WOMEN IN SUPER

WOMEN IN SUPER:

Submission to the Senate Inquiry into the Economic Security of Women in Retirement

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About Women in Super

Women in Super (WIS) is a national not-for-profit advocacy and networking group for women employed in the superannuation and financial services industries. Women in Super was founded in 1994 and since then has focused on improving retirement outcomes for women.

WIS advocates on behalf of its members and women generally to government, politicians, unions, employer organisations, regulators, and superannuation funds to improve women's workforce participation especially in the context of retirement prospects and access to superannuation.

WIS members inspired and have continued to organise the Mother's Day Classic, a fun walk/run held across Australia on the second Sunday in May, because they care about the health of women as well as their financial wellbeing. To date we have proudly raised $27.4 million for breast cancer research.

Executive Summary

Women's economic security in retirement is heavily reliant on the Age Pension. The Age Pension delivers the same outcomes for men and women however there are more single women who do not own a home reliant solely on the Age Pension.

The Age Pension must be supplemented by superannuation or other savings for women to achieve a comfortable level of income in retirement. This is not an unreasonable aspiration. Home ownership, relationship status and health also impact women's economic security in retirement.

Superannuation is the main mechanism to lift income in retirement. Women currently have just over half the superannuation savings of men. Superannuation as currently structured will not deliver accrued superannuation savings sufficient, when combined with the Age Pension, to deliver income at the ASFA comfortable level for the projected life expectancy of many women. Delay of the increase in the Superannuation Guarantee (SG) to 12% and removal of the Low Income Superannuation Contribution (LISC) will exacerbate this problem.

Many parties, including the Government are expressing an interest in reviewing superannuation policy settings including tax concessions. It will be a betrayal of the women of Australia if savings are made through adjustment to the excessive concessions available to high income earners (predominantly men) and the savings are not directed to measures which will make a meaningful contribution to improving superannuation outcomes for women and redressing gender bias within the system.

There should be gender impact analysis of all policy proposals and a commitment to develop a reform package which will address the gender super gap and ensure the system, when mature, will provide women with a comfortable income in retirement.

Resolving the gender super gap is complex and requires a multipronged approach including careful structuring of policy settings around the intersection of the Age Pension and superannuation. No one measure will solve the issue for all women. Development of a cohesive policy for women by the Government to direct current and future policy initiatives to implement concrete changes would prevent further 'tinkering' around the edges. The starting point must be better targeted tax concessions and amendment of provisions which exclude women from receipt of SG contributions. A review of mechanisms to recognise time out of the workforce caring for others should also be prioritised.

Future policy settings should focus on addressing the gender super gap and enabling women (and men) to save adequately for their retirement. We have not yet achieved a universal compulsory superannuation system – there are many groups of women (and men) that are excluded from the current system. Worryingly, 34.6% of women reported having no superannuation in a recent ASFA report and this rises to around 60% of females aged 65 to 59.[1]

Recent tax and economic policy has focused on increasing female workforce participation and improving the gender pay gap in the hope that both these levers will improve the gender super gap. A recent study[2] commissioned by the European Commission confirms that gender gaps in retirement income savings are many times as wide as pay gaps. In Australia the gender pay gap is 19% and the gender super gap is 46%. The study also noted that the hope that improvements in pay gaps will necessarily percolate through to pensions is unfounded.

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[1] An update on the level and distribution of retirement savings, Ross Clare, Director of Policy, ASFA Research and Resource Centre, March 2014

[2] The Gender Gap in Pensions in the EU by Francesca Bettio, Platon Tinios, Gianni Betti. In collaboration with Francesca Gagliardi and Thomas Georgiadis, 2013

Introduction to Women in Super Submission

The Senate Inquiry into economic security for women in retirement is therefore timely and Women in Super is grateful for the opportunity to provide a submission. We are committed to working with government and the industry to improve women's retirement outcomes.

In February 2014 Women in Super organised the **Women's Super Summit** in conjunction with the Australian Institute of Superannuation Trustees. The summit was attended by a broad cross section of interested parties from Government, academia, research and policy bodies, women's and welfare organisations, business and the superannuation industry. Summit delegates agreed that while superannuation is fundamentally good policy, it is biased in favour of men, who typically earn more than women and work continuously until retirement.

There was general consensus that improving the retirement outcomes for Australian women and reducing the gender savings gap in retirement requires changes to our retirement incomes policy framework.

Increasing the Superannuation Guarantee (SG) rate to 12% and introducing greater tax equity into the superannuation system through redistribution tax rebates from high income earners to low and middle income earners, and at a minimum retaining the Low Income Superannuation Contribution (LISC), were agreed to be the highest priorities for improving retirement outcomes for women.

Rectifying system design flaws which periodically exclude women from accumulating superannuation were also strongly supported – such as removal of the $450 monthly qualifying threshold for SG, payment of SG on Paid Parental Leave and requiring SG contributions for those who are self-employed.

Time out of the workforce caring was recognised as a significant contributor to women's lower superannuation balances and there was support for examining how recognition of caring could be recognised in a way which increased income in retirement whether through superannuation or pension subsidy. The Age Pension was recognised as a crucial component of retirement income for women in the short and long term given women's lower levels of savings and greater longevity.

