Women's Electoral Lobby | 8-10 Victoria Street, Newtown, NSW 2042
EMAIL: wel@welnsw.org.au
WEBSITE: www.wel.org.au

Retirement Income Review Secretariat

The Treasury

Langton Crescent

PARKES ACT 2600

retirementincomereview@treasury.gov.au

2 February 2020

Dear Mr Preston

This submission is made by the Women's Electoral Lobby Australia. Enquiries may be directed to me (0459901306), or to Philippa Hall, WEL NSW Convenor (0466273308, philippahall56@gmail.com).

Yours sincerely

Emma Davidson
Convenor
Women's Electoral Lobby Australia

WEL Submission to Retirement Incomes Review

Introduction

Women's Electoral Lobby, established in 1972, is an independent, non-party political lobby group dedicated to creating a society where women's participation and their ability to fulfil their potential are unrestricted, acknowledged and respected and where women and men share equally in society's responsibilities and rewards.

The Women's Electoral Lobby (WEL) is a national, independent, non-party political, feminist lobby group that has worked tirelessly for some 47 years to improve the position of women in society.

The Women's Electoral Lobby is dedicated to creating a society where women's participation and their ability to fulfil their potential are unrestricted, acknowledged and respected and where women and men share equally in society's responsibilities and rewards.

WEL applies a feminist approach to all its work from policy analysis and development to campaigning. WEL has developed a Feminist Policy Framework, which sets out the values, which we use to measure fairness for women and fairness for society. WEL believes that good policies should address these indicators and works with governments at all levels on achieving better and fairer policy outcomes.

WEL believes that fair policies are those that:

1. Ensure the benefits and outcomes are fairly distributed between women and men, as well as between different groups of women

2. Value and reward fairly people's different skills, experiences and contributions 3.

Recognise the value of caring and supporting roles, whether paid or unpaid 4.

Recognise and rectify past and current inequalities between men and women; and

5. Enhance opportunities for both women and men to take on equal rights and responsibilities in all aspects of society: politics, community, employment and social life.

WEL's analysis of the causes of women's disadvantage in the superannuation system are outlined in Appendix 1, with some of WEL's earlier recommendations for action. Those recommendations and the recommendations made in this submission are consolidated below.

Consolidated list of WEL's recommendations

WEL recommends development of a **Carer Credit** program.

We also recommend consideration of elements of New Zealand Super (NZS), a universal payment to New Zealanders over 65, without a means test. It provides around 40% of the average wage (compared to Australia's age pension around 25% of male average earnings). Since it is not a contributory scheme, it does not disadvantage those with a broken history of full time work, or a history of part time work, which makes it most beneficial to women. Those on low incomes can retain their earnings. These are the elements that make the scheme work well for women.

WEL recommends reviewing funded financial literacy programs, as recommended by the Productivity Commission, and considers that the review should encompass all available financial literacy programs, with a view to more accessible and comprehensive provision.

WEL recommends ongoing simplification of the superannuation system as recommended by the Productivity Commission.

WEL recommends the use of budget standards in assessing the adequacy of both superannuation and social security payments.

WEL recommends defining and publishing acceptable gender equitable ‘accumulation pathways’ for all levels of earnings.

WEL recommends tracking all superannuation balances in order to trigger interventions for those who are falling behind. Such interventions could include government top-ups, tax relief, superannuation account fee discounts and the inclusion of a superannuation component to Family Tax Benefit B.

WEL recommends that the age pension should be paid at least at the level that meets the standard for minimum income for healthy living, with dignity, as developed by the Social Policy Research Centre.

WEL recommends that the Australian Government set an objective for superannuation that specifically focuses on gender equity (as recommended by the Senate Economics Committee R10), together with requirements for regular reporting on progress toward gender equity.

WEL recommends that government require that all policy analysis in relation to retirement incomes include specific gender analysis (as recommended by the Senate Economics Committee R15).

WEL recommends that the Australian Government regularly reviews and increases Commonwealth Rent Assistance, in view of the especially severe disadvantages for renters, in retirement, and that CRA be indexed to housing rents.

WEL recommends full implementation of the Senate Economics Committee’s recommendations from its inquiry into women’s retirement incomes.

WEL recommends referring the problem of high effective marginal tax rates (EMTRs) for women returning to work (with childcare costs, and withdrawal of Family Tax Benefit B) to the Productivity Commission (as recommended by the Senate Economics Committee), since high EMTRs interfere with women’s incentives to work, and capacity to save, in superannuation, and otherwise.

WEL recommends that the superannuation guarantee charge be paid by government on the Commonwealth Paid Parental Leave Scheme.

WEL recommends that employers be required to make superannuation payments for people on paid parental leave.

WEL recommends that the $450 a month threshold for requiring employer contributions to superannuation be abolished, so all employers must pay superannuation contributions on every dollar earned. It is now more common for people (especially women) to hold several part time jobs each paying under $450 a month. Removal of the exemption has been recommended by the Senate Economics Committee in its 2016 report on economic security for women in retirement (R14), and by the Senate Committee on the Future of Work and Workers, in 2018 (R24). The Productivity Commission has recommended that the $450 threshold be investigated, among other matters, by an independent public inquiry into the superannuation system (R30).

WEL recommends that the government should retain and improve the Low Income Superannuation Tax Offset.

WEL recommends that tax concessions for superannuation for the highest income earners be wound back, and those savings used to improve superannuation for those disadvantaged by the current system, with specific focus on the disadvantages for women.

