



The super bias:
an insecure future

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This publication is available on the COTA NSW website (below).

COTA NSW
PO Box Q349
Queen Victoria Building NSW 1230

Tel: (02) 9286 3860

Fax: (02) 9286 3874

Web: www.cotansw.com.au

Email: info@cotansw.com.au

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Executive Summary

Like many before it, this report demonstrates the economic disadvantage faced by women throughout their working lives is greatly magnified in their retirement years.

As a result, many women across New South Wales are facing frightening futures they are powerless to change.

Disadvantage comes in many forms, and is deeply entrenched, creating a systemic problem that requires a broad suite of solutions to effect change – both for the older women who are already living in dire economic straits, and the future generations of women who are still deep in their working lives.

More than 7,600 older people responded to the 2017 COTA NSW housing survey, and the data we have gathered shines a glaring light on a complex mix of factors that combine and contribute to women's economic security over a lifetime. Crucially, it turns a gender lens on to the relationship between paid work, caring responsibilities, post retirement income and housing and how those factors determine a woman's ability to either survive or thrive in later life.

What we know is that women live on less income than men for their entire lives. This imbalance is apparent at all stages of women's lives, but becomes more dramatic in post-retirement age due to many factors, including the unpredictable events – caring responsibilities, relationship breakdowns and serious illness or incapacity - that can happen at any time.

In our survey, as well as answering questions, many respondents shared stories that reveal just how quickly and easily a woman's economic security can be derailed by those unpredictable events. The Report provides further support to previous research demonstrating that the post retirement income system is failing women and leaving them significantly disadvantaged.

Change is needed on a number of fronts across workplace practices and tax, post retirement income and housing policy in order for women to get a fairer deal.

COTA NSW lends its voice to the many others who urge the adoption of ideas that were put forward during the 2016 Senate Inquiry into women's economic security, including:

- implementing the increase in Superannuation Contribution Guarantee rate to 12%,
- establishing an integrated retirement income policy framework
- introducing measures to help close the gap between the superannuation balances of men and women

Older women deserve better, both now and into the future.



Recommendations

COTA NSW urges the Australian Government to implement the following measures to address gender inequity in retirement incomes policy and lift superannuation outcomes for women and other low-income people across the life course.

- 1** To ameliorate the circumstances that older women with low or negligible superannuation are currently enduring, the Commonwealth Rent Assistance payment should be immediately increased by 30%.
- 2** To assist women who are nearing retirement –
 - Implement additional measures that allow for greater scope for “catch up” payments in later earning years for people with super balances lower than average.
 - Increase financial literacy programs targeted to mature-age workers to optimise their financial security in later life.
- 3** To reduce future disparity in superannuation balances between men and women –
 - Provide women on low incomes with an additional \$1,000 contribution annually into their superannuation.
 - Remove the \$450 monthly pay threshold for Superannuation Guarantee eligibility.
 - Pay superannuation on parental leave (the only form of mandatory leave on which it is not paid).
- Pay superannuation on all government benefits and allowances up to Age Pension eligibility age, with particular priority given to allowances that are remuneration for “informal” caring responsibilities.
- Introduce a Superannuation Gender Parity Target, and resource Government bodies such as the Australian Bureau of Statistics and the Australian Tax Office to adequately monitor progress.
- 4** Establish and resource an integrated retirement incomes policy framework that addresses the age pension, superannuation, taxation, housing, health and aged care costs and the interactions between these - with the intention of achieving a retirement incomes system that is fair, sustainable and creates long term stability to retirement planning.
- 5** Implement the planned increase in the Superannuation Contribution Guarantee rate to 12%. This measure does not affect the gap between men and women’s superannuation but does assure a net increase in superannuation contributions across the life course.

Women's superannuation gap

There are a range of predictions about the amount of superannuation savings required for a comfortable retirement - anywhere between \$300k - \$1m. But by whichever prediction, females don't have enough.

