

Submission into the Retirement Income Review – 3rd February 2020

economic Security4Women welcome the opportunity to provide this submission to the Treasury Department's inquiry into the *Retirement Income Review*

economic Security4Women

economic Security4Women (eS4W) is a national women's alliance, funded by the Australian Government through the Office for Women in the Commonwealth Department of Prime Minister and Cabinet.

It is an alliance of women's organisations united in the belief that economic wellbeing and financial security are essential for women and will enable women of all ages to have an equal place in society.

The role of eS4W is to:

- bring together women's organisations and individuals from across Australia to share information, identify barriers to women's economic security and to identify solutions by prioritising the key issues for action to bring about change.
- engage actively with the Australian Government on policy issues as part of a better more informed and representative dialogue between women and government.

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In relation to the consultation question:

- *Are there aspects of the design of retirement income systems in other countries that are relevant to Australia?*

CONTRIBUTIONS TO THE CARER'S SUPERANNUATION

As referenced in eS4W's White Paper [on the Impact The impact of unpaid care work on women's economic security in Australia](#) recommends that contributions to the carer's superannuation fund should be made on a regular (annual) basis, depending on a means and superannuation balance test. At a minimum, the government payment should be \$5,000 per annum (indexed to the CPI), which is a level that would supplement retirement savings while the carer is away from paid employment. This would help to ensure that on retirement, there is a greater probability of a viable retirement nest egg.

This is not a new "idea" but one that has been suggested in various forms and many times over the years by:

- Productivity Commission Inquiry – valuing unpaid caring work
- Australian Human Rights Commission: Investing in care: Volume 1: Research Report 2013

- Many countries with social insurance-based public pension schemes have introduced the means of crediting a person's public pension scheme while they are out of the workforce providing care. Some of the countries which have caring credit systems effectively operating include France, Germany, Sweden, Canada, Finland and the UK.

At a time when superannuation contributions are seen as an important factor in reducing the call on the public pension over the longer term, a near term financial cost of the contribution to superannuation would have lifelong benefits of great financial security in retirement, including for carers.

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- *Does the system provide equitable outcomes for women, given they are more likely to take career breaks, work part-time and have lower lifetime earnings and longer life expectancy?*
- *What are the implications of a maturing SG system for those who are not covered by compulsory superannuation?*

COMPULSORY SUPERANNUATION

In relation to the three pillars of Australia's Retirement Income System, eS4W member organisation BPW Australia submits the attached letter and paper to address pillar 2, compulsory superannuation and the above consultation questions.

BPW Australia's policy position statement notes that the workplace has changed since 1992, and only half of Australia's workforce has full time permanent work. These days more employees are casual, part-time or on contract and working fewer hours, often for multiple employers who are all exempt from paying the Super Guarantee. It is not uncommon for employees to hold several part-time jobs that each pay under \$450 per month or offer less than 30 hours a week. In these circumstances, the employee receives no SG contributions from any employer. Women are the majority of such employees and have the least amount of Superannuation on retirement, so this seriously impacts women more than men. This imbalance impacts their capacity to retire with economic security.

This position is also a recommendation from the Productivity Commission's latest report on superannuation in May 2018.

In addition, eS4W has also reiterated the need to remove the \$450 threshold. As stated in eS4W's White Paper [Defining the concept of economic security for all women Policy recommendations to boost women's economic security](#) and Discussion Paper's 2018 [Superannuation and the casualisation of work](#) and 2016 [Women's Financial Marathon to \\$urvival – Women's income in later life](#):

"Women make up the majority of part-time and casual workers, many of whom do not qualify for Superannuation Guarantee (SG) payments due to earning less than \$450 per month. Furthermore, there are many workers in this sector of the workforce that work in multiple jobs, but do not earn \$450 per month in an individual job, and therefore also miss out on the SG payment⁴. For some women, casual jobs may be a lifestyle preference. This work preference was typified by the comment, "I only wanted to work casually for a while" to fit with my family and other priorities."

