

The Senate

Economics

References Committee

'A husband is not a retirement plan'

Achieving economic security for women in
retirement

April 2016

Overview and list of recommendations

Many Australian women face an insecure retirement. Men's superannuation balances at retirement are on average twice as large as women's. In practice this means that women, particularly single women, are at greater risk of experiencing poverty, housing stress and homelessness in retirement.

This is a problem born of many interrelated factors. At its heart, however, is the fact that women and men experience work very differently. Women are more likely to work in lower paid roles and lower paid fields, are more likely to work part-time or casually, and are more likely to take breaks from paid employment to provide unpaid care for others. Over their lifetimes, as a consequence, they will earn significantly less than men.

Australia's retirement income system does not adequately accommodate this difference. It structurally favours higher income earners who work full-time, without breaks, for the entirety of their working life. The women (and men) who do not fit this pattern of work face a significant handicap when saving for their retirement.

The causes of gender inequality in retirement are complex, and a solution is correspondingly complex. While there are no simple answers, the committee is of the view that Australia needs to redouble its efforts to achieve equality at work—paying women equally, offering access to career development and leadership opportunities, and accommodating rather than penalising those who care for others. Government, business, and individuals have a role to play in achieving women's full participation in our workplaces.

The committee has made 19 recommendations intended to help women increase their participation in the workforce and improve their superannuation savings as a means of achieving dignity and economic security in retirement. It looks at promoting measures that will assist women in retirement to live comfortably and securely as they age.

Recommendation 1

paragraph 3.15

The committee recommends that the Australian Government review the *Fair Work Act 2009* to determine the effectiveness of Equal Remuneration Orders in addressing gender pay equity, and consequently in closing the gender pay gap. The review should consider alternative mechanisms to allow for a less adversarial consideration of the undervaluing of women's work.

Recommendation 2

paragraph 3.51

The committee recommends that the Australian Government continue to support the work of the Workplace Gender Equality Agency and ensure that it is adequately resourced.

Recommendation 3

paragraphs 4.16–4.17

The committee recommends that the Australian Government consider carefully the recommendation from the Australian Human Rights Commission's *Supporting Working Parents: Pregnancy and Return to Work National Review*, to amend the *Sex Discrimination Act 1984* to:

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- extend the discrimination ground of 'family responsibilities' under the Sex Discrimination Act to include indirect discrimination; and
 - include a positive duty on employers to reasonably accommodate the needs of workers who are pregnant and/or have family responsibilities.

Following its inquiry into Employment Discrimination against Older Australians and Australians with Disability, the Australian Human Rights Commission's findings may provide further opportunity to introduce measures to address age discrimination experienced by older Australians, particularly women.

Recommendation 4

paragraph 4.35

The committee recommends that the Australian Government consult with stakeholders on practical options to implement the relevant findings from the Australian Human Rights Commission's *Supporting Working Parents: Pregnancy and Return to Work National Review*, which recommends strengthening the 'right to request' provisions under s 65 of the *Fair Work Act 2009* by:

- removing the qualification requirements in section 65(2)(a) of the Fair Work Act (that is, the requirements for 12 months continuous service);
- introducing a positive duty on employers to reasonably accommodate a request for flexible working arrangements; and
- establishing a procedural appeals process through the Fair Work Commission for decisions related to the right to request flexible working arrangements to ensure processes set out in the Fair Work Act have been complied with.

Recommendation 5

paragraph 4.43

The committee recommends that the Australian Government refer the question of effective marginal tax rates for second-earners to the Productivity Commission for review, noting the significance of women's workforce participation.

Recommendation 6

paragraph 4.63

The committee recommends that the Commonwealth Paid Parental Leave Scheme continue to be improved over time to allow for 26 weeks paid parental leave through the combination of government and employer funding.

Recommendation 7

paragraph 4.80

The committee recommends the Australian Government investigate further the interaction between means testing of the Age Pension and mature age workforce participation.

