

Chief Executive Women

# Position Paper

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Retirement

Income

Review



Chief Executive Women

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Women leaders enabling women leaders

# CEW Submission - Retirement Income

## Women in retirement

Across their life course, women's economic security lags behind men's. Women outnumber men as graduates and yet earn less at every point in their working lives. The burden of caring responsibilities continues to fall disproportionately on women, who spend twice as much time in unpaid care as men. Women are overwhelmingly concentrated in part-time employment, resulting in fewer opportunities to progress and contributing to their chronic underrepresentation at senior leadership levels in all institutions.

The combination of career breaks, part-time employment and an inherent wages gap between men and women compounds throughout women's lives and significantly hampers their ability to save for retirement.

*Towards 2025: an Australian Government strategy to boost women's workforce participation* highlighted that women are more likely than men to have broken work patterns due to family responsibilities.

- Women around the age of 45 tend to have lower average superannuation balances compared to males of similar age and income level due to breaks from paid work for family responsibilities.<sup>i</sup>
- In 2017-18, the median superannuation balance for retiring women was around 65% of the median balance for men - \$119,000 for women (at or approaching 55-64 years) and \$183,000 for men.<sup>ii</sup>
- This leaves them at higher risk of poverty in older age, with women over the age of 55 the fastest growing population of those experiencing homelessness.

These issues place increasing pressure on our economy, social protection system and community services such as social housing.

In today's environment of a slow growth economy and an ageing population, Australia now more than ever needs to draw on the full strength of its greatest asset in its people, men and women, to confront these challenges.

Economic modelling by KPMG shows that halving the workforce participation gap between men and women would increase Australia's annual GDP by \$60 billion by 2038.<sup>iii</sup> Successive Intergenerational Reports have highlighted the importance of higher women's workforce participation to improving Australia's productivity, as stated in the *Towards 2025* strategy.

Our economy will be stronger for harnessing the whole workforce to drive growth and productivity and reducing costs of delivering the aged pension and community support services. Without change, Australia will continue to squander the investment in, and productivity of, more than half its highly educated workforce. Superannuation, the aged pension and voluntary savings are all vital pillars of the retirement income support system in Australia.

# CEW Submission - Retirement Income

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## CEW Priorities

This submission provides **eight recommendations** which focus on:

- Equity of the retirement income support system;
- Bringing a gendered lens to retirement income and retirement income accrued through workforce participation; and
- Retirement income accrued through workforce participation.

Addressing persistent inequities in women's workforce participation and progression, and reducing the gender pay gap, will ensure women have greater financial security and more equal income in retirement, through both their accrual of superannuation and voluntary savings for retirement.

# Summary of Recommendations

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## **Recommendation 1**

Address inequities in women's workforce participation and progression, and reduce the gender pay gap, to deliver equal financial security for women in retirement (through accrual of superannuation and voluntary savings).

## **Recommendation 2**

Deliver a retirement savings system that recognises and values unpaid work and caring responsibilities and addresses carers' forgone earnings from interrupted work arrangements.

## **Recommendation 3**

Extend the superannuation guarantee to the Commonwealth Paid Parental Leave scheme.

## **Recommendation 4**

Remove the \$450 per month threshold for superannuation guarantee payments.

## **Recommendation 5**

Explore extending superannuation guarantee payments to time spent out of the workforce for caring responsibilities, such as a caring credits model.

## **Recommendation 6**

Explore extending superannuation guarantee payments for workers in non-traditional work.

## **Recommendation 7**

Apply a gender and equity lens to taxation measures related to superannuation, including the Federal Government's 2018 measure to allow catch-up concessional contributions, to ensure a progressive taxation system that does not disadvantage low income earners.

## **Recommendation 8**

Deliver planned increases of the superannuation guarantee rate to 12% by 2025.

# CEW Position Paper Retirement Income

## Recommendations

### Recommendation 1

Address inequities in women's workforce participation and progression, and reduce the gender pay gap, to deliver equal financial security for women in retirement (through accrual of superannuation and voluntary savings).

The higher rate of women experiencing financial insecurity in older age is a result of compounding disadvantage which they face across their life course. Women's disproportionate retirement savings place increasing pressure on the Australian economy, social protection systems, and community services, and leads to women being at greater risk of retiring into poverty. Women over the age of 55 the fastest growing population experiencing homelessness.

Despite the introduction of equal pay for equal work legislation over 50 years ago, Australia's gender pay gap remains persistent. As of August 2019, the national gender pay gap remains at 14.0% for full-time employees, a difference of \$241.50 per week.<sup>iv</sup>

A 2019 KPMG report attributed the most significant contributors of the gender pay gap to:

- Discrimination and bias in hiring and pay decisions;
- Care, family and workforce participation; and
- Occupational and industrial segregation.<sup>v</sup>

In addition, the CEW's ASX200 Senior Executive Census charts the slow year on year growth of women in both CEO roles and line roles.

The cumulative impact of the gender pay gap manifests in other forms of economic inequality for women. Pay inequality translates into lifelong lower earnings and restricted accumulation of superannuation funds.

