

Submission to the Inquiry into Economic Security for Women in Retirement

October 2015

About National Seniors Australia

National Seniors Australia is a not-for-profit organisation that gives voice to issues that affect people aged 50 years and over. It is the largest membership organisation of its type in Australia .

We give our members a voice – we listen and represent our members’ views to governments, business and the community on the issues of concern to the over-50s.

We keep our members informed – by providing news and information to our members through our Australia-wide branch network, comprehensive website, forums and meetings, bi-monthly lifestyle magazine and weekly e-newsletter.

We provide a world of opportunity – we offer members the chance to use their expertise, skills and life experience to make a difference by volunteering and making a difference to the lives of others.

We help our members save – we offer member rewards with discounts from thousands of businesses across Australia. We also offer exclusive travel discounts and tours designed for the over-50s and provide our members with affordable, quality insurance to suit their needs.

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Executive Summary

National Seniors welcomes the opportunity to provide a submission to the Senate Standing Committee on Economics' Inquiry into Economic Security for Women. We acknowledge that much needs to be done to address the dominance of women in lower paid industries and jobs which have a propensity of part-time and casual employment. Closing the gender pay gap by encouraging women to follow careers that are largely male dominated is critical to ensuring that women have more equal outcomes in retirement. While National Seniors does not provide specific recommendations in this regard, we would support policies that address this where they are shown to be effective.

This submission focuses instead on the structural impediments in the superannuation system, which makes it difficult for women to accrue superannuation balances equal to men. Central to this problem is the impact of unpaid caring activities on women's ability to accrue adequate retirement incomes. As Australia's superannuation system rewards those with longer careers and higher earnings, any time taken out of the workforce to perform unpaid caring activities reduces earnings stunts career progression and ultimately impacts on the level of income available to individuals in retirement.

National Seniors acknowledges that legislation is not the only answer. Business can play a strong role in supporting women's retirement incomes by providing contributions to women's superannuation and by creating flexible work places that encourage and sustain workforce participation after periods of leave.

In making the following recommendations we acknowledge that each individual proposal will need to be investigated further to fully ascertain their impact on the retirement incomes of women as well as any potential impact on government finances and the wider economy. National Seniors recognises that trade-offs between these and other options will be required to maximise benefits to individuals, households and the economy as a whole.

To that end, National Seniors continues to advocate strongly for a full and proper review of the retirement income system as its primary recommendation. Modelling of the impact and viability of any of the recommendations made within this submission should be included as part of this comprehensive review.

Recommendations

Review retirement income system

National Seniors believes that a full review of the retirement income system is required to ensure that the income, taxation, superannuation and social security systems are working together to maximise the retirement incomes of all Australians, particularly women. This should involve modelling of the various policy options to ensure that the impact of any changes on individuals, households and the economy can be determined.

- 1. National Seniors recommends that the Australian Government conduct a comprehensive review of the retirement income system examining the interrelationships between the social security, superannuation and taxation systems.**

Adequate safety-net for pensioners

National Seniors supports the retention of an adequate Age Pension as the primary safety net for all Australians. The Age Pension must keep pace with cost of living expenses so those unable to accrue sufficient private retirement incomes are still able to achieve a basic standard of living. This is particularly important for women given they make up the largest proportion of Age Pension recipients.

- 2. National Seniors recommends that the Australian Government retain the current method of annual increases to the Age Pension to ensure it keeps pace with living expenses and is adequate as a safety net for women in retirement.**

Superannuation entitlements during leave periods

National Seniors believes that women's retirement incomes should not be negatively impacted when taking time out of their careers to have children. Taking time out of the workforce to care for very young children is a necessary part of raising children which disproportionately impacts on women's capacity to accrue superannuation balances.

- 3. National Seniors recommends that Government investigate the feasibility of providing women with superannuation contributions while receiving Parental Leave Pay (PLP).**

Improved paternity/partner leave payments

National Seniors recognises that women are more likely to assume the role of primary carer of young children and this has a direct impact on their workforce participation and retirement income. Encouraging men to take on a greater role in the care of young children will provide women with an opportunity to participate in the workforce.

- 4. National Seniors recommends increasing the duration of Dad and Partner Pay with any increased duration of leave to be taken when a spouse or partner returns to work.**

Affordable and accessible childcare

National Seniors acknowledges that affordable and accessible childcare has significant impacts on female workforce participation and is an essential component in any system to improve retirement incomes for women.

- 5. National Seniors recommends that the government investigate options to increase the supply of affordable childcare places to enable women to reenter the workforce, this might include allowing parents to use subsidies to pay for alternative care arrangements.**

Support for grandparent childcare

National Seniors contends that appropriate care options are required for very young children to enable mothers to participate in the workforce, build their careers and secure adequate retirement incomes. This means supporting informal care options such as those provided by grandparents.

- 6. National Seniors recommends that government investigate ways to provide appropriate care options for young children under the age of two, including compensating grandparents who provide care for young children.**

Fairer tax treatment for women on low-incomes

National Seniors recognises that women make up the greatest proportion of low-income workers. Given low-income workers are less likely to save and accumulate adequate superannuation balances in retirement they, more than anyone, require tax incentives to assist them to save for retirement.

- 7. National Seniors recommends that the Australian Government commit to the fairer taxation of superannuation contributions for women on low-incomes.**

Superannuation system innovation

National Seniors recognises the need to foster innovation in the superannuation system.

- 8. National Seniors recommends that the Australian Government investigate innovative arrangements, including joint superannuation accounts, which can improve the retirement incomes of women.**

Introduction

The retirement incomes of women are much lower than men in Australia. Estimates of the superannuation balances of women show that their balances are around half that of men. Women are being deprived opportunities to accrue the same level of wealth as men because Australia's superannuation system amplifies existing inequalities.

The tendency for women to have weaker attachment to the labour market, lower earnings and greater life expectancies mean that they are more likely to become dependent on government pensions, allowances and concessions to meet everyday living costs in retirement.

National Seniors believes it is time to take action to address these disparities to ensure that women have greater economic security and independence in retirement in the future.

Australia has been a pioneer in the development of second pillar, private sector retirement income systems. While this system contains state welfare costs and fosters the development of financial markets¹ it is not without some negative consequences. Under this system the accrual of retirement income relies on the capacity of individuals to make personal savings through participation in waged employment. To provide participants with a sustainable income in retirement the core assumption is that individuals will work full time over much of their productive life.

Unfortunately, there are winners and losers in this system. Because an individual's capacity to accrue savings relies on ongoing and adequate participation in wage earning activities, existing labour participation and income inequalities within society are amplified. Attachment to the labour market, career choices, educational background and job security all play a role in determining if an individual can save for retirement outside the government pension system.

Certain socio-economic groups are less likely to contribute savings through the superannuation system because they experience a range of barriers to their participation in the workforce or because their participation occurs in jobs that attract low levels of remuneration. While businesses must make a superannuation contribution on behalf of an employee, because this contribution is proportional to income, there are wide differences in the amount of savings accrued by individuals.

While gains in labour force participation have been made, women still face significant barriers which undermine their ability to accrue adequate savings. This arises primarily as a result of ongoing obligations to undertake unpaid caring responsibilities for children and other dependents and the dominance of part-time and low paid employment. While this is not necessarily a problem in a household where resources are equally shared, the reality is that this type of arrangement is becoming less the norm. As a result, it is inevitable that a

¹ Whiteside, N. (2014a). *Gender issues in European pensions*. Working Paper for the CSIRO-Monash Superannuation Research Cluster, 29 July 2014.

large proportion of women will continue to rely heavily on government and private transfers in retirement in the future².

Many countries have identified this problem and introduced policies to address the gap in retirement incomes between men and women. Several Nordic countries, in particular, have aggressively intervened to address gender inequality in retirement incomes.

Three broad policy approaches undertaken to support women's economic security in retirement include: supporting women so that they can work more like men; compensating women for their broken careers; and strengthening mechanisms to share spousal income³.

This submission draws on international evidence to recommend policy options which could be used to promote greater economic security for women in retirement.

Understanding the gender gap in retirement income

In Australia, retirement incomes are provided for in three ways. The first is the provision of the basic pension. The second is compulsory contributions made to an employee's private superannuation account by an employer. The third is voluntary savings made by an individual. The first confers a basic income in retirement regardless of a person's capacity to make contributions. The second and third are directly tied to employment participation and earnings⁴. While the second is compulsory the third pillar is supported through tax breaks and other incentives.

While there is no discrimination in the level of age pension between men and women, the introduction of compulsory superannuation has led to a situation in which the retirement incomes of women are much lower than men. This is because superannuation in Australia is tied directly to earnings capacity.

Differences in the superannuation levels of women and men are stark. The gap in the level of superannuation held by men compared to women at retirement was estimated to be 47 per cent in 2012⁵. In 2011-12, average superannuation account balances in Australia were

² Jefferson, T. (2005) 'Women and Retirement Incomes in Australia: A Review' in *Economic Record*, 81: pp. 273-291.

³ Whiteside, N. (2014b). *Gender issues in European pensions: messages for Australia?* Presentation at AIST Research Symposium 2014

⁴ Bateman, H. and Piggott, J. (1998). Mandatory Retirement Saving in Australia. *Annals of Public and Cooperative Economics*. 69(4), 547-569.

