

Bridging the gap in a gendered superannuation system

An extract chapter from 2023 Right Lane Consulting
Forces at Work Report



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About Right Lane Consulting

Right Lane Consulting is a flourishing, purpose-driven, management consulting firm serving the purpose economy.

Right Lane Consulting was established in 1997 to help private, not for profit and public sector clients to clarify and accelerate their future plans. Over the past 26 years, we have helped the executive teams and boards of around 400 organisations to define and adapt their direction and strategy, identify and clarify their priorities, align their efforts with their aspirations, get their major projects started and finished, and measure and improve their performance.

In 2015, Right Lane Consulting became the first strategy consulting firm in Australia to be B Corp certified. Right Lane has since recertified as a B Corp in 2017 and 2021. Certified B Corporations meet higher standards of social and environmental performance, transparency, and accountability.

Taking this commitment one step further, in July 2022, we transitioned to majority Foundation ownership – the first Australian consulting firm to adopt such a structure.

Our vision is to create and lead a new, disruptive, ethical consulting category that reflects a more sustainable balance of interests between Right Lane Consulting, our team, our clients and society.

We employ our distinctive ideas and processes, and our absolute commitment to delivery, to help clients we care about pursue their inspiring missions.

We work alongside clients who do great work within the sectors they operate, and we are excited to be involved in creating outcomes that truly make a difference.



Members of the Right Lane Consulting team at the launch of the Right Lane Foundation, October 2022.

Left to Right: Aaron Richards (Engagement Manager, Foundation Board Member), Zoe Pappas (Principal), Lauren Spiteri (Head of New Client Development and Digital Assets), Chiara Lawry (Chief Executive Officer), Marc Levy (Founder & Chair), Jess Cossens (Engagement Manager), Chloe Mitchell (Foundation Board Member), Gemma Pinnell (Principal)

About Women in Super

Women in Super works to improve the economic security of Australian women in retirement.



Structural inequalities in Australia's superannuation system result in women retiring on average with significantly less super than men.

After 30 years of compulsory superannuation paid on wages, Australia's superannuation assets have grown to \$3 trillion. Because women perform more unpaid and low paid work, the prosperity generated by these assets is not equally distributed.

Women in Super advocates for reforms that address the systemic inequalities that harm women as they age.

Women in Super grew from the trusted all-profit-to-member superannuation sector and our values reflect their objectives to improve the retirement outcomes of working Australians, returning all profits to members.

Women in Super builds networks and relationships of advocates, leaders, and volunteers across the sector to organise, convene and advocate for meaningful policy change for Australian women and to increase women's, capacity, professional development opportunities and participation in our sector.

Our purpose

Women in Super works to remove the gendered inequity in superannuation. Women in Super advocates for structural reforms for women to receive a more equitable share of Australia's flourishing superannuation assets. Women in Super provides our members with various professional development, networking and career progression opportunities, including events, scholarship programs, and training sessions.

Objective

For a fairer superannuation system to enable Australian women to retire with dignity and economic security.

Introduction

2023 is the eleventh year Right Lane Consulting has published its significant superannuation research paper, *Forces at Work*. It is a chance for Right Lane Consulting to engage with some of the big issues facing our industry superannuation partners, from industry structure, scale and competition to big policy issues including the superannuation industry's role in Australia's energy transition to net zero.

This document is the stand-alone gender chapter - *Bridging the gap in a gendered superannuation system*. Right Lane Consulting is proud to have collaborated with Women in Super on this chapter and thanks WIS for their ongoing advocacy in the pursuit of gender equality in superannuation.

We are deeply cognisant of the longstanding issues of gender inequality in the superannuation system and wanted to offer insights that drill into the drivers of that inequality and present options for reform. Too often in superannuation, we acknowledge the labor force issues that flow through into retirement but observe that these are not 'problems of the retirement income system'. We think it is time to broaden our thinking.

Right Lane Consulting set out to drill down into the labour force factors that bear on women's private savings. We see that women's superannuation savings begin to markedly reduce compared to men's during their 30s and the gap increases until they retire.

Gender distribution is relatively even among the bottom 50% of income earners (57% women and 43% men), but high-income jobs remain highly gendered: 74% of the top 1% of income earners are men. Women are also doing more work in lower-paying, feminised industries than they were 30 years ago.

Most women still work part time. Of part time workers, 18% of women are not looking for more work for family reasons, compared to 8% of men. We also find that women are self-selecting out of doing more paid work because of caring responsibilities.

Women bore the brunt of the economic burden of COVID-19, with job losses concentrated among women aged 15-24 and 45-54. Men withdrew more superannuation through the COVID-19 Early Release Scheme, but women withdrew proportionately more of their savings.

All of this flows through into lower superannuation savings for women in retirement. A young woman who loses income for just 6 months stands to lose more than \$100,000 in earnings over her lifetime.

There have been positive signs in policy development to bridge the gender superannuation gap. Valuable interventions have included the auto-consolidation of small balances, removing the \$450 per month minimum earnings threshold and transparency of superannuation assets in divorce.

The momentum of these changes must continue if we are to bridge the superannuation gender gap. We know what policy changes will improve women's earnings and therefore their retirement savings: we just have to do them. Government needs to prioritise reform to boost women's economic participation, boost minimum award pay in feminised industries, and address the regressive system of superannuation tax concessions. The private sector needs to lift pay transparency, still only at 51% of organisations. Trustees should be active stewards of members' capital by promoting gender equity in the places in which they invest and should invest in ways to engage female members with their savings.

Right Lane Consulting is grateful to Women in Super for their support in preparing this chapter. We look forward to working with our stakeholders to progress women's gender superannuation equity.

More broadly, the *Forces at Work* report is always a collaborative effort with the clients we serve and the profit-to-member superannuation ecosystem we are part of. We would like to thank the 35 CEOs and senior executives who gave interviews for this year's report, along with subscribers and contributors who shared comments on the drafts. More information about subscribing to the full report is available at the back of the chapter, along with information about Women in Super & how to join.

