



Senate Standing Committees on Economics  
PO Box 6100  
Parliament House  
Canberra ACT 2600

**Re: Submission to the Senate inquiry into the Economic security for women in retirement**

Carers Australia welcomes the opportunity provide a submission to the Senate Standing Committees on Economics inquiry into the Economic security for women in retirement.

Carers Australia is the national peak body representing the diversity of Australians who provide unpaid care and support to family members and friends with a disability, mental illness, chronic condition, terminal illness, drug or alcohol problem, or those who are frail aged.

In 2012 there were 2.7 million carers in Australia, 770,000 of whom were primary carers; those who provide the majority of informal care to another individual. Some 70 per cent of these carers are women, which illustrates the gendered nature of unpaid caring in Australia.

Many carers face protracted periods out of the workforce to care, during which their capacity to save for retirement is significantly reduced. Additionally, many carers experience interrupted career progression opportunities and face reduced opportunities for fiscal advancement. Many carers perceive the notion of 'retirement' as meaningless, often wondering what they will retire from, and concerned about what they will retire to. The role of an informal carer is often life-long and can be dominated by career insecurity, financial uncertainty and poverty.

This submission draws on the previous work Carers Australia submitted to the 2015 Australian Government's Re:think Tax discussion paper with a particular focus on the impact of current retirement policy on women with unpaid caring responsibilities. Carers Australia recommends a fairer retirement system in which there is equity in superannuation concessions and consideration of those with broken careers and those who face involuntary retirement. Carers Australia also calls for an adequate social security safety net for people reliant on government income support and for improved transitions from income support into mature age employment.

Yours sincerely

ARA CRESSWELL  
Chief Executive Officer

30 October 2015



**Carers Australia**

**Submission to the Senate Standing Committees on Economics  
Inquiry into the economic security for women in retirement**

**October 2015**

Carers Australia is the national peak body representing the diversity of Australians who provide unpaid care and support to family members and friends with a:

- disability,
- chronic condition,
- mental illness or disorder,
- drug or alcohol problem,
- terminal illness,
- or who are frail aged.

Carers Australia believes all carers, regardless of their cultural and linguistic differences, age, disability, religion, socioeconomic status, gender identification and geographical location should have the same rights, choices and opportunities as other Australians.

They should be able to enjoy optimum health, social and economic wellbeing and participate in family, social and community life, employment and education.

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## Background on family and friend carers

### Women are more likely to take on caring responsibilities

In 2012, 56.1 per cent of all carers were female. When we look at primary carers (those who provide the most substantial amount of care to another individual) the gender disparity is even starker, with 70 per cent of all primary carers being female.<sup>1</sup>

It is not surprising then, that female carers are also over-represented amongst recipients of both the Carer Payment and the Carer Allowance, (69 and 73 per cent respectively)<sup>2</sup>.

#### What we know:

- 13 per cent of Australian women (1.5 million) were carers in 2012, and 5 per cent (540,000) were primary carers, compared with 11 per cent and 2 per cent of men (1.2 million and 230,000) respectively.<sup>3</sup>

### Caring in the prime working (and saving) years

Nearly 40 per cent of all carers are between the prime working ages of 45-64 years, and the ratio is even higher for female carers at 46.2 per cent.<sup>4</sup> The need to drop out of the workforce to care during a time when many individuals would normally have their greatest earning potential (and capacity to contribute to superannuation), means a lost opportunity for retirement saving.

#### What we know:

- In 2012 there were 1.8 million carers of working age (25-64) – two thirds (67 per cent) of all informal carers.<sup>5</sup>

### Caring and education

Statistics show that those with unpaid caring responsibilities generally have a lower level of educational attainment than non-carers. This can have flow-on effects to future employment prospects, earning potential (and subsequently, on retirement income) particularly for those who take on a caring role at a young age.

#### What we know:

- Year 12 is the highest level of educational attainment for 10.7 per cent of all primary carers, compared to 18.5 per cent of non-carers.<sup>6</sup>
- The highest level of educational attainment for 36.5 per cent of female primary carers is year 10 or below (compared to 26.3 per cent of female non-carers).<sup>7</sup>

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<sup>1</sup> Australian Bureau of Statistics, 2012 (a)

<sup>2</sup> As at June 2015, [www.data.gov.au](http://www.data.gov.au)

<sup>3</sup> AIHW 2015

<sup>4</sup> Australian Bureau of Statistics 2012 (a)

<sup>5</sup> AIHW 2015

<sup>6</sup> Australian Bureau of Statistics 2012 (a)

<sup>7</sup> Ibid.

- Carers aged 15 to 24 are almost twice as likely to be unemployed than other 15 to 24 year olds who do not have a caring role (20 per cent and 11.6 per cent respectively).<sup>8</sup>

**Family members who have the lowest earning potential or who are already out of work are more likely to become carers**

*“Doing the sums of child care can make it more economical for my wife to stay at home because she earns less than I do”.<sup>9</sup>*

When families make choices about who will take on caring responsibilities, it often comes down to an economical decision- who earns less?<sup>10</sup> With a 17.4 per cent ‘gender pay gap’ between male and female earnings in 2012,<sup>11</sup> it is often women who end up leaving the workforce to take on an unpaid caring role.

