

SENATE COVID-19 SELECT COMMITTEE

Opening Statement by Cate Wood,

National Chair, Women in Super

22 September 2020

I thank the Committee for the opportunity to appear and would like to focus on the following areas:

- The 'Herstory' of Superannuation
- Early Release of Superannuation
- A super recovery
- Gender analysis & a Women's Recovery Plan

Women in Super

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

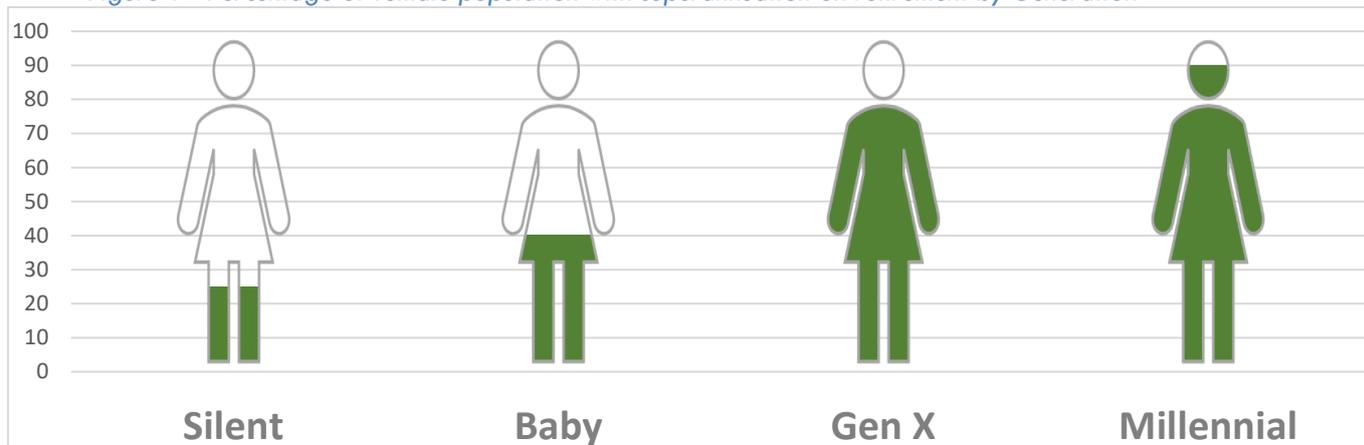
WIS sponsors gendered research, develops policy and advocates to improve women's retirement prospects and access to superannuation.

WIS makes submissions to Parliament and has participated in Parliamentary and Treasury inquiries into the retirement income system and the role and objectives of superannuation in achieving financial security in retirement with a particular focus on women.

THE 'HERSTORY' OF SUPERANNUATION

Women in Super commissioned independent think tank, Per Capita to produce a report on the history of superannuation focussing on the experiences of women. The report documents the evolution of the Age Pension and evolution of superannuation. In the decades prior to Award superannuation and the introduction of universal superannuation in 1992, the proportion of workers covered by superannuation schemes remained low, disproportionately favoured full-time, male workers and featured many eligibility requirements that discriminated against women, both directly, by refusing them coverage based on their gender and/or marital status, and indirectly, by excluding workers who were employed part-time or had interrupted career paths or multiple employers. (p.5) Very few of the 15% of working women with superannuation in 1974 ever received a retirement benefit. (p.11)

Figure 1 – Percentage of female population with superannuation on retirement by Generation



Source: Per Capita analysis of ASFA data

Whilst women have less superannuation than men, the introduction of the Superannuation Guarantee in 1992 has significantly extended access as demonstrated in Figure 1

Universal compulsory savings preserved for retirement to supplement the Age Pension are crucial if women are to achieve a dignified and comfortable retirement, however policy changes and increasing the SG are required to improve equity and outcomes for women.

Women's superannuation and retirement outcomes pre-COVID-19

- Women have been retiring with on average just over half the retirement savings of men¹ and recent analysis shows that for those currently aged between 30 and 60, male balances will be 42% higher on average at retirement²
- 1 in 3 women have no superannuation account and approximately 25% of women are retiring with no superannuation³
- Men ALWAYS have more super than women, there is a less than 10% difference up until 30-34, where the gap steadily grows to 33% at 55-59 before closing at 79% at 60-64 (retirement age).⁴
- Women are more heavily reliant on the Age Pension⁵
- 42%⁶ of the homeless are women and the number of older homeless females has increased by 31% since 2011⁷

¹ A Husband is not a Retirement Plan, Report from Senate Inquiry into Women's Economic Security in Retirement, 2016

² Rice Warner research conducted for Women in Super based on analysis of 4 million accounts from 5 high-performing industry super funds (2019)

³ ASFA Report 'Better Retirement Outcomes: a snapshot of account balances in Australia', Ross Clare, June 2019

⁴ ASFA Report 'Better Retirement Outcomes: a snapshot of account balances in Australia', Ross Clare, June 2019

⁵ Age Pension by Duration on Payment, Age Pension (AGE) - Payment Trends and Profile Report, June 2016⁵

⁶ Australian Bureau of Statistics, Census of Population and Housing: Estimating homelessness, 2016

