

NATIONAL STRATEGY TO ACHIEVE GENDER EQUALITY

HESTA Submission – April 2023

HESTA welcomes the opportunity to make a submission to consultation by the Office for Women on the National Strategy to Achieve Gender Equality.

HESTA and our members

HESTA is a profit-to-member industry super fund investing around \$70 billion on behalf of more than 1 million members who work primarily in the health and community services sector, including in hospitals, primary healthcare, aged care, community services, disability and early childhood education and care.

At HESTA, our core responsibility is to grow and protect our members' retirement savings, and as such have an interest in promoting gender equality as an institutional investor and superannuation fund. HESTA's interest in gender equality is twofold:

- As a large and diversified owner of assets across the Australian and global economies, we cannot avoid the risks presented by systemic issues like gender inequality. Our members' investment outcomes are impacted by how we manage these risks in our portfolio.
- As a superannuation fund, we advocate for policy reform that improves the retirement savings of our primarily female membership, whose superannuation outcomes are driven largely by their workforce experiences and result in a significant gender superannuation gap.

Our members are predominantly low and middle-income working women and come from every stage of working life – from those under 18 and just starting out, to retirees. Around 80% of our members are women who work in vocationally driven and often low paid roles. They earn 16% less than their male counterparts on average¹, are less likely to be able to save outside their super and are more likely to have lower account balances when they retire compared to their male counterparts. Many of our members spend considerable time in unpaid care work, which adds enormous economic benefit to the country at the expense of their own financial security.

¹ WGEA (2022). WGEA Scorecard 2022: The state of gender equality in Australia.
<https://www.wgea.gov.au/data/wgea-research/australias-gender-equality-scorecard/health-care-and-social-assistance>

Australia's superannuation system is one of the best in the world, but its design does not value caring work, inefficiently distributes benefits such as tax concessions to those with high incomes and balances, and rewards those with unbroken careers. Women typically move in and out of the workforce, in many instances due to caring for children or family members, face wage discrimination and live around five years longer than men, resulting in a wide retirement savings gap.

Our members' financial outcomes in retirement are also impacted by the financial performance of our portfolio, which is supported by strong and stable markets. Factors such as gender and social equality, and health and wellbeing outcomes, support strong market fundamentals, while systemic risks such as gender inequality, workforce precarity and climate change have the potential to undermine these.

In this submission we make recommendations that will contribute towards the Government's National Strategy and begin to address some of the consequences of inequity in our economy.

HESTA Recommendations

Recommendation 1

- 1.1 Consider broadening data captured by traditional macroeconomic indicators, like Gross Domestic Product (GDP), to take into account the value of unpaid care work to the economy
- 1.2 Embed the use of Time Use Survey data in policy making, and consider measures to ensure the survey is ongoing

Recommendation 2

Introduce measures to help close the gender superannuation gap:

- 2.1 Pay superannuation on the Commonwealth Parental Leave Pay scheme.
- 2.2 Introduce a superannuation 'Carer Credit' for unpaid parental leave.

Recommendation 3

Develop and publish measures that track progress to closing the gender superannuation gap, including periodic reporting under a 'Gender Superannuation Impact Statement' to be included as part of the Women's Budget Statement.

Gender equality and the economy

Gender inequality in Australia's economy

Inequitable participation by women in the workforce sees workers in female-dominated industries generally earning less than male-dominated sectors. Women are over-represented in casualised and part-time work² and tend to have more career breaks due to taking time off work to care for children and family members.

Unpaid caring work is a substantial driver of economic activity, allowing labour market participants to contribute to the economy and providing an unaccounted subsidy for government by freeing up government-funded care services³.

For several decades Australia's economy has been characterised along traditionally gender segregated lines, with no significant progress to close this gap. WGEA and Bank West Curtin Economic Centre estimate that a 40:40:20 gender split (40% identifying as women, 40% identifying as men and 20% as any gender) in the workforces of all industries would reduce Australia's gender pay gap by one third⁴. We see persisting segregation in this manner to be a significant risk to many of Australia's industries, the portfolios of institutional investors like HESTA, and the economy more broadly through reduced productivity and reduced spending capacity.

