


How do female lifecourses affect income in retirement?

Debora Price, Laurie Corna, Giorgio Di-Gessa, Loretta Platts, Amanda Sacker, Diana Worts, Peggy McDonagh, John Adams, Tim Pike, Chris Curry and Karen Glaser

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Symposium: Lifecourse influences on health and wellbeing in later life

Debora Price

@gerontologyuk 

Professor of Social Gerontology

Director of MICRA, the Manchester Institute for Collaborative Research on Ageing

debora.price@manchester.ac.uk

Pension accumulation and gender

- OMAs for recently retired cohorts: illustrative realistic life-courses
- We investigate how women with those lifecourses have fared and will fare in accumulating pension income with economic and policy changes over the decades they have been working, and now
- Method: the Pension Policy Institute (PPI) Individual Model [Pension Income given in 2016 earnings terms]
- Three PPI Briefing Notes published

The PPI individual model assumptions

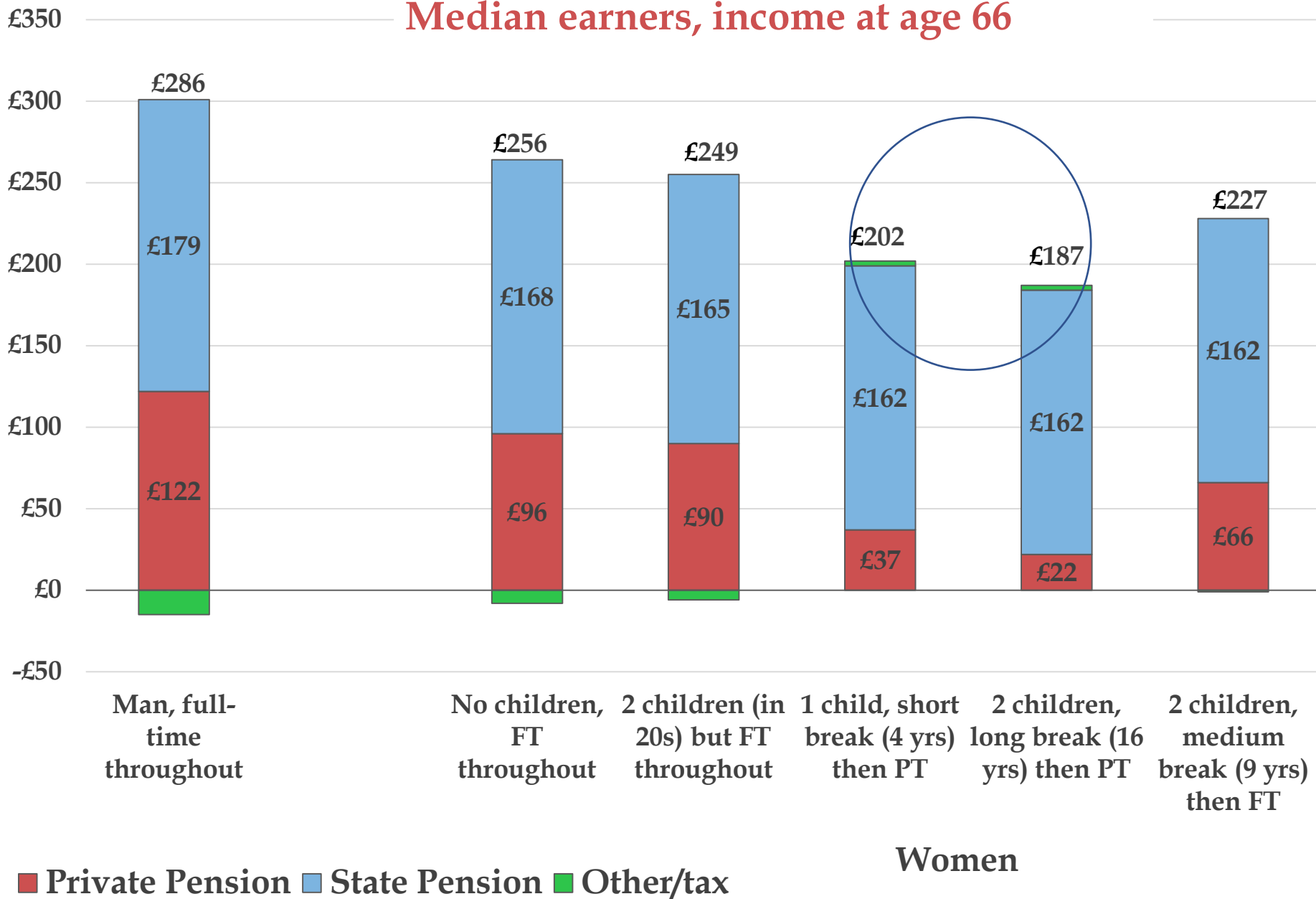
- Those in paid work contribute to an employer DC scheme at 9% of earning for every year in paid work from 22 to SPA; Purchase an individual level annuity at retirement
- Long term average fund growth of 6% (RPI 3%) and AMC 0.5%
- Median and other percentiles of earnings have been estimated separately for men and women based on historic gender-specific earnings data
- Motherhood pay penalty applied: 2% for first child, 12% if 2 children, 15% for 3+, but regaining 1% each year after the youngest is 16
- Pension income stated net of tax, and given in 2016 earnings terms
- Part time work is estimated at 2 days per week based on OMA analysis

