

Tuesday 4th June 2019

Senator the Hon. Jane Hume
Assistant Minister for Superannuation, Financial Services and Financial Technology
Parliament House
Canberra

Dear Assistant Minister,

Congratulations on your appointment as Assistant Minister for Superannuation, Financial Services and Financial Technology. Women in Super looks forward to working with you in your new capacity to improve retirement outcomes for women.

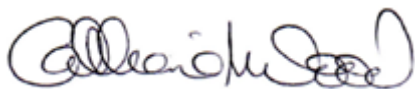
Women in Super (WIS) is a national advocacy and networking group for women employed in the superannuation and associated financial services industries. Since its founding in 1994, Women in Super has advocated for a fairer superannuation system, made submissions to Parliament and participated in Parliamentary and Treasury inquiries into the retirement income system and the role and objectives of superannuation in achieving financial security in retirement.

Whilst compulsory superannuation has significantly increased the percentage of working women with retirement savings, structural biases in the system have delivered poorer outcomes for women than men. As you are no doubt aware, women retire with on average half the superannuation savings of men and poverty and homelessness are increasing problems for older single women, many of whom are retiring with no superannuation.

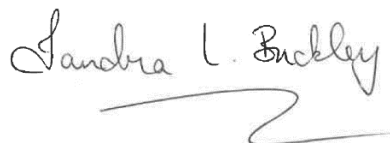
Modelling, undertaken by Women in Super with the help of Rice Warner, demonstrates that under current policy settings the system will deliver the same outcome for future generations of women and their superannuation balances will continue to be wholly inadequate.

We would appreciate the opportunity to meet with you discuss the work of Women in Super and particularly our Make Super Fair campaign which has focussed on key policy measures aimed at improving women's retirement outcomes and financial security in retirement.

Kind regards,



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Overview and list of recommendations

Many Australian women face an insecure retirement. Men's superannuation balances at retirement are on average twice as large as women's. In practice this means that women, particularly single women, are at greater risk of experiencing poverty, housing stress and homelessness in retirement.

This is a problem born of many interrelated factors. At its heart, however, is the fact that women and men experience work very differently. Women are more likely to work in lower paid roles and lower paid fields, are more likely to work part-time or casually, and are more likely to take breaks from paid employment to provide unpaid care for others. Over their lifetimes, as a consequence, they will earn significantly less than men.

Australia's retirement income system does not adequately accommodate this difference. It structurally favours higher income earners who work full-time, without breaks, for the entirety of their working life. The women (and men) who do not fit this pattern of work face a significant handicap when saving for their retirement.

The causes of gender inequality in retirement are complex, and a solution is correspondingly complex. While there are no simple answers, the committee is of the view that Australia needs to redouble its efforts to achieve equality at work—paying women equally, offering access to career development and leadership opportunities, and accommodating rather than penalising those who care for others. Government, business, and individuals have a role to play in achieving women's full participation in our workplaces.

The committee has made 19 recommendations intended to help women increase their participation in the workforce and improve their superannuation savings as a means of achieving dignity and economic security in retirement. It looks at promoting measures that will assist women in retirement to live comfortably and securely as they age.

Recommendation 1

paragraph 3.15

The committee recommends that the Australian Government review the *Fair Work Act 2009* to determine the effectiveness of Equal Remuneration Orders in addressing gender pay equity, and consequently in closing the gender pay gap. The review should consider alternative mechanisms to allow for a less adversarial consideration of the undervaluing of women's work.

Recommendation 2

paragraph 3.51

The committee recommends that the Australian Government continue to support the work of the Workplace Gender Equality Agency and ensure that it is adequately resourced.

Recommendation 3

paragraphs 4.16–4.17

The committee recommends that the Australian Government consider carefully the recommendation from the Australian Human Rights Commission's *Supporting Working Parents: Pregnancy and Return to Work National Review*, to amend the *Sex Discrimination Act 1984* to:

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- extend the discrimination ground of 'family responsibilities' under the Sex Discrimination Act to include indirect discrimination; and
 - include a positive duty on employers to reasonably accommodate the needs of workers who are pregnant and/or have family responsibilities.

Following its inquiry into Employment Discrimination against Older Australians and Australians with Disability, the Australian Human Rights Commission's findings may provide further opportunity to introduce measures to address age discrimination experienced by older Australians, particularly women.

Recommendation 4

paragraph 4.35

The committee recommends that the Australian Government consult with stakeholders on practical options to implement the relevant findings from the Australian Human Rights Commission's *Supporting Working Parents: Pregnancy and Return to Work National Review*, which recommends strengthening the 'right to request' provisions under s 65 of the *Fair Work Act 2009* by:

- removing the qualification requirements in section 65(2)(a) of the Fair Work Act (that is, the requirements for 12 months continuous service);
- introducing a positive duty on employers to reasonably accommodate a request for flexible working arrangements; and
- establishing a procedural appeals process through the Fair Work Commission for decisions related to the right to request flexible working arrangements to ensure processes set out in the Fair Work Act have been complied with.

Recommendation 5

paragraph 4.43

The committee recommends that the Australian Government refer the question of effective marginal tax rates for second-earners to the Productivity Commission for review, noting the significance of women's workforce participation.

Recommendation 6

paragraph 4.63

The committee recommends that the Commonwealth Paid Parental Leave Scheme continue to be improved over time to allow for 26 weeks paid parental leave through the combination of government and employer funding.

Recommendation 7

paragraph 4.80

The committee recommends the Australian Government investigate further the interaction between means testing of the Age Pension and mature age workforce participation.

Recommendation 8

paragraph 5.38

The committee recommends that the Australian Government ensure that any changes to the retirement income system are measured against the guiding principle of dignity in retirement and should:

- deliver a decent standard of living for both men and women in retirement;

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- take into consideration the interrelationship between the three pillars of the retirement income system—the Age Pension (including income and assets tests); the superannuation system (with particular reference to tax concessions); and private savings—as well as mature age workforce participation, housing, health and aged care;
 - recognise the diversity of experience and outcomes in retirement incomes for different groups in society, particularly but not restricted to women;
 - adequately assess and mitigate the risks placed on the individual;
 - determine mechanisms for developing benchmarks for the adequacy of retirement incomes to inform future policy; and
 - introduce mechanisms to measure and assess reforms to ensure they are meeting objectives.

Recommendation 9 **paragraphs 5.57–5.58**

The committee recommends that the superannuation guarantee should be paid on the Commonwealth Paid Parental Leave Scheme.

The committee recommends that mechanisms for improving the retirement incomes of carers be examined.

Recommendation 10 **paragraphs 6.14–6.15**

The committee recommends that the Australian Government set an objective for superannuation that supports the continuation of a strong three pillar retirement income system.

In drafting this objective for the superannuation system, the Australian Government should include specific reference to women's retirement incomes, to ensure gender equity is a continuing focus for policy makers.

Recommendation 11 **paragraph 6.25**

The committee recommends that superannuation tax concessions be re-targeted to ensure that they are more equitably distributed and assist people with lower superannuation balances to achieve a more comfortable retirement.

Recommendation 12 **paragraph 6.40**

The committee recommends that the concessional superannuation contributions of lower income earners are not taxed at a higher rate than their ordinary income, and that the Australian Government commit to retaining the Low Income Superannuation Contribution beyond 30 June 2017.

Recommendation 13 **paragraph 6.53**

The committee recommends that the Australian Government revise the current schedule for the increase in the superannuation guarantee (SG) rate to 12 per cent, and ensure the gradual increase in the SG rate is implemented earlier than the current timetable.

Recommendation 14**paragraph 6.72**

The committee recommends 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.

Recommendation 15**paragraph 6.95**

The committee recommends that all government policy analysis in relation to retirement incomes include specific analysis comparing the impact of each proposal on men and women.

Recommendation 16**paragraphs 7.49–7.50**

The committee recommends the Australian Government amend the *Sex Discrimination Act 1984* to ensure companies are able to make higher superannuation payments for their female employees when they wish to do so. As part of this process the Australian Human Rights Commission should explore options and advise the Australian Government on appropriate legislative changes.

Following any amendments to the legislation, the Australian Human Rights Commission should develop guidelines and advice for any organisation contemplating providing additional superannuation payments for women.

Recommendation 17**paragraph 8.38**

The committee recommends that, in order to provide certainty and security for the majority of Australians who will receive the Age Pension in retirement, the government:

- (a) abandon its proposal to increase the Age Pension retirement eligibility age to 70; and
- (b) commit to maintaining the current method of indexation and benchmarking for the Age Pension.

