



# CSIRO-Monash Superannuation Research Cluster

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# Gender issues in European pensions: some Australian perspectives.

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# Structure of presentation

- DC / Super savings: increased importance
- Gender gaps in retirement savings / income
  - Evidence
  - Causes
- Three main European policy strategies
  - Promote female full-time employment
  - Compensate for career break / part-time work
  - Reinforce dependency on ‘male breadwinner’
- Critique and comment

# Contexts: from PAYG / DB to DC: the shift to personal accounts

- Demographic challenge of ageing societies
- EU: GFC and After
  - Euro-crisis and ECB – EC – IMF (Troika) responses
  - Falling investment returns affects pension funds
  - Pressure on public expenditure / state schemes
  - Restructuring corporate/public DB systems
- Changing employment (unemployment / part-time or self employment/unwaged work)

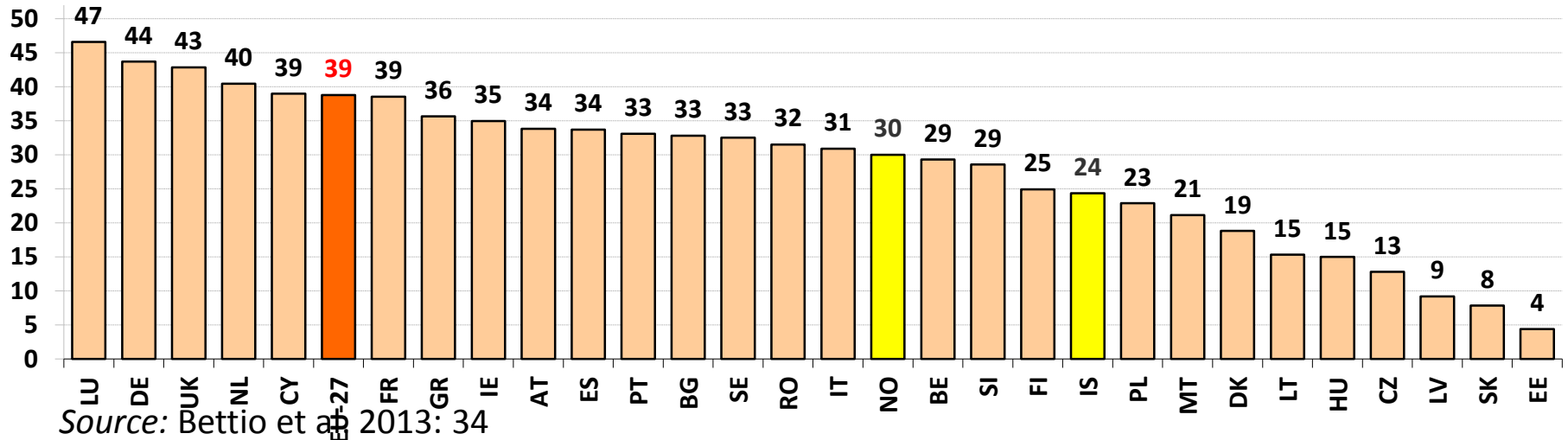
# Gender pension gaps

- Larger than pay gaps
- Current pension gaps reflect past employment practices and pension schemes
- Legacy of past takes decades to disappear
- Gap today = social policy problem.

