

What's choice got to do with it?

Women's lifetime financial disadvantage and the superannuation gender pay gap

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Summary

There is much public debate about the role of 'choice' when it comes to women and work in Australia – but structural factors appear to play a stronger role in shaping the labour market experience of women. The persistent gap between male and female remuneration for similar work and the gendered nature of informal care work play an important role in determining labour market outcomes for women. It is hard, if not impossible, to incorporate such factors into conventional notions of choice.

This analysis examines the difference in lifetime earnings and superannuation balances of Australian men and women to highlight the consequences of persistent gender inequality. Despite more women participating in the paid workforce than ever before, on average, women have little more than half the superannuation of men at retirement age – around 59 per cent in this analysis. This figure doesn't account for the significant proportion of women who have little or no superannuation.

Drawing on hypothetical examples, this paper analyses how the life course and work patterns of four women in different occupations – a nurse, a lawyer, a finance analyst and a retail worker – will impact on their superannuation earnings. It shows that, compared with a male of the same age earning the average wage, the superannuation balance for these four examples ranges between 44 per cent and 87.6 per cent of the benchmark lifetime super balance of the average male. This analysis shows that the current superannuation scheme effectively takes the gendered income inequalities that exist during people's working lives and magnifies them in retirement.

Case study: Nadine, age 22, nurse, three children

Nadine begins work at the age of 22 as a first year nurse graduate at a large public hospital in Melbourne. She works for eight years full time until, at the age of 30, she leaves work for the birth of her first child. Nadine and her partner have three children over a five-year period. She does not return to the paid workforce until her youngest child is in part time pre-school. Nadine's husband works full time throughout this period. This is a joint decision made because he is able to earn a higher salary.

While her children are in primary school Nadine works part-time in a relatively junior nursing position. She is 44 when she returns to full time employment, but eleven years later she reduces to part time work so that she can provide more support for her ageing parents. Nadine continues to work part time until her retirement in 2057 aged 67.

By her retirement Nadine's lifetime earnings are \$2,467,229. This equates to 69 per cent of the lifetime earnings of the average male – or \$1,101,157 less. Nadine has not made additional contributions to her superannuation and, during the 14 years when she was in and out of the paid workforce and working part time, she made virtually none. Nadine ends up with a superannuation balance of \$642,037. This is \$538,980 less than a man of the same age on the average wage.

Introduction

Nowhere is the extent of gender inequality more starkly revealed than in the lifetime earnings and superannuation savings of Australian men and women. Despite more women participating in the paid workforce than ever before, on average, women have just over half the superannuation of men at retirement age – around 59 per cent in this analysis. This figure doesn't account for the significant proportion of women who have little or no superannuation. 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 greatest risk of persistent poverty¹. Contributing factors such as Australia's gender pay gap, persistently stuck at around 17 per cent for two decades, and the gendered nature of caring for children, aged parents and family members with disabilities, create a context in which Australian women continue to experience explicit and implicit financial disadvantage throughout their lives.

Against this backdrop, the issue of women's choice continues to dominate the political discourse. In her National Press Club speech earlier this year, the former Prime Minister Julia Gillard talked of leading a government that “understands women's lives” and “respects their choices”.² Elsewhere, she refers to “modern choices for modern women”.³ The Coalition deputy leader Julie Bishop, in defence of her comment that “women can't have it all”, puts it this way: “... women have many, many choices but as you make one choice, that may rule out something else”.⁴ The notion of individual choice as an explanation for structural disadvantage is not new, but – in the context of the political debate around the equity and adequacy of Australia's retirement income scheme now and into the future – is it helpful or fair to imply that the entrenched long term financial disadvantage of women is somehow their choice?

The first part of this paper outlines some of the key economic and social causes creating financial disadvantage for women, drawing on recent Australian research. It shows that this disadvantage is a result of the interplay of social, economic and cultural factors rather than a woman's individual choice. In the second part, the paper uses hypothetical examples to illustrate how the life course and work patterns of four women in different occupations (a nurse, a lawyer, a finance analyst and a retail worker) will impact on their superannuation earnings. This analysis shows that, compared with a male of the same age earning the average wage, the superannuation balance for these four examples ranges between 44 per cent and 87.6 per cent of the benchmark lifetime super balance of the average male. This disparity exists even in the case of a woman who has an uninterrupted work history, works full time, has no children and does not take time out of the workplace to care for aged parents or other family members. In the case of professional women who characteristically take time out to have children, work part time during their early years and may leave work early to care for ageing parents – the so-called ‘sandwich generation’ – the superannuation pay gap is significant. In the case where a woman is on the minimum wage working in the retail sector, for example, the disparity is greatest.

¹ Australian Human Rights Commission (2009) *Accumulating poverty? Women's experiences of inequality over the lifecycle: An issues paper examining the gender gap in retirement savings.*

² Gillard, J (2013) Address to the National Press Club.

³ Gillard, J (2011) *Don't take women's rights for granted: Gillard.*

⁴ Rout, M (2013) *I'm not the PM's favourite politician: Julie Bishop.*

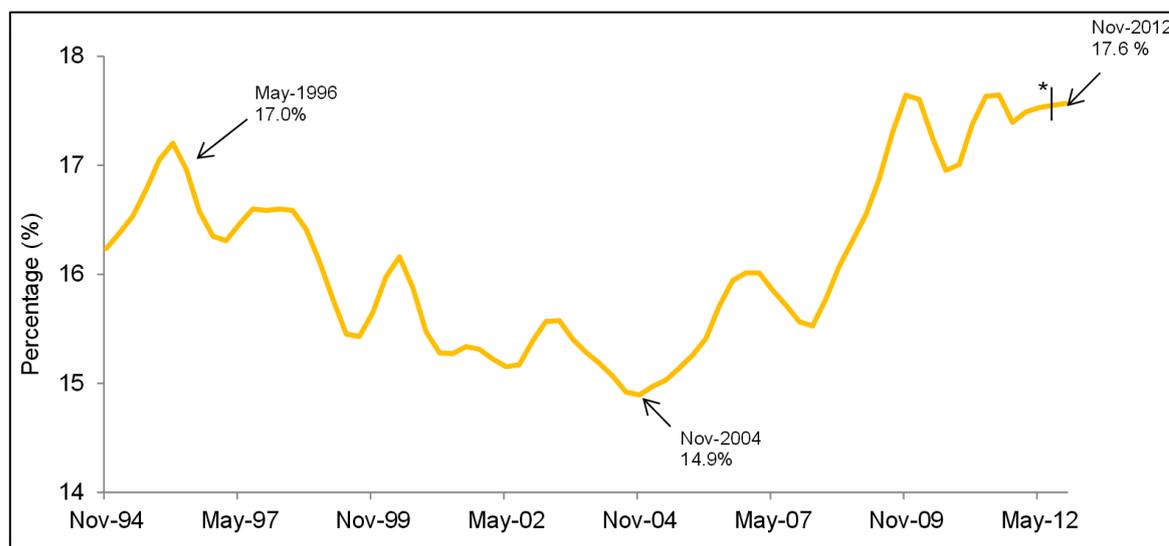
Key factors contributing to gender pay inequality

The gender pay gap

The persistent disparity in pay between Australian men and women is a key factor contributing to women's financial disadvantage compared to men. The gender pay gap is calculated by comparing the Australian Bureau of Statistics (ABS) average full time weekly earnings of men and women before tax, excluding any overtime or salary sacrificed pay.

For almost two decades, the gender pay gap in Australia has remained around 17.5 per cent – that is, for every dollar earned by a man, a woman earns 82.5 cents.⁵ The most recent figures from the ABS show that in November 2012 the gender pay gap for this quarter was 17.6 per cent (see Figure 1). The average weekly ordinary full time pay packet for men was \$1,489.10, while women earned \$1,227.50 or \$261.60 per week less⁶. The ABS also showed that in the year to November 2012, male earnings had increased at a higher rate than female earnings, 4.9 per cent compared to 4.7 per cent.