Improved pay and workforce participation equity outcomes will improve women's retirement outcomes in the longer term.

While many of the Summit speakers and delegates emphasized the need for more financial literacy programs, employer initiatives and product innovation to help individual women lift their savings rates, most acknowledged that such developments have limited scope to significantly improve outcomes for low-to-middle income earners who typically do not have the capacity to make extra contributions into their superannuation or negotiate with their employer.

History

Widespread superannuation coverage was only introduced for many in the 1980s as a form of award based entitlement and it was not until 1992 that the Superannuation Guarantee (SG) was introduced.

In the 1980s superannuation coverage was about 40% of employees who were mostly in defined benefit schemes. Members were predominantly white-collar male employees of large companies or in the public sector. Many large employers had in place a marriage bar on the permanent employment of women, with the Australian public service removing the marriage bar in 1966. A very small proportion of women had superannuation. By 1992 coverage increased to 84% of male employees and 76% of female employees. [3]

Today the Australian superannuation system is highly regarded and growing rapidly as a percentage of GDP. It has led to significant improvements and change – most working Australians have access to superannuation through the employer based Superannuation Guarantee (SG) contributions. The introduction of MySuper has led to lower fee based super product offerings. Australians who have the financial capacity to contribute above and beyond the SG contributions are in particular benefitting from the tax concessions and the compounding effect of additional contributions over time.

However, it is a relatively immature system that is still in accumulation phase. This is a concern as for many women approaching retirement today, it is a system that has only been part of their working lives for approximately 20 years. Furthermore, the SG rate which was introduced at 3% and only increased to 9% in 2002 has been insufficient to reward them with decent superannuation savings. Today we know that SG rates of 9% and even 12% are insufficient to compensate women for the gender pay gap, career breaks and part-time working.

Therefore, for most women retiring now or in the next 10 to 15 years, it is not superannuation that will provide their income in retirement but the Age Pension so we need to carefully

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[3] An Update on the level and distribution of retirement savings, Ross Clare, Director of Policy, ASFA Research and Resource Centre, March 2014

consider the interplay between the two parts of the retirement income system in addressing any underlying issues.

The Senate Inquiry Terms of Reference

The impact inadequate superannuation savings has on the retirement outcomes for women

Poverty in retirement

The impact that inadequate superannuation savings has on the retirement outcomes for women can be seen by a quick statistical snapshot of the current group of women in retirement.

Figures from the 2011-12 Survey of Income and Housing[4] estimate that people living in older households (households where the reference person was aged 65 and over) had the lowest average weekly equivalised disposable household income at $660, and those living alone were more likely than those living in couple households to have government pensions and allowances as their main source of income (76% compared to 61%).

56 per cent of all Age Pension recipients are female.[5] 46 per cent of these are married or in de facto relationships and 54 per cent are single (includes separated/divorced/widowed).[6]

Women are overrepresented among lower age pension recipients in general than among men and will be more susceptible to changes to the Age Pension given their reliance on it as their main source of retirement income.

Even for women coming up to retirement the picture is not good. The median superannuation account balance for a women aged 55-64 years is $80,000 (for a man in the same age group it is $150,000) and 1 in 3 women currently live alone between the ages of 55-70 years.[7] Many females will need to work longer than their male colleagues in order to save more for retirement. Reasons for this include the gender pay gap, career breaks and not being allowed to participate in earlier schemes due to their sex and prevailing belief that their husbands would provide for them.

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[4] 2011-12 Survey of Income and Housing (SIH, Australian Bureau of Statistics

[5] Income support customers: a statistical overview 2012, Australian Government Dept. of Social Services

[6] Ibid

[7] 2013-14 Australian Bureau of Statistics data

It is also important to note that even young women entering the workforce today will not have sufficient superannuation for a comfortable retirement if they do not contribute more than 9.5% of earnings. An increased focus on financial literacy programs both at school and in the workforce and awareness raising of the importance of contributing as much as possible in the early career years before caring responsibilities start could help. However, like all young people, young women face competing claims on their salaries - socialising, travelling, renting, saving to buy a home, superannuation etc.

As women live longer than men they need more superannuation to last longer than men. Australians have a high life expectancy of 82 years which is nearly two years above the OECD average of 80.1. The effective age of labour market exit of Australian women is 62.9 years (slightly below the OECD average of 63.1 years). Therefore, a female retiring at 62.9 years can expect to live 24.2 years in retirement. This is nearly five years more than their male counterparts. With an effective age of labour market exit at 64.9, Australian men can expect to live 19.3 years in retirement. [8]

For women in retirement or who have retired early due to factors such as ill-health, there is little or no income so little or no ability to act to increase superannuation balances.

The extent of the gender retirement income gap

The gender retirement income gap sits at 46%. A female aged between 55-64 years has a median superannuation balance of $60,000 whereas a male aged between 55-64 years has a median balance of $160,000[9]. A look at the median balances of the younger generation shows a similar picture. A female aged between 25-34 years has a median balance of $19,000 while her median male counterpart has already accumulated $25,000[10]. According to the Association of Superannuation Funds of Australia's Retirement Standard, to have a 'comfortable' retirement, single people will need $545,000 in retirement savings, and couples will need $640,000.