Recommendation 18**paragraph 9.32**

In light of the growing number of older people, particularly women, who are relying on private rental accommodation in retirement, the committee recommends that the Australian Government urgently review the adequacy of Commonwealth Rent Assistance.

Recommendation 19**paragraph 9.33**

The committee reiterates recommendation 26 of its 2015 report, *Out of Reach?: The Australian housing affordability challenge*:

In light of the anticipated rise in the number of older Australians in the private rental market, and the insecure tenancy confronting many older renters, the committee recommends that the Australian Government look closely at its aged care policy so that it takes account of the particular difficulties confronting older Australians in the rental market. The aim would be to determine how policies designed to assist older Australians to remain in their home could take

better account of, and accommodate, the added difficulties for older people accessing safe and secure housing and in conducting modifications to rental dwellings, and more broadly in renting in the private rental market.



Women in Super

'Achieving a fairer retirement outcome
for all Australians, including women'

Submission to the Retirement Income

3 February 2020



Retirement Income Review Secretariat
The Treasury
Langton Crescent
Parkes ACT 2600
By email: retirementincomereview@treasury.gov.au

3 February 2020

RE: RETIREMENT INCOME REVIEW

WOMEN IN SUPER

Women in Super (WIS) is a national advocacy and networking group for women employed in the superannuation and wider financial services industries.

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

WIS makes submissions to Parliament and has participated in previous Parliamentary and Treasury inquiries into the retirement income system and the role and objectives of superannuation in achieving financial security in retirement with a particular focus on women.

Introduction

This submission has two distinct parts. The first part is where we reflect upon the current retirement income system and how it has performed over the almost 30 years it has been in existence. We make particular reference to the retirement outcomes of women and the interaction of women with the overall retirement income system. We also make reference to where we see the system failing and what could be done to improve it. The second part of the submission addresses a number of questions specifically asked by the Retirement Income Review Panel.

Part 1 – WIS Comments and Reflections

Compulsory superannuation is widely supported by the community having extended superannuation beyond the mainly white collar and professional males who traditionally benefited from public sector and corporate schemes.

Compulsory superannuation has doubled the number of women with superannuation however the system as currently designed magnifies and compounds the impacts of the differing pay, workforce participation and caring responsibilities of women compared to men to deliver significantly lower superannuation account balances at retirement.

- One in three women have no superannuation
- 40% of older single women live in poverty
- The fastest growing cohort of the homeless is single older women
- Women have been retiring with on average 47% less superannuation savings than men, a gap that recently released data has seen reduce to 30%

Whilst over time the disparity between men's and women's superannuation balances will decrease as more women receive higher levels of Superannuation Guarantee (SG) payments throughout their working life, it is ridiculous to suggest that the superannuation gender gap will close to an

acceptable level under current policy settings when there is a 14% gender pay gap and women spend more time out of the workforce and working in part time and casual positions due to caring responsibilities.

There is widespread community concern regarding women's retirement outcomes including rising levels of poverty and homelessness.

Superannuation taxation concessions reward the individual for saving for their retirement. Perversely, this Government contribution to the individual's superannuation account through taxation concessions favours high income earners. Those with the highest balances and best retirement outcomes get the highest level of Government support – averaging \$10-\$15,000 each year for the top 20% of income earners, mainly men.

There is no Government boost to the savings of low-income earners – which includes half the female workforce¹. Low income earners receive a payment (LISC now called LISTO) to reverse a tax penalty on their contributions so they do not pay more tax on their superannuation contributions than they would on a wages payment. The LISTO policy settings do not automatically adjust to changes in the SG or PAYE tax scales. Low income earners continue to incur a tax penalty on their superannuation investment earnings.

Women receive just one third of the approximately \$35 billion of annual Government superannuation tax concessions.

There are gaps in the system where women do not receive Superannuation Guarantee (SG) contributions – the \$450 per month eligibility earning threshold; no SG contributions on the Government Paid Parental Leave scheme (PPL); no SG contributions associated with caring responsibilities; SG payments not required for the self-employed. The numbers of women affected by these gaps are substantial.

There are gaps in the system where women do not receive Superannuation Guarantee (SG) contributions – the \$450 per month eligibility earning threshold; no SG contributions on the Government Paid Parental Leave scheme; no SG contributions associated with caring responsibilities; SG payments not required for the self-employed.

The numbers of women affected by these gaps are substantial. For example, an estimated 5.5 million Australians between the ages of 15 and 64 years had unpaid caring responsibilities and 72.5% of these are women².

Compound interest helps grows superannuation savings. Women playing 'catch-up' will never receive the same financial reward as receiving payments earlier in life. For many 'catch up' will not be an option due to their income level and/or caring responsibilities for an elderly or disabled relative or partner.

Women are more reliant on the full or part Age Pension and decreasing levels of home ownership and expensive rental markets are seeing increasing numbers of women living in poverty and

¹ A special payment (LISTO) is required to reverse a tax penalty on the contributions of low income earners so they do not pay more tax on their superannuation contributions than on a wage payment, however this provision has not been amended to take account of SG increasing to 9.5%.

² Australian Human Rights Commission, Investing in Care: Recognising and valuing those who care, 2013

becoming homeless. It is imperative that the Age Pension provides adequate income and is appropriately indexed with rental assistance increased and indexed to the rental market. The Age Pension asset/income test and taper rate were amended in 2017. The benefit of increasing the threshold allowing an additional 50,000 Australians to receive a full pension was welcome. However, the taper rate is widely agreed to be too steep creating a trap that prevents many from improving their income in retirement.

The SG increase to 12% has been delayed which has already had a significant impact on future retirement balances. Lower income earners (predominantly women) need a 12% rate of SG to increase their retirement savings and improve living standards in retirement.

There are strategies that could be introduced to ensure an improvement in outcomes for women. These include removing the \$450 threshold, paying SG on Government PPL, paying SG on all types of income, better targeting superannuation tax concessions, providing a boost to low income earners' superannuation accounts and conducting gender analysis and modelling of all superannuation policies. Furthermore, we could introduce measures based on the concept of 'caring credits' which would compensate any Australian for time out of the workforce which is dedicated to unpaid caring work. An increasing number of countries introduced caring credits systems in recent years (e.g. the UK, Finland, Canada, Chile and Germany) in recognition of the value of unpaid caring work and to mitigate the negative impact it has on retirement outcomes. These will be discussed throughout the submission paper.

The Retirement Income Review

A review of the Retirement Income System is timely some 27 years after the introduction of the compulsory superannuation system which has led to substantial changes in how Australians interact with their retirement savings.

Such a review provides an opportunity to carefully examine the system, identify the aspects that are contributing to the poorer retirement outcomes experienced by women and consider changes to policy settings to ensure the system is more equitable in the future. This can only be done with comprehensive gender analysis throughout the review.

A gender-based analysis of the current system, its outcomes and any modelling used to predict future outcomes is essential to ensure that the particular characteristics of women's work and life experiences, including unpaid and paid caring, are considered. Further, the distinct working experiences of women mean that simple income decile analysis and projections do not accurately portray the impact they have on the accumulation of superannuation. Cameo modelling is required. We note that Treasury is developing MARIA - a new micro simulation model of the retirement income system. There needs to be transparency regarding the model to ensure outputs are understood. We note that Figures 2, 4 and 5 in the Review consultation paper do not include a gender breakdown and the Government did not provide gender analysis of past superannuation policy changes in 2017.

Women in Super wrote to the Treasurer and Minister in August 2019 (attached) and requested that the Government ensure that the Review Panel be gender diverse and that the terms of reference include a specific objective to improve retirement outcomes for women and that the review considered the gender impact of current policy settings and any proposed changes.

The Terms of Reference released in September 2019 made no mention of women's retirement outcomes. The Review panel is however gender diverse.

There is widespread concern regarding women's economic security in retirement. Many individuals and organisations agree there is a need for the Retirement Income Review to explicitly refer to women's retirement outcomes and undertake gender analysis of the impact of current and proposed policy settings.

A Women in Super open letter to the Treasurer (attached) requesting that the terms of reference for the Review be amended, quickly attracted support from high profile women and men from the business, academic, not for profit, superannuation and financial services sectors.

The terms of reference have not been amended and there has been no response to our letter which was also forwarded to the Minister for Women and the review panel via the Treasury secretariat. We note statements made by the Minister for Finance Senator Cormann to the Senate Economics Legislation Committee, 23 October 2019 including the extract below, and hope that the review panel will require gender analysis by Treasury and other organisations commissioned to prepare particular reports.

