

Economic security for women in retirement

Issues paper

Introduction

The committee is currently conducting an inquiry into economic security for women in retirement. The committee is examining all aspects of Australia's retirement system, which comprises: the government funded age pension; compulsory superannuation; and voluntary savings, including voluntary superannuation contributions.

This paper provides a brief (but not comprehensive) overview of the policy solutions that have been submitted to the committee. The committee's aim is to find the most effective package of policy measures to address the retirement savings gap between women and men in the long term; and assist older women who have already retired, or are approaching retirement, to ensure they have adequate funds to live comfortably.

This paper includes information about the inquiry and background information on the gender retirement savings gap. The policy solutions that have been recommended to the committee relate to the superannuation system (both voluntary and compulsory), women's working experience, and the broader retirement system—including the age pension and housing.

About the inquiry

On 17 August 2015, the Senate referred the matter of economic security for women in retirement to the Economics References Committee for inquiry and report by the first sitting day in March 2016.¹

The terms of reference are as follows:

- (a) The Senate notes that, although women's increasing workforce participation has contributed significantly to Australia's economic productivity and to women's financial independence, significant socio-economic disparity remains between men and women, illustrated by the pay gap between men and women which sits at 18.8 per cent and the gap in superannuation at retirement is 46.6 per cent; and
- (b) the gender retirement income gap be referred to the Economics References Committee for inquiry and report by the first sitting day in March 2016, with particular reference to:
 - (i) the impact inadequate superannuation savings has on the retirement outcomes for women,
 - (ii) the extent of the gender retirement income gap and causes of this gap, and its potential drivers including the gender pay gap and women's caring responsibilities,

¹ *Journals of the Senate*, No. 107, 17 August 2015, p. 2959.

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- (iii) whether there are any structural impediments in the superannuation system [impacting on the superannuation savings gap],
 - (iv) the adequacy of the main sources of retirement income for women, and
 - (v) what measures would provide women with access to adequate and secure retirement incomes; including:
 - (A) assistance to employers to assist female employees' superannuation savings,
 - (B) Government assistance, with reference to the success of previous schemes, and
 - (C) any possible reforms to current laws relating to superannuation, social security payments, paid parental leave, discrimination, or any other relevant measure.²

The committee has received 89 submissions to date. On 6 October 2015 and 19 November 2015, the committee held public hearings in Adelaide and Sydney respectively.

Background

As noted in the terms of reference, on average women retire with approximately half the level of retirement savings of men. In 2011–12, the average superannuation balance at retirement was \$105,000 for women and \$197,000 for men, resulting in a gender retirement superannuation gap of 46.6 per cent.³ The committee acknowledges that the average superannuation balance at retirement for both women and men is low, and measures should be taken to improve this level. Even though this inquiry is focused on women, it is likely that many recommendations will go to lifting retirement savings for low income and disadvantaged workers, both women and men.

As women currently accumulate significantly less savings for their retirement, women account for over half those receiving the age pension, and single women are most likely to be solely reliant on the full age pension for income.⁴ Women have a higher life expectancy which exacerbates the effect of the retirement superannuation gap. Women are also more likely to re-enter the workforce after retirement due to financial constraints and are twice as likely as men to sell their house and move to lower cost accommodation due to financial circumstances in retirement.⁵ The retirement superannuation gap also results in women being at greater risk of experiencing

² *Journals of the Senate*, No. 107, 17 August 2015, p. 2959.

³ Workplace Gender Equality Agency, *Submission 79*, p. 4.

⁴ Australian Human Rights Commission, *Accumulating poverty? Women's experiences of inequality over the lifecycle*, 2009, p. 22.

⁵ Workplace Gender Equality Agency, *Submission 79*, p. 5.

poverty in retirement.⁶ In 2008, 28.9 per cent of older women (aged 65 years and over) were in poverty compared to 24.6 per cent of men in this age group.⁷

The table below shows the disparity in men and women's superannuation balances over time across all age groups.⁸

Average superannuation balances by age, 2011-12

Age group	Women's average superannuation (\$)	Men's average superannuation (\$)	Difference (\$)	Gender superannuation gap (%)
20-24	\$4,403	\$5,533	\$1,130	20.4
25-29	\$13,399	\$18,899	\$5,500	29.1
30-34	\$22,765	\$32,819	\$10,054	30.6
35-39	\$36,142	\$53,221	\$17,079	32.1
40-44	\$43,826	\$66,503	\$22,677	34.1
45-49	\$60,618	\$102,358	\$41,740	40.8
50-54	\$71,661	\$136,707	\$65,046	47.6
55-59	\$91,216	\$203,909	\$112,693	55.3
60-64	\$104,734	\$197,054	\$92,320	46.9
65-69	\$90,185	\$172,767	\$82,582	47.8
70-74	\$65,121	\$142,790	\$77,669	54.4
75-79	\$24,027	\$55,291	\$31,264	56.5
80-84	\$15,536	\$52,006	\$36,470	70.1
85+	\$17,544	\$35,555	\$18,011	50.7
Total	\$44,866	\$82,615	\$37,749	45.7

