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A Growing Divide? Retirement Incomes by Gender in Australia

Marcia Keegan, Ann Harding and Simon Kelly

For additional information please contact:

Name: Marcia Keegan
Affiliation: University of Canberra, Australia

Email Address: Marcia.Keegan@natsem.canberra.edu.au

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Marcia Keegan, Ann Harding and Simon Kelly

National Centre for Social and Economic Modelling
University of Canberra

Abstract

Despite attempts to create a more equal environment for women and men, men in Australia continue to enjoy higher pay than women, particularly for those women who have had children. As the retirement of the baby boom cohort gathers pace, there has been much discussion about the extent to which these unequal changes during working life will translate into differences in well-being in retirement. This paper examines key differences in selected measures of well-being by gender in Australia, including a detailed analysis of trends in superannuation by age, gender and family type. The paper highlights the importance of the income unit used to examine these issues and discusses likely trends in the retirement income gap.

Authors

Marcia Keegan is a Senior Research Fellow at the National Centre for Social and Economic Modelling (NATSEM) at the University of Canberra. Ann Harding is Professor of Applied Economics and Social Policy at the University of Canberra and a Professorial Fellow with NATSEM. Simon Kelly is an Adjunct Professor at NATSEM.

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1 Introduction

The past few decades have seen sweeping changes in social and economic patterns by gender in Australia. The fertility rate has dropped from 3.5 children per woman in the mid 1960s to around two children today (ABS 2012a), with women typically now having those children in their 30s rather than their 20s. Enrolment in post-school education has increased dramatically, with women now being more likely than men to enrol in higher education. In 2006, 39.9 per cent of women aged 20 to 24 had either a bachelor or post-graduate degree, compared with only 29.7 per cent of men. For those aged 25 to 34 years, the comparable figures were 52.3 per cent of women compared with 43.4 per cent of men (Cassells, et al. 2009, p. 9).

These striking changes in fertility and education patterns have been among the key factors prompting marked changes in the labour market, with women's labour force participation rates escalating from 48.2 per cent in 1986 to 59 per cent in 2012 (ABS 2012b). During the same period, men's labour force participation rates have declined slightly, from 76 to 71 per cent. Despite these positive changes for women, they are still undertaking more childrearing and housework than men. In 2006, women in full-time jobs with dependent children spent 78 hours a week on paid and unpaid work, compared with 74 hours per week for men in full-time jobs with dependent children. For part-time workers with children the gender division was even more pronounced, with mothers working part-time putting in around 74 hours a week of paid and unpaid labour, but fathers working part-time managing only 58 hours (Cassells et al., p. 12). Not surprisingly, these differences resulted in differential levels of stress by gender, with 53 per cent of employed women reporting that they 'almost always' or 'often' felt pressed or rushed for time, compared with only 40 per cent of employed men (Cassells et al., 2009, p. 16).

As is the case internationally, the gender wage gap has been one important indicator of the gulf between male and female workers. The marked changes in education outlined above, additional childcare and important pieces of legislation such as the Federal Sex Discrimination Act of 1984 and the Equal Employment Opportunity for Women Act of 1986 have reduced the gender wage gap in Australia. After accounting for important factors affecting wages, such as hours of work, number of children, occupation and educational attainment, Cassells et al. found that Baby Boomer women were earning around 87 per cent of what their male counterparts were earning, with the gender wage gap falling sharply to only a 3.5 per cent gap for younger Gen X women and an even lower 0.6 per cent gap for Gen Y women (2009, p. 26). [1] This positive development aligns with recent international research which suggests that the gender wage gap is shrinking (Weichselbaumer and Winter-Ebmer 2005).

While the above trends are a very positive development, the fact remains that women continue to receive much lower incomes than men. For example, average weekly full-time earnings for women in 2012 are $1186.90, more than 20 per cent lower than the $1437.40

[1] The Australian definitions for these generations are that the 'Baby Boom' generation were born between 1946 and 1960, 'Generation X' was born between 1961 and 1975, and 'Generation Y' was born between 1976 and 1991.

received by men (ABS 2012c). (The comparable figures for *all* earnings rather than just full-time earnings is $818 for women and $1274 for men.) Along with these lower wages for paid work, women spend less time in the labour force than men during their lifetimes, largely due to taking more time out of the work force to raise children (Jaumotte, 2003). All of these factors combine to produce lower superannuation, lower wealth, and reduced lifetime incomes for women (Cassells et al., p.30).

In Australia the very large baby boom cohort has now begun the march towards retirement. The first of the 5.5 million baby boomers were eligible for the publicly funded age pension in 2010 and, over the next 15 years, the vast majority will leave the labour force (Kelly 2009). This has prompted increasing debate about likely gender differences in retirement incomes and possible hardship among women in their retirement years (Australian Human Rights Commission 2009, Jefferson 2005, Vu and Doughney 2009). Against this backdrop, this paper focuses on the superannuation and other sources of wealth of pre-retirees and recent retirees. It considers the emerging trends in superannuation by gender and age, and examines whether the low superannuation balances of wives might be bolstered by sharing in the higher superannuation balances of husbands. It considers the distribution of superannuation wealth by sex and age group for those approaching retirement. Finally, some preliminary conclusions are drawn about likely future retirement income trends by gender.

2 The Australian Retirement Income System

In Australia, the retirement income system is based on three ‘pillars’.

