



February 2020

Retirement Income Review

The retirement Income Review has identified four principles to assess the performance of Australia's retirement income system. The Workplace Gender Equality Agency would like to provide a submission under the principle of Equity.

Adequacy – whether the system allows for Australians to achieve an adequate standard of living in retirement.

Equity – whether the system produces fair outcomes for different groups of Australians.

Sustainability – whether the system is able to continue to meet its objectives into the future and maintain broad community support.

Cohesion – whether the incentives across the system reinforce or conflict with the system's objectives both before and during retirement.

Consultation questions for the principle of Equity

1. What should the Panel consider when assessing the equity of the retirement income system?
2. What factors and information should the Panel consider when examining whether the retirement income system is delivering fair outcomes in retirement? What evidence is available to assess whether the current settings of the retirement income system support fair outcomes in retirement for individuals with different characteristics and/or in different circumstances (e.g. women, renters, etc.)?
3. Is there evidence the system encourages and supports older Australians who wish to remain in the workforce past retirement age?
4. To what extent does the retirement income system compensate for, or exacerbate, inequities experienced during working life?
5. What are the implications of a maturing SG system for those who are not covered by compulsory superannuation?

Key points

- While the superannuation gap is narrowing, women still have less superannuation savings than men.
- The gender pay gap as well as limitations and interruptions to women's workforce participation decrease their accrual of superannuation savings.
- Women will continue to face financial insecurity in retirement unless the gender imbalance in earnings and unpaid care work is addressed.

The three pillars of the Australian retirement system – the Age Pension, compulsory superannuation, and voluntary savings – aim to provide people with adequate income in retirement. This submission will focus on the second pillar of the Australian retirement income system, compulsory superannuation, and consider the gender inequities that exist in the superannuation system.

Australia's superannuation system has a global reputation. It has contributed to the country's financial stability and to the well-being of Australians in retirement.¹ At the same time, it has been acknowledged that women are more likely to face economic insecurity and poverty in retirement as a consequence of inadequate superannuation balances.² This is because, although compulsory superannuation has provided women with greater access to superannuation, the current framework does not account for women's experiences in the workplace.³

Women have lower lifetime earnings and are more likely to work part-time or in more precarious forms of employment and to take time out of the workforce for unpaid caring responsibilities. These factors affect women's ability to accrue superannuation savings.⁴

While the gender gap in superannuation savings has been narrowing,⁵ women retire with less superannuation savings than men. According to 2016-17 figures from the Australian Taxation Office (ATO), women's superannuation account balances are 20.5% lower than those of men at retirement age (60-64 years).⁶ This figure reflects women's and men's median account balances, which are \$122,848 AUD and \$154,453 AUD respectively (at age 60-64).⁷ The median, or midpoint of the dataset, is considered more accurate than an average figure⁸, which can be affected by the account balances held by a few individuals.⁹

As Table 1 indicates, the superannuation gap persists across all age groups.

¹ Parkinson, M (2012) 'Future Challenges: Australia's Superannuation System', Speech to ASFA 2012 Conference—New Directions, Sydney, viewed 5 February 2020, available: https://treasury.gov.au/sites/default/files/2019-03/ASFA_2012_New-Directions_Speech.pdf.

² Senate Economics References Committee (2016), Report—'A husband is not a retirement plan': Achieving economic security for women in retirement. Viewed 5 February 2020, available: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Economic_security_for_women_in_retirement/Report.

³ Senate Economics References Committee (2016).

⁴ Senate Economics References Committee (2016).

⁵ See Clare, R (2019), Better Retirement Outcomes: a snapshot of account balances in Australia, July 2019, ASFA Research and Resources Centre, viewed 8 January 2020, available: <https://www.superannuation.asn.au/ArticleDocuments/359/1907-Better-Retirement-Outcomes-a-snapshot-of-account-balances-in-Australia.pdf.aspx?Embed=Y>.