⁵ Industry Super Australia (2015). *The gender superannuation gap - without policy action now, women will retire with far less than men for decades to come*. Accessed 24 September 2015
<http://www.industrysuperaustralia.com/media/media-releases/the-gender-superannuation-gap-without-policy-action-now-women-will-retire-with-far-less-than-men-for-decades-to-come/> Accessed 24 September 2015

\$82,615 for men and \$44,866 for women and average superannuation balances at the time of retirement were \$197,000 for men and \$105,000 for women⁶.

One of the significant problems with the approach taken by Australia is that the system is based on an assumption of long and continuous periods of employment⁷. Because retirement income is directly tied to earnings capacity, differences in career profiles can create disparities in retirement.

The adequacy of an individual's retirement income can be negatively impacted when no requirements exist to make contributions when a worker has periods of time out of the workforce undertaking caring activities or from ill health or disability. The Mercer Global Pension Index includes out-of-work pension contributions as a desirable component of an adequate pension system⁸.

This occurs not only from participation in occupations and positions that attract higher incomes, but also from the length of time someone is attached to the labour force over the course of their working life. Disparities between men and women's retirement income occurs as a direct result of differences in the earning capacities of men and women.

The disparity in retirement income between men and women under Australia's private pension system reflects the existence of a significant gender pay gap. The gender pay gap is the difference in average full time weekly earnings between males and females. The gender pay gap across Australia was estimated to be 17.9% in September 2015⁹.

A number of factors contribute to the gender pay gap. Primary of these is the fact that women continue to play the dominant role as caregiver in most households. Women experience differences in earnings because their careers are often punctuated by periods in which they are caring for children (or other dependents). While this isn't necessarily a significant problem in stable households where economic resources are shared equally, this situation does not fit the reality of modern life.

The assumption that a women's retirement income should be dependent on a man's retirement income is unrealistic. While Australia is a world leader enacting legislation to protect women's entitlement to a spouse's superannuation income as a result of divorce or separation, there are still major difficulties facing women who become divorced or separated. Divorce or separation can occur at a time when many years of workforce participation lie ahead and there is no guarantee that women in this situation will enter into a new relationship. In these situations, women may have already spent much of their most

⁶ Clare, R. (2014). *An update on the level and distribution of retirement savings*. Association of Superannuation Funds of Australia

⁷ Basu, A. and Drew, M. (2009). *The Case for Gender-Sensitive Superannuation Plan Design*. Griffith Business School Discussion Papers Finance No. 2009-04

⁸ Mercer (2015). *Melbourne Mercer Global Pension Index*. October 2015 Australian Centre of Financial Studies <http://www.globalpensionindex.com/wp-content/uploads/Melbourne-Mercer-Global-Pension-Index-2015-Report-Web.pdf>

⁹ Workplace Gender Equality Agency 2015. *Gender pay gap statistics*. September https://www.wgea.gov.au/sites/default/files/Gender_Pay_Gap_Factsheet.pdf

productive life out of the workforce undertaking caring roles and will be disadvantaged when it comes to reentering the workforce, leading them to take on lower paid and lower skilled employment. This will ultimately impact on their capacity to accrue a similar level of superannuation in later life.

Research in the European Union has shown that the pension gap within households is generally larger than for the overall population implying that there are greater disparities in workforce participation and therefore greater potential differences in career histories between coupled men and women. This has impacts for women who become divorced or widowed¹⁰.

In order to accrue an equal level of superannuation and retirement income, women must have a career profile that matches that of men. Despite significant gains in women's labour force participation it is clear there is still much ground to be covered. There are a number of issues in this regard:

- First, women have lower participation rates than men. As Figure 1 shows, the labour force participation rate for females was 65 per cent compared to 78.3 per cent for males.
- Second, even when women are employed they are more likely to be employed on a part-time basis. As Figure x shows, 43.8 per cent of females were employed part-time in 2014-15 compared to only 14.6 per cent of males.
- Third, women are more likely to be employed in low-wage industries and jobs¹¹. Females, for example, are more likely to be employed in lower paid clerical jobs and in the health care and social assistance sector than males who are more likely to be employed as CEOs and in the mining sector.
- Another related issue is that female-dominated industries are also more likely to employ workers on a part-time basis, further undermining the earning capacity of women. As Figure 2 below shows in the health care and social assistance sector 80.2 per cent of the workforce were females and only 27.5 per cent of jobs were full-time. In comparison, in the mining industry 93.8 per cent of the jobs were full-time but only 15.7 per cent of the workforce were females.

All of these factors reduce women's earning capacity over time and their ability to accrue superannuation income for their retirement putting them at odds with their male counterparts.

¹⁰ Bettio, F., Tinios, P., and Betti, G. (2013). The Gender Gap in Pensions in the EU. *European Commission – Directorate-General for Justice*. http://ec.europa.eu/justice/gender-equality/files/documents/130530_pensions_en.pdf

¹¹ Workplace Gender Equality Agency 2015. *Op cit*.

Figure 1: Labour force participation rate and proportion of the population employed part-time by gender (20-75 years), Australia 2014-15¹²

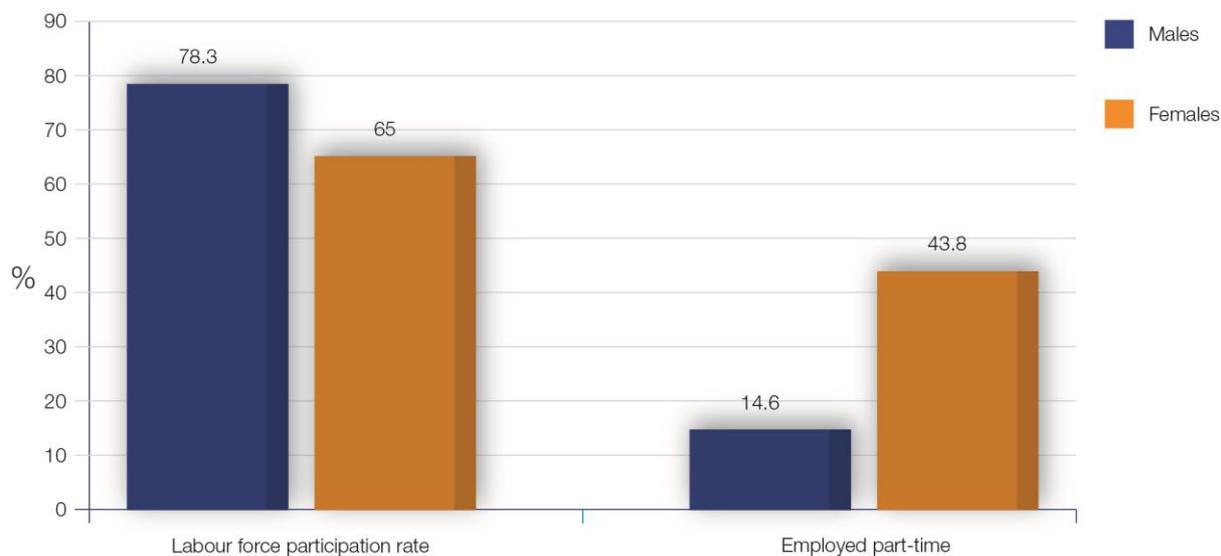
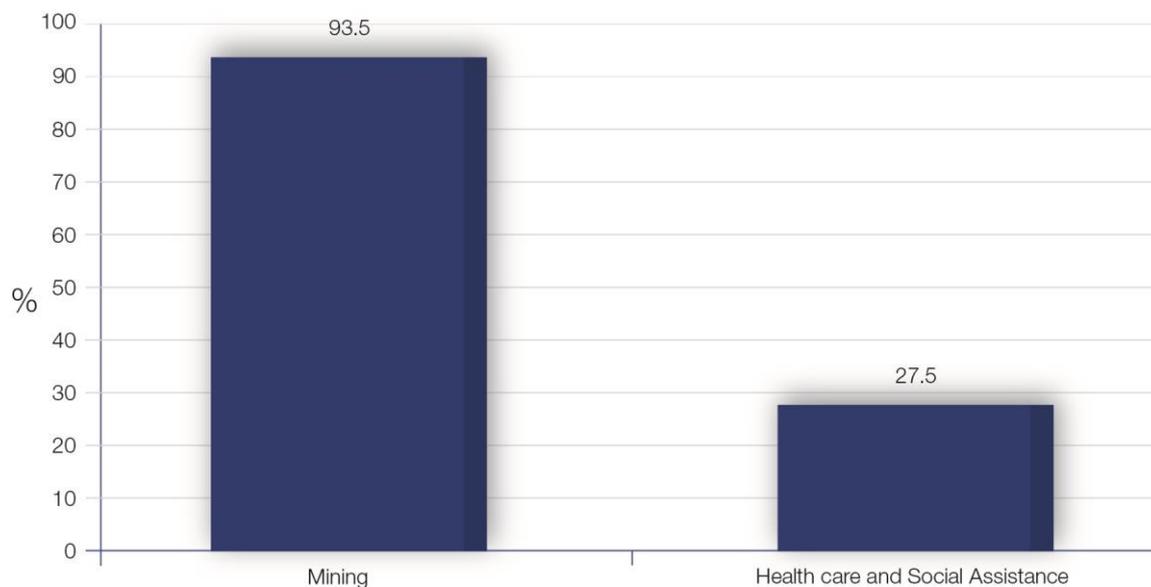