Labour market histories of women aged 60-69, cohorts born 1937-46

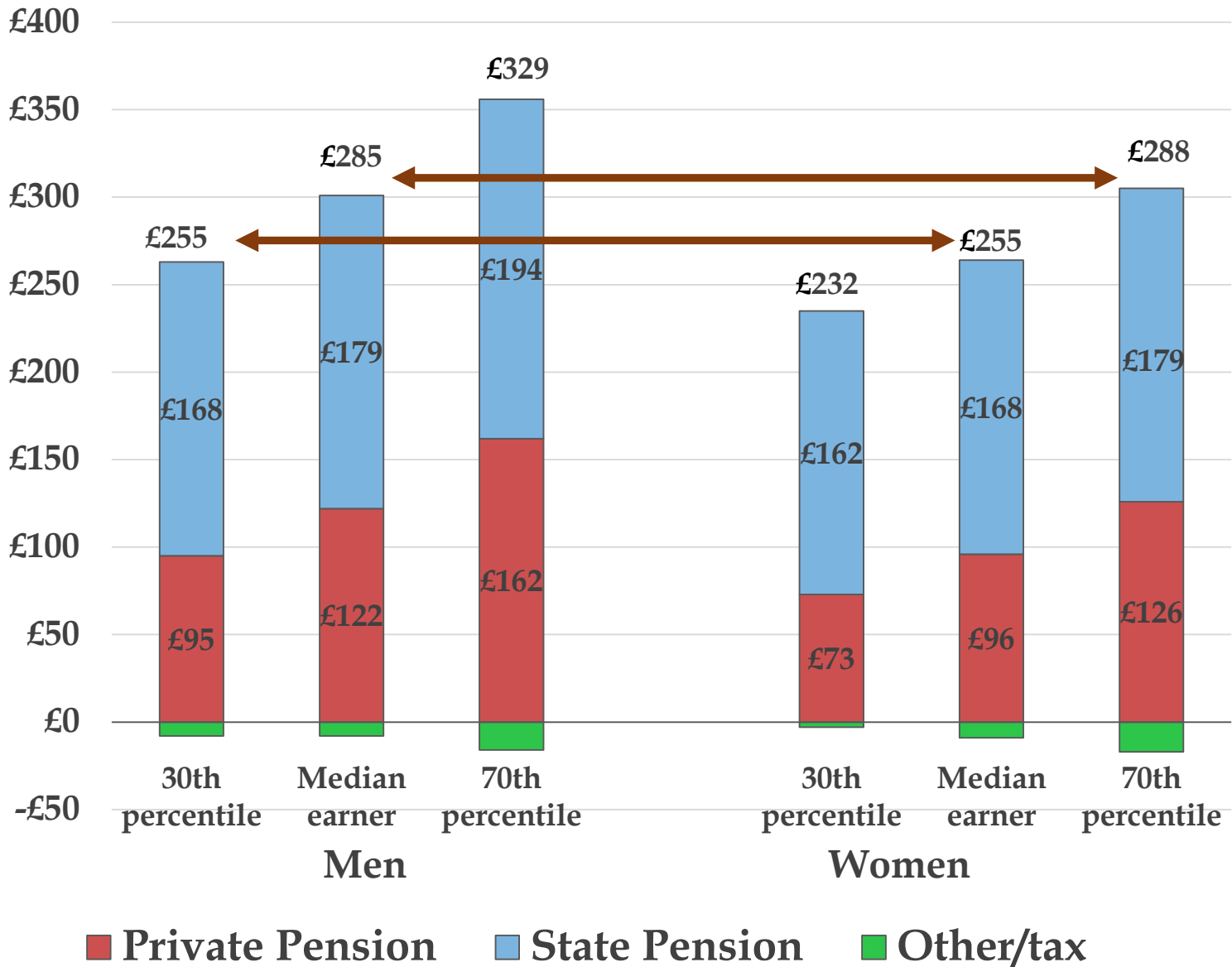
Labour market histories	Proportion of women aged 60-69 (cohorts born 1937-46)
Mostly full-time throughout	27%
Mostly non-employed throughout	17%
Weak attachment, very early exit (at around age 49)	7%
Family carer to PT work to SPA (long break: 16 yrs)	12%
Family carer to PT work to SPA (short break: 4 yrs)	13%
Family carer to FT work to SPA (medium break: 9 yrs)	18%
Mostly part-time throughout (from about age 23)	6%

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Median earners, income at age 66



