

The Treasurer
Budget Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Friday 05 February, 2016

RE: 2016-17 PRE-BUDGET SUBMISSION

Women in Super has prepared this submission in response to the Treasurer's invitation for public submissions with regard to the 2016/17 Commonwealth Budget.

Women in Super

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

WIS advocates on behalf of its members and women generally to improve women's retirement prospects and access to superannuation. It is a well-known fact that women retire with less than half the superannuation savings of men yet women on average live five years longer than men so actually need more superannuation than men.

Recommendations

WIS believes that there are many areas of budgetary policy which would be beneficial in increasing women's workforce participation; reducing the gender pay and the superannuation gaps; and improving the economic security of women in retirement.

In this pre-budget submission for the 2016/17 budget, WIS focuses on four recommendations which will together enable women to improve their economic position in Australia today and in retirement:

- **Application of a gender lens to all policy and tax measures.**
- **More equitable tax system** to include retention of the Low Income Superannuation Contribution (LISC); removal of the \$450 monthly threshold and introduction of a superannuation component to parental leave payments.
- **Increase in Superannuation Guarantee** to 12% including SG for self-employed.
- **Focus on older Australians** and a review of the tax and concessional benefits systems to ensure that older workers can continue to be employed and contribute to their superannuation savings especially if their superannuation savings balances are low.

Women and the 2016/17 Budget

1. Application of a gender lens to any proposed policy changes

We believe that any proposed changes to the budget should have a gender lens applied. This is now standard practice in many OECD countries and is the only way to ensure that proposed changes do not have an adverse impact on women.

Women's workforce participation differs widely from that of men. Women are concentrated in part-time and casual roles; they often take a break from employment for caring responsibilities; overall they earn substantially less than men and they are concentrated in very different industries (retail, hospitality and nursing). Therefore, the outcomes that policy changes can produce can be very different for women than men.

2. Equitable tax system

We welcome the ongoing Senate Inquiry into women's economic security in retirement and as stated in our submission and public hearing, we advocate that there should be a review of the current system of superannuation taxation and concessions with a view to reweighting the superannuation tax concessions towards those on lower levels of income.

Women's superannuation balances are, generally, well below levels considered adequate to provide a comfortable standard of living in retirement. Superannuation is linked to earnings capacity and we need to take into account the interplay between the two and the taxation system when considering any proposed budgetary changes. The outcome of any changes can lead to a substantial improvement or decline in women's economic security both while working and in retirement.

Superannuation Taxation and Concessions

The purpose of superannuation tax concessions is to incentivise Australians to save for their retirement while ultimately reducing the number of Australians who rely on the Age Pension in later life. We encourage policies and tax concessions which aim to tackle some of the barriers faced by women (and men) in building their superannuation savings. We recommend that the majority of Government policy measures and tax concessions on superannuation should be targeted to those Australians who are currently not in a position to achieve an adequate standard of living in retirement.

Without applying a gender lens and fully considering the outcomes and consequences for women, we do not support any policy measures which introduce a discount on marginal tax rates (e.g. marginal tax rate minus 20% to become the tax concession on superannuation) as modelling conducted by Industry Super Australia (ISA) has shown these policies to be detrimental to women who are clustered in the low to middle income earning tax brackets.

Retention of the Low Income Superannuation Contribution (LISC)

We strongly recommend that the Low Income Super Contribution be continued as it is a fair and sound policy measure that delivers a concession to low income earners. It would be immoral to expect any Australian earning \$37,000 per annum (or below) to pay more tax on their compulsory superannuation

contributions than on their tax home pay whilst delivering a tax concession on SG payments to those earning above \$37,000 per annum.

Removal of the \$450 monthly threshold

Women make up the majority of part-time and casual workers, often working in multiple jobs. There are many women who do not qualify for the Superannuation Guarantee because they do not earn \$450 in a month. However, there are also women who would, from multiple jobs, earn \$450 in a month, but not in any individual job, and therefore also do not qualify for SG payments. This is particularly so in female-dominated industries such as retail, hospitality and nursing, where it may be common practice to work for several employers.

WIS believes that in order to assist women in increasing their superannuation savings it is vital that the monthly earnings threshold of \$450 to be eligible for the Superannuation Guarantee be abolished. This would not only benefit women, but men too where they are in similar circumstances.

Superannuation and Paid Parental Leave Payments

It is widely acknowledged that women often miss out on crucial years of superannuation accumulation due to career breaks to raise and/or care for a family.

WIS recommends that a superannuation component be included in paid parental leave payments in the same way as it is included in other payments such as annual and sick leave. It is undeniable that women's superannuation balances, in particular, suffer as a direct result of absence from the workforce to raise children.

Research from the Australian Institute of Superannuation Trustees confirmed a 'flat lining' of women's balances between the ages of 38-47, which has not changed in at least the last decade.¹ This stagnation results in greater disparities in retirement balances – which, according to some researchers, can result in an eventual difference of up to \$80,000.²

WIS strongly supports the Productivity Commission's recommendation that the paid parental leave scheme include a superannuation component, so that all parents, but especially women, can grow their superannuation savings while on parental leave.

