STRATEGY

Women runners-up in super stakes

Women still lag men when it comes to retirement savings, but Olivia Long says there is reason to be optimistic this situation may finally change.

OLIVIA LONG

No matter how you do the sums, women are running a distant second to men when it comes to their retirement savings. That's the only conclusion that can be drawn from the depressing figures highlighting this inequality that were given to the recent hearing of the Senate Inquiry into Economic Security for Women in Retirement. Compounding the problem is the fact that, according to the University of Melbourne's HILDA survey, elderly single women represent the highest section of our society living in poverty. Clearly it's a critical issue that needs to be addressed. Urgently.

So what are the numbers? According to Industry Super Australia (ISA) in its submission to the inquiry, women are retiring with about half the superannuation savings of men, with a gap of around 47 per cent for 2013/14, based on Australian Bureau of Statistics figures. Modelling for ISA by actuarial firm Rice Warner shows 63 per cent of single women will still not be retiring comfortably by 2055, even when super, pension payments and other savings are combined.

That's the percentages. In hard dollar numbers, it means the average balance for men still in the accumulation phase is slightly more than $70,000, while for women it's a tad above $40,000. In terms of retirement, men pull up stumps with slightly less than $200,000 in their super balances, while women have nearly half that amount at $112,000.

It's not hard to work out why there is this disparity between men and women; there is significant systemic disparity in the accumulation of superannuation savings between women and men for several key reasons. First and foremost, there is a stark difference between their incomes, with women, on average, earning 18.8 per cent less than their male counterparts. That's quite a bit of lead in their saddles to start with, especially when it's considered the gap is widening.

Compounding this wage disparity is the fact only 34 per cent of women are in full-time employment aged between 35 and 44 compared with 75 per cent for men. Almost half the female workforce earns less than $38,000 a year.

Men and women typically have different work patterns; the reality is that it is mostly women who take the career breaks to have and raise children. The data shows women's superannuation balances flatline between the ages of 38 and 42 and 43 and 47. Even when the children are in school, it remains a juggling act for many women, a problem that is obviously compounded if they separate from their partner.

It's not just broken work patterns. At 70 per cent, women assume the bulk of the responsibility for caring for the aged or disabled in our community. And typically they retire younger, at 50 compared with 58 for men.

In my opinion as a woman working in the industry, it's an issue that's long been discussed – but with little actually done to change the status quo. But I am beginning to sense the state of affairs is going to be challenged, and not before time.

The Senate inquiry, which is due to report in March 2016, is, I believe, a reflection of this shift in community sentiment; a realisation this is an issue needing to be addressed. Its terms of reference certainly provide food for thought. To quote: "The Senate notes that, although women's increasing workforce participation has contributed significantly to Australia's economic productivity and women's financial independence, significant socio-economic disparity remains between men and women, illustrated by the pay gap between men and women (18.8 per cent) and the gap in superannuation (46.6 per cent)."

In particular, it wants to pursue these key issues:

- the impact inadequate superannuation savings has on the retirement outcomes for women,
- the extent of the gender retirement income gap and causes of this gap, and its potential drivers, including the gender pay gap and women's caring responsibilities,
- whether there are any structural impediments in the superannuation system (impacting on the superannuation savings gap),
- the adequacy of the main sources of retirement income for women, and
- what measures would provide women with access to adequate and secure retirement incomes, including (1) assistance to employers to assist female employees' superannuation savings; (2) government assistance, with reference to the success of previous schemes; and (3) any possible reforms to current laws relating to superannuation, social security payments, paid parental leave, discrimination or any other relevant measure.

Based on these parameters, the findings

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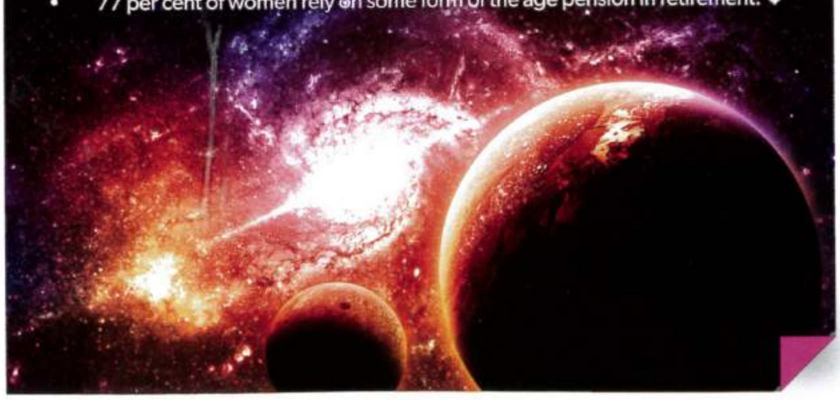
MARS VERSUS VENUS: THE FACTS

