

Women, Work and Retirement in Australia

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Abstract

Due to a variety of policy and social factors impacting on early work life, many Australian women approaching retirement are faced with lower levels of retirement income leading to reduced lifestyle. The data reported is part of a larger study into labour force participation, work satisfaction, income satisfaction and retirement intentions of Australians aged over 50. Of the 453 women aged 50 to 69 (M = 57.7) involved in this national study, 73% were still involved in the workforce in some capacity compared with 62% of men. In terms of income, however, women were significantly less well off. Twice as many women (8.7%) as men (4.3%) were in the lowest income bracket of \$15,000 pa or less while men were almost three times more likely (14.8%) to be in highest income bracket of \$70,000 pa or more than women (5.2%). Through testing a series of models of labour force participation and phased retirement, it was found that economic well being was a consistently significant factor in the individual choice to voluntarily retire. The lower level of economic well being amongst females implies less choice when it comes to the decision to leave work. The past 30 years in Australia have been characterised by increasing female workforce participation with equal access to benefits such as superannuation however the cohort of women currently in retirement and approaching retirement have not received the full benefits of this trend. Improved policies aimed at maximising the contribution of these women will help rectify this imbalance.

Keywords: Australia, Women, Retirement Income, Public Policy

Introduction

In 2005 National Seniors Productive Ageing Centre, in conjunction with the Queensland University of Technology, undertook a major study into late career labour force participation via a large mail out survey. The overall objectives of the study were

- to identify how to increase the participation of mature aged workers in the labour market
- to identify barriers to participation; and
- to identify costs and benefits involved in engaging mature aged workers from both an individual and organisational perspective.

Included in the survey were a series of objective questions detailing demographics, retirement preparation and labour force experience as well as a series of questions which focussed on attitudinal measures such as work satisfaction, retirement satisfaction, centrality of work and self reported health.

A random sample of 3,000 members of National Seniors aged from 50 (minimum membership age) years was surveyed. The total number of completed questionnaires received was 923 representing a response rate of 30.8%. Women represented just over half of the respondents (53.7%) and it is their experiences which are of interest here.

Results

The study resulted in over 20 significant findings however the major finding which emerged, and which had a direct influence on a number of the other findings, was the strong inverse relationship between economic well being and retirement intentions. In other words, the more financially secure an individual perceived themselves to be, the more likely they were to retire, and also to be satisfied with their retirement experience.

Across the whole range of variables and analyses undertaken relatively few significant differences emerged between men and women *except* in relation to those variable related to financial well being. Given the critical importance of financial well being to a positive retirement experience this result is of particular importance. Income, both pre and post retirement, was measured in 6 bands ranging from 0-\$10,000 per annum through to \$70,000+. A comparison of the income findings by gender is given in the following table.

	Pre-retirement		Post-retirement	
	Male (%)	Female (%)	Male (%)	Female (%)
0 - \$10,000	0.0	0.0	7.3	14.3
\$10,001-\$25,000	2.7	13.4	24.3	38.0
\$25,001-\$40,000	17.8	38.2	35.4	25.7
\$40,001-\$55,000	28.8	29.3	20.4	13.5
\$55,001-\$70,000	23.3	13.4	6.8	3.7
\$70,001 +	27.4	5.7	5.8	4.9

In both work and retirement women earned significantly less on average than men. (pre-retirement male $m=4.55$, female $m=3.6$, $t=7.468$ $p=.000$; retirement male $m=3.13$, female $m=2.69$, $t=3.700$ $p=.000$). Not surprisingly, women were less satisfied than men with their income and were significantly more concerned about their economic well being.

Lower incomes for females are associated with two main factors: lower levels of labour force engagement over time combined with reliance on single sources of income. Males tend to have greater private income sources when compared with women with 49% of men receiving income from superannuation compared with 36% of women and 29% of men receiving income from savings or term deposits compared with 18% of women.

The reasons behind the greater reliance of women on public pensions rather than private investments are in part due to historical factors which precluded women from full participation in superannuation schemes until relatively recently, two persisting factors which continue to impact on women are lower life time earnings and lower levels of retirement planning. In this study, retirement planning overall was low for both males and females. Within this low level of planning women were significantly less likely than men to engage in the following activities: financial planning, investment planning, adjustment to retirement, planning for retirement benefits and planning with family members.

Women, Work and Retirement in Australia

In common with many countries throughout the world, the Australian labour force over the past 30 years has been characterised by rapid change, most notably through the increasing independence and changing work patterns of women. However those women who are currently in retirement, and those who are approaching retirement, are still feeling the effects of past policies and employment practices which put them at a disadvantage both relative to men, and relative to younger women.

Currently older women in Australia

- retire earlier and live longer than men
- are more likely to be fully dependent on an aged pension

- have lower access to paid employment after ‘retirement’ age which, although the gap is systematically being narrowed, is still lower for women than for men;
- have significantly lower levels of superannuation than men
- have significantly lower levels of savings and
- are more likely to live alone due to rising divorce rates combined with longevity and the likelihood that they will outlive their spouses.

The consequences of this are that older women in Australia are particularly vulnerable and have little financial independence. Whilst there have been many moves in recent times to iron out these inequalities the problem remains that for many women in their forties and over the impacts on past policies and practices are still adversely impacting on current lifestyles.