The gap between male and female super balances increases with age, particularly from about the mid-30s, but narrows closer to retirement. Women tend to earn lower wages than men,

[8] OECD: Society at a Glance 2014 Highlights: Australia OECD Social Indicators

[9] RiceWarner, Valuing females and rewarding them in retirement, November 2012

[10] Ibid

and might miss years of super contributions if they choose to leave the workplace (either permanently or temporarily) to raise a family.[11]

The causes of the gender retirement gap and its potential drivers including the gender pay gap and women's caring responsibilities

(i) The Gender Pay Gap

The gender pay gap (and women's workforce patterns) act to reduce a female's lifetime earnings. From a superannuation perspective this is important as there is an inextricable link between earnings and superannuation contributions, both compulsory and voluntary.

In many countries the gender pay gap has been shrinking over the past two decades, although progress has slowed down in recent years. In fact, in Australia the gender pay gap has widened recently and now sits at 19%. An Australian female has to work an average of three more months a year to earn the same as her male counterpart. This is becoming harder to justify and hopefully harder to sustain when females are graduating from university in higher numbers than males, are attaining higher results on average than their male counterparts and are entering the workforce in large numbers.

The gender pay gap is a complex issue caused by a number of interrelated factors. It still exists today due to wider gender inequalities across the economy and in society and its main causes are[12]:

- **Discrimination in the workforce** – Can be 'direct discrimination' where women are simply treated less favourably than men. Or it may be due to a policy or practice that, although not designed to discriminate, results in unequal treatment between men and women.
- **Different jobs, different sectors** - Women generally work in sectors and occupations where jobs are compatible with their family responsibilities. Often these sectors are lower paid (nursing, education, hospitality) and women are more likely to work part-time, be employed in low-paid jobs and not take on management positions.
- **Workplace practices and pay systems** - Different methods of rewarding employees (for example, through bonuses, allowances and performance-related pay), as well as the actual structure of pay systems, can result in different rates of pay for female and male workers.

[11] How much super do Australians really have? Challenger Retirement Income Research
[12] Tackling the gender pay gap in the European Union, European Commission (Justice), Publications Office of the European Union, 2014

- **Undervaluing of women's work and skills** - Women's skills are often undervalued because they are seen to reflect 'female' characteristics, rather than acquired skills and competences. For example, a female nurse earns less than a male medical technician, even though they have comparable levels of qualifications. This can result in a gender bias in the setting of wages and in assessing the value of the work that women do.
- **Few women in senior and leadership positions** – There are still too few women in visible senior positions so leadership is seen to be a male domain.
- **Gender roles and traditions** – These often act to shape women's and men's roles in society from a very early age and may influence the choice of educational path taken by a young woman.
- **Balancing work and family responsibilities** - Women often work part-time in order to combine their family responsibilities with paid work which impacts their opportunities for promotion and therefore ability to receive higher pay. The gender pay gap widens when women have children and when they work part-time. Women spend more time than men carrying out domestic and care work, and few men take parental leave or work part-time. While men work longer hours than women in the workplace, if women's paid and unpaid working hours are combined they are significantly longer than men's.

The Workplace Gender Equality Agency has for some years now collected information on the gender pay gap. The formal reporting process at company and sector level enables companies to measure their progress in implementing gender equality and equal pay. Nationally it allows us to track whether real progress is being made and if not, where there is divergence, why it exists and how it can be addressed.

(i) Women's Caring Responsibilities and Workforce Participation

It is women who overwhelmingly undertake caring responsibilities and hindering the ability of women to engage in work while undertaking caring responsibilities is the discrimination that they face. The excellent report released by the former Federal Sex Discrimination Commissioner, Elizabeth Broderick,[13] found that workplace discrimination is not only alive and well but pervasive in Australian workplaces. The report found that there are three stages a woman faces discrimination (i) upon announcing she is pregnant (ii) while on maternity leave and (iii) on return to work. One in two women (49 per cent) of mothers reported experiencing discrimination in the workplace at some point during pregnancy, parental leave or on return to work. What's more, it also revealed that over a quarter (27%) of the fathers and partners

[13] *Supporting Working Parents: Pregnancy and Return to Work National Review Report*, Sex Discrimination Commissioner, Elizabeth Broderick, 2014

surveyed reported experiencing discrimination in the workplace related to parental leave and return to work as well. Perhaps further discouraging other men from taking leave or helping out further down the track with family caring responsibilities.

There is still a stigma attached to part-time working and a belief that caring and work are not compatible. Flexible or part-time work is seen as not being fully committed and often reduces the ability to gain promotion or a pay rise. Many women talk about being made to feel guilty because they need to work part-time or leave work early to care for children or elderly parents. Many men feel they cannot access flexible working practices and often cover up the fact that they may need to leave early for a child related event.

However, many large companies are realising that in order to harness a diverse workforce and to be able to accommodate, not only women, but men who are sole parents, and the younger generation who expect flexibility as the norm, they must move to flexible working arrangements. Small companies in fact are often doing a better job at catering to working parents. Perhaps their size and lack of layers of management are key enablers of their adaptability.

