



Senate Standing Committee on Economics
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Friday 17th February, 2017

RE: SUPERANNUATION GUARANTEE (SG) NON-PAYMENT

Women in Super has prepared this submission in response to the call for submissions by the Senate Economics References Committee.

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 government, politicians, unions, employer organisations, regulators, and superannuation funds to improve women's retirement prospects and access to superannuation.

We know that one third of women retire in poverty and it is for this reason that WIS makes submissions to Parliament and has participated in previous Parliamentary and Treasury inquiries into the retirement income system and the role and objectives of superannuation in achieving financial security in retirement.

The Superannuation Guarantee (SG)

WIS welcomes the Senate Inquiry into non-payment of Superannuation Guarantee (SG) and we support policies that redress inequity within the system, and improve superannuation outcomes for those with low superannuation balances – a category within which women are disproportionately represented.

Since the legislated introduction of the Superannuation Guarantee (SG) in 1992 many employees have benefitted by being able to accumulate superannuation savings.

The SG was initially introduced in 1986. This was a time when inflation rates were high at 11% and it was agreed that employers would pay employees a wage increase of 3% but instead of receiving it in their annual pay package it would be paid into their superannuation accounts. Therefore the SG was initially only paid to those on pay awards and this would have excluded the majority of working women at the time who did not have access to superannuation. Following a rejection of a further pay increase from 3% to 6% in 1991, the Hawke and subsequently Keating governments decided to legislate for the 3% and additional increases, to be paid to almost all workers, not just those on awards. In doing so the legislated SG became in effect a way of spreading an entitlement to

superannuation from predominantly male white collar employees in the public sector and major corporates to all workers and many women received SG for the first time.

Currently SG is paid at a rate of 9.5% (a rate set until 2021) and any savings at maturity of the system (2030), as a result of compulsory contributions, will not by themselves be sufficient to meet the retirement income aspirations of the majority of Australians. When SG was legislated it was expected that employees could look forward to a better standard of living if they had superannuation savings to complement the age pension.

WIS is particularly concerned about the difficulties faced by many women in accumulating and gaining access to superannuation, including the superannuation guarantee, and we believe that the non-payment (or non-receipt) of SG is an area of concern that needs to be addressed, particularly when we know that one in three women currently retire in poverty.

Women and the Impacts of Non-Payment of the Superannuation Guarantee

Australian women, on average, retire with just over half the superannuation savings of their male counterparts. More often than not, their super savings are well below what is considered necessary to provide a comfortable standard of living in retirement.¹

Retiring with an adequate superannuation balance should be an aspiration of all our workers and a primary objective of our superannuation system.

The vast majority of Australian women actively participate in the workforce. However, many women are employed on a casual or part-time basis and we are seeing an increasing casualization of particular sectors of the economy such as health care, nursing and retail.

WIS is concerned that it is these employees, the majority of whom are female, that are most at risk of not being paid SG. We would welcome more research and data analysis to understand the full extent of the issue.

For many women the superannuation guarantee is their only source of superannuation savings. Non-payment further disadvantages these women in saving for their retirement and reduces their superannuation balances at retirement.

Our current retirement income system does not compensate women (or men) for time out of the workforce spent undertaking caring responsibilities. The result is lower superannuation balances due to lower lifetime earnings so it is critical that these women (and men) when eligible for SG receive it and do so in a timely manner.

¹ Association of Superannuation Funds of Australia (ASFA), *ASFA Retirement Standard*, current figures available at: <http://www.superannuation.asn.au/resources/retirement-standard/>. Presently, ASFA estimates that annual spending for a comfortable lifestyle in retirement rests at nearly \$42,000 for a single, and around \$57,000 for a couple.

The Impacts of Late Payment of the Superannuation Guarantee (SG)

Late payment of SG has lasting impacts on superannuation balances as the loss of compound interest acts to further reduce balances at retirement. Late payment can be a delayed payment of SG occurring a number of weeks or months after it was due, or in some circumstances, it can occur a number of years later. The effect of loss of compound interest should not be underestimated especially given the 40-50 year time horizon of superannuation.

Data Sharing

WIS believes that consideration should be given to data sharing amongst statutory bodies, such as the Australian Tax Office (ATO), employers and superannuation funds. Many employers do abide by the law and pay the correct superannuation payments in a timely manner to their employees. However, many do not. Where possible access should be given to payroll information so that employers who are consistently not paying the SG or paying it late, can be identified early and action taken.

Removal of the \$450 minimum monthly earnings threshold

WIS would also like to take this opportunity to once again highlight the anomaly that is the \$450 minimum monthly earnings threshold - the amount that an employee must earn from a single employer before the superannuation guarantee is payable.

Women make up the majority of part-time and casual workers, often working multiple jobs particularly in female-dominated industries such as retail, hospitality and nursing. Working for several employers which appears to be common practice in these industries, once again, works against such women as they are not eligible for SG even if they earn more than \$450 in one month.

The historic reasons for the \$450 threshold no longer apply and its removal would also contribute to simpler and better payroll systems, as the process of monitoring whether or not an employee meets the requirements for SG contributions would be removed, particularly where employees are paid weekly or fortnightly and where pay schedules often vary month-to-month.

This would not only benefit women, but men too where they are in similar circumstances.

Self-employed and the Superannuation Guarantee

We realise that the scope of this inquiry is related to non-payment of SG, however, WIS would like to highlight its concerns that there are increasing numbers of self-employed in Australia, especially given the rise of the 'mum-preneurs', who are not subject to payment of SG and so who do not actively make provisions for their retirement. In many cases, there is a lack of awareness of the benefits of superannuation and a belief that in fact 'my business is my super'. Given the high small business failure rate, we would welcome further evaluation of the self-employed sector and consideration given to the extension of SG to the self-employed.

Summary and Recommendations

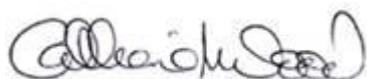
In summary, WIS welcomes the Senate Inquiry into the non-payment of Superannuation Guarantee and makes the following key recommendations:

- Further study and analysis of the gender impact of non-payment of SG to understand the types of sectors and jobs most affected
- Further investigation of the impacts of late payment of SG
- Data sharing amongst statutory bodies and employers and superannuation funds to mitigate instances of non and late payment and to safeguard employee superannuation entitlements
- Removal of the \$450 minimum monthly earnings threshold for payment of SG
- Consideration of the extension of the SG to the self-employed sector

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Yours sincerely,



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