



# MAKE OUR FUTURE FAIR

What Millennial women want from the  
superannuation system

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**AUGUST 2019**

**Verve**  
Super



## ABOUT THE STUDY

This study is based on new research into the nation's attitudes towards, and expectations of, superannuation. Insights into the perceptions of Australia's Millennial women towards the superannuation system are based on a survey conducted by Lonergan Research and commissioned by Verve Super – Australia's first ethical superannuation fund for women.

The study was conducted online with 1,030 Australians over the age of 18 in July 2019 among members of a permission-based panel. Surveys were distributed throughout Australia including both urban and regional areas.

## ABOUT VERVE SUPER

Verve Super is Australia's first ethical superannuation fund for women, by women. The mission of Verve is to build the financial power of women and help close the retirement savings gap. Verve also provides women with the opportunity to invest their super ethically for a better world.

For more information:

Phone: 1300 799 482

For more information email: [hello@vervesuper.com.au](mailto:hello@vervesuper.com.au)

For media enquiries email: [media@vervesuper.com.au](mailto:media@vervesuper.com.au)

Website: [www.vervesuper.com.au](http://www.vervesuper.com.au)







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# FORWARD

Compared to the generations of women before them, women born between 1980 and 2000 - otherwise known as 'Millennial women' - have grown up with a strong expectation of financial independence.

They have been taught from a young age not only to believe that they can do whatever their male peers can, but that they will receive the same professional opportunities and rewards.

This is a generation that has wholeheartedly embraced the mantra that 'a man is not a financial plan'.

As this study compellingly shows, Millennial women do not want to rely on the Government, their partners or their parents for financial security.

The problem is, Australia's retirement system was never designed for women to retire comfortably and with financial independence.

Instead, our superannuation system relies on an implicit assumption that women – who undertake two thirds of the unpaid care in Australia – will be able to retire comfortably reliant on a partner's income.

The existing structure of superannuation in Australia magnifies the economic inequality that women experience throughout their lives: there is currently no reward for unpaid

caring labour, or compensation for the life-long pay inequality that women face.

As a result, women are retiring with close to 40 percent less super than men,<sup>1</sup> and only receive one third of the \$36 billion in tax concessions that the Government hands out each year through the superannuation system.<sup>2</sup>



<sup>1</sup> ABS, Gender Indicators, September 2018 (cat. no. 4125.0)

<sup>2</sup> Women in Super statistic. Accessed at: <https://www.womeninsuper.com.au/content/the-facts-about-women-and-super/gjumzs>



*For Millennial women, a man is not a financial plan; but neither is a superannuation system that magnifies a life time of financial discrimination and inequality - leaving one in three women living in poverty, with no super at all.*

Australia has one of the highest rates of elderly women living in poverty in the OECD. Sadly, the poverty and inequality facing women in retirement is not a 'legacy' issue. The underlying causes of poverty amongst older women are the same issues driving the super gap between Millennial men and women today.

As the founders of a superannuation fund designed specifically to build the financial power of women, we know that there is a lot that we can do to support women at the individual level to improve their own retirement outcomes. Yet, there is only one way to end the retirement inequality and poverty faced by women: that is, to fix the system.

The findings of this study show that three out of five Australians believe that the current superannuation system is insufficient to support women to live comfortably in retirement – Millennial women feel this most acutely.

This study should be a clarion call for our federal politicians to elevate women's retirement outcomes to the forefront of the superannuation reform agenda.

Tinkering at the edges of superannuation policy will not be enough. Bold reform of superannuation and retirement policy is needed to support Millennial women, and

women of all generations, to retire comfortably and independently. This is, after all, the very purpose of the superannuation system.

It's time to make our future fair.



Christina Hobbs  
Co-Founder & CEO, Verve Super

Alex Andrews  
Co-Founder, Verve Super

Zoe Lamont  
Co-Founder, Verve Super



## EXECUTIVE SUMMARY

Overwhelmingly, Millennial women want to be financially independent. This study shows that **86 percent do not want to be reliant on a partner, the Government, or any other person to live comfortably in retirement.**

Yet, the independence that many Millennial women have earned and enjoyed, will be short-lived as they confront the realities of a retirement system that was never designed to support women to retire comfortably and independently.

Australians of all ages and genders agree that the retirement system is stacked against women.

**This study has found that 63 percent of Australians agree that our superannuation system is not designed to support the ‘average woman’ to retire comfortably.**

**Millennial women understand the inequality most acutely, with 73 percent stating that the system is inadequate.**

As a result, only **one in four Millennial women think that they will be able to live a comfortable retirement** and close to one in three Millennial women are expecting to need to rely on Government support in retirement.

Millennial men and women believe that taking the time out of the workforce to care for children is incompatible with earning and saving sufficiently for retirement.

**Close to 60 percent of Millennial women anticipate that the time they spend doing unpaid care work will prevent them from earning enough super for a comfortable retirement.**

By many measures, Australia’s retirement system is one of the most successful retirement funding systems globally. It has helped hundreds of thousands of Australians to live better lives in retirement.

Yet at the same time, one in three women are retiring with no super at all, and overall women are retiring with an average of 37 percent less super than men.<sup>3</sup> Close to 40 percent of elderly single women live in poverty<sup>4</sup>.

Under the current superannuation system, two thirds of the \$36 billion in Government tax concessions provided each year by the Government flow to men<sup>5</sup>.

