



Senate Economics References Committee

ASU Submission

2015 inquiry into economic security for women in retirement

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Foreword

The Australian Services Union (ASU) is one of Australia's largest Unions, representing approximately 135,000 members.

The ASU was created in 1993. It brought together three large unions; namely, the Federated Clerks Union, the Municipal Officers Association and the Municipal Employees Union, as well as a number of smaller organisations representing social welfare workers, information technology workers and transport employees.

Current ASU members work in a wide variety of industries and occupations because the Union's rules traditionally and primarily cover workers in the following industries and occupations:

- Local government
- State government
- Social and community services
- Transport, including passenger air and rail transport, road, rail and air freight transport
- Clerical and administrative employees in commerce and industry generally
- Call centres
- Electricity generation, transmission and distribution
- Water industry
- Higher education (Queensland and SA).

The ASU also has members in every state and territory of Australia, as well most regional centres.

Introduction

The ASU welcomes the opportunity to respond to the Senate Economics References Committee inquiry into economic security for women in retirement. Prior to the inception of a universal co-contribution system in 1992, ASU members have also been members of some of the earliest public sector superannuation schemes provided for Australian Public Service and Crown employees, as well as industry schemes for white collar workers of statutory authorities, railways and local governments and employees of the first national carrier QANTAS. However, more than 50 per cent of ASU members are women, the greater majority of whom work in the Social and Community Services industry (SACS) or in a clerical occupation are female¹ and can be considered low paid².

¹ In 2015 the Workplace Gender Equality Agency (WGEA) reported that 71.7% of those employed by a reporting organisation, working in the Community and Personal Service occupation and 74.6% working in a Clerical and administrative occupation, were non-manager females: WGEA (November 2015) *Australia's gender equality scorecard* (https://www.wgea.gov.au/sites/default/files/2014-15-WGEA_SCORECARD.pdf).

For many ASU members, superannuation schemes operate at the minimum compulsory contribution levels.

The Union recognises the timeliness of this inquiry due to a prevalent and urgent need to redress certain inadequacies of the current superannuation system. ASU members across all our industries are educated about risks and effective improvements to Superannuation entitlements as well as advocates for the improvement of superannuation outcomes for women. The ASU regularly makes superannuation a priority for bargaining by claiming top-ups to the superannuation guarantee (SGC) from employers through co-contribution schemes; ensuring employer have participation agreements allowing for higher employer and employee contributions securing continuation of superannuation on top of parental leave payments recognising productivity gains of flexible care arrangements; and, facilitating women's greater participation in the paid workforce with mechanisms that support family friendly work arrangements.

The ASU also enhances our members' interests through representation on relevant Industry Super Funds and other industry associations. Our officials regularly advocate for more progressive superannuation tax concession rates; extension of compulsory superannuation payments to the government funded Paid Parental Leave (PPL) scheme; removal of the \$450 monthly income threshold for exemptions on compulsory superannuation contributions; and, a review of the planned abolition of the Low-income Superannuation Contribution (LISC) rebate.

The ASU's activities aim to protect the original intent of the Australian superannuation system: to complement and or replace the aged pension with better levels of retirement income and increased national savings³. We know that significant improvement to current conditions is needed to redress circumstances that continue to leave women at risk of poverty in retirement.

To inform this submission, the ASU conducted an on-line survey over approximately 2 weeks in October 2015. The aim of the survey was to gather information on the views of ASU members and other community members regarding issues relating to women's economic security in retirement. With a total of 1,670 people participating in the survey, the response rate can be considered to be relatively high by the ASU and; therefore; indicates that there is a considerable amount of interest on the issue of economic security for women in retirement, particularly within the ASU membership. A full report of the results can be made available by request.

². Ibid. The pay gaps of 16.4% for the Health Care and Social Assistance workers and 23.0% for Administrative and Support Services workers, fall into the highest categories of total remuneration gender pay gaps by industry. In other words, females working in highly feminised industries are still paid significantly less than males, as a group.

³ Australian Parliament, *Major superannuation and retirement income changes in Australia: a chronology*, Research Paper. Viewed 30 October 2015.

http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1314/SuperChron#_ftnref2

The ASU responds to the Committee's terms of reference drawing from the important experiences of our female members and their families who necessarily balance work and care over their lifetime. A range of issues unique to each woman such as those described to the ASU in our survey, will compound the effect of work and care arrangements of one family to limit the financial independence of a female later in life. Whilst the Committee recognises that the increasing workforce participation of women in formal employment contributes significantly to Australia's economic productivity, the value of the 'care economy'⁴ should also be recognised as unpaid work that is predominantly provided by women. The ASU's recommendations are provided to urge the government to thoroughly investigate innovative adjustments to the Australian superannuation system that will improve on its objectives of adequacy, sustainability, certainty and fairness⁵, and ensure economic justice is extended to women who will otherwise continue to miss out as a consequence of inequitable policy priorities.

Summary Recommendations

The ASU supports and adopts the recommendations of the ACTU and other submitters to this inquiry who have suggested effective measures to redress the gendered gap in retirement savings between women and men. The ASU believes measures that protect and enhance the current superannuation system will deepen economic justice and extend the benefits of adequate savings for retirement to more Australians.

Recommendation #1: This committee should look at how best to invest in measures that assist Employers to mitigate the risks to productivity of losing skilled workers and remove significant barriers to women's financial security through employment with expansion of family friendly work environments. Family friendly work arrangements include: the right to return to part-time work from parental leave; the right to revert to position/work arrangement previously held prior to taking parental leave; safe work arrangements during pregnancy; and paid leave for the purpose of attending necessary appointments as well as family and domestic violence leave.

Recommendation #2: Consideration should also be given to a non-adversarial scheme for correcting the undervaluation of women's work. All the recommendations of the "Making it Fair"⁶ report should be implemented as swiftly as possible.

⁴ Australian Human Rights Commission (2013) *Investing in care: Recognising and valuing those who care, Volume 1 Research Report*, Australian Human Rights Commission, Sydney.

