



Paying super on parental leave

How governments and employers can help reduce the gender gap in super

September 2021



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About Industry Super Australia

Industry Super Australia (ISA) is a research and advocacy body for Industry SuperFunds. ISA manages collective projects on behalf of thirteen industry super funds with the objective of maximising the retirement savings of nearly five million industry super members.

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Executive summary

The gender super gap continues to be a problem with women retiring with a third less super than men.

Governments around the world now recognise the significant social and economic benefits of paid parental leave. However, in Australia only a small percentage of women receive superannuation on their paid parental leave. This contributes to the gender super gap, with women still overwhelmingly taking on most of the care of children, women spend 64 per cent of their average weekly working time on unpaid care work compared to 36 per cent for men.¹

The good news is that governments at all levels and employers have the opportunity to reduce the gender super gap by paying superannuation on paid parental leave.

- ▶ **Federal Government:** Paying superannuation on Commonwealth Parental Leave Pay would mean a mother of two would be \$14,000 better off at retirement.
- ▶ **State and Territory Governments:** Can ensure that all direct and indirect employees of the state are paid superannuation on paid parental leave. If these governments extended the coverage of superannuation to paid parental leave, over 400,000 workers, mostly women, would benefit.
- ▶ **Employers:** Can also chose to pay super on paid parental leave. Only 6.9 per cent of enterprise agreements include a provision to pay superannuation on paid parental leave. This means over 2.3 million employees do not receive it under their enterprise agreement. If all employers were to pay super on their paid parental leave, around an additional 1.7 million women would benefit.

Governments of all levels should lead by example and pay superannuation on their parental leave scheme, something some employers are already doing. We must stop penalising Australian families for having children.

While these reforms will not close the gender super gap by themselves, they are actions that can be taken now to improve gender equity in superannuation guarantee coverage.

¹ Workplace Gender Equality Agency, 2016, *Unpaid care work and the labour market*.

The gender super gap

The gender gap in superannuation balances continues to be a persistent problem in every state and territory in Australia. Women spend more time out of the workforce than men and earn less than men when they are working.² This means that women have a harder time building their superannuation balances. This has caused a gap in superannuation balances of a third when a woman is approaching retirement.³

The Federal Government's 2021 Intergenerational Report forecasts the gender super gap will persist for at least the next four decades unless action is taken. Paying super on parental leave is a concrete step that can contribute towards bridging the gap.⁴

While research suggests the most significant drivers of the gender super gap occur during women's working lives rather than superannuation policy settings directly,⁵ there are important changes within the superannuation system that can be addressed to materially improve women's retirement outcomes.

ISA modelling shown in Figures 1 and 2 demonstrates that the gender gap in superannuation balances exists at every age and in every state and territory in Australia.

The gap in balances becomes particularly pronounced when women take time out of work in their late 30s and early 40s to have children. The gap continues to increase until women are in their early 50s when it is common to care for aging parents.

