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Private Retirement Savings in Australia: Current Policy Initiatives and Gender Equity Implications

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Abstract

This article assesses the implications for gender equity of three recent policy initiatives on superannuation in Australia: (i) government co-contributions for low-income earners; (ii) an increase in compulsory superannuation contributions from 9 to 12 per cent; and (iii) the pending introduction of 'MySuper' accounts, specifically designed for those who do not take an active interest in their superannuation accumulation. Implications for gendered patterns of superannuation coverage and superannuation accumulations are considered. The conclusion is that while the first measure may have some beneficial outcomes in terms of gendered patterns of accumulation, none of the three measures appears to deal with issues associated with gendered patterns of access to occupational superannuation.

1. Introduction

Retirement incomes in Australia are often described as being structured around three pillars: the age pension, compulsory superannuation (a form of legislated, private pension contribution), and voluntary private savings. Of these, superannuation has received relatively greater policy attention in recent months. Three key policies relevant to superannuation and retirement incomes are currently in the process of being implemented. The first of these measures will introduce a government superannuation contribution for low-income earners and the second will increase compulsory employer contributions to employee superannuation accounts from 9 per cent to 12 per cent of ordinary-time earnings. The third measure involves the introduction of a new form of superannuation default account known as 'MySuper'.

This article outlines the policy background leading to the introduction of a compulsory superannuation scheme in 1992 and the advantages and

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disadvantages of the scheme for different groups of future retirees. The key role of the article is to contribute to an understanding of the extent to which recent policy initiatives might contribute to the coverage of, and the gender equity of, Australia's retirement-savings system. For the purposes of this article, gender equity is considered in terms of occupational superannuation coverage, and the extent to which compulsory superannuation either augments or reduces gendered patterns of lifetime earnings. Each of these discussions is considered after a descriptive overview of measures of men's and women's access to, and accumulation of, occupational superannuation.

2. Access to Superannuation

Before Australia's current superannuation system was introduced under the *Superannuation Guarantee Charge Act 1992* (SGC Act), there had been considerable debate about the introduction of a national superannuation scheme with, potentially, universal coverage. The implementation of occupational superannuation with employment-contingent criteria for access was largely a pragmatic response to the political and economic context of the 1970s, 1980s, and early 1990s. Prior to this period, occupational superannuation had existed as a fringe benefit among relatively well-paid 'white-collar' and public-sector workers. During the 1970s, the private, occupationally based system of superannuation was significantly expanded to a broader range of employees in response to trade unions' growing campaigns to increase access to this form of employment-related benefit (Coates, Vidler et al. 2004; Combet 2004). The 1970s in Australia were characterised by policies aimed at achieving wage restraint through a process of wage indexation: wage increases were tied to measured changes in prices. Campaigning for occupational superannuation, as a form of deferred wages, had the advantage of providing one way of circumventing the wage-indexation process (Kelly 1997, p. 62).

The expansion of occupational superannuation arrangements continued throughout the 1980s and 1990s and may be attributed to wage-fixing arrangements, legislative provisions, and a range of political imperatives. In 1985, the Australian Council of Trade Unions (ACTU) agreed to limit a national productivity claim in return for an extension of occupational superannuation entitlements from the Federal Government. From the government's perspective, the agreement provided a mechanism to grant wage increases (albeit deferred wage increases), while not adding to rising inflationary pressures (Coates, Vidler et al. 2004). Employer groups were however, opposed to claims that extended workers' access to superannuation (Keating 2004). They appealed to the High Court of Australia, challenging the definition of superannuation as to whether it was an industrial issue

In 1986, the High Court handed down a landmark decision stating that superannuation was a workplace matter and could be included in the pay and conditions specified under particular awards (Colvin and McCarry 1986; Beal and McKeown 2001). The High Court decision facilitated the incorporation of superannuation provisions into awards and led to further rapid growth in superannuation coverage. At the same time, occupational superannuation also appeared to relate to political concerns about relatively low savings levels in Australia and the ageing of Australia's population (Coates 2004; Keating 2004). The expansion of occupational superannuation culminated in the introduction of the SGC Act in 1992, which makes occupational superannuation a form of forced saving that receives favourable taxation treatment for much of the population. In terms of dealing with the retirement needs of employees and considering macroeconomic policy, the expansion of occupational superannuation was envisaged as a 'win–win' situation (O'Brien and Burgess 2004, p. 179).