The gender gap in retirement savings is the result of a combination of interrelated factors across the course of a woman's working life. These factors include:

- Women's lower workforce participation rate and disproportionate representation in part-time and insecure labour;
- occupational and industrial segregation;
- the gender pay gap;
- pregnancy related workplace discrimination; and
- unpaid caring work.⁹

Submissions have highlighted a numbers of areas where the superannuation system and employment conditions could potentially overcome some of these factors. In addition, there are some broader policy areas where reform could improve economic security for women in retirement.

⁶ Australian Human Rights Commission, *Submission 36*, p. 1.

⁷ Australian Human Rights Commission, *Submission 36*, p. 1.

⁸ Workplace Gender Equality Agency, *Submission 79*, pp. 4–5.

⁹ Australian Human Rights Commission, *Submission 36*, pp. 2–3.

Women's working experience

Gender pay gap

A significant contributor to the gender gap in retirement savings is the gender pay gap. The gender pay gap is the difference between women's and men's average weekly full-time equivalent earnings, expressed as a percentage of men's earnings. The gender pay gap was 18.8 per cent in November 2014, in November 2015 the gap was 17.9 per cent. The Workplace Gender Equality Agency (WGEA) noted that over the past 20 years the gender pay gap has hovered between 15 and 19 per cent.¹⁰

Some of the recommendations to the committee for addressing the gender pay gap included:

- ongoing support for the work of the Workplace Gender Equality Agency particularly gender reporting requirements;¹¹
- strengthening and enforcing anti-discrimination laws;¹²
- addressing 'pay secrecy' clauses in employment contracts;¹³ and
- encouraging business to make gender equity and gender pay equity a part of best practice, through awareness, incentives, and demonstrated outcomes.¹⁴

Increasing women's workforce participation

The Australian Human Rights Commission's 2009 report *Accumulating poverty? Women's experiences of inequality over the lifecycle* noted that the limited availability of flexible work arrangements and quality affordable childcare present a barrier for women's participation in the paid workforce and subsequently, the accumulation of retirement savings in superannuation.¹⁵

Female workforce participation rate in 2013–14:

- The workforce participation rate for women was 65 per cent, compared to 78.4 per cent for men.
- 43.4 per cent of employed females aged 20–74 years worked part-time compared to 14.4 per cent of employed males in the same age group.¹⁶

¹⁰ Workplace Gender Equality Agency, *Submission 79*, p. 5.

¹¹ See for example, Women in Super, *Submission 50*, p. 17; National Australia Bank, *Submission 63*, p. 11; ACTU, *Submission 69*, p. 16.

¹² See for example, VIEW Clubs of Australia, *Submission 12*, p. 4; NSW Council of Social Service (NCOSS), *Submission 68*, p. 16; ACTU, *Submission 69*, pp. 16–17.

¹³ See for example, evidence from the Finance Sector Union of Australia, *Committee Hansard*, 19 November 2015, p. 16.

¹⁴ See for example, WIRE Women's Information and Referral Exchange, *Submission 48*, p. 20; Workplace Gender Equality Agency, *Submission 79*, p. 15.

¹⁵ Australian Human Rights Commission, *Accumulating poverty? Women's experiences of inequality over the lifecycle*, 2009, p. 16.

¹⁶ Australian Human Rights Commission, *Submission 36*, p. 3.

Flexible work arrangements

Recommendations from submitters in relation to flexible working arrangements included:

- encourage employers to adopt a strategic approach to providing flexible working arrangements for both men and women; and¹⁷
- strengthen the 'right to request' provisions under s 65 of the *Fair Work Act 2009 (Cth)* to provide an enforceable right to request flexible working arrangements.¹⁸

Access to affordable child care

The Productivity Commission's 2014 report on childcare and early childhood learning found that women's workforce participation could be increased through access to affordable childcare. Child care costs, particularly for women returning to work part-time, may serve as a disincentive to return to the workforce.¹⁹ Submissions included a number of recommendations to improve access to quality affordable childcare. These included:

