



ACN 061 777 937 ABN 46 061 777 937

NCWA Submission to the Review of Australia's Future Tax System - Retirement Income Consultation Paper

Women and Retirement Income Systems

Being concerned with the welfare and status of women and their families, NCWA in its response to the Retirement Income Consultation Paper unashamedly concentrates on the position of women and especially those who are fully or partially excluded from the mature Superannuation Guarantee (SG) system and those who rely on the Age Pension..

The National Council of Women of Australia Inc Limited has represented women and families in Australia for more than one hundred years and is affiliated with the International Council of Women which has sixty-five member countries. NCWA is the coordinating body of seven State and Territory Councils, to which are affiliated over 500 women's organisations and nearly one thousand individual associate members. Thus NCWA has the ability to consult and communicate with more than three million women throughout Australia. It is non-party political and non-sectarian.

As recommended by the World Bank, Australia has a 3-pillar retirement income system which includes a government-provided Age Pension, compulsory savings enforced through the SG and voluntary savings. But because of many circumstances, women are in a different position from the standard examples used in many of Treasury's proposals about these retirement income systems.

Poverty hits women in unequal proportion to men in most countries, not least in Australia. It is a fact that women are affected by economic considerations more severely than men because of :

- greater family responsibilities,
- fewer earning years with less earning capacity
- fewer employment opportunities and
- longer life expectancy

Superannuation

Women generally have had fewer years of working in the paid workforce because of the first three of these realities, and thus their access to superannuation has been limited. Women have more family responsibilities, have less earning capacity because there has not been equal pay for equal work and there have been fewer employment opportunities, employers often preferring to hire men whom they see as "more reliable".

Changing domestic conditions impact more on women who are the main carers of children, parents and disadvantaged relatives. They are expected to accept these greater family responsibilities and this affects their ability to go out into the paid

workforce and certainly to commit to the higher paid positions in skilled and profession employment.

Their earning years are fewer and in the past were even fewer. Those of us now over 70 will remember that female teachers and police were forced to resign when they married. A teacher could then be employed only as a “mistress on supply” or “mistress on demand” - terminology which should have made one blush, but caused no comment. Women who are now retired certainly had less opportunity to work and accumulate superannuation.

Historically females are in lower-paid employment or are in part-time or casual employment or are unemployed. On-going statistics show this to be a fact. Recently unemployment figures have increased which means there is more competition for jobs and here again women miss out because they may be “unreliable” employees, being the pivot around which three or four generations focus – aged parents and relations, partners, children and grandchildren.

With less employment opportunities, lower rates of pay and fewer years in the paid workforce, many women continue to be denied the opportunity to have an adequate superannuation scheme.

Laws in regard to superannuation are complex and need to be simplified and regularised. There are continuing discrepancies in superannuation schemes. As we have emphasised, women’s working patterns generally show that they work fewer years and are in lower-paid jobs and are thus disadvantaged from entering and participating in superannuation schemes on an equal footing with men.

Superannuation and Savings:

NCWA urges that interest earned from savings accounts to a maximum of \$5,000 per annum should not be included in taxable income. This is a small encouragement to voluntary savings, the third pillar of our retirement income system.

Aged Pension

The present payment of the Aged Pension at \$14,655 p.a. for a single person and \$24,4881 for a couple is inadequate. Immediate increase is necessary – the ASFA argues for \$19,617 p.a. for singles and \$27,454 for a couple. CPI indexation should be replaced by a new low income index, taking account the changes in costs of essential goods and services, which are what the pension is spent on – food, clothing, rent, utilities – all of which go back into the economy.

NCWA suggests a broad review of the whole income support system, not just retirement income, so as to include all pensions, allowances, family payments, rent assistance, student assistance and veterans’ entitlements. Uniformity between Commonwealth and State qualifications for pensioner concession cards (for travel, water, rates) health care cards, and seniors cards is needed to get a more simple, effective and equitable system.

Means Tests:

To overcome the perception that some retirees go on SKI (spend kids’ inheritance) holidays so that their assets are low enough for them to qualify for the Age Pension, NCWA suggests that assets are back-dated for the five years before retirement. This would result in encouraging voluntary savings and less reliance on pension supplement.

Age at which the Age Pension applies:

When the Age Pension was created in 1909 the average life expectancy was 60 for females and 56 for males; less than 5% of the population was over 65. Today more than 15% of the population is over 65 and life expectancy has risen to 83 for females and 79 for males. Today, people of 65 are usually healthy and strong, well able to give their valuable experience in the paid workforce and willing to keep being productive. Furthermore, it is realistic to take into account that now many people start in the paid workforce at a later age - after study and training - than previously, when the majority of 14 or 15-years old were earning wages. Thus the number of working years for most people is less and the number of years in retirement can be expected to be far greater. CEDA's research shows support for a continuing increase in the age at which one can retire and claim the Age Pension or superannuation. NCWA supports this.

There are numerically more women on government benefits of all types - as sole parents, unemployed or aged people. And because women live longer, they are dependent on retirement income systems for more years than men, often as a single person because they have never married, are separated or widowed. Statistics show that they are the major beneficiaries of government pensions as sole parents, unemployed and aged people. These recipients live all too often below the poverty line.

Volunteers and Retirement Income

In 2000 4,395,600 people did voluntary work (in 1995 they were 3,189,400), contributing 704 million hours. This is partly what makes Australia unique – the willingness of people to help others. Moreover the spirit of the volunteer carries over to give many in the community a knowledge of self-worth, a sharing of their experience and expertise and an appreciation of their neighbours. Many retirees volunteer, the 2000 ABS figures show those 65-74 years old do an average of 2.5 hours weekly and females over 75 doing an average of 3 hours a week in voluntary work. It is often costly for retirees to travel to undertake their voluntary work. NCWA suggests that NFP organisations be given funding so they can assist in travel costs in a direct way.

Implications of Paid Maternity Leave on Retirement Income

NCWA made submissions to the Productivity Commission urging that Paid Maternity Leave be implemented as soon as possible. As well as the obvious effect of encouraging women to enter and stay in the workforce as they become mothers, thus increasing their earning years and capacity and contributing the SG, it decreases the demand for child-care, which is often heavily subsidised by the taxpayer. The dollar cost to government is minimal: the tax-payer funded part of this scheme (minimum wage of \$544 per week for 18 weeks = \$9792) is taxable (\$1,500 tax?) and the \$5,000 baby bonus would be foregone which makes an overall cost of about \$3,200 less child-care subsidy for perhaps 12 weeks.

The economic reasons for not introducing paid maternity leave is not tenable. But, more importantly, those involved in the care and nurturing of our children agree that it is best for mother and baby to be together for at least the first few months, and thereafter for a baby to have a consistent carer, not the ever-changing faces at many child-care centres. The cost of dysfunctional families and unloved children is immeasurable.

In summary, NCWA emphasises that women are often at a disadvantage in retirement. Generally they have had fewer years of working in the paid workforce and thus their access to superannuation has been limited.

Female working conditions differ from those of males and this means that their access to retirement income must be separately considered. Particularly in the past when those now over 70 were of working age, women have had more family responsibilities, had less earning capacity because there has not been equal pay for equal work and there have been fewer employment opportunities.

The Aged Pension rates need to be increased so that those in retirement who rely on government support can live with some dignity..We also endorse that the age at which this Pension applies should be gradually increased and that the Means Test for supplementary payments be modified.

Prepared by Bridget Faye National Adviser Economics