



SUPER  
MEMBERS  
COUNCIL

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# Mind the gap: How unpaid super is deepening retirement inequality for women





## Contents

Executive summary	2
Introduction	3
The size of the problem	5
The impact at retirement	10
The solution	11

### About the Super Members Council

We're a strong voice advocating for the interests of 12 million Australians with over \$1.6 trillion in retirement savings managed by profit-to-member super funds. Our purpose is to protect and advance the interests of super fund members throughout their lives, advocating on their behalf to ensure super policy is stable, effective, and equitable. We produce rigorous research and analysis and work with Parliamentarians and policy makers across the full breadth of Parliament.



## Executive summary

Women across Australia continue to miss out on super due to time spent out of the paid workforce to care for children and other family members. This contributes to an overall gender gap in super balances, which leads to working women in Australia retiring with a quarter less super than men.

This structural inequity also means women suffer more acutely from the scourge of unpaid super. The smaller your balance, the bigger a difference each dollar of unpaid super makes.

Missing out on super - which is a legal workplace entitlement in Australia - dramatically erodes women's super by retirement, magnifies existing inequity, and erodes women's future financial security.

Young women on lower incomes in particular are more likely to be affected by unpaid super - depriving them of the vital early career contributions needed to build their retirement savings. It's the money you put into super earliest in your working life that works the hardest to deliver strong compound investment returns.

New analysis from Super Members Council (SMC) reveals the unpaid super toll on women.

- In 2022-23, one in four women (or 1.5 million) across Australia had unpaid super owed to them, missing out on a total of \$1.9 billion in Super Guarantee contributions.
- Over the last 10 years, working women across Australia missed out on a staggering \$15.5 billion in unpaid super.
- The average affected working woman missed out on \$1,300 in super in a year - which can mean more than \$26,000 less in retirement savings for a typical worker.
- Younger women were the worst harmed by unpaid super: 31% of women aged 20-29 and 29% of women aged 30-39 had unpaid super in 2022-23.
- Lower-paid women were hit hardest, with half of all working women in their 20s and 30s who earn less than \$25,000 a year not being paid some or all of the super they were legally owed.

A key driver of unpaid super is that super payments are misaligned with wages.

The Australian Government has pledged to introduce payday super laws. This crucial reform will reduce the scale and impact of the unpaid super scourge - this will strongly benefit women.

The Government's policy commitment now needs to be backed by legislation, and quickly, to lock in payday super. These laws should be passed as a priority in the first 100 days of this Parliament.

With a promised start date of 1 July 2026, workers and businesses need certainty of the legislation having passed to finalise preparations for this transition.

Curbing unpaid super will make a powerful positive difference to the retirements of millions of Australians - especially for millions of Australian women.



## Introduction

In Australia's universal super system, employers are legally required to pay their workers super. Super contributions are calculated at 12% of a worker's earnings, paid on top of their take-home pay.

Currently, super contributions must be paid quarterly, although employers can - and many do - choose to pay super for their workers more frequently. Paying super more often helps businesses to stay on top of their expenses and cashflow - and helps workers by generating investment returns sooner.

Over the last 30 years, Australia has built a super system that now holds over \$4 trillion in assets that are owned by millions of everyday Australians.

However, the success of our system and its capacity to promote financial security and wellbeing for workers in retirement depends on all employers doing the right thing: paying super contributions for each employee in full and on time. Unfortunately, this does not always occur.

Unpaid super is when a worker is not paid their full superannuation entitlement on time or is not paid their super at all - either unintentionally or deliberately.

Unpaid super affects one in four working women in Australia, costing each affected working woman an average of \$1,300 in super contributions each year. In 2022-23, women missed out on a total of \$1.9 billion in super contributions. Over the last 10 years, this figure amounts to \$15.5 billion - money that rightfully belongs to the women who earned it.

By the time they retire, a typical woman with unpaid super can miss out on more than \$26,000 in super savings by retirement, due to the missing contributions and the lost compound investment returns on those contributions.