⁵ The Treasury of the Australian Government (2013) *Charter of Superannuation Adequacy and Sustainability and Council of Superannuation Custodians*, Report. Available (online) at <http://www.treasury.gov.au/Policy-Topics/SuperannuationAndRetirement/supercharter/Report/Chapter-4>

⁶ House of Representatives (2009) *Making it Fair, Pay equity and associated issues related to increasing female participation in the Workforce*, viewed 30 October 2015:

http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=ewr/pavequity/report.htm

Recommendation #3: The ASU supports reforms to taxation that will put an end to regressive impact of superannuation taxation concessions on low-income earners (the greater majority of whom are women). In this regard, the ASU agrees with the proposals put by the Henry Tax Review⁷ and recommends that the government devise a regime so that all contributors into superannuation begin to receive an equitable taxation benefit for superannuation savings.

Recommendation #4: the Committee should investigate measures to pay the superannuation guarantee on government funded parental leave payments to help reduce the difference in superannuation entitlements between parents who provide care for newborn children and to ensure women are not disadvantaged later in life from the loss of contributions earlier in their careers.

Recommendation #5: Where a woman's care arrangements reduce her capacity and limit her remuneration expectations to participate in the paid workforce, the productivity benefits of unpaid care must be recognised. The Committee should investigate measures to pay the SGC on all government payments and ensure that women receive the Low-income Superannuation Contribution (LISC) regardless of their income.

Recommendation #6: The Age Pension must remain an entitlement for Australians especially those who cannot support themselves, and be indexed to meet future cost of living pressures. The Age Pension must be maintained at 25 per cent of Average Weekly Ordinary Time Earnings (AWOTE) and any proposals to change the asset test must be scrutinised for a gendered impact on. For example, an asset test that includes the family home would unfairly disadvantage women who support other family members in the home, well into their retirement years.

Recommendation #7: Regressive effects of government funding cuts are undesirable and will harden the levels of disadvantage currently faced by women as a group. The ASU recommends that where necessary, the budget deficit could be increased to respond to significant demographic change, such as an aging population, and fund reforms that would improve economic security for all Australians. In other words, when taxation levels are inadequate the government should take measures to support retirement outcomes of Australians who have worked their whole life and that that includes women who have supported other working people through unpaid work.

Recommendation #8: The LISC contribution is an important factor in boosting retirement savings of many low income earners. The ASU recommends that the government review the planned abolition of the LISC.

⁷ Treasury of the Australian Government (2009) *Australia's future tax system*, Final Report, Chapter A: Personal Taxation , viewed 30 October 2015:
http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/Papers/Final_Report_Part_2/chapter_a2-2.htm.

Recommendation #9: Women aren't just currently retiring with less; they retire earlier with longer life expectancy. Investigate special measures to address historically extended period of retirement for women. The minimum SGC should be at least 1 per cent higher for women for their working lives and the LISC; also, improved upon for women to supplement an adequate Age Pension. In other words, the SGC should be paid on all government payments to women. The new payments should be made into an existing superannuation account from commencement of the birth, care or adoption of a child; or, the government should establish a default fund for this purpose.

Recommendation #10: In general, reform needs to be made to cap up-front fees paid to financial advisers for advice to women and adviser responsibility periods could also be extended. However, radical change is needed over the life of contributions to address the gender pay gap in retirement savings. The ASU believes that special measures can be taken to permanently remove fees on superannuation accounts for females; alternatively implement significantly reduced charges for females.

Recommendation #11: Whilst it is arguable that choosing higher superannuation risk option could deliver greater returns for members with lower balances, it is not possible to mitigate the high risk with recommended financial advice. The nature of the advice is important. For this reason, the original intent of the Future of Financial Advice (FOFA) reforms that would protect women from poor financial advice must be maintained and not watered down. Financial advisers and superannuation funds must always be required to act in the best interests of their clients and members and as a condition of their licensing terms.

Recommendation #12: In order to improve retirement outcomes in the long term, remove the \$450 monthly income threshold for exemptions on compulsory superannuation contributions.

Recommendation #13: The ASU recommends that the government investigate measures that would facilitate the payment of higher contributions to female employees from the earlier years of employment and to all employees following extended periods of absence from paid employment. The ASU believes a superannuation system that can support packages incorporating similar measures to the Rice Warner⁸ example should become a universal entitlement for all employees with low income earning capacity.

The gendered retirement income gap

1. The current superannuation system links the benefit of superannuation savings to employment and Australian governments have recognised for some time that women earn

⁸ Women's Super Summit Report (2014) viewed 30 October 2015 <https://www.wgea.gov.au/sites/default/files/Womens-Super-Summit.pdf>

significantly less than men over a lifetime⁹. Therefore, the extent of the gendered retirement income gap is entrenched in the unequal economic status of women in society more generally.

2. The extent of the gap has been identified in comparisons made over time since the introduction of a universal superannuation system. Superannuation account balances reported in 2005-06 and 2011-12¹⁰ showed that the average balance in 2011-12 for Australian males was about \$112,000 compared with an average accumulation balance for females of \$68,600. At retirement in 2011-12, the average superannuation balance was reported as \$197,000 for men and \$105,000 for women¹¹. From these statistics it is widely accepted that the average superannuation balance at retirement for women is currently about 46.6 per cent less than the average for men¹². Furthermore, it was also reported that in 2011-12 about a quarter of males had a nil superannuation balance compared with about a third of women¹³. Of the women who had no superannuation for retirement about 60 per cent were already aged above 65 to 69¹⁴; and, 55.6 per cent of Australians relying on the full Age Pension in 2013 were women¹⁵.
3. The remaining 40 per cent of women with a nil balance will likely continue to face significant challenges for establishing a meaningful superannuation balance because the current system is designed to be effective for employees who spend at least 40 years in continuous full-time employment¹⁶. The one-size-fits-all design puts women at a significant disadvantage.
4. Firstly, a gender pay gap across all age groups begins from the time of entering paid employment¹⁷. As evidenced by ABS data, the gender pay gap in average weekly earnings is not improving, it is widening; and in spite of a downward trend in the earlier part of the past 10 years, the gap has never fallen below 14 per cent. Alarming, the pay gap between average weekly earnings for women and men fluctuates as described in the following chart,

⁹ Australian Human Rights Commission (AHRC, September 2009) *Accumulating poverty? Women's experiences of inequality over the lifecycle*. Issues Paper examining the gender gap in retirement savings:

https://www.humanrights.gov.au/sites/default/files/document/publication/accumulating_poverty.pdf

¹⁰ Clare, R (2014), *An update on the level and distribution of retirement savings*, ASFA Research and Resource Centre, viewed 30 October 2015, <http://www.superannuation.asn.au/ArticleDocuments/1089/1403-LevelAndDistributionRetirementSavings.pdf.aspx>

¹¹ *Ibid.*

¹² Workplace Gender Equality Agency (December 2015) *Gender workplace statistics at a glance*, Factsheet, Workplace Gender Equality Agency: https://www.wgea.gov.au/sites/default/files/Stats_at_a_Glance.pdf.