Kelly (1997) describes the use of industrial power to expand occupational superannuation as the 'effective creation of property rights to superannuation' (p.59). This description emphasises that access to mandatory employer contributions and employment-related, above-minimum provisions is associated with an employee's relative status in the labour market. Those in relatively favourable labour market positions, with higher wages and greater employment stability, have relatively high levels of superannuation coverage, which is more likely to be at above-minimum rates (Jefferson and Preston 2003; O'Brien and Burgess 2004). Those in disadvantaged labour market positions are likely to have their positions reinforced, right through to their retirement (Sharp 1992; Sharp 1995). The resulting structure represents a significant privatisation of Australia's retirement-income framework and, importantly, the associated risk of longevity (Colvin and McCarry 1986; Gallery et al. 1996; Coates, Vidler et al. 2004; O'Brien and Burgess 2004).

Current estimates of occupational superannuation coverage suggest that predictions of uneven or inequitable outcomes are being realised. Australian Bureau of Statistics data indicate that 24.3 per cent of men and 33.7 per cent of women have no superannuation. The proportion of those without coverage varies considerably with age. The largest proportion of those with no coverage are found in the upper age ranges, approximately 42.9 per cent of men and 64.2 per cent of women aged 65 to 69 years, and 68.8 per cent and 87.3 per cent, respectively, for those aged 70 years and over. These high rates of non-coverage are likely to reflect both the effect of the introduction of the SGC Act relatively late in the working lives of these age groups, and gendered patterns of work. However, even among the younger age groups, lack of superannuation is gendered. Among those aged 25 to 34 years, 8.6 per cent have no coverage compared with 15.8 per cent of all women; the comparable rates for those aged 35 to 44 years are 9.9 per cent and 16 per cent (ABS 2009, cat. 6361.0, Table 19). It is likely that some of these people will be those with tenuous labour market connection, and it will include others earning under $450 per month who do not have an entitlement to superannuation contributions from their employer.

3. Current Estimates of Superannuation Accumulations

The expected gender inequities inherent in the design of Australia's occupational superannuation system are evident in estimates of superannuation accumulations when disaggregated by sex. The average superannuation balance for account holders is estimated to be $87,589 for men and $52,272 for women. Median balances were significantly lower, at $31,252 for men and $18,489 for women. In general terms, women's balances are approximately 60 per cent of men's (ABS 2009, Table 26).

Women's access to employer-paid superannuation contributions is limited by their lower average earnings and fewer years in paid employment, largely due to their unpaid household work, including childcare and care of family members with a disability, chronic illness, or frailty associated with ageing. These factors effectively combine to reduce women's lifetime earnings and, consequently, their superannuation contributions. The persistence of a gender pay gap of approximately 17 to 18 per cent for those in full-time work, and gendered patterns of care provision and part-time work arrangements, suggest that there can be little expectation that current gendered patterns of superannuation coverage and accumulation are likely to change (Preston and Jefferson 2005).

4. Taxation Aspects of Occupational Superannuation

Despite the considerable rhetoric about superannuation being one the 'three pillars' of Australia's retirement-income system, the key focus of many academic articles and financial press articles is on the taxation concessions relating to superannuation. A simple search in Australian literature databases such as the Australian Public Affairs Full Text (APAFT) suggests that the focus on taxation minimisation, rather than on securing resources for an ageing population, appears to be growing. The taxation arrangements have important implications for the Commonwealth budget and for retirement-income equity. For this reason, it is important to understand some of the basic taxation policies relevant to superannuation, particularly those relating to contributions, which are a main focus of current policy initiatives.

In general terms, it is recognised that superannuation contributions can potentially be taxed at three points: (i) when the contributions are made to a fund; (ii) when the fund receives income on its earnings; and (iii) when fund members are paid benefits. Internationally, pension funds are subject to varying taxation regimes relevant to each of these points and combinations of them. A benchmark suggested for guiding the design of pension taxation is that there should be 'neutrality' between consumption earlier in the lifecycle—for example from income earned through employment—and consumption later in life, from sources such as private pension funds (Whitehouse 1999).

