

Not So Super, For Women

Superannuation and Women's Retirement Outcomes

David Hetherington & Warwick Smith



percapita
FIGHTING INEQUALITY IN AUSTRALIA

In partnership with



A•S•U
Australian Services Union

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About Per Capita

Per Capita is an independent progressive think tank, dedicated to fighting inequality in Australia. We work to build a new vision for Australia based on fairness, shared prosperity, community and social justice.

Our research is rigorous, evidence-based and long-term in its outlook. We consider the national challenges of the next decade rather than the next election cycle. We ask original questions and offer fresh solutions, drawing on new thinking in social science, economics and public policy. Per Capita's operating model is to invest in highly qualified researchers who work on applied policy development, rather than the more abstract, theoretical approaches of academia.

Our audience is the interested public, not just experts and policy makers. We engage all Australians who want to see rigorous thinking and evidence-based analysis applied to the issues facing our country's future.

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Foreword

The ASU has always been at the forefront of fighting for equality in Australia.

In recent years we have fought and won equal pay in the social, community and disability sector, achieved paid domestic violence leave in many, many workplaces, negotiated paid parental leave and increased employer superannuation contributions for thousands of workers and relentlessly campaigned for gender equality in our workplaces and in our society.

The retirement outcomes for our members have also been a key focus for the Union over many years. We were there for the fight to get universal superannuation, we have campaigned for improved Superannuation Guarantee levels and our representatives have participated on industry fund superannuation boards to improve investment returns. Despite these efforts however, there still remains a lot of work to be done to achieve a comfortable retirement standard for our women members.

In the last 18 months, we have surveyed our members and documented the heartbreaking stories of women who work most of their lives but reach retirement facing a life of poverty. This report, which we have been proud to work on with Per Capita, gives a voice to the plight many Australian women find themselves in at retirement.

Documenting the problem is not enough – it is clear we need changes at many levels.

This report is intended to provide policy initiatives addressing legislative change, bargaining objectives and industry outcomes for the main participants in our superannuation system – the superannuation funds, unions and the government.

This research has developed simple, achievable and measurable recommendations that we think over time will greatly improve the superannuation outcome for women in Australia.

The ASU intends to campaign to achieve better retirement outcomes for women and we intend to take up all the recommendations in this report and mobilise our members to achieve this aim. The lives of Australian women are too important not to.

I hope you will support these recommendations and encourage others to participate in the change discussion and support the changes needed to make a real improvement to the superannuation outcomes for women in Australia.

David Smith

**National Secretary
Australian Services Union**

Executive Summary

Universal superannuation is a vital part of a system designed to give Australians a decent standard of living in retirement. But for millions of women, superannuation is failing. In a significant research collaboration, Per Capita and the Australian Services Union have sought to lift the lid on the real-life experiences of these women.

We have surveyed over 4,000 workers, complemented by a detailed analysis of the Household, Income and Labour Dynamics in Australia (HILDA) Survey. This has offered a rich blend of insights, both quantitative and qualitative, and the overall picture is sobering.

For many women, retirement looms as a frightening prospect. Their financial circumstances will dictate that they live fortnight to fortnight, far below income standards that are considered comfortable or even modest. Women's average superannuation balances at retirement are less than half of men's.

The women we spoke to were blunt about their outlook...

"I will be stuffed."

"I expect to be poor."

Sadly, the evidence suggests that many of them will be proven correct.

There is no single explanation. It is a wicked problem – amongst the many causes are the gender pay gap, the rise in casualised work, regressive tax treatments, unpaid care work and relationship breakdowns. A striking finding is that mothers are more likely to experience many more of these barriers than fathers or men and women without children.

Similarly, there is no single solution. Instead of a silver bullet, we propose a range of recommendations. Central to these recommendations is the idea of an 'accumulation pathway', which maps the superannuation balance at any given age that a person should hold in order to expect a basic living standard in retirement based on a combination of superannuation and the age pension.

Taken together our recommendations are designed to ensure that, across the diversity of working lives that Australians will experience in future, they do not fall below the accumulation pathway. As women are those most likely to fall below the pathway at present, it is they who will benefit most from measures to stay attached to it.

Finally, this is a challenge that no single actor alone can overcome. For this reason, our different recommendations are separately targeted at governments, unions, employers, employees and superannuation funds. Each of them is called on to do more, but each will be necessary if we are to save millions of Australian women from a slow drift into poverty.

Introduction

Superannuation has become a lightning rod in the Australian policy debate in recent years. The universal Superannuation Guarantee system started 25 years ago, after many years of union campaigning and lobbying, as just one pillar of Australia's new retirement income system. However, it has since become so large and so lucrative that it is difficult to marshal the various stakeholders towards substantial reform, leaving only tinkering at the edges. And while it remains 'just' one pillar of the system, alongside the age pension and private savings as the other two pillars, its size and growth has meant it remains one of the dominant features of our public debate.

Despite this, the debate remains both highly technical and disproportionately focused on the wealthy. Pundits argue over thresholds and caps, and whether a \$1.6m superannuation balance is a fair level at which to remove subsidies. But discussions of thresholds and caps make most Australians' eyes glaze over; only a tiny minority of today's workers are likely to ever see a balance of \$1.6m. Recent changes to remove some concessions for the very wealthy are a step in the right direction, but they do little to improve retirement outcomes for most Australians.

The debate often misses a fundamental problem: the superannuation system is systematically biased against half the population. Women are simply not being assisted by super towards a reasonable standard of living in retirement. Women's superannuation balances at retirement are 47% lower than men's. As a result, women are far more likely to experience poverty in retirement in their old age. Superannuation is failing women.

At one level, the reasons are obvious. Superannuation was designed around a model of employment that is rapidly disappearing. In this model, household income was provided by one breadwinner, usually a man, via a job that was full-time and dependable. Implicitly, the benefits of superannuation would largely flow to women through their male partners. What's happened since is that many more women have entered the workforce to earn and save independently, but the nature of work available to them has been more intermittent and lower paid than that of their male counterparts. This combined with the fact that women still do the overwhelming majority of unpaid housework, caring and parenting, means that the benefits of super, which move in direct proportion to pay, have not flowed to female recipients as hoped.

Sadly, and unnecessarily, women's retirement income in Australia has taken on the features of a wicked problem. It arises thanks to a confluence of diverse circumstances: an inadequate age pension, overrepresentation in lower paid occupations, the gender pay gap, no super at low pay levels, effective marginal tax rates, carer responsibilities, unpaid domestic work, the complexity of the super system and frequency of changes to it, age discrimination, unaffordable housing, longer lives, poor financial literacy, cost/availability of childcare, relationship breakdowns and casualised work.

Data from the Australian Bureau of Statistics confirm that women's superannuation balances are systemically lower than men's and that the gap increases throughout their working lives, reaching \$70,000 by the statutory retirement age of 65 (see Figure 1).

The median women's superannuation balance immediately prior to retirement is currently less than \$80,000 which would fund less than three years of retirement even on the most basic living standard.

Some have recently begun to pay attention to this problem. In April 2016, the Senate Standing Committee on Economics published an extensive report on economic security in retirement for women¹, which itself drew on submissions from a wide range of interested parties. The Sex Discrimination Commissioner and the Workplace Gender Equality Agency have each produced reports on the topic^{2,3}. In late 2016, KPMG produced a study on the economics of the gender pay gap, assessing the causes and effects of gender pay inequity⁴. Around the same time, Per Capita published a report on the living standards of aged pensioners⁵, highlighting the pension's inadequacy for particular groups of women (notably singles and renters).

