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

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About Anglicare Australia

Anglicare Australia is a network of over 40 independent local, state, national and international organisations linked to the Anglican Church and which share values of service, innovation, leadership and the belief that every individual has intrinsic value. Our services are delivered to one in 45 Australians, in partnership with them, the communities in which they live, and other like-minded organisations in those areas. In all, over 13,000 staff and more than 7,000 volunteers work with over 600,000 vulnerable Australians every year delivering diverse services, in every region of Australia.

Anglicare Australia has as its Mission “to engage with all Australians to create communities of resilience, hope and justice”.

Taking a comprehensive approach

Anglicare Australia shares the view of a wide range of expert bodies, including the Human Rights Commission, Productivity Commission, ACOSS and COTA, that there needs to be a comprehensive and holistic review of retirement incomes in Australia, including the issue of gender disparity. While many sensible changes can be made at the margins, the Australian government cannot arrive at fair, efficient and sustainable arrangements without considering all of the factors which impede women from accumulating adequate resources for financial security post-working age, and which impose on them a greater burden of expense.

Such a holistic review needs to consider matters well beyond the domain of superannuation alone. This Anglicare Australia submission might consequently reflect on other aspects of economic change and government policy. Nonetheless, it is focused on what measures might better support the living standards and the wellbeing of Australian women in later life, especially those most at risk of deprivation, ill health and insecurity.

Anglicare Australia has already identified the impact of low retirement savings on women’s health, their access to adequate housing and other services, and their earlier need for residential care (per King, Kemp & Bellamy, 2015). This submission aims to provide recommendations to alleviate this disparity in both the long and the short-term. Solutions will not be found in focusing on the situation of women alone, but on people on lower incomes generally, both those in poverty and those working poor identified by economist Guy Standing as “the Precariat” - those with little job security (Standing, 2011).

Demographic and Budget trends

The alarming gender disparity in retirement savings has been summarised with supporting evidence by the Human Rights Commission as follows:

There is a large gap between the superannuation savings of Australian men and women. Because the current superannuation system is linked to paid work, it overwhelmingly disadvantages women who are more likely to move in and out of paid work to care for family members.

Women continue to earn less than men and are more likely to be engaged in casual and part-time work, which are also contributing factors to the gender gap in retirement savings.

Right now, many women are living their final years in poverty. If we don't act, another generation of women will face similar prospects.

- *Women have significantly less money saved for their retirement – half of all women aged 45 to 59 have \$8,000 or less in their superannuation funds, compared to \$31,000 for men.*
- *Currently, the average superannuation payout for women is a third of the payout for men - \$37,000 compared with \$110, 000.*
- *In Australia, women working full-time today earn 16 per cent less than men.*

(see: <https://www.humanrights.gov.au/publications/gender-gap-retirement-savings>).

Demographic changes are resulting in the ageing of a growing number and proportion of the population. This means more people living longer with ongoing vitality and capacity; as well as living with some frailty or disability.

According to AIHW research (<http://www.aihw.gov.au/deaths/life-expectancy/>), men aged 65 in 2011–2013 could expect to live another 19.2 years (an expected age at death of 84.2 years) and the life expectancy of women aged 65 in 2011–2013 was 22.1 years (an expected age at death of 87.1 years).

This means that not only does provision for retirement have to last much longer than may have been anticipated by policy-makers (and indeed, individuals), women on average must stretch their resources for three years more than their male counterparts.

At the same time of life, research indicates that women's expenditure on health costs is significantly higher than that of men (see the AMA Position Statement on Women's Health, 2014); and that men obtain better 'efficiency' from health spending (<http://www.abc.net.au/radionational/programs/healthreport/gender-differences-in-health-care-spending/5442214#transcript>).

AIHW research (<http://www.aihw.gov.au/publication-detail/?id=60129552713&tab=2>) also shows that individual health spending is growing at a faster rate than government health spending, meaning that women overall are also meeting a higher burden of health care costs from a lower share of retirement income.

