

Women and retirement savings

Why do women have less than half?



By **Karen Volpato** Senior Policy Advisor, Australian Institute of Superannuation Trustees (AIST)
Money Management's Woman of the Year Financial Services 2018

Australian women on average have approximately half the level of men's superannuation savings. This is the case both while women are at work and also once women have retired. Women face a greater risk of poverty in old age when compared with men. Over 30 percent of older women are living in poverty. These problems are exacerbated by women having higher life expectancies than men.

The gender gap in superannuation savings results from the inequalities which women face over their lifetime. The gender superannuation savings gap (what a woman's superannuation savings is compared with a man's savings) is not only about superannuation.

The superannuation gender gap experienced in Australia occurs elsewhere. The European Union has said the "gender pension gap amounts to around 40 percent for the European Union as a whole. This gap reflects gender differences in employment — notably pay, working hours and career duration. ... Reducing the gap will require a combination of determined equal opportunity policies across several fields before people reach pensionable age, but this will only have positive effects over the long term."

1. Women's superannuation savings gap

In addressing any issue, it's first important to have orienting data. The following chart compares women's and men's superannuation savings in Australia.

Average superannuation balances by age, 2011-12

Age group	Women's average superannuation (\$)	Men's average superannuation (\$)	Difference (\$)	Gender superannuation gap (%)
20-24	\$4,403	\$5,533	\$1,130	20.4
25-29	\$13,399	\$18,899	\$5,500	29.1
30-34	\$22,765	\$32,819	\$10,054	30.6
35-39	\$36,142	\$53,221	\$17,079	32.1
40-44	\$43,826	\$66,503	\$22,677	34.1
45-49	\$60,618	\$102,358	\$41,740	40.8
50-54	\$71,661	\$136,707	\$65,046	47.6
55-59	\$91,216	\$203,909	\$112,693	55.3
60-64	\$104,734	\$197,054	\$92,320	46.9
65-69	\$90,185	\$172,767	\$82,582	47.8
70-74	\$65,121	\$142,790	\$77,669	54.4
75-79	\$24,027	\$55,291	\$31,264	56.5
80-84	\$15,536	\$52,006	\$36,470	70.1
85+	\$17,544	\$35,555	\$18,011	50.7
Total	\$44,866	\$82,615	\$37,749	45.7

Source: Workplace Gender Equality Agency's submission to the Senate Economics Reference Committee – Economic Security for women in retirement 2015

2. What are the key causes of the gap?

This is a quick snapshot of some of the key causes, which relate to employment issues, policy issues, and the nature of the superannuation system itself.

- **Workforce inequalities** (eg. participating in the workforce, pay, part time and casual work, and job segregation (work

roles women do compared with men, the level of support for child care costs).

- **Life cycle constraints** contributing to the superannuation gender gap (eg. child rearing, caring for aged parents, and unemployment).
- **Superannuation system inequalities** (eg. taxation, and a lack of superannuation paid on parental leave).
- **Gender lens should be applied to policy development.**

3. Workforce inequalities

Superannuation is a combination of how much people save, investment returns, what fees and costs deducted, and the impact of superannuation policy settings (eg. taxation, and interaction with the age pension).

To help understand why women's superannuation savings are less than men's, it is important to examine how women's experiences at work are different (including comparisons with peer countries).

Women's workforce participation rates

Australia is closing the gap between women's and men's workforce participation rates. The gap has lessened from 17.8% in 2001-02 to 11.1% in 2016. While this is good news in terms of saving into superannuation, Australian women do more part time work than in other OECD countries. Gender equality in earnings will not happen unless there is more equal working time.

Women's pay gap

Australia's gender pay gap is currently 15.3%: this gap has wavered between 15% to 19% for over 20 years. Australia sits roughly in the middle of OECD countries in terms of the level of the gender pay gap.

Job segregation

"Job segregation" means both what types of industries women work in compared with men as well as the level of the roles women work in within an industry.