Figure 1: Gender Pay Gap, Australia, November 1994 to May 2012



Source: Workplace Gender Equality Agency (2013a) *Gender Pay Gap Statistics*, p. 1.

The gender pay gap is explained by a number of factors. Most commonly cited are industrial and occupational segregation – women's over-representation in lower paying industries and occupations – and higher rates of part time work and fragmented work patterns related to having children. Other reasons include a general undervaluation of women's skills and organisational influences, such as sectoral pay structures.⁷ Yet according to the Workplace Gender Equality Agency, "a significant proportion of the gender pay gap is unexplained", and discrimination remains a factor.⁸

Indeed, 'simply being a woman' – that is, direct discrimination or other factors related to being a woman – is the major contributing factor to the gender pay gap in Australia. According to research conducted by the National Centre for Social and Economic

⁵ Workplace Gender Equality Agency (2013a) *Gender Pay Gap Statistics*.

⁶ Australian Bureau of Statistics (2013a) *Average Weekly Earnings, Australia, November 2012*.

⁷ Workplace Gender Equality Agency (2013b) *The gender pay gap: fact or fiction?*

⁸ Workplace Gender Equality Agency (2013a).

Modelling (NATSEM) in 2009 into the impact of the gender pay gap on the economy, 'simply being a woman' accounted for 60 per cent of the difference between women and men's earnings.⁹ The report authors found that this far outweighs the effects of industry segregation, which accounts for 25 per cent, labour-force history (seven per cent), under-representation of women with vocational qualifications (five per cent) and under-representation of women in larger firms (three per cent) in influencing the pay disparity between men and women.^{10 11}

The 'simply being a woman' effect is illustrated in an analysis of starting salaries of new graduates from Australian universities. A review of 2012 graduate starting salaries found that the difference between male and female median full-time employment salaries is \$5,000, which is up \$3,000 from 2011.¹² According to this report, male graduates start out on a median salary of \$55,000 and female graduates on \$50,000. Across a range of industries, from architecture, dentistry, law, economics and business to art and design, accounting and mathematics, male graduates received starting salaries higher than their female counterparts.¹³ The only explanations for the gender difference in salary for new graduates with identical qualifications and experience applying for the same jobs are entrenched and often unconscious gender bias and stereotyping in the recruitment processes. This includes the view that women lack the 'natural' assertiveness and confidence of their male counterparts in promoting their own skills and financial worth, as well as being less ambitious and career-oriented.¹⁴

The pattern of wage inequality, illustrated in the commencement salaries of men and women, is reinforced by industry segregation; the fact that women are more likely to work in feminised occupations – the so-called 'pink collar'¹⁵ industries – such as health and aged care, education and social services. Not only is the pay in these occupations lower than male-dominated industries and occupations but, notably, the gender pay gap within a number of 'pink-collar' industries is significantly higher than the average 17.6 per cent.

The Workplace Gender Equality Agency provides regular analyses of the ABS Average Weekly Earnings data to determine the average gender pay gap¹⁶ and also uses the ABS quarterly Labour Force data to provide a snapshot of women's workforce participation by industry.¹⁷ In the most recent analysis of the ABS November 2012 Average Weekly Earnings data (see Table 1) the health care and social assistance sector has a gender pay gap of 29.6 per cent – that is, women are paid around two-thirds of the salary paid to men working in this sector, despite comprising 78.3 per cent of the workforce. The gender pay gap in the professional sector remains at 26.3 per cent, where women comprise 44.2 per cent of the workforce. The sector with the highest

⁹ Cassells R, Vidyattama Y, Miranti R and McNamara J, (2009) *The impact of the sustained gender wage gap on the Australian economy*.

¹⁰ Cassells R, Vidyattama Y, Miranti R and McNamara J, (2009).

¹¹ For a comprehensive analysis of the complex range of factors which constitute the discriminatory impact of 'simply being a woman' and gender pay inequality, see The Parliament of the Commonwealth of Australia (2012) *Explanatory Memorandum Regulation Impact Statement Attachment C: Barriers to Gender Equity*

¹² Graduate Careers Australia, (2012) *Grad-Stats: Employment and Salary Outcomes of Recent Higher Degree Graduates*.

¹³ Graduate Careers Australia, (2012).

¹⁴ For example, Moss-Racusina CA, Dovidio JF, Brescoll MJ and Handelman J (2012) *Science faculty's subtle gender biases favour male students*; 'the ambition gap' term in Sandberg, S (2013) *Lean in: women, work and the will to lead*; The Parliament of the Commonwealth of Australia (2012).

¹⁵ The concept of the 'pink collar ghetto' was used in the US by Stallard K, Ehrenreich B and Sklar H (1983) *Poverty in the American Dream: Women and Children First* in their analysis of the 'feminization of poverty'. The authors pointed out that despite the increased number of women in the workforce they were largely working the same jobs as the previous century.

¹⁶ Workplace Gender Equality Agency (2013a).

¹⁷ Workplace Gender Equality Agency (2013c) *Women in the workforce: by industry*.

pay gap is the financial and insurance sector, at 33.6 per cent, showing an increase of two per cent over the previous year. Women make up 53 per cent of this sector. In the administrative and support services industry, where women are the majority employees (51.2 per cent), the gender pay gap is 20 per cent, up four per cent in a year. The retail sector, which has a female participation of 57.9 per cent, has a relatively low pay gap of 9.6 per cent, however this is an increase of around three per cent over the previous year.

Table 1: Gender pay gap in female-dominated industries

| | Female participation total | Gender pay gap |
|-------------------------------------|----------------------------|----------------|
| Health care and social assistance | 78.3% | 29.6% |
| Financial and Insurance sector | 53% | 33.6% |
| Professional sector | 44.2% | 26.3% |
| Retail sector | 57.9% | 9.6% |
| Administrative and support services | 51.2% | 20% |

Source: Workplace Gender Equality Agency (2013a) *Gender pay gap* statistics, p. 3.

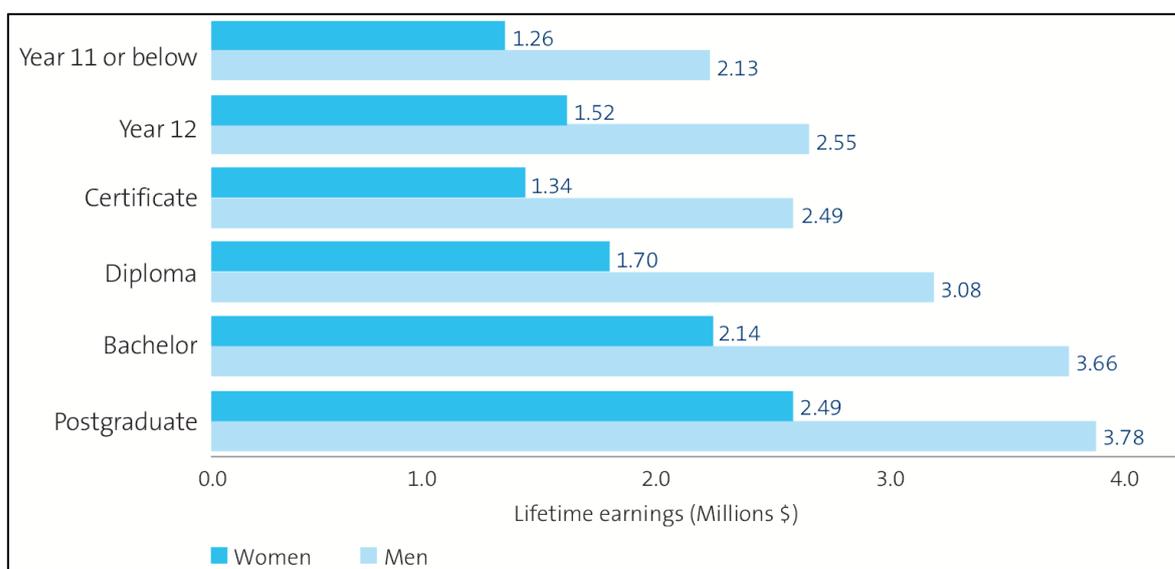
Pay inequality and income gaps between men and women increase over time and become wider in older age.¹⁸ When we look at lifetime earnings, across every educational level, women fare more poorly than men. In their 2012 report for AMP.NATSEM, *Smart Australians: Education and Innovation in Australia*, the authors found that based on the current figures the lifetime earnings gap between men and women with a bachelors degree was \$1.26 million, with men earning \$3.66 million compared to women's \$2.4 million (see Figure 2).¹⁹ A woman aged 25 years with postgraduate qualifications can expect to earn two-thirds of her male counterpart's lifetime earnings and, on average, she will have lower lifetime earnings than a man with Year 12 qualifications – \$2.49 million and \$2.55 million respectively.²⁰ Women's earning prospects have actually decreased since a similar analysis was conducted in 2009. Using data and dollars from 2006, the report found that the gender gaps in lifetime earnings across educational levels are even greater where there are children, and that men with a bachelor degree with children earned almost twice the lifetime earnings of women in the same category.²¹

