The Treasurer
Budget Policy Division
Department of the Treasury

Wednesday 30 January, 2013

Dear Mr Swan,

RE: 2013-14 PRE-BUDGET SUBMISSION

Women in Super has prepared this submission in response to the Treasurer's invitation for public submissions with regard to the 2013-14 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 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.

Recommendations

- Removal of the $450 minimum monthly earnings threshold to qualify for the Superannuation Guarantee
- Introduction of a superannuation component to parental leave payments
- Introduction of mandatory Superannuation Guarantee contributions for the self-employed
- No increase in the preservation age above 60 years
- Increase the co-contribution matching rate back to 100% up to $1,000
- Review the concessional contributions cap limits for older workers, returning the cap for those over 50, with balances under $500,000, to $50,000 so that where women are in a position to 'catch-up' they are able to do so
- Gender analysis of the impact of current and proposed policy settings regarding superannuation accumulation and post-retirement products and initiatives

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Women & superannuation

It is widely acknowledged that women's superannuation balances are, generally, well below levels considered adequate to provide a comfortable standard of living in retirement.

There are many reasons for women having less superannuation savings than men, such as broken work patterns, and higher likelihood of working part-time or casually. However, women have a longer life expectancy than men and will likely spend longer in retirement, therefore requiring more superannuation to last longer.

Given many women 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.

It is therefore crucial that the gap in savings is addressed in order to ensure women living in retirement are able to live comfortably. Women in Super promotes the following policies, which aim to tackle some of the barriers faced by women in building their superannuation savings.

1. Removal of the $450 minimum monthly earnings 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 current minimum 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.

The removal of this threshold 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.

2. Superannuation and parental leave

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 supports the Government's paid parental leave scheme, which came into operation on 1 January 2011 and brings Australia in line with other OECD countries.

However, we strongly believe there must be a superannuation component included in this scheme. 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 scheme include a superannuation component, so that all parents, but especially women, can grow their superannuation savings while on parental leave.

3. 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. WIS shares AIST's concerns, that there is a serious risk of under-saving in this segment of the population, relying instead on reinvestment in their own businesses.

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 supports AIST's recommendation that the rise to 12 per cent SG, which begins in July this year, should be coupled with a phased introduction of compulsory contributions for the self-employed.

4. Preservation age

Women in Super notes preservation age will increase from 55 to 60 years between 2015 and 2025, combined with an increase in Age Pension qualifying age from 60 to 67 between 2017 and 2023.

WIS notes the Australian Law Reform Commission is currently exploring this issue as part of its inquiry, *Grey Areas: Age Barriers to Work in Commonwealth Laws*. We feel it is important to reinforce that any further increase in the preservation age will not necessarily act as an incentive to remain in the workforce.

5. Co-contribution

Women in Super notes the important role the co-contribution scheme plays in assisting women to build their superannuation savings early on, and to 'catch up' later in life.

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[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).

WIS supports the continuation of the co-contribution scheme on a dollar for dollar basis, with an indexed phase-out range to ensure low- and middle-income earners are able to take advantage of the scheme. The co-contribution plays a key role in encouraging voluntary contributions from individuals, which in turn will assist in addressing some of the cost issues associated with Australia's ageing population.

WIS notes the Government's decision to better target concessions for low-income earners through a reduction in the co-contribution in conjunction with the introduction of the low income superannuation contribution. While WIS strongly supports the low-income contribution, we strongly believe that the maximum co-contribution amount should be returned to $1,000.

Furthermore, WIS reinforces its recommendation to the ALRC Grey Areas inquiry, that there should not be an age-based restriction on eligibility for co-contribution payments.

6. Concessional contributions caps

WIS acknowledges the need to address inequities in the superannuation system, such as generous tax concessions for high income earners. However, we also recognise that many women will not be in a situation where they will be able to contribute significantly to their superannuation until later in their working lives.

While we support, in principle, the concessional contributions caps of $25,000 for those under 50, and $50,000 for those over 50, we do not support any further reduction in these amounts. We acknowledge that these caps are necessary to ensure the generous tax-concessions associated with superannuation are not abused, and that tax incentives should be better targeted at low- and middle-income earners.

Given that, in many cases, women may not be able to make voluntary contributions or salary sacrifice payments to their super until much later in their careers, we strongly support continuing the limit of $50,000 for those over 50 with balances under $500,000. This limit allows women to 'catch up', particularly where they have low balances as a result of broken workforce participation. We therefore do not support any further reduction in this cap limit.

WIS also supports AIST's proposal with regard to applying the bring forward rule to concessional contributions. This would allow those under 65 to bring forward two years' worth of entitlements of concessional contributions and allow them to contribute a larger amount in a particular financial year (that is, $150,000 for a person aged 50 to 65). This would assist in reducing the number of people breaching the concessional contributions caps and having to pay excess contributions tax.

7. Salary sacrifice

Presently, salary sacrifice arrangements are not available universally or on an equitable basis to all workers. WIS recommends the introduction of legislation to provide all workers the opportunity to make pre-tax salary sacrifice contributions to their superannuation.

Improved access to salary sacrifice will not only assist workers in building their superannuation savings, but will further reduce the stress of funding government pensions associated with Australia's ageing population.

8. Pay equity

The gender pay gap is well-documented, with women currently earning around 17.5% less than men in comparable roles. Until this issue is addressed, women will continue to fall behind, especially in terms of building their superannuation savings.

Despite the success of the ASU in bringing a case for equal pay between genders in the community sector, the gender pay gap continues to grow. WIS is particularly alarmed at the recent statistics released by the Workplace Gender Equality Agency on graduate starting salaries, which showed that at graduation, females' average salaries were 90.9% of males'. The gap was much wider in fields such as Dentistry, where a female graduate in 2012 could expect to earn around 84% of what a male graduate was earning.

The gender pay gap is unacceptable and must be addressed if women are to achieve superannuation balances equivalent to those of men. This is one of the most significant policy issues in addressing the inadequacy of women's superannuation savings.

9. Time out of the workforce

It is widely acknowledged that the career break has the most significant impact on the growth of women's superannuation savings. As stated above, women's balances experience stagnation where they take a break from the workforce.

Currently, no policy recommendations provide any assistance in addressing this issue. Even the possibility of catching up later in life by contributing beyond the minimum SG will unlikely close this gap completely and there is no guarantee that women will even have the opportunity to do this.

Women in Super recommends a full examination of the options available to address this issue, whether it be through payments of superannuation contributions to carers, or the potential to earn caring credits which can be used later in life or in retirement to top up pensions.

10. Post-retirement

Women's reduced savings results in a post-retirement conundrum: they tend to live longer but have less superannuation savings to support themselves. Annuity products are often more expensive because they have to last longer, but women have less money to purchase them in the first place.

WIS believes consideration must be given during the design process for these products to women's situations, because the fact a woman is likely live longer should not disadvantage her or prevent her from being able to purchase such products.

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The current government and industry focus on policy settings in the post-retirement phase have also included consideration of retirement age, preservation age and access to lump sums. It is imperative that such debate be informed by appropriate gender analysis of the current and potential impact of policy settings.

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Kind regards,

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