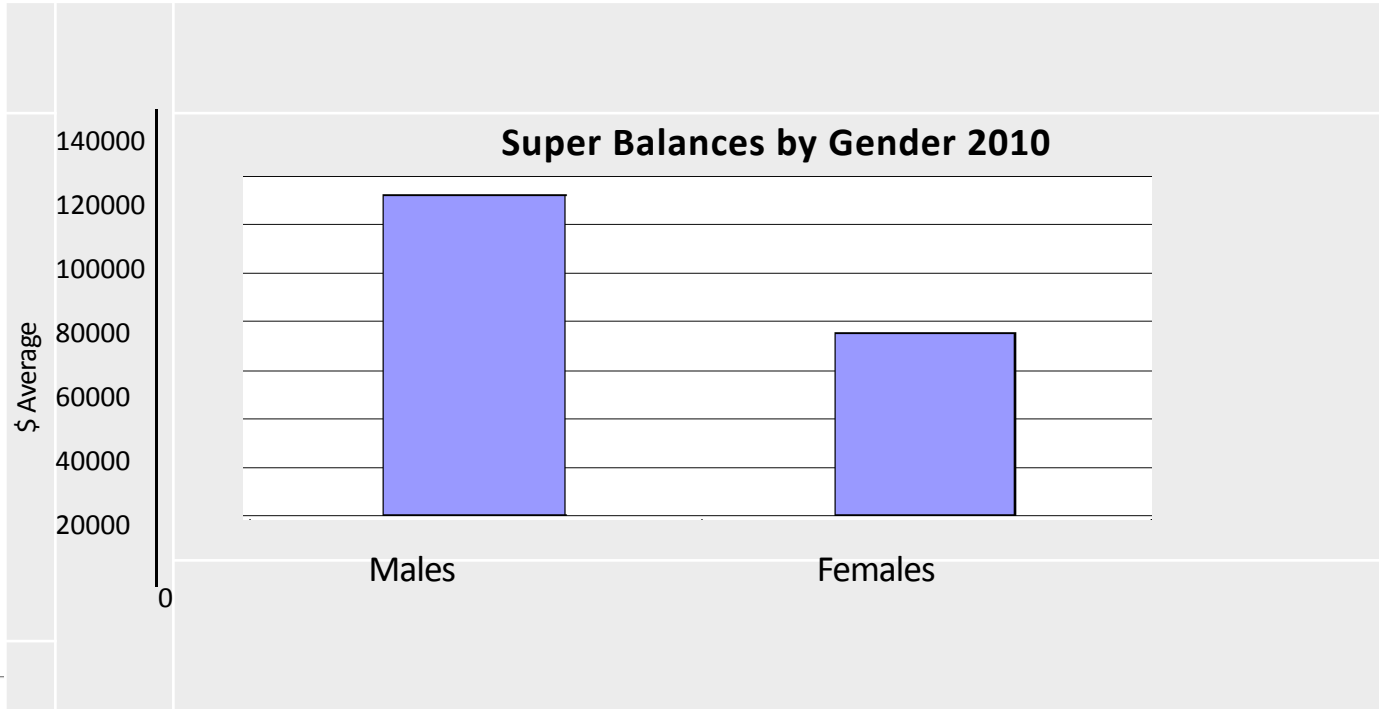
Gap tomorrow = pension (Super) design problem

# Average gender-derived pension gaps in EU member states

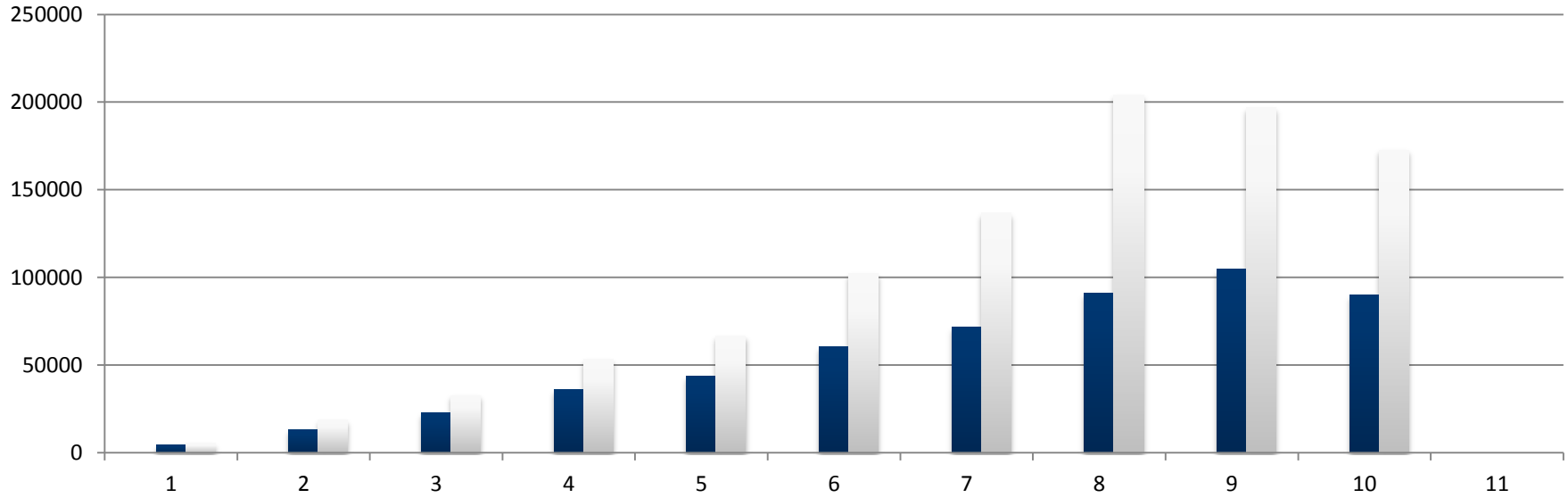
*Gender Gap in Pension (GGP); Pensioners aged 65+*



