Submission to the Senate Inquiry by the Economics References Committee into Economic Security for Women in Retirement

By

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on behalf of

The Women and Work Research Group
The Business School
University of Sydney

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http://sydney.edu.au/business/research/wwrg
The Women and Work Research Group

The University of Sydney Business School Women and Work Research Group (the WWRG) comprises academics from the University of Sydney Business School and the University of Sydney more generally who have an interest in research and policy development regarding women, gender and work.

The WWRG provides a scholarly environment for inquiry into all aspects of women, work, employment, family and community in the Asia-Pacific region and beyond. It provides a focal point for collaboration with established and emerging scholars, with research centres with similar interests and with practitioners and policy makers in the field. The WWRG has an extensive membership of academics and practitioners and holds regular seminars, roundtables and conferences. A number of members have a particular expertise in women’s labour force participation issues, parental leaves, flexible working and women’s pay and career patterns.

The WWRG also engages closely with public and political debates about maternity, family and carers' leave, the implications of changing industrial relations regulations on women, childcare and family violence. Recent studies and reports have included a focus on women and leadership in the NSW public sector, on work and care chains in the Asia-Pacific, an analysis of the financial impact of changes to Australia's paid parental leave system and on paid domestic violence leave.

Introduction

The WWRG welcomes the Senate inquiry into Economic Security for Women in Retirement. This submission will address the Inquiry’s Terms of Reference with a focus on:

- The extent of the gender retirement income gap and causes of this gap, and its potential drivers including the gender pay gap and women’s caring responsibilities;
- The impact inadequate superannuation savings has on the retirement outcomes for women;
- What measures would provide women with access to adequate and secure retirement incomes; including supplementary assistance by employers and/or government to boost female employees’ superannuation savings, and relevant legislative reforms.

Retirement incomes in Australia are based on (1) the Government provided age pension, (2) work based superannuation and (3) private savings. While the first socialises the risks of old age, the latter two aspects are private. The superannuation system for provision of retirement incomes in Australia is solidly rooted in a model of paid work which is undertaken life-long and full-time. This model has been much criticised for its reference point of the ‘ideal worker’ norm of a ‘carefree’ full-time worker, a norm which no longer reflects the reality of the 21st-century workforce.¹ Some 40% of the Australian workforce are engaged in some form of care² and 31% work part-time.³ These aggregate data mask a significantly gendered

² See above, p.6
³ ABS (2015) Labour Force, Australia, Detailed - Electronic Delivery, Table 1, June 2015, Cat. No. 6291.0.55.001.
story. For example, approximately two-thirds of the part-time workforce are women, with 46.4% of all employed women being part-timers and only 18% of all men. Of women part-time workers, nearly half (47%) are employed casually (that is with no paid leave entitlements). Overall, women undertake the majority of unpaid domestic work and men the majority of paid work.

The WWRG recommends that retirement incomes and the policy framework which might surround it be addressed by keeping two significant framing factors firmly in mind. The first is women’s position in the unpaid domestic sphere as well as in the paid labour force. By doing most of the former, women inevitably have less opportunity to participate in jobs that require long or inflexible hours. The second is to question how likely it is that substantial changes in the short to medium term will occur to change these interconnected roles, and towards achieving greater gender equality at home and at work. Given that rapid or significant change is unlikely to occur in the near future to gender roles, effectively ‘future proofing’ women’s retirement incomes is essential. We therefore suggest that a focus on using Government funds to preserve and extend the government age pension is most appropriate. The pension does not require the unbroken commitment to full-time life-long work, which women so rarely achieve.

**Women’s engagement in paid work: past and present**

During the past 40 years we have witnessed a massive change in terms of women’s labour force participation: Only 39% of the female population over 15 was in paid work in 1978 (compared to men’s employment rate of 75%), in 2015 it is 55% (men, 66.7%). This has involved a much higher proportion of women of childbearing/rearing age working. See Table 1 below, charting this significant change by age group. For women aged 25-34, employment rates have grown from 47% to 72% between 1978 and 2015, for those aged 35-44, from 54% to 72% and for the 45-54 age group from 45% to 75%.

