



SUBMISSION TO

The Review into the Governance, Efficiency, Structure and Operation of
Australia's Superannuation System
January 2010.

BACKGROUND

This submission addresses the questions raised concerning participation in the system and is based on both research and community consultations.

The NFAW was contracted by the Commonwealth Office for Women through the national WomenSpeak Alliance to prepare submissions on behalf of women's organisations to the Henry Review, dealing with gender issues in taxation reform and in superannuation. The NFAW also made a submission to the Harmer Review of Pensions. Subsequently the NFAW, on behalf of the national women's organisations, had also conducted consultations throughout the nation with women on barriers to women's employment. Reports on all of these, together with the submissions are available on www.nfaw.org.

SUBMISSION

Indigenous Australians- participation in the superannuation system.

Consultations we have conducted over the past several years on workforce related issues have sought to engage with indigenous women. Unfortunately, many indigenous women beyond those who are career public servants are currently not employed on a regular or full time basis. Many working for governments do so on rolling short-term contracts. Many working for non-government organisations, especially through the Community Development Employment program (CDEP) have not enjoyed the workplace benefits such as access to the superannuation guarantee, or even holiday pay of workers in the private sector. Many young indigenous people, especially women, have only marginal work-force attachment. Improving the participation of indigenous women in the superannuation system will in the first instance be contingent on major enhancement of their patterns of

workforce attachment and entitlement to ordinary conditions of regular employment.

Participation of Women in the Superannuation System

The Henry Review has in its interim report on superannuation suggested that many women, because of structural factors, are likely to remain dependent on a mix of the Old Age Pension and private savings.

In our submissions we have emphasised the important of overcoming the structural factors such as the pay equity gap and the clustering of women in low pay sectors, such as age care and child care to the degree possible, as well as promoting the development of simpler superannuation systems, and encouraging personal savings.

We have endorsed the concept of a single national government backed default superannuation system, which would facilitate private savings by women where possible.

We note the suggestions for models in the Review's Phase 3 Structure Report¹.

In our view the suggested Universal Fund Model would have the capacity to satisfy the concerns raised during our research and our consultations (and documented in the documents on www.nfaw.org).

The development of a simpler universal default fund would have the capacity to deal efficiently with the problems faced by many young women workers who have multiple casual and part-time jobs.

¹ **Disconnected member:** Must be placed in a fund with the following features: low cost, conservative investment strategy, minimal information or disclosure, low cost facility to aid member identification so as to expedite relocation, consolidation, and transfer to other categories.

• **Universal member:** Must be in a fund with a single diversified investment strategy (including a life-cycle strategy) overseen by trustee with traditional duties, insurance offered, but few other 'bells and whistles'. Limited role for advice because advice is 'embedded' in the product and no choices need to be made by the member.

• **Choice member:** Will be in a fund with potentially unlimited menu of options for investment, insurance etc, though still subject to sole purpose test, trustee responsible for reasonable due diligence on investment and insurance options offered, but limited liability for choices made by individual members, effective disclosure of paramount importance. Members likely to rely on advice or disclosure and other information about their options.

• **Self-managed member:** Because SMSFs are dealt with in Part B of this Issues Paper, it is too early to suggest possible changes to the SMSF sector.

We see also merit in removal of the minimum monthly earnings requirement for employer super contributions- we consider some employers do structure casual work for their employees in order to avoid paying this. Many women work in industries so affected, for example, aged care.

We note that some international schemes provide capacity to make additional contributions through means such as purchase of a kind of postal bond- useful as a means of assistance through family members making gifts, for example. Something of this nature would assist those with low superannuation balances and limited capacity to save more.

We note a recent announcement by Government that Medicare Australia will in future be able to handle management of superannuation contributions for small business.

We consider this will be a useful new development. Many SMEs are operated by women, and we are advised that many find compliance with a range of employment conditions, including managing superannuation contributions, to be difficult given they do not have Human Resource departments in most cases.

NFAW would be pleased to meet with the Review to discuss our views if this would be helpful.