Retirement Income Review submission

February 2020

Summary & Recommendations

Australia has a sophisticated retirement system; however, it's design rewards those with unbroken careers. Women typically move in and out of the workforce, face wage discrimination and live around five years longer than men, leaving a stark gender gap in retirement incomes.

HESTA recommends that:

1. ***Unpaid caring roles be valued in an appropriate way that recognises the economic contribution made by this work;***
2. ***Superannuation be paid on Commonwealth Paid Parental Leave;[1]***
3. ***The $450 threshold for Superannuation Guarantee payments be removed;***
4. ***Superannuation entitlements are provided for workers who are not classified as employees and/or perform non-standard work;***
5. ***The Superannuation Guarantee rate move to 12% as soon as possible;***
6. ***The taper rate for the age pension be reviewed;***
7. ***The process for superannuation splitting in the event of relationship breakdown be improved; and***
8. ***The value of insurance in super for low income earners be recognised.***

Overall, we believe these equity mechanisms will improve the retirement outcomes for those on lower incomes and those who undertake caring roles. In addition, there needs to be consideration of limits to the support received by those at the upper end of the spectrum.

[1] This position was recommended by the Productivity Commission in its 2009 report *Paid parental leave: support for parents with newborn children* and was also a recommendation of the 2016 Senate Economics Committee Report, *A husband is not a retirement plan*.

Introduction

HESTA welcomes the opportunity to make a submission to the Retirement Income Review. The retirement income system is part of an important social and economic framework that impacts all Australians at some stage of their life.

Our submission will focus on a typical HESTA member and how the system works for them or (in many cases) against them. We focus on our area of expertise, namely the superannuation system. However, we acknowledge the importance of the other two retirement income pillars being reviewed - the age pension and private savings. In particular, the age pension will continue to be an important support for HESTA members in retirement.

We encourage the panel to focus on the best ways to provide dignity in retirement using all three pillars and not to concentrate wholly on striving for a self-funded retirement.

We have primarily focussed on equity and other areas where we can contribute, particularly where our member's experience should be highlighted.

Australia has a sophisticated retirement system; however, it's design rewards those with unbroken careers. Women typically move in and out of the workforce, face wage discrimination and live around five years longer than men, leaving a stark gender gap in retirement incomes.

Overall, we believe there should be more equity mechanisms to improve the retirement outcomes for those on lower incomes and those who undertake caring roles. In addition, there needs to be consideration of limits to the support received by those at the upper end of the spectrum.

We look forward to further discussions about fairness and equity to strengthen our superannuation system and provide better outcomes to avoid poverty for our members in retirement. We have also attached several submissions and research papers that HESTA has previously produced. We have seen many changes to the superannuation system; however, the previous submissions remain relevant given that reform dealing directly with equity measures has not been prioritised.

The 2016 Senate Economics Committee inquiry report into retirement incomes for women[2] concluded that Australia's retirement income system does not adequately incorporate women and men's different experiences of work. The 19 recommendations to address structural causes of gender inequality in Australian retirement incomes appear to have been largely ignored.

[2] *A Husband is not a Retirement Plan: Achieving Economic Security for Women in Retirement*, April 2016.

The 2018 Government response to the inquiry 'noted' all the key recommendations and stated that:

> "one of the most useful ways governments can address inequality in retirement incomes is to support economic growth to generate an increase in employment and incomes".[3]

Increased economic growth is not a panacea for structural inequality and we remain sceptical whether an understanding of women's lives has fully permeated perceptions about superannuation.

We understand the Panel must be guided by the terms of reference as determined by the Government; however, we note with disappointment the short timeline that has been dictated for such a complex, wide ranging and important process. Our retirement system reverberates over many decades and generations – it cannot be meaningfully reviewed in a few months.

We appreciate the engagement with stakeholders shown by the Panel members so far; however, the lack of a draft report in the timeline or scheduled public hearings raises serious concerns whether the final report can achieve the consensus and gravitas required for the Review to achieve any meaningful outcomes. Once again, we note the Panel can only work within the framework provided to them.

We would be pleased to answer any queries the Panel may have.

[3] Australian Government response to the Senate Economics References Committee Report: '*A husband is not a retirement plan' Achieving economic security for women in retirement*, August 2018

Our members – Our purpose

HESTA has over 850,000 members, $55 billion of assets and achieved an annualised return of 8.78% p.a. since inception in 1987 in the Core Pool – the MySuper authorised investment option.

HESTA is an industry super fund with a strict profit-to-members model that was created to meet the specific needs of employees working in the health and community services sector.

Our members:

- Work primarily in caring professions within the Health and Community Services sector, a sector with significant employment growth;
- Are mostly women (80%), and are likely to take career breaks, live longer, and more likely to be dependent on the Age Pension in retirement;
- These women earn $52,400 per year on average, with our male members earning 20% more than this;
- Predominantly light blue/blue collar workers in non-desk-based roles, required to perform medium duty manual tasks as a part of their role;
- Are time poor – generally balancing work and family responsibilities;
- HESTA members are some of the most vulnerable and marginalised workers in Australia;
- Generally, work under a traditional employment structure, drawing a regular wage.

The typical HESTA member is well known to Australia. She is skilled, vocationally driven, and will spend time out of the paid workforce to care for others and is currently 43 years old. It is for her that we make this submission and suggest changes to the structural elements of the retirement system based on proven international solutions.

We have included an infographic to show the characteristics of HESTA members as a *Village of 100*.

100 HESTA members

Gender

Like the health and community services workforce in general, HESTA members are predominantly women.

80 Women

Men 20

Working and retired

Most of our members are still working. That's because the superannuation system (which only began in the early 1990s) is still maturing, and few of our members have retired yet.

96 Still Working

4 Retired and Drawing Pension

Age

HESTA members fall into all stages of work life: younger workers just starting out, mid-career workers, and older and retired workers.

Under 30: 19

In their 30s: 24

In their 40s: 21

In their 50s: 20

In their 60s: 13

Over 70: 3

Average annual salary (for working members)

The average HESTA member makes over **$53,000** per year. But our male members, on average, make about **20% more** than our female members.

Total **$53,300**

Women **$52,400**

Men **$63,000**

Average length of HESTA membership

Over one third of HESTA members joined our fund within the last five years; this reflects the strong growth that has occurred in health and community services. Relatively few members have been with the fund for more than 20 years – but that is changing as the fund matures, and our working members accumulate more experience.

Under 5 years: **34**

5-10 years: **23**

10-15 years: **20**

15-20 years: **12**

Over 20 years: **11**

Annual salary (for working members)

The earnings of HESTA members are concentrated in the broad middle-income band: **over three-quarters of our village earn between $25,000 and $100,000**. But a significant minority of our members earn less.

Under $25,000: **16**

$25-50,000: **36**

$50-100,000: **40**

Over $100,000: **8**

Family structure of HESTA members

Like Australian society as a whole, the family arrangements of HESTA members have evolved, and become more diverse. Our members have many different ways of living.*

Couple with children: **47**

Couple without children: **17**

Single with children: **10**

Single without children: **23**

Other: **3**

Home ownership of HESTA members

Among HESTA members over 50 years of age, 80% own their own home. That's higher than the average (65%) for all Australians. But almost one in five HESTA members in that age category does not own a home. Of those over 50 that own a home, over half have paid off their mortgages.

Own home, no mortgage: **25**

Own home, with mortgage: **36**

Don't own home: **39**

Average superannuation balance

Because many HESTA members are early in their careers, their super balances are still relatively small. On the other hand, our retired members have had more time to build up larger balances.

For those still working: **$50,000**

For those retired **$208,000**

An inequitable system

Australian women overwhelmingly experience an intolerable level of economic insecurity in retirement. If the current policy settings remain then this will continue now and into the future. Our submission touches on the the significant inequality in retirement outcomes for women, and the various factors that contribute to these results.

For most women and most HESTA members the Age Pension is the main pillar for retirement income. Our analysis shows that approximately 6% of HESTA members will never even reach a balance of $6,000 despite being in the workforce for decades.

Our current system magnifies the problem of gender differences in lifetime earnings. In addition, the bulk of concessions benefit men. Unfortunately, the current design of the system rewards higher income earners, rather than focusing on those most at risk of poverty in retirement.

We note a recent discussion paper and commentary[4] drawing on MARIA analysis from Treasury found that tax concessions on super contributions for higher income earners resulted in them receiving more assistance from the government than those who qualified for the means-tested age pension.

We note and strongly agree with the statement form the Panel that:

> "The overall level of public support provided by the retirement income system should be targeted to those who need it most."[5]

Our current tax system does not deliver this and is inequitable in relation to super as it provides more public support to those in higher income brackets,[6] which is primarily men. This inequity is largely caused by income tax (and capital gains tax) systems that are progressive and a superannuation tax system that is largely flat. Consequently, the benefits of superannuation largely flow to people with high incomes and high superannuation balances.

---

[4] *Super funds demand Treasury modelling grunt***,** Australian Financial Review, 7 January 2020

[5] *Retirement Income Review Consultation Paper* (pg 18).

[6] ibid.

Industry Super Australia’s (ISA) examination of ATO data shows:

- The top 20% of taxpayers get 49.3% of the tax concessions; and
- The bottom 50% of taxpayers get 21.5% of the tax concessions.[7]

This is clearly unfair and suggests that tax concessions for superannuation actually amplify inequality in Australia rather than help to address it.

We also agree with the sentiments expressed by Dr Richard Dennis:

> “. . while the age pension is capped at $24,268 a year for singles, there is no cap on the lifetime value of taxpayer support for superannuation. There are people with tens of millions of dollars in their superannuation funds who receive millions of dollars’ worth of tax concessions each year.”[8]

We believe there is a clear case for additional measures to assist those on lower incomes and those who undertake caring roles. HESTA does not have a fixed view regarding how support should be modified at the higher end of the scale. We recommend policymakers focus on rebalancing efforts. Any additional revenue from changes made at the higher end of the scale should be hypothecated for use to improve outcomes at the lower end of the scale.

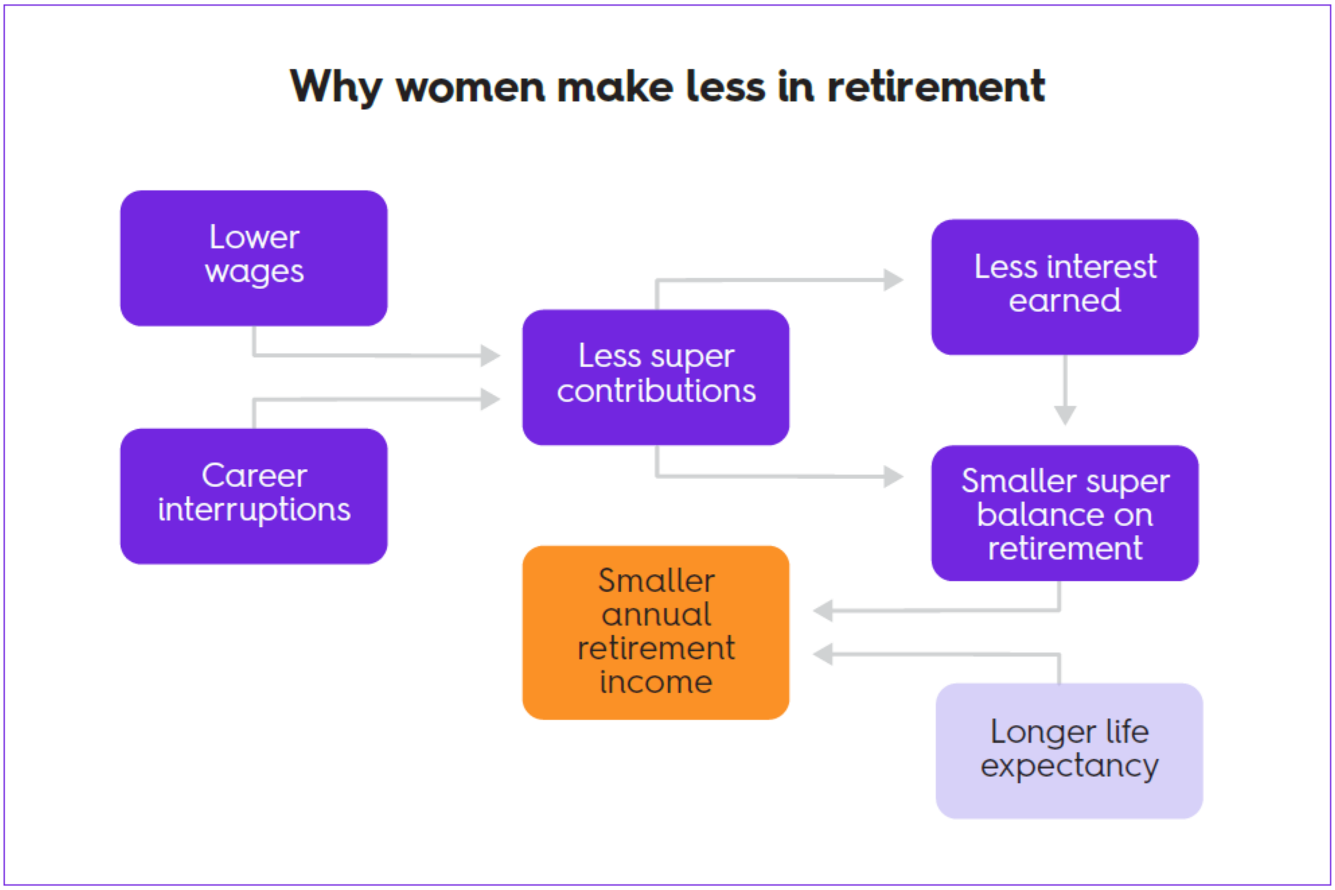
[7] ISA submission to Retirement Income Review.
[8] https://www.theguardian.com/commentisfree/2019/nov/27/how-australias-superannuation-system-steals-from-the-poor-to-give-to-the-rich

Caring about inequality

There are several well-known factors that combine to cause the gender savings gap in retirement and impact the poverty outcomes for women.

The drivers are:

- The gender pay gap
- Unpaid time out of the workforce caring for others
- Women's life expectancy.



Many factors explain the large, continuing pay gap between men and women. First, basic wages are significantly lower for women: ordinary time earnings for women in full time jobs are 14% less than for men. This figure is often reported as the gender wage gap, but it is not the full story.

Second, the base pay gap is amplified by payments of bonuses and overtime pay, which are concentrated in traditionally 'male' jobs (including executives, financial professionals, construction and mining). When that additional income is included, the gender pay gap swells to 17.5%.

However, biggest factor suppressing women’s wages is their concentration in part time work and other irregular or precarious jobs. Those jobs not only pay lower hourly wages than full time jobs, but they also offer fewer hours. That widens the gender pay gap even more. In 2018, average weekly wages for women were 32% lower than for men.[9]

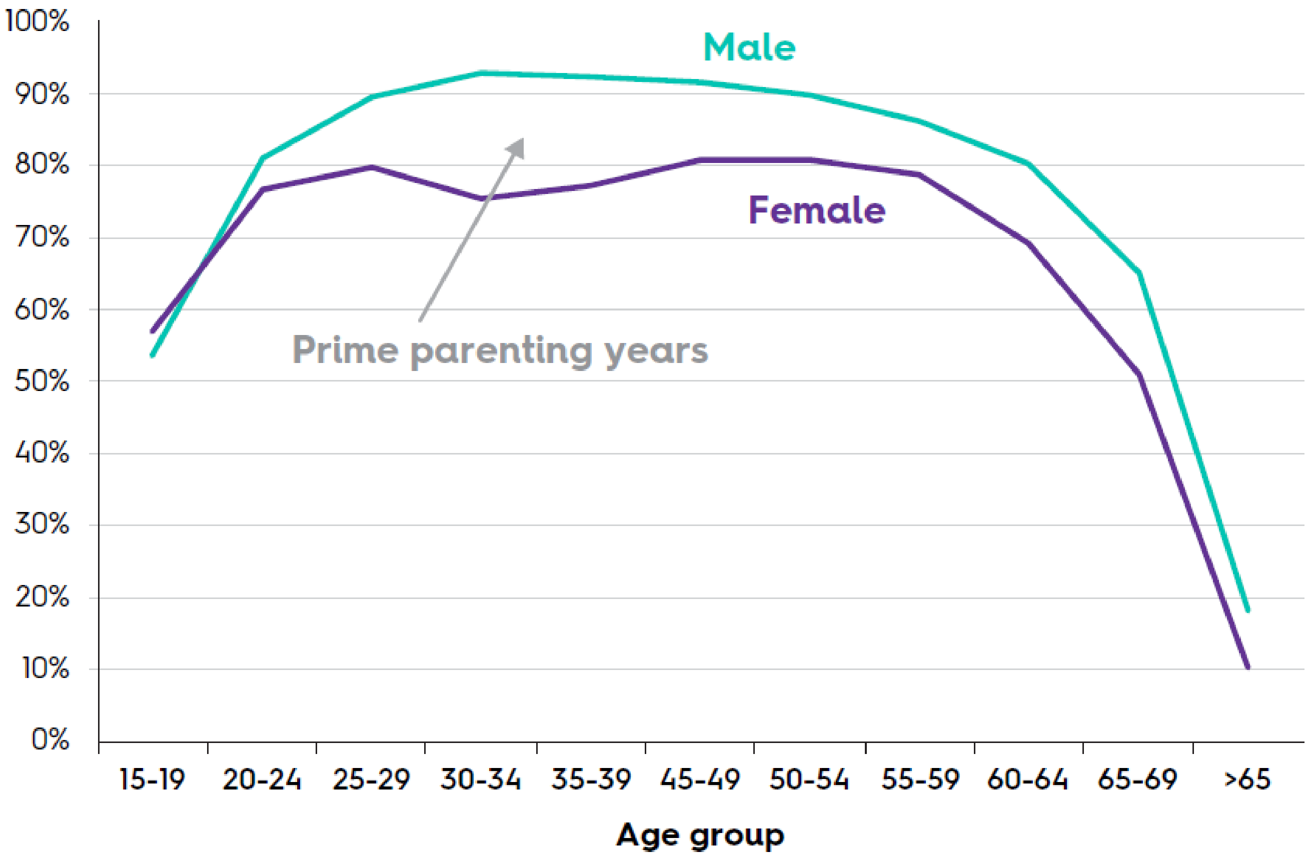
Closing the gender pay gap is important to our members and will help close the gender retirement savings gap; however, unpaid time out of the workforce to bear children and care for others is the driver that poses the greatest threat to a woman’s prosperity in retirement.

Unfortunately, there is effectively a ‘***motherhood penalty’*** as a result of having children: equal to at least 5-10% of wages. This is amplified because women typically receive smaller wage increases and fewer promotions after returning to work, and lower superannuation contributions.

This effect is most pronounced when children are very young, when a mother may stop work for a period of time. This is also the time when contributions to their super account would have the greatest chance to take advantage of exponential growth through compounding interest.