**What we know:**

- About half of people receiving Carer Payment have received some form of income support for more than 10 years, with many relying on income support for long periods before receiving Carer Payment.<sup>12</sup>
- In 2012, 35 per cent of female primary carers did not work just prior to commencing the caring role, compared to 28 per cent of male primary carers.<sup>13</sup>

This illustrates that women who are already out of work are more likely to take on a caring role which further compounds their long-term economic disadvantage into retirement.

**Caring can be intense and protracted**

Those who provide a significant level of care are often in the caring role for extended periods of time. There is also a gendered dimension to the level of care provided, even amongst primary carers, with 43 per cent of female carers providing 40+ hours of care per week, compared to 34 per cent of male primary carers.<sup>14</sup>

**What we know:**

- Over a third (34.1 per cent) of primary carers have been caring for 10 years or more.<sup>15</sup>
- Some 38.9 per cent of primary carers care for 40 or more hours per week, and a further 19.5 per cent care for 20-39 hours per week.<sup>16</sup>
- Of the 299,300 primary carers who provided care for more than 40 hours on average per week, 28,400 primary carers (9.5 per cent) had been providing care to their recipient for more than 25 years.<sup>17</sup>

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<sup>8</sup> Australian Bureau of Statistics 2012 (b)

<sup>9</sup> Australian Human Rights Commission 2009, 14

<sup>10</sup> Ibid.

<sup>11</sup> Australian Law Reform Commission 2013, 43

<sup>12</sup> Commonwealth of Australia 2015 (b), 36

<sup>13</sup> Australian Bureau of Statistics 2012 (a)

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

## Caring and employment

### Caring affects workforce participation

There is a scarcity of adequate flexible working arrangements for employees which will allow them to combine paid work with an unpaid caring role. The result is a high proportion of carers who willingly or unwillingly cease to participate in the workforce in order to meet their care responsibilities.

#### What we know:

- The workforce participation rate of primary carers aged 15-64 years is 52.6 per cent compared to 79.7 per cent of non-carers of the same age.<sup>18</sup>
- Female carers are even less likely to be employed than male carers, 48.6 per cent compared with 57.3 per cent.<sup>19</sup>

### Combining work and care

While many primary carers drop out of the workforce to take on caring responsibilities, there are others for whom caring full-time is not financially viable and so seek to remain or enter employment. The ability to combine work and care can be dependent on many factors including adequate flexible working and leave provisions, employer support, and for some, replacement care during work hours. Evidence also suggests that carers who access formal services are more likely to remain in employment.<sup>20</sup> Each of these issues must be addressed if the workforce participation rate of carers is to improve.

#### Flexibility is important to working carers

For working carers, finding a balance between paid work and unpaid caring responsibilities often comes at a price. This can mean taking on roles which don't fully match their skills and experience<sup>21</sup>, and accepting lower-paid jobs in order to secure adequate flexibility that will allow them to combine work and care.

#### What we know:

- The ability to work part-time or flexible hours has been found to be the most important facilitator, after good health, for older people to work beyond retirement age.<sup>22</sup>
- Over 70 per cent of surveyed working carers found workplace arrangements helpful to their care responsibilities, specifically start and finish times (74 per cent), carers' leave (73 per cent) and being able to leave work at short notice for emergencies (71 per cent).<sup>23</sup>

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<sup>18</sup> Australian Bureau of Statistics 2012 (b)

<sup>19</sup> Ibid.

<sup>20</sup> Cass, Hill & Thomson 2012, 7

<sup>21</sup> Australian Human Rights Commission 2009, 16

<sup>22</sup> Australian Law Reform Commission 2013, 86

<sup>23</sup> Results from the Carers NSW 2014 Carer Survey which was completed by approximately 1,700 carers across NSW.

- Of surveyed working carers in NSW, 32 per cent had refused a new job or promotion and 35 per cent were working in a lower level job or had experienced an interruption to their career progression.<sup>24</sup>
- In 2009, around 60 per cent of mature aged women primary carers had used some form of workplace arrangement to help care for someone in the previous 6 months. The most common arrangements were; flexible working hours (27 per cent), paid leave (22 per cent), unpaid leave, working from home, part-time work and an informal arrangement with their employer (10 per cent each).<sup>25</sup>

#### Employer awareness and support is essential

Finding an employer who understands the caring role and who provides adequate flexible work and leave arrangements can be hard. While many workplaces have policies in place which could provide flexibility, often these provisions are neither promoted nor encouraged by management.

Many employees are also simply unaware of their entitlements and don't feel comfortable to make requests without fear of disapproval or loss of future promotional opportunities. This can be particularly true for men with caring responsibilities, who often feel that their workplaces are not supportive of them taking time off to undertake a caring role.<sup>26</sup> This can have ramifications for women; unless male employees have the same opportunities to access flexible working conditions which enable them to combine work and care, women will continue to be over-represented among the carer population.

#### **Carers can find it difficult to re-enter the workforce**

Those who are unpaid carers for a substantial period of time are often left with little relevant employment experience or education and training to allow them to transition into the workforce when their caring role ceases or is reduced. Many carers are therefore on income support for long periods even after exiting Carer Payment or Carer Allowance.