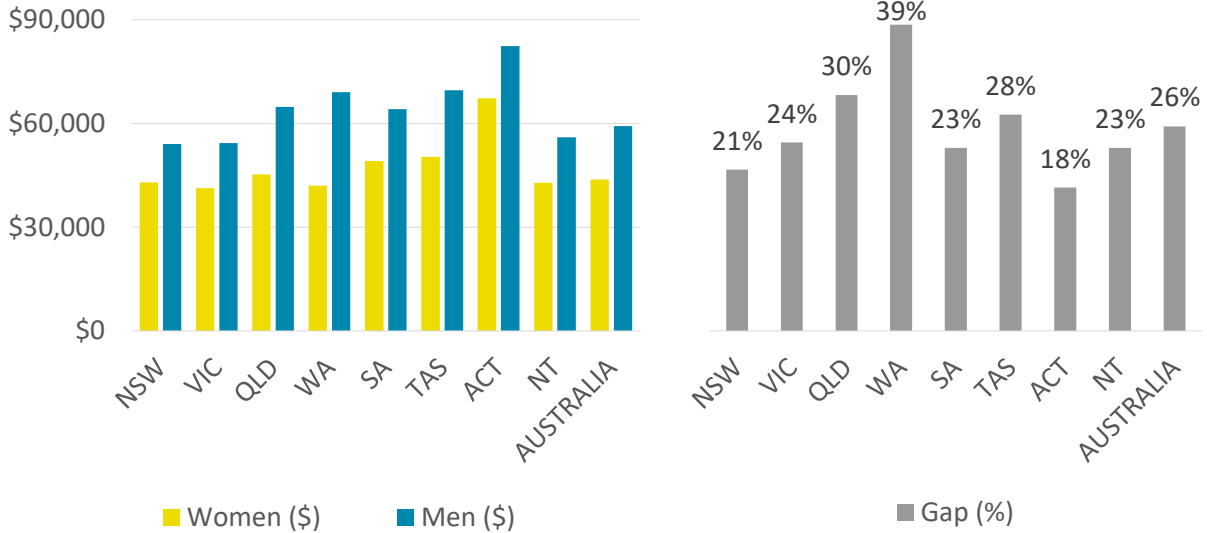
² Workplace Gender Equality Agency, Annual Data Release 2019-20.

³ ISA analysis of the 2018-19 2% ATO tax file.

⁴ Treasury Intergenerational Report 2021, chart 7.4.5.

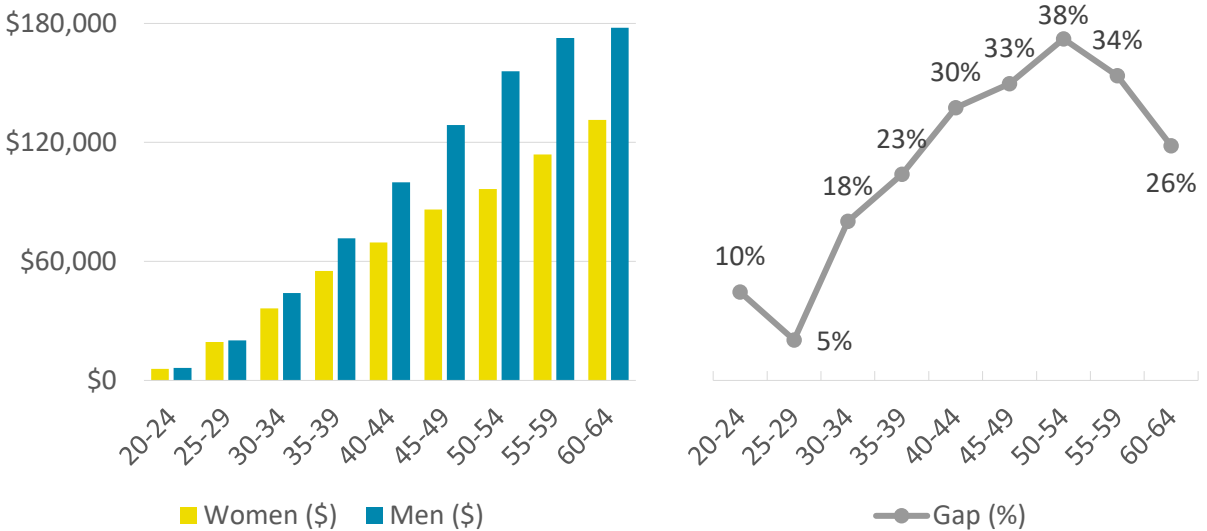
⁵ See for example Treasury's 2020 Retirement Income Review and the OECD's recent report on women's retirement incomes.

Figure 1: Median super balances by state/territory



Source: ISA analysis of 2018-19 ATO tax file data

Figure 2: Median super balances by age



Source: ISA analysis of 2018-19 ATO tax file data

Paying superannuation on parental leave is a concrete measure that will help mums

Due to the nature of the labour market and the design of Australia's parental leave system, rectifying this issue is a problem that must be addressed by all levels of government and employers.