¹³ Clare, R. (2008) *Retirement Savings Update*, viewed 30 October 2015, <http://www.superannuation.asn.au/Reports/default.aspx>.

¹⁴ *Ibid.*

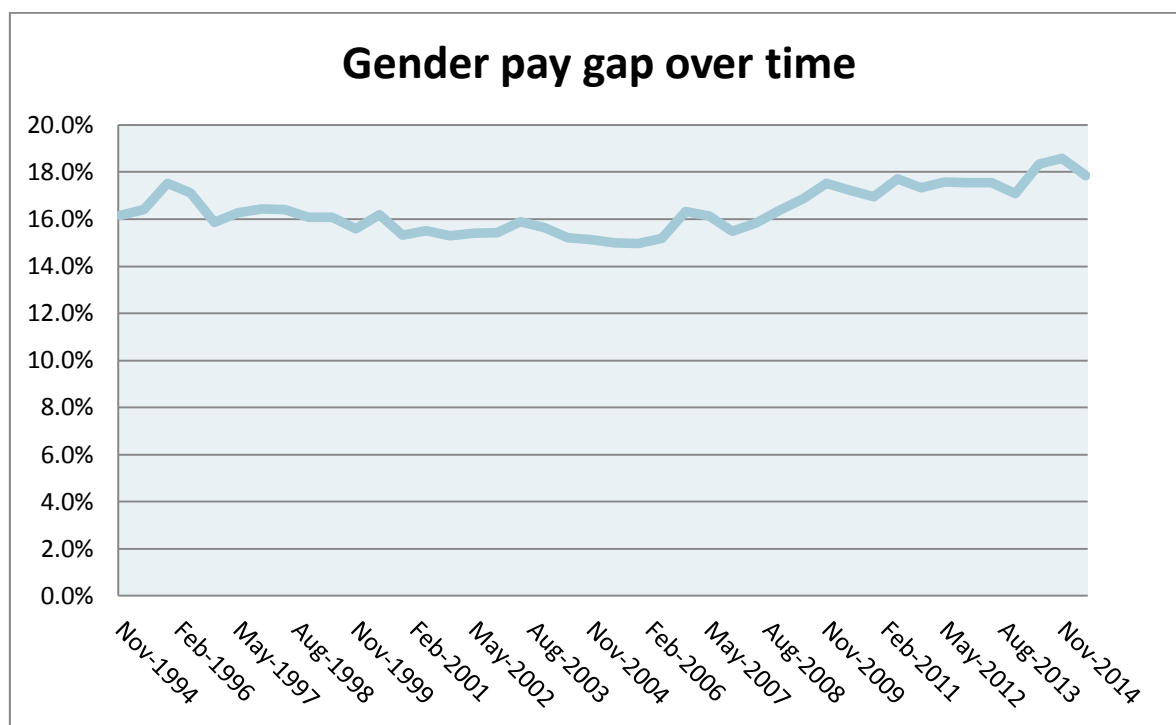
¹⁵ Department of Social Security (2014), *Statistical Paper No. 12: Income support customers: a statistical overview 2013*, viewed 30 October 2015, <https://www.dss.gov.au/about-the-department/publications-articles/research-publications/statistical-paper-series/statistical-paper-no-12-income-support-customers-a-statistical-overview-2013>

¹⁶ Workplace Gender Equality Agency (2014) *Women's economic security in retirement*. Perspectives Paper, viewed 30 October 2015, https://www.wgea.gov.au/sites/default/files/2014-03-04_PP_economicsecurity_0.pdf

¹⁷ ABS, (2012). 6310.0 - Employee Earnings, Benefits and Trade Union Membership, Australia: August 2011 (Canberra: Australian Bureau of Statistics).

which shows a recent increase to the highest level in 2014, of the last decade at 18.8 per cent (and in the state of WA the current gap is the highest at 26 per cent)¹⁸:

Table 1. Gender Pay gap over time



- Secondly, the pay gap trend begins to worsen from an average age of 30 years and then continues to increase with age over a woman’s working life¹⁹. As a result, the widening gender pay gap that increases with age causes the gender gaps in superannuation balances to escalate from 29.1 per cent for 25 to 29 year olds in 2014, to 55.3 per cent for 55 to 50 year olds²⁰.
- The Workforce Gender Equality Agency (WGEA) correlates the subsequent expansion in the gap with reduced workforce participation of women following the birth of a child and the ongoing work patterns (diverging from typical pattern of full-time male employment) that combine unpaid care responsibilities supplemented by part-time work. In 2011 the Australian Institute of Superannuation Trustees (AIST) surveyed 800 Australian women between the ages of 50 and 80 years who had already retired²¹. 79 per cent of the women surveyed had taken a career break for an average period of 13 years, compared with the average time spent in paid work of 22 years²². Women who have broken periods of

¹⁸ WGEA Pay Gap Statistics Factsheet (September 2015) https://www.wgea.gov.au/sites/default/files/Gender_Pay_Gap_Factsheet.pdf

¹⁹ Workplace Gender Equality Agency (July 2014) *Superannuation & gender pay gaps by age group*, Factsheet, viewed 30 October 2015, https://www.wgea.gov.au/sites/default/files/Gender_pay_and_superannuation_gaps_by_age_group.pdf

²⁰ *Ibid.*

²¹ Australian Institute of Superannuation Trustees (2011) *Super-Poor, But Surviving: Experiences Of Australian Women In Retirement*, Research Study, Australian Institute of Superannuation Trustees, Melbourne.

