WOMEN IN SUPER

The Treasurer
Budget Policy Division
Department of the Treasury
Langton Crescent
Parkes ACT 2600

Via email: prebudgetsubs@treasury.gov.au

Friday 31 January, 2014

Dear Mr Hockey,

RE: 2014-15 BUDGET SUBMISSION

Women in Super has prepared this submission in response to the Treasurer's invitation for public submissions with regard to the 2014-15 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.

Introduction

WIS understands that the present fiscal environment has placed constraints and pressures on the Government's spending. We acknowledge that within such an environment implementation of a range of initiatives that could improve women's retirement savings will not be immediately possible and we support prioritisation of 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.

WIS supports the review of all current and future policies related to superannuation to ensure they do not discriminate because of gender. WIS is determined that policies not impact disproportionately on women purely by virtue of their being women.

Recommendations

WIS makes the following key recommendations, which we strongly believe should be prioritised:

- Given the significant gender superannuation savings gap and inequity within the system, we strongly support a gender-based analysis of the impact of budget decisions
- Continuation of the Low Income Super Contribution (LISC)
- Payment of the Superannuation Guarantee (SG) on paid parental leave
- Removal of the $450 minimum monthly earnings threshold for payment of SG
- Increasing the SG to 12 per cent, as per the originally outlined timetable

WIS acknowledges that the following measures should be considered when the budgetary situation improves:

- Returning 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 superannuation balances under $500,000 to $50,000 per annum
- Support of payment of SG contributions for the self-employed

Women & superannuation

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]

In 2010, the average male retired with $198,000 in superannuation, while females had an average of $112,600. While it is well-established that a number of factors affect women's abilities to accumulate superannuation, including issues surrounding unequal pay, broken workforce participation, and an over-representation of females in part-time and casual work, women will likely spend longer in retirement and have longer life expectancies than men, and so they must make their savings last longer.

WIS maintains its position that policy focus must be directed towards ensuring the Age Pension is capable of providing a basic acceptable standard of living, taking into account the crucial issue of home ownership or renting, given many women do, and will continue to, rely predominantly on this mode of funding for their retirements.

It is crucial that the gap in super savings between men and women in addressed to ensure women are not left living in poverty in retirement. As outlined above, WIS promotes the following policies which, we believe, aim to tackle the barriers faced by women in building their retirement savings. We strongly encourage the Government to prioritise our recommendations, as these are particularly crucial in ensuring those most in need are able to increase their super savings.

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[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.

Key recommendations

1. Gender-based analysis of budgetary measures

As we have highlighted, women face a number of barriers to saving for their retirements and at present men retire with nearly double the superannuation savings of their female counterparts. Given the significance of this savings gap, WIS strongly supports a gender-based analysis of all existing policies, and any proposed or future budgetary measures, to ensure women are not unfairly or disproportionately impacted purely because of their gender, and prioritisation of measures targeted at reducing the gender savings gap.

2. Continuation of the Low Income Super Contribution (LISC)

The LISC is one of the most well-targeted policies in relation to achieving equity in the superannuation system. WIS strongly supports the continuation of this scheme and have advocated our support in previous submissions to the MRRT Repeal Bill inquiry, and to the Senate Standing Committee on Economics during their inquiry into the MRRT Repeal Bill. We strongly believe funding of this scheme should be prioritised, as it automatically benefits a large proportion of the workforce, many of whom cannot afford to make additional contributions to their super.[2]

Importantly, the LISC benefits 3.6 million Australian workers earning less than $37,000 or less per annum, 2.1 million of whom are women. The scheme is therefore crucial in working to close the gender gap in savings between men and women. The scheme corrects a tax anomaly within the superannuation system that results in low-income earners effectively being penalised for contributing to their superannuation, as they pay more tax on their contributions than on their take-home pay. These workers therefore receive no benefit, whereas the majority of working Australians, whose wages exceed the $37,000 threshold, receive a benefit by paying tax at a concessional rate. There will therefore be little incentive for low-income earners to save for retirement, which would inevitably present future governments with challenges in funding the Age Pension.

