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Senate Economics References Committee

Inquiry into Economic Security for Women in Retirement

Submission from the Australian Institute of Family Studies

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1 Introduction

Many issues affecting women in retirement are quite different to those affecting men. Generally, women have lower rates of economic participation than men, due primarily to caring responsibilities, and are more likely to have lower levels of financial security and higher reliance on government pensions. Women also have longer life expectancies than men, and so may spend a greater amount of time in retirement. A high proportion of women perform multiple caring roles as they age due to the provision of care to ageing, sick or disabled family members, and, as a result, many aspects of women's retirement are different from the retirement circumstances of men, and warrant individual attention.

A significant focus in addressing the financial wellbeing of women later in life has been on retirement savings and superannuation (see, for example, Keegan, Harding, & Kelly, 2012). Raising awareness of the importance of this as a means of planning for old age, for women of all ages, is an important way forward. Today's young women will enter their old age having had very different lifetime employment patterns to those of the older women of today, which is likely to have major consequences for their financial wellbeing. Lifetime employment patterns and the associated receipt of income contribute to women's ability to personally save and invest in assets such as housing and superannuation. Among older women, wage inequality combined with interrupted working lives will have left many of these women with diminished equity and retirement savings at the end of their working lives (de Vaus, Gray, Qu, & Stanton, 2014).

At present, a high proportion of retirees have had limited capacity to self-fund their retirement; and single-person households, particularly those of single women, have been shown to have the lowest capacity for self-funding (Warren, 2006). With the maturation of the superannuation guarantee system, superannuation balances are expected to increase substantially over the next two decades. However, there is still the danger that those who have had periods of career interruption or ongoing part-time employment will not be able to accumulate adequate savings to avoid financial hardship in retirement.

Many women will be single for at least part of their retirement, partly due to divorce or separation, and partly due to widowhood. The fact that women live longer than men and tend to marry men who are older than themselves means that many will be widowed. This means that in planning their retirement savings, single women would need to save more and couples would need to consider the possibility that the wife will live longer than the husband.

Several studies have identified a gender gap in the retirement savings of Australian men and women (e.g., Austen & Birch, 2001; Clare, 2001, 2004; Department of Family and Community Services, 2003; Donath, 1998; Ferris & Olsberg, 2001; Jefferson, 2005; Kelly, 2003; Kelly, Percival, & Harding, 2001; Olsberg, 2001, 2004; Preston & Jefferson, 2002; Warren, 2006). These studies have shown that women, particularly women living alone, currently have very limited capacity to provide for themselves financially in retirement and are more prone to live in poverty or on a low income in retirement.

This submission presents an extension of previous research, along with some new analyses, on topics that are relevant to the Senate Inquiry. We have focused on providing information that is relevant to the inquiry's objectives regarding:

- the extent of the gender gap in retirement income, and the causes of this gap;
- the adequacy of the main sources of retirement income; and
- the effects of inadequate retirement savings on women's retirement outcomes.

As such, this submission provides information about the financial situation of retirees in Australia, and the association between retirement savings and standards of living during retirement. While we have not directly answered the questions posed in the Senate inquiry, much of the data provided informs many of the underlying issues of this subject.

2 Background

This submission provides an update of the analysis by Warren (2006), who used data from the Household Income and Labour Dynamics in Australia (HILDA) survey to examine the financial circumstances of older women in Australia. Based on detailed information about the individual and household wealth of older Australians in 2002, Warren found the following:

- The group who relied most heavily on government pensions in retirement was single women, closely followed by single men.
- Based on financial assets in 2002, a very small proportion of single retired women were able to afford a "comfortable lifestyle", single men were better off than single women, and retired couples did best of all, with more than half able to afford either a modest or comfortable lifestyle.[1]
- This difference is largely due to the differences in men's and women's superannuation savings, which are a result of women's career interruptions due to family responsibilities, gender-based wage rates prior to the 1970s equal pay cases, lower average wages compared to men, and the fact that prior to the introduction of compulsory superannuation, women were more likely to be in jobs where their employer did not contribute to a superannuation fund on their behalf.
- The most common action taken to cope with reduced income in retirement was to cut back on normal weekly spending. This was more common for women, particularly single women, with 44% saying they had cut down on weekly spending.
- Cutting down on less frequent expenditures was also common, with 40% of single women, 28% of single men, 24% of partnered women and 24% of partnered men reporting having to do this. Compared to couples and single men, it was more common for single women to say they had to sell their home or move to lower cost accommodation because of their financial circumstances.
- Single women expected to retire at a later age than partnered women and, while health and physical abilities were rated as the most important factors in planning retirement for the mature age population in general, single women rated financial security as most important. Negative changes, such as a decline in their standard of living since retiring, were most commonly reported by single women; and compared to retired women with partners, retired women who were separated, divorced or never married had lower levels of overall life satisfaction.

[1] "Comfortable" and "modest" standards of living were defined according to income thresholds calculated by the Association of Superannuation Funds of Australia (ASFA).

3 Data source

The main data source used for this analysis is the HILDA survey (Release 13.0). A large part of the analysis draws on the most recent HILDA wealth module (Wave 10, 2010) and retirement module (Wave 11, 2011).[2] Analysis of standards of living in retirement was based on individual and household disposable incomes in 2013, as this is the most recent year for which income data is available in HILDA.

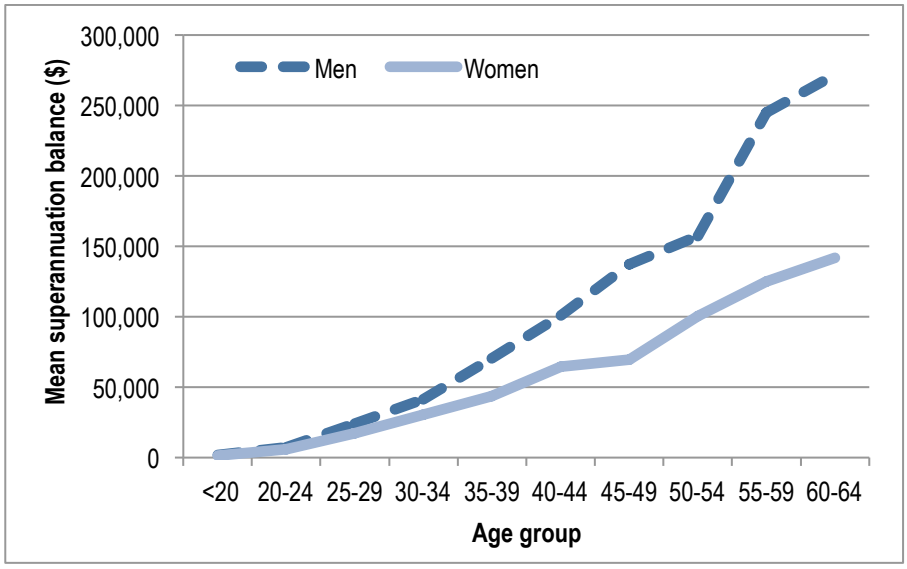
Labour force participation data from the Australian Bureau of Statistics (ABS) are also used to illustrate the differences in labour force participation rates of single and married men and women.

4 The gender gap in superannuation savings

One of the main reasons why it is more difficult for women, particularly single women, to reach the income levels required to have a comfortable lifestyle in retirement is the "superannuation gap". Several studies have described the reasons for this gender difference in superannuation savings (e.g., Clare, 2001, 2004, 2007; Olsberg, 2001, 2004; Warren, 2006). Prior to the introduction of compulsory superannuation in 1992, women were more likely to be in jobs where their employer did not contribute to a superannuation fund on their behalf. Even with the introduction of compulsory superannuation, women tend to receive lower employer contributions because they are usually based on a percentage of total salary and, on average, men's earnings are higher than women's and more women than men work in low-paying jobs (Wooden, 1999, 2008). Furthermore, women are more likely to work part-time and to experience periods of career interruption because of caring responsibilities. These broken work patterns mean that women are not in the paid work force for long enough periods to accumulate sufficient superannuation savings. Even when women re-enter the workforce later in life, their superannuation savings accumulate at a slower rate than those who have had an unbroken career path, as they miss out on the benefits of the long-term compounding effect of returns on superannuation savings.

Figures 1 and 2 show the mean and median superannuation balances (respectively) of men and women who were not retired in 2010. The difference in the superannuation savings of men and women is clear. On average, men aged 25 to 29 had superannuation savings of $24,000, compared to around $17,000 for women. By the age of 40 to 44, this gap had widened considerably, with mean balances of just under $70,000 for women, compared to $137,000 for men; and for those in the 60 to 64 age group, the gender gap in superannuation savings had widened even further, with mean balances of $142,000 for women and $272,000 for men.