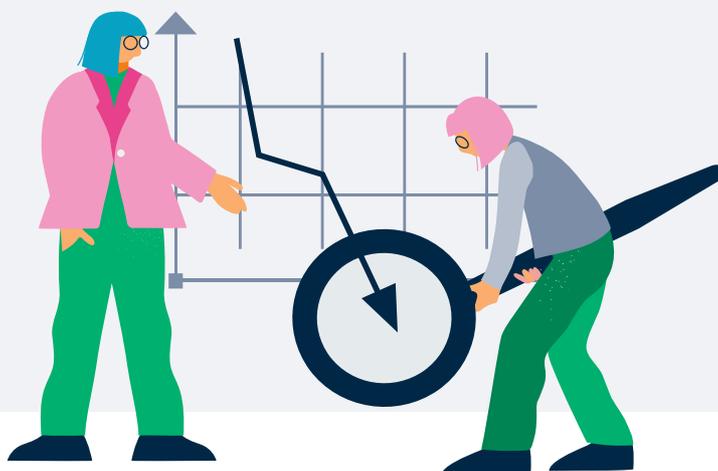
Tackling disadvantage is a long-game, and it takes many players and concerted efforts across industry, policy makers and the community. Right Lane Consulting is proud to work alongside the profit to member super sector to make the system fairer and address the wider societal inequalities that impact the outcomes it delivers for women.

Summary: Public and private policy makers must tackle labour force factors affecting equality in super

- Women's superannuation outcomes continue to be worse than men's.
- The gender super gap is driven by several interrelated labour force factors – gender pay gap, caring responsibilities, childcare costs and no super on paid parental leave, part time and casual work.
- The gender superannuation gap widens over the course of a woman's career.
- High (and especially very high) income jobs are dominated by men, while more women are trapped in low paying jobs.
- Women are doing more work in feminised industries than in decades past.
- Women are self-selecting out of more work because of the greater caring load they shoulder at home.
- The gender gap in superannuation savings is compounded by superannuation tax concessions, which favour men.
- Women have also had worse economic experience due to COVID-19, as demonstrated by their steeper fall in employment in Victoria.
- Young women, and women 45-54, shouldered the largest employment losses throughout the pandemic, which will have long term scarring effects on their earnings.
- Men withdrew more superannuation through the COVID-19 early release scheme than women, but women withdrew more relative to their savings.
- Policy change has been going in the right direction, but more must be done to bridge the gender superannuation gap.
- Bridging the superannuation gender gap will involve multifaceted, public and private policy interventions.
- We propose prioritising tax reform, women's economic participation and pay and conditions in sectors dominated by women.

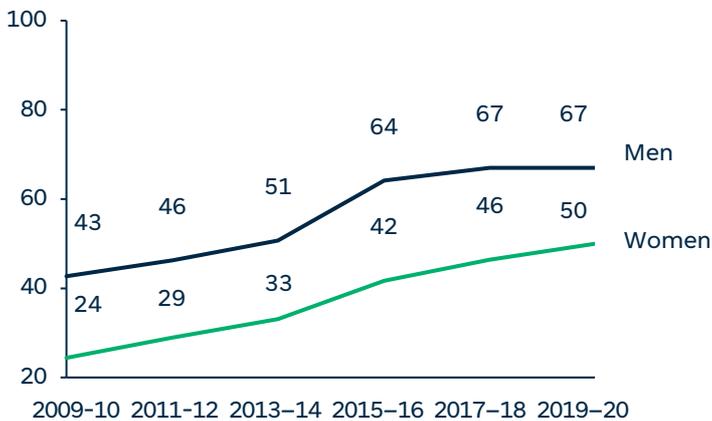
Methodology of this report

The report draws on several sources of insight, APRA data, publicly available reports and commentary, and in-depth interviews with industry leaders. This year, we interviewed 35 leaders for the report, 75% more than in previous years, including 15 CEOs and ESG leaders and fund executives with an expert perspective on women's retirement outcomes, all from subscribing organisations. In the case of this chapter the findings were workshopped with Women in Super and discussed by their Policy committee for alignment and input, in-particular the final section on advocacy priorities.



Women’s superannuation outcomes continue to be worse than men’s

Median superannuation account balance by gender¹, \$'000s, 2009-10 to 2019-20



The median superannuation balance for women is still substantially lower than men. The gap was ~17k in 2019-20, or around 25%.

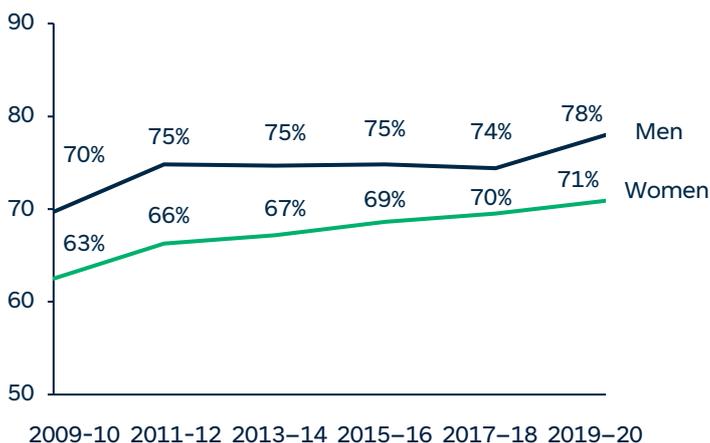


The median superannuation balance of women rose slightly faster than men over the last decade, but the gap between men’s and women’s median balances has not changed significantly.



There will continue to be gender inequity in superannuation savings for decades to come. On current trends, it will take until 2070 for all cohorts of women to have the same median superannuation balance as men.

Proportion of persons with superannuation coverage² by gender, %, 2009-10 to 2019-20



Historically, there has been a higher proportion of women with no superannuation coverage compared to men, with ~29% of women with still no superannuation coverage in 2019-20.