**Table 1: Women’s employment rates 25-54, 1978-2015 (June): %**

<table>
<thead>
<tr>
<th></th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
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<tbody>
<tr>
<td>1978</td>
<td>47</td>
<td>54</td>
<td>45</td>
</tr>
<tr>
<td>1988</td>
<td>58</td>
<td>65</td>
<td>55</td>
</tr>
<tr>
<td>1998</td>
<td>65</td>
<td>66</td>
<td>66</td>
</tr>
<tr>
<td>2008</td>
<td>71</td>
<td>72</td>
<td>75</td>
</tr>
<tr>
<td>2015</td>
<td>72</td>
<td>72</td>
<td>75</td>
</tr>
</tbody>
</table>

Source: ABS 6291.0.55.001 Labour Force, Australia, Detailed - Electronic Delivery, Table 1, June 2015

One aspect of women’s lives that has shifted significantly in recent decades has been the increased participation of younger women (and men) in full time study at the higher school, post school and higher education sectors. This has resulted in lower employment rates in younger female age groups. The proportion of female 15-19 year olds working is down from

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48% in 1978 to 46% in 2015 and a not much greater proportion of 20-24 year olds are in employment (62% in 1978 and 70% in 2015).\textsuperscript{8} At the same time there has been a growth in the employment rates of older age groups. Between 1978 and 2015 these increased from 30% to 63% for women aged 55-59 and from 13% to 45% for those in the 60-64 age group. This has reflected more educated cohorts ageing, coupled with the postponement of the age of age pension receipt for women.\textsuperscript{9}

Table 2: Women’s employment rates 15-24 and 55-64, 1978-2015 (June): %

<table>
<thead>
<tr>
<th></th>
<th>15-19</th>
<th>20-24</th>
<th>55-59</th>
<th>60-64</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>48</td>
<td>62</td>
<td>30</td>
<td>13</td>
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<tr>
<td>1988</td>
<td>48</td>
<td>67</td>
<td>31</td>
<td>13</td>
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<tr>
<td>1998</td>
<td>46</td>
<td>69</td>
<td>41</td>
<td>20</td>
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<tr>
<td>2008</td>
<td>52</td>
<td>75</td>
<td>59</td>
<td>38</td>
</tr>
<tr>
<td>2015</td>
<td>46</td>
<td>70</td>
<td>63</td>
<td>45</td>
</tr>
</tbody>
</table>

Source: ABS 6291.0.55.001 Labour Force, Australia, Detailed - Electronic Delivery, Table 1, June 2015

Despite these developments, the increase of women in the workforce as a proportion of the adult female population appears to have stagnated over the past decade despite the absolute numbers increasing, and the proportion of those working full-time remains similar from 1978. Graph 1 below indicates that women’s overall employment rate now shows continuous work throughout child bearing and rearing ages (25-54) in contrast to the pronounced dips in earlier decades.

Graph 1: Women’s employment rates by age, 1978-2015 (June)

Source: ABS 6291.0.55.001 Labour Force, Australia, Detailed - Electronic Delivery, Table 1, June 2015

\textsuperscript{8} The hours composition of their jobs have changed.

\textsuperscript{9} From 60 to 65, between 1995 and 2015.
However, graph 2 below illustrates the ongoing dip in full-time rates for women in those age ranges, compared to men.

Graph 2: Women’s and men’s full-time employment rates (% of all women employed, employed full-time) 1978 and 2015 (June)

Source: ABS 6291.0.55.001 Labour Force, Australia, Detailed - Electronic Delivery, Table 1, June 2015

Graph 3 focuses on those age groups between 2005-2015, showing the painfully slow rates of increase in women’s overall employment rates (the sharp troughs are in January coinciding with school holidays).
Disrupted workforce participation and participation at reduced hours which the above graphs reflect mean women’s lifelong earnings are much lower than men’s.\textsuperscript{10} Furthermore, the types of jobs women occupy do not pay as well as men’s jobs, and the value of their work tends not to be rated as highly as a man’s, which is reflected in a persistent gender pay gap of 15-18% (see below).