It is particularly important to note in this discussion that age pension expenditure *per se* as a proportion of GDP is NOT growing rapidly, and remains low by OECD standards, currently around 2.5% of GDP (Ingles and Denniss, 2014).

Tax expenditure for superannuants however *is* an area of significant – and seemingly uncontrolled – growth at around 12% pa, possibly reaching 10% GDP by 2050. Given the regressive nature of the benefits these tax expenditures accrue (Ingles 2009, Denniss, 2013), this raises real issues of both affordability and equity. Anglicare Australia refers the Committee to our document *Common Wealth*, 2015, for a discussion of how the government should reshape the tax rules that apply to superannuation.

The argument that the cost of old age pensioners is a problem for the whole of society is a dangerous and unfocused one. Instead we must ensure those who are less affluent and comfortable have somewhere safe to live and the income and resources that would allow them to remain engaged with, and contribute to, our wider society, without unnecessarily forgoing revenue available from the affluent who are in a position to take advantage of immense tax and superannuation concessions.

Perceptions of equity

The validity for any financial reform - how much change is acceptable - rests on how it seems to people over all. That is the buy-in that a robust and fair system has to earn. Our papers *Common Wealth* and *Addressing Inequity* already address the underlying unfairness differing treatment of Australians in different income brackets in relation to tax, benefits and superannuation, and in particular the exemption of the family home.

As we pointed out in *Addressing Inequity*, all of this is particularly galling for those who will lose the benefit of the relatively small but relatively valuable Low Income Superannuation Contribution, and for those who receive no superannuation payments all – even where they have a number of part-time jobs – because their earnings with any single employer are less than \$450 in a month.

If we are to create a robust system that facilitates adequate provision in retirement for all Australians in a transparent and efficient manner, the system must be fair, and must be seen to be fair.

Anglicare Australia takes the view that a broad and comprehensive approach is needed to ensure that women have adequate provision for their needs in retirement. This involves not only providing equitable income, but ensuring they do not carry a disproportionate burden of expense. However, on the threshold issue of superannuation, we suggest starting the conversation by agreeing to:

- reintroduce the low income superannuation contribution
- remove or reshape the minimum income cut off for the superannuation guarantee
- introduce concessions that enhance the financial security for women who have spent much of their working life without superannuation contributions;
- provide for superannuation contributions to be paid on so-called allowances that remunerate (however poorly) carers, the majority of whom are women, and recognise the value of that contribution to the Australian economy by increasing the level of those benefits;
- fund these measures by reintroducing some taxation on high end superannuation earnings, possibly starting with small steps on earnings made within the schemes, or on distributions.

Ageing and disadvantage

Anglicare Australia is a network that includes 40 agencies working with disadvantaged and marginalised people across Australia. We know that the income issues some people face at retirement reflect their lives of work, battles with health, various caring responsibilities, and experience of deep and persistent disadvantage prior to retirement age.

While there seems every reason to ensure everyone has the same basic entitlements, the reality is that opportunities and outcomes are unequal for people through their lives, and in particular are disparate for men and women. For example, we refer you to our earlier paper, *Addressing Inequity*, for a discussion as to how a universal retirement age creates significant inequity for different sectors of the community, and to our paper *Inequality, hardship and social change*, in relation to how inadequate incomes impact on the ongoing quality of life, and that permanently damages the wellbeing of people reliant on them.

This inequality also makes it increasingly difficult for those people to find work, remain in engaged in education and care for their families. There is a considerable body of evidence (eg Duncan, C. and Loretto) which indicates that finding work at a mature age is far harder for women than for men.

Current policies around retirement income also fail to recognise the valuable work of caring, from which there is no retirement age, yet which is highly taxing and of considerable value to the Australian economy - and the vast majority of which is performed by women.

All of those things of course then impact on people's long term wealth, health and independence, and in particular on women, as a larger proportion of the poorest and most vulnerable members of our community.

Older people on government allowances

Our paper *Addressing Inequity* discusses the serious consequences for someone without work, relying for extended periods of time on the Newstart allowance as they near retirement age.