To ensure more equal outcomes for women in retirement, and fewer women at risk of poverty later in life, systemic change is needed to deliver financial security and equity throughout the years where they accumulate retirement savings.

Key to this is addressing barriers to women's workforce participation, access to promotional opportunities, advancement into leadership across all industries, and achieving equal pay.

# CEW Position Paper Retirement Income

## Recommendations

### Recommendation 2

An approach to retirement savings that recognises and values unpaid work and caring responsibilities and addresses carers' forgone earnings from interrupted work arrangements.

As a nation we must recognise and value unpaid work and caring responsibilities and the vast contribution that carers bring to our society and economy. PwC has estimated the total value of volunteering, domestic work, care of adults and children to be worth \$565 billion.<sup>vi</sup>

Within the current superannuation system, there is an in-built gender bias, which assumes continuous work history to accumulate sufficient funds for retirement to live without pension support. This does not reflect women's experience of missing out on crucial years of superannuation accumulation due to career breaks, often a result of child raising or caring commitments.

This is in line with the 2016 Senate Economics Committee inquiry report into retirement incomes for women, which found that Australia's retirement income system does not adequately accommodate the different experience of women from men in work.

What is required is an approach to retirement savings that addresses carers' forgone earnings from interrupted work arrangements.

### Recommendation 3

Extend the superannuation guarantee to the Commonwealth Paid Parental Leave scheme.

Parental leave continues to be one of the few types of leave yet to attract superannuation. CEW calls for the superannuation guarantee to be applied to the Commonwealth Paid Parental Leave scheme. This is consistent with recommendations of recent Senate Committee inquiries into women's economic security and gender segregation.

As a key component of the Productivity Commission's original design of the scheme, the application of the superannuation guarantee to Paid Parental Leave is long overdue.

This is a critical step in safeguarding women's economic security and ensures parents' superannuation continues to grow while on parental leave, with its impact compounding over the course of their careers to deliver real benefits to women in retirement.

The importance of this investment has taken hold in the business community and many employers in Australia contribute superannuation to parental leave – paid and unpaid. These employer schemes are consistent with the Fair Work Ombudsman's best practice guide on parental leave and demonstrate the support and activity in corporate Australia to address the gap in retirement incomes.

Such amendments to the statutory Paid Parental Leave scheme would represent a small but significant step to recognise and address the systemic financial disadvantage that many women face in retirement as a result of their caring commitments.

# CEW Position Paper Retirement Income

## Recommendations

### Recommendation 4

Remove the \$450 threshold for superannuation guarantee payments.

Under the superannuation guarantee regime, there is a wage threshold of \$450 a month before superannuation guarantee contributions become payable by employers. The \$450 per month threshold was established when universal superannuation was introduced to minimise administration.

This threshold is unreasonable, disadvantaging low income earners, permanent part-time workers, and individuals who may be engaged in work across a number of employers.

The existence of the threshold affects roles predominantly performed by women.  
vii The Association of Superannuation Funds of Australia estimates approximately 220,000 women and 145,000 men would benefit from removing the threshold.<sup>viii</sup>

### Recommendation 5

Explore extending superannuation guarantee payments to time spent out of the workforce for caring responsibilities, such as a caring credits model.

The burden of caring responsibilities continues to fall disproportionately on women, who spend twice as much time in unpaid care as men. Women make up over two thirds of carers for elderly individuals or persons with disability.

CEW recommends exploring options of extending superannuation guarantee payments to time spent out of the workforce for caring responsibilities, such as a caring credits model, to ensure carers are not disadvantaged and left financially insecure in retirement. This is in line with the Australian Human Rights Commission report *Investing in care: Recognising and valuing those who care* and has been adopted in different forms in many OECD nations.<sup>ix</sup>

### Recommendation 6

Explore extending superannuation guarantee payments for workers in non-traditional work.

The nature of work has significantly altered since the design of the superannuation system and the system has not kept pace with this evolution. Increasing numbers of individuals will not be accommodated in the superannuation system and will have insufficient provisions for retirement. This includes those employed in the gig economy, in insecure and contract work, and self-employed – who for the majority are women, who are concentrated in part-time and casual employment.

Australia should draw on other nations' adaptation of retirement savings systems to the changing nature of work.

# CEW Position Paper Retirement Income

## Recommendations

### Recommendation 7

Apply a gender and equity lens to taxation measures related to superannuation, including the Federal Government's 2018 measure to allow catch-up concessional contributions, to ensure a progressive taxation system that does not disadvantage low income earners.

Without a systematic process in place to understand the differential impact of policy decisions on women and men, policies can often produce unintended gendered outcomes. This is recognised by over half of all OECD countries, which currently employ gender budgeting to guide their development of policies, revenue generation and allocation of resources.<sup>x</sup>

The majority of tax concessions in the superannuation system benefit men. For example, the Federal Government's 2018 measure to allow catch-up concessional contributions recognised the superannuation deficit that women face by providing greater flexibility to make additional contributions. However, the measure largely benefits high income earners, primarily men, who can afford to make these contributions.

