts that are based on, I suppose, a best guess of how these patterns will evolve over time, but the thing about modelling is that you can say, 'What if we encouraged women into building? What if we took specific steps to encourage them into these qualifications?', and you could build a different future and you could look at it through the model and get some idea of how that might look.

The CHAIR: How do you think your data can be used by, say, government agencies to implement gender-responsive budgeting?

Assoc. Prof. DIXON: I think it has been a pretty standard feature of policy analysis that you get a model analysis like this done and you look at the industry impacts and you look at the regional impacts. Often policies have a clear winner—an industry assistance policy will have a clear beneficiary—and the losers may be a little more disparate and harder to identify. But modelling like this can help you identify them and help you understand that if there is a net gain overall, but some people are losing, then that is where compensation or assistance needs to be applied. So this is fairly well understood, I think, at the industry level and the regional level, and I think it has just not been a standard practice to also do this at the gender level. But I think it is perfectly feasible.

The CHAIR: And why do you think that? Do you think it is because people do not understand what gender-responsive budgeting is?

Assoc. Prof. DIXON: Possibly. It is hard to know. Possibly my colleague was onto something when he said women do not have an electorate, but I do not wish to dwell on that—only to present that such a thing would be feasible.

The CHAIR: It has struck me in undertaking this Inquiry how many people have said, 'What is gender-responsive budgeting?'. How would you answer that question?

Assoc. Prof. DIXON: I think it is budgeting where gender impacts are explicitly taken into account. They are not just by the wayside. Now, what I have presented to you here is a framework on how you could understand impacts in the labour market and time use and employment and wages, right? But there is so much more to it. Women's superannuation, lifetime earnings are much less than men's. There are all sorts of other issues of how men and women interact. But what I have here, it is just this tool that I think is really important in understanding men's and women's access to employment.

Ms STITT: Can you point to any jurisdictions that you are aware of where they do do this very well, globally?

Assoc. Prof. DIXON: Look, my understanding is that they do it well in the UK. This is not really my field of expertise, though. There are other respondents to this Inquiry that have much better, broader knowledge of how it works.

Mr HIBBINS: So just to clarify how this would be put into practice, this would come in at the budget proposal stage within government—you know, apply the model to it?

Assoc. Prof. DIXON: Yes, I think so. So there are two things. One is when you have a planned policy change or an announcement. You may change the rate of payroll tax or stamp duty or anything. It is pretty standard practice for Treasury I think to undertake an analysis, where they will try and understand the impacts on industry. So really this is just taking that a step further, into understanding the people who work in the industry. Who are they? Are they men or are they women? Are they highly qualified or not? Can they move around or do they have qualifications that tie them to these industries? When you do policy analysis and you look at the industry outcomes, then you have got some information on which to make a judgement: this is good

for industry A but bad for industry B and we will accept that. Maybe that is what the policymaker says. So here is just another piece of information.

Mr D O'BRIEN: Just wondering, can you use your CGE models to look at the labour productivity impacts of gender-responsive budgeting?

Assoc. Prof. DIXON: Of gender-responsive budgeting?

Mr D O'BRIEN: Well, of a particular policy that has an eye on gender responsiveness.

Assoc. Prof. DIXON: Potentially, yes. I would need to understand more about it. When you first ran the question, I thought you meant if labour productivity was to improve, what impacts would that have on men and women, which is a different question.

Mr D O'BRIEN: Well, in the context of it still being pretty flat nationally for, what, 10, 15 years now, longer, we are always looking for ideas that will improve labour productivity.

Assoc. Prof. DIXON: I think maybe it is not labour productivity so much as labour participation that may be improved by gender-responsive budgeting. There is a lot more scope for women to increase their hours of work, because part-time work is so much more prevalent with women. And why do they work part time? It is because they are doing something else; they are doing something else in the home. So it is where there is scope to assist them with that and get them into the workforce.