For women who are underpaid super, the damage to their retirement income is further exacerbated by:

- factors outside the super system that contribute to the gender gap in super balances, for example, that women spend more time out of the workforce than men to care for children, are more likely than men to work part-time, and earn less than men when they are working, and
- super tax settings that magnify these differences in lifetime savings. Women receive a lower proportional tax benefit than the assets they have in the system - essentially amplifying the external inequities coming into the super system.

In other words, the consequences of being underpaid super are overall more acute for women, who continue to retire with a quarter less super than men, despite living longer on average.



## About this report

This report focuses on how fixing unpaid super will benefit women in retirement.

It builds on SMC's unpaid super report released in August 2024<sup>1</sup>, which examined the main causes of unpaid super and the key policy reforms needed to ensure workers are not deprived of their super.

### Government responses to unpaid super

Despite the ramifications, previous attempts by both successive governments and regulators to address the problem of unpaid super have had mixed results and only been partially effective.

We welcome the Australian Government's pledge to introduce a payday super scheme - a change that has the potential to significantly reduce the scale and impact of the unpaid super scourge. However, the legislation is yet to be introduced into Parliament.

The previous Federal Government's Super Guarantee amnesty, which ended in September 2020, recovered more than \$850 million for more than 692,200 people. A relatively small amount considering the total amount of unpaid super for women over the past 10 years is estimated to be \$15.5 billion.

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<sup>1</sup> See "Fixing unpaid super: Making super fairer for workers and employers alike", at <https://smcaustralia.com/report-fixing-unpaid-super/>



## The size of the problem

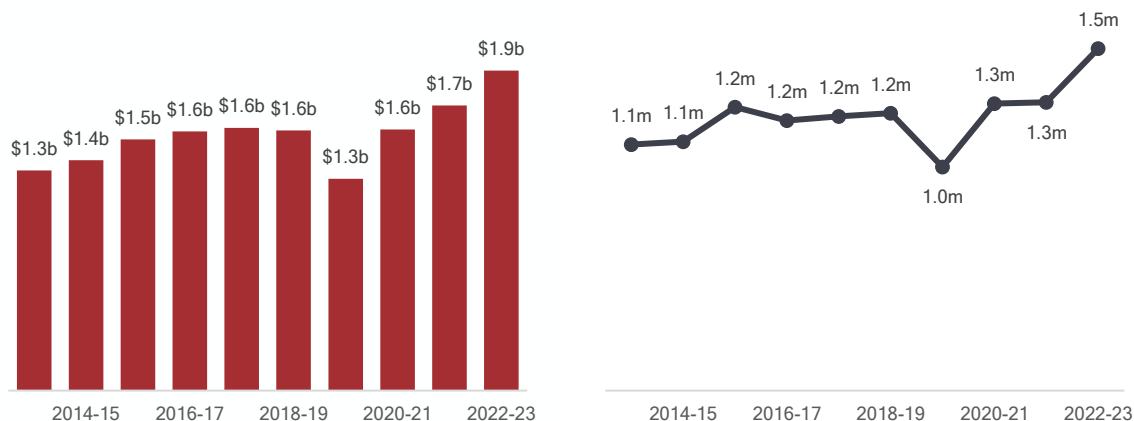
In this section, we show the size of the problem of unpaid super for women, including by age, wage and occupation. For a detailed analysis about the impact of unpaid super on all workers (i.e., men and women), please refer to our 2024 report<sup>2</sup>.

Our analysis shows that in each of the last 10 years, the total amount of unpaid super for women has never been less than \$1.3 billion. The scale of the problem has grown significantly in the last couple of years, reaching a record \$1.9 billion in unpaid super owed to women across Australia in 2022-23.

Women across Australia missed out on a staggering \$1.9 billion in unpaid super in 2022-23 - making 1.5 million working women poorer by retirement.

**Chart 1** shows the dollar value of underpaid super over the last 10 years has remained static or increased, other than in 2019-20, when it decreased. This decrease may be due to the economic impact of COVID-19 and the Government's assistance packages - rather than any government reforms directed at addressing unpaid super.