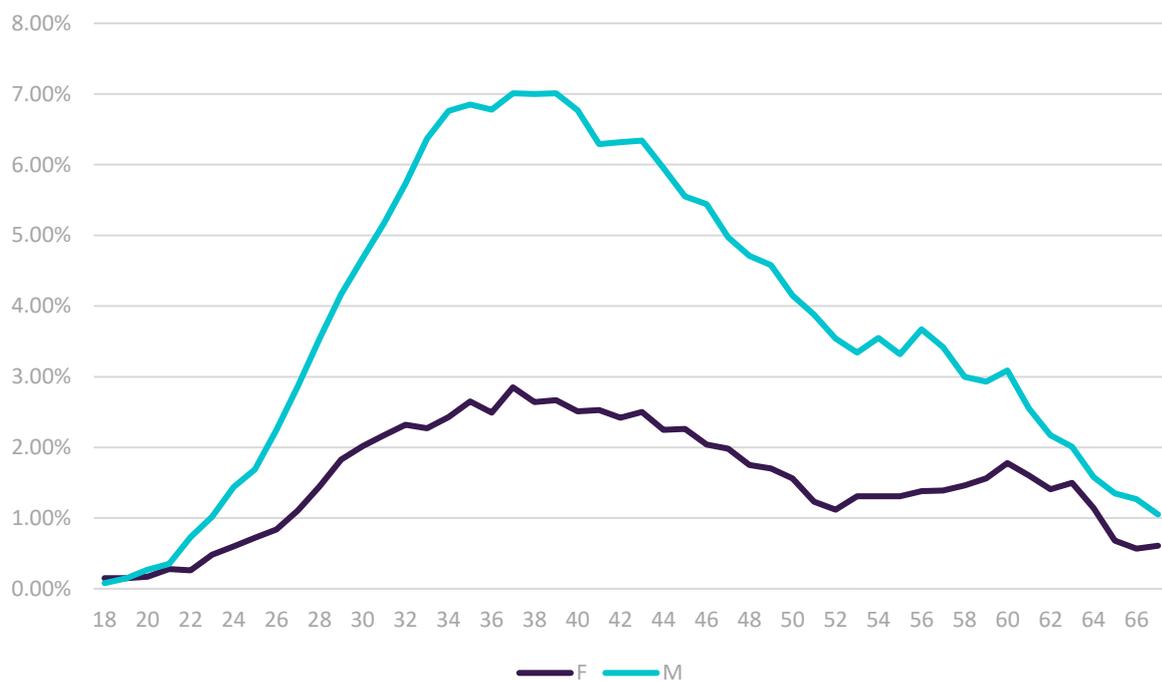
⁷ Australian Bureau of Statistics, Census of Population and Housing: Estimating homelessness, 2016

Superannuation policy settings magnify and compound the negative impacts of the differing pay, workforce participation and caring responsibilities of women. The Government contributes approximately \$35B per year in superannuation tax concessions to reward those saving for retirement. Perversely, these concessions favour high income earners (mostly men) and provide no boost for low income earners (half the female workforce) resulting in men receiving two thirds of the \$35B.

Women in Super (WIS) engaged Rice Warner and worked with five large industry funds to conduct super gap analysis on 4 million industry superannuation fund member accounts in early 2019.

Rice Warner modelling revealed that even for members in this sample of high-performing funds, only 3% of women and a maximum of 7% of men will reach the ASFA comfortable retirement standard of \$43,317 per year for a single person. This modelling of retirement outcomes for active accumulation members was based on 9.5% SG and included the age pension. The analysis assumes that member balances are converted in entirety to income streams at retirement, but this is a best-case scenario. Members may use balances to pay off debt or for significant purchases.

Estimated proportion of members meeting ASFA comfortable standard for active accumulation members (includes Age Pension)



The superannuation system is not yet mature and current policy settings will not deliver a comfortable and dignified retirement even for the vast majority of millennials who will receive SG contributions through their whole working life.

EARLY RELEASE OF SUPERANNUATION

Women in Super wishes to draw to your attention our preliminary gender-based research into the impact of the first tranche of the Early Release of Superannuation in response to the COVID-19 pandemic. This research demonstrates a significant impact on young women that will translate into significantly poorer outcomes for them when they retire. ([Data analysis attached](#))

Fund data analysis summary

- Over 40% of early release applicants were between the ages of 25-34.
- One in five women aged 25-34 made an early release application.
- On average, early release applicants started with less superannuation.
- Women, starting with lower balances than men, eroded their accounts more.
- The early release scheme increases the Super gender gap for women.

Implications for women's retirement outcomes

This data demonstrates the existing super gender gap and the dire impact of the Early Release of Superannuation (ERS) on the already low balances of women.

The data understates the impact as it only reflects withdrawals under tranche one and does not capture the over 30% who have made a second ERS application. Also, average balance data does not reflect those who have eliminated their superannuation balance through early release.