Senator McALLISTER: *The terms of reference drive the content of the process. Are you intending to direct the review to specifically consider women's interests?*

Senator CORMANN: *...I would expect the panel to review and to assess all relevant issues, including the issues you are raising. I'm very confident that that's what they will do in the ordinary course of events, given they've been asked to assess and to identify how the retirement income system supports Australians in retirement – men and women – and identify the distributional impacts across the population over time. I'd be extremely surprised if the panel that was appointed – two-thirds of whom are outstanding and highly experienced women in this area of policy – does not address some of the issues you have identified.*

The consultation paper does not call out women's inferior retirement outcomes as a major focus including the need to specifically consider gender differences across all areas of inquiry.

We would encourage the panel to ensure that there is a nuanced and detailed examination of the obstacles faced by women in relation to achieving a level of retirement income that affords a reasonable standard of living rather than several decades of economic insecurity, poverty and for an increasing cohort, homelessness. This would include the difference in male and female life expectancy (whereby women are confronted by the paradox of lower savings having to last longer) and that the increase in female labour market participation is predominantly part-time, which compounds the gender retirement gap.

While there are other cohorts who also deserve to be considered in the panel's examination of equity, we are concerned that in the discussion paper, there were effectively only two brief mentions of gender issues relevant to the retirement income system. All aspects of the system are relevant to assessing why women have significantly poorer retirement outcomes than men.

We would urge the panel to ensure there is an appropriate focus on women's retirement outcomes, that all data includes a gender breakdown and there is gender analysis of how the current policy setting have delivered and will in future deliver for women and men, and how alternate policy settings will impact women.

Women in Super is also concerned regarding the timeframe and lack of transparency of the review process. The deadline for submissions was challenging and there have been limited opportunities for consultation. The panel has not provided details of the special reports that have been commissioned

nor what modelling will be undertaken by Treasury and the MARIA model has not been released. There will be no interim report subject to consultation and review by interested and expert parties. Despite many reviews and government inquiries having taken pace into superannuation over the past two decades, only one has looked specifically at the outcomes faced by women. The Senate Inquiry into the Economic Security of Women in Retirement led by Senator Jenny McAllister focused on gathering evidence and understanding why women have different outcomes. The 18 recommendations of this inquiry are included with this submission and should be taken into consideration by policy makers. There is widespread agreement on implementing many of the recommendations (for example, removal of the \$450 monthly threshold before superannuation is received) as ways to improve women's superannuation and retirement outcomes.

Without the application of a gender lens or conducting a gender analysis of superannuation policies there is the risk that policy makers will continue to implement policies that they believe will be to the benefit of all but in fact can have a detrimental outcome on the retirement incomes of women.

It is pleasing to note that the community at large has become aware of the gender disparities and the rising problem of economic insecurity in retirement facing women. There has been increased media attention and focus on this issue over the past 10 years and there is growing pressure that something needs to be done to make the system accessible and fairer for all.

Retirement outcomes are significantly worse for women

The Consultation Paper acknowledges that women retire with lower than average retirement balances than men. In 2016, the Senate Standing Committee on Economics found that on average women retire with approximately half the retirement savings of men.³ In 2018, work by the Centre of Excellence in Population Ageing Research found that in 2016, women's balances at age 60-64 were 64% lower than men's.⁴ According to MARIA, in 2020, women will on average retire with 30% less the superannuation of men. The gender gap in balances is expected to reduce but persist. While women continue to have lower labour force participation and incomes than men, they will continue to make up a higher proportion of those with lower balances in retirement.⁵

The causes of the gender superannuation gap are structural and are well known.

The fact that pillar 2 is occupation-based compounds these inequities.

The result is that increasing numbers of older women in Australia are falling below the poverty line and experiencing homelessness. The problem is particularly acute for single women who do not own their home.

In 2019, research by the Australian Housing and Urban Research Institute found that a growing number and percentage of older people are experiencing homelessness for the first time in older age. At the 2016 census, 18,615 people aged over 55 were homeless. Between 2011 and 2016, the proportion of older people who were homeless increased:⁶

- For people aged between 55 and 64, the increase was 26 %.
- For people aged between 65 and 74, the increase was 38 %.

³ Senate, Economics References Committee, , A Husband is not a Retirement Plan, Achieving Economic Security for Women in Retirement at para 2.16.

⁴ CEPAR, Retirement Income in Australia: Part III – Private resources (2018).

⁵ Treasury, Information Note, Superannuation balances at retirement (2019).

⁶ AHURI, An effectiveness homelessness services system for older Australians (2019).

- For those over 75, the increase was 14 %.

The researchers also identified a pronounced increase in the number of women affected by homelessness in older age. This was attributed to relationship breakdown making women financially vulnerable later in life, lower lifetime earnings resulting in fewer assets, including superannuation and high housing costs and tenure insecurity in the private rental market.

The researchers concluded the root cause of homelessness is poverty and the Australian Government needs to lead the development of a national plan coordinating the roles of the social security, aged care, homelessness and healthcare sectors. Additional supply of affordable and secure housing is central to solving this crisis.

The Review should establish an objective target for improving retirement outcomes for women by reducing the number of women who retire in poverty over the next decade.

The Review needs to assess how the system performs for women

It is self-evident that there will not be a significant reduction in the gender superannuation gap while these structural issues persist.

Despite this, some stakeholders misleadingly claim that the gender superannuation gap is closing. For example, in 2019 the Association of Superannuation Funds of Australia reported that the median superannuation balance was \$146,420 for men and \$114,350 for women⁷ and some commentators extrapolated from this that the gender super gap could close in the near term if this ‘trend’ continued⁸. These figures overstate the median balances of women. It should be noted that the analysis excludes the one in three women who have no superannuation whatsoever. It also excludes the large number of women, many of whom have small amounts of retirement savings, who withdrawn their superannuation and exit the retirement income system as soon as they reach preservation age.

Some commentators also claim that median balances are adequate, to support their advocacy for abandoning the legislated increases to the Superannuation Guarantee. These claims are also misleading because they are based on flawed assumptions that every member works full time for 40 years, that the cameos used in the modelling are neither men nor women just ‘genderless beings’ who all behave the same and so are not based on real life cameos. They judge the ‘outcomes’ to a measure of percentage of final average salary – the question should be asked as to what that salary is and indeed what the final average salary is and who in fact it is relevant to. The final average salary is ludicrous at low- and high-income levels. Another tack that is often used is to express faux concern for homeless women (for example, by proposing a pitiful amount be directed to rent relief) or for low income earners who need a wage rise. This latter point is cynical as it steals a legislated bipartisan supported superannuation increase that is needed to improve retirement savings to supposedly be directed to wages that have in fact stagnated for decades. Such modelling does not reflect reality, nor does it sensibly relate to income needs in retirement.

Given the misleading analysis by some stakeholders, there is an urgent need for transparent, independent modelling of how women experience the retirement income system and the impact of proposed changes to the policy settings.

⁷ ASFA, Better Retirement Outcomes: A snapshot of account balances in Australia (2019).

⁸

The Review should model and release the following:

- The amount of superannuation contributions received by type, gender, age and income.
- The amount of Government support by pillar, gender, age and income.
- The impact of the 2017 changes to the Age Pension taper rate by gender, age and income.
- The impact of abandoning legislated increases to the Superannuation Guarantee by gender, age and income.
- The impact of changes to superannuation tax concessions by gender, age and income.

The system should be assessed using absolute benchmarks

The Panel invites submissions on whether relative or absolute measures of adequacy are appropriate. In our view, different measures are required for different purposes.

Different assessment tools are necessary for different purposes.

Absolute benchmarks are needed to assess adequacy. Replacement rate measures are not appropriate for assessing the adequacy of outcomes for those with no or low income as they approach retirement. This includes many women.

Similarly, in order to calibrate the level and appropriateness of government support, overall and for different cohorts, a range of absolute measures is preferable, providing both a floor and ceiling to better target government support. In our view this will better support equity and sustainability considerations.

For individuals and their advisors, understanding the proportion of pre-retirement income that one can expect in retirement is a useful tool for encouraging the making of voluntary contributions, planning lifestyle changes, making decisions about downsizing, and helping to put the mind at ease.