The Federal Government can help reduce the super gap by paying super on Commonwealth Parental Leave Pay

Presently, superannuation is not paid on the Commonwealth Parental Leave Pay (CPLP) scheme. CPLP is one of the last leave entitlements on which super is not required to be paid.⁶

CPLP is the only parental leave available to the 1 in 2 Australians who work in the non-government sector.⁷ As a result, these workers receive no superannuation contributions for the entirety of their parental leave. This almost exclusively impacts Australian women who account for over 99 per cent of recipients.⁸

The modest super guarantee payment linked to the 18-week CPLP scheme – paid at the minimum wage – is an important equity measure to ensure the savings of working mothers keep pace with men. ISA's cameo analysis shows that a mother who has two children and received the superannuation guarantee on CPLP would be \$14,000 better off at retirement. A mother of one child would be \$7,000 better off.⁹

Since the scheme's inception, Australian mothers would have received an additional \$1.6 billion in superannuation payments if the superannuation guarantee was paid on CPLP.

ISA has modelled the amount of foregone super broken down by gender and location. Women living in outer suburban areas have missed out on the most super. The Federal Electorate of Lalor in Melbourne's south-western suburbs has lost the most amount of super in the country at over \$19 million. Similarly, in NSW, the highest amount lost is in the Western Sydney electorate of Greenway. In areas with high unemployment, and a lower percentage of women in the labour force, such as the Northern Territory and Tasmania there is less of a loss as a lower number of mothers are eligible for the scheme.

As with many issues in superannuation policy, Australians are often not aware of this problem. We surveyed Australians¹⁰ on super and CPLP and we found that:

- ▶ 68 per cent of Australians think that super is already paid on top of parental leave
- ▶ When Australians are made aware, overwhelmingly they think super should be paid on top of paid parental leave

⁶ [ATO website, definition of ordinary time earnings.](#)

⁷ ISA analysis of Workplace Gender Equality Agency data (2019-20).

⁸ ISA analysis of Answer to Senate Question on Notice number 2343, asked 11 November 2020.

⁹ The cameo is for a woman aged 25 now who has her first child at 29, her second at 31 and works until age 67.

We use the 2021-22 Budget wage forecasts over the projection period and 3% per annum thereafter. We assume an industry fund return of 7.5% per annum after-tax and before fees, an asset-based fee of 0.58%, and admin fees of \$78 per annum (indexed by wages). Amounts are in today's dollars, deflated by wages.

¹⁰ UMR strategic Research commissioned by ISA.

- ▶ 60 per cent think the Government should change the law to pay super on CPLP even if it comes at a cost to the federal budget

The approximate cost to the Federal Budget to extend superannuation to the CPLP scheme is \$230 million a year.¹¹ However, some of the additional fiscal costs of extending super to CPLP will be recouped in future years via an increase in superannuation taxes, future reductions in Age Pension expenditure and increases in economic participation when combined with other measures.

ISA recommendation: The Federal Government should pay superannuation on Commonwealth Parental Leave Pay and Dad and Partner Pay for the benefit of Australian women.

State and territory governments can help by ensuring all direct and indirect employees are paid super on parental leave

While industrial relations policy and CPLP is mostly under the jurisdiction of the Federal Government, state and territory governments are also able to play a role in making SG coverage more equitable through their role as major employers, and funders and regulators of other employing organisations. State and territory Governments employ many people either directly or indirectly through industries such as the public service, education and health care.