- reviewing current fringe benefits tax legislation and revising it to allow organisations to provide more cost-effectively subsidised childcare, healthcare and aged parent care assistance as employee benefits;²⁰
- adjusting means testing to achieve a progressive scale of the proportion of household disposable income spent on childcare costs; and²¹
- lowering means test tapers and expanding coverage increases fiscal cost of these measures but is most likely necessary to achieve goals of women's workforce participation and increased retirement saving.²²

Broader issues relating to the retirement system

Review of the retirement income system

A number of submissions recommended that the Australian Government should undertake a comprehensive review of the retirement income system, including the interrelationship between the social security, taxation and superannuation systems.²³ For example, COTA Australia recommended that such a review should:

¹⁷ Workplace Gender Equality Agency, *Submission 79*, p. 13.

¹⁸ See for example, ACTU, *Submission 69*, pp. 13–14; Carers Australia, *Submission 39*, p. 18.

¹⁹ Productivity Commission, *Childcare and Early Childhood Learning: Inquiry Report Overview and Recommendations*, No. 73, 31 October 2014, p. 53.

²⁰ Mercer, *Submission 22*, p. 5.

²¹ Women's Health Goulburn North East and Women's Health in the North, *Submission 5*, p. xii.

²² Professor Miranda Stewart, Tax and Transfer Policy Institute, Australian National University, *Submission 78*, p. 7.

²³ See for example, National Seniors Australia, *Submission 62*, p. 2; COTA Australia, *Submission 86*, p. 4; Industry Super Australia, *Submission 74*, p. 4.

- cover pensions and allowances, all aspects of superannuation policy (including the taxation treatment of superannuation assets and income), issues affecting mature age workforce participation, housing and the costs associated with aged care and health in older age;
- look to the optimisation of retirement incomes and factors which mitigate for and against this, including the risks the system and policies place on the individual; and
- include in its goals and methodology an explicit recognition of, and response to, the diversity of experience and outcomes in retirement incomes for different groups in society, particularly but not restricted to women.²⁴

Valuing unpaid care

The Australian Human Rights Commission's *Investing in care: Recognising and valuing those who care* report observed that the current superannuation system, which is tied to paid work, results in inequitable outcomes and savings for women who are, or have been, unpaid carers.²⁵

Women are more likely than men to provide unpaid caring work:

- Women made up the majority of carers, representing 70 per cent of primary carers and 56 per cent of carers overall.
- Women comprised 92 per cent of primary carers for children with disabilities, 70 per cent of primary carers for parents and 52 per cent of primary carers for partners. While 57.5 per cent of mothers whose youngest child is aged 0–5 years were participating in the labour force, 94 per cent of fathers, whose youngest child is 0–5 years, were working or looking for work.
- 63 per cent of employed female parents are employed in part-time work, compared to 7 per cent of employed male parents.²⁶

Some of the recommendations to the committee included:

- include superannuation payments in the Commonwealth Paid Parental Leave;²⁷
- include superannuation payments in the Commonwealth Carer Payment;²⁸
- encourage employers through incentives to pay additional contributions to superannuation during paid and unpaid parental leave;²⁹ and

²⁴ COTA Australia, *Submission 86*, p. 4.

²⁵ Australian Human Rights Commission, *Investing in care: Recognising and valuing those who care, Volume 1: Research Report 2013*, p. 10.

²⁶ Australian Human Rights Commission, *Submission 36*, p. 3.

²⁷ See for example, Australian Human Rights Commission, *Submission 36*, p. 6; Australian Institute of Superannuation Trustees, *Submission 45*, p. 6; COTA Australia, *Submission 86*, p. 11.

²⁸ See for example, Australian Human Rights Commission, *Submission 36*, p. 7; Financial Planning Association of Australia, *Submission 49*, p. 3; Carers Australia, *Submission 39*, p. 15.

- recognise and reward unpaid work in the retirement income system by providing carer credits or contributing to superannuation.³⁰

Superannuation system and recommendations for reform

Clearly stated objectives for the superannuation system

Currently, the objective of superannuation is not clearly defined and enshrined in legislation. A number of submissions supported seeking broad political agreement on the objectives of the superannuation system.³¹ The Financial System Inquiry (FSI) report, recommended that the government:

Seek broad political agreement for, and enshrine in legislation, the objectives of the superannuation system and report publicly on how policy proposals are consistent with achieving these objectives over the long term.³²

In its response to the FSI report, released on 20 October 2015, the government agreed to the FSI's recommendation that the objective of the superannuation system should be enshrined in legislation.³³ The response stated that the government planned to develop and introduce legislation to enshrine the objective of the superannuation system by the end of 2016.³⁴

In considering the FSI recommendation for the clear establishment of an objective for super, some witnesses recommended consideration explicitly mentioning both men and women in any proposed objective to ensure there is a continuing focus on a retirement system that adequately addresses the needs of women.

