

ber of cases involving relatively minor offences, such as late filings. Sometimes these can be indicators of more serious wrongdoing; often they stem from simple clerical errors. The SEC has likened its pursuit of such cases to "broken windows" policing, arguing that by clamping down on small violations, it deters bigger ones. But there is no evidence that preventing securities fraud bears much resemblance to fighting street crime.

The SEC also likes to tout its ever-rising tally of "monetary penalties ordered". But this, too, is misleading, since it includes fines that other agencies are also claiming,

as well as many that are subsequently waived. In practice, the SEC only collects about half the sum it advertises, Ms Velikonja says.

The SEC readily admits that many of its cases are follow-ons or actions against late filings—something it made explicit in its annual report this year. It says it is focusing on quality rather than quantity. But analysing its data is difficult, because there is no single public record of all its enforcement actions. Instead, researchers must piece them together one by one—a huge task. Ironically, this could be fixed with the sort of remedies the SEC often prescribes to the firms it

oversees, including better disclosure and greater consistency in reporting.

The urge to fudge things is understandable. The SEC must constantly justify its existence to a sceptical Congress, and, like many government agencies, is under pressure to defend its budget. It does not help that the Federal Reserve has become the main regulator of investment banks, or that Dodd-Frank has created a new outfit, the Financial Stability Oversight Council, to take charge of overall regulatory strategy. But there is no excuse for the agency charged with stamping out corporate misbehaviour to fiddle its own figures. ■

Buttonwood | Age may well wither them

Americans are not saving enough for their retirement

EVERYONE knows that the baby-boomer generation is in the process of retiring, and that all those ex-hippies and punks can expect to live longer than the Americans who retired before them. But the financial challenge this poses is less well understood. Any lingering complacency ought to be exploded by two papers in the latest *Journal of Retirement*.

The first*, from the Centre for Retirement Research (CRR) at Boston College, estimates the proportion of 65-year-olds who will be able to retire without a big hit to their disposable income. Pensioners do not usually need as much money coming in as workers: for a start, they no longer need to save for retirement. The CRR estimates that 65-85% of their previous income is a reasonable "replacement rate", depending on the type of household.

As well as private pensions, elderly Americans receive income from the federal government (in the form of Social Security, the public pension) and many earn money from their accumulated wealth, particularly by taking equity out of their houses. Even allowing for these sources of income, the CRR estimates that 52% of Americans may not be able to maintain their standard of living (which it defines as having an income that falls no more than 10% below the replacement rate).

Unsurprisingly, the biggest problems face those with no private pension at all: 68% of these Americans are expected to fall short. Those lucky enough to be covered by defined-benefit plans—in which pensions are linked to a worker's salary—have the least difficulty: only 20% are deemed at risk. Of those in defined-contribution (DC) plans—in which workers receive whatever pension pot they have accumulated by retirement—53% probably will not reach the replacement rate.

The problem is that many people sim-



ply do not save enough in a DC pension. The combined contributions of employers and employees average just 11.3% of salary. This will not generate the same level of pension as a typical defined-benefit plan. The CRR found that the average retirement assets of those aged 50-59 were just \$110,000 in 2013, slightly lower than in 2010. This balance will improve over time, since DC plans are relatively new, but there is a long way to go. If pensioners take an (inflation-adjusted) 4% a year from their pot, they will need \$250,000 just to generate an income of \$10,000.

At least, you might think, Social Security will provide a basic income for the elderly. But the second paper**, by Sylvester Schieber, a former chairman of the Social Security Advisory Board, points out that there are holes in the safety net. Retirement income is based on an average of every worker's highest 35 years of earnings. But if a worker was not in employment for the full 35 years—because of sickness, an inability to find work or time spent caring for children or other relatives—the missing years count as zeroes for the calculation.

Mr Schieber finds that people whose to-

tal careers lasted just 10-19 years comprise 8% of pensioners, but just over half of the poorest tenth of the elderly. Such workers could hardly have saved more for their retirement; they had barely adequate income in the first place.

That could be a looming problem, given Social Security's finances. Payroll taxes on current workers no longer exceed the benefits paid out, prompting the government to tap the surplus of past years. On current projections, this will run out in 2034. After that, the cost of pensions could still be met mainly by contributions from workers. But the politicians of the day may be forced to consider benefit cuts.

Mr Schieber thinks the Social Security system is underfunded by around 25%. If an across-the-board benefit cut of that magnitude were applied, it would hit the poorest workers hardest, since they have few alternative sources of income. At present, a 25% benefit cut would reduce the income of the median pensioner by 12.3%. But the poorest tenth would lose 18.9% of their aggregate income.