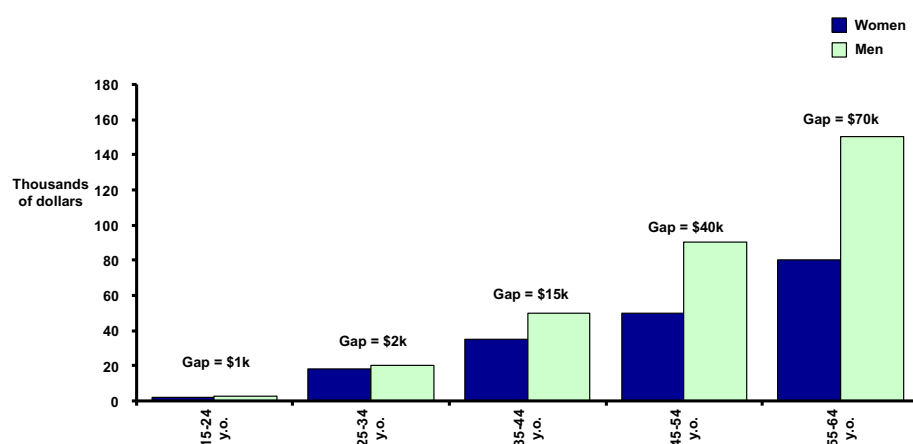


Figure 1. Median Australian superannuation account balances by age bracket and gender (2013-14).

This paper is an attempt to address a specific aspect of the wicked problem: how to make superannuation work better for women's retirement incomes. It is a collaboration between Per Capita and the Australian Services Union, based on two surveys of union members, primarily drawn from the ASU. In October 2015, 1,670 respondents participated. Twelve months later, 3,021 respondents answered a different set of questions (both surveys are in the Appendix). The two surveys were undertaken independently and not designed as part of a single exercise – the current paper is an exercise in combining the two.

The first survey was largely qualitative in nature, while the later one elicited more quantitative data.

The paper commences by considering women's personal views on the superannuation system based on the surveys' qualitative responses, and supplemented with anecdotal evidence from five pensioner focus groups run by Per Capita in mid-2016. It then proceeds to a quantitative analysis of the superannuation gender gap and its causes based on both the survey data and the Household Income and Labour Dynamics in Australia (HILDA) surveys conducted by the University of Melbourne. The paper concludes by offering a set of practical policy recommendations for the steady closure of this gap within an acceptable timeframe.

Women's Views on Superannuation

Prospects for retirement

There is a strong and widely held view amongst women that they are being severely let down by Australia's retirement income system. Despondence about their future financial circumstances is a persistent theme, and many women see poverty as an unavoidable part of their future.

"...I expect to be poor. I may become functionally homeless..."

"...Poverty looms for previous middle of the road people no matter how hard they work..."

"...I will be stuffed..."

Women believe this will have direct consequences both for their working future and their ability to afford items that give them quality of life.

"...I think I will need to work until I'm 120 to be a comfortable and self-funded retiree..."

"... [I'll have] a reduced ability to host Christmas. Less ability to join children and grandchildren on summer holidays..."

"... I live alone with my dog. My dog is old and I probably won't have her much longer. I would not be able to afford to keep another dog, so it will just be me, a very lonely life..."

Systemic bias against women

Women do not believe these outcomes are unintended consequences of the superannuation system. Instead they believe the system is unfairly stacked against them.

"...The polities want pensioners to fall into a pine box at 70 but they're on great pensions. We're expected to become invisible. How should people be expected to work hard when they're 70? It's stupid!..."

They feel that the system disproportionately favours men and the rich, and that it is deliberately "geared" to do so.

"... OMG, I could go on forever! Women continue to be financially penalised across our lifetime because of our reproductive capacity, our lower wages and because of deadbeat dads who refuse to pay their share of the financial burden of raising their children (not all dads are like this but, by God, there's a lot of them). We are expected to provide

millions of \$ worth of cleaning, caring and emotional labour duties without expecting anything in return, simply for 'love'. Well Bollocks to that. I would like to see what would happen if we followed Iceland's lead and went on strike en mass [sic]..."

"...utterly ridiculous system is geared to assisting those who are already very well taken care of..."

"...rich getting richer, poor getting poorer..."

Superannuation and relationships

One of the main sources of retirement poverty for women is the breakdown of relationships. As the title of the Senate Committee report suggested, "a husband is not a retirement plan". Women believe that in cases of separation, male partners inevitably end up better off.

"...Due to the breakdown of my marriage and having two young children, the opportunity to engage in full time work was not available to me until my children were old enough to not require full time care as this was not affordable to me. I did not move into full time employment until approximately 9 years ago - Now at age 50, I have the grand total of almost \$27,000 in my Super. There is no possible way that in the working time I have left I am going to be able to provide funding for my retirement and due to raising two children on a single income, the possibility of owning a home was not an option either as we did not own when we separated. After 11 years of marriage and spending what is now 24 years raising my children, I have not a lot to look forward to in the way of financial security in my older years..."

"...I can't afford to contribute to my own superannuation, can't afford to take holidays, nor can I take extra paid leave as I live pay to pay. There are many like me who, after a mid life divorce, accepted extra in the equity of their home so that the children were not disturbed rather than a share of his super. My husband had a for life government pension which, after 20 years of support, I could not make a claim on. I maintained the home and fulltime care of our child while he went off shore and earned big tax free dollars. He now lives on a luxury yacht and travels regularly while I live from pay to pay. Thanks for listening!..."

As a result, some women report feeling uncomfortably dependent on their relationships.

"... I am stuffed if my partner decides to leave me ..."

One underexplored consequence of such situations which was not directly identified by our survey respondents, but is worthy of consideration is whether women feel compelled to remain in abusive relationships for reasons of financial dependence. As understanding of the prevalence and causes of domestic violence increases, it is worth exploring the role of financial dependency in domestic violence situations.

Poor understanding of the superannuation system

Not only have women become overreliant on partners for their retirement outlook, they also acknowledge that their understanding of the workings of the superannuation system is poor. There is no evidence that women's understanding is worse than men's: the system changes so often that it is impossible for any lay person to keep up with all the details. However, in our survey, women attest that they lack basic understanding of the retirement income system and are sorely in need of education and advice.

“... I suspect like most women who are at the end of their working life I really don't understand much about Super or how things are going to affect me in the future. I would dearly love to stop working (I'm 60 now) but I am very nervous about the future - there are so many things I want to do that don't involve a lot of money or coming to work...”

The women in the survey say that they realise they can't rely on others. But they don't know where to go for assistance and advice.

“... I don't know where to go to get retirement advice....”

“...More education for women to understand that they are responsible in making sure that pay into superannuation as they cannot rely on others to do it for them....”

“... Financial literacy classes would be good in high school/Unil/community centres where advice is seen to be impartial....”

As a result, there is an overwhelming demand for better financial literacy education for women, at all stages of the lifecycle.

“... Women need improved financial literacy (a man is not a financial plan), equal pay and better support to combine paid work with caregiving, including super payments being made on their behalf during periods out of the paid workforce due to caregiving....”

“...Improve women's financial literacy throughout their working lives...”

“...Ensure women are aware of and have access to financial literacy education programs... and that such programs are positively publicised in workplaces...”

“...Greater education and awareness for young women about to start families needs to be freely available and in a format that is easy for all to understand...”

Taken together, the qualitative responses from women express great dissatisfaction with a system that is not serving their retirement income needs. Specifically, they feel that:

- Poverty is a realistic expectation in retirement for many women;
- The structure of superannuation puts them at a systematic disadvantage relative to men and the wealthy;
- Women experience excessive dependence on male partners in matters of retirement income, and that relationship breakdowns are a leading cause of retirement poverty; and
- Many women lack a basic understanding of the retirement income system and that more should be done to improve financial literacy.

We now turn to a quantitative analysis to assess how well these sentiments are borne out by the survey data.

Analysis of a 'Wicked Problem'

As outlined in the introduction, women's retirement income in Australia has taken on the features of a wicked problem. The diverse factors which combine to create this intractability are shown in Figure 2 below.