As this study shows, retirement inequality is not a ‘legacy’ issue, the super balances of Millennial women are already lower than their male peers and this will continue to

<sup>3</sup> ABS, Gender Indicators, September 2018 (cat. no. 4125.0)

<sup>4</sup> Wilkins, R (2015), The Household, Income and Labour Dynamics in Australia Survey: Selected findings from Waves 1-12. Melbourne Institute of Applied Economic and Social Research, viewed 21 September 2016. Accessed at:

[https://www.melbourneinstitute.com/downloads/hilda/Stat\\_Report/statreport\\_2015.pdf](https://www.melbourneinstitute.com/downloads/hilda/Stat_Report/statreport_2015.pdf)

<sup>5</sup> Women in Super statistic. Accessed at: <https://www.womeninsuper.com.au/content/the-facts-about-women-and-super/gjumzs>





grow unless the system is significantly reformed.

Part One of this report analyses the perceptions that Millennial women have about superannuation and retirement and contrasts them to the perceptions of Millennial men and other generations.

Part Two considers many of the underlying causes of the superannuation gap between men and women and describes how our current system magnifies the lifelong economic inequality that women face.

Part Three demonstrates that, when it comes to poverty amongst elderly women, Australia is performing poorly on the global stage. The section outlines specific recommendations aimed at overcoming key

determinants of the gender gap in superannuation and the poor retirement outcomes experienced by women. This study has highlighted high rates of disillusionment amongst Millennial women towards superannuation.

Bold reform of Australia's superannuation system will be needed if the purpose and economic rationale of the system – to support all Australians to retire in comfort by lifting the floor of the old age pension – is to be realised.

Recognition of the existential inequalities within the current system, followed by proactive steps towards setting a target for national retirement income equality are the necessary first steps.





# INTRODUCTION

Compulsory superannuation came into effect in Australia in 1992 as a compulsory savings and tax relief system to support Australians to retire comfortably. The purpose of superannuation is two-fold: to take pressure off the old-age pension; and to support Australians to live comfortably in retirement – which the current pension does not provide for.

By 2019, it has grown, by many measures, to be one of the most successful retirement funding systems globally. The total pool of superannuation funds in Australia is more than \$2.8 trillion. Yet, while the policy has delivered enormous benefits for hundreds of thousands of retired Australians, the system is not working well for women.

No other statistic reveals the extent of gender inequality in Australia more simply than the superannuation savings gap between men and women. For women, economic discrimination and inequality compounds over a lifetime, resulting in the average woman approaching retirement with 37 percent less in superannuation savings than the average man – a balance of \$195,000 compared with \$310,000 for the average man.<sup>6</sup>

As a result of Australia's retirement inequality, single women are more likely than other household types to be reliant on

the full aged pension as their only source of income and are at the greatest risk of persistent poverty.<sup>7</sup> The Australian Human Rights Commission has found that elderly single women are now experiencing the fastest growing rates of homelessness in Australia.<sup>8</sup>

Under the current superannuation system, two thirds of the \$36 billion in Government tax concessions provided each year by the Government flow to men.<sup>9</sup> The system implicitly assumes that women will be able to benefit from the superannuation balance of a male partner to retire comfortably. Yet, this assumption simply does not match modern day family structures, or the expectations of Australia's Millennial women.

In recent years there has been increased attention on the challenges that women face in saving sufficient superannuation for a comfortable retirement. It is sadly no surprise that this study has shown Millennial women have high rates of disillusionment with the superannuation system.

Understanding the reasons behind the pervasive superannuation gap between men and women, and learning more about the perceptions of Millennial women towards retirement and superannuation, is critical for driving urgently needed reform to the superannuation system.

<sup>6</sup> ABS, Gender Indicators, September 2018 (cat. no. 4125.0)

<sup>7</sup> ABS, Gender Indicators, September 2018 (cat. no. 4125.0)

<sup>8</sup> Older Women's Risk of Homelessness: Background Paper (2019) <https://www.humanrights.gov.au/our-work/age-discrimination/publications/older-womens-risk-homelessness-background-paper-2019>

<sup>9</sup> Women in Super statistic. Accessed at: <https://www.womeninsuper.com.au/content/the-facts-about-women-and-super/gjumzs>





# TERMINOLOGY

**‘Financially independent’:** can afford all of living expenses without the support of a family member, partner or Government. If they manage living expenses with a partner, they are able to cover their share.

**‘Comfortable retirement’:** can be involved in a broad range of leisure and recreational activities, have a good standard of living, and are able to afford things such as new household goods, private health insurance, domestic and occasionally international holiday.

**‘Modest retirement’:** able to afford basic activities above a retirement on the Age Pension e.g. limited travel within Australia, limited meals eaten out.







# PART ONE: WHAT MILLENNIAL WOMEN THINK ABOUT THE SUPERANNUATION SYSTEM

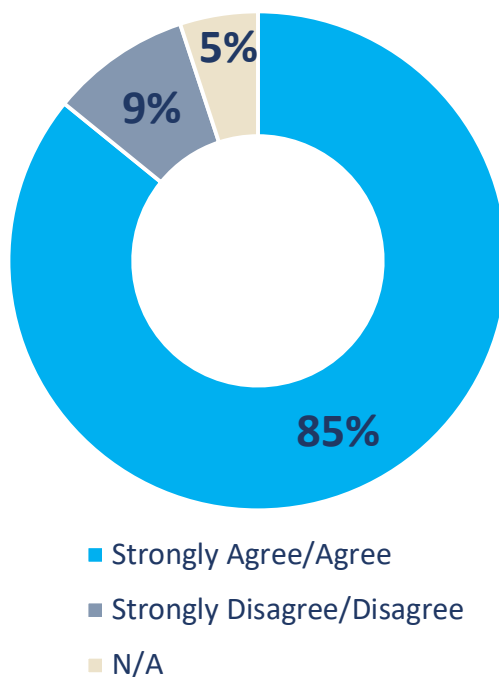
## 85%

### WANT FINANCIAL INDEPENDENCE IN RETIREMENT

85 percent of Millennial women want life-long financial independence and do not want to rely on a partner, the Government, or any other person to live comfortably in retirement.

