

Chapter 1

Introduction

1.1 No Australian should face an insecure retirement because of their gender. This committee's inquiry has found that many women do.

1.2 Men's superannuation balances at retirement are on average twice as large as women's. In practice this means that women, particularly single women, are at greater risk of experiencing poverty, housing stress and homelessness in retirement.

1.3 This is a problem born of many interrelated factors. At its heart, however, is the fact that women and men experience work very differently. Women are more likely to work in lower paid roles and lower paid fields, are more likely to work part-time or casually, and are more likely to take breaks from paid employment to provide unpaid care for others. Over their lifetimes, as a consequence, they will earn significantly less than men.

1.4 Australia's retirement income system does not adequately accommodate this difference. It structurally favours higher income earners who work full-time, without breaks, for the entirety of their working life. The women (and men) who do not fit this pattern of work face a significant handicap when saving for their retirement.

1.5 This is not a legacy issue. The forces that lead to the differences between women's and men's patterns of work continue to act on young women today.

1.6 The committee's inquiry has examined policy measures to close the gap between the economic security of women and men in retirement in the longer term; as well as measures to assist older women who have already retired, or are approaching retirement, to ensure they have adequate income to live comfortably.

1.7 There is no simple solution. The causes of gender inequality in retirement are complex, and a solution is correspondingly complex.

1.8 We should redouble our efforts to achieve equality at work—paying women equally, offering access to career development and leadership opportunities, and accommodating rather than penalising those who care for others. Government, business, and individuals have a role to play in achieving women's full participation in our workplaces.

1.9 In retirement, our 'three pillar' retirement system—the age pension, compulsory superannuation, and voluntary savings—has served us well, and provides the foundation for the committee's thinking about this inquiry.

1.10 Of significance for Australian women, the aged pension continues to be the principle means by which we take care of those who have provided unpaid care. Support for this important Australian institution is essential.

1.11 Compulsory superannuation has improved retirement for many Australian women, where previously women were excluded. However, the current superannuation tax concessions are poorly targeted and serve to reinforce the gender retirement savings gap. Men, in aggregate, receive double the superannuation tax

concessions as women. Rebalancing the taxation of superannuation to better support those on low and medium income is critical.

1.12 In undertaking its work, the committee has sought to thoroughly understand and describe the problem before identifying solutions. The committee recognises that a full transformation will take time, and will be affected by fiscal constraints. It is hoped that the report provides a long term road map for a transformation of retirement income policy to benefit women.

1.13 These qualifications do not dim the committee's sense of urgency about the need to commence this transformation. In early 2016, the committee held a hearing in the auditorium at Melbourne Girls College, and spoke with students from this school. These girls eagerly anticipate their future contribution to Australian society. We owe it to these girls, and girls Australia over, to ensure that their reward at the end of their lives will be a dignified and secure retirement. If we are to deliver this, we need to start now.

About the inquiry

1.14 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 On 22 February 2016, the Senate granted an extension of time to report to 29 April 2016.²

1.15 At the time of the referral of the inquiry, the Senate noted 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.³

1.16 Consequently, the terms of reference for the inquiry into the economic security for women in retirement referred in particular 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,
- (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

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

2 *Journals of the Senate*, No. 138, 22 February 2016, p. 3749.

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

- (v) what measures would provide women with access to adequate and secure retirement incomes; including:
- assistance to employers to assist female employees' superannuation savings,
 - Government assistance, with reference to the success of previous schemes, and
 - any possible reforms to current laws relating to superannuation, social security payments, paid parental leave, discrimination, or any other relevant measure.⁴

1.17 The committee received 92 submissions and held five public hearings:

- 6 October 2015 in Adelaide;
- 19 November 2015 and 12 February 2016 in Sydney;
- 18 February 2016 in Richmond, Victoria; and
- 19 February 2016 in Canberra.



Students from Melbourne Girls' College observing the public hearing held at their school on 18 February 2016.

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

Subcommittee

1.18 For the purposes of this inquiry, the committee resolved to form a subcommittee comprising Senator McAllister, Senator Edwards, Senator Ketter and Senator Dastyari. The committee resolved further that Senator McAllister would be chair and Senator Edwards deputy chair of the subcommittee.

Acknowledgement

1.19 The committee thanks the many organisations and individuals who participated in the public hearings as well as those that made written submissions. In particular, the committee would like to thank the women who told the committee of their personal experiences.

1.20 The committee also thanks the Secretary to the committee, Dr Kathleen Dermody, and committee staff, in particular Ms Penny Bear and Dr Sean Turner. Their professionalism and enthusiasm has contributed greatly to the committee's deliberations.

Structure of the Report

1.21 The report comprises 11 Chapters, including this one, followed by:

- Chapter 2—background
- Chapter 3—narrowing the gender pay gap
- Chapter 4—women's working experience
- Chapter 5—Australia's retirement income system, including valuing paid care
- Chapter 6—superannuation
- Chapter 7—voluntary superannuation contributions, co-contribution schemes and employer schemes
- Chapter 8—the Age Pension
- Chapter 9—housing and economic security in retirement
- Chapter 10—financial literacy
- Chapter 11—conclusion, achieving dignity and economic security in retirement