The growth in proportion of persons with superannuation coverage has been similar for men and women over the last decade (CAGR of ~1% in the 10 years to 2019).

Note ¹Includes all persons with superannuation accounts aged 15 and above.; ²Includes persons with superannuation account balances above zero and/or receiving regular income from superannuation and/or who received a lump sum superannuation payment in the last 2 years.

Sources: ABS. (2022, April), Household Income and Wealth, Australia: Summary of Results, 2019-20.; Treasury. (2020, November). Retirement Income Review, Final Report, p.26.

The gender super gap is driven by several interrelated labour force factors

1

The gender pay gap

Women have lower incomes than men. The current gender pay gap in Australia is 22.8%. This includes full time, part time and casual workers. The gender pay gap is slightly lower for women working full time, however only two out of every five women work full time.

The gap is because women on average receive less pay for the same work. Feminised industries - 'women's work' - also attract lower salaries.

2

The costs of childcare and no superannuation on paid parental leave

Very high 'effective marginal tax rates' on second income earners in households - generally women - produce a disincentive to work more hours. This ultimately reduces women's private retirement savings.

Super is not paid on Paid Parental Leave.

Modelling for HESTA shows that paying superannuation on PPL would add \$7,000 per child, at retirement.

3

Having children, and caring responsibilities

Women take time out of the paid workforce to have children, and still shoulder the majority of unpaid care for children. This is a major driver of the gender super gap in middle age groups.

Taking 5 years off work, from age 29 to 34, is estimated to shave \$100,000 off women's average retirement savings.

4

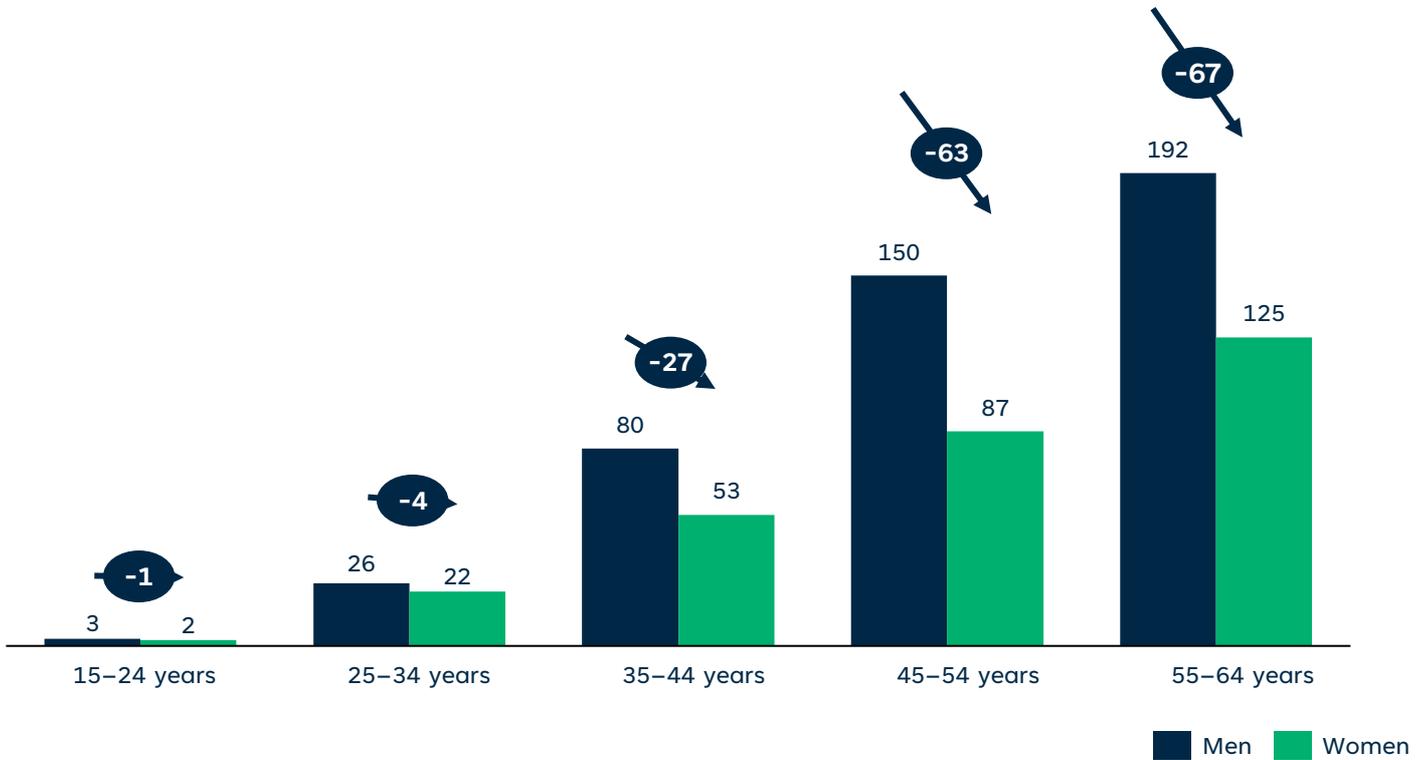
Part time and casual work

More women do part-time and casual work than men, translating to lower lifetime incomes.



The gender superannuation gap widens over the course of a woman's career

Median superannuation account balance by gender and age group¹, \$'000s, 2019-20



The substantial lifetime earnings gap between men and women means that the superannuation gender gap widens over the life course.



Involuntary and early retirement tends to be more common among women, informal carers and people with lower retirement savings and household incomes.



The gap in superannuation balances at retirement between men and women is the accumulation of economic disadvantages faced by women in working life, particularly the gap in earnings and time spent in the workforce.



Women tend to retire 1-3 years before men, reducing superannuation savings.

Note ¹Includes all persons with superannuation accounts.

