WOMEN IN SUPER

Women in Super Policy Framework

With the election of a new government, Women in Super has refined our policy framework for the next term. We strongly believe that no single policy change will close the gender super gap and a holistic approach is imperative if we are to achieve a fairer retirement income system, however each policy setting that we can implement will be a step towards equality in retirement.

Summary of policy proposals:

1. Holistic modelling with a focus to improving women's retirement outcomes
2. Pay Superannuation Guarantee on Paid Parental Leave
3. Introduce a benchmark for retirement adequacy that doesn't shaft women
4. Support women to save for retirement by ensuring they receive a fair share of super tax concessions
5. Align the LISTO with PAYG thresholds
6. Explore and implement a Carer's Credit framework in Australia's retirement income system

Not up for discussion:

1. Joint accounts
2. No further incentives to encourage voluntary contributions

Holistic modelling with a focus to improving women's retirement outcomes

The gender super gap cannot be solved by any one policy setting; instead, is necessary to ensure a holistic approach to ensure the system addresses the numerous structural obstacles women face to saving enough superannuation to support a reasonable standard of living in retirement. A gender lens must be applied to all existing and future policies around super to analyse their impact on women, rather than just on the 'average Australian'. Women are often disproportionately negatively impacted by policy changes around superannuation, such as the COVID-19 Early Release Scheme[1], and it is imperative that this does not happen in the future.

In order to show the impact of individual policy measures and their compounding effects, modelling on the combined impact of all our policy proposals based on the actual lived experience of women should be undertaken. This will deliver a clear pathway for the delivery of policy reforms which are dedicated to increasing the adequacy of women's retirement outcomes.

Pay Superannuation Guarantee on Paid Parental Leave

In modern Australia, it is unfair and discriminatory that one of the only forms of leave that does not attract the super guarantee is accessed predominately by women[2], when other forms of paid leave such as sick leave, annual leave and long service leave attract super payments[3]. Women's balances also suffer severely as a result of the breaks in contributions while they take time out of the workforce to raise children, with research showing a 'flat-lining' of women's superannuation balances between the ages of 38-47[4] - a pattern which has continued for the past decade[5]. This stagnation has serious implications for women at retirement with these missed years of accumulation resulting in an average difference of $113,661[6] in retirement balances between women and men.

We propose:

Make Superannuation Guarantee payments on the Commonwealth Paid Parental Leave scheme, so that all parents (but especially mothers who currently still do the majority of unpaid caring) can continue to grow their superannuation while on parental leave. This will prevent some of the stagnation of growth of women's super-balances around child-rearing years and will decrease the super gap between women's and men's balances that widens significantly between ages of 38 and 47[7].

81% of employers who offer paid parental leave also pay superannuation on the payment[8]. This shows that a significant portion of employers are already recognising the importance of offering their employees super on their parental leave and employers should be encouraged to ensure all women are afforded this payment.

Introduce a benchmark for retirement adequacy that doesn't shaft women

Australia lacks a clear objective for our retirement income system. The Retirement Income Review (RIR) proposed 'to deliver adequate standards of living in retirement in an equitable, sustainable and cohesive way'[9]; however, the devil is in the detailed definition of 'adequate' and 'equitable'.

The RIR proposed a measure of adequacy based on replacing 65-75% of final salary, making the problematic assumption that all low-income earners' final salary is indicative of their income throughout life. Replacement rates set a benchmark for adequacy which will leave many single retirees living in poverty – as is currently the case for around a quarter of single retirees, with single retired women the fastest growing cohort of homeless people in this country[10]. Our retirement income system assumes that retirees own their own home[11] but an increasing number of retired women do not[12], and the replacement rate benchmark fails to provide enough to cover the costs of renting. 48% of people who rent in retirement are in poverty; for single renters, that figure is 60%[13].

The RIR defines equity as 'providing similar outcomes for those in similar circumstances'[14], a statement which entrenches gender inequality. Replacement rates and this definition of equity would, if implemented, perpetuate the profoundly gendered design of our retirement income system and would justify the preferential distribution of super tax concessions to men in building their retirement savings. Full-time, higher-income and continuously employed people receive more lifetime government support within the retirement income system than lower- and middle-income earners, in dollar terms[15]. This is not only inequitable - it is also economically inefficient and unsustainable.

Retirement adequacy benchmarks must be based on absolute measures. Absolute (that is, dollar based) measures would focus our system so that it was fairer, more efficient and thus more sustainable.