⁶ Figure calculated using data from Australian Taxation Office (ATO) (2020), Taxation Statistics 2016-17: Snapshot Table 5: Chart 12: Median super account balance by age and sex, 2016-17 financial year, viewed 24 January 2020, available: <https://data.gov.au/data/dataset/540e3eac-f2df-48d1-9bc0-fbe8dfec641f/resource/25ee6b65-ef8a-481a-a352-76eda97dcd06/download/ts17snapshot05indexofchartdata.xlsx>.

⁷ ATO (2020).

⁸ For ages 60-64, the average superannuation account balances are \$336,360 AUD for men and \$277,880 AUD for women, or 17.4% lower for women based on 2016-17 figures (figures calculated from Clare 2019)

⁹ Clare (2019).

Table 1: 2016 – 2017 Median superannuation account balance by Age and Gender

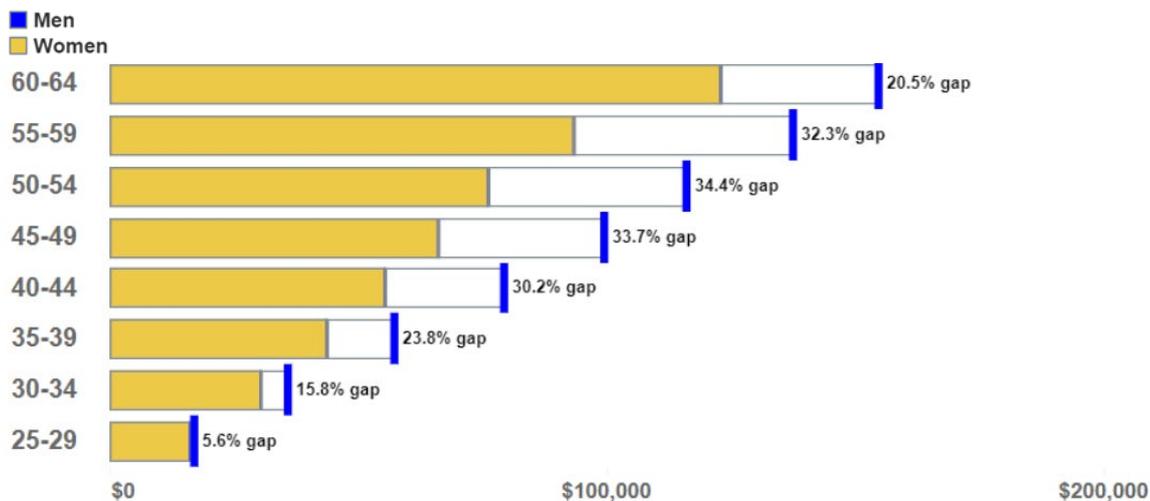


Figure 1: Data source: ATO (2020), Taxation Statistics 2016-17: Snapshot Table 5: Chart 12: Median super account balance by age and sex, 2016-17 financial year, viewed 24 January 2020, available: <https://data.gov.au/data/dataset/540e3eac-f2df-48d1-9bc0-fbe8dfec641f/resource/25ee6b65-ef8a-481a-a352-76eda97dcd06/download/ts17snapshot05indexofchartdata.xlsx>.

Data also confirms that more women than men have no superannuation savings. Currently, at retirement age (60-64 years), 23% of women have no superannuation compared to 13% of men.¹⁰ Across all age groups, 1 in 3 women have no superannuation compared to 1 in 4 men.¹¹

The gender disparities in superannuation savings are a consequence of ongoing inequities in the workplace.¹² In particular, these include the gender pay gap as well as limitations on and interruptions to women’s workforce participation.

Addressing the shortfalls in women’s earnings and workforce participation has positive outcomes for women and the nation. Women’s workforce participation contributes to national productivity and economic growth. If women are earning more in the workplace, they will accrue more superannuation savings and become less reliant on the social safety net in retirement.¹³ Achieving gender equality in the workplace will help to resolve gender inequality in the superannuation system.