Progressive taxation on superannuation contributions

The government was undertaking a white paper process examining Australia's tax system which would consider recommendations by the FSI relating to superannuation.³⁵ It would appear the process will now be part of the government's 2016–17 Budget. The FSI report recommended that the Tax White Paper:

²⁹ Financial Services Union, *Submission 29*, p. 3; Good Shepherd, *Submission 56*, p. 12.

³⁰ See for example, WiSER - Curtin University, *Submission 6*, p. 14; HESTA, *Submission 59*, p. 13; The McKell Institute, *Submission 53*, p. 8.

³¹ See for example, Victorian Women's Trust, *Submission 33*, p. 8; Women in Super, *Submission 50*, p. 21; UniSuper, *Submission 71*, p. 5; Australian Institute of Superannuation Trustees, *Submission 45*, p. 5.

³² The Australian Government the Treasury, *Financial System Inquiry: Final Report*, November 2014, p. 95.

³³ Australian Government, *Improving Australia's financial system: Government response to the Financial System Inquiry*, 2015, p. 12.

³⁴ Australian Government, *Improving Australia's financial system: Government response to the Financial System Inquiry*, 2015, p. 6.

³⁵ The Joe Hockey MP, Treasurer, 'Tax White Paper consultation process extended', *Media Release*, 16 June 2015, <http://jbh.ministers.treasury.gov.au/media-release/059-2015/> (accessed 9 February 2016).

...consider the removal of tax barriers to a seamless transition to retirement and target superannuation tax concessions to the superannuation system's objectives. Adjustments to tax settings and efforts to improve equity have been major contributors to superannuation policy change in the past. The [FSI] believes community concerns about these issues need to be addressed to achieve greater policy stability and long-term confidence and trust in the system.³⁶

Submissions raised the need for reform of the tax arrangements for superannuation concessions and offered a range of proposals to improve the fairness in the system and better target concessions to improve the superannuation savings for low income earners.³⁷ For example:

- implementing progressive superannuation tax concessions based on marginal income tax rates minus a rebate.³⁸
- changing superannuation tax concessions so they are more equitable, particularly for low income earners.³⁹

Compulsory superannuation

Increase the superannuation guarantee

In May 2014, the government announced that it would change the schedule for increasing the superannuation guarantee to 12 per cent.⁴⁰ The timeframe for the superannuation guarantee increase to 12 per cent was amended in Schedule 6 of the *Minerals Resource Rent Tax Repeal and Other Measures Act 2014*. The superannuation guarantee had been scheduled to reach 12 per cent on 1 July 2019, the amendment froze the superannuation guarantee at 9.5 per cent until 2021, which would then gradually increase to 12 per cent by 1 July 2025.

A number of submissions argued that increasing the superannuation guarantee to 12 per cent would have a positive effect on women given their overall position in the labour market. As such, recommendations to the committee included:

- increasing super guarantee from 9.5 per cent to 12 per cent at a faster rate than currently planned;⁴¹
- continuing to increase the super guarantee to 15 per cent;⁴²

³⁶ The Australian Government the Treasury, *Financial System Inquiry: Final Report*, November 2014, p. 92.

³⁷ See for example, ACOSS, *Submission 61, Attachment 1*, pp. 46–47; Industry Super Australia, *Submission 74*, p. 49; Rice Warner, *Submission 82*, p. 8; Grattan Institute, *Submission 87*, p. 6.

³⁸ ACTU, *Submission 69*, p. 7.

³⁹ Rice Warner, *Submission 82*, p. 8.

⁴⁰ The Hon. Joe Hockey, MP, Treasurer, 'Rephasing superannuation guarantee', Media release, 13 May 2014, <http://jbh.ministers.treasury.gov.au/media-release/026-2014/> (accessed 9 February 2016).

⁴¹ See for example, Women and Work Research Group (WWRG), *Submission 76*, p. 11; SMSF Association, *Submission 83*, p. 3; UnitingCare Australia, *Submission 9*, p. 4.