In addition to these barriers, measurement of economic activity doesn't take into account the economic value of unpaid caring work. The Workplace Gender Equality Agency (WGEA) shows that the value of unpaid caring work, or household production, is \$605.1 billion per year⁵, yet this is not included in traditional macroeconomic measures.

The economic value of progressing gender equality

Evidence indicates that improving gender equality improves economic outcomes. Findings by the International Monetary Fund (IMF) show that gender equality facilitates economic growth "by enabling better allocation of female [labour]" and provides evidence of correlation between gender inequality and lower rates of growth in real GDP⁶. Achieving gender equality requires long-term structural change across several areas of society and the economy. Gender equality means improved economic outcomes

² Treasury (2022). *Women's Budget Statement*.

³ See OECD (2022). [*Time to Care: Recognising the truth behind the economy of unpaid care*](#).

⁴ WGEA (2022). [*Gender equity insights*](#).

⁵ See WGEA Insight Paper, [*Unpaid care work and the labour market*](#).

⁶ Bertay, A., Dorcevic, L., and Sever, C. (2020). [*Gender Inequality and Economic Growth: Evidence from Industry Level Data*](#). [*IMF Working Paper*](#).

for women, higher economic growth, and is likely to see increases in labour productivity⁷.

To achieve this, policies must be implemented that reduce the burden of unpaid caring work, enable equitable participation in the paid workforce, reduce occupational segregation and promote economic growth.

This should be complemented by improving key productivity indicators so that the value of household production is tracked and captured properly to enable better decision-making by policymakers, investors, and market participants.

Alongside a long-term structural approach to improving economic growth through gender equality, there are also key policy changes that can be implemented now which would begin to close the gender superannuation gap and improve retirement outcomes for women.

Broaden measurement of economic activity

Recommendation 1

- 1.1 Consider broadening data captured by traditional macroeconomic indicators, like Gross Domestic Product (GDP), to take into account the value of unpaid care work to the economy**
- 1.2 Embed the use of Time Use Survey data in policy making, and consider measures to ensure the survey is ongoing**

We believe that the economic value of unpaid care has been institutionally dismissed for too long, to the detriment of society and the economy. We are encouraged by the Government's intent to capture a broader set of indicators through its Measuring What Matters consultation and note the need for appropriate and accurate measurements that improve established macroeconomic indicators and add other wellbeing indicators.

Significantly, GDP does not capture non-market activities such as unpaid care work, household production, volunteer work, and the informal economy, which can be significant contributors to people's well-being and to economic prosperity. We believe including household production, including unpaid care work, in economic calculations would recognise its value and ensure that this value is considered in the development of policy.

⁷ The World Bank estimates that, on average across countries, GDP per capita could see a 20% increase by addressing gender employment gaps. See [*The World Bank in Gender*](#).

The focus on market activities in GDP calculations and the exclusion of unpaid labour, leads to policy and economic decisions based on incomplete data.

For example, unpaid childcare is a large industry in Australia which, if counted appropriately, would increase Australia's GDP. PwC estimate that using a market replacement approach to place value on unpaid work, the Australian economy is one third bigger than what is reported in the national accounts⁸.

Alternative measures of economic progress that consider these factors could be considered for Australia. For example, the Human Development Index (HDI) measures not only economic output but also indicators of education and health, while the Genuine Progress Indicator (GPI) attempts to account for the social and environmental costs of economic activity. The Government's Measuring What Matters framework could provide the platform for development of more complete economic measures.

Further, HESTA strongly supports Time Use Surveys conducted by the Australian Bureau of Statistics and commends the Government for supporting their re-introduction. We believe Time Use data to be an important economic indicator and a tool in the advancement of gender responsive budgeting and broader policy development in Australia. We look forward to seeing this data integrated into policy development across a range of areas including infrastructure, employment, and social services.

⁸ PwC (2017). *[Understanding the unpaid economy](#)*.

Closing the gender superannuation gap

Recommendation 2

- 2.1 Pay superannuation on the Commonwealth Parental Leave Pay scheme.**
- 2.2 Introduce a superannuation 'Carer Credit' for unpaid parental leave.**

Superannuation and retirement outcomes are the result of structural settings across several areas of policy, including industrial relations, early childhood education and care, superannuation policy and other drivers outlined previously in this submission. These drivers are key to the resulting gender superannuation gap where women retire with up to a third less super than men⁹.