¹⁰ See Clare, R (2019).

¹¹ Clare (2019).

¹² Senate Economics References Committee (2016).

¹³ WGEA (2018), The business case for gender equality, viewed 5 February 2020, available: https://www.wgea.gov.au/sites/default/files/documents/wgea-business-case-for-gender-equality_0.pdf.



How the drivers of the gender pay gap exacerbate inequalities in the superannuation system

Women earn less than men over their working lives. On average, men take home \$25,679 AUD a year more than women,¹⁴ and there are more women in lower income tax brackets.¹⁵ This means that women accrue less superannuation savings.

Australia's national gender pay gap currently stands at 14.0%.¹⁶ The gender pay gap is the difference between women's and men's average weekly full-time earnings, expressed as a percentage of men's earnings. It is not the difference between two people being paid differently for work of the same or comparable value, which refers to equal pay.

A number of factors influence the gender pay gap. These include: gender discrimination, industrial and occupational segregation, and time out of the workforce due to caring and household responsibilities.

More specifically, gender discrimination includes withholding opportunities or salary from a skilled employee on the basis of their gender. It is the most significant contributor to the gender pay gap, while differences in skills and education between women and men are considered much less of a contributor with the increase in women's educational attainment and workforce participation.¹⁷

Gender discrimination in the workplace has been observed in relation to pregnancy and parental leave as well as women's underrepresentation in leadership positions.¹⁸ WGEA data show that 39.4% of management positions are held by women, while just 17.1% of CEOs are women.¹⁹ This indicates that women have limited access to the highest paid jobs.

Secondly, industrial and occupational segregation refers to the fact that women and men often work in different industries and different jobs. Historically, female-dominated industries and jobs attract lower wages than male-dominated industries and jobs.²⁰ Data supports that men's starting salaries tend to be higher than women's starting salaries, and this difference is partly attributed to the greater likelihood that women are employed in lower paid occupations and industries.²¹

Thirdly, women are more likely to take time away from the workforce which can decrease their earnings and retirement savings. Figure 3 indicates that the gender pay gap based on average weekly full-time earnings is higher for those aged 35 years and over than for those between 20 and 34 years of age.²² Women in the later age groups are more likely to spend and have spent time out of the workforce to care

¹⁴ This is based on the Agency's dataset of 4,841 reports submitted in accordance with the *Workplace Gender Equality Act 2012* for the reporting period 1 April 2018 to 31 March 2019, which covered over four million employees across Australia, accounting for more than 40% of Australia's total labour force. See WGEA (2019), Australia's gender equality scorecard: Key findings from the Workplace Gender Equality Agency's 2018-19 reporting data, viewed 22 January 2019, available:

<https://www.wgea.gov.au/sites/default/files/documents/2018-19-Gender-Equality-Scorecard.pdf>

¹⁵ Clare (2019).

¹⁶ This figure is calculated using the Australian Bureau of Statistics (ABS) Full-Time Adult Average Weekly Ordinary Time Earnings Trend series from the Australian Weekly Earnings survey. See ABS (2019), Average Weekly Earnings, May 2019, cat. no. 6302.0, viewed 15 August 2019, available: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>.

¹⁷ KPMG, Diversity Council Australia, WGEA (2019), She's Price(d)less: The economics of the gender pay gap: Summary report, viewed 23 January 2020, available: <https://home.kpmg/content/dam/kpmg/au/pdf/2019/gender-pay-gap-economics-summary-report-2019.pdf>.

¹⁸ See Senate Economics References Committee (2016).

¹⁹ WGEA (2019), Agency reporting data, viewed 8 January 2020, available: https://data.wgea.gov.au/industries/1#gender_comp_content.

²⁰ Equal Remuneration Case: Australian Municipal, Administrative, Clerical and Services Union and others (2012), FWA 5184, Fair Work Australia, viewed 23 January 2020, available: www.fwc.gov.au/documents/decisionssigned/html/2012fwafb5184.htm; KPMG, Diversity Council Australia, WGEA (2019).

