

Department of Families, Housing, Community Services and Indigenous Affairs

Email: ppl@fahcsia.gov.au

14 June 2013

Dear Sir or Madam,

PAID PARENTAL LEAVE SCHEME REVIEW

Women in Super and the Australian Institute of Superannuation Trustees welcome the opportunity to contribute to the review of the Government's Paid Parental Leave scheme under s307A of the *Paid Parental Leave Act 2010*.

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

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

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

The Australian Institute of Superannuation Trustees (AIST) is the peak representative body of Australia's \$500 billion not-for-profit superannuation sector. AIST's members are the trustee directors and staff of industry, corporate and public-sector superannuation funds, who manage the superannuation accounts of almost two-thirds of the Australian workforce.

AIST plays a key role in policy development and advocates on behalf of its members to the Government and other relevant stakeholders. We also offer a range of services including professional development, research, compliance, events (both national and international) and other consulting services as well as member support.

General comments

WIS and AIST strongly support the Government's Paid Parental Leave (PPL) scheme, and support the ongoing existence and enhancement of the PPL to assist parents in prioritising work and family balance, and promote women's workforce attachment.

WIS and AIST provide comments in the context of superannuation matters, and are otherwise generally supportive of the Australian Council of Trade Unions' (ACTU) submission to this review,

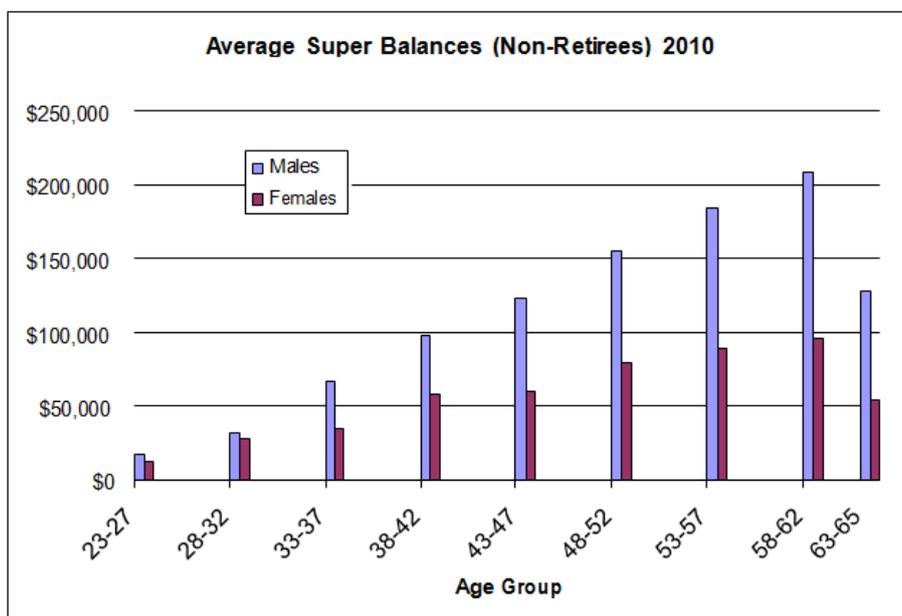
including the extension of the scheme to 26 weeks and introduction of an obligation on employers to 'top up' the gap between the National Minimum Wage (NMW) and the employees' actual earnings capped at average earnings.

Superannuation & paid parental leave

WIS and AIST note that the Productivity Commission recommended inclusion of superannuation on PPL after the initial phase-in of the scheme, and that inclusion of superannuation on PPL should be part of this review.

WIS and AIST strongly advocate for the inclusion of Superannuation Guarantee (SG) payments as a component of PPL as a measure that is required to improve the inequitable disparity in retirement savings between men and women.

It is widely acknowledged that many women miss out on crucial years of superannuation accumulation due to career breaks to raise or care for children. Women's superannuation balances suffer as a direct result of this absence from the paid workforce. Recent AIST research confirmed a 'flat-lining' of women's balances between the ages of 38-47 (when women typically take time out of the workforce to raise children), which had not varied in the last decade.¹ This stagnation results in greater gender disparities in retirement balances, with the average male balance at retirement being \$198,000 compared to the average woman's \$112,600.² The below graph illustrates the widening of the gap between male and female balances, which begins during typical 'child bearing years'.



Source: AIST & ACFS, *Superannuation over the past decade: Individual experiences* (2012).

¹ Australian Institute of Superannuation Trustees & Australian Centre for Financial Studies, *Superannuation over the past decade: Individual experiences* (2012).

² Ross Clare, *Developments in the level and distribution of retirement savings*, ASFA briefing paper (September 2011), Association of Superannuation Funds of Australia.

It is well recognised that many women returning to the workforce after time out to raise children do so on a part-time or casual basis, often working in multiple casual or insecure jobs to balance work and caring responsibilities. This high concentration of women working part-time and casual jobs is another contributing factor to women's relatively low super balances, as many do not qualify for SG payments due to the requirement to earn \$450 per month from the one employer.

It is therefore particularly important that low income female workers have access to PPL that has a superannuation component. High-income earning women are more likely to receive employer PPL payments with a superannuation component and have a greater likelihood of being able to make 'catch-up' voluntary contributions later in life.

It is therefore particularly important that low income female workers have access to paid parental level that has a superannuation component. High-income earning women are more likely to receive employer PPL payments with a superannuation component and have a greater likelihood of being able to make 'catch-up' voluntary contributions later in life.

There are, of course, other reasons why women accumulate less superannuation over their working lives than men - notably pay inequity and the higher proportion of women caring for ageing, ill or disabled family members, but taking career breaks and/or working reduced hours to raise children has a significant impact that a superannuation component on PPL could help address.

It should also be noted that on average women live an extra three or four years longer than men. This means they spend more time in retirement and need more superannuation to last longer. Many women experience poverty in retirement because they have spent significant periods out of the workforce providing unpaid care, and have missed out on years of superannuation accumulation. While provision of SG on PPL will not close the gap between what women have and what they need, it will contribute to this effort.

Superannuation is generally payable on other types of leave, including annual, sick or long-service leave, and should therefore be included on PPL as part of an employee's wage entitlements. The ACTU in its submission to this Review estimated that at the present statutory rate of nine per cent SG, employers would pay less than \$2,225 in superannuation contributions for 95 per cent of employees based on their full income rate.³ Given the SG rate will begin its increase to 12 per cent on July 1 2013, this amount will increase slightly. However, the number of employees taking parental leave is minimal at just two per cent, and many employers already include SG in PPL through employment arrangements. Employers of low wage workers will pay significantly less than the estimated \$2,225 in PPL SG contributions and employers of high income female workers are in many cases already paying additional PPL payments and SG contributions. The impact on business will not be significant. Accordingly we do not believe there are compelling arguments to further delay the introduction of SG payments on PPL.

³ Australian Council of Trade Unions, Submission to Paid Parental Leave Scheme Review (2013).

