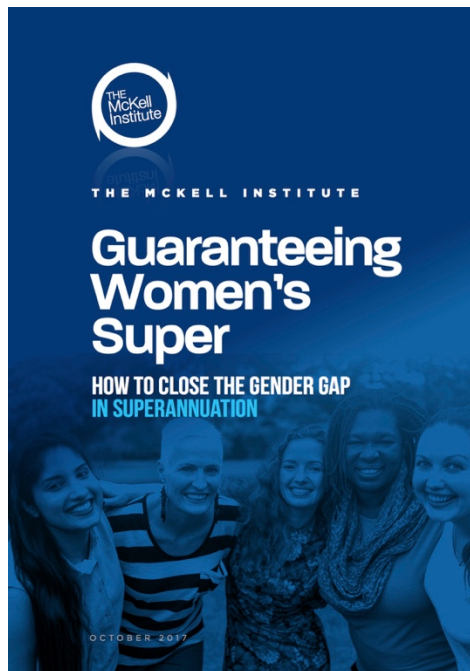


# FACT SHEET

## Guaranteeing Women's Super *How to Close the Gender Gap in Superannuation*

Tristan Durie & Edward Cavanough



### Overview

The Mckell Institute's forthcoming report, *Guaranteeing Women's Super: How to Close the Gender Gap in Superannuation*, tackles one of the most stubborn economic inequities in Australia: the enormous divide in superannuation holdings between men and women. We know that women on average hold and retire with around half the superannuation of men. This report offers costed recommendations that seek to directly address the determinants of the super gender gap, and offer some ideas to improve the equity of the superannuation system more broadly.

## Key Points

- **Women retire with around half the superannuation as men.** Even more alarming, the median superannuation balance for women is around \$28,000, while for men it is around \$100,000.
- **Superannuation policy has been *gender blind*.** There have been few policy responses specifically focused on addressing the shortfall in women's super during key life-phases, such as early motherhood. Existing policy settings will perpetuate the existing gender gap in superannuation.
- **Recent reform efforts have focused on superannuation taxation reform.** This should be welcomed, but these changes do not directly address the shortfall in women's superannuation.
- **This challenge is an urgent one.** Without a dramatic improvement in the average holdings of women, age pension costs will continue to rise sharply for decades, constraining the Commonwealth's ability to allocate resources elsewhere.
- **The gender wage gap plays a significant role,** but this report focuses on improving super contributions for women while they are on maternity leave and are receiving other forms of government payments.
- **Superannuation is still in its infancy.** Compulsory super was mandated 25 years ago. Its successes should be praised. But its course should be corrected now, as for half the population, it is not meeting its mandate to replace the age pension as the primary source of retirement income.
- **There is no single policy adjustment that will fix this.** This is a complex and long term issue. It will take a series of targeted measures and ongoing monitoring to ensure that this issue is dealt with.
- **Overcoming this challenge will cost money, but its an investment.** Our modeling demonstrates that for every dollar applied to our proposals, the government will save around two dollars over the longer term in reduced age pension expenditure.
- **This report puts forward 8 recommendations.** The first four are costed policies that aim to increase the contributions into women's super accounts during key life phases where they would otherwise simply miss out. The remaining recommendations are more general in nature.

## Key Recommendations

- **Recommendation 1: Pay new parents receiving Commonwealth Paid Parental Leave a super contribution up to the equivalent of 12 per cent of the *annual* minimum wage.**
  - This would increase the average women's superannuation by around \$12,500 at retirement.
  - This could cost about \$3,500 per person for the government, but deliver a long term saving in reduced age pension costs.
  - This would benefit the 165,000 women on Commonwealth maternity payments.
  - Could be delivered as a lump sum into super accounts.
  - This would be significantly more affordable than the baby bonus (which was \$5000 per child, in law between 2004-2013).
  - Would cost around \$667 million p/a.
- **Recommendation 2: Pay superannuation at the scheduled rate of 12 per cent on Commonwealth Parenting Payments.**
  - About 356,000 people receive parenting payments that do not include superannuation. 95.6 per cent of these recipients are women.
  - Less than 20 per cent of these recipients earn more than \$250 a fortnight in employment income, meaning they effectively go without any superannuation.
  - This will cost about \$2,300 per year per recipient.
  - For a woman in her 30s, this annual super payment will be worth about \$7500 at retirement.
  - The policy will cost approximately \$658 million p/a.
- **Recommendation 3: Pay superannuation at the scheduled rate of 12 per cent on Commonwealth Carer Payments.**
  - Women who extend their time out of the workforce due to caring responsibilities face an extended period without any super contributions.
  - This policy would cost around \$2800 per person and benefit 264,000 Australians.
  - This policy would improve recipients' superannuation by about \$9000 for every year they receive a carers allowance.
  - This policy will cost the government around \$1 billion p/a.

- **Recommendation 4: Remove the \$450 per month threshold before employers must pay the Superannuation Guarantee**
  - Women disproportionately find themselves in this earning bracket, particularly while doing short term work or occasional contracting during early motherhood.
  - The ATO believes this would simplify employers paperwork, countering the argument in favour of the threshold.
  - This may seem really small, but for a woman working these odd jobs over 4 years on parenting payments, this change could boost her super balance by around \$6400 by retirement.
  - This policy will not cost the government any money.

## Overview of Costed Policies

- Collectively, these policies would cost around \$2.25 billion.
- While not completely solving the gender gap in super, these proposals could boost the average woman's annual income stream by about \$4100 in today's dollars throughout retirement.

## Additional Reform Options

- **Recommendation 5: Allow joint superannuation accounts for couples.**
  - We acknowledge this is a small step and only would benefit a handful of women. But it is something worth considering as a part of a broader reform package.
  - It would reduce fees and help compound savings for some couples.
- **Recommendation 6: Mandate that all super funds allow automated account consolidation through the MyGov system.**
  - This system is working quite well, but there are still some superannuation funds that require cumbersome paper work to locate and transfer funds.
  - There is \$11.6 billion in unclaimed super in the system. Harmonising the consolidation process even further will make it easier for women and men to locate these savings.
- **Recommendation 7: Implementing a Super Gender Parity Target**
  - A Super Gender Parity Target should be legislated.
  - Such a commitment should be paired with additional resources help agencies like the ATO and the ABS monitor progress of reforms aimed at closing the super gender gap.
  - It will send a signal that the government is committed to overcoming this issue.
- **Recommendation 8: Better enforcement**
  - We are still seeing some workers not receiving their due superannuation.
  - Some employers capitalise on their workers' ignorance around superannuation entitlements. Government agencies must prioritise this violation, and direct more resources towards combating it.