**Chart 1: Value of total underpayments for women (left) and number of women underpaid (right)**



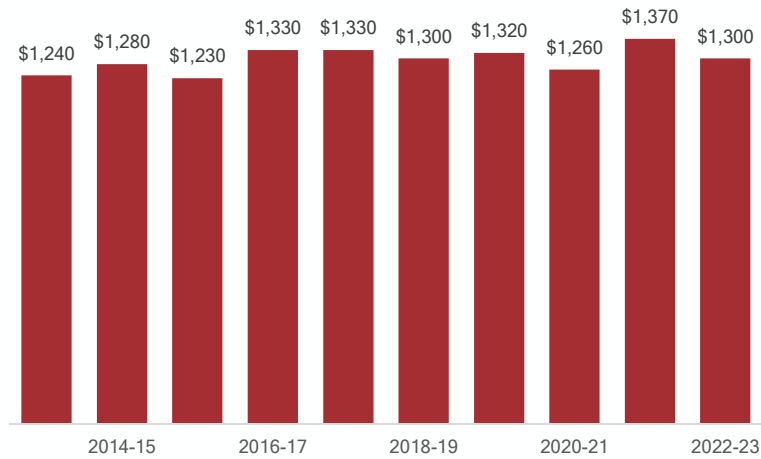
**Source:** SMC analysis of ATO 2% sample file, 2013-14 to 2022-23.

In 2022-23, unpaid super averaged \$1,300 per affected female worker - see **Chart 2** over the page. Despite various government interventions over time to address unpaid super, there has been very little change in the number of workers affected (**Chart 1**).

<sup>2</sup> ibid



**Chart 2: Average underpayment per affected female worker by year**



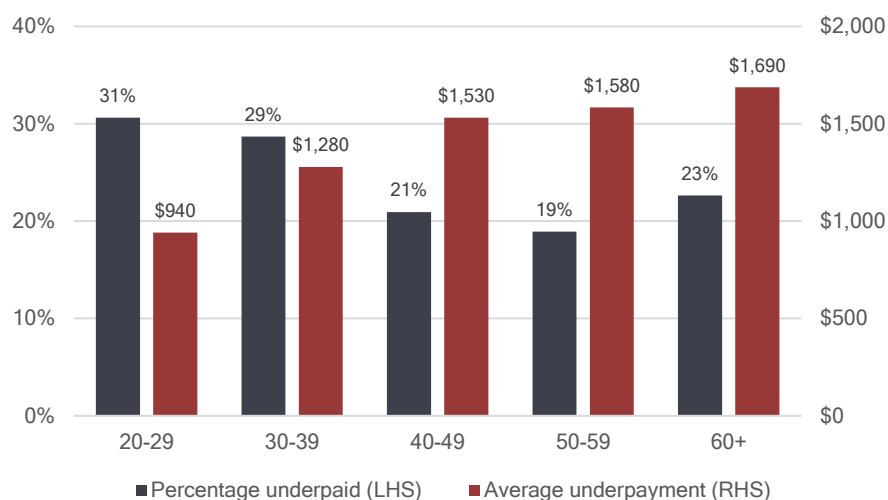
**Source:** SMC analysis of ATO 2% sample file, 2013-14 to 2022-23.

### Impact by age and wages

Women who are young or on lower incomes are more likely to have unpaid super. There are a range of reasons why this is the case - they often have less bargaining power and are also less likely to notice if their super has not been paid, or to pursue it if they do.

**Chart 3** looks at the impact of unpaid super on women by age and shows that in 2022-23, almost one-third of women aged between 20 and 39 did not receive their full super entitlement. The average underpayment for this cohort was \$1,110 for the year. This analysis shows the impact of unpaid super in a single year and can change as people change jobs and industries. Later in this report we use a Cameo approach to estimate the impact of unpaid super at retirement which considers things like life career breaks, changes in jobs and incomes over the life course.