EMPLOYERS PAYING SUPER ON PAID MATERNITY/PARENTAL LEAVE

The Convention on the Elimination of All Forms of Discrimination against Women introduces "maternity leave with pay or with comparable social benefits without loss of former employment, seniority or social allowances."

In Australia under existing federal legislation, employers are not required to make superannuation contributions for employees on paid parental leave (PPL). However, this overwhelmingly affects the accumulation of superannuation for women, and accentuates the gender superannuation gap, which currently sees women retiring with about 27% less than men.

Some companies in Australia ie HSBC, Commonwealth Bank of Australia, ANZ, NAB and Westpac pay their employees super for a period of up to two years of parental leave.

It is therefore recommended that it is compulsory for employers to pay super on paid parental leave.

INCREASING THE RATE OF SUPERANNUATION GUARANTEE TO 12% WITHIN THE LEGISLATED TIMETABLE

eS4W recommends keeping to the legislated framework for increasing the rate of SG to 12%.

This is important from an adequacy perspective. No, it does not close the gender super gap but it would mean that women would have their overall superannuation balances boosted if 12% SG was paid as has been legislated.

Deviating from the legislated timetable for increasing the superannuation guarantee to 12% is detrimental to women. Given that women live longer than men, they actually need more super than men and a 12% SG would go some way towards helping them have sufficient in retirement so they are not fully dependent on the Age Pension and therefore can retire with the ability to make some choices as to how they want to live and socialise and the dignity to have some financial freedom.

It is also important due to the gendered nature of our economy. Women are concentrated in the low paid sectors of our economy which is often where award agreements are concentrated: retail, hospitality, child care, aged care etc. Women rely on award agreements not only for their rate of pay but for their rate of super and therefore only receive the minimum legislated rate of superannuation guarantee. They are not in a position to negotiate above the legislated rate of SG. This is in sharp contrast to the sectors of the Australian economy that are outside award agreements. Namely, corporate Australia and the mainly male dominated sectors of the economy.

APPLYING A GENDER LENS

eS4W recommends applying a gender lens to all retirement income policies and ensure that all retirement income modelling takes into account gendered outcomes.

This is important so that we can fully understand the implications of policies. Women engage in the workforce in a very different way to men (career breaks/incidence of part-time, flexible, casual working/caring responsibilities/lower lifetime incomes due to gender pay gap) so we need to understand how policies will impact them. We should not assume that what is good for men is good for women or that the same outcome will be achieved by women as by men.



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BPW Australia – seeking national action for women's equality

11th January 2020

Retirement Income Review Secretariat

The Treasury

Langton Crescent

Parkes ACT 2600

Re: Retirement Income Review Consultation Paper November 2019

BPW Australia (Australian Federation of Business and Professional Women) welcomes the consultation paper on the Retirement Income Review .

BPW Australia takes action for women's equality at work, on boards and in leadership, and works for women's economic independence and equal opportunity.

In relation to the three pillars of Australia's Retirement Income System, BPW Australia submits the attached paper to address pillar 2, compulsory superannuation and the following consultation questions :

- Does the system provide equitable outcomes for women, given they are more likely to take career breaks, work part-time and have lower lifetime earnings and longer life expectancy?
- What are the implications of a maturing SG system for those who are not covered by compulsory superannuation?

We attach our policy position statement for extending the superannuation guarantee to low income workers. The attachment provided represent the concerns brought forward by our members from clubs across the country. Resolution on this matter was presented, discussed, debated and endorsed at our biennial National Conference held in Redcliffe QLD in November 2018.

In March 2019, our position statement was provided to the Office of Australian Minister for Women and a face to face meeting was held with Federal Minister, Hon Kelly O'Dwyer . Our position statement was also provided to the office of Deputy Opposition Leader, Hon Tanya Plibersek , of which a written response was received .

We look forward to the outcomes of the review and assessment of superannuation efficiency and effectiveness

Yours faithfully

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Taking action for women's equality: at work, on boards, in leadership



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Extending the Superannuation Guarantee to Low Income Workers

Purpose BPW Australia takes action for women's equality at work, on boards and in leadership, and works for women's economic independence and equal opportunity. The 2018 BPW Australia Conference resolved to advocate nationally for extending the superannuation guarantee to low income workers.