The first pillar is a publicly provided safety net, the government Age Pension, provided to all Australians aged 65 and over [2] (subject to residency requirements, an income means test and an assets means test). The Age Pension is set at a little over one quarter of average male ordinary time earnings. While the system considers the economic means of the family unit when calculating entitlements, it pays the pension to each individual. Currently 77 per cent of Australians aged 65 and over receive at least a part pension. Three-fifths of those on the Age Pension are receiving the maximum or ‘full’ rate of pension. The Australian Treasury’s *Intergenerational Report* projections for the next forty years estimate that the proportion of older people not receiving a pension will remain reasonably constant, but projects that those on the full rate of pension will decrease to around 35 per cent of recipients (Treasury 2010). In other words, the Treasury expects increasing private superannuation balances to reduce the government Age Pension received by individuals, but not by enough to cut their Age Pension entitlements to zero. While the Age Pension provides only a modest existence to an individual, it is a very substantial component of government outlays, projected to increase from 2.7 per cent of GDP in 2009-10 to 3.9 per cent of GDP in 2049-50.

The second pillar is compulsory retirement savings through superannuation. This is an employment-related, defined-contribution scheme that was made compulsory in 1992. Any employee who earns more than $450 per month[3] has a superannuation contribution made by

[2] This is being increased to 67 years between 2017-2022.

[3] There are some other employees excepted from having compulsory payments made on their behalf but the vast majority of employees are covered by superannuation.

their employer. The contribution is an amount equal to a percentage of their wages (currently nine per cent, rising to 12 per cent by 2019-20) and is placed in the employee's personal superannuation account. These funds are invested and are accessible at retirement as a lump sum or as an income stream. Compulsory superannuation has the twin benefits of improving retirement living standards for the individual, while reducing government budgetary pressures from demands on pension outlays as the population ages.

The third form of retirement provision is voluntary retirement savings through extra superannuation contributions and other savings. Grants and tax incentives exist to encourage people to make additional voluntary contributions into superannuation, to improve the chances that individuals and households will have comfortable living standards in retirement with minimal reliance on the age pension. In addition to using superannuation as a retirement savings vehicle, some people provide for their retirement by saving and investing outside the superannuation system - for example, through term deposits, equities and investment properties. However, the bulk of wealth accumulated for retirement (outside of the family home) is in superannuation accounts.

Financial advisers and policymakers have undertaken a great deal of analysis to determine the level of superannuation that is 'adequate' for retirement. Despite this, a clear definition of 'adequacy' cannot be agreed on. Policymakers often argue that 'adequate' retirement savings are those that reduce or eliminate reliance on the government Age Pension. Financial planners argue that 'adequate' retirement savings are those that allow retirees to enjoy the sort of lifestyle in retirement that they had while working. Two main methods of estimating the income needed in retirement are typically used: (a) a proportion of the salary a person received while working, or (b) an estimate the cost of living for a retiree.

The Association of Superannuation Funds of Australia (ASFA) has developed the ASFA Retirement Standard, which provides estimates of how much money a single person or couple needs in retirement to maintain 'modest' or 'comfortable' standards of living. These estimates are based on a reasonably healthy person or couple owning their home outright. A 'modest' lifestyle provides a better standard of living than the government Age Pension, but the person can only afford fairly basic activities. A 'comfortable' lifestyle allows a person or couple to afford things like private health insurance, some overseas travel, regular meals out, home renovations when necessary and a range of leisure activities. A 'modest' lifestyle requires an estimated annual income of $21,946 for a single or $31,643 for a couple, while a 'comfortable' lifestyle requires an annual income of $40,297 for a single or $55,080 for a couple. ASFA also estimates that to achieve a modest lifestyle, a single person would need $50 000 in superannuation savings in addition to the Age Pension, while a couple requires a total of $35 000 in superannuation savings to supplement the government age pension. (Couples require less than singles because two people can live more efficiently than one, and the age pension is comparatively more generous to couples.)

3 Distribution of Superannuation

The Picture Today

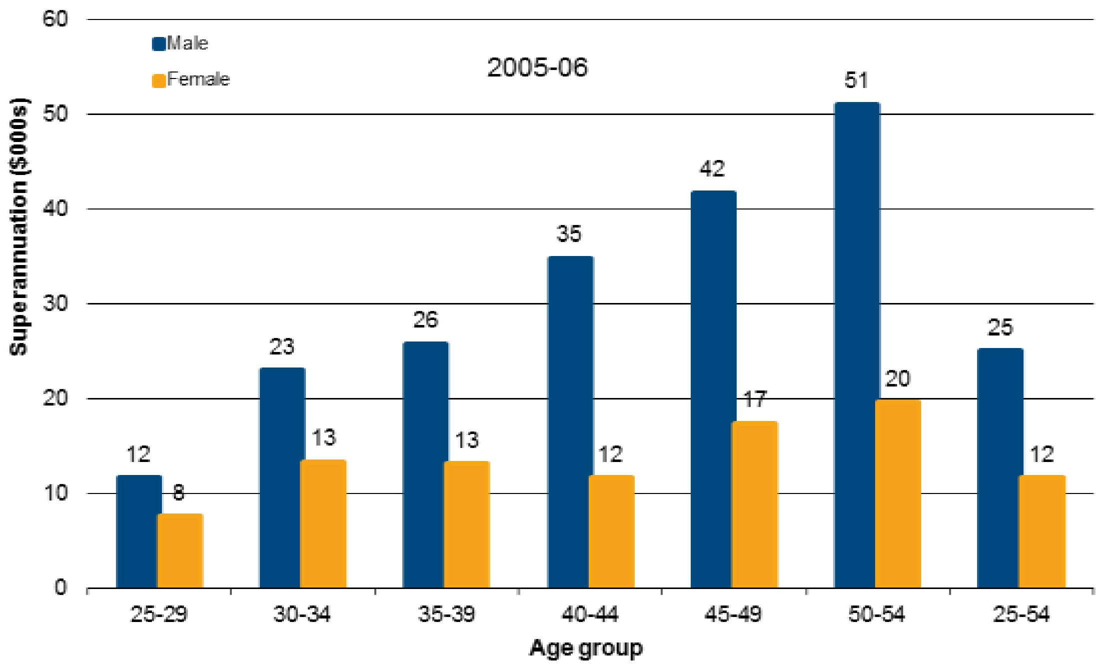
As Figure 1 makes strikingly clear, women have much lower superannuation savings than men.