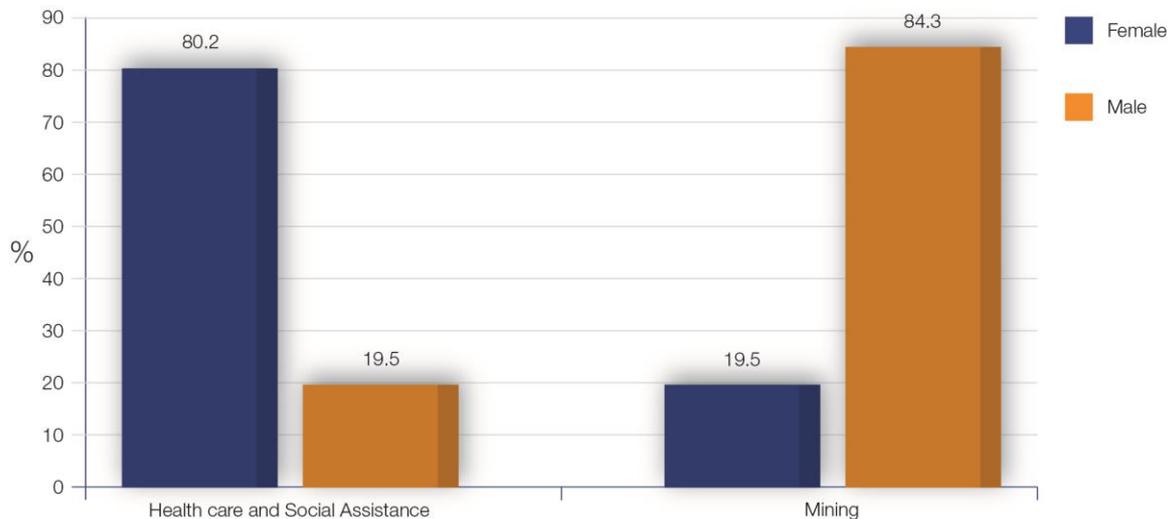
Figure 2: Proportion of workers who are employed on a full-time basis, mining industry versus health care and social assistance industry, Australia 2015¹³



¹² ABS (2015a). *Gender Indicators, Australia, Aug 2015*, cat. no. 4125.0 August 2015
<http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/4125.0main+features1230Jan%202013>

¹³ Workplace Gender Equality Agency 2015. *Op cit.*

Figure 3: Proportion of workers by gender for the health care and social assistance industry versus the mining industry, Australia 2015¹⁴



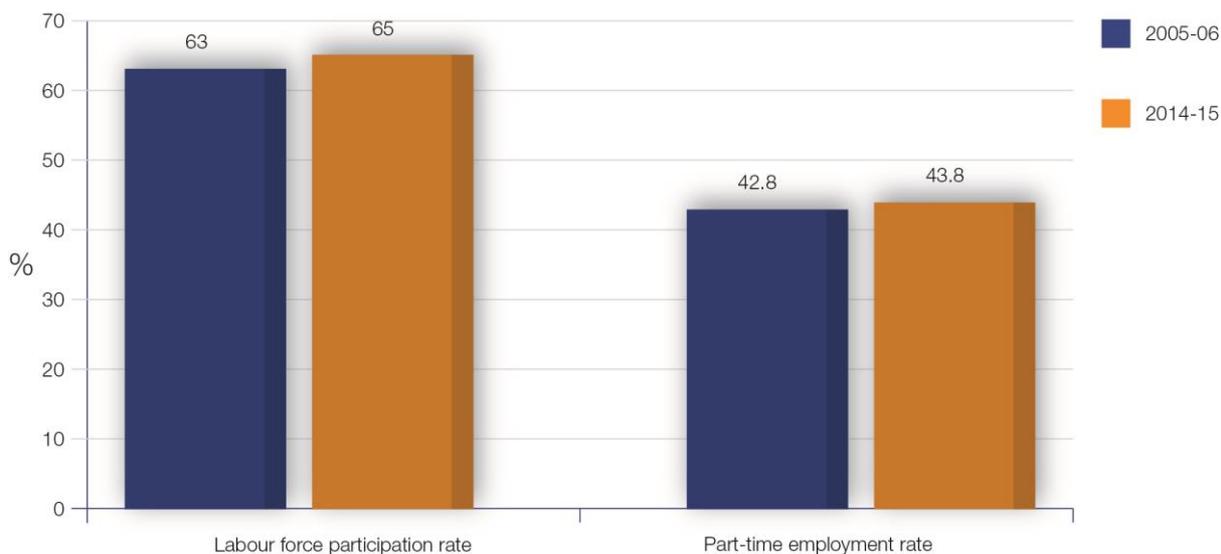
The tendency for women to be employed part-time in lower-wage industries and jobs can, in a large part, be explained as a direct response to the need for flexible work schedules to meet caring responsibilities. Women, throughout their lives, are more likely to be responsible for undertaking caring responsibilities for children, dependents with disability and for elderly relatives.

While female labour force participation is increasing overall, women continue to be more likely to be employed part-time relative to men. As Figure 4 below shows, while there has been ongoing improvement in the labour force participation rates for Australian women over the past 10 years, the proportion of women employed on a part-time basis has also increased. As a result, the ability of women to earn proportionate incomes and accrue comparable superannuation balances may have changed little when compared to men.

Broken career histories and interrupted labour market participation also contributes to a lack of women in senior positions. Not only do women lack the career histories required to access senior roles but few senior positions provide the flexible or part-time opportunities required to balance work and caring responsibilities.

¹⁴ Workplace Gender Equality Agency 2015. *Op cit.*

Figure 4: Female labour force participation rate and part-time employment rate, Australia 2005-06 to 2014-15¹⁵



As a result of these disparities, and because women have longer life expectancies than men, women will continue to be more likely to be dependent on government pensions in retirement unless changes are made to the superannuation system. As data from the ABS shows, a greater proportion of women had no superannuation balance across all age categories¹⁶ and would therefore be at greater risk of relying on the age pension in retirement. This reinforces the importance of an adequate age pension as the primary safety net for women in retirement. This is particularly important for women who do not own their own home and have to rent in the private market.

Australia is not alone in the problem of gender equality in retirement. Many countries have gender gaps in retirement incomes as a result of earnings-linked pension systems. Rather than having universal pensions, most OECD countries have developed multi-tiered retirement income systems to reduce costs on the state. As Figure 5 shows, a gender pension gap occurs in all OECD countries, albeit at differing rates.

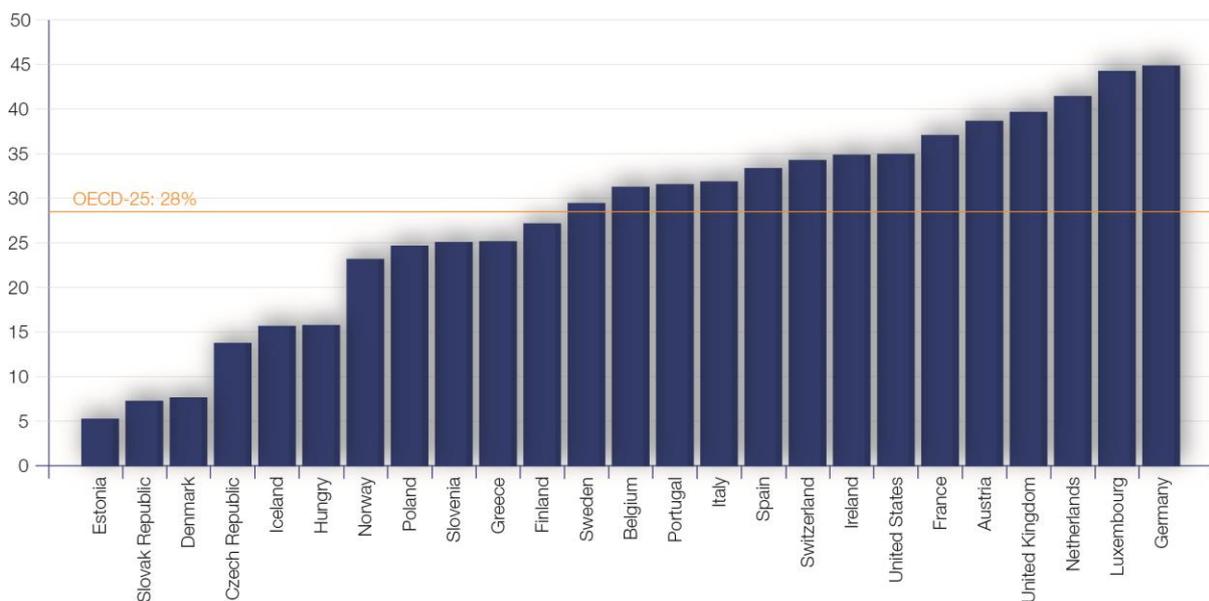
With a superannuation gap of 47 per cent, Australia sits behind the other OECD countries listed in Figure 5. While some of the better performing countries are former Eastern Bloc countries where women's participation in the workforce was encouraged and where the development of earnings based pension systems are less mature, there are a number of better performing countries where earnings based pension systems have been in operation for some time. Importantly, pension systems can reduce existing inequalities or can widen them as a side-effect of the pension system's features¹⁷.

