



BUSINESS SCHOOL

Retirement Policy and Research Centre

(Continuing) Gender penalty in retirement

28 November 2019

Dr M.Claire Dale

Research Fellow, RPRC

m.dale@auckland.ac.nz

Women's franchise New Zealand: 1893

On 19 September 1893, when the governor, Lord Glasgow, signed a new Electoral Act into law, New Zealand became the first self-governing country in the world to grant the right to vote to all adult women. At the time this was a truly radical change.



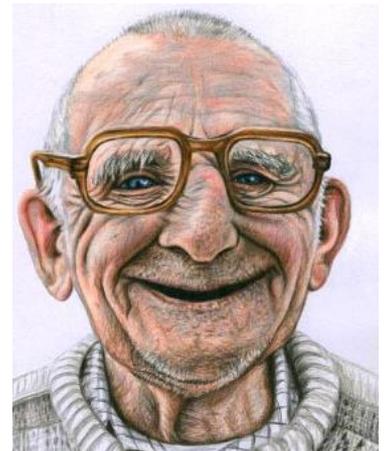
August 2019,
Prime Minister
Jacinda Ardern
expressed
disappointment
that there is still an
almost 10% gender
pay gap in New
Zealand



My focus is on gender differences in retirement, including gender pension gap

In New Zealand in 2014,

- 14% of women aged 65 or older were living in poverty (income less than 50% of median household disposable income)
- compared to 6.6% of men of the same age range



Gender differences in retirement

In Australia,

- older women are the fastest growing group in poverty
- the gender pay gap is 19%
- the Superannuation Guarantee (SG) savings gender gap is 46%, and
- one in three women currently have **no** SG savings

In the UK

- Women's pensions pots are around 40% less than men's

In the EU

- the poverty rate among elderly women is 37% higher than among men

New Zealand Superannuation (NZS) is generous compared with 'welfare', but....

Category	% Net average wage	Annual rate Gross	Annual Net Primary Tax	Annual Net 33% Tax
NZS Single, living alone	43%	\$24,722	\$21,380	\$16,564
NZS Single, sharing	40%	\$22,731	\$19,735	\$15,223
NZS Married person or partner in civil union or de facto relationship (each)	33%	\$18,742	\$16,446	\$12,557
Jobseeker Single, 25+ years	23%	\$12,723	\$11,387	
Jobseeker Married, civil union or de facto couple (without children, each)	19%	\$10,602	\$9,488	
Supported living payment single 18+	29%	\$16,063	\$14,232	
Supported living payment (married couple each)	24%	\$13,251	\$11,860	

New Zealand Superannuation (NZS) is generous compared with 'welfare', but....

In Summary -

Single, after tax, weekly rates:

NZS = \$411.15

Jobseeker = \$218.98

Supported living payment = \$273.69

(May also qualify for Accommodation Supplement and/or Disability Allowance)

But, even in a freehold home, expenses add up...

NZS net weekly:	\$411.15 income
Food: \$110	
Phone: \$25	
Electricity: \$30	
Rates & insurance: \$55	
Car/Transport: \$50	
House repairs & maintenance: \$60	
Entertainment & gifts: \$60	
Doctor & dentist: <u>\$10</u>	<u>\$400.00 expenses</u>
Balance:	\$ 11.15 surplus

Massey University study: NZS is not enough!

Retirement Expenditure Guidelines 2019

Compared with the net NZS of **\$411.15**,

- to fund a 'choices' retirement, a one-person household
 - living in a city would need **\$1190.13**
 - living rurally would need **\$834.27**.

Weekly shortfall: \$400 to \$600

- to fund a 'no frills' lifestyle, a one-person household
 - living in a city would need **\$598.45**
 - living rurally would need **\$569.43**.

Weekly shortfall: around \$200

So accumulation prior to retirement
is crucial for health and comfort

Is that necessary accumulation
happening for women?