- building a review mechanism into the inter-generational report so that the current rate of superannuation guarantee contributions is modelled to determine whether it would be sufficient.⁴³

Retain low income super contribution (LISC)

The LISC was introduced to ensure that low income earners' superannuation contributions were not taxed at a higher rate than their effective marginal tax rate on personal income.⁴⁴ The LISC provided a superannuation tax rebate of up to \$500 a year for those earning \$37,000 or less, which meant that an additional superannuation contribution of up to \$500 per year went directly into a low paid worker's superannuation account.⁴⁵ The LISC was repealed by Schedule 7 of the *Minerals Resource Rent Tax Repeal and Other Measures Act 2014* and will no longer be available after 1 July 2017

A large number of submissions recommended the retention of the LISC.⁴⁶ The Association of Superannuation Funds of Australia noted that, 'given its effectiveness in targeting low income earners and redressing the effect of tax on superannuation contributions, consideration could be given to extending the scheme to help address the issue of small superannuation balances.'⁴⁷

Removing exemptions from the superannuation guarantee

Under subsection 27(2) of the *Superannuation Guarantee (Administration) Act 1992* (SGA) if a person's monthly wages are less than \$450 per month, their employer is not liable for the Superannuation Guarantee Charge under section 19 of that Act. Thus they do not have to pay any superannuation contributions in respect of that employee. If an employee is under 18 years of age or is a private or domestic worker, such as a nanny, they must also work for 30 or more hours per week to qualify for the superannuation guarantee.⁴⁸

⁴² REST Industry Super, *Submission 40*, p. 1; COTA Australia, *Submission 86*, p. 11.

⁴³ Association of Superannuation Funds of Australia (ASFA), *Submission 84*, p. 12.

⁴⁴ Australian Institute of Superannuation Trustees, *Submission 71*, p. 5.

⁴⁵ Australian Taxation Office, 'What is the Low Income Super Contribution', 13 October 2014, <https://www.ato.gov.au/Individuals/Super/In-detail/Growing/Low-income-super-contribution/> (accessed 9 February 2016).

⁴⁶ See for example, Mercer, *Submission 22*, p. 13; Australian Human Rights Commission, *Submission 36*, p. 7; Women in Super, *Submission 50*, p. 19; National Australia Bank, *Submission 63*, pp. 4–5; SMSF Association, *Submission 83*, p. 3.

⁴⁷ Association of Superannuation Funds of Australia (ASFA), *Submission 84*, p. 6.

⁴⁸ Australian Taxation Office, 'Working out if you have to pay super', 1 June 2015, <https://www.ato.gov.au/Business/Super-for-employers/Working-out-if-you-have-to-pay-super/> (accessed 9 February 2016).

A number of submissions recommended that the \$450 per month threshold should be removed.⁴⁹ Other submissions also argued that the exemption for those under 18 working less than 30 hours a week should also be removed.⁵⁰

Compulsory superannuation for the self-employed

Self-employed people are not required to make superannuation guarantee payments to themselves. Approximately 23 per cent of self-employed people have no superannuation, compared to only 7.5 per cent of other employees. Females who are self-employed are less likely to have superannuation than males who are self-employed.⁵¹ As such, some submissions recommended extending compulsory superannuation to the self-employed.⁵²

Voluntary superannuation contributions

Flexible concessional contribution caps on voluntary superannuation contributions

In October 2015, the Treasurer, the Hon Scott Morrison MP, flagged the possibility of lifting the taxation cap on superannuation contributions for people who have breaks from their working lives to be fulltime carers, in particular women taking time out of the workforce to care for children.⁵³

A number of submissions to the inquiry recommended introducing more flexible contribution caps to enable additional voluntary catch up payments following periods out of the paid workforce.⁵⁴ Other submissions noted that increasing contribution caps would likely only benefit a small number of women with the capacity to make voluntary superannuation contributions.⁵⁵ Women in Super noted:

...it is worth investigating what type of caps are more valuable to women and low income earners and whether they should be tied to annual income, lifetime earnings and/or superannuation balances. For example, a self-employed person might sell their business prior to retirement or a person

⁴⁹ See for example, Australian Human Rights Commission, *Submission 36*, p. 6; Australian Institute of Superannuation Trustees, *Submission 45*, p. 6; COTA Australia, *Submission 86*, p. 10.

⁵⁰ ACTU, *Submission 69*, p. 8; Mercer, *Submission 22*, p. 8.

⁵¹ Women in Super, *Submission 50*, p. 20.

⁵² Australian Institute of Superannuation Trustees, *Submission 45*, p. 6; Association of Superannuation Funds of Australia (ASFA), *Submission 84*, pp. 9–10.