Many complex factors mean that women's economic security in later life looks quite different to men's. A lifetime of lower wages combined with interrupted working lives mean women retire on average with half the superannuation of men. As a result they become more reliant on the age pension as their primary source of income and are more likely to live in poverty in later life. Being single also increases the risk of poverty.

According to the Association of [Superannuation Funds of Australia's Retirement Standard](#), to have a 'comfortable' retirement, single people will need \$545,000 in retirement savings, and couples will need \$640,000. In 2013-14, the average superannuation balance for women on retirement was \$138,154.

As a result, the report claims that the superannuation system is "failing women". This claim is supported by the findings in this COTA Report and a number of others, including the 2016 Senate Inquiry on economic security in retirement for women. (Senate Economics References Committee 2016).

Australia's retirement income system

Australia's current retirement incomes system is based on three core systems, called 'pillars'. The first pillar is the 'superannuation guarantee'; the second is savings, including voluntary superannuation contributions, and the third is the age pension. This report also includes what many consider to be the fourth pillar, home ownership, as it plays a critical role in ensuring a person's overall economic security in later life.

The 'Superannuation Guarantee'

Mandatory superannuation was introduced progressively from the mid 1980s. Initially covering certain awards from 1985, it was extended to cover all employees from 1992. Through to the late 1970s, women's entitlements to superannuation were less than men's and some funds excluded women altogether. At the beginning of the 1980s, only 15% of female employees in Australia had any superannuation at all.

The current superannuation system is based on assuming 40 years of continuous work history in order to accumulate sufficient funds to live comfortably in retirement. On average women spend half the number of years in paid employment as men, which can have a significant negative impact on their superannuation balances. Many women retiring between 2010 and 2020 are likely to have been covered by superannuation for only about half of their working lives. (WEGA, 2017 p.1).

The superannuation gap

A recent report by Per Capita in conjunction with the Australian Services Union claims the current superannuation system is "systematically biased against half the population," and that "women are simply not being assisted by super towards a reasonable standard of living in retirement." (Per Capita p. 6).

According to the Association of Superannuation Funds of Australia's (ASFA) report based on the Australian Bureau of Statistics (ABS) survey of household income and wealth, which was specifically compiled for ASFA, the average superannuation balance at retirement (assumed to be between 60-64 years of age) in 2013-2014 was \$292,500 for men and \$138,154 for women. (Clare, R p. 3). This results in a gender retirement superannuation gap of 52.8% at the age of 60-64.

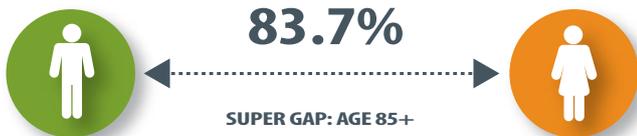
Average superannuation amount at retirement (60-64 years of age)



■ Men ■ Women

The disparity in balances between men and women grows over time with even bigger differences appearing after retirement age as people begin to draw down on their superannuation. At 75-79 years of age the super gap is 77.6% and at the age of 85+ it is an enormous 83.7%. So as they get older women, with a longer life expectancy, have far less superannuation to live on than men and so face greater levels of poverty towards the end of their lives as their super dwindles and they end up subsisting on an age pension and little else. (Clare, R 2015 p. 5)

Later age super gap difference



■ Men ■ Women

Twenty five percent of our survey respondents indicated they had little or no superannuation with slightly more women than men indicating they had none. It should be noted that the majority of the survey respondents were between the ages of 60-74, and would have worked a significant proportion of their lives before the Superannuation Guarantee began in 1992.

The COTA NSW survey findings reflect the national data, which show that men carry significantly higher superannuation balances than women. In the COTA NSW survey women were more much more likely than men to have balances below \$100,000, whereas men were more than twice as likely as women to have balances over \$500,000. This supports other research and ABS statistics that shows that the superannuation gap between men and women is significant and the gap widens as the balance increases.