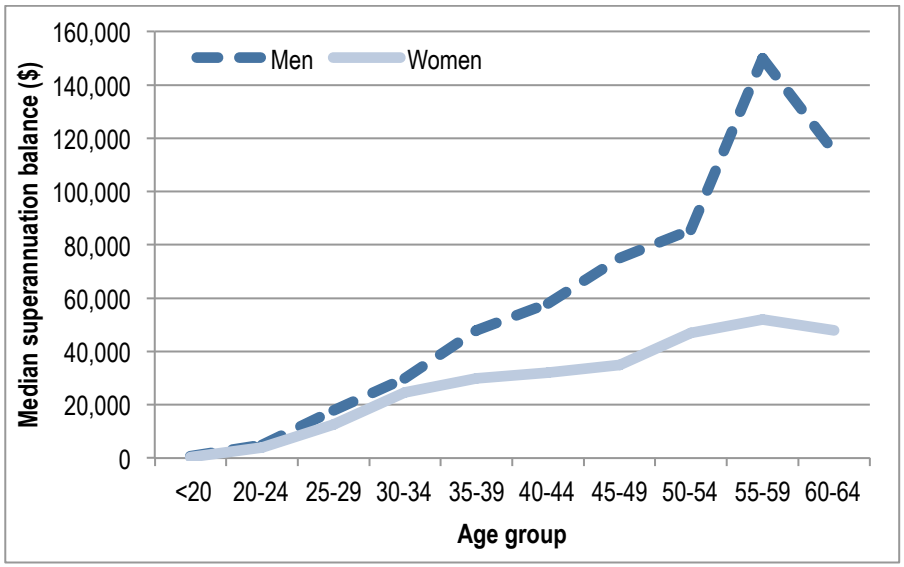
[2] More recent data on individual and household wealth will be available in release 14 of the HILDA survey data, which will be available in early 2016.



Note: Population weighted results. Sample is restricted to men and women who are not yet retired, and excludes those who have never been in paid employment (*N* = 8,903).

Source: HILDA survey, Release 13.0

Figure 1: Mean superannuation balance, men and women not yet retired, 2010



Note: Population weighted results. Sample is restricted to men and women who are not yet retired, and excludes those who have never been in paid employment (*N* = 8,903).

Source: HILDA survey, Release 13.0

Figure 2: Median superannuation balance, men and women not yet retired, 2010

Median superannuation balances (Figure 2) show a similar pattern, but with much lower levels of superannuation savings for both men and women compared to mean balances. Still, the gender gap in median superannuation levels widens considerably after age 30. At the ages of 30 to 34, 50% of men had levels of superannuation savings below $30,000 and 50% of women had superannuation savings below $24,500. Among those aged 55 to 59, half of the men had superannuation balances below $150,000, while half of the women in this age group had balances below $52,000. Compared to men and women aged 55 to 59, median superannuation

balances were lower among those aged 60 and 64, with this difference much more pronounced for men than from women.

There are two main explanations for the drop in median levels of superannuation savings between the late 50s and the early 60s. First, men and women in their early 60s were in their early 40s when the superannuation guarantee was introduced in 1992, so they did not benefit from compulsory employer superannuation contributions until relatively late in their working lives. Further, when the superannuation guarantee was first introduced, employer contributions were only 3% of earnings, rising gradually to 9% by 2002.[3] Second, with no tax payable on superannuation benefits taken after the age of 60, many employees start to reduce their working hours and draw down on their superannuation savings as part of a gradual transition to retirement.

The three main causes of the gender gap in superannuation savings have been identified as:

- *The gender–wage gap*—Men earn more, on average, than women, and as compulsory employer superannuation contributions are based on a percentage of income, they will be higher for men than for women.
- *Time out of paid employment*—Women are also more likely to take time out of paid employment to care for children or other family members and therefore miss out on employer superannuation contributions.
- *Differences in working hours*—Women are more likely to work part-time because of caring responsibilities and therefore earn less and receive lower levels of employer superannuation contributions.

The combination of these three factors results in a gender difference in superannuation savings that increases over time as a result of the compounding effect of accumulating returns on superannuation, as shown in the case study scenarios below.

Case studies in superannuation savings gaps

Scenario 1: The gender–wage gap

Women, on average, earn much less than men. The Workplace Gender Equality Agency (2015) estimates that at present, there is a full-time gender pay gap of 18%, with the average full-time weekly earnings of men being $1,592, compared to $1,307 for women. Further, female-dominated occupations seem to be less well rewarded than male-dominated occupations. However, the size of the latter effect is not large, at about four percentage points (Wooden, 2008).

In this scenario, we compare a man and a woman, both aged 30 and working full time. The man earns $73,000 per year before tax and has a superannuation balance of $20,000. The woman earns $60,000 per year before tax and, because of the difference in wage compared to the man, has a superannuation balance of $15,000. If they both continue working full-time, with no time out of the labour force, their superannuation balance at age 65 will be $751,000 and $611,000 respectively—a difference of $140,000 (Figure 3).[4]

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[3] For a description of the historical development of the Australian retirement income system, see Warren (2015a).

[4] This scenario and those that follow assume that wages increase at a real rate of 1.5% per annum and superannuation earnings are 5% per annum after inflation. It is assumed that the individuals do not make any additional superannuation contributions and employer contributions are 9.5% of gross wages until age 36 (in 2021), then increasing by 0.5% per year, to reach 12% by 2025 (age 40).

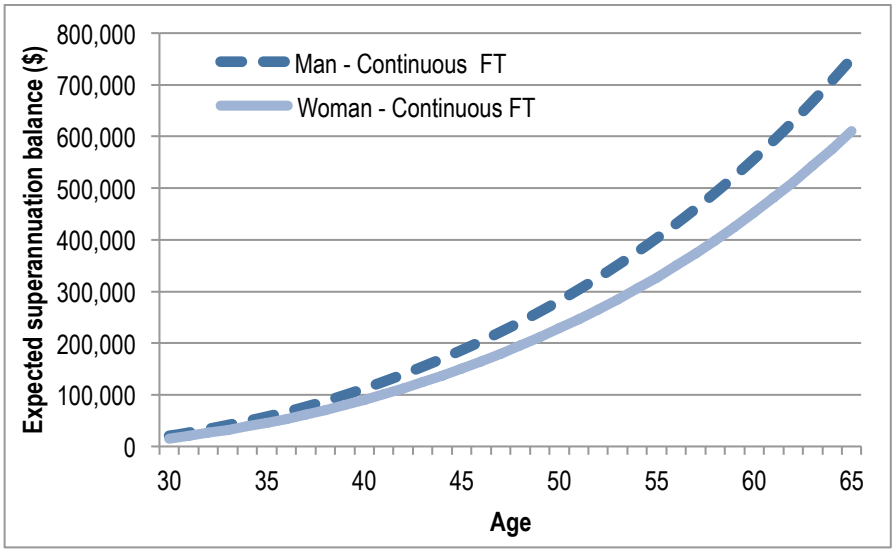


Figure 3: The estimated effect of the gender–wage gap on superannuation savings

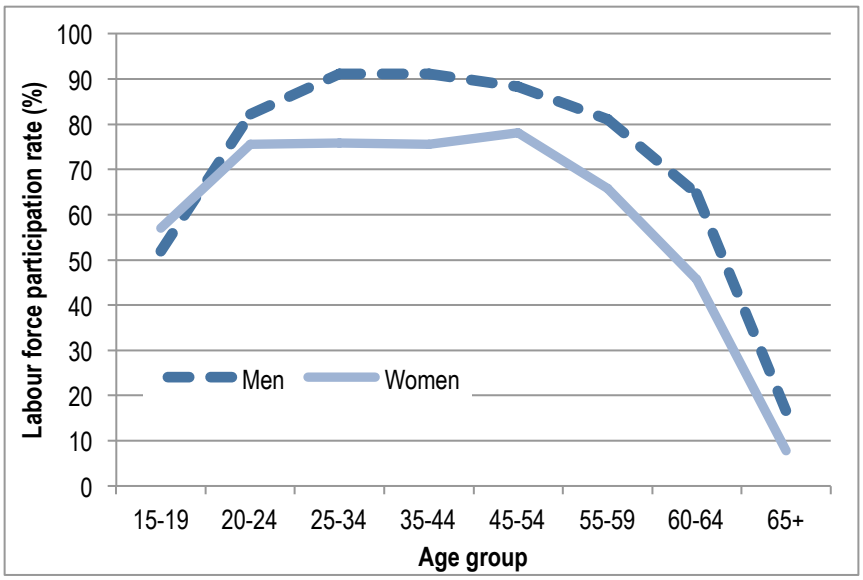
Scenario 2: Time out of paid employment

Over the past few decades, lifetime female participation in the labour force has increased substantially. Traditionally, most women participated in the formal labour force until they got married, then never returned to a paid job. In fact, before 1966, married women could not work in the Commonwealth public service (ABS, 2012). This trend changed for women born just before World War II (Productivity Commission, 2005). Women still withdrew from the workforce to have children, but re-joined the workforce when their children were older. Now, with higher levels of education among women, more flexible working arrangements (particularly part-time work) and greater availability of child care and maternity leave, fewer women withdraw completely from the workforce because of child care responsibilities (Baxter, 2005a, 2005b). Other social changes have also contributed to the increase in women's participation rates. Women are now able to participate and progress in a wider variety of jobs as a result of increased completion of secondary school, access to and participation in post-school education, and management of fertility through increased use of contraception (ABS, 2003; Baxter, 2005a, 2005b; Gray, Qu, Renda & de Vaus, 2006).