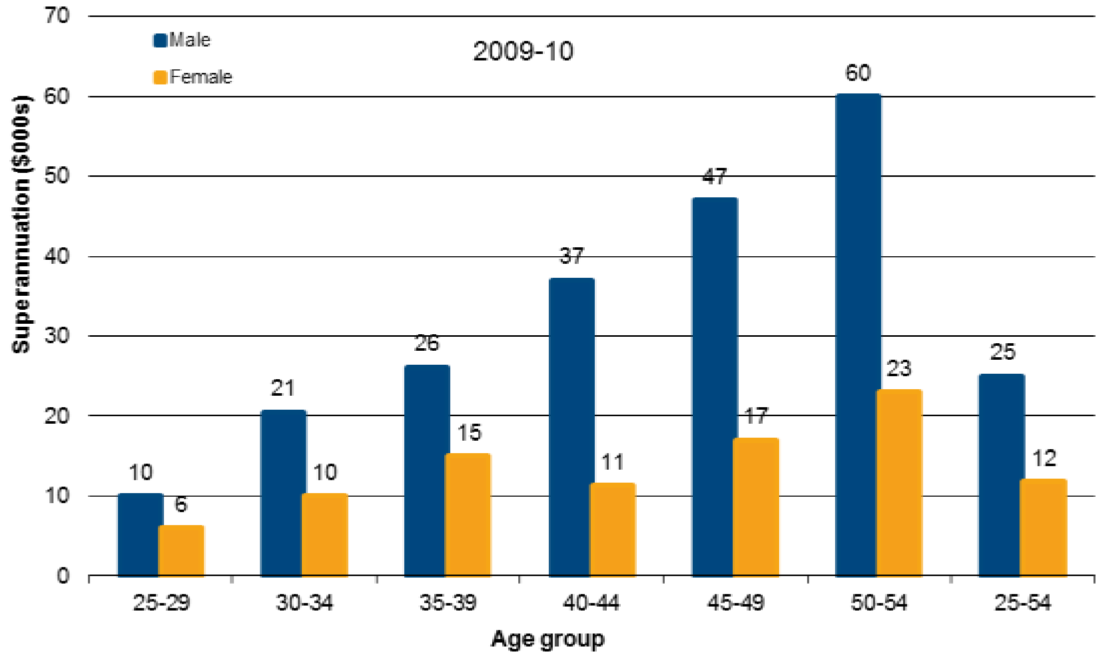
For the youngest age group considered, the median superannuation balance in 2009-10 was $6,000, roughly half the $10,000 accumulated by men (these are slightly lower than the 2005-06 figures in 2010 dollars, but approximately equal in nominal terms). Apart from the lower wages of women, this figure may also be affected by the greater propensity of women to still be engaged in full or part-time study in their 20s, giving them less time on the job and thus lower superannuation contributions from their employer. Other reasons for this superannuation gap are diverse, and include lesser workforce experience (Drolet 2001); occupational segregation (Petersen and Morgan 1995); differences in industry of employment (Gannon, et al. 2007); lower wages when undertaking paid work; a greater propensity to work part-time; and, in the later years of the lifecycle, shorter working lives and earlier retirement (Kelly et al., 2006).

In 2007, 83 per cent of females aged 45-54 had superannuation accounts, compared with 87 per cent of males (ABS 2009). This suggests that superannuation coverage is widely spread for both men and women and that the majority of men and women have 'some' superannuation. However, there is a gulf between the amount of superannuation saved by gender. For example, one in five women (19.4%) aged 45-54 who have some superannuation have less than $10 000 in superannuation, compared with one in nine (11.2%) men of this age group (ABS, 2009). Men of the same age group are almost twice as likely as similarly-aged women to have more than $100 000 in superannuation (35.4% and 18.1% respectively).