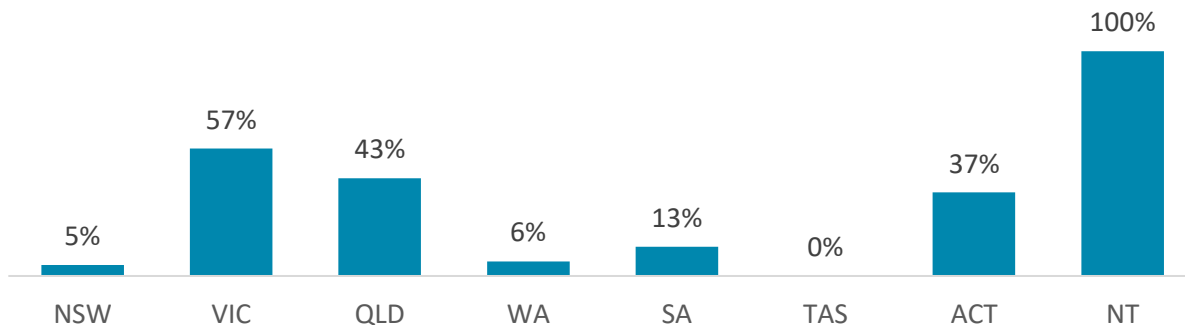
All State and Territory Governments have expressed that gender equality is a policy priority. One concrete step they can take is to make sure all employees are paid superannuation on paid parental leave.

ISA has analysed enterprise agreements with 500 employees or more where the employer is the state or territory government. The results show that while most employees receive super on parental leave, this is often not the case for nurses and health care workers, transport workers or teachers. Notably, the health care and education workforce is comprised of over 70 per cent women.

As with non-government sector agreements there are data limitations on this issue as discussed below. It is possible that these employees do receive super on parental leave through other mechanisms but the following shows enterprise agreements only.

¹¹ ISA analysis of Portfolio Budget Statements 2020-21 Budget Related Paper No. 1.12 (Social Services Portfolio).

Figure 3: Percentage of state government employees covered by EBAs that pay super on PPL by state.



Source: Attorney-General's Department database, ISA analysis. Note: Employees covered by agreements spanning multiple states have been evenly distributed across the appropriate states.

ISA Recommendation: State and Territory Governments should ensure that direct and indirect employees of the state, including in education and health care, receive superannuation on employer funded paid parental leave.

Employers also have a role in reducing this inequity by paying superannuation on employer-funded parental leave

The number of employers offering paid parental leave has increased over time with around one in two employers now offering paid parental leave. While there is still a long way to go until there is full coverage of all employees, this also represents a significant opportunity for employers to contribute to greater gender equality.

Leading practice on super on employer-funded parental leave includes¹²:

- ▶ Topping up the Government Parental Leave Pay scheme including paying superannuation.
- ▶ Continuing to pay superannuation contributions during paid and unpaid parental leave.

A woman on median wage who has two children and receives both the CPLP and employer funded parental leave would be \$26,500 better off at retirement.¹³

White collar industries tend to be more likely to pay superannuation on PPL. There are some industries which are leading the way on this issue, for example in finance and consulting which is demonstrated through case studies below.

¹² Workplace Gender Equality Agency, August 2018, *Developing a Leading Practice Parental Leave Policy*.

¹³ The cameo is for a woman aged 25 now who earns wage income in the 50th percentile of the female age-based wage distribution as derived from the 2% ATO tax file. She has her first child at age 29, her second at 31 and works until age 67. She qualifies for 18 weeks of CPLP and 12 weeks of employer funded parental leave (median in the 2019-20 WGEA dataset). We use the 2021-22 Budget wage forecasts over the projection period and 3% per annum thereafter, and assume an industry fund return of 7.5% per annum after-tax and before fees, an asset-based fee of 0.58%, and admin fees of \$78 per annum (indexed by wages). Amounts are in today's dollars, deflated by wages.

Case study: **KPMG**

KPMG Australia has set a new industry benchmark for parental leave among large employers in Australia, providing 26 weeks flexible parental leave for both parents, with no waiting periods, no tenure guidelines and importantly no distinctions between primary and secondary carers.