In the 1970s, female labour force participation developed an "M-shaped" distribution, decreasing among women aged 24 to 35 years, then increasing for those aged 35 to 44 before dropping again for women over 55. For later female cohorts, greater access to part-time jobs and child care has made the dip in participation associated with childbearing smaller, almost flattening out by 2005. It has also become more common for women to continue in the labour force until their late 50s or early 60s, and more women (just over 10% in 2015) are remaining in the workforce after the age of 65.

For men, the labour force participation rate rises to a peak of around 90% among those aged 25 to 34, and then declines slowly until the age of 60, when there is a substantial drop in participation (Headey, Freebairn, & Warren, 2010; Headey, Freebairn, Mavromaras, Oguzoglu, & Warren, 2007; Warren, 2008). In 2015, more men are staying in paid work after the age of 60, but few remain in the labour force after the age of 70. The labour force participation rates of men and women are shown in Figure 4. In 2015, men's labour force participation rate was approximately 15 percentage points higher than women's in the 25–34 and 35–44 age groups. This gap decreased to around 10 percentage points for the 45–54 age group, then increased

again for men and women aged 55 to 64, as a result of the earlier average retirement age of women compared to men.



Source: ABS (2015)

Figure 4: Labour force participation rate, by gender, April 2015

In this second scenario, the starting points are the same as in Scenario 1. However, now the woman has a baby at age 31 and takes time out of the labour force without pay and therefore without any employer superannuation contributions. Superannuation balances are compared according to whether the woman took one, two or five years out of paid employment, before returning to full-time employment (Figure 5). For comparison purposes, the superannuation balances of men and women with continuous uninterrupted full-time employment are also shown.

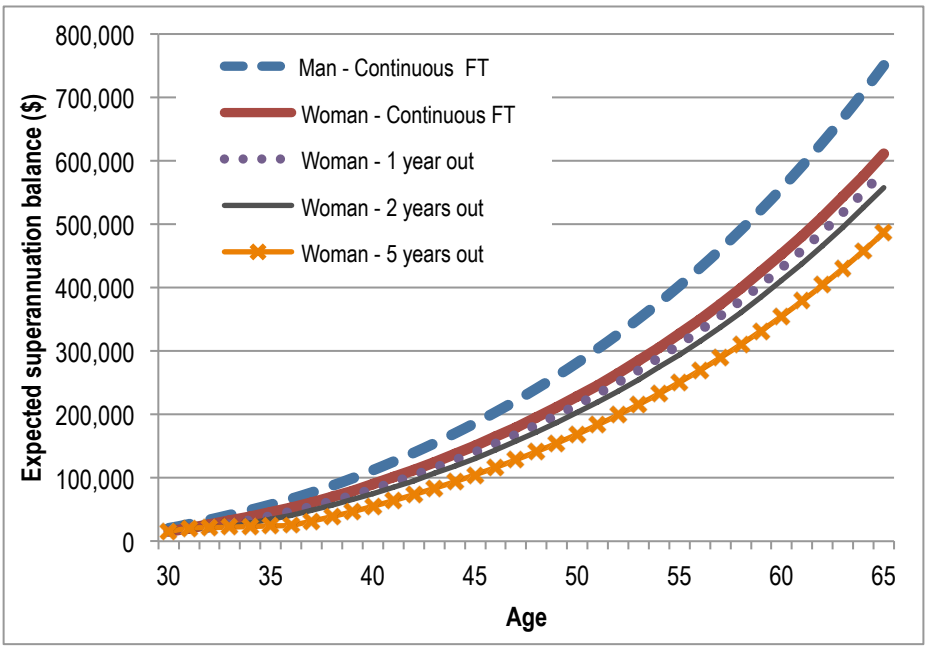


Figure 5: The estimated effect of a career break on superannuation savings

Compared to a woman who returns to work immediately after a period of paid maternity leave, and therefore effectively has a pattern of continuous full-time employment, a woman taking time out of the paid workforce could be expected to have a superannuation balance around $27,000 lower at the age of 65 after taking one year out, around $53,000 lower after taking two years out, and around $124,000 lower after taking five years out.

Scenario 3: Part-time work

The previous scenario is not very realistic in the sense that relatively few women return to full-time work after taking time out of the labour force. Many return to work part-time after the birth of a child in order to manage work and family responsibilities (Baxter, 2005a, 2005b, 2013a, 2013b). For example, Baxter's (2013b) analyses of Australian Census data from 1991 to 2011 showed that in 1991, 28% of mothers (with a dependent child aged under 18 years) were in part-time work and 23% were in full-time work. The percentage in part-time work increased to 31% in 1996, 32% in 2001, 35% in 2006 and 36% in 2011. The percentage in full-time work grew more slowly, from 23% of mothers in 1991 to 25% in 2011. Rates of full-time work tend to increase with the age of youngest child.

As another example, using the HILDA survey, labour force participation rates of mothers with children under the age of 15 increased from 63% of partnered mothers and 52% of lone mothers in 2001 to 69% of partnered mothers and 61% of lone mothers in 2008. However, average weekly working hours for partnered and lone parents remained quite steady over that eight-year period. Partnered mothers worked 28 hours per week on average, but for lone mothers, average weekly working hours increased from 28 hours per week in 2001 to 30 hours per week in 2008 (Wilkins, Warren, Hahn, & Huong, 2011).

So, in this third scenario, we compare the superannuation balances of women who return to work on a part-time basis at 60% of the full-time equivalent (and hence 60% of their previous wage and employer superannuation contributions), with the superannuation balances of women who return to work full-time and men who have uninterrupted patterns of full-time employment (Figure 6).

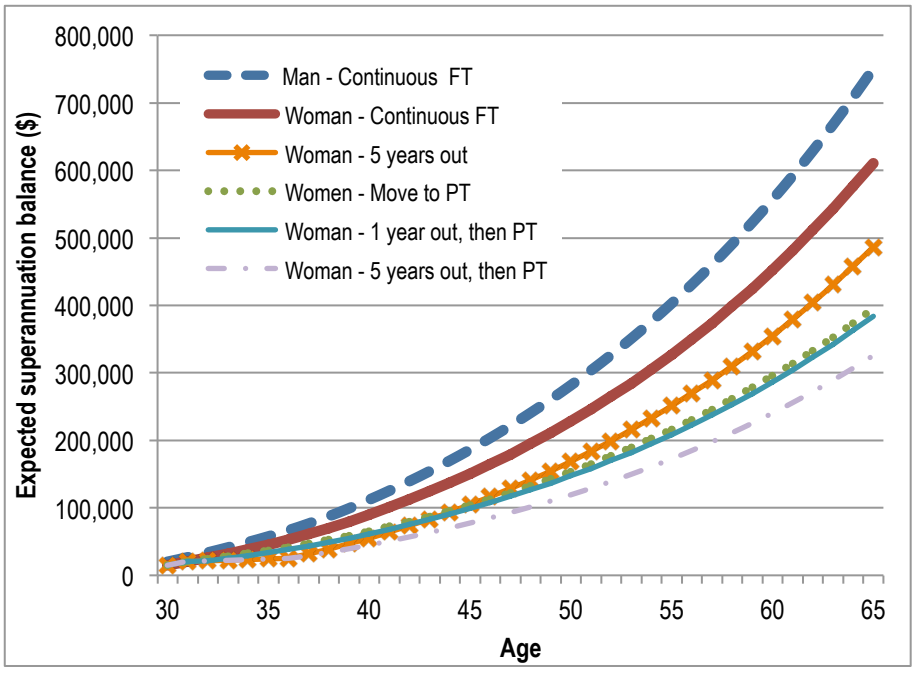


Figure 6: The estimated effect of part-time work on superannuation savings

For a woman who takes one year out of paid employment, then returns to work part-time, three days per week, her superannuation balance at age 65 would be around $384,000, compared to $396,000 for a woman who takes no additional time out of paid employment and then returns to work three days per week, and $751,000 for a man who has an uninterrupted career working full-time. A woman who remains out of the labour force for the five years until her child starts school, then returns to work part-time, could expect to have a superannuation balance of only $326,000 as a result of the combined effect of the gender–wage gap, time out of the labour force and part-time employment.

Labour force participation and the superannuation gender gap

The scenarios illustrate the fact that even if the gender–wage gap is removed, the superannuation gap would continue to exist. If women continue more often than men to work part-time and take time out for the labour force because of caring responsibilities, and superannuation contributions continue to be based on earnings, the gender gap in superannuation savings will remain.

Using data from the HILDA survey for men and women who were not retired in 2010, Table 1 shows that, from age 25 onwards, the percentage of women who had spent some time out of the labour force was considerably higher than that of men. The percentage of men who had spent at least five years out of the labour force ranged from 9% of those aged 35 to 34, to 19% of men aged 45 to 54. For women, almost 45% aged 35 to 44 had spent five or more years out of paid employment, and among women aged 55 to 64, this percentage was over 60%.

