



## Research Insights

# Critical gaps in household attitudes and support for superannuation

Are households' concerns about superannuation more widespread than previously thought?

# Household attitudes towards super in the policy debate

Household attitudes are often absent in policy debates about superannuation, which are instead dominated by fiscal concerns. But the superannuation system will not be sustainable without the active consent of households grounded in the view that superannuation is doing the right thing by them and by the community at large. This is well established in the academic literature (Ebbinghaus, 2021; Chung et al., 2018; Kangas et al., 2021) and is set out clearly in the 2020 Retirement Income Review. Public confidence, the report notes, is critical to social sustainability and is based on “people’s belief about whether the system will both deliver an adequate retirement income for them and generate adequate outcomes across society” (Commonwealth of Australia, 2020, pg. 398). That is, public perceptions of adequacy and equity are crucial.

Yet the superannuation system is plagued by gaps. Australia’s elderly poverty statistics are particularly worrying, with elderly poverty rates for retirees who rent standing at 48%. For uncoupled renters, that figure rises to over 60% (ibid. pg. 139). Statistics on the gender superannuation gap are similarly stark. Amongst low and middle-income households, women’s superannuation balances are 40-50% lower than men’s (ibid., pg. 260). Only around a third of households are confident that they have enough superannuation and savings for a comfortable retirement (ASFA, 2020, pg. 9).

So, are households concerned about adequacy and equity in the superannuation system? In short, we don’t know. This is because existing surveys rarely ask households about their assessment of policy issues like the gender pay gap and elderly poverty rates (see for example BETA, 2020; ASFA, 2021; Suncorp, 2016). That households are given so little voice in the policy

debate about superannuation may reflect the view that households are somehow unqualified. After all, Australians tend to score poorly on financial literacy tests, especially in relation to superannuation (Agnew et al., 2013; ANZ, 2015). Moreover, existing surveys show that households tend to find superannuation confusing, or even boring. They tend not to read their statements, choose their investment stream or shop around to choose their fund (BETA, 2020; Suncorp, 2016). As a result, households could be perceived as uninformed and uninterested.

This view is reflected in the Retirement Income Review, which recognises that major gaps in the superannuation system undermine system equity in significant ways, “yet”, the report argues, “limited evidence exists to suggest they will undermine the system’s political sustainability” (pg. 405). That is, the Review takes the position that households neither know nor care enough about existing inequities in the superannuation system for such concerns to pose a problem in policy.

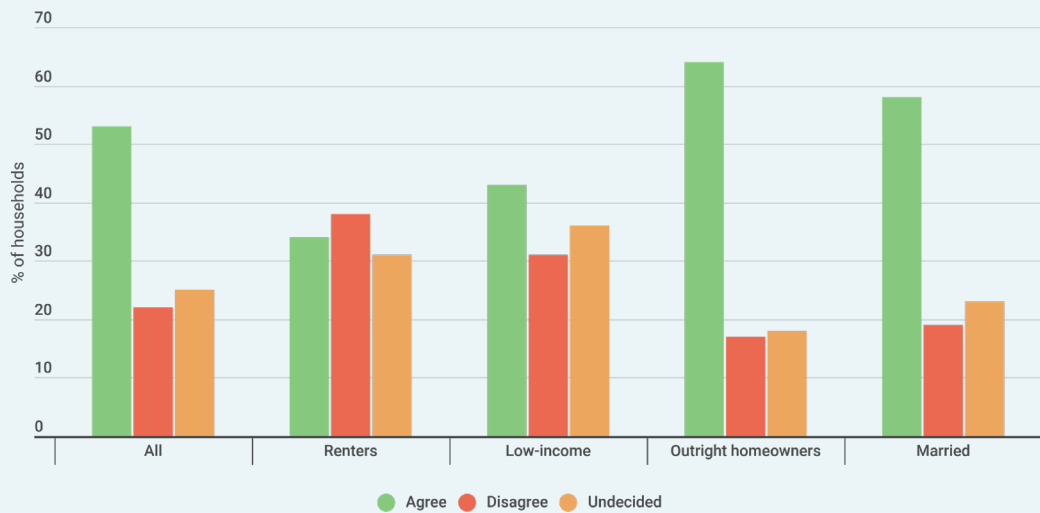
The analysis presented here examines results from a household survey that directly engages households on questions of adequacy and equity. The Taking the Pulse of the Nation (TTPN) survey uses a representative sample of 1,003 households and asks households if they think that superannuation works well for themselves and other members of society. The results show that support for the superannuation system is surprisingly low. In fact, there are key gaps in support for the superannuation system that mirror gaps in adequacy as well as widespread concerns about fairness, suggesting bigger challenges to social sustainability than is assumed by the Retirement Income Review.