Context The Superannuation Guarantee (SG) is a compulsory system of superannuation support for employees, paid for by employers, introduced in 1992 through the Superannuation Guarantee (Administration) Act.

The Act lists [exemptions](#) whereby an employer is not required to provide superannuation contributions for certain categories of employees, including those paid a salary or wage of less than \$450 a month (before tax) and domestic workers employed for less than 30 hours a week. Withholding superannuation to these categories of employees reduces future superannuation entitlements and financial security in retirement. Given women are the majority of workers facing precarious employment and are more likely to be affected by this discriminative exemption, it increases the gender superannuation gap.

Key message

BPW Australia advocates for Australian governments and political parties to ensure women and men have an equal opportunity to build an adequate retirement income by:

- making policy and legislative changes to extend the superannuation guarantee to low income workers, regardless of the nature of their work arrangements
- allocating sufficient ongoing funding in the federal budget to implement the changes without penalty to other workplace programs and policies.

The Economic Case The [workplace has changed since 1992](#), and only half of Australia's workforce has full time permanent work. It is not uncommon for employees to hold several part-time jobs that each pay under \$450 per month or offer less than 30 hours a week. In these circumstances, the employee receives no SG contributions from any employer.

Given [women make up the majority of such employees](#) and have [the least amount of Superannuation on retirement](#), this [seriously impacts women](#) more than men, further reducing their capacity to retire with economic security.

Actions BPW Australia will lobby the Australian Government, MPs and political parties to remove the SG exemption for low income employees and to properly fund the change so that there is no or minimal cost impact on small businesses and no diminishment of complementary workplace programs.

BPW Australia will work to raise public and media awareness of how the current SG rules for low income workers impact retirement incomes and the role these arrangements play in increasing the disparity of retirement incomes between women and men.

Audience The Australian Government, Members of Parliament, political parties and the media.

Partnerships BPWA is an affiliate of [economicSecurity4Women](#), a national alliance of women's organisations advocating for women's economic wellbeing and financial security, and is a founding member of the [Australian Gender Equality Council](#), a collective of organisations working for gender equity.

BPW Australia Policy Position Statement on Extending the Superannuation Guarantee to Low Income Workers

BPW Australia affirms the following principles:

- Equal pay for work of equal value is a core principle of BPW International and BPW Australia.
- BPW members value equity and justice, transparency and respect.
- Policies, whether explicit or implicit, that benefit one gender or the other, such as reducing access to superannuation, are unfair and unreasonable.

BPW Australia notes the following evidence:

The Superannuation Guarantee (Administration) Act 1992

The Superannuation Guarantee (SG) is a compulsory system of superannuation support for employees, paid for by employers, introduced in 1992 through the [Superannuation Guarantee \(Administration\) Act](#). The 2014 Federal Budget set the minimum SG contribution at 9.5% until 30 June 2018, but subsequent changes mean it will increase by 0.5% each year from 1 July 2022 until it reaches 12% from 1 July 2025.

However there is an [exemption in the Act](#) for employers to withhold the Super Guarantee from employees paid a salary or wage of less than \$450 a month (before tax) and domestic workers employed for less than 30 hours a week such as a part-time nanny or housekeeper. The threshold was originally introduced in 1992 to reduce the burden on employers arising from super guarantee changes. At the time, most employees were fulltime and permanent.

Changing times

The [workplace has changed](#) since 1992, and only half of Australia's workforce has full time permanent work. These days more employees are casual, part-time or on contract and working fewer hours, often for multiple employers who are all exempt from paying the Super Guarantee. It is not uncommon for employees to hold several part-time jobs that each pay under \$450 per month or offer less than 30 hours a week. In these circumstances, the employee receives no SG contributions from any employer. [Women are the majority of such employees](#) and have [the least amount of Superannuation on retirement](#), so this seriously impacts women more than men. This imbalance impacts their capacity to retire with economic security.