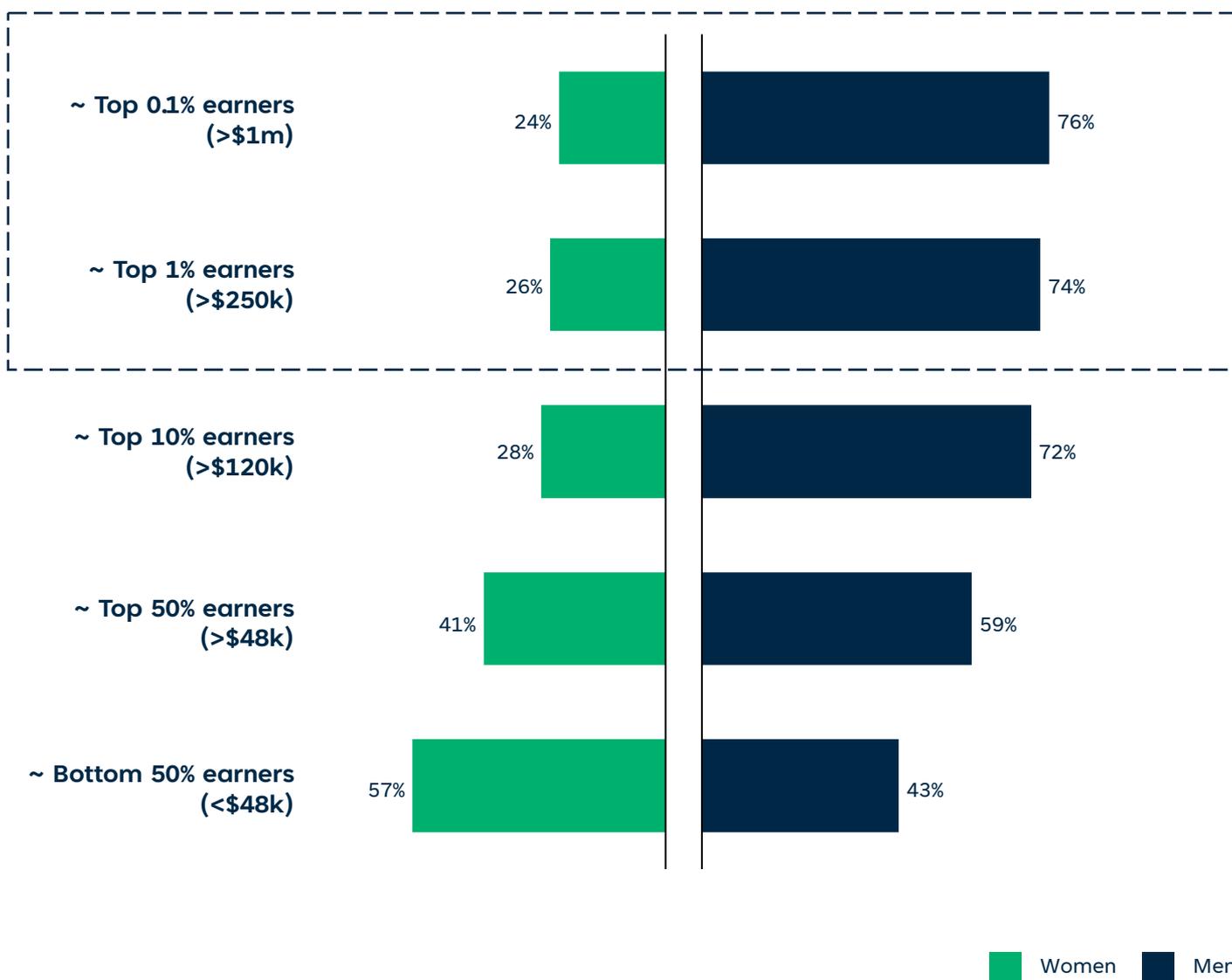
Sources: Right Lane Consulting. (2023); ABS. (2022, April), Household Income and Wealth, Australia: Summary of Results, 2019-20; Treasury. (2020, November). Retirement Income Review, Final Report, p.19.; Irving. J. et al. (2017). Ageing Agendas: work, care, retirement and health; Hart. A. et al. (2019). Improving the health of older aged care workers.

High (and especially very high) income jobs are dominated by men, while more women are trapped in low paying jobs

The distribution among high income earners reflects the ongoing disparity between men and women in high income earning professions and leadership roles.