# Australian Super: 25 years on



# Mean Super balances by 5-year age ranges [2011-12]



- **Green – male**
- **Red – female**
- *Source ASFA 2014*



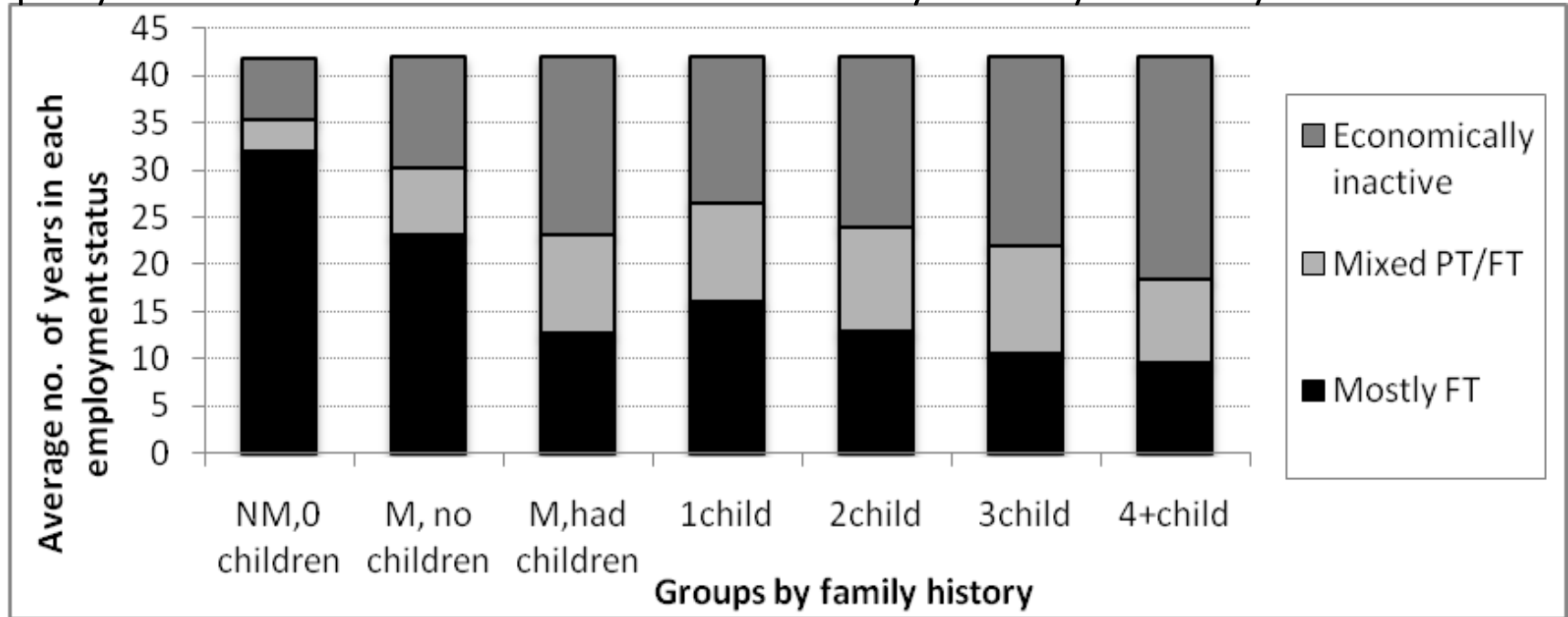
# Why the savings discrepancy?



# What causes gendered pension gaps

- RC countries: fewer mothers have own pensions
- Except Nordics, most mothers work part-time
- Women work in low-paid sectors (services)
- Pensions assume 40+-years of full-time work
  - Male employment pattern found among female professionals
  - Female work: interruptions caused by family care
    - married women have lower pensions than singles
    - more children = lower pension