We propose:

Australia must adopt an absolute benchmark of adequacy for our retirement income system. This must be calculated as a living retirement wage based on the cost of living and whether or not the retiree owns their home. The amount benchmark would take into account the combined income drawn from superannuation and the government age pension. The age pension alone will not provide an adequate level of retirement income [16], as demonstrated by the numbers of Australians aged 65+ who are in rental stress[17].

An absolute measure of retirement income would provide a more equitable benchmark for our system, assist in improving outcomes for women and ensure that government support is better targeted. It would refocus the attention of future governments to address the appalling disparity in retirement outcomes and the unacceptable growth in poverty and homelessness among retired Australian women.

Support women to save for retirement by ensuring they receive a fair share of super tax concessions

Many women receive no or next to no government support for their retirement in the form of super tax concessions, with women on aggregate receiving less than a third[19] of the $41 billion in super tax concessions[18], despite their lower levels of economic security in retirement.

We propose:

Superannuation tax concessions should be recalibrated towards those who need additional support to achieve economic security in retirement. We propose that low-income earners aged 25 and over receive a $1,000 per annum government contribution into their superannuation until they reach a super balance of $100,000 in order to address inadequate retirement savings. Many commentators in recent years have called out the deeply inequitable and economically inefficient distribution of tax concessions. As a result, boosting support for women and other lower income earners could be done in a cost neutral basis[19] .

Align the LISTO with PAYG thresholds

The Low Income Super Tax Offset (LISTO) is a government superannuation contribution of up to $500 per year and is designed to ensure the tax rate on compulsory contributions is not higher than the amount of income tax paid by low income earners[21] – in other words, that low income earners do not suffer a tax penalty for making super contributions. – 2.6 million workers [22], 60% of whom are women[23].

Originally aligned with the 19% tax bracket upper limit of $37,000, the limit has increased to $45,000, while the limit for the LISTO was not adjusted. The concessional contributions cap was raised as of 1 July 2021 as a result of indexation, in line with average weekly ordinary time earnings (AWOTE)[24]. Incongruously, the LISTO was not adjusted as well.

The LISTO needs to be increased from $500 a year to $640 a year and ongoing mechanisms must be introduced to ensure that the LISTO change is linked with other changes in the tax system. This will deliver $488 million in super tax offsets to those earning less than $45,000 a year. As a result, a 30 year old woman earning $40,000 a year would be up to $56,170[25] better off at retirement.

Explore and implement a Carer's Credit framework in Australia's retirement income system

Unpaid caring is not economically valued and women continue to bear the workload of unpaid care in Australia. On average, women spend 64% of their 'working hours' with no remuneration, in comparison to 36% for men[26]. Women represent 70% of unpaid primary carers for children and 56.1% of unpaid carers for the elderly, people with a disability or those with a long-term health condition[27]. Centrelink does make a carers payment, but many carers are not currently entitled to it, despite needing financial support[28].

A key factor behind the gender super gap is that women take on average five years out of the workforce to care for children or family members which can cause their super savings to stagnate and fall behind those of men. One of the most critical levers for addressing the super gender gap is recognising and valuing the unpaid caring work, which is undertaken predominantly by women. Unpaid caring roles should be valued in an appropriate way that recognises the economic contribution made by this work - caring credits can do this. This will close the super gap by increasing women's balances and by bringing them more into line with the necessary amount. This change will also help to provide for a fairer retirement system and would improve the retirement experience of women by recognising the incredibly important economic and social contribution they make through unpaid caring work.

Not up for discussion

1. Joint Accounts

WIS does not support implementing joint accounts as a mechanism to improve retirement outcomes for women, given that 1 in 3 women retire single. We need to look at the structural inequities within the superannuation system that exacerbates the super gap in order to address women's poorer outcomes. We also need to formally recognise the caring responsibilities that are undertaken predominately by women and ensure that a reward for caring is not a retirement spent in poverty.

2. No further incentives to encourage voluntary contributions

WIS believes that there is a sufficient range of voluntary contributions available to Australians to save for their retirement. Voluntary contributions benefit a limited number of Australians who have additional money to put into their superannuation. We would prefer the focus to be on measures that benefit the majority of Australians. Mechanisms to encourage voluntary contributions are often targeted as 'helping women' but are out of reach for the majority of women who are low-income earners.

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