Women's workplace participation differs from that of men in that they are more likely to work full-time early in their careers but then work part-time from their early 30s which coincides with child rearing age. The majority of women with children return to work full-time in their mid to late 40s. Some never return to work full-time for various reasons – a desire or need to be a full-time carer (caring for a disabled child/sick partner or elderly parent).

It is estimated that the average career break for raising a family is five years and that five years out of the paid workforce for a person on average earnings during their early 30s, will reduce the eventual retirement account balance by over $80,000 in today's dollars.[14]

Research[15] indicates that the number of children is a strong determinant of the level of superannuation accumulated by women but has little or no impact on that of men. Compared to the childless, women with one child experience an average loss of $9,538. For women this loss increases rapidly with the second and third children, amounting to more than $30,000 reflecting perhaps the switch to working on a part-time basis.

It is worth noting that for many women caring responsibilities start with the birth of a child but do not end when that child enters school. In fact, for many women it extends beyond the seven years of primary school. Before, after and holiday care programs offered by schools do

[14] An update on the level and distribution of retirement savings by Ross Clare, Director of Research, ASFA Research and Resource Centre, March 2014

[15] The Impact of Children on Australian Women's and Men's Superannuation, Nick Parr, Shauna Ferris, Stephane Mahuteau, Macquarie University, Sydney

not cater for children over the age of twelve so raise questions as to how young teenage children will be cared for outside of school hours and terms and how to finance caring arrangements of a family consisting of an older child ineligible for school care programs but younger siblings who are. (Official school programs attract the child care rebate program which substantially reduces the cost of care but informal care does not. Parents often move to informal arrangements to accommodate children of differing ages but are penalised financially in doing so as cannot apply for a rebate on the cost).

If a woman has more than one child then the period of caring responsibilities extends even further as not all children in the family start their school years on the same day! Should that woman be unfortunate enough to have a sick partner or elderly parent requiring care which coincides with her plans to return to work then she may struggle yet again to maintain workforce participation.

Another issue worth considering is that posed by the high number of working women who return to work on a casual or contract basis often because finding a permanent part-time or full-time job can be difficult. Many of these women are automatically excluded from compulsory employer superannuation contributions because they do not meet the criteria for compulsory super ($450 monthly threshold from one employer).

In our recent submission to the Government's Tax inquiry, Re:think, we looked at examples of countries (Sweden and Canada) who successfully maintain workforce attachment for women (and men) who have caring responsibilities. In both cases there was a national view that not only was increasing workforce participation of women important for the economic wellbeing of the women but for the country and that access to quality and affordable childcare was important and should be available to all. In summary:

- Caring responsibilities is not just a female task. It is a family task. An increasing number of men are moving away from the traditional male breadwinner model as couples act together to juggle caring for children or elderly parents. This cultural change will help women by not reinforcing stereotypes and reducing discrimination.
- Caring needs to be valued. There is scant data on the true cost of unpaid work to the economy but the cost to Government of replacing this unpaid work should not be underestimated. To quote the Human Rights Commission of Australia 'a woman's reward for caring is a lifetime of poverty'.
- Caring credit systems have their place in modern society. We would welcome an investigation into the caring credit systems in use overseas and a process to develop a system suitable for Australia.
- We need more innovative and flexible child care solutions and tax arrangements to incentivise women to work and accumulate superannuation.

- Quality and affordable child care and elder care is important to encourage those with caring responsibilities to remain attached to the workforce.
- Caring responsibilities are not short-term. There is a need for a cultural shift in workplaces where quality, long-term flexible work arrangements are offered and valued by employers.
- Increasing women's workforce participation should not be at the expense of early childhood education. Education is closely linked to future career income and the children of today will be the tax payers of tomorrow.

Structural impediments in the superannuation system (impacting on the superannuation savings gap)

Systemic change is needed to remove the structural barriers faced by women and the need to take into account the specific working patterns of women – issues such as the gender pay gap, the caring responsibilities that are borne predominantly by women, the large numbers of women employed in specific industries of low pay (health, education, hospitality etc.) and the longevity issue.

There is widespread acknowledgement that we need to look at women and low income earners (casual/part-time employees etc.) in particular to address the issues they face in saving for retirement and why the system does not enable them to save for retirement but favours other groups. However, there is also a level of exasperation that there is little equity in the current system of tax concessions directed at superannuation. There is a fear that any changes made to tax concessions will not be redistributed to those who currently receive little or no benefit from the tax concessions but will in fact be redirected to other areas of the budget.

Policy changes should not be implemented without a thorough understanding of the impact on men and women. Addressing an imbalance in one area of the system can lead to unintended consequences in another. A gender analysis of all proposed tax/fiscal/policy changes is highly desirable as the effect on women can be distinct from that on men. Without conducting a gender analysis at policy level it is hard to see how we can effectively work to reduce the gender super gap.

A good example of a policy that unintentionally benefitted women is the Low Income Superannuation Contribution (LISC). The LISC was introduced to benefit low income earners but in fact has benefitted working women far more than men as more women are low income earners. An example of where the opposite will happen is the changes due to be introduced in

2017 to the asset test for the Age Pension. Early modelling analysis by Industry Super Australia shows that the impact on women will be far greater than that on men thus further disadvantaging the majority of women who are currently dependent on this as their main source of retirement income.