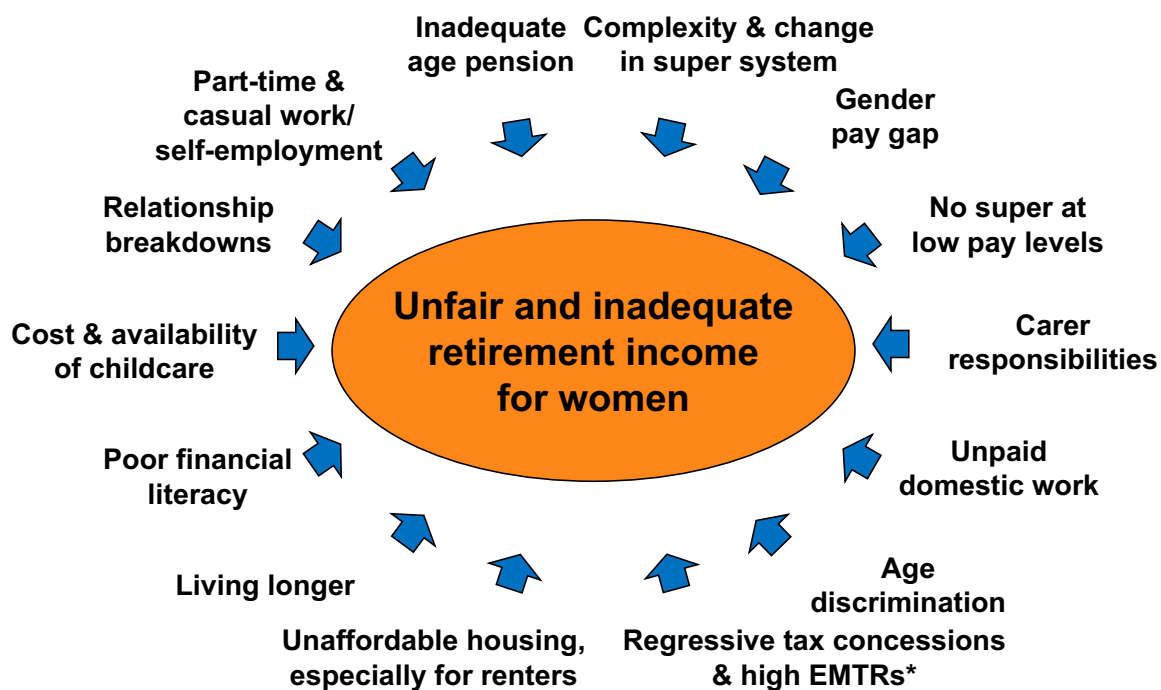


Figure 2. A wicked problem.

*Effective marginal tax rates

The structure of superannuation is an important underlying cause of this problem. Because superannuation contributions are a direct function of pay, the gender pay gap ensures that women's balance will be systematically lower. The most recent data from the Australian Bureau of Statistics (ABS) indicates that women's pay rates for equivalent work are 10% lower than men's, and women's total pay across the workforce (adjusted for fewer hours worked) is 31% lower (see Figure 3).

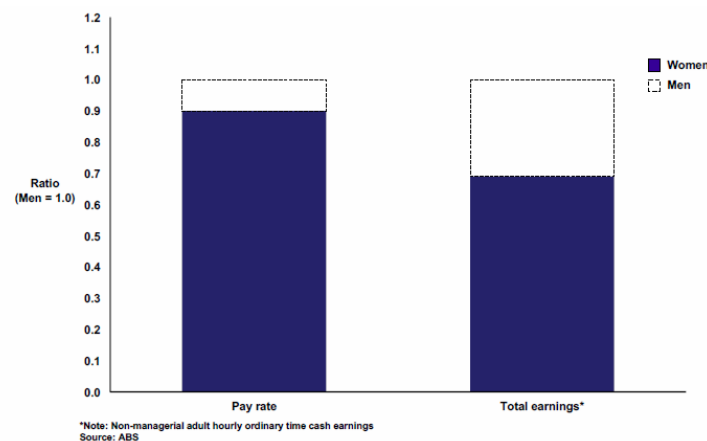


Figure 3. Ratio of non-managerial female to male pay in Australia: pay rate and total earnings (2014).

What's more, superannuation is predicated on the fact that every worker is an employee. But the rise of non-standard work means that almost a quarter of female workers (23%) aren't in a traditional permanent employment arrangement (ABS Series 6306). Instead, they are casuals, contractors, subcontractors, labour-hire workers, self-employed or on zero hours contracts. In all of these arrangements, superannuation is less likely to be paid. Women are overrepresented in the industries where these forms of precarious work are most common, with the result that the growth of these forms of work hits women's retirement incomes hardest.

Analysing the ASU survey data

We now turn to the analysis of the 3,021 respondents from the second survey, in October 2016. We first examine respondents' estimated superannuation balances by gender and age bracket. In Figure 4, we see that women dominate the lower superannuation balance brackets, while men almost exclusively occupy the upper ones.

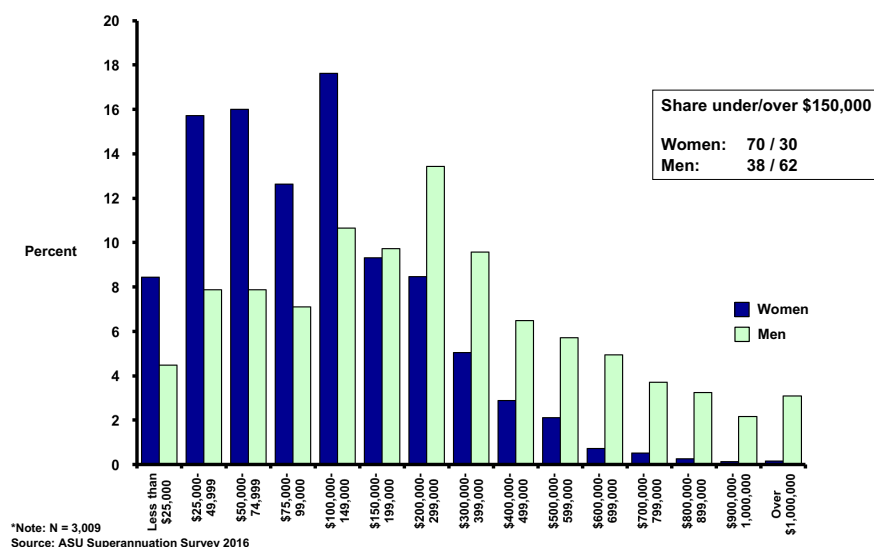


Figure 4. "What do you estimate your current superannuation balance to be?"

Over 70% of women have estimated balances under \$150,000 while less than 38% of men do. 23% of men have balances over \$500,000 while less than four percent of women hold such balances. Conversely almost a quarter of all women have balances less than \$50,000.

One contributing factor to women's lower balances is that they tend to spend less time in the workforce than men, and therefore have less opportunity to contribute to superannuation accounts. In part, this is because of their caring responsibilities, either for children or other relatives. Amongst our October 2016 survey respondents, over 55% of women had experienced periods out of the workforce in order to care for family members. By contrast, less than 12% of men had taken time off for similar reasons (see Figure 5).