Mr D O'BRIEN: But presumably with that there is an opportunity cost as well. So if you take free child care, for example—unpaid child care is what I mean—if you say, 'Okay, we could get X amount of women to work 20 hours more a week', it is going to come at a cost of X number to the budget.

Assoc. Prof. DIXON: Professional women are probably contributing more to the economy by working and paying taxes than what the cost to the economy may be for child care. But again this is why you have budgeting and why you have modelling: to understand these things better.

Ms RICHARDS: I am interested if there is any modelling that shows any levers or changes in policy that encourage a less stark contrast between those gender-balanced industries and decisions that young people make about which industries to go into, what training to have? Is there any modelling that can lead us to demonstrate that we will have more women taking on those other industries and more men taking on those ones that have historically been popular with women?

Assoc. Prof. DIXON: I do not know that there is modelling that particularly shows that. I mean, what you are talking about there is observation of what is going on at the moment. This is not something I have got at the top of my head, but I think the male dominance in construction is slowly diluting out. I think the female dominance, particularly in the caring professions, also is gradually getting diluted away, so more men are becoming personal carers or assistants or nurses—those types of roles. But I do not know that it is the same man that moves from working as a truck driver to working perhaps in the NDIS or something; I think it is more that as the older generation moves out the younger generation comes in with different expectations of what a sensible job is for a man.

Ms STITT: I am wondering if with your modelling you factor in—because a lot of these highly feminised industries that you have identified are also the ones where there tends to be a very high proportion of casualisation and fragmentation of work because women's work is undervalued; in my opinion that is why—take account of, some of those features of sectors that are highly feminised?

Assoc. Prof. DIXON: Not directly as you have put it, but it does take into account that women working in those sorts of industries are much more likely to be working part time.

Ms STITT: Yes. It is not always by choice though, is it?

Assoc. Prof. DIXON: No, that is right.

Ms STITT: Because there is that phenomenon of underemployment where the demand for more hours is a big chunk of the—

Assoc. Prof. DIXON: Yes. They would like to supply more hours, yes.

Ms STITT: It is interesting.

Assoc. Prof. DIXON: Yes, it is.

Ms STITT: Chicken and egg, a little bit.

Assoc. Prof. DIXON: Yes.

Mr RIORDAN: Just a quick one—if you cannot think, it is fine. Can you think of a policy, state or federal, where the starkness of gender budgeting really shows up a big winner or loser?

Assoc. Prof. DIXON: Yes, I can. This is Federal policy: the proposed cuts to the rate of company tax, which were a Turnbull Government policy that went away with Turnbull. Now, when you cut the rate of company tax you stimulate investment. That is good for construction; that is good for men, right? You also lose a lot of revenue. So the thing is, if you cut a tax that the household sector was paying, at least the households get it and they come out and spend it, but when you cut a tax like company tax that was being paid by a lot of foreign investors, it is just gone, right? That revenue has just gone. So in fact you take a big hit to national income. So either the government budget goes into deficit or they have to collect the tax back out of the households somehow. One way or another reducing the rate of company tax is quite bad for household consumption, so it turns out to be quite bad for things that households consume. So further down the track it is bad for education, it is bad for health, it is bad for retail—all of these are quite important employers of women. So what I found was that, if you go further, the immediate impact is quite good for construction—that is good for men—and the longer-term impact is quite good actually for trade-exposed industries because the economy becomes a little more foreign owned and necessarily becomes a little more trade exposed. So further down the track you have more exports, less imports and less domestic production. So it is actually quite bad for health and education. So further down you could see a little gap opening up in the wage outcomes for men and women, and given that men's wages are already higher than women's, this was actually opening that up a little further.

The CHAIR: Further questions?

Ms STITT: We could go all day.

The CHAIR: Yes, we could go all day; I was thinking the same thing. Thank you so much.

Assoc. Prof. DIXON: Thank you.

The CHAIR: That was a very insightful presentation and questions. Thank you for your time.

Witness withdrew.