¹⁸ Cassells, R., Miranti, R., Nepal, B. and Tanton, R., (2009), *She works hard for the money: Australian women and the gender divide*.

¹⁹ Cassells R, Duncan A, Abello A, D'Souza G and Nepal B (2012) *Smart Australians: Education and Innovation in Australia*.

²⁰ Cassells R, Duncan A, Abello A, D'Souza G and Nepal B (2012) pp. 30-32.

²¹ Cassells, R., Miranti, R., Nepal, B. and Tanton, R., (2009), pp. 33-34.

Figure 2: Lifetime employee income of persons at age 25 years, by gender

Source: Cassells R, Duncan A, Abello A, D'Souza G and Nepal B (2012) *Smart Australians: Education and Innovation in Australia*, p. 32.

The cost of 'simply being a woman'

The cost of 'simply being a woman' can be seen in the penalties women experience in the workplace when they are pregnant, and again when they return to work after the birth of their child. Discrimination in relation to pregnancy is a common occurrence, with one in five women (22 per cent) experiencing at least one workplace problem.²² The main difficulties identified by women are "missing out on training or development opportunities" and "receiving inappropriate and negative comments", as well as "missing out on opportunities for promotion". Others experienced demotions, redundancies, loss of promotions, as well as a lack of family friendly workplaces – all factors that impact on a woman's career path and contribute to a decrease in earning capacity.

The Paid Parental Leave scheme, introduced in 2011, significantly improved the situation for many women having a child, but the scheme does not provide a salary-matching income – nor does it include superannuation contributions. For most women, having a family comes at a personal financial cost. When women return to work after the birth of their child the problems continue. Women report being denied work at the same level when they return, having limited access to flexible work arrangements and control over their hours, a general lack of family friendly workplace policies and difficulty in accessing appropriate and affordable childcare.²³ Women continue to experience a wage penalty on their return to work, with some women unlikely to regain their former earning capacity. Previous research by The Australia Institute found that 70 per cent 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. A three-year gap will result in a fall in earnings of over ten per cent.²⁴ It estimates that the wage penalty effect resulting from time out for parental leave collectively cost working mothers almost \$126 million in 2009.

²² Cassells, R., Miranti, R., Nepal, B. and Tanton, R., (2009), p. 18.

²³ The Parliament of the Commonwealth of Australia (2012)

²⁴ Baker D (2011) *The wage-penalty effect: The hidden cost of maternity leave*, p.11.

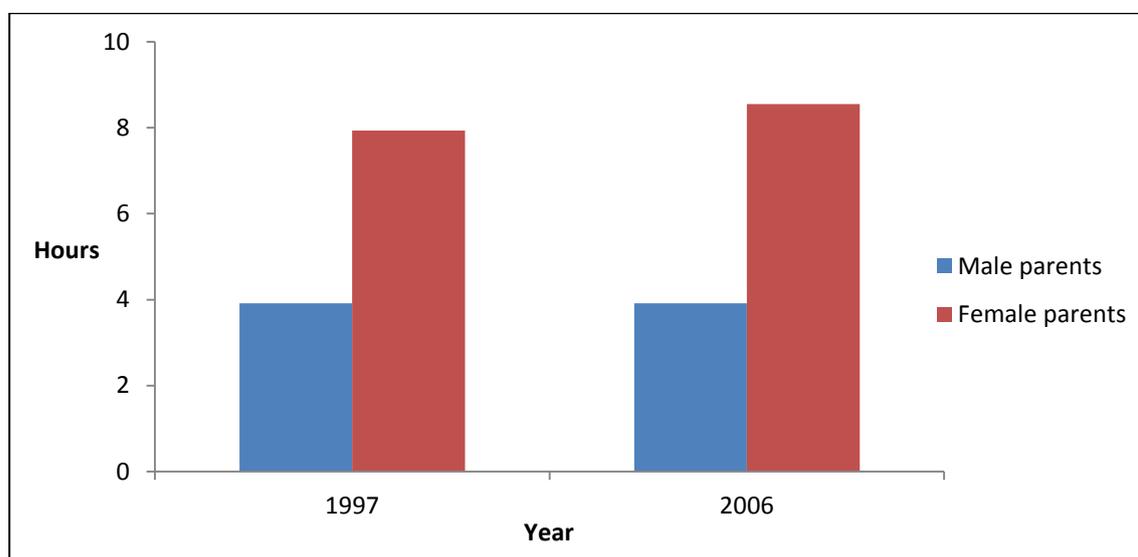
The gendered division of labour – family and the impact of caring on women’s life time earnings

If having children increases the capacity of men to accumulate wealth over their working life, it has the opposite effect on women. NATSEM’s 2009 report, *She works hard for the money: Australian women and the gender divide*, found that the lifetime earnings of a man with children are double a woman’s earnings and around a quarter (23 per cent) more than a man without children. They also show that a woman without children earns 43 per cent more than a woman with children.²⁵

The key reason for this discrepancy is that, despite women’s increasing participation in the paid workforce, there has been little change in the division of domestic labour in Australia. Women in Australia continue to bear the primary responsibility for caring for children and other family members, including ageing parents and family members with disabilities.

The recent Australian Human Rights Commission report on the costs and implications of unpaid caring found that women comprise 92 per cent of primary carers for children with disability, 70 per cent of the primary carers for parents, and 52 per cent of the primary carers of partners.²⁶ Women continue to be the primary carers of their dependent children, spending on average more than twice as much time (around five hours more per day) on the care of dependent children up to the age of 14 than male parents. As shown in Figure 3, in 2006 women spent eight hours and 33 minutes a day providing childcare compared to three hours and 55 minutes spent by male parents. This pattern of care showed almost no change from 1997, when women spent 30 minutes less on childcare.²⁷

Figure 3: Total hours per day spent by parents to care for children, 1997 and 2006



Source: Australian Bureau of Statistics (2013) *Caring for children, Gender Indicators, Australia*.

²⁵ Cassells R, Vidyattama Y, Miranti R and McNamara J, (2009) p. 34.

²⁶ Australian Human Rights Commission (2013) *Investing in care: Recognising and valuing those who care* citing Australian Bureau of Statistics (2012) *Caring in the Community, Australia*, p. 5.

²⁷ Australian Bureau of Statistics (2013b) *Caring for children*.

