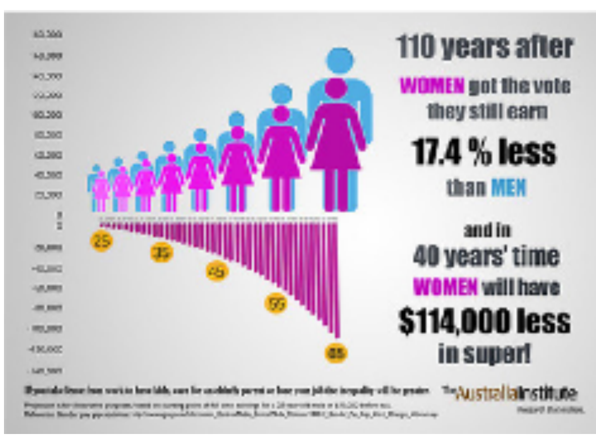
Women's Electoral Lobby

# Retirement Income and Superannuation - Working for Women

All retirees are entitled to an adequate income that allows decent living and security. Women live longer, generally earn less over their paid work life cycle, and contribute more unpaid care over their lifetime. Therefore their contributions to the superannuation system are far less than most men; on average one third of men's. The gender difference is increased by the current 15% flat tax on both contributions and earnings, which provides a much higher subsidy to higher income earners. Those below the tax threshold have been overtaxed for years, and those in the bottom bracket have had no subsidy until the introduction of a rebate this year.

Many women, particularly those who are single, will not have access to adequate superannuation to subsidise their age pension. If they do not own their own homes, they will be particularly vulnerable to poverty and homelessness in their longer later years. This is unacceptable as many will have contributed as carers, parents and volunteers or have been locked out of paid work for other reasons.

Superannuation has no mechanism for acknowledging contributions made outside paid work or valuing carers social contributions. Thus the system creates significant disadvantage for carers. 'Carer credits', crediting an individual's super while they are out of paid work providing care, has been implemented in other countries to address this disadvantage. Internationally this has been documented as an effective mechanism to maintain women's connection to the workforce[1]. How this model could be implemented in Australia should be investigated. Long term financial security for women requires a combined approach through tax and superannuation, workplace relations, and childcare policy, addressed in our other policies.




*Women's reduced financial security in retirement is a direct result of social inequality including the gender pay gap and women's role as carers[2].*

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[1] Australian Human Rights Commission, Investing in Care: Recognising and valuing those who care Volume 1: Research Report 2013, downloaded 9 July 2013:http://www.humanrights.gov.au/sites/default/files/document/publication/UnpaidCaringVolume1_2013.pdf

[2] The Australia Institute, downloaded 9 July 2013:

Think WEL before you vote

## Long term recommendations

1. A review of tax concessions exploring ways to equalise taxation benefits so all superannuation contributors receive a 15% rebate on contributions and earnings, and are taxed at their marginal tax rate. This is consistent with Henry Tax Review recommendations.

## Short term recommendations

1. Fund superannuation contributions to be paid on government funded paid parental leave, reducing the effect of parental leave on superannuation balances.
2. Productivity Commission to investigate the best way to implement carer credits
3. Continue the low income superannuation concession (LISC) rebate as this is a concession to fairness and benefits mostly female low income earners.
4. Establish a Fair Retirement Supplement Fund for those dependent on the Age Pension. This should be funded by a surcharge of 10% on the superannuation contributions of the top 12% of income earners, (similar to the 2005-06 surcharge that raised revenue of $1,289M[3]) would provide more than $750m in revenue. This could fund a Fair Retirement Supplement of small grants for capital expenses that will help those on the Age Pension with capital to ensure they could replace cars, electrical goods or undertake necessary repairs without falling into poverty when an unexpected expense occurs.

| If your 2010-11 taxable income was... | ...then your income was larger than this proportion of taxpayers |
|---|---|
| $48 864 | 50% |
| $72 948 | 75% |
| $79 934 | 80% |
| $89 331 | 85% |
| $105 481 | 90% |
| $140 479 | 95% |
| $202 918 | 98% |
| $281 858 | 99% |

*This table by Matt Cowgill based on ATO data shows that very few Australians actually earn more than $100,000 per year[4].*

http://australiainstitute.tumblr.com/post/45219371432/super-not-so-super-even-though-women-received

3 Treasury,FinalBudgetOutcome2005-06,Part1:AustralianGovernmentBudgetOutcome–Revenue, downloaded 13 January 2012: http://www.budget.gov.au/2005-06/fbo/html/02_part_1-02.htm

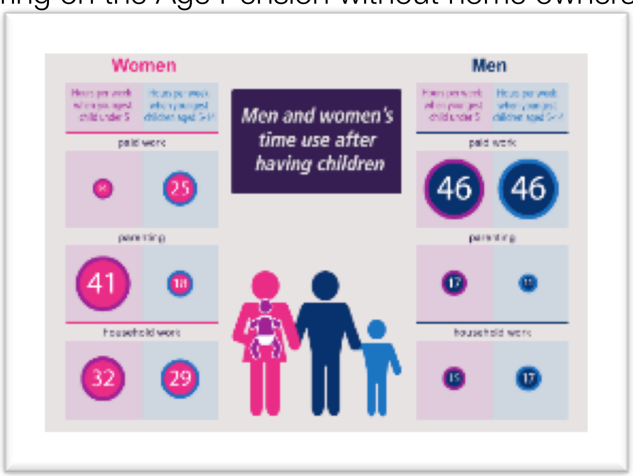
4 Matt Cowgill, What is the typical Australian's income in 2013?, downloaded 9 July 2013: http://mattcowgill.wordpress.com/2013/05/13/what-is-the-typical-australians-income-in-2013/

## Background

By 2056, Australian women are expected to live beyond 90 years[5], despite reaching Age Pension age at 67 years old. But with the average woman's super payout at $37,000 being just one third of the average man's at $110,000[6], and a gender pay gap of 5% for university graduates[7] and 17.6% for full time workers (an increase from 14.9% in 2004)[8], older women have less financial security than men.