**Chart 3: Percentage of women underpaid and average value of underpayments by age**

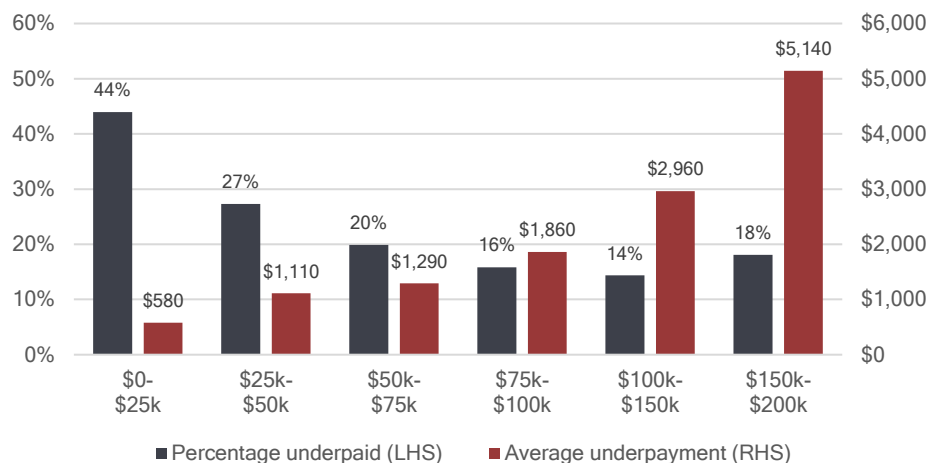


**Source:** SMC analysis of ATO 2% sample file, 2022-23.



**Chart 4** looks at the impact of unpaid super on women by wage. It shows that in 2022-23, almost one in two (44%) women on low incomes (earning less than \$25,000 a year) were underpaid super. Around a quarter of women earning between \$25,000 and \$50,000 a year were underpaid super.

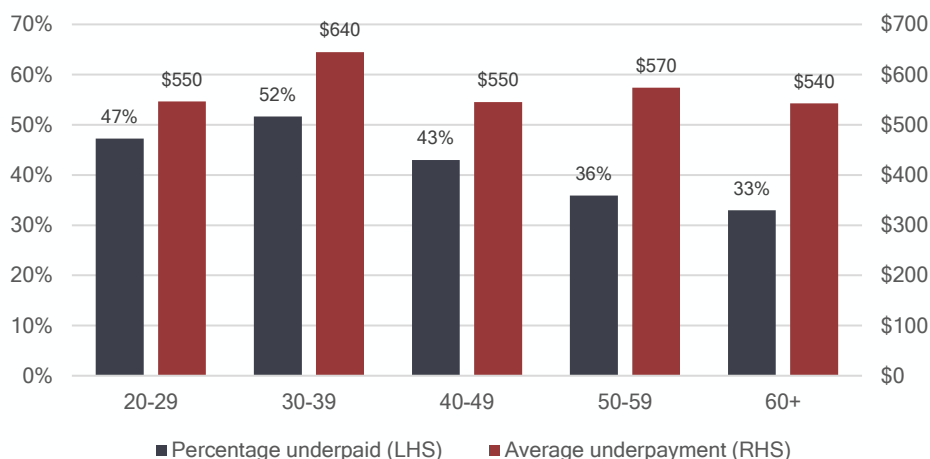
**Chart 4: Percentage of women underpaid and average value of underpayments by wage**



**Source:** SMC analysis of ATO 2% sample file, 2022-23.

For women who are both younger and on lower incomes, the likelihood of being underpaid super increases significantly. **Chart 5** shows that in 2022-23, half (49%) of women aged between 20 and 39 who earned less than \$25,000 did not receive their full super entitlement. The average underpayment for this cohort was \$590, which is significant given their low wage, and amounts to about half their correct super entitlement.