²¹ Senate Economics References Committee (2016).

²² WGEA (2019), Australia's gender pay gap statistics, viewed 22 January 2020, available: <https://www.wgea.gov.au/data/factsheets/australias-gender-pay-gap-statistics>.



for children and other family members. As a result, they have fewer promotion opportunities and are less likely than men to hold highly compensated jobs.²³

Figure 3: Average weekly full-time earnings and gender pay gap by age

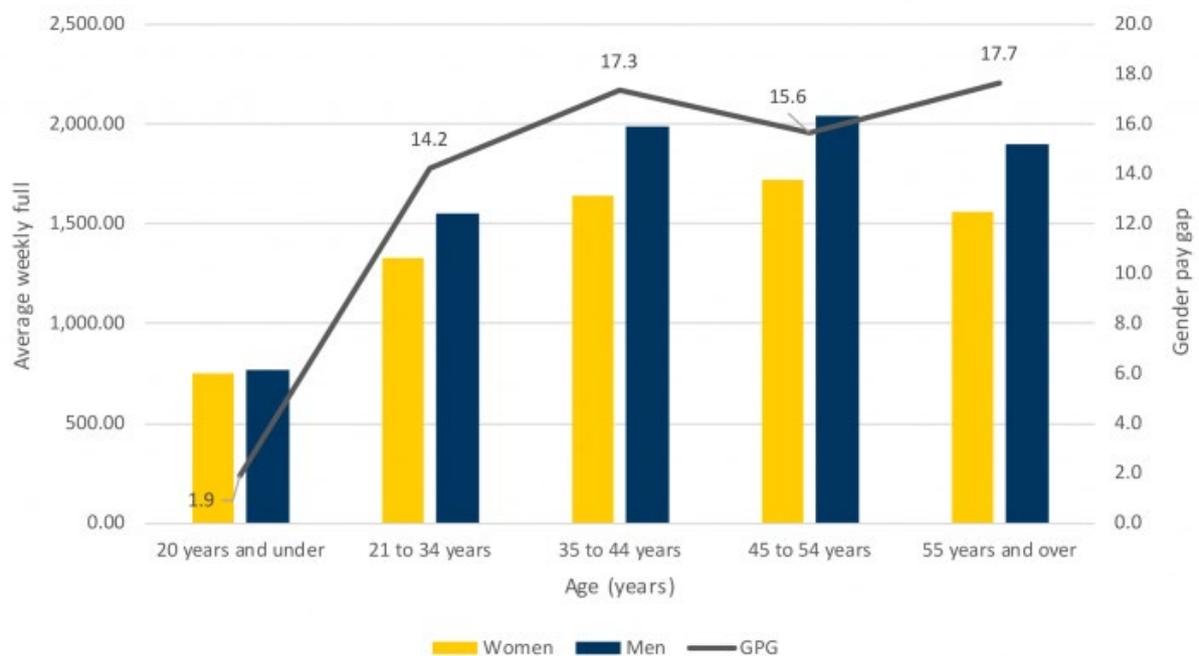


Figure 3. Data source: ABS (2019), Employee Earnings and Hours, Australia, May 2018, cat. no. 6306.0, viewed 18 February 2019, available: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/6306.0>.

The factors that influence the gender pay gap simultaneously contribute to the gender inequities in Australia’s superannuation system. In short, if women are earning less income, they are accruing less superannuation savings. Australia’s retirement income system cannot produce equitable outcomes for women and men until the gender pay gap is closed.

Gender differences in workforce participation exacerbates inequalities in superannuation savings

The current superannuation system is tied to paid work and assumes a continuous, full-time work history to accumulate sufficient funds to live comfortably in retirement.²⁴ However, this is more often the experience for men rather than for women. Women are more likely to take time out of the workforce due to unpaid caring responsibilities and to work in part-time or casual positions. Therefore, women’s annual superannuation contributions are significantly less when compared to those of a continuous full-time worker.

