Chapter 6

Superannuation

6.1 As discussed in chapter 2, the problem of economic insecurity for women in retirement is starkly illustrated by the gender gap in superannuation savings (hereafter the 'superannuation savings gap'), which currently stands at 46.6 per cent at the point of retirement. The size and persistence of the superannuation savings gap is entirely inconsistent with basic Australian principles of equity and fairness, and closing the gap is fundamental to ensuring women have dignity and security in retirement.

6.2 This and the following chapter explore a range of superannuation policy issues and suggest several policy changes that directly relate to the structure and operation of the superannuation system. This chapter considers:

- whether, as part of the current push to enshrine the purpose of superannuation in legislation, explicit reference might be made to women's retirement incomes;
- the fairness and efficiency of the current distribution of superannuation tax concessions, with specific reference to how the distribution of those concessions affects women's retirement incomes, and possible reforms in this regard;
- policy proposals in relation to the compulsory superannuation system, including:
  - retaining the Low Income Superannuation Contribution (LISC);
  - accelerating the increase in the superannuation guarantee (SG) rate to 12 per cent, and possibly increasing the SG rate higher still;
  - requiring that employers pay female employees a higher SG rate;
  - removing exemptions from the SG, including the exemption from the requirement for employers to make SG payments to an employee earning less than $450 in a given month; and
  - extending the SG to cover self-employed people; and
- if several other structural and operational reforms might help close the superannuation savings gap.

6.3 While the policy issues suggested in this chapter are important, the committee reiterates the need to address underlying social, economic and cultural biases that give rise to the retirement income gap. In particular, the committee again notes the need to address the gender wage gap and gendered workforce participation patterns. Without efforts to address underlying structural biases, as discussed elsewhere in this report, the policy directions suggested in this chapter can only make a difference at the margin. The committee therefore suggests that the recommendations made in this chapter regarding the superannuation system be read in conjunction with the broader structural changes recommended elsewhere in this report.

6.4 The committee also emphasises the importance of considering superannuation policy holistically alongside Age Pension policy. Issues relating to the Age Pension are considered in chapter 8.

Summary of the superannuation savings gap

6.5 As noted in the terms of reference and discussed in chapter 2, the average superannuation balance of women at retirement is about half that of men.[1] The superannuation savings gap is driven by a combination of interrelated factors, all of which have been explored in previous chapters, including:

- women's lower workforce participation rate and disproportionate representation in part-time and casual employment;
- occupational and industrial segregation;
- the gender pay gap;
- pregnancy related workplace discrimination; and
- the disproportionate amount of unpaid caring work undertaken by women.

6.6 There was a general recognition by inquiry participants that these underlying factors would need to be addressed to close the superannuation savings gap. The Australian Institute of Family Studies (AIFS), for instance, made the point that the superannuation savings gap is primarily a result of the gender wage gap, women taking longer periods out of paid employment, and the higher incidence of part-time work by women. The AIFS argued that as long as any of these three trends persist and superannuation contributions continue to be based on earnings, the superannuation savings gap will remain.[2]

6.7 At the same time, many inquiry participants, even while acknowledging the need to address broader structural biases, also discussed how the current structure and operation of the superannuation system reinforced the gender retirement savings gap, and outlined areas for possible reform. The ideas put forward by participants in this regard are considered below and in the next chapter.

Defining the objective of superannuation

6.8 Currently, the objective of the superannuation system is not set out in legislation, but is generally understood to be to provide income in retirement to

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

2 Australian Institute of Family Studies, *Submission 18*, p. 13. A similar point was made by Mercer. See Ms Yolanda Beattie, Principle and Practice Leader, Diversity and Inclusion, Mercer Australia, *Committee Hansard*, 18 February 2016, p. 28.

substitute or supplement the Age Pension. 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.[3]

6.9 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.[4] The government also advised that it planned to develop and introduce legislation to this end by the end of 2016.[5] On 9 March 2016, the Assistant Treasurer, the Hon Kelly O'Dwyer MP, released a discussion paper on the issue to start a public consultation process, and called for written submissions.[6]

6.10 Some inquiry participants submitted that the stated objective of the superannuation system and the measures by which the objective is assessed should include references to gender. For example, the AIST reasoned:

> Both transparent objectives for the superannuation system and agreed KPIs should include a gender lens—recognising the needs of women—as well as a methodology for assessing the impact of both current and proposed policies through a gender lens.[7]

6.11 Mrs Buckley, Women in Super, spoke firmly in favour of enshrining the objective for the superannuation system in legislation. Asked if this objective should include specific reference to women, Mrs Buckley responded:

> Yes, definitely. In every submission that we have done, including our submission to the FSI, we would have stated that we believe that any policy measure, whether that is tax or otherwise, should have a gender analysis. It is something that the EU has mandated as compulsory.[8]

Committee view

6.12 While compulsory superannuation has significantly expanded access to superannuation for women, the superannuation framework does not easily accommodate women's experience of work. Future changes to the structure and

---

3 Treasury, *Financial System Inquiry: Final Report*, November 2014, p. 95.

4 Treasury, *Financial System Inquiry: Final Report*, November 2014, p. 12.

5 Treasury, *Financial System Inquiry: Final Report*, November 2014, p. 6.

6 Treasury, webpage, 'Objective of Superannuation', 9 March 2016, http://www.treasury.gov.au/ConsultationsandReviews/Consultations/2016/Objective-of-superannuation, accessed 13 April 2016.

7 Australian Institute of Superannuation Trustees, *Submission 45*, p. 5.

8 Mrs Sandra Buckley, Executive Officer, Women in Super, *Committee Hansard*, 6 October 2015, p. 20.

operation of the superannuation system should be examined with specific reference to the impact on women's retirement incomes. For this reason, the committee believes that the stated objective of the superannuation system should include a specific reference to women's retirement incomes. Doing so will underline the importance of closing the gender superannuation gap, and help ensure that focus on the issue is maintained in the policymaking process in the years ahead.

6.13 Furthermore, arising from the earlier discussion of the integrated nature of Australia's retirement system, the committee considers that any objective for superannuation should acknowledge its interdependency with the other pillars, including the age pension (see chapter 8).

Recommendation 10

6.14 The committee recommends that the Australian Government set an objective for superannuation that supports the continuation of a strong three pillar retirement income system.

6.15 In drafting this objective for the superannuation system, the Australian Government should include specific reference to women's retirement incomes, to ensure gender equity is a continuing focus for policy makers.

Taxation of superannuation

6.16 A wide range of participants in the inquiry contended that current superannuation tax concessions are poorly targeted and serve to reinforce the gender retirement savings gap.[9] The committee heard that the inequitable distribution of tax concessions on superannuation contributions and earnings not only favours high income earners and high wealth households generally, but also disproportionately disadvantages women.

6.17 For example, the National Foundation for Australian Women suggested that the superannuation system was not currently 'fit for purpose', with tax concessions overly generous and misdirected. The winners in this system were generally higher income men, whereas women on low-incomes or reliant on the Age Pension lose out.[10] Similarly, ISA argued that:

> …tax concessions on super operate in a regressive way, so that very significant benefit is derived at the top end—mainly male income-earners.

