



The Treasurer
Budget Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

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2023-24 Pre- Budget Submission

Women in Super has prepared this submission in response to the invitation from the Assistant Treasurer and Minister for Financial Services for public submissions regarding priorities for the 2023-24 Commonwealth Budget.

Women in Super works to improve the economic security of Australian women in retirement.

Structural inequalities in Australia's superannuation system result in women retiring on average with significantly less super than men.

After 30 years of compulsory superannuation paid on wages, Australia's superannuation assets have grown to \$3 trillion. Because women perform more unpaid and low paid work, the prosperity generated by these assets is not equally distributed.

Women in Super advocates for reforms that address the systemic inequalities that harm women as they age.

Women in Super grew from the trusted all-profit-to-member superannuation sector and our values reflect their objectives to improve the retirement outcomes of working Australians, returning all profits to members.

Women in Super builds networks and relationships of advocates, leaders and volunteers across the sector to organise, convene and advocate for meaningful policy change for Australian women and to increase women's, capacity, professional development opportunities and participation in our sector.



Our purpose

Women in Super works to remove the gendered inequity in superannuation. Women in Super advocates for structural reforms for women to receive a more equitable share of Australia's flourishing superannuation assets. Women in Super provides our members with various professional development, networking and career progression opportunities, including events, scholarship programs, and training sessions.

Objective

For a fairer superannuation system to enable Australian women to retire with dignity and economic security.

Recommendations

Support women to save for retirement by ensuring they receive a fair share of government support for their retirement savings, given the gender imbalance in distribution of super tax concessions

Super tax concessions were designed to allow for additional savings through super for the purpose of retirement income. However,

- for every dollar of superannuation tax concession that goes to women \$2 goes to men – 28.4% vs 71.6%.
- The top 10% of income earners get almost a third of super tax concessions, while the bottom 30% (where the bulk of women workers sit) only receive 4%.
- Additionally, over 50 percent of super tax concessions go to high income households (the top 20 percentile) with low-income households, or the lowest 30 percentile, receiving approximately 4%.¹

The way that the current system is designed increases inequality within the system.

The 2021 Intergenerational Report found that “by around 2040, the cost of superannuation tax concessions will exceed the cost of Age Pension expenditure”². Super tax concessions are largely accessed by high-income earners, and the age pension by low and middle-income earners, a highly gendered delineation.

¹ The Australia Institute, 2021. <https://australiainstitute.org.au/post/australias-tax-concession-system-stacked-against-women/>

² <https://treasury.gov.au/sites/default/files/2021-06/p2021-182464.pdf> - p117



Superannuation tax concessions should be recalibrated towards those who need additional support to achieve economic security in retirement. We propose that low-income earners aged 25 and over receive a \$1,000 per annum government contribution into their superannuation until they reach a super balance of \$100,000 to address inadequate retirement savings. Many commentators in recent years have called out the deeply inequitable and economically inefficient distribution of tax concessions and so boosting support for women and other lower income earners could be done in a cost neutral basis³.

We note that the Government has flagged consideration of applying a cap to concessional taxed superannuation balances. WIS is supportive of improving gender outcomes in terms of government support but note that capping benefit at the top end will not address the paucity of financial support received by many working women, who continue to dominate low-income deciles. The inadequacy of support for the retirement savings of low-income earners could be achieved by considering structural change of tax concessions, to replace the current regressive and poorly targeted structure of tax concessions with a framework which is fairer and ensures that government support is better directed to those cohorts who typically have inadequate levels of retirement savings.

Align the Low-Income Super Tax Offset (LISTO) with PAYG thresholds

The Low-Income Super Tax Offset (LISTO) is a government superannuation contribution of up to \$500 per year and is designed to ensure the tax rate on compulsory contributions is not higher than the amount of income tax paid by low-income earners⁴— in other words, that low-income earners do not suffer a tax penalty for making super contributions. — 2.6 million workers⁵, 60% of whom are women⁶.

