WOMEN IN SUPER

Thursday 21st November 2013

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

Dear Sir/Madam,

INQUIRY INTO THE MINERALS RESOURCE RENT TAX REPEAL AND OTHER MEASURES BILL 2013

Women in Super (WIS) welcomes the opportunity to comment on the Minerals Resource Rent Tax Repeal and Other Measures Bill 2013.

WIS is a national advocacy and networking group for women employed in the superannuation and financial services industries.

WIS lobbies on behalf of its members and women generally to government, politicians, unions, employer organisations, regulators, and superannuation funds to improve women's retirement prospects and access to superannuation.

WIS provides education and support to assist women in gaining opportunities to develop broader business, professional and personal networks, and aims to educate the greater community in order to improve their knowledge of superannuation. WIS strongly supports and encourages the appointment of women to superannuation fund boards, and works with other organisations and stakeholders to achieve this.

We confine our submission to matters relating to superannuation, being the repeal of the Low Income Superannuation Contribution (LISC), and the delay in increasing the Superannuation Guarantee (SG) to 12 per cent.

General comments

WIS strongly supports measures that promote Australians building their retirement savings – in particular, we support policies that assist low-income earners, as women make up the majority of this sector of the workforce. We therefore see both the increase in the Superannuation Guarantee (SG) to 12 per cent, and the Low Income Superannuation Contribution (LISC) as crucial policies. We believe both measures are essential in relieving the pressure on future governments to fund the Age Pension, which will become more difficult as Australia's population ages and there are fewer taxpayers. Furthermore, we believe the LISC, in particular, is fundamental in assisting women build their retirement savings and goes someway to alleviating the gender gap currently present in superannuation balances.

LISC & open letter to the Prime Minister

To mark the opening of the 44th Federal Parliament of Australia, WIS convened an open letter to the Prime Minister urging the Government to break the funding link between the MRRT and the LISC. The letter received support not only from across all sectors of the superannuation industry, but from community groups, academics, business leaders and policy organisations, signalling that there is widespread support for continuation of the LISC. We have concerns regarding the Government's commitment to ensuring equity in the superannuation system, as removal of the LISC effectively penalises low-income earners for contributing to their superannuation.

A copy of the open letter is attached for your reference, as well as a copy of the submission WIS made to the Treasury on 31 October regarding repeal of the MRRT and Other Measures.

Key arguments

The following is a summary of the key arguments in our previous submission:

- Women have just over half the super savings of men, but live longer and therefore need more savings for their retirement
- One in three working Australians, and nearly half the total female workforce, benefit from the LISC
- Those earning under $37,000 will receive no tax benefit from contributing to super, while those earning in excess of the $37,000 threshold will pay tax on their super at a concessional rate
- Abandoning the LISC could result in low-income earners having $30,000 less in super savings at retirement
- Many low-income earners are not simply starting their careers or on an income trajectory; figures from the Productivity Commission show that part-time work is becoming more prevalent amongst both women and men
- Australia's population is ageing, with the number of taxpayers halving over the next 40 years. This will place enormous pressure on future governments to fund the Age Pension

Contact

Catherine Wood, National Chair – Women in Super

Yours sincerely,

Catherine Wood
National Chair & Spokesperson
Women in Super

WOMEN IN SUPER

An open letter to the Prime Minister, Tony Abbott

Tuesday 12th November 2013

Dear Prime Minister,

On the opening of the 44th Parliament of Australia, we write to urge your Government to consider continuation of the Low Income Superannuation Contribution (LISC).

Australian workers who earn $37,000 per annum or below currently receive a 'rebate' of the tax paid on their superannuation contributions. This is worth up to $500. If the LISC is withdrawn, these workers will receive no tax break on their contributions, paying more tax than if the money was part of their take-home pay. It is surely unfair that while the highest paid workers receive a tax concession of 30 per cent, the lowest-paid would be penalised for saving for their retirement.