Review of Tax Brackets and Interplay between taxation and benefit systems

Many low to middle income earners are impacted by 'bracket creep' and the current tax brackets should be reviewed so that there is an incentive to work and earn more. Many families, where both partners work but one of whom (usually the female) earns a lower income, are not in a position for the part-time worker to undertake more work as this would mean a higher tax bracket whilst also facing

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

² Association of Superannuation Funds of Australia, *Developments in the level and distribution of retirement savings* (2011).

the need for more services such as childcare which coupled with a higher tax rate effectively cancels out any increase in income.

WIS recommends a review of our tax and benefit (subsidy) programs to ensure that they complement each other with a view to making it easier for the second income earner to increase their workforce participation.

3. A commitment to an increase in the rate of Superannuation Guarantee to 12%

It is widely acknowledged that women (and men) need to save more for their retirement in order to achieve an adequate standard of living in retirement. However, for the majority of women (and a substantial number of men) pressures on family finances (payment of rent or mortgage, school fees, travel expenses, household expenses, clothing) at the low to middle income level make it extremely difficult for women (and men) to take up existing voluntary contribution schemes. For many Australians the main and often only method of saving for retirement is through employer based Superannuation Guarantee (SG) payments.

WIS would welcome an increase in the SG rate to 12% to ensure that more income is directed towards superannuation as Australia's superannuation system is still young and not yet mature. We also note that there are many instances in which earnings are not counted as Ordinary Time Earnings (OTE) for the purposes of SG payments so we would support consideration of the recommendation by the Australian Institute for Superannuation Trustees (AIST) for a move to gross remuneration as a simpler and more straightforward method of SG calculation. The majority of women work in casual or part-time positions in industries such as hospitality, retail and nursing where overtime hours are normal practice and many miss out on SG payments as a result of the current classification system of OTE.

Superannuation and the Self-employed

The current exemption for the self-employed from compulsory contributions is, and has, created a gap in the adequacy of super savings for the estimated 1.3 million Australians who are self-employed. An increasing number of these are women ('mumpreneurs') who are attracted by the ability to combine the flexible work hours and choice of place of work with family and caring responsibilities.

Data from the Australian Bureau of Statistics shows a decline in superannuation coverage of the self-employed, which poses the risk that there may be more reliance on government-funded pensions for this segment in retirement, particularly where a business has not provided the return expected.

WIS would welcome a phased introduction of compulsory contributions for the self-employed.

4. Older Australians and Superannuation Policies and Concessions

Age Pension

Given many women currently rely predominantly on the Age Pension to fund their retirement, policy focus should be directed to ensuring the Age Pension is capable of providing a basic acceptable standard of living, taking into account home ownership or renting.

However, as Australians are living longer and are working longer, many continuing in a part-time position, WIS recommends that government policy be directed towards enabling older Australians to continue to save for their retirement.

Crucially for women who have broken workforce participation records working post 65 enables them to make some contributions to their superannuation savings and to try to 'catch up' on lost savings. However, once they reach 75, they are no longer able to contribute to their super as a superannuation fund cannot accept contributions from a person who has reached 75.

WIS recommends that the Government review the current policies and concessions with a view to enabling older Australians who are in a position to continue working and therefore contributing to the economy to contribute to their superannuation especially in circumstances where superannuation balances are below limits considered to be adequate for retirement.

Role of Voluntary Superannuation Contribution Schemes

Women in Super notes the role that voluntary superannuation contribution schemes can play in assisting women to build their superannuation savings early on, and to 'catch up' later in life.

WIS supports the continuation of these two schemes in encouraging voluntary contributions from individuals, which in turn will assist in addressing some of the cost issues associated with Australia's ageing population and recommend that a review of age-based restriction on eligibility for co-contribution payments be undertaken.

Concessional contributions caps

WIS acknowledges that concessional contributions caps are necessary to ensure the generous tax-concessions associated with superannuation are not abused.

However, WIS recognises that many women may not be able to make voluntary contributions or salary sacrifice payments to their super until much later in their career. Therefore we strongly support linking the concessional contributions cap to superannuation balances so those with low balances are able to 'catch up' and we do not support any further reduction in the cap limits. We also support the extension of the bring forward rule of 2 years to those 65 and over.

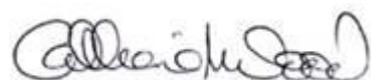
Summary

Women in Super would like to see a focus in the 2016/17 budget on ensuring that more equity is brought into the tax system through a redistribution of superannuation tax concessions to those groups with low superannuation balances or who are unable to take advantage of the current package of incentives that are directed towards continuous, full-time, high income earning positions. Introducing a gender lens to proposed policy changes will further ensure that the impact on women before implementation, especially important in the case of those who are (or will be in the near future) dependent on the Age Pension. WIS supports a policy focus on encouraging those who wish to participate more in the workforce to be encouraged to do so through a range of tax and superannuation policies.

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Kind regards,



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