¹⁵ ABS (2015a). *Op cit.*

¹⁶ ABS (2013). *Gender Indicators, Australia, Jan 2013*, cat. no. 4125.0
<http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/4125.0main+features1230Jan%202013>

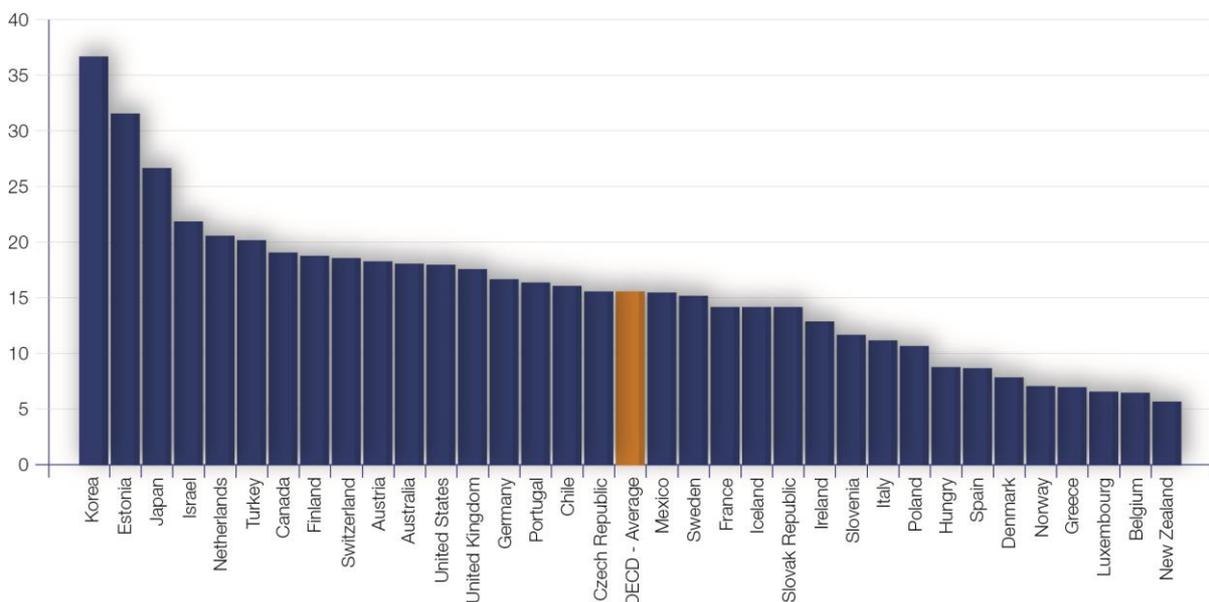
¹⁷ Bettio *et al* (2013). *Op cit.*

Figure 5: Gender pension gap, selected OECD countries 2011¹⁸



As Figure 6 shows, many of the countries with a low gender pension gap in the OECD also have a low pay gap between men and women. Based on the latest data available, Australia ranked 24th compared to 34 other OECD countries in terms of the gender pay gap, above the OECD average of 15.5 per cent.

Figure 6: Gender pay gap, OECD latest year¹⁹



¹⁸ OECD (2015). *Indicators of Gender Equality in Employment*
<http://www.oecd.org/gender/data/employment.htm>

¹⁹ OECD (2015). *Op cit.*

Many of the high performing countries have policies and practices in place that reduce the gender gap in pay and pensions. Five of these countries, Sweden, the Netherlands, Norway, Finland and Denmark provide a useful contrast with Australia.

These countries generally have better outcomes in terms of a number of key gender equality indicators when compared with Australia, which would indicate the existence of policies and mechanisms that could be adopted to improve outcomes for Australian women. For example²⁰:

- Australia's labour force participation rate for women was the lowest of the six countries with only 70.3 per cent of women in the labour force compared to 80.7 per cent for women in Sweden.
- Australia had the second highest gender pay gap of 18 per cent compared to the gap of only seven per cent in Norway (Finland had the highest gender pay gap of 18.7).
- Australia had the second highest rate of part-time work for women at 38.1 per cent almost double that of Finland where only 16.7 per cent of women work part-time (the highest part-time rate was recorded by the Netherlands at 61.1 per cent).
- Australian women work the longest amount of time in unpaid work, an average of 311 minutes per day. In comparison, Swedish women spend only 207 minutes per day doing unpaid work.

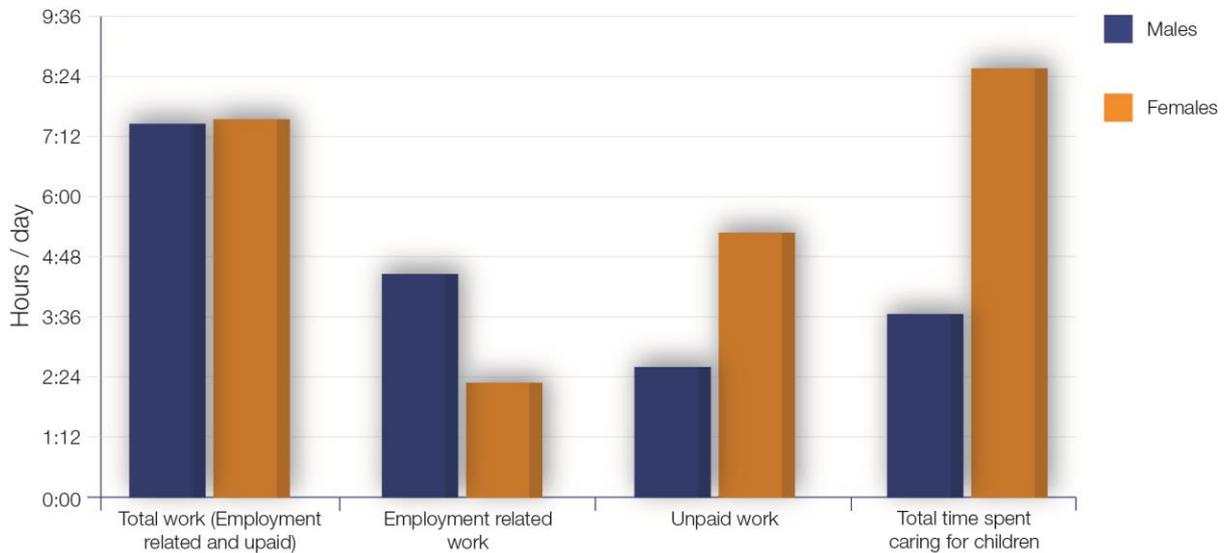
There are a number of policies, specific to these five countries which we would argue have made an impact on gender equality and led to generally better outcomes in terms of retirement incomes.

If women's superannuation balances directly reflect the careers and earning capacities of women, then the most obvious solution to this problem is to remove the barriers that women face to workforce participation.

Unfortunately, though, women continue to perform the majority of unpaid work and caring activities in Australia. While women work almost the same number of hours per day the majority of this is unpaid. As Figure 7 shows, Australian women were estimated to have spent almost twice as much time in unpaid work and almost half as much time in paid work in 2006. This disparity between the balance of paid and unpaid work between men and women is reflected in the imbalance in the number of hours spent caring for children. As Figure 7 also shows, women engaged in 8 hours and 33 minutes of time per day caring for children compared to only 3 hours and 55 minutes for men. The imbalance in unpaid and caring activities between men and women contributes to women's greater disengagement from the workforce relative to men.

²⁰ OECD (2015). *Op cit.*

Figure 7: Hours and minutes spent in work and caring for population 15 and over by gender, Australia 2006²¹



While this disparity is partly the product of biological factors which mean that women must take at least some time out of work in order to have children and to recover from the birth process, this alone cannot explain why women undertake significantly more unpaid work and take on greater caring responsibilities.

Some women may have a preference to take a greater role in unpaid work and child care (although this may reflect cultural norms about gender roles which have no biological basis). Other couples may choose to have the female spouse undertake the caring role when reflecting on the capacity of respective spouses to generate sufficient household income²² (although this “choice” may be strongly impacted by existing disparities in the careers paths and incomes of men and women and again reflect cultural norms about the roles of women as carers and men as breadwinners). Other women may strongly wish to reenter the workforce but face significant barriers to this. A lack of flexibility in workplaces, for example, and a lack of affordable and available child care services may restrict women from re-entering the workforce after the birth of a child²³.

Increasing the participation of women in paid work requires policies that challenge these barriers. Mechanisms to address barriers to women’s workforce participation are likely to have an impact on women’s income, career progression and capacity to earn an adequate

²¹ ABS (2015b). ‘Time Use’ in *Gender Indicators, Australia*, cat. no. 4125.0. Accessed 30 August 2015 <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/4125.0~Aug%202015~Main%20Features~Time%20use~410>

²² Bettio *et al* (2013). *Op cit*.

²³ Bettio *et al* (2013). *Op cit*.

retirement income. To be effective, these policies will need to take account the social norms present in society and be stronger than gender neutral²⁴.

Adequacy of the retirement income system

Recommendation

- 1. National Seniors recommends that the Australian Government conduct a comprehensive review of the retirement income system examining the interrelationships between the social security, superannuation and taxation systems.**

National Seniors believes that a full review of the retirement income system is required to ensure that the income, taxation, superannuation and social security systems are working together to maximise the retirement incomes of all Australians.

A full review of the way that these system work together to support or constrain individuals' savings activities should investigate how these systems impact on different segments of the population. Women are clearly one group who are disadvantaged from accruing adequate retirement income through the superannuation system.

A review that takes into account the interactions of the various elements of the income and savings systems will enable adjustments that can maximise retirement incomes and ensure equity across different parts of the population.