Current research by the Australian Institute of Family Studies shows little change again, finding that in couple families with children under five, mothers spent an average of 5.1 hours on childcare and 3.8 hours on household work per day while fathers spent 2.2 hours on childcare and 1.3 hours on household work.²⁸

A recent analysis of the Australian care sector found that women aged between 25 and 64 years provided 60 per cent of the unpaid care in Australia in 2009-10, amounting to 21.4 billion hours.²⁹ The study adopted a broad definition of the care sector: “the total (paid and unpaid) labour required to meet the needs of children to be cared for and educated, everybody’s physical and mental health that requires attention, and the needs of individuals who need assistance with the activities of daily living because of illness, age or disability”.³⁰ The authors estimated that in 2009-10, the care sector was worth \$762.5 billion, made up of \$112.4 billion in paid care and \$650.1 billion imputed value of unpaid care, equivalent to \$29,120 per capita.³¹ In other words, unpaid carers, predominantly women, make a significant financial contribution to the national economy while sacrificing their own financial interests and long term security.

To provide this care women are more likely to work part time for a period of years, often during the time when their career potential and earning capacity is at its highest. Women currently make up 70.6 per cent of the part time workforce.³² In June 2012, if employed, female parents were more likely to work part time than male parents: 66 per cent of employed females with children aged under six years worked part time compared to seven per cent of employed males with children of this age.³³ Working part time or in casual positions means that women are less likely to receive job training and promotion, as well as having reduced wages and superannuation contributions.³⁴

In addition to working fewer hours in paid employment, women are also more likely than men to take unpaid leave to care for others. Unpaid leave is the second most frequent working arrangement adopted by women when they are required to care for their family, once again at the expense of their long term financial interests. The study found that more than a fifth of employed women take unpaid leave to care for someone and concluded that this may be due to the lack of flexible work options available to part time workers.³⁵ It is important to note that while men are more likely to work full time and many more overtime hours than women, adding to their greater ability to accumulate wealth over a lifetime, they are also less likely to have their requests for flexible work arrangements agreed to by their employer than women.³⁶ It is notable too that when they do work overtime hours, one in three women (33 per cent) are not compensated compared to one in five (21 per cent) of men.³⁷

²⁸ Baxter J (2013) *Families working together: getting the balance right*.

²⁹ Hoenig, SA and Page, ARE (2012) *Counting on Care Work in Australia*.

³⁰ Hoenig, SA and Page, ARE (2012) citing Albelda et al (2009) p. iii.

³¹ Hoenig, SA and Page, ARE (2012).

³² Australian Bureau of Statistics (2011a) *Forms of Employment, Australia, November 2011*.

³³ Australian Bureau of Statistics (2012) *Employment conditions, Gender Indicators, Australia*.

³⁴ For example Cassells R, Vidyattama Y, Miranti R and McNamara J (2009)

³⁵ Cassells R, Vidyattama Y, Miranti R and McNamara J (2009) p. 14.

³⁶ Skinner N, Hutchinson C and Pocock B (2012) *The Big Squeeze: Work, Life and Care in 2012 - The Australian Work and Life Index*

³⁷ Australian Bureau of Statistics (2013c) *Working Time Arrangements, Australia, November 2012*.

As the authors of *The Big Squeeze: Work, Life and Care in 2012* put it:

The Australian policy environment has adapted to working women around the edges – modifying ‘standard’ employment practices, made in the image of men without care responsibilities, to provide part- time work and paid parental leave for example – but it has not fundamentally transformed to reflect the different life-time work and care patterns of most women. Women are stretched in light of this partial adaption which leaves them very busy on the work and home fronts.³⁸

Caring responsibilities in Australia remain highly gendered, with women undertaking higher rates of care provision in all age groups between 18 and 74 years, encompassing the main period of paid employment.³⁹ The resultant time out of the paid workforce or time spent in part time work has a significant negative impact on women’s retirement incomes.

The accumulated effect of the gender pay gap

The combined effect of the range of factors impacting on women’s lives is described as ‘accumulated poverty’⁴⁰ and is starkly reflected in the superannuation gender pay gap. In 2009-10 women held only 37 per cent of Australia’s total superannuation savings, compared to 63 per cent for men.⁴¹ According to the recent Australian Human Rights Commission report, average superannuation payouts for women are just over half (57 per cent) of those of men, though this figure does not reveal the significant proportion of women who have little or no superannuation.⁴² The Association of Superannuation Funds of Australia found that in 2011, 31.6 per cent of males and 38.5 per cent of women reported that they had no superannuation. This was most likely for older women; with 60 per cent of women aged 65 to 69 reporting nil superannuation. Analysing ABS data to June 2011, the report also found that 50 per cent of women aged 55 to 59 years had superannuation balances of \$25,000 or less.⁴³

The 2009 AMP.NATSEM report, *Don’t Stop Thinking about the Future*, found that women have half the superannuation savings of their male counterparts in all age groups from the age of 35 onwards – on average women had \$79,100 in superannuation and men had \$132,000.⁴⁴ The Australian Securities and Investments Commission estimates the average amount of superannuation required for a comfortable retirement of twenty years, from the age of 65 to 85 – a couple will need a lump sum of \$716,000 and a single \$524,000.⁴⁵ Estimates based on 2009-10 data indicate that the average retirement payout in June 2011 would be \$250,000 for men and \$145,000 for women.⁴⁶

There are significant policy implications for the economy arising from this entrenched gender income inequality. Apart from the well-established productivity and economic benefits of increasing women’s workforce participation,⁴⁷ failure to redress the financial

³⁸ Skinner N, Hutchinson C, and Pocock B (2012).

³⁹ Australian Human Rights Commission (2013) p. 13.

⁴⁰ Australian Human Rights Commission (2009).

⁴¹ Clare, R (2011) *Developments in the level and distribution of retirement savings*, p. 3.

⁴² Australian Human Rights Commission (2013).

⁴³ Clare, R (2011) *Developments in the level and distribution of retirement savings*

⁴⁴ Kelly, S (2009), *Don’t stop thinking about tomorrow - The changing face of retirement - the past, the present and the future*.

⁴⁵ Australian Securities and Investment Commission (2013) *How much is enough?*

⁴⁶ Clare, R (2011) p. 3.

⁴⁷ The Grattan Institute identifies increasing women and older people’s workforce participation as contributing \$70 billion per year over the next decade in Daley J, McGannon C, and Ginnivan L. (2012) *Game-changers: Economic reform priorities for Australia*; NATSEM estimates that eliminating the gender pay gap could be worth around \$93 billion or 8.5 per cent of GDP in Cassells R, Vidyattama V, Miranti, R and McNamara, J (2009).

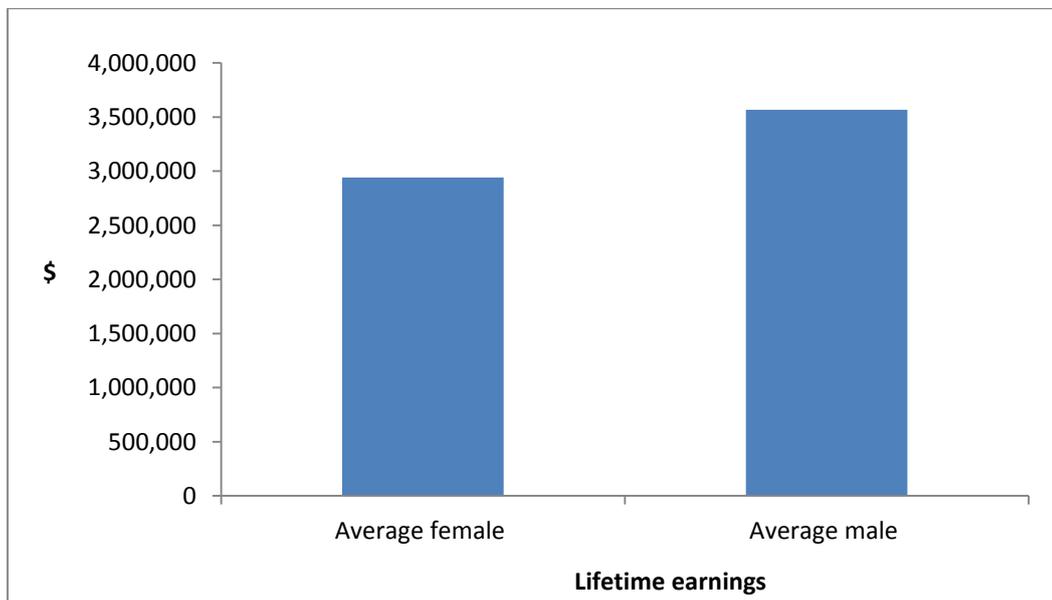
disadvantage of women will result in ongoing dependence on the aged pension, increasing costs to the national budget. As women live longer than men and are more likely to rely on the aged pension as their sole source of income in retirement, the need for effective policy solutions is pressing.