WEL has examined the Submission to this Inquiry by the National Foundation for Australian Women, and agrees with their analysis and supports their recommendations. WEL particularly recommends detailed consideration of NFAW's recommendations on taxation of superannuation withdrawals, as contributing to sustainability and equity.

Consultation questions

The retirement income system

1. Are there aspects of the design of retirement income systems in other countries that are relevant to Australia?

WEL recommends development of a Carer Credit program.

Appendix 2 is WEL's summary of carer credit programs around the world. This survey includes data from various dates, and at varying levels of detail, because of considerable variation in reporting and reporting periods. However, it does establish the components of carer credit programs in a wide range of economically developed countries.

These programs provide some compensation for the periods carers (70% of whom are women) spend out of paid work, providing unpaid care. Comparison of schemes is complex, as it involves analysis of the interaction of contributory (employee/employer) social insurance schemes and government pensions schemes (including carer allowances and old age pensions). The schemes vary in the type of care covered, and the period the credit covers.

Another factor to consider is the savings made by government through carer credit programs, in reducing expenditure on government-funded age and disability care institutions by supporting non-institutional family and community care (as preferred by most of those who need care and support). There may be other savings where carer credits mean that superannuation can contribute an increased share of retirement income, relative to age pensions. Provision of carer credits when care is provided can enable carer beneficiaries to derive the long term benefits of compound interest in their superannuation accounts.

As our analysis shows, many countries, especially high development countries, have had carer credit programs for some time, and have maintained and continued to improve them. Regular government contributions to carers' superannuation (depending on a means and superannuation balance test) need to be substantial (some $5000 pa, indexed to CPI), to mitigate the impact of care periods on retirement income. These issues have been explored in Economic Security for Women's 2018 paper, The Impact of Unpaid Care Work on Women's Economic Security in Australia. Recommendations along these lines have also been made by the Human Rights Commission in Investing in Care Vol 1: Research Report 2013.

We also recommend consideration of elements of New Zealand Super (NZS), a universal payment to New Zealanders over 65, without a means test. It provides around 40% of the average wage (compared to Australia's age pension around 25% of male average earnings). Since it is not a contributory scheme, it does not disadvantage those with a broken history of full time work, or a history of part time work. Those on low incomes can retain their earnings. These are the elements that make the scheme work well for women.

The introduction of Kiwisaver in 2007 brought compulsory employer contributions of 3% of gross salary or wages to match compulsory contributions of 3% or more by employees. Employees can also opt out altogether. Employees can contribute at various levels. People can opt out for a year, and withdraw funds for housing. Occupationally based schemes do not receive tax concessions, and there are few company schemes (Ross Guest and Kirsten MacDonald, What Australia can learn from the New Zealand Retirement System, The Conversation, June 21, 2017). There were some important changes to Kiwisaver in 2019

Purpose of the system and role of the pillars

2. Is the objective of the Australian retirement income system well understood within the community? What evidence is there to support this?

The objective of the retirement income system, to provide adequate income in retirement, is clearly not well understood, as evidenced by repeated policy proposals to access superannuation for other purposes, including buying a house, or to provide support for survivors of domestic violence. The widespread use of the system to enable accumulation of wealth and inter-generational transfer of wealth shows that the design of the system easily accommodates objectives other than the stated one, to provide adequate income in retirement.

3. In what areas of the retirement income system is there a need to improve understanding of its operation?

The Productivity Commission (PC) pointed out in its 2019 Report, Superannuation: Assessing Efficiency and Competitiveness, that superannuation is poorly understood and hard to navigate for many people (p.246). The PC has recommended systematic evaluation of funded financial literacy programs (R9).The PC has recommended a range of measures to simplify the system, cut Australia's high investment management fees (thereby cutting super fees), and improve financial advice and cut costs for it. The PC noted that financial literacy is observed in around 30% of fund members (finding 5.1). Recommendations also cover improving SGC compliance (non-compliance may be costing members some $2.8b pa - finding 6.2), prohibiting clauses in workplace agreements restricting fund choice, reducing multiple fund holding (with its associated costs), improving system governance, reducing unnecessary insurance. Many of the issues addressed by these recommendations relate to members' lack of knowledge and/or understanding of the super system.

WEL recommends reviewing funded financial literacy programs, as recommended by the Productivity Commission, and considers that the review should encompass all available financial literacy programs, with a view to more accessible and comprehensive provision.

WEL recommends ongoing simplification of the superannuation system as recommended by the Productivity Commission.

These measures are important for strengthening the capacity of users of the system to understand and make effective and appropriate choices.

The changing Australian landscape

7. Demographic, labour market, and home ownership trends affect the operation of the retirement income system now and into the future. What are the main impacts of these trends? To what extent is the system responsive to these trends? Are there additional trends which the Review should consider when assessing how the system is performing and will perform in the future?

It does seem likely that some labour market trends that have disadvantaged women in the superannuation system, especially underemployment and insecure employment, may become more widespread among men. Now only half Australia's workers have full time permanent jobs.

Principles for assessing the system

8. Are the principles proposed by the Panel (adequacy, equity, sustainability, and

cohesion) appropriate benchmarks for assessing the outcomes the retirement income system is delivering for Australians now and in the future? Are there other principles that should be included?

These principles are appropriate. The overarching principle is that the retirement income system should deliver dignity for everyone in retirement.

Adequacy

10. What should the Panel consider when assessing the adequacy of the retirement income system?

It is WEL's policy that:

> *Recognising that employment-related superannuation will not provide an adequate retirement income for some women, it is also important that the age pension be increased and maintained at an adequate level, based on objectively-set standards, rather than continuing at its currently internationally low level.*

WEL recommends the use of budget standards in assessing the adequacy of both superannuation and social security payments.

