

## Workshop Note

# Economic security of women in later life

Friday 14 February 2014

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The HC Coombs Policy Forum at Crawford School of Public Policy at the ANU organised this workshop to explore thinking on improving economic security of women in later life.

### Introduction

Rebecca Cassells, from the Curtin Business School, presented an overview of economic security of women in later life. Rebecca emphasised policy approaches need to be tailored, differentiated across the lifecycle and responsibility should be shared across government, industry and individuals.

Marie Coleman, from the National Foundation for Women, noted the importance of gender disaggregated data in understanding the position of women and in developing gendered strategies for improving their circumstances. Marie also pointed to housing, health and transport as important to economic security, and to the need to focus on 'discouraged workers' through retraining and childcare policies to help return to work.

Matthew Gray, Research Director of the ANU College of Arts and Social Sciences, pointed to the family model as key to understanding this issue and the importance of underscoring relationship dynamics over the lifecourse (noting relationship breakdowns and the numbers of women who do not partner). Matt also pointed to the need to consider 'in-household' dynamics and the existence of insecurity within families.

The Australian Government Office for Women is now part of the Department of the Prime Minister and Cabinet so ensuring that providing better social and economic outcomes for women is a critical concern for PM&C. Linda Laker, of the Strategy and Service Delivery Division at PM&C, outlined the diverse factors that collectively contribute to the economic security of women over their lifecourse.

### Defining economic security

Participants considered economic security to be maintaining a 'sufficient' standard of living. Definitions of 'sufficient' varied, including relative living standards versus absolute living standards.

Other aspects of economic security were discussed:

- > physical security, such as in care arrangements and housing, which is particularly important for older women
- > access to transport and other services, which are important dimensions of economic security as well as for maintaining relationships and general wellbeing

- > equal access to shared resources within households as otherwise women's economic security can be negatively impacted if separation occurs.

Economic security in later life is a consequence of life events and choices over the lifecycle. This includes those after retirement, with adverse life events often leading to declines in income and wealth.

## **Data**

The importance of longitudinal data in understanding lifecycle dynamics and of historical expenditure data being made publicly available was noted. Limitations of current longitudinal data relating to validity around sample size and the need for more refined data on smaller age groupings were identified.

## **Policy issues discussed in detail**

Four major issues were identified for detailed discussion.

### **1. Gendered retirement savings**

Participants discussed Australia's three-tier retirement system and its effects on women's economic security. It was noted that most women will be dependent on the Age Pension in the future. There are significant disparities in the superannuation balances of men and women, and it was suggested this is due to a number of factors, including:

- > lack of superannuation contributions for women whilst on maternity leave
- > lack of financial literacy among women, particularly regarding superannuation
- > couples paying super into only one account
- > individuals using lump sum superannuation payments for mortgages and personal debts;
- > The disproportionate effect the Superannuation Guarantee minimum of \$450 per month has on women, who are more likely than men to work part time, casual and/or multiple jobs and thus more likely to miss out on superannuation contributions. It was suggested that anecdotal evidence shows employers, particularly in the aged care sector, are deliberately trying to keep women's earnings under the threshold to avoid paying superannuation.

Discussion focused on approaches to mitigate women's lower superannuation balances. The Paid Parental Leave scheme will assist by including superannuation contributions for women on maternity leave. Concerns were expressed over mandated higher employer superannuation due to possible recruitment discrimination. It was generally thought that removing the Superannuation Guarantee minimum would help to address gendered superannuation balance disparities.

### **2. The cost of caring and parenting on women's economic security**

The evidence shows that women continue to spend more time out of the workforce for unpaid caring work, with the cumulative result of lower lifetime earnings and lower superannuation balances. Some argued the issue is exacerbated by poor household financial decision making around childcare.

Participants discussed this situation:

- > Carer's credits could be utilised, to top-up superannuation balances of women who take time out of the workforce for caring responsibilities.
- > The National Disability Insurance Scheme (NDIS) could include more flexible respite care arrangements to assist female carers to remain attached to the paid workforce.
- > Existing childcare benefits, the Childcare Rebate and Childcare Benefit, could be made easier to understand.
- > Income contingent loans were proposed as a way to mitigate market failure. With minimal budgetary impact, the Government could offer voluntary loans to encourage women to re-join the workforce, resulting in household benefits.

Participants discussed whether measures to address the workforce participation of carers should be gendered. Some argued further research into the impact of the tax and transfer system on carers would be beneficial in developing new policies.

### **3. Housing challenges for women's economic security**

Participants considered housing a significant issue, as many older women experience difficulty finding appropriate accommodation due to housing shortages. Participants identified the need to define what 'appropriate housing' means in practical terms.

Discussion covered the following areas:

- > There is a lack of affordable housing, and participants suggested innovative ways of encouraging private investment in this area, eg by superannuation funds, were needed. It was agreed heavy transaction costs are acting as a disincentive in downsizing to more appropriate housing.
- > There is a low take up rate of reverse mortgages, but there could be promise in this area particularly for the income poor and asset rich. Participants agreed banks are unwilling to participate due to high reputational risk from negative publicity. It was suggested the Government could offer such loans with lower risk at a low cost to the tax payer.
- > It was suggested overseas countries had a higher participation rate in reverse mortgages; however, they also had a greater variety of available products. Participants considered this area to be a challenge for Government, as it is unclear if the Government should intervene.

### **4. The implications of financial decision-making, capabilities and literacy**

Some participants argued financial literacy was a significant problem; while women are typically good at managing day-to-day household funds, they are less confident with long-term investments.

The discussion covered the following areas:

- > Some disagreed or were unaware many women had lower financial literacy than men, while others argued greater understanding is needed of the specific areas of financial knowledge requiring improvement.

- > Participants proposed better targeting of financial information at key points in a woman's lifecycle. For example, women preparing for marriage should be made aware of the implications of their decisions on superannuation, property deeds, joint bank accounts, etc.
- > Participants agreed women respond better to financial advice that is not associated with a product or service, as this reduces their trust in the information.

Several argued that, while further understanding of financial matters was important for women, the biggest challenges were structural and increasing financial literacy would not address these wider issues.

### **Further avenues for conversation**

Participants agreed that the forum had been a beneficial exercise in starting a conversation about women's economic security in later life. The HC Coombs Policy Forum's facilitated workshop style lent itself well to this discussion. Contributors suggested holding similar forums in the future would be beneficial.