We recognise that it is not the role of the government (past, current or future) to eradicate all foreseeable or unforeseeable structural barriers to saving for retirement for women. However, there are particular barriers which have been in place for many decades now and continue to prevent women from retirement. We would like to see many of those barriers dismantled so that we are not facing the same problem in decades to come.

The adequacy of the main sources of retirement income for women

The Age Pension is the main source of retirement income for the majority of women currently in retirement. This will also be true for women retiring in the next 5-15 years.

As a group, older women have lived and worked under one system but they will be impacted by changes that are made now and in the future to the current system – changes to the age pension; superannuation accumulations or drawdowns; and government benefits programs will all impact them.

Recent modelling by Industry Super Australia of the changes to the Age Pension due to be introduced in 2017 suggests that women will be further disadvantaged by reductions to the Age Pension and the introduction of means testing of the family home.

The latest OECD Social Expenditure Database, which collects data on government spending on income support payments such as the age pension, shows that the Australian government's social expenditure is 19.5% of GDP. This is lower than many of the wealthy European countries that Australia not only compares itself to but were adversely affected by the financial crisis. The single largest welfare payment in Australia and Europe is the age pension. According to the OECD Pensions at a Glance 2013 report, Australia's public spending on the age pension was 3.5% of GDP. Many European countries spend a significantly higher percentage (up to 17% of GDP).

It is true that many of these countries have a significantly higher proportion of old people to the ratio of working members of society. However, the federal treasury in its third Intergeneration Report published in 2010, titled "Australia to 2050: future challenges" predicts the number of people of eligible pension age increasing by around 150% by 2049-50, while government spending on the age pension and income support payments is predicted to be 6.9% of GDP in 2049-50 – the same percentage as spent in 2009-10.

This is before factoring in changes to the age pension due to come in 2017 which are expected to reduce government spending on the same. A large number of pensioners (especially women) are expected to move off the part-pension altogether and the Intergeneration Report also predicts that less pensioners will receive a full age pension due to the increased value of superannuation, other private assets and income.

There is no doubt that the ageing of the Australian population will place increasing pressure on government spending over the next 40 years and it is expected that this will come from health and aged care services rather than the age pension and other welfare payments.

Retirement income modelling done in recent years by RiceWarner[16] demonstrates the impact of lifestyle events and barriers on female retirement savings. Case studies used income based on the projected retirement savings required in order to achieve the ASFA Comfortable Retirement Standard which was $40,391 p.a. The modelling made assumptions for future wage and price inflations amongst other factors; assumed an SG rate of 9% and no additional voluntary contributions but assumed more favourable age pension rates.

Taking the example of a single female and male entering the workforce at age 20 on an income of $35,000, RiceWarner modelled out the projected retirement savings and therefore predicted the shortfall in retirement savings.

If single with no children and remaining fully employed throughout her working life, the female is projected to retire with $426,500 (but needs $613,000 for a comfortable retirement). Her male counterpart retires with $$435,200 (but needs $569,000). Both therefore faced a projected retirement savings gap for their projected number of years in retirement. The female would need to access the full Age Pension for 8 years and the male 6.

However, once typically female lifecycle events are taken into account the case studies show the impact on a the projected retirement savings gap how the projected number of years of dependency on the full Age Pension rises dramatically.

[16] RiceWarner, Valuing Females and rewarding them in retirement, November 2012

A female entering the workforce at age 20 but taking a 5 year career break retires with $348,500 (but requires $613,000) so is expected to be dependent on the full age pension for 13 years.

Should a female retire early (at age 60) the effect is dramatic. She is predicted to retire with $330,800 (but requires $819,000) so will spend 26 years dependent on the full age pension. A male retiring early (at age 62) will also have his projected retirement savings impacted but will be dependent on the full age pension for 19 years.

In the case studies, cited above the assumption was that both the male and female owned their own home. Predictions are worse for non-homeowners as they need income to cover rent and do not have an asset to sell to cover future health or aged care related costs.

For many pensioners the largest asset they own is the family home and this could be viewed as a future source of income and one that could improve their standard of living in retirement. (In the future superannuation could replace the family home as the largest asset). Research suggests that 80% of the over 65 population are homeowners i.e. own their own house outright or are paying a mortgage and about 10% rent.[17] This figure drops dramatically as pensioners age and especially after one partner dies. Older, single pensioners (usually women) are unlikely to be house owners.

People who live in their own home enjoy the benefit of not having to pay rent. Elderly homeowners are widely supposed to belong to higher income brackets. Yet, although they may occupy their own homes and thus be asset rich, they might also be income poor if their cash income is not enough to meet their daily needs. Furthermore, the family home is an illiquid asset and one that has a cost attached to it in the form of maintenance.

Many pensioners are reluctant to give it up, often dying before it is sold. This may be explained by the desire to hold onto it as a buffer in case there is a need for cash such as entering an aged care home and the uncertainty around when that may actually be.

In addition to the need for security, it is likely that there is also an emotional and well-being attachment to remaining in the family home until it is impossible due to age and health. Due to rising house prices pensioners who do wish to sell the family home and downsize to a smaller house or unit in the same area cannot afford to do so. Many would have to move out

[17] Australian Bureau of Statistics, 2011 figures

of the suburb where they have spent the previous 30 or 40 years – away from friends, family, transport, shops and a social life that they know.

