

Gender Impact Assessment No. 5



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Women and Financial Security

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(Gender Impact Assessment No. 5)

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1. Introduction

Financial security is relative to individual needs and aspirations and its measures and attainment can differ among population groups. In Australia, a number of social indicators are used to measure financial security, including home ownership, education and household income. The social context of women's lives mean that they tend to have less financial security than men due to reduced work force participation, access to education, and the need to interrupt paid work because of pregnancy, childbirth and to care for children or other family members. Many women able to participate in the work force do so on a part-time or casual basis, often to prioritise the needs of family. This type of employment can have a negative impact on their overall financial security, with reduced job stability, less accumulated superannuation and fewer savings for retirement.

2. The issue

In August 2007, women represented 45% of all employed people in Australia¹, with more than 1.06 million more men employed in Australia than women². Unemployment among women (4.8%) was higher than the national unemployment rate of 4.4% and the unemployment rate for men (4%)². Of the 10,469,900 people employed in Australia, women are far more likely to be working part-time than men, with almost 45% of women working part-time compared with just 15% of men². In August 2007, twenty-five percent of employed women did not receive paid leave entitlements¹. This compared with 16% of employed men¹.

The Australian Bureau of Statistics defines 'underemployed people' as those who want more paid work and are available to do more than they currently do¹. Underemployment tends to be more common in the lower skilled occupation groups such as elementary clerical, sales, service workers and labourers¹. People employed in higher skilled occupations that include managers and administrators are much less likely to be underemployed. The higher rate of underemployment among those in lower skilled occupations can be partly attributed to their employment status as more likely being part-time¹. Part-time workers account for more than 90% of all underemployed workers, and in May 2008, sixty-five percent (65%) of elementary clerics, sales and service workers were women; almost 44% were aged 15-24 years¹.

Australians live longer than people in most other nations and women in Australia generally live longer than men³. In 2005 there were 97,000 more women than men in Australia³, and in 2006 there were twice as many women as men aged over 85 years⁴. Employment, leave, pay inequity and other financial conditions for women are not congruent with these figures or with the fact that women are the primary carers of children and family members and earlier retirees than men. With the life expectancy at birth for Australian women now at 83 years, and 79 years for men³, conditions must change in order for women to have financial security and independence in later years.

2.1 The gender pay gap

The problem for women goes beyond workforce participation levels. Many women who are employed, and who perform work of equal value to men, receive far less remuneration. Women and men still do not receive equal pay and women are disadvantaged by this pay gap⁵. In November 2007, the average full-time gross weekly earnings for adult women in

Australia were \$1000.80 and \$1245.70 for adult men². When part-time and casual income is included, the difference between the total average weekly earnings for women and men is far greater, as shown for February 2008 when women earned just \$702.20 compared with men earning \$1071.20⁶.

In Victoria in May 2007, the gender pay gap was 16%⁷. Several factors are attributed to this pay inequity between women and men. Women's work is often undervalued; it is more often part-time or casual, and particular mechanisms are sometimes used to set wages that can disadvantage women⁵.

Other ways in which women's work is undervalued may include:

- the absence of appropriate classification structures
- poor recognition of qualifications
- the absence of previous and detailed assessments of their work
- gendered characterisations of the work undertaken by women
- inadequate application of previous equal pay measures⁵

Part-time work can reduce a woman's likelihood of promotion, participation in training and development opportunities that relate to the profession, the social culture of the work environment, ability to establish networks, and access to quality work⁵.

Women have less negotiating power both individually and collectively when it comes to wages and other workplace entitlements⁵. The gender pay gap widens when individualised pay setting mechanisms such as Australian Workplace Agreements (AWAs) are used⁵. The pay gap is generally highest for those under individual contracts and lowest for those under awards. It is higher still for women who are working under collective agreements or who are self-employed⁵. Women are also less likely to be union members or represented by unions. This also limits their access to equal pay and employment conditions.

2.2 Paid maternity leave

In August 2007, an estimated 1.5 million (39%) employed women were not entitled to paid maternity leave, with 70% being part-time employees¹. Paid maternity leave is more prevalent in the public sector than in the private sector, with 73% of female public sector employees having paid maternity leave entitlements compared with 36% of female private sector employees¹. Paid maternity leave is also more common in higher skilled occupations such as management and administration (69%) than it is in elementary clerical, sales and services employment (20%)¹. There is also a high correlation for full-time and part-time employees between the length of time a person worked with one employer and the entitlement to paid maternity leave¹.