**Figure 1.**

**Percentage of Millennial women who agree that they want to be independent in retirement**



Millennial women agree more strongly than any other generation that they do not want to rely on a partner, the Government or another person to live comfortably in retirement (37%; cf. Gen Z 19%, Gen X 27%, Baby Boomers 24%).



# 75%

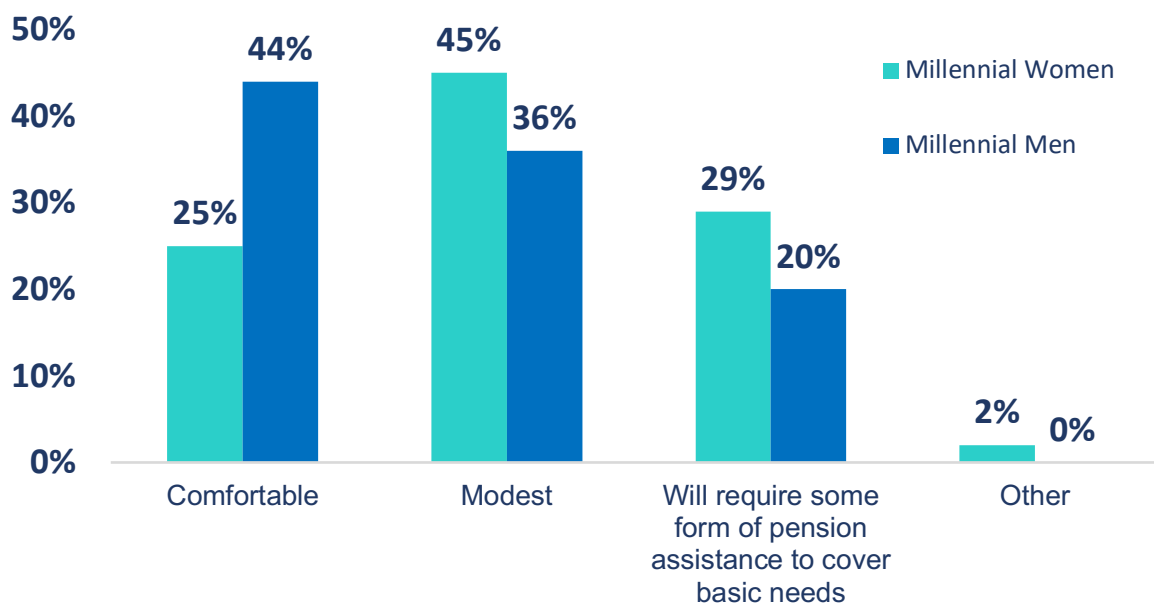
## BELIEVE THEY WILL NOT BE ABLE TO RETIRE COMFORTABLY

Only one in four (25 percent) Millennial women believe that they will be able to afford a comfortable retirement; this is compared to 44 percent of Millennial men and a national average of 31 percent<sup>10</sup>. Less than one in three Millennial women believe that they will be able to rely on a high-paying career or business to meet their retirement needs, compared to 52 percent of Millennial men.

Close to one in three Millennial women (29 percent) believe that they will retire in poverty, requiring some form of financial support from the Government to cover basic needs like housing, food and electricity. More than half (52 percent) of Millennial women believe that they will require some form of financial support/assistance in retirement or anticipate relying on money provided by their spouse.

**Figure 2.**

**The level of comfort that Millennial women anticipate in retirement**



<sup>10</sup> The terms 'comfortable', 'modest', and 'independence' are technical terms that were explained to survey participants and are outlined on page 9 of this report.