## Key Insights

- 1 Only approximately half of all Australians think that the superannuation system works well for them, with concerns strongest amongst lower-income households and renters**

While roughly half of all adults agree that superannuation works well for them, over 20% disagree and another quarter report uncertainty (Fig 1). Those that are most likely to report that superannuation works well for them are married and are outright homeowners. Amongst these groups, a substantial majority see superannuation as working well for them. In contrast, reflecting wider adequacy gaps, low-income households and renters are more likely to disagree that superannuation works well for them. In fact, more renters think that superannuation doesn’t work well for them than those that think it does.

Figure 1: Belief that superannuation 'works well for me'



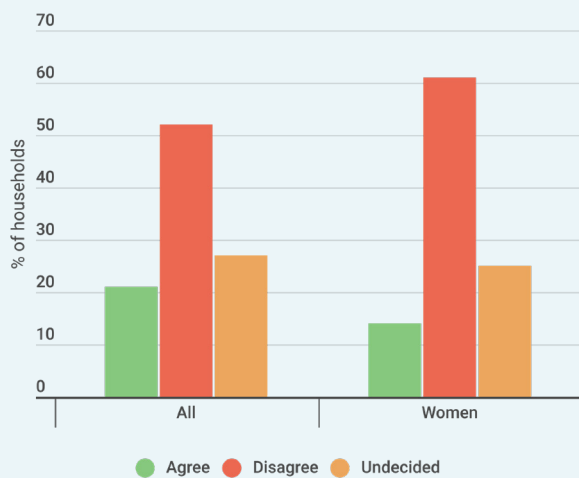
renters (n=258)    all households (n=1003)    low-income (n=334)    outright homeowners (n=325)    married (n=483)

Notes: Low-income households are in the bottom third of pre-tax household incomes, up to \$79,999 per year. Questions used an 8-point Likert scale. In the figure, responses 'strongly agree, agree, somewhat agree' are grouped together as 'agree'; responses 'somewhat disagree, disagree and strongly disagree' are grouped together as 'disagree' and 'neither agree nor disagree and unsure' are grouped together as 'undecided'.

## 2 Women and low-income households are widely seen as disadvantaged by the superannuation system

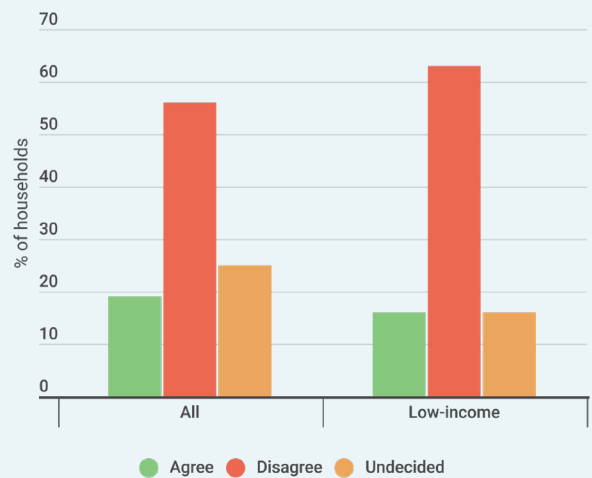
Around half of all Australians believe that superannuation is poorly suited to the needs of women (Fig 2a). Slightly more (56%) think that superannuation doesn't work well for low-income households (Fig 2b). Only approximately one in five Australians see superannuation as well suited to low-income households and women respectively. Low-income households and women themselves, however, are more likely to report these concerns, suggesting that these concerns are informed by respondents' own experiences, regardless of financial literacy.

Figure 2a: Attitudes towards women in the superannuation system



all households (n=1003)    women (n=486)

Figure 2b: Attitudes towards low-income households in the superannuation system



all households (n=1003)    low-income (n=334)

Notes: For attitudes towards women and low-income households, a split sample was used with half of the sample asked using a positive framing (do you agree that the superannuation system works well for women/low-income households?) and half asked with negative framing (do you agree that the superannuation system tends to leave women/low-income households behind?). Results in this table show an average of the two contrasting framings.

### 3 The vast majority of Australians consider the superannuation system to favour wealthy households, and more Australians see the superannuation system as unfair than those that see it as fair

In fact, only 8% of Australians disagree that superannuation system favours wealthy households (Fig 3a). Although the view that super favours wealthy households is widespread, it is somewhat muted among high-income households themselves.