Budget standards indicate how much a particular type of household living in a particular place at a particular time needs to achieve a particular standard of living. The budget includes every item needed to satisfy the household's individual and collective needs, priced in current retail outlets.

WEL recommends that the age pension should be paid at least at the level that meets the standard for minimum income for healthy living, with dignity, as developed by the Social Policy Research Centre.

Each quarter, the Association of Superannuation Funds of Australia (ASFA), Australia's peak policy, research and advocacy body for Australia's superannuation industry, updates its retirement standards (for example, ASFA-RetirementStandard-Budgets-Mar2019.pdf). The standards need to be updated regularly to reflect changes in costs, and in community standards (for example, the general community expectation now that people need money for communications equipment and services), and changes in how government policies affect household spending requirements. Reference is also made to survey data on spending expectations.

The standards ASFA has developed are for income levels below median household income. ASFA suggests that the data supporting this (from HILDA and ABS Household Expenditure Surveys) contradict the claims by the Grattan Institute that the "comfortable" standard for superannuation sets expenditure levels that are too high, and higher than what was achieved by most individuals prior to retirement (2018-ASFA-Retirement-Standards Budgets-Review.pdf). This debate about income requirements in retirement is ongoing, and significant in the debate about the necessary level of compulsory contribution to superannuation. A related debate is whether it is more in the interests of low paid workers to retain their income for current needs, or to be required to contribute to superannuation for retirement income. On balance, WEL considers that it may well be more in the interests of low paid workers to be required to contribute to superannuation, in view of the high likelihood that saving for retirement would not be prioritised, and that poverty in old age would result.

These standards assess budgets for single and couple households 65+ for modest and for comfortable lifestyles in retirement. The standards are based on people owning their own homes and being reasonably healthy (although 38% of households do not own their own homes at retirement, and 40% of those who do have mortgage debt). The modest standard is a higher standard than the age pension, still at a fairly basic level. The comfortable standard includes a broad range of leisure activities, greater purchasing power (eg for health insurance, car, electronic equipment), and occasional travel. The standards are developed by reference to data on actual expenditure of households (including ABS household expenditure data and HILDA data).

These standards provide a basis for accumulation pathways for those contributing to occupational superannuation, for assessing whether there is a shortfall in the level of contributions that would be required to provide for the "modest" or "comfortable" retirement income standard. Per Capita has developed the concept of accumulation pathways in its report, Not So Super for Women (July 2017).

WEL recommends defining and publishing acceptable gender equitable 'accumulation pathways' for all levels of earnings.

WEL recommends tracking all superannuation balances in order to trigger interventions for those who are falling behind. Such interventions could include government top-ups, tax relief, superannuation account fee discounts and the inclusion of a superannuation component to Family Tax Benefit B.

ACOSS has produced several policy papers over the last ten years, showing the inadequacy of the age pension, by reference to poverty lines and budget standards, and taking account of evidence of age pensioners about their experience in relation to financial stress indicators.

Budget standards are based on required expenditure for various family types to achieve the minimum income for healthy living standard (originally developed by public health researchers in the UK), and account needs to be taken of differences in expenditure requirements.Per Capita has also documented the inadequacy of the aged pension (Pension-Adequacy_Final.pdf, 2016). Inadequacy is particularly critical for pensioners who do not own their own homes, or are in poor health.

Current indexation of age pension to CPI or Pensioner and Beneficiary Living Cost Index benchmarked against male total average weekly earnings will continue to reproduce these inadequacies. What is needed is a mechanism for progressively raising the level of the age pension to meet budget standards.

11. What measures should the Panel use to assess whether the retirement income system allows Australians to achieve an adequate retirement income? Should the system be measured against whether it delivers a minimum income level in retirement; reflects a proportion of pre-retirement income (and if so, what period of pre-retirement income); or matches a certain level of expenses?

A measure based on a proportion of pre-retirement income disadvantages lower income people, among whom women are disproportionately represented. Women are more likely to be in casual, part time, and/or low paid jobs. A higher proportion of women are not in paid work.

As outlined above, WEL recommends a budget standards approach based on needs, referenced against existing expenditure data, for a range of comparable groups.

We reject any suggestion that pension adequacy should be considered in terms of meeting or scarcely exceeding poverty lines (as calculated by the Melbourne Institute of Applied Economic and Social Research). However, the single age pension (including pension supplement and energy supplement) is only slightly higher than the poverty level.

WEL considers that the approach to assessing adequacy should be along the lines of that used by the Fair Work Commission in relation to the minimum wage. In its 2018-19 decision, the FWC considered (as it is required to do) relative living standards and needs of those on low pay. The FWC noted that the budget standards developed by the Social Policy Research Centre (SPRC) allow comparison of low paid families incomes with poverty measures, before and after tax. The FWC also considered survey evidence on financial stress and material deprivation. The FWC considered that median household disposable income should be at least 60% above relative poverty lines, since full time workers can expect to be well above poverty lines. The FWC noted that the SPRC budget standards are extremely tight. The standards are based on the Minimum Income for Healthy Living (MIHL) standards, to cover adequate consumption (food, clothing, transport, personal care, medications and so on) and enable participation (social activities, exercise, lifestyle, and so on). The FWC notes that the national minimum wage is above MIHL for a single adult, but not for other family types. [2019] FWCFB 3500]. The FWC again considered budget standards in relation to the minimum wage in its 2019-20 decision (10/12/2019).