Echoing this, another prominent feature shown in Figure 1 is the lack of growth in women's superannuation balances as they grow older. There is almost no change in the median superannuation balance of women over the two decades from their early thirties to their late forties, while the median superannuation balance of men more than doubles over the same period. The lack of growth for women is in sharp contrast to the steady increase for men, with the median superannuation of men aged 50 to 54 being six times higher than the median for 25 to 29 year old men. For women, there is a four- fold increase in median superannuation over the same age groups and with a much lower base starting point. As a result, by age 50 to 54, the typical man has about three times as much superannuation as the typical woman of the same age. The importance of this gender gap is also increased by different life expectancies: while women have lower superannuation than men, they tend to live longer than men, which means that, on average, their total retirement income needs will be greater.

Figure 1 Median superannuation balance by age group and sex, 2005-06 and 2009-10





Source: ABS Survey of Income and Housing Costs, 2009-2010. 1995-96 dollars indexed by the Consumer Price Index.

Recent trends in superannuation balances

Recent trends in superannuation balances have not been positive, presumably due to the impact of the global financial crisis. Looking first at the picture for all 25 to 54 year olds, median superannuation balances have remained unchanged, despite continuing contributions into superannuation. Generally speaking, the superannuation nest eggs of women have been hard hit with, for example, the median superannuation balance of 30 to 34 year old women falling from $13,000 to $10,000 over the four years. Men in their late 40s and early 50s have fared better than women of the same age. For example, the median superannuation balances of 50 to 54 year old men have increased from $51,000 to $60,000 over the four years, with women in this age category also showing lower but still positive increases, from $20,000 to $23,000.

When considering the much lower superannuation balances among women of late middle age relative to men of the same generation, some institutional factors deserve mention. Prior to compulsory superannuation, some people received superannuation through employer schemes. These schemes were often limited to white-collar, permanent employees, which meant that men were more likely to be beneficiaries of these schemes than women (Nielson and Harris 2008).

In addition, up until 2002, superannuation could not be divided upon divorce. The Family Law Legislation Amendment (Superannuation) Act (2001) amended the Family Law Act to allow divorcing partners to divide superannuation as part of divorce settlements. From 28 December 2002, superannuation can be transferred from one partner to another upon divorce (although the arrangements are complex and are explained in detail in Sheehan et al, (2008)). Prior to this reform, superannuation could not be shared, which meant that divorcing women who had given up work to support husbands did not receive any part of their husband's superannuation, or a compensating amount in property or cash. In practice, women tended to receive the bulk of 'domestic' assets, such as the family home and contents, while men tended to receive most of the 'financial' assets, including superannuation (Sheehan 2002). The 2001 amendment was an important development in family law as superannuation has become an important component of household wealth and including it helps to reduce the risk of poverty among the divorced in retirement. However, there is no *requirement* that superannuation be split upon divorce – the law is flexible regarding the division of assets. The legislative changes simply added superannuation to the pool of assets available for splitting, and provided a mechanism for it to be split if the settlement provided for it.

Trends in inequality

Table 1 examines inequality in superannuation balances and gross income among 45 to 64 year olds and shows that the distribution of superannuation among both women and men is highly skewed. Gini coefficients are much higher for superannuation wealth than gross income, showing that superannuation is much less evenly distributed than income. One positive trend is for superannuation to become slightly more equally distributed over the four years to 2009-10. The only exception to this is for women aged 55 to 64 years, where the inequality in superannuation balances increases over the four years.

It is common for reports on the superannuation industry to discuss 'average' superannuation balances. However, the very unequal distribution of superannuation suggests that a focus on average balances may give a more rosy picture of expected retirement standards than an analysis of percentiles or distributions.

Table 1 Gini coefficients for superannuation and total incomes, 2005-06 and 2009-10

	Superannuation		Gross income	
	Males	**Females**	**Males**	**Females**
2005-06				
Age 45-54	0.661	0.728	0.427	0.429
Age 55-64	0.801	0.717	0.464	0.503
2009-10				
Age 45-54	0.636	0.707	0.456	0.456
Age 55-64	0.719	0.780	0.506	0.485

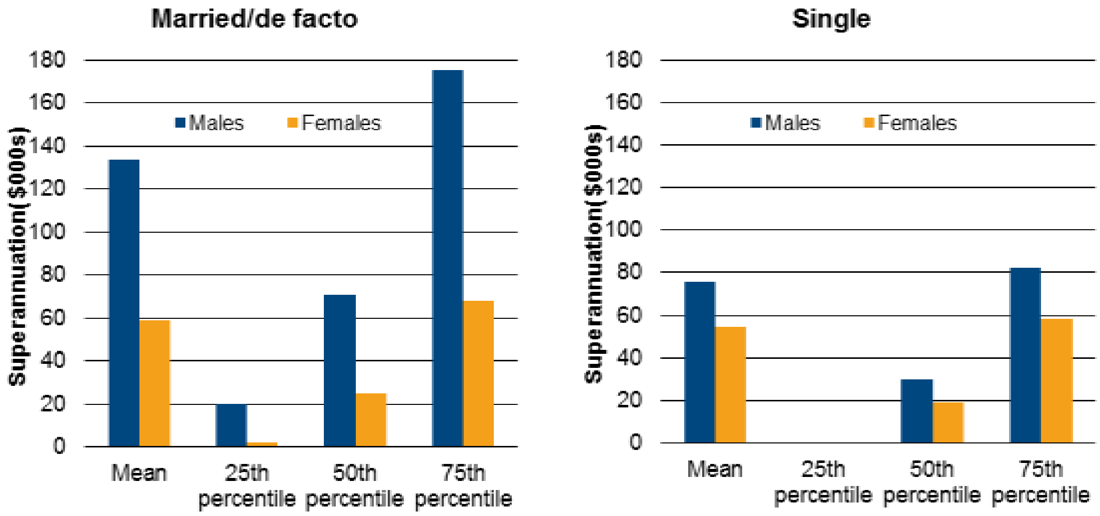
Source: Survey of Income and Housing Costs 2005-06, 2009-2010
Note: Figures are in 2010 dollars