²⁴ Frey, U. (2014). *How the Non-Gendered Work-Life Balance Improving Laws have Gendered Results: Belgian Time Credit and Career Break Allowing laws and their Impact on Women's Lifestyle during the Last Quarter of the 20th Century*. http://repository.kulib.kyoto-u.ac.jp/dspace/bitstream/2433/185713/1/soc.sys_17_031.pdf

Adequacy of the Age Pension for women

Recommendation

- 2. National Seniors recommends that the Australian Government retain the current method of annual increases to the Age Pension to ensure it keeps pace with living expenses and is adequate as a safety net for women in retirement.**

Women who do not have access to retirement income from superannuation or other sources must rely on the Age Pension and other government allowances, supplements and concessions to meet everyday living costs in retirement. Currently, a far greater proportion of women rely on the Age Pension in retirement, with only 10.3 per cent of women in 2009-10 deriving their main source of income from superannuation or annuity compared to 17.4 per cent of men²⁵. With a greater proportion of women dependent on the Age Pension it is important that this safety net is adequate to meet their day-to-day living costs. Currently, though, the level of income available to women from government pensions and allowances is relatively low.

The capacity of the Age Pension to meet the everyday living costs of older women depends on a range of factors. While the base rate of the Age Pension is consistent across the country, living costs vary in different locations and can vary as a result of the specific needs of an individual. The cost of expenditure items such as housing and council rates, for example, differ across local jurisdictions and the value of concessions available to meet essential living costs differs across state and territory boundaries. This means that older Australians living in high cost areas may struggle to meet living costs.

Recent proposals in the federal budget to reduce the Age Pension indexation rate would have, over time, worsened the retirement incomes of women (and men). It is vital, therefore, that the Age Pension reflects real living costs for pensioners into the future. This means retaining the current method of annual increases to the Age Pension based on the higher of the CPI or Pensioner Beneficiary Living Cost Index, then benchmarked against a percentage of Male Total Average Weekly Earnings. This approach will ensure that pensions keep up with costs of living and enable older Australians to maintain a decent standard of living.

Superannuation entitlements during leave periods

Recommendation

- 3. National Seniors recommends that Government investigate the feasibility of providing women with superannuation contributions while receiving Parental Leave Pay (PLP).**

Australia does not currently have policies in place to provide parents with contributions to superannuation during the time taken on leave to raise children. While public sector agencies and some private companies and non-government organizations voluntarily

²⁵ ABS (2013) *Op cit.*

provide superannuation contributions to female staff members while they are on leave²⁶, there is no statutory requirement to do so.

National Seniors believes it is vital that superannuation contributions continue during initial leave periods to ensure that women's superannuation balances continue to grow at a time that they historically begin to slip behind those of men. Given that our superannuation system directly reflects individual earnings capacity, women are directly disadvantaged from building on their superannuation when they take time out of the workforce to have children.

Further analysis is needed on how best to implement such an approach but at the very least National Seniors believes that superannuation contributions for women should be:

- provided during receipt of the government PLP scheme; and
- calculated at the contemporary Compulsory Superannuation Guarantee (CSG) rate of 9.5 per cent of PLP;

International evidence shows a link between parental leave contributions and gender pension gaps. In a comparison of six countries with earnings related pension schemes, Denmark, Norway, Sweden, Finland, the Netherlands and Australia, it is found that countries with more generous contributions during parental leave periods tend to have lower gender pension gaps. Differences in the way that leave is provided impact on pensions differently in the six countries.

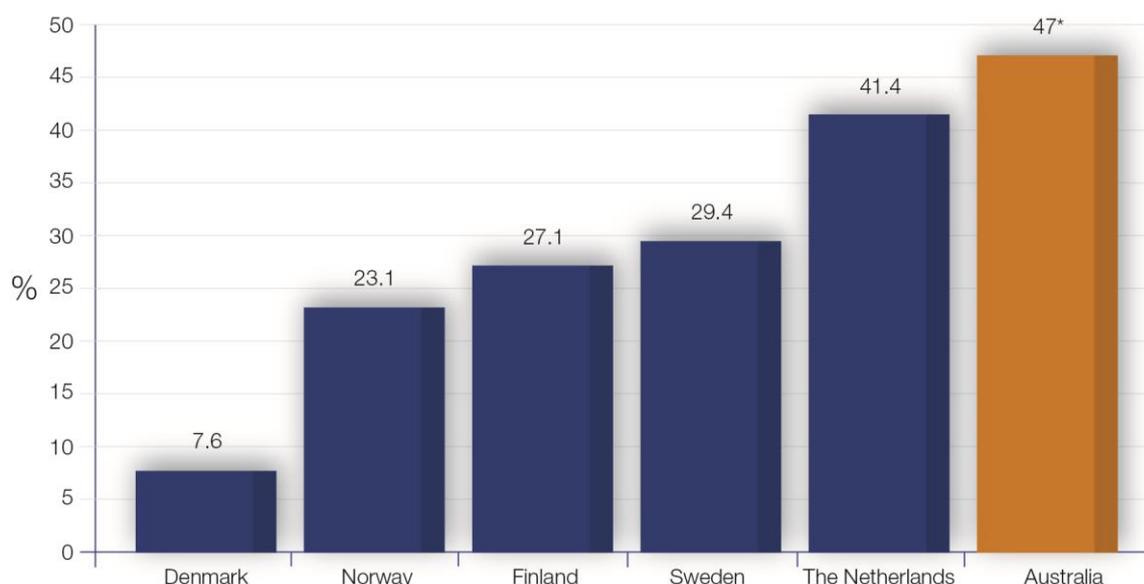
The first thing to note is that the Netherlands, like Australia, provides no pension contribution during periods of leave as part of the widely used occupational pension scheme²⁷. Like Australia, the Netherlands has a significantly large gender pension gap compared to Norway, Finland, Sweden and Denmark, which all make some provision for contributions during leave periods (see Figure 8).

The most generous pension contribution scheme occurs in Denmark, the country with the lowest gender pension gap. In Denmark, a parent on leave is provided with contributions to their pension scheme during the time they receive parental leave entitlements. During this period, pension contributions are provided at double the normal amount. Leave beneficiaries must pay a portion of the contribution, which is roughly one-third of the total cost of the contribution, with the other two-thirds paid by government²⁸.

²⁶ Martin, P. (2015). 'Australia's superannuation system unfair to women' in *The Age*. 25 August 2015. Retrieved from <http://www.theage.com.au/comment/australias-superannuation-system-unfair-to-women-20150823-gj5yab.html#ixzz3m3v1G7y0>

²⁷ OECD (2013a). 'Netherlands' in *Pensions at a Glance 2013: OECD and G20 Indicators*. OECD Publishing, Paris. http://dx.doi.org/10.1787/pension_glance-2013-70-en

²⁸ OECD (2013b) 'Denmark' in *Pensions at a Glance 2013: OECD and G20 Indicators*, OECD Publishing, Paris. http://dx.doi.org/10.1787/pension_glance-2013-53-en

Figure 8: Gender pension / *superannuation gap, select OECD countries 2012^{29,30}

In Norway, carers are credited with pension earnings equivalent to roughly 71 per cent of the average full-time wage. In Norway, a carer is defined as a parent caring for children below the age of six (or an individual taking unpaid care of a disabled, sick or elderly person at home). Parents with annual earnings above a set threshold are not eligible for a contribution and must therefore make their own contribution to pensions. Pension earnings can also be granted to the father instead of the mother if requested³¹.

In Finland, government provides a contribution towards a women's pension whilst they are caring for children. Whilst receiving leave payments a parent is provided with a pension contribution at a rate that is relative to the leave entitlement. A parent can receive pension contributions until the child reaches the age of three at a rate one fifth of average earnings while on unpaid leave. All contributions made during paid and unpaid leave are paid by government³².

Women in Sweden are compensated while taking leave to care for young children towards their pension. Under the Swedish system, government provides contributions to the parent with the lowest earnings toward the national pension system for up to four years up to an earnings limit³³. Parental leave recipients must pay seven per cent of the pension contribution while government pays the "employer" contribution of 10.21 per cent. Under the

²⁹ OECD (2015). *Op cit.*

³⁰ Industry Super Australia (2015). *Op cit.*

³¹ OECD (2013c). 'Norway' in *Pensions at a Glance 2013: OECD and G20 Indicators*. OECD Publishing, Paris. http://dx.doi.org/10.1787/pension_glance-2013-70-en

³² OECD (2013d). 'Finland' in *Pensions at a Glance 2013: OECD and G20 Indicators*, OECD Publishing, Paris. http://dx.doi.org/10.1787/pension_glance-2013-55-en

³³ Palmer, E. (2000). *The Swedish Pension Reform Model: Framework and Issues*. Washington, DC: World Bank. <http://www.oecd.org/finance/financial-markets/2638200.pdf>

separate occupational system, employers are encouraged to make a pension contribution for a parent on parental leave for up to 13 months and most do³⁴.

This brief analysis demonstrates several important points which need to be considered in developing an effective compulsory contribution scheme to cover leave periods. The first is that the rate or compensation is likely to impact on the degree of pension gap. The country that has the lowest gender pension gap, Denmark, provides the most generous contribution during parental leave periods.

The second point to consider is the duration of the payment. Each of the countries that provide pension contributions do so for quite significant periods, which include both the paid leave period and unpaid leave periods (up to as much as six years in the case of the country with the second lowest gender pension gap, Norway).

The third point to note is that responsibility for providing compensation is largely one of government but that the recipient or an employer can make part of the contribution. When a recipient makes a part contribution this is able to be done because they receive parental leave entitlements which are relatively generous (compared to Australia).