While there are differences in needs between retirees and full time minimum wage workers, the FWC provides a model of considering adequacy in relation to budget standards, and experiences of financial stress.

12. What evidence is available to assess whether retirees have an adequate level of income?

The Per Capita report, The Adequacy of the Age Pension in Australia (September 2016), found that the age pension fails to provide a decent standard of living for approximately 1.5m older Australians who rely on it as their main source of income. This report, among others, found significant numbers of age pensioners experience financial stress (as measured by the nine indicators defined by ABS in the Household Expenditure Survey). The measures include items such as being unable to pay bills, going without meals, unable to afford heating, seeking assistance from community organisations, and/or family and friends, among others. The report notes that factors specifically affecting the level of financial stress include not owning a home, and being in poorer health. Deprivation is most concentrated among single people, women, and renters, and especially people in several of those categories.

Relevant data includes expenditure patterns of age pensioners relative to their age cohort, from HILDA and ABS HES data.

Equity

13. What should the Panel consider when assessing the equity of the retirement income system?

What factors and information should the Panel consider when examining whether the retirement income system is delivering fair outcomes in retirement? What evidence is available to assess whether the current settings of the retirement income system support fair outcomes in retirement for individuals with different characteristics and/or in different circumstances (e.g. women, renters, etc.)?

WEL notes that women are at a disadvantage under two of the pillars of the retirement income system. Women are disadvantaged in the superannuation system, as the following section shows. Women derive significantly less benefit from the very substantial investment by government in tax concessions which disproportionately benefit higher income earners who are far more likely to be men.

The tax concessions for superannuation for the highest income earners should be wound back, and those savings used to improve superannuation for those disadvantaged by the current system, especially including women.

Women also have less capacity to contribute to savings including home ownership, voluntary extra superannuation contributions, and other investments.

The fact that women are disadvantaged under two pillars of the retirement income system means that it is critically important that the age pension alone must provide for a decent standard of living in retirement, meeting the minimum income level for healthy living standards, as defined by budget standards.

The three pillars approach hard-wires considerable inequality into Australia's retirement income system. At the same time, Australia's means-tested, internationally low level age pension means that in a wealthy country, retirement means homelessness, deprivation, poverty and extreme anxiety for a significant number of older Australians, experiencing both relative and absolute poverty. The very high costs of housing are a significant factor in achieving an adequate retirement income, and affect capacity for voluntary savings within and outside superannuation.

WEL notes that specific groups of women are disadvantaged in particular ways. Aboriginal and Torres Strait Islander women, and women with disability, are less likely to be able to achieve a significant superannuation balance, home ownership, or other savings. Women from culturally and linguistically diverse backgrounds are more likely to be in insecure and/or low paid employment, and so less likely to be able to accumulate sufficient superannuation for retirement.

There have been many studies and observations of the relative disadvantage for women in retirement. Some of them are referred to in WEL's Analysis and recommendations Appendix 1. It is repeatedly noted that women's superannuation balances are much lower than men's (average balance for men $111 853, women $68 499; and average at age 55-64 men $270,710, women $157, 050, according to ASFA December 2019 statistics).

The extent and range of elements of the retirement incomes system that disadvantage women shows how fundamentally flawed and gender biased the system is. It is a matter of record that the negative consequences for women of the superannuation system were pointed out publicly by many individuals and organisations when the system was being developed. It is evident that other considerations (such as controlling wage inflation, and reducing reliance on age pension) were more important.

WEL invites the Retirement Income Review Panel to engage in the thought experiment of designing the retirement income system that would work best for women. It most certainly would not rely on occupational contributions from uninterrupted full time work for 40 or so years to generate a decent standard of living in retirement.

WEL recommends that the Australian Government set an objective for superannuation that specifically focuses on gender equity (as recommended by the Senate Economics Committee R10), together with requirements for regular reporting on progress toward gender equity.

WEL recommends that government require that all policy analysis in relation to retirement incomes include specific gender analysis (as recommended by the Senate Economics Committee R15).

There has been a great deal of analysis of the reasons for women's relative disadvantage (including by the Senate Economics Committee, in 2016 (http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Economic_ se curity_for_women_in_retirement/Report). Limited progress has been made on implementing the recommendations of the Senate Economic Committee.

WEL recommends full implementation of the Senate Economics Committee's recommendations from its inquiry into women's retirement income.

The Sex Discrimination Commissioner and the Workplace Gender Equality Agency have also produced reports outlining women's disadvantages in retirement income.

The following diagram from Per Capita's report, Not So Super for Women, July 2017, p.11, neatly summarises the various contributory factors in women's unfair and inadequate retirement incomes.

