

Older couple households: Dealing with issues of dependency in a privatised retirement income system

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Outline

- Use a language of dependency to frame intra-household issues
- Intra-household issues in older couple households
- Retirement income systems

Framing intra-household issues using the language of dependency

- ❖ There are the inevitable, species typical dependencies associated with infancy, illness, disability and frail old age
- ❖ And there are secondary dependencies that arise for those who respond to the inevitable dependencies by providing care

- ❖ Our societal response to inevitable dependencies is pretty important
- ❖ As a species, we don't have a choice about responding to the inevitable dependencies associated with infancy, disability and old age
- ❖ The way we respond to secondary dependencies is also important
- ❖ If we don't respond we undermine the chances (and add to the costs) of responding to inevitable dependencies
- ❖ Dependency raises issues that are critical both for efficiency and for justice

The family and dependency

- ❖ In most societies, responsibility for inevitable dependencies is largely assigned to/taken up by 'the family'
- ❖ Within most families the pattern of secondary dependency is governed by traditional gender norms
 - ❖ In most societies the incidence of secondary dependency is highest amongst women.
 - ❖ In many countries, including Australia, secondary dependency take the form of women being financially dependent on their partner, rather than on others



The state, the family and dependency

- ❖ The form and extent of secondary dependencies are also shaped by notions of the legitimate boundary between the public and private spheres
- ❖ In many contexts, intra-household dependencies are only partially mitigated by state-provided child and elder care, or by payments to carers
- ❖ In many contexts, the ‘social contract’ is one whereby families do the work involved in responding to inevitable dependencies and the state does not/chooses not to interfere with the way traditional/conforming families go about this task

Older couple households and dependency

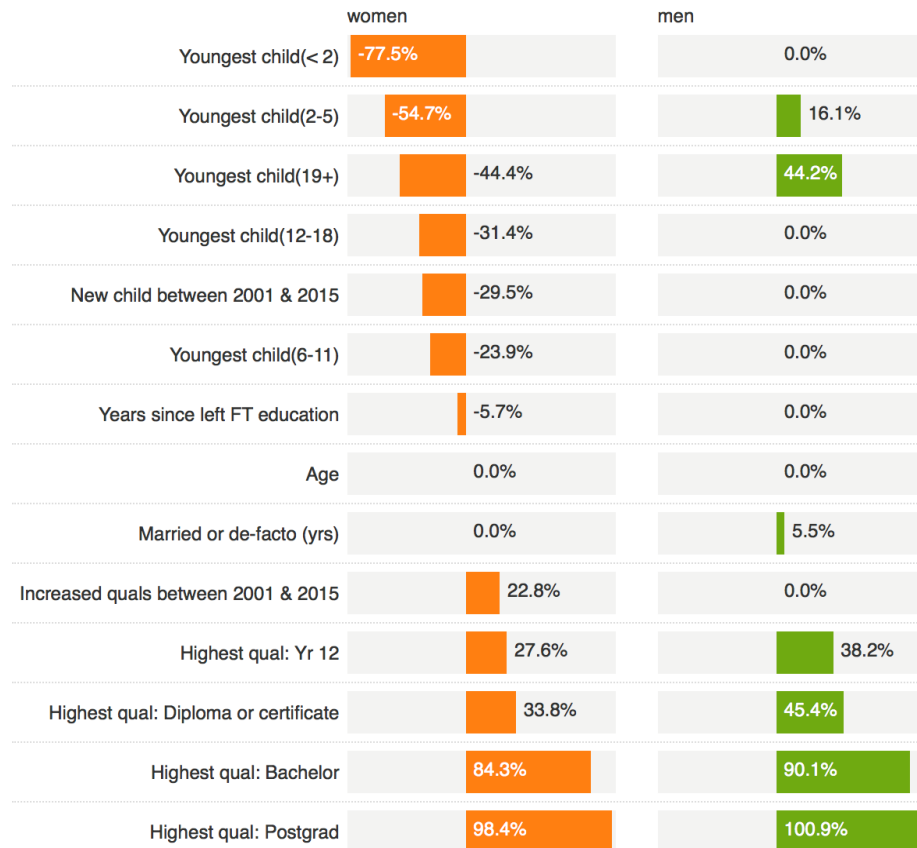
- ❖ Familial models of responding to inevitable dependencies, when combined with an **earnings-based retirement income system**, produce substantial within-household secondary dependencies in later life



Source: ABS cat. no. 6523, Household Income and Wealth, 2015-16, median superannuation balances of persons aged 55-64.