2018 Westpac NZ survey of KiwiSaver members found:

- over 30% of women had less than \$5,000 in their accounts
- vs only 19% of men with less than \$5,000 in their accounts
- only 4% of women had more than \$50,000
- vs 13% of men with more than \$50,000

Main sources of gender pension gap

a) male/female wage gap

b) variation in labour market participation of women & men

c) financial knowledge

d) variation in marriage, divorce and sole parent patterns

e) gender differences in longevity

a) Gender wage gap

New Zealand

- was in 1998: 16.2%
- since 2017: 9.3%

So yes, we have improved.....

a) Factors behind the gender pay gap

European Commission, 2018:

- 90% of gender wage difference explained by factors such as age, education, **occupation**, industry affiliation, **part-time or temporary employment**, job tenure, firm size, or employment in private versus public sector
- 10% of gender wage difference explained by **discrimination** in hiring, career progression and opportunities in the labour market

European Institute for Gender Equality, 2017:

- the gender gap in **bonuses** is the greatest gap across different remuneration sources, in terms of the share of women and men receiving them, and the generosity of bonuses

“women’s work” is seen as low skilled and of low value

- In 2017, after a long legal battle, care worker Kristine Bartlett won a NZ\$2 billion pay equity claim for 55,000 low-paid workers.
- After three court cases and two appeals, the courts found that historic gender discrimination had suppressed wages for care and support work.



a) NZ Legislated protections against discrimination

The Human Rights Act 1993

- prohibits discrimination on the grounds of sex (includes pregnancy and childbirth), marital status, religious belief, colour, race, ethnic or national origins, disability, age, political opinion, employment status, family status, sexual orientation

Bill of Rights Act 1990

- sets out civil and political rights arising from the UN International Covenant on Civil and Political Rights, including the rights to freedom of expression, religious belief, freedom of movement, and freedom from discrimination.

Employment Relations Act 2000

- Provides legal backdrop for all relationships between employees, employers and unions; governs the personal grievance process; and promotes the effective enforcement of employment standards.

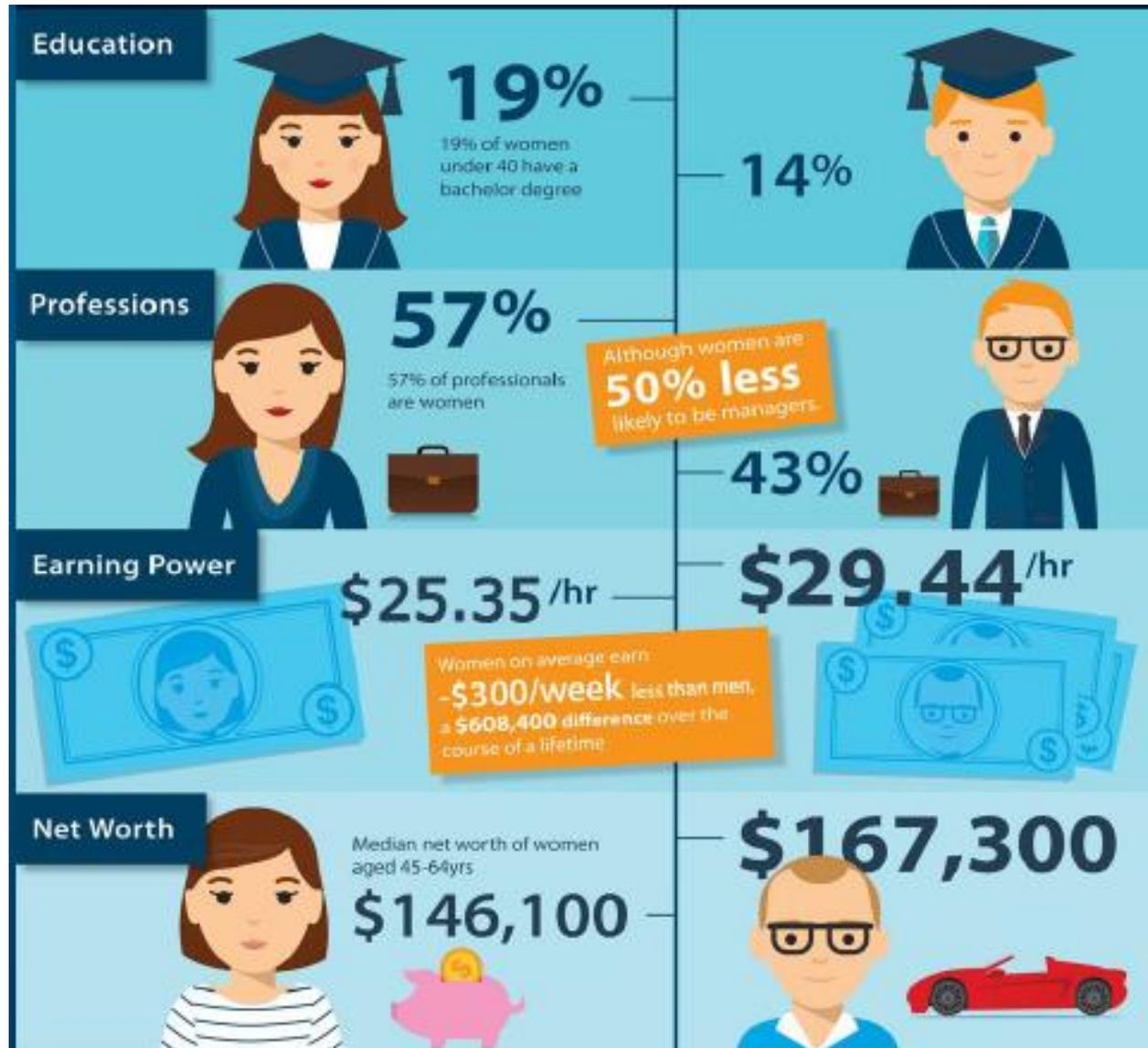
a) NZ Case Study: discrimination & employment roles

