



08 September 2022

Select Committee on Work and Care  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Women in Super has prepared this submission in response to the invitation from the Senate Select Committee on Work and Care.

## **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 to improve women's retirement outcomes and access to superannuation. We advocate for holistic legislative change – we know that no one policy setting can be altered to fix the gender super gap. Instead, we need multiple reforms across the system to close the gap and ensure that future legislative changes won't disadvantage women in the way our current system does.

## **OVERVIEW**

According to the ABS, seven in ten women are primary carers – 2.5 times more often than their male counterparts<sup>1</sup>. On average, a person who becomes a primary carer will lose \$392,500 in lifetime earnings to age 67 and \$175,000 in superannuation – a reduction of \$17,700 for every year that they are a primary carer<sup>2</sup>. Although there has been substantial growth in government expenditure on the paid care sector within aged care and disability support over recent years, investment in informal carers (or 'family and friend' carers) as a share of government expenditure has fallen since 2014<sup>3</sup>.

As women are increasingly more likely to be primary carers, this ongoing inequality disproportionately impacts and disadvantages women in caring roles. Current work and care support systems, legislation and other relevant policies across Australian workplaces and society are not adequate and fail to consider the disproportionate role women play in care work and all the constraints and inequalities it puts forward. The system has consistently remained biased, favouring men and high-income earners<sup>4</sup>. To rectify this, it is critical that the Australian government considers the impact on work and care of different hours and conditions of work, job security and work flexibility of carers. It is important to advocate for policies and implementations that better consider the role women adopt in caring work, while acknowledging the further constraints women face - such as the cost of taking time out of the paid workforce, the superannuation balance gap, and the rising rates of poverty in retirement.

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<sup>1</sup> [Disability, Ageing and Carers, Australia: Summary of Findings](#), ABS, 2018.

<sup>2</sup> [Caring Costs Us – Summary of Findings](#), Carers Australia, 2022, p. 3.

<sup>3</sup> [Caring Costs Us – Summary of Findings](#), Carers Australia, 2022, p. 4.

<sup>4</sup> [Retirement Income Review: Final Report](#), The Treasury, 2020.



While there has been some considerations of policies and services supporting the combination of work and care in Australia, such as the Carer Payment and Carer allowance, the costs and benefits of care are not easily translated into pure income and such policies need to consider the health costs, non-financial losses and benefits of being a carer. Moreover, research shows that the value of the care allowance has significantly decreased in the recent years, and the current income support through carer payment is less than 30% of the average weekly earnings<sup>5</sup>.

To begin addressing this inequality, we have developed a Policy Framework –a list of policy changes we believe are steps to closing the super gap. The below Policy Framework includes a proposal to explore a carers credit framework that economically values the caring work that women do. While we acknowledge these policy changes alone are not enough to close the gap, we believe this provides a good pathway to address these inequalities. More will need to be done but each change to the policy settings will make a difference to many women's retirement outcomes around Australia.

Yours faithfully,

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**Attached: Women in Super Policy Framework, August 2022.**

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<sup>5</sup> [Caring Costs Us – Summary of Findings](#), Carers Australia, 2022, p. 3.



# **Women in Super Policy Framework**




With the election of a new government, Women in Super has refined our policy framework for the next term. We strongly believe that no single policy change will close the gender super gap and a holistic approach is imperative if we are to achieve a fairer retirement income system, however each policy setting that we can implement will be a step towards equality in retirement.

## **Summary of policy proposals:**

1. Holistic modelling with a focus to improving women's retirement outcomes
2. Pay Superannuation Guarantee on Paid Parental Leave
3. Introduce a benchmark for retirement adequacy that doesn't shaft women
4. Support women to save for retirement by ensuring they receive a fair share of super tax concessions
5. Align the LISTO with PAYG thresholds
6. Explore and implement a Carer's Credit framework in Australia's retirement income system

## **Not up for discussion:**

1. Joint accounts
2. No further incentives to encourage voluntary contributions



## **Holistic modelling with a focus to improving women's retirement outcomes**

The gender super gap cannot be solved by any one policy setting; instead, is necessary to ensure a holistic approach to ensure the system addresses the numerous structural obstacles women face to saving enough superannuation to support a reasonable standard of living in retirement. A gender lens must be applied to all existing and future policies around super to analyse their impact on women, rather than just on the 'average Australian'. Women are often disproportionately negatively impacted by policy changes around superannuation, such as the COVID-19 Early Release Scheme[1], and it is imperative that this does not happen in the future.