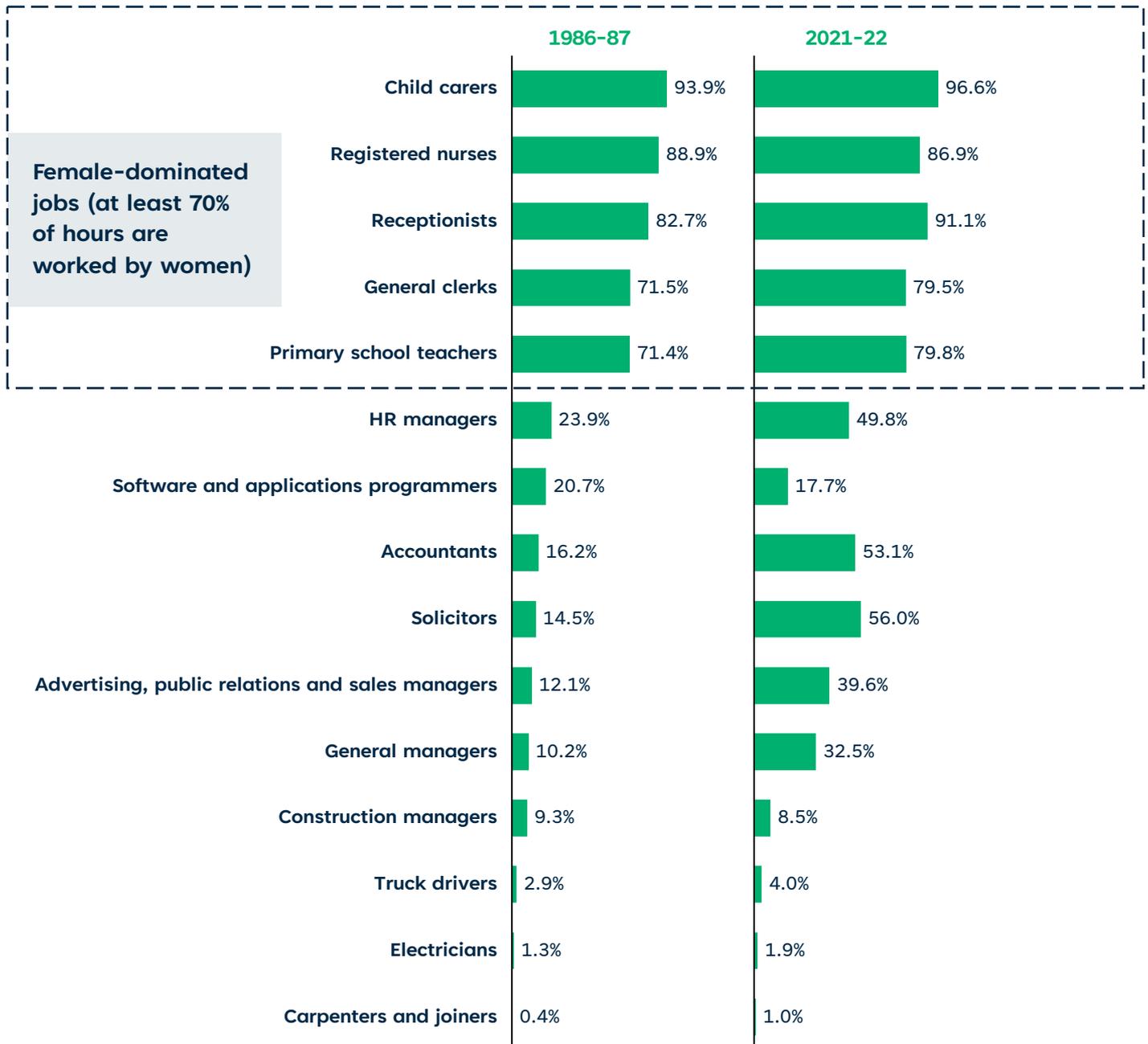
This pay disparity feeds directly into lower superannuation savings, because an individual's superannuation balance, and retirement income, largely reflects the extent of their engagement in the workforce, both income and years worked. People on higher incomes make more superannuation contributions and have larger superannuation balances

Distribution of women and men across income brackets, 2019-20



Women are doing more work in feminised industries than in decades past

Women’s share of occupations, 1986-7, 2021-22

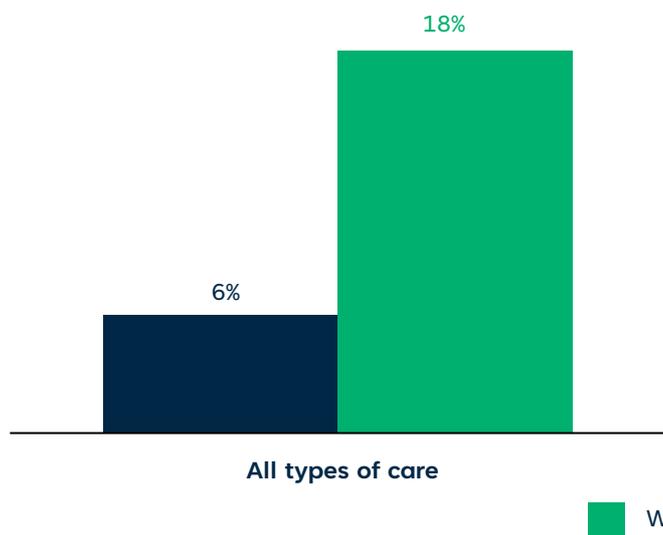


Note: Graphic reproduced.

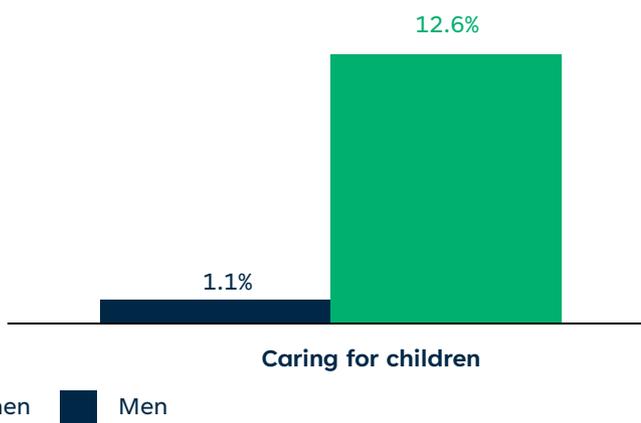
Source: Borland, G. (2022). Based on ABS labour force data.

Women are self-selecting out of more work because of the greater caring load they shoulder at home

Proportion of part time workers not looking for more work due to family reasons (all types of care), % by gender, 2019-20



Proportion of part time workers not looking for more work due to family reasons (caring for children), % by gender, 2019-20



1

Unpublished research from the HILDA 2020 survey finds a significant positive association between changes in the extent of working from home and changes in job satisfaction among women, but not men. The higher score among women is concentrated among women with children.

3

This matters because working at home, while increasing flexibility, reduces the likelihood of important networking and promotion opportunities that come from being physically at work, with a flow-on effect for incomes.