²² *Ibid.*

employment with extensive full-time caring responsibilities can expect to retire with less than the average in retirement savings. Women are consequently also at a disadvantage in capacity to accumulate wealth and associated economic security of home ownership and acquire other equity that will increase in value over a lifetime.

7. As has been shown, the gender pay gap and career breaks put women at a disadvantage to accumulate superannuation balances, as well as reducing their capacity to top-up with voluntary contributions and make other capital gains on investments external to superannuation. However, retirement savings need to go further for females relative to males because longer life expectancy will impact on the extent to which retirement savings can supplement or replace the Age Pension:

Table 2. Summary of at-birth life expectancies of Australians for 2012-2014, by sex²³

Sex	Total (years)	Difference between female and male (years)
Female:	84.2	4.3
Male:	79.9	

Women have been living on less throughout their lifetime with fewer assets but live longer,²⁴ often continuing to support other family members by providing unpaid care and extending ongoing housing arrangements to dependants²⁵. Those factors combine to condemn many women to a reliance on the Age Pension for much of their retirement; which puts many women beneath the poverty line²⁶. As a result, more women receive the Age Pension than men as reflected by all factors contributing to the gender pay gap: significant inequity of remuneration and diverging work patterns from the age of 30, in turn causing earlier actual retirement age for women²⁷, as well as longer life expectancy.

8. All the above circumstances lead to women bearing a disproportionate risk of poverty in retirement compared to men and prohibit economic independence. Where women have average superannuation balances for females, the savings are likely to be inadequate to

²³ ABS 3302.0.55.001 - Life Tables, States, Territories and Australia, 2012-2014

²⁴ WGEA 2014, Op Cit, *Superannuation & gender pay gaps by age group*.

²⁵ Australian Institute of Superannuation Trustees (AIST, 2011) *Super-Poor, But Surviving: Experiences Of Australian Women In Retirement*, Survey: https://www.aist.asn.au/media/74552/2011_superpoor_but_surviving_web.pdf.

²⁶ Robert Tanton, Yogi Vidyattama, Justine McNamara, Quoc Ngu Vu and Ann Harding, *Old Single and Poor: Using Microsimulation and Microdata to Analyse Poverty and the Impact of Policy Change Among Older Australians* (2008) :

https://guard.canberra.edu.au/natsem/index.php?mode=download&file_id=880 (viewed 4 December 2015).

²⁷ AIST 2011, Op Cit.

continue to meet expenses throughout retirement and savings are often exhausted within the early years of retirement²⁸. As a result, the current gender pay gap eventually leaves too many Australian women reliant on the Aged Pension for the greater proportion of their retirement years because women can expect to live longer than men²⁹.

Causes of the gendered retirement income gap

9. Australian women face a plethora of barriers to attaining financial independence and security over their lifetime. In 2002, the average household worth for a single retired woman over 65 was \$160,000 compared to \$238,000 for a single retired man³⁰. With income parity, women would be on a level playing field to access the expanded range of financial options that can attract greater financial rewards. At the moment the top 10 per cent of wage earners are mostly men who receive 35 per cent of super tax concessions³¹. Tax concessions double the retirement savings of Australia's top earners who are mostly men. The compounding effect of healthier superannuation balances from the early years of working life enables male workers to access broader investment choices that are available to higher earning individuals and weather the storms of riskier investment settings. Conversely, the lowest groups of income earners who are disproportionately represented by females pay more tax on their super than their take home pay and suffer a 14 per cent reduction in their super savings³².
10. The factors driving the gender pay gap describe an unfair handicap for women who take time to care for families and seek flexible employment options to facilitate those roles in Australian society:

The gender gap in retirement savings is not the result of a single event or experience. It is the cumulative product of decisions, events and experiences over the lifecycle, for example, career decisions, inequality in pay, difficulties balancing paid work and caring responsibilities, experiences of violence, divorce and separation³³.

Respondents to the 2015 ASU Survey provided comments that describe a multiplicity of caring responsibilities that exemplify the ways women are relied upon by their families as

²⁸ *Ibid.*

²⁹ Rowland, D.T., (1991) *Ageing in Australia* (Melbourne: Longman Cheshire)

³⁰ Warren, D (2006) *Aspects of Retirement for Older Women*, Report, viewed 30 October 2015

https://www.dss.gov.au/sites/default/files/documents/05_2012/aspect_of_retirement_report_final.pdf

³¹ Clare, R (2015) *Superannuation and high account balances*, viewed 30 October 2015,

<http://www.superannuation.asn.au/Reports/default.aspx>

³² Industry Super Fund, <http://www.smh.com.au/business/the-economy/rich-old-men-get-the-best-deal-out-of-super-tax-concessions-isa-tells-tax-review-20150603-ghfxnz.html>

³³ AHRC 2009, Op Cit.

well as the broader community to care for people in different age groups, such as children and grandchildren as well as disabled dependants and elderly parents.

11. The reliance on informal care arrangements provided by a primary caregiver in Australian society continues to consistently apply societal pressure predominantly on women who are trading-in their earning potential for flexible work arrangements. Women with caring responsibilities tend to find work in lower paying jobs and in more insecure employment such, as part-time, casual or labour-hire employment³⁴. Low pay and insecure employment arrangements typically diminish the negotiating power necessary to improve remuneration, as well as acquire and maintain ongoing flexible working arrangements. For example, the low penetration of collective agreements in covering highly feminised clerical and administrative occupations and jobs in the social and community services sector (SACS) has been contingent upon the lack of bargaining power necessary to improve the remuneration paid for work in those industries and occupations³⁵.

Comment provided by a 2015 ASU Survey respondent

I have an adult daughter who has limited movement and restricted weight in her right arm. She has a baby who is 10 weeks old. While I am not the primary carer of the baby and my daughter is considered to be ok for work this is not the case and all the household chores inside and out fall back to me. My daughter cannot cook, clean or even bath her baby without my assistance. Yet, I am not considered primary carer for either.

12. The ASU also draws particular attention to the impact of domestic and family violence on a woman's ability to find and retain secure work. Recent inquiries into the extent that family and domestic violence affects Australian women indicate that the threat is widespread in society; the instances remain under reported and resources inadequate to respond.

