

# THE GENDER SUPER GAP: UNDERSTANDING WHY WOMEN RETIRE WITH LESS SUPER THAN MEN

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**WOMEN CURRENTLY RETIRE WITH LESS THAN HALF THE SUPERANNUATION OF MEN. ACCORDING TO THE LATEST FIGURES FROM THE ASSOCIATION OF SUPERANNUATION FUNDS OF AUSTRALIA, THE AVERAGE SUPER BALANCES AT RETIREMENT TODAY ARE \$138,150 FOR WOMEN COMPARED TO \$292,500 FOR MEN. THAT'S A DIFFERENCE OF \$150,000.**

Prior to the introduction of compulsory super in 1994, approximately 25% of women had superannuation. Many were automatically excluded from defined benefit plans once they got married so very few women were able to accumulate sufficient superannuation balances.

Today, despite almost 25 years of compulsory super, it is estimated that one in three women retire with no super and more than 40% of older single women live in poverty. Alarming, the fastest growing cohort of homeless people is older single women.

## **WHY ARE SO MANY WOMEN RETIRING WITH INADEQUATE SUPER BALANCES?**

There are a number of interrelated and complex factors at play that contribute to the vastly different superannuation balances at retirement between men and women.

Female lawyers and barristers in particular face obstacles to building a super balance that will provide sufficient income for their retirement.

A major contributing factor is the gender pay gap. The ability to save for retirement and accumulate super is closely linked to pay; less pay results in fewer and lower super contributions for women, but also a loss of compounding interest returns which when put together can add up to a substantial amount over a working life of 40 to 50 years.

According to the Workplace Gender Equality Agency, the gender pay gap for full-time employees in legal services is 30.5%.

This is 7.4% wider than the pay gap in total remuneration for all full-time employees. Further, senior women lawyers continue to be under-represented in law firms, notwithstanding that women make up two-thirds of law graduates.

The situation is even worse at the Bar. In June 2016, an article published in *The Age* reported a 141% pay gap for barristers based on taxable incomes reported to the Australian Taxation Office. This was the highest gap reported for those professions reported. Despite increasing numbers of women at

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the Bar, there remains significant scope for the advancement of women to senior positions. For barristers with less than 5 years' experience, 35% are women. Whereas, barristers with 15 years or more experience, only 12% are women. Nationally, women still make up only 10% of Senior Counsel.

Without reaching the more senior roles, and therefore higher paid positions, women will continue to accumulate less super than men despite their best efforts.

Another contributing factor to the gender super gap is the time women take out of the paid work force to have and care for children.

The average woman takes a career break of five years which usually equates to five years of little or no super contributions. Often women return to work on a part-time basis. Alternatively, with paid part-time work and/or flexible roles sometimes difficult to find, many take on positions below their levels of experience to enable them to combine work with childcare. The legal profession has struggled to offer flexible working arrangements; with facetime and hours in the office equated with performance. Anecdotally, many female barristers state that their decision to go to the Bar is to have more flexibility and opportunity in terms of career path relative to working in a law firm.

Many women who go on maternity leave simply do not return to the law. A lack of flexible work arrangements on return from maternity leave contributes significantly to this exodus of women. This is a real loss for the industry in terms of experience. It is also a loss for the women themselves.

A further factor is that women often find themselves, at a later stage in their careers, caring for elderly family members. This commonly occurs at a point when their own children have grown up and they would otherwise be in a position to take on more challenging and demanding roles.

## **WHAT CAN WOMEN DO TO INCREASE THEIR SUPERANNUATION BALANCES?**

According to Emma Maiden, Director of Legal Super, the industry super fund for the legal services sector, younger women in law would be well advised to think about boosting their super by salary sacrificing. Even small amounts compound powerfully over a working life and can substantially reduce the impacts of lower pay, future career breaks and part-time work. Older women too can take advantage of compound interest – it's never too late to 'top up' super accounts. As Warren Buffet said, compound interest is the eighth wonder of the world and we should take full advantage by putting away as much as we can.

Women should also look to consolidate their super accounts, paying close attention to the fees and look around for a fund providing lower fees with a good long-term performance track record. Taking the time to call their superannuation provider and asking questions about their fund and strategies for boosting their super is also a good starting point. As is taking a look at one of the many superannuation websites such as ASIC's Money Smart which has an excellent super calculator.

For self-employed lawyers and barristers, super is not compulsory. Despite the same tax advantages existing between self-employed and employed lawyers, many self-employed lawyers and barristers do not make it a priority and therefore do not pay themselves super. Self-employed women lawyers and barristers should ensure that they are paying themselves enough super to be financially secure when they retire.

### HOW CAN WE ADDRESS THE GENDER SUPER GAP?

Women alone will not solve the gender super gap and it is not their sole responsibility to bare. As the 2016 Senate Inquiry into Women's Economic Security in Retirement found, there is no silver bullet that will improve women's retirement outcomes. Telling women to 'take control of their finances' or 'become more financially literate' is not a solution. Nor is the outdated belief that a husband is a retirement plan. Structural inequity requires structural solutions and we need to change the system to take account of the different working patterns of women; their lower average earnings and reduced capacity to work based on their caring responsibilities.

While the superannuation industry itself needs to better communicate the challenges faced by women, there are moves in the right direction with increased media attention being paid to the gender super gap and concerted efforts to advocate for change.

As a country we have not prioritised improving women's retirement outcomes. It is fair to say that momentum for change is growing, as is the recognition that action needs to be taken now to stem the growing numbers of women retiring with little or no super and to ensure the super system delivers them the dignified retirement they deserve. ■



Image: Wendy Sharpe, *Self Portrait with Menin Gate* (SH Ervin Gallery)

## ABOUT WOMEN IN SUPER

Women in Super is a national advocacy and networking group for women employed in the superannuation and wider financial services industries and recently launched its Make Super Fair campaign ([www.makesuperfair.com](http://www.makesuperfair.com)) aimed at creating a more equitable system that sees women and low income earners reach greater economic security in retirement.



### About the authors

Sandra is the Executive Officer of Women in Super. Prior to taking up this role in 2014, Sandra spent over 20 years in senior roles in asset management and private wealth management with a number of international banks.



Emma Maiden has been a Director of legalsuper since 2008. Legalsuper is the \$3 billion plus industry superannuation fund for Australia's legal community and 75% of its members are women.

She is also currently the Assistant Secretary, Unions NSW. Previously Emma worked as a lawyer specialising in employment and industrial law.