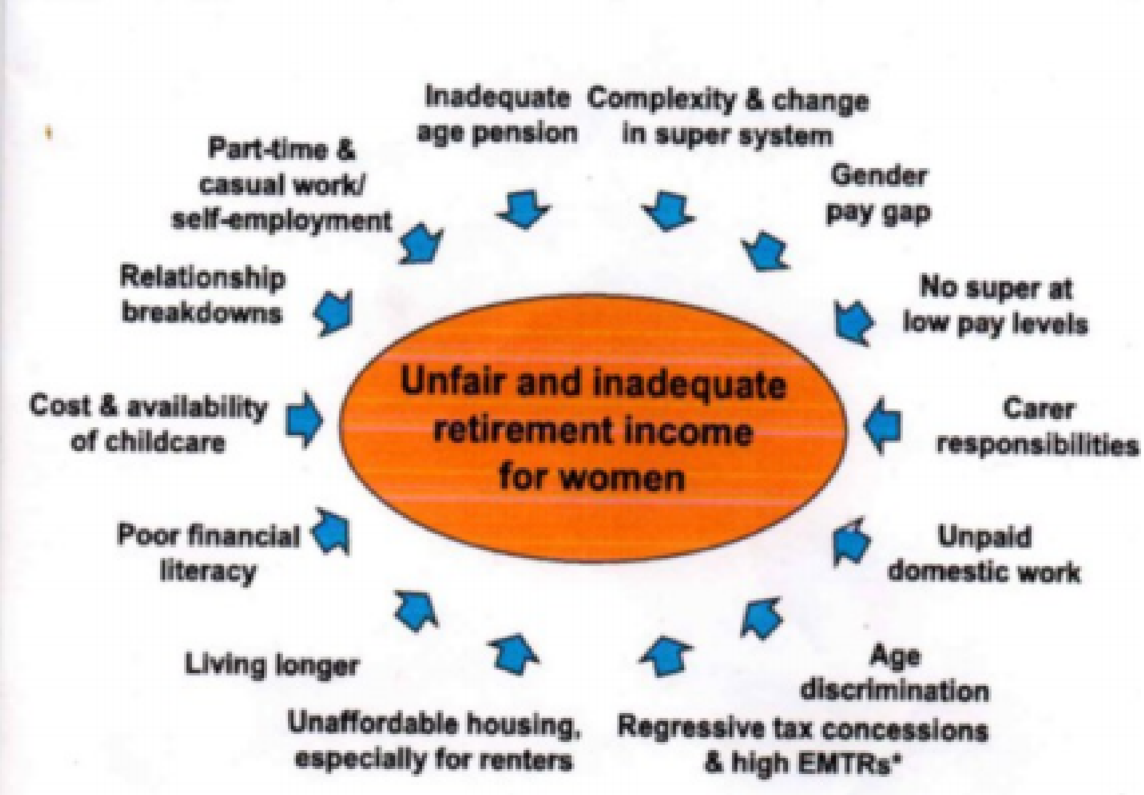

Figure 2. A wicked problem.

*Effective marginal tax rates

Not all these factors are directly relevant and/or addressable through retirement incomes policy. For example, the gender pay gap, carer responsibilities, cost and availability of childcare, relationship breakdown, unpaid domestic work, and living longer all contribute to women's retirement income disadvantage, and need to be addressed in other policy frames.

The multiplicity and complexity of factors contributing to the retirement income gap means that solutions need to be pursued to the full range of factors contributing to the unfair and inadequate retirement income for women. For example, a range of organisations (including Economic Security for Women (national women's alliance), FairVine Super, and Verve Super, (among others) produce resources for building women's financial literacy (especially in relation to superannuation). FairVine and Verve both offer superannuation products specifically designed for women. Verve notes that although women have over $1 trillion in super, women's needs are poorly met and women are disengaged from super. Verve also notes that 93% of financial service companies are led by men

(httpes://vervesuper.com.au/blogs/change/hey-verve-why-do-we-need-a-womens-super fund/ - accessed 13/1/2020). FairVine (https://www.fairvine.com.au/) offers a range of superannuation features targeting women's needs (including fee rebate during parental leave, and for small balances, extra superannuation contributions from rewards from its shopping portal, and from rounding up bank transactions to the nearest dollar, among others).

WEL recommends that the Australian Government regularly reviews and increases Commonwealth Rent Assistance, in view of the especially severe disadvantages for renters, in retirement, and that CRA be indexed to housing rents.

Older renters, most of whom are women, suffer especially severe disadvantage. A report for Anglicare in 2019 showed that less than 1% of rental properties in Sydney and the Illawarra are considered "affordable" (costing no more than 30% of income) for people on government benefits (Rental Affordability Snapshot, National Report, April 2019, Anglicare Australia). The Senate Economics Committee recommended review of the adequacy of Commonwealth Rent Assistance (R18), and review of aged care policy in relation to housing affordability for older Australians (R19).

Another significant factor inhibiting women's capacity to contribute to their superannuation is high effective marginal tax rates when returning to work after parental leave. As Professor Miranda Stewart points out:

> *If those caring for young children (mostly women) return to work or increase their work hours, this simultaneously requires them to pay increased taxes (and possibly the medicare levy) at the same time family payments and childcare subsidies are phased out. (Personal income tax cuts and the new Child Care Subsidy: Do they address high effective marginal tax rates on women's work? TTPI Policy Brief 1/2018, August 2018).*

WEL recommends referring the problem of high effective marginal tax rates (EMTRs) for women returning to work (with childcare costs, and withdrawal of Family Tax Benefit B) to the Productivity Commission (as recommended by the Senate Economics Committee, since high EMTRs interfere with women's incentives to work, and capacity to save, in super, and otherwise.

Some specific measures can mitigate some particular disadvantages women experience.

WEL recommends that the superannuation guarantee charge be paid by government on the Commonwealth Paid Parental Leave Scheme.

WEL recommends that employers be required to make superannuation payments for people on paid parental leave.

WEL recommends that the $450 a month threshold for requiring employer contributions to superannuation be abolished, so all employers must pay superannuation contributions on every dollar earned. It is now more common for people (especially women) to hold several part time jobs each paying under $450 a month. Women are over-represented in short hours and low paid jobs. Removal of the exemption has been recommended by the Senate

Economics Committee in its 2016 report on economic security for women in retirement (R14), and by the Senate Committee on the Future of Work and Workers, in 2018 (R24). The Productivity Commission has recommended that the $450 threshold be investigated, among other matters, by an independent public inquiry into the superannuation system (R30).

