

Discussion Paper: Charter of Superannuation Adequacy and Sustainability and Council of Superannuation Custodians - Submission

The National Foundation for Australian Women (NFAW) is a non-partisan feminist organisation dedicated to promoting the advancement of women.

NFAW supports the development of the Charter of Superannuation Adequacy and Sustainability.

Our principal proposal is that future changes to the superannuation system be subject to a gender impact analysis to improve outcomes of the system for women. The gendered impact of the superannuation system is of particular concern to NFAW. The superannuation system is a gender blind system. There are no provisions that have a directly gendered outcome, but there is an inherent bias in the way in which the superannuation system interacts with women's lives that gives significantly worse outcomes for women than for men.

The main concerns that women express in relation to superannuation arise from the design of the system, which is geared towards people who work full time, for 40 years, and make superannuation contributions throughout this period. Further, superannuation trustees are predominantly male (79.5% in 2013) thus most superannuation funds do not take into account the different needs of female members.

Women are disadvantaged under this system for two main reasons: lower workforce participation rates, particularly during childbearing years; and lower pay, which result from higher levels of part time work, lower rates of pay and occupational choices. Women also live longer, and a woman working full time at average female earnings for 40 years, who consistently contributes 15% of her income, is likely to outlive her superannuation.

Women are participating more in the labour market, but they have more difficulty finding work, earn less and are more likely to work part time than men (OECD,2012; ABS,2013). A key factor limiting women's savings is their responsibility for the majority of 'unpaid work', such as raising and caring for children (AHRC, 2013). The gender pay gap is not only a factor of reduced hours of work, but also gender segregation in the labour markets where women are over-represented in lower paid jobs such as health and welfare. As the compulsory portion of superannuation is based on a proportion of earnings, women with lower earnings consequently have lower aggregate savings on retirement.

Women are also likely to make financial decisions based on life events, or life stages. In particular, during their childbearing years women make decisions based on the need to care for their children; which will impact on lifetime earnings.

Accordingly the principles that underpin the proposed Charter of Superannuation Adequacy and Sustainability need to reflect the different way in which women experience the

superannuation system. Specifically, any proposals to change the retirement income system should be subject to a gender impact analysis.

Certainty: The first principle, certainty, is relevant not only to retirement savings, but also to the age pension. Given women's concerns about the adequacy of their retirement savings, they need to be reassured that the age pension will be available if required. Many women do not experience long term certainty: their lives are impacted by life events, including childbirth; caring for aged parents or separation and divorce. All of these events have a disproportionate impact on women, and leave women feeling that they have little ability to plan for retirement.

Adequacy: Women earn less over their lifetime than men, and their income is "lumpy": early in their working life they earn similar levels to their male counterparts, but this drops off over their childrearing years. When women return to work they often earn less than their male counterparts as a result of their time out of the workforce. Although during this stage they may have the capacity to increase their retirement savings, the existing system of contribution caps restrict the amount that can be contributed.

When establishing adequacy benchmarks, the system should have regard for workers with broken workforce patterns. Applying a higher level of compulsory contribution can be counterproductive as it reduces take-home income, and impacts on the current standard of living of low income workers. However retirement savings concessions, including the contributions caps system, should be designed to encourage voluntary contributions when people are capable of doing so.

Fairness: The main aspect that NFAW wishes to comment on is gender equity in the system.

The superannuation system is deliberately gender blind, but there are inherent and institutional assumptions about the extent to which a woman will be supported by her partner in retirement. Although it is widely acknowledged that the different workforce participation patterns that women experience impacts on retirement savings, there is an assumption that her partner will be saving in the interim and that as a couple they will have an adequate retirement income.

However this does not recognise that women may not be supported by a partner through to retirement, and it detracts from the need for women to develop financial autonomy without being reliant on a partner for income support. Further, the system currently does not provide any form of support for workers, usually women, who are temporarily out of the workforce in order to care for children or other family members. In particular, people who have left the workforce temporarily should not be excluded from concessions on the basis that they are not currently gainfully employed.

We are also concerned that concessions are directed towards high income earners as they have a greater capacity to save. As women are overrepresented among low income workers, largely as a result of their different workforce patterns, any moves to redirect tax concessions away from the highest income earners will benefit women and boost their retirement savings.

Accordingly, we recommend that any proposed changes to the superannuation system should be specifically scrutinised for its gender impact.

Sustainability: The current tax concessions, particularly when members are in the retirement phase, are generous; and we recognise the concern that the system may become unsustainable as more people move into the retirement phase. Tax concessions should be directed toward the forms of retirement income support that more effectively reduce the cost to the revenue of the age pension, such as annuities.

The goals of certainty and administrative efficiency are clearly connected: to the extent that the system is stable, there will be less need for retirees to seek assistance in complying with administrative requirements. However there is a trade-off with fairness in the system: there is a good case for providing assistance with retirement savings for those who are unable to afford to make additional contributions.

The Three Pillars: As discussed above, many women will have inadequate retirement savings and are unable to afford to make higher voluntary contributions during their working life. The age pension is an essential form of income support for all Australians who are not able to fully fund their own retirement; and this commitment should be stated to address the concerns of many workers approaching retirement who are concerned that the age pension will not be available when their superannuation runs out.

We recognise that other forms of savings also fall within the “voluntary private savings” pillar, and that changes to the superannuation system could redirect investment into these alternative investments. The recommendations of the Henry Review, particularly recommendations 14 to 17, should be revisited in conjunction with any proposed changes to tax concessions on superannuation.

Implementation of the Charter: The principle underlying the charter could be incorporated in legislation through the use of appropriate Guides and other non-operative material that would provide a framework within which the regulatory provisions should be interpreted.

Council of Superannuation Custodians: NFAW supports the establishment of the Council to oversee changes in the superannuation system in a non-partisan manner. The Council should have the ability to initiate reviews. The Board of Taxation would be an appropriate model for the Council.

However it is essential that the Council represents all members of the community, including women. Currently nearly 80% of superannuation trustees are male, and we are concerned that women’s differing needs are not always recognised. Accordingly the Council should set an example and ensure that women are adequately represented on the Council and that women’s needs are recognised.

NFAW welcomes this opportunity for input to development of the Charter.

Marie Coleman, Chair, NFAW Social Policy Committee

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