The interaction of the taxation system and superannuation guarantee must be assessed with an equity and gender lens to ensure a progressive taxation system that does not negatively impact women or people experiencing disadvantage.

### Recommendation 8

Scheduled increases of the superannuation guarantee, already enacted by legislation, would see the current rate of 9.5% reach 12% by 2025.

Scheduled increases of the superannuation guarantee, already enacted by legislation, would see the current rate of 9.5% reach 12% by 2025.

This planned increase will provide for low income earners and ensure more financial security in retirement. However, the current differential impacts of operation of taxation concessions for superannuation contributions on higher and lower income earners must also be addressed.

The Association of Superannuation Funds of Australia (ASFA) states that increasing the rate of the superannuation guarantee to 12% will have a material impact on retirement security for women. For example, for a thirty-year old who earns \$60,000 per year, and currently has a superannuation balance of \$20,000, increasing the superannuation guarantee rate to 12% by 2025 means that she will have \$422,000 in superannuation savings at retirement (age 67). This is around \$66,000 more than if the superannuation guarantee remained at the current rate.<sup>xi</sup>

A uniform rise to 12% superannuation guarantee under the current policy settings would increase all super balances, assisting those on lower incomes or with broken work patterns.<sup>xii</sup>

# CEW Submission - Retirement Income

## CEW Priorities

This submission outlines eight recommendations to ensure the retirement income support system provides equitable outcomes for both women and men, and a gendered lens is applied to retirement income policies and the taxation system.

These recommendations will help advance gender equality and target entrenched barriers to income equity.

- i Association of Superannuation Funds of Australia Limited (2019), Better Retirement Outcomes: A snapshot of account balances in Australia, Ross Clare <https://www.superannuation.asn.au/ArticleDocuments/359/1907-Better-Retirement-Outcomes-a-snapshot-of-account-balances-in-Australia.pdf.aspx?Embed=Y>
- ii Australian Bureau of Statistics (2019), Gender Indicators Australia: Economic Security, November 2019 <https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/4125.0~Nov%202019~Main%20Features~Economic%20Security~4>
- iii KPMG (2018), Improving workforce participation rates for women could boost GDP <https://home.kpmg/au/en/home/media/press-releases/2018/04/improving-workforce-participation-rates-for-woman-could-boost-gdp-26-april-2018.html>
- iv Workplace Gender Equality Agency (WGEA) (2019), Australia's Gender Pay Gap Statistics <https://www.wgea.gov.au/data/fact-sheets/australias-gender-pay-gap-statistics>
- v KPMG (2019), She's Price(d)less: The economics of the gender pay gap, at <https://assets.kpmg/content/dam/kpmg/au/pdf/2019/gender-pay-gap-economics-summary-report-2019.pdf>
- vi PwC (2017), Understanding the Unpaid Economy <https://www.pwc.com.au/australia-in-transition/publications/understanding-the-unpaid-economy-mar17.pdf>
- vii ASFA (2019), Submission to the Retirement Income Review Secretariat - Consultation Paper [https://www.superannuation.asn.au/ArticleDocuments/1452/202002\\_Retirement\\_Income\\_Review.pdf.aspx?Embed=Y](https://www.superannuation.asn.au/ArticleDocuments/1452/202002_Retirement_Income_Review.pdf.aspx?Embed=Y)
- viii ASFA (2019), Strengthening Australia's Superannuation System: ASFA's proposed toolkit for the Government, <https://www.superannuation.asn.au/ArticleDocuments/359/200319%20ASFA%20Core%20Policies%202019.pdf.aspx?Embed=Y>
- ix Australian Human Rights Commission (2013), at Investing in care: Recognising

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- i Association of Superannuation Funds of Australia Limited (2019), Better Retirement Outcomes: A snapshot of account balances in Australia, Ross Clare  
<https://www.superannuation.asn.au/ArticleDocuments/359/1907-Better-Retirement-Outcomes-a-snapshot-of-account-balances-in-Australia.pdf.aspx?Embed=Y>
- ii Australian Bureau of Statistics (2019), Gender Indicators Australia: Economic Security, November 2019  
<https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/4125.0~Nov%202019~Main%20Features~Economic%20Security~4>
- iii PwC (2017), Understanding the Unpaid Economy  
<https://www.pwc.com.au/australia-in-transition/publications/understanding-the-unpaid-economy-mar17.pdf>
- iv ASFA (2019), Strengthening Australia's Superannuation System: ASFA's proposed toolkit for the Government, <https://www.superannuation.asn.au/ArticleDocuments/359/200319%20ASFA%20Core%20Policies%202019.pdf.aspx?Embed=Y>
- v Australian Human Rights Commission (2013), at Investing in care: Recognising and valuing those who care  
<https://www.humanrights.gov.au/our-work/sex-discrimination/publications/investing-care-recognising-and-valuing-those-who-care>
- vi OECD (2019), Gender Budgeting  
<http://www.oecd.org/gov/budgeting/gender-budgeting.htm>

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