The international comparison highlights the value in instituting mandatory superannuation contributions during parental leave periods as a means of addressing the retirement income disparity between men and women. This approach is seen as one of the more effective means of creating a level playing field between men and women because it addresses the root cause of the disadvantage³⁵.

Improved paternity/partner leave payments

Recommendation

4. National Seniors recommends increasing the duration of Dad and Partner Pay with any increased duration of leave to be taken when a spouse or partner returns to work.

Paternity/partner leave entitlements have the potential to balance caring responsibilities and improve women's workforce participation and career prospects, leading to greater income equality in retirement.

Australia has one of the least generous schemes offering fathers only two weeks of leave at 40.9 per cent of average income. While the move from maternal to parental leave theoretically makes it possible for either a women or a man to take on caring activities, it is more often the case that women take this leave rather than men. This has occurred even in

³⁴ OECD (2013e). 'Sweden' in *Pensions at a Glance 2013: OECD and G20 Indicators*, OECD Publishing, Paris. http://dx.doi.org/10.1787/pension_glance-2013-81-en

³⁵ Bettio *et al* (2013). *Op cit*.

countries that strongly promote gender equality such as Sweden^{36, 37} and Denmark³⁸. Paternal leave policies need to be more responsive to the cultural and economic barriers restricting men's participation in care activities.

International evidence has shown that leave entitlements for fathers need to be of an adequate duration, well paid at a rate of between 60 to 80 per cent of average wages³⁹, dedicated to men on a "use it or lose it" basis and unable to be taken at the same time as a spouse in order to be most effective.

Norway, Sweden and Finland provide men with generous leave entitlements that are both long in duration and high in amount. Norway, in particular, has had great success with its paternal leave system, which provides 14 weeks of dedicated leave to fathers paid at 90.8 per cent of average income. In contrast the Netherlands provide men with leave at only very low level of income which discourages uptake.

One of the key aspects of the Norwegian scheme is that men cannot take the leave at the same time as the spouse. As a result of this there has been a relatively high take up of father-specific leave in Norway providing women with an opportunity to reenter the workforce while their male spouse undertakes care duties⁴⁰.

Importantly, in each of the countries offering generous paternal leave, the rate of leave provided to men is often higher than that provided to women during maternal and parental leave periods. National Seniors acknowledges that adopting a more generous paid leave system for men may be contentious. However, if well designed, we believe such an approach could complement existing parental leave arrangements and incentivise men to take on caring responsibilities. In turn this will allow women to reengage in the workforce and lead to improved outcomes for women's careers and retirement incomes.

³⁶ European Union (2015). 'Sweden: Successful reconciliation of work and family life' . *European Platform for Investing in Children*. Accessed 9 October 2015
http://europa.eu/epic/countries/sweden/index_en.htm

³⁷ The parental benefit is in principle equally divided between the parents. However, one of the parents has the right to handover all but 60 days to the other parent, which in practice means that most men give up most of their parental benefit.

³⁸ Bouget, D., Frazer, H., Marlier, E., Sabato, S. and Vanhercke, B. (2015). *Social Investment in Europe: A study of national policies*. European Social Policy Network (ESPN), Brussels: European Commission.

³⁹ Bouget *et al* (2015). *Ibid*.

⁴⁰ Pedersen, A.W. (2015). ESPN Thematic Report on Social Investment: Norway. *Brussels: European Commission*.

Affordable and accessible childcare

Recommendations

- 5. National Seniors recommends that the government investigate options to increase the supply of affordable childcare places to enable women to reenter the workforce, this might include allowing parents to use subsidies to pay for alternative care arrangements.**

The positive effect of childcare on workforce participation is largely unchallenged in the literature. The single most important factor supporting female workforce participation is affordable childcare⁴¹.

National Seniors recommends that the affordability of childcare be made a high priority by government. This will ensure that women can participate in the workforce and accrue adequate superannuation balances. This might require more targeted subsidies to address the barriers faced by low and middle income families.

National Seniors also believes that more needs to be done to make childcare more accessible for parents. A lack of childcare places forces women to disengage from the workforce or work part-time when their preference might be otherwise. While the government is currently trialing the Nanny Pilot Programme this is only one way to increase the supply of childcare places. Other options need to be explored.

In countries where the cost of childcare is low and heavily subsidised, there is a correspondingly high uptake of childcare. In Denmark, for example, where there is a high proportion of children in childcare, mothers do not report childcare price as being reasons for not working or working only part-time⁴². In Australia, where the proportion of children in care is much lower, there are constant complaints that the cost is too high and the availability of childcare is low⁴³.

⁴¹ Kvist, J. (2015). *ESPN Thematic Report on Social Investment: Denmark*. Brussels: European Commission.

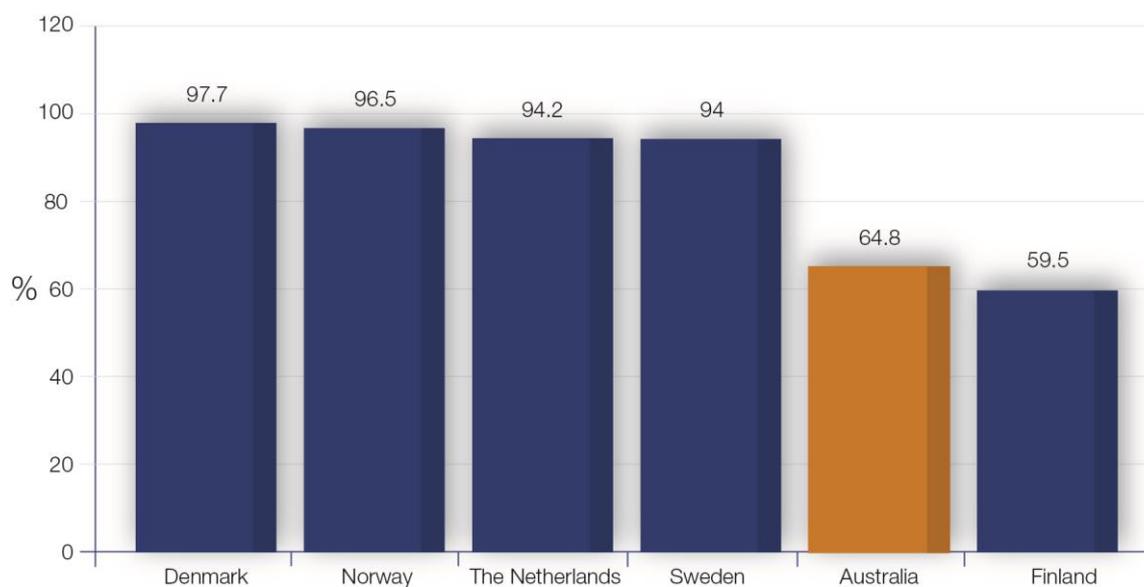
⁴² Bouget *et al* (2015). *Op cit*.

⁴³ See for example: Wilson, L. (15 April 2015). 'Part-time working mums held back by childcare bills, despite wanting to work more' in *news.com.au*. Retrieved from <http://www.news.com.au/lifestyle/parenting/part-time-working-mums-held-back-by-childcare-bills-despite-wanting-to-work-more/story-fnet08ui-1227305281678>;

Hamilton, H. (28 September 2015). 'Caught in an intergenerational squeeze, grandparents juggle work and childcare' in *the Conversation*. Retrieved from <http://theconversation.com/caught-in-an-intergenerational-squeeze-grandparents-juggle-work-and-childcare-47939>; Barnsley, W. (30 July 2015) 'Struggling to pay your bills? You're not alone' in *The Sydney Morning Herald*. Retrieved from <http://www.smh.com.au/business/the-economy/struggling-to-pay-your-bills-youre-not-alone-20150730-ginnvi.html#ixzz3oWCPBT1p>; Guterres, E. (28 April 2015). 'Childcare costs a main concern for families' in *My Wealth News*. Retrieved from <https://www.mywealth.commbank.com.au/strategies/childcare-costs-a-main-concern-for-aussie-families--news20150428>

Denmark, Finland, Norway and Sweden are seen as being leaders in the development and delivery of affordable child care that is accessible to a broad part of society⁴⁴. Compared to Australia, the use of childcare is much greater in these four countries. As Figure 9 shows, Australia had the lowest pre-school enrolment rate for children aged three to five years of only 64.8 per cent compared to 97.7 per cent in Denmark. This reflects positively on the affordability and accessibility of childcare in these countries.

Figure 9: Proportion of children in childcare aged 3 to 5 years, select OECD countries latest years⁴⁵



In Denmark, child care use is the highest of the six countries with 97.7 per cent of children aged 3-5 using child care facilities⁴⁶. Childcare is widely available in Denmark with subsidies available to parents⁴⁷. Parents cannot be asked to pay more than 25 per cent of the cost of running childcare and many parents do not pay the full fee. Parents on low incomes pay a reduced fee to support access to these services and parents with more children in care get a sibling discount⁴⁸. What is most striking about Denmark is that in contrast to most other countries, Danish mothers aged 25 to 49 with children below the age of 12 actually work more than women of the same age who do not have children⁴⁹. Danish mothers do not report availability, price or quality of child care as being reasons for not working or for working only part-time⁵⁰.