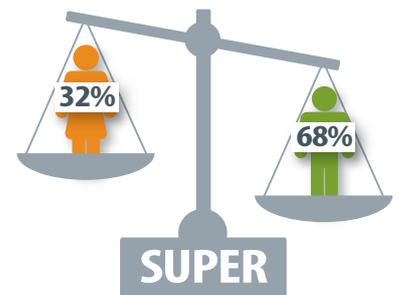
The household superannuation profile looks similar, possibly accounting for the fact that most of the survey respondents indicated they were married or partnered. Nevertheless almost twice as many men reported a superannuation balance over \$500,000.

Comparing personal super balances

Difference in Superannuation \$0 - \$100,000



Difference in Superannuation \$500,000+

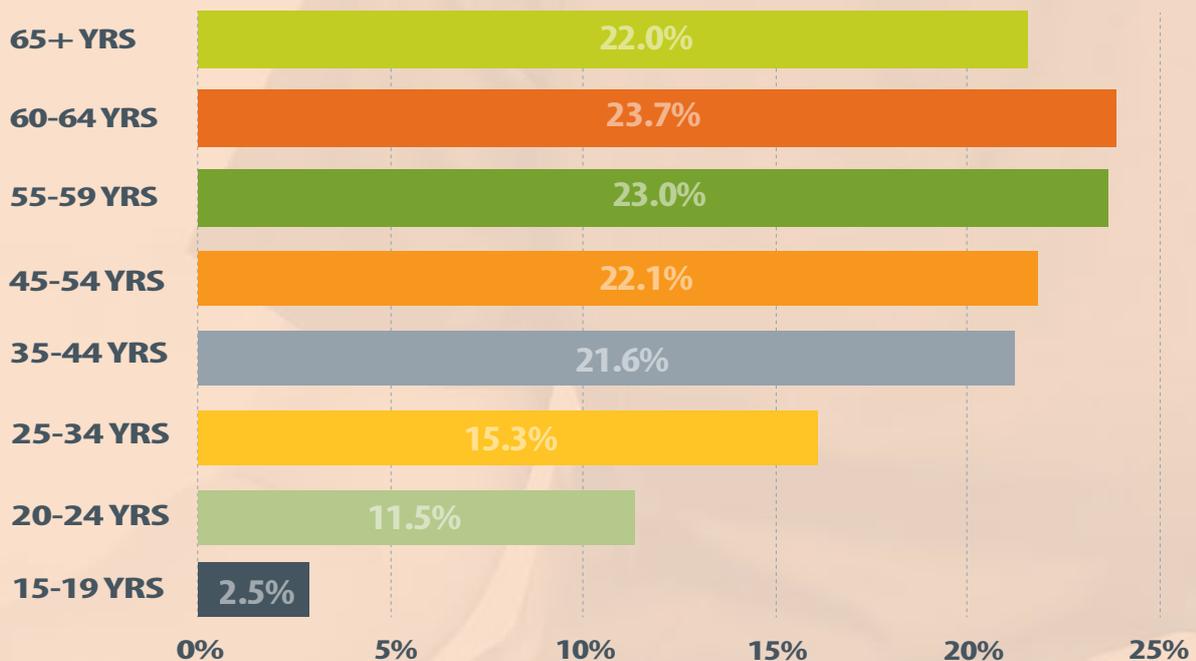


■ Men ■ Women

Women's work and the gender pay gap

Women continue to earn less than men over their lifetimes. The pay gap starts early and increases with age, with the largest gap of 23.7% as men and women reach retirement (60-64 years of age) (ABS 2015).

Gender pay gap by age group



According to the Workplace Gender Equality Agency (WGEA) one of the factors that contributes to the widening gender pay gap throughout the life course is the significant amount of time women take away from the paid workforce throughout their lives to undertake caring responsibilities. The time women spend on unpaid care tends to fluctuate considerably during their lifetime. This is evidenced by the female workforce participation rate (age 15-64) which in 2016 was 59.5% for women and 71% for men. (WGEA 2017 p. 8).