9 In a broad sense, the evidence received by the committee in this regard echoed the finding of the Financial Systems Inquiry Final Report (November 2014) that tax concessions in the superannuation system 'are not well targeted at improving retirement incomes'. Treasury, *Financial System Inquiry: Final Report*, November 2014, p. 90.

10 Dr Helen Hodgson, Member, Social Policy Committee, National Foundation for Australian Women, *Committee Hansard*, 19 November 2015, p. 36.

> Yet at the bottom end, where there is a great concentration of female workers, in fact there is a tax penalty for super contributions.[11]

6.18 ISA highlighted both the general inequity in the distribution of superannuation tax concessions and the gendered dimension of this inequity. According to ISA, of an estimated $30 billion in revenue foregone each year due to superannuation tax concessions, 35 per cent flowed to the top 10 per cent of income earners, whereas only 29 per cent flowed to the bottom 70 per cent. Moreover, ISA estimated that only 33 per cent of superannuation tax concessions went to women, meaning men receive about double the support through the tax system as women to build their superannuation balances.[12] ISA proposed a package of tax reforms to improve the efficiency and fairness of the superannuation system:

- Superannuation contributions tax reform: Taxing superannuation contributions at marginal rates, with a 25 per cent offset on the gross contribution, capped at $7,500 and paid to the superannuation fund.
- Contributions cap: A cap of $50,000 per year, with additional 'catch up' contributions allowed in limited circumstances (the concept of 'catch up' contributions is discussed in the next chapter).
- Superannuation earnings tax reform: Accumulation and retirement earnings taxed at 15 per cent, with all tax rebated for earnings below $50,000 per year in the retirement phase.[13]

6.19 Similarly, the ACTU argued that superannuation tax concessions originally designed to encourage people to save for their retirement were instead being used by high income earners to minimise their tax. To provide for greater equity in the superannuation system, the ACTU recommended progressive taxation of superannuation contributions, based on a taxpayer's marginal rate minus a rebate. It argued:

> Addressing the inequitable nature of current tax settings will improve women's retirement incomes, particularly for those on lower-incomes and increase incentives for women to contribute to their retirement savings by putting money into superannuation. It will also help generate revenues to help maintain the value of entitlements like the Age Pension that support women in retirement.[14]

6.20 Rice Warner also set out some options for reforming the taxation of superannuation, with the intent of making the system fairer and simpler:

---

11 Ms Robbie Campo, Deputy Chief Executive, Industry Super Australia, *Committee Hansard*, 6 October 2015, p. 10.

12 Industry Super Australia, *Submission 74*, p. 23.

13 Industry Super Australia, *Submission 74*, p. 35.

14 ACTU, *Submission 69*, p. 7. See also Ms Gerardine Kearney, President, Australian Council of Trade Unions, *Committee Hansard*, 19 November 2015, p. 17.

> The tax system is inequitable in its treatment of superannuation. In our submission to the tax white paper task force we suggest that a 20 per cent rebate be applied in personal tax returns for all concessional contributions made. This will be more beneficial than maintaining the LISC proposal, which is favoured by many in the superannuation industry today.
>
> We have also suggested a tax on fund earnings of 12 per cent for the accumulation and pension phases. It has a number of advantages. Set at that level, it would raise an extra $400 million of revenue in the first year, which could be diverted to fund some of the other solutions we and others have proposed.[15]

6.21 The Grattan Institute reiterated recommendations made in its recent report on superannuation taxation reform, *Super tax targeting*. These recommendations included limiting pre-tax concessional contributions to $11,000 per year, capping lifetime contributions from post-tax income to $250,000, and taxing superannuation earnings in retirement at 15 per cent. It contended that current superannuation tax concessions:

> …provide the greatest boost to high-income earners that don't need them. Most of these high-income earners are men. Better targeting of super tax breaks could free up revenue to provide more targeted support for retirement incomes for those that need it most, and to reduce marginal effective tax rates for low- and middle-income earners to encourage greater female workforce participation.[16]

6.22 A large number of other submissions and witnesses also called for reforms to current superannuation taxation arrangements. While recommendations in this respect varied, there was broad agreement that greater equity in the distribution of superannuation tax concessions would help address the superannuation savings gap.[17]

Committee view

6.23 The committee agrees with the view put by many inquiry participants that superannuation tax concessions should be targeted at those most in need. The committee acknowledges that gender is only one aspect of the broader issue of the equity and efficiency of superannuation tax concessions. However, because women

---

15 Mr Michael John Rice, CEO, Rice Warner, *Committee Hansard*, 19 November 2015, p. 43.

16 Grattan Institute, *Submission 87*, p. 2.

17 For example, Australian Council of Social Service, *Submission 61 (Attachment 1)*, pp. 46–47; Rice Warner, *Submission 82*, p. 8; Darebin City Council, *Submission 19*, p. 3; AI Group, *Submission 47*, pp. 6–7; Ms Pauline Vamos, Chief Executive Officer, Association of Superannuation Funds of Australia, *Proof Committee Hansard*, 6 October 2015, p. 33; Dr Cassandra Goldie, Chief Executive Officer, Australian Council of Social Service, *Proof Committee Hansard*, 12 February 2016, p. 33; Ms Catherine Nance, Partner, PricewaterhouseCoopers Australia, *Proof Committee Hansard*, 18 February 2016, p. 16; Mr Ian Yates, Chief Executive, COTA Australia, *Proof Committee Hansard*, 19 February 2016, pp. 6–7; Mr David Robert Richardson, Senior Research Fellow, The Australia Institute, *Proof Committee Hansard*, 19 February 2016, p. 13.

are overrepresented in lower-income, lower-wealth cohorts, the committee considers that a fairer distribution of superannuation tax concessions, in which the benefit of those concessions is more evenly shared across the labour force, would help address the gender retirement savings gap.

6.24 It is the committee's view that the distribution of superannuation tax concessions should be fair, efficient and effective. Current superannuation taxation arrangements compound rather than ameliorate the superannuation savings gap. The committee considers that superannuation tax concessions should be better targeted to facilitate improved outcomes for women in retirement.

Recommendation 11

6.25 The committee recommends that superannuation tax concessions be re-targeted to ensure that they are more equitably distributed and assist people with lower superannuation balances to achieve a more comfortable retirement.