The current '25 hour rule' which prevents Carer Payment recipients from undertaking education, training or work for more than 25 hours a week (including the time taken to travel)<sup>27</sup> restricts the capacity of these carers to remain engaged with the workforce whilst caring. The rule can also restrict opportunities for carers to undertake paid seasonal work that demands high hours for short periods of time annually. For young carers undertaking considerable caring roles, the rule can also impact on their ability to continue in education.

Additionally, current legislative rulings pertaining to eligibility for Certificate III guarantees means those carers who possess post-school certification (within ten years of application) are ineligible for reduced fees to complete studies in fields that may offer more flexible working arrangements. Inevitably carers are being excluded from educational opportunities as a direct result of their previous achievements when trying to balance future financial security with the diverse nature of their caring responsibilities. Ensuring informal carers are provisioned equitable opportunities to

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<sup>24</sup> Carers NSW 2014

<sup>25</sup> Data from 2009 ABS Survey of Disability, Ageing and Carers, cited in Cass, Hill & Thomson 2012, 22

<sup>26</sup> Australian Human Rights Commission 2009, 16-17

<sup>27</sup> Australian Government 2011, *Guide to the Social Security Act 1999* 3.6.4.70 Changes to Carer Situation – Effect on CP <http://guides.dss.gov.au/guide-social-security-law/3/6/4/70>

participate in education and the workforce means a greater balance between caring and obtaining financial security.

There obviously needs to be some restrictions associated with receipt of Carer Payment to ensure it remains aligned with its objective; to financially support those whose caring responsibilities prevent them from undertaking work. However, the application of the current rule can have the adverse effect of seeing carers more likely to remain on income support for considerable periods of time. The longer carers have no connection to the workforce, the less likely they will find employment when their caring role ends, and the more likely they will be reliant on government support during retirement.

#### What we know:

- The average duration on Carer Payment is 5.9 years, for Carer Allowance it is 4.8 years (this compares to Newstart Allowance at 2.2 years<sup>28</sup>).
- Just under a quarter (23.8 per cent) of Carer Payment recipients have been on the payment for 5-10 years, a further 11.8 per cent have been on the payment for more than 10 years.<sup>29</sup>
- Around 42 per cent of those who stopped receiving Carer Payment in 2012-13 went on to another working age income support payment. The most common working age payment was Newstart Allowance (61 per cent), followed by the Disability Support Pension (13 per cent).<sup>30</sup>

## Impact of caring on retirement

### Caring across the lifecycle

For those who care for someone with a disability, mental illness, chronic condition, or someone who is frail aged, the caring role generally doesn't have a discrete beginning and end around which financial and work commitments can be planned. Unlike parents of children who can plan ahead to some degree, the onset of caring is often sudden and unexpected and the end is unknown. The nature and intensity of the role can also fluctuate over time as the health and caring needs of the family member or friend change. This can make future planning about financial savings and retirement extremely difficult, if not impossible.

*"My life hasn't really let me plan. When I was 32 my husband became a quadriplegic from a car accident".<sup>31</sup>*

For many carers the notion of 'retirement' simply doesn't exist; in 2012 there were 579,700 informal carers aged 65 and over, representing 19 per cent of all people aged 65 and over.<sup>32</sup> According to the Australian Law Reform Commission, "The changing nature of the paid labour force also means that a model of continuous participation in paid work, followed by retirement, may no longer be the norm. Instead, working life may be marked by a cycling in and out of paid work".<sup>33</sup>

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<sup>28</sup> As at March 2015 [www.data.gov.au](http://www.data.gov.au)

<sup>29</sup> Ibid.

<sup>30</sup> Commonwealth of Australia 2015 (b), 36

<sup>31</sup> Joan, 64, quoted in WHIN & WHGNE 2015 Submission No.5, 8

<sup>32</sup> AIHW 2015

<sup>33</sup> Australian Law Reform Commission 2013, 53





*I have been caring for my disabled child for sixteen years and now my husband has been diagnosed with a brain tumour. I have been caring for almost half of my life and there is no end in sight. How do I find the time to plan not to be a carer?*

Indeed, caring can be a lifelong role for many, at the end of which is significant financial uncertainty and often hardship.

### **Carers are more likely to retire involuntarily**

The degree of involuntary retirement in Australia is substantial and could be expected to increase as the Age Pension and preservation ages are raised overtime<sup>34</sup>. In its recent report '*Superannuation Policy for Post-Retirement*', the Productivity Commission estimated that just under one half of all Australians that retired between the ages of 45 and 70 did so involuntarily.<sup>35</sup>

The Productivity Commission found that ill health was a dominant factor for individuals who retire involuntarily, either their own ill health or that of a spouse or family member, as is illustrated in the **Figure** below. Specifically, among males who retire for health reasons, it is largely their own ill health that drives the decision, whereas among females, the need to care for a spouse or family member with poor health is an important driver in early retirement.<sup>36</sup> These findings are supported by the Women's Health Australia study, which is a longitudinal population-based study of over 40,000 Australian women. In 2008 this study found that providing care for someone was associated with increased odds of being an early retiree compared with women who were always in paid work.<sup>37</sup>