Women in Super policy proposals to improve retirement outcomes for women

Improving the level of women's retirement savings is an urgent policy issue given that this is necessary to reduce the number of women retiring in poverty.

Women in Super advocates for a holistic suite of policy measures to increase retirement savings for low- and middle-income earners, most of whom are women:

1. No further delay to legislated Superannuation Guarantee increases to 12%. Independent modelling by Rice Warner for Women in Super found that this will make the greatest difference to average retirement balances for women.
2. Removing the \$450 monthly income threshold for the payment of Superannuation Guarantee contributions.
3. Payment of Superannuation Guarantee contributions on Government paid parental leave.
4. Automatically updating the LISTO for all SG and PAYE changes (see below).
5. Reviewing and amending superannuation tax concessions to provide greater equity for lower income earners. (see below)

Closing the gender superannuation gap should also be prioritised.

Women in Super also advocates for an immediate additional annual Government contribution of \$1,000 for low income earners. The additional Government contribution would be carefully targeted:

- Workers eligible for the LISTO refund (with a taper rate) would be eligible to receive an additional Government contribution.

- Only workers aged 25 and over would be eligible for the additional Government contribution. This would ensure that young people likely to become high income earners in the future (e.g. those at university studying to become professionals) would not benefit from this measure.
- Workers would cease to receive the additional Government contribution when their superannuation balance reached \$100,000.

Women in Super advocates for the additional Government contribution to be indexed annually.

Cameo modelling by Rice Warner indicates that a worker aged 25 earning \$25,000 a year would receive almost 15% more in retirement savings as a result of these policy changes.

Industry Super Australia has calculated that this measure would cost less than \$2 billion a year.

Finally, Women in Super proposes that Government should be required to undertake and publish a gender impact statement for any changes to age pension or retirement income policy, and WGEA should be tasked with tracking and publishing the gender retirement gap.

Superannuation tax concessions discriminate against women

Superannuation tax concessions play an important role in compensating members for deferring part of their wages to fund their retirement and improving adequacy of retirement outcomes for cohorts who need government support to achieve economic security in retirement. Tax concessions must be appropriately targeted to support adequacy, equity and sustainability considerations.

There is scope to improve the targeting of tax concessions. As the Panel's own cameo modelling in the Consultation Paper clearly demonstrates, high income earners receive more Government support than all other income deciles, in the form of generous superannuation tax concessions on contributions and earnings throughout their working lives and a nil tax rate on earnings and benefit payments during retirement.

According to modelling by Industry Super Australia, a single male in the top 1 % income decile receives almost \$2.8 million in superannuation tax concessions over their lifetime.⁹

A person in the top income decile typically receives over \$10,000 every year in superannuation tax concessions.¹⁰

Providing this level of support to high income earners who are on track to achieve a comfortable retirement without tax concessions is inefficient and inconsistent with the principles of equity and sustainability the Review is using to assess the retirement income system. This inequity could be addressed in a range of ways.

Increase government support to improve retirement outcomes

Low income earners receive Government support in the form of the Low Income Super Tax Offset (LISTO). In practice, the LISTO merely refunds contributions tax paid by low income earners – unlike the rest of the population they do not receive a concession on their super contributions. The amount of the LISTO is not indexed.

⁹ ISA, Inquiry into Economic Security for Women in Retirement, Submission (2015).

¹⁰ RC WIS Pres

Providing additional, appropriately targeted additional Government support to low income earners would improve retirement outcomes for women and others who need it to achieve economic security in retirement.

Recent changes to the level of Government support provided to high income earners generated savings which could have been used to improve adequacy for low income earners, but which were not retained within the retirement income system.

Relying on voluntary contributions will not solve the problem

Women are acutely aware that their lower rates of pay and higher number of hours spent on unpaid caring work leads to lower superannuation and a greater reliance on the Age Pension. The current system continues to deliver the best outcomes to those who are in full-time, high income earning careers for 40 to 50 years. Currently about 3.31 million women work full-time and 2.8 million are part-time, compared to men with 5.54 million working full-time and 1.3 million part-time, according to the ABS.

The system has become more equitable over the past five years but only in that the system has reduced the amount of concessions delivered to high income earners. There have been no structural or targeted changes that would make it more equitable for women or those in the lowest income deciles. Community expectations in Australia are increasingly pointing to a growing awareness that the system does not work in the same way for women as for men.

Conversely, we have a higher educated female workforce than we did 30 years ago. In fact, there are more female than male graduates and this has been the case for some time. We also have a greater percentage of women participating in the paid workforce and there are more female managers and executives than when compulsory superannuation was introduced. However, workforce changes and increased female participation rates have not necessarily translated to higher superannuation balances, increased home ownership rates and indeed overall higher wealth accumulation.

WIS advocates for systemic changes to the current superannuation system to better support women and their life and career trajectories, WIS also recognises that without the current system of compulsory superannuation, many women would have faced significant hurdles in trying to gain access to superannuation without it.

The challenges were the same then as now: women did, and do, outlive men; women were/are likely to be poorer than men in old age because they had/have, less opportunities to save due to more restricted job opportunities, lower pay and interrupted careers due to caring responsibilities. They were/are more likely than men to experience poverty due to the ending of a partnership.

The financial problems of older women are not simply a product of unprecedented recent demographic and social change such as the increased divorce rate but they have been evident for a very long time. Often referred to as a 'wicked problem' it appears that the issues are ignored either because they are not prioritised, are regarded as too complex or too expensive to resolve.

Many women entering retirement today do not enjoy the benefits of receiving payments from defined benefit pension schemes despite having worked in areas where such schemes existed such as the public service and education. Women were discriminated against as discrimination was allowed based on sex, marital status and pregnancy. Such schemes were specifically exempt from the Sex Discrimination Act 1984 (Section 41 (1) referred to superannuation and Section 41 (4) referred to insurance). As Susan Ryan wrote in an article published in the UNSW Law Review for the twentieth anniversary of the introduction the Sex Discrimination Act "A temporary exemption was given for the insurance and superannuation sectors. I regretted this step but accepted its necessity because of the

actuarial complexities of removing sex discrimination from defined benefit superannuation schemes and life insurance products.” She goes on to note: “When award-based superannuation was introduced in 1987, followed in 1992 by compulsory employer superannuation contributions, these measures applied equally to males and females. After a major parliamentary review of the Act produced the report *Halfway to Equal* in 1992, further amendments included the extension of the Act to federal industrial awards and stronger sexual harassment provisions. The current Sex Discrimination Commissioner has been effective in using the Act to promote the concept of paid maternity leave, highlighting the reality that in the absence of such paid leave, women who become mothers do not have equal opportunity in the workforce, and are thus victims of indirect discrimination.”

Part 2 – Response to Retirement Income Review Questions

Q1 Are there aspects of the design of retirement income systems in other countries that are relevant to Australia?

One of the main areas of retirement income policy that has been implemented over recent decades has been the introduction of methods to ensure that women are rewarded financially for the traditionally unpaid caring work they undertake. Often referred to as ‘caring credits’, various schemes have been implemented in countries such as the UK, Germany, France, Canada, Sweden and Finland. Such schemes pay an amount into the carer’s public pension scheme to compensate them for the time they have spent out of the paid workforce. These payments are made at the time leave is taken and can thus benefit from growth through investment earnings.

Caring credits have been discussed in various reports in Australia too as an aspect of retirement income policy that could improve superannuation balances of carers who are predominately women¹¹.

Many OECD countries have also implemented broader policy changes to improve the overall financial security of women. These can loosely be grouped into two different categories of policy measures (1) **labour market policies** that focus on providing support for women’s workforce participation by recognising that women undertake work differently to men and (2) **pension policies** that largely focus on improving women’s financial security in retirement.

Labour Market policies usually either (i) support women’s employment and/or (ii) counteract wage discrimination and labour market segmentation faced by women. The former is about ensuring all carers have access to quality childcare options outside the home, in particular, for pre-school children. This has taken the format of heavily subsidised childcare (Canada); guaranteed childcare (Denmark); guaranteed childcare availability for a certain number of hours over a 24-hour period (Sweden); and/or tax incentives for working parents (Scandinavia) or tax deductions for childcare related expenses (Scandinavia).

The latter improve the overall financial security of women and usually require long-term investment. Improvements may not be immediate, but they enable women to participate in the workforce and balance their work and caring responsibilities.