At the end of 2005 an estimated 467,000 women over the age of 15 years had at least one child less than two years of age at the time of interviews conducted by the Australian Bureau of Statistics⁸. Of the 299,000 women who were employed at the time they were pregnant, 98% of them worked some time during their pregnancy. Twenty-two percent (22%) reported changing the hours that they worked during this time. Almost 75% of women (217,000) took some form of leave or had time away from their job during pregnancy, birth or after giving

birth. Less than half of those had paid maternity leave⁸. Of the 77,000 women who reported not taking leave to give birth, nearly three-quarters (56,000 or 73%) stated that they had left work permanently, with the main reason being to care for their child⁸.

Women who worked as professionals were more likely to take paid maternity leave than those working in elementary clerical positions or as sales and service workers (56% and 8% respectively)⁸. This was also the case for women working in large firms, who were more likely to take paid maternity leave than those women in firms that employed less than ten people⁸. Half of the 170,000 women who had not taken paid maternity leave stated that it was not available to them or that it was not offered by their employer⁸.

Of the 181,000 women who returned to work, 82% returned on a part-time basis, with 45% of those working less than 15 hours a week⁸. Seventy-three percent (73%) of women stated financial reasons for returning to work⁸.

2.3 Superannuation

Women's retirement savings and opportunities for independent and comfortable retirement lifestyles are negatively impacted upon because women generally do not have enough time or money in the paid workforce⁹. The main reason for this is that women remain the primary carer of children and family members². As such, women are far more likely to work part-time or casually than men¹. In September 2007, the main reason women gave for not being employed was home duties or caring for children. Almost 43% of women, compared to just 6.5% of men stated this².

For other women, juggling carer or parental responsibilities with paid employment means working several part-time or casual jobs. While their combined income from each job may exceed the threshold whereby compulsory employer superannuation contributions must be made, individual earnings often do not. This means that the individual employers are not obliged to make superannuation contributions⁹. Women who must seek paid work from multiple employers are penalised because of this.

A 2007 report by the Australian Government for the Office for Women stated that the superannuation balances of women currently employed part-time amount to half of those women who are employed full-time, and the average superannuation balance for women not in the labour force is just 36% of that accumulated by women employed full-time¹⁰. An Australian Bureau of Statistics report for the same year found that only 6.3% of women who retired from the labour force did so with superannuation or annuity payments, compared with 20% of men¹¹. Women are also more likely to retire at a younger age than men¹¹, and with a greater average life expectancy, many women will have less superannuation funds to live on over a longer period of time than men.

2.4 Minority and marginalised women

2.4.1 Single mothers

Single-parent families face a higher risk of poverty than other groups, and women make up the majority of single parents¹². In 2006, women headed 87% of one-parent families with

children under 15 years¹³. Barriers faced by single mothers include limited access to labour force participation, limited opportunities for education, financial or otherwise, and superannuation contributions. Furthermore, day to day living expenses generally consume half of the incoming finance for single mothers, where for other families this is generally only one third¹².

2.4.2 Women from culturally and linguistically diverse (CALD) backgrounds

Unemployment is high among women from culturally and linguistically diverse (CALD) backgrounds and those in paid work are more likely to work in manual, unskilled employment without the entitlements of higher skilled and higher paid work areas⁹. CALD women are often exploited in their workplace, sometimes work for less than the minimum wage and have fewer opportunities to contribute to superannuation⁹. Language barriers also exist for CALD women making access to employment, government agencies and financial advice or information difficult¹².

2.4.3 Aboriginal and Torres Strait Islander women

Aboriginal and Torres Strait Islander women are highly represented in underemployment and unemployment figures, and rarely have the opportunity to accrue superannuation⁹. Divorce leaves many Aboriginal women with little financially¹⁶. High rates of disability and poor health, remote locations and lack of services, including suitable education, all compound financial hardships for Aboriginal women, making financial security extremely difficult¹².