The Productivity Commission research showed that the involuntarily retired have lower levels of accumulated assets than voluntary retirees and that these individuals generally have less scope to change their behaviour in response to policy changes such as increases in the superannuation preservation age or the Age Pension age.<sup>38</sup> Previous research by the Australian Bureau of Statistics (ABS) into *Retirement and Retirement Intentions* has also found that there is often a difference between when individuals predict they will retire and their actual retirement outcomes.<sup>39</sup> The Productivity Commission concluded that "Involuntary retirement needs to be better understood and taken into consideration when contemplating changes to retirement income policy".<sup>40</sup>

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<sup>34</sup> Productivity Commission 2015, 19

<sup>35</sup> Using the 2011 wave of the HILDA survey, Productivity Commission 2015, Vol 2, 211

<sup>36</sup> Productivity Commission 2015, Vol.2, 212

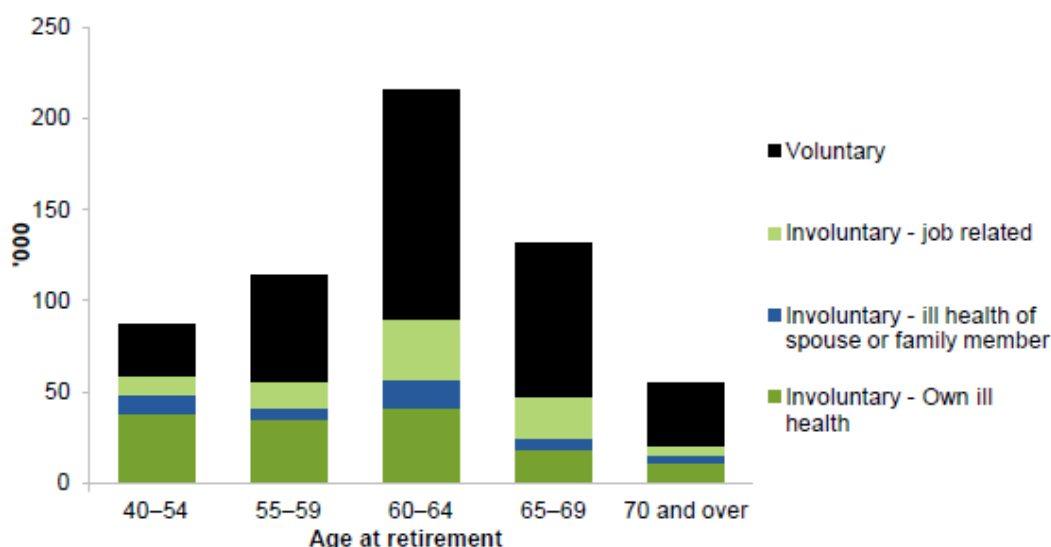
<sup>37</sup> Warner-Smith, Powers & Hampson 2008

<sup>38</sup> Productivity Commission 2015, 36

<sup>39</sup> Australian Bureau of Statistics 2011

<sup>40</sup> Productivity Commission 2015, 19

**Figure 5** Number of people retiring, by age group and reason for retirement, 2011



Source: Productivity Commission 2015, 'Superannuation Policy for Post-Retirement', p.10

### Carers have fewer saving to fall back on in retirement

The financial impact of caring can be substantial, and not only for those who leave the workforce to care. Unpaid carers also face a range of additional costs including out-of-pocket healthcare costs such as for specialists, medications and therapies; home and vehicle modifications; aids and equipment; increased utilities bills; special dietary requirements and respite support.

The financial consequences of caring can be even greater for female carers. Once in retirement, Australian women can expect to live an average of 24.2 years (five years longer than their male counterparts<sup>41</sup>) and they generally have lower superannuation accounts than men. According to the Association of Superannuation Funds of Australia, 90 per cent of women will retire with inadequate savings,<sup>42</sup> and ABS data shows that women, on average, have just over half as much superannuation as men – and retire with around the same (dis)proportion.<sup>43</sup>

#### What we know:

- 54.9 per cent of all primary carers have a government pension or allowance as their main source of personal income, compared to 20.4 per cent of non-carers. A higher proportion of all female carers are in receipt of a government pension or allowance (40.6 per cent) compared to all male carers (32.1 per cent).<sup>44</sup>
- 19.5 per cent of all female carers are in the lowest equivalised quintile of gross household income, compared to 17.2 per cent of male carers and 12.9 per cent of non-carers.<sup>45</sup>

<sup>41</sup> ANZ 2015, 65

<sup>42</sup> Association of Superannuation Funds of Australia 2014

<sup>43</sup> ANZ 2015, 67

<sup>44</sup> Australian Bureau of Statistics 2012 (a)

<sup>45</sup> Ibid.

