

Review of the Workplace Gender Equality Act 2012

November 2021

HESTA welcomes the opportunity to make a submission to this important review.

Executive summary

HESTA strongly supports the role that WGEA plays in advancing workplace gender equality in Australia. HESTA is a WGEA Employer of Choice for Gender Equality, and our CEO Debby Blakey is a Pay Equity Ambassador.

HESTA is committed to addressing gender equality in Australian workplaces, particularly given that 80% of HESTA members are women and their financial security in retirement is directly impacted by these issues.

HESTA's interest in workplace gender equity is threefold:

1. **As a superannuation fund** we strive to maximise the retirement savings of a primarily female membership, whose superannuation outcomes are driven largely by their workforce experiences.
2. **As an investor** we are aware that improving gender equity outcomes in the companies we invest in will deliver improved market outcomes, which in turn benefit our members' retirement savings.
3. **As an employer** we seek to lead by example, providing a workplace that values diversity and works continually to address inequality.

The functions and powers set out in the Act have established WGEA as the central point for the collection of crucially important annual workplace gender equality data. This dataset is the first step in addressing gender inequity in the workplace. WEGA's data collection should be expanded and refined.

The time has come to take the second step for WEGA's work. That is, to develop an additional focus on progress to drive greater change for gender equality. The Agency's functions and powers should be updated to support

an outcomes-oriented approach that assists employers to achieve concrete targets.

HESTA would also welcome an increased emphasis on superannuation in data collection and reporting. This could be facilitated through introducing an additional superannuation indicator to highlight and address some of the drivers of the stark gender gap that currently exists in retirement savings.

These enhancements to WGEA's current role and data collection scope should be undertaken in the context of ensuring that data collection is streamlined to reduce the impost on employers, and structured to support reporting in relation to environmental, social and corporate governance.

HESTA Recommendations:

- 1. WGEA should continue to expand and enhance its crucial role in annual data collection to provide an increasingly comprehensive dataset that allows robust analysis of gender equality in Australian workplaces.*
- 2. WGEA's role should be expanded to give the Agency capacity to assist employers to set and achieve targets to improve gender equality outcomes.*
- 3. An employer's relevant Executive Summary from WGEA and Industry Benchmark reports should be required to be provided to the Board.*
- 4. Data on individual organisations gender pay gaps (base salary and total remuneration) should be made public. Organisational data on "like-for-like" gender pay gap should also be collected and disclosed along with the methodology used.*
- 5. Collection of remuneration data for CEOs should be mandatory and included in gender pay gap calculations.*
- 6. The Gender Equality Indicators should be expanded to include a superannuation indicator.*
- 7. WGEA should collect and publish actual earnings of part-time and casual employees (rather than full time equivalent) as well as the number of hours employees are engaged.*
- 8. WGEA should collect and publish data on employee age (year of birth).*
- 9. Data should be available in aggregated form for each entity including where it's reported by individual ABN.*
- 10. Data should be collected and published at a CEO-1 level for relevant employers.*

Background

HESTA is an industry super fund with a strict profit-to-members model that was created to meet the specific needs of employees working in the health and community services sector.

HESTA holds \$66 billion of assets on behalf of more than 900,000 members in the health and community services sector, 80% of whom are women.

HESTA advocates and acts to improve financial systems so they deliver more gender equal outcomes for our members and financial disadvantage is reduced. We advocate for a fair, healthy community and a sustainable economy so that our members can face the future with confidence.

The HESTA member

The typical HESTA member is well known to Australia. She is skilled, vocationally driven, and will spend time out of the paid workforce to care for others and is 43 years old.

Our members:

- Are mostly women, and are therefore more likely to take career breaks, live longer, and be dependent on the Age Pension in retirement;
- Earn \$52,400 per year (on average across our female membership), with our male members earning 20% more than this;¹
- Are predominantly light blue/blue collar workers in non-desk-based roles, required to perform manual tasks as a part of their role; and
- Are time poor – generally balancing work and family responsibilities.

¹ <https://www.hesta.com.au/content/dam/hesta/Documents/HESTA-Vital-Signs-Report.pdf>

Workplace equality improves women's financial security

Poverty in retirement is a stark reality² for many women after a lifetime of work (paid and unpaid). Improving gender equality, diversity and fair and equal treatment in the workplace makes a significant contribution to improving our members' financial security in retirement. The gender pay gap and reduced workforce participation are central drivers of the gender superannuation gap.