WEL recommends that the government should retain and improve the Low Income Superannuation Tax Offset.

WEL recommends that tax concessions for superannuation for the highest income earners be wound back, and those savings used to improve superannuation for those disadvantaged by the current system, with specific focus on the disadvantages for women.

13. Is there evidence the system encourages and supports older Australians who wish to remain in the workforce past retirement age?

Means testing for age pension is a disincentive for continued participation in paid work.

14. To what extent does the retirement income system compensate for, or exacerbate, inequities experienced during working life?

Because of the increasingly important role of contributory superannuation in retirement incomes, women will be increasingly disadvantaged, as they carry the cost burden of lower paid and more intermittent workforce participation (especially for care responsibilities) (and high EMTRs when returning to paid work) with reduced superannuation contribution capacity, while men continue to derive the benefit of higher and more constant tax advantaged contributions to superannuation. The retirement income system therefore exacerbates the inequities women experienced during working life.

Sustainability

WEL has examined the Submission to this Inquiry by the National Foundation for Australian Women, and agrees with their analysis and supports their recommendations. WEL particularly recommends detailed consideration of NFAW's recommendations on taxation of superannuation withdrawals, as contributing to sustainability and equity.

Appendix 1 WEL's Analysis and recommendations on superannuation 2017

The current Australian superannuation system is not designed for women to succeed. It is a system that was designed for full time working men – and that is who it rewards. Women are retiring with around half as much superannuation (53%) as men (

http://www.asu.asn.au/news/categories/super/170720-new-report-reveals-retirement-is-not so-super-for-women).

The Senate Economics Committee found:

> *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.*
>
> *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. (http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Economic_se curity_for_women_in_retirement/Report, p xi)*

A Women's Electoral Lobby member has provided this comparison of her superannuation situation compared with her husband's. It shows very clearly how this woman has been very disproportionately disadvantaged by her time out of the workforce to care for their children.

COMPARE THE PAIR

Gender and Age	Female 43 years	Male 48 years

Sectors	Female dominated health, community and education	Male dominated emergency services and aviation
Income and full time/ part time Nb. Have earned similar incomes at all stages in last twenty years	$105,000 Full time	$105,000 Full time
Current superannuation balance	$116,000 spread over four funds (three are compulsory award default funds with roll-over restrictions)	$310,000 in one fund
Employment history and caring responsibilities	8 months maternity leave (12 weeks paid, 20 weeks unpaid) 5 years part time employment due to caring responsibilities Insecure contract work with compulsory default superannuation funds linked to awards	Continuous full time work since entering the workforce

It can be seen that this experience is not about low earnings, it is fundamentally about the great impact of comparatively brief absences from paid work, for caring responsibilities.

It is a system that doesn't value women's financial sacrifices for families and the broader community. In fact, the biggest factor in the gender imbalance in superannuation is motherhood. (http://www.asu.asn.au/news/categories/super/170720-new-report-reveals retirement-is-not- so-super-for-women). Superannuation should be a universal retirement income for all Australians as they age, rather than a tax haven and a mechanism for the intergenerational transfer of wealth.

There has been a growing call in recent years for action on women and superannuation. The glaring inequity in the statistics and the refusal of governments to act on this system (which is fundamentally tied to Australia's national taxation and welfare systems) have become too obvious to ignore. Now is the time for a major, mainstream political party to offer an alternative to the current system, and correct the systemic and structural inequality of the Australian superannuation system. WEL sees gender-based reform of superannuation as fundamentally important in tackling inequality.

In Bill Shorten's speech to an economic conference in Melbourne 21/7/17 he said that inequality fractures the nation because it fractures the links between "hard work and fair reward, the link between playing by the rules and getting ahead...[that]..Inequality kills hope. Inequality feeds the sense that the deck is stacked against ordinary people, that the fix is in and the deal is done." (https://www.theguardian.com/australia-news/2017/jul/20/bill-shorten says-inequality-threat ens-australias-economy-and-social-cohesion)

This is very much Australian women's experience with superannuation. The system has been set up for women to fail. As Elizabeth Broderick puts it: "Is poverty to be the reward for a lifetime spent caring?" (http://www.women.anz.com/content/dam/Women/Documents/pdf/ANZ-Womens-Report-July-2015.pdf, p.1)

The problem of the gender imbalance in superannuation in Australia has been articulated by feminist organisations such as WEL. It has been broadly acknowledged as unfair and entrenching disadvantage among the most disadvantaged. The Senate Economics Committee made recommendations coming out of its Inquiry in 2016 (http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Economic_ se curity_for_women_in_retirement/Report), unions have prioritised it as an issue (http://www.nteu.org.au/article/A-husband-is-not-a-retirement-plan-18568, https://www.australianunions.org.au/equalpay, http://www.asu.asn.au/news/categories/super/170720-new-report-reveals-retirement-is-not-so-super-for-women), there is growing concern in the business community (http://www.women.anz.com/content/dam/Women/Documents/pdf/ANZ-Womens-Report July-2015.pdf). As the ASU National Secretary David Smith said, "documenting the problem is not enough." (http://www.asu.asn.au/news/categories/super/170720-new-report-reveals retirement-is-not- so-super-for-women).

What strategies are needed to correct the gender imbalance in superannuation in Australia?