Table 1: Distribution of men and women by years out of the labour force since leaving full-time education and age, 2010

	Age group					
Years out of the labour force	**< 25 years (%)**	**25–34 years (%)**	**35–44 years (%)**	**45–54 years (%)**	**55–64 years (%)**	**65+ years (%)**
Men						
Less than one year	59.2	49.8	42.7	43.9	49.5	47.4
1 to less than 2 years	23.4	18.5	19.1	17.8	16.8	12.7
2 to less than 5 years	14.9	22.6	23.2	19.7	17.3	18.2
5 or more years	2.5	9.2	15.0	18.5	16.3	21.7
Total	100.0	100.0	100.0	100.0	100.0	100.0
Women						
Less than one year	58.1	31.3	14.9	14.8	10.8	8.4 #
1 to less than 2 years	23.4	19.9	12.4	7.4	5.2	4.4 #
2 to less than 5 years	15.8	26.2	28.0	21.8	20.6	6.8 #
5 or more years	2.7	22.7	44.7	56.0	63.5	80.4 #
Total	100.0	100.0	100.0	100.0	100.0	100.0

Notes: Population weighted results. N = 8,902. # Estimate not reliable, cell size less than 20. Percentages may not total exactly 100.0% due to rounding.

Source: HILDA survey, Release 13.0

The gender difference in the amount of time spent out of the labour force is clearly reflected in superannuation balances, as shown in Table 2. For example, for women aged 55 to 64 who had not yet retired, the average superannuation balance for a woman who had been in paid employment for the majority of her adult life was $220,000, compared to $101,000 for a women

who had been out of the labour force for 5 years or more. Across all age groups, there is also a clear gender gap, even after considering time out of the labour force. For example, for a man in the 55 to 64 age group who had less than one year out of the labour force the average superannuation balance was $298,000; and for a man who had spent five or more years out of paid work, the average superannuation balance was $150,000.

Table 2: Mean (and median) superannuation balance, by gender, age and years out of the labour force, 2010

Years out of the labour force	Age group					
	< 25 years	25–34 years	35–44 years	45–54 years	55–64 years	65+ years
Men						
Less than one year ($'000)	7 (4)	40 (28)	108 (65)	183 (100)	298 (200)	267 (40)
1 to less than 2 years ($'000)	5 (2)	30 (21)	73 (50)	131 (80)	167 (90)	161 (65)
2 to less than 5 years ($'000)	4 (2)	27 (18)	80 (53)	143 (65)	321 (100)	240 (60)
5 or more years ($'000)	2 (0)	10 (2)	49 (22)	81 (28)	150 (34)	241 (45)
All	6 (3)	33 (22)	85 (53)	147 (80)	256 (140)	243 (40)
Women						
Less than one year ($'000)	5 (3)	30 (22)	84 (50)	113 (54)	220 (95)	277 (70) #
1 to less than 2 years ($'000)	4 (2)	26 (20)	79 (48)	95 (60)	164 (70)	67 (0) #
2 to less than 5 years ($'000)	3 (2)	24 (19)	66 (40)	113 (60)	170 (84)	82 (65) #
5 or more years ($'000)	7 (0)	13 (4)	30 (17)	65 (25)	101 (34)	78 (0) #
All	5 (3)	24 (17)	54 (30)	85 (40)	131 (50)	95 (0)

Notes: Population weighted results. Medians in brackets. *N* = 8,902. # Estimate not reliable, cell size less than 20.

Source: HILDA survey, Release 13.0

The fact that superannuation balances are not clearly decreasing according to the number of years spent out of the labour force is likely to be due to differences in working hours. Compared to men, women are much more likely to work part-time, especially when children are very young. While some women return to full-time work as their children get older, others remain in part-time employment until they retire from the workforce. Table 3 shows the differences in weekly hours of paid employment, averaged over the ten years from 2001 to 2010, for men and women who were not yet retired in 2010.

Table 3: Distribution of weekly hours of work, averaged over the last 10 years, by gender and age, 2001–10

	Age group					
Weekly hours of work	< 25 years (%)	25–34 years (%)	35–44 years (%)	45–54 years (%)	55–64 years (%)	65+ years (%)
Men						
< 15 hours	26.3	7.9	4.5	7.0	7.3	18.1
15–24 hours	48.6	13.1	2.9	3.3	5.8	18.4
25–34 hours	24.1	23.4	9.8	7.5	11.8	9.5
35–44 hours	1.0	38.4	42.8	42.8	38.9	26.3
45–54 hours	0.0 #	14.2	27.9	27.4	26.3	11.4
55+ hours	0.0 #	3.1	12.2	11.9	9.9	16.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
Women						
< 15 hours	33.7	26.8	31.6	25.0	21.2	50.8
15–24 hours	37.0	26.8	21.9	17.6	14.0	15.0
25–34 hours	29.4	24.9	22.5	26.0	23.0	16.9
35–44 hours	0.0 #	18.4	20.5	23.7	29.0	10.7
45–54 hours	0.0 #	3.1	3.3	6.0	9.7	4.5
55+ hours	0.0 #	0.0 #	0.2 #	1.7	3.1	2.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Notes: Population weighted results. *N* = 5,713. # Estimate not reliable, cell size less than 20. Percentages may not total exactly 100.0% due to rounding.

Source: HILDA survey, Release 13.0

While a clear majority of men were working at least 35 hours per week, on average, between 2001 and 2010, this was not the case for women; and this is reflected in their superannuation balances, as shown in Table 4. For example, among women aged 45 to 54, the average superannuation balance of those who had worked 25 to 34 hours per week over the past ten years was $74,000, compared to $137,000 for those who had worked 35 to 44 hours per week. Even after weekly hours of work is taken into consideration, the gender gap remains, with men aged 45 to 54 who worked 25 to 34 hours per week having average balances of $96,000 and those who worked 35 to 44 hours per week over the previous ten years having average balances of $167,000.

Table 4: Mean (and median) superannuation balances, by weekly working hours averaged over the last ten years, gender and age, 2001–10

Weekly hours of work	Age group					
	< 25 years	25–34 years	35–44 years	45–54 years	55–64 years	65+ years
Women						
< 15 hours ($'000)	6 (3)	10 (4)	23 (7)	58 (5)	79 (7)	69 (0)
15–24 hours ($'000)	9 (9)	18 (15)	54 (32)	56 (30)	110 (43)	157 (20) #
25–34 hours ($'000)	11 (8) #	28 (25)	60 (35)	74 (48)	125 (65)	159 (65) #
35–44 hours ($'000)	–	42 (35)	82 (50)	137 (80)	154 (70)	99 (46) #
45–54 hours ($'000)	–	45 (40) #	120 (60)	132 (65)	251 (200)	209 (200) #
55+ hours ($'000)	–	–	277 (210) #	232 (205) #	309 (180) #	–
All	5 (3)	24 (17)	54 (30)	85 (40)	131 (50)	95 (0)
Men						
< 15 hours ($'000)	3 (3)	6 (1)	11 (4)	31 (3)	106 (0)	215 (30)
15–24 hours ($'000)	8 (7) #	14 (16)	18 (10)	43 (11)	147 (30)	201 (70)
25–34 hours ($'000)	11 (7) #	20 (15)	63 (36)	96 (53)	215 (165)	199 (127) #
35–44 hours ($'000)	12 (12) #	47 (30)	99 (60)	167 (98)	286 (180)	201 (130)
45–54 hours ($'000)	–	57 (33)	102 (80)	185 (110)	262 (212)	355 (140) #
55+ hours ($'000)	–	31 (27) #	109 (60)	175 (79)	358 (120)	341 (40) #
All	6 (3)	33 (22)	85 (53)	147 (80)	256 (140)	243 (40)

Notes: Population weighted results. Medians in brackets. # Estimate not reliable, cell size less than 20.

Source: HILDA survey, Release 13.0

Evidence from the HILDA survey shows that there is a clear gender gap in superannuation savings, even after part-time employment and time out of the labour force is taken into consideration. While compulsory employer superannuation contributions are based on income, the gender gap in superannuation savings will continue to exist. The gender gap is a result of the combination of the three factors discussed above and there is no single clear solution that will overcome this issue. For example, providing a superannuation bonus for women taking time out of the labour force because of caring responsibilities may go some way towards increasing women's superannuation balances, but the difference will still exist because of the gender wage gap and the gender difference in weekly hours of work. Similarly, increasing the percentage of employer superannuation contributions for women to a higher level than that for men, while also increasing superannuation balances, will not be enough to bridge the superannuation gap for those women who work part-time because of caring responsibilities. Policies that encourage women to work longer hours (e.g., access to low-cost child care) may also go some way to bridging the gap, but even if women choose to work longer hours, the gender pay gap will still

exist, and superannuation balances for women will still be, on average, lower than those for men.

Encouraging voluntary superannuation contributions through policy incentives such as the superannuation co-contribution scheme, which was introduced in the 2002–03 Federal Budget may go some way towards bridging the gap in superannuation savings for low income earners who have taken time out of the labour force. There is some evidence to suggest that the superannuation co-contribution scheme has delivered benefits to some low-income employees, particularly women. Among those who participated in the co-contribution scheme in the 2003–04 financial year, around 55% of beneficiaries had total individual incomes of less than $30,000 per year, 39% were single, 63% were female and 47% were Baby Boomers, the group with the lowest level of superannuation savings relative to their expected retirement needs (Nielson, 2006). However, participation in the scheme has been low so far, relative to the eligible population. This suggests either ignorance of the scheme, or a lack of discretionary income available to make additional superannuation contributions (Borowski, 2008).