The current superannuation system does not account for the gender imbalance in caring responsibilities. Women spend 64.4% of their average working hours each week on unpaid work compared to 36.1% for

²³ WGEA (2019), Australia’s gender pay gap statistics, viewed 22 January 2020, available: <https://www.wgea.gov.au/data/fact-sheets/australias-gender-pay-gap-statistics>.

²⁴ Senate Economics References Committee (2016).

men.²⁵ In addition, women who are mothers take on more unpaid work associated with the household and childcare and reduce time spent on paid work.²⁶ The majority (95%) of primary carers leave is taken by mothers, while only one in twenty fathers take such leave.²⁷ However, the government paid parental leave scheme does not attract the Superannuation Guarantee, although an employer can elect to make voluntary contributions during that time.²⁸ This means that women are more likely to forgo superannuation payments for the purposes of parental leave.

In order to balance caring and earning responsibilities, women may opt for part-time employment or employment below skill level.²⁹ WGEA data finds that three in four part-time employees are female and 55.9% of the casual workforce is female.³⁰

On average, these patterns of employment attract less salary and less opportunity for advancement. For instance, individuals in such positions may earn under \$450 a month from any single employer, and therefore, they are not covered by the Superannuation Guarantee.³¹ In addition, currently only 6.4% of managerial roles are part-time.³² This impacts upon women's opportunities to move into higher paid and more senior roles, further affecting their retirement savings.

Individuals, who are not covered by the superannuation guarantee, may rely more on the Age Pension in retirement. Data supports this.³³ The Age Pension does not accrue in accordance with employment earnings. This means that women do not lose access to the Age Pension when they take time out of the workforce for unpaid care work. However, the Australian retirement system functions optimally when all three of its pillars are accessible and interact. Reliance on the Age Pension is not sustainable, particularly as the population ages and there will be less workers to support retirees accessing this form of retirement income.

The current superannuation system does not account for the gender imbalance in unpaid care work and representation in part-time or more vulnerable employment, which limits women's workforce participation and earnings.

Conclusion

The superannuation system is important to the security of Australians and can be strengthened by addressing the gender disparities that persist. In particular, strategies that address the gender pay gap and adapt to the responsibilities of unpaid care work can contribute to more equitable outcomes in retirement savings.

²⁵ See WGEA (2016), Unpaid care work and the labour market, [viewed 30 January 2020, available: https://www.wgea.gov.au/sites/default/files/documents/australian-unpaid-care-work-and-the-labour-market.pdf](https://www.wgea.gov.au/sites/default/files/documents/australian-unpaid-care-work-and-the-labour-market.pdf).

²⁶ See WGEA (2016).

²⁷ Walsh, E (2018), Fathers and parental leave, Australian Institute of Family Studies, viewed 30 January 2020, available: <https://aifs.gov.au/aifs-conference/fathers-and-parental-leave>.

²⁸ See Australian Government Department of Human Services (2019), Providing parental leave pay, accessed 22 January 2020, available: <https://www.humanservices.gov.au/organisations/business/services/centrelink/paid-parental-leave-scheme-employers/how-manage-your-role-scheme/providing-parental-leave-pay>

²⁹ Hegewisch, A & Gornick, JC (2011), The impact of work-family policies on women's employment: a review of research from OECD countries. *Community, Work & Family*, vol. 14, no. 2, pp.119-138.

³⁰ WGEA (2019), Agency reporting data, viewed 8 January 2020, available: https://data.wgea.gov.au/industries/1#gender_comp_content.

³¹ Association of Superannuation Funds of Australia (2018), ASFA calls for gig economy super solutions, viewed 14 January 2020, available: <https://www.superannuation.asn.au/media/media-releases/2018/media-release-2-february-2018>

³² WGEA (2019).

³³ Senate Economics References Committee (2016).