Older couple households and dependency

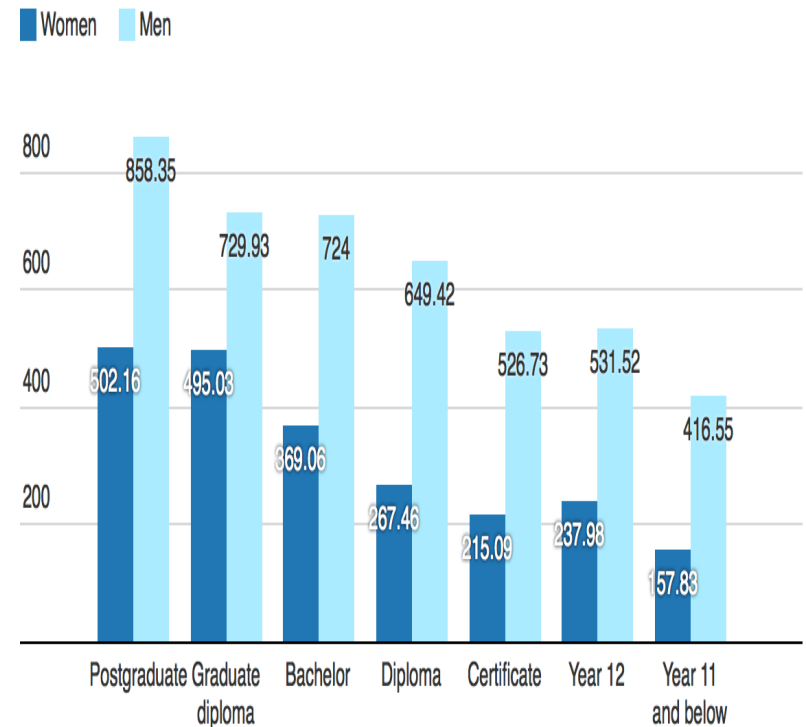
Percentage Change in the Long-Term Earnings of Australian Men and Women, by Contributory Factor



Results of OLS regression of log long-term earnings, summed over 2001-15

Source: authors' calculations from HILDA data

Median long-term earnings of Australian women and men in couple households, by educational category



sum of annual earnings for 2001-2015 ('000)

Source: authors' calculations from HILDA data

Older Australian couple households and dependency

- ❖ The issues in Australia are particularly large because the earnings-based pillar of our retirement income system is dominated by **defined contribution** accounts.
 - ❖ Decision-making authority over the management of retirement savings accounts lies solely with the account holder
 - ❖ Dependent partners have no legal rights to information on, and levers of control over, this key source of household retirement wealth

Policy responses to secondary dependencies in older couple households

- ❖ Some defined benefit earnings-based retirement income systems partly respond to secondary dependencies in older couple households with a **surviving spouse pension** and/or a state **widows' benefit**
- ❖ In Australia and in several other retirement income systems, an **age pension** is used as a residual or safety net source of income

- ❖ Surviving spouse pensions and widows benefits aren't great.
 - ❖ They do nothing to address the secondary dependency of *currently partnered* older women with no or limited retirement income of their own
 - ❖ [The same is true of any state age pension that is means tested on *household* income and assets, because this rules out from eligibility those individuals whose partner's retirement savings or other assets exceed the benefit thresholds]

- ❖ Surviving spouse pensions and widows' benefits also reinforce familial models of responding to inevitable dependencies
 - ❖ They provide support women *only if* they remain married through to the death of their spouse
- ❖ The surviving spouse pension may increase the vulnerability of women within older couple households further still as they add to the economic cost of divorce

Alternative policy responses to secondary dependencies in older couple households

- ❖ The 1984 US Retirement Equity Act requires the written permission of an account holder's spouse before surviving benefits under their pension plan can be waived
- ❖ Proponents hailed the legislation as 'explicitly meaning to 'redistribute resources within the family' by making it clear that both spouses have the right to benefit from their partner's occupational pension'

Alternative policy responses to secondary dependencies in older couple households

- ❖ A further policy approach is to minimise intra-household secondary dependencies in older households by promoting an equal distribution of paid and unpaid work across the life course
- ❖ Influence the extent and incidence of secondary dependencies through state-provided/subsidized child care, paid parental leave, etc

- ❖ The 'independence' alternative also suffers key shortcomings
 - ❖ Most notably, it has proved difficult to achieve, with women continuing to bear the costs of responding to the inevitable dependencies
 - ❖ It perpetuates a **myth of independence** and contributes to a policy blackhole that leaves the risks of secondary dependencies unattended

Ways Forward?

- ❖ The first best policy alternative is a **universal age pension**
- ❖ In terms of retirement income systems, it's the most efficient and equitable way of ensuring a response to inevitable dependencies; of protecting and encouraging investments in care

Ways Forward?

- ❖ Second best policy alternatives, based around some manipulation of earnings-based retirement income systems, will acknowledge and respond adequately to second dependencies
- ❖ In the Australian context, this could involve providing individuals with rights to information on their partners' retirement savings and a voice in decision-making on these assets.
- ❖ It could also involve the mandating of (or at least having good default) insurance and pension settings that take account of the interests of a dependent partner

Ways Forward?

- ❖ The challenges involved in achieving this type of change are substantial
- ❖ A) Contesting the pervasive rhetoric and valorization of independence (again)
 - ❖ Nancy Fraser and Linda Gordon: “Dependency is an ideological term”, whose ‘historical adventures’ have seen it change from referring to a “socially approved majority condition” in preindustrial society, to “an anomalous, highly stigmatized status of deviant and incompetent individuals”.
 - ❖ We need to revert to an understanding of dependency and interdependence as majority conditions and value and protect care

Ways Forward?

- ❖ Positive change also requires challenging the pervasive rhetoric and valorization of privacy – that relate both to owned financial assets and relationships between partners
 - ❖ “the retirement account is mine to spend as I wish”; “the state has no right to interfere with how I/we manage our money”
 - ❖ Nussbaum: the public-private distinction has typically functioned to protect *male* privacy, and thence the unlimited sway of men over women in a protected domain; thus liberal rhetoric about the sanctity of privacy should strike us as “an injury got up as a gift.”