The leave can be taken flexibly to suit each parent within the first 24 months of the child's arrival. The parental leave policy continues to apply to all parents regardless of gender and is inclusive of adoption, surrogacies and foster care children. In addition, compassionate leave has been extended to include those who experience pregnancy loss and miscarriage.

Case study: **Maurice Blackburn**

Maurice Blackburn recognises "the systemic issue of the Australian gender pay gap and the impact that unpaid super on parental leave can have on women retiring with substantially less super than men". Currently, Maurice Blackburn employees receive super contributions on paid periods of parental leave only. However, as part of ongoing EBA negotiations Maurice Blackburn have proposed that employer super contributions continue for the full first 12 months of parental leave including during unpaid leave. Maurice Blackburn supports the principle of superannuation during parental leave and "we see no reason why full employee super contributions shouldn't be paid in these instances so we are excited about this element of the offer for our proposed EBA".

Case study: **HESTA**

HESTA provides up to 14 weeks paid parental leave for primary caregivers, regardless of gender. This includes paying superannuation on the paid portion, and on any unpaid parental leave for up to 12 months

HESTA is "proud to be one of the first organisations in Australia certified as a Family Friendly Workplace. We know that every family is unique, and we provide support for parents to take parental leave flexibly. We partner with Parents at Work who provide workshops, seminars, coaching and support to help our working parents thrive at HESTA, as we believe that creating family-friendly workplaces can help our employees balance and enjoy both their work and family commitments. This supports us to attract, retain and develop top talent, which ultimately helps HESTA deliver outstanding outcomes for members".

Increasing data availability and transparency

There is currently limited data availability on the amount of non-public sector employers that pay superannuation on their employer scheme. ISA understands that WGEA is now collecting data on the issue but does not yet publish it.¹⁴

In order to understand how many employers are paying superannuation on paid parental leave, ISA was provided with analysis by the Federal Attorney General's Department of all current enterprise agreements. To ensure accuracy, ISA performed additional checking and amendments of this data for all employers with more than 100 employees and a random sample of 1,000 agreements with 100 or less employees. The results of this analysis is outlined in the next section.

Since the establishment of WGEA, more private sector employers have taken action on gender equality and the gender pay gap has narrowed. It is labour intensive to check all agreements and including the data in WGEA reporting would increase accuracy as some employers do pay super on parental leave despite it not being specified in the enterprise agreement, for example through human resources policy. Publishing statistics and data on whether an employer pays super on parental leave data alongside the existing WGEA scorecards would encourage more employers to act on the issue.

ISA recommendation: The Federal Government should amend the Workplace Gender Equality (Matters in relation to Gender Equality Indicators) Instrument 2013 (No. 1) to include whether superannuation is paid on: employer sponsored paid parental leave; commonwealth parental leave pay; and unpaid parental leave.