“Due to my part time work, limited income and savings I am not in a financial situation to maintain a home or pay a mortgage.”

COTA NSW survey respondent

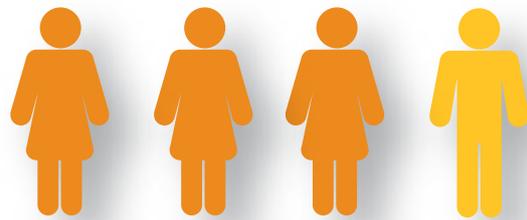
Women are also more likely to work in part-time and casual employment over their lifetime. Workplace Gender Equality Agency (WGEA) data confirms that three in four part-time employees are female and 56.4% of the casual workforce is female (WGEA 2017 p. 9). On average, these patterns of casual and part time employment attract less salary and superannuation savings when compared to full-time employment. These findings are supported by the COTA survey.



In addition, women continue to be over-represented in sectors that pay less, such as childcare, aged care, teaching and nursing. Women in leadership roles decline with seniority as well. WGEA data shows just 28.3% of women are in the top three levels of management.

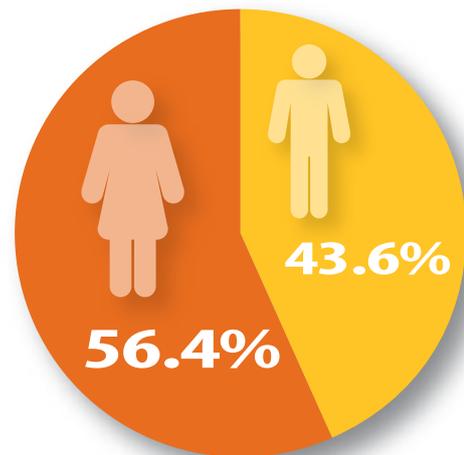
Results of work status between men and women from the 2017 survey

3 in 4 part-time employees are female



Males in casual work placements

Females in casual work placements



The information gathered from the COTA NSW 2017 survey not only provided information about respondents' work status, but also whether people had taken significant amounts of time away from paid work and why. The results looked very different for men and women.

The majority of survey respondents had retired from paid work, with 55% of men indicating that they had fully retired compared to 45% of women. Of the almost one quarter of respondents that indicated that they were still working, similar percentages of men and women were still working full time but many more women than men were working part time (62% of women compared to 37% of men) and casual hours (60% of women compared to 39% of men).

Results of work status between men and women from the 2017 survey



“I find life stressful. I have a sick husband and still have to work as well to make ends meet.”

COTA NSW survey respondent

We then asked respondents to think back and describe their predominant work status between the ages of 20 to 50 and the picture again looked quite different for men and women. These findings support other research that shows that fewer women work full time than men and more women tend to undertake part time and casual work over their working lives. This in turn determines their lower post retirement income status.

Of the respondents who indicated that they worked full time during that period, 58% were men and only 42% were women. Whereas of the respondents who indicated that they worked predominantly part time during that period, 93% were women compared to just 7% of men. There was also a significantly higher percentage of women who indicated that they worked on a casual basis during that period than men (94% compared to 6%). 98% of women indicated that they did not work during that period compared to just 2% of men.