Several suggestions have been put forward as potential solutions to overcoming the superannuation gender gap. Some examples include:

- allowing employers to contribute more to the superannuation accounts of women without breaching anti-discrimination legislation (Association of Superannuation Funds of Australia [ASFA], 2014b);
- removing the $450-a-month threshold for the superannuation guarantee (ASFA, 2014b);
- applying the superannuation guarantee to all substantive income replacement payments (ASFA, 2014b);
- retaining the Low-Income Super Contribution (LISC) rebate of up to $500 for part-time and low-income earners who pay more tax on super than their personal income (ASFA, 2014b, Industry Super Australia, 2015);
- introducing a $5,000 “super seed” contribution to enable young low-income workers to better access the structural benefits of superannuation, such as compound earnings (Industry Super Australia, 2015);
- introducing a default, opt-out, increase in contributions of 3%, over and above the superannuation guarantee (ASFA, 2014b);
- applying the superannuation guarantee to all substantive income replacement payments, including paid parental leave (ASFA, 2014b); and
- recalibrating tax concessions on super to benefit the lowest rather than the highest income earners, who are mainly men (Industry Super Australia, 2015).

Other policy incentives designed to overcome the underlying causes of the superannuation gap could also be considered. For example, Scenario 3 above shows that there is a considerable difference in superannuation balances for women who work part-time compared to those who have worked full-time for most of their working lives. At present, for many mothers, full-time work is not financially viable after child care costs are taken into consideration. Increases in the caps to the Child Care Rebate may provide an incentive for mothers who would like to work full-time to increase their working hours and hence their employer superannuation contributions. Further research is needed to determine the extent to which women’s labour force participation (and hence their superannuation savings) would be influenced by changes to child care policies.

Household financial assets

While it is clear that there is a considerable gender gap in superannuation savings, it does not necessarily follow that women will suffer worse outcomes in retirement as a result of their lower levels of superannuation savings. Most Australians approaching retirement are living with a spouse or partner, and therefore retirement is not usually a decision made by individuals alone, but a decision made together with a partner and possibly other family members (Warren, 2015b, in press). Older women who are in couple families should have access to the combined assets and wealth that have been accrued over the lifetime of that couple, and so their own personal financial resources may not reflect the resources to which they have access. That is, for individuals living with a spouse or partner, it is the level of financial assets of the household, rather then their individual superannuation balance, which determines financial security in retirement (Baxter & Taylor, 2014).

Where difficulties can often arise for older women (and also for women at younger ages) is when a relationship ends or when a partner dies (de Vaus et al., 2007). De Vaus et al. found that a large proportion of older women who were living alone as a result of a relationship breakdown or the death of a partner experienced substantial financial hardships. They suggested that the financial circumstances for these women could be improved through the encouragement of greater labour market participation prior to retirement age, being assisted to obtain further education or retraining following divorce, and being supported to remain in the workforce and thereby delay retirement. However, they concluded that "increased labour market earnings alone will almost certainly not completely offset the negative financial consequences of divorce for older people" (p. xi). Their analysis showed, in fact, that re-partnering is the most successful way of avoiding financial hardship for these women. Policies in the area of family law are especially important in protecting the interests of women (and, if applicable, their families) who are in these situations (de Vaus et al., 2007; Fehlberg, Behrens, & Kaspiew, 2008).

Baxter and Taylor (2014) explored the socio-economic status of women in NSW, by life stage group, and showed that household measures of wealth and income, as well as housing information, were particularly relevant in identifying low socio-economic status women, as opposed to personal measures of wealth or income. In their analyses of retirement-aged (55 to 74 years) women in NSW, they showed that single women made up half of the women in this age group who were identified as having low household wealth, and 40% of women in this age group were in receipt of Commonwealth Rent Assistance. Overall, 19% of retirement-aged women in NSW were single. For older women (of whom 48% were single women), the single women were even more over-represented in low socio-economic status groups, for example, with 81% of those identified as having low household wealth and 67% of those living in households receiving Commonwealth Rent Assistance were single women.

Australians' asset portfolios are dominated by housing, the second largest asset of most households is superannuation, and other financial assets such as shares, managed funds and cash in bank accounts make up a much smaller proportion of household wealth (Headey, Warren, & Wooden, 2008). Because a large component of household wealth is made up of fixed assets, such as the family home, these cannot easily contribute to the sum available to be invested in order to generate income in retirement.[5] Therefore, it is more appropriate to focus on the

[5] The Productivity Commission (2015) found that the family home often remains a largely untapped asset that is not typically drawn down in retirement—such as through reverse mortgages or downsizing. This is partly because of policy settings that may discourage or otherwise reduce the need for such a draw down, including the treatment of the family home in the assets test for the age pension, and often sizeable stamp duties on property transactions.

financial assets of the household. These assets include superannuation, cash in bank accounts, equity investments (e.g. shares), trust funds and life insurance. Table 5 provides a summary of the mean and median levels of household financial assets for single and partnered men and women who were not yet retired in 2010.

Table 5: Mean (and median) Household financial assets ($'000) 2010of – households with a head aged 45+ years and, not yet retired, by household type and age, (means, medians in brackets) 2010

	Age group of household head				
Household type	**45–49 years**	**50–54 years**	**55–59 years**	**60–64 years**	**65+ years**
Single woman ($'000)	124 (55)	178 (107)	247 (99)	145 (48)	143 (57)
Single man ($'000)	166 (107)	222 (102)	248 (130)	117 (33)	394 (170) #
Couple household ($'000)	318 (151)	360 (219)	451 (330)	632 (343)	620 (260)

Notes: Population weighted results. Medians in brackets. Sample *N* = 2,303. # Estimate not reliable, cell size less than 20.

Source: HILDA survey, Release 13.0

Based on their current financial assets, a very high proportion of households do not have enough to be self-funding in retirement. Single-person households, and particularly those of single women, have the lowest capacity for self-funding in retirement. For example, single women aged 55 to 59 had a median of $99,000 in financial assets, compared to $130,000 for single men in that age group. And among single men and women in the 60 to 64 age groups, the median levels of financial assets were $48,000 and $33,000 respectively—well below the amount of retirement savings required to achieve a moderate standard of living in retirement. These figures imply that, overall, a substantial proportion of the current generation of older Australians have very little capacity to provide for themselves in retirement.[6]

5 The adequacy of retirement income

While the previous section highlighted differences in the superannuation savings of men and women and the causes of those differences, it does not necessarily follow that women generally suffer poor outcomes in terms of their standard of living in retirement. Previous research has shown that for women in couple households, the overall level of savings of the couple, in combination with a full or part age pension are generally enough to maintain a reasonable standard of living in retirement. However, the standard of living of single men and women are often not as comfortable as those in couple households, with single women faring the worst in terms of the adequacy of their retirement income (Baxter & Taylor, 2014; Warren, 2006).

Using wave 13 of HILDA, Table 6 compares the disposable income of single retirees and the combined disposable income of partnered retirees, by age group, for the 2012–13 financial year. On average, couple retirees had a combined disposable income of at least $45,000, which suggests that most partnered retirees had a reasonable standard of living. However, for single

Concerns about securing an aged care bond also contribute to the reluctance of some to unlock equity in the family home.

6 Given that the superannuation guarantee has only been in place since 1992 and the superannuation co-contribution scheme is still in its infancy, superannuation balances can be expected to rise over the next two decades. Kelly (2003) estimated that by 2031 average wealth, and the proportion of wealth made up of financial assets, will have increased. This increase in financial assets should be able to provide income to supplement, and in some cases replace, the public pension.

men and women, the median disposable income was just over $20,000, which suggests that the majority of single retirees were depending mainly on the age pension.

Table 6: Mean (and median) disposable income of retirees by household type and age of household reference person, 2012–13

	Age of household reference person						
Household type	45–59 years	60–64 years	65–69 years	70–74 years	75–79 years	80+ years	All 45+ years
Single woman, retired ($'000)	25 (20)	27 (20)	26 (21)	25 (21)	25 (21)	27 (22)	26 (21)
Single man, retired ($'000)	23 (20)	22 (20)	32 (26)	31 (22)	27 (21)	28 (21)	28 (22)
Couple, both retired ($'000)	47 (34)	67 (40)	54 (38)	55 (40)	52 (39)	45 (37)	53 (37)

Notes: Population weighted results. *N* = 2,069. Medians in brackets. Excludes observations with negative incomes.

Source: HILDA survey, Release 13.0

At the time of writing, pensioners with substantial assets (up to $1.3 million, excluding the principal residence, for couples) can still receive a part pension. Therefore, most retirees in Australia receive at least a part age pension. Table 7 confirms that for around 90% of single retirees, the main source (at least 50%) of their disposable income in the 2012-13 financial year was a government pension or other benefits, while for couple retirees, the proportion who relied mainly on government pensions was slightly lower. Still, almost 85% of retired couples relied on the pension as their main source of income.