- 29.4 per cent of all primary carers aged 35-54 years have had their income decrease as a result of caring.<sup>46</sup>

### **Carers are generally reliant on government support in retirement**

When the caring role ends after an extended period out of the workforce it can be difficult to re-gain employment, particularly for those who find themselves unemployed later in life. Mature age carers who transition off the Carer Payment who are unable to find employment will often be reliant on Newstart Allowance until they turn 65. The much lower rate of Newstart compared to pensions can see this group experience considerable financial strain when the caring role ends. Research by the National Centre for Social and Economic Modelling (NATSEM) shows that families headed by persons on allowances such as Newstart have only increased their living standards<sup>47</sup> by 4.3 per cent over the last 10 years compared to pension recipients and non-beneficiaries who have all gained around 20 per cent.<sup>48</sup>

#### **What we know:**

- The main source of personal income for 76 per cent of primary carers aged 60-69 years is a government pension or allowance, compared to 45 per cent of non-carers of the same age.
- Only 22 per cent of primary carers aged 70-79 receive their main source of income from superannuation compared to 30 per cent of non-carers of the same age.<sup>49</sup>
- As at June 2015, 43.6 per cent of Carer Payment recipients were aged 55 years and over, which is considerable given that many carers aged over 64 will transition to the Age Pension.<sup>50</sup>

### **Many carers don't have income or savings of a partner to fall back on in retirement**

For those who have had broken careers due to unpaid caring responsibilities and who have had less capacity to save for retirement, having a partner (with an unbroken career) can make all the difference in achieving financial security in retirement.

However, the physical, emotional, social and financial effects of the caring role often take a toll on relationships and primary carers have a higher separation rate than non-carers.

#### **What we know:**

- 13.6 per cent of primary carers are either separated or divorced compared to 9.7 per cent of non-carers. There is also a gendered dimension to this with 17.8 per cent of female primary carers either separated, divorced or widowed compared to 11.9 per cent of male primary carers.<sup>51</sup>
- 42 per cent of Carer Payment recipients aren't partnered.<sup>52</sup>
- The number of divorced women entering retirement is expected to rise significantly in the next two decades.<sup>53</sup>

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<sup>46</sup> Ibid.

<sup>47</sup> Defined by NATSEM as disposable income adjusted by changes in living costs.

<sup>48</sup> Phillips 2015, 4

<sup>49</sup> Australian Bureau of Statistics 2012 Survey of Disability, Ageing and Carers, using ABS TableBuilder

<sup>50</sup> [www.data.gov.au](http://www.data.gov.au)

<sup>51</sup> Australian Bureau of Statistics 2012 (a)

<sup>52</sup> As at March 2015, [www.data.gov.au](http://www.data.gov.au)

<sup>53</sup> Australian Human Rights Commission 2009, 21

- Analysis of household wealth has found that single female parent households have significantly less accumulated wealth compared to single male parent households in terms of home equity, superannuation and other assets. For example, in 2003, men who separated experienced an average drop in their household disposable income by \$4,100 per year, compared to women who separated experiencing a drop of \$21,400.<sup>54</sup>

### **Caring can affect access to secure housing in retirement**

The proportion of elderly Australians who own their own home has historically been fairly high, however the Australian Institute of Health and Welfare (AIHW) predict that this is likely to decline in the future if current trends in the availability of affordable housing continue.<sup>55</sup> Social determinants such as the age at which young people leave the parental home, delays in partnering and a rise in unemployment rates will also continue to affect the capacity of households to service a mortgage in the future. The AIHW argue that older Australians who don't own their own home are particularly vulnerable to housing difficulties and therefore it is not unreasonable to expect that over time there will be an increasing demand for housing assistance for older Australians.

#### **What we know:**

- 7 per cent of all primary carers live in public housing, compared to 2.2 per cent of non-carers.<sup>56</sup>

## **Why change is necessary**

As highlighted by the Productivity Commission, the three pillars which make up the retirement system (the Age Pension, Superannuation Guarantee and voluntary savings) are “inextricably linked [and] changes in each can, and often do, affect the others”.<sup>57</sup> Carers Australia shares the view of COTA that a review of retirement policy must look “in an integrated way at taxation, transfer payments, superannuation, mature employment, later life housing and financing aged care”.<sup>58</sup>

### **Demographic changes mean retirement incomes are increasingly important**

Australia's population is projected to change and grow over the next 40 years, with the proportion of the population aged 65 and over expected to increase while there will be fewer people of traditional working age compared to the very young and the elderly.<sup>59</sup>

These demographic changes will increase demands on the retirement system<sup>60</sup>. As the government's recent 'Re:think Tax discussion paper' points out, more individuals will enter the retirement phase

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<sup>54</sup> Ibid.

<sup>55</sup> Australian Institute of Health and Welfare 2015

<sup>56</sup> Australian Bureau of Statistics 2012 (a)

<sup>57</sup> Productivity Commission 2015, 22

<sup>58</sup> COTA Australia 2015, 3

<sup>59</sup> Commonwealth of Australia 2015, vii-viii

<sup>60</sup> Productivity Commission 2015,3

where no tax is paid on earnings in superannuation funds, which puts pressure on the long-term sustainability of the superannuation tax arrangements.<sup>61</sup>

Projections by NATSEM of the superannuation balances of those who will be aged 64-66 in 2051 show that women who care for children, those with moderate disabilities and those with poor educational attainment (factors which are all associated with unpaid carers) are all projected to have less than half the superannuation of someone who has been in full-time employment for 40 years or more.<sup>62</sup> Policy measures which aim to increase the retirement savings of this group are therefore important in helping to reduce reliance on government support during retirement in the future.

### **The current system is inequitable**

The current retirement system provides the most benefits to those with the greatest capacity to save, and disadvantages those who have had broken careers and/or lower paid jobs; both are factors which disproportionately affect women.

