

HESTA International Women's Day 2022 policy priorities

Improving financial security for women in retirement

More than 80 per cent of HESTA members are women. This International Women's Day, we're highlighting three urgent changes to improve financial security for women in retirement. Addressing gender inequity will not only create a better society, but has real economic benefits that can help investors like HESTA deliver better outcomes for their members.

Women currently have lower workforce participation than men,¹ earn 14.2% less than men,² do more unpaid work than men,³ and many retire with inadequate super for a financially secure retirement. This needs to change.

Increasing women's workforce participation is one of the most effective levers to improve financial security and boost the Australian economy. Halving the workforce participation gap between men and women would increase Australia's annual GDP by \$60 billion by 2038.⁴

Financial security in retirement for our members is also reliant on secure, well-paid jobs, particularly in traditionally feminised industries such as early childhood education, aged care, disability care, health and social services. Decent work in the care economy will help address the gender pay gap, the workforce participation gap, and the superannuation gap.

There are also important financial benefits for organisations that foster an inclusive culture and retain a diverse workforce at all levels.⁵ This can

¹ In 2021 the workforce participation rate was 61.4% for women and 70.7% for men -

<https://www.wgea.gov.au/publications/gender-workplace-statistics-at-a-glance-2021>

² WGEA - 2021 - <https://www.wgea.gov.au/publications/australias-gender-pay-gap-statistics>

³ [HILDA](https://about.unimelb.edu.au/newsroom/news/2021/december/HILDA-shows-the-changing-face-of-21st-century-australia) 2021 - <https://about.unimelb.edu.au/newsroom/news/2021/december/HILDA-shows-the-changing-face-of-21st-century-australia>

⁴ KPMG - *Ending workforce discrimination against women* - 2018

<https://assets.kpmg/content/dam/kpmg/au/pdf/2018/ending-workforce-discrimination-against-women-april-2018.pdf>

⁵ McKinsey, [Why Diversity Matters](#), 2015

include improved productivity and long-term performance. Investors who apply a gender lens to their investment activities, have an opportunity to improve investment outcomes for our members.

There is much to do to improve financial security for future generations of older women, but as a priority the following should be implemented:

1. PAY SUPERANNUATION ON COMMONWEALTH PARENTAL LEAVE PAY

It is time to pay superannuation on the Commonwealth parental leave scheme. Parental leave is the only common form of paid leave that does not include superannuation. This is inequitable and sends a message that paid caring work is not real work.

Women take 93.5% of primary carer's leave⁶ which consequently disadvantages them and further exacerbates their financial insecurity in retirement. The lack of superannuation contributions for women undertaking caring work when they have children is widely accepted as a major factor contributing to the current situation where Australian women retire on average with one-third less super than men.

Modelling shows that paying superannuation on the Commonwealth parental scheme would give a mother of two \$14,000 more super at retirement.⁷ This could be life-changing for HESTA members on low and middle incomes.

2. INTRODUCE A SUPERANNUATION "CARER CREDIT" FOR UNPAID PARENTAL LEAVE

In addition to superannuation on paid parental leave, a "carer credit" should be introduced to compensate parents for superannuation lost due to unpaid parental leave.

Unpaid time out of the workforce to care for others has a significant impact on women's financial security in retirement. Women perform 80% more unpaid work at home each week than men⁸ including child-care, caring for other family members, housework, shopping, food preparation. PwC has

⁶ WGEA - *It's the luck of the draw for parental leave* - 2019

<https://www.wgea.gov.au/newsroom/its-the-luck-of-the-draw-for-parental-leave>

⁷ Industry Super Australia - *Putting members and their financial interests first*, December 2021 <https://www.industrysuper.com/media/policy-priorities-december-2021/>

⁸ WGEA Women's economic security in retirement - 2020

<https://www.wgea.gov.au/publications/womens-economic-security-in-retirement>

previously estimated that the replacement cost of informal childcare alone would be \$409.5 billion - this is a massive contribution to society.⁹

If a small fraction of this amount was paid as superannuation this would make a substantial impact to retirement outcomes and signal that unpaid care work is valued. Women's unpaid caring work shouldn't result in financial insecurity in retirement.

Even a small boost to a primary carer's superannuation can create huge potential long-term benefits at retirement. Carer credits have been supported by a wide range of stakeholders¹⁰ and as noted by the Actuaries Institute:

"The concept of pension credits for carers is not a new idea as in Europe, most countries provide some form of pension entitlement within their national pension system during these periods."

Eligibility for a superannuation carer credits scheme for unpaid leave in Australia should be broad, being available to parents who are out of the workforce as well as those who are taking additional unpaid leave on top of their paid leave.

The combination of superannuation on paid parental leave and a superannuation carer credit for unpaid leave should provide all parents with at least the value of a year's superannuation contributions.

Setting the value of the credit at the value of the super that would be paid on the median wage over that time would make a valuable contribution to improving retirement outcomes.¹¹ The credit could be based on the same income test as the Commonwealth parental leave scheme.¹²

⁹ PWC *Understanding the unpaid economy 2017* - <https://www.pwc.com.au/australia-in-transition/publications/understanding-the-unpaid-economy-mar17.pdf>

¹⁰ KPMG 2021 - <https://home.kpmg/au/en/home/insights/2021/08/gender-superannuation-gap.html>

Actuaries Institute 2021 -

<https://www.actuaries.asn.au/Library/Miscellaneous/2021/GenderInequalityinRetirementSavingsActuariesInstitute270421.pdf>

Women in Super - <https://www.womeninsuper.com.au/content/policy-and-advocacy-priorities/gjunrk>,

¹¹ 34 weeks @ median wage of \$1,200 per week would equate to \$4080 (SG 10%).

¹² \$151,350 or less in the 2020-21 financial year -

<https://www.servicesaustralia.gov.au/meeting-parental-leave-pay-income-test?context=22191>

3. PROVIDE ACCESSIBLE AND AFFORDABLE CHILDCARE

HESTA supports universal access to quality, flexible early childhood education and care (ECEC) until children start school. The Federal Government should provide at least 20 hours per week of early childhood education and care to all children with no out of pocket cost.

Reducing childcare cost is the most significant action the Government could take to boost workforce participation for women with young children. Women's workforce participation rate when the youngest child is 0-5 years is almost 28.2% below that of fathers, and 12.2% lower where the youngest child is 6-14 years.¹³

More than 90,000 Australian parents stayed out of the workforce last year because the cost of childcare was too high.¹⁴

¹³ The Parenthood/Equity Economics, 2021, *Back of the Pack: How Australia's Parenting Policies Are Failing Women & Our Economy*, https://d3n8a8pro7vhmx.cloudfront.net/theparenthood/pages/794/attachments/original/1638942108/Back_of_the_Pack_report.pdf?1638942108

¹⁴ <https://www.theage.com.au/politics/victoria/high-childcare-costs-push-90-000-parents-out-of-workforce-20210202-p56yum.html>