Table 7: Retirees whose main source of income is a government pension, by household type and age of household reference person, 2012-13

	Age of household reference person						
Household type	45–59 years (%)	60–64 years (%)	65–69 years (%)	70–74 years (%)	75–79 years (%)	80+ years (%)	All 45+ years (%)
Single woman, retired	94.3	84.5	94.3	89.6	94.1	91.0	91.6
Single man, retired	90.5	78.3	90.7	88.2	90.1	92.0	89.5
Couple, both retired	78.2	58.8	86.8	85.9	90.2	91.1	84.7

Notes: Population weighted results. *N* = 2,303.

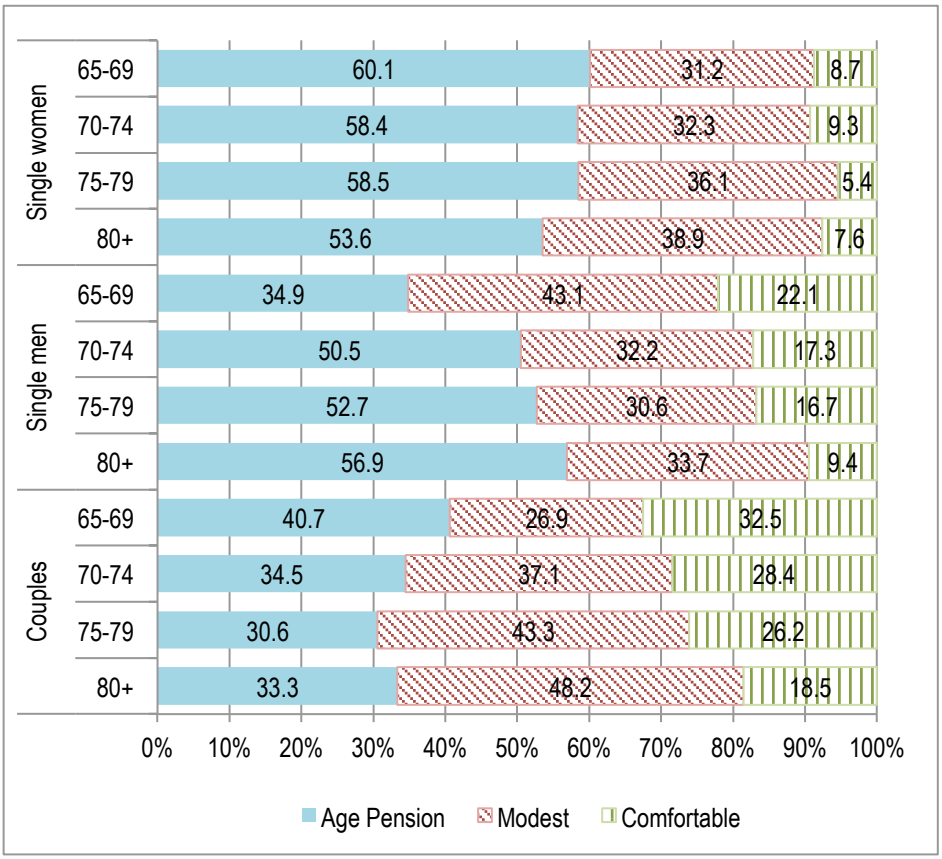
Source: HILDA survey, Release 13.0

ASFA (2014a) estimated that in December 2013, to achieve a modest lifestyle in retirement, a single person would require an annual disposable income of approximately $23,000 and a couple would require around $33,000. To achieve a comfortable lifestyle in retirement, a single person would need around $41,000 and couples would require a disposable income of around $56,000.[7] These estimates are based on the assumptions that people own their home outright, do

[7] According to ASFA (2014a), a modest retirement lifestyle is considered better than the age pension, but still only able to afford fairly basic activities. A comfortable retirement lifestyle enables an older, healthy retiree to be involved in a broad range of leisure and recreational activities and to have a good standard of living through the purchase of such things as household goods, private health insurance, a reasonable car, good clothes, a range of electronic equipment, and domestic and occasionally international holiday travel. The difference between the two budgets mainly relates to the extra items included in the comfortable budget. These include items such as being able to update the kitchen or bathroom at some stage, some wine, eating out from time to time, being able to entertain family or friends at home, private health insurance at the top rate, purchasing magazines and CDs, an economy overseas holiday, and being able to afford additional alcohol, purchase tobacco or make gifts.

not retire before qualifying for the age pension, and over the retirement period will receive at least a part age pension, which may increase to be the full age pension as they draw down on their superannuation savings.

The age pension is not far short of the budget required for a modest standard of living in retirement, as the amount of retirement savings required in 2013 to achieve a modest lifestyle in retirement was only $35,000 and for a single person and $50,000 for a couple (ASFA, 2014a). However, the amount of superannuation and other savings needed to support a comfortable lifestyle in retirement in 2013 was around $430,000 for a single person and $510,000 for a couple.[8] Figure 7 shows the percentage of retirees who were able to achieve a modest or comfortable lifestyle in retirement in 2013, based on their total disposable income in the 2012–13 financial year.



Notes: Population weighted results. *N* = 2,412. The age pension category includes those whose disposable income did not allow them to meet the threshold for a modest lifestyle (i.e., those who rely almost solely on the age pension).

Source: HILDA survey, Release 13.0

Figure 7: Type of lifestyle in retirement for single and partnered retirees, by age, 2012–13

Compared to single men and women, those living with a partner are more likely to be able to afford a comfortable lifestyle in retirement; and across all age groups, over 60% of partnered retirees were able to afford at least a modest standard of living. However, the percentage of

[8] To help support an ageing population, ASFA has developed two separate retirement standards, one for younger retirees aged 65 to 85 and the other for older retirees aged 85 and above. As of December 2014, ASFA (2014a) estimated that older couples wanting to live a comfortable retirement will need to spend $58,364 per year. This requires a joint superannuation balance of around $510,000. Older singles seeking a comfortable retirement would need to spend $42,604, and this requires a super balance of around $430,000.

single retirees who were able to afford a comfortable lifestyle was substantially smaller—around 20% of single men, but fewer than 10% of single women were able to afford a comfortable lifestyle in retirement. Furthermore, it was much more common for single retirees to be relying almost entirely on the age pension, with around half of single men and almost 60% of single women not able to afford a modest standard of living.

The ASFA (2014a) retirement standards assume that retirees own their home outright, and therefore have very little in the way of housing expenses. For men, their financial situation is a very important factor influencing their decision about when to retire, and owning a home outright has been shown to be a significant predictor of retirement (Borland & Warren, 2005; Warren 2015b; Warren & Oguzoglu, 2010). For women, family and caring responsibilities have a stronger influence on retirement decisions, although financial considerations have an indirect influence on partnered women's retirement decisions through their influence on their partner's retirement decision (Warren, 2011, 2015b, in press).

Table 8 shows that in 2013, the majority of retirees did own their home outright. However, the percentage of retirees who were renting or still paying off a mortgage was higher among single women than among single men and couples. Over 80% of couple households where the household reference person was aged 70 or older owned their home outright, compared to only around 60% of single retirees aged 65 to 79. Among single female retirees in this age group 22–30% were paying rent and 8–13% were paying off a mortgage. Single male retirees were less likely to be paying rent and more likely to be paying off a home, with 18–25% paying rent and 12–19% paying off a mortgage.[9]

[9] Among retirees who were paying off a mortgage, the average monthly mortgage payment was around $1,600 per month for single men, $1,450 for single women and $1,246 for couples. For retirees aged 60 and over who were renting, the average monthly rental payment was around $800 for single men, $850 for single women and $950 for couples.

Table 8: Housing status of retirees aged 65+ years, by household type (2013)

Age of household reference person	Own outright (%)	Mortgage (%)	Renting (%)	Other (%)	Total (%)
Single women					
65–69 years	58.9	8.2	30.2	2.7	100.0
70–74 years	58.2	13.2	26.8	1.7	100.0
75–79 years	60.9	10.2	22.3	6.5	100.0
80+ years	73.4	1.5	16.3	8.8	100.0
Single men					
65–69 years	61.5	19.2	18.4	0.9 #	100.0
70–74 years	61.6	11.6	25.3	1.6 #	100.0
75–79 years	63.0	12.1	20.2	4.8	100.0
80+ years	74.7	2.7	18.4	4.2	100.0
Couple					
65–69 years	67.0	20.6	10.1	2.3	100.0
70–74 years	80.1	10.8	7.3	1.7	100.0
75–79 years	83.4	7.3	7.0	2.3	100.0
80+ years	83.0	0.8	10.2	10.2	100.0

