WOMEN'S WR REPORT

EVIDENCE-BASED INSIGHTS ABOUT WOMEN AT WORK

WOMEN'S REPORT 2022

Women and fiscal policy

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A message from the Editor

Welcome to the 2022 edition of the Women's Report!

In this edition, we hover an equity lens over the realities created for women by South Africa's fiscal policy. Fiscal policy relates to the way in which a government spends its revenue and collects its taxes. It seems reasonable to treat women and men exactly the same when it comes to fiscal decisions — 'One for you, and one for me', at first glance, is fair, is it not? Such an approach is supposed to yield a symmetrical outcome, as each individual is given the same resources and opportunities.

The reality, however, is that a number of systemic forces are disturbing the intended outcome of this equal treatment, creating asymmetries that manifest during the entire lifetime of women of all walks, from birth, during their careers, and through retirement. Perhaps that is why Aristotle used the Greek word '*isos*', which means more than mere equality — it intimates fairness through equity. When we understand equity to be a state, rather than the balance on a receipt, we can start to work backwards to identify and address the systemic causes of the asymmetry.

"This year, we take a look at some of the characteristics of South Africa's fiscus that are contributing to what becomes life-long inequity for the country's women, especially the poorest."

Tax expert Lee-Ann Steenkamp, from Stellenbosch Business School, considers the ramifications of discriminatory tax legislation, specifically the sad reality that the burden of consumption tax, VAT, falls on the poorest women – those whose income is too low to be taxable. Lee-Ann also paints a worrying picture of the current status of women's permanent employment, income levels and the wage gap, based on national tax data, together with a discussion of tax laws that disproportionately burden households with a single breadwinner, of which 41.9% are women.

In a second contribution, Lee-Ann points out that many women do not earn enough to save for retirement, they do not enjoy employers' contributions to a retirement fund, and they also overwhelmingly bear the greatest caregiving burden in society — often without compensation. She outlines "a myriad labour market, cultural, behavioural, and biological forces that converge to hamper the financial security of women retirees". Coupled with the caring responsibilities these women shoulder, it becomes clear why social grants are critical. The gender pension gap may also be ascribed to the fact that, in South Africa, more women than men hold non-permanent jobs — approximately 59% of temporary employees are women.

A message from the Editor

Ingrid Woolard, Dean of Stellenbosch University's Faculty of Economic and Management Sciences, hones in on the different types of social grants that play a key role in the anti-poverty fiscal strategy of the South African government. She clarifies the role that social grants play in "reducing short-run extreme poverty and ensuring that people are able to eat and obtain the most basic necessities", and shows that social grants are primarily paid out to women. Contrary to popular belief, young women do not aim to have more children in order to gain access to childcare grants. Ingrid outlines how "national surveys suggest that the number of pregnancies among young women is not increasing", and that younger women tend not to apply for the childcare grant, even though their children meet eligibility criteria. She reminds us that teenage pregnancies are mostly a result of inadequate sex education and risky behaviour. Young women understand the lifetime care burden that befalls them when they fall pregnant, and know that childbearing is likely to make it much harder to reach their own goals – hardly an incentive to become pregnant in order to gain access to R480 per month.

Ingrid's article dovetails with the considerations raised by Lee-Ann, creating a more comprehensive understanding of the myriad balls women have to juggle while trying to progress while providing. While this is only a slice of the gender reality pie, this issue of the Women's Report shows that much needs to be done and with greater care and consideration of the facts of life in South Africa that hamper women's advancement. Careful considerations of aspects of fiscal policy, including tax, social grants, retirement funding and gender-based budgeting, could halt the downward spiral of odds that progressively stack up against women as they navigate life. Without such informed and dedicated action and targeted fairness, addressing the plight of the poorest of the poor and eradicating the cycle of poverty for the current generation of children will remain merely a noble aspiration.

Anita

Wishing you happy reading!

University of Stellenbosch Research Chair - Women at Work
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Paper 1: Equal pay but unequal taxes?

by Dr Lee-Ann Steenkamp

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Equal pay but unequal taxes?

by Dr. Lee-Ann Steenkamp

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Fiscal policy comprises two elements, namely income and expenditure. The ways in which a government collects income through taxes, and spends it, are influenced by the societies and contexts for which the policy was designed. As such, fiscal policy is not immune to gender stereotyping. The traditional notions of men as 'breadwinners' and women as 'caretakers' have influenced tax laws for centuries.

Although some progress has been made in addressing the gender pay gap, more work remains to ensure that parity is also achieved in the taxes that women pay. Fiscal policy can – and should – be used to redress gender inequities. The UN, for example, envisages fair tax policies to give effect to the fifth Sustainable Development Goal (SDG5) regarding gender equality:[1]

"Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, **in accordance with national laws.**" *(Emphasis added)*

There are a number of frameworks used in the literature in assessing the impact of taxation on gender outcomes. One of the most common of these was initially developed by Stotsky,[2] and recognises the explicit and implicit biases in tax systems. In this article, I explore how tax systems can either perpetuate or overcome these biases.

BIASES IN THE TAX SYSTEM

Explicit biases stem largely from patriarchal traditions, and manifest as discriminatory tax legislation, regulations, and practices.[3] In such cases, the tax law provisions are legally linked to gender, for example, not allowing married women to file their own tax returns, as was the case in Jersey until fairly recently.[4]

During the apartheid regime, South Africa's tax system contained several discriminatory practices in terms of both gender and marital status. For instance, married men were taxed at lower rates than unmarried people, who, in turn, were taxed at a lower rate than married women.[5] This was because the tax legislation defined a 'married person' only as male,[6] and contained a separate category for married women. In addition, allowances for dependants only accrued to married men. Different primary rebates were assigned according to marital status, and the tax treatment for the deduction of retirement annuity fund contributions varied.[7]

1 *United Nations (UN) Sustainable Development Goals (2016). SDG5.A. https://www.un.org/sustainabledevelopment/gender-equality/*
2 *Stotsky, J. G. (1996). Gender bias in tax systems. IMF Working Paper No. 96/99. https://ssrn.com/abstract=882995 or http://dx.doi.org/10.2139/ssrn.882995*
3 *OECD (2022). Tax policy and gender equality: a stocktake of country approaches. OECD Publishing. https://doi.org/10.1787/b8177aea-en (p. 10).*
4 *Peltier, E. (2020). "Married women on the island of Jersey win control of their taxes". New York Times. https://www.nytimes.com/2020/02/05/world/europe/marriage-tax-jersey.html. Prior to this legislative amendment, a woman required her husband's permission to even discuss her financial affairs with the tax authority.*
5 *Grown, C. & Valodia, I. (Eds). (2010). Taxation and gender equity. Routledge.*
6 *Prior to being scrapped in 1995, the definition of a 'married person' in Section 1 of the Income Tax Act 58 of 1962 read as follows: a) any male person who during any portion of the period in respect of which any assessment is made, was married and not living apart from his spouse in circumstances which indicate that the separation is likely to be permanent, or any person who during any portion of such period was a widower or widow; or b) any person who is in respect of such period entitled to any rebate in respect of a child under section 6(3)(a).*
7 *At the time, this tax treatment was not viewed as being bigoted. On the contrary, it was premised on the assumption that married couples would enjoy economies of scale; that a married woman's income could be taxed at a higher rate, as it was an 'extra' income for the household; and that married couples would split their income equally.*