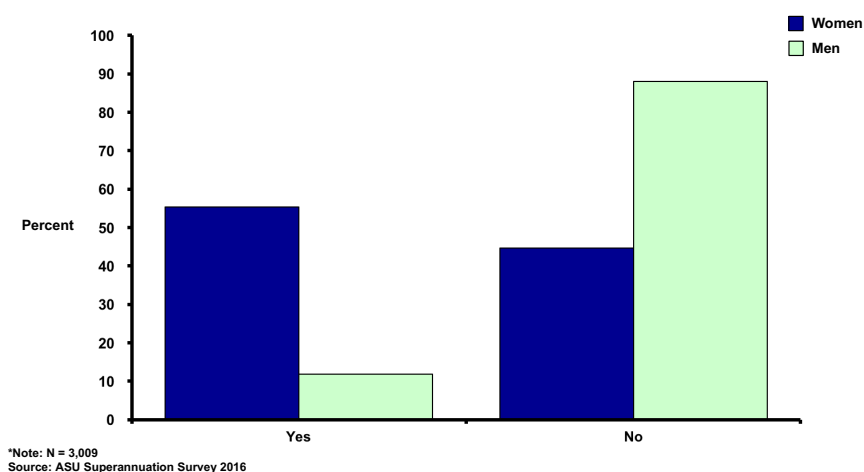


Figure 5. “Have you had periods out of work to care for children or other relatives?”

Not only do far more women take periods out of work to care, but they are away from the workforce for far longer when they do. Two-thirds of men who take time out are away from work for less than one year, but only one-fifth of women take so little time away. Almost 45% of men are away from work for fewer than three months. By contrast, over a quarter of women are out of the workforce for more than six years (see Figure 6). This has a dramatic effect on these women's capacity to contribute to their superannuation accounts.

The gender divide in the impact of having children on superannuation balances is striking. One surprising finding from the analysis of the HILDA survey was that there is a positive relationship between number of children and superannuation balance in men but a negative one in women. The positive relationship between male superannuation balance and number of children is somewhat puzzling but may reflect a cultural norm that men with kids are seen as more reliable and committed employees and are therefore promoted and earn higher salaries, while mothers are treated in the opposite fashion. This is supported by the statistics on income distribution which show men with kids at the top, childless people close together and mothers at the bottom.

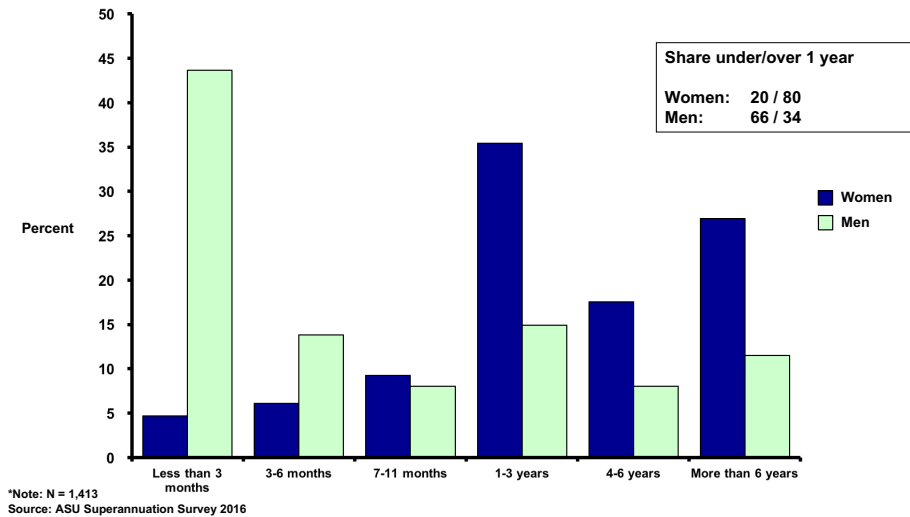


Figure 6. “If you have taken leave to care for children or other relatives, how long were you out of the workforce?”

Another factor that affects superannuation balances is the capacity of workers to make additional contributions above the minimum Superannuation Contribution Guarantee (currently 9.5%). We examined the gender difference in these extra contributions amongst respondents of the 2016 survey. Of those who are able to make such contributions, two-thirds of women contribute less than \$300 per month, while only 43% of men make such small contributions. In fact, 42% of men contribute over \$500 per month, and almost half of these contribute more than \$1,000 per month (see Figure 7).

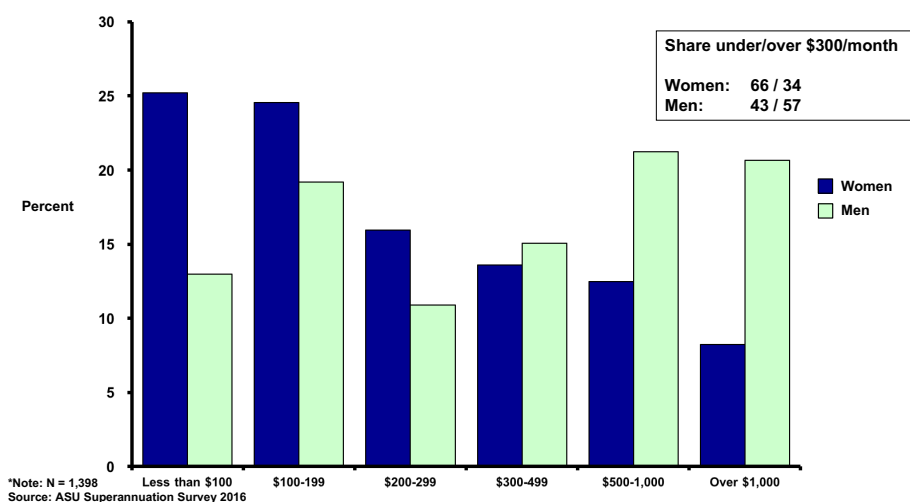


Figure 7. “If you do contribute above the minimum superannuation contribution, how much extra do you contribute each month?”

A further determinant of financial wellbeing in retirement is the ability to save outside of superannuation. Alongside superannuation and the age pension, such savings are considered the ‘third pillar’ of Australia’s retirement system. In the 2016 survey, we asked respondents whether they held additional savings outside of superannuation and the family home and if so, how much.

61% of men held some savings outside super, while 56% of women did so. While this gap is not so large, what is striking is the difference in the value of savings they hold. Of those who hold any such savings, 57% of women hold less than \$50,000 while only 48% of men fall under this level. Of women who hold these savings, more than a quarter have less than \$10,000 (see Figure 8).

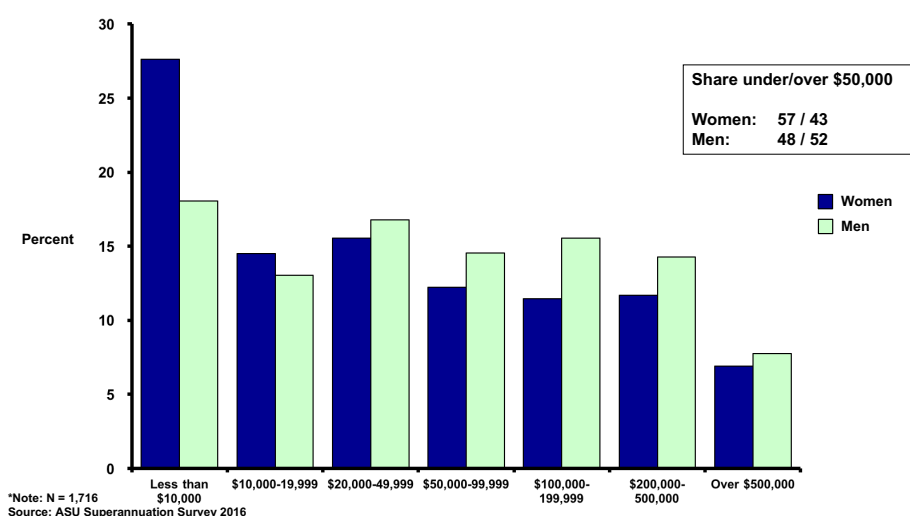
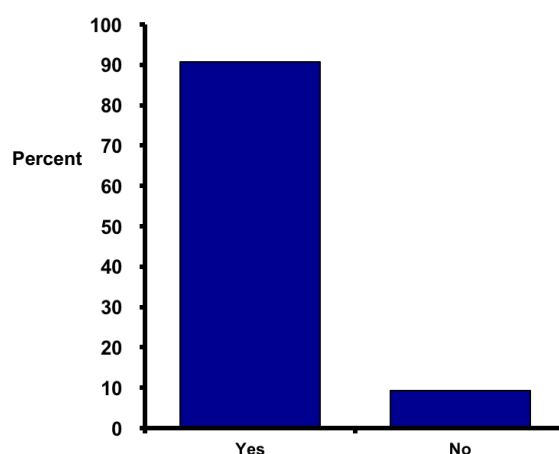


Figure 8. “If you do hold any private savings and investments outside your superannuation account and your family home (including with a partner), what is their value?”.