The taxation rules applying to superannuation in Australia are relatively complex: there are relevant taxation provisions when contributions are made to superannuation, on the earnings of superannuation funds, and on the withdrawal of funds, usually on retirement. In general terms however, Australia's scheme can be classified as being 'generous', insofar as the taxation on superannuation can be lower than the taxation paid on other forms of income and saving (Whitehouse 1999). It should be noted, however, that the designation of a scheme as generous does not necessarily have positive connotations. Whitehouse (1999) notes, that 'a generous tax treatment will promote pension saving but may be costly in terms of revenues foregone and encourage tax avoidance. The distributional consequences may also be undesirable if higher income individuals are better able to take advantage of tax reliefs' (p. 1). The extent to which Australia's scheme is generous varies between different groups of income earners, depending on the taxation rate applicable to their level of income.

Currently, under the provisions of the SGC Act, compulsory employer contributions of 9 per cent of an employee's earnings are made to the employees' private occupational superannuation account. When these contributions are paid into a member's superannuation account, the contributions are taxed at the rate of 15 per cent (effectively meaning a contribution of 7.65 per cent) for most people. In the 2012 Federal Budget, a taxation rate of 30 per cent on contributions was introduced for those earning above $300,000 per annum. For those who are earning an income sufficiently high to be paying income taxation at a rate above the concessional superannuation taxation rates, the taxation on superannuation contributions is relatively favourable. This is because they pay less taxation on income received in the form of superannuation than they would pay if it were received in their regular wages. However, those with an income below the taxation-free threshold of $6000 per annum, or those in the 15 per cent taxation bracket ($6001–$37,000) are effectively paying more taxation on their superannuation contributions than on their other income, or they are receiving no taxation concession benefit at all. For those on higher incomes, the 15 per cent taxation rate represents a significant taxation concession. The Federal Government has an upper limit (known as a 'cap') on the amount of superannuation contributions that can attract concessional taxation rates. For most people, this is $25,000, although in recent years larger caps have applied to those aged over 50. Other taxation provisions are relevant to the earnings of superannuation funds, which are taxed at concessional rates, and to funds later withdrawn by superannuation-fund members. This might be considered a relatively complex system of taxing retirement-income savings and this is considered in further detail below.

The Commonwealth Treasury produces an annual report estimating the 'tax expenditures' of a wide range of 'concessions, benefits, and incentives delivered to tax payers through the tax system' (Treasury 2011a). Treasury estimated that the cost of foregone revenue due to superannuation taxation provisions was approximately $28 billion in 2010–11 (Treasury 2011b). This compares with estimated expenditure on the age pension and related income support for 'seniors' of almost $32 billion that was included in the 2010–11 Budget Papers (Australian Government 2011a). The foregone taxation associated with the concessional rates applied to superannuation has for some years now been approaching the level of expenditure on the age pension. The Treasury expenditure estimates have been contested by Clare (2012) who estimates that the value of taxation foregone may be about half the Treasury estimate (p. 21). In producing the Tax Expenditure Statement, Treasury notes that that the estimates should be used with caution. In particular, it is not realistic to assume that, in the absence of the taxation expenditure, an equivalent amount of revenue would be forthcoming. Behavioural changes, interactions between different sections of the taxation system, and changing economic contexts might mean that there are differences between the estimated value of the taxation expenditure estimates and the revenue that might be collected in their absence (Treasury 2011a, p. 20). A comprehensive cost-benefit analysis of the superannuation system, that included behavioural effects, would be required to understand fully the value of taxation expenditure on superannuation.

The key policy questions associated with the current levels of expenditure on superannuation taxation provisions concern its projected growth and issues of equity. The costs associated with superannuation taxation concessions are expected to increase considerably in response to the growing value of fund assets. Rothman and Tellis (2008) estimate that the Australian superannuation funds held in 2010–11 totalled $0.92 billion for men and $0.46 billion for women, and that by 2040–41 this may grow to $5.5 billion and $3.1 billion, respectively (p. 22). These projections suggest that the

taxation concessions on fund earnings will significantly increase taxation expenditure. Consequently, the fiscal sustainability of this system has been questioned (Ingles 2009).