Fortunately, these provisions were outlawed with the inception of the Constitution. Unfortunately, though, the new tax dispensation also resulted in some unintended consequences in the form of implicit biases. This type of prejudice occurs when tax structures seemingly treat men and women equally but have unequal outcomes. Several examples have been identified in literature, including biases in tax structures and revenue levels and the gender composition of tax administrations.[8] For the sake of brevity, I will focus on value-added tax and personal income tax, as these two tax types contribute the largest share to South Africa's fiscus.[9]

VALUE-ADDED TAX (VAT)

VAT comprises the bulk of revenue collections in most low-income countries, and is the second-largest tax revenue stream for South Africa. Moreover, most women in developing countries do not earn sufficient formal income to pay personal income taxes.[10] Instead, they are typically taxed through indirect taxes on consumption, such as VAT.[11] Although VAT legislation seldom differentiates between men and women, the burden of consumption taxes falls disproportionately on the latter. This is due to the caregiving role fulfilled by women, who, as a result, spend a greater share of their lower income on collective household needs such as food, health, and education.[12]

Governments have introduced numerous forms of VAT relief to assist poorer taxpayers. In South Africa, for example, VAT is levied at 0% (instead of the usual 15%) on basic foodstuffs such as brown bread, maize meal, rice, fresh vegetables, and paraffin used for lighting or heating.[13] Following increased pressure from community advocacy organisations against so-called 'pink taxes', some feminine hygiene products were also afforded zero-rated status in South Africa in 2019.[14] Thus, no VAT may be charged by retailers on the sale of such goods, and (at least in theory) the 15% cost saving would be passed on to consumers.

PERSONAL INCOME TAX

In an attempt to address the country's high level of income inequality, South Africa's personal income tax (PIT) system is designed to achieve wealth redistribution. The PIT rates are progressive, meaning that a higher income is taxed at a proportionally higher rate.[15]

A gender-based analysis of the recent tax statistics of the South African Revenue Service (SARS) reveals a steady (albeit modest) increase in the percentage of female taxpayers in the last few years. As illustrated in Figure 1, below, currently, approximately 46% of personal income taxpayers are women.[16]

8 *Joshi, A. (n.d.). Tax and gender in developing countries: What are the issues? ICTD Summaries Brief Number 6. https://www.ictd.ac/publication/ictd-sumbrief6/ The author points out two possible benefits of focusing a gender lens on tax administrations. The first is that the performance of tax administrations might be enhanced if more women were employed. The second, concomitant advantage is to female taxpayers themselves, who are less vulnerable to intimidation and extortion by female tax collectors as opposed to male tax collectors.*

9 *SARS (2022). Tax Statistics 2021. https://www.sars.gov.za/about/sas-tax-and-customs-system/tax-statistics/*

10 *Joshi, A., Kangave, J., & Van den Boogaard, V. (2020). Gender and tax policies in the Global South. K4D Helpdesk Report 817. Institute of Development Studies, UK.*

11 *Joshi, A., Kangave, J., & Van den Boogaard, V. (2020). Gender and tax policies in the Global South. K4D Helpdesk Report 817. Institute of Development Studies, UK.*

12 *Joshi, A., Kangave, J., & Van den Boogaard, V. (2020). Gender and tax policies in the Global South. K4D Helpdesk Report 817. Institute of Development Studies, UK. (p. 10).*

13 *In terms of Section 11 of the Value-Added Tax Act 89 of 1991.*

14 *The supply of sanitary pads and panty liners are zero-rated in terms of s 11(1)(w), as set out in Part C of Schedule 2 to the Value-Added Tax Act 89 of 1991.*

15 *This is in contrast to a flat rate, such as the corporate tax rate of 27%, which remains the same, irrespective of the level of taxable income.*

16 *SARS (2022). Tax Statistics 2021. https://www.sars.gov.za/about/sas-tax-and-customs-system/tax-statistics/*

EQUAL PAY BUT UNEQUAL TAXES?

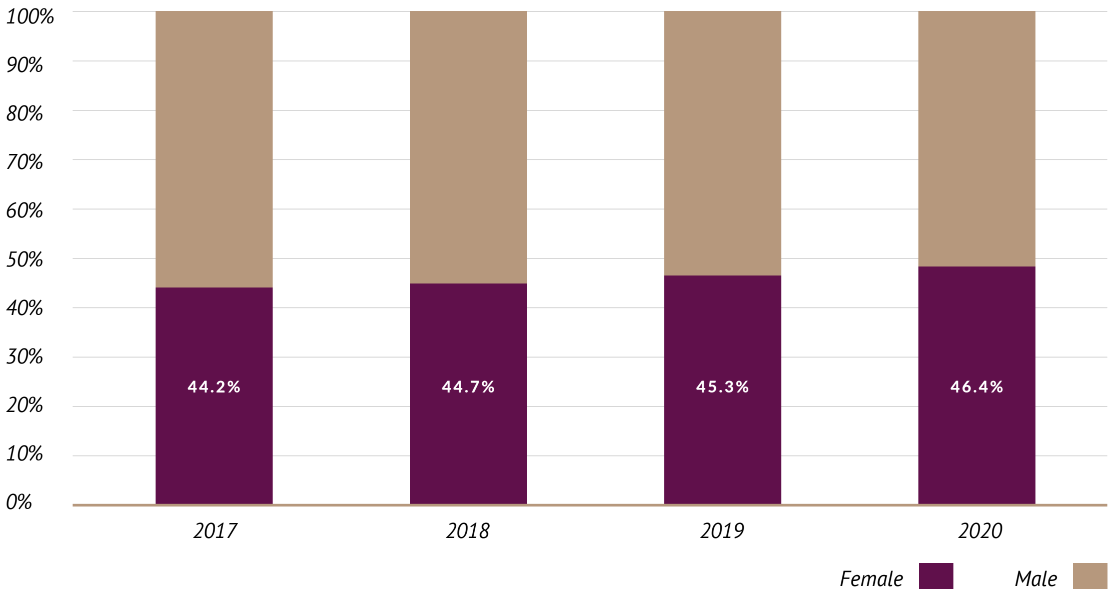

Figure 1: Gender distribution of assessed individual taxpayers (2017–2020)
Source: Author's own, based on data from SARS tax statistics (2021)

Nevertheless, women contributed only about one-third of total income taxes.[17] Thus, despite more women joining the ranks of taxpayers, their levels of taxable income are still much lower than those of men. This disparity is symptomatic of the country's historical gender pay gap and socio-economic inequalities. The result is that female taxpayers netted, on average, 19.3% less than their male counterparts, as measured by taxable income.[18]

Figure 2, below, indicates the spread of assessed individuals across the various income tax brackets. It is evident that women are more concentrated in the lower brackets. Furthermore, as the level of taxable income rises, the proportion of female taxpayers declines significantly, with the higher income tax brackets dominated by male taxpayers. In fact, for the 2020 tax year, only about 14% of the top earners were women.[19]

17 SARS (2022). Tax Statistics 2021. https://www.sars.gov.za/about/sas-tax-and-customs-system/tax-statistics/ 33.7% of the country's personal income tax liability was borne by women.