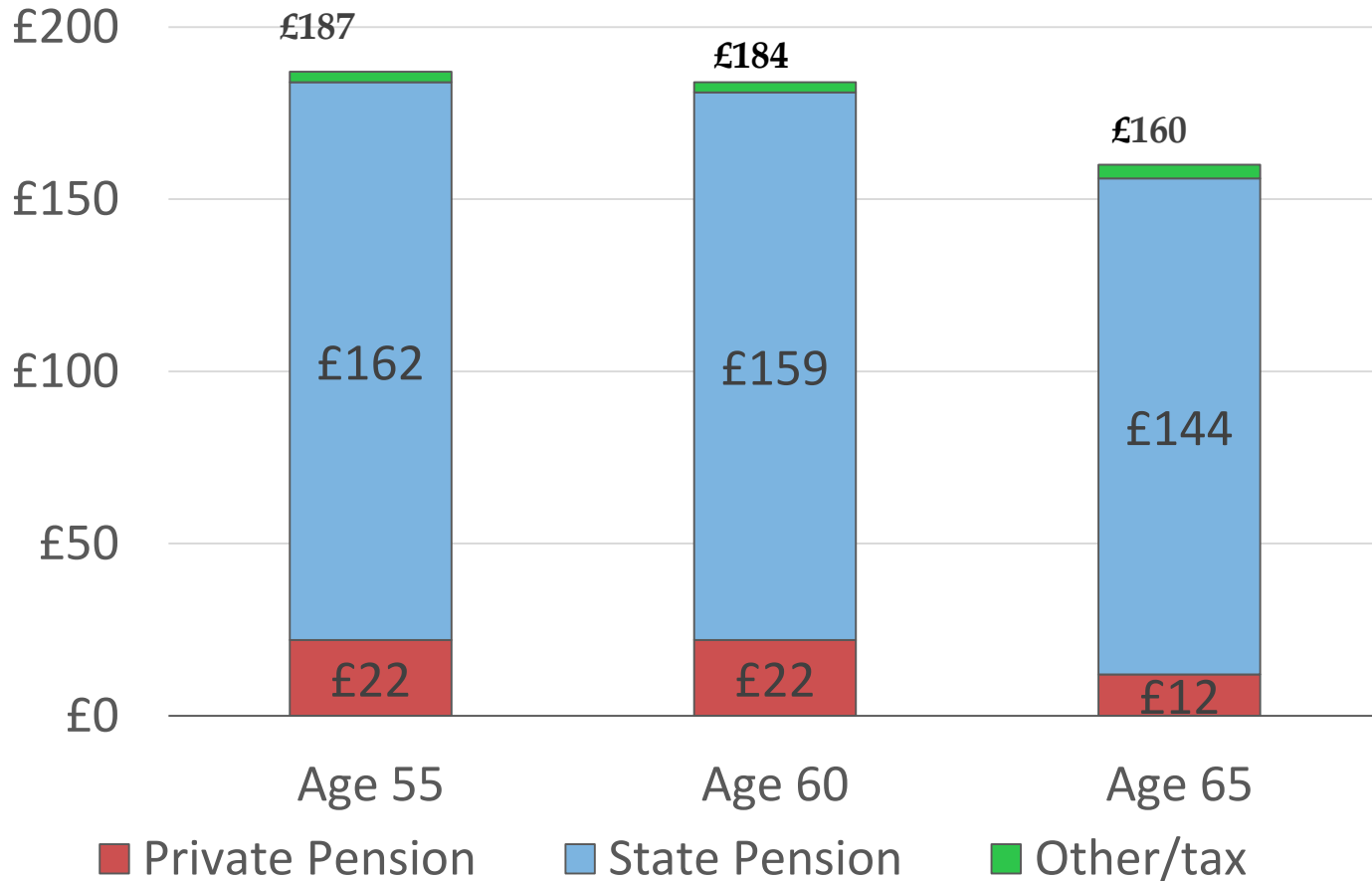
Full-time throughout, no children, income at age 66: 30th, 50th, 70th percentiles



Cohort differences, income age 66, median earners, full-time throughout, no children



Women with two children, 4 year break then PT work, median earners, income age 66



	Pension income (state and private) – median earner:				
	Base projection	Returns to work a year earlier	Returns to work five years earlier	Retires a year after SPA	Retires 5 years after SPA (i.e. at 71)
16 year break followed by PT work to SPA	184	185	189	186	195
9 year break followed by FT work to SPA	228	231	241	231	248

Number of days worked per week after returning from 16 year break from paid work, median earner, income at 66					
	1	2	3	4	5
Pension Income (state and private)	175	184	194	203	213
Percentage of income from private pension	7%	12%	16%	20%	24%

Policy Implications

- So far, only about a quarter of women have had lifecourses approximating FT work, this seems to be changing pretty slowly. Long gaps and PT work remain significant.
- Gender pay gaps and motherhood pay gaps remain critical issue for women's pensions; being in the paid workforce is insufficient for pension accumulation if you don't earn enough
- PT work doesn't build much pension, even at median earnings. Policies that focus on supporting women (mothers, carers) into PT work may make little difference to pensions
- The abolition of Additional Pension impacts women's ability to accumulate adequate retirement income
- The State Pension will remain a critical component of women's income and supporting and maintaining it is vital to women's later life wellbeing