4 The Importance of Family Status

Family status is often neglected in studies of superannuation, which tend to concentrate on the age and gender of individuals. But, apart from being intrinsically interesting, analysis of couples raises the possibility that the superannuation drought for women may be offset through sharing in their husband’s superannuation. Thus, our perception of where the greatest future problems may lie in the superannuation field may be affected by the income unit examined.

Figure 2 shows the superannuation balances of 45-54 year olds by sex and whether partnered (married/de facto) or single (separated, widowed, divorced or never married). This shows that married/de facto men have more than twice the level of superannuation than women or single men of the same age. On average, the superannuation balances of partnered men are almost double those of single men. Yet, interestingly, the average superannuation balances of partnered women are only a little higher than those of single women. Overall, these patterns suggest that the relatively high superannuation levels of partnered men may be able to offset the lower superannuation balances of their female partners. In other words the living standards of retired, partnered females may be more reasonable that a focus upon their individual superannuation might suggest, due to their higher ***combined*** superannuation balances.

Figure 2 Median superannuation balances of 45-54 year olds, by sex and social marital status, 2009-10

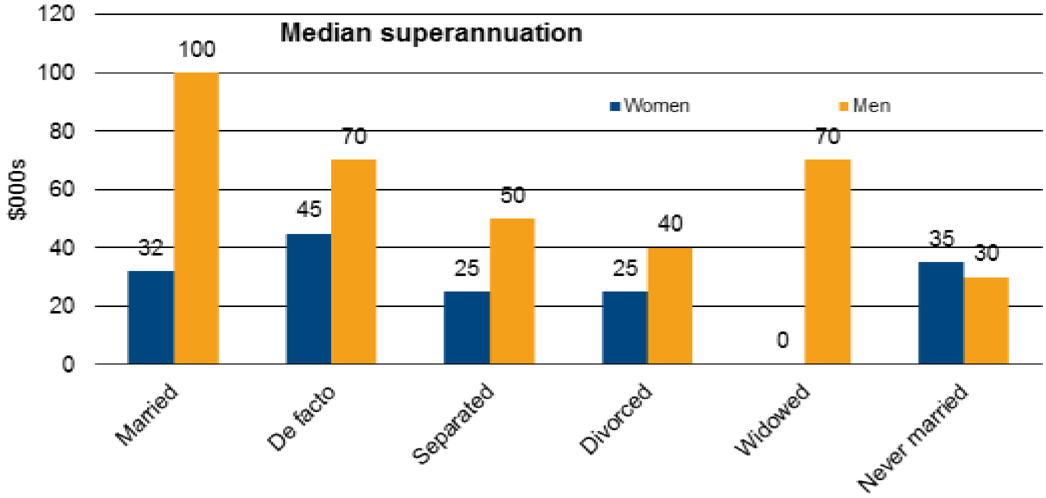


Source: NATSEM calculations based on Survey of Income and Housing Costs, 2009-10

As noted above, there is a large difference between the superannuation wealth of single men and partnered men. Across the distribution, partnered men have around twice the superannuation of unpartnered men. There are a number of possible reasons for this. One is that the average age of partnered men in the sample is slightly older than unpartnered men, and thus they have had more time to accumulate superannuation. Second, there is a large body of research that has noted that on average, married men tend to earn more than single men. There are a range of reasons suggested for this observation - for example see Chun and Lee (2007), Cornwell and Rupert (1997) and Korenman and Neumark (1991). Finally, some of the unpartnered men are divorced or separated, and a portion of their superannuation may have been transferred to their partners or spouses as part of a divorce settlement.

Further analysis using the Household, Income and Labour Dynamics in Australia (HILDA) survey shows that never-married men have less superannuation than married women, and divorced men have a little more (Figure 3). In 2010, married women aged 45-64 had a median superannuation balance of $32 000. The median superannuation balance for divorced men of the same age was $40 000, and for single men it was $35 000. Remarkably, in a reversal of the standard pattern seen in all the research presented earlier, never-married men had less in superannuation than never-married women.

Figure 3 Median superannuation balances of 45-64 year olds, by sex and social marital status, 2010



Source: NATSEM calculations based on HILDA, Wave 10

Men who were separated or widowed had more superannuation than divorced or never-married men. Widowers were once married men, and the correlation between marriage and earnings would have been visible in higher superannuation balances. Unlike divorced men, none of these men would have had to transfer superannuation to their former spouses through a divorce settlement. Separated men are also slightly better off, but some of these men may not yet have finalised asset transfers. It should be noted, however, that divorced and never-married men make up only a small proportion of men in this age group – only 8 per cent of these men are divorced and only 10 per cent never married.