Originally aligned with the 19% tax bracket upper limit of \$37,000, the limit has increased to \$45,000, while the limit for the LISTO was not adjusted. The concessional contributions cap was raised as of 1

³ The Australia Institute, 2021 *op cit*

⁴ Australian Taxation Office (ATO), 2019. <https://www.ato.gov.au/Individuals/Super/In-detail/Growing-your-super/Low-income-super-tax-offset/>

⁵ ATO, 2021. <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Super-statistics/Low-Income-Superannuation-Tax-Offset/Annual-reports---Low-Income-Superannuation-Tax-Offset/>

⁶ AMP, 2020. <https://www.amp.com.au/insights-hub/blog/super/women-winner-in-listo>



July 2021 as a result of indexation, in line with average weekly ordinary time earnings (AWOTE)⁷. Incongruously, the LISTO was not adjusted as well.

The LISTO needs to be increased from \$500 a year to \$640 a year and ongoing mechanisms must be introduced to ensure that the LISTO change is linked with other changes in the tax system. This will deliver \$488 million in super tax offsets to those earning less than \$45,000 a year. As a result, a 30 year old woman earning \$40,000 a year would be up to \$56,170⁸ better off at retirement.

Explore and implement a Carers Credit framework in Australia's retirement income system

Unpaid caring is not economically valued, and women continue to bear the workload of unpaid care in Australia. On average women spend 64% of their 'working hours' with no remuneration in comparison to 36% for men⁹. Women represent 70% of unpaid primary carers for children and 56.1% of unpaid carers for the elderly, people with a disability or those with a long-term health condition¹⁰. Centrelink does make a carers payment, but many carers are not currently entitled to it, despite needing financial support¹¹.

A key factor behind the gender super gap is that women take on average five years out of the workforce to care for children or family members which can cause their super savings to stagnate and fall behind those of men. One of the most critical levers for addressing the super gender gap is recognising and valuing the unpaid caring work, which is undertaken predominantly by women. Unpaid caring roles should be valued in an appropriate way that recognises the economic contribution made by this work - caring credits can do this. This will close the super gap by increasing women's balances and bringing them more in line with the necessary amount and help to provide for a fairer

⁷ ATO, 2022. <https://www.ato.gov.au/individuals/super/in-detail/growing-your-super/super-contributions---too-much-can-mean-extra-tax/?page=2#:~:text=From%201%20July%202021%2C%20the,for%20each%20year%20is%20%2425%2C000.>

⁸ Sydney Morning Herald, 2020. <https://www.smh.com.au/politics/federal/lower-paid-australians-to-lose-out-from-tax-changes-as-super-offset-lags-20201012-p5645l.html>

⁹ WGEA, n.d. <https://www.wgea.gov.au/sites/default/files/documents/australian-unpaid-care-work-and-the-labour-market.pdf>

¹⁰ ABS, 2012. <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/D9BD84DBA2528FC9CA257C21000E4FC5?opendocument>

¹¹ Services Australia, 2021. <https://www.servicesaustralia.gov.au/carers-payment-rules-for-carers?context=21816>



retirement system and will improve the retirement experience of women by recognising the incredibly important economic and social contribution they make through unpaid caring work.

Pay the Superannuation Guarantee on Paid Parental Leave

In modern Australia, it is unfair and discriminatory that one of the only forms of leave that does not attract super is accessed predominately by women¹², when other forms of paid leave such as sick leave, annual leave and long service leave attract super payments¹³. Women's balances also suffer severely as a result of the breaks in contributions while they take time out of the workforce to raise children, with research showing a 'flat-lining' of women's superannuation balances between the ages of 38-47¹⁴ - a pattern which has continued for the past decade¹⁵. This stagnation has serious implications for women at retirement with these missed years of accumulation resulting in an average difference of \$113,661¹⁶ in retirement balances between women and men.