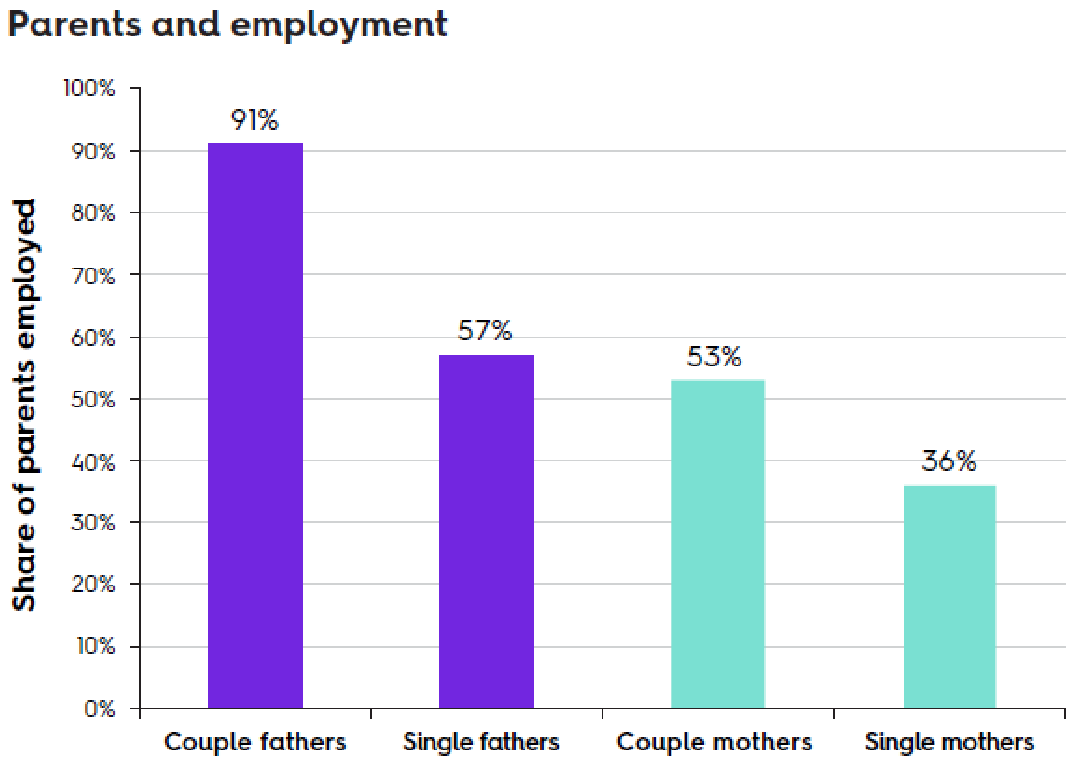
[9] ABS Catalogue 6302.0, Table 2.

Labour force participation by age and gender, 2018



Source: ABS Catalogue 6291.0.55.001, Table 1.

Almost all fathers who are in a couple work outside the home, but barely half of mothers in a couple do. In fact, single-parent fathers are more likely to be employed than mothers in a couple.



Source: HILDA Report (2018), p.12.

Almost half of mothers do not return to work for more than two years after the birth of their first baby. These long absences from the workforce result in a direct loss of income while they are not in the workplace. But they also lead to longer-term earnings reductions because of foregone wage increases and promotion opportunities.

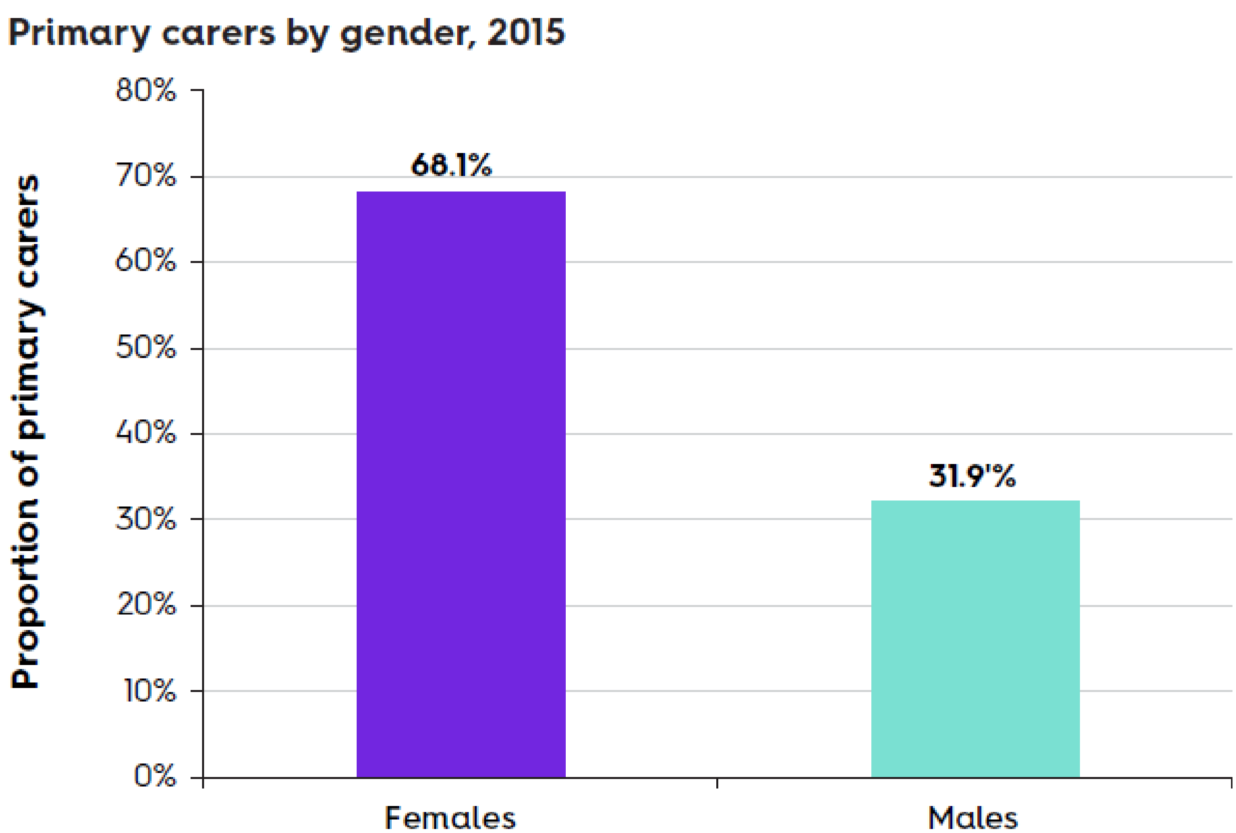
Mothers' time off work with first child

Before birth		After birth	
Under 1 month	39.3%	Under 3 months	8.2%
1-3 months	15.1%	3-6 months	8.5%
3-12 months	7.5%	6-12 months	20.9%
Over 12 months	16.3%	1-2 years	18.3%
Never worked	21.8%	Over 2 years	44.1%

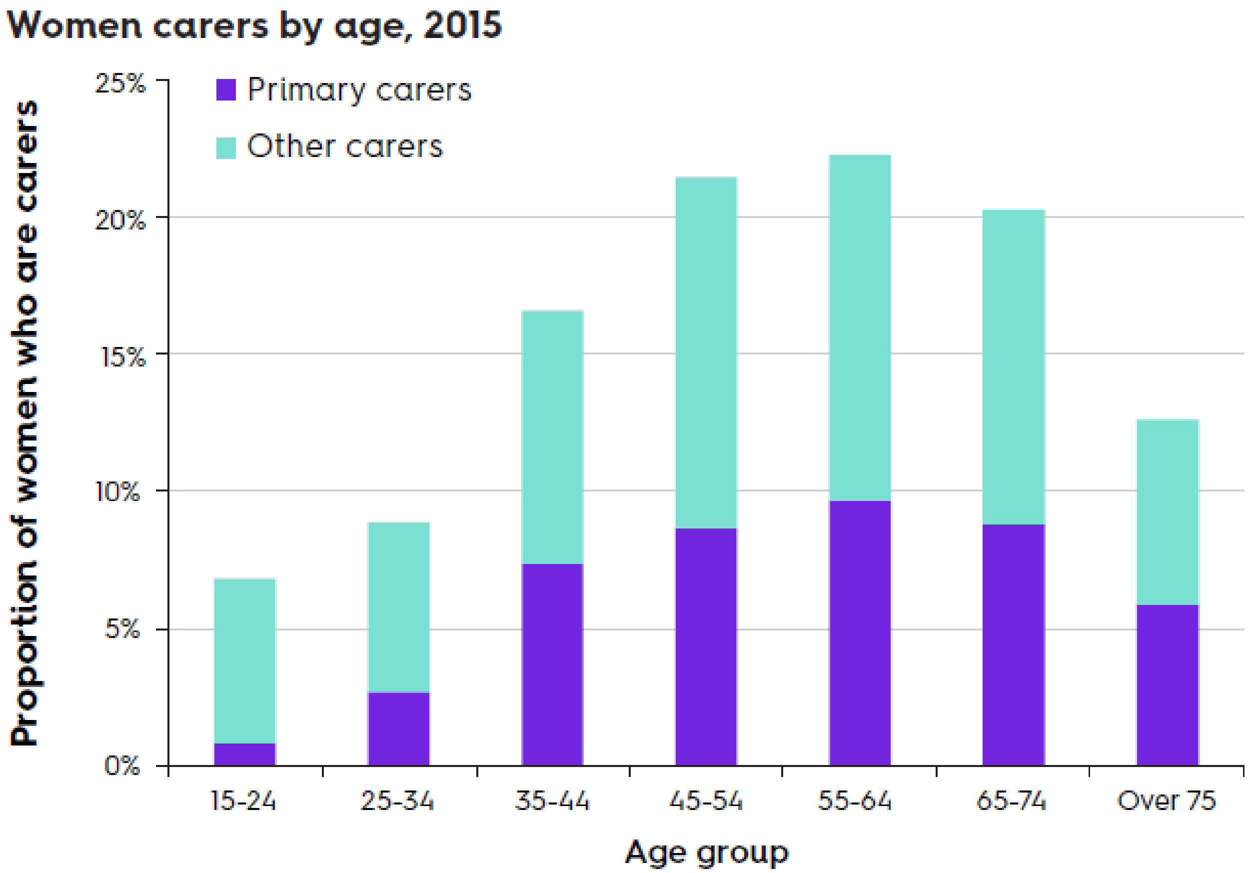
Source: HILDA Report (2017), Table 4.2.

Time out of the workforce is obviously not confined to women; however, caring for children and other relatives, is disproportionately performed by women. In addition, for those who receive paid parental leave, the SG does not apply to replacement income. This is the only form of leave that does not attract superannuation entitlements.

Looking after their children is not the only caring responsibility which falls disproportionately on women. Women also make up over two-thirds of all primary carers for elderly persons or persons with disability. And they provide a majority of non-primary caring as well. Over one-fifth of women between 45 and 75 serve as a carer for someone else. This unpaid labour imposes significant emotional, physical and financial burdens on women.



Source: ABS Catalogue 4430.0, Summary of Findings.



Source: ABS Catalogue 4430.0, Table 32.3.

Almost all Australians can expect to be involved in an unpaid caring role in some capacity during their working life.

The rates and type of unpaid care provided by different genders in Australia has been well documented. The gendered nature of the obligation to provide care may be evident in the types of care relationships that men and women engage in. Women are more likely to care for children with disabilities and parents while men are more likely to care for their partner. The unpaid caring time out of the workforce will be more intense for women at the early stage of their career than for men. This has different impacts on workforce participation and therefore different impacts on retirement savings.

Unpaid caring roles make an important economic contribution to wider society but are generally not recognised or rewarded at an individual level. Ongoing economic activity and tax revenue requires people to participate in the economy. It may seem like a simplistic analogy but raising children provides the ongoing supply of people/workers/taxpayers to achieve this; however, the labour undertaken to provide this 'supply' is not rewarded in an economic sense – in fact it is largely punished.

Why is it that a mother caring for her children produces no 'measured' economic value, but the same mother hiring others to look after her children does? The answer stems from our narrow measurements of 'economic activity', which currently only captures activities for which people are paid.

If the economy is not delivering equitable outcomes for large portions of the population then we shouldn't be afraid to change it. We should have an economy that serves society; not the other way around. Unpaid caring roles are obviously valued in an emotional and 'human' way, but there is no reason why they can't be valued in an economic way as well. Essentially our narrow definition of 'economic activity' needs to change.

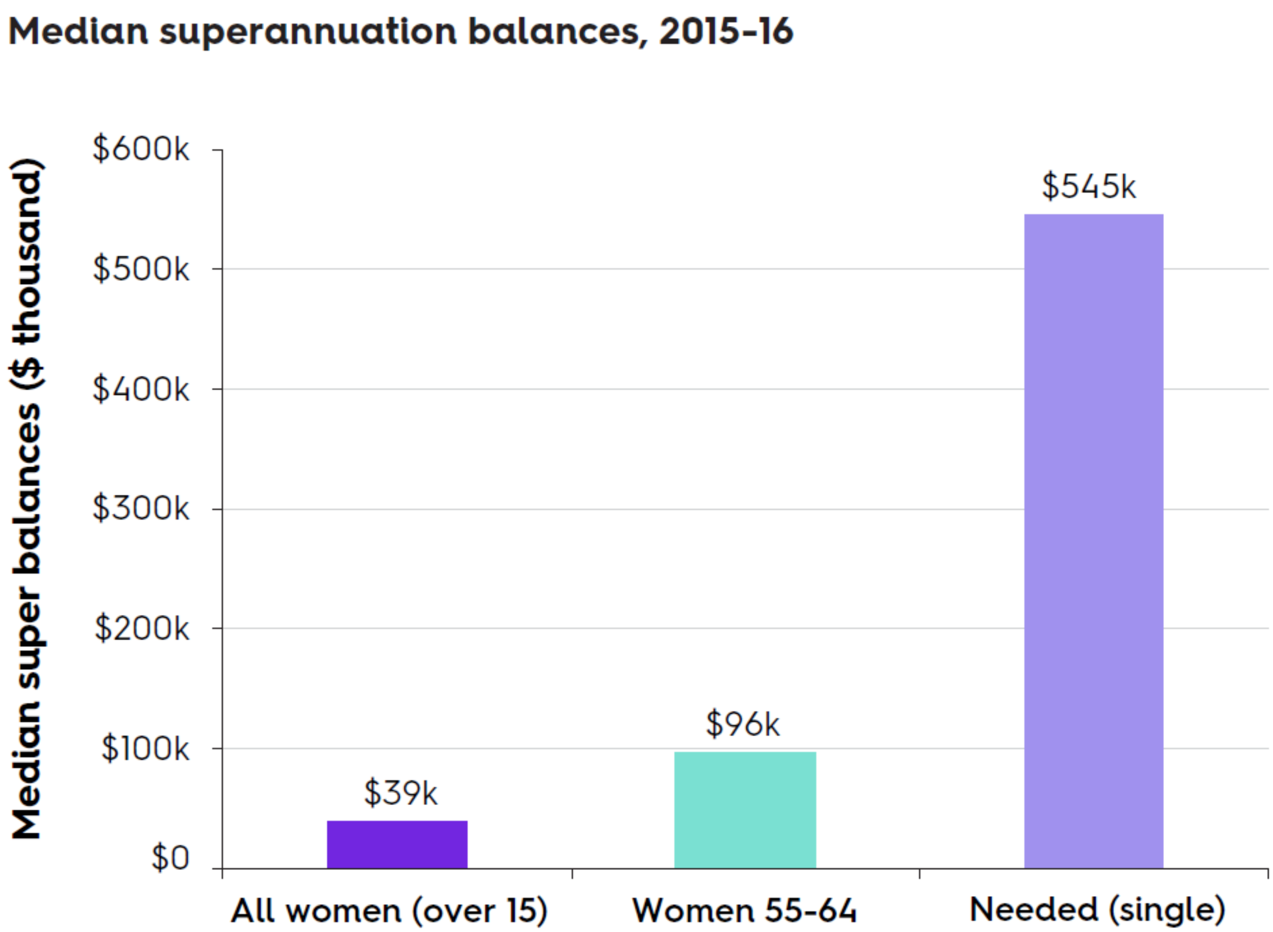
PWC has previously estimated that the replacement cost of informal childcare alone would be $409.5 billion in 2016[10] - this is a massive contribution to society. If a small fraction of this amount was paid as superannuation this would make a substantial impact to retirement outcomes and send a strong signal that unpaid care is valued.

Women's unequal experience in the workplace carries over into greater financial challenges in retirement. Women are less likely to participate in the labour market – especially in prime child-bearing years. Women who are employed make almost one third less than their male counterparts: partly due to their concentration in lower-paying jobs, and partly due to shorter hours of work. They lose more income to career interruptions. The resulting loss of superannuation contributions (and subsequent investment income) imposes a major additional financial penalty.

When they reach age 65, most women can anticipate to live longer than men: by close to three more years, on average. But women's super balances on retirement are more than a third smaller, on average, than men. Elderly women are thus left more dependent on the Age Pension, support from families, and other sources of income – and too many, unfortunately, experience poverty.

For women who are currently working there is no change to the superannuation system that will be enough to arrest these figures completely. A well-funded social security system is crucial for the financial wellbeing of Australian women. The median superannuation balance held by women is only $39,000 and shockingly, one-third of women over age 15 have no superannuation at all.

[10] *Understanding the unpaid economy*, PwC Economics and Policy, March 2017.



Source: ABS catalogue 4125.0, Table 2.7; Clare for Association of Superannuation Funds of Australia (2017).

When universal superannuation was established, it was determined that a threshold should be set for monthly wages under which superannuation payments need not be made. At the time it was argued that the administrative burden would be too great if the employee was earning under $450 per month with them.

Consider a nurse, with unpaid caring responsibilities who has irregular shifts across three health providers. She earns the following in one month:

- $360 from a pathology lab where she works drawing blood samples
- $420 from a hospital filling in a night duty shift
- $445 from a GP clinic where she taught first aid.

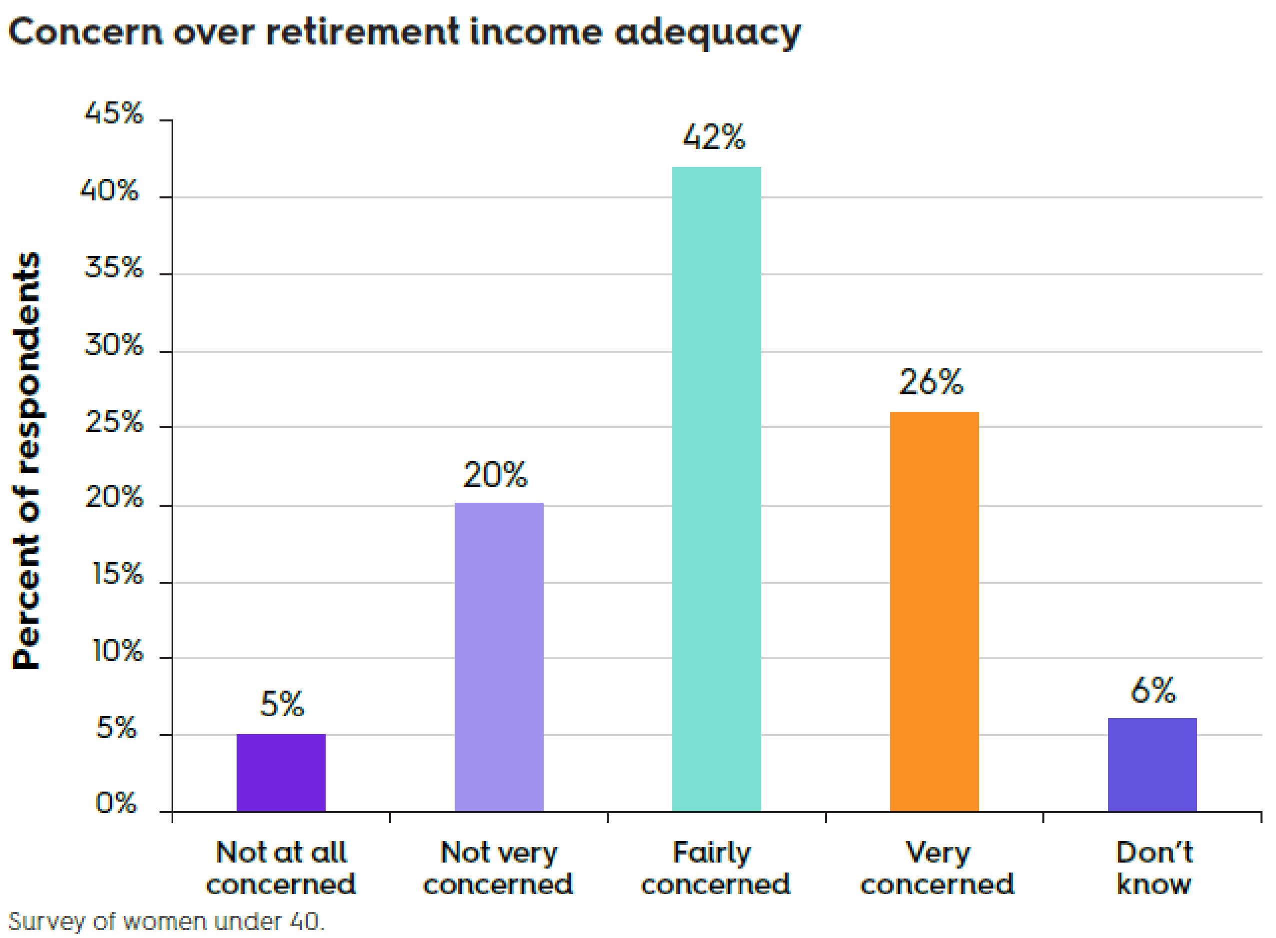
Her total gross monthly pay is $1,225 but total superannuation contribution for that month is $0.