The functions and powers set out in the current Act are an important first step. However, in isolation they are unlikely to be enough to close the gender pay gap in the next few decades.³ The Act should now expand WGEA's role so that it can assist employers to achieve concrete targets for gender equality. A change in WGEA's remit could provide valuable aid and encouragement for organisations to adopt an action and progress-oriented approach.

HESTA also believes a requirement to report an employer's relevant Executive Summary from WGEA and Industry Benchmark reports to the board would help to maintain the necessary focus on these issues and increase the necessary commitment from, and ownership by, leadership to ensure they are addressed.

Progress to close the gender pay gap will also be supported through greater transparency. While the current regime of reporting pay gap data at an aggregated level, by industry and across the whole dataset has been useful at highlighting the issue, the logical next step in supporting progress to close the gap is for data at an organisational level to be made public. This should occur alongside collection and publication of "like-for-like" pay gap data and the methodology used to calculate it.

² Older women—those aged 55 and over— were the fastest growing cohort of homeless Australians between 2011 and 2016, increasing by 31%. <https://humanrights.gov.au/our-work/age-discrimination/projects/risk-homelessness-older-women>

³ Cassells R & Duncan A (2021), Gender Equity Insights 2021: Making it a priority, <https://bcec.edu.au/publications/gender-equity-insights-2021-making-it-a-priority/>

We note that the WGEA submission to the Review commented that many employers have indicated they are prepared to make their organisation gender pay gap publicly available.

In addition, the collection of remuneration data for CEOs should be mandatory and included in the gender pay gap calculations.

The collection of CEO pay data would provide more detailed information on the gender pay gap and allow for greater analysis and insight. It would also be valuable for research regarding women in leadership and executive pay, including the connections between gender, executive pay, and industry pay gaps.

HESTA Recommends that:

- 1. WGEA should continue to expand and enhance its crucial role in annual data collection to provide an increasingly comprehensive dataset that allows robust analysis of gender equality in Australian workplaces.*
- 2. WGEA's role should be expanded to give the Agency capacity to assist employers to set and achieve targets to improve gender equality outcomes.*
- 3. An employer's relevant Executive Summary from WGEA and Industry Benchmark reports should be required to be provided to the Board.*
- 4. Data on individual organisations gender pay gaps (base salary and total remuneration) should be made public. Organisational data on "like-for-like" gender pay gap should also be collected and disclosed along with the methodology used.*
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Inequality in superannuation outcomes

Australia has a sophisticated and world-leading retirement income system; however, it was designed based-on traditional male full-time continuous working patterns. Women are significantly more likely than men to move in and out of the workforce to do unpaid work caring for others, and to work in lower paid and insecure jobs. They also live around five years longer than men.

These factors leave a stark gender gap in retirement savings. Only 33.7% of HESTA members are currently on track to be financially secure in retirement⁴ due to their low incomes, the gender pay gap and broken work patterns.

According to WGEA, in 2017-18, across all age groups women's median superannuation account balances were 30.8% lower than men's.⁵

There is a need for equity mechanisms that improve retirement savings for those on lower incomes and those who undertake unpaid caring roles. Some of these can be delivered at an individual workplace level. These include providing:

- Employer funded paid parental leave (including superannuation).
- Superannuation on unpaid parental leave.
- Superannuation on Commonwealth Parental Leave Pay.
- Superannuation above the legislated minimum superannuation guarantee.
- Superannuation on every dollar earned.

These measures alone will not close the gender super gap; however, they will make a difference to women's financial security in retirement. They are also important features of best-practice employment practices aimed at addressing inequality in the workplace.

⁴ Based on our proprietary retirement readiness score on 1 October 2021.

⁵ <https://www.wgea.gov.au/publications/womens-economic-security-in-retirement>

There are different calculations of the superannuation gap; however, any gap is unacceptable.

The Gender Equality Indicators should be expanded to include a specific superannuation indicator. A superannuation indicator would require employers to collect and report:

- whether superannuation is paid on employer or commonwealth paid parental leave and unpaid parental leave;⁶
- whether the employer pays above the minimum SG rate;
- whether women are paid extra superannuation contributions;⁷
- the existence of a superannuation policy or any other measures to improve women's financial security in retirement.⁸

In addition, WGEA should collect and publish actual earnings of part-time and casual employees (rather than full time equivalent) as well as the number of hours employees are engaged. This would allow for a clearer understanding of working patterns, which are a major driver of superannuation outcomes.