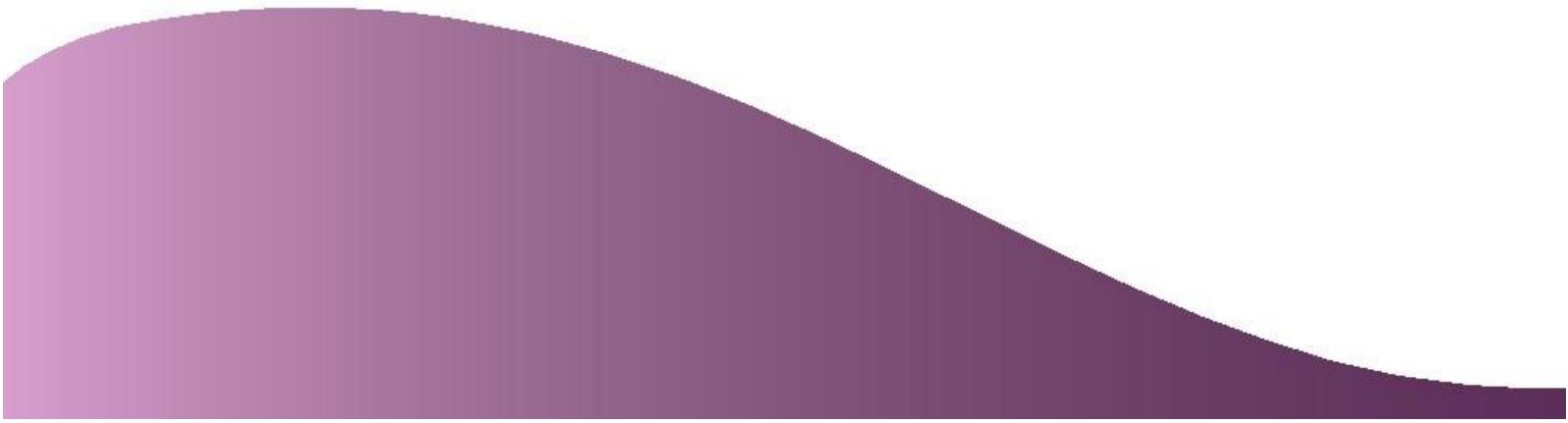
Young women who have eroded or eliminated their superannuation balances through early release payments will suffer greater long-term losses and have less capacity to recover than men. The timing is diabolical for young women.

The gender gap in superannuation savings increases from the age of 35 reflecting the changes in income and thus SG contributions associated with women taking time out of the workforce and/or working in a part time or casual capacity due to caring responsibilities.

The young women who have diminished or eliminated their balances through ERS will not benefit from the investment and compound earnings of the money that has been withdrawn, and are unlikely to have the capacity to make additional contributions due to caring responsibilities.

Older women will also struggle as they have little time to recover through additional contributions, often assume caring responsibilities for aged parents and can suffer employment discrimination.

The gendered employment impacts of COVID-19 are a further impediment to many women having the capacity to recover.



A SUPER RECOVERY

The fundamental tenet of universal compulsory saving preserved for retirement has served women well and the younger generation has the potential to retire more comfortably than previous generations of women if the system is made more equitable.

We do not want a return to the 1970's.

Some are advocating that the gradual increase of the Superannuation Guarantee to 12% should be suspended again. This would be a great disservice to most women and particularly cruel to those women (lower paid and with fewer resources) who have had to withdraw their superannuation savings during Covid-19.

We reject any argument that 12% is not needed given the low average account balances of women and the modelling which demonstrated that a 9.5% SG contribution rate will not deliver a comfortable retirement for the vast majority of ordinary working men and women.

We reject the assertion that a delay in SG payments will translate into higher pay – the last delay did not deliver increases and has cost thousands in forgone superannuation savings. Women need the opportunity to recover not to be further disadvantaged.

Increases in the Superannuation Guarantee, closing the gaps in the system where women fail to receive SG payments such as the \$450 earnings threshold and Paid Parental Leave, and adjustments to superannuation tax concessions to redirect assistance to low income earners and recognise unpaid caring are all required.

We need to examine what special measures should be introduced to assist the recovery of the superannuation balances of those who have been forced to access their superannuation to survive the pandemic and, in doing so, have boosted the economy.

Every superannuation policy proposal must be tested by gender analysis to ensure it contributes to improved retirement outcomes for women and has no unintended consequences detrimental to women.

GENDER ANALYSIS AND A WOMEN'S RECOVERY PLAN

It is widely acknowledged that the Covid-19 recession has had a disproportionate effect on female employment, and concern that women will be left behind in the recovery. A pink recession and blue recovery.

Superannuation policy settings are not overtly discriminatory however they deliver unequal outcomes. Gender analysis is required to ensure superannuation policy optimises opportunities to deliver fair and equitable outcomes and avoid unintended consequences.

We would support the National Federation of Australian Women Recommendation for a Women's Recovery Plan:

The Office for Women, the Australian Bureau of Statistics and other relevant government agencies should publish a Women's Recovery Plan – a coordinated program of work to identify differential impacts on women and men, track emerging gender inequalities and pursue new opportunities through this crisis to address existing inequalities. All relevant data and research should be made publicly available in real time so that civil society and women's organisations are able to contribute to the public discussion.