

Moving the SPA Goalposts for Women: The broader context

Dr Jay Ginn, Visiting Professor, Institute of Gerontology, Kings College London
& Associate, Centre for Research on Ageing and Gender

Introduction

The state pension age (SPA) for women is already set to equalize with men's at 65 by 2020. Women have had some time to hear about and adjust to this change and to the rises after 2020 that will affect men equally. But the proposal to accelerate the rise so that women's SPA will be 65 by 2018 and 66 by 2020 means that women in their late 50s have little time to prepare for the extra delay in receiving their state pensions.

It is necessary to understand gender differences in the lifecourse in order to appreciate why the impact of moving the state pension goalposts for women at short notice is particularly unfair and problematic. Women in midlife have already lost out in pensions due to their domestic and caring roles and approach retirement with much lower pension entitlements than men. Add to this the recent cuts in the June budget, in which two thirds of the cuts are borne by women; the impact of the Comprehensive Spending Review's cuts on services that women use; and the reduction of pension indexing from RPI to CPI, which erodes living standards most for those who live longest, women on average.

This report sets the proposed SPA revision in this broader context of women's pension disadvantage and the gendered impact of the cuts.

1. Women and caring

Despite some progress in equal opportunities and equal pay, women still provide more unpaid care – first for their children and partner, then for older relatives and grandchildren – than men do. The impact of having dependent children on employment and earnings is far greater for mothers than fathers. Importantly, the effect on women's earnings and pensions is long-lasting and persistent across birth cohorts. Longitudinal research shows that later cohorts are more likely to return to employment before the youngest child is aged 5 but, surprisingly, that cohorts differed little in mothers' employment rates or hours of work when children were of school age (Woods et al. 2003). In midlife, too, caring may restrict women's employment. Among those aged 45-64, women provided twice as much informal care to older people as men did although hours of caregiving per week varied widely (Arber and Ginn 1991). Increasingly, grandmothers are being recognised as a valued source of childcare, facilitating their daughters' employment. Thus women's caring commitments do not end with motherhood but may continue sporadically throughout the working life and beyond.

The reduced central grant to councils (28% over 4 years until 2014-5) will squeeze council services, on which women rely more than men since they take responsibility for children's needs and those of older people. Outsourcing of services is likely to reduce monitoring of service quality.

Cuts will reduce:

- meals on wheels, lunch clubs for older people, domiciliary care
- sheltered housing, residential/nursing care homes, women's refuges

- maternity and childcare services
- Sure Start schemes
- schools, adult education, libraries
- transport
- voluntary organisations providing specialised support (eg rape and drug centres)

Vulnerable individuals will lose supportive services. Will women, including those in their mid-60s, be expected to fill the gap in caring? Instead of being able to rely on a state pension while caring, mid-life women could face the dilemma of being unable to afford to stop work to provide care for others. Put another way, ***will women be free to take on a job in their mid-60s?***

2. Gendered age discrimination

Attitudes of employers and the public towards older workers grew more positive in the last two decades, but the public still believe workers aged over 50 suffer age discrimination in employment (McKay 2010). Women are perceived as ‘old’ at a younger age than men and in Europe there is more public disapproval of women working beyond 70 than of men (ibid). Moreover, it is much harder to re-enter employment than to retain an existing job and women’s employment patterns are typically fragmented by their caring roles.

Meanwhile the cuts to the public sector will disproportionately reduce women’s jobs, since 65% of public sector jobs are occupied by women. In local government the proportion is 73%, in the NHS 77% and in primary education 87%. The public sector sets a standard for gender equality with a smaller pay gap than in the private sector and often crèche facilities. Approximately 400,000 jobs across the sector will be lost, with a pay freeze and possible cuts in hours and conditions, as well as in occupational pensions.