WEL notes that the fundamental gender problem about superannuation is unfixable because the system is designed to link retirement income to participation in paid work without crediting time out of the workforce for caring. As WEL's Retirement Income and Superannuation Policy notes, time out of the workforce for caring responsibilities is credited in some other countries and this should be investigated as the highest priority.

Some measures to mitigate women's disadvantage in the existing system include:

• Defining and publishing acceptable gender equitable ‘accumulation pathways’ for all levels of earnings

• Tracking all superannuation balances in order to trigger interventions for those who are falling behind. Such interventions could include government top-ups, tax relief, superannuation account fee discounts and the inclusion of a superannuation component to Family Tax Benefit B

• Inclusion of superannuation payments in carer payments and all parental leave payments

• Retention and expansion of the Low Income Superannuation Tax Offset •

Reducing the superannuation tax concession for high income earners •

Implementing the recommendations from the Senate Inquiry

• Making the superannuation system less complex for consumers so they can feel confident planning their retirement.

[Some measures have since been taken to simplify and improve superannuation and much remains to be done]

Recognising that employment-related superannuation will not provide an adequate retirement income for some women, it is also important that the age pension be increased and maintained at an adequate level, based on objectively-set standards, rather than continuing at its currently internationally low level.

Appendix 2 Analysis of Carer Credit Programs Around the World

“In most countries, family carers and friends supply the bulk of caring, and the estimated

economic value exceeds by far expenditure on formal care. A continuation of caring roles will be essential given future demographic and cost pressures facing long-term care (LTC) systems across the OECD. This is also what care recipients themselves prefer. Continuing to seek ways to support and maintain the supply of family care appears therefore a potentially win-win-win approach: For the care recipient; for the carers; and for public systems."

From 'Help Wanted? Providing and Paying for Long-Term Care' OECD, 2011

https://www.oecd.org/els/health-systems/47884889.pdf

Elizabeth Broderick, then Sex Discrimination Commissioner, March 2014 has pointed out:

Many countries with social insurance-based public pension schemes have introduced the means of crediting a person's public pension scheme while they are out of the workforce providing care. These are called carer credits. Some of the countries which have caring credit systems operating include Sweden, Canada, Finland and the UK.

In the UK, the carer credits for parents have recently been extended to grandparents who provide care for a grandchild under 12 for a minimum number of hours per week while their parents work. Some countries are extending them beyond carer of children to all carers.

Some carer credit schemes (e.g. Germany) continue to provide carer credits when individuals return to work part-time. These credits can 'top up' an individual's pension contributions to the value of what they would be if the individual was working full-time.

Some countries (Sweden, France, Poland) are beginning to include carer credits in their private or occupational pension schemes. In these cases, the state either contributes to a person's private pension account while they are out of work after the birth of a child or takes over the employer contribution during certain periods of workforce absence.

The international literature reveals that these are an effective mechanism for encouraging women's attachment to the workforce while continuing to provide care. This helps to alleviate poverty in the present (through additional income) and in the future (through improving retirement income).

While these credits operate primarily in public pension schemes, their usefulness as a measure for recognising periods of caring in the retirement income system make them an important mechanism to consider in the context of Australia's superannuation system.

https://www.humanrights.gov.au/about/news/speeches/recognising-and-valuing-unpaid-care

1. Australia is lagging behind other countries. Carer Credits provide opportunities to

save tax payers money. Countries that have had carer credits for decades are looking to strengthen their schemes.

Around 70 per cent of primary carers are women who miss out on the opportunity to grow their careers and pay packets.

Should the government compensate carers for this time out of the workforce with carer credits to their superannuation, these women – or men, if that is the case – would have much better options in retirement, and the initial outlay would come at a lower cost to the taxpayer.

"It actually encourages people to spend more time looking after their dependent-aged parents or disabled family member at home and that actually does save the taxpayer a considerable amount of money," said economist Stephen Koukoulas.

"If those people are placed in some sort of government-sponsored institution the cost to the taxpayer is quite phenomenal. We know that from NDIS and aged care."

Australia is lagging behind other countries such as the United Kingdom, Germany, Canada, Japan, Denmark and Sweden, which already pay carer credits in various forms.

"In fact, most of the countries that have had carer credits for decades have actually spent the last few decades trying to strengthen their schemes," said Dr Myra Hamilton from the University of New South Wales Social Policy Research Centre.

Sources (accessed 27/10/19):

https://www.yourlifechoices.com.au/the_meeting_place/post/push-to-compensate-carers with-super-credits

https://www.abc.net.au/news/2019-02-21/carer-credits-proposal-aims-to-reduce superannuation-gap/10826246

2. In recent decades, caregiver credits have become a near-universal component of public pension systems in higher-income OECD countries

Benchmarking below is nearly all sourced from:

'Caregiver Credits in France, Germany, and Sweden: Lessons for the United States, Social Security Bulletin, USA, Jancowski, 2011

https://www.ssa.gov/policy/docs/ssb/v71n4/v71n4p61.html

This is an excellent source although now out of date. The main purpose of this table is to illustrate the extent and variety of schemes in operation around the world.

