

Equality between women and men is a founding value of the EU

STRATEGIERS AGAINST GENDER PAY GAPPING

**HOW TO NARROW
GENDER PENSION GAP?**

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PENSION AGAINST POVERTY

- ▶ The main objective of a retirement system is to relieve poverty in old age through adequate income provision but also to offer insurance against an unexpectedly long life
- ▶ Support to the elderly can be organized in various ways: the family, the market, or the state. In almost all countries all three solutions exist but with one being dominant
- ▶ Dependency ratios are increasing and fewer workers have to support more retirees putting pressures on pension systems provided by the market and the state
- ▶ Changing family patterns and urbanization in the developing world put a heavy strain on the family model and make informal retirement support systems less reliable

“SECOND LEVEL” WORKERS

- Men and women have different patterns of work history, with women – Gender pension gap = **the sum of gender inequalities over the lifecourse**
 - ▶ a lower participation rate in the formal labour market
 - ▶ interrupted careers in response to child rearing and elderly care (not recognized in social economy) ▶ unpaid work
 - ▶ limited careers after return
 - ▶ lower wages – lower pension benefits
 - ▶ more likely to work part-time and short term (precarious jobs)
 - ▶ longer life expectancy than men
 - ▶ more often become widows than men become widowers





LOW PAY – LOW PENSION

- A gender pension gap exists across Europe, leading to lower living standards or poverty for older women.
- Women need a strong public first pillar provision, with pension credits for child and elder care.
- Governments must move away from the 'bread-winner' family model to allow for women to become increasingly financially independent in future.

SCHOCKING

GERMANY OPENS THE CASE - TOO LATE

- The gender pension gap issue was not in the focus of the European policy so far, even when the issue of only gender pay gap was discussed
- In the study “The Gender Pension Gap Developing an Indicator Measuring Fair Income Opportunities for Women and Men” – for the first time the GPG measuring model was promoted by the Federal German Ministry for Family Affairs, Senior Citizens, Women and Youth of Germany in 2012
 - ▶ The gender gap in pensions was examined for the first time in-depth in a report published by the European Commission in **2013!**