The obvious consequence is that these people face increasing hardship and poverty at a time when their physical resilience is likely to be falling. We suggest in that paper that the proposed extension of the retirement age for healthy and reasonably affluent Australians ought to be balanced by early retirement options becoming available to those with a history of illness, increasing frailty and caring responsibilities.

We also reiterate our suggestion in that paper that Government consider raising the liquid asset limit above the present \$5,500 for Newstart recipients over 45 years so they have some small chance of moving onto the Age Pension with some resources – and hence financial security – behind them.

Fundamental issues of income

In our paper *Common Wealth* Anglicare Australia argued that any fair taxation system would ensure the collection of revenue that could fund support and services to an appropriate level.

Adequacy of income underpins all the analysis we have in our society on health and wellbeing. Anglicare Australia's 2012 national survey on food insecurity, [When There's Not Enough To Eat](#), explored the predictors and the impacts of inadequate and poor quality food on Anglicare network clients. It offered both quantitative and qualitative evidence of the damaging consequences on people's the health and wellbeing of truly low incomes, such as the Age Pension – which, while less miserly than the inarguably and inexcusably inadequate Newstart and Youth allowances, still leaves many Australians in poverty. This is particularly so where they do not own their own house and especially when they confront unexpected financial costs, are dealing with health issues, have unfunded family responsibilities – all issues disproportionately affecting women - or are locationally disadvantaged; these issues are further discussed below.

Key NATSEM research commissioned by Anglicare Australia, also in 2012, [Going Without: Financial Hardship in Australia](#), makes it explicit that people depending on the Age Pension (and/or other allowances) are inevitably going backwards.

Furthermore, as NATSEM's latest research paper for Anglicare Australia – [Living Standard Trends in Australia](#), August 2015 – makes it very clear that people reliant on government benefits of any kind are now facing falling living standards.

Anglicare Australia has, over many years, called for the level of social security benefits – pensions and allowances – to be set by an independent body such as, for example, the Fair Work Commissioner. The government itself has recently floated the notion of seeking independent advice (at the very least) on what a fair or adequate income would be. Any comprehensive review of retirement income arrangements in Australia has to include a consideration of fundamental income support available to citizens during their working years, as well as in their old age.

Superannuation Reform

Superannuation Contributions on Allowances

Anglicare Australia is now also calling for superannuation contributions to be paid on top of these allowances. The Age Pension is based on an expectation that in retirement, people will have built an asset base – particularly a family home – which will support and defray their everyday cost of living. The reality for many Australians, and in particular women, is that they will never build this asset base, and in retirement will continue to bear capital expenses. A superannuation contribution is not accessible until retirement age and provides no incentive to an individual to avoid paid employment, if such were available to them.

In particular superannuation contributions should be paid on the allowances that are effectively remuneration for “informal” caring responsibilities, the great majority of which are borne by women, and which contribute in excess of \$60 billion to the Australian economy (the replacement cost of care as calculated by Deloitte Access Economics for Carers Australia).

We further argue that these superannuation contributions should be paid at a rate commensurate with the saving made by government on the cost of care, rather than on the token amount that is represented by the carers allowance – that is, the contribution should be made on the hourly rate the services would cost if provided by an external source. This both recognises the income sacrifice made by carers in providing these services at home (also identified in the Carers Australia report above), and the considerable saving realised by government from the very real work undertaken by these carers; it also removes a disincentive for carers that is the significant income disadvantage that will result to them later in life.

Reinstating the Low Income Superannuation Contribution

Anglicare Australia also calls for the reintroduction of the Low Income Superannuation Contribution (LISC). The repeal of LISC has been universally condemned. It particularly affects part-time and casual workers, the majority of whom are women (see data from the Parliamentary Library: http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1415/Quick_Guides/CasualEmploy). If the Government is serious about improving the equity of women’s retirement income, it is essential that the LISC be reinstated, and even enhanced.