The superannuation pay gap , or why women end up poorer in retirement

In order to determine the impact of the gender pay gap on women's retirement incomes it is first necessary to determine a baseline for average male retirement savings. This baseline is then compared to the likely retirement savings of women in four different scenarios to highlight the impact on women's finances of both long periods of earning lower incomes than men or short periods of taking time out from the labour market to care for others.

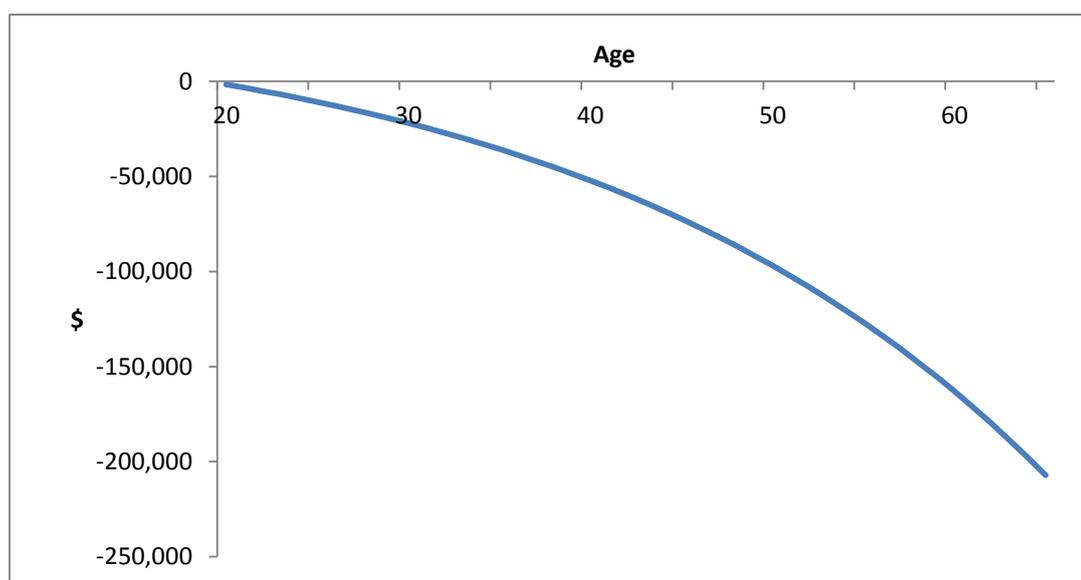
In comparing the average working life of a male with a female we take into account the current participation in full time and part time work for different age groups and factor in gender differences. The estimated lifetime earnings of a male and female, both earning the average full time wage with an uninterrupted work history from the age of 20 to 65, are \$3,568,386 and \$2,942,399 respectively. The difference, as shown in Figure 4, reflects the 17.5 per cent gender pay gap, resulting in the average woman's lifetime earnings being 82.5 per cent of her male counterpart.

Figure 4: Lifetime earnings – males and females with uninterrupted work lives from 20 to 65 at the average full time wage respectively



The lifetime superannuation balances of the average male and female respectively show a similar disparity. The average female balance is \$973,836 and the male balance is \$1,181,017, again reflecting the impact of the gender pay gap. Figure 5 highlights how this single factor affects male and female lifetime superannuation balances, with an average woman earning 17.5 per cent less than a man in a situation where all other factors are equal.

Figure 5: Difference in super balance of males and females with uninterrupted work lives from 20 to 65 at the average full time wage respectively



As discussed in the previous section, however, interruptions in the working lives of women vary, which affects an individual's superannuation earnings. Similarly the wages a woman earns also affect the amount of retirement savings she will have to live on. The following section presents four hypothetical examples, tracking the life time earnings of four women aged 22 in 2012 and projecting the financial implications of their work patterns, in and out of the paid workforce, on their life time superannuation balance. The object of comparison here is a male assumed to earn male average weekly full time earnings from age 20 and who retires at 65. He has an unbroken work history and contributes 12 per cent of his income to superannuation.

Analysis is based on the quantifiable research data outlined in this paper and does not include assumptions made about the 'unexplained' or qualitative factors that impact on the gender pay inequality. Each of these scenarios compares the special circumstances of particular female worker examples with the average male. The latter is assumed to have an uninterrupted work history during the ages 20 to 65 and is assumed to earn average weekly earnings for a full time male on ordinary time hours (i.e. no overtime). This is compared to the female examples given and calculations are made for total life time earnings, the accumulated superannuation balances over time and the comparison with the 'standard male'.

In the following examples, we illustrate the factors outlined in the first section of the paper that impact on the lifetime earning capacity of specific female examples. These work histories and patterns of participation in paid work, including periods on paid parental leave and part time work, as well as time out of the workforce altogether to take on family care responsibilities, reflect the common experience of Australian women. Below we provide graphic representations of the financial impact of this interrupted work

history. In each of the cases we compare lifetime earnings and superannuation balances with a male on a full time wage with an uninterrupted work history.

Nadine, age 22, nurse, three children

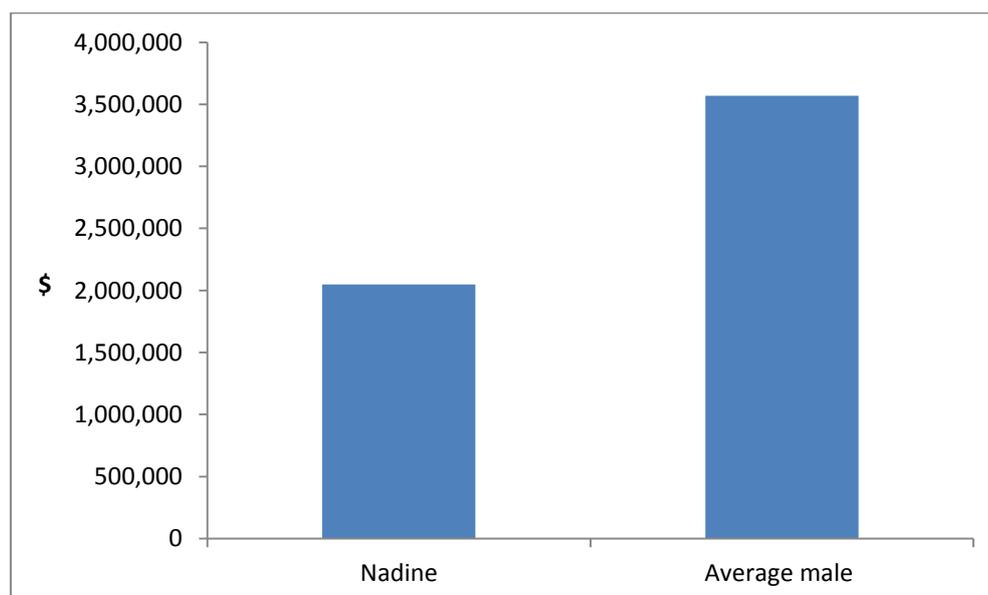
Nadine begins work at the age of 22 as a first year nurse graduate at a large public hospital in Melbourne. She works for eight years full time until, at the age of 30, she leaves work for the birth of her first child. Nadine and her partner have three children over a period of five years and she does not return to the paid workforce until her youngest child is in part time pre-school. Apart from two weeks parental leave for the birth of each child, Nadine's husband works full time throughout this period. This is a joint decision made because he is able to earn a higher salary than Nadine.