Finally, we asked respondents about specific measures to assist women and other low-income earners boost their superannuation savings. In the 2015 survey, one of the strongest opinions expressed was for the retention of the Low Income Savings Contribution (LISC). 91% of respondents were in favour of retaining LISC beyond its scheduled cessation date (see Figure 9). Understandably, there was much relief when the Turnbull Government agreed to retain the basic concept, albeit with a different name.



*Note: N = 1,521
Source: ASU Superannuation Survey 2015

Figure 9. “Do you think the low income superannuation contribution (LISC) is a good way forward for low income earners to boost retirement financial security, and should be retained beyond 2017?”

The 2015 Survey provided a host of additional views on the merits of LISC. Respondents felt that it was a vital addition for low-income earners, but that it was set too low at \$500 p.a.

“...Any moves by government to place more money into low income earners pockets is good...”

“...Very grateful for the \$500 p/a but it is just not enough considering my circumstances....”

“... providing low-income women extra \$500 per year will not be enough to adequately prepare for retirement.....”

“... It’s better than nothing but a measly couple of hundred dollars being contributed into a low income earner’s superfund each year is hardly going to break the person’s poverty cycle in retirement.....”

Many argued that low-income earners should pay less tax and that LISC should be funded by removing high earners’ tax concessions.

“...take the tax off all contribution...”

“... if people are on low incomes, they shouldn’t have to pay tax on super contributions. The tax free threshold should be higher, people on low incomes spend almost all if not all their income, and so are paying plenty of GST....”

“...could fund it by reducing super tax breaks to the wealthiest...”

The causes of the gender super gap:

HILDA and ABS data analysis

We used the two ASU survey results and information from the existing literature to guide our analysis of data sets from the Australian Bureau of Statistics (ABS) and the Household Income and Labour Dynamics in Australia (HILDA) surveys.

Clearly, superannuation is determined by salary over a lifetime. Women's salaries are, on average, lower than men's⁶, therefore they will accumulate less superannuation. In fact, superannuation amplifies the problem of gender pay inequality by compounding the gap over the course of a working life. Teasing apart exactly why women earn less and the impact of the different factors on retirement balances and incomes is, however, quite complicated.

The motherhood gap

We began this analysis by examining the impact of age, education, relationship status, number of children, industry, occupation, hours worked, time taken out of work, debt, household income and pay rate on the gap between men's and women's incomes. While all of these variables have an impact, we found that almost all of that impact was explained by parenthood. In other words, mothers are more likely to have characteristics in many of the above variables that reduce their income (and therefore superannuation) than fathers or men and women without children.

In almost every aspect of the gender pay gap and the superannuation gap we find that being a parent is negatively associated with women's pay and super while it is positively associated with men's pay and super. When couples have children, the woman usually takes more time off work than the man and she also is more likely to return to part-time work than full-time. By contrast, fathers are more likely to be full-time workers than men who are not parents. That said, even when women do return to full-time work, they earn less than men and less than women who do not have children. Traditional gender roles within the family are still very much in place in modern Australia.

There has been a substantial focus on the motherhood gap in other OECD countries but it has been given relatively little attention in Australia. One of the explanations for the motherhood gap in Australia is the very steep effective marginal tax rates (EMTRs) faced by second earners with children as a result of the withdrawal of family tax benefits⁷. Unlike personal income tax, family tax benefits are assessed on household income. This means that a parent returning to work who has a partner already working full-time is likely to see family tax benefits decline with every dollar they earn. If childcare is required for the mother to work, and we consider that part of the EMTR then the rate can be over seventy percent. In other words, circumstances exist where mothers who return to work can end up with less than thirty cents in the dollar in their pocket.

All of these factors add up to create a substantial motherhood superannuation gap (see Figure 10).

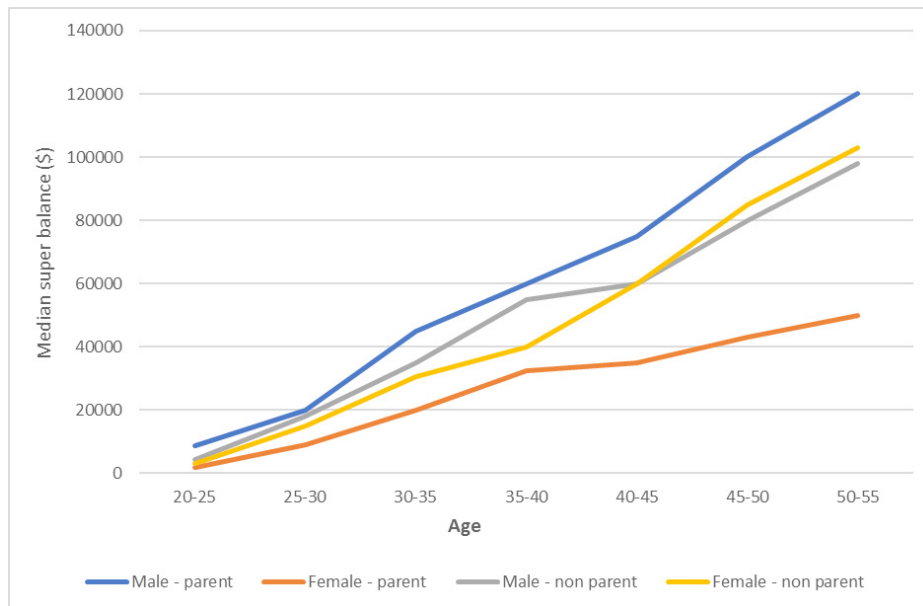


Figure 10. Median superannuation balances - parents and non-parents by age bracket.

Part-time work

A far greater proportion of women work part-time than men (see Table 1). This is clearly a very substantial factor in determining the superannuation gender gap as fewer hours means less pay and less superannuation.

Table 1. Median hours worked and percent part-time: HILDA.

	Median hours worked	Percent part-time
Male parent	40	0.12
Female parent	32	0.52
Male without children	40	0.21
Female without children	38	0.28



Figure 11. Percentage female employees and percentage of workers full-time by industry.

Substantial variation exists between industries with respect to the distribution of part-time work (Figure 11). Even in industries dominated by women where the proportion of workers who are part-time is very high, married men are still far more likely to work full-time. They are also more likely than the women in such industries to be in senior management positions.

Disentangling causes from effects in these situations is very difficult. Are women less likely to be in management positions because many mothers choose part-time work to balance family responsibilities and management positions are primarily full-time, or are management positions primarily full-time because they are male-dominated?

The gender pay gap

Because most people's superannuation balances are almost entirely determined by their compulsory contributions based on a percentage of their salary, the superannuation gap is, largely, the result of the gender pay gap.

The gender pay gap takes multiple forms: women are paid less than men for doing the same work; women are less likely to be in high level (and therefore highly paid) positions than men in many industries and occupations; and women are more likely to work part-time than men.

These three different factors are often rolled into one when figures are reported on the gender pay gap. Part of the reason for this is that disentangling them is surprisingly difficult. In part this is because paying a woman less than a man to do the same work is illegal and so collecting data on it is notoriously difficult. Whether someone is earning less because they are not as competent or because their employer is discriminating against them (consciously or subconsciously) is almost impossible to determine on a large scale. That said, we do know that this kind of gender pay gap exists; what we don't know is the scale of the problem.