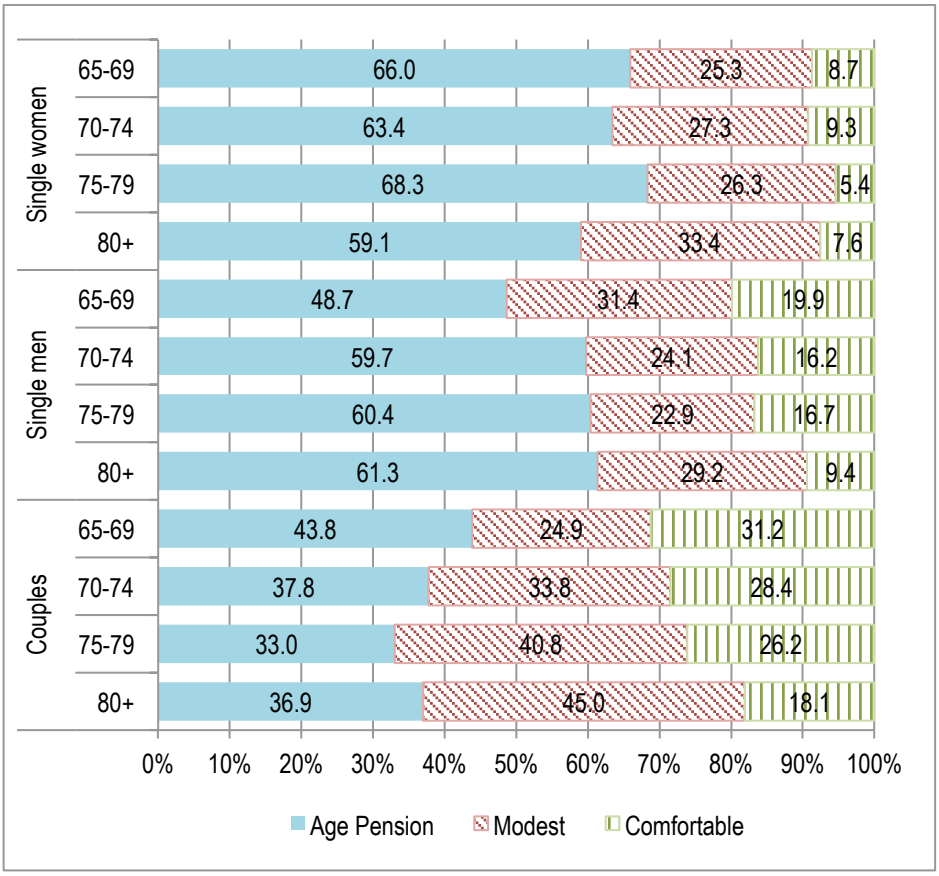
Notes: Population weighted results. *N* = 2,412. # Estimate not reliable, cell size less than 20. The proportion in the "other" category are mainly living rent free. Percentages may not total exactly 100.0% due to rounding.

Source: HILDA survey, Release 13.0

When housing expenses were taken into consideration, the percentage of retirees who were able to afford a comfortable lifestyle did not change substantially, as most of the retirees in this category owned their home. However, the percentage of retirees who were able to afford a modest lifestyle was reduced considerably, particularly among single women, as shown in Figure 8. After housing expenses, around 65% of single retired women aged 65 to 79 and almost 60% of those aged 80 and over were not able to afford at least a modest lifestyle. Single men fared slightly better, with fewer than half of single male retirees aged 65 to 69, and around 60% of those aged 70 or older not able to afford a modest standard of living.

Most of these retirees had not had the benefit of compulsory superannuation for most of their working lives and had little in the way of retirement savings, resulting in a relatively poor standard of living, particularly for those who do not own their home outright.[10]

[10] King and Maddock (2015) found that housing makes a critical contribution to sustaining the living standards of older households, especially those on low incomes, with older renters far more likely to experience persistent poverty than other households. This increased poverty among older renters has led to suggestions that superannuation savings be allowed to be released prior to preservation age for those experiencing housing stress(King & Maddock, 2015). However, this suggestion has been rejected by the Australian Government on the basis that the purpose of superannuation is to provide additional income for retirement.



Notes: Population weighted results. *N* = 2,412. The age pension category includes those whose disposable income did not allow them to meet the threshold for a modest lifestyle (i.e., those who rely almost solely on the age pension). Percentages may not total exactly 100.0% due to rounding.

Source: HILDA survey, Release 13.0

Figure 8: Type of lifestyle in retirement after housing expenses for single and partnered retirees, by age, 2012–13

6 The effects of inadequate savings on retirement outcomes

The previous section has shown that, at present, most retirees rely heavily on the age pension as their main source of income, and relatively few are able to afford a comfortable lifestyle in retirement. In this section, we examine how superannuation savings and lifestyle in retirement influence retirement outcomes such as levels of financial stress, satisfaction with financial situation, and satisfaction with life in general.

In the HILDA retirement modules, which were last asked in 2011, men and women who were completely retired were asked how their current income (from all sources, including government benefits and pensions, superannuation, savings and investments) had lived up to their expectations at the time when they retired.

In this section, the analysis is based on men and women who were aged 65 and over and retired at the time of their 2011 interview. Partnered individuals were excluded from the analysis if their partner had not yet retired, as there are substantial differences in the financial situation of couples in which one person is still employed, compared to couples where both people have left

the labour force.[11] Table 9 shows the proportion of retirees who thought their income was more, less, or about the same as they expected it would be at the time when they retired.

Table 9: Whether expectations of post-retirement income were met, by relationship status and gender, retirees aged 65+ years, 2011

	Partnered men (%)	Single men (%)	Partnered women (%)	Single women (%)	All retirees 65+ (%)
Much less	10.3	20.1	9.2	17.7	12.9
A little less	29.9	19.4	23.7	17.4	24.4
About the same	47.1	47.2	47.3	47.0	47.1
A little more/much more	12.7	13.3	19.8	18.0	15.6
Total	100.0	100.0	100.0	100.0	100.0

Notes: Population weighted results. Sample *N* = 954. Sample is restricted to single retirees and couples in which both partners are retired. Percentages may not total exactly 100.0% due to rounding.

Source: HILDA survey, Release 13.0

A very high proportion of men and women said that their current income was less than they expected when they retired, with around 40% of both partnered and single men saying their current income was a little or much less than they expected when they retired, compared to 33% of partnered women and 35% of single women. These figures suggest that for the majority of retirees, the drop in income was expected and was presumably an important factor in the decision about the timing of their retirement.

Despite this, Table 10 shows that although almost a quarter of retirees considered their standard of living to be better than it was before they retired, around 20% of (single and partnered) men, and almost 30% of single women considered their standard of living in retirement to be worse then their pre-retirement standard of living. However, relatively few partnered women (13%) reported a drop in their standard of living, with around two-thirds saying their standard of living was about the same, and 23% saying their standard of living had improved.

Table 10: Change in standard of living since retirement, by relationship status and gender, retirees aged 65+ years, 2011

	Partnered men (%)	Single men (%)	Partnered women (%)	Single women (%)	All retirees 65+ (%)
Worse/much worse	17.5	22.9	12.7	27.5	19.1
About the same	58.4	53.7	64.5	49.5	57.4
Better/much better	24.2	23.5	22.8	23.1	23.5
Total	100.0	100.0	100.0	100.0	100.0

Notes: Population weighted results. Sample N = 954. Sample is restricted to single retirees and couples in which both partners are retired. Percentages may not total exactly 100.0% due to rounding.

Source: HILDA survey, Release 13.0

[11] Previous research has shown that in Australia, many couples have a strong preference to retire at around the same time due to complementarities in leisure, and therefore, for individuals living with a spouse or partner, the partner's labour force status is a very strong predictor of retirement behaviour (Warren, 2015c).

In terms of financial security, there were clear differences between single and partnered retirees, with just over 30% of partnered retirees saying that their financial security was worse since they retired, compared to 40% of single male retirees and 43% of single female retirees (Table 11).

Table 11: Change in financial security since retirement, by relationship status and gender, retirees aged 65+ years, 2011

	Partnered men (%)	Single men (%)	Partnered women (%)	Single women (%)	All retirees 65+ (%)
Worse/much worse	30.6	40.1	31.7	42.5	34.1
About the same	51.1	43.4	49.3	41.4	47.9
Better/much better	18.3	16.5	19.0	16.1	17.9
Total	100.0	100.0	100.0	100.0	100.0

Notes: Population weighted results. Sample *N* = 954. Sample is restricted to single retirees and couples in which both partners are retired. Percentages may not total exactly 100.0% due to rounding.

Source: HILDA survey, Release 13.0

While the majority of retirees disagreed with the statement "I have real concerns abut my financial situation", around 20% agreed with this statement. Furthermore, the percentage of single women who agreed with this statement was higher than that of (single and partnered) men and partnered women, with almost one-quarter of single female retirees expressing concern about their financial situation (Table 12).

Table 12: Whether retiree had concerns about financial situation, by relationship status and gender, retirees aged 65+ years, 2011

	Partnered men (%)	Single men (%)	Partnered women (%)	Single women (%)	All retirees 65+ (%)
Strongly disagree	10.3	5.5 #	12.8	8.1	9.8
Disagree	53.6	56.7	48.9	46.2	51.4
Neither agree nor disagree	16.1	17.3	17.9	21.3	17.8
Agree/strongly agree	19.9	20.4	20.3	24.5	21.0
Total	100.0	100.0	100.0	100.0	100.0

Notes: Population weighted results. Sample *N* = 972. Sample is restricted to single retirees and couples in which both partners are retired. # Estimate not reliable, cell size less than 20. Percentages may not total exactly 100.0% due to rounding.