Compulsory superannuation

Low Income Superannuation Contribution (LISC)

6.26 The LISC is a government superannuation payment of up to $500 made to the accounts of people earning $37,000 or less per year.[18] Individuals earning less than $37,000 per year would pay no income tax on the first $18,200 of their income, and 19 per cent tax on the next $18,800 of income, up to the $37,000 threshold. The LISC addressed the flaw in the superannuation system where the 15 per cent contributions tax paid by individuals on their superannuation contributions is higher than the rate of tax if that money were paid as income.[19]

6.27 In effect, it provides for a refund to the superannuation accounts of low-income earners of the 15 per cent tax paid on concessional superannuation contributions. The LISC is intended to ensure that low income earners' superannuation contributions are not taxed at a higher rate than their take home pay.[20] Without the LISC, as ISA explained, low income workers would effectively pay a 'tax penalty' on their 'concessional' contributions:

> The tax penalty works because tax on super contributions is taxed at 15 per cent, and the tax that applies on contributions is higher than the tax that applies to people's take-home pay. So it is about the interaction between the tax-free threshold and the first tax bracket with the contributions. The low-income super contribution was a measure that was

18 ATO, webpage, 'Low income super contribution', https://www.ato.gov.au/Individuals/Super/In-detail/Growing/Low-income-super-contribution/, accessed 8 April 2016.

19 Financial Services Council, *Submission 57*, p. 5.

20 Association of Superannuation Funds of Australia, *Submission 84*, p. 5.

> designed to return that differential between super tax and your marginal tax rate.[21]

6.28 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 30 June 2017. Many inquiry participants argued that the abolition of the LISC was a retrograde step that would make the tax treatment of superannuation contributions even more regressive than is currently the case.

6.29 Women are statistically more likely than men to benefit from the LISC. The Australia Institute observed that while women constituted 45 per cent of all taxpayers, they made up 57 per cent of those who received the LISC.[22] Similarly, Mercer advised the committee that of the 3.6 million Australians who benefited from the LISC, 2.2 million are women.[23] Underlining the importance of the LISC for women's superannuation balances, ISA noted that approximately one in two working women receive a benefit from it.[24]

6.30 The evidence received during the inquiry was overwhelmingly in favour of retaining the LISC beyond 30 June 2017, or otherwise ensuring that lower-income earners did not pay more tax on their superannuation contributions than on their ordinary income.[25] For example, BT Financial Group submitted that the LISC helped level the playing field for lower income earners, thus helping generate 'fairer outcomes for the community, and better retirement outcomes for more Australians.'[26]

6.31 ISA described retaining the LISC as a 'policy no-brainer', given the 'very significant impact' the measure had on those who receive it.[27] Women in Super also

---

21 Ms Robbie Campo, Deputy Chief Executive, Industry Super Australia, *Committee Hansard*, 6 October 2015, p. 10.

22 The Australia Institute, *Submission 8,* p. 9.

23 Mercer, *Submission 22*, p. 8.

24 Ms Robbie Campo, Deputy Chief Executive, Industry Super Australia, *Committee Hansard*, 6 October 2015, pp. 10–11.

25 For example, in addition to the sources cited below, also see Australian Education Union, *Submission 26*, p. 9; National Seniors Australia, *Submission 62*, p. 27; National Australia Bank, *Submission 63*, p. 5; Association of Financial Advisors, *Submission 77*, p. 8; COTA Australia, *Submission 86*, p. 10; Grattan Institute, *Submission 87*, p. 4; Ms Annie Butler, Assistant Federal Secretary, Australian Nursing and Midwifery Federation, *Committee Hansard*, 19 November 2015, p. 3; Mrs Andrea Slattery, Managing Director/Chief Executive Officer, SMSF Association, *Committee Hansard*, 12 February 2016, p. 7; Ms Catherine Nance, Partner, PricewaterhouseCoopers Australia, *Committee Hansard*, 18 February 2016, p. 15.

26 BT Financial Group, *Submission 60*, p. 3.

27 Ms Robbie Campo, Deputy Chief Executive, Industry Super Australia, *Committee Hansard*, 6 October 2015, pp. 10–11, 13.

reported that the major outcome of the Women's Super Summit held in February 2014 was agreement on the need to fight to retain the LISC.[28]

6.32 HESTA told the committee that the LISC was the 'difference between a fair system and an unfair system for those earning under $37,000'. HESTA sought to provide the committee with some insight into what its removal would mean for many of HESTA's members, and used the example of a hypothetical 42-year-old female nurse to demonstrate its point. It explained that since the LISC was introduced it has contributed approximately $139 million to members' accounts that they would not have otherwise received:

> So what does that mean to our 42-year-old nurse? Using some—as one of my colleagues said—bush modelling, we can pretty much determine that. For our 42-year-old nurse with around $17,000 in her superannuation account at the moment and a retiring age of 67, this means an extra $20,000 to her in retirement. If we go back to that definition of dignity in retirement and superannuation as a top-up, that is an incredibly large amount.[29]

6.33 Similarly, REST referred to the importance of LISC for its members, observing that:

> …25 per cent of our current REST members have received a LISC over the last 12 months. Female members are 35 per cent more likely to receive LISC than their male counterparts. That translates in our circumstances to over 350,000 members receiving a LISC in one year, with almost $100 million being put towards their retirement savings. When you think about the compounding effect of that, that makes a big difference.[30]

6.34 AustralianSuper explained that the efficacy of the LISC was a function of its automatic payment through the tax system:

> This is a highly effective policy in addressing the economic inequities of women and others on low incomes, because there is no need for individual action: it is effected automatically through the taxation system. It has a 100 per cent success rate, a 100 per cent take-up. All women on low incomes directly benefit from this policy.[31]

6.35 ASFA also argued that the LISC was an effective means of redressing the inherent inequity in the taxation of superannuation contributions of lower-income

---

28 Mrs Sandra Buckley, Executive Officer, Women in Super, *Committee Hansard*, 6 October 2015, p. 23.

29 Ms Mary Delahunty, General Manager, Business Development, HESTA, *Committee Hansard*, 18 February 2016, p. 9.

30 Mr Damian Hill, Chief Executive Officer, REST Industry Super, *Committee Hansard*, 12 February 2016, p. 20.

31 Ms Louise du Pre-Alba, Head of Policy, AustralianSuper, *Committee Hansard*, 6 October 2015, p. 38.

earners. It conceded that retaining the LISC would have an immediate budgetary cost, but submitted that it would help reduce government expenditure over the long term:

> We think it would cost the budget, on current numbers, around $1 billion. Whilst this is not insignificant, we do know that it would boost balances by about 20 per cent. When you look at the savings in the long term in terms of age pension and other social benefits, like many measures in superannuation as the system matures and the ability to reduce government expenditure, particularly on age pension which is about $7 billion a year, a lot of these measures will become self-funding.[32]

6.36 The Australian Human Rights Commission stated that retaining the LISC was 'a question of equity', noting that 'it is not fair to tax concessional superannuation contributions at a rate higher than that of [a taxpayer's] income'.[33] Ms Susan Ryan AO, Age and Disability Discrimination Commissioner, acknowledged that the LISC carried a cost to government, but maintained:

> …the long-term benefits of having more women, in this case, able to support themselves in retirement or draw a lesser age pension has to be a good trade-off…[34]

6.37 Some witnesses, while supportive of retaining the LISC, suggested that the objectives of the policy might also be achieved by alternative means. For example, the Financial Services Council noted that a 20 per cent rebate on marginal tax rates for concessional contributions (as opposed to a flat 15 per cent for all taxpayers earning below $300,000 a year), would leave lower-income and middle-income earners better off than they would be under the LISC.[35] Rice Warner made a similar point in its submission.[36]

Committee view

6.38 The committee concurs with the overwhelming view of participants in the inquiry that the LISC should be retained beyond June 2017. The LISC is not a 'handout' to lower-income earners, but a mechanism to ensure lower-income earners do not pay more tax on their compulsory superannuation contributions than they pay on their income. Retaining the LISC is a basic issue of equity. Conversely, repealing the LISC would be a retrograde step, and would be particularly damaging for the more than 2 million women who receive a benefit from it.

