

Key Policy in discussion	Superannuation
Portfolio and or agency	Treasury and Office for Women
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Executive Summary

Women have lower superannuation balances, on average, than their male counterparts. This reflects the gender pay gap, which results in lower lifetime earnings by women. This is compounded by the interrupted, casual and part time work patterns of many women during their child-rearing years. Both issues must be addressed. Addressing pay rates for the caring professions and addressing bias and discrimination in hiring will help to close the gender pay gap. Carer credits should be paid to top up the superannuation of people who have left the paid labour market to care for children, elderly parents and other family members.

Key Questions of concern that need to be addressed

- 1.** If elected, will your government pay superannuation guarantee on Commonwealth Parental Leave Pay, and ensure that employers are required to pay superannuation guarantee on paid parental leave?
- 2.** Do you support a system of carer credits and government contributions to support superannuation for people who are not in the paid labour market due to caring responsibilities?
- 3.** In August 2021 the National Cabinet agreed to develop a Framework for Measuring Progress of Women's Economic Security. What is the progress on that initiative, and if elected will you progress that process?
- 4.** If elected, would your government support work value cases before the Commission seeking increases in wages for care workers?
- 5.** What steps would your government take to reduce the gender pay gap by addressing gender bias and discrimination in the workforce?

The National Foundation for Australian Women is dedicated to promoting and protecting the interests of Australian women, including intellectual, cultural, political, social, economic, legal, industrial and domestic spheres, and ensuring that the aims and ideals of the women's movement and its collective wisdom are handed on to new generations of women. NFAW is a feminist organisation, independent of party politics and working in partnership with other women's organisations.

Authorised by the National Foundation for Australian Women, Canberra: President Ms Jane Madden.

Details about this policy

It is well understood that women have lower superannuation balances than their male counterparts, and that this difference emerges early in the working career. Data extracted from the ATO tax statistics shows the gap in June 2019 between male and female superannuation balances remains at about 80% as follows ([ASFA, 2021](#)):

Age	Mean (Average) Balance			Median (Mid-point) Balance		
	Females	Males	%	Females	Males	%
All over 15	128,068	162,275	79	45,118	57,883	78
30-34	42,240	51,175	82	32,904	38,764	85
60-64	289,179	359,870	80	137,051	178,808	77

It is also worth noting the significant difference between the mean and median balance at each age, which shows that a small number of people have substantially higher superannuation balances than most of the population, with the mean balance around double the median balance by retirement age.

The primary reason for the gender superannuation gap is the gender pay gap: as long as superannuation guarantee payments are based on wages, the gap will persist. The gender pay gap is attributable to a number of causes, including lower wages in feminised industries, discrimination and bias in hiring decisions and the effects of unpaid caring ([WGEA, 2021](#)). Women commonly experience interrupted working histories, punctuated by periods out of the workforce and part time work to enable them to care for children, aging parents and other family members. This has been modelled by the Retirement Income Review in 2020, setting out the differences in retirement superannuation balances for people with different working patterns. Notably the gender superannuation gap is 17.4% for full-time workers without any other factors taken into account. Including part-time workers increases the gap to 32.6%; and a mother with two children who works part-time experiences a gap of 44.7% at retirement ([Treasury, 2020](#): Tables 3B-1 and 3B-2).

Almost half (45.1%) of all employed women are in part-time work, which have surged during the post COVID recovery ([Australia Institute, 2021](#)). Casual workers earn less than full time workers for comparable hours with a 45% earnings gap between part time workers employed on a casual basis and permanent part time workers. We note that men who experience interrupted, casual and part-time work also have lower superannuation balances, and they will also benefit from proposals to address the gap. Addressing the superannuation consequences of a reduction in working hours will remove one of the barriers to a more equal division of parental leave.

Forthcoming briefings in this series will discuss other measures to address the imbalance in women’s employment conditions, including the need to increase job security and affordable childcare measures.

The superannuation system is individualised, with spouses treated as separate individuals. It is tempting to say that resources will be pooled in retirement so the effect of the gender superannuation gap is limited to single women, and couples are at less risk of poverty than single retirees. What this argument fails to account for is that women are more likely than men to be single when they enter retirement, whether they have never married, through divorce or through the death of a partner.

We note the legislation that has been introduced to remove the exemption for workers earning less than \$450 per month. We also note that on 6th August National Cabinet agreed on a Nationally Consistent Framework for Measuring Progress of Women’s Economic Security. This framework will “provide a roadmap for the Commonwealth, State and Territory Governments to highlight their

existing measures, identify gaps and plan future investments to improve women's economic security" (Media Release, 6 August). There have been no announcements since August.

Other policy reforms to address the superannuation gap fall into two main areas:

Firstly, the gender pay gap needs to be reduced. This can be done by reviewing the pay rates for workers in feminised industries such as aged care and nursing to reflect the value of care, and by continuing to work with employers to address bias and discrimination in workplaces.

Secondly the role of carers needs to be recognised by "carer credits" during periods when a person is out of the workforce. Superannuation guarantee should be payable on parental leave, both Commonwealth Parental Leave Pay and paid parental leave offered by employers, which is not included in "ordinary time earnings" subject to the superannuation guarantee. This should be based on normal pay rates. Where there is no paid leave entitlement, carers should be entitled to a carer credit paid by the Government and not based on a co-contribution arrangement. In addition to parents on unpaid leave in accordance with the Fair Work Act, people entitled to a carer credit should also be entitled to a superannuation contribution. This credit could extend to a refund of the contributions tax ([KPMG, 2021](#))

Existing measures that should be reviewed as not fit for purpose include:

- the five year Concessional Contributions catch-up measure that can only be utilised where a worker has the resources to contribute more than the concessional cap (currently \$27,500) in a year, excluding most parents; and
- the tax offset for partners making contributions into superannuation for a low income spouse is insufficient incentive, with a maximum of \$540 on a \$3,000 contribution.