18 September 2019, NewsRoom, Westpac NZ CEO David McLean:

“The problem is not pay equity – the bank has just about achieved that aim of paying men and women equally for doing equal work.

The issue is that the work is not distributed equally between the genders – women do the lower paid front line retail roles and the senior roles tend to go to men. So much so, that gender gap is 30.3%.”

b) Variation in labour market participation of women & men



b) Part-time and unpaid work by women

Ministry for Women (2018):

- About 63% of women's work is unpaid, compared to 35% of men's work
- Unpaid work includes caring for young and old family members
- Women comprise 71.7% of the part-time workforce vs 43.6% of the full-time workforce
- Part-time work is predominantly low-paid and precarious
- Child care is costly, and diminishes the returns from paid work
- Less time in paid work means less time to accumulate retirement savings

c) Financial knowledge

Women fall into 3 distinct categories when it comes to their approach to finances:

Fully engaged

FULLY ENGAGED WITH THEIR FINANCIAL SITUATION

Fully engaged with household finances

FULLY ENGAGED WITH HOUSEHOLD FINANCES BUT CHOOSE NOT TO ENGAGE WITH LARGER FINANCIAL SITUATION

Mindfully ignorant

VISIBILITY OF ACCOUNTS BUT ALMOST TOTAL DELEGATION OF MAJOR FINANCIAL DECISIONS

c) Financial knowledge and risk aversion

90%

OF WOMEN WANT THEIR INVESTMENTS TO REMAIN STABLE AND PRODUCE A CONSISTENT RETURN.

ONLY 10% DON'T MIND VOLATILITY FOR HIGHER RETURNS OVER TIME

57%

OF MEMBERS IN A CONSERVATIVE FUND ARE WOMEN

\$90,000

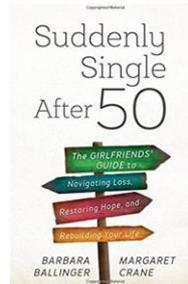
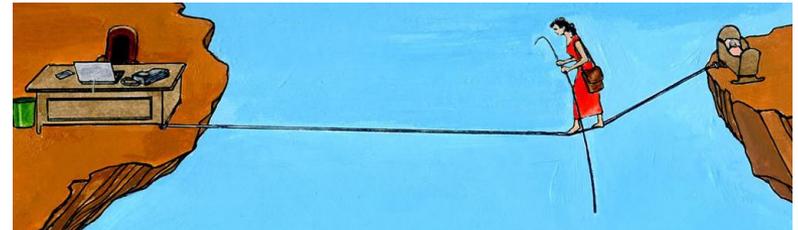
A 25 YEAR OLD EARNING \$35,000 (BEFORE TAX) A YEAR COULD BE \$90,000 WORSE OFF STAYING ON A CONSERVATIVE FUND RELATIVE TO OUR LIFETIMES OPTION

c) Financial capability barriers

- Lacking the confidence to get started
- Lacking sufficient disposable income to save
- Concern about making the 'right' choices
- Fear of losing money
- Not knowing where to go for professional advice
- Lack of trust in financial institutions
- Thinking that it's all too hard so why bother
- Or thinking "That won't happen to me"

d) Variation in impact of key life events on women and men

- Getting married
- Having children
- Returning to (part-time) work
- Suddenly single
- Early retirement



d) Variation in impact of key life events on women and men: suddenly solo

- Sole parents who are female, younger, have young children, belong to a Māori or Pacific family, or have more than three children, are more likely to experience multiple disadvantage
- Low income and Housing are the most common disadvantages for sole parents with multiple disadvantage irrespective of their age, gender, ethnicity
- Sole parents tend to have lower rates of employment
- Sole parents and their children have been found to face higher rates of poor physical and mental health

d) Variation in impact of key life events on women and men: suddenly solo (contd)

