

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'[1]; 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[2]. Our retirement income system assumes that retirees own their own home[3] but an increasing number of retired women do not[4], 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%[5].

The RIR defines equity as 'providing similar outcomes for those in similar circumstances'[6], a statement which entrenches gender inequality. Replacement rates and this definition of equity would, if implemented, perpetuate the

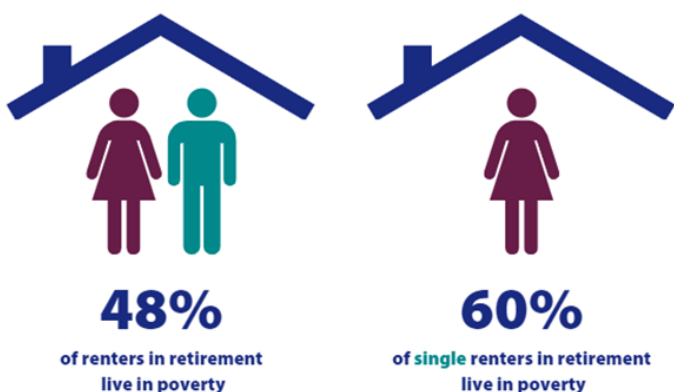
profoundly gendered design of our retirement income system and would justify the preferential distribution of super tax concessions to men in building their retirement savings. Full-time, higher-income and continuously employed people receive more lifetime government support within the retirement income system than lower- and middle-income earners, in dollar terms[7]. This is not just 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 [8], as demonstrated by the numbers of Australians aged 65+ who are in rental stress[9].

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 unacceptable growth in poverty and homelessness in retired Australian women.



References

[1] Retirement Income Review, 2020. https://treasury.gov.au/sites/default/files/2020-11/p2020-100554-00bkey-observations_0.pdf

[2] ABS, 2016. <https://www.abs.gov.au/statistics/people/housing/census-population-and-housing-estimating-homelessness/latest-release#:~:text=The%20number%20of%20older%20homeless,from%205%2C234%20persons%20in%202011.>

[3] Ibid.

[4] Australian Institute of Health and Welfare (AIHW), 2021. <https://www.aihw.gov.au/reports/australias-welfare/home-ownership-and-housing-tenure>

[5] RIR, 2020. <https://treasury.gov.au/sites/default/files/2020-11/p2020-100554-02adequacy.pdf>

[6] Ibid.

[7] The Australia Institute, 2021. <https://australiainstitute.org.au/wp-content/uploads/2021/04/P911-Income-wealth-an-gender-distribution-of-tax-concessions-WEB.pdf>

[8] Housing for the Aged Action Group (HAAG), 2016. <https://www.older tenants.org.au/content/the-adequacy-the-age-pension-australia-assessment-pensioner-living-standards>

[9] RIR, 2020. <https://treasury.gov.au/sites/default/files/2020-11/p2020-100554-02adequacy.pdf>