Comment provided by a 2015 ASU Survey respondent

Due to family member moving back to the household I care for two grandchildren, one pre-schooler and one high school student, plus their mother. This was due to a domestic violence order, which my daughter placed on her past partner. For her security we thought it best for her safety to move back in, which has put responsibility on us (her parents).

³⁴ WGEA 2015, *Australia's gender equality scorecard*.

³⁵ Approximately 10% of all Australians employed in an Administrative and Support Services occupation are covered by a collective agreement (p. 38, <https://www.fwc.gov.au/documents/awrs/AWRS-First-Findings.pdf>); Approximately, 18% of all Australians employed in the Health Care and Social Assistance industry are covered by a collective agreement (p. 39, <https://www.fwc.gov.au/documents/awrs/AWRS-First-Findings.pdf>)

The ASU has extensive experience with the critical impact of retaining employment to overcoming various inequities overwhelmingly experienced by women that arises from an Australia wide crisis of family and domestic violence³⁶. In 2010, the ASU became the first union in Australia to insert a condition of employment into the federal Surf Coast Shire Council agreement (Victoria). The clause has allowed employees experiencing domestic violence to apply for up to 20 days paid leave and a comprehensive set of conditions, including individual support and counselling³⁷.

Measures to improve access to adequate and secure retirement incomes

13. The primary impediments to women attaining adequate savings for retirement are the drivers of the gender pay gap that are examined in earlier parts in this submission. To instil equal remuneration for Australian women, reforms are needed that effectively address the underpayment of female labour; effect of simultaneous patterns of work and caring responsibilities over a lifetime; disproportionate responsibility for unpaid work relative to men; lack of monetary value awarded unpaid work responsibilities in spite of the productivity gains and associated benefits broadly influencing the successful Australian society; and, gendered causes of unemployment such as experiences of family and domestic violence.

- **Comments provided by 2015 ASU Survey respondents**
- *A right to access longer unpaid (paid would be even better!) parental leave for non-primary caregivers. ie the law is currently that the non-primary caregiver only gets a right to 2 weeks leave - this discourages non primary caregivers (usually men) from being more equally involved/expected in caregiving from the start.*
- *Improved recognition of other carers - such as working grandparents who are needed as a support mechanism for sole parent (working) families*
- *On-site child care or creches*

³⁶ Stephanie Anderson, 'Budget hurting domestic violence victims, Senator Says', SBS Online 6 November 2014, available at: <http://www.sbs.com.au/news/article/2014/10/23/budget-cutshurting-domestic-violence-victims-senator-says>.

³⁷ Australian Law Reform Commission (ALRC, 2012) Family Violence and Commonwealth Laws—Improving Legal Frameworks, Report 117, Chapter 16: <http://www.alrc.gov.au/publications/16-fair-work-act-2009-cth/enterprise-agreements>.

- (Additional comments provided by ASU Survey respondents cont.)
- *Changing culture of caretaking responsibilities. EG. Giving dad's the opportunity to take leave to care for Children where this suits the family best or is desired. Workplaces need to be inclusive of fathers not just mothers. That way the caregiving role can be shared.*
- *Ensure that sectors/roles typically overrepresented by women have clear career progression pathways, minimal casualization, and ongoing professional development so that women coming back from maternity leave can quickly and easily 'catch up' with their colleagues*

14. Employers should be supported by government to implement strategies that would narrow the gender gaps that contribute to the gap in retirement savings. Recognition comes from placing a fair value on work through remuneration, time and support. Business would benefit from recognising the role carers play in the workplace to contribute to an efficient, productive and diverse workplace³⁸.

Recommendation #1: This committee should look at how best to invest in measures that assist Employers to mitigate the risks to productivity of losing skilled workers and remove significant barriers to women's financial security with expansion of family friendly work environments. Family friendly work arrangements include: the right to return to part-time work from parental leave; the right to revert to position/work arrangement previously held prior to taking parental leave; safe work arrangements during pregnancy; and paid leave for the purpose of attending necessary appointments as well as family and domestic violence leave.

15. Furthermore, legislative changes to industrial relations remedies have been successful at ameliorating unequal pay such as the introduction of equal remuneration for work of equal or comparable value into the *Fair Work Act 2009* (FW Act). The ASU ran the only successful case in the federal jurisdiction to date, for Social and Community Services Sector services workers. In May 2011 a Full Bench of the Fair Work Commission unanimously concluded that:

...for employees in the SACS industry there is not equal remuneration for men and women workers for work of equal or comparable value by comparison with workers in state and local government employment.³⁹

Although the current framework proved successful for the ASU case, other recommendations made by the House of Representatives Standing Committee on

³⁸ AHRC 2013, Op Cit.

³⁹ [2011] FWA FB 2700 at par 291

Employment and Workplace Relations in response to stagnating pay inequity conditions⁴⁰ have not been implemented. In the ASU's view it is time for real action on pay equity combining legislative change and commitments to targets that will narrow the gap.

Recommendation #2: Consideration should also be given to a non-adversarial scheme for correcting the undervaluation of women's work. All the recommendations of the "Making it Fair"⁴¹ report should be implemented as swiftly as possible.

16. At the present time it is predominantly Australian women in low paid employment⁴² who arguably subsidise the unfair tax concessions on superannuation enjoyed by predominantly male⁴³ high-income earners. For example high-income earners receive a 31.5 per cent tax concession⁴⁴ while those on low incomes receive no concessions at all. The current tax treatment for superannuation on contributions and earnings is inequitable and fiscally unsustainable⁴⁵. The ASU has been a consistent advocate for reform of structural impediments in the superannuation system; which are relevant issues for this inquiry to investigate.

Recommendation #3: The ASU supports reforms to taxation that will put an end to regressive impact of superannuation taxation concessions on low-income earners (the greater majority of whom are women). In respect of reforms, the ASU agrees with the proposals put by the Henry Tax Review⁴⁶ and recommends that the government devise a regime so that all contributors into superannuation begin to receive an equitable taxation benefit for superannuation savings.