The government's recent *Re:think Tax discussion paper* acknowledges the inherent inequities in the current system, highlighting that mechanisms to reduce assessable income (such as through superannuation contributions and maximising deductions by applying losses from other activities) are more commonly used by people on high assessable incomes.<sup>63</sup> The discussion paper also points out that the way the concessions are applied means that those with high incomes receive the greatest tax discount relative to their marginal rates, and generally save a higher proportion of their income.<sup>64</sup>

There are many who argue that the current system of superannuation taxes is regressive. The 15 per cent tax on all contributions and investment income (with investment income in the drawdown phase being tax free) benefits high income earners who would otherwise pay marginal rates up to 47 per cent tax on their income. Conversely, it disadvantages low income earners who would normally be free of tax up to approximately \$18,000 per annum.<sup>65</sup>

Indeed the overwhelming majority of assistance provided through superannuation concessions flows to high income earners. Low income earners receive virtually no benefit.<sup>66</sup>

The recent Financial System Inquiry found that tax concessions in the superannuation system "are not well targeted at improving retirement incomes, which has a number of consequences. It increases the cost of the superannuation system to taxpayers; it increases distortions due to higher levels of taxation elsewhere in the economy and due to the differences in the way other savings vehicles are taxed; and it contributes to the broader problem of policy instability, which imposes unnecessary costs on superannuation funds and their members and undermines long-term confidence in the system".<sup>67</sup>

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<sup>61</sup> Australian Government 2015, 69

<sup>62</sup> Productivity Commission 2015, 49

<sup>63</sup> Australian Government 2015, 49

<sup>64</sup> Australian Government 2015, 67

<sup>65</sup> The Australia Institute 2014, 5

<sup>66</sup> The Australia Institute 2014, 1

<sup>67</sup> Commonwealth of Australia 2014 (b), 90

Deloitte's 2015 report on 'Mythbusting tax reform' also concluded that while the current costs of superannuation concessions don't necessarily outweigh the cost of the age pension, "the benefits are modest" and "the super system is very expensive for what it is achieving".<sup>68</sup> Deloitte also argue that while the concessions do result in high income earners saving extra in their superannuation, much of this comes via reducing other savings.

#### What we know:

- Only \$1 in every \$200 of the cost of super concessions goes to the bottom 20 per cent of income earners, whereas more than half goes to the top 20 per cent.<sup>69</sup>
- On the latest Treasury figures the jump in assistance at the top income decile is quite marked. While total average assistance for all other income groups is around \$265,000, at the 90<sup>th</sup> percentile of male earners it jumps to \$350,000; for the 95<sup>th</sup> percentile to \$425,000 and for the 99<sup>th</sup> percentile to \$515,000.<sup>70</sup>
- Analysis by the Association of Superannuation Funds of Australia found that 24,000 people with self-managed funds with balances of \$2 million received around \$5.2 billion in tax-free income- which equates to an average of around \$216,000 each.<sup>71</sup>

### The current retirement system disadvantages carers

*"The current superannuation scheme effectively takes the gendered income inequalities that exist during people's working lives and magnifies them in retirement".<sup>72</sup>*

#### There is an imbalance in superannuation savings

Current variations in superannuation balances are due to several factors; linking compulsory contributions to an individual's earnings; absences from the workforce; and disparities in voluntary superannuation contributions'.<sup>73</sup> Each of these factors disadvantages women, particularly those with unpaid caring responsibilities.

As discussed earlier, the need to undertake caring responsibilities can have a considerable effect on workforce attachment. Many carers are forced to leave the workforce for extended periods of time while others who are able to combine work and care often take on lower paid positions in order to secure adequate flexibility. The fact that women are more likely to take on caring responsibilities also compounds with the fact that they tend to earn less; full-time working Australian women earn on average \$295 per week less than men, which equates to around \$15,000 a year or \$700,000 over their lifetime<sup>74</sup>. The result is a considerable imbalance in superannuation savings for women, particularly those who have had an unpaid caring role.

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<sup>68</sup> Deloitte 2015,6

<sup>69</sup> Deloitte 2015,5

<sup>70</sup> The Australia Institute 2014, 6

<sup>71</sup> National Welfare Rights Network 2015, 5

<sup>72</sup> Cameron, 2013, cited in WHIN & WHGNE 2015, Submission No.5,ix

<sup>73</sup> Productivity Commission 2015,7

<sup>74</sup> ANZ 2015,4-6

### What we know:

- Between 2000-2005, single elderly female households had not only experienced the highest incidence of poverty compared to other household types, but also have been at the greatest risk of persistent poverty<sup>75</sup>.
- In 2012, the average household net worth for single retired women over 65 was \$160,000, compared to \$238,000 for single retired men.<sup>76</sup>
- In 2009-10 the average superannuation balance for men was \$71,645 and \$40,475 for women. The average retirement payout in this period was \$198,000 for men and \$112,600 for women. Approximately 60 per cent of women aged 65-69 in 2009-10 had no superannuation savings.<sup>77</sup>
- The gender gap between men and women's retirement savings widens over the lifetime; women's superannuation balances as a proportion of men's balances decreases from 71.1 per cent (for 25-34 year olds) to 46.1 per cent (for 60-64 year olds).<sup>78</sup>
- In 2010-11 just under half of retired women in Australia had made no contributions to a superannuation scheme compared to 25 per cent of men.<sup>79</sup>

### **Carers generally don't benefit from the current transition to retirement arrangements**

While the original policy intention of the transition to retirement (TTR) rules was to encourage workforce participation and to cater for more flexible workplace arrangements<sup>80</sup>, a 2010 report commissioned by the Department of Education, Employment and Workplace Relations concluded that the TTR arrangements had 'no significant effect' on workforce participation of mature age men and women.<sup>81</sup>

A subsequent investigation by the Australian Law Reform Commission in 2013 also found no evidence that the TTR rules were encouraging workforce participation.<sup>82</sup> In fact there is evidence to suggest that the current transition to retirement arrangements, which allow salary sacrificing into superannuation accounts, are used by many to reduce tax paid on income<sup>83</sup>.