Three different employers, all under the $450 threshold for the month; consequently, none of these contributed to her superannuation. This is unfair and unnecessary.

The ‘administrative burden’ rationale for the $450 threshold may have made sense decades ago but in 2020 there is simply no justification for it to remain. The introduction of *SuperStream* by the Government has made everyday superannuation transactions easier, cheaper and faster. It allows employers to pay a super contribution for all their employees regardless of their base salary and removes the administrative barrier associated with transferring contributions for those earning less than $450 a month.

The $450 threshold can be removed and should be removed.[11] Estimates from ASFA suggest that approximately 220,000 women and 145,000 men would benefit from such a change.

Not surprisingly most women under 40 are concerned that their retirement incomes will not be adequate under the current system (as shown below).



Source: Baird, Marion, Rae Cooper, Elizabeth Hill, Elspeth Probyn and Ariadne Vromen (2018). *Women and the Future of Work* (Sydney: University of Sydney Business School).

[11] There have been numerous stakeholders that have recommended the removal of the $450 threshold including the Australian Institute of Superannuation Trustees, Women in Super, Industry Superannuation Australia, Association of Superannuation Funds of Australia.

HESTA recommends that:

- ***Unpaid caring roles be valued in an appropriate way that recognises the contribution made by this work;***
- ***Superannuation be paid on Commonwealth Paid Parental Leave;***[12]
- ***The $450 threshold for SG be removed.***[13]

[12] This position was recommended by the Productivity Commission in its 2009 report *Paid parental leave: support for parents with newborn children* and was also a recommendation of the 2016 Senate Committee Report, *A husband is not a retirement plan*.
[13] This recommendation was also made by the Select Committee on the *Future of Work and Workers* – September 2018 and *A husband is not a retirement plan,* 2016.

Non-standard ways of working

Since universal superannuation was introduced for all employees in 1992 there have been massive shifts in the nature of work and employment arrangements; however, superannuation has not evolved at a similar rate. Unfortunately, many of these changes have resulted in an increasing number of workers missing out on superannuation, thereby undermining the universality of the system.

The gig economy and other 'non-traditional ways of working' are changing the employment landscape and technology has made it easier to segment work into smaller parcels, often falling outside of the current scope of superannuation. Research by NMG consulting[14] in 2018 estimated that 2.3 million Australian workers partially or entirely fall outside of superannuation coverage which equates to almost $10 billion in missed superannuation payments each year.

Over 1 million of these workers are in some sort of contracting arrangement which, unfortunately, can be deliberately used or imposed to avoid entitlements such as superannuation. There has been a rapid expansion of these new contractor models where most aspects of work are controlled by the platform owner. These types of arrangements are increasingly common in the Health and Community Services sector with casualisation and gig platforms defining workers as independent contractors.

Women are especially penalised by this trend, being more likely to participate in part-time or casual work, which increasingly comes in the form of a contractor rather than employee relationship.

Superannuation should be an entitlement of all forms of work – regardless of how it's performed. The current SG legislation is too narrow to adequately deal with these new types of working arrangements.

HESTA recommends that:

- ***superannuation entitlements are provided for workers who are not classified as employees and/or perform non-standard work.***[15]

[14] *Super and the changing nature of work*, NMG consulting 2018.
[15] This recommendation was also made by the *Select Committee on the Future of Work and Workers – September 2018.*

The path to 12%

There has been no shortage of research, debate, modelling, assertions and assurances regarding the legislated increases for SG to reach 12% in 2025.[16]

A uniform rise to 12% SG under the current policy settings would increase all super balances. This would undoubtedly assist those on lower incomes or with broken work patterns to achieve an adequate retirement.

HESTA supports the current legislated path to 12% - especially given the benefit it will deliver for the typical HESTA member. From an equity perspective 12% SG will provide far more value for those on lower incomes compared to those on higher salaries. As previously mentioned we believe there should be some form of 'phase out' of support or concessions for higher income brackets.

HESTA recommends that:

- ***The Superannuation Guarantee rate move to 12% as soon as possible.***

The taper rate

HESTA believes the Age Pension taper rate should be reviewed with a view to improving fairness for low and middle-income earners. The 2017 changes mean that for each $1,000 worth of assets above the full pension threshold, the age pension is cut by $3. Previously, the taper rate was $1.50 per $1,000.

This change was unfair to many retirees and does not provide enough benefit for saving more. We note the widespread support for changes to address the current arrangements.[17]

HESTA recommends that:

- ***The taper rate for the age pension be reviewed.***

---

[16] https://grattan.edu.au/superannuation/
https://www.theguardian.com/australia-news/2019/jul/22/liberals-at-odds-over-superannuation-increase-as-rebel-mps-demand-freeze
https://theconversation.com/the-uncomfortable-truth-about-super-theres-no-one-size-fits-all-contribution-130193
https://www.futurework.org.au/abandoning_super_increases_won_t_boost_wages
https://www.smh.com.au/politics/federal/liberal-committee-chair-backs-10-percent-compulsory-superannuation-freeze-20191010-p52zf7.html
https://www.smh.com.au/politics/federal/retirement-income-review-a-stalking-horse-labor-vows-to-hold-on-to-12-percent-super-20191002-p52wzp.html
https://www.theguardian.com/australia-news/2019/nov/24/the-great-superannuation-debate-raise-it-freeze-it-or-do-away-with-it-altogether

[17] The AIST, ISA, Actuaries Institute, Rice Warner, Mercer, the Grattan Institute, National Seniors, *AustralianSuper* and the Alliance for a Fairer Retirement System have all called for the taper rate to be reviewed.

Relationship breakdown

Relationship breakdown can have a significant impact on an individual's retirement outcomes. For low income households, superannuation can make up the greatest share of the property pool but the financial outcomes for disadvantaged women are currently poor.

The landmark report, *Small Claims Large Battles,*[18] by Women's Legal Service Victoria looked at the barriers to fair financial outcomes for disadvantaged women in the family law system. Superannuation splitting was identified as an area that needed urgent reform, especially for vulnerable women who had experienced family violence or economic abuse.

The research highlighted superannuation as a significant asset in smaller property disputes, especially if there were no other assets. Vulnerable women face significant difficulty in accessing a superannuation split under the current framework where super can effectively be 'hidden' if parties fail to make full and frank disclosure. In addition, the legal and administrative complexities involved in obtaining orders over superannuation often inhibit women's access following relationship breakdown.

Given that superannuation continues to grow in coverage and size of accounts it is an increasingly important source of wealth in many Australian households. For low-income families it can be the greatest share of the property pool because of compulsory contributions and preservation.

One of the issues identified by the report is the difficulty in identifying a former partners superannuation. Voluntary disclosure is the primary method for locating superannuation and it is often impossible to know if all accounts in a party's name have been disclosed.

The phenomenon of multiple superannuation accounts complicates any attempt to form an accurate picture of someone's superannuation. According to the ATO in June 2018 approximately 35% of people with superannuation accounts had more than one account and 13% had three or more accounts.[19] In addition, men are more likely than women to hold more than one super account and of those people who hold six or more accounts 60% are men.

Even if there is no superannuation split in the final property settlement, knowing the size of each party's superannuation interest is important to ensure it can be calculated and offset against other assets.

[18] https://womenslegal.org.au/creating-change/small-claims%2C-large-battles.html
[19] https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Super-statistics/Super-accounts-data/Multiple-super-accounts-data/#MultiplesuperaccountsheldbyAustralians

The WLSV Report recommended an administrative mechanism for the release of information about the identity of a former partner's superannuation fund and its value. Pleasingly this recommendation was adopted by the Federal Government in the Women's Economic Security Statement[20] released in November 2018; however, this is still to be legislated and implemented. There is no apparent reason or explanation for the delay. Consequently, the amount of super that is 'invisible' during relationship breakdown remains unknown.

The WLSV Report also recommended a simplified form for superannuation splitting be developed. This recommendation was echoed by the ALRC Report into Family Law that was released in March 2019. HESTA has been working with WLSV, Women in Super and other superannuation stakeholders to advance this issue.[21]

HESTA recommends that:

- ***The process for superannuation splitting in the event of relationship breakdown be improved.***

[20] https://www.pmc.gov.au/sites/default/files/publications/womens-economic-security-statement-2018.pdf
[21] https://www.hesta.com.au/about-us/media-centre/HESTA-pushes-for-simpler-super-splitting.html

Indigenous super

HESTA is working to increase confidence and choice in retirement for all members including Aboriginal and Torres Strait Islander peoples. Superannuation is complex for everyone and issues faced by First Australians regarding superannuation can be even more complicated.

HESTA was the first industry superannuation fund to implement a Reconciliation Action Plan (RAP), using the Reflect model to help us chart the best path to stronger partnerships with Aboriginal and Torres Strait Islander communities and now, we're building on the work we've done with our Innovate RAP.[22]

In addition, HESTA is part of the Indigenous Superannuation Working Group[23] and continues to support and participate in activities such as the Indigenous Super Summit and the Big Super Day Out.[24]

HESTA has supported broadening the legislative definition of dependency to be aware of First Australian kinship structures in relation to superannuation death benefits[25] and has implemented the AUSTRAC identification guidelines for Aboriginal and Torres Strait Islander customers.[26]

The value of insurance in super

We note the Panel has not addressed the issue of insurance within super in the consultation paper. There have obviously been significant legislative changes in this area recently[27] that are still being implemented; however, we believe the Panel should still incorporate the 'value' group insurance can provide to vulnerable cohorts into their analysis:

By way of illustration a 20-year-old HESTA member would previously receive:

- IP cover that provides $950 per month until age 67 if they are unable to work; and
- Death cover to the value of $50,000.

This cover was provided for 76 cents per week or $39.52 per year. HESTA receives a tax rebate for the cost of providing this insurance, which we passed on to

[22] https://www.hesta.com.au/about-us/what-we-stand-for/reconciliation-action-plan.html
[23] http://www.aist.asn.au/about/aist-in-the-community/indigenous-super.aspx
[24] http://www.fnf.org.au/super-outreach.html
[25] https://treasury.gov.au/consultation/c2019-t371937
[26] https://www.austrac.gov.au/business/how-comply-and-report-guidance-and-resources/customer-identification-and-verification/identifying-customers-who-dont-have-conventional-forms-id
[27] Protecting Your Super & Putting Members' Interests First

members, meaning the cost of cover is effectively ***65 cents per week or $33.80 net per year***.

HESTA members are some of the most vulnerable and marginalised workers in Australia. With our member base in mind we designed an insurance structure that is affordable and appropriate for their age and occupation. Most of our members do not have personal insurance cover outside of super which makes the provision of affordable and tailored insurance even more valuable.

There are currently 177,742 HESTA members with a balance under $6,000 – approximately 75% of these members are women and their average age is 36, meaning the average value of their lost benefit from the recent changes is potentially over $500,000 in combined default death and long-term income protection.

Due to the nature of our membership, around 6% of our members will probably never reach a balance above $6000. For these members, the insurance component of their super is far more valuable than the additional retirement benefit that would have accrued if they didn't pay the insurance premiums.

HESTA recommends that:

- ***The value of insurance in super for low income earners be recognised.***

National Office
PO Box 615
Carlton South VIC 3053
03 8660 1600

4 November 2015

Committee Secretary
Senate Standing Committees on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Committee Secretary

RE: HESTA submission to the Senate inquiry into the economic security of women in retirement

We welcome the opportunity to make a submission to the above-mentioned inquiry.

Australia has a sophisticated retirement system but it's design rewards those with unbroken careers. Women typically move in and out of the workforce, face wage discrimination and live around five years longer than men, leaving a stark gender gap in retirement incomes.

In Australia, women are financially penalised for taking on unpaid caring responsibilities. We have focused on this particular driver of retirement inequity in our submission.

HESTA is an industry superannuation fund with more than 800,000 members, and over 80% of these members are women. We managed just over $32b of retirement savings on their behalf. HESTA members primarily work in the health and community services sector.

The typical HESTA member is well known to Australia. She is skilled, vocationally driven, and will spend time out of the paid workforce to care for others. She is currently 43 years old and has around $16,000 in her super account. It is for her that we make this submission, and suggest changes to the structural elements of the retirement system based on proven international solutions.

Our recommendations are:

1. Commitment to keep the Low Income Superannuation Contribution measure
2. Removal of the $450 threshold
3. Valuing the unpaid caring roles at the time they are performed.

We look forward to further discussions about fairness and equity to strengthen our superannuation system and provide better outcomes to avoid poverty for our members in retirement.

Yours sincerely

Debby Blakey
CEO

HESTA submission to the Senate inquiry into the economic security of women in retirement

HESTA has a unique position in the retirement landscape

Established in 1987 as the industry super fund for the health and community services sector, HESTA is run only to benefit members.

HESTA has over 800,000 members and we manage more than $32 billion in assets on their behalf, they are predominantly female, and many take time out of the paid workforce to care for others, returning to work on a part time basis.

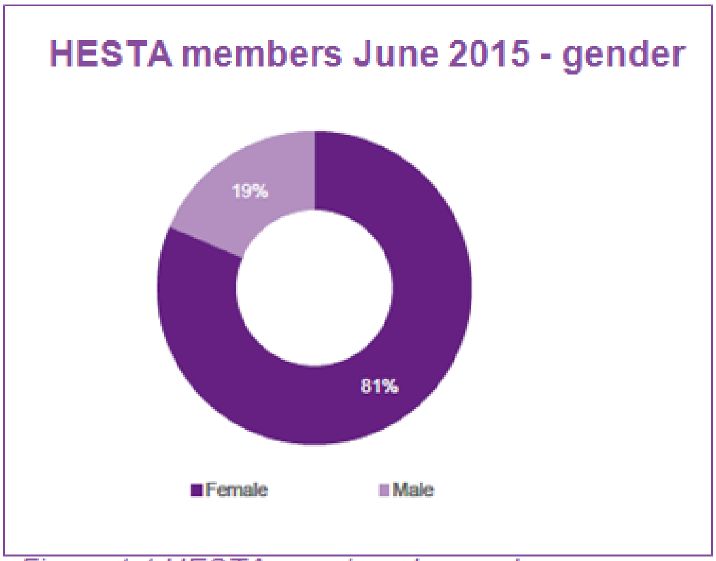


Figure 1.1 HESTA members by gender

The median HESTA member is aged 43, is female and has a balance of approx. $16,000 in superannuation.

Because of our traditional industry base our members are:

1. More likely to live for five years longer than an average Australian male
2. More likely to suffer the inconsistencies and discrimination of the gender pay gap
3. More likely to take time out of the workforce on periods of unpaid leave
4. More likely to be at risk of poverty in retirement.

Our mission is to make a real difference in the retirement outcome of every member. Creating a more equitable superannuation system will make a real difference to HESTA members. We regard this as unfinished business that deserves a policy focus for completion.

Our submission focuses on the superannuation system — our expertise. However, we acknowledge the importance of the other two retirement system pillars — social security and private savings — in the lives of HESTA members. We encourage the conversation to focus on the best ways to provide dignity in retirement using all three pillars and not to concentrate wholly on striving for a self-funded retirement.

We acknowledge there may be some interim merit in the provision of employer provided initiatives and positive discrimination techniques but these should be a secondary focus of the inquiry as they do not deliver lasting change on a universal basis.

HESTA members deserve better than poverty in retirement — understanding the impact

The inquiry requests information on the impact of the gender savings gap on the retirement outcomes for women.

It is unacceptable to us that HESTA's female members, particularly those who are single, are at the greatest risk of experiencing poverty in retirement because they are overrepresented in 'at risk' groups.

Poverty rates by family type [%][1]

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Non-elderly couple	10.5	8.4	7.6	7.9	7.0	6.9	8.6	8.3	8.8	7.4	7.3	7.6
Couple with children	7.1	6.4	7.2	8.0	6.3	5.3	7.6	7.3	5.8	6.4	6.2	5.4
Lone parent	18.5	17.1	18.1	18.7	17.1	20.3	23.0	22.8	19.8	24.3	21.9	18.5
Non-elderly single male	12.3	12.3	12.6	12.4	12.4	9.6	11.7	13.6	12.7	12.3	13.1	14.2
Non-elderly single female	14.9	13.7	15.3	14.5	13.9	12.5	15.4	15.8	15.5	13.7	14.2	11.7
Elderly couple	20.7	18.1	14.6	18.5	23.2	24.7	25.4	29.4	31.9	29.6	28.0	25.6
Elderly single male	39.3	38.5	39.9	39.1	34.6	32.2	34.8	37.2	42.2	39.5	33.8	33.8
Elderly single female	44.8	37.9	41.0	37.2	37.6	37.9	39.3	42.5	43.6	39.2	39.1	38.7

Data from The Household, Income and Labour Dynamics in Australia (HILDA) Survey as presented by Roger Wi kins Melbourne Institute of Applied Economic and Social Research, The University of Melbourne, 2015

Figure 1.2 Poverty rates by family type.

Many different interpretations of the concept of poverty exist in contemporary analysis. For our purpose we endorse the method commonly used, which conceives poverty as relative deprivation in terms of inadequacy of income[2]. The data in figure 1.2 shows that single, elderly female households continue to experience the highest rates of poverty. Analysis of long term or 'permanent' income poverty data shows the same trend. Single, elderly female households are also at the greatest risk of persistent permanent poverty.

The impact of a permanent state of poverty is well researched. Those in states of disadvantage commonly experience all welfare reliance, social exclusion and poor health outcomes.

The universal superannuation system is yet to mature. Women retiring now may not have had the chance of a full career of contributions. The Australian Bureau of Statistics (ABS) figures show that the current gap between the median super balances of men and women aged 55-64 is at 47% for the financial year 13/14.[3]

We note that for millions of women currently balancing paid work and unpaid caring roles, changes made now in the superannuation system will not significantly improve their retirement prospects. Changes to the social security pillar are the only way Australia can fundamentally move this group out of the risk of persistent poverty.