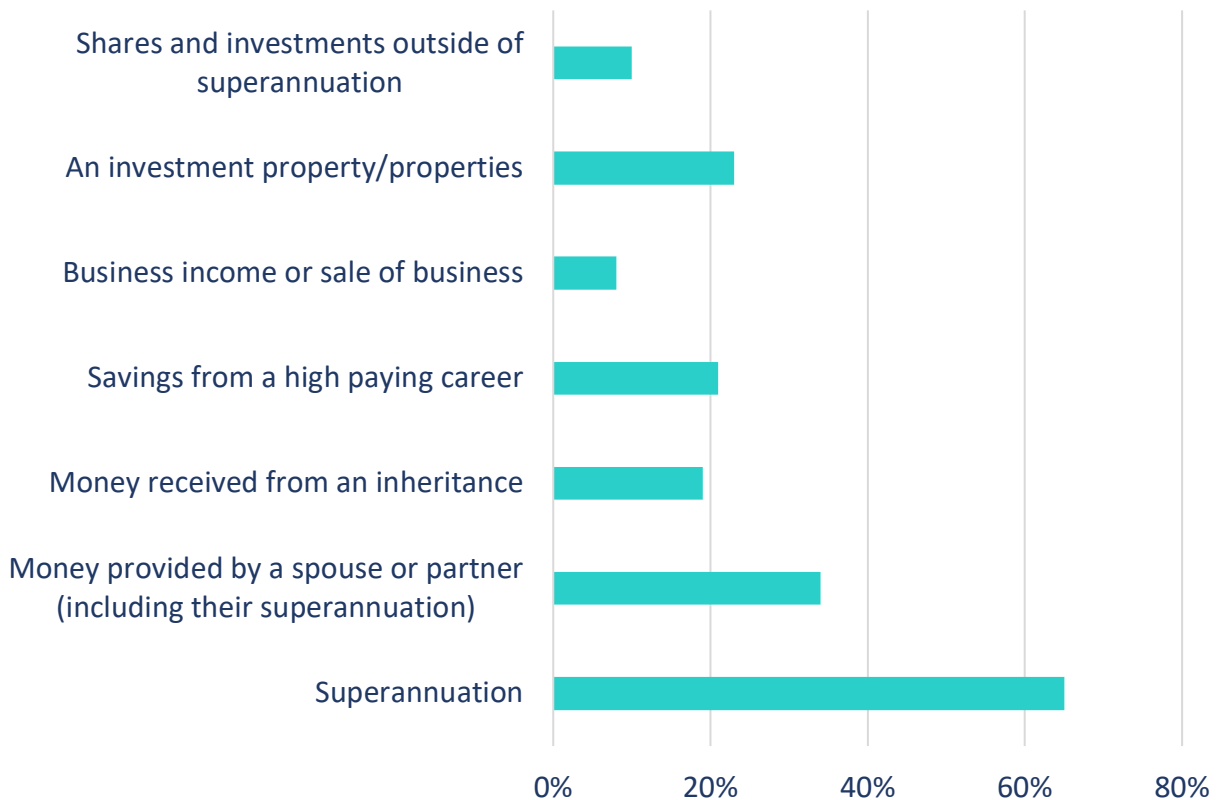
# 63%

## EXPECT TO RELY ON THEIR SUPER FOR RETIREMENT INCOME

Of the Millennial women who believe that they will retire comfortably, only half (50 percent) believe that they will rely on their superannuation, with just over one quarter (26 percent) believing that they will rely on savings from a high-paying career. Overall, 63 percent of Millennial women anticipate relying on superannuation as a primary source of income in retirement.

**Figure 3.**

**Income or assets that Millennial women anticipate relying on in retirement**







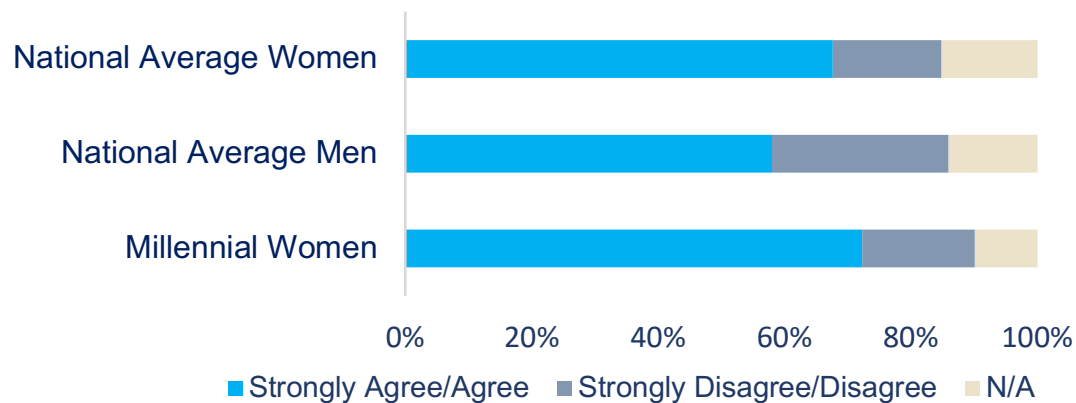
# 73%

## AGREE THAT THE SUPERANNUATION SYSTEM IS NOT DESIGNED TO SUPPORT THE AVERAGE WOMAN TO RETIRE COMFORTABLY

Australians of all ages agree (63 percent) that the retirement system is stacked against women. Millennial women feel this most acutely with 73 percent stating that the system is not sufficient to support women to retire in comfort, as compared to a national average of 67 percent for women and 59 percent for men.

**Figure 4.**

**Percentage of Australians who agree that the superannuation system is not designed to support women**



# 55%

## ARE DISILLUSIONED WITH THE SUPERANNUATION SYSTEM

More than half of Millennial women (55 percent) are disillusioned with the superannuation system, more so than any other generation and compared to only 33 percent of Baby Boomers.



**78%**

## BELIEVE THAT THE ECONOMIC OUTLOOK IS TOO UNCERTAIN TO RELY ON SUPER

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More than three in four (78 percent) of Millennial women believe that the economic outlook is too uncertain for them to rely on their superannuation to fund a comfortable retirement compared to the national average of two-thirds (64 percent).

**60%**

## BELIEVE THAT TAKING TIME OUT OF THE WORKFORCE FOR PARENTAL LEAVE WILL PREVENT, OR HAS ALREADY PREVENTED THEM, FROM HAVING A COMFORTABLE RETIREMENT

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Both Millennial men and women believe that the time they have taken, or will take, out of the workforce to care for children will prevent them from saving sufficiently for retirement. This is a concern for around 60 percent of Millennial women and men, compared to the national average of 41 percent.

