

The Treasurer  
Budget Policy Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

14 December 2017

## RE: 2018-19 PRE-BUDGET SUBMISSION

Women in Super has prepared this submission in response to the Assistant Minister to the Treasurer's invitation for public submissions with regard to the 2018-19 Commonwealth Budget.

### WOMEN IN SUPER

Women in Super (WIS) is a national advocacy and networking group for women employed in the superannuation and wider financial services industries. WIS advocates to improve women's retirement outcomes and access to superannuation.

### RECOMMENDATIONS

WIS believes that there are many areas of budgetary policy which would be beneficial in reducing the gender super gap, and indeed increasing coverage to ensure that there are no gaps whereby Australians miss out on superannuation entitlements. This year, WIS launched its **Make Super Fair** policy aimed at improving the economic security of women in retirement.

In this submission, WIS focuses on six key recommendations, the first five of which form our **Make Super Fair** campaign:

1. Additional annual \$1,000 government contribution into superannuation for low income earners, to better support those with inadequate retirement savings.
2. No further delay to scheduled superannuation guarantee (SG) increases.
3. Pay SG on the government Paid Parental Leave scheme.
4. Remove the \$450 monthly income threshold on SG contributions.
5. Ongoing tracking of the gender super gap and publication of a gender impact statement for any changes to age pension or retirement income policy.
6. Consideration given to the sectors of the economy where compulsory super is not yet paid.

### WOMEN AND SUPERANNUATION

Australian women, on average, retire with just over half the superannuation savings of their male counterparts. More often than not, their super savings are well below what is considered necessary to provide a comfortable standard of living in retirement, which is currently estimated at \$545,000 for a single and \$640,000 for a couple.<sup>1</sup>

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<sup>1</sup> ASFA, (2016). *ASFA Retirement Standard*. [pdf] Sydney: The Association of Superannuation Funds of Australia Limited. Available at: <http://bit.ly/2tUCJGQ> [Accessed 13 Dec. 2017].

In 2013/14, the average superannuation balance achieved at the time of retirement by men was \$292,500, while women had an average balance of \$138,150.<sup>2</sup> While it is well established that a number of factors affect women's abilities to accumulate superannuation, including issues surrounding unequal pay, broken workforce participation, and an over-representation of females in part-time and casual work, women will likely spend longer in retirement and have longer life expectancies than men, and so in fact need more retirement savings.

WIS maintains its position that policy focus must be directed towards ensuring the Age Pension is capable of providing a basic acceptable standard of living, taking into account the crucial issue of home ownership or renting, given many women do, and will continue to, rely predominantly on this mode of funding for their retirements. In 2011, 49% of females relied solely on the Age Pension to fund their retirement. This compares to 40% of males.<sup>3</sup>

It is crucial that the gap in super savings between men and women is addressed to ensure women are not left living in poverty in retirement. As outlined above, WIS promotes the following policies which, we believe, aim to tackle the barriers faced by women in building their retirement savings. The cost to the economy of inaction in this area is growing as not only current, but future generations of women, will continue to retire with insufficient funds until the inherently discriminatory nature of the current retirement income system is changed.

We strongly encourage the Government to prioritise our recommendations, as these are particularly crucial in ensuring those most in need are able to increase their super savings.

We still have a long way to go in safeguarding women's economic security in retirement:

- Women still retire with 47% less super than men.<sup>4</sup>
- It is estimated that more than 40% of older single women live in poverty.<sup>5</sup>
- Women are more dependent than men on the age pension.
- The fastest growing cohort of homeless people is single older women.<sup>6</sup>
- Tax concessions in superannuation are skewed towards high income earners and it is estimated that 2/3 of all tax concessions are paid to men.<sup>7</sup>
- Low income earners do not receive Government incentives for saving for retirement and pay above marginal tax rates on the earnings of their superannuation investments.
- Compulsory superannuation payments are the main stay of the majority of women's retirement balances.
- Many women do not receive superannuation contributions due to:

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<sup>2</sup> ASFA, (2015). *Superannuation account balances by age and gender*. [pdf] Sydney: The Association of Superannuation Funds of Australia Limited. Available at: <http://bit.ly/2BWK8py> [Accessed 13 Dec. 2017]

<sup>3</sup> Rice Warner Actuaries, (2012). *Valuing females and rewarding them in retirement*. [pdf] Melbourne: Rice Warner Actuaries. Available at: <http://bit.ly/2yjtyxC> [Accessed 24 Oct. 2017].

<sup>4</sup> Senate Economics References Committee, (2016). *A husband is not a retirement plan: Achieving economic security for women in retirement*. Canberra: SENATE PRINTING UNIT, p.9

<sup>5</sup> ASFA, (2011). *Developments in the level and distribution of retirement savings*. [pdf] Sydney: The Association of Superannuation Funds of Australia Limited. Available at: <http://bit.ly/2yjuLh> [Accessed 11 Dec. 2017]

<sup>6</sup> COTA, (2014). *Submission to the Senate Inquiry into the extent of income inequality in Australia*. [pdf] Canberra: COTA. Available at: <http://bit.ly/2z56l0m> [Accessed 24 Oct. 2017].