¹¹ Productivity Commission Inquiry ‘Valuing Unpaid Caring Work’ and the Australian Human Rights Commission ‘Investing in Care – Volume 1 – Research Report (2013)

Pension policies - Innovative policy work has been done in this area by countries such as Chile and Germany who have introduced a caring credit system. These systems ensure that women are adequately compensated for the number of years they spend undertaking unpaid caring work. By receiving credits and contributions ('caring credits') to their pension accounts, such countries are effectively recognising the value of unpaid work to the economy, the budget savings accrued by not providing government care and the health and other benefits to the individual being cared for in a home rather than formal or institutional setting.

Q2 Is the objective of the Australian retirement income system well understood within the community? What evidence is there to support this?

There is currently no legislated objective for the retirement income system or any of its components. In our view, any objective must explicitly include equitable gender outcomes in its wording. WIS would agree with Recommendation 10 from the Senate Economics Committee Report 'A husband is not a retirement plan – Achieving economic security for women in retirement'. This recommendation states that the Australian Government set an objective for superannuation that supports the continuation of a strong three pillar retirement income system. In drafting this objective for the superannuation system, the Australian Government should include specific reference to women's retirement incomes, to ensure gender equity is a continuing focus for policy makers.

The WIS submission to the Senate Economics Legislative Committee on the Superannuation Inquiry into the Superannuation (Objective) Bill (2016) stated that we would not support a Primary Objective of Superannuation that did not include specific reference to men and women and an aspiration regarding improving income in retirement.

Q3 In what areas of the retirement income system is there a need to improve understanding of its operation?

The system should be regulated in a manner that protects and grows member savings particularly with respect to compulsory contributions. Easy to understand information, education opportunities, inexpensive basic advice along with advice on more complex matters should be available. However, the system should deliver good outcomes without requiring that all members become experts in superannuation.

The public does not understand the implications of moving outside the MySuper environment and are vulnerable to poorer returns and higher charges from 'choice' products promoted by for profit providers and new superannuation products. Indeed, they can be directed to inferior products through educational or advice services.

There are websites, for example, the ASIC MoneySmart website, which provides comprehensive information on all the aspects of a financial life including taxation, superannuation and the Age Pension. Calculators and extensive budgeting tools are also provided.

Individual superannuation funds also provide members with up-to-date, easily accessible and detailed information on their superannuation account as permitted by the regulations governing superannuation. Web based apps are increasing in popularity and most members can access their superannuation balances 24 hours a day with up-to-date information on recent contributions, performance and investment options.

Perhaps one area that could be improved is access to information in remote and rural Australia particularly in communities where there is no internet. A constant theme at the annual Indigenous Superannuation Conference run by the Australian Institute of Superannuation Trustees (AIST) is how hard it is for indigenous communities to gain access to information. The establishment of the Indigenous Superannuation Working Group by AIST in 2015 to address these issues has helped to raise understanding and levels of support but the distances involved, and remoteness of the regions pose great challenges. Increased government funding of financial counsellors working in these communities and also an increase in the number of counsellors available coupled with changes to legislation enabling authorised counsellors to act on superannuation matters would help.

Q4 What are the respective roles of the Government, the private sector, and individuals in enabling older Australians to achieve adequate retirement incomes?

The Government is responsible for ensuring the integrity, equity, sustainability, efficiency and stability of the retirement income system. Australians must be able to trust that the system is fit for purpose and that irrespective of gender, nationality or lifestyle, the system will deliver security in retirement for all Australians who can retire in dignity.

The private sector and the all-profit-to-member sector must act to deliver outcomes in the best interest of members and ensure that they act promptly, with integrity and in members best interest to safeguard the retirement savings of all Australians.

Individuals have a role to play in ensuring that the Government and superannuation industry is held to account in upholding the objective and values of the system and ensuring that all Australians can achieve an adequate retirement income by upholding expectations that the retirement income system works for all Australians – not just particular cohorts.

Q5 The Panel has been asked to identify the role of each of the pillars in the retirement income system. In considering this question, what should each pillar seek to deliver and for whom?

Q6 What are the trade-offs between the pillars and how should the appropriate balance between the role of each pillar in the system be determined?

The Age Pension (AP) should provide an adequate level of income that ensures those fully dependent on the AP do not live in poverty. WIS suggests that the AP is indexed and that adequate rental assistance is linked to movements in the private rental market.

Superannuation should lead to improved income in retirement for all Australians and to a comfortable level working in conjunction with the AP to ensure increased savings deliver improved outcomes. All Australians, including women, should be able to expect a reasonable share of government support through both the first and second pillars.

However, there should be a limit to the levels of superannuation savings that can be accumulated, beyond which tax concessions should not apply, as WIS believes that the retirement income system should not be a vehicle for wealth accumulation. Voluntary savings (or private savings) should not be supported to the detriment of the first and second pillars.

Given there are limited resources available to support the retirement income system, the focus must be on ensuring that as many Australians as possible achieve economic security in retirement, which must weight towards the first two pillars - AP and superannuation savings to a reasonable level. We recognise that home ownership remains an important foundation for retired Australians.

Unfortunately reducing rates of home ownership and the increasingly unaffordable private rental market are pushing more Age Pension recipients towards poverty and homelessness. There is an urgent need for an increase to rent assistance and accelerated growth of superannuation balances. The funding of increased rental assistance should not be achieved by policy changes that target those with the least superannuation or other wealth.

Housing was often referred to as the fourth pillar and a home owned outright has been a key pillar of most Australians retirement strategy. Government policy has supported this, and the Age Pension assumes a person will be living in their own home. Furthermore, the family home is not counted as part of the pension's assets test.

It should also be recognised that the family home is viewed as a significant contributor to finance to access aged care and to cover health care costs. Any consideration of inclusion of the family home in the Age Pension asset test must consider these multiple demands on the asset, the accumulation of excessively large superannuation balances and also the dangers of inappropriate equity drawdown products and the ability of elderly Australians to navigate the dangers of such products.

A comprehensive multi factor gender analysis of pension dependent homeowners would be required to accurately understand the impact of any proposal to include the family home in the Age Pension asset test.

We recognise that home ownership remains an important foundation for retired Australians but it should be noted that home ownership will increasingly provide unfair outcomes given the current reduced rates of home ownership amongst particular cohorts and the increasing number of Australians entering retirement relying on the private rental market.

Q7 Demographic, labour market, and home ownership trends affect the operation of the retirement income system now and into the future. What are the main impacts of these trends? To what extent is the system responsive to these trends? Are there additional trends which the Review should consider when assessing how the system is performing and will perform in the future?

DEMOGRAPHIC TRENDS

WIS encourages the panel to seek out information relating to changes in the demographic make-up of the Australian population. This might include the numbers of indigenous Australians, migrant workers.

The population of Australia has changed substantially over the past three decades and there are areas of concern that need to be addressed. Previously migrants may have arrived in Australia with one partner (usually the male) having access upon retirement to income from either an occupational pension scheme and/or state-based pension scheme. This is not the same for migrants who have arrived in recent decades as the ethnicity of migrants has changed dramatically and Australia's more recent arrivals may not have well defined retirement income systems (if they exist at all).

Migrants may not be aware that they have rights to superannuation and migrant women may not understand their entitlements in times of divorce or separation.

LABOUR MARKET TRENDS

Gender Segregation in the Australian Workplace

Australia has a highly gender segregated workforce as found by the Senate Inquiry into Gender segregation in the workplace and its impact on women's economic equality. The Workplace Gender Equality Agency (WGEA) has collated data on the Australian labour market since 2012 which can aid policy decisions.

The occupational gender segregation in Australia is important from a retirement income perspective as it is linked to wage inequality. Female-dominated industries attract lower wages than male-dominated industries. Lower lifetime earnings restrict the ability of women to accumulate wealth and superannuation.

In 2017, PwC noted in its report, Women in Work Index - Closing the Gender Pay Gap, that Australia has an entrenched gender pay gap and one of the lowest rates of female full-time employment, the third lowest in the OECD.¹²

The main factors driving this industrial and occupation gender segregation are proving difficult to change and therefore are likely to impact women's financial security for decades to come. These include:

Cultural Views and Perceptions

There are deeply entrenched views in Australia regarding the career paths that girls/women have traditionally been expected to follow and those that boys/men should follow. Although this has changed somewhat over recent years, the WGEA data and that provided to the above mentioned Senate Inquiry indicates that the expectations of the workforce (especially graduate and Gen Y's) have changed but not the workforce itself. Female graduates earn less than male graduates and this trend continues throughout their careers and is not expected to change in the near future.