[1] Wilkins, R The Household, Income and Labour Dynamics in Australia Survey 2015
[2] As above
[3] ASFA An update on the level and distribution of retirement savings 2014

HESTA's membership is drawn mainly from five major parts of the health and community services sector — hospitals, early childhood education, primary healthcare, community sector and aged care. We operate an awards program across all of these sectors.

Every year, we acknowledge and award professionalism and innovation in nursing through the HESTA Australian Nursing Awards.

This year we were proud to award Narelle Place as Australia's outstanding graduate nurse. Narelle works in the public system. She was awarded for her work in advocacy for cancer patients requiring sedation and for instituting a new intravenous labelling. Narelle wants to make a career in nursing and hopes to continue her development through postgraduate work.

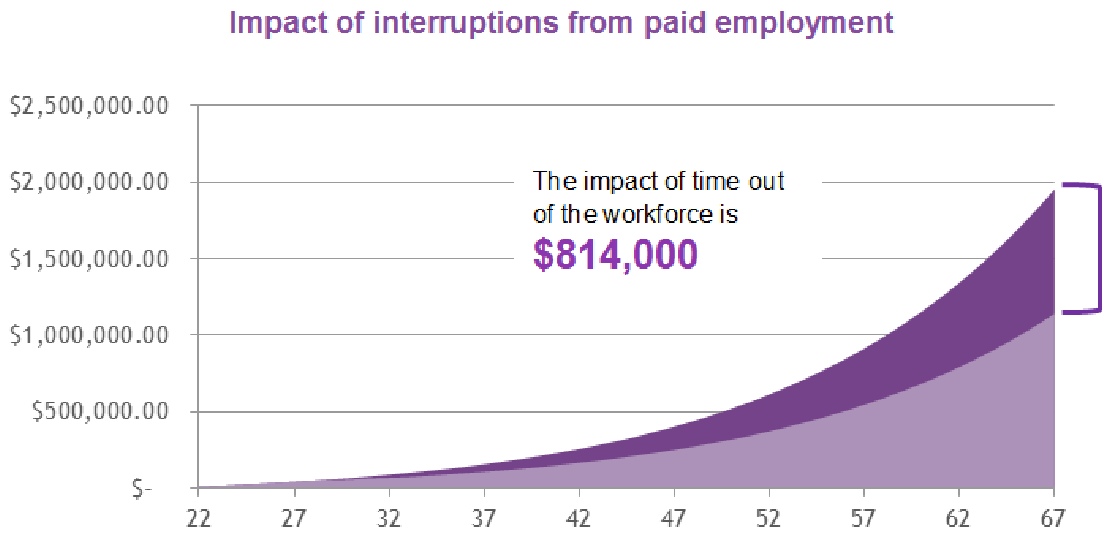
Narelle is an outstanding advocate for her profession and it is a great privilege for us to be entrusted with hundreds of thousands nurses' retirement savings.

Let us look at the impact of time out of the paid workforce on someone like Narelle's retirement outcome. A graduate nurse will earn around $52,000 per annum[4], which means their super contribution for that year will be $4,940 (9.5%). We will give her a head start with a $5,000 balance in her super account.

If that nurse continues an uninterrupted working life with normal wage growth and does not make additional contributions, she can expect to retire with around $1,950,000 in 2060 (adjusted for inflation) at age 67 (see assumptions Page 20). In today's dollars, this is around $641,890.

Let's assume instead that the nurse works full time until age 29 when she takes some time off to have a child, returning to work and having time off again at age 32 for another child. In each year of childbirth the nurse does not make a super contribution. In the following year she also does not make a contribution. On returning to work she does not take up full employment but is employed earning 72% of her original wage on return with one child and 62% of her original wage with two children. This assumption of maintained wages is taken from the Breusch and Gray *New Estimates of a Mother's Foregone Earnings using HILDA data.* The graph below shows the impact of this on her final super account balance.

[4] QLD Public Service rates of pay as cited https://www.health.qld.gov.au/hrpolicies/wage_rates/nursing.asp



There are a number of assumptions underlying this final outcome[5]. As the data shows, just four years out of paid work in the early years of contributions has an accumulating impact on the retirement balance.

It is important to understand the impact of these differences in terms of an income stream in retirement. Poverty is relative deprivation in terms of adequacy of income, but an arbitury measure can be helpful to understand the impacts of different retirement balances.

The income differences for a woman in retirement who has not had breaks from work versus those who have:

	No career break	Career break	Difference %
Super Balance at age 67	$1,953,789	$1,139,741	**58%**
Annual Pension drawn to last to life expectancy from age 65	$138,925	$76,000	**54%**
Present Value of Pension per annum	$45,730	$25,017	**55%**
Difference per annum		**-$20,713**	

The impacts occur at an early stage of a woman's working life but they are felt so starkly at the end. This truly is accumulating poverty.

[5] The model assumes: A starting salary of $52000. A starting superannuation balance of $5000. A rate of inflation of 2.5%p.a.. All figures are calculated in today's dollars. Investment rate of return of 5.37%p.a. above CPI during accumulation, and a flat 7%p.a. during decumulation. All investment returns are net of relevant fees and tax. Superannuation Guarantee (SG) contributions equal to 9.5% of total salary. 2015-2016 tax rates remain unchanged in future, therefore Taxation at the rate of 15% has been applied to all employer and salary sacrifice contr butions. An annual Indirect Cost Ratio of 0.82% plus weekly administration fees of $1.25 are charged. Insurance premiums and other fees or costs, have not been included (note: allowance for insurance premiums and related fees could impact the resultant outcomes, potentially materially). This example is an illustration only and is not guaranteed in any way. Actual outcomes may differ.

How our system is failing half the population — drivers of inequity

There are several factors that combine to cause the gender savings gap in retirement and impact the poverty outcomes for women. All but one of these can be addressed if the political and cultural will exists.

We believe the drivers to be:

1. Unpaid time out of the workforce caring for others
2. The gender pay gap
3. Women's life expectancy.

The structure of our superannuation system rewards those with long and uninterrupted careers, from inception it has been linked to workforce participation and earnings during that time.

As the *Australian Journal of Labour Economics* data below shows children have a substantial impact on a woman's earnings and therefore a substantial impact on their retirement savings.

This effect is most pronounced when children are very young, when a mother may stop work for a period of time. Unfortunately, this is also the time when contributions to their super account would have the greatest chance to take advantage of exponential growth through compounding interest.

Figure 2.1 shows that even a temporary detachment from the labour force can cause a permanent reduction in the rate of a mother's earnings.[6]

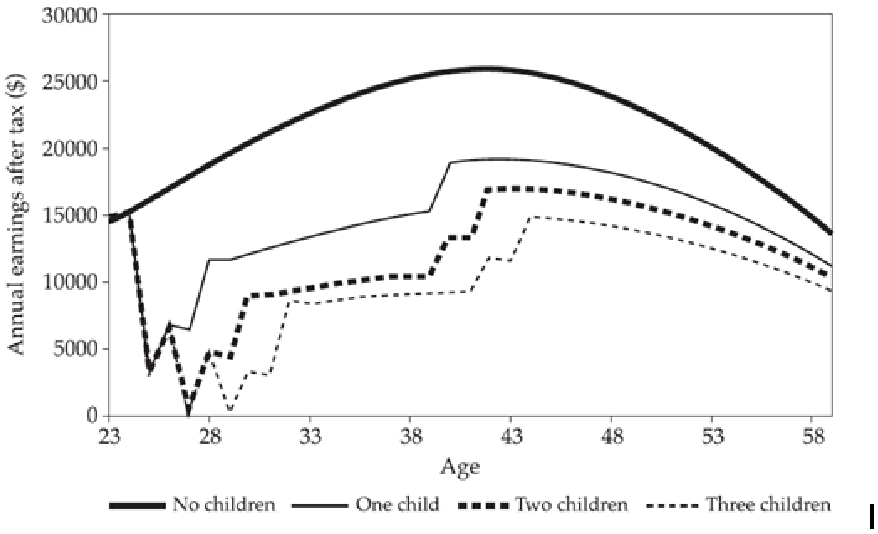


Figure 2.1 Lifetime earnings profiles by number of children women (completed to year 12 education)

The majority of HESTA members work in the health and community services sector where it is reported that the gender pay gap is 27.7%[7]. Closing the gender pay gap is important to our members and will help close the gender retirement savings gap. But, unpaid time out of the workforce to bear children and care for others is the driver that poses the greatest threat to a woman's prosperity in retirement. For the purpose of offering potential solutions in this submission we concentrate only on this driver but the combination of the two factors should not be ignored.

[6] Breusch and Gray *New Estimates of a Mother's Foregone Earnings using HILDA data* Australian Journal of Labour Economics June 2004
[7] Workplace Gender Equality Agency *Gender pay gap statistics* cited 25/10/2015 www.wgea.gov.au

Almost all Australians can expect to be involved in an unpaid caring role in some capacity during their working life. The 2011 Australian census data shows that women are more likely to undertake caring roles for children with the largest gender gaps occurring in the prime working age period of 25 – 45 years of age. [8]

The rates and type of unpaid care provided by different genders in Australia has been well documented. The gendered nature of the obligation to provide care may be evident in the types of care relationships that men and women engage in. Women are more likely to care for children with disabilities and parents while men are more likely to care for their partner.[9] The unpaid caring time out of the workforce will be more intense for women at the early stage of their career than for men. This has different impacts on workforce participation and therefore different impacts on retirement savings.

Negotiating unpaid care and work will continue to be a challenge for most women.

- In June 2012, 66.7% of all women aged 15-64 years in Australia were in employment (compared to 78.3% men)
- Of these, 45.8% of the women worked part time (compared to 16.5% of men).[10]

Periods of unpaid work have an obvious immediate impact of superannuation contributions but the prevalence of part-time or casual work will also impact through:

- Lower contributions due to lower wages
- Potentially no contributions if monthly wages are not over a particular threshold
- Tax disincentives if the Low Income Superannuation Contribution is cut.

[8] Australian Bureau of Statistics Labour data 2011 as cited in Australian Human Rights Commission *Investing in care: Recognising and valuing those who care*. 2013
[9] As Above
[10] As Above

The $450 tradition that hurts our members

In establishing the universal superannuation system it was determined that a threshold should be set for monthly wages under which superannuation payments need not be made. It was argued at the time that the administrative burden was too great an impost for employers if the employee was earning under $450 per month with them.

Consider our nurse, on returning to work she decides to take irregular shifts across three health providers. She earns the following in one month:

- $360 from a pathology lab where she works drawing blood samples
- $420 from a hospital filling in a night duty shift
- $445 from a GP clinic where she taught first aid.

Her total gross monthly pay is $1,225. Her total superannuation contribution for that month is $0.

Three different employers, all under the $450 threshold for the month therefore none of these made a contribution to her superannuation.

SuperStream has lifted the administrative burden, so we can open the exemption gate!

Following recommendations that came out of the *Super System Review* of 2009, which examined the governance, efficiency, structure and operation of the superannuation system, the Government recognised the need to enhance how superannuation contributions were administered in the payroll and finance offices of Australian businesses. Excessive costs and complexities arising from manual processing, a lack of standardised formats with poor and incomplete data, brought about an opportunity to improve productivity in this area — the Government's answer is *SuperStream*.

SuperStream is one of the four key components of the Government's *Stronger Super* reforms, and is a package of measures designed to enhance the 'back office' of superannuation (Commonwealth of Australia, 2011). Much of this package centres on mandatory electronic processing, standardised forms and common data standards, reducing the reliance on manual processing of both money transfers and data in superannuation. In its simplest form, SuperStream was designed to allow people to spend less time processing superannuation contributions, while at the same time increasing the security and reliability of the data they are transferring.

It is our view that SuperStream has had the greatest impact of all of the four Stronger Super reforms. Based on feedback from our employers who are using our SuperStream compliant Clearing House, it has achieved what it set out to do — to make everyday superannuation transactions easier, cheaper and faster. Therefore it can also go one step further, by allowing employers to pay a super contribution for all of their employees regardless of their base salary.

One of the by-products of SuperStream is that it has removed the administrative barrier associated with transferring contributions for those earning less than $450 a month. Our view is that if the original exemption was based largely on the fact that there was an administrative impost on contributing for these traditionally casual and part-time employees, this exemption should be lifted.

Recommendation: remove the $450 threshold

Removing the LISC is unfair for our lowest paid workers

The Low Income Superannuation Contribution (LISC) is fundamental to an equitable system for low income earners, most of whom are women.

The LISC provides some structural equity to 3.6 million Australians including over 2 million women. If removed as scheduled in 2017, those earning less than $37,000 on marginal tax rates of 15% or less would miss out on rebates up to $500 in their super accounts.

Losing this fairness rebate would leave around 1 in 3 Australian workers worse off, with disproportionate impacts felt in regional and rural communities, and on women everywhere.

We estimated in the 2012-13 financial year, this would unfairly impact more than 280,000 HESTA members, who would have seen their retirement savings reduced by up to $27,000 if the rebate was removed[11].

Crucially, removing the LISC would mean Australia's lowest paid workers are the only ones not to receive any tax benefit on their super contributions. This is an essential equalisation measure, which must be retained.

Recommendation: the LISC must be retained beyond 2017

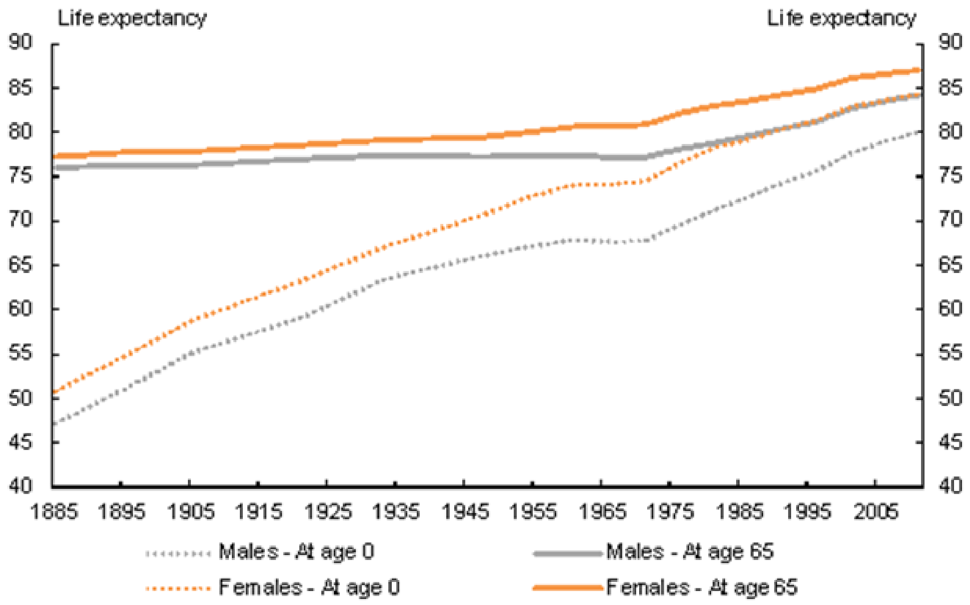
[11] This assumes: they are age 18, CPI is 2.5% p.a.; investment returns are 6.25% p.a.; income is $20,000 a year; SG contr butions are 9.25%; salary is indexed at 3% p.a. and retirement age is 67.

Is living longer is a good thing?

A significant driver of poverty for elderly females is their life expectancy. Women in most developed countries outlive men. In Australia the following table shows that a woman entering the workforce now — at 25 years old — can expect to live until she is around 85 and a 25 year old man can expect to live until he is around 80.

Women's higher life expectancy compared to men means that inflation erodes their pension to a greater extent. A study by the FERPA Women's Committee published in 2012 found that very old women are at the highest risk of poverty due to this erosion when ageing – in 75+ age bracket this risk is double that than men.[12]

Total life expectancy at selected ages – from the Commonwealth Government Actuary[12]



[12] Petrovic, *How to close the pension gender gap* Federations Europeene des Retraites et Personnes Agees 2012

The international lessons on equity

The main objective of a retirement system is to relieve poverty in old age through adequate income provision and to offer insurance against an unexpectedly long life.

Sophisticated pension systems exist in most developed and developing countries and each one of these has a lesson for us on recognising the inequities of gendered work patterns. Each retirement system has a different architecture but there is a common principle driving equity reforms – that any policy strategy aimed at the further application of gender equality must also take men's and women's contribution in the private sphere into account.

HESTA members — like most Australian women — make important contributions in the private sphere. Taking unpaid time out of the workforce to raise children or care for elders adds enormous economic benefit to others, and to the country as a whole. Internationally, the value of these caring roles is increasingly recognised. In their report on valuing carers, The Human Rights Commission made the following observation. Valuing the work of unpaid carers requires social and economic recognition of the importance of the relationships they build and foster the assistance they provide to the people for whom they care, and the manifold contributions that they make to the whole community and economy.[13]

The value of child care provided by parents in Australia is considerable. Valuable too, is the amount of unpaid care provided for people with disabilities, estimated to be around 1.32 billion hours per year in 2010 — which would cost $40.9b to replace with paid carers in the home. [14]

International practices can be a valuable reference point for Australia in our attempts to fairly recognise the unpaid care provided in the private realm, which adds so much to the public economy. Although many international systems — particularly European systems — have social insurance based architecture, the principles by which they are attempting to recognise periods of care are equally applicable to our system.

This recognition of a need for equity measures has come about as international pension systems shift towards an individualisation model "based on a one dimensional perspective that focuses on the 'traditional' male work biography".[15] Research has shown that the impact of the changes in the balance between the social (zero) pillar and the second and third pillars has adversely affected the level of women's income from pensions in EU Countries. As the zero pillar (social safety net) is being cut down, women are the first to be influenced since they rely on it much more than men do.[16]

European reforms for equity

Over the last two decades, Europe has seen a move from the reliance on social pensions – often called zero pillars by the World Bank – to a multi pillar approach with a contributory element. Social pillars are often more equitable for genders as they seek to equalise and do not carry a link to labour participation. The projected increase in elderly population rates and the decreasing birth rates puts pressure on the funding of both the zero and first pillar pensions and has caused many European nations to re-examine the financial sustainability of their systems.

[13] Australian Human Rights Commission *Investing in care: Recognising and valuing those who care*. 2013
[14] As above
[15] Prof. Frances Raday *Gender Pension Gap* Background Paper for Report to the Human Rights Council European Commission 2014

[16] As above

Redistribution is still a guiding principle of many European pension schemes and so there are many examples of mechanisms used to value the unpaid caring work, we have chosen a few to highlight that are not often quoted.[17]

Caring credits are used widely and count towards a woman's entitlements in social pillars at her retirement:

Belgium

Qualification for a public pension in Belgium is related to time in the labour force. To recognise the role of an unpaid carer in this system they count 3 years caring for children as 'gainful employment' and make a contribution matching this to the numerator of the benefit formula.

Estonia

Estonia combines an earnings-related public scheme with mandatory contributions to funded pensions along with a safety net flat provision. For unpaid time caring for others the state pays the employer contributions on behalf of the recipients of the childcare allowance up to three years per child. This is at 20% on assumed earnings of the minimum wage.

France

The French system combines a private sector with two tiers and a public scheme with a safety net element. For children born or adopted since 2010 a credit is given to the mother in the public scheme – this is regardless of her labour participation. Periods out of work or working part time caring for a child are also credited in the public and occupational pension schemes as if the parent had earned the minimum wage.