2

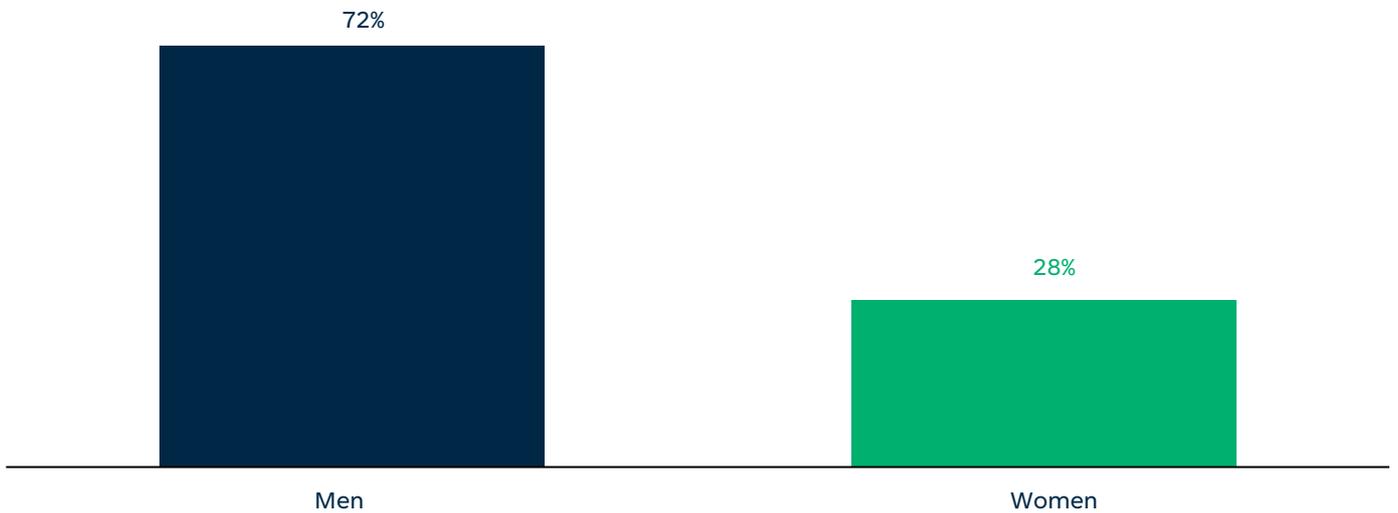
The findings suggest that the main benefit for workers from working at home is because of the improved ability to combine work and caring responsibilities.

4

Further research on the benefits and trade-offs that come from working at home – for those workers with the ability to do so – is needed.

The gender gap in superannuation savings is compounded by superannuation tax concessions, which favour men

Distribution of superannuation tax concessions by gender, (2015-16)



‘For every \$1 that women receive in superannuation tax concessions, men receive \$2.52’

The Australia Institute

‘The generosity of the tax expenditures on superannuation, and the limited controls on contributions, magnify the effects of gender differences in paid and unpaid work’

Professors Siobhan Austen and Rhonda Sharp

‘People on the lowest wages, who are mostly part-time workers and mostly women, get no tax benefit at all’

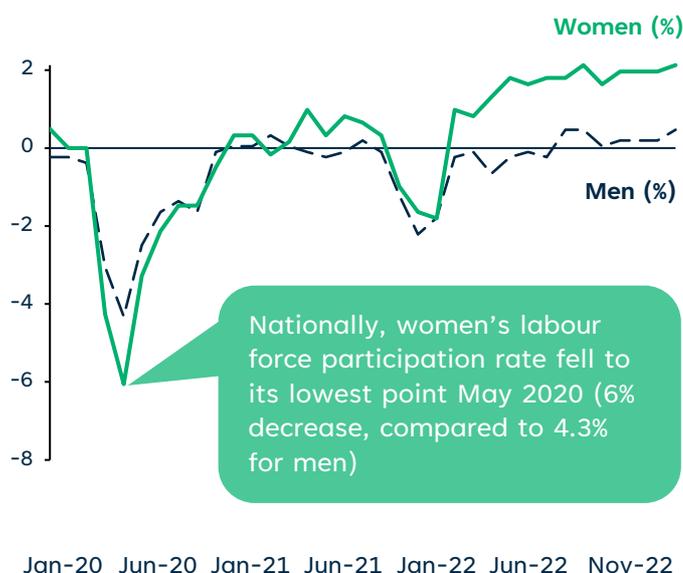
**Peter Davidson,
Australian Council of Social Services**

‘Superannuation tax concessions predominantly benefit higher-income earners and there are more higher-income men than women’

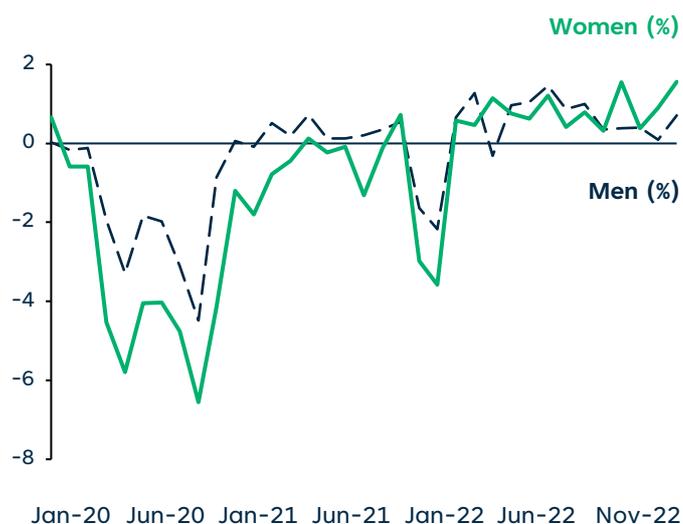
**Retirement Income Review,
Commonwealth Treasury**

Women have also had worse economic experience due to COVID-19, as demonstrated by their steeper fall in employment in Victoria

Percentage change in employment relative to monthly average of pre-pandemic quarter, By gender (Australia, January 2020 – November 2022)



Percentage change in employment relative to monthly average of pre-pandemic quarter, By gender (Victoria, January 2020 – November 2022)



1. Women bore the economic brunt of COVID-19, and especially the lockdowns of 2020 and 2021.
2. Both women and men took on more unpaid work during lockdowns, but women took on more unpaid work than men.
3. Although women's labour force participation is now better than immediately before the pandemic, it remains consistently around 10 percentage points lower than men.
4. Victoria experienced the highest number of days in lockdown due to COVID cases in Australia. The state experienced 6 lockdowns that spanned more than 260 days between March 2020 and October 2021. As a result, the negative impacts on the Victorian economy were more prolonged compared to the national economy.
5. Victoria's labour force participation rate fell to its lowest point September 2020, resulting in a percentage decrease of 6.6% compared to the pre-pandemic quarter (in comparison to 4.5% for men).
6. Overall, Victorian women experienced a steeper fall in employment during the pandemic, in comparison to Victorian men and to other women in Australia. This is indicative of the disproportionate effect of the pandemic on women's employment.

