WOMEN'S WR REPORT

EVIDENCE-BASED INSIGHTS ABOUT WOMEN AT WORK

WOMEN'S REPORT 2022

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.

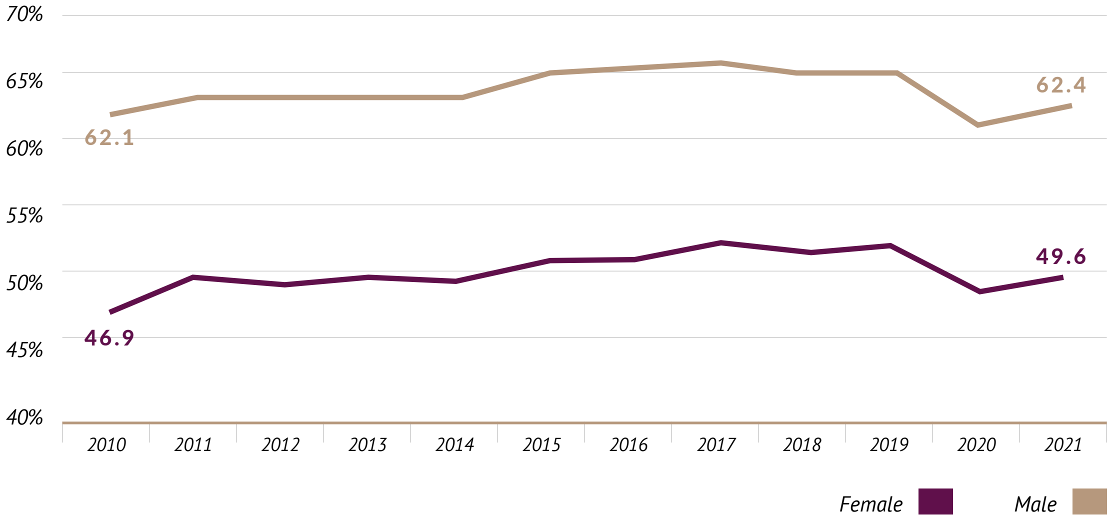

Figure 1: Labour participation rates in South Africa
Author's own, based on data from the ILO (2022)[12]

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.

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!

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