At the age of 39, Nadine returns to part-time work as a nurse in a public hospital and she works part time in a relatively junior position for the next five years while her children are in primary school. When her children are aged 14, 12 and 9 and she is aged 44, Nadine returns to full time employment as a nurse.

When Nadine is 55, and her youngest child is 20, she reduces her paid work to part time so that she can provide more support for her ageing parents and she continues to work part time until her retirement in 2057 aged 67.

Nadine has worked full time for most of her adult life, but because of her years out of the paid workforce to have children and provide care in their early years, and the relatively low salary she has earned as a nurse, her lifetime earnings are \$2,467,229. When we consider that this is 69 per cent of the lifetime earnings of the average male, Nadine has earned \$1,101,157 less – as shown in Figure 7. As discussed in the first section of this paper, the gender pay gap in the health and social assistance sector is currently around 30 per cent, which means Nadine's lifetime earnings would be substantially less than male colleagues working in the profession even without the disadvantage of periods out of the paid workforce.

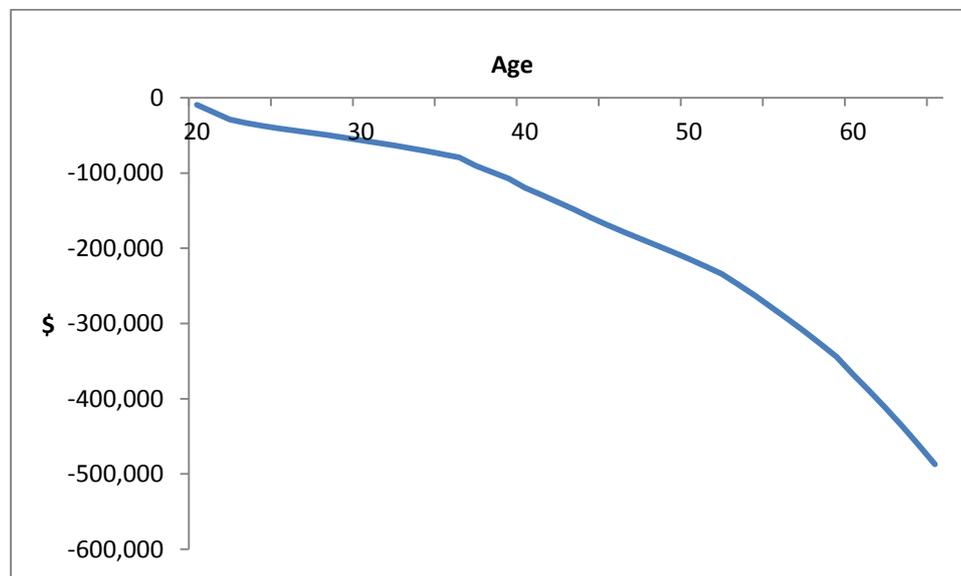
Figure 7: Lifetime earnings Nadine compared to male on average weekly earnings



Typically, Nadine has not made additional contributions to her superannuation and, during the 14 years when she was in and out of the paid workforce and working part

time, she made virtually none. Nadine ends up with a superannuation balance of \$642,037. This is \$538,980 less than a man of the same age on the average wage, who after a working career without interruption has superannuation earnings of \$1,181,017 as shown in Figures 8.

Figure 8: Difference in super balance Nadine compared to average male



Alison, age 23, lawyer, two children

Alison begins work as a new law graduate in a large legal firm. The median average starting salary for female law graduates in 2012 is \$50,700; males earn \$55,000.⁴⁸ She works full time for 14 years building a foundation for a successful career in the firm. During this time she marries, and at the age of 37, Alison takes 12 months leave for the birth of her first child, including paid parental leave and leave without pay. After a year Alison returns to work part time because she doesn't want to lose touch with the workplace. Alison has a second child at the age of 40 and takes a further 12 months leave. She returns to part time work until her youngest child starts pre-school, but she is overlooked for promotion and finds it difficult to build her client base as the law firm is not structured for part time workers or flexible family arrangements.

When she is 45, Alison returns to full time work with a new law firm but at a more junior level than she previously worked. Alison drops back to part time work to care for her aged mother for three years until she enters a residential aged care facility. When she attempts to return to full time work at the age of 56, the firm overlooks Alison. Following further time out of paid work to nurse her father, she is unable to find legal work and at the age of 61 works in a casual position in retail until her retirement. Due to her fragmented work history, with years off for child and parental care and a subsequent pattern of part time work and minimal career progression, Alison has never made additional contributions to her superannuation.⁴⁹

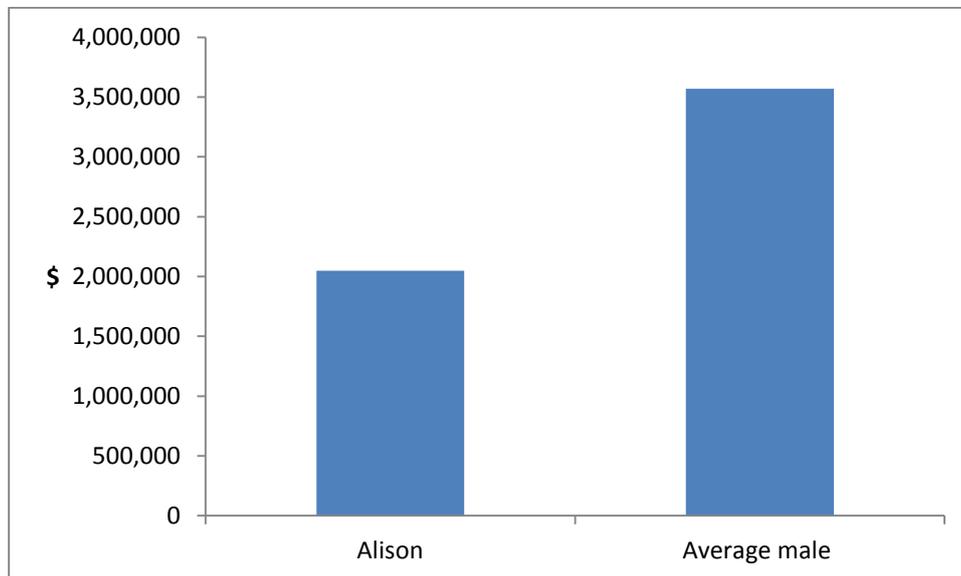
Figure 9 compares Alison's lifetime earnings with the average male. We estimate that

⁴⁸ Graduate Careers Australia (2012) p. 8.

⁴⁹ Australian Human Rights Commission (2013).

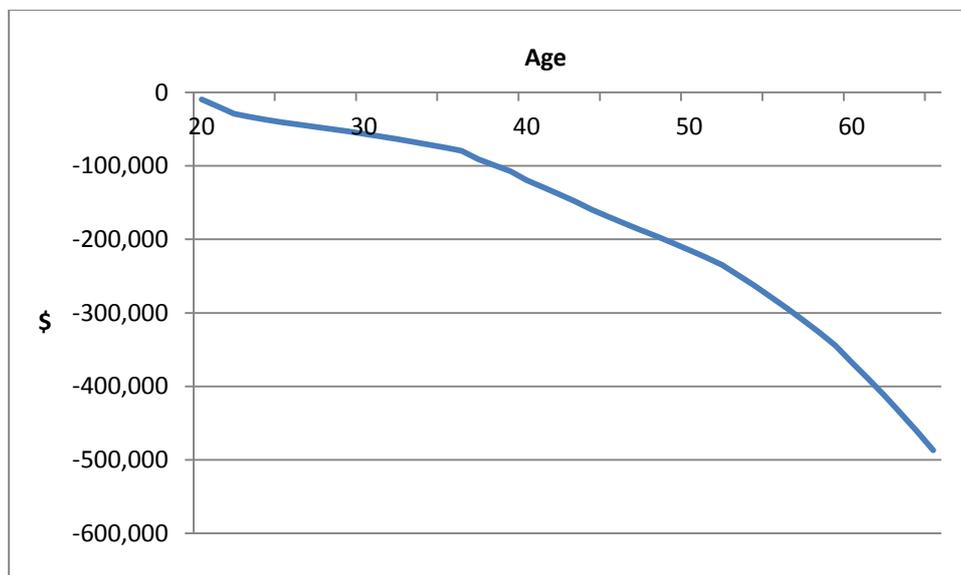
she has earned \$2,048,228. This is 57.4 per cent of the average male lifetime earnings – \$1,520,158 less. In fact, given that the gender pay gap is higher for professionals (currently 26 per cent) Alison is even worse off compared with her average male colleague.