18 SARS (2022). Tax Statistics 2021. https://www.sars.gov.za/about/sas-tax-and-customs-system/tax-statistics/

19 SARS (2022). Tax Statistics 2021. https://www.sars.gov.za/about/sas-tax-and-customs-system/tax-statistics/

EQUAL PAY BUT UNEQUAL TAXES?

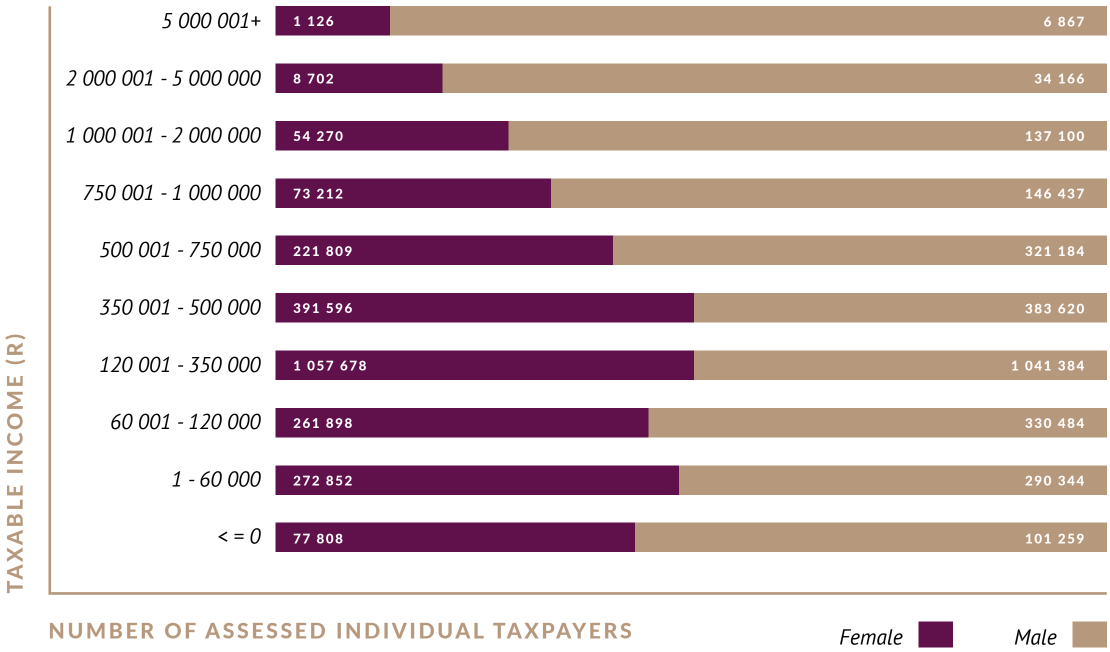

Figure 2: Gender distribution per income tax bracket (2017–2020)
Source: SARS (2022) Tax Statistics 2021

Given its progressive nature, it could be argued that South Africa's PIT system addresses gender biases in the labour market. Yet, despite the removal of the explicit discrimination occurrences mentioned earlier, the unisex tax tables have not adequately addressed the equity problem. In fact, the revised tax system seems to have deepened inequities between single-earner and dual-earner households.

SINGLE-EARNER HOUSEHOLDS

In terms of current South African income tax legislation, each individual is a separate taxpayer in his or her own right, regardless of marital status. Similarly, each individual is entitled to certain tax breaks, such as interest exemptions and personal tax rebates, which are determined by the person's age. As a result, dual-income households benefit twice from these tax breaks, which are only available once to single-earner households. This duality is best explained by way of a simplified example, wherein the personal income tax liability for two hypothetical households is calculated.

The following assumptions apply:

- *Each household earns R17 000 per month, all by way of salaried earnings;*
- *No other types of income (e.g., interest or dividends) were earned;*
- *No tax exemptions or deductions are available;*
- *The adults are younger than 65, and the children are younger than 18; and*
- *The income tax rates and rebates apply in respect of the 2023 tax year.*

EQUAL PAY BUT UNEQUAL TAXES?

Household composition	Dual-earner household			Single-earner household
	Working husband (earns R9 000 p.m.)			Working single mother (earns R17 000 p.m.)
	Working wife (earns R8 000 p.m.)			
	Two minor children			Two minor children
	Husband	**Wife**	**Total**	**Single Mother**
Taxable income	R108 000	R96 000	R204 000	R204 000
Tax at 18%	R19 440	R17 280		R36 720
Less: Primary rebate (< 65yr)	- R16 425	- R16 425		- R16 425
Income tax liability	R3 015	R855	R3 870	R20 295
Difference: R16 425				

Table 1 (Tax disparity in households) displays the calculated income tax liabilities for each household.
Source: Author's own, adapted from Jaffer (2020)[20]

The above example is illustrative of the fact that dual-earner households benefit twice from the same tax breaks, leading to significantly lower taxes. In this case, the single-earner household pays R16 425 more in taxes, which is equal to the primary rebate.

In light of the fact that nearly one-fifth of South African households consisted of a single person in 2020, this tax discrepancy deserves closer attention.[21] The gender ramifications are also pronounced, given that South Africa has a high prevalence (41.9% in 2020) of female-breadwinner households.[22] In addition, when it comes to child-rearing, single mothers by far shoulder the most responsibility, with 41.7% of children living with only their mothers, compared to 4.4% living with only their fathers.[23]

FISCAL POLICIES TO PROMOTE GENDER EQUALITY

A 'fair' tax system is premised on, amongst others, two economic theories. The first pertains to horizontal equity, which is achieved when taxpayers in the same economic position are taxed equally. The second refers to vertical equity, whereby the tax burden is distributed across a society's socio-economic spectrum.[24] In other words, taxpayers who experience different economic circumstances must be treated differently. South Africa's progressive income tax rates are a good step in the right direction in enhancing vertical equity in terms of income levels. However, more should be done to promote gender equity.

"Fiscal policy can play a supportive role as part of a nation's larger gender transformation agenda. In order to do so, Treasury departments must aim to gather more comprehensive gender-disaggregated data around consumption patterns and women in the informal economy, and conduct gender-impact analyses for tax policies."[25]

20 *Jaffer, T. (2020). Women's rights are human rights – a review of gender bias in South African tax law. M.Com thesis, University of Pretoria.*
21 *StatsSA (2021). General Household Survey 2020. https://www.statssa.gov.za/publications/P0318/P03182020.pdf StatsSA's definition of a 'household' is much narrower than that of a 'family'. The former is seen as "all individuals who live together under the same roof or in the same yard, and who share resources such as food or money to keep the household functioning", whereas the latter refers to "individuals who are related by blood and who may live very far apart".*
22 *StatsSA (2021). General Household Survey 2020. https://www.statssa.gov.za/publications/P0318/P03182020.pdf*
23 *StatsSA (2021). General Household Survey 2020. https://www.statssa.gov.za/publications/P0318/P03182020.pdf*
24 *Elkins, D. (2006). Horizontal equity as a principle of tax theory. Yale Law & Policy Review, 24.*
25 *Joshi, A., Kangave, J., & Van den Boogaard, V. (2020). Gender and tax policies in the Global South. K4D Helpdesk Report 817. Institute of Development Studies, UK (p. 21).*

EQUAL PAY BUT UNEQUAL TAXES?