Poland

The Polish system is based on notional accounts and has mandatory participation. A contribution on 12.22% of earnings is credited to an individual's notional account. At retirement, accumulated notional capital is determined using a formula involving life expectancy. Participants could also choose a defined contribution model. During periods of maternity leave, contributions to the pension system are paid from the state budget based on the maternity benefit which is the average wage over the past 12 months. From 2010 the father has the right to parental benefits for two weeks. Parental leave is possible for up to 36 months per child. During this time, pension contributions are paid for the schemes in which a person is a member and the amount of social welfare benefit was used as a base for the pension. The government pays the contributions on behalf of the parent on leave.

United Kingdom

Recent changes to the system in the United Kingdom have strengthened the recognition for carers. The public scheme has two tiers, one flat and one earnings based. There is a large and growing private pension sector. Both tiers of the public pension provide protection for periods out of paid work caring for others. This covers those not in paid work at all but also those earning below a lower earnings limit because of their caring duties. A system of weekly National Insurance credits are awarded and count towards a basic state pension and second pension entitlement.

South American reforms for equity

Like the European systems, the South American pension schemes were under sustainability pressure and many countries undertook reforms to try and ensure the schemes' longevity.

The Chilean model was replicated throughout South America and provides another interesting lesson for Australia regarding equity measures.

[17] OECD (2013), *Pensions at a Glance 2013: OECD and G20 Indicators*, OECD Publishing. *http://dx.doi.org/10.1787/pension_glance-2013-en*

The pension system in Chile has three components: a redistributive first tier, a second tier of mandatory individual accounts (defined contribution – superannuation) and a voluntary third tier. The contribution rate for individual accounts is 10% of earnings. The system has recently been through two rounds of reforms. In 2008 a Commission was formed and presented a number of strengthening initiatives to the government of the day. Among these was a focussed initiative to close the gender retirement savings gap through a social bond.

A pension voucher is given to women for each child that they have had when they reach 65 years of age. The voucher is equivalent to 10% of 18 months' minimum wages at the time of birth plus the average net rate of return on defined contribution pension plans from the birth until the pension claim. This is transformed into a pension flow when the woman claims her pension.

The commission for the suggested reforms which were handed to the government earlier this year did not suggest a change to this well received measure but did note that it had a pleasing consequence. Previously many women in Chile were employed in the informal labour sector and therefore had very low participation rates in the second pillar pensions (the defined contribution). Distribution of the pension voucher on childbirth meant that these women were captured by a system that had previously not known of them. It is estimated that 1 in 3 women of working age in Australia will retire without any super at all.[18]

Recommendation: A voucher system to value caring roles be adopted

[18] Superguru (2014) – *Women and super, The Association for Superannuation Funds of Australia, http://www.superguru.com.au/about-super/women-and-super*

HESTA members deserve a fair retirement system.

Superannuation is a great social reform that was designed to bring dignity in retirement to everyone not just the lucky. It is an immature system and an unfinished ideal which requires structural change to meet the original vision.

Women who take time unpaid out the workforce face impossible challenges to catch-up to their male counterparts and reach equity in retirement savings.

The gender pay gap and life expectancy are drivers of this inequity but unpaid time out of the workforce has a manifold impact on their ability to reach a dignified retirement income.

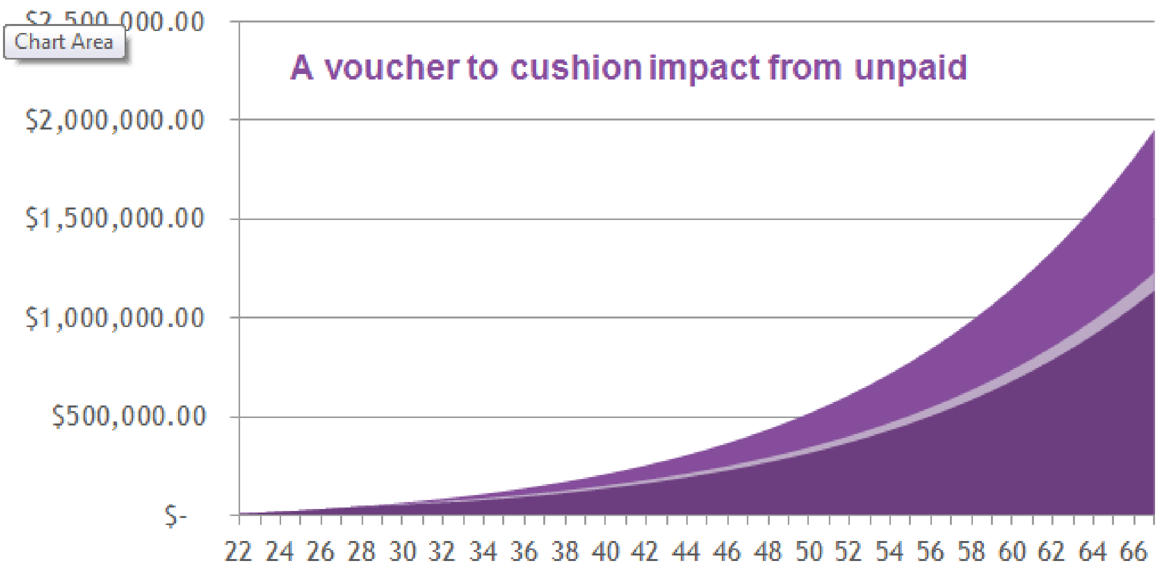
HESTA members feel this impact. HESTA is made up of members from a sector of hard working Australians most of whom are women; we owe them structural fairness in their retirement system.

To deliver this –

- We must retain the LISC as the only tax incentive for low income earners in the super system
- We must remove the $450 threshold as there is no reason for it to remain
- We must value the unpaid care provided because it is a commodity

International systems have different architecture but many have successfully built a measure to value time out of the workforce. This would make an enormous difference to HESTA members and would advance our great system one step further in the realisation of the original vision.

Let's return to our nurse Narelle and assume all factors remain the same but Australia has now adopted a Chilean voucher system. When she takes time out of the workforce a voucher is deposited in her nominated superannuation account or matched to her account using the Tax File Number technology. It equates to 9.5% of the minimum wage for 18 months (using $657 per week.)[19]



[19] FWC Fact sheet minimum wage

	Career break	Career break with vouchers	Difference %
Super Balance at age 67	$1,139,741	$1,231,139	**+8%**
Annual Pension drawn to last to life expectancy from age 67	$76,000	$87,525	**+13%**
Present Value of Pension per annum	$25,017	$28,811	**+13%**
Difference per annum		**$3,794**	

The investment today in a voucher makes a difference of over $3000 every year for our nurse in retirement.

The voucher system, together with other measures is a key component of restoring equity to the system.

We welcome the attention on gender gaps in superannuation savings and the gendered nature of poverty in retirement.

Our recommendations will make a difference to the millions of women who take unpaid time out of the workforce to make a valuable contribution to Australia economically and we commend them to the Committee.

References

- Life expectancy tables can be accessed at: http://www.aga.gov.au/publications/life_table_2010-12/default.asp Cited 27/10/2015
- Pay scales Public Sector Nurses QLD 2015. Available at: https://www.health.qld.gov.au/hrpolicies/wage_rates/nursing.asp
- Clare, Ross. *An update on the level and distribution of retirement* savings Australian Association of Superannuation Funds Australia. 2014
- The University of Melbourne: *The Household, Income and Labour Dynamics in Australia (HILDA) Survey: Selected Findings from Waves 1 to 12* as presented by Roger Wilkins 2015 Melbourne Institute of Applied Economic and Social Research. Available Web: www.melbourneinstitute.com/hilda
- Perry & Wilson: *New Estimates of Mothers' Forgone Earnings Using HILDA Data* The Australian Journal of Labour Economics. Volume 7 No. 2. June 2004
- Trevor Breusch & Edith Gray: *A Re-estimation of Mothers' Forgone Earnings Using Negotiating the Life Course.* The Melbourne Institute of Applied Economic and Social Research. 2011.
- Australian Human Rights Commission *Investing in care: Recognising and valuing those who care.* 2013
- Workplace Gender Equality Agency**.** *Gender pay gap statistics*. Cited 30/10/2015 www.wgea.gov.au
- OECD (2013), *Pensions at a Glance 2013: OECD and G20 Indicators*, OECD Publishing. *http://dx.doi.org/10.1787/pension_glance-2013-en*
- *A. Petrovic, FERPA Women's Committee President Report – How to narrow the pension gap* 2012 http://ferpa.etuc.org/IMG/pdf/HOW_TO_NARROW_PENSION_GAP.pdf
- Prof. Frances Raday. *Gender Pension Gap* Background Paper for Report to the Human Rights Council European Commission 2014.

vital signs

2019

HESTA

An Industry SuperFund

contents

Methodology & data sources

All statistics and data reported in this document are compiled from official public sources, in Australia and internationally, and/or cite other published research. Aggregate statistics regarding HESTA members are derived from our membership database.

The Appendix provides a full listing of sources for specific figures, tables, and infographics contained in the report. References to other published works are documented in the bibliography.

Wherever possible, data are reported for 2018; in other cases, the most recent available data are used and indicated appropriately. Where relevant, cited figures utilise seasonally adjusted data.

Any additional questions regarding data sources or methodology can be addressed to **futurework@tai.org.au**

Prepared with research input from the Centre for Future Work at the Australia Institute

introduction

This report highlights the challenges faced by HESTA members, of which 80% are women. It sets out a number of indicators which measure the status of Australian women today across areas including work, income, education and retirement.

The research is clear: Australia has a long way to go to achieve genuine equality between men and women. Moreover, progress towards that goal will be linked to our overall success in building an economy and society that is fair, inclusive and sustainable.

Our mission is to make a real difference to the financial future of every one of our members. We do this by being a gutsy advocate, driving meaningful change for generations to come. We believe our members' best interests and our ability to deliver strong financial returns are better served by supporting a healthy economy, environment and society now and in the long term.

This report covers some of our continuing efforts to make a positive impact through our advocacy, investment and conduct as an organisation. The icons below are used in the report to highlight the HESTA Impact and focus on HESTA members.

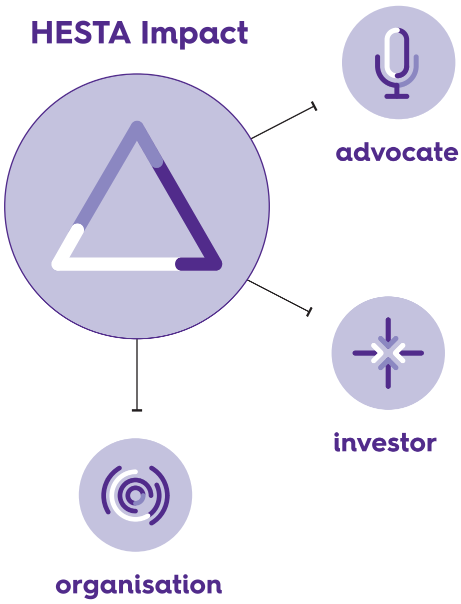
HESTA has adopted the United Nations' framework of Sustainable Development Goals (SDGs) to help frame our investment and advocacy. These 17 goals, adopted by over 150 countries including Australia, set an ambitious but inspiring task for the world: making measurable progress to end hunger, inequality and climate change by 2030.

HESTA will do its part in that broader effort by improving the financial future of our members, managing our portfolio in line with best practices of responsible investing, and advocating for equity and sustainability. A number of the SDGs permeate our work and the way we invest and advocate for our members.

HESTA is proud of our work to enhance the financial future of members. But we recognise their wellbeing can only be assured in a society that emphasises inclusion, shared prosperity, and environmental sustainability.

This report frames our continuing efforts to make a positive impact for our members, society, the economy, and our planet.

SUSTAINABLE DEVELOPMENT GOALS



focus on HESTA

a village of 100

HESTA proudly includes over 840,000 members. We are working hard to make a real difference to the financial future of every one of them.

Imagine if the entire HESTA membership was compressed into a single village of 100 people. That microcosm would portray the diversity and talents of the people who deliver essential health and community services for Australians.

Here's what that village would look like.

100 HESTA members

Gender

Like the health and community services workforce in general, HESTA members are predominantly women.

80 Women

Men 20

Working and retired

Most of our members are still working. That's because the superannuation system (which only began in the early 1990s) is still maturing, and few of our members have retired yet.

96 Still working

4 Retired and drawing a pension

Age

HESTA members fall into all stages of work life: younger workers just starting out, mid-career workers, and older and retired workers.

Under 30: 19

In their 30s: 24

In their 40s: 21

In their 50s: 20

In their 60s: 13

Over 70: 3

Average annual salary (for working members)

The average HESTA member makes over **$53,000** per year. But our male members, on average, make about **20% more** than our female members.

Total **$53,300**

Women **$52,400**

Men **$63,000**

Average length of HESTA membership

Over one third of HESTA members joined our fund within the last five years; this reflects the strong growth that has occurred in health and community services. Relatively few members have been with the fund for more than 20 years – but that is changing as the fund matures, and our working members accumulate more experience.

Under 5 years: **34**

5-10 years: **23**

10-15 years: **20**

15-20 years: **12**

Over 20 years: **11**

Annual salary (for working members)

The earnings of HESTA members are concentrated in the broad middle-income band: **over three-quarters of our village earn between $25,000 and $100,000**. But a significant minority of our members earn less.

Under $25,000: **16**

$25-50,000: **36**

$50-100,000: **40**

Over $100,000: **8**

Family structure of HESTA members

Like Australian society as a whole, the family arrangements of HESTA members have evolved, and become more diverse. Our members have many different ways of living.

Couple with children: **47**

Couple without children: **17**

Single with children: **10**

Single without children: **23**

Other: **3**

Home ownership of HESTA members

Among HESTA members over 50 years of age, 80% own their own home. That's higher than the average (65%) for all Australians. Of those over 50, one in five HESTA members don't own a home. For those that do own a home, over half have paid off their mortgages

Own home, no mortgage: **25**

Own home, with mortgage: **36**

Don't own home: **39**

Average superannuation balance

Because many HESTA members are early in their careers, their super balances are still relatively small. On the other hand, our retired members have had more time to build up larger balances.

For those still working: **$50,000**

For those retired **$208,000**

1 the lost economic opportunity

Women's participation in the labour market has grown remarkably over the postwar era. It increased from 45% of women over 15 in the mid-1980s, to a record high of over 60% in 2018. Women's paid work activity (on top of their disproportionate share of unpaid work in homes and communities) makes an enormous contribution to Australia's economy, and to household finances.

While women's participation in the labour force has never been higher, it is still significantly lower than it could be – and lower than in many comparable countries. Even for younger women, labour force participation still lags behind men. This is mostly due to the impact of parenting and household responsibilities. Women's labour force participation actually declines after they reach their 30s (the most common age to have children), while men's increases.

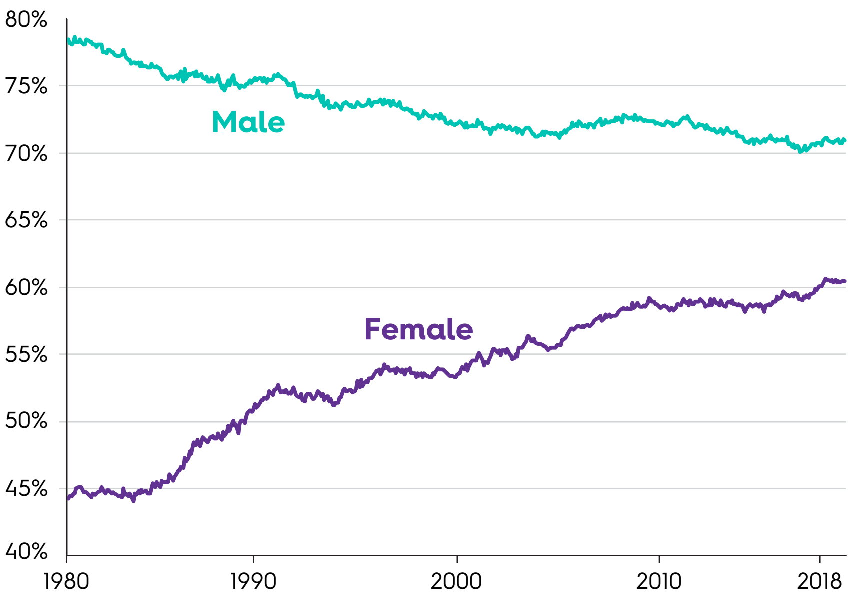
This absence from paid work during a large portion of their prime earning years has dramatic impacts on women's lifelong incomes – and hence on superannuation accumulation and retirement incomes.

If Australian women between age 25 and 45 participated in the labour market as much as men, the economy would benefit from 475,000 new workers. This would provide an enormous boost to economic growth, government revenues and family incomes. If those women were working, Australia's GDP would be $70 billion per year higher, and family incomes would be boosted by $30 billion per year.

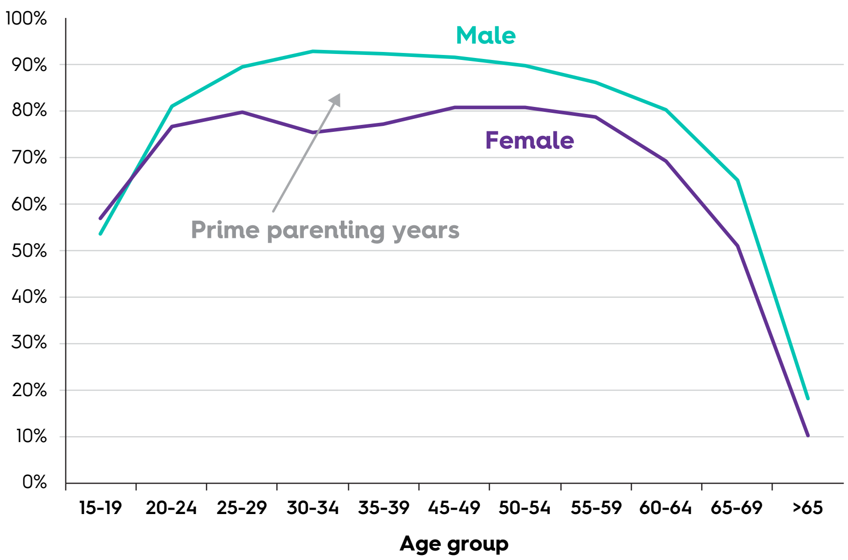
A lost opportunity

Women's lower participation (aged 25-44):	**-13.4%**
Number of women non-participating:	**475,000**
Lost output per year:	**$70 billion**
Lost wages & salaries per year:	**$30 billion**

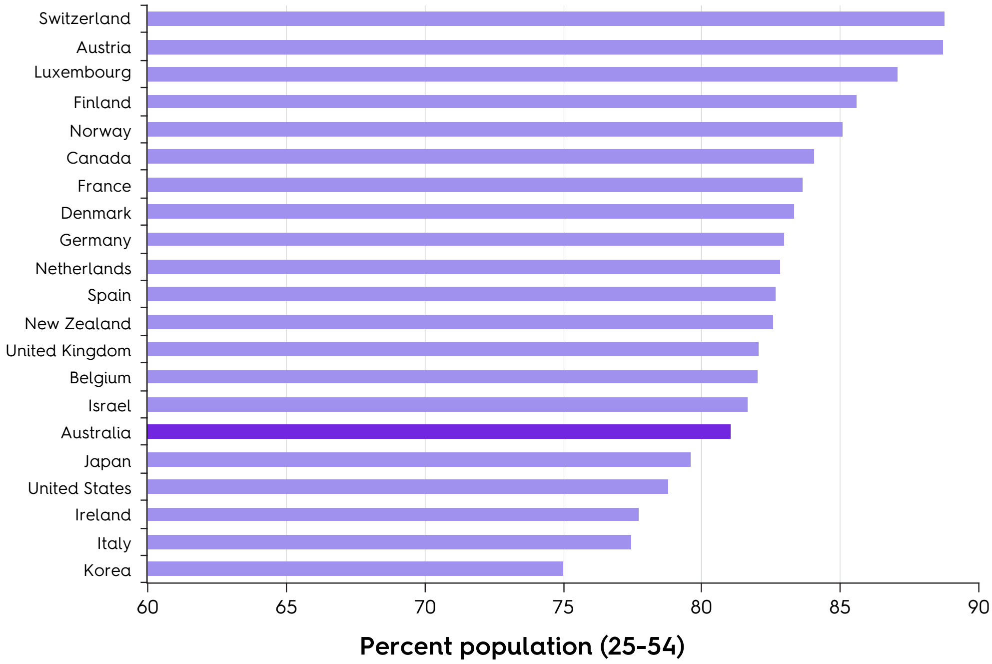
Labour force participation by gender, 1980-2018



Labour force participation by age and gender, 2018



Labour force participation by age and gender, 2018



Top 5 women's employers, 2018

Industry	Female employees (thousands)
Health and community services	1,322.8
Education	738.6
Retail trade	709.8
Food service & accommodation	488.0
Professional, scientific & technical	460.1
Top 5	**3,719.1**
Total	**5,909.4**

focus on
HESTA

The health and community services sector is by far the largest single employer of women, with over 1.3 million Australian women working in that field. Women make up 79% of the workforce in this sector, and women account for a similar proportion of HESTA members. The average age of women members of HESTA is slightly higher than for our male members. But their salaries are about $10,000 lower: our women members earn $52,400 per year on average, compared to $63,000 for men.

the precarious tightrope

The quantity of jobs for women is growing. However, the quality of women's jobs is still inferior to men's. In particular, women are more likely to be employed in jobs that offer fewer and less predictable hours of work, insecure status, and fewer regular entitlements. Because they are channeled into various forms of 'precarious employment' (including part time, temporary and casual roles), women face greater employment insecurity and lower incomes.