⁴⁴ Bouget *et al* (2015). *Op cit.*

⁴⁵ OECD (2015). *Op cit.*

⁴⁶ OECD (2015). *Op cit.*

⁴⁷ Bouget *et al* (2015). *Op cit.*

⁴⁸ Kvist (2015). *Op cit.*

⁴⁹ Kvist (2015). *Op cit.*

⁵⁰ Bouget *et al* (2015). *Op cit.*

In Norway, children have a legal right from the age of one to attend government subsidised childcare⁵¹. High-quality, government subsidised childcare is almost universally available in Norway. The participation rate for children aged 3 to 5 in Norway is high at 96.5 per cent in 2012. Unlike Sweden, where government is largely involved, a significant proportion is delivered by privately owned centres⁵². While child care is not free it is heavily subsidised and is relatively cheap and includes a price ceiling for out-of-pocket fees⁵³.

In the Netherlands, the government funds childcare to stimulate female workforce participation. Unlike the Nordic countries formal childcare is jointly financed by the national government, employers and parents. Parents receive childcare subsidies directly, which are linked to the number of hours worked by the parent working the least number of hours and household income^{54,55}. While 94.2 per cent of children aged three to five were enrolled in childcare in the Netherlands in 2012⁵⁶ the high cost of formal childcare has limited its use⁵⁷. This is reflected in the high rate of part-time employment by women in the Netherlands, which was 61.1 per cent compared to 16.7 per cent in Finland⁵⁸.

In Sweden, children have a right to access child care⁵⁹ and municipalities are obliged to offer child care to children from the age of one to the age of six⁶⁰. The majority (96 per cent) of preschools are owned and managed by the Swedish municipalities⁶¹. In Sweden, the participation rate in childcare for children aged between 3 and 6 years is about 95 per cent. The high employment rate amongst Swedish parents with young children is the direct result of having highly accessible and affordable childcare. While childcare is not free, fees reflect income and there is an upper limit that can be paid. Only Austria and Hungary have lower childcare costs⁶².

In Finland, quality childcare is seen as the most important means of supporting parents' workforce participation⁶³. Interestingly, though, the use of child care is quite low in Finland,

⁵¹ Bouget *et al* (2015). *Op cit*.

⁵² Productivity Commission (2014). *Childcare and Early Childhood Learning: Overview, Inquiry Report No. 73*, Canberra.

⁵³ Productivity Commission (2014). *Ibid*.

⁵⁴ Bouget *et al* (2015). *Op cit*.

⁵⁵ Blommesteijn, M. (2015). *ESPN Thematic Report on Social Investment: the Netherlands. Brussels: European Commission*.

⁵⁶ OECD (2015). *Op cit*.

⁵⁷ Bouget *et al* (2015). *Op cit*.

⁵⁸ OECD (2015). *Op cit*.

⁵⁹ Bouget *et al* (2015). *Op cit*.

⁶⁰ Halleröd, B., (2015). *ESPN Thematic Report on Social Investment: Sweden. Brussels: European Commission*.

⁶¹ Productivity Commission (2014). *Ibid*.

⁶² Halleröd (2015). *Ibid*.

⁶³ Bouget *et al* (2015). *Op cit*.

with only 59.5 per cent of children aged three to five using childcare, lower than even Australia. Children in Finland have a subjective right to day care until a child starts school at the age of seven. Formal child care is provided primarily by municipalities through municipal day care centres but is also provided in family day care or in group family day care settings⁶⁴. The cost of childcare is born largely by government with fees from parents covering 14 per cent of costs.

Support for grandparent childcare

Recommendations

6. National Seniors recommends that government investigate ways to provide appropriate care options for young children under the age of two, including compensating grandparents who provide care for young children.

One of the significant barriers for women using childcare is the difficulty faced in finding suitable care for very young children who are not ready for formal childcare. Many women in Australia believe that formal childcare is inappropriate for young children⁶⁵. Unfortunately this coincides with women's prime earning years where there are significant opportunities for career advancement⁶⁶.

In Australia, less than 10 per cent of children under the age of one and less than 40 per cent of children under the age of two used formal childcare in 2012⁶⁷. Even in countries with high uptake of childcare, such as Denmark, there is a relatively low uptake of formal childcare for children younger than two.

When faced with the dilemma of finding suitable childcare for young children, mothers are often left with only two choices. Stay at home and out of the workforce to care for their young children or rely on grandparents to provide unpaid informal care so they can reenter the workforce. Both of these options have potentially negative impacts on women's retirement incomes.

National Seniors argues that grandparents should be provided with some level of compensation for the unpaid childcare they perform. This might include being able to direct childcare subsidies to grandparents or by providing tax breaks to parents who contribute money towards a grandparents superannuation balance.

⁶⁴ Kangas, O. and Kalliomaa-Puha, L. (2015). ESPN Thematic Report on Social Investment: Finland. *Brussels: European Commission*.

⁶⁵ Baxter, J. (2014). 'Submission to the Productivity Commission Childcare and Early Childhood Learning Inquiry' on behalf of the Australian Institute of Family Studies.
<http://www.pc.gov.au/inquiries/completed/childcare/submissions/initial/submission-counter/sub391-childcare.pdf>

⁶⁶ Earles, K. (2013). Reprint of: The gendered consequences of the European Union's pensions policy. *Women's Studies International Forum*, 39(1) 22–29.
<http://www.kimearles.net/files/KEarlesWSIF2013.pdf>

⁶⁷ Productivity Commission (2014). *Op cit*.

As a recent National Seniors report has shown, grandmothers already provide a significant amount of informal childcare in Australia. Many grandmothers are already sacrificing their own incomes so that daughters and daughters-in-law can return to the workforce⁶⁸. Many of these women are also carrying the burden of care for elderly dependents at the expense of their own financial security.

This will stimulate workforce participation among younger women at a time when career progression is greatest and provide supplementary income to older women who would otherwise be out of the workforce. The challenge in this will be ensuring that the payment does not encourage older women to disengage from the workforce beyond what they are already doing.

Under current arrangements, Australian grandparents are only eligible for a maximum payment of \$34 per week for performing 50 hours of care⁶⁹, which is only 2.3 per cent of average weekly earnings⁷⁰. Not only is the level of compensation far too low to be worthwhile, the work involved with claiming this payment is highly onerous for both parent and grandparent. Furthermore, proposals to reform childcare subsidies made by the Productivity Commission will remove any option to pay grandparents if adopted by government⁷¹.

In the absence of appropriate formal childcare and without options to support the informal care provided by grandparents, the only real alternative is to support the care of young children through the provision of longer paid leave for parents who stay home with young children. While these policy responses are popular, because they provide women with greater choice, they can negatively impact on workforce participation undermining the career progression and incomes of women in retirement.

There are a number of OECD countries, which provide parents with considerably long paid leave periods while children are very young. Australians receive one of the shortest and lowest paid parental leave entitlements with only 18 weeks of leave at 40.6 per cent of average income under the government Parental Leave Payment. In contrast, Sweden provides 8.6 weeks of dedicated maternity leave at 77.6 per cent of average income followed by 51.4 weeks of parental leave at 61.1 per cent of average income. A further benefit of the Swedish scheme is that pension contributions are also made, ensuring that retirement income is less likely to be negatively impacted during paid leave periods⁷².

⁶⁸ Hamilton, M, & Jenkins, B. (2015). *Grandparent childcare and Labour market participation in Australia* (SPRC Report 14/2015). Melbourne: National Seniors Australia 2015.

⁶⁹ DSS (2015). *What is registered child care?* Fact Sheet 5 Accessed 20 October 2015 https://www.dss.gov.au/sites/default/files/documents/07_2015/fact_sheet_5_-_what_is_registered_child_care.pdf

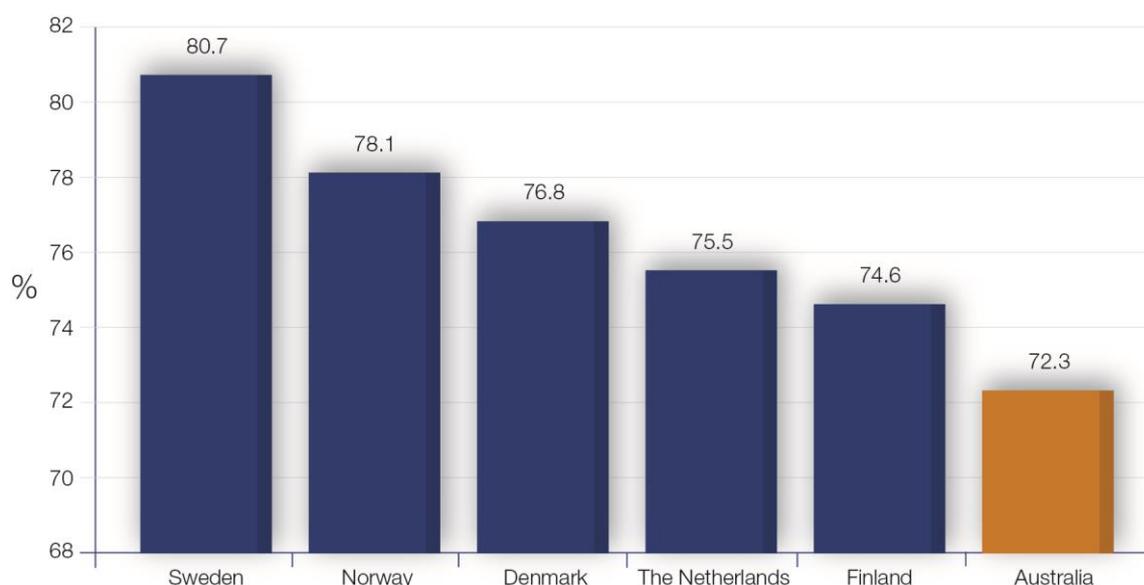
⁷⁰ Based on average weekly earnings from May 2015 ABS (2015). *Average Weekly Earnings, Australia, May 2015* cat. no. 6302.0 <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0/>

⁷¹ Productivity Commission (2014). *Op cit.*

⁷² OECD (2015). *Key characteristics of parental leave systems* OECD - Social Policy Division - Directorate of Employment, Labour and Social Affairs www.oecd.org/social/family/database.htm

There are concerns that a long duration of paid leave may distort women's workforce participation, leading to reductions in retirement income over the long term⁷³. It has been argued, for example, that Sweden's parental leave is too long and can discourage women from re-entering the workforce⁷⁴. Yet the data on female workforce participation in Sweden does not appear to support this case. Swedish women not only enjoy one of the highest workforce participation rates in the OECD (see Figure 10) but they also have extremely low part-time work rates (see Figure 11).