When public services (for example, health and education) are under-resourced and communities are under-served, women and girls typically have to step in and provide unpaid or low-paid care work.[26] Governments should therefore consider expenditure-side strategies for enabling women to earn a decent income instead of performing unpaid care. This may be achieved through broadening access to free or affordable healthcare, education, water, and social protection, or by way of implementing social payments for care work.[27]

On the income side, tax laws could be redesigned to incorporate elements of affirmative action in favour of women, e.g., higher tax thresholds for women;[28] expanding zero-rated VAT on goods and services that support households; tax breaks for female-owned businesses;[29] reduced tax rates on property owned by women;[30] and gender-friendly tax education.[31] Another pragmatic suggestion is to allow a tax deduction for childcare costs.[32] Indeed, prior to 1994, a child tax rebate was available, but was since removed on the basis that it provided only minimal relief, and also that wealthier families unfairly benefitted from this.[33] However, policymakers could reconsider the introduction of some form of tax relief for childcare costs, which could be means-tested and capped to ensure equitable treatment.[34]

Achieving gender equity in tax systems is fundamental to supporting inclusive growth, which, in turn, can encourage labour force participation, enhance entrepreneurship and investment decisions, and ultimately improve the well-being of all citizens — men and women.[35]

26 *Joshi, A., Kangave, J., & Van den Boogaard, V. (2020). Gender and tax policies in the Global South. K4D Helpdesk Report 817. Institute of Development Studies, UK. (p. 5).*

27 *Joshi, A., Kangave, J., & Van den Boogaard, V. (2020). Gender and tax policies in the Global South. K4D Helpdesk Report 817. Institute of Development Studies, UK (p. 21).*

28 *The tax threshold is the point at which a person becomes liable to pay income tax. Thus, a higher threshold would benefit lower-income earners, as they would not need to pay income tax.*

29 *Tax breaks could take on a variety of forms, including lower tax rates, additional tax deductions allowed, and a simplified administrative process for submitting tax returns.*

30 *Alencar, H., Kuijper, C., & Theunissen, G. (2019). Gender and taxes. Oxfam, Tax Justice Network Africa. https://policy-practice.oxfam.org/resources/gender-and-taxes-the-gendered-nature-of-fiscal-systems-and-the-fair-tax-monitor-620868/ state that reducing property tax rates for women-owned (or jointly owned) real estate might provide an incentive to register property in women's names, thereby increasing their control over assets.*

31 *Joshi, A., Kangave, J., & Van den Boogaard, V. (2020). Gender and tax policies in the Global South. K4D Helpdesk Report 817. Institute of Development Studies, UK. (p. 21).*

32 *Jaffer, T. (2020). Women's rights are human rights – a review of gender bias in South African tax law. M.Com thesis, University of Pretoria. (p. 64).*

33 *Jaffer, T. (2020). Women's rights are human rights – a review of gender bias in South African tax law. M.Com thesis, University of Pretoria. (p. 64).*

34 *This is not to be confused with the existing child support grant of R480 per month, which operates independently of the tax system. This is a social grant aimed at covering the basic needs of children whose parents or guardians are financially unable to do so. More information is available at https://www.sassa.gov.za/Pages/Child-Support-Grant.aspx*

35 *OECD. (2022). Tax policy and gender equality: A stocktake of country approaches. OECD Publishing. https://doi.org/10.1787/b8177aea-en (p. 8).*

About the author

PAPER 1: EQUAL PAY BUT UNEQUAL TAXES?

Every year, we are privileged to have some of the foremost experts in their fields contribute to the Women's Report. Their insights, research, and thoughts on topics provide fresh perspectives on the advancement of gender equality at work. Experts come from the ranks of practitioners and researchers, and topics span women at work and the spill-over of perspectives on gender, at home and in society, on paid work.

DR LEE-ANN STEENKAMP

Dr Lee-Ann Steenkamp is a tax and accounting lecturer at Stellenbosch Business School where she teaches on the MBA and the Postgraduate Diploma in Financial Planning. She is also an Extraordinary Professor in Tax at the University of South Africa (UNISA). Lee-Ann is a National Research Foundation (NRF) rated researcher, the first woman from the Business School to receive this prestigious accolade. She obtained her PhD in Public Law from the University of Cape Town, wherein she examined the transition from the old Kyoto Protocol to the new Paris Agreement on Climate Change. She holds a Master's degree in taxation and is a registered Master Tax Practitioner (SA)TM. Her research focuses on 'green tax' issues, including biodiversity conservation, the taxing of energy use in developing countries and, most notably, South Africa's new carbon tax.

Lee-Ann supervises numerous MBA, MPhil Development Finance, and doctoral students, and frequently publishes in peer-reviewed journals. She is a contributing author to a number of books and university-prescribed textbooks, and presents at international conferences. Lee-Ann is Programme Director for the Postgraduate Diploma in Financial Planning, which is accredited by the Financial Planning Institute of Southern Africa (FPI).

She advises on carbon tax policy matters, and chairs the South African Institute of Chartered Accountants (SAICA) Carbon Tax Subcommittee, which provides input to National Treasury, and serves on the African Tax Administration Forum (ATAF). In addition, she is a member of the Steering Committee for the biennial International Conference on Clean Electrical Power held in Italy.

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Paper 2: Mind the gender pension gap!

by Dr Lee-Ann Steenkamp

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Mind the gender pension gap!

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In a country with one of the highest unemployment rates in the world,[1] earning a wage or salary is beyond the reach of millions of South Africans. For many individuals, the struggle to eke out a daily existence supersedes any aspirations to provide for retirement. Even amongst those fortunate to be employed, most cannot afford to retire.[2] Viewing this social dilemma through a gender lens brings into focus another concern. The inequality in wages earned by men and women, i.e. the gender pay gap, is well documented and commonly reported to be at approximately 10% to 20% in the Western world.[3] This leads to an even greater disparity — income available at retirement, i.e. the gender pension gap.

The Organisation for Economic Co-operation and Development (OECD) defines the gender pension gap as "the difference between the average retirement income of men and women in the latest year available",[4] i.e. the difference between men's and women's accumulated wealth at retirement. Several studies have attempted to quantify the gender pension gap, with estimates ranging from 37% in the EU[5] to 30% in the UK,[6] and 26% in OECD countries.[7] South Africa's gender pension gap mirrors that of the OECD, with the average difference in retirement income between men and women measuring 26%.[8]

Quite simply, women generally cannot afford to retire as soon or as comfortably as their male counterparts — if at all. In this article, I provide a brief overview of some of the factors contributing to the gender pension gap, together with suggested solutions to bridge the difference.