For example, almost half of all employed women work part time (including part time self-employed), compared to just 18.5% of men. Other forms of precarious work also fall disproportionately on women. For example, 27% of women are employed on a casual basis (with no entitlements to paid sick leave, family leave, or holiday), compared to 23% for men.

Because of all these forms of precarious work, only a minority of working women fill a traditional, 'standard' job: one that offers full time, year-round employment, with normal entitlements (like paid sick leave and holidays).

Just 43% of employed Australian women have one of those standard roles. For working women in Australia, therefore, insecurity is the normal state of affairs.

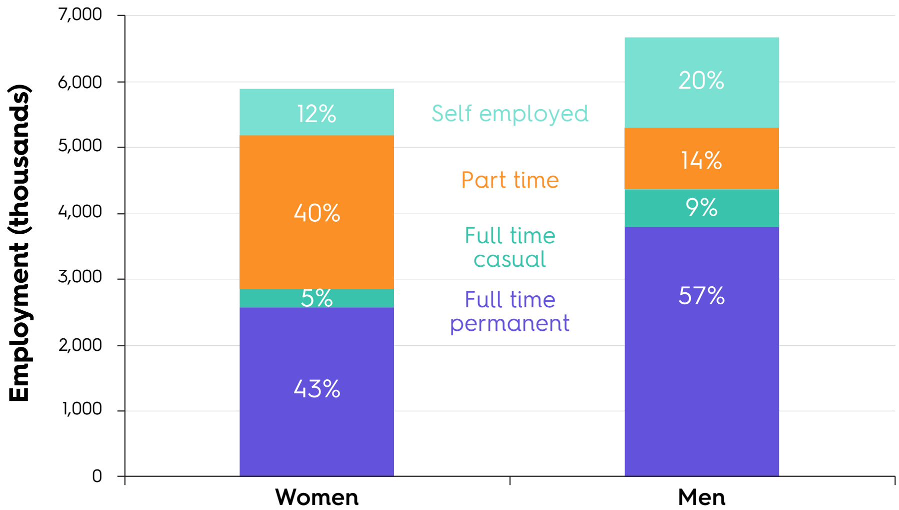
Non-standard employment by gender

	Females	Males
Part time	46.4%	18.5%
Casual[1]	27.0%	23.0%
Vulnerable self-employed[2]	47.0%	19.5%

[1] Share of waged employees (excluding self-employed).

[2] Vulnerable' self-employed defined as part time and either non-incorporated or no employees (or both), as share of all self-employed.

Employment type by gender, 2018



Full time and part time segments include waged employees only (not self-employed).

mind the gap

Many factors explain the large, continuing pay gap between men and women. First, basic wages are significantly lower for women: ordinary time earnings for women in full time jobs are 14% less than for men. This figure is often reported as the gender wage gap, but it is not the full story.

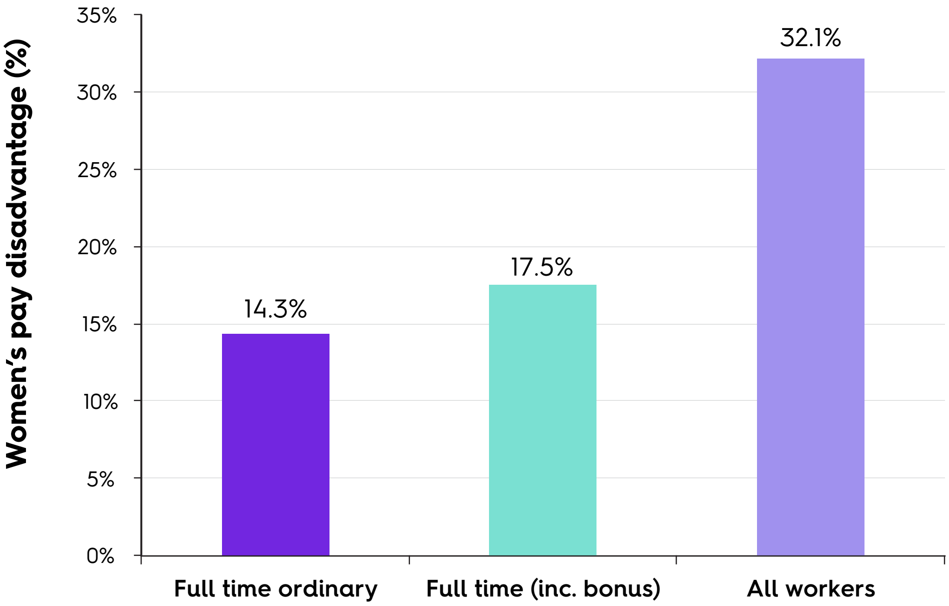
Second, the base pay gap is amplified by payments of bonuses and overtime pay, which are concentrated in traditionally 'male' jobs (including executives, financial professionals, construction and mining). When that additional income is included, the gender pay gap swells to 17.5%.

But the biggest factor suppressing women's wages is their concentration in part time work and other irregular or precarious jobs. Those jobs not only pay lower hourly wages than full time jobs, but they also offer fewer hours. That widens the gender pay gap even more.

In 2018, average weekly wages for women were 32% lower than for men.

Women in part time jobs earned an average of just $669 per week in 2018. Part time earnings are low due to the lack of hours worked. Women in full time jobs earned more than twice as much: over $1500 per week. The fact that almost half of employed women work part time, pulls down women's average earnings dramatically.

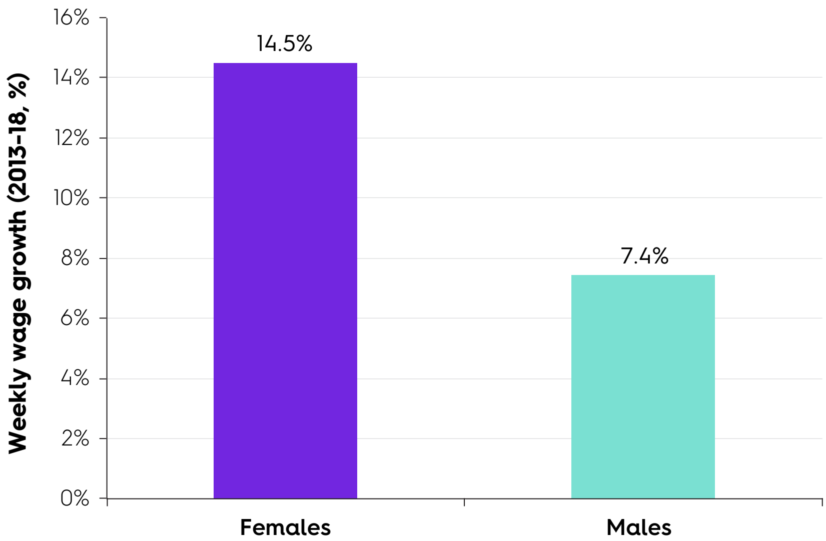
The gender pay gap



Paid employees, average weekly wages.

While women's wages remain lower than men's, some slow progress is being made in reducing the gender pay gap. Over the last five years, women's wages have cumulatively grown almost twice as fast as men's: by 14% compared to 7%. This is partly due to strong hiring of women, and relatively positive wage growth, in the growing health and community services sectors.

Increase in weekly wages by gender, 2013-2018

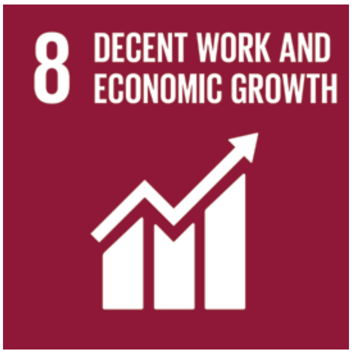


Nominal wage increases for all workers.

In the health and community services industry – the single largest employer of women – weekly wages average just over $1000 per week. That's just slightly higher than average earnings, for all employed women across the economy. And the gender pay gap in health and community services is also approximately equal to the economy-wide average: women earn 30% less than men, only slightly smaller than the 32% pay gap in the whole economy. Therefore, the effort to improve women's pay, and attain greater equality with men, is just as important in health care and community services, as in any other part of the economy.

focus on
HESTA

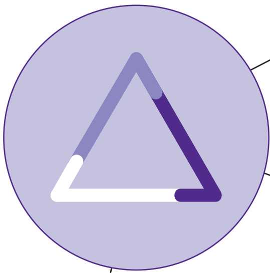
The persistent gender gap in wages and salaries affects HESTA members, as for other working women. However, the pay gap is slightly smaller among our members than in the industry as a whole. On average, women HESTA members earn 17% less base salary than our male members. That pay gap is worth over $10,000 on an annual basis. The smaller gender pay gap for HESTA members may reflect their high skills and qualifications, a smaller proportion of part time and casual jobs, and relatively higher union representation.



SDG 8: Achieve full and productive employment and decent work for all women and men, and equal pay for work of equal value.

Despite incremental progress in recent years, employed women still earn one-third less than men in Australia. This large gender pay gap reflects a combination of women's lower hourly wages with the concentration of women in insecure part time and precarious jobs. Pushing employers to create more stable and permanent jobs for women would help close the gap. So would adequate government funding for human and caring service sectors – the industries where so many women work.

HESTA Impact



advocate

For equal pay, and secure jobs.

investor

In opportunities that positively contribute towards supporting a healthy economy and society.

organisation

Encouraging female employees, offering flexible working conditions and providing generous professional development opportunities.

2 the motherhood penalty

One in five households with children is headed by a single mother; about 5% are headed by a single dad. Male parents are much more likely to work outside the home than female parents.

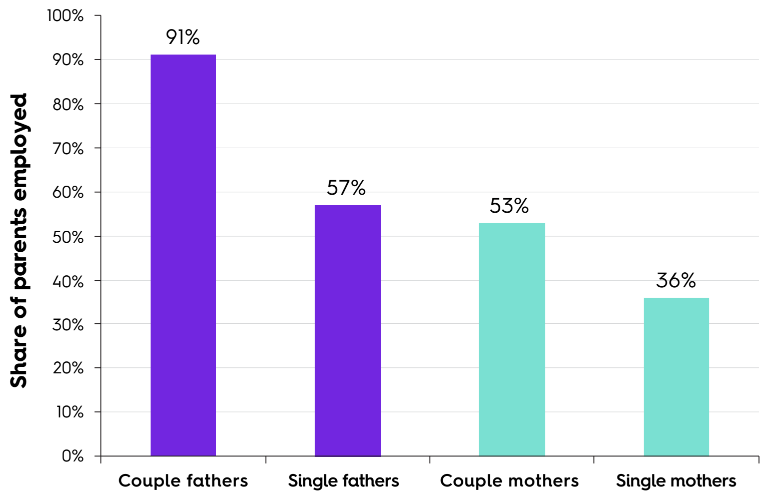
Almost all fathers who are in a couple work outside the home, but barely half of mothers in a couple do. In fact, single-parent fathers are more likely to be employed than mothers in a couple. This reflects the inadequacy of Australia's early child education programs and other supports for working parents.

Almost half of mothers do not return to work for more than two years after the birth of their first baby. These long absences from the workforce result in a direct loss of income while they are not in the workplace. But they also lead to longer-term earnings reductions because of foregone wage increases and promotion opportunities.

Mothers experience a permanent and growing 'motherhood penalty' as a result of having children: equal to at least 5-10% of wages. This is amplified because women typically receive smaller wage increases and fewer promotions after returning to work, and lower superannuation contributions.

Many workplaces are very unwelcoming or discriminatory for mothers. Almost half of working mothers (49%) reported at least one incident of discrimination at work due to pregnancy, parental leave or on return to work after childbirth. Shockingly, almost one in five (19%) lost their jobs during or after pregnancy due to redundancy, dismissal, restructuring, or non-renewal of contract.

Parents and employment

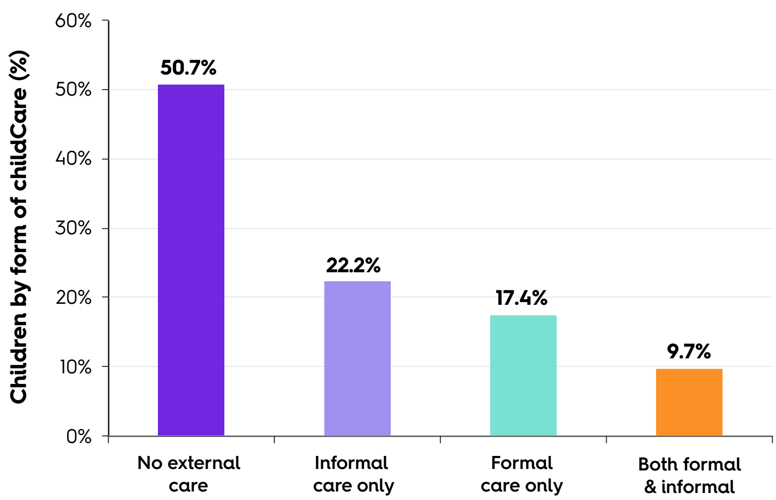


Mothers' time off work with first child

Before birth		After birth	
Under 1 month	39.3%	Under 3 months	8.2%
1-3 months	15.1%	3-6 months	8.5%
3-12 months	7.5%	6-12 months	20.9%
Over 12 months	16.3%	1-2 years	18.3%
Never worked	21.8%	Over 2 years	44.1%

Surprisingly, half of all Australian children under 12 are still raised at home – with no external child care at all (whether informal, like nannies or grandparents, or in a formal child care setting). The unavailability of affordable, quality child care services for Australian families is a key factor in women's lower labour force participation.

Forms of child care, children 0-12, 2017



3 GOOD HEALTH AND WELL-BEING

SDG 3: Reduce global maternal mortality ratio to less than 70 per 100,000 live births, neonatal mortality to less than 12 per 1000 live births, and under-5 mortality to under 25 per 1000 live births.

The health of children is fundamentally linked to the health and well being of their mothers. Infant mortality and other indicators of health are unacceptable in many regional communities of Australia, and shockingly poor among Aboriginal and Torres Strait Islander populations. Supporting better public health outreach, education and care for expectant mothers, and adequate income supports for all families with children are key ingredients of better health for children.

The challenge of improving maternal and infant health is especially pressing for Aboriginal and Torres Strait Islander women. For example, a baby born to an Aboriginal and Torres Strait Islander mother is twice as likely to die during their first 28 days of life as babies born to non-Aboriginal and Torres Strait Islander mothers. And all women and babies in regional communities face greater health risks, due to inaccessibility of health services, lower incomes, and other factors: infant mortality is 30% higher in regional comm-unities than major urban areas.

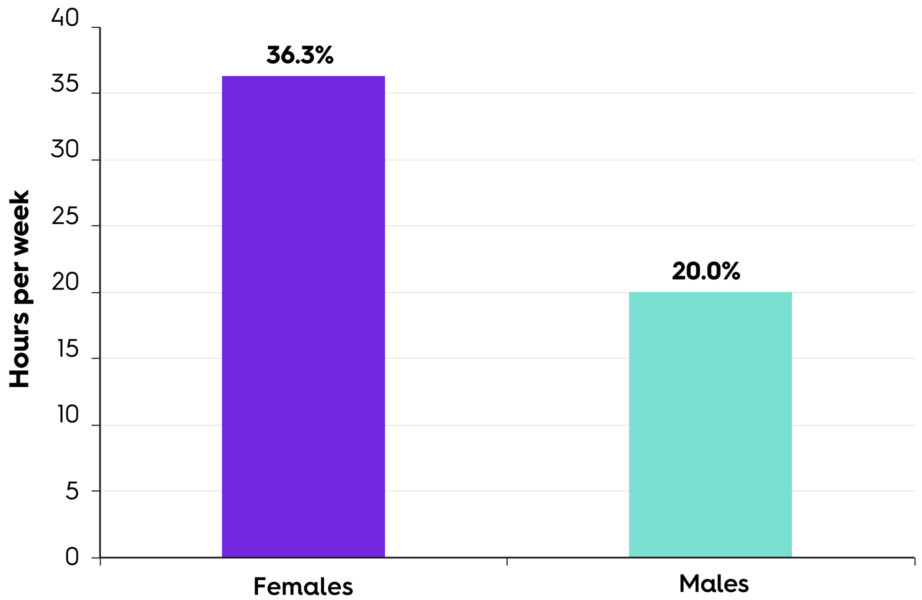
the cost of caring

The majority of women now participate in the formal labour market, and the number of employed women has been steadily closing the gap with men. However, women still bear a disproportionate share of unpaid work in the home – including child care, caring for other family members, housework, shopping, food preparation.

Women perform 80% more unpaid work at home each week than men.

This creates a 'double shift' for women: they work increasing amounts outside of the home, but are still expected to be the primary caregivers and perform most cleaning and other household tasks. Some men have increased their share of child care and other home work as their female partners increased their paid work outside the home; on average, however, men still do a clear minority of the unpaid work at home.

