Ready Set Grow

With the nation rapidly ageing, Australians have been urged to start superannuation savings early. But among the many without super, women are in the majority as a House of Representatives inquiry has learned.

Despite the advent of compulsory superannuation and 9 per cent employer levies, despite the exhortations of governments and those in the industry, many Australians will never contribute enough over their lifetimes to survive without the pension.

They include the disabled who may always have been unemployed, casual workers whose incomes are too low, and those who change jobs often but fail to keep track of the superannuation payments they and various employers have made on their behalf.

Amazingly, one in two adult working Australians are estimated to have lost at least one super account. The total amount is huge and rising every year, increasing from $5.5 billion in 2001-01 to a staggering $8.2 billion in 2004-05.

Under current laws, employers do not have to pay superannuation contributions for workers earning less than $450 a month. The government has been urged to lift this to $800 a month but critics say this would mean 14 per cent of the female workforce, and 7 per cent of working men, would miss out on the employer payments.

Women are already the biggest group of losers in the superannuation stakes. They generally spend fewer years in paid work and earn less than men if they are employed. Even then the jobs are often casual and their income is below the super threshold.

Many older women also expect the male 'breadwinner' to continue to be the provider—partly as a result of traditional attitudes but also because they are said to lack financial literacy. Researchers say many women do not understand financial planning or how superannuation works, which isn't surprising given the complexities.

When women do contribute to super funds, figures compiled by the Australian Bureau of Statistics show that on average they have less than half the sum put aside as men. Worse, experts say the gap in accumulating super is expected to continue for another 30 years.

The results of the gender differences in lifetime savings are stark, shown by the fact that women comprise two-thirds of Australians on the age pension. Admittedly, women live longer than men. Yet of all female pensioners, 70 per cent receive the full amount—that is, they did not have enough money saved to affect their pension entitlement.

Early last year, the then Minister for Revenue and Assistant Treasurer, Mal Brough, asked the House of Representatives Economics Committee to investigate ways of improving the superannuation savings of people younger than 40. The committee received more than 60 submissions from individuals and various organisations, and also held public hearings in Canberra, Melbourne and Sydney.

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Although the committee was charged with investigating how squirrel-like the relatively young of both sexes are, it was clear from the submissions and discussions in the hearings that women of all ages are at a particular disadvantage.

In a submission to the committee, Dr Siobhan Austen says women's patterns of work and unpaid household responsibilities make it difficult for them to take advantage of Australia's superannuation arrangements. Dr Austen heads the Women's Economic Policy Analysis Unit at Curtin University of Technology in Perth.

She says over the past five years the unit has undertaken research projects relating to

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women's retirement incomes because of the widespread recognition that the current framework is "not gender neutral in its application". The limited ability to take part in paid work is the most critical factor in explaining women's high chances of poverty in old age, Dr Austen says, although attitudes towards saving for retirement also have an impact.

"The lack of effective planning for retirement appears to stem from three connected issues," she says. "The relevance of the term retirement to women's working lives, an expectation that retirement incomes will be provided... from a partner, and the availability and use of resources for retirement planning."

The concept of "retirement" for many women is problematic because they do not draw clear distinctions between their roles in unpaid and paid work, Dr Austen notes. When, a woman might fairly ask, does household work ever end?

Retirement planning is also seen as the partner's responsibility while women are more likely than men to say they have not received any information about superannuation, especially those working part-time.

Because women are often mostly concerned about running their households, Dr Austen says policies are needed that raise the profile of retirement savings within households as a long-term goal. The idea of women saving for their retirement is not a strongly established social norm and some women do not see it as a legitimate aspiration.

Then again, other research presented to the committee showed that a remarkable ignorance existed among both sexes as to how much money they would need to live on when they retired and what the likely lump sum superannuation benefits would be. People contributing to super funds for years were often unaware of the range of charges that affected their final retirement savings.

A report by the Australian Securities and Investment Commission notes that a 1 per cent annual fee on assets, for example, reduces a person's final superannuation balance by 22 per cent over 40 years while a 2 per cent fee cuts it down by almost 40 per cent. The commission found that one in five financial planners involved in switching people to new funds changed them to more expensive schemes that resulted in an average loss of $37,000.

In their submissions and discussions with the House Economics Committee, various researchers referred to the widespread ignorance surrounding superannuation issues within the community. They said this pointed to the need for education programs to create a "savings culture" among Australians generally and women specifically.

In her paper, Dr Austen refers to many women's belief that their partner will always be around to support them in their old age. Instead, as she notes, Australian households are dynamic places where change is often rapid.

"The idea that women can rely on their spouses to support them in later life runs up against the rising divorce rate," she says. "Some 40 per cent of marriages contracted in the 1970s and '80s are expected to end in divorce and more than one in eight women currently receiving the age pension are no longer married."

Nevertheless, according to Kerry Flanagan from the federal Office of Women, the average amount of women's superannuation savings is likely to increase over time as they spend longer periods in the workforce. At a hearing in Canberra in February, Ms Flanagan told the committee that despite this rise in savings, women who continued to combine work with family and other caring responsibilities would still retire with less money saved on average than men.

"The government has introduced a range of measures to assist women to have higher superannuation balances, such as the super co-contribution scheme and the spouse contribution tax offset," she said.