17. With respect to the current government funded Paid Parental Leave (PPL) scheme where a parent may receive up to 18 weeks of parental leave pay at the national minimum wage. The government funded scheme does not recognise the compulsory superannuation payments which apply to other forms of pay⁴⁷. As discussed above, a significant driver causing the gap in superannuation balances between women and men is time out of the paid workforce to care for newborn children.

⁴⁰ House of Representatives (2009) *Making it Fair, Pay equity and associated issues related to increasing female participation in the Workforce*, viewed 30 October 2015:

http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=ewr/payequity/report.htm

⁴¹ *Ibid.*

⁴² Low paid overwhelmingly female

⁴³ High paid overwhelmingly male

⁴⁴ The tax concessions on super

⁴⁵ Treasury of the Australian Government (2009) *Australia's future tax system*, Final Report, Chapter A: Personal Taxation, viewed 30 October 2015:

http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/Papers/Final_Report_Part_2/chapter_a2-2.htm

⁴⁶ *Ibid.*

⁴⁷ legislation

Recommendation #4: the Committee should investigate measures to pay the superannuation guarantee on government funded parental leave payments to help reduce the difference in superannuation entitlements and to ensure women are not disadvantaged later in life.

Recommendation #5: Where a woman's care arrangements reduce her capacity and limit her remuneration expectations to participate in the paid workforce, the productivity benefits of unpaid care must be recognised⁴⁸. The Committee should investigate measures to pay the SGC on all government payments and ensure that women receive the LISC regardless of their income.

Recommendation #6: The Age Pension must remain an entitlement for Australians especially those who cannot support themselves, and be indexed to meet future cost of living pressures. The Age Pension must be maintained at 25 per cent of Average Weekly Ordinary Time Earnings (AWOTE) and any proposals to change the asset test must be scrutinised for a gendered impact on. For example, an asset test that includes the family home would unfairly disadvantage women who support other family members in the home, well into their retirement years.

Government assistance

18. The ASU recognises the success of universal superannuation and the Australian government to take responsibility for improving the quality of the lives of Australians in their retirement. However, funding for social investment has come under the cloud of an unprecedented policy setting described as the 'budget emergency'⁴⁹. The ASU contends the actual emergency is in the weakening of economic debates. The ASU would welcome a more proportional political debate in respect of the needs of an aging population, compared to the divisive politics of recent times.

19. The ASU agrees with analysis that a great many of the proscribed budget settings the current government have articulated to date, are unrealistic measures to address a fair and equitable distribution of taxation revenue for the benefit of all Australians⁵⁰. The ASU firmly believes that the effect of unfair savings measures will have a dehumanising effect on society. The aspirations of Australians should never be shamed by false claims that entitlement to economic security is under unsustainable strain. A false 'budget emergency'

⁴⁸ AHRC 2009, Op Cit.

https://www.humanrights.gov.au/sites/default/files/document/publication/accumulating_poverty.pdf

⁴⁹ The Australia Institute (2013) *Where is the budget emergency?* Infographic (drawing on OECD StatExtracts for Central Government debt GDP volume & annual growth rates): <http://www.tai.org.au/content/where-budget-emergency>

⁵⁰ The Conversation (2015) *INFOGRAPHIC: Lessons in budget politics*, Editorial Team: <https://theconversation.com/infographic-lessons-in-budget-politics-41664>

is an unpersuasive excuse for withdrawing funding for many long standing policy objectives. Any arbitrary limit on the range of fiscal options that would meet the needs of the majority of aging Australians should be based in robust economic arguments. In the case of the superannuation system, the ASU believes all Australians can and should be able to look forward to equitably distributed retirement and adequate incomes as recognition for all their contributions to Australian communities over a lifetime.

Recommendation #7: Regressive effects of funding cuts are undesirable and will harden the levels of disadvantage currently faced by women as a group. The ASU recommends that where necessary, the budget deficit could be increased to respond to significant demographic change, such as an aging population, and fund reforms that would improve economic security for all Australians. In other words, when taxation levels are inadequate the government should take measures to support retirement outcomes of Australians who have worked their whole life and that that includes women who have supported other working people through unpaid work.

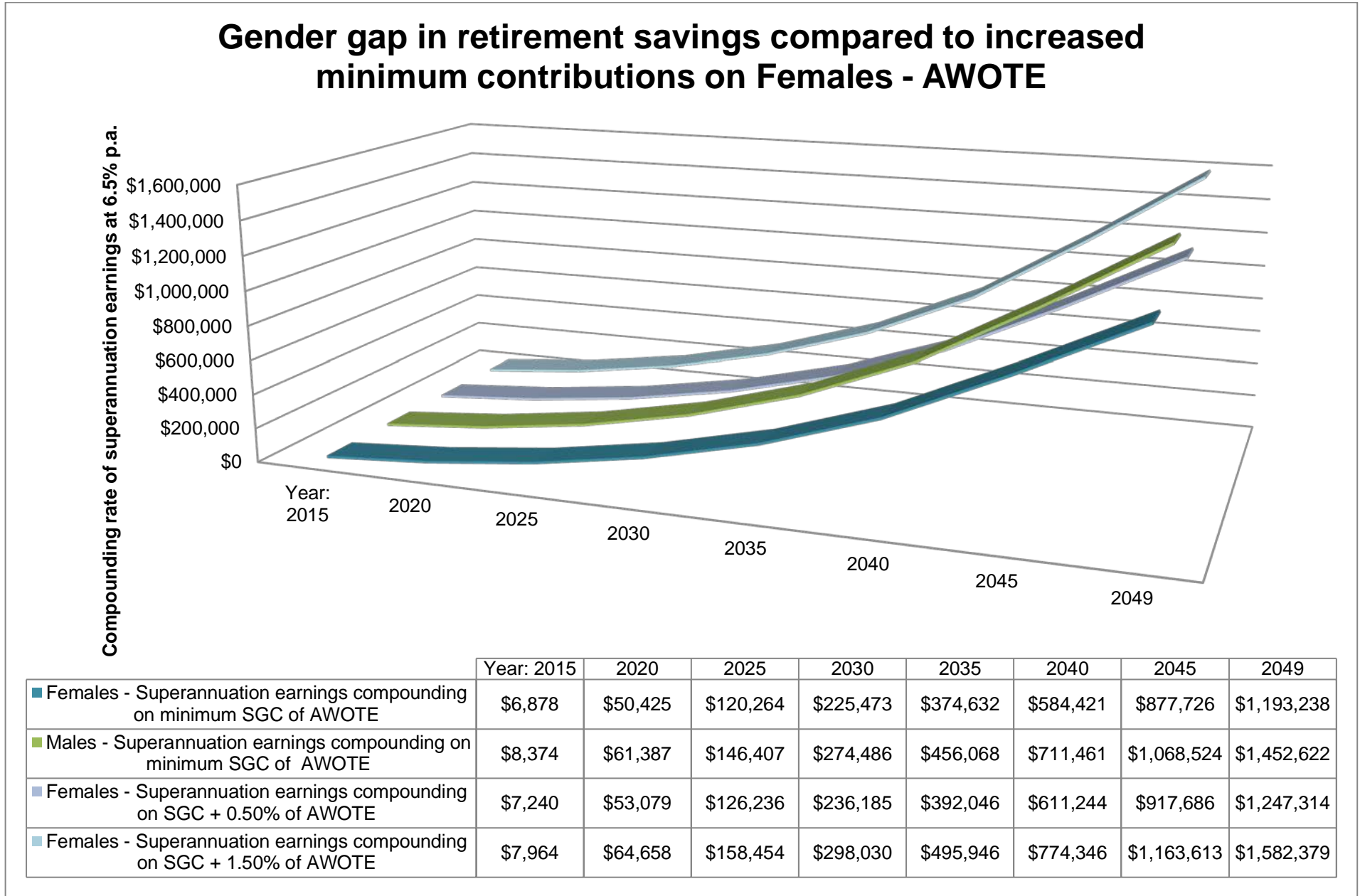
20. With respect to the Low-income Superannuation Contribution (LISC). The ASU condemns the government's planned abolition of the LISC rebate. Over time the removal of the LISC will have a devastating impact on people with low income, who could be up to \$27,000 worse off by the time they retire.