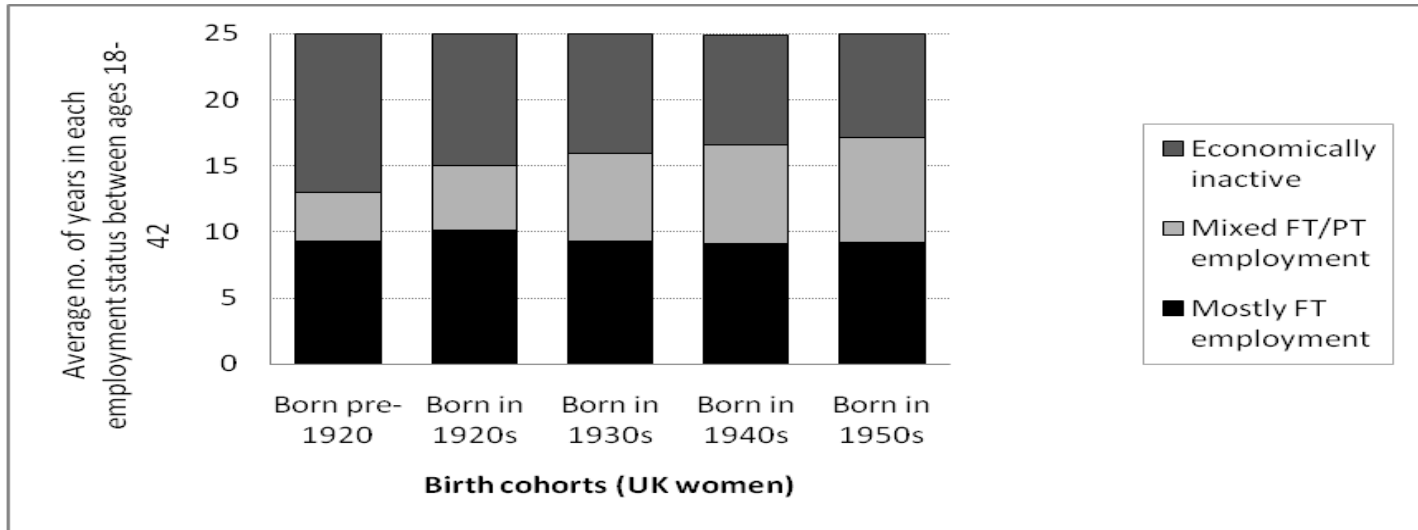
# Employment record of retired women by family history UK



Source: DWP, *Pensioner Income Series 2008-9* Key: M = Married, NM = Not Married, 2child = 2 children, etc.

# Changes in women's employment by age cohort UK

**Source: Evandrou et al. (2009)** Note lack of change in no. of years in full time work.



# The shift to personal funding: the consequences of compound interest

## Impact of lower saving in childbearing years on accumulation

- At age 35, with interest at 5% p.a.:
  - Male has saved A\$ 50,000
  - Wife has saved A\$ 30,000
- At age 55 with interest at 5% p.a.
  - Male has accumulated A\$ 100,000
  - Wife has accumulated A\$ 60,000
- In cash terms, gendered savings gap widens from A\$ 20,000 to A\$ 40,000

# The insights of Drew & team

(on impact of higher contribution rate and / or investment strategies for retirement income)

- Fund growth takes place in later years
  - The more invested earlier, the better the outcome
  - Impossibility, all other things being equal, of ‘making up’ for career breaks with more contributions just before retirement.
- ?? Insights from Mercer data?? (Clark, Gerrans and Whiteside)

# Policy responses in Europe I: a woman must be more like a man

- Encourage women to work like men (full-time)
  - Paid / credited maternity leave
  - Subsidised parental leave at rate of previous wages
  - Extensive public funding for pre- and post-school child care
- Experienced in CEE states pre 1990: promoted in Nordic countries and by the EC.

# Policy responses in Europe II: partial compensations and poverty protection

- Compensate for broken careers: state pension
  - Guaranteed credits for 1<sup>st</sup> pillar pension (PAYG)
  - Reduced reference periods for full pension
  - State-matched contributions / extra tax relief for low paid
- Second (funded) pensions
  - Controlled administration costs & unisex annuities
- Found in the Netherlands (and UK moving towards)



# Policy responses in Europe III: traditional subordination

- Strengthen women's reliance on spouse
  - Mandatory survivors' benefits in public and private schemes.
  - Payment to mothers to stay at home when children are small.
  - (Protection of divorcees)
- Exemplified by Germany: found (partially) in southern EU member states

# Critique

- Problems in promoting full-time work for all
  - Child care is expensive: who pays?
  - Immigrant carers – institutional and domestic
  - Raises income inequalities between households (graduates marry graduates) for wages and pensions
- Problems in offering compensation for career breaks
  - Safeguards against poverty do not create gender equality
- Problems with restoring male breadwinner
  - This only offers derived rights / raises female dependency
  - The problem is not that mothers will not work but cannot work full-time

# why should a woman be more like a man?

- Should classic male working life be the 'norm'? Most pensioners are female
  - Pension / Super savings as social engineering
  - Antiquity of 'traditional' (industrial) working life
- Restructured employment & new possibilities
  - Home-based / IT linked work
  - Elusive 'work-life balance'
  - Re-gendering of unwaged work

# Arise Australia Fair!

- Protect the level of the Age Pension
- Gender neutral annuities.
- ?Paternity leave (lost if not used)
- ?Mandatory Super splitting
  - On divorce?
  - On birth of a child – dual Super payments until 16<sup>th</sup> birthday.

# Drifting to the future

- Growing inequalities derived from:
  - Changing employment (generational inequality)
  - Professionals marry professionals
  - ‘Failure’ of female saving patterns.
- Long term reliance on pillar 1 (Age Pension)
  - More and more regulation to foster female saving
  - Rising compliance and associated costs
  - (but this is a topic for another time)