**79%**

## BELIEVE THAT TAXES AND FEES ON THEIR SUPER BALANCES WILL PREVENT THEM FROM HAVING ENOUGH FOR A COMFORTABLE RETIREMENT

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Millennial women are more concerned about the impact of fees and charges on their superannuation balances compared to other Australians (60 percent).









## PART TWO: HOW SUPERANNUATION IS FAILING MILLENNIAL WOMEN

The findings of this study have shown that Millennial women are disillusioned with Australia's superannuation system and that the majority of Australians do not believe that the system is adequate to support women to retire comfortably.

Women in Australia are approaching retirement with an average of 37 percent less in superannuation savings than men - an average balance of \$195,000 compared with \$310,000 for the average man.<sup>11</sup> As a result of Australia's retirement inequality, single women are more likely than other household types to be reliant on the full aged pension as their sole source of income and are at the greatest risk of persistent poverty.<sup>12</sup>

Millennial women are right to think that financial inequality in retirement is not just a 'legacy' issue that will impact older generations. There remains a significant disparity between the superannuation holdings of men and women in Australia across all age groups.

The Association of Superannuation Funds in Australia (ASFA) found that in 2015-16 the average superannuation balance for Australians aged 15 years and over was \$111,853 for men, but just \$64,499 for women.<sup>13</sup>

The following sections highlight the key factors contributing to the superannuation gap and retirement inequality. It is important to also consider the intersectional nature of retirement inequality. Economic disadvantage is exacerbated by the discrimination faced by those living with a disability, indigenous women, and women from migrant backgrounds.

### THE GENDER PAY GAP

In Australia, women are systematically underpaid and their work undervalued from the moment they receive pocket money until the moment they retire, and beyond.

The gender pay gap, based on full-time average weekly earnings, has fluctuated between 14 percent and 19 percent over the

<sup>11</sup> ABS, Gender Indicators, September 2018 (cat. no. 4125.0)

<sup>12</sup> ABS, Gender Indicators, September 2018 (cat. no. 4125.0)

<sup>13</sup> ASFA. 2017. Superannuation account balances by age and gender. Accessed on the 03.08.19 at: [https://www.superannuation.asn.au/ArticleDocuments/359/1710\\_Superannuation\\_account\\_balances\\_by\\_age\\_and\\_gender.pdf.aspx?Embed=Y](https://www.superannuation.asn.au/ArticleDocuments/359/1710_Superannuation_account_balances_by_age_and_gender.pdf.aspx?Embed=Y)



past 20 years, based on gender pay gap data published by the Australian Bureau of Statistics (ABS).<sup>14</sup> The gap in pay increases over time and becomes a chasm by the time Australians reach retirement age.

The current gender pay gap for remuneration as reported by the Workplace Gender Equality Agency for Australians in full time work is 21.3 percent. Men working full time earn \$25,717 on average a year more than women working full-time. The full-time pay gap (only considering salary and no other forms of remuneration) is 16.2 percent, which means that in a single year, men working full time earned \$15,457 on average more than women.<sup>15</sup>

The full-time gender pay gap masks the fact that women also make up a greater proportion (69 percent) of part time employees in Australia.<sup>16</sup> Part-time employees are also generally less well remunerated and in more vulnerable types of work, such as casual and contract work compared to those in full-time equivalent positions.

A 2016 KPMG report found that the greatest cause of the gender pay gap in Australia is

gender discrimination. This accounts for 38 percent of the total gap and includes direct discrimination as well as indirect factors such as unconscious bias.<sup>17</sup>

Gender discrimination is most obvious in the starting salaries of university graduates. The gender pay gap for graduates in 2018 was an average of \$3,000 a year - or 4.8 percent. The median male graduate in full-time work earned \$63,000, compared to \$60,000 for their female counterparts.<sup>18</sup>

Concerningly, women graduating in fields with large existing pay gaps such as dentistry, agriculture and architecture are experiencing the greatest discrimination according to the survey, demonstrating that the core issues that are causing the inequality are still rife. As an example, women who graduated from dentistry earned a median income of \$78,000, while the median male earned \$102,000. In agriculture, female graduates reported earnings of \$55,000 - unchanged from 2017 - while men reported a median income of \$62,600, up \$5,200.<sup>19</sup>

<sup>14</sup> ABS, Gender Indicators, September 2018 (cat. no. 4125.0)

<sup>15</sup> WGEA DATA. Accessed on 03.08.19 at:

<https://www.wgea.gov.au/topics/gender-pay-gap>

<sup>16</sup> Australian Bureau of Statistics. (2016). *Labour Force, Australia*. Retrieved

from <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0>

<sup>17</sup> KPMG. 2016. *She's Price(d)less*. Accessed on the 03.08.19 at:

<https://home.kpmg/content/dam/kpmg/au/pdf/2016/gender-pay-gap-economics-full-report.pdf>

<sup>18</sup> QILT. 2018. The 2018 Graduate Outcomes Survey. Accessed on the 03.08.19 at