Benchmarking of schemes across the world

Country	*Description and Eligibility and Further info*
Northern Ireland – Carer's Credit	Automatic if you get a Child Benefit for a child under the age of 12 Carer's Credit will not affect any other benefits or entitlements you get. https://www.nidirect.gov.uk/articles/carers-credit-0
United Kingdom – Carer's Credit	You could get Carer's Credit if you're caring for someone for at least 20 hours a week. Carer's Credit is a National Insurance credit that helps with gaps in your National Insurance record. Your State Pension is based on your National Insurance record. Your income, savings or investments won't affect eligibility for Carer's Credit. https://www.gov.uk/carers-credit
	"Carer's Credits mean carers can be 'credited' with Class 3 national insurance contributions to help them qualify for other benefits which they may not otherwise have been eligible for if their caring responsibilities prevented them from being able to work and pay national insurance contributions in the normal way." Periods of care-giving are covered under both pillars of the public pension system (basic state pension and second state pension). For the basic state pension , a parent or care-giver receives credit for each week in which he or she is (1) getting a child benefit for at least one child younger than age 12; (2) an approved foster care-giver, or (3) providing at least 20 hours of care per week for anyone who is receiving an attendance allowance, disability allowance, or constant attendance allowance. For the second state pension, the care-giver receives entitlement equivalent to 13,900 pounds per year if he or she is out of the labour force or earns less than 4,940 pounds per year and meets one of the following conditions: (1) care giver for a child younger than age 6; (2) care-giver for a sick or disabled person and receiving home responsibilities protection; or (3) entitled to a carer's allowance. https://www.turn2us.org.uk/Benefit-guides/Carer-s-Credit/What-are-Carer s-Credits https://www.ssa.gov/policy/docs/ssb/v71n4/v71n4p61.html

Austria	Up to 4 years per child are credited as if earnings were equal to 1,350 euros (US$1,857) a month. In addition, 2 years per child can be used to meet the minimum contribution period for an old-age pension. https://www.ssa.gov/policy/docs/ssb/v71n4/v71n4p61.html
Belgium	All employees working for at least 1 year for the same employer are eligible for the so-called "time credit" ("tijdskrediet"), which can count up to 3 years of caring for children as gainful employment. The value of the time credit is the caregiver's earnings before exit from the labor market. https://www.ssa.gov/policy/docs/ssb/v71n4/v71n4p61.html
Denmark	Periods spent outside of the labor force providing unpaid care are automatically covered under the universal basic pension program, which awards benefits based on years of residence. https://www.ssa.gov/policy/docs/ssb/v71n4/v71n4p61.html
Finland	During paid parental leave periods (a maximum of 11 months), the pension accrues based on 1.17 times the salary on which the family benefit is based. In addition, parents receiving the child home-care allowance for unpaid care to a child younger than age 4 are credited as if earnings were equal to 556.60 euros (US$765.66) per month (in 2006) until the child reaches age 3. https://www.ssa.gov/policy/docs/ssb/v71n4/v71n4p61.html
France	A parent caring for a child younger than age 16 for at least 9 years receives up to 2 years of coverage, whether he or she left the workforce or not during that time. In addition, a parent caring for a child younger than age 3, with earnings below a certain threshold (17,600 euros, or US$23,028, for the first child and more for subsequent children) is credited as if he or she had received the minimum wage. Finally, a parent who has raised 3 or more children for at least 9 years before the children reach age 16 receives a 10 percent increase in his or her old-age benefit at retirement. https://www.ssa.gov/policy/docs/ssb/v71n4/v71n4p61.html
Germany	The parent who is mostly in charge of caregiving is credited with the equivalent of 1 pension point (equal to the pension entitlement a person with exactly the average income of all insured persons receives for contributions in 1 year) annually for the first 3 years of his or her child's life. Additional credits of up to 1 pension point are provided to parents who continue to work while raising a child up to age 10. In addition, parents who do not work but provide care to 2 or more children under the age of 10 generally receive a bonus of 0.33 pension points. https://www.ssa.gov/policy/docs/ssb/v71n4/v71n4p61.html

Luxembourg	A parent caring for a child aged 4 or younger is credited with up to 2 "baby years" for one child or up to 4 for two children (or for a severely disabled child). Baby years are considered as periods of employment and are calculated based on the caregiver's income prior to childbirth or adoption. The credits can be granted to one parent or split between both parents. https://www.ssa.gov/policy/docs/ssb/v71n4/v71n4p61.html
Netherlands	Periods spent outside of the labor force providing unpaid care are automatically covered in the basic old-age pension system, which awards benefits based on years of residence. https://www.ssa.gov/policy/docs/ssb/v71n4/v71n4p61.html
Norway	Caregivers (including parents providing unpaid care to children younger than age 7 and individuals providing care to disabled, sick, or elderly persons in the home) are credited with 3 pension points (equal to 291,524 kroner, or US$51,797) per year in the supplementary earnings-related pension program. https://www.ssa.gov/policy/docs/ssb/v71n4/v71n4p61.html
Spain	Up to 2 years spent outside of the labor force providing care for children count as years of coverage (to fulfill the minimum requirement of 15 years of coverage for an old-age pension). https://www.ssa.gov/policy/docs/ssb/v71n4/v71n4p61.html
Sweden	A parent caring for a child aged 4 or younger is credited with the most favorable of the following: (1) earnings the year before childbirth or adoption; (2) 75 percent of average earnings in Sweden; or (3) a fixed amount equal to one income base amount (52,100 kronor, or US$8,028, in 2011). In addition, a parent who has left the labor force to provide care for a disabled child can receive caregiver credits for up to 15 years. https://www.ssa.gov/policy/docs/ssb/v71n4/v71n4p61.html
Switzerland	Years of caregiving for children aged 16 or younger are credited as if earnings were equal to three times the minimum pension in the year in which the caregiving parent retires (38,700 francs, or US$36,894, in 2006). The credits can be granted to one parent or split between both parents. https://www.ssa.gov/policy/docs/ssb/v71n4/v71n4p61.html