More work needs to be done around home equity release schemes and looking at ways in which pensioners can be relieved of the burden of maintenance and need for more income while still remaining in their home. In Australia, the number of loans under equity release schemes more than doubled between 2005 and 2011. Although it should be acknowledged that housing owned by lower-income groups is likely to be of considerably lower value than the properties of the richest retirees.

Measures that would provide women with access to adequate and secure retirement incomes

Assistance to employers to assist female employees' superannuation savings

Employer initiatives aimed at reducing the gender superannuation gap are to be welcomed. Various employer initiatives such as the Rice Warner 'Valuing Females' program that includes SG on PPL payments and pays female employees an additional 2% in superannuation will go some towards reducing the gender super gap for those employees. However, unless rolled out universally, they will only help female employees who are lucky enough to work for such forward thinking organisations.

However, there are other initiatives which could be introduced more broadly and to benefit more female employees.

Increase in the rate of SG contributions to 12 per cent – This will benefit women in particular, given that they are less likely to be receiving higher-than-minimum contributions from their employer.

Gender based reporting – Ensure the continuance of the WGEA gender reporting which focuses not only on inequity in pay but in management, promotion, retention and recruitment. The collation and analysis of data from employers will enable us to understand where to focus efforts and how we are progressing over time so that issues in the system can be addressed. 86 per cent of OECD countries have a regular measure of performance of gender equality policies and a majority of countries also have regular reporting requirement to parliament.[18] Yet only a few countries have integrated gender equality requirement into managers' performance and accountability despite the acknowledgment that policies are only

[18] Women, Government and Policy Making in OECD Countries: Fostering Diversity for Inclusive Growth, OECD 2014

as good as their implementation and effective implementation requires 'soft' and 'hard' levers.[19]

Work towards eradicating discrimination in the workplace – Discrimination on the basis of sex has been illegal in the workplace since the introduction of the Sex Discrimination Act in 1984. However, it is still present and often takes place on an unconscious level as well as in more direct forms. Employers have policies in place preventing discrimination but it still occurs. We need to focus on the right of employees to request flexible and part-time working

Enable employers to innovate and promote flexible workplace practices – The right to request flexible working arrangements already exists under the National Employment Standards. However, many women report the difficulty in accessing these arrangements or report a stigma attached to them. Employers should be encourage to embrace such practices as flexible working is likely to become the norm and in order to be sustainable in the long-term, employers need to adapt to the modern workplace. Employers wishing to emulate initiatives such as the Rice Warner 'Valuing Females' program should be able to do so without excessive delays or bureaucracy. Likewise, it is important that we consider the value attached to these initiatives for women and encourage them perhaps through the current WGEA reporting system.

Financial Literacy – There is a need for early gender-specific education on insurance, asset allocation and the benefits of saving more. However, financial literacy could benefit both sexes and there could be encouragement at federal level for school based programs. Financial planning training does not currently incorporate gender awareness issues and how they relate to wealth and superannuation accumulation.

Superannuation funds and employers could be further encouraged to implement savings programs aimed at women. Pleasingly women's superannuation has become an area of focus and in the case of superannuation, the majority of funds and providers have specific pages on their websites dedicated to women and super. Many industry super funds have implemented extensive financial literacy campaigns aimed specifically at women.

Examples include UniSuper's Super Women initiative which includes a website covering topics as broad as career breaks and super, gender equality, a financial health checklist and the benefits of putting extra super aside. Since 2004 they have run presentations to members which are routinely the most popular and subscribed and have reached over 12,000 women.

[19] Women, Government and Policy Making in OECD Countries: Fostering Diversity for Inclusive Growth, OECD 2014

Campaigns are also run on International Women's Day reaching 100,000 members with a focus on educating, empowering and explaining the benefits of super.

VicSuper's Super Woman Money Program which runs twice yearly, is free of charge and 4,500 have accessed it since its launch in 2012. The program includes detailed wide range of financial topics – like goal setting, emotional spending, super, money and relationships, investing and taxation tips. It also includes seminars and has a dedicated website where women can post questions to financial planners.

The majority of working women are responsible for managing family finances and are acutely aware of the problems they face in trying to accumulate more superannuation. Financial literacy has its place and there will always be a need for increasing education of what is a complex topic especially given the interplay with the Age Pension, taxation and superannuation.

Perhaps what is missing from existing financial literacy programs is a national government led campaign targeted at the wider female population about the benefits of superannuation. Campaigns such as those related to the Intergenerational Report or Obesity are raising awareness of important issues. Perhaps something similar could be undertaken with the industry relating to superannuation and women's retirement outcomes.

Government assistance, with reference to the success of previous schemes

Any assistance by the Government provided to helping women achieve economic security should be primarily directed towards those who are low income earners or unable to access existing compulsory superannuation programs.