The LISC provides more than three million low-income earning Australians with a much-needed boost to their superannuation savings – many, if not most, of whom cannot afford to contribute 'voluntarily' to their superannuation.

Around 2.1 million of these working Australians are women – who will face many other barriers to saving throughout their working lives, such as unequal pay, breaks from the workforce, overrepresentation in lower-paid industries, and barriers to employment beyond age 45. Women have longer life expectancies and so need more savings to last longer. Continuation of the LISC will assist nearly half the female workforce in this respect.

The number of taxpayers in Australia is due to halve over the next 30 years, placing increasing pressure on taxpayers of the future to fund the Age Pension and making superannuation savings crucial to peoples' abilities to live comfortably in retirement. The continuation of the LISC will go some way to alleviating this stress.

We call upon your Government to continue this scheme and break the funding link between LISC and the Minerals Resource Rent Tax (MRRT). Funding of LISC should be prioritised, as it benefits a third of the Australian workforce and is a crucial policy initiative in working to close the gap in retirement savings between men and women.

Yours faithfully,

Catherine Wood, National Chair – Women in Super
Mavis Robertson AM, Founder – Women in Super
David Anderson, Managing Director & Market Leader (Asia Pacific) – Mercer
David Atkin, CEO – Cbus
Kelly Banister, CEO – Australian Women's Health Network
Hazel Bateman, Professor of Risk and Actuarial Studies – University of New South Wales
Pru Bennett
Lorraine Berends
Claire Braund, Executive Director – Women on Boards
Juliet Brown, Chair – StatewideSuper
The Hon. John Brumby, Deputy Chair – Industry Super Australia
Peter Bugden, Chair – Catholic Super
Neil Cassidy, CEO – Tasplan Super
Associate Professor Sara Charlesworth, Co-convenor, Work + Family Policy Roundtable – University of South Australia
Marie Coleman, Chair, Social Policy Committee – National Foundation of Australian Women
The Hon. Peter Collins, Chair – Industry Super Australia
Sandra Cook, Chair – economic Security4Women
Anne-Marie Corboy, CEO – HESTA
Dr Mary Crawford, President – National Foundation of Australian Women
Mary Crooks AO, Executive Director – Victorian Women's Trust
Louise Davidson, National Chair – Mother's Day Classic
Richard Dennis, Executive Director – The Australia Institute
Samiro Douglas, CEO – WIRE Women's Information
David Elia, CEO – HOSTPLUS
Angela Emslie, Chair – HESTA Super Fund
Melissa Fuller, Deputy CEO – Rice Warner
Tom Garcia, CEO – Australian Institute of Superannuation Trustees
Cassandra Goldie, CEO – Australian Council of Social Services
Sandy Grant, Chair - CareSuper
Michelle Griffiths, CEO – AvSuper
Frank Gullone, Chair – Kinetic Super
Sally Herman, Non-Executive Director
Damian Hill, CEO - REST
Dr Elizabeth Hill, Co-convenor, Work + Family Policy Roundtable – University of South Australia
Debora Jackson, CEO – TWUSUPER
Philip Jackson, Presiding Member – Super SA & Southern Select Super Corporation
Ged Kearney, President – Australian Council of Trade Unions
Dr Caroline Lambert, Executive Officer – YWCA Australia
Julie Lander, CEO – CareSuper
Ruth Medd, Chair – Women on Boards
Sharon Morris, CEO – Mother's Day Classic
Gerard Noonan, Chair – Media Super
John O'Flaherty, Chief Executive – StatewideSuper
Kevin O'Sullivan, CEO – UniSuper
Professor Barbara Pocock, Co-convenor, Work + Family Policy Roundtable – University of South Australia
Danielle Press, CEO – Equipsuper
Elizabeth Proust AO, Non-Executive Director
Fiona Reynolds, Managing Director – UNPRI & former CEO – Australian Institute of Superannuation Trustees
Anthony Rodwell-Ball, CEO – NGS Super
Elana Rubin, Non-Executive Director
Graeme Russell, CEO – Media Super
Carol Schwartz AM, Chair – Our Community
Richard Shearman, Chair – NGS Super
Ian Silk, CEO – AustralianSuper
Greg Sword, CEO – LUCRF Super
Leeanne Turner, CEO – MTAA Super
Phil Vernon, Managing Director – Australian Ethical Investment
Karen Volpato, Chair, Policy Committee – Women in Super
Bruce Wilson, CEO (Acting) – Sunsuper