Superannuation Concessions

Because the superannuation guarantee was only introduced in 1992, and was only increased to its current level of 9.5% in 2014, many women who are now at or are nearing retirement age have spent much of their working life without access to employer supported superannuation.

Industry Super Funds (<http://www.industrysuper.com/about/history/>) estimate that by the mid-80's, fewer than 25% of women had any superannuation arrangements at all (compared with the also low 40% of blue-collar workers in general). The effects of this are reflected in the figures from the Human Rights Commission referred to above.

Anglicare Australia submits that for these workers, the cap on the maximum contribution to superannuation that can be made at a concessional rate should be lifted to a level that will enable them to match those missing years of employer contributions, where their current superannuation contributions and assets fall short of an adequate provision. The government should also give consideration to making one off-payments to supplement the superannuation balances of lower-income and asset-poor workers who did not obtain the benefit of the guarantee until well-advanced in their working lives.

Reshaping the Super Contribution monthly threshold

As noted elsewhere in this submission, women are disproportionately represented as part-time and casual workers. Women are thereby disproportionately affected by the threshold of \$450 per month before an employer is required to pay a superannuation contribution. Moreover, this provides an active incentive for an employer to limit the work available to the employee, in order to avoid the additional cost of the contribution.

Anglicare Australia submits that to overcome this, employee contributions should be paid on all wages irrespective of the amount. This prevents employers from trying to "game" the system by artificially limiting the hours available to employees, and eliminates the bureaucracy needed for employers to calculate two systems of wages, one including superannuation contributions and one without.

An alternative option would be to enable part-time and casual workers to "pool" their hours with different employers in order to reach the threshold. However, this would require careful consideration as to who would bear the responsibility to pay the contribution, and might provide a disincentive to employers to provide work to anyone who might have secondary employment, and other administrative overheads.

Housing and Home

Another principal factor in determining the quality of retirement living, and the adequacy of retirement income, is housing.

Private home ownership and secure public housing (where it exists) underwrite the capacity older Australians to remain connected, continue to make a contribution to the community around them, maintain their independence and access care and services they need as they age.

Private home ownership has the added and significant benefit of being an asset that can be drawn on in times of illness, stress or unexpected expense. It can be used as security for a bond in aged care facilities, and provide a supplemental source of income via a reverse mortgage. It adds to people's resilience, with – consequently – a lower cost on our society (or the “taxpayer”) as well as the more positive benefit of supporting the home owner to contribute socially and economically to society and the communities of which they are a part.

Again, while rates of home ownership are increasing among younger, affluent single women, the evidence is that overall women in lower income brackets are at higher risk of homelessness and that women of current retirement age are less likely to own their own home given past policies and attitudes that did not recognise or reward non-financial contributions to marriage and the economy (McFerran, and King, Kemp & Bellamy).

Anglicare Australia conducts a Rental Affordability Snapshot in April each year. The Snapshot is conclusive evidence there is a critical shortage of rental housing that is affordable to people living on low incomes. Our paper *Addressing Inequity* canvasses the key relevant findings from this year's Snapshot, and in particular addresses the issue of older Australians and housing stress.

Anglicare Australia submits that the cost to Australia's wider community ('the taxpayer') of people living on the street and accessing emergency services and healthcare, or living in residential aged care (as people unable to afford rental private rental will inevitably do) is well above the cost of care and support in the home. According to the DSS report on the Operation of the Aged Care Act for 2013, the average annual cost to government of residential care is \$56,000 per person, while the average cost to government of a Home Care Package is around \$18,600. The costs of people living rough are potentially much greater.

Per McFerran, women and especially older women are at significant and increasing risk of becoming homeless, not least through lack of retirement savings and income. See “A first time for everything: homelessness” in *Who is being left behind?* Anglicare Australia's 15th State of the family report (October 2015).