The one stand-out government policy that is targeted specifically at enabling lower income earners to save for retirement is the Low Income Superannuation Contribution (LISC). It is a scheme that currently benefits 1 in 2 working women and 3.6 million workers nationally. 80 per cent of the female part-time workforce and 40 per cent of the rural workforce receive the LISC. Crucially, if the LISC is abolished as scheduled in 2017, it will remove the one and only superannuation tax concession to lower income earners (those earning less than $37,000 p.a.) while keeping all other tax concessions in place. Without it, 3.6 million workers will in effect pay more tax on their compulsory employer superannuation guarantee payments than on their tax home pay. It appears to be completely immoral to allow all other workers to receive a tax concession relative to their marginal tax rate and penalise low income earners – the very group that are struggling to accumulate superannuation.

We also need to address the women who for one reason or another are falling through the gaps in the current retirement income system as one in three women currently have no superannuation. These gaps extend to both workers who do not meet the criteria for compulsory employer superannuation guarantee payments or who for one reason or another sit outside the employer based workforce.

$450 monthly threshold – in order to be eligible for compulsory super one must earn $450 or more per month from one employer – there are large numbers of female workers who currently work for multiple employers perhaps agencies (e.g. teachers, nurses), so they do not meet the compulsory super criteria.

Lack of super on income payments such as Paid Parental Leave (PPL) and disability/sick pay – If super were introduced on all income payments then we would immediately achieve broader coverage. This would obviously be a cost to the government (and employers) however, we know that specific groups such as those who are on disability and/or sick pay are likely to be at a high risk of retiring early and relying on the age pension. They are also likely to be in receipt of government payments relating to health and aged care. Therefore, superannuation contributions could help this group to build up a small pot of savings for retirement which would in later years supplement the age pension and reduce the pressure on the future government spending.

Self-employed – there is no compulsory super for the self-employed. Around 23% of self-employed people have no superannuation, compared to only 7.5% of other employees, Females who are self-employed are less likely to have superannuation than males who are self-employed.[20]

The key findings from recent research[21] suggests that women make up just over a third of all Australian business operators (34% or 668,670 women) and that this represents a 46% increase in the number of women business operators over the past two decades. Interestingly, more than two in five women business operators were aged 40-54 (44%). The same report states that in 2007, women business operators were less likely than women who were employees to have superannuation coverage (76% compared with 93%). Less than half (45%) were currently making contributions into their superannuation accounts. In 2011-12 the average superannuation balance was $44,000 as opposed to $52,900 for the female employee.[22] We would welcome to specific initiatives to address this gap.

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[20] An update on the level and distribution of retirement savings, Ross Clare, Director of Research, ASFA Research and Resource Centre, March 2014
[21] A Profile of Australian Women in Business, Report prepared by the ABS for the Office for Women, 2015
[22] Ibid

Aboriginal communities – the current age for accessing pension payments is 65. The aboriginal life expectancy rate is 45 years. The average life expectancy rate for other Australians is 85 years. There is little or no incentive to save for retirement while life expectancy rates are 20 years below that of the retirement age.

Migrant communities - More than one quarter of Australians are foreign born, the 3rd highest in the OECD after Luxembourg and Switzerland, and more than double the OECD average of 12.6%.[23] Lack of fluency in English and understanding of superannuation among older migrants is a problem as is the concentration in low paying, contract based roles.

Possible reforms to current laws relating to superannuation, social security payments, paid parental leave, discrimination, or any other relevant measure

Superannuation

Superannuation tax concessions - Structural inequities in the current superannuation system could be addressed by re-directing the focus of the current tax concession regime to those on lower incomes. This policy change could be cost-neutral to Government but in order for there to be a true structural and systemic change any 'money' saved by reducing tax concessions at the top end should remain within the super system and be redirected to the low income earners (who are predominantly women).

Defining the Objectives of the Superannuation System - We support the seeking of broad political agreement for the objectives of superannuation which should be founded on the core principles of certainty, adequacy, fairness, sustainability and equity. The founding principle of the compulsory superannuation system in Australia is still relevant – to provide income in retirement to substitute or supplement the Age Pension.

Establishing an Independent Body - We would support the establishment of an independent publicly-funded body to oversee and regulate superannuation. This would reduce the number of changes and focus on short-termism which currently undermines the system and builds a level of mistrust, stress and uncertainty. We endorse the AIST submission to the Financial Services Inquiry in March 2015 in relation to the establishment of such a body.

Measuring Policy Outcomes and their effect on the Gender Super Gap - It would be useful to introduce a method of measuring policy outcomes and their effect on the gender super gap so that we can track the effect of policies on reducing (or increasing) the percentage by which women's average superannuation balances are lower than men's. As with the WGEA data on

[23] OECD: Society at a Glance 2014 Highlights: AUSTRALIA OECD Social Indicators

the gender pay gap, if we could quantify the amount by which women are lagging behind men, we could then investigate the causes of the gap and act early to reduce it. We support initiatives such as the Australian Institute of Superannuation Trustees SuperTracker.

Joint superannuation accounts – Currently joint superannuation accounts are prohibited and substantial work needs to be done before they could become a reality. This is not viewed as a priority and could easily become a diversion from more meaningful changes which will increase women's retirement savings. There is no consensus regarding the proposal, indeed there are widely divergent views held by women. They raise areas of concern such as differing longevity rates between men and women; women are more conservative investors than men; one partner could be in accumulation stage while the other is in drawdown and how to provide financial advice to two people with different needs. Men tend to seek financial advice and change investment options more frequently than women but this is not necessarily to their advantage. There is an argument that it would be easier to split superannuation in divorce if superannuation accounts were joint or in cases of financial and domestic abuse. However, SMSF's can be held jointly and emerging divorce law research shows that women tend to give up rights to superannuation accounts in favour of the family home.

