

# Know Your Agreement

## Superannuation and recognition of service on parental leave

### Appendix 1, Clauses 8 & 9

#### Two important changes to parental leave entitlements directly tackle gender-based gaps in pay and superannuation.

First: superannuation payments are now made for the first 52 weeks of leave for the primary carer, including employer-paid leave (now 16 weeks), any period of government-paid leave and unpaid leave. Superannuation will be calculated based on the employee's rate of pay immediately preceding parental leave.

Under the previous Agreement, superannuation payments were only made on employer-paid parental leave (14 weeks for the primary carer, one week for the secondary carer).

Second: the first year of parental leave now counts as service for the purposes of incremental salary progression.

This means that on return from parental leave, an employee will usually be a step higher on the incremental pay scale than before their break. This is particularly significant for those who take parental leave early in their career because they will earn more money for every subsequent year until they reach the top of the scale.

#### Why are these changes important?

Currently, women out of the workforce for significant periods face a slower progression up the pay scale, which compounds over the years to be a significant contributing factor to the gender pay gap. Australian women also retire on average with 47% less super than men, partly because their accumulation of superannuation savings is interrupted by unpaid parental leave.

According to the Workplace Gender Equality Agency 81% of Australian employers pay superannuation for parents while on employer-paid leave. However, only 7% also pay superannuation on government-funded parental leave.

This IEU-negotiated Agreement takes this a step further by ensuring that superannuation is paid on a full year of leave,

including periods of employer- and government-paid leave as well as unpaid leave.

**The evidence is in:** compulsory super payments on parental leave help close the gap between men's and women's superannuation balances at retirement and help reduce the risk of women living in poverty at retirement.

Not-for-profit Women in Super advocates for compulsory payment of superannuation for all parents on parental leave, citing the recommendation of the Productivity Commission, so that all parents, especially mothers, can continue to grow their superannuation. The Retirement Income Review confirmed that making super payable on parental leave would help bridge the gap between men and women's retirement savings. The Workplace Gender Equality Agency agrees, saying that the current superannuation system in Australia, being tied to paid work, "creates significant inequalities in retirement incomes for those who provide unpaid care".

Industry Super Funds said, "Mums miss out on millions of super each year. Just for having a baby".

"While most types of paid leave include super, parental leave doesn't - meaning mums are being left behind.

"Taking time out of the workforce to raise a family is a key driver of the gender super gap.

"Without action, the gender super gap will exist for decades to come with generations of women at risk of retiring into poverty."

This Agreement takes big strides towards tackling the long-term economic impacts of raising a family by ensuring that in their first year of leave, a primary caregiver is not disadvantaged either in terms of superannuation or career progression. This is something to be particularly proud of in a female-dominated industry like education.