⁵³ Simon Benson, 'Superannuation special, Treasurer Scott Morrison moves to plug savings gender gap', *Daily Telegraph*, 26 October 2015, [http://www.dailytelegraph.com.au/news/nsw/superannuation-special-treasurer-scott-morrison-moves-to-plug-savings-gender-gap/news-story/c5dc0f2d5a3b2eedbd129e2dc7ae0ae8?=
\(accessed 9 February 2016\).](http://www.dailytelegraph.com.au/news/nsw/superannuation-special-treasurer-scott-morrison-moves-to-plug-savings-gender-gap/news-story/c5dc0f2d5a3b2eedbd129e2dc7ae0ae8?=)

⁵⁴ See for example, PwC Australia, *Submission 23*, p. 2; BT Financial Group, *Submission 60*, p. 4; Commonwealth Bank, *Submission 64*, p. 3; Association of Superannuation Funds of Australia (ASFA), *Submission 84*, p. 4.

⁵⁵ Industry Super Australia, *Submission 74*, pp. 47–48; Professor Miranda Stewart, Tax and Transfer Policy Institute, Australian National University, *Submission 78*, p. 5; Women in Super, *Submission 50*, p. 22.

might sell their home later in life to finance their retirement and health or aged care costs.⁵⁶

Retain and develop the Superannuation Co-Contribution Scheme

The superannuation co-contribution is intended to help eligible low or middle-income earners boost their retirement savings. Under this scheme, if you are eligible and make personal after-tax super contributions to your superannuation fund, the government also makes a co-contribution up to \$500 per financial year.⁵⁷

Some submissions recommended increasing the government co-contribution threshold to encourage low-income earners to make modest voluntary superannuation contributions.⁵⁸

'Super Seed' proposal

Industry Super Australia described its Super Seed proposal as an 'enhanced version of the government co-contribution which is targeted to provide an early propagation of superannuation savings, of most benefit to part-time women, especially those taking time out to have children.'⁵⁹ The Super Seed proposal would involve an automatic government contribution annually to the active superannuation account of persons in the three lowest income deciles whilst they are aged 27 to 36 inclusive.⁶⁰

Employer Initiatives

The Workplace Gender Equality Agency noted that a number of organisations are introducing initiatives to reduce the gender superannuation gap, and remove barriers for women returning to work.⁶¹ For example, ANZ and Rice Warner have both introduced packages to reduce gender pay inequity and increase women's retirement savings. The measures ANZ and Rice Warner have introduced include superannuation contributions on parental leave for all employees, additional superannuation contributions to female employees and access to targeted financial advice.⁶²

Amend anti-discrimination legislation to allow employers to contribute more super for women

In July 2013, Rice Warner implemented a package of benefits to help female employees achieve higher retirement incomes. The package included an additional

⁵⁶ Women in Super, *Submission 50*, p. 22.

⁵⁷ Australian Taxation Office, 'Super co-contribution', 26 November 2015, <https://www.ato.gov.au/individuals/super/in-detail/growing/super-co-contribution/> (accessed 9 February 2016).

⁵⁸ See for example, Tasmanian Women's Council, *Submission 28*, pp. 5–6; Australian Manufacturing Workers' Union, *Submission 58*, p. 2; BPW Coffs Harbour, *Submission 34*, p. 4.

⁵⁹ Industry Super Australia, *Submission 74*, p. 5.

⁶⁰ Industry Super Australia, *Submission 74*, p. 39. This proposal was supported by ACTU, *Submission 69*, p. 10; National Education Union, *Submission 26*, p. 14; and Unions NSW, *Submission 67*, pp. 11–12.

⁶¹ Workplace Gender Equality Agency, *Submission 79*, pp. 15–16.

⁶² ANZ Wealth, *Submission 89*, p. 3; Rice Warner, *Submission 82*, p. 41.

2 per cent superannuation contribution for female employees. In order to implement this policy, Rice Warner had to apply to the Australian Human Rights Commission for an exemption from the *Sex Discrimination Act 1984*.⁶³

A number of submissions recommended that the *Sex Discrimination Act 1984* be amended to remove potential barriers for employers who wish to pay extra superannuation contributions to female employees.⁶⁴

Improve employer compliance

Association of Superannuation Funds of Australia (ASFA) noted that recent research had found that non-payment of superannuation by employers affects around 650,000 Australian workers, leaving them out of pocket around \$2.5 billion annually. The loss of superannuation more heavily affects younger and lower-income Australians. ASFA recommended that the ATO should have adequate systems, processes and people to ensure employers comply with their superannuation guarantee obligations with respect to their employees.⁶⁵

Joint superannuation accounts for couples

There were mixed responses from submissions to proposals to allow couples to create joint superannuation accounts. Those in favour of joint accounts argued that they could improve retirement incomes for women by reducing the cost of fees.⁶⁶ The alternative view was that joint accounts would not provide any real assistance in reducing the gender retirement savings gap.⁶⁷

