



**Submission to
The Retirement Income Policy Division
The Australian Treasury**

Objective of Superannuation

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Introduction

The Queensland Nurses' Union (QNU) thanks the Treasury for the opportunity to make a submission on the Objective of Superannuation.

Nursing and midwifery is the largest occupational group in Queensland Health (QH) and one of the largest across the Queensland government. The QNU is the principal health union in Queensland covering all categories of workers that make up the nursing workforce including registered nurses (RN), registered midwives, enrolled nurses (EN) and assistants in nursing (AIN) who are employed in the public, private and not-for-profit health sectors including aged care.

Our more than 53,000 members work across a variety of settings from single person operations to large health and non-health institutions, and in a full range of classifications from entry level trainees to senior management. The vast majority of nurses in Queensland are members of the QNU.

As a highly feminised and ageing workforce, economic security in retirement is a significant issue for nursing and midwifery. The QNU recognises the importance of a legislated objective of superannuation that reflects social expectations as well as its purpose.

Do you agree with the objectives recommended by the FSI? Why?

The Financial Systems Inquiry (FSI) (Commonwealth of Australia, 2014, p. 95) recommended the Government should seek broad agreement on the following primary objective for the superannuation system:

- To provide income in retirement to substitute or supplement the Age Pension.

Further, in achieving this primary objective, the Government should also seek broad agreement on the following subsidiary objectives of the superannuation system:

- Facilitate *consumption smoothing* over the course of an individual's life;
- Help people manage financial risks in retirement;
- Be fully funded from savings;
- Be invested in the best interests of superannuation fund members;
- Alleviate fiscal pressures on Government from the retirement income system;
- Be simple and efficient, and provide safeguards.

The QNU agrees with these objectives with amendments (see recommendation below) and we feel the concept of 'consumption smoothing' needs better explanation. We see this as an opportunity to ensure superannuation investments are ethically and environmentally sustainable and structures are put in place to address the gender gap in retirement.

Women face unique challenges when it comes to retirement savings. Lower pay, time out of the workforce to raise children, caring for elders, running a single-parent household, illness and divorce are some of the many hurdles they face throughout their lives. However, despite these factors, women do not form a 'niche' market. They are a powerful consumer group that makes significant contributions to the nation's economic and social wealth. Women's long term economic disadvantage lies in the assumptions underpinning superannuation where the key feature of its design is protracted, continuous periods of employment over which employers and workers make contributions. It is a grand design, but one ultimately failing women and those with interrupted employment.

Their disadvantage is exacerbated by the gender wages gap¹ currently standing at 18.8% (Australian Bureau of Statistics, 2014a), the fact that women live longer than men (Australian Bureau of Statistics, 2014b) and other structural factors that effectively reduce women's lifetime earnings and their superannuation contributions. The FSI (Commonwealth of Australia, 2014) identified significant scope for the superannuation system to meet the needs of superannuation fund members better and provide broader benefits to the financial system and the economy.

If the objectives for the superannuation system are to have broad community support and align policy settings, industry initiatives and community expectations we suggest they should recognise the particular difficulties women and low income earners face in contributing to and benefiting from the scheme.

The FSI (Commonwealth of Australia, 2014, p.96) noted the superannuation system does not have a consistent set of policies that work towards common objectives. For example, the current framework provides significant support and guidance to superannuation fund members during the accumulation phase through mandatory savings and default arrangements. However, the framework does not provide the same degree of support at retirement when individuals confront a complex set of financial decisions.

¹ The gender wages gap is the difference between women's and men's average weekly full-time equivalent earnings, expressed as a percentage of men's earnings. Based on 2014 data, this means on average, a man working full-time earns \$1,587.40 per week whereas a woman working full-time earns \$1289.30 per week. That equates to difference of \$298.10 per week (ABS, 2014a; Workplace Gender Equality Agency, 2015).

In our view, unless the subsidiary objectives explicitly recognise the significant structural and social impediments that are currently confining many women to low incomes during their working lives, then there will be no impetus to instigate measure to address this disadvantage in retirement.

These barriers can be overcome if governments make a sincere commitment to social and wage justice and structure the superannuation scheme so that it accommodates women's work and family responsibilities. Until women's rights to economic security are realised and they are engaged as fully and productively as they can in the workforce then over 50% of the nation's population will not be able to contribute to their capacity - and that is a massive productivity loss.

Recommendation

The QNU recommends:

The subsidiary objectives include the following:

- recognise the particular difficulties women and low income earners face in contributing to and benefiting from the scheme;

The fourth objective be amended to read:

- be invested in the best interests of superannuation fund members **where these investments are ethically and environmentally sustainable.**

References

Australian Bureau of Statistics (2014a) *Average Weekly Full-Time Earnings* Cat no. 6302.0.

Australian Bureau of Statistics (2014b) *Life Expectancy at Birth* based on Deaths Australia cat no. 3302 retrieved from <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/4125.0main+features6155Aug%202015>

Commonwealth of Australia (2014) *Financial System Inquiry Final Report*.

Workplace Gender Equality Agency (2015) *What is the Gender pay Gap?* Retrieved from <https://www.wgea.gov.au/addressing-pay-equity/what-gender-pay-gap>