Senate Inquiries 2016 and 2018

In 2015, the Senate referred the matter of economic security for women in retirement to the Economics References Committee for inquiry. Its 2016 report '*A husband is not a retirement plan: achieving economic security for women in retirement*' included [\[recommendation 14\]](#):

- that the Australian Government amend the Superannuation Guarantee (Administration) Act 1992 to remove the exemption from paying the superannuation guarantee in respect of employees whose salary or wages are less than \$450 in a calendar month.

In their September 2018 report, the [Senate Committee on the Future of Work and Workers](#) recommended abolishing the \$450 minimum threshold for Superannuation Guarantee Contribution eligibility. Recommendation 24 recommends

- that the government reform Australia's superannuation system to ensure it remains strong in light of emerging labour market trends, with specific reference to gender equity and workers engaged in non-standard employment arrangements. Specific elements of this reform should include abolishing the \$450 minimum threshold for Superannuation Guarantee Contribution eligibility.

Given the increasing numbers of workers who are intermittently employed, and improvements in technology that have improved the cost-effectiveness for employers paying small amounts, Australian Super and the Council on the Ageing [[sections 6.68 and 6.72 of the Senate 2018 report](#)] both advised that the exemption was no longer justified. Australian Super suggested its removal could deliver up to \$513 per annum for a worker with more than one job and an estimated additional \$70,000 in retirement over 40 years of working.

The Productivity Commission

The [Productivity Commission's latest report](#) on superannuation in May 2018 asks whether the current system is working for members – and answers firmly in the negative. The Productivity Commission pointed out that small accounts are [eroded through fees](#), which they describe as excessive. This was also exposed in the Financial Services Royal Commission. Associate Professor [Helen Hodgson](#) of Curtin University explained in The Conversation that low earners moving from job to job often find themselves with many superannuation accounts and, although the extra amounts a worker would receive if the A\$450 per month floor was removed are small, over a lifetime of multiple jobs these payments add up. She also cautions that, with so little [underlying wage pressure](#), there is a risk of employers of low-wage workers handing out even lower wage rises to fund the super payments. The Fair Work Commission must ensure this doesn't happen.

Election promises

The [Australian Labor Party](#) has recently promised that, if they are elected, they will phase out the A\$450 per month wage threshold at which employers make compulsory contributions.

The [Liberal Party](#) has announced legislation to protect low-balance accounts from excessive fees and insurance costs, but has not yet committed to removing the low income exemption.

BPW Australia advocates for the exemption to be removed and for the Superannuation Guarantee to be paid to all employees at the same rate. There should be no financial or administrative burden on small businesses or employees when this change is implemented. Established SG payment systems should be extended to accommodate these payments.

This policy change needs to be part of a suite of changes aimed to achieve gender pay equity. Although the gender pay gap is narrowing, we won't come anywhere near bridging the superannuation gap [until we close the gap that lies behind it](#).

BPW Australia seeks the following actions:

Political parties to adopt an election policy that supports fair access to superannuation for women and men regardless of income and work arrangements.

The incoming government to make the removal of the low income exemption for Superannuation Guarantee payments a priority.

Government, employer and industry stakeholders, unions and employee advocates to collaborate to actively promote and implement best-practice strategies to tackle the gender gap in retirement incomes.

The media to help raise public awareness about how the current SG rules for low income workers impact retirement incomes, and the role these arrangements play in increasing the disparity of retirement incomes between women and men.

BPW develops the business, professional and leadership potential of women through its advocacy, mentoring, networking, skill building and economic empowerment programs and projects.

BPW Australia is a well-established organisation of women who advocate and take national action for women's equality at work, on boards and in leadership. We are affiliated with BPW International, a globally influential women's organisation with consultative status at the United Nations. BPW International works for global gender equality in power and decision-making through our advocacy and UN participation.

BPW Australia welcomes as members women in paid and voluntary work, including women who used to work and women who aspire to work. Our membership includes: employers and employees; corporate women and small business women; women in professions, crafts and trades; and from the non-profit and government sectors.