---

32 Ms Pauline Vamos, Chief Executive Officer, Association of Superannuation Funds of Australia, *Proof Committee Hansard*, 6 October 2015, p. 29.

33 Australian Human Rights Commission, *Submission 36*, p. 5.

34 The Hon Susan Ryan AO, Age and Disability Discrimination Commissioner, Australian Human Rights Commission, *Committee Hansard*, 12 February 2016, pp. 2–3.

35 Mr Blake Briggs, Senior Policy Manager, Superannuation, Financial Services Council, *Committee Hansard*, 19 February 2016, p. 25.

36 Rice Warner, *Submission 82*, p. 30.

6.39 The committee notes that certain reforms to superannuation tax concessions that are currently being discussed by some commentators might mean the LISC is no longer required. In particular, suggestions that concessional contributions might be taxed on the basis of a person's marginal tax rate minus a discount might remove the need for the LISC. Absent such reforms, the committee maintains that the retention of the LISC is critical.

Recommendation 12

6.40 The committee recommends that the concessional superannuation contributions of lower income earners are not taxed at a higher rate than their ordinary income, and that the Australian Government commit to retaining the Low Income Superannuation Contribution beyond 30 June 2017.

Increasing the Superannuation Guarantee (SG) rate

6.41 The Superannuation Guarantee (SG) rate is the minimum percentage of an employee's earnings that an employer must pay to a complying superannuation fund or retirement savings account. The SG rate is currently 9.5 per cent. The majority view of submitters and witnesses appearing before the committee was that delivering economic security for women in retirement required a higher SG rate. While the SG rate is currently scheduled to rise gradually to 12 per cent by July 2025, the next increase in this process (from 9.5 to 10 per cent) is not due to occur until July 2021. As explained below, many witnesses and submitters contended that the increases should commence without delay.

6.42 In March 2012, the former Labor government legislated a gradual increase in the SG rate, starting with an increase from 9 to 9.25 per cent in July 2013, and rising to 12 per cent by July 2019. Prior to the 2013 Federal Election, the then Opposition Leader, the Hon Tony Abbott MP, announced that a Coalition government would freeze the SG rate at 9.25 per cent for two years, thereby delaying the increase to 12 per cent until July 2021. (However, the SG rate increased from 9.25 per cent to 9.5 per cent in July 2014, as previously legislated.) In the 2014–15 Budget, the government announced that the current SG rate would be frozen until July 2021, and the eventual increase in the SG rate to 12 per cent would be delayed until July 2025, six years later than originally planned. The rephasing of SG increases was given effect by the *Minerals Resource Rent Tax Repeal and Other Measures Act 2014*.

6.43 The evidence received by the committee revealed a broadly shared view from a range of organisations and individuals of the importance of a 12 per cent SG rate in addressing low levels of superannuation savings, especially for women. For example, BT Financial Group argued that increasing the SG rate to 12 per cent would be 'one of the single biggest contributors to improving retirement savings adequacy', and urged that the increase occur as soon as possible.[37]

---

37 BT Financial Group, *Submission 60*, p. 4.

6.44 Asked about the pause in the SG rate increase, Women in Super also suggested that the increase should occur as soon as possible. Mrs Buckley explained that a 12 per cent SG 'would definitely help women in achieving some form of balance'.[38]

6.45 AustralianSuper told the committee that without an increase of the SG rate to 12 per cent, the 'objective of funding adequate retirement incomes simply will not be met'.[39] While acknowledging the cost to employers of a higher SG rate, AustralianSuper maintained that:

> …the longer the delay in the rise of the superannuation guarantee, another generation of women will potentially face economic insecurity at retirement as a direct result of inadequate retirement savings.[40]

6.46 The FSC pointed to research undertaken by Rice Warner which showed the pause in the SG rate at 9.5 per cent had:

> …resulted in a $136 billion blow-out in the retirement savings gap. That is the gap between the amount that people will accumulate by retirement and the amount they require—that is, the gap between what we have and what we actually need.[41]

6.47 The FSC acknowledged that even a 12 per cent SG rate would leave many women (and many low and middle income earners generally) with insufficient superannuation to fund their own retirement. However, the FSC also suggested that an important measure of the superannuation system's success was the number of people who were able to move from the full pension to the part-pension, or even off the part-pension completely, and a 12 per cent SG rate was critical to progress in this regard.[42]

6.48 A large number of other submitters and witnesses argued that accelerating the increase in the SG rate to 12 per cent would have an important and positive impact on the retirement savings of millions of women.[43] Some submitters went further still, arguing that even a 12 per cent SG rate would leave too many women with inadequate

---

38 Mrs Sandra Buckley, Executive Officer, Women in Super, *Committee Hansard*, 6 October 2015, p. 26.

39 Ms Jane Hume, Senior Policy Adviser, AustralianSuper, *Committee Hansard*, 6 October 2015, p. 38.

40 Ms Jane Hume, Senior Policy Adviser, AustralianSuper, *Committee Hansard*, 6 October 2015, p. 38.

41 Ms Sally Loane, Chief Executive Officer, Financial Services Council, *Committee Hansard*, 19 February 2016, pp. 22–23.

42 Ms Sally Loane, Chief Executive Officer, Financial Services Council, *Committee Hansard*, 19 February 2016, pp. 23.

43 See, for example, Women and Work Research Group, *Submission 76*, p. 11; SMSF Association, *Submission 83*, p. 3; UnitingCare Australia, *Submission 9*, p. 4; Australian Education Union, *Submission 26*, p. 14; Mrs Andrea Slattery, Managing Director/Chief Executive Officer, SMSF Association, *Committee Hansard*, 12 February 2016, p. 7.

retirement savings given the persistent gender wage gap and gendered workforce participation patterns. For example, REST argued for the SG rate to increase to 15 per cent by 2027, and COTA also recommended an eventual SG rate of 15 per cent.[44]

6.49 In contrast to the evidence discussed above, AI Group submitted that raising the SG rate had a number of disadvantages. These disadvantages, according to AI Group, would include increases in the disparities in superannuation balances to the relative disadvantage of lower-income earners; higher costs on the Budget; and opposition from employers, who would consider the higher SG rate an additional cost.[45] AI Group added that it disagreed that increasing the SG rate to 12 per cent would assist in closing the gender retirement gap, contending that the measure 'would in fact widen the gap between the retirement incomes of men and women'.[46]

6.50 While not criticising the 12 per cent SG target specifically, the Grattan Institute sounded a general note of caution on increasing the SG rate. It contended that the benefits of increasing the SG rate:

> …must be weighed carefully against their costs, especially any falls in the living standards of working age households. Retirement incomes, measured as a replacement rate relative to pre-retirement incomes, already exceed 100 per cent for many low-income earners.[47]

6.51 Dr Hodgson from National Foundation for Australian Women noted that with wage growth currently flat, it was likely extra SG contributions would be coming from the take-home pay of low income workers. This risked undermining 'their ability to meet their day-to-day needs and to make savings'. Dr Hodgson noted that while some unions tend to think of superannuation as an 'add-on to wages', employers see it as part of the total wages bill. She argued that, in practice, employers 'are not going to wear an extra half a percent in superannuation costs added to their wages bundle. It has to come out of the overall wages cost of the business'.[48]

Committee view

6.52 The clear message given to the committee during the inquiry was that the current SG rate is too low. The increase in the SG rate to 12 per cent is a critically important reform, and one that will be particularly beneficial in helping women build adequate savings for retirement. The committee shares the concern of many inquiry

---

44 REST Industry Super, *Submission 40*, p. 6; COTA Australia, *Submission 86*, p. 11.

45 AI Group, *Submission 47*, p. 7.

46 AI Group, *Submission 47*, p. 7.

47 Grattan Institute, *Submission 87*, p. 2.

48 Dr Helen Hodgson, Member, Social Policy Committee, National Foundation for Australian Women, *Committee Hansard*, 19 November 2015, p. 40.

participants that the government's delay in increasing the SG rate will have a significant detrimental effect on the superannuation balances of many women.

Recommendation 13

6.53 The committee recommends that the Australian Government revise the current schedule for the increase in the superannuation guarantee (SG) rate to 12 per cent, and ensure the gradual increase in the SG rate is implemented earlier than the current timetable.

Should a higher SG rate apply for female employees?

6.54 With regard to the SG rate, some organisations argued that employers should be required to make higher SG payments for their female employees. Others countered that a female-specific SG rate was too blunt an instrument, and might also have unintended consequences.[49]

6.55 Arguing the case for a mandatory 2 per cent boost to the SG rate for female employees (on top of a 12 per cent SG rate), the ACTU explained that the proposal was based on the continued persistence of the gender pay gap over many decades. Until the pay gap was closed, it argued, the higher SG rate would provide a means of helping to equalise the amount of money women received in retirement.[50] Ms Kearney told the committee:

> We recognise that there is an argument to say we should not really align things along gender lines, and I do understand those arguments. But unfortunately the barriers for the pay inequity are so entrenched and so long term to overcome that this is something that could fill that gap.[51]

6.56 Women in Super argued that measures to benefit women's retirement incomes 'should be system based, compulsory and measureable, not employer or individual based or voluntary'.[52] Women in Super applauded companies that had, in the absence of a mandatory higher SG rate for women, voluntarily introduced higher

---

49 Both sides in this debate made a distinction between a mandatory SG premium for female employees and the arrangements some employers have voluntarily put in place to make higher superannuation contributions to their female employees. The voluntary employer schemes in question are discussed separately in the next chapter.

50 Mr Brian Daley, Capital Stewardship Officer, Australian Council of Trade Unions, *Committee Hansard*, 19 November 2015, p. 19.

51 Ms Gerardine Kearney, President, Australian Council of Trade Unions, *Committee Hansard*, 19 November 2015, p. 19. A number of other unions and union representatives also argued that the SG rate should be 2 per cent higher for women. See, for example, National Tertiary Education Union, *Submission 20*, p. 9; Australian Education Union, *Submission 26*, p. 14; Dr Kristin Van Barneveld, Director of Research, Community and Public Sector Union, *Committee Hansard*, 12 February 2016, p. 14.

52 Mrs Sandra Buckley, Executive Officer, Women in Super, *Committee Hansard*, 6 October 2015, p. 19.

superannuation contributions for female employees. However, Mrs Buckley was concerned that:

> …you are creating a group of employees who have access to that extra two per cent and a group who will never have access to it. The feeling within our policy group was we want to get away from a system that benefits one group but not another.[53]

6.57 The idea of mandating a higher SG rate for women was criticised by a number of witnesses. For example, PwC explained that while it was supportive of companies pursuing their own voluntary initiatives to pay women more superannuation than men, it did not support a mandatory higher SG rate for women:

> We feel that, for two reasons, there can be unintended consequences if you make it more costly to employ females. We would be very scared about those unintended consequences of employers not employing them, or just reducing their cash salary to compensate. This issue is a broader issue about lower income people and people who are in and out of the traditional paid workforce. You need to fix the issue for them, not just focus on females. Increasing SG to 12 per cent for everyone eventually would be great, but paying females more, we felt, would have very poor unintended consequences.[54]

6.58 PwC suggested that if a higher SG rate for women was compulsory, there would be a particularly high risk of negative unintended consequences for women's employment prospects with smaller businesses:

> If you think about the number of people that are employed by small businesses, whilst some of the big companies are actually introducing some great policies, we certainly think that in the small business area it is less likely that they will be as generous and the negative consequences of some of those initiatives might actually be more harmful to women than benefit them in the long run.[55]

6.59 PwC told the committee that policy should address the underlying structural drivers of the retirement savings gap, and these drivers were not specific to women:

> Our approach is to consider the structuralist issues that would disadvantage anyone who is on a lower income or who would have a period of time out of a paid or traditional workforce. We have not structured it into a female-versus-male debate because, as we see it, you need to fix the structural problems. Those sorts of problems do not just affect females, although females are probably overrepresented in the group. They also affect

53 Mrs Sandra Buckley, Executive Officer, Women in Super, *Committee Hansard*, 6 October 2015, p. 23.

54 Ms Catherine Nance, Partner, PricewaterhouseCoopers Australia, *Committee Hansard*, 18 February 2016, p. 16.

55 Mr Marco Feltrin, Partner, PricewaterhouseCoopers Australia, *Committee Hansard*, 18 February 2016, p. 17.

> Indigenous people and other lower income people and, increasingly and possibly in the future, they might affect men who choose to have periods of time out of the workforce for child rearing or elder care.[56]

6.60 Ms Pauline Vamos, speaking to ASFA's proposal for employers to pay a higher SG rate for women before or immediately after they go on maternity leave, also argued that such schemes should not be mandatory. 'The last thing we want', Ms Vamos said, 'is employers to shy away from employing women because there is an extra cost'.[57] Ms Vamos's colleague, Ms Fiona Galbraith, added that if a mandatory higher SG rate for female employees created new barriers to female employment, particularly in small businesses, that would be:

> …the worst outcome—if it were to end up in discrimination at the point of not being employed in the first place because you are a female and you are going to cost the employer more. Unfortunately, much and all as we support Women in Super's position of trying to make it as equitable across people as possible, the reality is that a measure like that is probably only going to be something that larger employers will be in a position to do.[58]

6.61 Asked to respond to arguments that a higher SG rate for women might undermine the willingness of employers to hire women, the ACTU suggested similar arguments were often raised in discussions about wages. This was the case, it suggested:

> …whether we are talking about pay rises, whether we are talking about penalty rates, whether we are talking about raising the minimum wage. There is always an argument that there will be a reduction in employment rates. The fact of the matter is: none of those factors really have been shown to do that. I think the economic benefits would far outweigh any of those arguments. Having economic stability for women means that they have a more secure retirement, that they can contribute to the economy, that they are less reliant on welfare, that their health would be better and that they would be more productive. I think the arguments for it far outweigh the arguments that say that there would be an impact on employment, and I do not believe there is any evidence to show that that is the case.[59]

Committee view

6.62 The committee welcomes initiatives by companies to introduce higher SG rates for female employees (as discussed in the next chapter). However, the committee

---

56 Ms Catherine Nance, Partner, PricewaterhouseCoopers Australia, *Committee Hansard*, 18 February 2016, p. 15.

57 Ms Pauline Vamos, Chief Executive Officer, Association of Superannuation Funds of Australia, *Committee Hansard*, 6 October 2015, p. 34.