This gender gap in financial security in retirement contributes to the 600,828 women over 45 years old at 2011 Census date who were vulnerable to homelessness,compared to 373,794 men[9]. These are single people who do not own their home, and earn less than median income. They are heading towards retirement with little or no capacity to save, and are likely to end up on the Age Pension while living in private rental housing.

Women's reduced superannuation is in part due to time out of the paid workforce to care for children, as well as elderly or disabled family members. The gender pay gap is also significantly impacted by undervaluing women's skills, and discrimination. Even if they were implemented today, these changes will not impact on women in retirement for decades to come. It is critical that measures are put in place to support older women retiring on the Age Pension without home ownership or substantial savings/superannuation.




*Women spend more hours than men as carers and less in paid work (graphic by AIFS)[10]*

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5 Australian Bureau of Statistics, Population Growth: Past, Present and Future, accessed 12 June 2013: http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4102.0Main+Features10Jun+2010

6 Australian Human Rights Commission, The gender gap in retirement savings, accessed 12 June 2013: http://www.humanrights.gov.au/publications/gender-gap-retirement-savings

7 UniversityofWesternAustralia,Genderpaygappersiststhroughtheages,accessed20June2013: http://www.news.uwa.edu.au/201304125571/research/gender-pay-gap-persists-through-ages

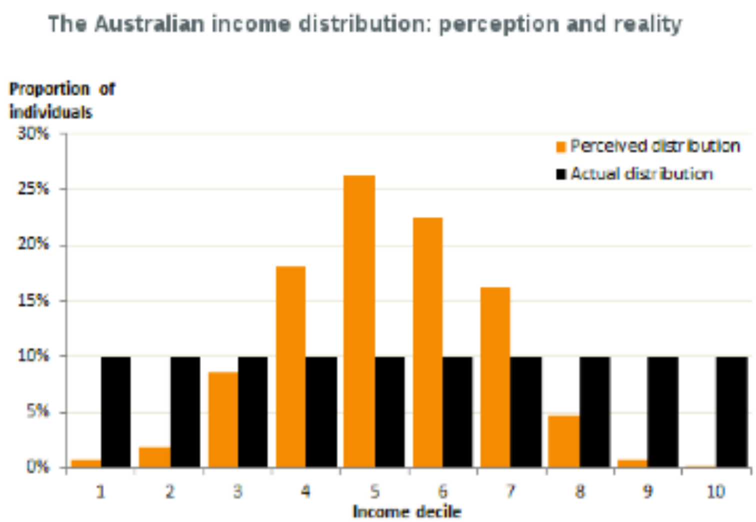
8 Workplace Gender Equality Agency, Gender pay gap statistics, accessed 12 June 2013: http://www.wgea.gov.au/sites/default/files/2013-02-Gender%20pay%20gap%20statistics.pdf

9 EqualityRightsAlliance,2013-14Pre-BudgetSubmissionoftheEqualityRightsAlliance,accessed12June 2013: http://www.equalityrightsalliance.org.au/news/eras-pre-budget-submission-housing-women

10 Institute of Family Studies, downloaded 9 July 2013:

Different groups of women are disproportionately disadvantaged by the superannuation system. The complexity of the system can cause great confusion for culturally and linguistically diverse women. Aboriginal and Torres Strait Islander women suffer from acute disadvantage under this system, due to lower rates of workforce participation, higher concentration in low income paid work, early death and disability, and lack of financial literacy and education about the system and financial planning[11]. Promotion of education and financial literacy programs is an important step to address this inequity, including the production of education material in different languages.

Tax concessions have provided public subsidies to the retirement incomes of Australia's highest income earners. In 2011-12, the top 12% of income earners received more than 50% of at least $15b in tax concessions on superannuation contributions, and the top 20% of income earners receive more in tax concessions over their lifetimes than they would have received if paid the maximum rate of Age Pension[12]. Individual resistance to the idea of progressive tax rates on superannuation contributions is more likely to be based on perceived income than on actual income, as shown below:




*Both low and high-income earners tend to think their income is closer to the median than it actually is in this graph by Matt Cowgill based on data by Saunders and Wong[13]*

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[11] National Aboriginal and Torres Strait Islander Women's Alliance, Aboriginal and Torres Strait Islander Women and Superannuation, downloaded 9 July 2013: http://www.natsiwa.org.au/Portals/0/Natsiwa%20Superannuation%20Report%20for%20printing.pdf

[12] Australian Council of Social Services, Submission to the Senate Economics Committee: Tax Laws Amendment (Stronger, Fairer, Simpler and Other Measures) Bill 2011 and reform of the tax treatment of superannuation contributions, p9

[13] Matt Cowgill, What is the typical Australian's income in 2013?, downloaded 9 July 2013: http://mattcowgill.wordpress.com/2013/05/13/what-is-the-typical-australians-income-in-2013/