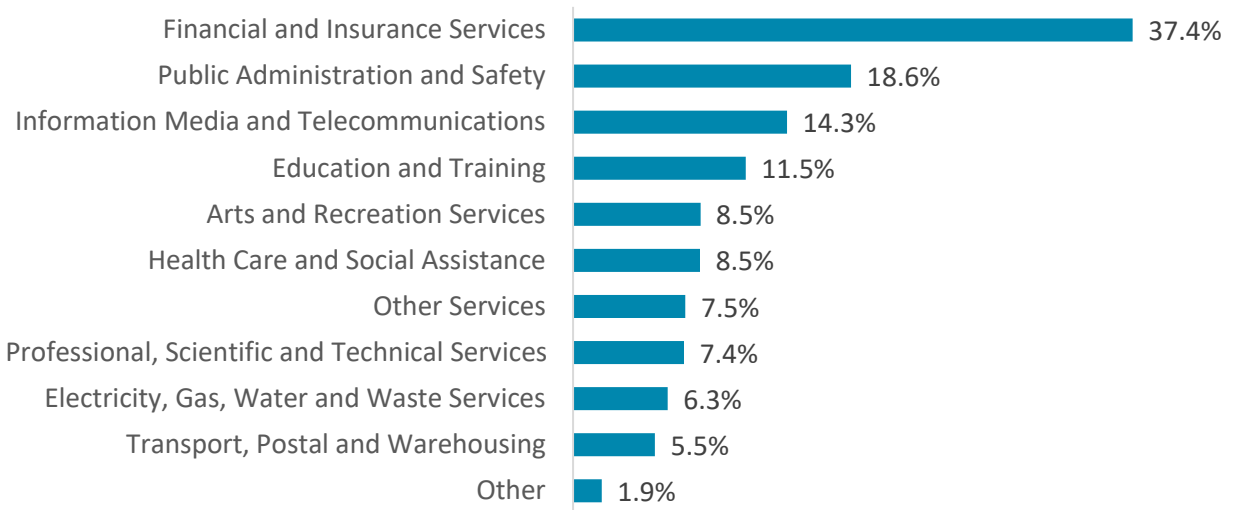
Analysis of enterprise agreements

Our analysis shows that only seven per cent of enterprise agreements provide super during paid parental leave, highlighting an opportunity for employers to reduce the gender super gap.

Female dominated industries such as education and health care are more likely to offer superannuation during parental leave, compared with manufacturing and construction (figure 3).

¹⁴ According to [this](#) WGEA employer guide, employers are to report whether the employer-funded parental leave includes superannuation. However, the information is not available on the WGEA Data Explorer or [the WGEA dataset](#).

Figure 4: Industry breakdown of superannuation offered with paid parental leave

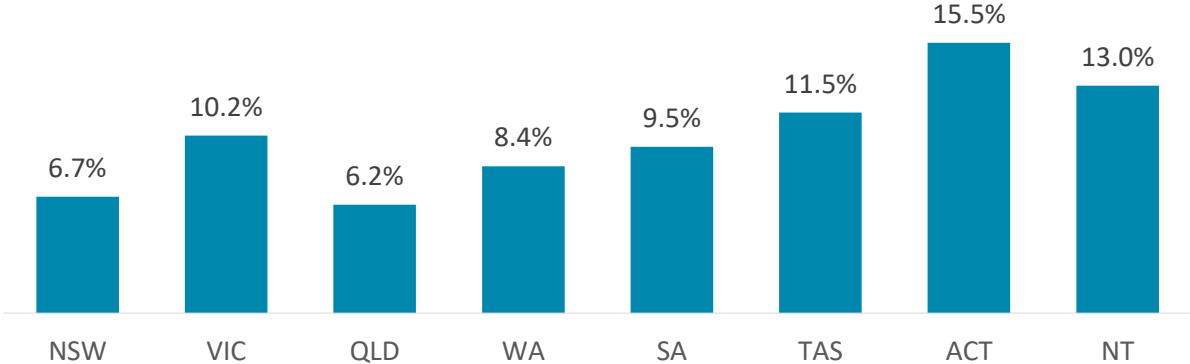


Source: Attorney-General's Department database, ISA analysis

Figure 4 shows the percentage of EBA agreements that offer superannuation during paid parental leave by state, with Queensland having the lowest percentage at 6 per cent and the ACT having the highest at 15 per cent. These results are most likely due to the ACT having a high number of public sector employers in which agreements generally offer superannuation during paid parental leave.

Having union involvement in EBA negotiations results in superannuation being more likely to be offered with paid parental leave. Over 95 per cent of agreements that pay super on PPL have been negotiated with union involvement.

Figure 5: State breakdown superannuation offered with paid parental leave in enterprise agreement



Source: Attorney-General’s Department database, ISA analysis.

Conclusion

It’s clear that more needs to be done to improve gender equality for women at work and in the superannuation system. Federal and State/Territory Governments have a role to play in reducing the gender super gap and employers have an opportunity to lead the way on best practice by paying superannuation on parental leave. If we don’t act, women will continue to retire with less than men for more than four decades to come.