Associated with discussions about the total value of current taxation arrangements are questions of the equity of the current superannuation system. Ingles (2009) estimates that the top 5 per cent of income earners account for 37 per cent of concessional contributions, and those earning $300,000 can receive up to $37,000 in taxation concessions per year. Low-income earners receive almost no benefit from superannuation-taxation arrangements. (Ingles 2009) notes that:

> *Superannuation tax concessions have long been a bone of contention for the welfare sector, which views them as redistributing scarce resources away from low-income earners towards the secure and privileged well-off. This has created a political battleground, with the welfare groups lining up against the super industry represented most notably by ASFA (p. 2).*

Clare (2012) provides contrasting arguments and estimates of the distributive effects of superannuation concessions. As a result of changes to concessional taxation arrangements on superannuation contributions in 2009, Clare estimates that the top 5 per cent of income earners now account for less than 20 per cent of concessional superannuation contributions (Clare 2012, p. 4). This is a significantly smaller proportion of contributions than that mentioned by Ingles. It demonstrates that voluntary contributions to superannuation accounts by high-income earners appear to be very responsive to changes in the total amount of superannuation that can attract taxation concessions. It shows that high-income earners allocate their assets accordingly.

Rothman (2009) assesses the equity of Australia's retirement-income arrangements by considering the age pension scheme and occupational superannuation in an integrated manner. He estimates that the net present value of costs to government of the age pension and superannuation system combined are approximately similar, regardless of gender or income. The key exception to this finding is the estimated net present value of the cost to government of support provided to men in the top income decile. The relevant table from Rothman's analysis is reproduced below:

Table 1: Net Present Value of Cost to Government of the Retirement Income System by Income Level

Decile	$m Women	$m Men	$m Persons
1	1,750	1,600	3,350
2	1,700	1,600	3,350
3	1,650	1,600	3,300
4	1,650	1,600	3,300
5	1,650	1,600	3,200
6	1,650	1,750	3,400
7	1,900	1,800	3,700
8	1,850	1,950	3,800
9	1,850	2,050	3,950
10	1,800	2,450	4,250
All	17,500	18,050	35,550

Source: Rothman 2009, p. 6

The extent to which vertical equity is a key policy goal in the context of government support for retirement incomes is an issue for debate. However, Table 1 demonstrates that the cost of support for men on relatively high incomes appears disproportionately high. In addition, as Rothman discusses, the above summary of costs to government excludes several key areas of data, such as housing, which are also likely to benefit higher-income earners. In terms of vertical equity, there are still a considerable number of issues to be dealt with in regard to the level of government support required to encourage private retirement-income savings among those on high incomes.

The estimated net present value for retirement-income support for women is relatively consistent across deciles, although again, there is an increase among higher income deciles. The different levels of support for men and women at the highest income deciles reflect women's lower earnings. This is consistent with the more general argument that the current occupational basis of superannuation has a clear gendered effect (see also the arguments outlined in Cox 2011). The gender dimension to these inequities stems from women's relatively poorer access to superannuation and, due to their lower incomes, their reduced capacity to participate in, or benefit from, concessional taxation arrangements. It is perhaps noteworthy that *The Australian* newspaper concluded that 'there are nasty imbalances in the superannuation system that need to be ironed out as soon as possible' (Main 2011). In comparison, the 2009 increase in the age pension has

been credited with improving both income and gender equity in Australia's retirement-income framework (Clare 2012, p. 14; Rothman 2009, p. 2). This is because women are more reliant on the age pension than men are, and it demonstrates the different effects on gender equity that are associated with the system of private accumulation of funds under Australia's superannuation system, compared with the publicly funded age pension.

5. Policy Direction 1: Government Contribution for Low-income Earners

In the 2010–11 Budget, the Australian Government announced that it will provide a new super contribution taxation rebate of up to $500 annually for low-income earners from the 2012–13 income year. Under this measure, the Australian Government will apply a 15 per cent matching rate to the concessional contributions made by, or for, individuals on incomes of up to $37,000, capped at a maximum of $500. The Australian Government estimates that approximately 3.5 million low-income earners will be eligible for this payment, the first of which is expected to be made in 2013–14 (Australian Government, 2011c). Given the distribution of earnings in Australia, it is likely that approximately 63 per cent of recipients will be women (ABS 2011, Table 9).