Furthermore, Australian workplaces hold deeply entrenched views as to what attributes we associate with management and leadership and as these are typically male not female attribute this can lead to less women being retained and promoted to senior positions.

The lack of females in senior management and leadership roles in male-dominated industries is detrimental to not only female graduates entering particular industries but to the progression of women. Formal and informal networks may not exist for women in the same way as they do for men. The 'tap on the shoulder' that acts as the nod of encouragement for males to apply for promotion is often missing for women and subconscious biases act against women being recruited and promoted. Women who have broken the glass ceiling talk about how they have been viewed as aggressive and 'not stereotypically female' so this is not encouraging for women who are not prepared to change the way they behave and act in the workplace or for men who display typically female behavioural traits in the how they conduct business or manage people.

The Role of Caring – Unpaid Work

¹² PwC Women in Work Index, Closing the Gender Pay Gap, Australian edition, February 2017

An Australian Bureau of Statistics study in 2014 revealed that unpaid work in Australia was worth \$434 billion, equivalent to 43.5 per cent of GDP. The average woman does 14 hours of housework and family organisation per week and the average man fewer than five. Women undertake three quarters of the childcare and 70 per cent of caring for elderly or disabled family members or friends.

58% of Australian women work part-time or on a casual basis and 42% are employed on a full-time basis. Men are more likely to work full-time (70.6%), just under one-fifth of men are employed casually and only around 10% work part-time.¹³ These numbers indicate the extent to which unpaid caring work impacts the ability of Australian women to engage in full-time work.

An estimated 5.5 million Australians between the ages of 15 and 64 years had unpaid caring responsibilities and 72.5% of these are women¹⁴. The Australian Human Rights Commission's National Review into Pregnancy and Return to Work found that one in two (49%) mothers reported experiencing discrimination in the workplace at some point during pregnancy, parental leave or on return to work. It also revealed that men are not immune to this type of discrimination - over a quarter (27%) of the fathers and partners surveyed reported experiencing discrimination in the workplace related to parental leave and return to work.¹⁵ Men and women, the report found, are better off hiding their caring responsibilities than embracing them. This does not encourage men to step up and take on more caring responsibilities thus enabling their partners to work more hours or accept different types of jobs other than those where caring is acceptable.

The value of the disability care work undertaken in Australia was valued by Deloitte Access Economics at \$43.7 billion in their report *The Economic Value of Informal Care in Australia 2015*, while the replacement value of the whole unpaid care sector was more than \$60 billion. The report warned of an ever-widening gap between supply and demand and predicted that by 2025 less than half – 42 per cent – of those with a serious disability aged over 65 and not in residential care would have access to an unpaid carer.

Australia was one of the first countries to champion time use studies yet it is one of the worst today when it comes to recognising the 'heavy lifting' associated with unpaid caring work and in having policy measures to compensate women for the loss of income and superannuation. The superannuation pillar does not recognise unpaid work and unless this changes in the short-term, future generations of women will continue to be disadvantaged in saving for their retirement.

Despite a greater understanding of the structural and other issues that together combine to reduce the ability of women to accumulate superannuation and act to reduce their economic security in retirement, research and reports on superannuation and retirement outcomes continue to be gender blind. Very few studies and reports conduct extensive gender modelling or analysis and instead use the 'average male' or assumptions based on the 'average male working life' when deriving likely retirement outcomes. The consequences of mismeasuring women's lives can be dire.

On International Women's Day 2016, *Time of Our Lives?*, a report commissioned by the Melbourne Lord Mayor's Charitable Foundation, noted that 34 per cent of single women over 60, having spent a lifetime caring for others, lived in "permanent income poverty".

SOCIO ECONOMIC FACTORS

¹³ BCEC/WGEA Gender Equity Series, Gender Equity Insights 2016 – Inside Australia's Pay Gap – all numbers taken from the report and based on the WGEA Gender Equality data, 2014-15

¹⁴ Australian Human Rights Commission, Investing in Care: Recognising and valuing those who care, 2013

¹⁵ Australian Human Rights Commission, Supporting working parents: Pregnancy and Return to Work National Review, 2014

Since the introduction of compulsory superannuation, socio-economic changes have occurred which have enabled women to enter the workforce in greater numbers. Female higher education enrolments have exceeded male since 1987, and women's increased participation in higher education is evident in the proportion of women with degrees in the 15-24 years age group.

Despite women saving as much (if not more) than men for their retirement in the 20s and early 30s; choosing higher risk investment options and being acutely aware of the need to 'top up their super', women's superannuation savings begin to lag men's when they enter child rearing years – usually from the age of 30.

Many women return to paid work after career breaks caring for children but they return predominately to the part-time workforce to gain flexibility to cover necessary child caring responsibilities. The characteristics of part-time roles are not conducive to building a retirement nest egg - lower rates of pay, less opportunities for professional development and career advancement. Those who return to the same workplace often find themselves offered part-time positions at a lower pay level and lower level of responsibility than previously held.

Furthermore, there is a lack of tax incentives for the second income earner. Australia does not have a policy of actively encouraging the second income earner to take up more days or hours when in fact any extra money earned will be spent on tax or childcare. To quote one of our members who has one school aged child, one kinder aged child and a toddler, "I'm working to pay for childcare. I have very little left after paying kinder fees and childcare fees. However, I keep working because at least I'm in the market and keeping my skills up-to-date."

The combination of no Superannuation Guarantee (SG) payments on paid parental leave or while on extended parental leave; reduced overall income as a result of part-time working; being offered roles of a lesser standard and lower level of responsibility on return to work; are all factors contributing to reducing the amount of superannuation and assets accrued by a female during her lifetime. Inevitably females are trading off or sacrificing financial security (both current and future) in trying to combine work and caring responsibilities.

In the paper, Retirement Outcomes for Female Primary Carers in Australia: A Literature Review¹⁶, the authors specifically looked at the financial consequences in retirement for women who must care for their parents. As the authors pointed out, the body of literature on superannuation has identified that a significant proportion of working age women take time out of the workforce to provide care and receive a minimal amount of assistance from the government and that this has a detrimental effect on their retirement outcomes. This paper identified a gap in the existing literature as it does not consider the financial consequences in retirement for women who must care for their parents. In particular, this paper identifies the disadvantage experienced by those women who simultaneously, or sequentially, 'sandwich' caring for their parents with raising children.

Rise of insecure work

There are many issues facing Australia and indeed other countries as a result of the changing nature of the world of work as noted in the latest OECD Pensions at a Glance 2019 report. Despite the many

¹⁶ Retirement Outcomes for Female Primary Carers in Australia: A Literature Review, Amanda Craft, Sharon Taylor, Alicia Gaffney and Suzanne Wagland (2018)

advantages of new technologies and the accessibility of on-line work the disadvantage is that we are seeing a rise in the numbers of people with unstable working conditions. This presents Australia with challenges for future retirement outcomes as increased numbers of Australians do not meet the requirements for SG or earn less on an hourly or annual basis. We have yet to consider how the retirement income system might address outcomes faced by non-standard workers .

Compensation for work

There are disparities between the levels of income and wealth enjoyed by men and women. The gender pay gap amongst full-time workers is currently 18.2 per cent in favour of men which equates to \$283.20 more per week¹⁷ and the National Centre for Social and Economic Modelling (NATSEM) suggests that, based on the work patterns of males and females in 2012, a 25-year-old man with a postgraduate degree is likely to earn \$3.2 million over a lifetime, while a woman is likely to earn \$2.5 million (NATSEM, 2012).

Gender disparities in wealth are also substantial, with single Australian men having on average levels of wealth that were 22.8 per cent higher than single women's in 2010.¹⁸

Our current superannuation system exacerbates the gender pay gap and wealth inequalities between men and women leading to greater levels of insecurity in retirement amongst women.

Taxation Implications of the Retirement Income System

The value of the concessional tax treatment of contributions is proportional to the amount of the contribution and the amount of the contributor's marginal tax rate. Therefore, 20 per cent of the tax expenditures on superannuation contributions flow to individuals in the top two tax brackets¹⁹. The overall share of the superannuation tax benefits accrues mainly to men (2/3s) with women accruing very little (1/3).

There is no tax advantage associated with making contributions to superannuation for individuals in the lowest tax bracket. In fact, those in the lowest tax bracket actually pay more tax on their compulsory super contributions than they do on their take home pay which is why the Low Income Tax Offset (LISTO), formerly called the Low Income Super Contribution (LISC), was introduced.

