The Treasury Predicts a Narrowing in the Gender Gap in Superannuation - But the Question is "By How Much?"

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Policy Brief

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On 28 June 2021 the Government released its fifth Intergenerational Report (IGR). A pertinent question is whether or not the IGRs are really worth the effort? We are told that their value lies in helping us plan for change and ensure that current policies do not compromise future generations. Yet, it the absence of a detailed gender analysis on key issues, it is hard to see where the benefit lies.

Take superannuation, as an example. We are told in the recent IGR that by 2061, and in current prices, median superannuation balance at retirement will be $460,000; up from the $125,000 today. What we are not told is what these median balances might look like for men and women.

To its credit the IGR does acknowledge that a gender gap in superannuation balances is a feature of the Australian superannuation system. Without any effort to quantify the extent of the gap now, or in the future, the report goes onto say:

> *"The gender gap in superannuation balances is expected to narrow substantially as the superannuation system matures and women benefit from greater labour force participation. In the future, more women will have superannuation and spend more years contributing to their superannuation, including through higher voluntary contributions".*

There is presently a large difference in the superannuation balances of men and women. Estimates based on ABS data suggest a gender gap in median balances amongst 35-44 year- olds equal to 40% (see Table 1). This is a group which has, for much of their paid working life, been covered by a 9% Superannuation Guarantee (SG) mandatory employer contribution. The gender gap in balances largely stems from gender differences in patterns of employment, gender differences in contribution patterns, as well as other factors including the gender pay gap. Studies show that switching to casual and part-time employment or taking a career break at an early stage in paid working life has an adverse effect on long run superannuation balances due to lost earnings from compounding effects.[i] In this regard it was disappointing that the 2021/22 budget did not contain measures to extend SG contributions to those on paid parental leave.

Table 1: Mean and Median Superannuation Balances by Age and Sex, 2017/18

	Males ($)	Females ($)	Gender Gap (%)
At or approaching preservation age: 55-64			
Mean	332,662	245,126	35.7
Median	183,000	118,556	54.4
Age: 35-44			
Mean	100,323	69,252	44.9
Median	70,000	50,000	40.0

Notes.

1. Source: ABS Gender Indicators, Australia, December 2020. Cat. No. 4125.0
2. Data based on 2017/18 financial year and in 2017/18 prices.

The Treasury, in the recent IGR, is correct in their observation that as more women participate in the labour market more women will have superannuation - but it is stretching it to claim that the gender gap in superannuation balances will narrow substantially as a result.

Figure 1 shows changing patterns of employment/population (EP) ratios by age, year and sex. The dotted lines show the patterns for females and the solid lines pertain to males. It is clear that since 1990 (around the start of the SG system) there have been significant increases in the EP ratios amongst women of all ages, and especially older women.