Demographic characteristics of sole parents in New Zealand

(Superu June 2018)



		Proportion of total sole parents (%)	Rate of multiple disadvantage (%)
Total sole parents		100	46.7
Age of sole parent	<i>Under 30</i>	17.9	69.6
	<i>30 - 39</i>	26.5	51.2
	<i>40 - 49</i>	34.3	36.6
	<i>50 and over</i>	21.3	38
Age of youngest child	<i>0 to 4 years</i>	26.1	62.8
	<i>5 to 12 years</i>	42.4	49.0
	<i>13 to 17 years</i>	31.4	31.4
Family ethnicity*	<i>Māori</i>	43.3	54.9
	<i>Pacific</i>	16.6	60.2
	<i>Asian</i>	8.2	43.3
	<i>European</i>	72.2	42.2
Gender of sole parent	<i>Male</i>	14.0	35.6
	<i>Female</i>	86.0	48.5
Number of children	<i>One child</i>	38.1	42.3
	<i>Two children</i>	34.4	46.8
	<i>Three or more children</i>	27.5	52.6

d) Variation in impact of key life events on women and men: suddenly single

‘Silver splitting’ - divorce or separation in later life

- (Australia) by retirement 1/3 women not in a relationship
- people who divorce / separate and remain single are about half as likely to own their home after they have turned 50 as those in a relationship
- women are increasingly less likely than men to re-partner as they age
- pensions are difficult to value and difficult to divide
- *‘treatment of pensions on divorce might be seen as the last area of unintended discrimination against wives on divorce’* Pension Advisory Group, 2019

e) Gender differences in longevity

According to the latest WHO data published in 2018, life expectancy in New Zealand is:

- Male 80.5
- Female 84.0

So women on average live 3.5 years longer than men.

If retirement is taken at age 65,

- Men can expect 15.5 years of retirement and
- Women can expect 19 years of retirement

<https://www.worldlifeexpectancy.com/new-zealand-life-expectancy>

So: women's smaller retirement savings need to last for more years than men's larger retirement savings.....



Solutions to gender penalty in retirement:

Appealing, accessible financial advice



**PLAIN ENGLISH
ADVICE FOR
WOMEN BY
WOMEN IS A REAL
OPPORTUNITY**



**WE NEED TO STOP
TALKING ABOUT
SOLUTIONS AND HELP
WOMEN TRANSLATE
THEIR GOALS INTO
INVESTMENT DECISIONS**



**WOMEN NEED THE TOOLS
TO HELP THEM VALUE
THEIR CONTRIBUTION
AND BECOME ACTIVE
DECISION MAKERS**

Solutions to gender penalty in retirement

New Zealand:

- Human Rights Commission's campaign to have **Pay Transparency** included in legislation, to make employers open up their pay scales and progression opportunities to ensure women are not being paid or promoted less than their male counterparts ([Preston, 2019](#))
- * Ministry for Women priority areas:
 - *supporting more women and girls in education and training*
 - *utilising women's skills and growing our economy*
 - *encouraging and developing women leaders*
 - *ensuring women and girls are free from violence*
- * Media attention – as with Westpac NZ CEO acknowledging discrimination and taking action to end it

Solutions to gender penalty in retirement

Australian Human Rights Commission ([Patterson et al., 2019](#)) suggests

- programs to help women purchase a home
- creating more affordable housing stock targeted to older women
- providing tailored tenancy supports to help women find and sustain appropriate rental accommodation
- providing tailored support to optimise women's financial position as they near retirement
- Australia also has the LISTO (low income SG tax offset) up to \$500 to help low-income earners save for retirement

Comments from the audience and suggestions for more solutions to the gender penalty in retirement:

- Include gender pension gap actions/measures in the next Wellbeing Budget
- Address the high cost of childcare
- HR required to remove gender signifiers
- Include quotas for women in senior roles in government departments and on NZX-listed boards
- Ensure on-the-job training is available for women returning from maternity/parenting leave
- Consider Universal Basic Income to ensure women do not pay a 'parenting penalty'
- Human Rights Commission **Pay Transparency Campaign** here: <https://www.demandpaytransparency.org.nz/>

Thankyou