Recommendation #8: The LISC contribution is an important factor in boosting retirement savings of many low income earners. The ASU recommends that the government review the planned abolition of the LISC.

21. The current superannuation system relies on setting the contribution rates for 40 years of full-time employment at 20 per cent of earnings to achieve an income of 60 per cent of pre-retirement income⁵¹. Table 3. examines the current effect of the gender gap in retirement savings compared to alternative outcomes of increasing contribution rates for women relative to men.

⁵¹Treasury of the Australian Government 2009, Chapter 4:
http://taxreview.treasury.gov.au/content/StrategicPaper.aspx?doc=html/Publications/Papers/Retirement_Income_Strategic_Issues_Paper/Chapter_4.htm

Table 3. Gender gap in retirement savings compared to increased minimum contributions on Females - AWOTE



Growth assumptions used in Table 3. reflect past trends, as follows: wages growth of 1.6 per cent per annum, reflecting 30 year averages⁵²; superannuation fund growth rate of 6.5 per cent per annum, reflecting 30 year averages⁵³; total full-time working life for females and males, of 35 years⁵⁴; and span of 35 year full-time working life of 25 to 59 years.

22. Women cannot necessarily increase superannuation contributions via after tax contributions or salary sacrifice to increase super, due to persistent financial inequalities⁵⁵. It is also inappropriate to continue to expect that women can bear the full responsibility for poor super balances while the gender pay gap widens putting women at a disadvantage throughout their working years⁵⁶. The ASU believes that the SGC rate should be greater for women than for men to address the pay gap impacting on super balances and that it is essential to do so because of longer female life expectancy. The ASU also believes that superannuation funds should be allowed positively discriminate towards women when setting fees and charges in regards to superannuation accounts and pensions.

Recommendation #9: Women aren't just currently retiring with less; they retire earlier with longer life expectancy. The ASU recommends that the Committee investigate special measures to address historically extended period of retirement for women. In this respect, the minimum SGC should be at least 1 per cent higher for women for their working lives and the LISC improved upon to invest in an adequate Age Pension for women. In addition, the SGC should be paid on all government payments to women. The new payments should be made into an existing superannuation account from commencement of the birth, care or adoption of a child; or, the government should establish a default fund for this purpose.

Other reforms and relevant measures

23. The ASU now turns to the need for innovative measures that can bridge the retirement savings gap of female employees. In response to the 2015 survey, ASU female members correctly identified that it is not within in the scope of individual women to solve the predicament of the gender pay gap in retirement savings. The Australian government should listen.

⁵² *Ibid.* Appendix:

http://taxreview.treasury.gov.au/content/StrategicPaper.aspx?doc=html/Publications/Papers/Retirement_Income_Strategic_Issues_Paper/Appendix_F.htm

⁵³ *Ibid.*

⁵⁴ Overview: ABS Cat. 6238.0 - Retirement and Retirement Intentions, Australia, July 2012 to June 2013

<http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6238.0Main%20Features3July%202012%20to%20June%202013?opendocument&tabname=Summary&prodno=6238.0&issue=July%202012%20to%20June%202013&num=&view=>

⁵⁵ WGEA July 2015, Op Cit.

⁵⁶ *Ibid.*

Comment provided by a 2015 ASU Survey respondent

Age discrimination - once the children are independent, I would appreciate the opportunity to work to make up for loss of superannuation contributions from unable to stabilise my employment when the children were young.

24. In conjunction with a higher contribution rates for women as a group who are affected by the gender pay gap, diverging work patterns from men and longer life expectancy, superannuation funds could be taking special measures for women members. For example, if the fees on superannuation accounts were reduced by 0.50 per cent for female members, the compounding effect would achieve a gain of about \$50,000 over 40 years. Such a measure would help to redress the divergent work patterns between men and women without breaking the nexus between superannuation and work.