In order to show the impact of individual policy measures and their compounding effects, modelling on the combined impact of all our policy proposals based on the actual lived experience of women should be undertaken. This will deliver a clear pathway for the delivery of policy reforms which are dedicated to increasing the adequacy of women's retirement outcomes.

## **Pay 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 the super guarantee is accessed predominately by women[2], when other forms of paid leave such as sick leave, annual leave and long service leave attract super payments[3]. 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 38-47[4] - a pattern which has continued for the past decade[5]. This stagnation has serious implications for women at retirement with these missed years of accumulation resulting in an average difference of \$113,661[6] in retirement balances between women and men.

### **We propose:**

Make Superannuation Guarantee payments on the Commonwealth Paid Parental Leave scheme, so that all parents (but especially mothers who currently still do the majority of 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 47[7].

81% of employers who offer paid parental leave also pay superannuation on the payment[8]. This shows that a significant portion of employers are already recognising the importance of offering their employees super on their parental leave and employers should be encouraged to ensure all women are afforded this payment.



## **Introduce a benchmark for retirement adequacy that doesn't shaft women**

Australia lacks a clear objective for our retirement income system. The Retirement Income Review (RIR) proposed 'to deliver adequate standards of living in retirement in an equitable, sustainable and cohesive way'[9]; however, the devil is in the detailed definition of 'adequate' and 'equitable'.

The RIR proposed a measure of adequacy based on replacing 65-75% of final salary, making the problematic assumption that all low-income earners' final salary is indicative of their income throughout life. Replacement rates set a benchmark for adequacy which will leave many single retirees living in poverty – as is currently the case for around a quarter of single retirees, with single retired women the fastest growing cohort of homeless people in this country[10]. Our retirement income system assumes that retirees own their own home[11] but an increasing number of retired women do not[12], and the replacement rate benchmark fails to provide enough to cover the costs of renting. 48% of people who rent in retirement are in poverty; for single renters, that figure is 60%[13].

The RIR defines equity as 'providing similar outcomes for those in similar circumstances'[14], a statement which entrenches gender inequality. Replacement rates and this definition of equity would, if implemented, perpetuate the profoundly gendered design of our retirement income system and would justify 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 than lower- and middle-income earners, in dollar terms[15].

This is not only inequitable - it is also economically inefficient and unsustainable.

Retirement adequacy benchmarks must be based on absolute measures. Absolute (that is, dollar based) measures would focus our system so that it was fairer, more efficient and thus more sustainable.

### **We propose:**

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 income [16], as demonstrated by the numbers of Australians aged 65+ who are in rental stress[17].

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 the unacceptable growth in poverty and homelessness among retired Australian women.



## **Support women to save for retirement by ensuring they receive a fair share of super tax concessions**

Many women receive no or next to no government support for their retirement in the form of super tax concessions, with women on aggregate receiving less than a third[19] of the \$41 billion in super tax concessions[18], despite their lower levels of economic security in retirement.

### **We propose:**

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 in order to address inadequate retirement savings. Many commentators in recent years have called out the deeply inequitable and economically inefficient distribution of tax concessions. As a result, boosting support for women and other lower income earners could be done in a cost neutral basis[19].

## **Align the 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 earners[21] – in other words, that low income earners do not suffer a tax penalty for making super contributions. – 2.6 million workers [22], 60% of whom are women[23].

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 July 2021 as a result of indexation, in line with average weekly ordinary time earnings (AWOTE)[24]. 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 \$56,170[25] better off at retirement.



## **Explore and implement a Carer's 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 men[26]. 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 condition[27]. Centrelink does make a carers payment, but many carers are not currently entitled to it, despite needing financial support[28].

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 by bringing them more into line with the necessary amount. This change will also help to provide for a fairer retirement system and would improve the retirement experience of women by recognising the incredibly important economic and social contribution they make through unpaid caring work.

## **Not up for discussion**

### **1. Joint Accounts**

WIS does not support implementing joint accounts as a mechanism to improve retirement outcomes for women, given that 1 in 3 women retire single. We need to look at the structural inequities within the superannuation system that exacerbates the super gap in order to address women's poorer outcomes. We also need to formally recognise the caring responsibilities that are undertaken predominately by women and ensure that a reward for caring is not a retirement spent in poverty.

### **2. No further incentives to encourage voluntary contributions**

WIS believes that there is a sufficient range of voluntary contributions available to Australians to save for their retirement. Voluntary contributions benefit a limited number of Australians who have additional money to put into their superannuation. We would prefer the focus to be on measures that benefit the majority of Australians. Mechanisms to encourage voluntary contributions are often targeted as 'helping women' but are out of reach for the majority of women who are low-income earners.



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