Source: HILDA survey, Release 13.0

Retirees were asked if they had taken any specific actions in order to cope with the change in financial circumstances since they retired. Table 13 shows that the most common action taken was to cut back on normal weekly spending. This was more common for women, particularly single women, with 30% saying they had cut down on weekly spending, compared to 21% of partnered women. Cutting down on less frequent expenditures was also common, with 26% of single women and 20% of partnered women reporting having had to do this.

Table 13: Actions taken to cope with financial situation in retirement, by relationship status and gender, retirees aged 65+ years, 2011

	Partnered men (%)	Single men (%)	Partnered women (%)	Single women (%)	All retirees 65+ (%)
Cut back on your normal weekly spending	27.9	25.2	20.5	30.4	26.3
Cut back on less frequent expenditures such as holidays, new cars and large household goods	32.4	23.6	20.1	26.3	27.4
Sold your house or moved to lower cost accommodation	5.5	3.5	4.5	7.8	5.5
Sold something else you own, like a holiday house, a car or jewellery	1.1 #	0.9 #	1.3 #	2.3 #	1.3 #
Sharing housing with relatives or friends	1.0 #	4.6 #	0.8 #	3.6 #	1.9
Take on paid work	0.4 #	0.0 #	0.3 #	0.6 #	0.4 #
Rely on your spouse/partner going out to work or increasing their working hours	0.4 #	n. a.	0.7	n. a.	0.3 #
None of the above	57.1	60.8	69.0	54.9	59.9

Note: Population weighted results. Sample *N* = 975. Sample is restricted to single retirees and couples in which both partners are retired. # Estimate not reliable, cell size less than 20.

Source: HILDA survey, Release 13.0

Compared to partnered women and single and partnered men, it was more common for single women to say they had sold their house and moved to lower cost accommodation because of their financial circumstances. For some, down-sizing is a part of retirement planning rather than a result of unforeseen financial circumstances. While many retirees prefer to continue living in their family home, there has been a long-standing pattern of older people moving to smaller houses in their retirement, often moving to non-metropolitan coastal areas. For many retirees the sale of their family home gives them the opportunity to purchase a smaller house and use the balance to fund travel and other lifestyle purchases (Olsberg, 2004).When asked about intentions to take these type of actions because of financial circumstances, very few said that they intended to do any of these things, suggesting that for most retirees, if they had experienced financial problems, they had already taken some action to rectify the situation. The most common action retirees intended to take as a result of financial circumstances was to cut back on normal weekly spending and less frequent expenditures such as holidays, new cars and large household goods.

Even with the reduction in income and concerns about their financial situation, very few retirees reported that their overall happiness was worse than it was before they retired. However, single retirees were more likely to report that their overall happiness was about the same rather than better, while partnered retirees more commonly reported that they were happier in retirement than they were before they retired (Table 14). Presumably this difference is at least partly due to partnered retirees being more likely to afford at least a moderate standard of living in retirement.

Table 14: Change in overall happiness since retirement, by relationship status and gender, retirees aged 65+ years, 2010

	Partnered men	Single men	Partnered women %	Single women	All retirees 65+
Worse/much worse	5.9 #	7.3 #	6.8 #	9.7	7.1
About the same	33.4	47.3	36.1	37.9	37.0
Better	41.7	29.1	34.0	35.5	36.8
Much better	19.0	16.3	23.1	17.0	19.2
Total	100.0	100.0	100.0	100.0	100.0

Notes: *Population weighted results, Sample *N* = 1,081. # Cell size less than 20. Percentages may not total exactly 100.0% due to rounding.

Source: HILDA survey, Release 13.0

Looking at average levels of overall life satisfaction for retired men and women according to their standard of living shows that while the differences in life satisfaction were quite small, with satisfaction levels ranging from 7.9 out of 10 for single male retirees relying on the age pension to 8.5 out of 10 for single and partnered men with a comfortable lifestyle, there were small, but statistically significant differences depending on living standards (Table 15).[12]

Table 15: Overall life satisfaction, by type of lifestyle in retirement, by relationship status and gender, retirees aged 65+ years, 2013

	Partnered men (mean)	Single men (mean)	Partnered women (mean)	Single women (mean)	All retirees 65+ (mean)
Age pension	8.2	7.9	8.2 **	8.1 **	8.1
Modest	8.3	8.1	8.5	8.4	8.4
Comfortable	8.5 **	8.5 **	8.4	8.4	8.4
Total	8.3	8.0	8.3	8.2	8.2

Notes: Population weighted results, Sample *N* = 2,248. # Cell size less than 20. ** Indicates a significant difference compared to the modest lifestyle category at the 5% level.

Source: HILDA survey, Release 13.0

Among single and partnered women, those who relied almost entirely on the age pension had significantly lower levels of life satisfaction. However, there was no significant difference in the average life satisfaction of women who had either a modest or comfortable lifestyle. For men, those in the "comfortable lifestyle" range had the highest levels of overall life satisfaction. However, there was no significant difference between the average levels of life satisfaction of those who had a modest standard of living, compared to those who relied mainly on the age pension. These results imply that while differences in overall life satisfaction are small, for women, the difference between relying only on the age pension and having a modest standard of living does have a significant influence on life satisfaction.

[12] Respondents were asked to rate their overall life satisfaction on a scale from 0 to 10, with 0 being "totally dissatisfied and 10 meaning "totally satisfied". Very few respondents (fewer than 10% of respondents aged 65 and over) rated their overall life satisfaction as less than 7 out of 10.

7 Summary and final remarks

This submission provides new evidence about the gender gap in superannuation balances of Australian men and women approaching retirement, the reasons for this gender gap and the consequences of inadequate retirement savings in terms of standards of living and financial hardship in retirement.

Evidence from the HILDA survey shows that there is a clear gender gap in superannuation savings, and that this is a result of three main factors: the gender–wage gap, time out of paid employment and part-time employment. While compulsory employer superannuation contributions continue to be based on income, the gender gap in superannuation savings will continue to exist. There is no single clear solution that will overcome this. Several options have been put forward to overcome this issue, including superannuation bonuses for young people with low incomes, increasing the rate of compulsory superannuation contributions for women, changing the tax treatment of superannuation to benefit the lowest paid workers, and applying the superannuation guarantee to income support payments, including paid parental leave.

While it is clear that there is a considerable gender gap in superannuation savings, it does not necessarily follow that women will suffer worse outcomes in retirement as a result of their lower levels of superannuation savings. Most Australians approaching retirement are living with a spouse or partner, and for those in couple households, the overall level of savings of the couple, in combination with a full or part age pension are generally enough to maintain a reasonable standard of living in retirement. Difficulties can often arise when a relationship ends or when a partner dies. Single-person households, particularly those of single women, have the lowest capacity for self-funding in retirement and are most likely to rely almost entirely on the age pension as the main source of retirement income.

While the majority of retirees own their home outright, the percentage of retirees who were renting or still paying off a mortgage in 2013 was higher among single women, than among single men and couples. After taking housing expenses into consideration, over 60% of single retired women were not able to afford a modest lifestyle, relying almost entirely on the age pension as their source of income. Single men fared slightly better, with fewer than half of single male retirees aged 65 to 69, and around 60% of those aged 70 or older not able to afford a modest standard of living. These results highlight the relatively poor standard of living among current retirees, who have not had the benefit of compulsory superannuation for most of their working lives and have little in the way of retirement savings. Furthermore, it is likely that housing stress will become more of a problem for retirees in decades to come. Estimates by REST Industry Super (2011) suggest that by 2036, one in four retirees will be renters rather than homeowners. Therefore, retirement policy needs to ensure that assistance to meet housing costs keeps pace with the increasing costs of housing.

Evidence from the HILDA survey shows how inadequate retirement savings affect the wellbeing of retirees, with single women expressing the most concern about their financial situation in retirement. In 2011:

- a very high proportion of men and women (30–40%) said that their current income was less than they expected when they retired, with around 20% of single retirees reporting that their retirement income was much less than they expected; and
- almost 30% of single women considered their standard of living in retirement to be worse then their pre-retirement standard of living; however, relatively few partnered women (13%) reported a drop in their standard of living.

In terms of financial security, there were clear differences between single and partnered retirees, with 40% of single male retirees and 43% of single female retirees saying that their financial security was worse since they retired.

The most common action taken in order to cope with the change in financial circumstances in retirement was to cut back on normal weekly spending. This was more common for women, particularly single women, with 30% saying they had cut down on weekly spending, compared to 21% of partnered women.

This analysis highlights the current situation in which the majority of retirees are reliant on the age pension as their main source of retirement income; and single women are the least likely to be able to afford even a modest lifestyle in retirement. Changes to superannuation policy to address the issue of the gender gap in superannuation savings, along with policies that encourage the increased labour force participation of women, may assist retirees in decades to come. However, for the current cohort of retirees, these changes will have no effect on their standard of living. For those who are already in retirement, policy reform targeting assistance to those in genuine financial hardship is the only type of reform that will bring real improvements to living standards.

Further research is needed in this area, and with the upcoming release of data from Wave 14 of the HILDA survey (which includes more recent measures of individual and household wealth), it will be possible to undertake more sophisticated analysis of the possible effects of changes to retirement and superannuation policy.

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