So budding pension reformers will have to solve several problems simultaneously. First, they need to stabilise Social Security while protecting (and indeed enhancing) the incomes of the poorest. That should involve some combination of higher taxes, benefit cuts for the best-paid and greater saving in the middle rungs of the income ladder—at the same time as ensuring that people do not save too much too quickly, in case the impact on demand crashes the economy. Good luck.

* "National Retirement Readiness Index (NRRRI) Shows Half of Working Age Americans Still Falling Short", by Alicia Munnell, Wenliang Hou and Anthony Webb.
** "US Retirement Policy Considerations for the Twenty-First Century", by Sylvester Schieber

Schumpeter | Not-so-happy returns

Big businesses fail to make the most of employees with foreign experience



COMPANIES devote a lot of thought to sending people abroad. They offer foreign postings to their most promising employees. They sweeten the deal with higher salaries and big allowances, and sometimes help to find work for spouses. But when it comes to bringing the employees home, it is a different story. One study suggests that a quarter of firms provide no help for repatriates at all. Many others offer at best a few links to websites.

Big companies are more globalised than ever. So you might think that they would treat staff with foreign experience as particularly important for maintaining their competitive advantage. Yet in practice they neglect such employees, blithely assuming they will soon be back in the swing of head-office life. The cost of this neglect is high. Sebastian Reiche of IESE business school in Spain estimates that anything between 10% and 60% of “repats” quit the company within a couple of years of returning home. Their attrition rate is notably higher than for those not sent abroad.

This represents a squandering of investment, given that expats often cost several times as much as locals to employ. It damages the leadership pipeline. It may discourage high-flyers from taking a foreign posting. Worst of all, it can be a subsidy to rival firms: they end up with the people best placed to bury your company, trained at your expense.

Repats often complain of culture shock: things that once seemed familiar about home can seem strange and parochial. No one in the office wants to hear their war stories about the struggles of working in foreign climes. They find they have lost their niche at headquarters—partly because the balance of power has changed (allies have left and newcomers have greased their way into favour) and partly because they have got used to running their own fief rather than slotting into a hierarchy. Add to this the fact that they have to adjust to a lower standard of living—particularly if they have the misfortune to be moving back to an expensive city like London—and it is a recipe for discontent. One review of the academic literature, by Jan Sebastian Knocke of the University of Erlangen-Nuremberg, notes that “there are signs of repatriation being more difficult than integration into a culturally distant country.”

Most repats would be happy to put up with a bit of culture shock if they came back to a plum job. But most do not. Clare

Hughes of PwC, a consulting firm, says that a striking number of them are given no properly defined job. “They wander the corridors or get given ‘projects,’” she says. A 2013 study by Christina Bailey and Lisa Dragoni of Cornell University shows that, far from moving up the hierarchy, the majority of repats return to a job on the same level as the one they had left when going abroad.

A 2011 study by Monika Hamori and Burak Koyuncu of IE, another Spanish business school, casts doubt on the entire idea that a foreign posting is the road to the top. Ms Hamori and Mr Koyuncu studied the CEOs of the 500 biggest European companies and the 500 biggest American ones (the total came to 1,001 because one company had two CEOs), to see what effect being sent abroad had on their careers. They found that the more foreign experience the employees had accumulated—that is, the more foreign postings they had been sent on and the more time they had spent abroad—the longer it had taken to reach the top.

The majority of the 1,001 CEOs—60% in Europe and 76% in the United States—had never had a foreign posting. Of those with foreign experience, more than half were the CEO of a company other than the one that had sent them abroad. So, any doubts employees may have about accepting foreign postings turn out to be well-grounded. Out of sight often does mean out of mind: bosses over-reward the people they meet every day compared with those rarely seen around the office.

Companies’ poor management of foreign transfers extends beyond their blasé treatment of individuals. Firms often justify overseas postings in terms of the circulation of ideas. But repats routinely complain that their bosses ignore the time they have spent abroad. They do not give them jobs that allow them to use their experience, let alone provide them with ways to spread their new insights to other employees. A lot of expensively accumulated global expertise is allowed to moulder away.

Welcome (back) aboard

How can companies improve this dismal record? Half the battle lies in recognising that repatriation is a problem. Bosses need to fight the out-of-sight-out-of-mind problem by making sure that those on foreign assignments have champions back at HQ who look after their interests. They need to pay as much attention to “re-boarding” repats as they do to “on-boarding” new employees: for example, PwC holds cocktail parties at which returning staff can meet each other, and provides them with mentors to help them fit back in. Firms should also find ways to help repats disseminate what they have learned abroad. But some of the onus also lies with the employees themselves. You cannot disappear for a few years and expect to be welcomed back like a hero: you need to keep cultivating your network back home and pestering your allies and mentors to keep your name in the mix.