WIS rejects arguments that many low-income earners who would benefit from the LISC are on an income trajectory and would soon qualify for tax concessions on their super contributions. Figures from the Productivity Commission show that part-time work has become more prevalent among both men and women, accounting for nearly a third of national employment in 2007.[3] According to ABS data, the majority of beneficiaries of the LISC are in fact part-time workers, and around 80 per cent of

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[2] While WIS supports the continuation of the Co-contribution scheme, that scheme is less well-targeted and requires people to make an after-tax contribution to their superannuation; most low-income earners would not be in a position to make such a contribution.

[3] Productivity Commission, Productivity Commission Staff Working Paper, *Part Time Employment: the Australian experience* (2008).

female part-time workers will be impacted by its removal.4 Furthermore, analysis of Census data has shown that regional and rural workers will be disproportionately impacted.[5]

Data collected from a number of WIS's members6 shows a large proportion of funds' active members qualify for the LISC. Some funds have estimated that up to half their membership would be eligible; in many cases around 60 per cent of these members are women, and in some cases this figure could be as high as 85 per cent. These members are not always young or at the beginning of their career, as has been argued in relation to being on a career or income trajectory – funds have estimated that up to half of those that qualify are 41 or over.

There has been much debate, particularly in the last 12 months, regarding inequities in the superannuation system, much of which has focussed on tax concessions that benefit high-income earners. The LISC is one of few policies that brings equity into the system. The scheme benefits those most at need, who cannot afford to top up their super, and remedies one of the most wide-reaching inequities in the system. WIS strongly believes that the LISC must be continued as it is fundamental in maintaining the long-term sustainability of the retirement incomes system.

We strongly urge the Government to break the funding link between the LISC and the MRRT so that the scheme may be continued, and we strongly encourage the Government to investigate all possible alternative sources of funding.

3. Payment of superannuation on paid parental leave

WIS strongly supports the Government's plan to include a superannuation component in its paid parental leave (PPL) scheme. It is widely-acknowledged that women's superannuation balances suffer severely as a result of breaks from the workforce to have, and care for, children. Inclusion of superannuation in PPL will go some way to remedying this.

4. 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 SG payments 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 SG be abolished. This would not only benefit women, but men too where they are in similar circumstances.

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[4] Industry Super Australia, *Submission to Senate Standing Committee on Economics Inquiry into the Minerals Resource Rent Tax and Other Measures Repeal Bill* (2013), 4.
[5] Ibid, 5.
[6] Data provided by four not-for-profit superannuation funds. More than 955,000 members across the four funds are estimated to be eligible for the LISC, with more than 574,000 of these being women.

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.

5. Increasing the SG to 12 per cent under the original timeline

WIS strongly supports the increase in the SG from nine to 12 per cent. This increase will assist millions of Australian workers in boosting their retirement savings, which is essential to ensuring more retirees can live comfortably in their retirement and reduces reliance on the Age Pension.

It is widely acknowledged and accepted that Australia's population is ageing; there will be half the number of taxpayers in 40 years' time, which will place enormous stress on governments to fund the pension system. By increasing the rate of SG to 12 per cent, some of that pressure will be alleviated - modelling from both AIST and the former Government shows workers on an average wage could be up to $100,000 better off in retirement with an SG rate of 12 per cent, as opposed to nine per cent.[7]

Many employers already pay SG in excess of the mandated nine per cent[8], such as government and universities, and we applaud these employers for providing such benefits to their employees.

Other recommendations

6. Returning the Co-contribution matching rate to 100%

Women in Super notes the role the co-contribution scheme can play in assisting women to build their superannuation savings.

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.

7. Review of concessional cap limits for older workers

WIS recognises 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. We therefore support a review of the concessional contribution cap limits, particularly for those over 50. WIS would support limiting the application of a higher cap to those with lower account balances.

8. Support of payment of SG for the self-employed

[7] Australian Institute of Superannuation Trustees, Briefing paper: *The benefits of an SG rate of 12 per cent* (2010).
[8] Up to the end of the 2012-13 financial year; from 1 July 2013 the mandated amount is 9.25%.

The current exemption for the self-employed from compulsory contributions has created a gap in the adequacy of super savings for the estimated 1.3 million Australians who are self-employed. WIS is concerned 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. We therefore support the self-employed making SG contributions.

Yours sincerely,

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