Whilst superannuation tax concessions are a way of rewarding taxpayers for saving for their retirement, it would be fair to say that the current concessions are heavily skewed and ideally government policies would work to counterbalance this discrepancy or would consider some form of redistribution. Increasingly the community will expect that there is a fairer and more efficient allocation of tax resources and that all Australians are able to access these. There have been a number of reviews of the retirement income taxation system, for example, the Henry Tax Review. These have proposed various ways in which the overall system can be made more equitable.

HOME OWNERSHIP TRENDS

We are seeing dramatic increases in the number of mature age Australians carrying mortgage debt into retirement which has major implications for retirement income policy and financial security in

¹⁷ Australian Bureau of Statistics, 2014, 6302.0, Average Weekly Earnings, Australia, Nov 2014, Canberra

¹⁸ Austen,S.,Ong,R., Bawa,S., and Jefferson,T.,2015,'Exploring recent increases in the gender wealth gap among Australia's single households', Economic and Labour Relations Review, 26(1), pp.3–28. Available at <http://elr.sagepub.com/content/26/1/3>, Retrieved June 2015.

¹⁹ Clare, R., 2014, The Equity and Sustainability of Government Assistance for Retirement Income in Australia, Sydney: Association of Superannuation Funds of Australia.

retirement. Each mature age Australian with a mortgage debt owes much more relative to their income than 25 years ago. The sharpest increase is among homeowners approaching retirement where the proportion owing money on mortgages has tripled from 14% to 47%²⁰.

Many more retirees will be forced to rent on the private market. We should expect to see increasing numbers of older Australians, especially women, who have never owned a home or who will have sold the family home due to divorce, separation or the death of a spouse.

Women reliant on part-time wages/salaries or single parenting payments are particularly vulnerable to homelessness. According to the November 2018 Rental Affordability Index, a rental property in any major Australian city costs a single mother working part-time between 40-70% of her income²¹. The same report found that just 3 per cent of private rental listings across Australia were affordable for couples on the Age Pension and a meagre 1 per cent for a single person.

In his book, *The Australian Dream – Housing Experiences of Older Australians*, Professor Alan Morris, from the Institute for Public Policy and Governance at the University of Technology Sydney, looked at the housing challenges for older people. He examined the impacts of housing tenure on older Australians who are solely or primarily dependent on the Age Pension for their income finding that older Australians renting privately are often struggling to purchase necessities and running out of money for food before the next pension payout. He also found that the mental and physical health of older private renters is impacted by their situation and their capacity to pay for their accommodation.²²

Some cohorts of women are more likely to experience homelessness than others. Aboriginal or Torres Strait Islander women, women with a disability, women who are culturally and linguistically diverse and women with a mental illness are all more vulnerable to homelessness.²³

Q8 Are the principles proposed by the Panel (adequacy, equity, sustainability, and cohesion) appropriate benchmarks for assessing the outcomes the retirement income system is delivering for Australians now and in the future? Are there other principles that should be included?

WIS supports the principles proposed by the Panel. However, we feel that within the principles of adequacy and equity it should be explicit that a gender analysis of all future superannuation policies and of any changes to the retirement income system should be undertaken.

WIS welcomes future discussions regarding the establishment of a Superannuation Custodian or a body independent of Government with the responsibility of implementing superannuation policy and recommending future policy changes. This would remove uncertainty from the Retirement Income System and enable the community to know that their superannuation savings would be protected and not subject to constant rule and legislative changes.

²⁰ 'More people are retiring with high mortgage debts. The implications are huge' The Conversation June 2019 by Rachel Ong, Professor of Economics, School of Economics and Finance, Curtin University and Gavin Wood, Emeritus Professor of Housing and Housing Studies, RMIT University

²¹ SGS Economics and Planning, Rental Affordability: Index Key Findings, November 2018

²² *The Australian Dream – Housing Experiences of Older Australians*, Professor Alan Morris, CSIRO, Sydney, 2017

²³ CHP analysis of AIHW, Specialist Homelessness Services Collection, 2017-18 Women and Homelessness Council to Homeless Persons, Updated January 2019

WIS is also supportive of establishing an Objective of Superannuation as was outlined in the WIS submission to the Financial Service Inquiry in 2016²⁴. In a letter²⁵ to the former Minister of Superannuation, Kelly O'Dwyer, there was industry consensus on establishing an objective. The letter signed by the Association of Superannuation Funds of Australia (ASFA), the Australian Institute of Superannuation Trustees (AIST), Industry Super Australia (ISA) and the Self-Managed Super Fund Association (SMSFA) noted that they were strongly committed to the formalisation of an objective for superannuation. One that reflected the core purpose of the system in providing adequate retirement outcomes for all Australians. They also noted in the same letter that the objective as proposed by the Financial System Inquiry (FSI) and accepted by the government of the day, would be suitable as a sound starting point for the development of a more holistic objective. However, although it recognised that the superannuation system must provide income to retirees in conjunction with the Age Pension, they noted that it failed to articulate the social goal of the system to maximise the number of Australians living in comfort and dignity in retirement.

All four organisations also outlined in their respective submissions to the FSI, the critical importance of incorporating a concept of adequacy in the objective. They noted that the 'core purpose of the superannuation system is to deliver income which affords a comfortable standard of living in retirement, over and above what the Age Pension delivers'. Doing so would align the objective with the core purpose of the system and would ensure that the superannuation system is working towards a clear goal of providing Australians adequate retirement incomes and a comfortable standard of living, now and into the future.

Q9 How does the system balance each of the principles and the trade-offs between principles (e.g. sustainability and adequacy) under current settings? What is the evidence to support whether the current balance is appropriate?

Given the Government's focus on fiscal sustainability, there must be a greater focus on the adequacy and equity of each pillar to ensure outcomes are fairly distributed achieved by all Australians, including women, for each pillar.

The principles of sustainability and cohesion are more relevant for assessing the system as a whole.

Figure 4 on page 18 of the Paper indicates that the top 20% of income earners achieve greater levels of lifetime government support than other cohorts, primarily through tax concessions provided on private savings. Figure 4 should have included gender to enable better understanding of how the tax concessions can enable saving for retirement for particular cohorts but how they provide little or no benefit to others. WIS questions the reference to contributions tax concessions when the Low Income Superannuation Tax Offset (LISTO) in fact repays tax in excess of income tax so is not a true tax concession. Furthermore, we question how there can be contribution tax concessions when the tax is greater than for other savings outside super.

Q10 What should the Panel consider when assessing the adequacy of the retirement income system?

²⁴ WIS Submission to Senate Inquiry into Objective of Superannuation, December 2016

²⁵ Letter to the Hon Kelly O'Dwyer, Minister for Revenue and Financial Services, re Objective of Superannuation, ASFA, AIST, ISA and SMSFA, August 2016

In order to assess the adequacy of the system we need to establish an understanding of what adequacy means. WIS supports the submission from the Australian Institute of Superannuation Trustees (AIST) to this review as we agree that retirement should be ‘more than getting by – retiring to live not just subsist’. Any assessment of adequacy should be premised on the fact that all Australians should be able to retire in dignity with sufficient income to provide them with a secure roof over their head, the ability to provide for food, health care, transport, utilities and other essential living items in addition to being able to continue to be active and socialise with friends to prevent isolation.

Q11 What measures should the Panel use to assess whether the retirement income system allows Australians to achieve an adequate retirement income? Should the system be measured against whether it delivers a minimum income level in retirement; reflects a proportion of pre-retirement income (and if so, what period of pre-retirement income); or matches a certain level of expenses?

Measures of income adequacy should be used to guide a fairer distribution of government support for retirement incomes. As such, absolute measures are more suitable for the purposes of retirement income system policy settings. Replacement rates are potentially relevant for a middle band of income earners but are ridiculous with respect to low income earners and high-income earners, pose the challenge of how to measure pre-retirement income and also do not recognise the reality of many working lives including most women.

Q12 What evidence is available to assess whether retirees have an adequate level of income?

How men and women enter retirement makes a fundamental difference to how adequate their level of income is, particularly when retiring prior to the retirement age (receipt of Age Pension). There needs to be better support and understanding for this ‘transition to retirement’ stage especially for those who are deemed not to have an adequate level of retirement income.

Q13 What should the Panel consider when assessing the equity of the retirement income system?