Policy settings

Whether the stagnation in the employment rates of women in their child rearing years, of the past 10 years is likely to change in the near future under existing policy settings seems doubtful. Current and proposed policy settings suggest a lack of Government commitment to facilitating women’s increased labour force participation and their superannuation savings. We anticipate that a number of these measures may at best not alleviate the situation and at worst amplify current problems For example:

- The projected impact on female labour force engagement of the proposed childcare changes is unclear.\textsuperscript{11} Additionally, they rely for funding on heavy cuts to family tax benefits which will impact most on the less well paid in the community thus reducing opportunities for saving.

\textsuperscript{10} See for example estimates in Cassells, R., Miranti, R., Nepal, B., and Tanton, B., (2009), 'She works hard for the money: Australian women and the gender divide’, AMP NATSEM Income and Wealth Report Issue 22, April.

\textsuperscript{11} Government estimates that the changes ‘will encourage more than 240,000 families to increase their involvement in paid employment,’ http://www.liberal.org.au/latest-news/2015/05/10/jobs-families-child-care-package-delivers-choice-families
• Severe cuts are proposed for the existing paid parental leave (PPL) scheme. The current scheme has been shown to encourage women’s workforce retention, and it is not known what effect the proposed changes may have on women’s workforce engagement;

• Additionally the original commitment by the then Abbott Government for a greatly improved PPL scheme which would have included superannuation payments at the basic rate has been abandoned, and neither the proposed changes nor the current scheme provide superannuation for women while receiving parental leave pay;

• The labour force participation disincentive effects for second earners in the family of the interaction of the tax and transfer systems remains unresolved;

• The gender pay gap is left in the ‘too hard for policy’ basket. Women earn less than men on average even in full-time work where the current gender pay gap is 17.9%; This has persisted (fluctuating, with a low in 2005 of 14.9%) since May 1995 when it was 16.5%;

• The recent draft Productivity Commission report on Workplace Relations makes no attempt to address the gendered nature of the labour market impacts on women employees, especially in their role as unpaid carers;

• The low income superannuation contribution (LISC) by Government for those earning under $37,000 pa will be abolished from 2017. This has benefitted women due to their lower pay;

• A pause on the phasing in of the increase to the SG to 12%, leaving it at 9.5%, which will have greater impact on women given their overall lower labour market status.

Women’s retirement incomes

It appears from the summary below that superannuation savings will remain inadequate to provide those with the broken workforce engagement and lower earnings which is characteristic of women’s lives, for many years to come (if ever).

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14 WiSER submission to the Senate Inquiry, no. 6, pp. 7-8.
16 See above footnote
Superannuation
Currently women rely heavily on the age pension in retirement. Table 3 below demonstrates that only 10.5% of women retirees over 65 rely mainly on superannuation or an annuity. The last 10 years have seen only a small improvement in this area, smaller for women than men.18

Table 3: Persons not in the labour force, main source of personal income is superannuation or annuity (a), 65 years and over19

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td>16.7</td>
<td>16.9</td>
<td>19.3</td>
<td>17.4</td>
<td>18.8</td>
</tr>
<tr>
<td>Females</td>
<td>9.3</td>
<td>7.9</td>
<td>9.2</td>
<td>10.3</td>
<td>10.5</td>
</tr>
</tbody>
</table>

(a) Males and females aged 65 years and over and not in labour force with main source of income as superannuation or annuity as a proportion of total population aged 65 years and over and not in labour force for each sex.

Those analysing the superannuation system express concern at the extent of the gender retirement gap (see Chart 1 for 2011-12 figures,20 when average balances for men aged 30-34 were about $20,000 and for women $14,000).21 The gender gap in superannuation (2011-12) is larger at a younger age group than the gender pay gap which is 16.3% at ages 25-34.22 This suggest that even younger women may have difficulties in achieving a decent retirement income.