This measure will, significantly, consider a key inequity that results from the current superannuation concessional taxation regime and, as women form the majority of those with incomes under $37,000, it might be expected to improve the adverse gender implications associated with the current taxation arrangements. The policy is, however, less comprehensive than the recommendations on superannuation contributions that were contained in the 'Henry Tax Review', discussed below, and they are not sufficient to negate the relatively generous provisions of Australia's superannuation taxation system, as discussed above. The implications for improving gendered patterns of superannuation coverage appear limited, as the provision applies to those who have an existing entitlement to superannuation and a superannuation account.

6. Policy Direction 2: Twelve per cent Compulsory Contribution

A second policy approach promoted by a range of organisations, including superannuation-industry representatives and trade unions, is an increase in the compulsory employer contribution rate from 9 to 12 per cent. The rationale behind this policy is that 9 per cent contribution rates are not expected to be adequate to provide a private income stream in retirement nor, associated with this, to reduce significantly the role of the age pension

as a source of retirement income. The current Australian Government ha clearly stated that it supports an increase in the contribution rate to 12 pe cent as part of its 'Stronger Super' policies (Australian Government 2011b, p v). A Bill was introduced in the House of Representatives in November 201 seeking to increase compulsory superannuation contributions incrementall from 9 to 12 per cent over the period 2013–2020. The incremental roll-ou of this increase in contributions is intended to avert possible substitutio of wage increases for SGC Act increases, with the Federal Governmen stating that 'while employers will take increases in SG contributions int account when negotiating future wage agreements, future wage increase are expected to be sufficient to ensure that overall real wages continue t grow' (Australian Government 2011c, p. 2).

The relatively simple approach of higher contribution rates will have th effect of increasing the future balances of those with superannuatio accounts who receive employer contributions from 2013 onwards. It wi do little, if anything, to extend access to occupational superannuation or t deal with gender or other forms of inequity in account balances for thos on relatively low incomes and with broken work patterns. By increasing th aggregate value of funds it may, however, potentially increase the taxatio expenditure on fund contributions and earnings. Those on relatively highe incomes will gain the most from this proposal and are already doing relativel well under the current superannuation taxation structure. Superannuatio fund managers are other likely winners because of a potential increase i the value of the funds within their portfolios.

It should be noted that the 'Henry Tax Review' did *not* recommend a 12 pe cent contribution rate but recommended that 'employer superannuatio contributions be integrated into the personal tax income system' (Batema and Kingston 2010, p.438). It recommended three sets of changes to th superannuation taxation provisions. The first was to increase contribution so that they were both effectively and nominally equal to 9 per cent. Th second was to treat employer contributions as employee income to replac the current flat 15 per cent taxation rate with a progressive taxation rat linked to income levels. This included a zero per cent taxation rate for thos earning below the taxation-free threshold. Those paying taxation at a rat lower than the top marginal rate would receive an offset of 20 per cen less than their 'standard' marginal rate. Those paying the top marginal rat would attract an offset of 15 per cent. Henry also recommended cappin the total amount of contributions that received concessional taxatio treatment (Bateman and Kingston 2010).These recommendations migh be seen as potentially bringing Australia's superannuation closer to th 'neutral' benchmark outlined by Whitehouse (1999).

7. Policy Direction 3: Default Superannuation Scheme MySuper

A third policy initiative currently in progress is the introduction of MySuper products. The idea behind MySuper is relatively straightforward and involves the provision of a default system of low-fee superannuation accounts that follow a single, diversified, investment strategy. The provisions of this strategy have been outlined in the government's *Stronger Super* publication, but draft legislation is not currently available. The planned implementation date is 1 July 2013.

MySuper products will operate as a default superannuation scheme. This means that in cases where employees do not nominate a particular fund or account for their superannuation contributions, a MySuper account will operate as their default account. The need for default accounts has been recognised in both the theoretical and empirical research, which shows that people often neglect to engage with long-term savings decisions. Indeed, as Ingles and Fear (2009) point out, Australia's current superannuation system is based on a paradox:

> *On the one hand, the concept of compulsory superannuation suggests that Australians are myopic, irrational and have to be forced to save. On the other hand, when forced into the system, fund members are assumed to be informed and discerning investors, able to make rational decisions about how to allocate their retirement savings among a host of competing alternatives* (Ingles and Fear 2009, p. 1).