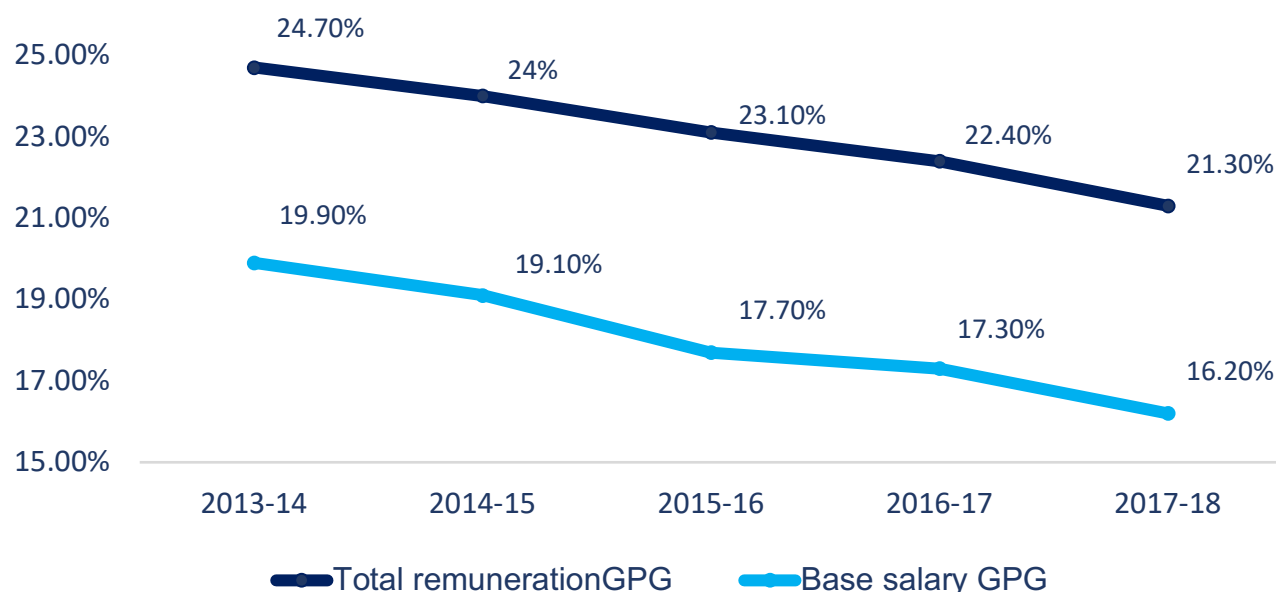
[https://www.qilt.edu.au/docs/default-source/gos-reports/2018-gos/2018-gos-national-report-2018.pdf?sfvrsn=a729e33c\\_4](https://www.qilt.edu.au/docs/default-source/gos-reports/2018-gos/2018-gos-national-report-2018.pdf?sfvrsn=a729e33c_4)

<sup>19</sup> Ibid.



Figure 5.

### The full-time remuneration and base salary % difference between men and women over time



Industrial and occupational segregation are the second most significant contributing factors to the pay gap, accounting for around 30 percent.<sup>20</sup> Australia has one of the most gender segregated workforces in the OECD, and the professions that are dominated by men on average pay significantly higher than those dominated by women. Within industries, the occupations that tend to be dominated by men are also paid significantly higher. For example, in the health care industry, more men are doctors and they receive significantly high salaries than nurses who are mostly women.

Other factors that contribute to the pay gap include the amount of time that someone

has previously taken out of the workforce, and whether they are engaged in part-time work. If you consider the pay gap at an hourly level, workers in part-time work generally get paid less per hour than people in full-time work – with women making up the majority of the casual and part-time workforce.<sup>21</sup>

### WOMEN UNDERTAKE THE BULK OF UNPAID CARING WORK AND RECEIVE NO SUPERANNUATION GUARANTEE PAYMENTS

Women continue to undertake the majority of unpaid care work in Australia. This includes all forms of domestic work, such as

<sup>20</sup>KPMG. 2016. She's Price(d)less. Accessed on the 03.08.19 at: <https://home.kpmg/content/dam/kpmg/au/pdf/2016/gender-pay-gap-economics-full-report.pdf>

<sup>21</sup>KPMG. 2016. She's Price(d)less. Accessed on the 03.08.19 at: <https://home.kpmg/content/dam/kpmg/au/pdf/2016/gender-pay-gap-economics-full-report.pdf>



cooking, cleaning, washing, gardening and home maintenance. It also includes taking care of children, the elderly or a family member with a long-term health condition or disability.

On average, women receive no remuneration for 64 percent of their 'working hours' in comparison to men (36 percent).<sup>22</sup> This equates to an extra two hours and 19 minutes per day in unpaid care work. When engaged in unpaid work, women are also not earning superannuation payments.

The Workplace Gender Equality Agency has estimated that the monetary value of unpaid care work is approximately \$650 billion which equals to a massive 50.6 percent of GDP.<sup>23</sup>

Women also report being denied work at the same level when they return from periods out of the paid workforce, having limited access to flexible work arrangements and control over their hours, and often face challenges in accessing appropriate and affordable childcare.

Research by The Australia Institute has found that 70 percent of women returning from parental leave opt to work part time and that a woman returning from one year of maternity leave can expect a five per cent decrease in earnings compared to before going on leave.<sup>24</sup>

<sup>22</sup> Workplace Gender Equality Agency. 2016. *Unpaid care work and the labour market*. Accessed from <https://www.wgea.gov.au/sites/default/files/documents/australian-unpaid-care-work-and-the-labour-market.pdf>

<sup>23</sup> Ibid.

## DISENGAGEMENT WITH THE SUPERANNUATION SYSTEM IMPACTS WOMEN MORE

For most Australians, superannuation, along with the family home, will be the most valuable asset they own when they retire.