Results of work status between men and women during the ages of 20 to 50



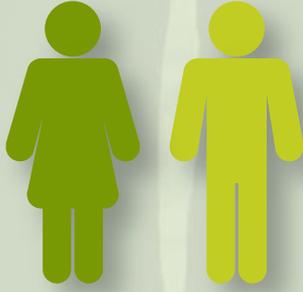
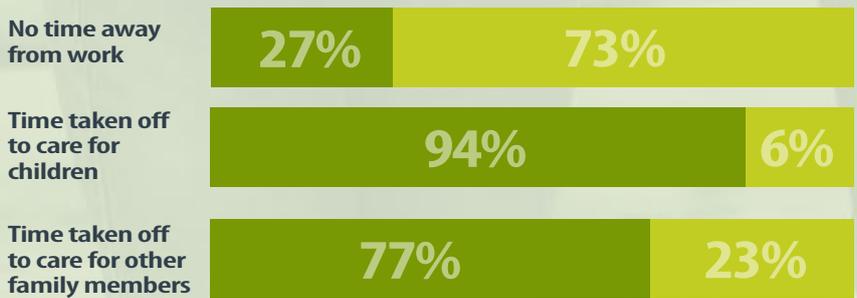
Caring is still women's unpaid work

“I have no job, no super and no savings. I am caring for my mother.”

COTA NSW survey respondent

We asked respondents if they had taken any significant time away from paid work between the ages of 20-50. It was clear from the data that women had taken much more time away from paid work than men to care for children and other family members during the course of their lives. The majority of men (73%) indicated that they had not taken any significant time away from paid work during that period, compared to just 27% of women. Women were much more likely than men to have taken time off to care for children (94% of women compared to 6% of men) or other family members (77% of women compared to 23% of men).

Results between men and women who had taken time away from work during the ages of 20 to 50



Making up for lost time

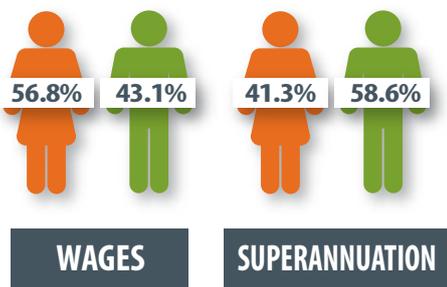
In the COTA survey women were more likely than men to indicate a wage or salary as their main source of income, while men were more likely to indicate superannuation as their main source of income. This could be because women need to continue to work longer than men to make up for a lifetime of lower wages and time away from the paid work force to care for family members.

Main source of income - between men and women



■ Wage ■ Superannuation

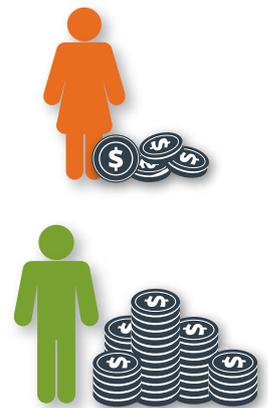
Main source of income



The COTA survey supports other research that shows that women consistently earn less than men during their lifetime. When looking at personal income from whichever source, there were significant differences between men and women, with men's personal income consistently higher than women's, particularly in the higher income brackets.

Women live on less income

Women were more likely than men to be living on an income of \$25,000 or less and more likely than men to be living on an income of \$25,001 to \$49,999. Whereas men were 20% more likely than women to have a personal income of \$50,000 to \$74,999, more than twice as likely to have an income between \$75,000 to \$99,999 three times more likely to have an income from \$100,000 to \$149,999 and almost four times as likely to have an income of \$150,000 and over.



The picture looks a bit different when considering total household income, with more equal household incomes to \$74,999. This is a reflection of our sample, with the majority of people surveyed being married or partnered and sharing retirement income with their partners.

These results support WGEA data that indicates that being married or partnered is protective and that a single female is more likely to be living in poverty than a man. Men were more likely to report higher household incomes of \$75,000 or more and almost twice as likely as women to report household incomes of \$150,000 or more.

Results between men and women - household income.

Men were more likely to report higher household incomes of

\$75,000+
more than women.

Men were almost twice as likely to report higher household incomes of

\$150,000+
more than women.



Housing and income security

The COTA NSW 2017 survey looked at work, income, and housing security and how they work together over the life course to determine a person's economic security in later life. It revealed that people are doubly disadvantaged by a lack of secure housing and adequate income in later life.