FACTORS DRIVING THE GENDER PENSION GAP

A myriad of labour market, cultural, behavioural, and biological forces converge to hamper the financial security of women retirees. This interplay also affects the way in which retirement schemes benefit women.

Labour market factors

Historical work discrepancies have made a significant contribution to the current gender pension gap. As a starting point, a gender pay gap, over time, translates into differences in retirement income — the less you earn, the less you are able to save for retirement. Fortunately, the global gender wage gap seems to be declining, evident at least in the pre-COVID-19 era. In OECD countries, for example, the gap narrowed from 18% in 2000 to 13% in 2018.[9]

South Africa is no exception to gender pay discrimination, having experienced persistent wage gaps across all sectors.

1 *According to StatsSA's (2022) Quarterly Labour Force Survey – Q4: 2021, the unemployment rate stood at 35.3% in the fourth quarter of 2021. http://www.statssa.gov.za/publications/P0211/P02114thQuarter2021.pdf*
2 *Genesis Analytics and Financial Sector Conduct Authority (FSCA) (2022). Financial sector outlook study. The report also indicates that more than 90% of retirees are unable to maintain their prior standard of living after retirement. https://genesis.imgix.net/uploads/files/FSCA-Financial-Sector-Outlook-Study-2022.pdf*
3 *World Economic Forum (WEF) (2018). The scary facts between the gender pension gap. https://www.weforum.org/agenda/2018/03/retired-women-less-money-pensions-than-men/*
4 *OECD (2021). Pensions at a glance (p. 174).*
5 *World Economic Forum (WEF) (2018). How we can save (for) our future (p. 29). https://www3.weforum.org/docs/WP_How_We_Can_Save_for_Our_Future_report_2018.pdf*
6 *NOW: Pensions Trust. (2020). Facing an unequal future. https://www.nowpensions.com/app/uploads/2020/12/NP-gender-pensions-gap-report.pdf*
7 *OECD (2021). Towards improved retirement savings outcomes for women. (p. 174).*
8 *AlexanderForbes (2021). Member insights. Incorporating the data of over one million members, this report is one of the most extensive membership samples of all retirement fund surveys in South Africa. https://issuu.com/alexanderforbescomms/docs/member_insights_issuu*
9 *OECD (2021). Towards improved retirement savings outcomes for women. (p. 20).*

MIND THE GENDER PENSION GAP!

Despite the country's mean gender pay gap having decreased from 40% in 1993 to 16% in 2016, the median gap remained inert at between 23% and 35% over the same period.[10] This distinction is important, as it reflects the pervasive high-income inequality in South Africa, and is suggestive that minimum wage legislation assisted in diminishing the wage gap only at the lower end of the income distribution.[11]

A compounding factor is the lower employment rate of women, as illustrated in Figure 1, below. Despite a slight improvement in employment rates of both men and women over the last decade, it is obvious that women lag far behind in participation in the South African labour market.

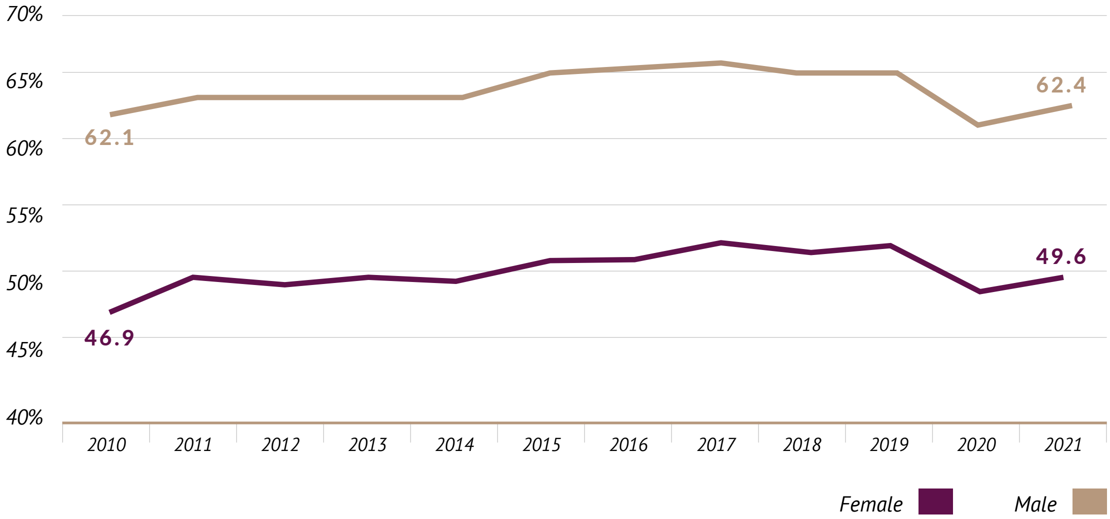

Figure 1: Labour participation rates in South Africa
Author's own, based on data from the ILO (2022)[12]

The gender pension gap may also be ascribed to the fact that, in South Africa, more women than men hold part-time jobs – approximately 59% of part-time employees are women.[13] Part-time or contract employees have less income available to dedicate to saving for retirement, and most are excluded from participating in organisations' retirement schemes.[14] Part-time employees generally earn less than those in full-time employment, and their income is not guaranteed in the longer term, making it difficult to commit to contributions to a private retirement savings instrument.

Lastly, women tend to have shorter careers, as explored in the next paragraph.

Cultural, behavioural, and biological factors

Owing to cultural and behavioural biases, women are generally considered the primary caregivers. Consequently, women's careers are typically one-third shorter than those of men.[15] This is due to a late start in order to have children, career breaks following childbirth, and/

10 *Mosomi, J. (2019). Distributional changes in the gender wage gap in the post-apartheid South African labour market. WIDER Working Paper 2019/17. UNU-WIDER.*

11 *Mosomi, J. (2019). Distributional changes in the gender wage gap in the post-apartheid South African labour market. WIDER Working Paper 2019/17. UNU-WIDER.*

12 *ILOStat database (2022). https://www.ilo.org/shinyapps/bulkexplorer28/?lang=en&segment=indicator&id=EAP_DWAP_SEX_AGE_RT_A&ref_area=ZAF*

13 *OECDStat database (2022). https://stats.oecd.org/OECDStat_Metadata/ShowMetadata.ashx?Dataset=LFS_SEXAGE_I_R&ShowOnWeb=true&Lang=en*

14 *OECD (2021). Towards improved retirement savings outcomes for women (p. 110). Eligibility criteria of a minimum number of working hours or a minimum income threshold appear in occupational pension plans in Australia, Canada, Japan, Switzerland, the UK, and Korea. In South Africa, the fund rules can specify the criteria for eligible employees, who are typically full-time employees.*

15 *OECD (2021). Towards improved retirement savings outcomes for women. (p. 20).*

or taking time out for caregiving responsibilities for children, elderly parents, and/or other dependants. This type of work is largely unrecognised and unpaid, and can significantly erode a woman's ability to save for her retirement.