Figure 9: Lifetime earnings Alison compared to male on average weekly earnings



Alison ends up with a superannuation balance of \$723,729. As Figure 11 illustrates, this is \$457,288 less than a man of the same age earning the average wage who, after a working career without interruption, has superannuation earnings of \$1,181,017.

Figure 11: Difference in super balance Alison compared to average male



Ami, age 16, retail sales, two children

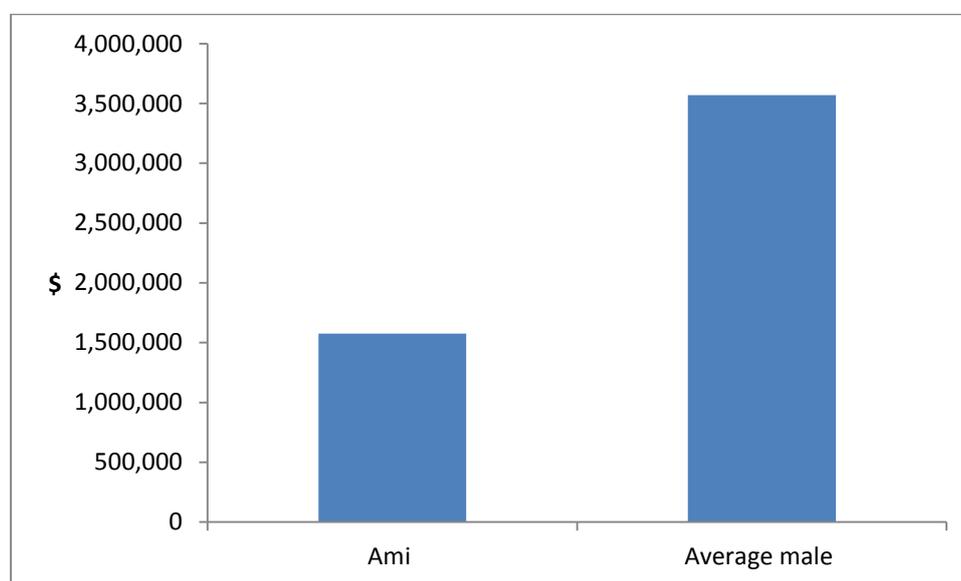
Ami leaves school at the age of 16 for a job in the local supermarket and works in the retail sector for her whole working life. As she has never been in a position to

accumulate sufficient savings to finish her secondary education or pursue any higher qualifications, Ami has remained in low-paid retail positions either on contract or on a casual basis throughout her working life. She marries at the age of 19 and has two children when she is aged 20 and 22. During the child-rearing years Ami is able to afford only the minimum time on paid parental leave when both her children are born. She and her family live in social housing and have not been in a financial position to consider buying their own home.

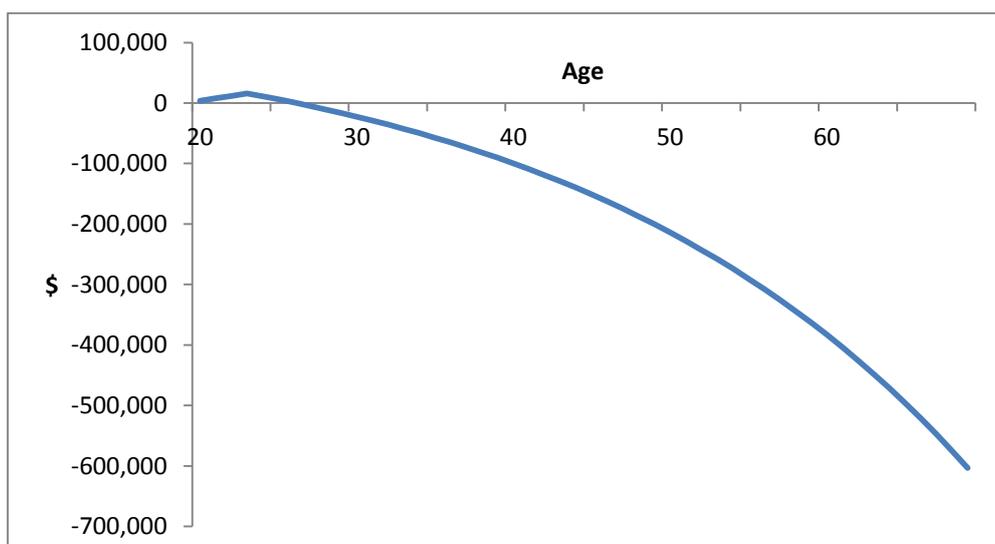
In addition to her paid work and caring for her husband and children, Ami also cares for her aged parents, who are living in their own home nearby. The number of hours she spends caring for her parents increases in the latter years of her working life as she tries to enable them to stay in their own home.

A working life on the minimum wage would mean that Ami has earned \$1,576,640 up to her retirement. As Figure 12 shows, this is less than half (44 per cent) of the lifetime earnings of a male on the average wage.

Figure 12: Lifetime earnings Ami compared to male on average weekly earnings



The consequence of low lifetime earnings is reflected in Ami's superannuation balance when she retires, comprising only employer superannuation guarantee contributions from a very low base. Figure 13 shows that Ami's lifetime superannuation earnings of \$577,683 are \$603,335 less than the average male lifetime earnings of \$1,181,017. As a result, Ami will be dependent on the aged pension for the rest of her life.

Figure 13: Difference in super balance Ami compared to average male

Caroline, age 22, commerce degree, no children

Caroline moves from Adelaide to Melbourne to begin work as a new graduate in a junior position in a company providing finance for home, car and business loans. The median average starting salary for female economics and business graduates in 2012 is \$47,000; males earn \$50,000.⁵⁰ Caroline is employed in a financing company at entry level and progresses in the company to a manager position by the time she is 30, when she leaves her job to spend a year travelling overseas, employed in a series of casual, poorly paid jobs. When Caroline returns to Australia two years later, she is unable to find work in the finance industry and undertakes a two-year post-graduate degree, paid for by casual work in hospitality and what was left of her savings. At the age of 34, she is employed in a full time position in the finance industry in a middle management role.

Caroline does not marry or have children; she continues to work full time in the finance industry, her career progressing through promotion to a senior management position. Caroline's mother dies suddenly at the age of 75, in 2040 when Caroline is 50. Two years later, her father, who has been living independently in Adelaide, moves into residential care. Caroline's work is not interrupted during this transition.

Caroline steps down from her senior management role in the finance company in 2050 at the age of 60 and takes up two board directorships until her retirement in 2060 at the age of 70.

Although Caroline has had a virtually uninterrupted career in full time paid employment and her career mirrors her male counterparts, a lifetime earning a higher salary as a result of the gender pay gap will ensure that a male has accumulated substantially more superannuation than Caroline, and has a much more comfortable retirement⁵¹. As Figure 14 illustrates, even though Caroline's earnings over her working life total \$3,128,794, this is 12.4 per cent, or \$439,592, less than the lifetime earnings of a male on the average wage. Notably, the finance and insurance sector currently has the highest

⁵⁰ Graduate Careers Australia (2012) p. 8.