**Chart 5: Percentage of women earning up to \$25,000 underpaid and average value of underpayments by age**



**Source:** SMC analysis of ATO 2% sample file, 2022-23.

In 2022-23, women aged 20-39 earning less than \$25,000 a year had a 1 in 2 chance of being underpaid their super entitlement - deepening existing retirement inequality for these women

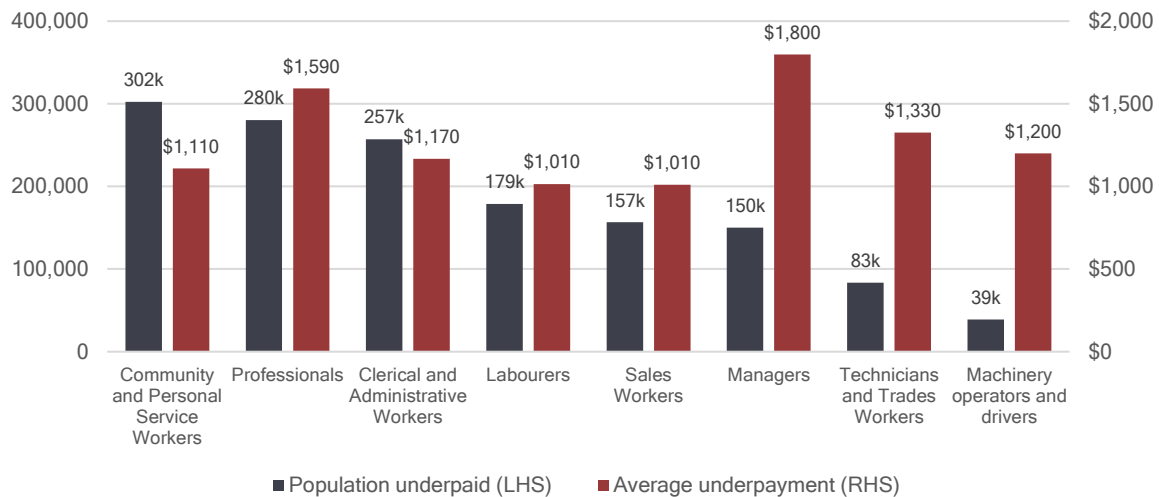




## Key jobs and industries for women's unpaid super

**Chart 6** provides an occupational breakdown of the estimated number of women affected by unpaid super. It shows that in 2022-23, the number of women affected by unpaid super was highest amongst those employed as community and personal service workers, professionals, and clerical and administrative workers - which includes childcare workers, aged care workers and nurses.

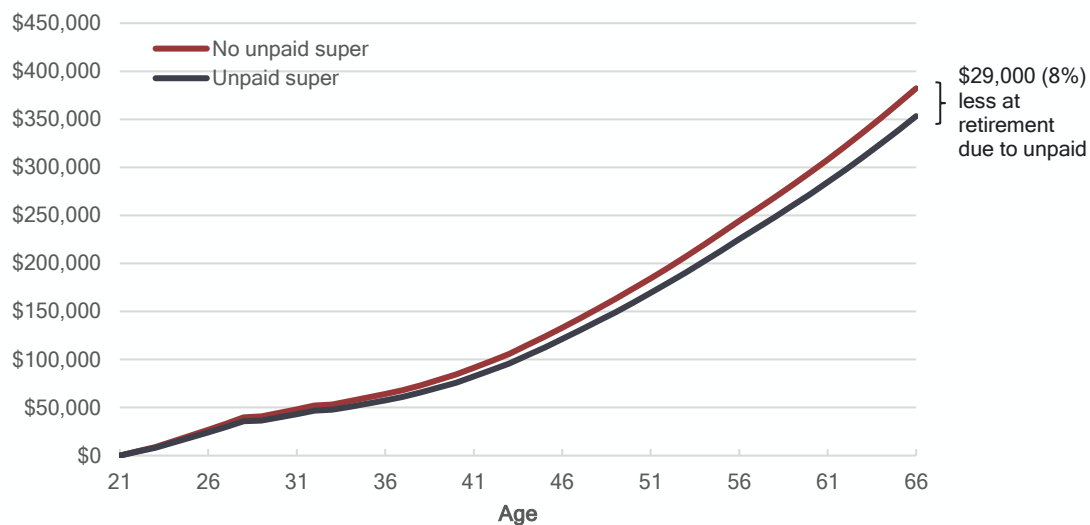
**Chart 6: Number of women underpaid and average value of underpayment by occupation**