Young women, and women 45-54, shouldered the largest employment losses throughout the pandemic, which will have long term scarring effects on their earnings

Change in employment relative to pre-pandemic levels, by age and gender, Australia



Among 15-24 and 45-54 year-olds

- Women were more severely affected than men.

Treasury study (2020)

- It takes about five years to halve the initial hit to earnings for young women entering the workforce during a period of high unemployment, and their annual earnings are typically still lower than they would have been otherwise 10 years on.

Short period of unemployment

- Can have a big impact on lifetime earnings. If a typical young woman lost income for just 6 months, this could translate to losing more than \$100,000 in earnings over her lifetime, a 6% increase on the earnings gap. This, in turn, flows through to lower private retirement savings.

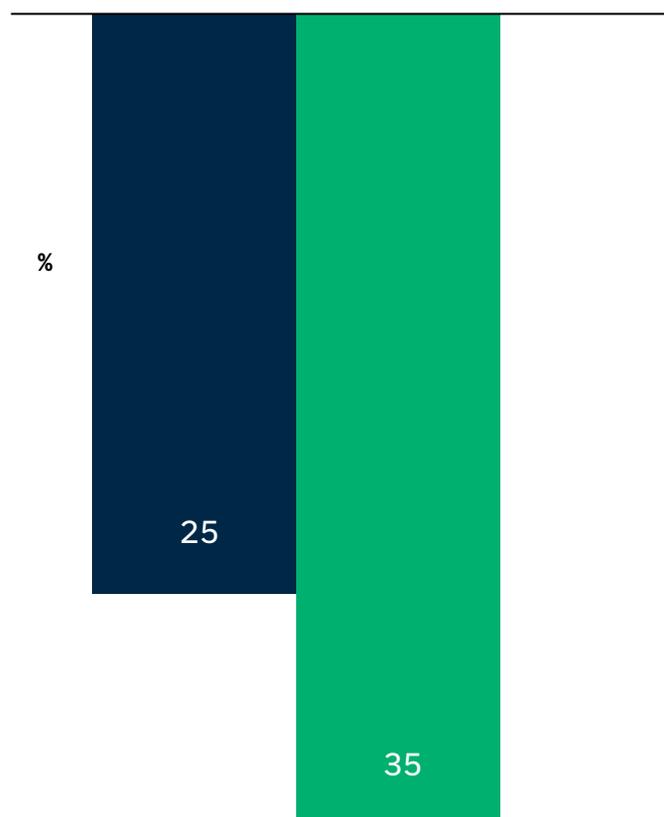
Note: ¹Pre-pandemic levels used in this analysis is the average employment levels between October – December 2019.

Sources: Right Lane Consulting. (2023); ABS. (2022, November), Labour force status by age, social marital status and sex.; Andrews. D. et al. (2020). The Career Effects of Labour Market Conditions at Entry; Treasury (2020, June).

<https://treasury.gov.au/sites/default/files/2020-06/p2020-85098-202006.pdf>; Alon. T. et al. (2020). The Impact of COVID-19 on Gender Equality.; National Bureau of Economic Research. (2022). Working Paper No. 26947.

Men withdrew more superannuation through the COVID-19 early release scheme than women, but women withdrew more relative to their savings

Proportion of superannuation withdrawn under first tranche of COVID-19 early release scheme, % by gender



Women withdrew more, relative to their starting balance

- Women aged 25-34 withdrew on average 35% of their balance, while men in the same age bracket withdrew 29% of their balance.

They did this across all age brackets compared to men

- In all age brackets, women withdrew a greater proportion of their account balance compared to men in the same age cohort.

This could lead to 46% gap in the superannuation balance of these women at retirement

- Female applicants for the scheme aged 25-34 had on average a starting balance of \$19,906, which is 21% less than the average male balance of \$25,200 across this age cohort. After withdrawing their superannuation, the gap widened to 46%.

