The Impact of Children on Australian Women’s and Men’s Superannuation

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LOW SUPERANNUATION FOR WOMEN

- Many studies have reported that women have lower average superannuation savings than men.

- Australian Bureau of Statistics
  Median for men $13,400
  Median for women $6,400

(Sept 2001 cat. 6360.0)
Research Aim

- But women are not a homogeneous group...
  - some women do have adequate superannuation
  - others do not

- **Aim:** look behind the *averages* to see WHICH women are disadvantaged?
Data Sources for Super.

- Super Funds’ Data
- Australian Tax Office (due to tax deductibility of contributions, surcharge tax, and co-contribution)
- Australian Bureau of Statistics

..... But difficulties...
Multiple a/c, ignorance, demographics.
Data Source: HILDA

- Household, Income and Labour Dynamics in Australia (HILDA)
- Survey by cluster sample (aims to be representative)
- Longitudinal survey (annual)
- Wave 1, 2001 to Wave 6 in 2006
- Our study looked at 3,833 males and 4,032 females aged 25-54 in Wave 1&2
Split by Age

- Hypothesis: The gender disparity in superannuation savings will be greater for older women
- Why?
Factors Affecting Older women

- Historical Employment Patterns
  Lower female workforce participation in the past

![Graph: Female Labour Force Participation](image)
Factors Affecting Older Women

- Prior to late 1980s, occupational superannuation coverage was voluntary (employer’s choice)
- In general super was more likely to be provided for skilled, white-collar, higher-tax-bracket, full-time workers
Factors Affecting Older Women

- Discrimination in superannuation
- Direct discrimination
  - male-only schemes
  - Gender-based eligibility rules
  - Marriage bars
- Indirect discrimination
  - P/T and casuals excluded
  - Poor vesting
    - (Hancock Report in late 1970s)
Factors Affecting Older Women

- Superannuation Coverage in the Voluntary Era 1984 data (ABS)

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<th>Full Time</th>
<th>Part-time</th>
<th>Overall</th>
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<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
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<tr>
<td></td>
<td>51.3%</td>
<td>34.5%</td>
<td>49.2%</td>
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<td>11.7%</td>
<td>6.4%</td>
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1984 data (ABS)
Factors Affecting Older Women

- Impact of Preservation Rules?
  - Prior to 1986, no preservation was required
  - Cash payments on resignation
    - dowry benefits
- Preservation rules gradually tightened over 1986-1999
Median Value of Super by Age and Sex

- Age
  - 25-29
  - 30-34
  - 35-39
  - 40-44
  - 45-49
  - 50-54

- Sex
  - Male
  - Female
Improvements for under-40s

- Award super introduced in late 1980s
  - gender impact ???
- Superannuation Guarantee in 1992
- Sex Discrimination Act 1984 – but with blanket exemptions for super funds until 1991 (transitional arrangements)
But still women have ....

- Lower workforce participation
  - Family responsibilities
    - Child care
    - Early retirement as carers?
- More women in PT/casual work
- Lower average pay even in F/T work
- SG Compliance issues?
Superannuation and Children

- Hypothesis: Women with children are likely to have lower superannuation than women without children; and there will be an inverse relationship between the number of children and the total superannuation amount.
Possible Effects of Having Children on Super. Savings

- More time out of workforce
  - No SG contributions
  - Less money available to make voluntary super contributions
  - Ineligible for co-contributions

- Any spare income likely to be diverted to other assets (e.g. housing needs)
Variation in Median Value of Superannuation for Women by Age and No. of Children
Impact of Children on Superannuation for men

- More time out of workforce???
- Less money available to make voluntary super contributions?
- Any spare income likely to be diverted to other assets (e.g. housing needs)?
Variation in Median Value of Superannuation for Men by Age and No. of Children
Model-Based Estimates of Combined Effects of No. of Children and Sex on Superannuation
Confounding Variables: Education

- Higher education leads to higher income?
- Higher income leads to higher superannuation contributions?
Model-Based Estimate of Effect of Bachelor’s Degree or Higher on Superannuation Value
Relationship between Education and No. of Children

- Women with higher education are likely to have fewer children
The relationship between Education and Children

Percentage with Bachelor's Degree by Age and Number of Children: Australian females 2002
So if childless women have higher superannuation than other women, this may be caused by BOTH

- More time in the FT workforce, AND
- Higher education (leading to higher pay)

Our multi-variate model adjusts for educational differences in estimating the impact of children on women’s super.
And for the men...

- Not as strong a relationship between education and children
Conclusions

- Our model suggests that for women, having children is associated with much lower superannuation savings.
- And the more children you have, the greater the cost.
- But for men, having children does not have a very strong effect on super savings.
Other factors affecting gender equity in superannuation?

- But there are also OTHER factors at work – even after allowing for age, number of children, education, and marital status, women on average have $10,858 less superannuation than men.

- Continuing job market disadvantages?
  > Olsberg 2005
‘If you can have children it's a good thing to do - you should have one for the father, one for the mother and one for the country, if you want to fix the ageing demographic’

(Treasurer Peter Costello as reported in the Sydney Morning Herald 12 May 2004)
Problem

- Those women who contribute to ‘fixing the aging demographic’ by ‘having one for the country’ do so to the detriment of their own superannuation savings.

- “Under the existing Australian superannuation system, anyone who spends extensive periods of their working life caring for young, disabled, or frail family members ends up as an economic dependent in retirement because the unpaid nature of most caring duties prevents them accumulating adequate superannuation.” (HREOC)

Possible solutions?
Measures taken so far

- **Spouse contributions** 1996 – tax rebates for people who make contributions for low-income spouses
  > Not widely taken up (Clare, 2001)

- **Co-contribution** 2003 – government makes contribution to a fund whenever a low/middle income eligible employee makes voluntary post-tax superannuation contributions
  > 63% of co-contributions went to women
Co-contribution beneficiaries by age and sex  (Source: HRSCEFPA)
Measures Taken so far

- Family Law Act reforms – 2001
  (effective 28/12/2002)

Superannuation is counted as an asset in the event of divorce. So women who have low super, due to child-care responsibilities can benefit from husband’s super.

But may split assets in a way which leaves super with the husband (a negotiated split)
Q. Overall impact of measures taken so far .....?

– See next wave of the HILDA survey
Future Directions?

- HREOC “It’s About Time” 2007

Recommendation #31

Extend the co-contribution to people who are not in the paid workforce due to caring responsibilities, caring for children or dependent adults
Future Directions?

- House of Representatives Standing Committee on Economics Finance and Public Administration - 2006
- "Improving the Superannuation Savings of People under 40"

- Extend the co-contribution by removing the work test.
- When women are on paid maternity leave, the employer should also pay SG contributions (not currently required).
- More education targeted at financial literacy for women.
Future Directions?

- Many other countries have social security systems which allow redistributions in favour of people who take time out of the workforce for child-care (Whitehouse, Retirement Income Systems in 53 Countries, World Bank 2006)
  - Canada Pension Plan – Child Rearing Provision: caring for children under age 7
  - UK – Homes Responsibilities Protection and Carer’s Credits