As previously discussed, the benefits of these arrangements flow mainly to those with higher incomes, while those with lower incomes are not able to take advantage of the same concessions.

Indeed the Productivity Commission argues that "the tax concessions embodied in transition to retirement pensions – designed to ease workers to part-time work prior to retirement- appear to be used almost exclusively by people working full-time and as a means to reduce tax liabilities among wealthier Australians."<sup>84</sup>

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<sup>75</sup> Australian Human Rights Commission 2009, 23

<sup>76</sup> Australian Human Rights Commission 2009,7

<sup>77</sup> Data from Australian Bureau of Statistics Survey of Income and Housing, cited in Australian Law Reform Commission 2013,43

<sup>78</sup> Australian Human Rights Commission 2009,6

<sup>79</sup> Australian Human Rights Commission 2009,5

<sup>80</sup> Australian Law Reform Commission 2013,210

<sup>81</sup> Australian Law Reform Commission 2013, 209

<sup>82</sup> Ibid.

<sup>83</sup> Productivity Commission 2015, 39

<sup>84</sup> Productivity Commission 2015, 20

The abolition of the Low Income Superannuation Contribution (LISC)<sup>85</sup> is a further blow to already disadvantaged carers. The LISC was designed to compensate people in the event that they paid their 15 per cent tax on super contributions but earned a low income that would otherwise have not attracted any tax. Women represent 45 per cent of all taxpayers but 57 per cent of all those in the income tax brackets affected by this measure.<sup>86</sup> The removal of LISC “means that low-income earners will pay more tax on their compulsory super contributions than they do on their ordinary wages”<sup>87</sup>.

## Recommendations

### Recommendation 1: A fairer retirement incomes system

Carers Australia shares the view of many in our sector that fairness and equity should be the main principles which underpin the tax system<sup>88</sup>, and that the objective of the retirement system should be “to alleviate poverty and facilitate people saving enough to enable them to have a decent standard of living in their post-working life”.<sup>89</sup>

#### 1.1 Equity in superannuation concessions

- There should be equity in superannuation tax concessions to ensure the benefits are provided equitably between low, middle and high income earners.<sup>90</sup>

#### 1.2 Consideration of broken careers due to caring responsibilities

- Consideration of caps on additional contributions for people with unbroken careers, should include a degree of flexibility to allow those with broken careers (such as carers) to ‘make up’ ground in superannuation savings.<sup>91</sup>
- The Government consider the previous recommendations of the Australian Human Rights Commission to:
  - Specifically recognise and reward unpaid caring work in the retirement income system by providing superannuation payments for those on Carer Payment, Parenting Payments and recipients of the government-funded Paid Parental Leave.<sup>92</sup> This should be considered in the context that Deloitte Access Economics estimate the replacement cost of informal care at \$60.3 billion in 2015.<sup>93</sup>
  - Further develop and expand tax incentives that increase the retirement savings of women and others on low incomes such as the superannuation co-contribution scheme which was primarily used by women on low incomes (who were in a position to do so)

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<sup>85</sup> Australian Taxation Office <https://www.ato.gov.au/general/new-legislation/in-detail/other-topics/repeal-of-mrrt-and-related-measures/low-income-super-contribution/>

<sup>86</sup> The Australia Institute 2015, 9

<sup>87</sup> Denniss 2015

<sup>88</sup> St Vincent de Paul Society 2015, Australian Council of Social Services 2015 (b)

<sup>89</sup> Australian Council of Social Services 2015 (a), 8

<sup>90</sup> Australian Human Rights Commission 2009, 11

<sup>91</sup> COTA Australia 2015, 8

<sup>92</sup> Australian Human Rights Commission 2009, 26

<sup>93</sup> Deloitte Access Economics 2015



to build their retirement. (During 2007-08, 60 per cent of individuals who were paid co-contributions were female, and 31 per cent of these were women aged between 46 and 55.)<sup>94</sup>

### **1.3 Consideration of those who face involuntary retirement**

- Carers Australia supports the following recommendations by the Productivity Commission:
  - Involuntary retirement needs to be better understood and taken into consideration when contemplating changes to retirement income policy. Those who retire involuntarily have less scope to change their behaviour in response to policy changes such as increases in the preservation age or the Age Pension age.
  - The superannuation system needs to better account for diversity; the way people hold their savings; the amount of savings; expectations for retirement; and levels of financial literacy.<sup>95</sup>

## **Recommendation 2: An adequate social security safety net**

Carers who have previously received the Carer Payment will often transition onto Newstart Allowance when the person they care for dies or moves into residential care, or when the carer is no longer able to keep providing care due to the stress and physical effort involved. This transition can leave carers considerably worse off financially.