Figure 10: Labour force participation rate, select OECD countries latest years⁷⁵



When paid leave entitlements end, several countries also offer Cash-for-Care (CFC) as an alternative to childcare subsidies for young children. The CFC option is widely used in Finland, for example, where it is available to all parents with children aged between one and three. CFC in Finland is provided at 10.8 per cent of average weekly income⁷⁶ and uptake is high with over 50 per cent of parents utilising the scheme.

Similar to paid leave, there is criticism of the impact of CFC on workforce participation. There is strong criticism that Finland's CFC payments undermines workforce participation for mothers who make up 84 per cent of CFC beneficiaries, particularly those with limited employment opportunities who are reliant on social assistance payments^{77,78,79}. As Figure 10

⁷³ http://ec.europa.eu/justice/gender-equality/files/documents/130530_pensions_en.pdf

⁷⁴ Whiteside, N. 2014. *Gender issues in European pensions*. Working Paper for the CSIRO-Monash Superannuation Research Cluster, 29 July 2014.

⁷⁵ OECD (2015). *Op cit.*

⁷⁶ Productivity Commission (2014). *Op cit.*

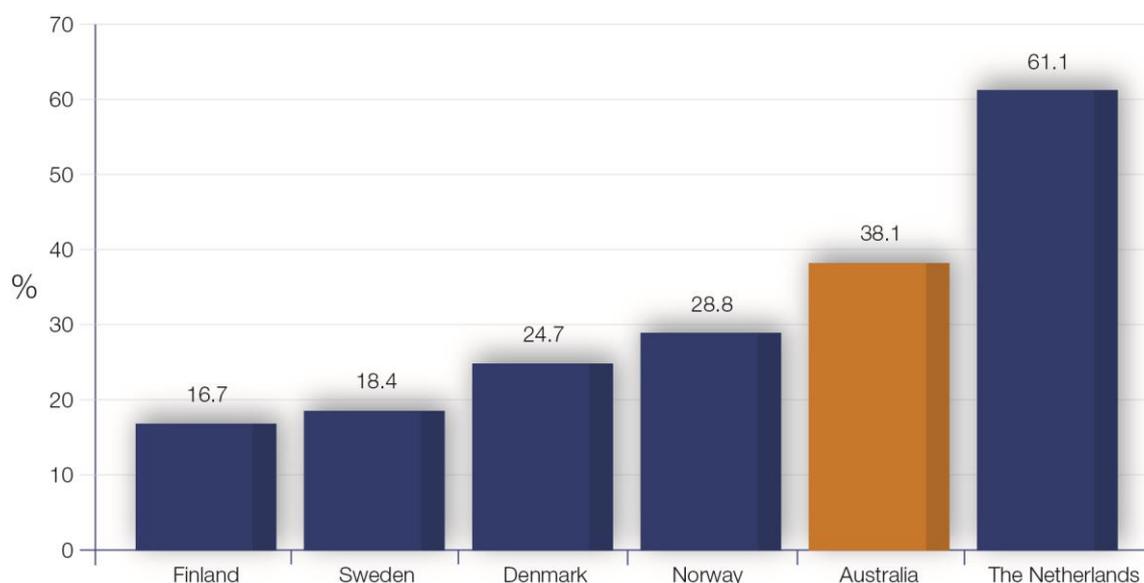
⁷⁷ Bouget *et al* (2015). *Op cit.*

⁷⁸ Kangas and Kallioma-Puha (2015). *Op cit.*

shows, Finland has a low female workforce participation rate, only slightly ahead of Australia, although it does have the lowest rate of female part-time of employment for those who are in the workforce (see Figure 11). A further issue with CFC payments is that they are not tied to pension contributions in any of these countries, which limits a recipients capacity to accrue retirement income⁸⁰.

Given the negative impacts on female workforce participation, National Seniors does not support CFCs and instead prefers an approach that allows childcare subsidies to be paid to grandparents.

Figure 11: Proportion of female workers working part-time, select OECD countries latest years⁸¹



Fairer tax treatment for women on low-incomes

Recommendation

7. National Seniors recommends that the Australian Government commit to the fairer taxation of superannuation contributions for women on low-incomes.

Under the current tax system there is no incentive for low-income workers to make contributions to superannuation because they would pay a higher rate of tax on this contribution than they would if they received the money as income. Low-income workers do

⁷⁹ Lancker, W. (2015). Putting the Child-Centred Investment Strategy to the Test: Evidence for the EU27. *European Journal of Social Security*, 16(1) 4-27. http://www.ejss.eu/pdf_file/ITS/EJSS_15_01_0004.pdf

⁸⁰ Rostgaard, T. (2014). *Family policies in Scandinavia*. Retrieved from <http://library.fes.de/pdf-files/id/11106.pdf>

⁸¹ OECD (2015). *Op cit.*

not benefit to the same degree from tax concessions offered to superannuation contributions.

The Low Income Superannuation Contribution (LISC) scheme was developed as a means of addressing inequity in the taxation of superannuation. The LISC scheme reimburses workers for the 15 per cent tax on superannuation contributions and is available for individuals earning less than \$37,000 per year. One of the benefits of the LISC is that the reimbursement is automatically calculated when an individual lodges a tax return ensuring that all eligible recipients receive the benefit.

Unfortunately the LISC was recently repealed by government. This will have a disproportionately larger impact on women who make up 2.1 million of the individuals losing access to the LISC. Removing the LISC is estimated to impact on an individual's savings at retirement by up to \$30,000⁸².

National Seniors recommends that the Australian Government commit to the fairer tax treatment of income and savings for women on low-incomes. Reintroducing the LISC is one mechanism that could be used to bolster the retirement incomes of women on low-incomes. Another option would be to make broader changes to the tax and transfer system, as was recommended in the Henry Tax Review⁸³. Reform options should be modelled as part of the wider review of the retirement income system.

Innovative superannuation packages

Recommendation

- 1. National Seniors recommends that the Australian Government investigate innovative arrangements, including joint superannuation accounts, which can improve the retirement incomes of women.**

Under current "super splitting" legislation couples can voluntarily split their super on either an annual basis or before retirement⁸⁴. Super splitting enables a person to contribute towards their spouse's superannuation. Super splitting makes it possible for the pension contribution of an income earner to be allocated to someone who is not receiving an income.

Some countries have introduced mandatory pension splitting on retirement as has been done in Germany. Another option would be to make pension splitting mandatory for de facto or married couples on the birth of a child rather than on retirement⁸⁵.

⁸² Goh, J. (2015). 'Pursuing simple adjustments to achieve equity' *Super Review* 15 September 2015 <http://www.superreview.com.au/expert-analysis/pursuing-simple-adjustments-achieve-equity>

⁸³ Department of Treasury (2010) Department of Treasury 2010, Australia's Future Tax System: final report, (Ken Henry, chairman), Commonwealth of Australia, Canberra

⁸⁴ Whiteside (2014a). *Op cit*.

⁸⁵ Whiteside (2014a). *Op cit*.

While the benefit of mandatory splitting would be that both spouses receive an equal share of superannuation, the drawback would be that superannuation accounts would not benefit from the economies of scale attached to having a majority of savings in one account. The existence of laws to split superannuation savings if a relationship breaks down may make such arrangements redundant.

An alternative to super splitting would be to develop regulatory frameworks to enable joint superannuation accounts, as has been recently recommended⁸⁶. While legislation already exists to split superannuation savings if a relationship between spouses breaks down (married or de facto) legislation does not currently exist to consolidate superannuation within a single industry superannuation fund. The only avenue open to spouses or partners is to use a self-managed fund but not all couples want to use this option and this option may pose significant risks for if funds are mismanaged by one spouse or partner.

One potential benefit of having a joint superannuation account is that it could reduce the cost of having two separate administration fees. Another potential benefit would be that this creates economies-of-scale by consolidating both superannuation balances in one account. Further analysis is needed to determine the cost implications for administering a joint superannuation account and the implications for competitiveness within the superannuation system.

National Seniors believes there is merit in further exploring the benefits of joint superannuation accounts and other innovative arrangements that would provide better retirement outcomes for women.

⁸⁶ Rice Warner (2014). Joint Superannuation Accounts. *RW Newsletter*
http://www.ricewarner.com/media/93823/Joint-Superannuation-Accounts_April-2014.pdf