Yet superannuation is also something that many people feel inherently detached from. Australians are typically signed up to their first superannuation fund by an employer, and many have never made an active decision about which fund they want to join.

Lack of engagement isn't an issue that exclusively faces women, but it does affect them more. The fragmented nature of women's working lives means that they are at a higher risk of having money split across multiple funds and as a result paying multiple sets of fees. The Productivity Commission has estimated that one extra superannuation account may lead to a 6 percent lower retirement balance and that a retirement balance could be eroded by 14 percent by inappropriate insurance premiums.<sup>25</sup>

People who manage their superannuation poorly are also more likely to be part of a poor performing fund, or a fund with high fixed fees. Paying high fixed fees for a fund erodes smaller balances, which again are more likely to be the accounts held by women.

## WOMEN LIVE LONGER

<sup>24</sup> Baker D. 2011. The wage-penalty effect: The hidden cost of maternity leave, p.11.

<sup>25</sup> As quoted in: SMH, 2019. <https://www.smh.com.au/money/insurance/battle-looms-over-insurance-in-super-policies-20190109-p50qep.html>





Not only are women typically retiring with less than men, but women are also living longer. In Australia, women are living close to four years longer than men on average<sup>26</sup>. This means women will spend more years of their lives in retirement, and so they must target a higher level of savings than men to achieve the same annual income throughout their entire retirement.

Given that women live longer than men, most women who are in relationships with men in their old age will likely outlive their partner. This means that they will likely live alone for a number of years without anyone to share expenses.

## DIVORCE AND SEPERATION

Divorce and separation take a financial toll on people regardless of gender. Research has tended to highlight that men often suffer greater short term financial consequences of divorce. This is typically because women are more likely to take a greater ongoing caring role of any children which is often considered in the settlement. However, women ultimately suffer the most economically from a separation in the long term with the responsibilities of heightened caring responsibilities inhibiting future career progression.

In 2009, the Australian Institute of Family Studies released a report based on data from the HILDA survey that found: “four years after divorce, women experienced a three percent increase in income from pre-divorce levels compared to an increase of

12.3 per cent for non-divorced women. For divorced men, income increased by 12.5 per cent<sup>27</sup>.

## EXISTING POLICIES ENTRENCH THE SUPER GAP

Superannuation was established as a compulsory savings and tax relief system to support Australians to retire comfortably by lifting the floor of the pension. The pension does not currently support a comfortable retirement.

The primary purposes of superannuation are two-fold: to improve the economic livelihood of future generations of Australians in retirement; and diminish the long-term expenditure on the Government aged pension, which is forecast to continue to grow significantly because of our ageing population.

By 2019, Australia's superannuation system has grown, by many measures, to be one of the most successful retirement funding systems globally. Yet, it is a system that by design starkly multiplies the economic discrimination that women face in Australia throughout their lives. As a result of failing women, who make up half the population, the system is unable to achieve its overall objective.

The inequality within the current system isn't just demonstrated by the superannuation gap between men and women, but also by men receiving around two thirds of \$36

<sup>26</sup> Sources: ABS 2009; ABS 2013; ABS 2018b.

<sup>27</sup> AIFS. 2009. The long lasting financial impacts of divorce for women. Accessed at: <https://aifs.gov.au/media-releases/long-lasting-financial-impacts-divorce-women>



billion in tax concessions that the Government currently hands out each year through the system<sup>28</sup>. A staggering \$21 billion of that goes to the wealthiest 20 percent of Australians, while the poorest 20 percent (of which a majority are women) receive nothing at all<sup>29</sup>.

### THE SUPERANNUATION GUARANTEE IS NOT A GUARANTEE AT ALL

There are specific elements of the superannuation guarantee that are particularly problematic for women.

As the nature of the economy and employment shifts increasingly towards contract and short-term work, many workers are not receiving any superannuation at all. Women are more likely than men to work multiple casual or part-time jobs and, under

existing policy, employers are not required to pay the Superannuation Guarantee to employees who make less than \$450 a month.

In addition, specific legislation that applies to nannies and homeworkers, means that employers are exempt from paying them super if they work less than 30 hours a week. These workers are largely women. Currently in Australia an employer does not have to pay the Superannuation Guarantee when an employee is on paid or unpaid parental leave as the Commonwealth parental leave scheme does not attract the Superannuation Guarantee. Consequently, many women do not receive employer-paid contributions to superannuation while on paid parental leave.

<sup>28</sup> Women in Super statistic. Accessed at: <https://www.womeninsuper.com.au/content/the-facts-about-women-and-super/gjumzs>

<sup>29</sup> Anglicare. 2019. Budget must tackle superannuation tax breaks for the rich. Accessed at: <https://www.anglicare.asn.au/home/2018/04/03/budget-must-tackle-superannuation-tax-breaks-for-the-rich>





## PART THREE: WHAT NEEDS TO BE DONE TO CLOSE THE SUPERANNUATION GAP

### IT DOESN'T NEED TO BE LIKE THIS, AND IT SHOULDN'T BE.

This study has highlighted the disillusionment amongst Millennial women towards the superannuation system.

It has also outlined the high rates of poverty and homelessness facing women in Australia who are already retired.

One of the striking findings from this study, is that most Australians believe that the superannuation system is not designed to support 'the average' Australian woman to retire comfortably.

It speaks volumes that in 2019, Millennial women feel that they must choose between undertaking unpaid caring work that is critical to the functioning of their families



and our society or having a comfortable retirement.