The loss of relatively women-friendly jobs in the public sector could erode the quality of women’s working conditions throughout the labour market and will reduce women’s employment opportunities at all ages. ***Will there be flexible jobs available for women in their mid-60s?***

3. Health and gender

Women are more likely than men to suffer from functional disability, in terms of limitations on activities of daily living (LADL) which affects 40% of women at age 60. Severe disability affects 20% at age 60 (Banks et al, 2010: 260-1). The prevalence of limitations in mobility and dexterity even at 60 highlights that we cannot simply infer longer active life from increasing longevity. Longer life is shared between longer ‘healthy’ life and longer disabled life, but the proportions of these and the types of ill-health/disability differ among population groups. Older women tend to have more musculo-skeletal problems than older men, whereas the latter tend to be disabled by life-threatening conditions such as heart disease (Manton 1988). ***Will there be jobs suitable for those with some disability? Will employers be willing to adapt to their needs?***

4. Women’s excess poverty in retirement

Women pensioners are consistently poorer than men: 27% of men and 33% of women over 65 lived below the official OECD poverty line in 2007 (Zaidi 2010) and this depressing but unsurprising pattern is a longstanding one. These statistics underestimate the gender inequality in older people's personal incomes, as they are based on household income in which the heroic assumption is made that couples share income equally.

Measured as individual income, women aged 65-69 have incomes that are just over half men's (Arber and Ginn 2004). In some ethnic minorities the gender gap is even larger: Asian women pensioners are poorer than black or white. Lone women over age 80 are the poorest group of all. The reason for these inequalities is not hard to find. There is a gender gulf in private (occupational or personal) pensions because these effectively penalise women for their domestic and caring roles. Only 43% of women over 65 received any private pension in 2001 (including widows' pensions). For this minority, women's private pension income was 53% of men's. Median amounts were £172/wk for ex-professional men and £28/wk for routine/manual women - a class and gender divide (ibid). Nor is this a merely story of past unequal treatment of women. Even now, mothers of dependent children have less full time employment, lower earnings and are less likely to be in a private pension scheme, compared with men or childless women (Ginn 2003). And low pay with interrupted employment translates into low or no private pension.

The planned new National Employee Savings Trust (NEST) will be of limited help to women with periods of low pay. Many workers – up to 28% according to a survey – said they would not be able to afford the extra 4% of band earnings on top of National Insurance at 11%. NEST may encourage employers to keep part timers' earnings (mainly women) below the threshold of £7,400pa to avoid being compelled to make a 3% contribution. Those women who do stay in the scheme could find they have wasted their money if their income fails to exceed the threshold for means testing. Since their earnings may be interrupted or reduced due to unpredictable caring commitments towards the end of their working life, women cannot know in advance whether contributing to NEST will be worthwhile. Unlike state pensions, NEST will do nothing to compensate carers for periods of no/low pay. Thus although progress is being made towards gender equality in state pensions as a result of the 2007 legislation reducing the qualifying years to 30, this progress will be offset by continuing inequality in private pensions. ***How will women who cannot work in their mid-60s manage financially without a state pension?***

5. Reduced indexing has gendered effects

Both state and many occupational pensions will in future be indexed to CPI instead of RPI, a reduction of 1.3% in the year between January 2010-January 2011 (LRD 2011). This change breaks the 'contract' of RPI on which employees based their retirement plans. Even RPI failed to reflect the rise in costs experienced by pensioners so that the value of their pensions declines year by year as they age. This decline will be magnified by the switch to the CPI, which will allow pensions to fall even further behind price rises. Those who live longest (women on average by several years) will see the steepest decline in their living standards.

The oldest old are also the poorest and are predominantly lone women, many having limited mobility and chronic ill-health. With fuel and food prices rising faster than income, the dilemma of 'heat or eat' becomes ever more worrying for these pensioners. Excess winter deaths were 15,000 older women, 10,000 older men in 2009-10. Is it acceptable in a supposedly civilised society for increasing numbers of vulnerable people to die from inadequate income?

How could gender inequalities in the transition to retirement be minimised?

'Ensuring adequate pension rights [] for those with justified career breaks – mainly women – must be the policy priority in the EU [] to guarantee a dignified life in old age for both women and men' (AGE Europe, 2010).