Anglicare Australia is not alone in calling for a comprehensive national strategy to substantially grow the supply of housing that is secure and affordable to people on low incomes. In addition to the five point plan the Anglicare network has championed through the latest Snapshot, we point to [Tackling housing unaffordability: a 10-point national plan](#) developed by the UNSW's Professor Hal Pawson and partners and published in *The Conversation* in June 2015, which offers a more detailed and localised approach.

The advantages and disadvantages of location

People who live in rural and remote Australia have to travel extensively to access (or perhaps pay more to access) health services - particularly the kind of health support that is most helpful to people with the chronic health conditions, including mental health conditions, that are a feature of ageing in our increasingly long lived society. For retirement incomes, and particularly the retirement incomes of women, who live longer and suffer from more chronic health problems, to be adequate, accessing these services must be affordable.

It would therefore make sense to consider the way the health safety-net works for people in rural and remote Australia, and whether expenditures should include a travel component, or whether the threshold of Medicare funded costs should be reduced for people in rural and remote locations, or if a tax allowance or rebate might come into play as medical costs increase for people locationally disadvantaged.

There are other more specific areas of regional disadvantage, often on the edge the metropolitan edges. *Dropping off the Edge 2015*, the recent report by Tony Vinson et al for Jesuit Social Services and Catholic Social Services Australia points to the harder edge of locational disadvantage. Our paper *Addressing Inequity* discusses strategies to break these patterns of disadvantage through real community development. This is relevant to the issue of the gender gap in retirement incomes, because if we cannot immediately address the disparity for women who are already in retirement, we may at least be able to provide them with other avenues to improved quality of life.

A bigger picture

In Australia's current financial, the existing superannuation arrangements appreciably advantage people on high incomes, with substantial wealth and the capacity to organise their finances. They allow for substantial concessional contributions to superannuation and - once a person has passed retirement age - tax free earnings within and distributions from superannuation accounts. Anglicare Australia recommends a close appraisal of the impact of these arrangements, the reintroduction of the low income superannuation contribution, the reintroduction of taxation on earnings within superannuation schemes, the introduction of superannuation benefits on caring allowances, and the removal or substantial reshaping of the \$450 minimum income level for superannuation guarantee payments.

All of these factors contribute to the gender disparity in retirement income in that women are disproportionately reflected in the lower-income and less secure sectors of the workforce.

While the disparity between retirement incomes of men and women needs to be addressed, it is also essential to consider the adequacy of those incomes in relation to what expenses are facing men and women in retirement. Merely equalising their superannuation balances will not provide women with economic security in later life. This is in part because many men will also have inadequate provision for the age of retirement. However it is also because women, overall, live longer, take a greater share of caring responsibilities, have a lower asset base and less secure housing, and are more likely to bear higher health costs from the burden of chronic disease.

A key to achieving and maintaining adequate and equitable retirement income for women, therefore, must focus not only on increasing their levels of superannuation and allowances such as the Age Pension, but on improving women's access to affordable and secure housing, appropriate health services, and

supportive and liveable communities, per the Age Friendly Cities discussed in *Addressing Inequity*, our submission to the Government's Tax Reform White Paper

Conclusion

Anglicare Australia appreciates the opportunity to contribute to the debate around the gender disparity in retirement income through this submission.

We reiterate our argument that it the gender disparity is not in itself as important as the factors creating it, which impact all those with low incomes, precarious job security, and other forms of disadvantage - a disproportionate number of whom are women.

We also submit that as well as considering what can be done to improve women's income in retirement, it is also important to address the adequacy of that income – that is, how the imposts on women's resources in retirement can be alleviated. If housing, health, transport and other services can be made more affordable for all, then there is less pressure to find ways to increase superannuation balances or the Age Pension.

Our key concern regarding retirement incomes is that those people who are the most disadvantaged and vulnerable face the hardest transition into retirement, and the most insecure and difficult old age, and these people are more likely to be women. Arguably the greatest need is for safe and secure housing.

If Australia is to show a genuine commitment to addressing the disparity between men and women, we must urgently put in place a robust system that looks after those without wealth or income, particularly where it impacts on the wellbeing of those of retirement age.

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