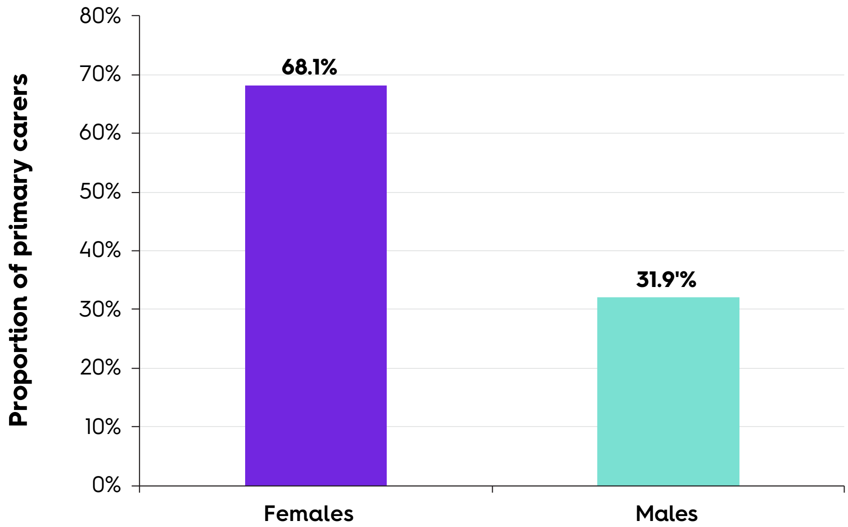
Hours in unpaid work at home



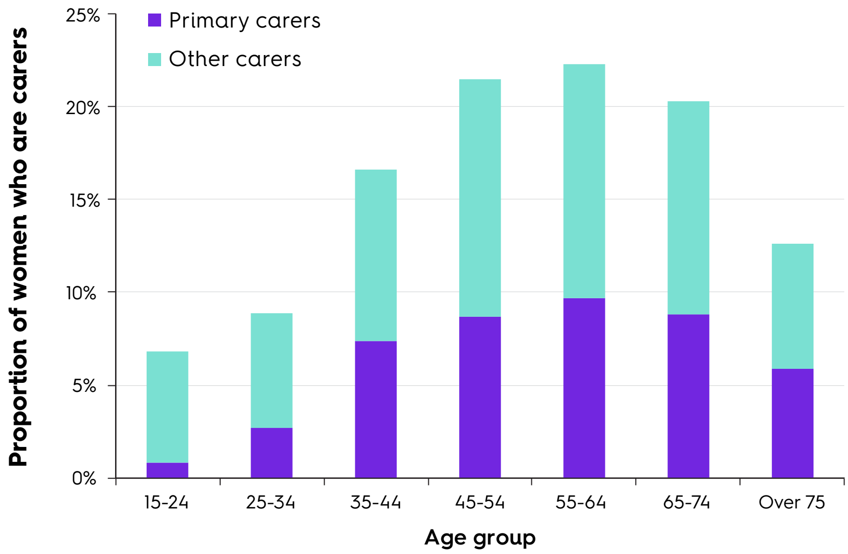
15 and over.

Looking after their children is not the only caring responsibility which falls disproportionately on women. Women also make up over two-thirds of all primary carers for elderly persons or persons with disability. And they provide a majority of non-primary caring as well. Over one-fifth of women between 45 and 75 serve as a carer for someone else. This unpaid labour imposes significant emotional, physical and financial burdens on women.

Primary carers by gender, 2015



Women carers by age, 2015



SDG 5: Achieve gender equality and empower all women and girls

Recognise and value unpaid care and domestic work through the provision of public services, infra-structure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate.

Australian women perform a disproportionate share of caring work for their families (including children, elders, and persons with disability) and their communities. Men should be encouraged to perform more of that work. And women's efforts should be supported with better policies in the workplace and from government. These could include flexible working hours that allow women to balance their jobs and family responsibilities, and better government funding for child care, aged care, and disability services to reduce the load on unpaid carers.

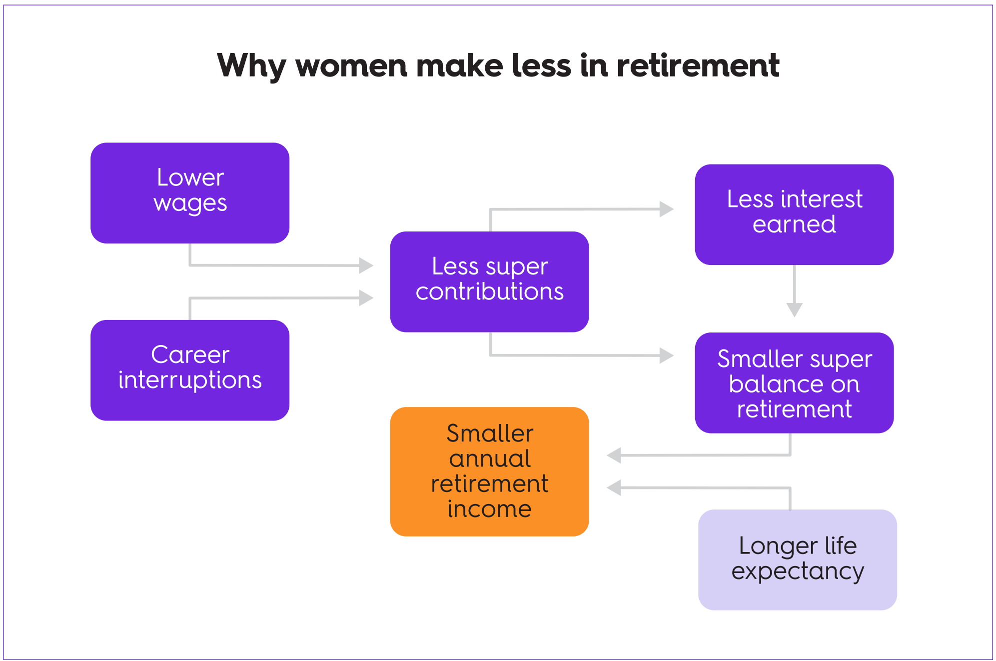
women and retirement

Women's unequal experience in the workplace carries over into greater financial challenges in retirement. Women are less likely to participate in the labour market – especially in prime child-bearing years. Women who are employed make almost one third less than their male counterparts: partly due to their concentration in lower-paying jobs, and partly due to shorter hours of work. They lose more income to career interruptions. The resulting loss of superannuation contributions (and subsequent investment income) imposes a major additional financial penalty.

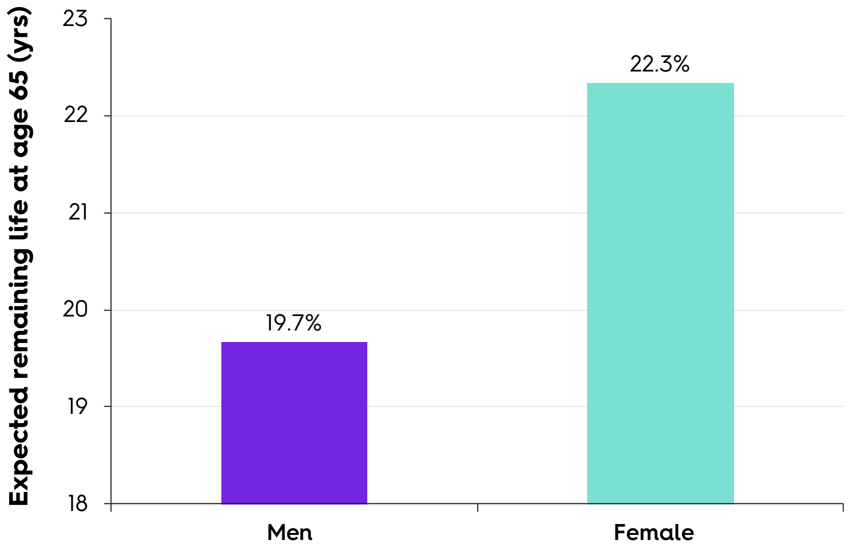
When they reach age 65, most women can anticipate to live longer than men: by close to three more years, on average. But women's super funds on retirement are more than a third smaller, on average, than men's. Elderly women are thus left more dependent on the Age Pension, support from families, and other sources of income – and too many, unfortunately, experience poverty.

The median superannuation balance held by women is only $39,000. Shockingly, one-third of women over age 15 have no superannuation at all.

At present, employees who earn less than $450 per month can be excluded by employers from superannuation; most of those very low-income employees are women.



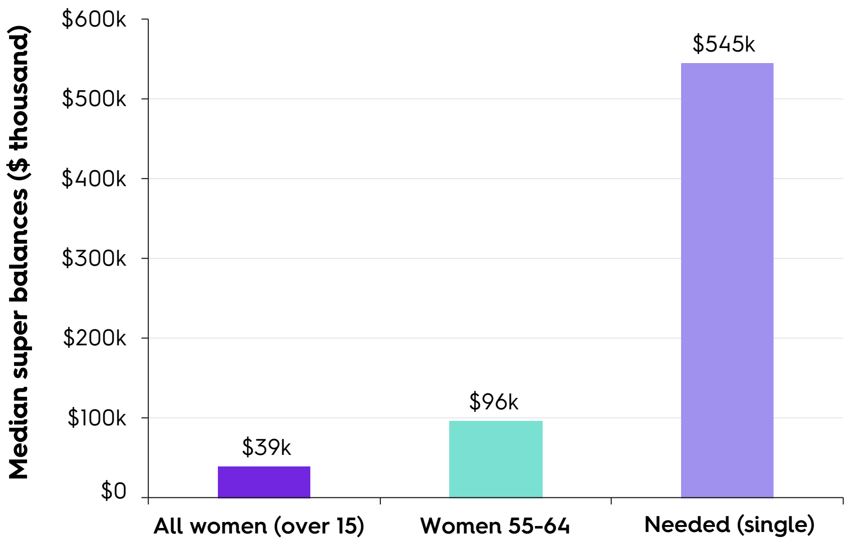
Life expectancy at age 65, by gender



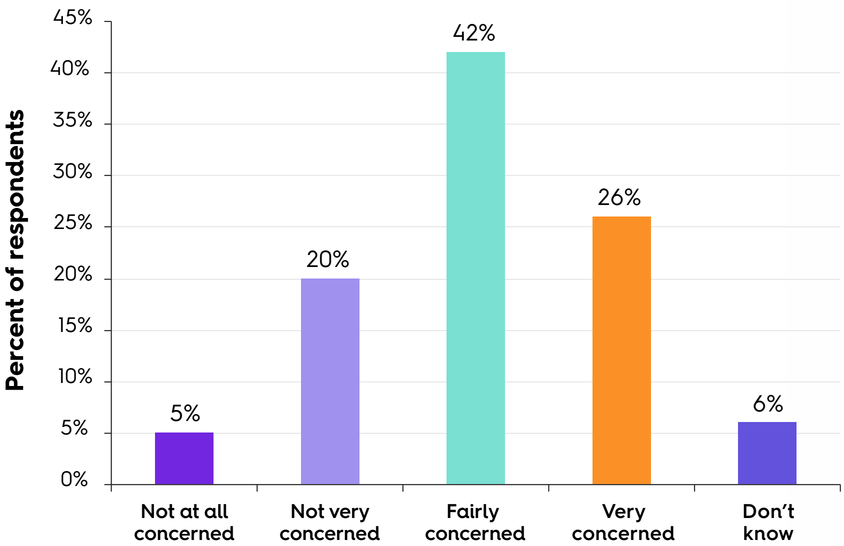
2015-17 life tables.

Because of career interruptions, lower wages, and concentration in part time work, superannuation savings for most women are inadequate to meet their needs in retirement. Median superannuation savings for all women over 15 (that is, savings for the woman precisely half way in the wealth distribution of all women) are just $39,000. Even older women (in the decade before retirement) have median savings under $100,000. That's a far cry from the recommended savings target for a single retiree to preserve their living standard.

Median superannuation balances, 2015-16



Concern over retirement income adequacy



Survey of women under 40.

Women understand the bigger hurdles they face in planning for a secure retirement: most women are concerned that their retirement incomes will not be adequate.

HESTA Impact

advocate

For measures to ensure women don't retire into poverty.

organisation

Offering generous paid parental leave and 15% SG contributions.

focus on
HESTA

Women working in health and community services face similar challenges in saving for an adequate retirement as other working women in Australia. Their earnings while working are lower than men's, and their careers are more likely to be interrupted (typically by periods spent caring for children or other family members). However, the gap between men's and women's superannuation savings is smaller for HESTA members than for the overall working population. Average superannuation balances for women in HESTA are 8% smaller than for male members – compared to an average gap of one-third facing for all women. By enlisting early in a well-managed industry fund, and benefiting from more stable and more equal jobs, female HESTA members have increased their chances of achieving decent retirement security.

3 the changing climate

One of the greatest challenges to health, wellbeing and social stability in the world is the threat of global climate change. Accumulation of carbon dioxide (and other 'greenhouse' gases) in the Earth's atmosphere, the legacy of centuries of burning fossil fuels for energy, is causing a significant and accelerating rise in global temperatures. This has a wide range of dangerous and costly consequences: from rising sea levels, to more frequent and destructive severe weather events (such as cyclones and droughts), to disruptions in rainfall patterns.

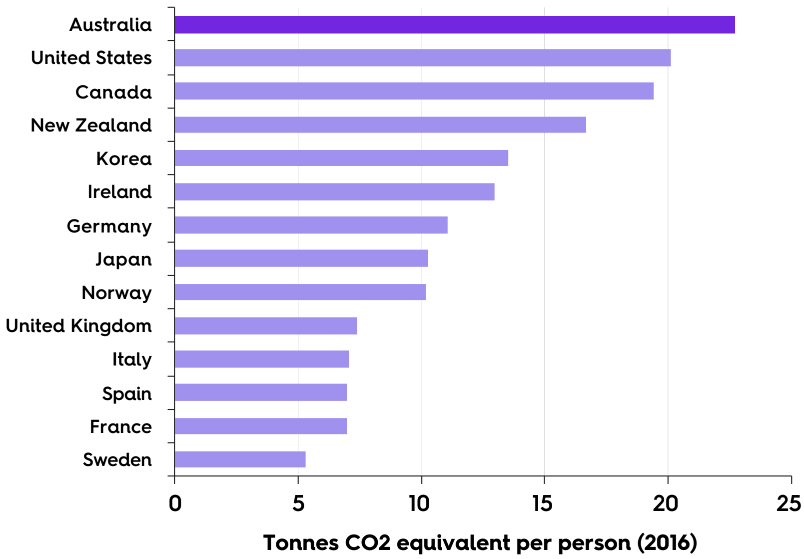
Australia joined 195 other countries in the 2015 Paris Agreement, collectively committing to reduce greenhouse gas pollution and slow down climate change. Australia emits more greenhouse gases per capita than any other major industrial country, so we have a special responsibility to do our full share. However, inconsistent policy by Australia's government – on carbon pricing, electricity regulations, support for sustainable energy, and more – makes it questionable whether Australia will live up to our Paris commitment.

Climate change and other environmental problems now pose significant health risks to Australians. Medical researchers have identified clear links between climate change and premature death, through a range of channels: casualties from storms, floods and wildfires, deaths attributable to extreme heat, and even suicide have all been scientifically linked to rising temperatures. Infectious diseases and allergies are also exacerbated by climate change.

Air pollution alone is estimated to contribute to an estimated 3,000 deaths in Australia every year: more than twice as many as die in traffic accidents.

The failure to address climate change (and other environmental problems) will pose growing strains on health and community services where most HESTA members work: increasing demand on the system, exacerbating funding problems, and undermining health outcomes.

Greenhouse gas emissions per capita, industrial countries



> **"Advancing gender equality may be one of the best ways of saving the environment... The voice of women is critically important for the world's future – not just for women's future."**
>
> **- Amartya Sen, Nobel Prize Economist**

The environmental crisis has unequal gender impacts, too: women bear unique risks and costs as a result of climate change and environmental degradation. The burdens of providing care to family members, made more difficult by climate change, fall disproportionately on women. In many parts of the world, food insecurity is negatively affected by climate change; this has particularly immediate and severe impacts on women's lives since they are the ones most often charged with putting food on the table.

At the same time, women can and must play a leadership role in preventing pollution and addressing climate change. Research confirms that women's work and production relates differently to the environment than traditional male jobs: women's jobs depend more closely on the wellbeing of local resources like land and water, especially in developing countries. Hence women have been more careful to preserve the quality of those resources.

Empowering women to play a more equal role in economic decision-making – at the national level, in communities, and within households – will be key to building a more sustainable economy. By emphasising values of caring, community, and planning, Australia can indeed transition to an economy that pollutes less, but lifts the quality and security of life of all its residents.

13 CLIMATE ACTION

SDG 13: Take urgent action to combat climate change and its impacts.

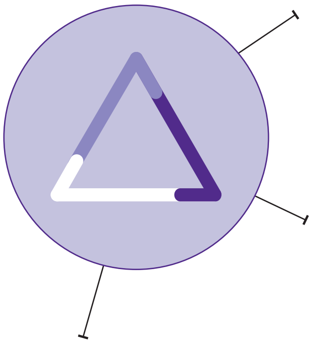
Integrate climate change measures into national policies, strategies and planning, and implement the United Nations Framework Convention on Climate Change to mobilise $100 billion annually by 2020 from all sources to address the needs of developing countries.

The SDGs recognise that slowing and stopping climate change is an overarching goal, given the overwhelming priority that must be placed on meeting this global challenge. Rich nations (including Australia) have a special responsibility to reduce greenhouse gas pollution: not just because they have more capacity to fund climate initiatives, but also because they have caused most of the pollution that's accumulated in the atmosphere since the Industrial Revolution (and is now causing climate change). The SDGs commit rich countries not only to reducing their own pollution, but also contributing to pollution-reducing initiatives in developing countries.

Ensure access to affordable, reliable, sustainable and modern energy for all.

HESTA is committed to reducing the environmental consequences of our own operations. We are the first Australian super fund to be certified by the Federal Department of Environment and Energy as Carbon Neutral for emissions produced from our business operations. And our commitment to responsible investing ensures that members' savings are invested with explicit recognition of the social and environment consequences of investment options. We believe that ownership equals influence, so we actively engage with those companies we believe need to improve their environmental performance.

HESTA Impact



advocate

For a price on carbon in Australia and measures to address climate change.

investor

Over $1 billion in clean and affordable energy solutions and an active engagement program.

organisation

Ensuring all HESTA operations are carbon neutral.

4 no place to call home

The growth of homelessness among women – especially older women – is a shocking indicator of growing poverty and inequality. The number of older homeless women (55 and over) grew by 28% in the five years ending in 2016. Elderly women are now the fastest-growing category of homeless persons in Australia.

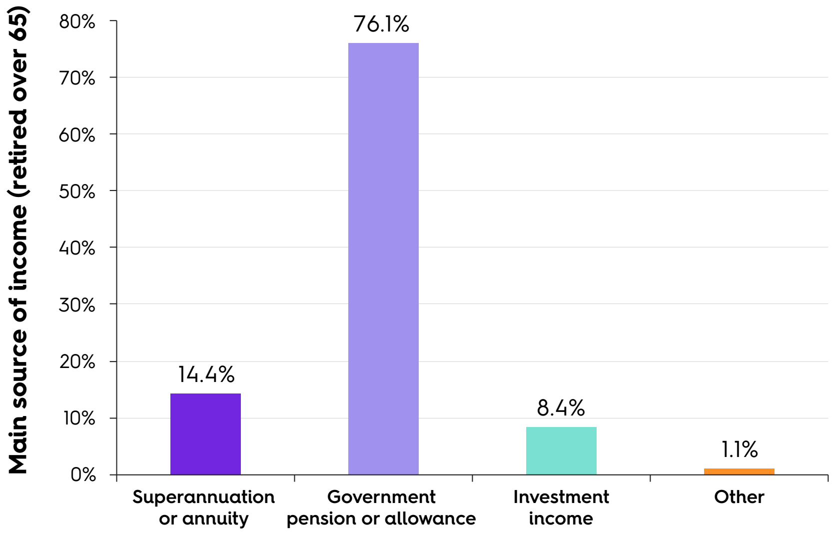
Women tend to retire about two years earlier than men: in 2015, the average age of retirement was 63.8 years for women, compared to 66.1 years for men. But due to inadequate superannuation balances and concerns about income adequacy, currently employed women are planning to retire later, at 66.5 years of age on average.