Increase incentives for super contributions by a working spouse

Some participants suggested improving incentives for a working spouse to contribute to the superannuation account of a spouse with caring responsibilities in a tax effective manner. PwC Australia suggested increasing the quantum of the tax offset available under the Spouse Super Contribution for people that make contributions a super or retirement account on behalf of their spouse who is earning a low income or not working. It was argued that this was a useful mechanism for women who take career breaks, but have a partner that still works, to continue to build their retirement savings.⁶⁸ Women Lawyers' Association also supported this view and called for consideration of 'Family' taxation and concessions, where tax rates and concessions

⁶³ Rice Warner, Submission 82, p. 36.

⁶⁴ See for example, The McKell Institute, Submission 53, p. 8; Financial Services Union, Submission 57, pp. 4–5; Association of Superannuation Funds of Australia, Submission 84, pp. 8–9.

⁶⁵ Association of Superannuation Funds of Australia, *Submission 84*, p. 10. See also SDA National, *Submission 30*, p. 35; CPSU, *Submission 55*, p. 17.

⁶⁶ National Seniors, *Submission 62*, p. 3; The McKell Institute, *Submission 53*, p. 6; Rice Warner, *Submission 82*, p. 8.

⁶⁷ Mercer, *Submission 22*, p. 14; Women in Super, *Submission 50*, pp. 21–22; Industry Super Australia, *Submission 74*, p. 47.

⁶⁸ PwC Australia, Submission 23, p. 3.

applied to the family unit instead of the individual taxpayer.⁶⁹ Proposals of this type would apply equally to men, that is, women could contribute to their husband's super account if they were on paternity leave or taking a career break.

Retirement products addressing longevity risks

Some submissions noted that women may benefit more from products that address longevity risks, such as annuities, as they have a longer life expectancy than men. As such, they recommended increasing the availability of annuities⁷⁰ and removing regulatory barriers impeding the development of income stream products.⁷¹ The government is currently undertaking a Review of Retirement Income Stream Regulations including:

- the regulatory barriers restricting the availability of relevant and appropriate income stream products in the Australian market; and
- the minimum payment amounts for account-based pensions, to assess their appropriateness in light of current financial market conditions.⁷²

Age pension

While changes to superannuation system may assist younger women to increase their retirement savings, they will not assist women who are already in retirement, or are approaching retirement with lower superannuation balances.

Due to the gender retirement savings gap, many women retire into poverty and rely on the age pension for income. The Australian Human Rights Commission provided the following statistics:

In 2011, women comprised 56.5 percent of the 2.23 million recipients of the age pension. Just over half (53.6 percent) of female age pension recipients were single and 71.8 percent of single age pension recipients are women. Sixty-one percent of female age pensioners received the maximum rate, and 27.3 percent were not home owners. In 2008, 28.9 percent of older women (aged 65 years and over) were in poverty compared to 24.6 percent of men in this age group.⁷³

Submissions included the following recommendations with regards to the age pension:

⁶⁹ Women Lawyers' Association, South Australia Inc, *Submission 31*, p. 5.

⁷⁰ UnitingCare Australia, *Submission 9*, p. 4.

⁷¹ Commonwealth Bank of Australia, *Submission 64*, p. 3.

⁷² The Treasury, 'Review of Retirement Income Stream Regulation', 21 July 2014, <http://www.treasury.gov.au/ConsultationsandReviews/Consultations/2014/Review-of-retirement-income-stream-regulation> (accessed 9 February 2016).

⁷³ Australian Human Rights Commission, *Submission 36*, pp. 1–2.

- review the adequacy of the age pension, in particular the rate of the single age pension;⁷⁴
- retain the current method for increasing the age pension annually to ensure it keeps pace with living expenses;⁷⁵
- review means testing, in particular taking into account women's longer life expectancy; and⁷⁶
- retain the current pension age.⁷⁷

Housing

Review of Commonwealth Rental Assistance

Recent research by the Productivity Commission found that older renters are a significant and vulnerable minority. Close to 15 per cent of older Australian households are renters rather than homeowners. Renting in older age is associated with increased risk of poverty and homelessness.⁷⁸ Single older women are particularly vulnerable as they are more likely to rely entirely on the age pension and less likely to own their own home.⁷⁹ As the age pension rate is based on the assumption of home ownership, a number of submissions recommended that Commonwealth Rental Assistance (CRA) be reviewed to ensure it adequately meets rising housing costs in Australia.⁸⁰ Submissions also recommended developing targeted strategies to provide affordable housing as a means to deliver economic security for women.⁸¹

The committee undertook an inquiry into housing affordability in Australia, which reported in 2015. The report recommended that the Australian Government:

- review the eligibility criteria for CRA to ensure that it is targeted at those most in need;

⁷⁴ Women's Health Goulburn North East and Women's Health in the North, *Submission 5*, p. xi; SDA National, *Submission 30*, p. 6; ACOSS, *Submission 61, Attachment 1*, pp. 45–46; ACTU, *Submission 69*, p. 12.