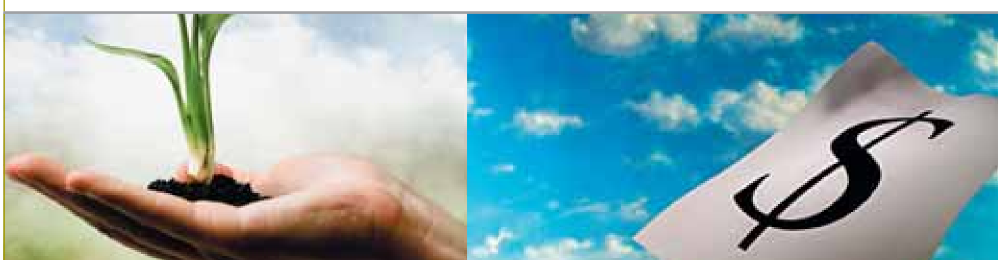
Women comprise two-thirds of Australians on the age pension.

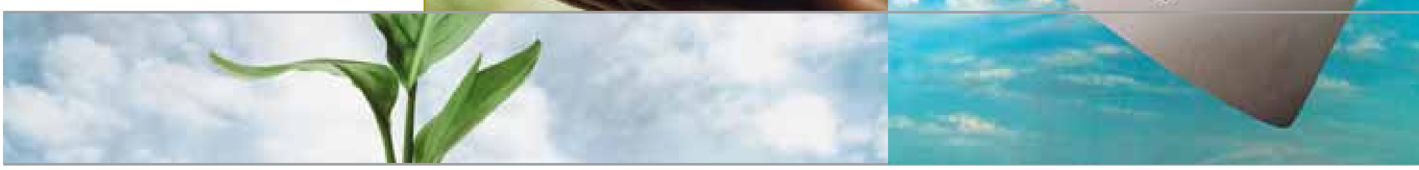
"[But] we have evidence that women may make choices to combine work and family that impact on their retirement savings, such as casual jobs. They are also more likely to channel any excess funds they have into mortgages and childrearing."

Ms Flanagan said approaches to increasing women's superannuation savings would have to be specially tailored for and properly targeted at women to provide the advice and information they required. Women of all ages, and especially women under 40, needed to be able to access relevant information about the importance of retirement savings generally.

"Limited knowledge of superannuation terms and concepts, including basic compulsory super entitlements, and a lack of available sources targeted towards women's circumstances, make it difficult for them to understand how they can increase their superannuation savings," she said.

Last July, the chief executive of the Assocation of Superannuation





Funds of Australia, Phillipa Smith, and the association's principal researcher, Ross Clare, also spoke to the committee about ways that women could be encouraged to boost their superannuation.

Mr Clare told the committee he had prepared a report on the subject, although he described it as "a statement of the bleeding obvious". "You can do a lot of research and determine quite conclusively that on average women tend to have less entitlement to superannuation than men," he said. "Or you can ask your mum.

"Each will give you the same answer. The diagnosis leads us to some recommendations [which] have to do with the earnings threshold... with education, and with encouraging women to regard superannuation as their asset rather than the family's asset."

Phillipa Smith commented on the committee's brief to consider strategies that would encourage superannuation savings among those younger than 40. She said this ignored the fact that the 20s to 40s were a period when many women would be out of the workforce because of family responsibilities.

"The incentives might be pitched so this is your chance to save but for women it might be when they are in their early 40s and going forward. That is when they will re-enter the workforce and have an opportunity to save again," Ms Smith said.

Director of the University of New South Wales research centre on ageing and retirement, Dr Diana Olsberg, is an economic sociologist who has spent several years investigating superannuation savings. Dr Olsberg told the committee the focus of her research was on the disadvantages women faced in getting access to retirement savings because of their fragmented work patterns, including part-time and casual work.

"Young people are similarly disadvantaged on account of their marginal attachment to the paid labour force," she said. "As a consequence, very many people under 40 are being denied the opportunity for equitable and adequate access to superannuation benefits enjoyed by other members of the paid labour force."

Dr Olsberg said women were particularly at risk among those aged 25 to 39 and were disproportionately represented among part-time, ongoing employees. Women's pattern of work, lifelong earnings and their capacity to save were compromised by interruptions to paid employment due to raising children and, increasingly, caring as well for their infirm parents or other relatives.

Curtin University's Dr Austen proposed something similar in her submission. She said the compulsory aspects of savings for retirement need to be extended to reflect the needs of women and others "whose level of engagement with the world of paid work" was limited. Separate spouse accounts in superannuation schemes could be one step in this direction.

But Dr Austen believes women's incomes are likely to remain a barrier to saving for retirement into the foreseeable future. Among other things, this reflects their broken patterns of workforce participation.

"Our research indicates, however, that there are women who would like to increase their own savings for retirement. Some just don't know how to get started while others feel their skills and knowledge for planning could be improved."

Retirement planning is often seen as the partner's responsibility.

Women were attracted to part-time jobs because it allowed them to combine work and family responsibilities. This now applied particularly to those aged between 30 and 40, given that child-bearing was occurring later.

"Probably the way that is least of a fiscal burden would be to provide a superannuation guarantee charge on top of the carers benefit women receive when they are out of the workforce," Dr Olsberg said.

"Women who are out of the paid workforce but who are in fact being paid a welfare carers benefit should also be entitled to be accumulating a retirement benefit for their old age."

She says research also suggests there could be advantages in considering a larger range of savings options, such as building on current preferences and practices for managing household finances that go beyond occupational superannuation.

The committee is expected to deliver its report and recommendations in June. The findings may improve the chances of more Australians finding a super pot of gold. ■

For more information on the superannuation investigation visit www.aph.gov.au/house/committee/efpa or email efpa.reps@aph.gov.au or phone (02) 6277 4587.