

Discussion Paper

Superannuation and the casualisation of work

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Retiring with a superannuation nest egg that allows for a decent standard of living is one of the fundamental objectives of retirement incomes policy.

For most Australian women, their superannuation balance on retirement falls well short of this basic objective meaning retirement is often accompanied by financial pressures and in a worst case, severe hardship.

The average superannuation balance of a 65-year-old women on retirement is a little above \$150,000. This level of saving is insufficient to fund an income stream that will cover even the most basic of living expenses. A 5 per cent annual return, for example, on that investment will deliver an annual income of just \$7,500 and if that income is spent, the savings pool will be eroded each year by inflation.

At one level, this is why the pension remains important for many retired women and will remain so until more women are able to accumulate superannuation savings that are sufficient to fund their retirement. It also means the rate of the pension has to remain sufficient to cover rising cost of living pressures for those with inadequate superannuation.

The recent paper, *Defining the concept of economic security for all women*, found the reasons for this inadequate position for women's superannuation were well understood and could be address through a number of proactive reforms and policy changes.

The gender pay gap, which shows that women on a full-time equivalent basis earn around 15 per cent less than men, has been broadly steady for many decades, notwithstanding the recent slight narrowing. This means that women do not accumulate superannuation savings at the same level as men for each and every year they are of working age.

The bias of women to work more in part-time roles, rather than full-time roles, only exacerbates this shortfall with part-time workers taking home less pay and having lower superannuation contributions

Closing this pay gap will, in time, see women's superannuation savings accumulate at the same rate as men and therefore help to boost the amount of savings women have on retirement.

Another factor behind the superannuation shortfall is that women have absences from paid employment, most notably when they leave the workforce to have children or move to unpaid carer roles. There are several strands to address the impact on superannuation of this problem.

The implementation of an on-going payments of superannuation to parents who temporarily leave the paid workforce to care for their children is an obvious solution. This could be in the form of a government contribution to superannuation savings when parental leave is taken,

Access to more affordable childcare would have a strong effect of speeding up the time in which recent parents, and mothers in particular, return to paid work. Less time out of paid employment feeds directly into the accumulation of superannuation. While there are many issues involved with childcare policies including issues around the duration such schemes should be in place, giving women the opportunity to return to paid employment in a timely manner would also impact positively on their superannuation.

Encouragingly, there has been meaningful progress in some longer-term issues that will tackle the gender pay gap and the problem of inadequate superannuation levels for women. Notably, women's educational attainment and workforce participation are rising strongly.

There is an undeniable link between a person's educational attainment of their life time earnings. In recent years, both the number and proportion of women enhancing their education, skills and training has been growing strongly, especially with university enrolments.

At the same time, the female workforce participation rate has been growing markedly with the gap to male participation rate narrowing. This is seeing more women earning wages and as a result they are accumulating superannuation. A further increase in female workforce participation will see superannuation savings rise for an increasing proportion of women as they move towards retirement.

Working against these influences is the economy-wide structural changes in the labour market where the trend towards casual employment is growing.

While many women actively favour casual work, the fact that underemployment is elevated and average weekly hours worked per person is tracking near all-time lows, reduces the ability of women to not only earn a day-to-day income, but to add to their superannuation.

This can be addressed, in part, by having the compulsory superannuation levy paid on all casual work, no matter how small the total wage payment may be for each shift or gig. This would add to superannuation balances for those biased towards casual employment, which is something that does not happen under the current arrangements.

For women to achieve financial security in retirement, the following issues must be addressed:

- Eliminate the gender pay gap
- Access to affordable and accessible childcare
- Ongoing superannuation contributions for absence from workforce
- Ongoing strength in skills, training and education
- Rising workforce participation
- A livable pension for those who, for whatever reason, do not accumulate sufficient superannuation