Actual earnings data for part-time and casual employees will allow for improved analysis of gender equality in this section of the workforce that is highly feminised and reflects a large proportion of the HESTA membership.

Finally, collecting an employee's age through year of birth will assist to analyse drivers of the superannuation gap throughout employees' working lives.

HESTA also supports the collection of data on broader diversity metrics to assist to track the impact of these factors on superannuation outcomes.

⁶ Where this is already collected on a voluntary basis; it should be a mandatory part of a superannuation indicator

⁷ Financial services firm Rice Warner gives female employees and extra two per cent super, no matter how much they are earning. <https://www.news.com.au/finance/superannuation/radical-proposal-to-force-bosses-to-fork-out-extra-super-for-women/news-story/0174c968cf2cf1901c62eaaf9c282230>

⁸ (For example, whether employers voluntarily pay superannuation for workers who are under 18 and working less than 30 hours a week given this would help women begin accumulating super earlier; or whether there are measures to help retain older women in the workforce).

HESTA Recommends that:

6. *The Gender Equality Indicators should be expanded to include a superannuation indicator.*
7. *WGEA should collect and publish actual earnings of part-time and casual employees (rather than full time equivalent) as well as the number of hours employees are engaged.*
8. *WGEA should collect and publish data on employee age (year of birth).*

Diversity as a driver of market outcomes

Not only is workplace gender diversity and equality important for women's financial security – there are real economic benefits to be captured.

Research demonstrates that there are important financial benefits for businesses that foster an inclusive culture and retain a diverse workforce at all levels.⁹ For example, WGEA and the Bankwest Curtin Economics Centre research demonstrating that an increase in the share of female 'top-tier' managers by 10 percentage points or more led to a 6.6% increase in the market value of Australian ASX-listed companies, worth the equivalent of AUD\$104.7 million.¹⁰ Capturing these benefits to improve financial returns is an important consideration for investors.

For HESTA, diversity and inclusion data at the group level for listed entities is most useful for integration into our investment decision-making, as it enables us to compare companies to their peers and track change over time.

The current data collection and reporting on manager and non-managers could be enhanced by more detail on the gender composition of leadership and executive teams. In particular, by providing data at the most senior level (CEO -1).

⁹ McKinsey, Why Diversity Matters. <https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

¹⁰ <https://www.wgea.gov.au/newsroom/media-releases/more-women-at-the-top-proves-better-for-business>

This change would support the aims of HESTA's 40:40 Vision initiative¹¹ which calls on ASX300 companies to set targets to achieve gender parity at senior executive level (CEO-1).

Achieving progress towards gender equality at senior levels would be aided by comprehensive data collection and reporting at this level. For example, reporting on gender balance in critical talent pools could be an important means of monitoring and progressing gender balance in the pipeline for leadership roles.

Finally, the reporting cycle for WGEA data should remain annual in line with most other reporting requirements for companies.

It is crucial that we have an agency such as WGEA to continue to provide these kinds of insights that assist investors understand the impact of gender equality on financial outcomes.

HESTA Recommends that:

- 9. Data should be available in aggregated form for each entity including where it's reported by individual ABN.*
- 10. Data should be collected and published at a CEO-1 level for relevant employers.*

HESTA as an Employer

HESTA provides up to 14 weeks paid parental leave for primary caregivers, regardless of gender. This includes paying superannuation on the paid portion, as well as on any unpaid parental leave for up to 12 months HESTA is proud to be one of the first organisations in Australia certified as a Family Friendly Workplace.¹²

We know that every family is unique, and we provide support for parents to take parental leave flexibly. We partner with Parents at Work who provide workshops, seminars, coaching and support to help our working

¹¹ <https://www.hesta.com.au/4040Vision>

¹² <https://familyfriendlyworkplaces.com/get-inspired/>

parents thrive at HESTA, as we believe that creating family-friendly workplaces can help our employees balance and enjoy both their work and family commitments. This helps us to attract, retain and develop great employees, which helps HESTA deliver the best possible outcomes for our members.

As a reporting employer, HESTA supports efficiency in data reporting where this will not compromise outcomes. Where possible, Single Touch Payroll (STP) data should be used to enhance gender equality data and reduce the impost on employers reporting requirements.

At present our payroll data is completed in an Excel document and uploaded into the portal. Our payroll data comes from an external provider and we rely on them to provide us with the information in spreadsheets in the required format. If the data could be captured by WGEA through the STP system, then this would be a welcome improvement to the process (so long as this doesn't compromise the data collection).