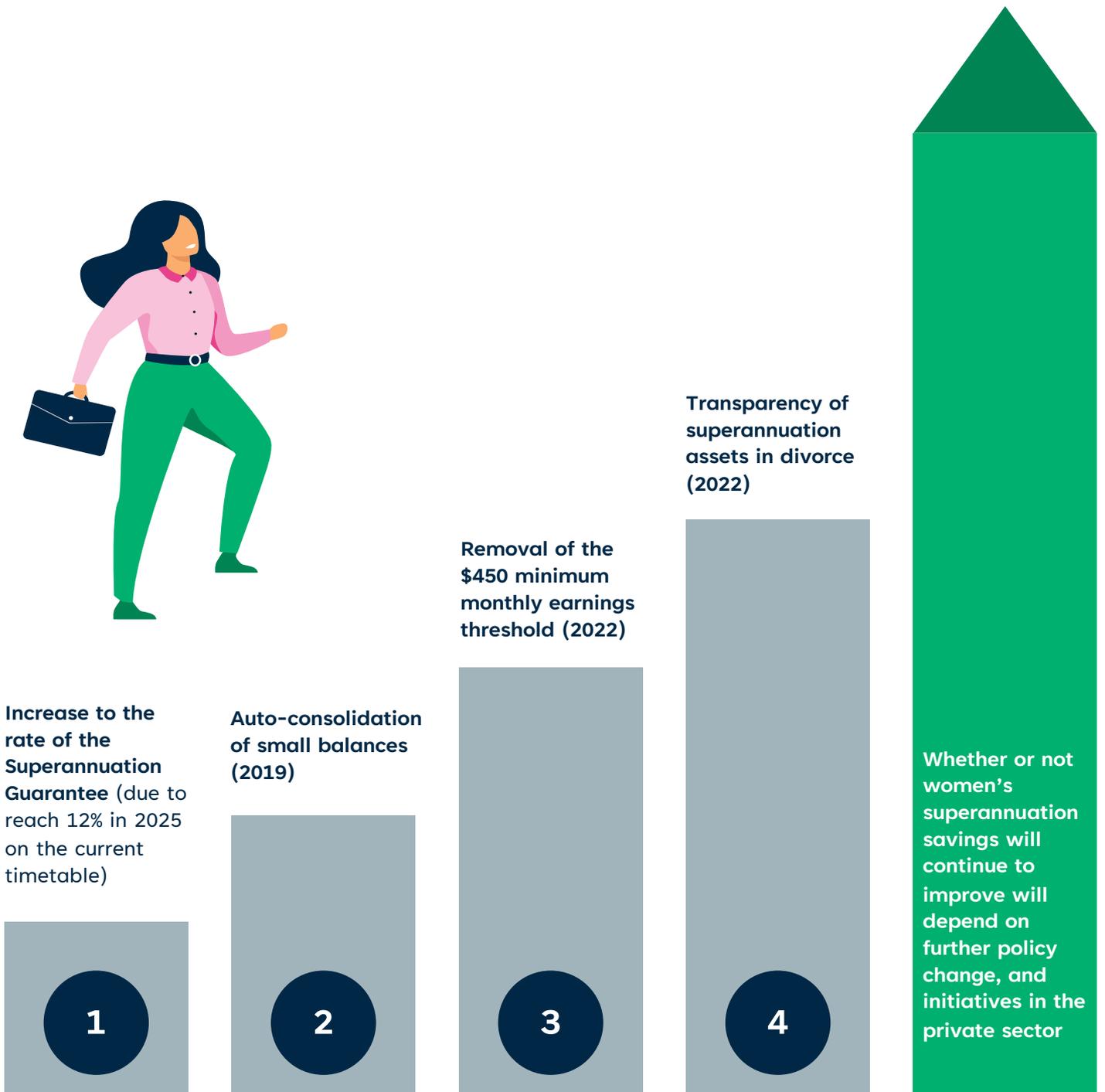


'The number of people who oppose early access to superannuation is dwindling.'
Industry CEO

Government will need to be careful to protect the preservation of superannuation

Policy change has been going in the right direction, but more must be done to bridge the gender superannuation gap

Women's superannuation savings have improved because of policy change



Bridging the superannuation gender gap will involve multifaceted, public and private policy interventions

Government	Both	Private Sector	
<p>A more progressive structure of superannuation taxation, and aligning the LISTO with PAYG</p>		<p>Pay transparency across organisations. Only 51% of organisations currently have pay transparency</p>	
<p>Apply savings under tax reforms to redistribution for low-income earners</p>		<p>For superannuation funds, being proactive trustees of members capital by promoting gender equity in the companies in which funds are invested</p>	
<p>Boosting women’s economic participation, across industries; for example, examining and addressing the role of gender-based violence as an inhibitor to labour force participation</p>		<p>Paying superannuation on firm parental leave schemes</p>	
<p>Boosting minimum award pay and conditions in sectors dominated by women, such as childcare and aged care</p>		<p>Investing in financial literacy for superannuation fund members and encouraging women’s engagement with superannuation</p>	
<p>Examining the role of defaults in the drawdown phase that ensure income smoothing over the life course</p>			
<p>Legislating an objective of superannuation that includes equity in private retirement incomes</p>			

These interventions will increase women’s **private retirement savings**. For overall gender equity, it is imperative that public supports for low-income women are adequate.

A boost to the rate of Commonwealth Rent Assistance would be one way of making a targeted increase to the retirement incomes of women with little or no superannuation.

We propose prioritising tax reform, women's economic participation and pay and conditions in sectors dominated by women

Government or private sector, as applicable

Assessment	Impact	Ease of implementation	Urgency	Financial cost
A more progressive structure of superannuation taxation	Higher	Moderate	Higher	Lower
Apply savings under tax reforms to redistribution for low-income earners	Moderate	Moderate	Moderate	Higher
Boosting women’s economic participation, across industries; for example, examining and addressing the role of gender-based violence as an inhibitor to labour force participation	Higher	Moderate	Higher	Moderate
Improving minimum award pay and conditions in sectors dominated by women, such as childcare and aged care	Higher	Moderate	Moderate	Higher
Examining the role of defaults in the drawdown phase	Moderate	Moderate	Lower	Lower
Investing in financial literacy for superannuation fund members and encouraging women’s engagement with superannuation	Moderate	Moderate	Moderate	Lower
Legislating an objective of superannuation that includes equity in private retirement incomes	Moderate	Moderate	Lower	Lower
Pay transparency across organisations	Moderate	Moderate	Higher	Lower
For superannuation funds, being proactive trustees of members capital by promoting gender equity of companies in which funds are invested	Moderate	Moderate	Lower	Lower
Paying superannuation on paid parental leave schemes	Moderate	Moderate	Moderate	Lower

Higher Moderate Lower

This research paper, **Bridging the gap in a gendered superannuation system**, forms one part of Right Lane Consulting's Forces at Work Report. Unlike the full Forces at Work Report which is available to subscribers only, the gender chapter is available more widely to our network to support the advocacy around this important issue.

For more information, please contact info@rightlane.com.au

Be part of a movement of positive change

Women in Super is changing the face of superannuation in Australia. From working with government leaders at the highest level, to enriching the personal and professional development of our members, the benefits and opportunities that Women in Super offer can be life and career-changing. Being involved with Women in Super means being involved in something bigger – a movement of change.

For more information on Women in Super membership please contact: wis@womeninsuper.com.au

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