Australian Retirement Income System: Basic Principles

Australia’s contemporary retirement income system is based on a three pillar approach consisting of

- a taxpayer funded means-tested aged pension for people who are unable to fully support themselves in retirement;
- a minimum level of compulsory employer superannuation contributions made in respect of those in the workforce (introduced in 1992); and
- voluntary private superannuation and other savings.

The Australian social security system takes a ‘safety net’ approach whereby entitlements to benefits are based on the inability of the citizen to adequately support themselves. Consequently the aged pension provides only a basic level of income. Currently for a single person this stands at a maximum of \$499.70 per fortnight. This compares with the current average fortnightly wage for full time workers of \$2071.80 or \$1633.60 for all workers. The aged pension therefore is approximately a third of the average wage (30.0%) or just under a quarter (24.2%) of the average full time wage. The aged pension remains the cornerstone of the Australian retirement income system with approximately 80% of those aged over 65 in receipt of some level of income support.

The second pillar of the Australian retirement income system is the minimum level of compulsory employer superannuation contributions. Introduced in 1992 the Superannuation Guarantee is a legal obligation for employers to pay a minimum of 9 per cent of employee earnings into a recognised superannuation fund each year. Eligible employees are those who are aged between 18 and 70 (75 as of 1 July 2007) and who earn more than \$450 in a calendar month.

This compulsory superannuation payment is supplemented by voluntary contributions into superannuation funds made by employees along with other private savings and investments. Given the safety net approach to social security in Australia, there is a strong emphasis on encouraging individuals to take more personal responsibility for their retirement income rather than relying on the public pension. In the May 2006 Federal budget a number of measures were introduced for proposed implementation from July 1 2007 to simplify the superannuation system and to enhance the flexibility of options available to those who choose to remain in the workforce in their 60s and beyond.

Lifetime Earnings, Women and Retirement

The ability of Australians to support themselves independently in retirement is strongly linked to their life time earnings. Despite the push in the 1970s which recognised equal pay rights, the reality is that the gender wage gap persists.

In 2005 the average full time wage for men stood at \$1046.70 and for women at \$899.50 representing a gender wage gap of 15.02% or \$157.20 per week. However when total weekly earnings are taken into consideration, the difference is far greater with total weekly earnings for men standing at \$929.40 compared to \$616.00 per week for women, a gap of 33.72%.

The reasons for the persistence of such gaps are complex given that equal pay principles have been in place for thirty years. The three main reasons are that women tend to be concentrated in occupations with lower pay rates, women are still more likely to have part time or marginal labour force attachment often due to the impact of family and other responsibilities and that women tend not to have alternative income streams such as property and other investments to supplement their core wages.

What is of particular concern moving into the future is that, as life time savings are linked to lifetime income, and that superannuation is also linked to earnings with compulsory superannuation being a percentage of income, these financial inequities will continue into the foreseeable future.

Past Policies

Past policies have had a significant impact on the current living standards of older women in Australia. Broken career patterns have been the norm for working women in Australia due to a combination of social and policy issues. The lack of availability of child care meant that a majority of women until the past decade or so have left work for child rearing responsibilities. This career interruption at a critical point in career development has meant that overall women have been disadvantaged in moving upwards within their professions. The baby boom generation which is currently the focus of much of the ageing debate has generally followed this pattern of full time work – child rearing – disengagement from the labour force/part time work/ marginal attachment – full time work/disengagement from the labour force. Continuous full time work for this generation has been the exception rather than the rule. This will have significant implications as the baby boomers enter retirement unless remedial action is undertaken or unless women increase their labour force attachment.

One significant anomaly which adversely impacted on the ability of those women currently in retirement, and those approaching retirement, to have a consistent work history is the marriage bar which required women to resign from full time work in the public sector on marriage. The impact of the marriage bar was widespread as female focussed professions including teaching were often part of public sector employment. The acceptance of the marriage bar in one sector also had a flow on effect to other sectors even if it was not legally enforced in all industries. Despite being recommended for abolition as early as 1960, the marriage bar was not lifted at a national level until 1966 (and several years later in some states) thus directly affecting a significant number of women currently in retirement. Attitudinal change however is harder to effect and the indirect impact of expectations regarding the role of women has continued to influence the career experiences of many women.

Access to superannuation prior to introduction of the superannuation guarantee was focussed primarily on white collar and professional workers. Interrupted careers mean that for many women a regular investment into superannuation has not occurred. Consequently women have been shown to have low levels of superannuation savings at levels approximately half those of men. Whilst the superannuation guarantee is a positive step, it has come too late for women towards the end of their working life who may have spent up to 30 years without the benefit of guaranteed superannuation in place.

Conclusion

Australia is moving away from a model of predominantly public responsibility for retirement incomes towards a model of stronger personal responsibility. However there is evidence that the move will, at least in the short term, result in detrimental outcomes for women unless specific compensatory action is taken. Whilst many of the traditional barriers to permanent employment for women in Australia have been broken down, inequities such as the persistent gender wage gap will continue to have a flow on effect to women in retirement. Life time earnings provide one of the strongest indicators for successful and financially comfortable retirement as the amount earned is directly related to the ability of the individual to invest for their retirement in superannuation or other activities.