Structural long-term reform is needed as has been outlined in this submission, however immediate policy changes can and should be implemented that will begin the process of closing the gender super gap. These should be implemented in conjunction with broader policy reform and should not be dismissed as patchwork solutions. HESTA has undertaken modelling that shows that implementing these reforms will result in considerable increases in the superannuation balances of women at retirement¹⁰.

Superannuation on the Commonwealth Parental Leave Pay scheme

Paying super on the Parental Leave Pay scheme is the first step in addressing the motherhood penalty. It would be a positive policy reform that will contribute to more equitable outcomes by closing the super gender gap and improving the retirement outcomes of women and other workers in these sectors.

The Commonwealth Parental Leave Pay scheme is the only widely accessed form of paid leave that does not include corresponding superannuation contributions. This is inequitable and disproportionately unfair to women, who overwhelmingly suffer the consequences of reduced super when taking time off work to care for children.

It also directly contributes to the gender super gap, which sees women retiring with up to a third less super than men. A first step to addressing this is to pay super on the Commonwealth Parental Leave Pay scheme. Women already suffer a motherhood penalty as their earnings reduce by 55% "in the first five years of parenthood"¹¹, further exacerbating the gender super gap and risking women's financial security in retirement.

⁹ KPMG (2021). *The Gender Superannuation Gap – addressing the options*.

¹⁰ HESTA (2023). *Tackling Gender Inequity in Superannuation – 2023-24 Pre-Budget Submission*.

¹¹ Treasury (2022). *Women's Budget Statement*.

Paying super on the Commonwealth Parental Leave Pay scheme is an important and immediately achievable equity measure that will impact many women, particularly those in casual, part-time or insecure work or in industries that are typically lower paid, like aged care and early childhood education and care. HESTA modelling in 2023 shows the reform would have a significant impact on women, particularly those working in undervalued caring roles (see Appendix A for HESTA modelling showing the impact of this reform).

A Superannuation Carer Credit to value unpaid care work

The Government should introduce and fund a Superannuation "Carer Credit" to compensate parents for superannuation lost due to unpaid parental leave. This will mostly benefit women, who are in their majority the primary carer of children based on the incentives provided by current and future policy settings relating to 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 men¹² including child-care, caring for other family members, housework, shopping, and food preparation.

For example, in 2017 PwC have estimated that the replacement cost of informal childcare alone would be \$409.5 billion per year¹³. This is an enormous contribution to society that is not properly recognised as essential to the economy.

If a small fraction of this amount was paid as superannuation this would make a substantial impact to retirement outcomes and demonstrate that unpaid care work is valued. Women's unpaid caring work should not result in financial insecurity in retirement and should rightfully count as a major contributor to our economy.

¹² WGEA (2020). *Women's economic security in retirement*.

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

¹³ PwC (2017). *Understanding the unpaid economy*. <https://www.pwc.com.au/australia-in-transition/publications/understanding-the-unpaid-economy-mar17.pdf>

Measuring progress

Recommendation 3

Develop and publish measures that track progress to closing the gender superannuation gap, including periodic reporting under a 'Gender Superannuation Impact Statement' to be included as part of the Women's Budget Statement.

Measuring progress

Given the fundamental role superannuation plays in retirement, we consider that appropriate mechanisms must be introduced that will facilitate the closing of the gender super gap. The Government's recent proposal to legislate an Objective of Superannuation provides an opportunity to do this.

HESTA has previously called for robust accountability mechanisms that ensure future superannuation policy changes align with the objective. These include publishing a formal assessment via a "Retirement Income Statement" which reviews policy proposals against the objective, as well as introducing a five yearly periodic 'Gender Superannuation Impact Statement'.

The Gender Superannuation Impact Statement would establish a clear timeframe for closing the gender super gap and publish measurable targets to determine whether they have been met. This goes beyond the existing practice of simply publishing the gender super gap, and it would introduce a layer of accountability to progress reform that improves the retirement outcomes of women.

We consider such a Statement could be introduced as part of the Women's Budget Statement. This aligns with the National Strategy's goal of measuring progress and improving research and data collection.

This framework would also highlight gaps in data that act as a barrier to effective policymaking and could feed into WGEA's function in collecting, analysing, and distributing workforce data in Australia, which is critically important to investors and policymakers.