An ethical Labour pensions policy would recognise and redress the losses women experience as a result of their caring roles by -

- Allowing more time for women's SPA to rise
- Continuing to combat age discrimination in employment
- Reducing and phasing out the unaffordable public subsidy to private pensions
- Introducing a residence-based Citizens Pension for all over state pension age, set above poverty level (60% of median population income).
- Changing NEST into a state earnings-related pension with carer credits
- Ensuring adequate indexation of pensions

Conclusions

The plan to bring forward the rise in women's state pension age must be seen in the light of women's multiple differences from men as they approach retirement. It adds to the disadvantages they experience already, which hinder their ability to adjust to the proposed changes, especially given the short timescale. Women nearing retirement have less financial leeway than men do to buffer them against the effects of an earlier-than-expected state pension age. Caring commitments and the physical disabilities that accrue with age can make extending their employment problematic for women, even if jobs are available. However the current recession means a rise in unemployment, especially among women, and given persistent age discrimination older women are in a weak position to avoid unemployment. Many women aged 65-70 will in future be left without an income of their own, dependent either on a partner's goodwill or on some form of demeaning state benefit, instead of the dignity of the state pensions they have earned.

There is a class dimension too in delaying the state pension age, as those who live in deprived regions are least likely to have a private pension and also die on average ten years sooner than their better off counterparts.

References

Age Europe (2010) see website.

Arber and Ginn (1991) *Gender and Later Life: a Sociological Analysis of Resources and Constraints*, London: Sage.

Arber, S. and Ginn, J. (2004) 'Ageing and gender. Diversity and change', lead article in *Social Trends 2004*, No. 34: 1-14 ().

Banks, J. et al, (2010) *Financial circumstances, health and well-being of the older population of England*, London: IFS.

Ginn, J. (2003) *Gender Pensions and the Lifecourse*, Bristol: Policy Press.

Woods, L., Makepeace, G., Joshi, H. and Dolton, P. (2003) 'The world of paid work', chapter 3 in E. Ferri., Bynner, J. and Wadsworth, M. (eds) *Changing Britain, Changing Lives. Three generations at the turn of the century*, London: Institute of Education.

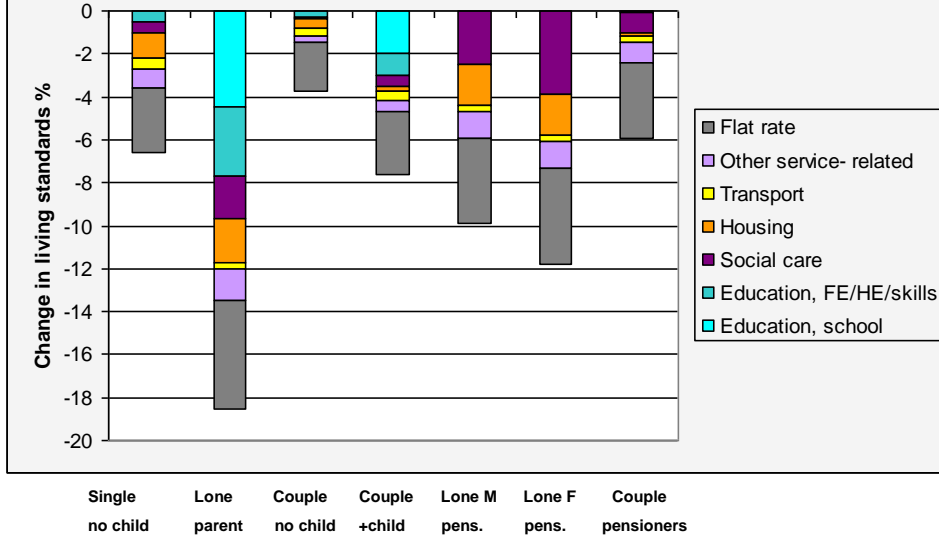
McKay. S. (2010) 'Never Too Old? Attitudes towards longer working lives, Chapter X in M. Powell et al. (eds) *26th Report on the British Social Attitudes Survey*, London: Sage.

Manton, K. (1988) 'A longitudinal study of functional change and mortality in the US', *Journal of Gerontology*, 43(5): 153-61.

Labour Research Department (2011) *Fact Service*, 73(7) February:1.

Zaidi, A. (2010) xxxxxxxxxxxxxxxxxxxxxxxxxxxxx(on older people's poverty rates in EU)
Vienna

Effect of spending cuts as % net income, by family type



Thanks to **Howard Reed** and **Women's Budget Group** for the results of modelling www.tuc.org.uk/economy/tuc-18705-f0.cfmadd