Home ownership has traditionally been seen as part of the third pillar of voluntary income savings. However, as recently noted by the Senate Economic References Committee's Inquiry into the Economic Security of Women in Retirement, many contributors to the Inquiry thought home ownership should be considered the 'fourth pillar' of the retirement income system. COTA NSW agrees. You can't talk about post retirement incomes without including housing.

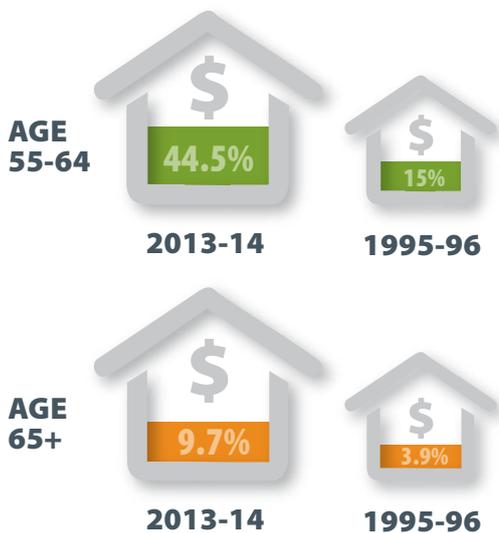
The Inquiry recognised the adequacy of retirement income and economic security was "highly dependent" on home ownership and access to affordable housing. It further recognised that, "people who retire without owning a home, particularly single women, are at greater risk of living in poverty and experiencing housing stress". (Senate Economic References Committee 2016, chap. 9, 9.1).

This view is supported by Saul Eslake's recent report on the impact of declining home ownership and rising renters on retirement income security. He links secure affordable housing in later life with an adequate post retirement income and warned that the presumption of home ownership that underpins retirement income and aged care policy is becoming "increasingly dubious."

In fact, data from the 2016 Census shows that home ownership rates have steadily declined from 68.6% in 1991 to 65.5% in 2016. (Eslake, s p. 4). The HILDA survey data also suggests a decline in home ownership rates, falling from 68.8 per cent of households to 64.9 per cent in the period between 2001 and 2014 (a fall of 3.9 percentage points).

Not only have home ownership rates declined, but more home owners are carrying their mortgage debt into middle age and retirement. According to Eslake 44.5% of homeowners aged 55-64 had outstanding mortgage debt in 2013-14, an increase of 29 percentage points – a near tripling since 1995-96 and 9.7% of homeowners aged 65 and over still had outstanding mortgages in 2013-14, compared with just 3.9% in 1995-96. He warns that home owners who rely on using some or all of their superannuation to discharge outstanding mortgage debt will be left more dependent on the age pension in later life. (Eslake, S 2017 p. 10).

Household debt



Source: Census of Population and Housing, 2016.

“I used the last of my superannuation to pay for the bond and removalist.”

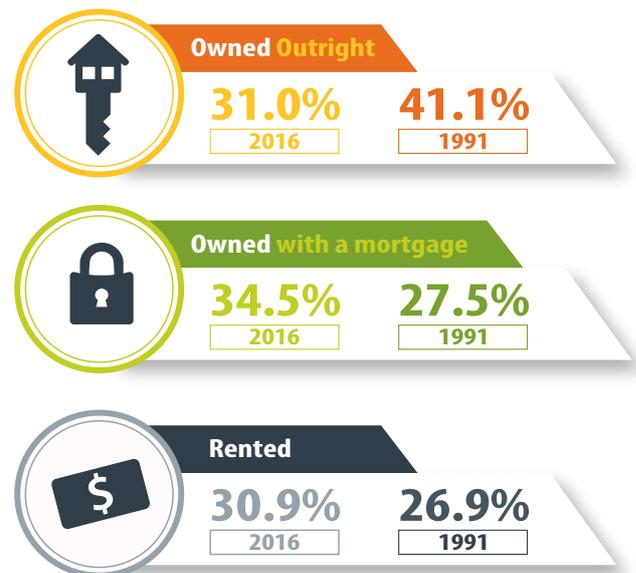
COTA NSW survey respondent

While home ownership is declining more people are renting. According to the 2016 Census nearly 31% of Australians are now paying a landlord, up from 29.6% in 2011 and 28.1% in 2006. However, according to the recent ABS Survey of income and housing, as Eslake points out, there are significant changes among certain age groups.