A 2012 analysis of OECD data by K Rawstron found that in the mid-1980s, "Australia held the title for the most sex segregated labour force in the OECD area." In 2015-16, the Workplace Gender Equality Agency found that six in 10 Australian employees work in an industry which is dominated by one gender. Job segregation impacts on levels of pay and therefore superannuation savings.

Level of support for child care costs

Women's workforce participation rate is, in part, linked to the degree of financial support for child care. The International Monetary Fund has noted that if the price of child care is reduced by 50 percent, the labour supply of young mothers will rise in the order of 6.5-10 percent. The OECD has noted that Australia has a relatively low spend on early child hood education and childcare compared with other OECD countries.



4. Lifecycle constraints

Unpaid time spent by women contributes to the superannuation gender gap. Australian women spend more time on unpaid work such as caring for household members or in doing housework than women in other OECD countries.

Time spent in paid an unpaid work – minutes per day

	All paid work or study		Care for household members		Routine housework	
	Women	Men	Women	Men	Women	Men
Australia	172	304	64	27	168	93
Canada	267	267	44	21	133	83
Sweden	269	322	25	17	95	79
Germany	181	282	27	10	164	90
NZ	205	338	44	16	142	76
UK	197	297	62	34	133	66
USA	242	322	41	19	126	82
OECD 26	215	328	41	17	166	73

Source: OECD 2014

5. Superannuation system inequalities

Women's savings inequalities leading up to retirement are highlighted and indeed exacerbated by policy settings.

Taxation

In 2013, the International Monetary Fund found that women are more responsive to taxes than men. This could be applied to various areas which impact on the superannuation gender gap including applying lower tax rates for secondary earners (eg. Canada), tax incentives to return to work, as well as to the superannuation system itself.

Currently, the superannuation tax system disproportionately adversely affects women (as well as male part-time and low income earners). This is because of the three stages of taxing superannuation:

1. Concessional tax on money being paid into superannuation.
2. Concessional tax on money invested in superannuation.
3. Zero tax on money being withdrawn from superannuation if the person is aged 60 years or more. Previously, there was tax on retirement moneys if they were over a certain threshold.

Women who are generally paid less than men and accumulate less money in superannuation than men are 'hit' by stage 1 and 2 and usually do not accumulate sufficient money to have been affected by stage 3. The current taxation system favours those who earn more and accumulate superannuation savings over a long time. A re-distribution of tax concessions is needed.

Contributions while not working

In order to recognise that women do take career breaks (and, indeed, to encourage women back to work), superannuation payments should also be made on paid parental leave.

Superannuation employer contributions on all wages paid

Currently, employers do not have to pay Superannuation Guarantee contributions on wages of below \$450 per month. This primarily affects women and other part-time and low income wage earners.

A kick-start

Women in Super and AIST advocate that an additional annual \$1,000 government contribution into super should be made for low income earners, to better support those with inadequate retirement savings.

Adequacy

The progressive increase to Superannuation Guarantee contributions from 9.5% to 12% of wages has been put on hold.

6. A gender lens should be applied to policy development

In order to reduce a problem such as women's superannuation savings gap, it is important that:

1. The problem should be recognised.
 - This could be done by including in an objective for the superannuation system that the system is well adapted to meeting the needs of women and men.
2. The problem should be regularly measured.
 - This is occurring through the Workplace Gender Equality Agency.
3. Any proposed policy changes should be assessed to gauge whether the women's superannuation savings gap would be reduced.

AIST has developed a method for addressing this — the AIST-Mercer Super Tracker. Policies can be put through the Tracker to see whether the 10 key performance indicators are improved or adversely affected by the proposed policy. One of the key performance indicators is the gender superannuation gap.

Concluding remarks

This article has reported some of the key inputs which generate a lower superannuation savings balance for women. Some solutions — such as the \$1,000 kick start contribution — may be a faster item to implement. Many other solutions — such as reducing the gender pay gap — may have a longer term timeframe. All of these key issues need constant monitoring. In 2015, the Senate Economics References Committee for Economic Security for women in retirement provided an extremely useful plan for helping to close the superannuation gender gap. Most of the recommendations remain unimplemented at this stage **E**