Recommendation 8

paragraph 5.38

The committee recommends that the Australian Government ensure that any changes to the retirement income system are measured against the guiding principle of dignity in retirement and should:

- deliver a decent standard of living for both men and women in retirement;

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- take into consideration the interrelationship between the three pillars of the retirement income system—the Age Pension (including income and assets tests); the superannuation system (with particular reference to tax concessions); and private savings—as well as mature age workforce participation, housing, health and aged care;
 - recognise the diversity of experience and outcomes in retirement incomes for different groups in society, particularly but not restricted to women;
 - adequately assess and mitigate the risks placed on the individual;
 - determine mechanisms for developing benchmarks for the adequacy of retirement incomes to inform future policy; and
 - introduce mechanisms to measure and assess reforms to ensure they are meeting objectives.

Recommendation 9 **paragraphs 5.57–5.58**

The committee recommends that the superannuation guarantee should be paid on the Commonwealth Paid Parental Leave Scheme.

The committee recommends that mechanisms for improving the retirement incomes of carers be examined.

Recommendation 10 **paragraphs 6.14–6.15**

The committee recommends that the Australian Government set an objective for superannuation that supports the continuation of a strong three pillar retirement income system.

In drafting this objective for the superannuation system, the Australian Government should include specific reference to women's retirement incomes, to ensure gender equity is a continuing focus for policy makers.

Recommendation 11 **paragraph 6.25**

The committee recommends that superannuation tax concessions be re-targeted to ensure that they are more equitably distributed and assist people with lower superannuation balances to achieve a more comfortable retirement.

Recommendation 12 **paragraph 6.40**

The committee recommends that the concessional superannuation contributions of lower income earners are not taxed at a higher rate than their ordinary income, and that the Australian Government commit to retaining the Low Income Superannuation Contribution beyond 30 June 2017.

Recommendation 13 **paragraph 6.53**

The committee recommends that the Australian Government revise the current schedule for the increase in the superannuation guarantee (SG) rate to 12 per cent, and ensure the gradual increase in the SG rate is implemented earlier than the current timetable.

Recommendation 14**paragraph 6.72**

The committee recommends that the Australian Government amend the *Superannuation Guarantee (Administration) Act 1992* to remove the exemption from paying the superannuation guarantee in respect of employees whose salary or wages are less than \$450 in a calendar month.

Recommendation 15**paragraph 6.95**

The committee recommends that all government policy analysis in relation to retirement incomes include specific analysis comparing the impact of each proposal on men and women.

Recommendation 16**paragraphs 7.49–7.50**

The committee recommends the Australian Government amend the *Sex Discrimination Act 1984* to ensure companies are able to make higher superannuation payments for their female employees when they wish to do so. As part of this process the Australian Human Rights Commission should explore options and advise the Australian Government on appropriate legislative changes.

Following any amendments to the legislation, the Australian Human Rights Commission should develop guidelines and advice for any organisation contemplating providing additional superannuation payments for women.

Recommendation 17**paragraph 8.38**

The committee recommends that, in order to provide certainty and security for the majority of Australians who will receive the Age Pension in retirement, the government:

- (a) abandon its proposal to increase the Age Pension retirement eligibility age to 70; and
- (b) commit to maintaining the current method of indexation and benchmarking for the Age Pension.

Recommendation 18**paragraph 9.32**

In light of the growing number of older people, particularly women, who are relying on private rental accommodation in retirement, the committee recommends that the Australian Government urgently review the adequacy of Commonwealth Rent Assistance.

Recommendation 19**paragraph 9.33**

The committee reiterates recommendation 26 of its 2015 report, *Out of Reach?: The Australian housing affordability challenge*:

In light of the anticipated rise in the number of older Australians in the private rental market, and the insecure tenancy confronting many older renters, the committee recommends that the Australian Government look closely at its aged care policy so that it takes account of the particular difficulties confronting older Australians in the rental market. The aim would be to determine how policies designed to assist older Australians to remain in their home could take

better account of, and accommodate, the added difficulties for older people accessing safe and secure housing and in conducting modifications to rental dwellings, and more broadly in renting in the private rental market.