At present, Australia's public pension system – the Age Pension – is the dominant source of retirement income, especially for women. Over three quarters of current women retirees (over 65) depend on the Age Pension and other government allowances for their main income. Without that public backstop, poverty rates for retired women (especially single women) would be very high.

Nevertheless, low income is a serious problem for elderly Australian women, especially those living alone. About one in five Australian women over 65 live in a low-income household – and the low-income rate rises to almost one in four for those living by themselves

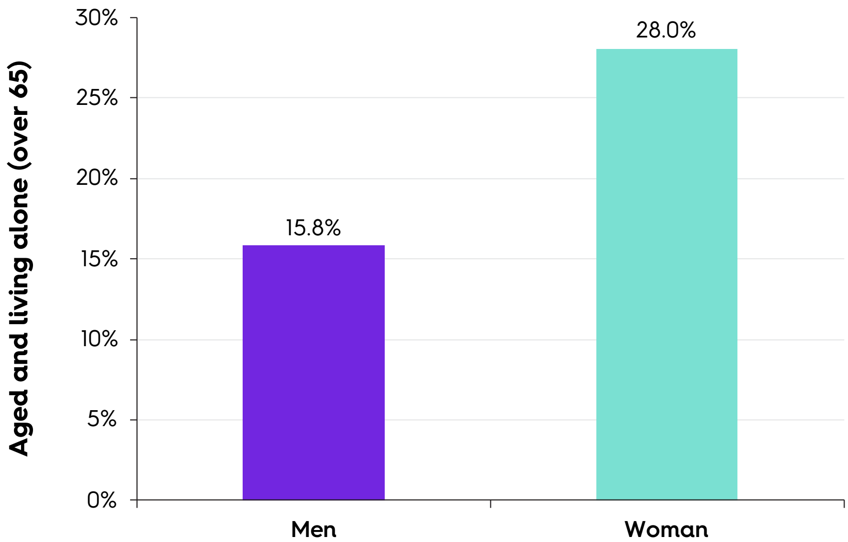
In part because they live longer than men on average, there are more elderly women than men who live by themselves: 28% of women over 65 live by themselves, almost twice the proportion as for men.

Main source of income for current retired women



Aged 65 or more, 2015-16.

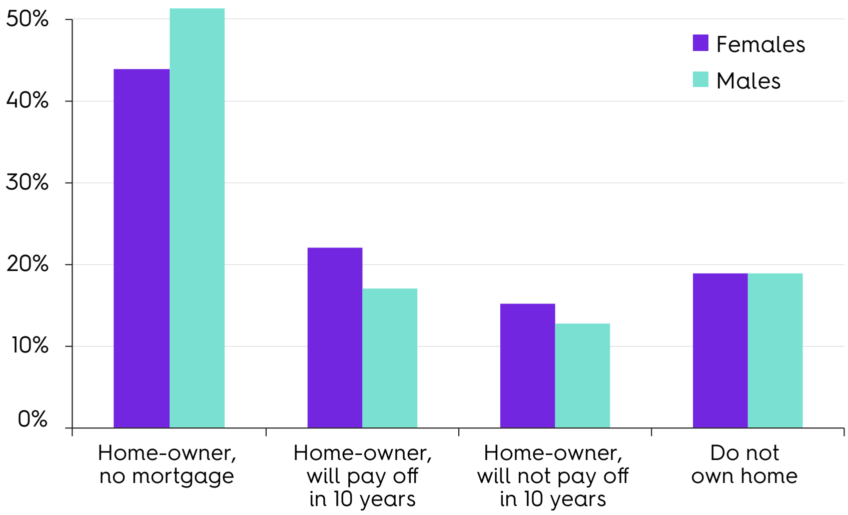
Solo living among the elderly, 2016



focus on
HESTA

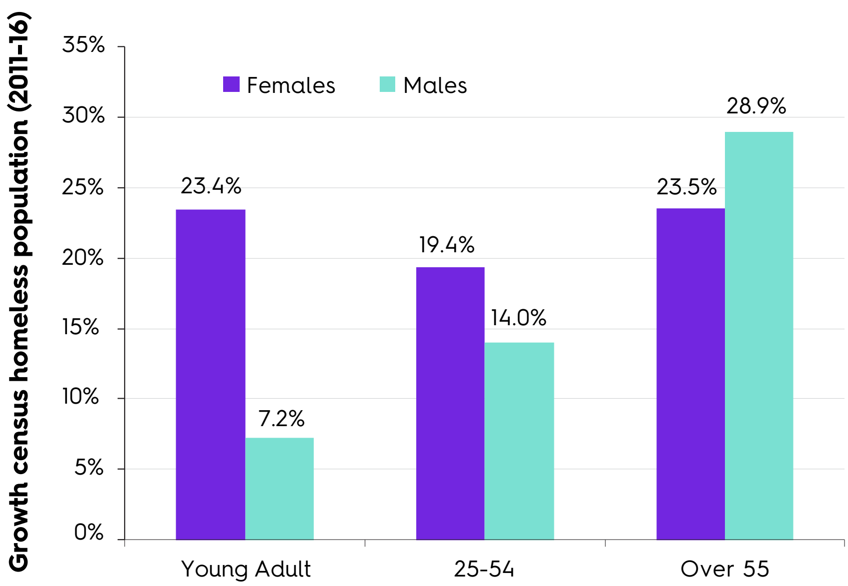
A key determinant of financial security in retirement is whether a pensioner owns their own home. Among HESTA members approaching retirement (those working but aged 50 or over), 44% of women and half of men own their own home outright (with no remaining mortgage). Another fifth plan to pay off the mortgage within 10 years, roughly in time to retire. But almost one-fifth of members approaching retirement do not own their home at all.

Home-ownership rates, HESTA members approaching retirement

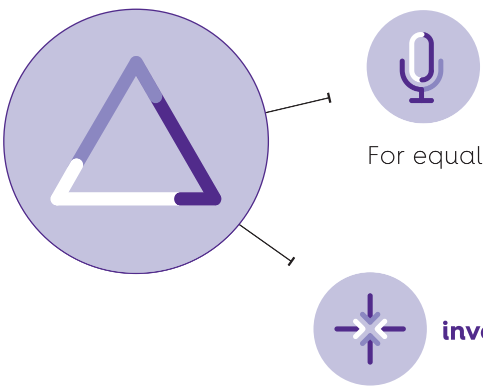


Includes employed HESTA members over 50.

Growth in homelessness by age and gender



HESTA Impact



advocate

For equal pay, and secure jobs.

investor

In affordable housing opportunities.

SDG 11: Ensure access for all to adequate, safe and affordable housing and basic services.

Affordable housing is a crucial factor in the financial wellbeing of all families, and it is especially important for retired Australians. The escalation of property prices, and sky-high rental rates (especially in major cities), has caused great financial stress for many working and retired households. Effective policies to increase the supply of affordable housing (including rental and public housing) will be crucial in the future: to both allow younger families to purchase homes, and to reduce poverty among retired people who do not own their own homes.

5 the vulnerable

More than one in three women have experienced some form of physical or sexual violence in their adult lives. About one Australian woman per week, on average, is killed by a current or former partner. The vast majority of those committing physical and sexual violence against women are men; and three-quarters of those are known to their victims (most commonly their current or former partners).

Over half of adult women have experienced sexual harassment in their adult lives; again, the overwhelming proportion of perpetrators are men, and many of those incidents occur in workplaces. Women also face other serious forms of intimidation, including emotional abuse and stalking.

Violence against women and their children imposes enormous costs on the victims: including injury and illness, fear and mental health consequences, disruption and uncertainty, and financial costs (including lost wages, legal and moving costs, and more). Broader economic costs from violence against women include lost productivity; policing, security and legal expenses; health care expenses; reduced educational achievement for children; and more. The total economic cost of violence against women and children has been estimated at $22 billion per year.

Violence from intimate partners now poses the greatest single health risk to women in the core working-age bracket of 25-54 years.

Many measures would help to prevent violence against women and their children. These include public education, better protection for women from violent partners and ex-partners, and stronger income security measures (so women are not financially compelled to stay in violent situations).

Women's experience of violence

Proportion of women who experienced:	In the last 12 months	In their lifetime (since 15)
Physical or sexual violence	4.7%	36.8%
Emotional abuse	4.8%	23.0%
Sexual harassment	17.3%	52.2%
Stalking	3.1%	16.8%

Women over age 15.

Intimate partner violence

1 woman per week	Is killed by a current or former partner
8 women per day	Are hospitalised after assault by a current or former partner
1 in 12 are pregnant	Of those hospitalised after assault by partner, 1 in 12 are pregnant
Greatest health risk	Intimate partner violence is the greatest health risk facing women aged 25-54 (worse than smoking, alcohol or obesity)

One important initiative with proven benefits in reducing violence and helping its victims is the provision of paid leave from work, to assist women in escaping violent situations. The average cost of 10 days paid leave for victims who need it works out to just 5 cents per worker per day across the whole labour force. This is a tiny price to pay, to help victims and avoid the much larger costs of continued violence.

Paid domestic violence leave

10 days paid leave	Extending the right to 10 days paid leave for victims of domestic violence would cost $80-120 million per year across the economy
0.02 percent	That represents an increase in total payroll costs of 0.02% (one fiftieth of 1 percent)
5 cents per day	The extra cost per worker in Australia of providing this leave is 5 cents per day.
Cost of inaction	Estimated cost of violence against women and children: $22 billion/year.

5 GENDER EQUALITY

SDG 5: End all forms of discrimination against all women and girls everywhere, and eliminate all forms of violence against all women and girls in the public and private spheres.

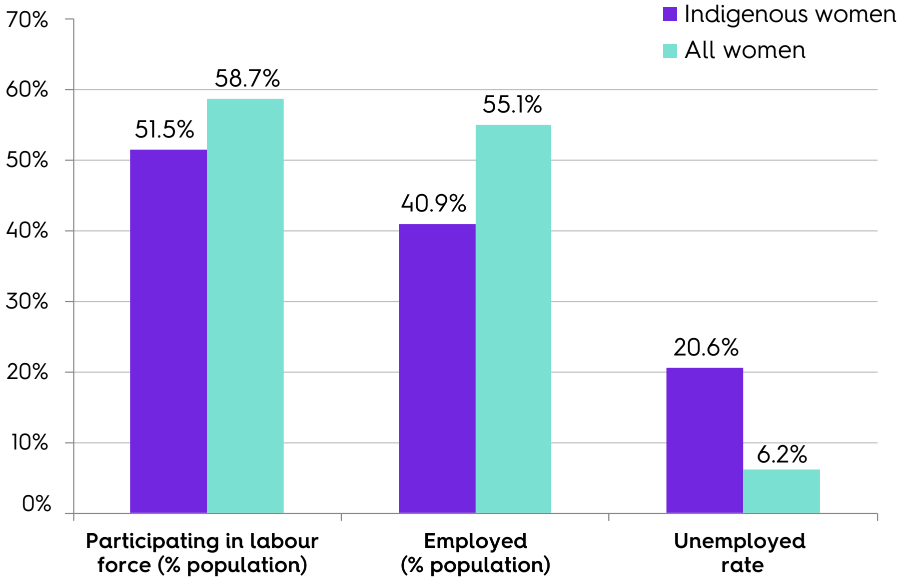
Violence continues to inflict enormous suffering and fear on hundreds of thousands of Australian women and girls, not to mention substantial economic costs (measured in tens of billions of dollars). Australia needs a focused, well-resourced strategy to educate men and women about the need to stop violence against women and girls, and to protect and support women who have experienced violence in their lives. Establishing paid leave for victims of domestic violence as a universal employment right would be one important anti-violence measure in workplaces.

Aboriginal and Torres Strait Islander Australians

All women face discrimination and inequality. But for Aboriginal and Torres Strait Islander women, the barriers of exclusion and prejudice are especially high. They face compounded inequality, reflecting both their gender and their heritage.

Aboriginal and Torres Strait Islander women face particular discrimination in the labour market. Labour force participation rates are lower, and the unemployment rate is more than three times as high – over 20%, according to most recent data. And employment outcomes for Aboriginal and Torres Strait Islander women have grown worse over the past decade, not better.

Labour market indicators, women, 2014-15



Problems of low income, shorter life expectancy, and violence are also more common for Aboriginal and Torres Strait Islander women. 22% of Aboriginal and Torres Strait Islander women have experienced violence in the last year; 29% live in a household that ran out of money for basic living expenses within the last year; and 29% have experienced homelessness. For these and other reasons, the life expectancy of Aboriginal and Torres Strait Islander women is presently just 75.6 years: eight years shorter than for non-Aboriginal and Torres Strait Islander women.

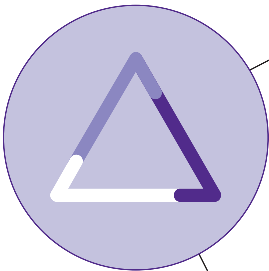
The life expectancy of Aboriginal and Torres Strait Islander women is eight years shorter than for non-Aboriginal and Torres Strait Islander women.

SDG 10: Promote the social, economic and political inclusion of all – irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

Women from Aboriginal and Torres Strait Islander, immigrant, and diverse linguistic and cultural communities face a double burden of discrimination and inequality. They have less access to decent work and fair pay, because of both their race and their gender. Average incomes for Aboriginal and Torres Strait Islander women are among the lowest of any Australians. Stakeholders in the health and community service sectors have a responsibility to reduce inequality across all dimensions. Measures could include by improving employment and pay equity practices, and enhancing service delivery for women and families from Aboriginal and Torres Strait Islander and culturally and linguistically diverse communities.

In 2015, HESTA became the first industry super fund to adopt and implement a Reconciliation Action Plan. This plan guides our efforts to build stronger partnerships with Aboriginal and Torres Strait Islander communities, and better meet the needs of our Aboriginal and Torres Strait Islander members.

HESTA Impact



advocate

For measures to address domestic violence and Aboriginal and Torres Strait Islander disadvantage.

Developing and implementing a Reconciliation Action Plan and a Financial Inclusion Action Plan.

organisation

Providing employees with access to Domestic Violence leave and other support services.

conclusion

HESTA thinks and acts holistically about how we can achieve sustainable investment returns, while contributing to a healthier society and planet. To do this, we are pioneering an approach that leverages our scale, influence and deep experience in responsible investment to drive meaningful change now and for generations to come. We are one of a few big global investors who are taking this type of coordinated, organisation-wide approach.

Historically, superannuation funds have limited how they consider their social and environmental impact to specific impact investment programs. These impact investments are typically a small slice of overall asset and aim to earn a financial return as well as having a measurable social or environmental impact. However, at HESTA, we're focused on the broader impact we have for our members and our funds under management of locally and globally invested assets.

We know a HESTA member is likely to stay invested with us for decades and so we invest for multiple generations of members over extremely long timeframes. With this in mind, the decisions we make today will make a big difference to the world into which our members retire. And because we invest members' savings across such long timeframes, we cannot afford to ignore or avoid risks like climate change or lack of gender diversity. It is why we encourage action from governments, the companies we invest in and our own organisation on climate change, gender and other important issues.

We focus on key Sustainable Development Goals to address climate change, promote gender equality and build healthier, more sustainable and inclusive communities, cities and economies.

This approach informs our responsible investment focus, it frames our advocacy efforts and it drives our own operational sustainability.

We hope our first issue of *Vital Signs* has highlighted some facts and research, and also outlined the role HESTA can play in making a positive impact on the world into which you retire.

Appendix:

Statistical Sources

Page	Item	Source
4-5	Infographics	Analysis of HESTA membership database.
6	Text	ABS Catalogues 6291.0.55.001, Table 1, and 5206.0, Tables 20 and 45.
7	Fig. (top)	ABS Catalogue 6202.0, Table 1.
7	Fig. (bottom)	ABS Catalogue 6291.0.55.001, Table 1.
8	Figure	OECD Statistics, Labour Force Survey by Sex and Age Indicators.
8	Table	ABS catalogue 6291.0.003, Table 6.
10	Text & Table	ABS Catalogues 6202.0, Table 1, and 6291.0.55.003, Data Cube EQ04.
10	Figure	ABS Catalogue 6291.0.55.003, Data Cube EQ04.
11	Box	ABS Catalogue 6302.0, Table 2.
11	Figure	ABS Catalogue 6302.0, Table 2.
12	Figure	ABS Catalogue 6302.0, Table 2.
14	Text	ABS Catalogue 2071.0, Table 16.
14	Box	Livermore et al. (2011).
15	Figure	HILDA Report (2018), p.12.
15	Table	HILDA Report (2017), Table 4.2.
15	Figure	ABS Catalogue 4402.0, Summary of Findings, Table 1.
16	Text, Box	Workplace Gender Equality Agency (2016), p.4.
16	Figure	Workplace Gender Equality Agency (2016), p.4.
17	Fig. (top)	ABS Catalogue 4430.0, Summary of Findings.
17	Fig. (bottom)	ABS Catalogue 4430.0, Table 32.3.
18	Text	ABS catalogue 4125.0, Table 2.7.
19	Fig. (top)	ABS Catalogue 3302.0.55.001, Table 1.9.
19	Fig. (bottom)	ABS catalogue 4125.0, Table 2.7; Clare for Association of Superannuation Funds of Australia (2017).
20	Figure	Baird et al. (2018), p.51.
23	Figure	OECD Statistics, Greenhouse Gas Emissions by Source, Economic Outlook.
26	Text	ABS Catalogue 4125.0, Table 2.9.
27	Fig. (top)	ABS Catalogue 4125.0, Table 2.6.
27	Fig. (bottom)	ABS Catalogue 2071.0, Table 13.
27	Text	Australia's National Research Organisation for Women's Safety (2019).
28	Figure	Analysis of HESTA membership database.
28	Figure	ABS Catalogue 2049.0, Table 1.12 (2016) and Table 12 (2011).
31	Table	ABS Catalogue 4906.0, Table 32.1.
31	Infographic	Australia's National Research Organisation for Women's Safety (2019).
31	Infographic	Stanford (2016).
32	Figure	ABS catalogued 4714.0, Table 4.3, and 6202.0, Table 1.

Bibliography:

Australia's National Research Organisation for Women's Safety (2017). *Are We There Yet? Australians' Attitudes Towards Violence Against Women and Gender Equality* (Sydney: ANROWS).

Baird, Marion, Rae Cooper, Elizabeth Hill, Elspeth Probyn and Ariadne Vromen (2018). *Women and the Future of Work* (Sydney: University of Sydney Business School).

Clare, Ross (2017). *Superannuation Account Balances by Age and Gender* (Sydney: Association of Superannuation Funds of Australia).

HILDA Report (2017). The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 15 (Melbourne: Melbourne Institute of Applied Economic & Social Research).

HILDA Report (2018). The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 16 (Melbourne: Melbourne Institute of Applied Economic & Social Research).

Livermore, Tanya, Joan Rodgers, and Peter Siminski (2011). "The Effect of Motherhood on Wages and Wage Growth: Evidence for Australia," *Economic Record* 87(S1), pp. 80-91.

Stanford, Jim (2016). *Economic Aspects of Paid Domestic Violence Leave Provisions* (Sydney: Centre for Future Work).

Workplace Gender Equity Agency (2016). Unpaid Care Work and the Labour Market (Sydney: Workplace Gender Equity Agency).

...because your stories are our inspiration.

hesta.com.au