In their report on outcomes facing female caregivers in Australia²⁶, the authors argue that any assessment of the current system should proceed from recognition of the fact that women generally require a greater amount of retirement income than men. There are two reasons attributed for this – women live, on average, longer than men and they are also more likely to retire earlier than men. We know that by age 65 approximately 67 per cent of men in Australia and 84 per cent of women will have retired (ABS, 2009) and that women are less likely than men to have repartnered or remarried in retirement (ABS, 2012b).

The authors also state that these gender patterns in longevity and repartnering not only suggest that women’s income needs in retirement are greater than men’s, but also undermine any assumption that women can, or should be expected to, rely on male partners or male family members to meet their financial needs in retirement. A conclusion also reached by the 2016 Senate Inquiry into women’s economic security in retirement whose final report was titled ‘A Husband is not a Retirement Plan’.

²⁶ Retirement Outcomes for Female Primary Carers in Australia: A Literature Review, Amanda Craft, Sharon Taylor, Alicia Gaffney and Suzanne Wagland, July 2018

There are other cohorts of Australians whose outcomes under the current system should also be considered when assessing equity. For example, Indigenous Australians and migrants, are likely to fall through the cracks as their working patterns and superannuation accumulation journeys can deviate substantially from the 'typical' male Australian cameo used by retirement income modelling systems.

For example, a 2016 study undertaken by Bianchi et al. provides baseline estimates of projected superannuation balances of Indigenous Australian workers²⁷. The results indicate a significant retirement income gap when compared with the median non-Indigenous male: 27 per cent for Indigenous males, and 39 percent for Indigenous females. The study also showed that there are far smaller differences in the superannuation balances of Indigenous males and females, than non-Indigenous Australians reflecting the fact that male and female Australians have nearly identical median income levels.²⁸

With the gender pay gap and gender super gap unlikely to change in the foreseeable future, many studies have predicted that the current Australian superannuation system will fail to adequately meet the retirement needs of many women and they expect women in Australia will continue to rely heavily on the Age Pension in future.²⁹

As almost all the studies into women's retirement outcomes only take into account a gap from the workforce to care for children, it can be assumed that the current superannuation system will also fail those women who take gaps from the workforce to care for elders.

Q14 What factors and information should the Panel consider when examining whether the retirement income system is delivering fair outcomes in retirement? What evidence is available to assess whether the current settings of the retirement income system support fair outcomes in retirement for individuals with different characteristics and/or in different circumstances (e.g. women, renters, etc.)?

We would suggest that the following factors should be examined:

- Gender
- Marital status
- Demographic background
- Employment type (employed, self-employed, full-time, part-time, casual etc)
- Home ownership status (privately owned, mortgagee, renter etc)
- Longevity
- Vulnerability and financial hardship
- Level of financial literacy
- Health and aged care needs (to include disability provisions required)
- Age at retirement (voluntary vs involuntary retirement)

²⁷ Retirement Adequacy of Indigenous Australians: A Baseline Study, Bianchi et al, 2016

²⁸ Retirement Adequacy of Indigenous Australians: A Baseline Study, Bianchi et al, 2016

²⁹ Olsberg, 2001; Kelly, Percival and Harding, 2001; Jefferson, 2003; 2005; Australian Human Rights Commission, 2009; Westpac Bank, 2013; Women in Super, 2014

Q16 To what extent does the retirement income system compensate for, or exacerbate, inequities experienced during working life?

As we discussed in Part 1, the current structure of the retirement income system greatly favours those who can work on a full-time basis and those who have access to high income earning roles. The Superannuation Guarantee is a function of income earned throughout a working life. Therefore, the system actively discriminates against those working in part-time, casual and/or contract roles. It also does not support those who are self-employed unless those workers make active decisions to contribute to their superannuation savings. Finally, the system discriminates against anyone undertaking unpaid caring work and as mentioned earlier in this submission, in Australia, women are the predominant carers. The current system is inherently gender biased as it stands. However, as we have outlined in this submission, there are ways to improve the system to make it fit for purpose for greater numbers of Australians.

Q25 What evidence is there that Australians are able to achieve their desired retirement income outcomes without seeking formal financial advice?

Many Australian women (and men) are acutely aware that they will not retire with sufficiently high superannuation balances to lead a modest or comfortable retirement lifestyle. Many Australians recognise that they will be reliant on the Age Pension despite many years of work (paid or unpaid).

WIS supports superannuation funds providing financial advice to their members and believes that all members should be able to access high quality inexpensive financial advice at strategic points in their lifecycle. Some examples include entering the workforce for the first time; taking a break from the workforce; on divorce/separation; and pre-retirement. Financial advice should be provided as a basic service to members. Members with complex asset pools, requiring more complex financial advice, may need to access additional financial advice above the basic service that should be offered to all.

However, for those most likely to retire with lower balances, we would question the amount of benefit receiving formal financial advice especially if that advice is an additional fee for service. Recent evidence has shown that when aggressive marketing campaigns for financial advice are run, lower balance and lower income members move from lower fee paying and higher performing funds, in many cases MySuper products, to higher fee paying and lower performing funds, usually not MySuper products. There can also be outflows to self-managed superannuation funds which may not be the most appropriate vehicle for low balanced superannuation accounts. Caution should be exercised if financial advice leads to outcomes that are not in members best interests.

Summary

A compulsory superannuation system based on workplace practices and career trajectories that are typically male or that were prevalent 30 years ago cannot be expected to be fit for purpose in thirty years when it is not fit for purpose now. Future superannuation policies need to be targeted to ensure that women and those who are not achieving financial security in retirement are enabled to do so.

The interrelated and complex factors that impact women's retirement outcomes are unlikely to change anytime soon. Factors which include a gender pay gap, broken work patterns, unpaid caring work and lower levels of superannuation and wealth, need to be taken into account when determining

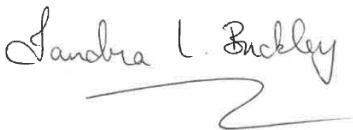
the success of the current retirement income system and what changes might be required to achieve equity, stability, adequacy, efficiency and sustainability into the future.

The role of the family home and decreasing rates of home ownership need to be considered as not owning a home can be a predictor for financial insecurity in retirement for women (and men).

Assessments of the retirement income system cannot be gender blind. Gender blind reports continue to perpetuate the myth that if women just earned more or worked more hours, they would achieve the same financial position as men in retirement. Retirement income modelling based on no gender or the assumptions that all Australians have the same capacity to work full-time for extended periods of time cannot be expected to generate the likely retirement outcomes to be faced by large cohorts of the Australian population especially women. The implications of higher numbers of single Australians, especially women, entering retirement needs to be considered as we are being forced to re-evaluate our assumptions of what a typical retiree in Australia might look like.

Finally, we refer the Panel to the final report from the Senate Inquiry into women's economic security in retirement, 'A Husband is not a Retirement Plan', and the recommendations made in that report as a good starting point for improving outcomes for current and future generations of Australian women.

Yours sincerely,



Sandra Buckley
CEO, Women in Super



Catherine Wood
Chair, Women in Super

CONTACT

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An open letter to the Treasurer, Hon Josh Frydenberg MP

Monday 14th October 2019

Dear Treasurer

We, the undersigned, request that an additional term of reference be included in the recently announced Review of the Retirement Incomes System to explicitly focus on the significant and worsening issue of the economic insecurity of women in retirement.

The systemic, structural, economic, social and demographic drivers of the gender retirement gap have been well documented, and mean that:

- women have been retiring with on average just over half the superannuation savings of men;
- increasing numbers of women are experiencing poverty in retirement;
- single retired women are the fastest growing cohort of the homeless; and
- one in three women has no superannuation and one in four women retire with no superannuation.

Adding such a term of reference will ensure that there is specific gender analysis of current and alternate policy settings and will ensure that resulting policy making will improve retirement outcomes for women.

Improving retirement outcomes for women should be a specific objective of the review.

Yours sincerely,

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Sandra Buckley, CEO – Women in Super
Robbie Campo, Director – Women in Super
Board Member / Chair – WIS Policy Committee
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Policy Research Centre (UNSW)
Roselynn Anderson, Chair – economic
Security4Women
Julia Angrisano, National Secretary – Finance
Sector Union of Australia
David Atkin, CEO – Cbus
Professor Siobhan Austen PhD – Curtin
University

Professor Marian Baird AO, Professor – The
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Jenny Boddington, Non-Executive Director
Catherine Bolger, President – AIST
Lisa Boothby, Executive Director – Social Traders
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Cath Bowtell, CEO – Industry Fund Services



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Wayne Davy, CEO – Tasplan Super

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