⁷⁵ National Education Union, *Submission 26*, p. 14; National Seniors Australia, *Submission 62*, p. 2.

⁷⁶ Mercer, *Submission 22*, p. 15; Rice Warner, *Submission 82*, p. 9.

⁷⁷ National Foundation for Australian Women, *Submission 14*; Carers Australia, *Submission 39*; COTA Australia, *Submission 86*.

⁷⁸ Productivity Commission, *Housing Decisions of Older Australians: Research Paper*, December 2015, pp. 8–9.

⁷⁹ Senate Economics References Committee, *Out of Reach?: The Australian housing affordability challenge*, May 2015, p. 280.

⁸⁰ Mercy Foundation, *Submission 24*; Women and Work Research Group, *Submission 76*, ACOSS, *Submission 61*; NCOSS, *Submission 68*; COTA Australia, *Submission 86*, Grattan Institute, *Submission 87*.

⁸¹ See for example Women's Health Goulburn North East and Women's Health in the North, *Submission 5*; Bankwest Curtin Economics Centre, *Submission 80*.

- review the method of indexing CRA with a view to retaining its adequacy; and
- a review of the adequacy of CRA.⁸²

Accessing equity in the home

Research by the Productivity Commission found that around 40 per cent of age pension recipients that owned their own home did not meet a 'modest retirement standard'.⁸³ Of those people, the majority could use their home equity to reach and maintain this income level over the rest of their lives.⁸⁴ The research also found that 'there is currently little interest among older Australians in making use of financial equity release products'.⁸⁵

The Bankwest Curtin Economics Centre noted that careful consideration should be given to any proposals to encourage reliance on personal housing assets in old age as women are more reliant on primary home assets than men. As such women are more vulnerable to the risks and costs associated with realising housing equity.⁸⁶

The Australia Institute proposed expanding the Pension Loans Scheme, a government run reverse mortgage which allows eligible users to borrow against their home to increase their retirement income. The scheme is not well known and in its current form has very strict eligibility criteria. The Australia Institute argued that an expanded Pension Loans Scheme should be used to increase retirement incomes for those who rely on the age pension.⁸⁷

Improve financial literacy and access to financial advice

Submissions supported the development of programs to improve financial literacy, particularly for women. Recommendations to the committee included:

- High school education programs for both girls and boys.⁸⁸
- Targeted communication strategies and programs to encourage women to engage more with superannuation and manage their own financial future.⁸⁹

⁸² Senate Economics References Committee, *Out of Reach?: The Australian housing affordability challenge*, May 2015, p. 394.

⁸³ Productivity Commission, *Housing Decisions of Older Australians: Research Paper*, December 2015, p. 24. The Association of Superannuation Funds of Australia publishes the income levels necessary to meet particular living standards in retirement, available at <http://www.superannuation.asn.au/resources/retirement-standard>

⁸⁴ Productivity Commission, *Housing Decisions of Older Australians: Research Paper*, December 2015, p. 24.

⁸⁵ Productivity Commission, *Housing Decisions of Older Australians: Research Paper*, December 2015, p. 170.

⁸⁶ Bankwest Curtin Economics Centre, *Submission 80*, p. 29.

⁸⁷ The Australia Institute, *Submission 8*, p. 10.

⁸⁸ Mercer, *Submission 22*, p. 6; Women in Super, *Submission 50*, p. 18.

⁸⁹ See for example, WIRE Women's Information and Referral Exchange, *Submission 48*, p. 20; Women in Super, *Submission 50*, p. 18; Association of Financial Advisors, *Submission 77*, p. 4.

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- Make financial advice and financial counselling more accessible.⁹⁰

Conclusion

This paper has outlined numerous approaches and issues raised by submitters to help reduce the gender retirement savings gap as well as raising the superannuation balances for both women and men on low incomes. Many of the issues in this paper will be examined at the committee's upcoming public hearings.

⁹⁰ See for example, The McKell Institute, Submission 53, p. 6; Australian Bankers' Association, Submission 70.