<sup>7</sup> ISA, (2015). *Inquiry into economic security for women in retirement*. [pdf] Melbourne: Industry Super Australia. Available at: <http://bit.ly/2246tch> [Accessed 11 Dec. 2017]

- part-time and casual work where income from a single employer does not exceed the \$450 per month threshold;
  - nonpayment of SG payments on the Paid Parental Leave scheme;
  - self-employment as SG contributions are not compulsory;
  - time out of the workforce caring for others;
  - the growth of the gig economy.
- 3.6 million Australians receive the LISTO and of those approximately 63% are female.<sup>8</sup>
  - Decreasing home ownership, increasing rental costs and a lack of affordable social housing is increasing the pressure on women with inadequate retirement savings.

## 2018-19 BUDGET

### 1. Additional \$1,000 contribution

An additional annual \$1,000 government super contribution for low income earners would better support those with inadequate retirement savings. This would, for the first time, offer a tax concession to low income earners as the LISTO is a rebate of tax paid on compulsory SG contributions above the marginal tax rate.

The annual \$1,000 contribution to be made to Australians aged 25 and above earning less than \$37,000 per annum until their balance reaches \$100,000. One in two working women currently earns \$37,000 or less per annum so clearly this is a measure that would benefit a substantial number of women, as well as men.

Our proposed measure would see a woman aged 25 with a starting salary of \$25,000pa and projected retirement balance of \$205,210 reach \$235,347 making a \$30,137 (+ 14.7%) increase. This 14.7% increase could mean the difference between retiring in poverty or not.

From research carried out by Rice Warner, it was found that the proposed additional \$1,000 contribution would cost \$2.7 billion per year which is small when put into the context of the estimated \$30 billion the Government currently spends on super tax concessions annually. It is also modest when compared to the estimated \$10,000-\$15,000 of annual superannuation tax concessions received by high income earners. Superannuation tax concessions are an important part of our retirement income system and have a part to play in encouraging Australians to save for their retirement. It is anomalous that those with the least resources and greatest likelihood of facing poverty in retirement currently receive no tax incentive and it is disappointing that savings from recent budget changes to superannuation tax incentives for high income earners were not redirected to low income earners. We believe that this should now be rectified.

### 2. Increase the Superannuation Guarantee to 12%

The current 9.5% SG will not enable most women to accrue sufficient savings for a comfortable retirement even under a mature retirement income system or after a working

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<sup>8</sup> ASFA, (2017). *Media release: New super rules to benefit more than four million Australians*. [pdf] Sydney: The Association of Superannuation Funds of Australia Limited. Available at: <http://bit.ly/2sWh8g6> [Accessed 11 Dec. 2017]

lifetime of compulsory super. It is particularly important for women that the SG is increased to 12% as soon as possible.

For the majority of women – and a substantial number of men – pressures on family finances at the low to middle income level make it extremely difficult to take up existing voluntary contribution schemes. For many Australians the main and often only method of saving for retirement is through employer based SG payments.

WIS advocates for the right to all Australians to a dignified retirement free of poverty and economic insecurity, and supports compulsory super for all as a method of achieving an adequate level of retirement savings to boost the Age Pension.

### **3. Removal of the \$450 Monthly Threshold**

An estimated 220,000 women and 145,000 men are missing out on \$125 million of superannuation contributions as they do not meet the requirement to earn \$450 per month (before tax) from one employer.<sup>9</sup>

Women make up the majority of part-time and casual workers, many of whom do not qualify for SG payments due to earning less than \$450 per month. Furthermore, there are many workers in this sector of the workforce that work in multiple jobs, but do not earn \$450 per month in an individual job, and therefore also miss out on SG payments.

This is particularly so in female-dominated industries such as retail, hospitality and nursing, where it may be common practice to work for several employers. WIS believes that in order to assist women in increasing their superannuation savings it is vital that the monthly earnings threshold of \$450 to be eligible for the SG be abolished. This would not only benefit women, but men too where they are in similar circumstances. There would be negligible cost to Government associated with this measure.

While WIS strongly believes removing this threshold will assist women in boosting their super savings, it will also provide superannuation coverage to all workers, thereby easing the pressures on government somewhat in terms of funding the Age Pension.

### **4. Include Super in Paid Parental Leave**

Many women miss out on thousands of dollars of super and, in fact, their super savings stagnate and begin to fall behind those of men during child rearing years. WIS strongly supports the Australian Government's Paid Parental Leave scheme (PPL), which commenced on 1 January 2011. However, WIS recommends that a superannuation component be included in paid parental leave payments in the same way as it is included in other payments, such as annual and sick leave.