58 Ms Fiona Galbraith, Director of Policy, Association of Superannuation Funds of Australia, *Committee Hansard*, 6 October 2015, p. 36.

59 Ms Gerardine Kearney, President, Australian Council of Trade Unions, *Committee Hansard*, 19 November 2015, p. 19.

is wary of making higher SG rates for women mandatory, as it considers there are better, more targeted ways to narrow the gender retirement savings gap.

Removing exemptions from the SG

6.63 Under subsection 27(2) of the *Superannuation Guarantee (Administration) Act 1992* (SGA), if an employee's monthly wages are less than $450 per month, their employer is not liable to make SG payments to 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 SG.[60]

6.64 Evidently, the $450 threshold was originally introduced because of the administrative burden to employers of administering small amounts of superannuation. The view put to the committee by ISA and others was that this rationale was no longer valid, given technological changes and systems innovation since the requirement was introduced—including the recent introduction of the SuperStream standard for processing superannuation data and payments electronically.[61]

6.65 The committee heard that the $450 threshold exemption had an especially detrimental effect on women in part-time or casual work, and this was of particular concern given the growing casualisation of the workforce. Women in Super observed:

> There are a number of women who work part-time, casual jobs, who might have two or three jobs, none of which actually gets them to the $450 monthly threshold. So they end up, perhaps, earning more than that but with no super as a result, because no one employer is obliged to pay their superannuation contribution.[62]

6.66 ASFA also expressed concerns about the effect of the $450 threshold on the superannuation balances of the growing number of casual and part-time workers, including people in multiple jobs.[63] ASFA estimated that around 250,000 individuals, the majority of them women, would likely benefit from the removal of the threshold through higher retirement savings. Assuming that the 250,000 persons missing out on superannuation contributions because of the $450 per month threshold have average relevant wages of $3,000 a year, ASFA estimated that:

---

60 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).

61 Ms Robbie Campo, Deputy Chief Executive, Industry Super Australia, *Committee Hansard*, 6 October 2015, p. 16.

62 Mrs Sandra Buckley, Executive Officer, Women in Super, *Committee Hansard*, 6 October 2015, p. 20.

63 Association of Superannuation Funds of Australia (ASFA), *Submission 84*, p. 7; Ms Pauline Vamos, Chief Executive Officer, Association of Superannuation Funds of Australia, *Committee Hansard*, 6 October 2015, p. 28.

> …the total wages bill for them would be $750 million per annum. Superannuation payments at the rate of 9.5 per cent would amount to some $70 million a year. This compares to a total wages bill for the economy of around $600 billion a year.
>
> The impact on the Commonwealth Budget would be negligible as most of the individuals benefiting from removal of the threshold would be on a zero or 15 per cent marginal personal tax rate. There could be increased expenditure on the low-income earners superannuation tax rebate but we estimate it would be less than $5 million a year.[64]

6.67 AustralianSuper also outlined its concerns with the $450 threshold exemption, and explained why it believed it should be removed:

> The $450 per month threshold is an outdated policy. It is 23 years old. It uses an arbitrary threshold. It equates to $5,400 per year, which was the income-tax-free threshold when the superannuation guarantee legislation was first introduced. The tax-free threshold is now $18,200 per year. The nature of the workforce has changed since then, as well. It is estimated that 35 per cent of Australia's workforce now work on a casual basis. The $450 per month threshold excludes the large number of workers who are subject to the casualisation of the workforce. An ASFA review of a HILDA study indicated that the majority of workers earning less than $5,400 per year are women, younger and older workers. There is an argument that paying superannuation to those earning less than $450 per month is an administrative cost and burden on employers. However, we think that the cogency of this argument has diminished, because there are now significantly reduced administration costs from automation, from electronic funds transfer and SuperStream reforms as well.[65]

6.68 The Australian Nursing and Midwifery Federation noted that many of its members in aged care often worked sporadic hours for multiple employers, particularly in rural and regional settings where shifts were sometimes hard to come by.[66] As a result, these workers often failed to clear the $450 a month threshold with any single employer:

> …[I]n all of the industries that we represent, it is endemic that our members have part-time, temporary employment. They may be guaranteed two shifts a week—so, 16 hours a week—and they may pick up another shift, but there is no guarantee. So their certainty of earnings is very precarious, and that is why it is often the case that they either work in other health facilities or in other industries to try to supplement their income. But we cannot work out the rationale for the $450 a month threshold. We do not think it works

64 Association of Superannuation Funds of Australia (ASFA), *Submission 84,* p. 8.

65 Ms Louise de Pre-Alba, Head of Policy, AustralianSuper, *Committee Hansard*, 6 October 2015, p. 39.

66 Ms Annie Butler, Assistant Federal Secretary, Australian Nursing and Midwifery Federation, *Committee Hansard*, 19 November 2015, p. 7

> effectively. And it certainly does not work effectively in the industries where we have an interest.[67]

6.69 The clear consensus in submissions that addressed the issue was that the $450 threshold should be removed.[68] Other submissions also argued that the exemption for those under 18 working less than 30 hours a week should also be removed.[69]

6.70 Asked if the introduction of SuperStream would make it easier for employers to make payments to employees earning less than $450 per month, the ATO confirmed this was likely correct:

> At the moment, we have just finished implementing for large and medium business and we are now in the middle of the small business implementation. Once that system is in place and all small businesses are using a SuperStream solution, there is a much easier and more efficient method of meeting their SG obligations, whether it is through a clearing house or their payroll software. In fact, it does simplify it quite considerably into single payment and single data stream. To your point—does it reduce some of the complexity—yes, it does.[70]

Committee view

6.71 The committee considers the $450 threshold exemption outdated, unnecessary and ultimately detrimental to the interests of casual and part-time workers, of whom a large proportion are women. The committee is satisfied that removing the exemption would not impose an undue administrative burden on employers, particularly in light of the recent introduction of the SuperStream standard. Removing the exemption will go some way toward improving the economic security of women in retirement. The impact in this respect may be modest in terms of the overall value of superannuation balances, but the committee notes that even small amounts can make a big difference to the dignity and economic security of people in retirement. Besides, simply on the

---

67 Mr Nick Blake, Senior Federal Industrial Officer, Australian Nursing and Midwifery Federation, *Proof Committee Hansard*, 19 November 2015, p. 7. HESTA made a similar point about the effect of the $450 threshold on workers in the health and community services sector. Ms Mary Delahunty, General Manager, Business Development, HESTA, *Committee Hansard*, 18 February 2016, pp. 9–10.