Prior to the planned introduction of MySuper, key arguments and research that support the policy of a 'universal default fund' were summarised by Ingles and Fear (2009). A number of key points in their discussion and analysis are relevant to this article. First, it is estimated that about 80 per cent of superannuation-fund members do not actively choose the investment strategy for their superannuation contributions (Cooper 2010a; 2010b). This means that their funds are placed by their fund manager into a default investment strategy, with the fund manager deciding on the appropriate default fund. Second, one estimate of aggregate administrative costs for superannuation values these at 1.35 per cent of total accumulated funds (Rainmaker Information 2009). An alternative estimate provided by Rice Warner Actuaries is 1.26 per cent of accumulation funds (Rice 2009). If the higher estimate is accepted, it means that approximately $14 billion per year is transferred from superannuation-fund members to the financial services industry in the form of administrative payments. Third, it is claimed that administrative costs of 1.35 per cent are estimated to reduce final superannuation balances by up to 27 per cent for a worker on an average wage. Fourth, reduced final superannuation balances potentially increase reliance on the publicly funded age pension scheme (Ingles and Fear 2009). In summary, the current widespread reliance by many fund members on default funds, followed by relative disengagement with the superannuation system, appears to contribute to a distribution of funds from individual accounts to fund managers and, ultimately, away from accumulated funds to provide retirement incomes.

While not citing the above figures, the Cooper Report on Superannuation also noted concerns with the fees charged by some superannuation fund managers and, in summarising the need for a new approach to default superannuation funds, suggested that there are 'a number of areas in which a measure of tightening the regulatory system seems appropriate' (Cooper 2010a, p. 13). One of these key concerns was that some of the fees and bundles of products associated with some superannuation funds were not necessarily meeting the needs of fund members, many of whom had not actively chosen either the specific type of account in which their funds were placed or the associated fee levels.

The introduction of a closely regulated 'universal default fund' was proposed as one method for dealing with some of the challenges noted above. The potential benefits of such a fund were identified as making the identification and nomination of a default fund—together with its likely costs and returns—more transparent and accessible. While administrative costs would still be incurred, a universal default system was expected to result in the improved availability of relatively low-cost products, thereby reducing costs and increasing long-term returns to account holders.

Several commentators have argued that it is preferable for a universal default fund to be administered by the Australian Government, with some aspects of account administration and asset management potentially contracted out to external organisations. The perceived benefits of this approach would be both to reduce administrative costs and to overcome any potential conflicts of interest from private fund managers who may have a vested interest in maintaining current fee payments (Ingles 2009, p. 7).

Contrary to arguments for Australian Government administration of a single, universal, default fund, it is proposed that the MySuper scheme will be based on the provision of MySuper default-fund products by existing superannuation funds. It is proposed that each fund will develop and offer a single MySuper product, based on a single diversified investment strategy, with standard fees applicable to all members. It will not be compulsory for superannuation fund managers to offer a MySuper product, but any funds that are named in modern employment awards will be required to do so. There are provisions to enable funds to tailor their products for employers

with more than 500 employees, and for employers to negotiate changes in fees or administrative costs on behalf of their employees.

Among the key features of MySuper products will be a uniform set of product features (including specific features for life and disability insurance) and transparent cost structures. The products are expected to have standard approaches to reporting the products' risk and return targets, which are to be developed by the Australian Prudential Regulation Authority, in consultation with industry participants.

At this stage, public debate about the MySuper proposal appears focused on discussion among fund providers on whether the provision of low-fee accounts for some members will necessitate higher fees for others. The extent to which the proposal will effectively deal with issues of equity remains a relatively neglected issue. While some of the necessary detail to assess the proposal fully is currently unavailable, the Australian Government's rhetoric appears to suggest confidence in the capacity of private superannuation providers to deliver the low-cost, transparent, default accounts which have been apparently lacking so far (Australian Government 2011b).