In South Africa, care activities constitute 13.3% of women's non-market time, compared to 7.6% for men.[16] In fact, a recent study by the International Labour Organization (ILO) confirmed that most of the care work in South Africa is performed by women, who are habitually "underpaid", and whose services are "undervalued".[17]

Gender stereotyping can also influence a woman's career choices and negatively impact her work prospects and financial literacy.[18] In South Africa, at least, the Southern Africa Labour and Development Research Unit (SALDRU) concluded that the gender financial literacy gap seems to be absent.[19]

Although both men and women are now living longer, women still live longer than men. This means that women have a longer life expectancy with regard to both periods of health and periods of disability. South African women have, on average, a life expectancy at birth of 64.6 years, versus 59.3 years for men.[20] As a result, women face higher healthcare costs than men, and are also more likely to live alone in retirement. Women retirees therefore need to stretch their retirement income for longer, and may need more expensive healthcare for longer.

NARROWING THE GENDER PENSION GAP

The gender pension gap is a complex, multi-faceted problem, and closing the gap will require a concerted effort on a multi-stakeholder level by government, the pension fund industry, employers, and individuals themselves. Regarding the link between employment status and pension scheme coverage, three general policy directives emerge,[21] under which numerous suggestions can be put forward to shrink the gender pension gap.[22]

Women's workforce participation and lifetime earnings

The valorisation of unpaid care work will go a long way towards boosting women's earnings and retirement savings. Employers and the government may consider subsidised maternity leave, credits or tax breaks for childcare and other caretaking duties, and offering a measure of support for sole parents. Retirement schemes could embark on targeted communication to educate women on the importance of making regular pension contributions, offer more flexibility with respect to contributions, and enhance the portability of plans.

Intelligent retirement scheme design

"Retirement schemes should take into account the gender differences that cause women to participate less in retirement schemes or make smaller contributions. Retirement schemes should make provision for women's irregular career patterns, including career breaks."

16 *Oosthuizen, M. (2018). Counting women's work in South Africa: Incorporating unpaid work into estimates of the Economic Lifecycle in 2010 (No. cwwwp8). Calculations are based on a population aged 10 years and older. Non-market services include activities such as cooking, cleaning, and caregiving.*

17 *Shai, L. (2021). Public employment programmes in the care economy: The case of South Africa. ILO Working Paper 29 (p. 9).*

18 *OECD (2021). Towards improved retirement savings outcomes for women. (p. 45).*

19 *Nanziri, L.E. & Olckers, M. (2019). Financial literacy in South Africa. SALDRU Working Paper 242.*

20 *StatsSA. (2021). Mid-year population estimates. https://www.statssa.gov.za/publications/P0302/P03022021.pdf*

21 *Jefferson, T. (2009). Women and retirement pensions: A research review. Feminist Economics, 15(4): 115-145.*

22 *OECD (2021). Towards improved retirement savings outcomes for women; Jefferson, T. (2009). Women and retirement pensions: A research review. Feminist Economics, 15(4): 115-145. Other recommendations have already, to a certain extent, been implemented in South Africa.*

Most, but not all, OECD countries specify the same retirement age for men and women.[23] This is also the case in South Africa, but there is little to no flexibility around a mandatory retirement age to accommodate pre-retirement women who have caregiving responsibilities for grandchildren or an ailing husband.

Mortality tables are commonly used by pension funds and annuity providers to price their products and retirement schemes.[24] Due to the differences in the life expectancy of men and women, mortality tables are typically constructed separately for men and women. A country's adoption of a unisex mortality table might be one way of levelling the playing field when calculating retirement benefits.[25] A unisex table would have a potentially redistributive effect, whereby those with a shorter life expectancy (usually men) subsidise those with a longer life expectancy (usually women).[26]

Access to pension benefits independent of workforce participation

Government could mandate minimum retirement benefits, as proposed by the Department of Social Development via the National Social Security Fund (NSSF) in 2021.[27] Currently, the South African government pays an older persons grant through the South African Social Security Agency (SASSA) to indigent pensioners who meet certain requirements.[28] However, no gender distinction is made with regard to the amount of the grant.

Another policy consideration is to provide financial incentives for women to join a retirement fund, or to increase their contributions.[29] One option is to offer larger tax breaks for low-income contributors. Another is to encourage spouses to make additional contributions to the retirement savings of lower-income partners. In addition, government-matched contributions could provide the necessary impetus to encourage women to save more towards their retirement.

CONCLUSION

Women's financial literacy and independence should be encouraged from a young age. Many women rely on their life partner to manage their finances and to provide for them in their old age. However, abdicating financial responsibilities to one's partner is, in my opinion, risky and unwise. As cautioned in the title of a report by the Australian Parliament:

"A husband is not a retirement plan."[30]

Given that women live longer, earn less, need more money for a longer old age, and may therefore also face a greater need for healthcare — which is becoming increasingly expensive — we need to carefully consider starting provision for retirement early, while taking into account the effects of family plans and care responsibilities.

23 *OECD (2021). Towards improved retirement savings outcomes for women. (p. 149).*

24 *Also known as a 'life table' or an 'actuarial table', it indicates the general probability of a person's death before his or her next birthday, based on current age.*

25 *However, caution should be exercised for this option, as a unisex mortality table might end up increasing women's risks in some circumstances, e.g., under a phased withdrawal programme. See in this regard Dus, I., Maurer, R., & Mitchell, O.S. (2005). Betting on death and capital markets in retirement: A shortfall risk analysis of life annuities. National Bureau of Economic Research Working Paper 11271.*

26 *Jefferson, T. (2009). Women and retirement pensions: A research review. Feminist Economics, 15(4): 115-145.*

27 *In August 2021, the South African Department of Social Development gazetted its controversial Green Paper on Comprehensive Social Security and Retirement Reform for public comment. It proposed, amongst others, the introduction of a mandatory pension and insurance system. The NSSF was supposed to provide pensions to all workers, whether self-employed or working in the formal or informal sector, and would complement existing social assistance programmes and private arrangements. https://www.gov.za/documents/green-paper-comprehensive-social-security-and-retirement-reform-comments-invited-18-aug This paper was subsequently hastily withdrawn, following severe criticism from taxpayers and industry.*

28 *Previously known as the 'Old Age Pension', the maximum monthly grant now amounts to R1 980, and increases slightly, to R2 000, for those aged 75 years and above. https://www.gov.za/services/social-benefits-retirement-and-old-age/old-age-pension*

29 *OECD (2021). Towards improved retirement savings outcomes for women. (p. 144).*

30 *Parliament of Australia. (2016). "A husband is not a retirement plan" — Achieving economic security for women in retirement. https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Economic_security_for_women_in_retirement/Report*

About the author

PAPER 2: MIND THE GENDER PENSION GAP!

Every year, we are privileged to have some of the foremost experts in their fields contribute to the Women's Report. Their insights, research, and thoughts on topics provide fresh perspectives on the advancement of gender equality at work. Experts come from the ranks of practitioners and researchers, and topics span women at work and the spill-over of perspectives on gender, at home and in society, on paid work.