18 But note that Clare, R (2014), An update on the level and distribution of retirement savings, p.3, Association of Superannuation Funds of Australia (ASFA) states the female share of super balances grew significantly over the 20 years before 2011-12 9 at p. 15.
21 Clare, R (2014), p.3.
22 See footnote above.
Projections of superannuation balances vary (and given the uncertainty about the nature of work in the future these must be treated with caution), but it seems women are unlikely to achieve a comfortable retirement even in 30 years time. Deloitte Actuaries forecast:

In 2015 dollars the average 30 year old woman today will accumulate a lump sum of $350,000 at age 65 compared to a required lump sum as calculated by the ASFA (the Association of Superannuation Funds of Australia) “comfortable” retirement standard of $545,000 (which assumes the person will also receive a part Age Pension). This is a shortfall of 36% below the ASFA standard and 13% below the average expected accumulation of male retirees.\footnote{Submission 44, p.1. See also the annual income ASFA states is need for modest (single June 2015 $23,662 and comfortable (single June 2015 $42,861) retirement lifestyle provided the retiree owns their own home and is reasonably healthy, \url{http://www.superannuation.asn.au/resources/retirement-standard} viewed 16 Nov 2015. WiSER (submission 6) note that these amounts also reflect assumed pension receipt.}

The Association of Superannuation Funds of Australia (ASFA) cautions

For those on average earnings of around $70,000 a year, balances were $38,000 for men and $29,000 for women [aged 30-34]. Assuming a further 32 years of employment at the same salary level in real terms, these balances can be projected to grow in today’s dollars to around $440,000 for men and $422,000 for women. However, these projections are based on uninterrupted paid employment, which is not the case for many women now, and is becoming reality for an increasing proportion of men.\footnote{Clare (2014) p.9.}

ASFA also observe

A lower wage and/or career breaks will lead to a lower balance at retirement. For instance, five years out of the paid labour force for a person on average earnings

\begin{tikzpicture}
    \begin{axis}[
        title={Chart 1: Gender superannuation gap by age range},
        ylabel={Age group},
        xlabel={Percentage},
        xmin=0, xmax=65,
        ymin=0, ymax=65,
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        xtick={0,10,20,30,40,50,60},
        xticklabels={0\%,10\%,20\%,30\%,40\%,50\%,60\%},
        ybar=-5pt,
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        ybar legend,
        legend pos=north east,
        nodes near coords,
    ]
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        (25.553,0.02)
        (25.476,0.03)
        (25.408,0.04)
        (25.341,0.05)
        (25.321,0.06)
        (25.306,0.07)
        (25.291,0.08)
    };
    \addplot coordinates {
        (30.6,0.01)
        (30.5,0.02)
        (30.4,0.03)
        (30.3,0.04)
        (30.2,0.05)
        (30.1,0.06)
        (30.0,0.07)
        (30.0,0.08)
    };
    \addplot coordinates {
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        (35.0,0.02)
        (35.0,0.03)
        (35.0,0.04)
        (35.0,0.05)
        (35.0,0.06)
        (35.0,0.07)
        (35.0,0.08)
    };
    \addplot coordinates {
        (40.0,0.01)
        (40.0,0.02)
        (40.0,0.03)
        (40.0,0.04)
        (40.0,0.05)
        (40.0,0.06)
        (40.0,0.07)
        (40.0,0.08)
    };
    \addplot coordinates {
        (45.0,0.01)
        (45.0,0.02)
        (45.0,0.03)
        (45.0,0.04)
        (45.0,0.05)
        (45.0,0.06)
        (45.0,0.07)
        (45.0,0.08)
    };
    \addplot coordinates {
        (50.0,0.01)
        (50.0,0.02)
        (50.0,0.03)
        (50.0,0.04)
        (50.0,0.05)
        (50.0,0.06)
        (50.0,0.07)
        (50.0,0.08)
    };
    \addplot coordinates {
        (55.0,0.01)
        (55.0,0.02)
        (55.0,0.03)
        (55.0,0.04)
        (55.0,0.05)
        (55.0,0.06)
        (55.0,0.07)
        (55.0,0.08)
    };
    \addplot coordinates {
        (60.0,0.01)
        (60.0,0.02)
        (60.0,0.03)
        (60.0,0.04)
        (60.0,0.05)
        (60.0,0.06)
        (60.0,0.07)
        (60.0,0.08)
    };
    \legend{Overall: 45.7\%}
    \end{axis}
\end{tikzpicture}
during their early 30s, will reduce the eventual retirement account balance by over $80,000 in today’s dollars.\textsuperscript{25} [This appears to assume otherwise full-time earnings]