- **18.8 per cent is the gender pay gap: 110 years after women got the vote they still earn less than men.**
- **$44,000 Is the average salary of a woman in the workforce.**
- **1.5 times Is how much more a 25-year-old man is expected to earn over a working lifetime compared to a 25-year-old woman.**
- **43 per cent of Australian women work part-time.**
- **70 per cent of primary carers for parents are women.**
- **Five years is how long a woman will outlive her male counterpart by.**
- **Five hours is the extra time that women spend each day caring for children compared to men.**
- **70 per cent of the three lowest-paid occupations are held by women.**
- **A third less women in the 55 to 64 age group earn on average two-thirds of men's income.**
- **$207,181 is the amount of super a woman on an average salary misses out on even if she works full-time with no interruptions compared to a man who works full-time, earning an average wage.**
- **$538,980 is the amount of super a female nurse misses out on if she has nine years out of the workforce caring for children, returns to work part-time before going full-time and later works part-time again to care for her elderly parents until retirement.**
- **Only a small proportion of retired women live on incomes above $50,000 and more than half have incomes of less than $30,000.**
- **77 per cent of women rely on some form of the age pension in retirement.** ▼



Source: The Australian Institute of Superannuation Trustees and AustralianSuper

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from the inquiry's report could change the dynamics of the debate, especially in an election year. Although that might be overly optimistic, it's to be hoped not.

This inquiry aside, it's also interesting to note how the issue is taking hold among those who formulate policy for government. In a recent address, ATO assistant deputy commissioner for superannuation Megan Yong spelt out how the tax office is asking women to look seriously at their super and commit to taking a series of small actions that can make a big difference over time.

"The added benefit may be that in doing so, women might also find themselves in a position where they can inform others, including their older children, about the importance of super ... I'd also like to mention briefly some of the things we're doing to reunite people with their super. This is particularly relevant for women as they're often the ones who take time out of paid employment for caring duties and are more likely to work in part-time, casual or contract positions. If a woman has ever changed her name, address or job, she may have lost super with one or more funds," Yong said.

It's not atypical. It's rare to attend an industry forum these days where the issue is not raised – either in the official forums or privately among delegates.

It's not only our elected representatives and their advisers who are addressing this issue. In her recent submission to the Senate inquiry, ANZ global wealth division chief executive Joyce Phillips suggested couples should be allowed a joint superannuation account to bolster the superannuation savings of women.

Prefacing her remarks with the warning a large proportion of baby boomer women born between 1946 and 1964 were likely to outlive their pool of retirement savings by 16 years, and be forced to rely on pensions and the public purse, she argued that because about two-thirds of Australians were married on retirement and pooled their finances across other areas of their lives, joint superannuation accounts made sense. "It would allow for better flexibility and a sharper focus on superannuation, and a cleaner split in the event of a relationship break-up," she said.

At a more practical level, Rice Warner, so often the source of statistics about inequality in superannuation, decided to tackle the situation in its own workforce when it decided to pay female staff a superannuation rate 2 per cent higher than their male colleagues. The actuarial firm, which consulted with the Australian Human Rights Commission before introducing it, also gave women 18 weeks' parental leave at full pay, full superannuation during this time and full superannuation payments if unpaid leave is taken for up to 12 months. It's hardly set a trend, but it's still a green shoot. An encouraging one.

This is an issue that defies easy resolution. After all, pay inequality between the genders has been a fact of life for women ever since they left the kitchen and joined the workforce. But today it's recognised and discussed, and hopefully the Senate report will contain recommendations that will point the way forward to a more equitable system.

CLOSING THE GAP: STEPS TO HELP WOMEN BE MORE SELF-RELIANT IN RETIREMENT

- Encourage women to take control of their own super. I often cite to my clients the Roy Morgan research that shows people in SMSFs are much more satisfied with the financial performance than those in industry and retail funds. Why? There is far greater opportunity for all trustees and members of an SMSF to play an active role in managing the fund, including women.
- Lessening the wage gap between men and women.
- Allow women to make larger contributions to super, especially later in their careers when they have the opportunity to do so.
- Improve financial education for women.
- Encourage women (typically time poor) to take the time to assess their superannuation.
- Where possible, women should salary sacrifice; as little as $10 a week when you start out will work wonders on your balance in retirement. It might be apocryphal, but I like to believe Albert Einstein really did say "compound interest is the eighth wonder of the world".