**Source:** SMC analysis of ATO 2% sample file, 2022-23.

### Cameo 1: Female childcare worker

The following cameo examples further illustrate the impact of unpaid super on women working in various occupations. A childcare worker who is underpaid super could retire with \$29,000 less in super. This would reduce her disposable income throughout retirement by \$18,800 and increase her reliance on the Age Pension (and the cost to future taxpayers) by \$15,300 if single.



**Source:** SMC analysis of ATO 2% sample file, 2022-23, and ABS 2021 Census.



**Description:** The cameo is for a childcare worker who commences work at 22 and retires at 67. She takes time out of the workforce to care for 2 children, working part-time between the ages of 29 and 43, and working a total of 37 full-time equivalent years over her career. While working, she earns the median wage of childcare workers for her age. More than a quarter of female Community and Personal Service Workers are unpaid super. We model the effects of unpaid super over a lifetime by calculating the median SG rate by age of female Community and Personal Service Workers who are underpaid super and multiplying the SG gap in each year by the age-based probability that a female Community and Personal Service Worker is unpaid super. The modelling assumes a high-quality industry fund that has an after-tax, before-fee return of 7.5% per annum, asset-based fees of 58 basis points, and an administration fee of \$78 (indexed by wages). All figures are wage deflated.

**Table 1: Projected impacts of unpaid super on selected female-dominated occupations**

Occupation	Retirement savings at retirement	Disposable income throughout retirement	Age pension expenditure throughout retirement
Aged care worker	-29,300	-18,700	15,800
Childcare worker	-29,000	-18,800	15,300
Enrolled nurse	-34,800	-18,400	22,100
Hospitality worker	-23,800	-18,800	9,500
Personal assistant	-28,100	-12,300	20,200
Sales assistant	-20,900	-16,200	8,600

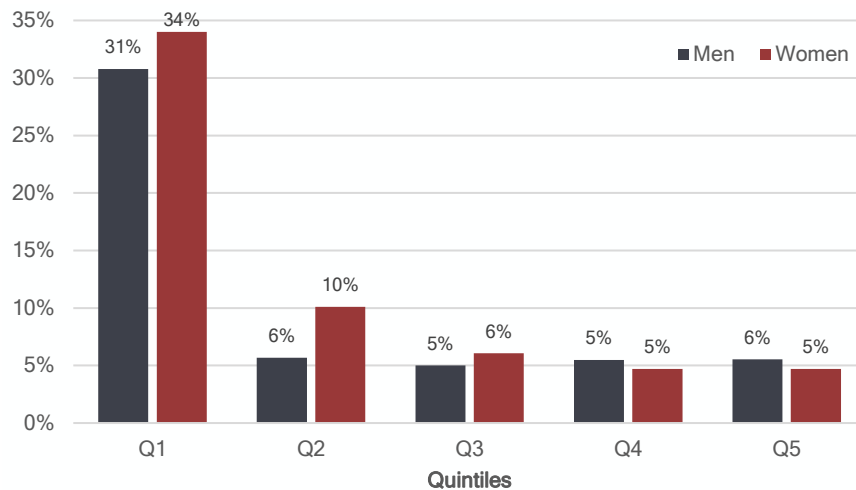
**Source:** SMC analysis of ATO 2% sample file, 2022-23, and ABS 2021 Census.



## The impact at retirement

The effect of unpaid super entitlements compounds over time to significantly reduce the balances of women at retirement (**Chart 7**). A typical woman being underpaid super is estimated to miss out on 6% of their super balance at retirement, or \$26,600.