Manager
Resource Tax Unit
Indirect, Philanthropy and Resource Tax Division
The Treasury
Langton Crescent
Parkes ACT 2600

Thursday 31 October 2013

Dear Sir or Madam,

SUBMISSION: MRRT AND RELATED MEASURES REPEAL

Women in Super welcomes the opportunity to comment in relation to the Minerals Resource Rent Tax and Other Measures Bill. We confine our submission to matters relating specifically to superannuation.

About us

Women in Super (WIS) is a national advocacy and networking group for women employed in the superannuation and financial services industries.

WIS lobbies on behalf of its members and women generally to government, politicians, unions, employer organisations, regulators, and superannuation funds to improve women's retirement prospects and access to superannuation.

WIS provides education and support to assist women in gaining opportunities to develop broader business, professional and personal networks, and aims to educate the greater community in order to improve their knowledge of superannuation. WIS strongly supports and encourages the appointment of women to superannuation fund boards, and works with other organisations and stakeholders to achieve this.

General comments

WIS strongly supports measures that promote Australians building their retirement savings – in particular, we support policies that assist low-income earners, as women make up the majority of this sector of the workforce. We therefore see both the increase in the Superannuation Guarantee (SG) to 12 per cent, and the Low Income Superannuation Contribution (LISC) as crucial policies. We believe both measures are essential in relieving the pressure on future governments to fund the Age Pension, which will become more difficult as Australia's population ages and there are fewer taxpayers. Furthermore, we believe the LISC, in particular, is fundamental in assisting women build their retirement savings and goes someway to alleviating the gender gap currently present in superannuation balances.

Women's retirement savings

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Figures show that in 2010, women retired with, on average, $112,600 in superannuation, while men retired, on average, with balances of $198,000.[1] There are many reasons for this – women's traditionally broken workforce participation patterns, due to time out to raise and care for a family, the gender pay gap, over-representation of females in part time and casual employment, as well as women forming the majority of those in lower-paid industries. According to ABS figures from 2011, there were 4.7 million women in the workforce, only half of whom were working full time.[2] It is estimated that 2.1 million women will qualify as beneficiaries of the LISC, which is nearly half the female workforce.

Re-phasing of the SG charge percentage increase

WIS strongly supports the increase in the SG from nine to 12 per cent. This increase will assist millions of Australian workers in boosting their retirement savings, which is essential to ensuring more retirees can live comfortably in their retirement and reduces reliance on the Age Pension.

It is widely acknowledged and accepted that Australia's population is ageing; there will be half the number of taxpayers in 40 years' time, which will place enormous stress on governments to fund the pension system. By increasing the rate of SG to 12 per cent, some of that pressure will be alleviated - modelling from both AIST and the former Government shows workers on an average wage could be up to $100,000 better off in retirement with an SG rate of 12 per cent, as opposed to nine per cent.[3]

Many employers already pay SG in excess of the mandated nine per cent[4], such as government and universities, and we applaud these employers for providing such benefits to their employees.

Repeal of the LISC

WIS strongly supports the continuation of the LISC. We believe the Government should break the funding link between the MRRT and the LISC, and continue to fund the LISC from alternative sources. We note Industry Super Australia's (ISA) argument that the LISC has already been funded through tax concessions in the super system as recommended by the Henry Review.

The LISC is a well-targeted policy that corrects a tax anomaly within the superannuation system that results in low-income earners effectively being penalised for contributing to their superannuation. Workers earning $37,000 or less pay more tax on their super contributions than on their take home pay, as this tax exceeds their marginal tax rate. These workers therefore receive no benefit, whereas the majority of working Australians, whose wages exceed the $37,000 threshold, receive a benefit by paying tax at a concessional rate.