There are some signs that companies are beginning to recognise that they have a problem—some are even talking about measuring their return on investment for foreign postings and holding senior managers responsible for the loss of repats. But the pace of improvement is glacial. Most CEOs are capable of giving an elegant spiel about how the bulk of the firm’s growth in coming years will come from cities you have never heard of, and how it is being transformed into a “learning machine” that picks up ideas from every corner of the world. That is nothing more than globaloney so long as they continue to spend millions of pounds training high-flyers only to ignore or sideline them when they return to the mothership. ■

China



Population control

Now, the two-child policy

YICHENG

A small town offers a glimpse of what a two-child China might look like

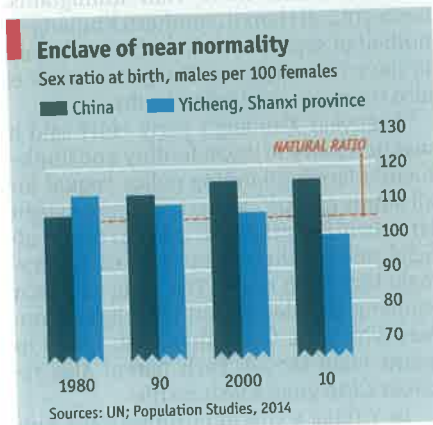
WHEN China introduced its one-child policy in 1979, it cut a few air-holes in the blanket of coercion. Four towns were quietly allowed to experiment with different approaches, allowing couples to have two children. On October 29th the Communist Party extended that kind permission to everyone. If it had been paying closer attention to its two-child enclaves, it might have done so sooner.

So sensitive was the notion of allowing anyone to have two children that it was not until 2010 that mainland media drew attention to these towns' policies. One of them, Yicheng in Shanxi province, lies in the basin of the Yellow River. At first sight, it seems like any other small town in China, though a little poorer than the national average. Before long, however, a visitor may notice it is full of sights that are rare elsewhere. A young woman, six months pregnant, holds her five-year-old daughter's hand. Families race around on mopeds, as everywhere, but in Yicheng, two young children are clinging to the handlebars, not one. When the Zhi Cai primary school breaks for lunch, siblings race towards their waiting mothers. "It's better to have two children," says Zhu Chengwen, an apple-seller. He has two himself.

These oddities are thanks to the efforts of Liang Zhongtang of the Shanxi Academy of Social Sciences. In 1984 he argued that the best way to control the population would be to encourage later marriages and

longer gaps between births. So Yicheng's rules say that if a woman marries at 23 or later (three years after the legal age of marriage), and has a child, she may have a second after the age of 28. The policy has been in force for 30 years. It shows what might be possible under the country's new two-child policy. It also shows what might have been possible once, but no longer.

In 2000 Yicheng had a fertility rate about 0.3 points above the national average, implying it was about 1.8 (the fertility rate is the number of children a woman is likely to have in her lifetime). Both the national and local rates were below what they had been in 1985, and well below 2.1, at which level the population remains stable. But fertility had fallen more slowly in



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Yicheng, implying that some parents in other parts of China, given the chance, would have had more than one child.

But that does not necessarily mean that they will have more now that the one-child policy has changed. Yicheng is unusual because it has not experienced so-called "ultra-low fertility"—usually defined as a fertility rate below 1.5. At this point, experience elsewhere suggests, expectations change; demand for just one child becomes ingrained. When China relaxed its policy in 2013, allowing people who were only children to have a second child, only 12% of those eligible applied.

Even if such attitudes shift, it will not make a large difference. Kristin Bietsch of the Population Reference Bureau, a think-tank in America, calculated the demographic path under the new two-child policy, assuming the fertility rate rises to two by 2050. She found that even in that unlikely event the impact would be modest. The peak population would be only 23m people greater—about 2%—under the two-child policy. Meanwhile the number of people over 65 would still double. In short, the Yicheng example suggests that while a two-child policy would have slowed the decline in fertility in the past, its effect in future is likely to be very modest.

There are two areas, however, where the new policy could have a bigger impact: on the sex ratio and on the unpopularity of the family-planning system. In 2010 there were 116 boys born for every 100 girls; the natural ratio is about 105. Other countries such as India and South Korea have distorted ratios, too. But the one-child policy has aggravated the problem. China's ratio is worse and has persisted longer.

Yicheng's is near normal: 107 in 2000 and 100 in 2010 (see chart). The town does not show one of the patterns of societies with distorted ratios: a big difference be-▶▶

▶ tween the sex ratios of first-born and second-born children. In such places the ratio for first-born children is typically somewhat above normal, but that for the second is wildly skewed. This happens because, though most parents tend to welcome their first child, whether boy or girl, if they get a chance of another, and the first was a girl, they will do much more to ensure that the second is male. So in China the sex ratio for firstborns in 2000-10 was 110, but that for second children was 140. In Yicheng, though, the ratio for firstborns was 102 and that for second children, for unclear reasons, was only 104. The chance of having a second child appeared to reduce pressures to have a son.