DR LEE-ANN STEENKAMP

Dr Lee-Ann Steenkamp is a tax and accounting lecturer at Stellenbosch Business School where she teaches on the MBA and the Postgraduate Diploma in Financial Planning. She is also an Extraordinary Professor in Tax at the University of South Africa (UNISA). Lee-Ann is a National Research Foundation (NRF) rated researcher, the first woman from the Business School to receive this prestigious accolade. She obtained her PhD in Public Law from the University of Cape Town, wherein she examined the transition from the old Kyoto Protocol to the new Paris Agreement on Climate Change. She holds a Master's degree in taxation and is a registered Master Tax Practitioner (SA)TM. Her research focuses on 'green tax' issues, including biodiversity conservation, the taxing of energy use in developing countries and, most notably, South Africa's new carbon tax.

Lee-Ann supervises numerous MBA, MPhil Development Finance, and doctoral students, and frequently publishes in peer-reviewed journals. She is a contributing author to a number of books and university-prescribed textbooks, and presents at international conferences. Lee-Ann is Programme Director for the Postgraduate Diploma in Financial Planning, which is accredited by the Financial Planning Institute of Southern Africa (FPI).

She advises on carbon tax policy matters, and chairs the South African Institute of Chartered Accountants (SAICA) Carbon Tax Subcommittee, which provides input to National Treasury, and serves on the African Tax Administration Forum (ATAF). In addition, she is a member of the Steering Committee for the biennial International Conference on Clean Electrical Power held in Italy.

WOMEN'S WR REPORT

EVIDENCE-BASED INSIGHTS ABOUT WOMEN AT WORK

WOMEN'S REPORT 2022

Paper 3: The role of social grants in economically enabling South African women

by Prof. Ingrid Woolard

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The role of social grants in economically enabling South African women

by Prof. Ingrid Woolard

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South Africa has a well-developed system of social assistance grants that are, partly by design, paid out mainly to women. The prioritisation of social assistance in the national budget is in line with Section 27(1) of the Constitution, which states that "everyone has the right to have access to … social security, including, if they are unable to support themselves and their dependants, appropriate social assistance".

This Constitutional framework has given rise to a system of social grants that provides primarily for categories of individuals who are considered least likely to be able to provide for their own needs, namely the elderly, people living with disabilities, and children. Excluding the temporary Social Relief of Distress 'COVID' Grant,[1] 18.3 million grants are paid out each month, of which 13.6 million are for children. The cost of these grants amounts to 3.1% of the gross domestic product,[2] which is double the median spending across developing and transitioning economies.[3]

GRANTS SUPPORT POOR FAMILIES

The grants are a key action in government's anti-poverty strategy. Goldman et al.[4] found that grants keep about 6 million people above the food poverty line of R624 per person per month. The grants are exceptionally well targeted: Figure 1 shows grant receipt by decile (where Decile 1 is the poorest 10% of households and Decile 10 is the richest 10% of households). Figure 1 shows that the Child Support Grant (CSG) is the most pro-poor of the grants, with 74% of households in Decile 1 receiving the CSG, compared to less than 1% of households in the richest decile.[5] The grants thus play an important role in reducing short-run extreme poverty and ensuring that people are able to eat and obtain the most basic necessities.

1 *The SRD grant of R350 per month was initiated in May 2020 as a temporary form of emergency relief for individuals reporting no income. At the time of writing (May 2022), the SRD grant had been extended for a fourth time (until March 2023), with about 9.7 million people currently in receipt of the SRD.*

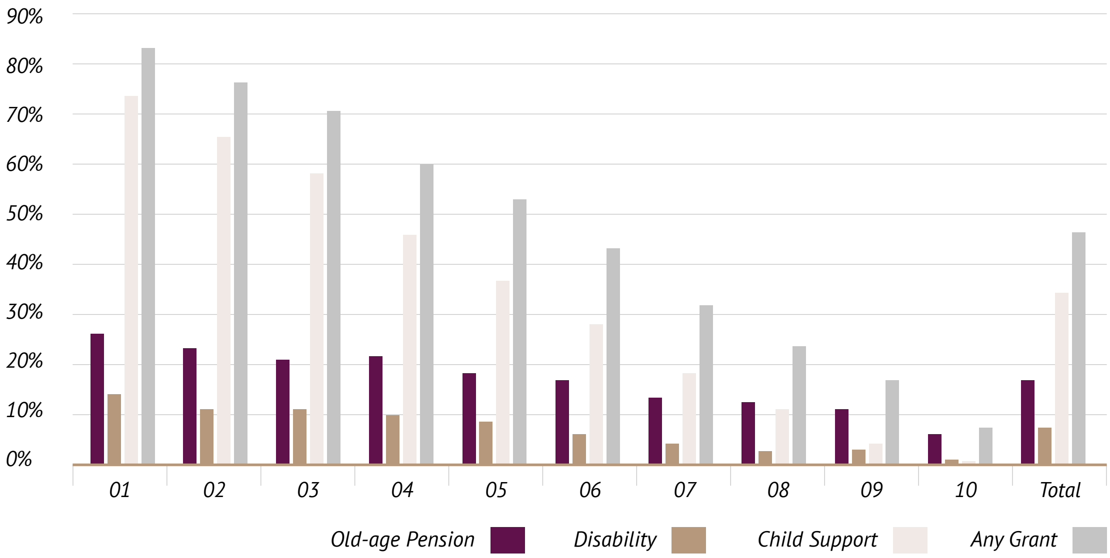
2 *National Treasury (2022). Budget Review 2022. Available at http://www.treasury.gov.za/documents/national%20budget/2022/review/FullBR.pdf*

3 *World Bank (2018). The state of social safety nets 2018. World Bank. DOI: 10.1596/978-1-4648-1254-5*

4 *Goldman, M., Bassier, I., Budlender, J., Mzankomo, L., Woolard, I., & Leibbrandt, M. (2021). Simulation of options to replace the special COVID-19 Social Relief of Distress grant and close the poverty gap at the food poverty line. WIDER Working Paper 2021/165. UNU-WIDER.*

5 *It is possible for a child living in a Decile 10 household to be eligible for the CSG, as eligibility depends only on the income of the caregiver and his/her spouse, not the income of the entire household.*

THE ROLE OF SOCIAL GRANTS IN ECONOMICALLY ENABLING SOUTH AFRICAN WOMEN



Source: Own analysis of 2014/15 Living Conditions Survey of Stats SA

GRANTS AS A MECHANISM FOR INCREASING HUMAN CAPITAL

In addition to reducing immediate poverty and hunger, the grants play a role in helping to break the cycle of poverty for the next generation. Grants provide a predictable and reliable source of income, which can have significant effects on the capacity of households to invest in human and physical capital. There is evidence that household receipt of the Old-age Pension (OAP) has a positive effect on child nutrition,[6] despite the grant being intended to support the older adult. The effect is particularly strong when the pensioner is a woman.

A consequence of spatial apartheid planning is that pensioners are often located in rural areas (especially the former homelands), while jobs are more likely to be located in urban areas, making economic migration a necessity for many. Two influential papers[7] [8] have shown that women are significantly more likely to be migrant workers when they are members of a household in receipt of a pension, especially when the pension recipient is female, an illustration of women enabling other women to be economically active. The authors postulate that the pension income relieves financial and childcare constraints on job searches.