2.4.4 Women with disabilities

Women with disabilities have fewer employment opportunities than most, low incomes and additional expenses due to the disability¹². Women with disabilities are over represented among casual and part-time employees and people reliant solely on government payments. This makes them one of the most economically marginalised populations in Australia¹². Barriers to financial security for women with disabilities can include minimum wage income, limited access to work places that are suitably adapted to disabled needs, limited access to financial institutions, education and appropriate financial information, and a lack of financial materials made in formats that account for disabilities, such as Braille¹².

2.4.5 Same-sex attracted women

Many laws which benefit heterosexual couples discriminate against same-sex couples and adversely affect the financial situation of women in same-sex relationships. In most instances parental leave is not given to a female partner of a woman who gives birth to a child, but a male partner may be entitled to 'paternity' leave¹⁴. This is similar for personal leave given to care for sick family members. Under the Australian Fair Pay and Conditions Standard same-sex partners are excluded from personal leave to care for a same-sex partner¹⁴. The same applies to bereavement and compassionate leave whereby same-sex partners are not entitled to special leave upon the death of their same-sex partner. In all these instances there may be individual or collective employer agreements that allow the same-sex partner to equal rights as her heterosexual counterpart. However, where this is not the case, the domestic

choice of a person in a same-sex relationship would come at a financial cost due to the loss of paid work.

Many tax concessions are also denied to same-sex couples, including those for dependent spouse superannuation contributions, pooling medication expenses and the dependent spouse offset¹⁴. Despite same-sex couples being recognised under the *Superannuation Legislation Amendment (Choice of Superannuation Funds) Act 2004*, they must meet stricter criteria to prove the existence of a same-sex relationship than a heterosexual couple¹⁴. All of these discriminating factors have the potential to significantly impact on financial outcomes for same-sex couples, and in particular women who are already marginalised by work and pay conditions, and interruption to work for responsibilities such as child care.

2.5 The health impact

International research shows that long-term exposure to financial hardship has a negative impact on health, and that women are affected more by this¹⁵. Many women experience anxiety about their futures, with the knowledge that financial independence is not likely in post-retirement or later years¹⁶. In some instances social isolation and depression arising as a consequence of poverty can negatively impact on women's capacity to pursue educational opportunities to improve financial circumstances¹². The impact of poverty and financial uncertainty upon women, coupled with gender specific inequities that are greater for marginalised and minority women, increases the likelihood of poorer health outcomes and decreased quality of life.

3. Policy context and challenges

The Federal Government has initiated an investigation into paid maternity, paternity and parental leave to examine ways the Government can provide improved support to parents with newborn children¹⁷. The Productivity Commission is to report on the enquiry by February 2009. Terms of reference that pertain to women include the following:

- Identify the economic, productivity and social costs and benefits of providing paid maternity, paternity and parental leave.
- Explore the extent of current employer provision of paid maternity, paternity and parental leave in Australia.
- Assess those models for their potential impact on:
 - the employment of women, women's workforce participation and earnings and the workforce participation of both parents more generally;
 - work/family preferences of both parents in the first two years after the child's birth;
 - the post-birth health of the mother; and,
 - relieving the financial pressures on families¹⁷.

The Federal Government has also directed the House Standing Committee on Employment and Workplace Relations to conduct an *Inquiry into pay equity and associated issues related to increasing female participation in the workforce*. The Committee has invited submissions to address the terms of reference relating to, among other things, pay equity issues,

structural arrangements relating to the negotiation of wages that may impact disproportionately on women, and conditions around training and promotion for women who take maternity or other leave and who may work part time or flexible hours¹⁸.

4. Conclusion

Women's financial security is influenced by labour market participation, pay equity, financial literacy and structural discrimination¹⁶. It can be severely hampered by having to work in casual or part-time employment, by having to take unpaid maternity leave, by not being adequately compensated for work performed at home, with children or in other carer roles, by a superannuation system that penalises employees with lower incomes and multiple employers or multiple superannuation funds¹⁹. There are various other gendered differences that make more tenuous women's financial security, including the gender pay gap, retirement trends and women's life expectancy. Recent Government initiatives are a step toward increasing women's ability to have financial security, but will require systemic and cultural change at many levels of financial engagement to ensure equity for women.

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