Again, the analysis of the HILDA survey data highlighted the importance of motherhood in explaining the gender pay gap. Mothers have lower salaries than women without children, and lower than men without children. By contrast, fathers, on average, have the highest salaries of the four groups (Figure 12).

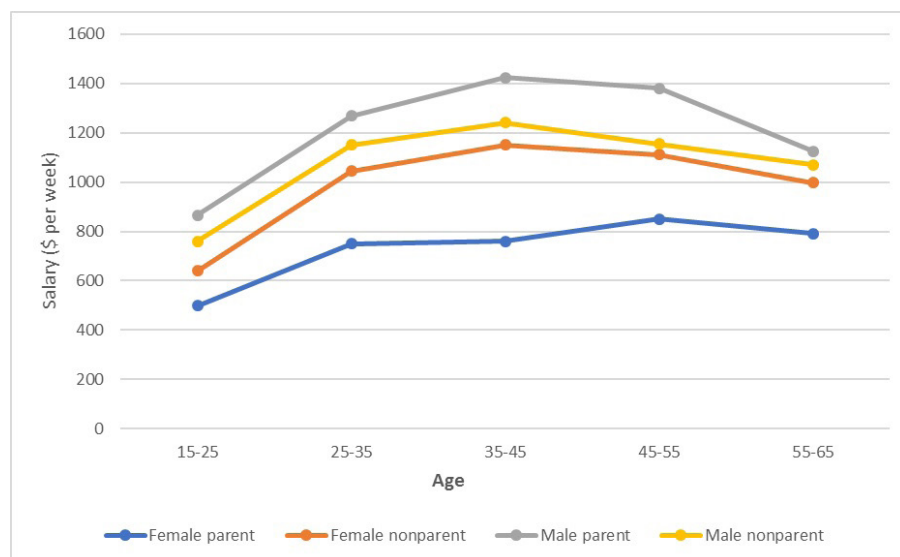


Figure 12. Salary - parents and non-parents by age bracket.

Some of this difference is explained by the fact that many more mothers are part-time workers than people in the other three groups. However, even when we look only at full-time workers, the same pattern persists (Figure 13).

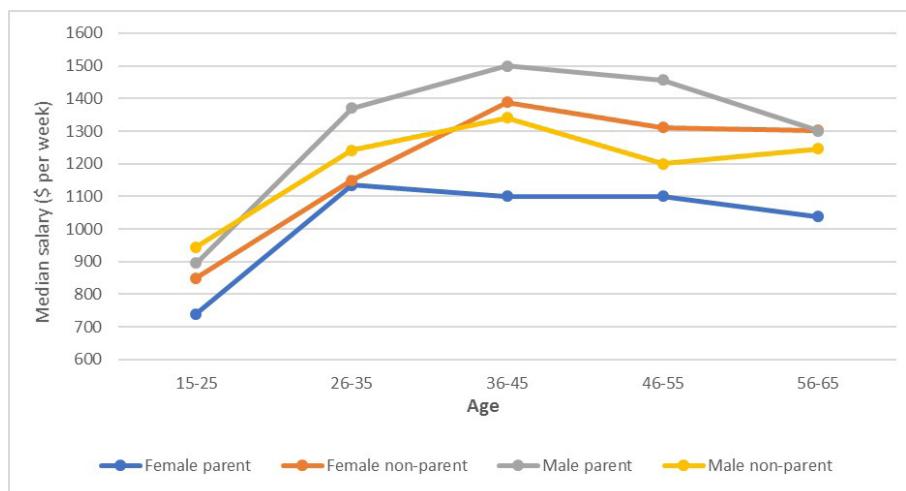


Figure 13. Full-time salaries - parents and non-parents by age bracket.

Many more women are part-time workers, including both casual and permanent part-time than men and, as discussed above, more women take time out from working and take longer breaks from employment than men. These factors combine with lower rates of pay and the overrepresentation of women in lower paying jobs to explain a large proportion of the superannuation gender gap.

Conclusion

What can we do?

A host of research, both our own cited above and many others', demonstrates that our superannuation system is not serving women well. This failure has many causes, and is reflective of fundamental structural issues within our society. It is indeed a wicked problem.

Per Capita has previously argued for the importance of reducing regressive tax concessions irrespective of gender and we stand by that position, although we will not elaborate on it here⁸. We will simply say that the savings from addressing these concessions would be appropriately directed towards funding the policy recommendations we make below. High income men benefit disproportionately from the very generous taxation concessions related to superannuation.

Given the multiple causes of the problem, there is no silver bullet solution that will improve superannuation outcomes for women. Instead the best response will be a combination of smaller interventions.

There are various ways policymakers might target these interventions:

- interventions might target all women in work; or
- they might target only women who have low incomes and/or low superannuation balances; or
- they might target all people with low incomes and/or balances.

We do not believe targeting all women is a good idea, as it will also direct public resources to some women who do not need them. Given many of the causes of the gender superannuation gap are a result of parenting commitments, targeting women specifically would also create a disincentive for fathers to take on the role of primary carer.

There are some arguments for targeting low income/low balance women only, as they face distinctive barriers that even men in the same financial position do not. However we also wish to avoid creating a situation where we reverse the current predicament and end up with most full-pensioners being men because low income men don't receive superannuation top-up assistance. For this reason, we have focused on all low income/low balance individuals in framing our recommendations.

The accumulation pathway

How should we approach any interventions? What superannuation balance is too low? How do we assess when intervention is justified?

To help answer these questions, we draw on an idea we call the 'accumulation pathway'. This pathway maps the superannuation balance at any given age that a person should hold in order to expect a basic living standard in retirement based on a combination of superannuation and the age pension. Here we describe an indicative example of an accumulation pathway and explain how this approach could be used as a guide for superannuation policy.

The Association of Superannuation Funds of Australia (ASFA) have used a budget standards approach to construct retirement standards. These are in Table 2.

	Single	Couple	Single	Couple
	Modest lifestyle		Comfortable lifestyle	
Income required per year*	\$23,996	\$34,560	\$43,372	\$59,619
Super balance required at retirement	\$50,000	\$35,000	\$545,000	\$640,000

Table 2. ASFA retirement standards for 65 year olds in September 2016.⁹

*Note: This required income assumes that retirees own their own homes outright. The superannuation balances listed here also assume an ongoing reliance on full or part Age Pension.

These indicative retirement standards give us a benchmark against which to measure our recommendations regarding adequate superannuation balances.

If we assume that somebody works full time from age 18 to age 65, earns the minimum wage (assumed to have zero real wage growth) for their entire working life, makes Superannuation Guarantee contributions at 9.5% and gets a real return (net of fees and charges) on their superannuation account of 3% then their balance would be \$347,000 (in today's dollars) at age 65. While the assumption of zero real wage growth of the minimum wage is not realistic, this underestimate both simplifies the assumptions and allows for short periods of unemployment or other absence from the workforce.

This balance of \$347,000 allows for an annual income (part superannuation and part Age Pension) of about \$38,500 up until the age of 90 with the full Age Pension as the fallback after that. These figures assume the person is single – which is important to assume even for couples to insure against relationship breakdown. We suggest this position, substantially higher than the ASFA modest standard and about \$5,000 less than the comfortable standard, as an acceptable target accumulation pathway with the minimum wage for an uninterrupted career providing a modest benchmark. The accumulation pathway is shown in Figure 14.