For example, over the period between 1995-96 and 2013-14 the proportion of households headed by people aged 45-54 living in rented accommodation rose by more than 6 ½ percentage points – or about one third – from 18.4% to 25% and by 3 percentage points for households headed by people aged 55-64 renting homes.

Taken together, the “upward trend over the past twenty five years in the proportion of households headed by people aged between 25-55 who are renting their accommodation suggests it is likely that a higher proportion of retirees will be living in rented accommodation in future decades than has been the ‘norm’ over the past five decades.” (Eslake, S 2017, P. 11).

Mortgage debt into middle age and retirement



Source: Census of Population and Housing 1991, 2016.

- (a) Includes households in occupied dwellings only. Excludes visitor only and non-classifiable households.
- (b) Owned with a mortgage includes ‘being rented under a shared equity scheme’.
- (c) Rented includes ‘Being occupied rent free’.

As is reflected in ABS statistics, the majority of COTA NSW survey respondents reported that they owned their home, with 11% or 871 indicating that they rented in the private rental market or from public or community housing. Women were more likely than men to be renting in either the public or community housing sector. The COTA numbers broadly reflect the overall population, with around 11-12% of those over 65 years of age renting.

“Being on a pension with no other income I can’t even afford to pay the rent.”

COTA NSW survey respondent

Unsurprisingly, comments from our survey respondents revealed that those who were renting in the private rental market were struggling the most, and women who were renting were the most likely to be struggling, as they were more likely than men to be living on a pension or a smaller amount of superannuation savings. Home ownership was protective to a large extent, although many home owners indicated that they were asset rich and income poor.

“I found it very difficult to find rent I could afford and now my rent is draining my meagre savings. I am afraid I may have to become a homeless person and I don’t think I will survive out there. I have been waiting since early 2011 for public housing to find a home or apartment for me but am not holding out much hope.”

COTA NSW survey respondent

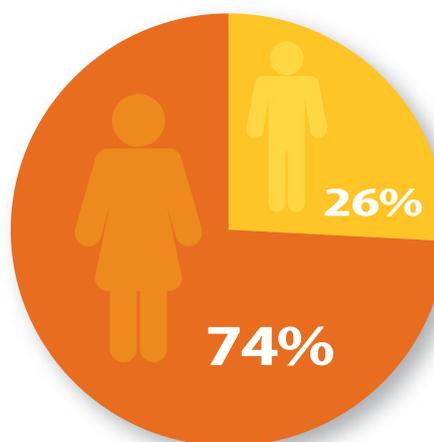
We asked respondents to tell us whether they had needed to rely on other people for their housing over the past five years. This was not only an indicator of potential homelessness, but was also an indicator of their housing security and economic wellbeing. Of respondents, 553 or 7.2% indicated that they had to rely on other people for their housing in the last five years. When we asked them to ‘tell us more’ we heard some disturbing stories.

“I am currently homeless and the future is frightening. I am living with friends at the moment.”

COTA NSW survey respondent

We also asked survey respondents about the circumstances that had affected the stability of their housing. More women than men indicated that factors such as job loss, health issues, divorce and caring responsibilities had adversely affected their housing stability and their overall quality of life. The biggest discrepancy between men's and women's responses were around caring, with 74% of women, compared to just 26% of men indicating that caring for a loved one had adversely affected their housing stability and security.

Responses around caring



A more detailed 50+ Report on housing affordability and housing stress will be available later in 2018.

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