68 See, for example, Australian Human Rights Commission, *Submission 36*, p. 6; Australian Institute of Superannuation Trustees, *Submission 45*, p. 6; Rice Warner, *Submission 82*, p. 31; and COTA Australia, *Submission 86*, p. 6; Ms Gerardine Kearney, President, Australian Council of Trade Unions, *Committee Hansard*, 19 November 2015, p. 17; Ms Kasy Chambers, Executive Director, Anglicare Australia, *Committee Hansard*, 19 November 2015, p. 26; Mr Gerald Dwyer, National Secretary-Treasurer, Shop, Distributive and Allied Employees Association, *Committee Hansard*, 19 November 2015, p. 29.

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

70 *Committee Hansard*, 19 February 2016, p. 47.

grounds of fairness, people earning less than $450 a month deserve equal treatment to those earning much more.

Recommendation 14

6.72 The committee recommends that the Australian Government amend the *Superannuation Guarantee (Administration) Act 1992* to remove the exemption from paying the superannuation guarantee in respect of employees whose salary or wages are less than $450 in a calendar month.

Compulsory superannuation for the self-employed

6.73 People who are self-employed, either as a sole trader or in a partnership, are not required to make SG payments to themselves.[71] The absence of a requirement to make superannuation contributions means a significant proportion of self-employed people make insufficient or no contributions to their superannuation. This was a cause for concern for some witnesses and submitters, who noted that this issue affected an increasing number of women.

6.74 Women in Super noted that many small business owners commonly take the view that 'my business is my super'. Often, however, businesses were not of sufficient value to provide self-employed people with economic security in retirement.[72] Other witnesses also noted the high risk to self-employed people of relying on the value of their business to provide for their retirement, tends to concentrate risk in a single asset.[73] Women in Super suggested that the solution to this problem was to increase awareness among the self-employed of the value of superannuation:

> It could be through the ATO when they do their tax return, including a booklet on superannuation to say, 'Yes, it's not compulsory but you might want to look at it.' There is a lot of work that needs to be done in that area. It is a growing number of women, which is obviously concerning from our perspective.[74]

6.75 ASFA expressed similar concerns about the prevalence of self-employed people without any superannuation, a cohort which includes a large number of women. It noted that nearly 10 per cent of people working today are self-employed and about 29 per cent of them have no superannuation.[75] ASFA also noted that around

---

71 ATO, webpage, 'The self-employed', https://www.ato.gov.au/Business/Super-for-employers/Working-out-if-you-have-to-pay-super/The-self-employed/, accessed 11 April 2016.

72 Mrs Sandra Buckley, Executive Officer, Women in Super, *Committee Hansard*, 6 October 2015, pp. 21–22

73 See, for example, Ms Catherine Nance, Partner, PricewaterhouseCoopers Australia, *Committee Hansard*, 18 February 2016, p. 20.

74 Mrs Sandra Buckley, Executive Officer, Women in Super, *Committee Hansard*, 6 October 2015, p. 22.

75 Ms Pauline Vamos, Chief Executive Officer, Association of Superannuation Funds of Australia, *Committee Hansard*, 6 October 2015, p. 28.

25 per cent of the self-employed are actually dependent contractors, 'in that they have working arrangements similar to employees and are not conducting a business as such'.[76] ASFA added that:

> …the fact that the superannuation guarantee is not payable with respect to the self-employed is a distinction within the SG regime that, at best, is a source of confusion and, at worst, is exploited by the artificial creation of arrangements whereby individuals are considered to be self-employed to avoid the need to pay SG.[77]

6.76 ASFA recommended that the self-employed should be subject to compulsory superannuation. ASFA acknowledged this might present some 'design challenges'—for instance, in terms of the concept of 'income' against which superannuation should be paid—but maintained these challenges should not preclude work being undertaken in this respect. It submitted:

> Consideration could be given to introducing a scheme similar to the Medicare surcharge, whereby a surcharge amount is payable unless a minimum amount of taxable income is contributed to superannuation. Utilising a concept of taxable income would ameliorate concerns with respect to potential adverse effects on the cash flow of start-up enterprises.[78]

6.77 However, the SMSF Association expressed some caution about extending the mandatory SG to cover the self-employed, suggesting that 'businesses probably need the flexibility to be able to decide on how they contribute to super'. Business owners will commonly want to invest their income back into their business to provide it with working capital and help it grow, particularly in the early years. The SMSF Association added that the majority of people who are self-employed or small business owners already contribute to their superannuation on a voluntary basis:

> You will find even people that are self-employed might be taking a wage and therefore having a compulsory super payment paid through. There are a lot of small business owners, for instance, that are employed as well. So we would not be encouraging at all the concept of mandating SG for a self-employed person, because the system is actually working very well when it comes to the SMSF sector. As an example, women account for 47 per cent of the SMSF sector, and it is an area that has been shown to be active in their contributions on a regular basis.[79]

76 Association of Superannuation Funds of Australia (ASFA), *Submission 84*, p. 9.

77 Association of Superannuation Funds of Australia (ASFA), *Submission 84*, p. 10.

78 Association of Superannuation Funds of Australia (ASFA), *Submission 84*, p. 10.

79 Mrs Andrea Slattery, Managing Director/Chief Executive Officer, SMSF Association, *Proof Committee Hansard*, 12 February 2016, pp. 8–9.

Committee view

6.78 The committee reserves judgement on the merits of mandatory superannuation contributions for self-employed people. However, the committee notes that any proposed reforms in this regard would need to consider carefully how a requirement for self-employed people to make superannuation contributions might affect their ability to build their businesses. At the same time, the committee encourages all self-employed workers, and in particular self-employed women, to consider the need to make superannuation contributions to ensure they have enough money to live on when they retire. The committee would also welcome any government initiatives that actively encourage self-employed women to think about their economic security in retirement and consider making superannuation contributions.

Other proposed structural changes to the superannuation system

Contributions by a working spouse

6.79 Currently, a person can receive an 18 per cent tax offset on super contributions up to $3,000 made on behalf of a non-working or low-income-earning spouse (thus, to a maximum offset value of $540).[80] A person can also have up to 85 per cent of their own concessional super contributions from the previous financial year put into their spouse's superannuation account, providing their spouse is under 65 years of age and not retired. Split contributions count towards the contributing spouses concessional cap, and are taxed at the concessional rate.[81]

6.80 Some inquiry 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. For example, PwC Australia suggested increasing the quantum of the tax offset available under the Spouse Super Contribution for people that make contributions to a super or retirement account on behalf of their spouse who is earning a low income or not working. PwC Australia 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.[82]

6.81 The Women Lawyers' Association SA submitted that taxation arrangements for spousal contributions and contribution splitting did not provide an adequate incentive for couples to:

---

80 ATO, webpage, *Super related tax offsets*, accessed 6 April 2016, https://www.ato.gov.au/individuals/income-and-deductions/offsets-and-rebates/super-related-tax-offsets/.