**Chart 7: Projected percentage of super balance at retirement lost to unpaid super, by wage quintile**

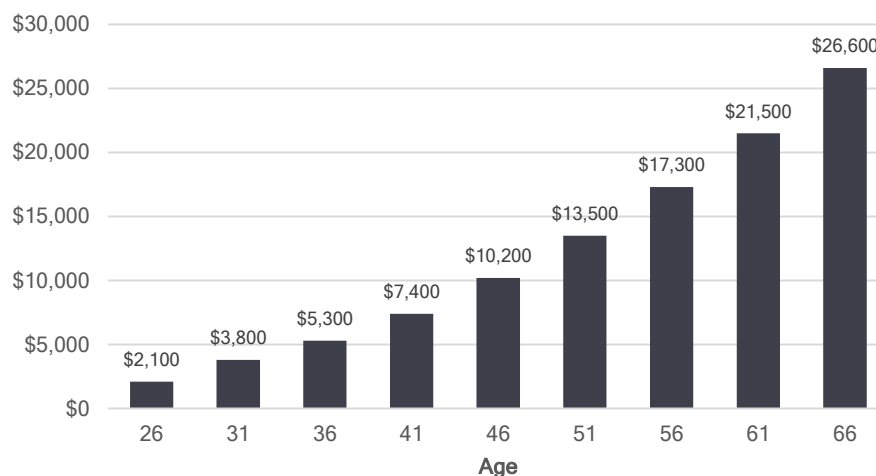


Source: SMC cameo analysis.

The typical unpaid working woman in the lowest 20% of wage earners could miss out on \$27,000 from their retirement balance - a third of their balance.

The contrast in the balance of a working woman correctly paid super and a one with unpaid super compounds by retirement. **Chart 8** shows how this difference could add up over time for a woman in the middle quintile estimated to retire with \$26,600 less due to super underpayment.

**Chart 8: Projected amount lost to unpaid super for the typical woman in the middle wage quintile, by age**



Source: SMC cameo analysis.



## The solution

A key driver of unpaid super is that payments of super are misaligned with payments of wages<sup>3</sup>. Outdated regulation, which only requires super to be paid quarterly, leads to many cases of unpaid super going undetected for a long time, or never being detected at all.

Requiring the payment of super with wages (payday super) will make it easier for workers to check that the amount of super listed on their payslip each payday has been correctly paid into their super fund account. Payday super will also make it easier for employers to stay on top of payments and ensure their workforce is paid on time and in full. It will level the playing field for all businesses.

The Australian Government has pledged to introduce payday super laws. This reform can significantly reduce the scale and impact of the unpaid super scourge and will benefit women immediately.

However, despite a 1 July 2026 start date, the legislation is yet to be introduced into Parliament.

### SMC's recommended next steps

1. **Implement payday super** in full and on time, underpinned by strong, meaningful legislation. The Australian Government must ensure its election commitment is enacted in legislation and passed as a priority. This will allow the ATO, businesses and super funds to prepare for a smooth transition on the 1 July 2026 start date.

In a submission on the exposure draft legislation, SMC recommended a phased approach to enforcement to help businesses who are genuinely trying to do the right thing to make the transition to the new payday super regime.

2. **Improve the enforcement regime** by directing the ATO to take a more proactive approach, using its existing penalty powers and making better use of its existing digital capabilities to track non-payment and underpayment of super.

- Set targets for the ATO on the amount of unpaid super it must recover, and track progress by regularly measuring the unpaid super gap.
- Set targets for the ATO on proactive compliance by measuring the amount of enforcement actions resulting from proactive investigations through ATO data matching.
- Make greater use of Part 7 penalties for intentional or systematic non-compliance, as well as imposing criminal penalties under wage theft legislation where applicable.

3. **Extend the Fair Entitlements Guarantee**, the Government should include super in the workers compensation scheme of last resort in cases of business insolvency.

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<sup>3</sup> For more information on the key drivers of and solutions to unpaid super, refer to our 2024 report *"Fixing unpaid super: Making super fairer for workers and employers alike"* at <https://smcaustralia.com/report-fixing-unpaid-super/>