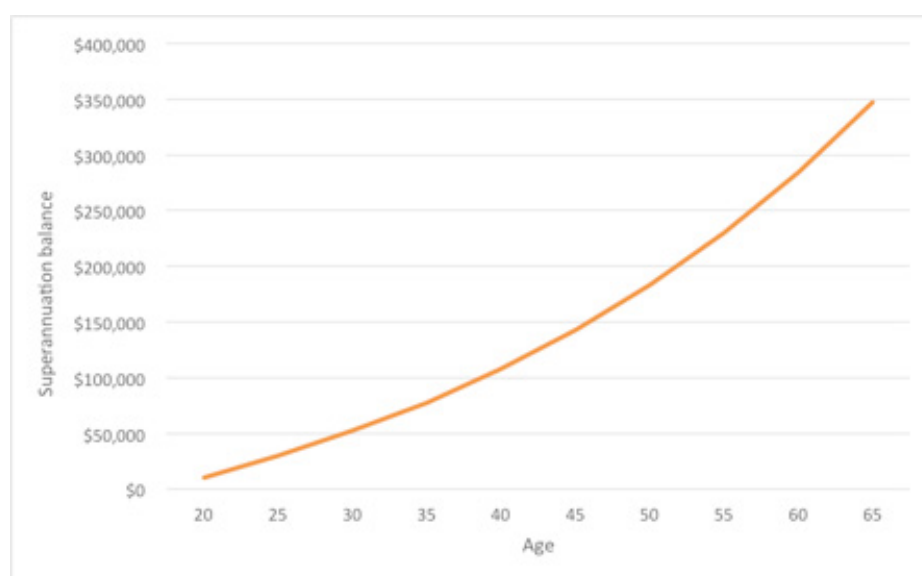


Figure 14. An indicative superannuation accumulation pathway.

Our interventions are designed to close (or narrow) the deficit between an individual's account balance and that pathway. The superannuation system is predicated on someone being in work, so in most cases we would require a minimum amount of work over a year (say 20 hours per week), in order to warrant contributions towards closing the gap. We would endorse a very broad definition of the word work here to include caring and child-rearing and include exceptions where people are unable to work due to circumstances beyond their control.

We have considered possible interventions from the perspective of government, of employers and of the superannuation funds. What can each of these groups do to provide low-income, low-balance women with the support they need?

We also wish to ensure that any measures we propose don't have unintended, negative discriminatory effects. The response to a superannuation system that is not working for women must not be to marginalise women even further.

With those parameters in mind, we propose the following menu of recommendations for action by each of the key actors.

Recommendations

For the Federal Government, we propose:

- 1) a superannuation contribution on top of the carer payment for all carers (male and female) below the accumulation pathway;
- 2) a superannuation contribution at the prevailing SGC rate for the government's paid parental leave scheme;
- 3) a co-contribution top-up of 2.5% of income, paid annually, for account holders more than 5% below the accumulation pathway. This top-up would be phased out on a sliding scale as balances approach the accumulation pathway;
- 4) retention of the Low Income Superannuation Tax Offset (formerly LISC), with an increase of the maximum tax repayment to \$1,000;
- 5) removal of 15% contributions tax for all men and women more than 10% below the pathway;
- 6) elimination or reduction of the minimum threshold for compulsory employer contributions of \$450 per month in earnings;
- 7) structures and incentives that encourage superannuation contribution sharing when only one parent is working, and specifically that make it easier and more acceptable for men to take time out from work to share the caring burden;
- 8) reduction of the effective marginal tax rates faced by second earners returning to work after having children. One option for achieving this aim is to make Family Tax Benefit payments universal for all parents while increasing the top marginal tax rates such that the overall impact is revenue neutral. In addition, improved access to and affordability of childcare would increase the financial incentive for women to return to work;
- 9) inclusion of a superannuation component in Family Tax Benefit B. FTB B is already calculated on the basis of one parent having a low income. This information could inform a superannuation payment schedule for parents who are below the superannuation accumulation pathway.
- 10) mandatory publicly reported gender analysis of government policies and programs, including, but not limited to gender-based budget analysis;
- 11) prompt implementation of the planned increase in the Superannuation Contribution Guarantee rate to 12%.

For unions, employers and employees, we propose:

- 12) a negotiated co-contribution of 1.5% under awards and Enterprise Bargaining Agreements (EBAs) for all staff more than 5% below the accumulation pathway (this is administered ex post facto so it does not discriminate by affecting individual hiring decisions);
- 13) provisions in EBAs for employers to pay superannuation on all parental leave, except for the government's paid parental leave scheme (see Recommendation 2 above);
- 14) offering financial literacy courses for all employees;
- 15) boosting awareness of default fund choice for employees' superannuation. Default settings are adopted by the majority of superannuation account holders and can have a very substantial impact on retirement balances, particularly for low income earners;
- 16) reducing the gender pay gap by providing flexibility for all workers so that men are more likely to take time out from work to care for children and other relatives and contribute more to other unpaid domestic work. Included in this must be a program of cultural change, increasing the acceptance of, and value of, part-time work for all workers.

For superannuation funds, we propose:

- 17) a fee discount (either in basis points or percentage) for all account holders more than 10% below the accumulation pathway (this might involve lifting fees on other account holders);
- 18) a fixed maximum fee for all account holders below the accumulation pathway;
- 19) a fee-free period up to 12 months for parents on parental leave;
- 20) free financial literacy education for all low-balance account holders.

Even if each of these proposals were adopted, they would be unlikely to completely level the playing field for women in the foreseeable future. But, taken together, we believe that these interventions will go a considerable way towards closing the stark retirement income gap faced by women in Australia today.

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Note: This paper uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Project was initiated and is funded by the Australian Government Department of Social Services (DSS), and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views reported in this paper, however, are those of the authors and should not be attributed to either DSS or the Melbourne Institute.

Appendix: The surveys

Survey 1: Conducted August 2015

Improving women's economic security in retirement

Q1 Which state or territory do you work in?

Q2 What is your age bracket?

- Under 25 years
- 25-34
- 35-44
- 45-54
- 55-64
- 65 and over

Q3 What is your employment status?

- Full-time
- Part-time
- Casual
- Self-employed
- Unpaid household work
- Unemployed
- Retired
- Other (please specify)

Q4 Are you a current member of the ASU? If so, please select your Branch.

- No, I am not a current ASU member
- No, but I am a former ASU member
- Yes, I am a current ASU member but I'm not sure which Branch
- NSW United Services Branch
- NSW & ACT (Services) Branch
- QLD (Services & Northern Admin) Branch
- QLD Together Branch
- SA & NT Branch
- Taxation Officers' Branch
- VIC & TAS Authorities & Services Branch
- VIC Private Sector Branch
- WA Branch

Q5 Are you a current member of another union?

- No, I am not a current member of another union,
- No, I have never been a union member,
- Yes, please specify which union

Q6 What is your gender?

- Female
- Male
- Other

Q7 Do you identify as Aboriginal or Torres Strait Islander?

- Yes
- No

Q8 Do you identify as LGBTIQ (lesbian, gay, bisexual, transgender, intersex or queer)?

- Yes
- No

Q9 Is English the main language spoken at home?

- Yes
- No

Q10 Do you have a serious illness or disability that affects your ability to work?

- Yes
- No

Q11 Do you have primary carer responsibilities? Please select all that apply.

- No
- Preschool and/or School aged children
- Disabled or seriously ill school aged children
- Disabled, seriously ill or elderly adults, eg. frail parents, disabled adult children
- Other (please specify)

Q12 How many years have you been in paid employment?

- Less than 5 years
- Between 5 and 9 years
- Between 10 and 19 years
- Between 20 and 29 years
- Between 30 and 49 years
- 50 years or more;
- Not applicable

Q13 Your current average gross income (before tax is deducted).

- Less than \$200 per week (or less than \$10,400 per year)
- Between \$200 and \$499 per week (or between \$10,400 and \$25,948 per year)
- Between \$500 and \$999 per week (or between \$25,949 and \$51,948 per year)
- Between \$1000 and \$1499 per week (or between \$51,949 and \$77,948 per year)
- Between \$1500 and \$1999 per week (or between \$77,949 and \$103,948 per year)
- More than \$2000 per week (or more than \$103,949 per year)
- Not applicable / retired

Q14 Does your workplace have any arrangements which can improve the income and retirement savings outcomes of employees? Please select all that apply. (If you are retired, answer for your last employer.)