Prioritize ways to make it easier for women to view their super accounts as a whole so they can consider consolidation and avoid fee duplication – Support targeted campaigns such as the Australian Tax Office's five step program and ASFA's 60 minute super check on International Women's Day. Campaigns such as these have been highly successful and ensure that the focus remains on finding lost super and consolidating accounts where appropriate. The ATO website also includes a retirement income projector tool which is useful in extrapolating future balances and retirement income based on current position. However, they are not intended to overcome structural or systemic issues in the current superannuation system.

Voluntary measures – Although the co-contribution and additional voluntary contributions are taken up primarily by high income earners (and increasingly less so, middle income earners), there is still a place for them today. In a study undertaken by Rice Warner on behalf of Women in Super in 2014, about 70% of the surveyed women did not take advantage of the voluntary measures available. This was despite more than 70% of women saying they were aware of measures such as the co-contribution. The main reasons given for not making personal contributions were: cost and affordability (61%); lack of time or disinterest (9%) and other reasons (30%).[24] It appears that as disposable income reduces due to caring

[24] Female Voluntary Contribution Research, Rice Warner, March 2014

responsibilities it is difficult for the majority of working women to take advantage of these tax incentives.

Caps to superannuation contributions – Very few women access the annual concessional cap of $30,000. It is unlikely that low income women will ever be able to make significant additional pre-tax or post-tax contributions. Many women would not be allowed to make salary sacrifice contributions by their employer were they able to afford such contributions. Contribution caps can assist some women but are not a measure that will impact the super savings gap for the vast majority of women. However, it is worth investigating what type of caps are more valuable to women and low income earners and whether they should be tied to annual income, lifetime earnings and/or superannuation balances. For example, a self-employed person might sell their business prior to retirement or a person might sell their home later in life to finance their retirement and health or aged care costs.

Consider a threshold to the tax-free status of super withdrawals for the over 60s – Superannuation tax concessions should be targeted at those who need them. A review of superannuation tax concessions should consider the introduction of a threshold.

Social security payments

Public services are likely to benefit the elderly more than the working-age population: about 40% of older people's extended income is made up of in-kind public services, compared to 24% for the working-age population at large.

That being said, through stigma, lack of information on entitlement, and other factors, not all elderly people who need last-resort benefits claim them. There is thus a certain degree of hidden old-age poverty.

Paid parental leave

Payment of superannuation contributions in regard to paid parental leave (PPL) – PPL payments should be treated in respect of superannuation in the same way as any other work entitlements such as annual or sick leave. The issue of the 15% contributions tax on SG contributions paid as part of PPL should also be considered as the majority of recipients of PPL are female and this would go a small way towards maximising the contributions made to superannuation.

Discrimination

There are two forms of discrimination that impact women and their economic security in retirement – sex and age discrimination. We have touched upon sex discrimination earlier in this submission and the impact it has on the gender pay gap and access to genuine flexible working practices that allow career promotion. Age discrimination (although illegal since the introduction of the Age Discrimination Act 2004) impacts the ability of many older women to accumulate superannuation in later life. Many women (and men) need to work past retirement age for many reasons including inadequate superannuation. However, for many finding a full-time or part-time job is difficult. For those who have been out of the workforce for a period of time and find the need to return to work due to changed circumstances in their 50s and beyond (for example divorce, death of a partner) it is difficult to find suitable work. The Federal Age and Disability Discrimination Commissioner, the Hon. Susan Ryan AO, is conducting a national study into age discrimination[25] and the report when published in mid-2016 should provide valuable insight into the reality of the older worker and workforce participation.

Conclusion

Whilst we recognise that enabling women to save adequately for their retirement is not an easy issue to address as there are many underlying complex reasons why women do not fare better than men in accumulating superannuation. However, the majority of these reasons lie with the reduced lifetime earnings of women, the need to access flexible or part-time working arrangements, undertaking caring responsibilities and the lack of participation in the higher paid sectors of the economy. There are many policy levers available to government whether they are social, justice, taxation, fiscal or economic in nature but there is a need to understand the implications of proposed changes by first undertaking a gender analysis to enable informed decision making at a national level.

Furthermore, the ability to track and measure these policy changes and their impact on the gender superannuation gap and its closely linked gender pay gap is fundamental if we are to make progress in reducing and closing the gaps.

Our superannuation system needs to be sustainable in the long-term and should aim to (if not actually) provide Australians with an adequate level of retirement income. Women and men should be the beneficiaries, young and old, with incentives for all Australians but with a clear focus on government expenditure being directed towards helping those at the lower end of the income scale who cannot take full advantage of the benefits offered by the system nor have the option of saving outside the system.

[25] Willing to Work, National Inquiry into Employment Discrimination against Older Australians and Australians with Disability.

We look forward to the final report on the outcomes of the Senate inquiry into the economic security of women in retirement. For any further information, please do not hesitate to contact us.

Yours sincerely,

Cate Wood, National Chair and Sandra Buckley, Executive Officer, Women in Super