5 Superannuation Among Couples

It is possible that low superannuation balances among partnered women may be of lesser public policy concern if women with low superannuation balances are in relationships with men with high superannuation balances. The presumed pooling of household resources would mitigate the lower balances of women. However, this pooling is only likely to be of benefit if women with low levels of superannuation are in relationships with men who have substantially more superannuation than them. On the other hand, if women with inadequate superannuation are in relationships with men who also have inadequate superannuation, then pooling will have little or no benefit.

The following charts and tables use data from the ABS 2009-2010 Survey of Income and Housing Costs to look at wealth and superannuation among singles and couples. Household-level and income unit level data was not used, as this can be ‘contaminated’ by superannuation holdings of children still living at home. Instead, respondents’ individual records were matched with those of their marital or de facto partner, if one existed, and their superannuation balances were considered along with those of their partner. (Homosexual de facto relationships were not analysed due to small sample sizes). The superannuation balances of women and their marital or de facto partners were compared by sex. Specifically, women's superannuation balances were compared to their husband's superannuation balances, to consider how many women with low superannuation balances could rely on a rich husband (defined here as a person with a high superannuation balance). (For convenience, the remainder of this paper will refer to people's social marital status rather than registered marital status; that is, the terms 'married', 'spouse', 'husband' and 'wife' will be used for de facto couples as well as those in registered marriages.)

Two groups are considered. The first is women aged 45-54 years from the 2005-06 and 2009-10 SIH shown in Table 2, chosen as they are old enough to have accumulated considerable superannuation balances, but not old enough to have retired and drawn them down. Two surveys have been considered to ascertain whether any patterns have emerged over time. Secondly, Table 3 shows the superannuation balances of women aged 55-64 and their husbands from the 2005-06 and 2009-2010 Income Surveys, chosen as they are likely to have either already retired or be within a few years of retirement.

In 2009-10, the majority of women in aged 45-54 had less than half of the superannuation necessary to allow a modest retirement; 55 per cent of 45-54 year old women had less than $25 000 in superannuation in 2009-2010. Of these women, 24.2 per cent were married to someone with more than $100 000 in superannuation – more than enough to ensure a modest standard of living for a couple. However, almost half of these women with low superannuation balances were married to a man with less than $25 000 in superannuation, and nearly 60 per cent were married to a man with less than $50 000. In contrast, women with between $25 000 and $50 000 in superannuation were much more likely to have a partner who could ensure a better- than-modest retirement – two-thirds of their husbands more than $50 000 in superannuation.

Table 2 Distribution of superannuation of partnered females aged 45-54 by distribution of superannuation of male partner, 2005-06 and 2009-10

	Wife's Superannuation				
	$25,000 or less	**>$25,000 & <$50,000**	**>$50,000 & <$100,000**	**>$100,000 & <$150,000**	**$150,000+**
2005-06					
Superannuation Distribution of wives	57.0%	17.0%	11.8%	4.5%	9.6%
Husband's superannuation					
$25,000 or less	42.9%	17.7%	23.0%	8.7%	10.9%
>$25,000 & <$50,000	18.4%	26.5%	12.2%	4.6%	5.8%
>$50,000 & <$100,000	16.6%	22.8%	18.7%	7.3%	5.3%
>$100,000 & <$150,000	6.6%	8.9%	14.0%	16.4%	10.2%
$150,000+	15.5%	24.1%	32.1%	63.0%	67.8%
2009-10					
Superannuation Distribution of wives	55%	18%	13%	5%	8%
Husband's superannuation					
$25,000 or less	44.7%	17.7%	10.7%	18.3%	11.6%
>$25,000 & <$50,000	13.1%	15.0%	9.8%	2.8%	9.0%
>$50,000 & <$100,000	18.0%	27.0%	25.0%	19.4%	11.4%
>$100,000 & <$150,000	7.9%	15.0%	14.9%	14.6%	5.6%
$150,000+	16.3%	25.3%	39.5%	44.9%	62.5%

Note: The terms 'wife' and 'husband' are used colloquially to refer to the female and male partner respectively in a de facto relationship or registered marriage.

The 2005-06 superannuation balances have been inflated to 2010 dollars based on changes in the Consumer Price Index.

Source: ABS Survey of Income and Housing Costs, 2005-06 and 2009-10

The distribution of superannuation amongst women of this age group did not change substantially between 2005-06 and 2009-10. The percentage of women with less than $25 000 in superannuation fell by 2 percentage points over the period, but the percentage of women with more than $150 000 in superannuation also fell, possibly due to the impact of the global financial crisis in superannuation balances.

The situation is more promising for older women. The proportion of partnered women aged 55-64 with less than $25 000 in superannuation fell thirteen percentage points, from nearly two-thirds of women to just under half. The percentage of women with more than $100 000 in superannuation increased, from 20 per cent in 2005-06 to 23 per cent in 2009-10. Although just under half of these women from the 2009-10 sample have less than $25 000 in superannuation, nearly 30 per cent of these women are married to a man with over $100 000 in superannuation. Over half are married to men who have, at the very least, larger superannuation balances than they do. However, of the women who themselves have more than $150 000 in superannuation, more than two-thirds have husbands who are also similarly endowed.