Figure 1

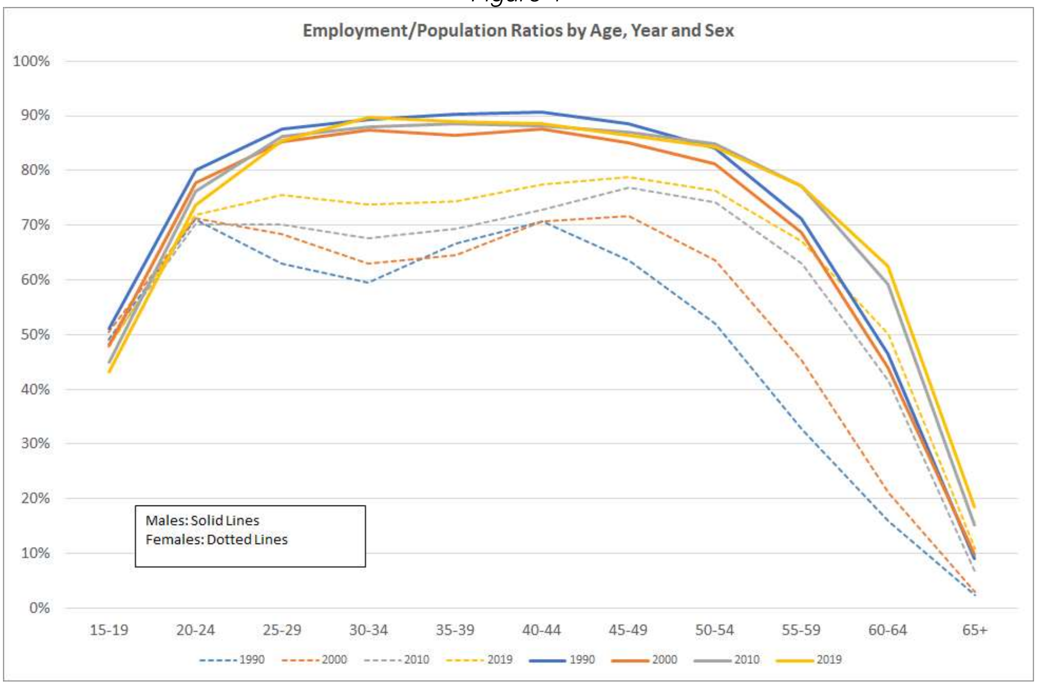
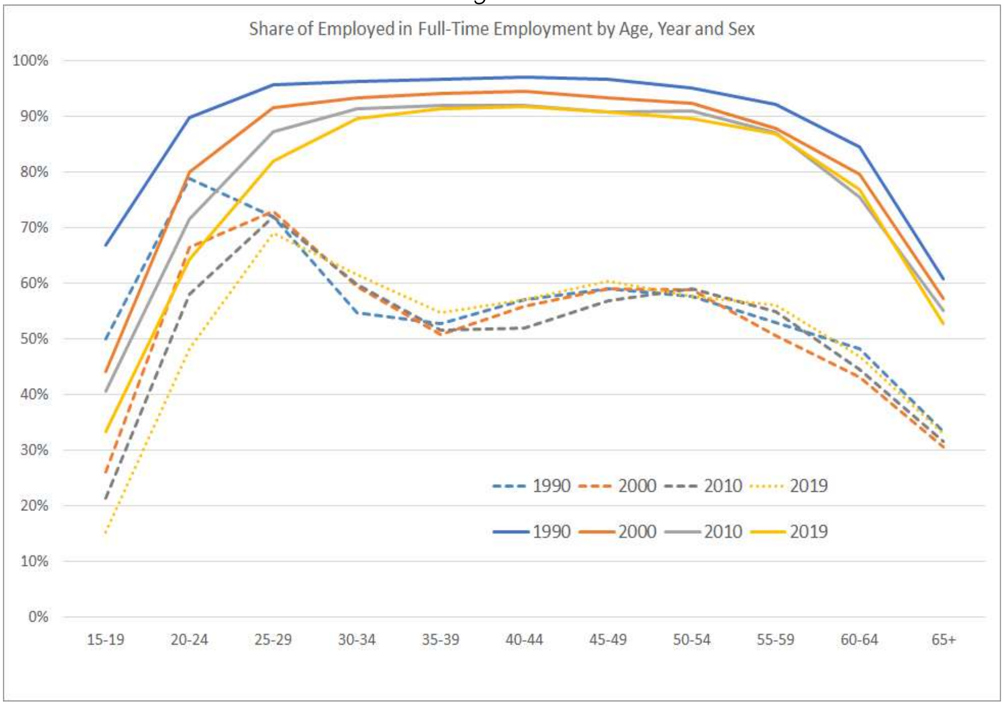


Figure 2 shows the share of those in employment who work 35 or more hours per week (i.e. full-time). It is clear from this second figure that, in nearly 30 years, there has been virtually no change in patterns of full-time and part-time employment by women in paid employment. Women continue to meet a range of unpaid responsibilities by working part-time, and it is this which hampers their ability to accumulate superannuation savings in the Australian system.[ii]

Figure 2



What we also know from historical data is that wage growth is presently flat and, indeed, zero for those under the age of 35.[iii] Relatedly, we know that under-employment is a pressing problem in the labour market (particularly for women and young people) and that student debt under the Higher Education Loan Program (HELP) is soaring – with tertiary qualified women carrying significantly more student debt than their male counterparts.[iv,v]

Given these facts it is hard to believe that the gender gap will narrow substantially as a result of women spending 'more years contributing to their superannuation' and as a result of their 'higher voluntary contributions'. It is the timing of contributions that counts and hours worked in paid employment. As for the higher voluntary contributions, where will the money come from? Remember, we are talking about a generation that will likely face higher income tax given projected debt levels and higher mortgage debt if they get into the housing market. In short, I predict ongoing large gender gaps in superannuation balances at retirement meaning that women will continue to be reliant on a spouse or the state in retirement.

If the IGR helped shine a light on these gendered considerations in relation to superannuation, then I would see greater value in the IGR as a planning tool.

[i] Jun Feng, Paul Gerrans, Carly Moulang, Noel Whiteside & Maria Strydom (2019) Why Women Have Lower Retirement Savings: The Australian Case, Feminist Economics, 25:1, 145-173, DOI: 10.1080/13545701.2018.1533250

[ii] Figures 1 and 2 are based on data from the Australian Bureau of Statistics (ABS). (ABS, 6291.0.55.001 Labour Force, Australia, Detailed – Electronic Delivery. Table 1. The estimates for 1990, 2000, 2010 and 2019 reflect an average of the monthly estimates for each year. While 2020 data are available, comparisons are based on 2019 to overcome any temporary biases associated with Covid-19.

[iii] Productivity Commission (2020), 'Why did young people's incomes decline? Productivity Commission Research Paper. Canberra.

[iv]https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2019/October/HELP_statistics_2018-19

[v] Source: Author calculations based on wave 18 in the Household, Income and Labour Dynamics Australia (HILDA) Survey.