81 AustralianSuper, 'Split your super contributions with your spouse', https://www.australiansuper.com/~/media/Files/Forms/Split%20your%20super%20contributions%20with%20your%20spouse.ashx, accessed 6 April 2016.

82 PwC Australia, *Submission 23*, p. 3.

> …take steps themselves to try to equalise the inequity in superannuation balances that results from the traditional division of labour where a couple has children and one parent acts as breadwinner while the other undertakes the majority of the child care.[83]

Committee view

6.82 The committee notes that it only received a small amount of evidence addressing the issue of spouse superannuation contributions. With this qualification, the committee suggests more generous arrangements in relation to spouse contributions would likely only benefit a small number of higher income earners. As such, while the idea may be worthy of further consideration in the context of a broader review of retirement incomes, the committee does consider the issue a high priority for reform.

Joint superannuation for couples

6.83 There were mixed responses from inquiry participants 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 fee costs.[84] For example, Rice Warner noted that 450,000 couples with SMSF arrangements already held joint accounts, and in other respects most Australian families pool their finances. It acknowledged that the effect of the reduction in fees (and the corresponding increase in superannuation balances) would be modest, but suggested that 'joint accounts will produce higher levels of engagement and therefore encourage more people to save for retirement'.[85]

6.84 ANZ also suggested that joint accounts might help promote greater engagement by households with their superannuation. Moreover, in the event of a separation or divorce, the division of superannuation assets might be simplified.[86]

6.85 Mrs Pauline Taylor also argued in favour of joint of family superannuation accounts, suggesting superannuation funds could be shared more equitably and fund balances would benefit from lower fees.[87]

6.86 The alternative view was that joint accounts would not provide any real assistance in reducing the gender retirement savings gap.[88] Asked about ISA's views

---

83 Women Lawyers' Association SA, *Submission 31*, p. [4].

84 National Seniors, *Submission 62*, p. 3; The McKell Institute, *Submission 53*, p. 6.

85 Rice Warner, *Submission 82*, p. 31; Mr Michael John Rice, CEO, Rice Warner, *Committee Hansard*, 19 November 2015, p. 45.

86 Ms Joyce Phillips, Chief Executive Officer, ANZ Global Wealth, *Committee Hansard*, 6 October 2015, p. 7.

87 Mrs Pauline Taylor, *Submission 37*, p. [4].

on proposals for joint superannuation accounts as a way of responding to the fact that women are far more likely than their male partners to be primary caregivers and undertake unpaid labour, Ms Campo responded that ISA did not see this as a structural solution.[89] Ms Campo's colleague, Mr Goodwin, added that the real problem was one of adequacy:

> Therefore, splitting what is there will not resolve the issue of inadequate retirement income for women. That is the case for most women who are in a relationship, and it is definitely the case for women who are not in a relationship.[90]

6.87 The National Foundation for Australian Women indicated that it opposed joint superannuation accounts, on the grounds that joint accounts would be a move away from the notion of economic independence for women in their working life and in retirement:

> We think that there are issues of household dynamics that would suggest that that is not a great idea, and that there are other ways of simplifying division of superannuation in the event of a separation. In the meantime, I think it is better to encourage separate control. If the woman has control over her own superannuation, she has a better chance of actually being able to say what happens and of having control over her own retirement.[91]

6.88 Similarly, ACOSS expressed opposition to joint superannuation accounts, on the grounds they would 'increase women's financial dependence on their partners and again mainly benefit higher income couples'.[92]

Committee view

6.89 The committee considers there may be merit in introducing joint superannuation accounts, however this is unlikely to produce a significant reduction in the aggregate gap between men and women's superannuation balances. The committee also notes there are significant risks involved in moves in this direction. In particular, the committee notes concerns that joint superannuation accounts may undermine efforts to improve and secure the financial independence of women, both during their working lives and in retirement. Any consideration of introducing joint superannuation accounts should have regard to such risks.

---

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

89 Ms Robbie Campo, Deputy Chief Executive, Industry Super Australia, *Committee Hansard*, 6 October 2015, p. 15.

90 Ms Ailsa Goodwin, Senior Manager, Regulatory Policy, Industry Super Australia, *Committee Hansard*, 6 October 2015, p. 15.

91 Dr Helen Hodgson, Member, Social Policy Committee, National Foundation for Australian Women, *Committee Hansard*, 19 November 2015, p. 37–38.

92 Dr Cassandra Goldie, Chief Executive Officer, Australian Council of Social Service, *Committee Hansard*, 12 February 2016, p. 33.

Retirement products addressing longevity risk

6.90 Some submissions noted that women may benefit more from products that address longevity risks (such as annuities) as women have a longer life expectancy than men. As such, they recommended increasing the availability of annuities[93] and removing regulatory barriers impeding the development of income stream products.[94] The most common superannuation income stream products are account-based pensions which allow for lump sum withdrawals and do not provide certainty of how long an income stream will last. Annuities generate a regular income stream for a determined period, and lifetime annuities manage the risk of outliving retirement savings by sustaining an income for the life of the recipient.[95]

6.91 ASFA suggested that, as things stood, the superannuation system was only 'half designed', in the sense that it was designed for accumulation but lacked design features for income streams in retirement:

> That is why providers are very limited in what they can offer. There is no competition there and there is not a framework around governance or transparency. The work that has been started around opening up and being able to provide different types of income stream products is very important.[96]

6.92 The Productivity Commission noted that there were a range of reasons for the current low demand for annuities including: the preference for flexibility; the difficulty retirees' face in understanding the risk of outliving their savings and the role of the Age Pension in managing this risk; and the removal of concessional treatment of annuities.[97]

Committee view

6.93 In relation to the apparent need for superannuation products that better address longevity risk for superannuation accounts in retirement phase, the committee notes that 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

---

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

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

95 Productivity Commission, *Superannuation Policy for Post-Retirement, Research Paper Volume 1: Chapters*, July 2015, p. 76.

96 Ms Pauline Vamos, Chief Executive Officer, Association of Superannuation Funds of Australia, *Committee Hansard*, 6 October 2015, p. 31.

97 Productivity Commission, *Superannuation Policy for Post-Retirement, Research Paper Volume 1: Chapters*, July 2015, p. 75.

- the minimum payment amounts for account-based pensions, to assess their appropriateness in light of current financial market conditions.[98]

6.94 It is the committee's hope that in undertaking this work, the government gives appropriate consideration to gender issues and the specific needs of women in retirement.

Recommendation 15

6.95 The committee recommends that all government policy analysis in relation to retirement incomes include specific analysis comparing the impact of each proposal on men and women.

98 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).