Yicheng's experience also suggests a two-child policy may be less unpopular. The one-child policy has long been bitterly contested. Fines raised from those who break the rules exceed \$3 billion a year by one estimate. Yicheng's policy still requires policing. Officials keep track of when people marry and try to prevent a second conception before 28. Fines in Yicheng soared from 144,000 yuan in 1985 (\$49,000) to 4.7m yuan in 1995. But people have come to accept the restrictions. Fines are now below 90,000 yuan annually. The national two-child limit may make the worst forms of coercion, such as forced abortions, less common.

When the two-child policy was adopted in Yicheng in 1985, Mr Liang said he hoped it would become national by 2000. If it had, it would not have solved China's demographic problems. But it might have made its fertility decline less abrupt, improved its distorted sex ratio and given the country more time to prepare for the burden of ageing. ■

Family planning in Xinjiang

Remote control

KASHGAR

The government in Xinjiang is trying to limit Muslim births

BIRTH restrictions imposed on China's ethnic minorities have always been lighter than those on the Han majority. Han Chinese are only now being granted the right to have two children; most minorities living in urban areas have long enjoyed it. Non-Hans living in the countryside are allowed to have three, and sometimes more. But although family-planning rules are now being relaxed in China, in the far-western region of Xinjiang, where ethnic Uighurs make up 50% of the population, the government is tightening controls.

In 1983 Uighurs—never entirely happy

Singles day

Bare and profligate

BEIJING

Preparations are under way for an orgy of online spending

FOR much of the world November 11th is a sombre day, marking the armistice that ended the first world war. Not in China, where the date—chosen because it contains four ones—is dubbed “Singles’ Day”. Observance once consisted of unmarried people getting together to revel in—or lament—their single status. But in recent years it has evolved into a frenzy of consumerism.

Much of the buying takes place online. On November 11th last year, Alibaba, an e-commerce company, sold 57.1 billion yuan (\$9.3 billion)-worth of goods; the first 10 billion yuan-worth was sold in just 38 minutes. This far eclipsed the \$1.5 billion spent online by Americans on “Black Friday”, the day after Thanksgiving, which in the United States has become the biggest spending day of the year online, thanks to steep discounts. Surveys suggest Chinese consumers will set new records this year on Singles’ Day (also called “Bare Branches Day”, after a slang term for single men).

Chinese leaders may be keener than they once were for people to marry and have children, but they are even more eager to encourage consumer spending. They hope this will wean the country off an overreliance on state-led investment. Singles will play a growing role in this (although just as Christmas is celebrated by many non-Christians, so Singles’ Day has become an excuse for everyone to spend). As traditional values fade, more Chinese are waiting before marrying, especially in the cities. Urban women in the 1950s married, on average, at the age of about 20. This rose to 25 by the 1980s. In 2013 the average marriage age in Shanghai passed 30 for the first time.

For women—especially well-educated and high-earning ones—living the single life longer than their parents did is their own choice. For men, it is less so, thanks to the skewed sex ratio. By 2030 China may have 160 men of marriageable age for every 100 women. That will make November 11th a more sombre occasion.

with rule by a Han-dominated Communist Party based in far-distant Beijing—rioted when officials introduced the current limits. Some of them saw the restrictions as an affront to Islam. As a result, officials in some areas applied them more flexibly, even allowing couples in some far-flung places to have four or five children. Uighurs have fewer children than they used to, but since 2010 the birth rate has been rising again. In mainly Uighur Kashgar, a prefecture which borders on Pakistan, Afghanistan and Central Asia, it is four times the national average.

Hans, who feel targeted by rising separatist militancy among Uighurs, worry that they may become outnumbered. So the government is relaxing residency restrictions to attract more Han immigrants. Since 2012 all Hans in southern Xinjiang—a hotbed of separatism—have been allowed to have two children. The government is also trying to curb Uighur births.

Last year Xinjiang's party chief said it was necessary to lower fertility and implement a family planning policy “equal for all ethnic groups”, as part of efforts to fight terrorism. Early this year another senior official said southern Xinjiang had “worryingly high birth rates”. This year, southern Xinjiang doubled payouts to Uighur couples who have fewer than their quota to 6,000 yuan (\$950). Each parent also receives 1,800 yuan a year for life.

In Yining, a city in north-western Xin-

jiang, which four years ago became the first part of Xinjiang to ban the wearing of face-covering veils in public, a local newspaper reported in March that the government there was cracking down on unauthorised births as part of a battle against “extremism”. In June a township in Yining posted news of a similar campaign against “illegal births”. The government may have made some progress with its assault on large families. Though birth rates in Xinjiang as a whole are rising, those in Yining have been falling for the past three years. ■



Three but not free