The Superannuation Guarantee should be paid on the Commonwealth Paid Parental Leave scheme, so that all parents (but especially mothers who currently still do most of the unpaid caring) can continue to grow their superannuation while on parental leave. This will prevent some of the stagnation of growth of women's super-balances around child-rearing years and will decrease the super gap between women's and men's balances that widens significantly between ages of 38 and 47¹⁷.

¹² Australian Bureau of Statistics (ABS), 2020. <https://www.abs.gov.au/statistics/people/people-andcommunities/gender-indicators-australia/latest-release#work-and-family-balance>

¹³ *Ibid.*

¹⁴ The Association of Superannuation Funds of Australia (ASFA), 2017.

https://www.superannuation.asn.au/ArticleDocuments/359/1710_Superannuation_account_balances_by_age_and_gender.pdf.aspx

¹⁵ ABS, 2013. <https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/4125.0main+features1230Jan%202013>

¹⁶ ASFA, 2017. *Op cit* Mean balances, aged 60-64.

¹⁷ Industry Super Australia (ISA), n.d. <https://www.industrysuper.com/campaigns/closing-the-gender-superannuation-gap/>



81% of employers who offer paid parental leave also pay superannuation on the payment¹⁸. This shows that a significant portion of employers are already recognising the importance of offering their employees super on their parental leave and should be encouraged to ensure all women are afforded this payment.

Introduce an absolute benchmark of retirement adequacy that doesn't shaft women

The government is in an active policy design phase to implement an objective of superannuation, a long overdue process which WIS strongly supports. However, the wording of the objective must not be gender blind.

Drafting of the objective must be cognisant of, and tackle, the unfair and inequitable outcomes currently experienced by women, and ensure that retirement income adequacy is measured in a way which addresses women's lack of economic security. The corollary of this is how adequacy is measured and it is critical that it is measured in a way that supports fair, equitable and well targeted support – in direct contrast to how the current system works.

Australia must adopt an absolute benchmark of adequacy for our retirement income system. This must be calculated as a living retirement wage based on the cost of living and whether or not the retiree owns their home. The amount benchmark would take into account the combined income drawn from superannuation and the government age pension. The age pension alone will not provide an adequate level of retirement income¹⁹, as demonstrated by the numbers of Australians aged 65+ who are in rental stress²⁰.

Adoption of replacement rates would simply perpetuate the profoundly gendered design of our retirement income system and would perpetuate the preferential distribution of super tax concessions to men in building their retirement savings. Full-time, higher-income and continuously employed people receive more lifetime government support within the retirement income system

¹⁸ Workplace Gender Equality Agency (WGEA), 2021. <https://www.wgea.gov.au/parental-leave#:~:text=According%20to%202020%2D21%20WGEA,access%20to%20paid%20parental%20leave.>

¹⁹ Housing for the Aged Action Group (HAAG), 2016. <https://www.olderentants.org.au/content/the-adequacy-the-age-pension-australia-assessment-pensioner-living-standards>

²⁰ Retirement Income Review, 2020. <https://treasury.gov.au/sites/default/files/2020-11/p2020-100554-02adequacy.pdf>



than lower- and middle-income earners, in dollar terms²¹. This is not just inequitable - it is also economically inefficient and unsustainable.

An absolute measure of retirement income would provide a more equitable benchmark for our system, assist in improving outcomes for women and ensure that government support is better targeted. It would refocus the attention of future governments to address the appalling disparity in retirement outcomes and unacceptable growth in poverty and homelessness in retired Australian women.

Kind regards,

A handwritten signature in blue ink, appearing to be 'Jo Kowalczyk', with a long horizontal stroke extending to the right.

Jo Kowalczyk
CEO, Women in Super

²¹ The Australia Institute, 2021. <https://australiainstitute.org.au/wp-content/uploads/2021/04/P911-Income-wealth-an-gender-distribution-of-tax-concessions-WEB.pdf>