### **2.1 Address the gap between pensions and allowances**

- Carers Australia supports the recommendations of ACOSS to:
  - Raise allowance payments by \$51 per week for single people.
  - Index pensions and allowances in a consistent way.
  - Keep the pension age at 67 years until allowance payments are raised to pension levels and reasonable employment opportunities and supports are available to older people.

### **2.2 Provide adequate housing support**

The 2010 review of 'Australia's future tax system' concluded that the maximum levels of Rent Assistance "are too low for many people to secure an adequate standard of housing" and that its indexation to the Consumer Price Index means that the payment is not well targeted over time "leaving recipients to bear the risk of rent fluctuations".<sup>96</sup>

- Carers Australia supports the recommendations of ACOSS and others in the sector to:
  - Increase maximum rates of Rent Assistance by 30 per cent.
  - Adopt a national affordable housing strategy which includes substantial new capital investment in social housing and the replacement of tax deductions relating to negatively-geared rental property investment with more efficient tax incentives for the construction of affordable new housing.

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<sup>94</sup> Australian Human Rights Commission 2009, 25

<sup>95</sup> Productivity Commission 2015, 20-26.

<sup>96</sup> Commonwealth of Australia 2010, 66

### Recommendation 3: Opportunities for mature-age employment

Long-term carers have particular difficulties entering or re-entering the workforce once their caring role ceases, as they are often left with little relevant employment experience or education and training to allow them to transition effectively from income support to employment.

#### 3.1 Allow for smooth transitions on and off income support

The recent review of Australia's welfare system which released its final report in February 2015 concluded that the current social support system "does not have a coherent approach to supporting the significant transitions that can affect an individual during their life".<sup>97</sup> Indeed for many carers, making the 'leap' from income support into the workforce when their caring role ceases or is reduced can be a daunting and stressful task with significant financial risk involved.

- Carers Australia supports the recommendations of Uniting Care Australia and Anglicare Australia to:
  - identify how tax taper rates can better address issues of underemployment and participation of older people in the workforce<sup>98</sup>; and
  - address the interface between the tax and transfer systems so there is more encouragement (and fewer penalties) for people who find themselves moving on and off allowances and in and out of work<sup>99</sup>
- Carers Australia supports the recommendations of the Reference Group on Welfare Reform to introduce a 'Passport to Work' which supports people to transition from income support into work by:
  - providing individuals with clear information on how their income support packages would be affected when moving into work or increasing their hours and what would happen if work reduces or ends; and
  - providing individuals with a safety net that enables them to return to their former income support payment (and concessions) if their job ends or hours reduce.

#### 3.2 Ease restrictions on Carer Payment recipients

The current '25 hour rule' which prevents Carer Payment recipients from undertaking education, training or work for more than 25 hours a week (including the time taken to travel)<sup>100</sup> restricts the capacity of carers to remain engaged with the workforce whilst caring.

- Carers Australia supports the following recommendations of the Australian Law Reform Commission:
  - The *Guide to Social Security Law* should provide that a temporary cessation of constant care due to participation in paid employment, unpaid voluntary work, education or training that exceeds 25 hours per week:
    - (a) does not result in automatic cancellation of Carer Payment; and

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<sup>97</sup> Commonwealth of Australia 2015, 11

<sup>98</sup> Uniting Care Australia 2015, 4

<sup>99</sup> Anglicare Australia 2015, 5

<sup>100</sup> Australian Government 2011, *Guide to the Social Security Act 1999* 3.6.4.70 Changes to Carer Situation – Effect on CP <http://guides.dss.gov.au/guide-social-security-law/3/6/4/70>

- (b) may, in some circumstances, be compatible with the constant care requirement for qualification for Carer Payment.<sup>101</sup>

### 3.3 Support carers in the post-caring period to re-train and find employment

Research into policies which enhance mature aged women's participation in the labour market found that the gender gap in women's and men's labour force participation in mature age is derived partly from women's relatively higher rates of informal care-giving throughout the life course.<sup>102</sup> This study concluded "It is evident that education, training and retraining policies that assist women to maintain labour market attachment...may have longer term effects with respect to women's participation in employment in later years".<sup>103</sup>

- Long-term carers who are transitioning from Carer Payment to employment need comprehensive support and assistance to enter or re-enter the workforce. This support must include flexible opportunities to re-train and update skills.
- The Government consider the previous recommendations of the Senate Education, Employment and Workplace References Committee to develop targeted and tailored programs to help former carers transition into employment.<sup>104</sup>

### 3.4 Strengthen the legal framework which supports working carers

- Limitations to the 'right to request' flexible working conditions under the Fair Work Act should be addressed so that employees who have been working less than 12 months can also negotiate the flexible conditions they need to combine work and care.
- The description of caring situations which qualify an employee for paid carer's leave under the Fair Work Act should be expanded to include those who care for someone with a long-term or permanent disability or someone who is frail aged.

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<sup>101</sup> Australian Law Reform Commission 2013, 176

<sup>102</sup> Cass, Hill & Thomson 2012, 7

<sup>103</sup> Cass, Hill & Thomson 2012, 9

<sup>104</sup> Senate Education, Employment and Workplace Relations References Committee 2012

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