⁵¹ Kelly, S. (2009).

gender pay gap in the industry comparison, at 33.6 per cent, suggesting Caroline's average male colleague will have accumulated higher lifetime earnings.

Figure 14: Lifetime earnings Caroline compared to male on average weekly earnings

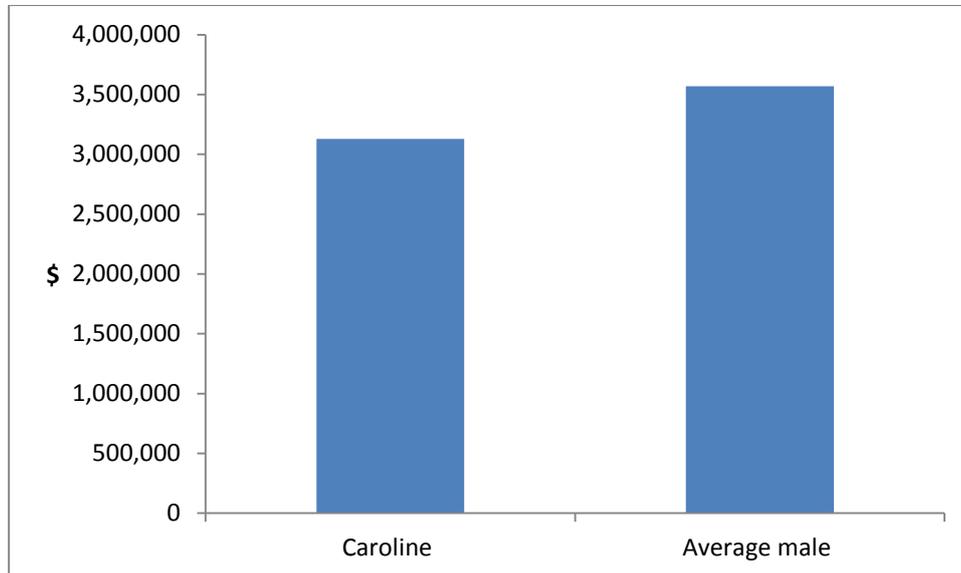
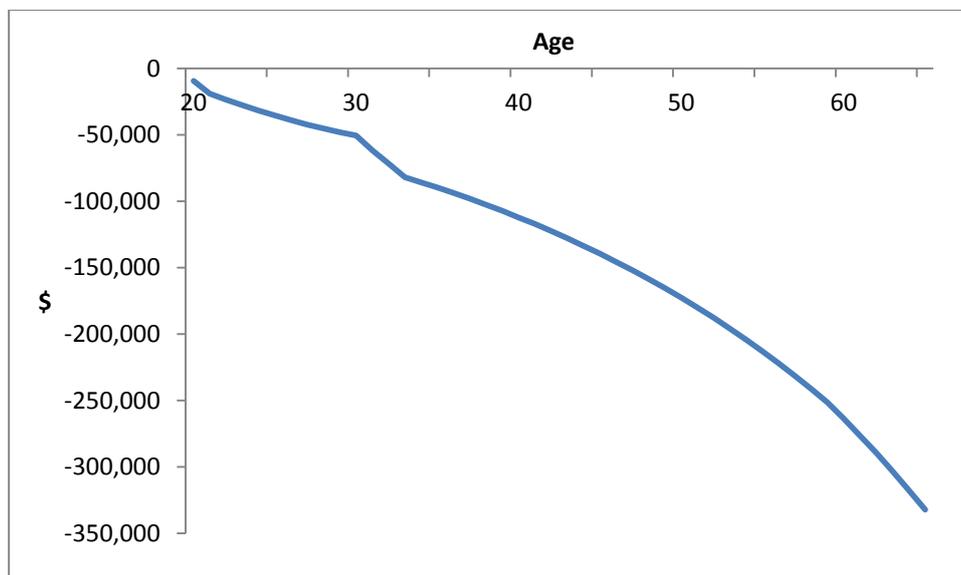


Figure 15 illustrates the impact of the gender pay gap on Caroline's lifetime superannuation balance. At the age of 70, Caroline's superannuation balance is \$1,071,625. Even in this scenario, Caroline's lifetime superannuation earnings are \$109,392 less than those males of the same age on an average wage.

Figure 15: Difference in super balance Caroline compared to average male



The four case studies illustrate that typical interruptions in a woman's working life affect the superannuation earnings they will have in retirement. Table 2 summarises the relative disadvantage of each case study and the average female without any interruptions.

Table 2 Summary Alison, Ami, Caroline, Nadine and the average female with the average male (\$)

| | Lifetime earnings | Difference between average male lifetime earnings | Women's lifetime earnings as a percentage of male earnings |
|----------------|-------------------|---|--|
| Alison | 2,048,228 | 1,520,158 | 57.4 |
| Ami | 1,576,640 | 1,991,746 | 44 |
| Caroline | 3,128,794 | 439,592 | 87.6 |
| Nadine | 2,467,229 | 1,101,157 | 69 |
| Average female | 2,942,399 | 625,987 | 82.5 |

As this table shows, the impact of the persistent 17.5 per cent pay gap is reflected in the difference in lifetime earnings when comparing the average female and average male. This margin of discrepancy increases dramatically as the effects of having children and caring for family members impact on women's earning capacity and career progression throughout their lifetimes – with corresponding effect on women's superannuation contributions. Even in the case of a woman in the relatively highly paid finance sector whose work pattern is stable, her lifetime earnings and superannuation balance are lower than that of the average male. It is worth noting that the proposed increase to the guaranteed employer superannuation contribution will do nothing to address the superannuation gender gap and indeed, could potentially result in a further reduction in the lifetime earnings of lower paid women, if employers seek to balance their costs.

Conclusion

This paper has illustrated the effect of the persistent gender wage gap and the impact of having children and caring for family on women's capacity to accumulate lifetime savings. It has demonstrated that while decisions to have a family and to take on the role of primary carer, whether for children or aging parents, are made by individuals, such 'choices' are shaped by biology, as well as social and economic factors that are stubbornly resistant to change.

The arguments for closing the gender gap in wages and superannuation have a strong economic, social and equity basis. It is well established that increasing the participation of women in the workforce is beneficial to workplace productivity and the economy broadly. Yet workplace structures and policy approaches continue to prioritise the 'male bread-winner' model as the ideal, to the entrenched disadvantage of women. The financial contribution of women's unpaid care for children and other family members to the national economy is substantial and largely invisible, and this contribution comes at the cost of individual financial security over their lifetimes.

While the stated objective of compulsory superannuation, and the associated tax concessions, is to improve retirement incomes for all Australians, in fact it does nothing of the sort. Those who do not engage in paid work, or those who earn less than \$450 per month, are not required to make any superannuation contributions and, in turn, receive no taxpayer assistance to boost their retirement income. As discussed above, women are more likely than men to be either outside of the paid labour market or earning very low incomes.

Put simply, the Australian retirement income system is now based on the notion that the age pension acts as a 'floor' below which retirement incomes cannot fall. Superannuation acts to 'top up' this floor – but in doing so, superannuation effectively takes the income inequalities that exist during people's working lives and magnifies them in retirement. Treasury estimates that around 30 per cent of the \$50 billion annual cost of tax concessions for superannuation flow to the wealthiest five per cent of the population while none of that \$50 billion helps to boost the retirement savings of the poorest 20 per cent.

A number of policy options have been proposed by various advocates to address the superannuation gender gap – notably the inclusion of superannuation contributions in the Paid Parental Leave scheme, compulsory superannuation payments (or credits) for carers and 'top-up' superannuation payments for part time workers. Each of these policies would go some way to compensating women for the financial cost of their motherhood and caring roles and improve their capacity to accumulate a sustainable retirement income. Ultimately, the key to the entrenched financial disadvantage of women is Australia's significant and persistent gender wage gap. Closing this gap has everything to do with political will, financial investment in a range of policies and societal commitment to address this inequality and nothing to do with a woman's 'choice'.

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