The WWRG notes too that many women (and men) may not achieve average earnings during their working lives.

For older employees the situation is more serious, especially for women. Apart from the gender gaps in balances identified in chart 1, women received average superannuation payouts of $105,000 in 2011-12 and men $197,000, that is women’s payouts were approximately two-thirds of men’s.\textsuperscript{26} However, ASFA notes this is an increase since 2005-06 ($136,000 and $63,000 respectively) especially for women reflecting the growing coverage of superannuation as the system matures. Superannuation coverage and balances of the self-employed are lower than that of employees,\textsuperscript{27} and as women represent the most rapidly growing group of self-employed in Australia, we may expect their superannuation position relative to other employed women and men to be even more precarious.

The age pension

The majority of age pension recipients are women (55.7\%) as are those receiving the full pension (66.7\%).\textsuperscript{28} Currently, AFSA’s ‘modest’ retirement income equates broadly with the full pension, for homeowners. (Their comfortable standard equates to nearly double the current pension ($22,265pa) at $42,158 for a single home owner, equating to $545,000 and assumes a part pension).\textsuperscript{29}

As a non-employment based system for retirement, the age pension is a good basis to build on to ensure worker-carers have a decent retirement income. This suggests that priority needs to be given to resisting changes which will reduce the age pension and to seek improvements to it, particularly for recipients who rely on the private rental market. Single women age pensioners are very vulnerable to the lack of adequate private rental assistance and security of tenure – another situation which needs urgent addressing.\textsuperscript{30}

Consideration could be given to moving towards increasing the pension.\textsuperscript{31} Other submissions have discussed retirement systems in other countries such as New Zealand which would be worth the Inquiry considering.\textsuperscript{32} Clearly changes can only be considered in the context of a review of the taxation of assets and of superannuation. In particular, abolishing superannuation tax concessions which disproportionately benefit wealthier sections of the community, largely men (see Appendix A) needs consideration, as many have suggested.

\begin{footnotesize}
\item\textsuperscript{25} Clare (2014) p.9.
\item\textsuperscript{26} Clare (2014) p.9. Median payouts will be lower.
\item\textsuperscript{27} Clare (2014) p.5.
\item\textsuperscript{28} WiSER submission no.6, p.7
\item\textsuperscript{29} WiSER submission no.6, p. 9. The ASFA recommendation for the incomes retirees need is updated quarterly. At June 2015 the annual income ASFA states is needed for modest retirement (single June 2015) is $23,662 and comfortable one (single June 2015 $42,861) provided the retiree owns their own home and is reasonably healthy, http://www.superannuation.asn.au/resources/retirement-standard viewed 16 Nov 2015
\item\textsuperscript{30} See submission to the Inquiry by the National Foundation for Australian Women, pp.3, 9-11.
\item\textsuperscript{31} The increase in 2010 made a significant impact on pensioner poverty.
\item\textsuperscript{32} WiSER submission no 6, p. 13.
\end{footnotesize}
**Immediate changes to superannuation assisting gender equality**
The WWRG supports some immediate changes to improve women’s earning capacity and improve the situation in terms of lifelong earnings. These include:

- The retention of the LISC (low income superannuation contribution),

- Requiring employers of employees in ‘small’ jobs (earning less than $450pcm) to pay the SG payment for those employees,

- The introduction of the 12% level for the SG be phased in more quickly as this and the recommendation above will benefit women considerably,

- That employer superannuation contributions be equalised between all staff whatever their occupational level to the best available level. In the tertiary education sector for example, casuals and others on short-term contracts receive the statutory minimum from their employers whilst permanent staff receive employer contributions of up to 17%, with a gendered impact.\(^{33}\)

- Enabling older employees to work longer if they wish to do so (and are fit enough). The AHRC suggests older Australians face substantial discrimination in the labour force,\(^{34}\)

- Greater recognition and support for older worker carers is also needed.\(^{35}\)

**The future of work**
Uncertainty exists about whether women’s workforce participation will increase to the extent needed to achieve a comfortable retirement for most through the superannuation system. At the same time, other changes are in train which will affect retirement incomes. The labour force is projected to again be on the cusp of very significant change. Job losses at all occupational levels are forecast, up to 40% of existing ones in the recent CEDA paper ‘Australia’s future workforce’.\(^{36}\) Where new employment will emerge and if it will be in sufficient numbers and at decent wages is less well known. Projections for the growth in the need for paid carers are numerous, but their pay is at lower income levels.

Another development may be the growth of independent contractors. Although this has not occurred to date,\(^{37}\) it appears possible that the availability of these types of jobs will start to accelerate. Already many websites exist where remote digital work is auctioned off. Uber is only a better-known example of a move towards the ‘gig’ economy of the future where people work for many different employers in a given week or day. This may be beginning to

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\(^{33}\) National Tertiary Education Union submission no. 20.


\(^{37}\) In 2008 9% of jobholders were independent contractors, in 2013, 8.5% were. See ABS Forms of Employment 2009 and 2014, Cat. No. 6539.0
occur for care work judging from various websites facilitating independent care work. Superannuation contributions are not required of those engaging the self-employed even though these may be effectively employees with only their labour for sale and little real control over their work.

Any growth in self-employment and/or small jobs (where as mentioned above superannuation need not be paid by employers) has far-reaching implications for an employment-based retirement scheme. These implications will include increased difficulty for individuals providing for their old age particularly those at the lower levels of the earning distribution where most women are located and those with more fractured work careers, again disproportionately women. Providing a decent non-work-related income in retirement protects all paid and unpaid workers, particularly employees who are and remain lifelong lower paid, from future changes in the structure of employment, future proofing the retirement incomes system.

- Therefore the WWRG also proposes that employers of self-employed who are effectively employees rather than running a business be required to pay the SG for such workers.

Conclusion and recommendations (summary)

The combination of gendered work-care regimes, gender pay gaps, interrupted working patterns, and a superannuation system built around a full-time norm has had adverse affects on women. To ensure women’s’ retirement incomes are protected and improved and that women are not punished for the care they provide (and which will continue to need to be provided) careful thought, with a gender focus, needs to be given to any future changes. The following recommendations are therefore made:

- Build a retirement system providing for unpaid care and domestic labour and well as paid work by ensuring an adequate income is available regardless of work history, including breaks for care and housing tenure. The age pension is a good vehicle for starting this.
- Retain and improve paid parental leave in terms of level of wage replacement and duration.
- Ensure that superannuation contributions are paid on top of Government parental leave payments.
- Retain the LISC (low income superannuation contribution).
- Require employers of employees in ‘small’ jobs (earning less than $450pcm) to pay the SG payment.
- Phase in the increases to the SG to 12% more rapidly than currently planned.
- Provide adequate rental assistance to age pension recipients in private rental accommodation.
- Take more action to combat workplace based discrimination of all types, including age and sex discrimination and including measures to prevent discrimination in terms of employer superannuation payments between employees of differing employment statuses.
- Require employers of self-employed who are effectively employees rather than running a business to pay the SG for such workers.
APPENDIX A
Distribution of superannuation tax concessions by earnings deciles