Alarming, the largest cohort are those that disagree that superannuation is fair for most Australians (37%), alongside a significant 28% that are undecided (Fig 3b). Only one in three Australians see superannuation as fair.

Figure 3a: Belief that 'superannuation favours the wealthy'

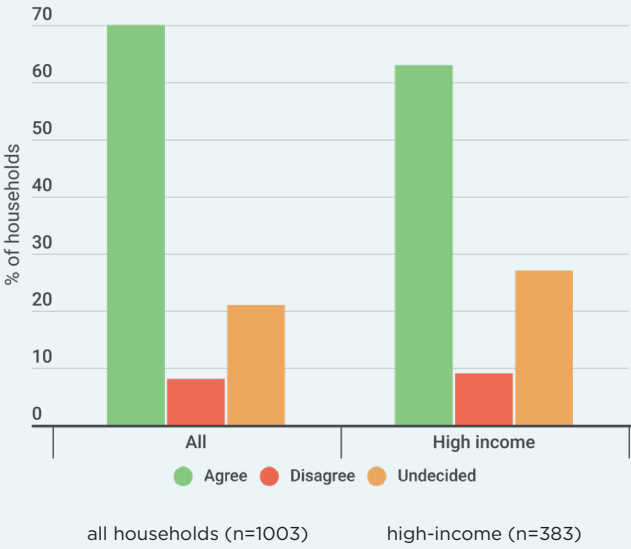


Figure 3b: Belief that superannuation is fair for most Australians



Notes: High income households are in the top third of pre-tax household incomes, above \$150,000 per year. Questions used an 8-point Likert scale. In the figure, responses 'strongly agree, agree, somewhat agree' are grouped together as 'agree'; responses 'somewhat disagree, disagree and strongly disagree' are grouped together as 'disagree' and 'neither agree nor disagree and unsure' are grouped together as 'undecided'

# Policy responses for addressing household concerns

These results suggest that policy must attend to the perceived inequities in the superannuation system. Although there has been considerable focus on the cost to public confidence of regulatory instability, widespread concerns about equity and adequacy raised here challenge the assumption that the system is, and can remain, sustainable.

Revising the tax treatment of superannuation could be an important step to enhancing perceived fairness. Although the interests of budget repair have dominated public debates about tax reforms on super, our results show that reducing tax concessions for wealthy households could also address households' concerns that superannuation favours wealthy households while leaving low-income households and women behind.

At the other end of the spectrum, expanding matching schemes for low-income households has been shown to deliver poor results (Chan et al., 2022). In order to enhance the political feasibility of the superannuation system, policy makers should consider the degree to which taxpayers' money is best spent in strengthening supports in interlocking policy fields, such as the public pension and housing, rather than depositing money into risky financial markets on the behalf of households.

The challenge of improving the superannuation system by strengthening social policy in interlocking areas is clearly demonstrated in the case of women and carers. Because superannuation balances directly reflect income, there are no easy solutions to the problem of time spent out of the workforce to provide care. This is a problem of time spent out of the workforce, of spells in part-time and casual work and of the long-term drag on income growth associated with disrupted career trajectories (Austen and Maviskalyan, 2018). To enhance perceptions of fairness, solutions must lie in strengthening supports for carers before and after retirement in wider fields of social policy.

More specifically, strengthening the public pension improves the safety net for those on lower incomes. Increasing federal rent assistance and expanding public, social and affordable housing are all important for improving outcomes for renters and for reducing elderly poverty rates. These policy actions would reduce the pressure on superannuation to provide retirement income for households, producing greater certainty for households and strengthening the political feasibility of the superannuation system by enhancing perceptions of fairness.

In this, however, communication is crucial. Policy makers must deliver clear messaging around any strengthening of supports for households who are seen to be disadvantaged by the current superannuation system. This will help public understanding that potential policy changes are aimed at improving adequacy in super for a stronger and more sustainable superannuation system.

# Further Information

## Datasets:

These results have been drawn from the Taking the Pulse of the Nation (TTPN) survey, from the Melbourne Institute in partnership with Roy Morgan. Each wave includes a set of core questions, as well as additional questions that address current and emerging issues facing Australians. The sample is stratified to reflect the Australian adult population in terms of age, gender, and location. The TTPN survey uses a repeated cross-sectional design. This Research Insight uses data from waves 65 (collected between March 31st and April 28th 2022). The sample used in the analysis contains answers from 1,003 individuals.

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