Table 3 Distribution of superannuation of partnered females aged 55-64 and distribution of superannuation of male partner, 2009-10

	Wife's Superannuation				
	$25,000 or less	>$25,000 & <$50,000	>$50,000 & <$100,000	>$100,000 & <$150,000	$150,000+
2005-06					
Superannuation Distribution of wives	62.7%	8.8%	8.8%	5.2%	14.4%
Husband's superannuation					
$25,000 or less	56.1%	29.6%	26.4%	20.9%	17.0%
>$25,000 & <$50,000	6.3%	15.4%	14.8%	4.4%	2.0%
>$50,000 & <$100,000	12.5%	21.4%	21.4%	13.8%	7.7%
>$100,000 & <$150,000	5.9%	4.7%	10.6%	13.8%	4.4%
$150,000+	19.1%	28.8%	26.8%	47.1%	68.9%
2009-10					
Superannuation Distribution of wives	51%	12%	13%	6%	17%
Husband's superannuation					
$25,000 or less	49.8%	21.7%	18.9%	23.0%	11.7%
>$25,000 & <$50,000	8.8%	12.3%	8.5%	8.2%	5.1%
>$50,000 & <$100,000	12.3%	18.5%	30.2%	8.9%	5.5%
>$100,000 & <$150,000	6.5%	10.8%	10.6%	11.8%	7.5%
$150,000+	22.7%	36.7%	31.9%	48.1%	70.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Note: The terms 'wife' and 'husband' are used colloquially to refer to the female and male partner respectively in a defacto relationship or registered marriage

The 2005-06 superannuation balances have been inflated to 2010 dollars based on changes in the CPI.

Source: ABS Survey of Income and Housing Costs, 2009-10

Table 2 illustrates that, among partnered women, only a minority of those with low superannuation balances can rely on their partner's retirement savings to provide them with an adequate retirement lifestyle. Simply put, women with low superannuation savings are much more likely to be partnered with a man with low superannuation than high superannuation - while women who already have adequate superannuation are more likely to be partnered with a person who also has adequate superannuation. Forty-nine per cent of women aged 55-64 with less than $25 000 in superannuation have husbands in the same bracket. In contrast to these women with low superannuation balances, for the small group of women who themselves have more than $150 000 in superannuation, more than two-thirds have husbands in the same bracket while only 12 per cent have husbands in the lowest bracket. Fifty-six per cent of women aged 55-64 who have less than $25 000 in superannuation have less than a total of $35 000 in superannuation between themselves and their husbands – not enough to achieve a modest standard of living on retirement. Seventy-six per cent of women with less than $25 000 in superannuation do not have $100 000 between themselves and their husbands which means that, if they separate, they cannot both afford a modest standard of living.

Women's low levels of superannuation savings do appear to be improving, with fewer women in their pre-retirement years having very low superannuation balances in 2009-10 than in 2005-06. However, it must be noted here that even in 2009-10, women with low superannuation balances far outnumbered women with high balances. Fifty-one per cent of women aged 55-64 had less than $25 000 in superannuation, and a further 12 per cent had between $25 000 and $50 000, which means that nearly two-thirds of women did not have enough superannuation to provide for an adequate standard of living in retirement for themselves.

In summary, the majority of partnered women in this age group have low personal levels of superannuation and their partner generally also has a low level of superannuation. The data indicates that only one in three women with low superannuation will be able to rely on their partner for an adequate retirement income.

6 Other Sources of Retirement Income

It is possible that women with low superannuation levels may be accumulating wealth in other ways. Investing in a business, buying shares or investment properties and saving cash in one's own name or in joint ownership with a partner do not receive the same tax advantages as investing through superannuation, but these funds do not need to be preserved until retirement and for this reason may be preferred by some women.

Further analysis using the same sample was conducted on the household assets – both its value and composition – of women aged 45-54 and 55-64 years with low superannuation levels. Married women who had less than $50 000 of their own superannuation at least had high home-ownership rates – around 85 per cent of these women lived in owner-occupied housing (the ASFA Retirement Standards assume that retirees own their homes outright).

Table 4 shows the net value of household assets of women aged 45-54 years with superannuation balances of less than $50 000, their net household assets excluding equity in the family home, and net household assets excluding home equity, children's assets, cars and superannuation.

Table 4 Household wealth of partnered women aged 45-54 with less than $50,000 in superannuation, 2005-06 and 2009-10

	P10	P25	P50	P75	P90	Mean
	$000s	$000s	$000s	$000s	$000s	$000s
2005-06						
Total net household assets	159	337	558	900	1457	759
Net assets minus home equity	66	122	227	448	864	400
Net assets minus home equity, children's assets, cars and super	-19	-1	17	155	525	191
2009-10						
Total net household assets	126	335	561	923	1448	981
Net assets minus home equity	53	122	224	460	887	618
Net assets minus home equity, children's assets, cars and super	-17	-1	17	187	519	413

Source: Survey of Income and Housing Costs 2009-10
Note: Figures are in 2010 dollars.

Table 4 shows that wealth is highly skewed, with half of the couple households with the women aged 45-54 having $17 000 or less in wealth once superannuation, cars, children's assets, home equity and household items were excluded. In contrast, the top 10 per cent have an average of $525 000 in addition to their home, vehicles, children's assets and superannuation. There is very little change in the distribution or amounts over the four years between 2005-06 and 2009-10.