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[1] Association of Superannuation Funds of Australia, *Developments in the level and distribution of retirement savings* (2011).
[2] Australian Bureau of Statistics, *Employee Earnings, Benefits and Trade Union Membership, Australia* (August 2011).
[3] Australian Institute of Superannuation Trustees, Briefing paper: *The benefits of an SG rate of 12 per cent* (2010).
[4] Up to the end of the 2012-13 financial year; from 1 July 2013 the mandated amount is 9.25%.

WIS believes funding of the LISC should be prioritised, as it automatically benefits a large proportion of the workforce – many of whom cannot afford to make additional contributions to their super. The majority of low-income earners who qualify for the LISC are women – 2.1 million of the 3.6 Australians who are projected to benefit in the 2012-13 financial year. The LISC is therefore a crucial policy initiative in working to close the gap in retirement savings between men and women. Presently, women retire with, on average, around half the superannuation savings of men.[5] While we acknowledge that the LISC alone will not solve this issue, it certainly assists many women to build their super balances.

We note ISA's estimate that the removal of the LISC could mean low-income earners have up to $30,000 less in superannuation savings at retirement. Although this might seem like a relatively small amount, it will make a difference for those on low incomes who will primarily rely on the Age Pension to fund their retirements.

WIS rejects arguments that many low-income earners who would benefit from LISC are on an income trajectory and would soon qualify for tax concessions for super contributions. We note figures from the Productivity Commission show that part-time work has become more prevalent among both men and women, accounting for nearly a third of national employment in 2007.[6] Many of these workers will therefore, through the nature of their employment, be low-income earners and will therefore qualify for the LISC.

Data from several of WIS's members[7] shows that large proportions of funds' active members qualify for the LISC. Several funds estimated that up to half their membership will benefit, in many cases up to 60 per cent of whom are women, and in some cases up to 85 per cent. These members are not always young or at the beginnings of their careers; funds have estimated that up to half those that qualify are aged 41 or over, many of whom are likely part-time working mothers or people simply working in low-paid positions and industries. We know that women are over-represented in low-paid, part-time and casual work, and they will therefore be the ones who suffer most from the repeal of the LISC.

It is also important to acknowledge that women's life expectancies are indeed longer than men's, which means women will need more retirement savings to last longer. Given women on average earn 17.5 per cent less than men, often have broken workforce participation patterns due to raising and caring for families, and therefore accumulate less superannuation over their lifetimes, we believe the LISC is crucial in assisting women. By removing this scheme, there will be increased pressure to fund the pension system on which these people will inevitably rely. It is therefore crucial that both women and men receive as much assistance now to build their balances, so that they have the opportunity to

[5] Association of Superannuation Funds of Australia, *Developments in the level and distribution of retirement savings* (2011).
[6] Productivity Commission, Productivity Commission Staff Working Paper: *Part Time Employment: the Australian experience* (2008).
[7] Data provided by four not-for-profit superannuation funds. More than 955,000 members across the four funds are estimated to be eligible for the LISC, with more than 574,000 or these being women.

build their savings as early as possible and benefit from as many years of compounding interest as they can.

We note the Government has indicated support for continuation of the co-contribution scheme, which WIS supports. However, many of those that benefit from the LISC are not in a position to be able to contribute the required amount so as to benefit from this scheme.

Finally, there has been much debate in the past 12 months regarding inequities in the superannuation system, much of which has focussed on tax concessions benefitting high-income earners. The LISC is one of few policies that benefits those most at need, who cannot afford to top their superannuation, and remedies one of the most wide-reaching inequities in the system. WIS strongly believes that the LISC must continue if the super system is indeed to become more equitable and to maintain long-term sustainability of the retirement incomes system.

Contact

Cate Wood	Chair
Alissa Harnath	Policy Officer

Kind regards,

Cate Wood
Chair, Women in Super