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<sup>9</sup> ASFA, (2017). *Media release: Who's missing out on super? Wage threshold creates an underclass of biggest losers*. Sydney: The Association of Superannuation Funds of Australia Limited. Available at: <http://bit.ly/2fW0gSb> [Accessed 11 Dec. 2017]

Whilst WIS encourages the growing trend for fathers taking PPL to care for young children, it is undeniable that women's superannuation balances suffer as a direct result of absence from the workforce to raise children. Research shows a 'flat-lining' of women's superannuation balances between the ages of 38 and 47 – a pattern which has continued for the past decade<sup>10</sup>. This has serious impacts for women at retirement – where these missed years of accumulation can result in a difference of \$80,000<sup>11</sup> in retirement balances between women and men.

Introducing SG on PPL would go some way to reducing this gap, and it is unfair and discriminatory in modern Australia that the one type of leave directed predominately at women does not include SG payments.

## **5. Gender impact statement**

A number of factors act against women reaching the best possible retirement outcomes, and the impact of tax, economic and social policy proposals and measures can have different consequences for women as opposed to men.

As part of our Make Super Fair policy, we recommend that the government measure and publish the super gap each year, and assess the impact that any future legislative changes to the retirement income system would have on women.

Given the significance of this gap, WIS strongly supports a gender-based analysis of all existing policies, and any proposed or future budgetary measures, to ensure women are not unfairly or disproportionately impacted purely because of their gender, and prioritisation of measures targeted at reducing the gender savings gap.

WIS also supports the reinstatement of the Women's Budget which would allow proper analysis of the impact of the budget on women, and could help in rectifying the gender super and gender pay gaps.

## **6. Consideration given to sectors of the economy where super is not yet paid**

WIS is increasingly concerned with the sectors of the economy that are growing rapidly but sit outside the compulsory super system, in particular, the gig economy. The gig economy is growing partly in response to the demand for flexible, challenging and diversified work, and the ability to provide extra income as wages stagnate while the cost of living grows.

Currently, gig economy workers represent a small proportion of Australia's workforce and ASFA estimates there are around 100,000 workers in Australia who use web-based platforms

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<sup>10</sup> ACFS/AIST, (2012). *Superannuation over the past decade: Individual experiences*. Melbourne: Australian Centre for Financial Studies and Australian Institute of Superannuation Trustees. Available at: <http://bit.ly/2C5vP2N> [Accessed 24 Oct. 2017]

<sup>11</sup> ASFA, (2011). *Developments in the level and distribution of retirement savings*. [pdf] Sydney: The Association of Superannuation Funds of Australia Limited. Available at: <http://bit.ly/2yjukLh> [Accessed 11 Dec. 2017]

to obtain work on a regular basis which equates to around 0.8 per cent of the Australian workforce.<sup>12</sup>

The ability to work flexible schedules is particularly important to those with caring responsibilities or workers, young and old, who find themselves unable or unwilling to access the traditional labour market. However, the rise of independent work arrangements will have potentially profound effects on the nature of work and on the relationships between workers and those that engage them. Workers may miss out on the standard benefits of having jobs and may not be covered by the Superannuation Guarantee (SG) nor be subject to existing labour laws, including minimum wage provisions or annual leave entitlements. For affected workers, and in the absence of any policy reforms, this will mean lower superannuation balances at retirement – which will reduce the broader adequacy of the superannuation and retirement income system.<sup>13</sup>

Any future growth of the gig economy is likely to further contribute to the insecurity of retirement outcomes facing women unless the current retirement income system is amended to take account of the developments of such new work conditions.

A landmark court ruling in the UK ruled that Uber drivers are not self-employed and so are therefore entitled to a minimum wage, holiday and sick pay.

WIS would like to see consideration by the Government given to this sector of the economy to include the type of earnings to attract super (perhaps an extension of super to gross remuneration as outlined by the Australian Institute of Superannuation Trustees) and how Australians engage in the gig economy so that we do not increase the numbers of people facing insecurity in retirement.

## SUMMARY

We believe the current retirement income system is not fair, efficient or sustainable for women and that action is needed to halt the growing number of women retiring in poverty and facing economic insecurity. We need to act now to ensure we do not bequeath these inequitable outcomes to the following generations. Women in Super would like to see a focus in the 2018-19 Budget on superannuation measures which will be guaranteed to deliver improved outcomes for the 50% of women earning low incomes who are not in a position to increase their voluntary savings, and are in real danger of experiencing poverty in retirement.

We hope that due consideration will be given to the impact any future tax changes will have on those Australians with low superannuation balances and working in the casual and part-time labour force so that they are not disadvantaged in their efforts to save for their retirement.

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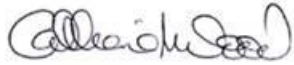
<sup>12</sup> Cranston, A, (2017). *Superannuation and the Changing Nature of Work: Discussion Paper*. Sydney: The Association of Superannuation Funds of Australia Limited, p. 7

<sup>13</sup> Cranston, A, (2017). *Superannuation and the Changing Nature of Work: Discussion Paper*. Sydney: The Association of Superannuation Funds of Australia Limited, p. 5

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Kind regards,



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