- No, my workplace has no arrangements of that kind
- I don't know
- Provides paid parental leave
- The Employer continues to pay the superannuation contribution while workers are on paid parental leave
- Long service leave continues to accrue throughout parental leave
- Flexible working arrangements are available (such as being able to work part-time, flexible hours or work from home)
- A retirement education program is available
- An education program tailored for challenges faced by women is available
- Other (please specify)

Q15 Which of the following actions are likely to enable women to have better savings and superannuation outcomes?

- Improve access to affordable child care
- Institute family friendly policies and practices which are equally available to men and women
- Ensure women are not discriminated against in employment opportunities
- Ensure men and women are paid fairly and equitably
- Ensure women are not disadvantaged by workplace policies, practices or agreements;
- Use affirmative action or quotas to ensure equitable workplace; participation for women
- Ensure that women have equitable access to training and career advancement
- Ensure access to paid parental leave

Q16 Have you accessed the Low Income Superannuation Contribution (LISC), a scheme that reduces the tax low income earners pay on their super contributions (this will be removed by the Federal Government in 2017). Click here for more info about the LISC from the ATO (this information will open in a separate window).

- Yes
- No
- I don't know

Q17 Do you think the Low Income Superannuation Contribution (LISC) is a good way forward for low income earners to boost retirement financial security, and should be retained beyond 2017? Click here for more info about the LISC from the ATO (this information will open in a separate window).

- Yes
- No

Q18 When do you plan to retire?

- I am retired
- In less than 5 years
- Between 5 and 9 years
- Between 10 and 19 years
- 20 or more years from now
- I don't know

Q19 From the point of view of financial security, what impact do you expect retirement to have on your life? Please select all that apply. (If you are retired, please answer about your experience.)

- Retirement will not affect my quality of life (ie. my estimated retirement income is sufficient to maintain my lifestyle)
- Home owners: I will need to sell my home either to fund my retirement or reduce mortgage repayments
- Renters: I will not be able to afford to stay in my current home and will need to move to a cheaper alternative
- No more holidays away
- Fewer or cheaper holidays away
- I won't be able to afford to keep a car due to running costs
- I will need to sell assets, eg. the car, jewellery, etc, to help fund my retirement
- I won't be able to eat out anymore
- I will need to eat out less often and/or at cheaper venues
- I won't be able to buy new clothes; I will be buying fewer new clothes
- I will have difficulty paying for health costs and/or medicine;
- I don't know what impact retirement will have
- Other impacts (please specify)

Q20 Do you think you will have sufficient finances (eg. in savings and/or superannuation) to enable you to retire comfortably? If you are already retired, did you have sufficient finances?

- Yes
- No
- I don't know

Q21 How important is superannuation to your retirement plans?

- Highly important
- Important
- Somewhat important
- Not important
- I don't know

Q22 Do you keep track of how much is in your superannuation account/s?

- Yes, I examine my statements every year
- Yes, I have a look at my accounts from time to time
- No, I don't keep track at all
- I don't have any superannuation

Q23 Have you ever been actively interested in your super account by doing any of the following (please select all that apply):

- Contacted the super fund for information
- Rolled over super funding into another super account
- Found out how to locate lost super
- Made salary sacrifice payments into super
- Changed superannuation funds to reduce fees or improve my situation
- Participated in a superannuation education program
- Made additional voluntary contributions to a super fund
- I have sought professional financial advice
- Other (please specify)

Q24 Do you think more should be done to improve the financial security in retirement of people who spend long periods out of the paid workforce, eg. to be primary caregivers to children and/or ill/elderly family members? Please select all that apply.

- No, enough assistance is available
- Yes, employers should do more
- Yes, the Federal Government should do more
- I don't know

Q25 Should superannuation tax be changed around to give more benefit to low income earners and disadvantaged members of the community instead of the current system where high income earners receive extra benefits (ie. tax concessions)?

- Yes
- No
- I don't know

Q26 Are there any other comments you wish to make relating to women's financial security in retirement?

Open answer.

Survey 2: Conducted September 2016

1) What do you estimate your current superannuation balance to be?

- Less than \$25,000
- \$25,000-50,000
- \$50,000-75,000
- \$75,000-100,000
- \$100,000-150,000
- \$150,000-200,000
- \$200,000-300,000
- \$300,000-400,000
- \$400,000-500,000
- \$500,000-600,000
- \$600,000-700,000
- \$700,000-800,000
- \$800,000-900,000
- \$900,000-1,000,000
- Over \$1,000,000

2) Do you regularly contribute amounts to your superannuation account above the required minimum (i.e. salary sacrifice)? If yes, how much per month?

- Less than \$100/month
- \$100-200/month
- \$200-300/month
- \$300-500/month
- \$500-1,000/month
- Over \$1,000/month

3) Do you 'top up' your superannuation account with any spare funds at least once a year? If yes, how much

- Less than \$1,000
- \$1,000-2,000
- \$2,000-5,000
- \$5,000-10,000
- \$10,000-15,000
- \$15,000-20,000
- Over \$20,000

4) Have you experienced any difficulty in getting employers to pay your superannuation entitlements on time or in full?

- Yes
- No

5) Do you hold your superannuation account with: a retail fund; an industry fund; a self-managed super fund; other (please nominate); don't know.

- Retail fund
- Industry fund
- Self managed super fund
- Other (please state)
- Don't know

6) Did you choose this fund yourself or was this the default fund of your employer?

- I chose this fund myself
- It was the default fund of my employer
- Don't know

7) Do you actively manage your superannuation fund or do you use the fund manager's default settings?

- I actively manage my superannuation fund
- I use the fund manager's default settings
- Don't know

8) Which of the following best describes your employment situation?

- Full time
- Permanent part time
- Casual
- Unemployed
- Retired or on disability pension

9) If you work, do you work directly for one employer, directly for more than one employer, for a labour hire agency or for yourself?

- Directly for one employer
- Directly for more than one employer
- For a labour hire agency
- For myself
- Don't work

10) Have you had periods out of work to care for children or other relatives (including the government paid parental leave scheme)? If so, how long?

- Less than 3 months
- 3-6 months
- 6-12 months
- 1-3 years
- 3-5 years
- Over 5 years

11) Do you expect your salary/wage to grow faster than inflation between now and when you retire?

- Yes
- No
- Don't know

12) Do you currently own your own home? Outright? With a mortgage? Not at all?

- Outright
- With a mortgage
- Don't own a home

I3) Do you hold any private savings and investments outside your superannuation account and your family home (including with a partner)? If so, what is the total value of these?

- Less than \$10,000
- \$10,000-20,000
- \$20,000-50,000
- \$50,000-100,000
- \$100,000-200,000
- \$200,000-500,000
- Over \$500,000

I4) Do you regularly set aside money for savings outside of superannuation and mortgage repayments? If so, how much per month?

- Less than \$100/month
- \$100-200/month
- \$200-300/month
- \$300-500/month
- \$500-1,000/month
- Over \$1,000/month

I5) At what age do you currently plan to retire?

- Less than 50
- 50-55
- 55-60
- 60-65
- 65-70
- 70-75
- Over 75

I6) Have you previously revised your planned retirement age due to unforeseen circumstances? Upwards or downwards

- Yes, upwards
- Yes, downwards
- No

I7) Do you expect that when you retire you will own your home? Outright? With a mortgage? Not at all?

- Outright
- With a mortgage
- Don't own a home

I8) If you have children, do you expect that when you are in retirement, you will help them financially, they will help you financially, or neither?

- I will help them financially
- They will help me financially
- Neither
- I don't have children

Demographic questions:

- Age
- Gender
- Relationship status
- State
- Annual household income
- Employment code



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IDEAS FOR A FAIR AUSTRALIA