It should not be like this. Australia is one of the wealthiest countries in the OECD yet has some of the highest rates of elderly people living in poverty and the third highest rate of poverty amongst elderly women<sup>30</sup>. Of the 36 countries in the OECD, only Latvia, Estonia and South Korea have higher rates of poverty amongst elderly women<sup>31</sup>.

Countries including New Zealand, the Czech Republic, the Netherlands, Iceland and Luxemburg have all achieved retirement systems that result in less than five percent of women over 65 living in poverty<sup>32</sup>. Australia can too.

This study has highlighted the lifetime of economic inequality that Australian women have historically faced, and still face today. Yet, these factors alone are not the cause of the super savings gap or the poverty that women face in retirement.

The retirement challenges facing women today, and those that will face Millennial women into the future, are the result of a national retirement system that relies on superannuation to top up the old-age pension to allow people to retire in comfort. This system fails women because the superannuation system in Australia by design magnifies rather than reduces the inequalities that women face throughout their working lives.

The Superannuation Guarantee was created to ensure that all Australian workers can adequately save for retirement. Accordingly, it should apply to all forms of labour, including paternal and other forms of unpaid care.

The Government needs to ensure that the Superannuation Guarantee reflects the changing nature of our society and economy, and that anyone who is engaged in part-time or informal work to care for others, is not doing so at the expense of a comfortable retirement.

The system implicitly assumes that it is acceptable for the bulk of the benefits provided by the superannuation system, to flow to women via a male partner in retirement, rather than being structured to support women to save independently. This assumption does not match modern family structures, the expectations of Australia's Millennial women, or our nation's values around fairness and equality.

In order to achieve retirement equality, the superannuation system, pension system and pay equality targets must be considered. The following recommendations represent ten of the most pressing reforms required to generate the greatest impact on closing the gap and ending poverty amongst elderly Australians.

<sup>30</sup> OECD stats. Data extracted on 09 Aug 2019  
: <https://stats.oecd.org/index.aspx?queryid=69414>

<sup>31</sup> OECD. INCOME POVERTY OF HOUSEHOLDS IN AUSTRALIA: EVIDENCE FROM THE HILDA SURVEY  
[http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP\(2019\)8&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP(2019)8&docLanguage=En)  
<sup>32</sup> Ibid.





### RECOMMENDATION 1

The Federal Government should introduce a time bound Superannuation Gender Equality Target (SGET). The appropriate Government bodies, including the Australian Bureau of Statistics, Australian Taxation Office and the Workplace Gender Equality Agency should be funded to monitor and report on progress. Any changes to superannuation policy should be modelled to understand the implications on achieving the SGET.

### RECOMMENDATION 2

Remove the 30 hour a week threshold that applies to domestic workers, including nannies, before employers must pay the Superannuation Guarantee. Remove the \$450 monthly earnings threshold before employers must pay the Superannuation Guarantee to other employees.

### RECOMMENDATION 3

Redistribute tax concessions on superannuation so that they benefit low income earners rather than high income earners who already have greater capacity for retirement savings.<sup>33</sup> It is recommended that concessional contributions made by low income earners be rewarded through a superannuation tax rate below 15 percent.

### RECOMMENDATION 4

Superannuation contributions should be paid at the scheduled rate of 12 percent on Commonwealth Parenting Payments (CPP). A superannuation payment up to an equivalent of 12 percent of the annual minimum wage should be extended to carers at the conclusion of their CPP for the duration of their time out of the workforce.

<sup>33</sup> The concessional tax rate up to \$25,000 has a flat 15% tax rate. Higher earners who have more capacity to 'max out' their \$25k allowance have more chance of shifting down into a new tax bracket. However, lower

### RECOMMENDATION 5

People who receive the Commonwealth Carer Allowance should also receive a 12 percent Superannuation Guarantee.

### RECOMMENDATION 6

The Federal Government must be more proactive in enforcing the Superannuation Guarantee, with stronger penalties for repeat violators.

### RECOMMENDATION 7

Future reviews into the superannuation system should consider lifting the Superannuation Guarantee for women through top-ups/credits to compensate for pay inequality.

### RECOMMENDATION 8

The old-age pension allowance should immediately be lifted to ensure that poverty rates among the elderly drop to below five percent.

### RECOMMENDATION 9

This report has contrasted the retirement outcomes of men and women, but there is also a need for further research to better understand the retirement outcomes of Australians who are non-gender binary.

### RECOMMENDATION 10

The Government should resource the Workplace Gender Equality Agency to report publicly on pay inequality at a company level using data that is already submitted to the Agency. Australia faces a long road ahead until pay parity is achieved. Global research is demonstrating that releasing data is one of the most efficient ways to see radical improvements in pay equality<sup>34</sup>.

income compared to a low income earner, who is likely to stay in the same marginal tax rate bracket of 19%.

<sup>34</sup> <https://hbr.org/2019/01/research-gender-pay-gaps-shrink-when-companies-are-required-to-disclose-them>







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**For more information:**

**Phone: 1300 799 482**

**For more information email: [hello@vervesuper.com.au](mailto:hello@vervesuper.com.au)**

**For media enquiries email: [media@vervesuper.com.au](mailto:media@vervesuper.com.au)**

**Website: [www.vervesuper.com.au](http://www.vervesuper.com.au) & [www.makeourfuturefair.com.au](http://www.makeourfuturefair.com.au)**