Table 5 Household wealth of partnered women aged 55-64 with less than $50,000 in superannuation, 2005-06 and 2009-10

	P10	P25	P50	P75	P90	Mean
	$000s	$000s	$000s	$000s	$000s	$000s
2005-06						
Total net household assets	205	416	672	1071	1686	916
Net assets minus home equity	73	123	266	591	1175	518
Net assets minus home equity, children's assets, cars and super	-9	2	46	278	754	282
2009-10						
Total net household assets	211	420	697	1145	1841	996
Net assets minus home equity	53	115	275	588	1161	549
Net assets minus home equity, children's assets, cars and super	-4	26	42	249	754	301

Source: Survey of Income and Housing Costs 2005-06, 2009-2010
Note: Figures are in 2010 dollars

The same skewed distribution of wealth is apparent for coupled women aged 55-64. Table 5 shows that half of the couple households have $42 000 or less in wealth (after superannuation, cars, children's assets, home equity and household items were excluded) in 2009-10. While this is more than double their younger cohort, it is still very unevenly distributed, with the top 10 per cent now having $754 000. The bottom ten per cent of couple households in which the woman had less than $50 000 in superannuation had negative net wealth after cars, home contents, superannuation, children's assets and home equity were excluded. However, those in the top 25 per cent were reasonably well off, with almost a quarter of a million dollars in assets outside of home equity, children's assets, cars, contents and superannuation.

Tables 3 and 4 show that a substantial minority of women with low superannuation have considerable household assets outside of superannuation, which could potentially be drawn upon in retirement as a source of income.

Although these partnered women may not have been placing much money into superannuation, the vast majority have been saving through a time-honoured Australian method – the family home. Of women aged 55-64 with less than $50 000 in superannuation, 57 per cent lived in an owner-occupied dwelling with no mortgage (note that ASFA's retirement standards are based on owning one's home outright in retirement). Another third own their home with a mortgage, with a median outstanding balance of $50 000. These women may intend to pay out their mortgage before retiring, or use theirs or their husband's superannuation to pay out their mortgage – if the latter is the case, they risk complete reliance on the age pension. The remaining ten per cent rent.

While the majority of partnered women with low superannuation levels have little wealth outside of superannuation and the family home, they are financially much better off than unmarried women with less than $50 000 in superannuation in the same age bracket. These women were much less likely to own their own home (only 53 per cent do) and median household worth excluding home equity, children's assets, cars, home contents and superannuation was only $920. Only 11 per cent of such women had more than $100 000 in assets.

Jefferson (2005) considers the household resource pooling argument and critiques the argument of pooled household resources on the grounds that evidence suggests that household resources are not pooled equally and that women have longer life expectancies and so will need to be saving more anyway. To this argument we add that women with little superannuation are very likely to be partnered with men who also have little superannuation, and the majority will not have substantial assets outside of the family home and superannuation. For the most women, pooling superannuation cannot be relied upon to support their low expected retirement incomes.

Jefferson's argument, combined with the findings in this paper, suggest that among married or de facto couples, women's low superannuation balances are a policy concern, because only a small minority of women who have low superannuation themselves will be able to rely on their husband's wealth in retirement. In fact this paper suggests for one-quarter of partnered women their superannuation may be required to overcome negative net worth of non-superannuation financial assets and, for half of these women, the household financial assets outside of superannuation are insignificant ($42 000 or less).

7 Conclusion

The majority of women in Australia will never accumulate the same level of superannuation as their male counterparts. Women are much more likely than men to be in low income positions, work part-time or in casual jobs, take time out of the workforce to have and raise children and care for ageing parents. This puts women at a significant disadvantage, because the main source of superannuation saving, employer contributions, are commensurately lower. This situation is not likely to change in the foreseeable future without significant changes in government policy, such as the government contributing to superannuation for women on maternity leave or when they are at home looking after children and receiving parenting payments.

This paper showed that the median superannuation balances of women aged 25 to 54 are about half those of men of the same age. Further, the distribution of superannuation is highly skewed. In 2009-10, partnered women aged 45 to 54 years at the 25th percentile held superannuation nest-eggs of less than $5000, substantially less than the $20,000 held by partnered men of the same age. Even more seriously, single men and women at the 25th percentile had zero superannuation holdings.

The results clearly demonstrated that couples had higher levels of superannuation than singles. The paper therefore investigated whether partnered women with low superannuation could rely on a husband with much higher levels of superannuation to supplement their future living standards in retirement. However, on the whole, few men with high superannuation balances were partnered with women who had low superannuation. A handful of women with low superannuation balances – perhaps one in five – were partnered with men with substantial superannuation balances, while around one-quarter were in households with some wealth outside of the family home, personal assets and superannuation. For such women, their lack of superannuation savings will not be a problem for their comfort in retirement. However, the majority of women will not be able to rely on a man for financial support. Overall, therefore, women with low superannuation were partnered with men with low superannuation, while women with high superannuation were partnered with men with high superannuation, providing yet another example of the pervasive impact of assortative mating. From a policy perspective, marriage does not seem to be the answer to sharply reducing low incomes among women in their retirement years.

In the future, the increase in the compulsory superannuation rate to 12 per cent, higher participation rates and a greater proportion of women working full-time, will all improve the retirement income prospects of women. Each of the changes will see employers contribute more to an individual's superannuation. However, if a woman wants to achieve a comfortable standard of living in retirement, considerable voluntary additional retirement saving will need to be undertaken.

Finally, this paper confirms that concern regarding low female superannuation balances is quite justified. It also finds that there should also be concern about the low superannuation balances of divorced and never-married men.

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