25. An alternative measure could be to provide for a joint superannuation account. However, this measure poses some risks to women who in general lack the levels of financial literacy required to make prudent decisions⁵⁷ and manage the account in their own interest. At the AIST and WIS inaugural Women's Super Summit, key research into the gender 'knowledge gap'⁵⁸ was shared with leading superannuation industry commentators and experts⁵⁹. The primary issues to act on have included that the LISC has been invisible to most women and the policy was easily threatened in spite of the clear compounding benefit to lowest earning women over their lifetime; also, many women find thinking about their superannuation too complex and so funds can take steps to engage and support female members to increase their financial literacy, as well as make a case for educating young women about superannuation (and economic security more generally) in their school years. In all cases for action, increasing independent financial security is the ultimate priority for women.

Recommendation #10: In general, reform needs to be made to cap up-front fees paid to financial advisers for advice to women and adviser responsibility periods could also be extended. However, radical change is needed over the life of contributions to address the gender pay gap in retirement savings. The ASU believes that special measures can be taken to permanently remove fees on superannuation accounts for females; alternatively implement significantly reduced charges for females.

⁵⁷ AIST and Women In Super (2014) *Women's Super Summit Report* : <https://www.wgea.gov.au/sites/default/files/Womens-Super-Summit.pdf>

⁵⁸ *Ibid.*

⁵⁹ *Ibid.*

Recommendation #11: Whilst it is arguable that choosing higher superannuation risk option could deliver greater returns for members with lower balances, it is not possible to mitigate the high risk with recommended financial advice. The nature of the advice is important. For this reason, the original intent of the Future of Financial Advice (FOFA) reforms that would protect women from poor financial advice must be maintained and not watered down. Financial advisers and superannuation funds must always be required to act in the best interests of their clients and members and as a condition of their licensing terms.

26. Launched in July 2013, the financial consulting firm Rice Warner took a new approach to and implemented innovative steps to bridge the gender retirement savings gap between female and male employees. Rice Warner conducted research into the retirement savings gap for females and sought meaningful and practical solutions that would value female employees, as well as help prevent the financial challenges they would otherwise be expecting to face in retirement⁶⁰. As a result Rice Warner employees receive a package of benefits including access to flexible working conditions; employer funded paid parental leave; above minimum superannuation contributions; the ability to accrue long service leave during parental leave; access to an employee education program for financial planning and an additional superannuation payment of 2 per cent of salary paid to female employees⁶¹.

27. In order to implement such a plan, Rice Warner sought advice from the Australian Human Rights Commission (AHRC) to ensure that the initiative would not be discriminatory to male employees. The Commission found that the package would satisfy an exemption from the discrimination legislation as a special measure because of the likelihood it would effect a positive change to achieve substantive equality between men and women⁶².

28. Apportioning a greater amount of superannuation to female employees and earlier in their employment cycle can correct the heavy penalty to the capacity of women planning for retirement and risk of poverty later in life⁶³. The ASU is particularly convinced that employers adopting special measures like the Rice Warner example should receive the full support of the Australian government because it would recognise the widespread undervaluation of female labour in the workplace and the impact that career breaks to care for family dependents has in terms of heavy financial penalties for women later in life.

29. The ASU is also pleased the Rice Warner example complements an effective superannuation measure for improving benefits for women, with access to independent

⁶⁰ *Ibid.*

⁶¹ *Ibid.*

⁶² WGEA 2014, Perspectives Paper: *Women's economic security in retirement*, Op Cit.

⁶³ AIST & WIS 2014, Op Cit.

investment advice. As the financial planning scandal at the Commonwealth Bank would suggest, the range of choices in financial products and services also comes with significant risks to superannuation fund members⁶⁴. While financial literacy should be developed in response to these risks, it will not be enough for governments to rely on education alone.

Additional comments were also provided by 118 respondents to the 2015 ASU survey. These varied in nature and provided indications that:

Some were actively building their finances and security through a number of different measures.

Some were happy with schemes they were in.

There were those who made changes based on their values and ethical commitments

Many indicated that they didn't understand how superannuation worked (some of these people may benefit from quality, easy to understand advice or to take the time to access available government websites such as those linked on the ASU website).

Some indicated that they had an active interest in their own superannuation.

There were those with cautionary stories (such as huge fees eating into savings; employers who fail to act responsibly and legally; firms going bust and fights to obtain entitlements; inappropriate and expensive financial advice).

There were those whose circumstances imposed limits on them (such as those who live in rural areas who have limited or no access to educational seminars or other services).

Some called for improvement in the fairness of the system.

30. The ASU would go further and suggest that superannuation funds be required to charge differential fees so as to allow the fees charged for women to be less than those charged for men; therefore, enhancing the retirement outcome for women during their accumulation phase in preparation for the drawdown of superannuation during the pension phase.

⁶⁴ Georgia Wilkins, 'Victims of Commonwealth Bank financial planning scandal and consumer group Choice question scheme's independence and reach', SMH Online 26 January 2015, available at <http://www.smh.com.au/business/banking-and-finance/victims-of-commonwealth-bank-financial-planning-scandal-and-consumer-group-choice-question-schemes-independence-and-reach-20150120-12uncb.html>

Recommendation #13: The ASU recommends that the government investigate measures that would facilitate the payment of higher contributions to female employees from the earlier years of employment and to all employees following extended periods of absence from paid employment. The ASU believes a superannuation system that can support packages incorporating similar measures to the Rice Warner example should become a universal entitlement for all employees with low income earning capacity.

Conclusion

The ASU is concerned by a worsening gender pay gap and the effect on the retirement savings of women. The undervaluation of female dominated work cannot be allowed to continue. The discrimination caused by an over representation of women in precarious work will persist unless measures are taken to assist families who currently rely on a primary carer to take time away from workplaces, to provide unpaid care for dependants. As a consequence of other forms of cultural discrimination, such as the significant impact of violence against women, the burden on health and economic security of women and the future of their families will remain ongoing drivers of poverty in retirement. The ASU believes that women who provide unpaid caring and domestic work in support of others and upon which the broader community relies, should not have to look forward to poverty in retirement.

The objectives of the Australian superannuation system should be clearly spelt out in legislation that can and should reform the system when those reforms improve on past success and will continue to meet the reasonable and equitable expectations of the Australian community. This Committee should advocate policy that stands up to academic interrogation and provide alternate budget policies in response to the existing socially divisive policy settings, as well as aspirational realities of Australian taxpayers.