There is also evidence that the grants have a positive effect on child nutrition. Agüero, Carter, and Woolard[9] found that children who received the CSG during the first three years of their life (that is, within the so-called 'nutritional window' during which adult height is largely determined) have significantly higher height-for-age scores than those who did not. More recently, Eyal et al.[10] found that the CSG has a positive effect on keeping adolescents in school. CSG beneficiaries have enrolment rates about 10 percentage points higher than non-beneficiaries.

6 *Hamoudi, A. & Thomas, D. 2005. Pension income and the well-being of children and grandchildren: New evidence from South Africa. California Center for Population Research On-Line Working Paper Series No. 043-05. University of California.*

7 *Posel, D., Fairburn, J., & Lund, F. (2006). Labour migration and households: A reconsideration of the effects of the social pension on labour supply in South Africa. Economic Modelling, 23(5): 836-853.*

8 *Ardington, C., Case, A., & Hosegood, V. (2009). Labor supply responses to large social transfers: Longitudinal evidence from South Africa. American Economic Journal: Applied Economics, 1(1): 22-48.*

9 *Agüero, J., Carter, M., & Woolard, I. (2007). The impact of unconditional cash transfers on nutrition: The South African Child Support Grant. International Policy Centre for Inclusive Growth Working Paper No. 39. IPC.*

10 *Eyal, K., Woolard, I., & Burns, J. (2018). More than just a black-board: Cash transfers and adolescent education in South Africa. SALDRU, UCT. SALDRU Working Paper Number 125, Version 2.*

"The CSG, like the OAP, is clearly a key instrument in improving both health- and educational outcomes of South African children."

GRANTS GO PRIMARILY TO WOMEN

More than three-fifths of OAPs go to women[11]. This is unsurprising, given that women live longer than men, and they are less likely to have been able to accumulate private savings prior to retirement. This is as a result of historical and persistent labour market inequalities, as well as the disproportionate burden of household and care responsibilities borne by women.

The CSG is intended to "follow the child", and should be paid to the person who is primarily responsible for the day-to-day care of the child. Almost all (96%)[11] of CSG payments go to women, usually (but not necessarily) the biological mother or grandmother of the child. This is largely by design: the architects of the CSG,[12] the Lund Commission, were led by international empirical evidence that women are more likely to utilise cash transfers to purchase food and child goods.

GRANTS AND TEEN PREGNANCY

There is ongoing public discussion as to whether the child grants might encourage childbearing, particularly amongst teenagers. The empirical evidence, however, runs counter to this. First, recent national surveys suggest that the number of pregnancies among young women is not increasing,[13] despite the expansion of the CSG over the past two decades. Second, survey data suggest that younger mothers are much less likely than older mothers to apply for the CSG, even when the child meets the eligibility criteria.

It is not clear why this is, but it is possible that young mothers are embarrassed to apply, or are under the impression that they cannot access a CSG for their own child while they themselves are still technically a child (and themselves the 'child' beneficiary of a CSG, since this extends up the age of 18). Third, the evidence is clear that most teenage pregnancies are unplanned and often unwanted, with pregnancy and childbearing being the result of inadequate knowledge about sex, unequal gender relations, a lack of access to contraceptive services, and risky behaviours.[14]

"The evidence therefore does not support the idea that the availability of the CSG increases teenage childbearing."

GRANTS AS A MECHANISM FOR EMPOWERMENT

The grants play a transformative role beyond the immediate benefits of redistributing cash. Recent qualitative evidence[15] shows that receipt of this small, regular income provided by the CSG expands women's autonomy, choices, dignity, and social recognition. The CSG gives women some small measure of financial independence and increases decision-making power over financial resources and decisions about children's well-being.[16] There is also some evidence that CSG receipt enhances a woman's ability to participate in community life, for example, through participation in rotational savings schemes ('stokvels'), which, in turn, have positive impacts on social cohesion and reciprocity amongst each other.

11 *Own analysis of the Living Conditions Survey 2014/15. StatsSA.*

12 *https://www.gov.za/documents/report-lund-committee-child-and-family-support*

13 *Statistics South Africa (2017). Demographic and Health Survey 2016: Key indicator report. Stats SA.*

14 *Ngubane, N. & Maharaj, P. (2018). Childbearing in the context of the Child Support Grant in a rural area in South Africa. Sage Open. DOI: 10.1177/2158244018817596*

15 *Granlund, S. & Hochfeld, T. (2020). "That Child Support Grant gives me powers" – Exploring social and relational aspects of cash transfers in South Africa in times of livelihood change. The Journal of Development Studies, 56(6): 1230-1244. DOI: 10.1080/00220388.2019.1650170*

16 *Patel, L. & Hochfeld, T. (2011). It buys food but does it change gender relations? Child Support Grants in Soweto, South Africa. Gender and Development, 19(2): 229-240.*

CONCLUSION

The extensive system of social grants increases women's incomes and lessens the gender poverty gap. The grants assist women in meeting the basic needs of their families and keeping their children in school, in the hope of a better future for the next generation. Further, there is evidence that household grant receipt increases job searches by loosening financial and childcare constraints, running counter to the widely held belief that the grants promote dependency and welfarism.

Despite the small value of the grants, access to this reliable form of income increases women's autonomy and promotes social cohesion among groups of women. While grants are certainly not a silver bullet for solving all of South Africa's ills, they are an important part of an overall package of economic support.

About the author

THE ROLE OF SOCIAL GRANTS IN ECONOMICALLY ENABLING SOUTH AFRICAN WOMEN

Every year, we are privileged to have some of the foremost experts in their fields contribute to the Women's Report. Their insights, research, and thoughts on topics provide fresh perspectives on the advancement of gender equality at work. Experts come from the ranks of practitioners and researchers, and topics span women at work and the spill-over of perspectives on gender, at home and in society, on paid work.

PROF. INGRID WOOLARD

Ingrid Woolard is the Dean of the Faculty of Economic and Management Sciences at Stellenbosch University, the first woman to hold this position. She is also a Professor of Economics at Stellenbosch University and an Honorary Professor of Economics at the University of Cape Town. She obtained her PhD in Economics at the University of Cape Town in 2002. She has previously worked at the National Treasury, Nelson Mandela University, the University of KwaZulu-Natal, the Human Sciences Research Council and the University of Cape Town. Her areas of research interest include the measurement of poverty and inequality, unemployment, social protection and fiscal policy.

She is a Research Affiliate at the Southern Africa Labour and Development Research Unit (SALDRU) at the University of Cape Town, at the Institute for the Study of Labour (IZA) in Bonn and at the Commitment to Equity Institute at Tulane University in New Orleans. She is strongly committed to providing research-led policy advice.

From 2008 to 2014, she served on the Employment Conditions Commission which advises the South African Minister of Employment and Labour on making sectoral determinations concerning working conditions and minimum wages in sectors where collective bargaining is weak. From 2013 to 2018 she served on the Davis Tax Committee which advised six consecutive Ministers of Finance on tax reform.

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