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DIVERSITY COUNCIL AUSTRALIA

Wednesday, 7 September 2016

Karen Chester
Deputy Chair
Productivity Commission
Locked Bag 2, Collins St East
Melbourne VIC 8003, Australia

Dear Ms Chester

DCA Submission on the Draft report: Superannuation Competitiveness and Efficiency

Thank you for the opportunity to comment on the Productivity Commission's draft report into Superannuation Competitiveness and Efficiency.

Who we are

Diversity Council Australia (DCA) is the only independent, not-for-profit workplace diversity advisor to business in Australia. We offer a unique knowledge bank of research, practice and expertise across diversity dimensions developed over 30 years of operation. In partnership with our members, our mission is to:

- Lead debate on diversity in the public arena;
- Develop and promote the latest diversity research, thinking and practice; and
- Deliver innovative diversity practice resources and services to enable our members to drive business improvement.

DCA provides diversity advice and strategy to over 350 member organisations, many of whom are Australia's business diversity leaders and biggest employers. Some of our founding members include ANZ Bank, AMP, Boral, Coles, IBM Australia, Myer, Orica, Rio Tinto and Westpac.

The superannuation gender gap is a key issue for DCA and our stakeholders

As the Government noted when commissioning this report, an efficient superannuation system is critical to help Australia meet the economic and fiscal challenges of an ageing population.

However, it is difficult to address these challenges under our current system when women retire with significantly less in superannuation savings than men, particularly if they are mothers who have taken time out of the workforce to raise children.

Diversity Council Australia has previously highlighted that there are inequities in our current superannuation system which leave women much less well-off in retirement than men.

- The 2016 Senate Report *A husband is not a retirement plan* found that 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.
- According the *2015* Westpac Women and Retirement Readiness Report, the average 60 year old Australian woman may need to work an extra 15 years to retire with the same superannuation balance as men.
- In 2015, the ANZ *Women's Report: Barriers To Achieving Financial Gender Equity* found that women retire, on average, with around half as much in their superannuation as men

Not only does time away from the workforce impact a mother's superannuation balance, but many mothers also need to work flexibly upon returning to work after family or maternity leave, often part-time, and so will accumulate even less superannuation as a result.

The continued gender pay gap in Australia also means that the superannuation women are earning is proportionally less than what it should be.

DCA notes that some of Australia's leading companies are doing excellent work to address the 'motherhood penalty':

- **ANZ** has taken a lead on addressing the superannuation imbalance by paying an additional annual $500 lump sum contribution to permanent and fixed term female employees in Australia who are on their payroll in January each year. In addition, from 1 October 2015 ANZ extended the period for which they continue to pay superannuation in Australia during the unpaid portion of parental leave, and have changed their Long Service Leave policy to reflect continuity of service up to 24 months for employees in Australia. These changes to parental and long service leave benefits will benefit both male and female employees.
- **Westpac** currently pays employees full superannuation payments when taking unpaid parental leave for up to 39 weeks. This is in addition to the 13 weeks' paid parental leave with full superannuation payments that employees are entitled to under Westpac Group's existing parental leave scheme.
- **Rice Warner**, a superannuation and wealth management company, is working actively to address the barriers faced by mothers by offering its female staff superannuation payable on parental leave for up to one year and an additional 2% superannuation payment throughout their employment period.
- **Perpetual** pay all staff superannuation at a rate of 10.5% - that's 1% higher than the required Superannuation Guarantee - and the company has also committed to increasing superannuation payments by 0.5% each year until reaching 12% by September 2019. In addition, Perpetual pays superannuation to all staff on the unpaid portion of parental leave. This new benefit is available to both men and women, who qualify as the primary caregiver. It is in addition to superannuation paid during periods of paid parental leave. Employees are now able to receive a maximum of 40 weeks' additional superannuation (based on the amount of unpaid parental leave taken post-paid parental leave, having a baby or adopting a child).
  For Perpetual, the impetus for introducing these changes was two-fold:

1. Acknowledgement of, and opportunity to, reduce the inequity that exists – in Australia, women are likely to retire with only just over 50% the amount of super of men.
2. Perpetual is in the financial services sector, so they felt this was an opportunity to lead by example. The company helps Australians plan for and live well in retirement, and they wanted Perpetual's people to benefit from this also.

In conjunction with KPMG and the Workplace Gender Equality Agency, DCA will shortly be releasing new research into the economic implications of the pay gap in Australia and how this has changed over recent years.

A further issue that impacts on women's retirement savings is that many women are not employed in later life.

In 2013, DCA released a landmark report, Older Women Matter, which identified that older women are a largely underutilised potential workforce and presented strategies to improve older women's workforce participation.

When we consider that women live longer than men, these issues present a significant personal challenge to women in later life, as well as having a significant impact on the intentions of the superannuation system.

DCA notes that the focus of this report is not about the gender gap in superannuation, however, we believe that the inquiry provides an opportunity for improving the outcomes for all members.

To this end, DCA strongly supports those assessment criteria that will help to address some of the systemic issues that have a negative impact on women's retirement savings.

Particularly criteria that will improve:

- Voluntary contributions by women: As the Productivity Commission notes (p182), '*A more detailed (but preliminary) analysis of individual members of a single fund over a 10-year period found that men were more likely to make voluntary contributions than women (Feng, Gerrans and Clark 2014)*'.
- Women's financial literacy: As the Productivity Commission notes (p185), *'A consistent finding is that women tend to have lower financial literacy than men, lower levels of knowledge about superannuation, and are more likely to report that they find dealing with money to be stressful (ANZ 2015; Mercer 2013)'.*
- The ability of all people to change superannuation investment options: As the Productivity Commission notes (p192), *'Several studies have found that, on average, men are more likely than women to make changes to their superannuation investments (Clark et al. 2013; Gerrans et al. 2015)'.* However, overall it is older, more knowledgeable and higher-income earners who are more likely to switch their investment options: older and wealthier members — especially women with large balances — were more likely to make changes to their investment options.

We have focused on summarising DCA’s position in relation to the gender implications of superannuation, due to there being significantly more readily available research to draw on to demonstrate the need for action in this area.

However, we are equally cognisant of a gap in superannuation for other diversity groups including Indigenous versus non-Indigenous Australians, culturally and linguistically diverse versus non-culturally and linguistically diverse Australians etc. Accordingly, we encourage the Commission to equivalent attention to creating a system which addresses the superannuation gaps between these additional diversity groups.

Thank you for the opportunity to comment on this draft report and please feel free to contact myself or DCA’s Policy and Research Manager Cathy Brown on 0242 578 697 should you require any further information.

Yours sincerely

Lisa Annese

Chief Executive Officer