The MySuper initiative offers a potential method of providing a relatively low-cost and low-risk option for those who do not take an active interest in the administration and investment of their superannuation account. However, there is considerable detail to be resolved in the scheme's design, prior to its implementation. At this stage, the proposed implementation of MySuper is scheduled for 2013, with superannuation funds able to offer MySuper accounts from 1 July 2013, and MySuper accounts operating as default funds from 1 October 2013.

While some of the details on the implementation of MySuper are not yet available, this policy proposal brings risk into focus as one of the key issues of individual, occupational, superannuation accounts based on defined contributions. When the SGC Act was introduced in 1992, it was widely recognised that it represented a privatisation of the risk associated with saving for retirement. Facing the challenges of an ageing population, Australia, along with many other countries, introduced policies that emphasised private capital accumulation that would be subject to potential losses as well as gains. The capital invested in superannuation accounts is often not capital-guaranteed. As many account holders have found in recent years, this can lead to considerable uncertainty and a decline in expected income for the retired population. Ultimately, the publicly funded age pension will continue to be a necessary—and potentially a more commonly used—safety net for retirees, especially women, who have had disproportionately lower incomes and (or) broken work patterns.

In terms of gender equity, the potential contribution of MySuper is difficult to assess, as it mainly appears designed to deal with issues about the relative neglect of active decision-making on the part of many superannuation account holders. The scheme is not designed to extend coverage to those who do not currently have access to occupational superannuation. Further, it is questionable whether retirement-income policies that are aimed at those with lower superannuation balances should be targeted towards investments that are not capital-guaranteed. Low-income earners and those in insecure work already often bear significant risks associated with accessing economic resources and, as noted previously, women are over-represented in this group. Retirement savings in a capital-guaranteed account might be a preferred strategy for those in precarious economic situations. The current discussions on the risk and the return strategies of MySuper accounts do not appear to be focused on a capital-guaranteed form of investment, although the final outcome of current negotiations remains to be determined. Of course, another key policy option is to focus on and allocate funds to ensure the long-term viability of the age pension scheme, and to maintain or improve payments to pension recipients. As noted above, an increase in the age pension contributed to the gender equity of retirement incomes in 2009.

8. Future Policy Directions

The design and implementation of Australia's superannuation system reflects a pragmatic approach to the political and economic context in which it was negotiated. Perhaps not unexpectedly, as it forms just one part of a three-tier retirement-income system that is embedded within a context of gendered working patterns and earnings, its capacity to meet the retirement savings and income needs of different groups has been uneven in the first 20 years of its operation. For those who were well-represented during its negotiation, or who had interests well-aligned with those parties, it offers a form of savings with advantageous taxation characteristics and associated potential long-term benefits. It also contributes considerable funds to the financial services industry that is largely responsible for its administration and asset management. There remain, however, important groups of people who may be neglected by the scheme, or who could potentially lose funds through the taxation arrangements that apply to low-income earners. These groups include people with relatively low lifetime incomes, often caused by household commitments, broken employment patterns, low pay, and insecure work. Available evidence suggests that the current taxation expenditures associated with private occupational superannuation represent a substantial and regressive distribution of resources. The current system appears to increase—rather than deal with—gender inequities in income and wealth.

The Henry Tax Review identified the need to encourage private savings as part of the policies required to manage Australia's ageing demographic profile. However, private savings can be made through a range of devices. Those with higher incomes are well-placed to undertake their own savings, without concessional taxation arrangements. In terms of equity, there are few arguments to suggest that there should be further reliance on regressive, superannuation-taxation concessions.

The policy requirements to improve access to resources in retirement for those with low lifetime earnings remain to be considered adequately. These should include, first, ongoing measures to improve women's lifetime earnings and to deal with labour market and wage inequities. This could include effective transfers during years out of the workforce while women are providing unpaid labour, especially caring responsibilities, and equitable pay and conditions when undertaking paid employment. Second, the introduction of the Henry Tax Review recommendations, particularly as they relate to the taxation of superannuation contributions, could be revisited as part of a more equitable approach to superannuation reform than the proposed 12 per cent superannuation contribution. This should be done with a view to achieving a relatively neutral approach to the taxation structure as it applies to superannuation in Australia. Third, the continued maintenance of the age pension is required to reflect relativities with average earnings and work-related benefits, together with ongoing monitoring to deal with inequities associated with higher costs in an economy that has areas of both high growth and decline.

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