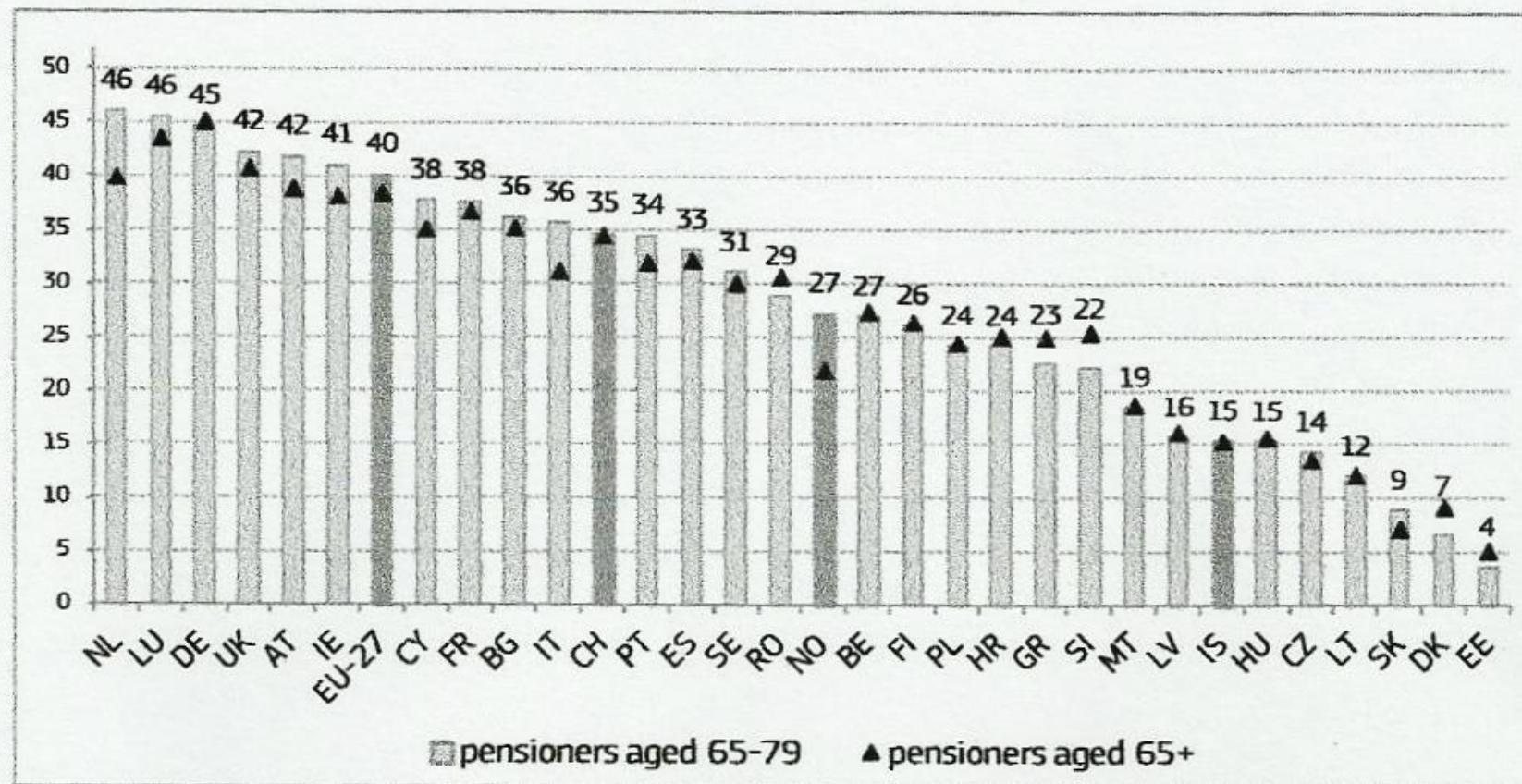
EAST Vs WEST



- ▶ When comparing eastern and western Germany, it is evident that the GPG in the **east is lower than that in the west** (36.7 percent and 63.8 percent respectively)
- ▶ The higher the level of **academic or vocational qualification**, the lower the GPG (university degree 35.6 percent, and no qualification 58.1 percent)
- ▶ GPG for married persons with children is 69.6 percent, while for married persons with no children it is narrower, at 51.6 percent. In eastern Germany the GPG is considerably narrower regardless of the **marital status**
- ▶ The gap for the various cohorts rises from 54.3 percent for the youngest cohorts (65 – 69) to about 60 percent for the two middle cohorts. At 66 percent, the **maximum gap occurs in the oldest cohort** (the over 80s)
- ▶ **CROATIA**: pay gap in 2015 – 10.2%; all pension gap 15.2% - precarious for newly emlyed women – 96%; 30% lower wages for women working part time

HUMANITY OR HUMILIATION

Figure 1: Gender Gap in Pensions (%), 2012, pensioners aged 65-79 years vis-à-vis 65+



Source: EU-SILC 2012, own calculations. In BE and IE figures are based on 2011 data.



SAD, SADDER

- In 2012, the gender gap in pensions amounted to **38%** in the EU on average
- Difference between pensions varies from country to country — from **5% in Estonia to 45% in Germany**
- The tendency for men to receive higher pensions than women is observed in all Member States
- The calculation takes in all such pensions regardless of whether they are received on grounds of age, widowhood, loss of earning capacity, etc
- In the EU, in 2012, between **11% (CY)** and **25% (BG)** of the population received an old age pension (this includes early retirement benefit due to reduced capacity to work; old-age pension itself; and anticipated old-age pension) showing that the societal context of Member States differs greatly



DIGGING DIGNITY

- ▶ The poverty rate among older women is higher than for older men, especially in Member States where the predominant pension schemes **relate benefits closely to lifetime earnings and contributions.**
- ▶ Such pension schemes place those who care for children or for dependent relatives **at a disadvantage** because their career breaks and part time work reduce their lifetime earnings.
- ▶ The projected impact of pension reforms is usually **based on a male, full time, full career**, average earner profile.
- ▶ Women's higher life expectancy compared with men means that inflation erodes their pension to a greater extent, if **indexation is inadequate.**
- ▶ Very old women are at the highest risk of poverty due to this erosion of income when ageing – in 75+ double than – men.

“WHO IS GUILTY?”

The gender gap in pensions can be explained by

- low employment participation rates
- women's lower lifetime earnings
- smaller or interrupted social security contributions, due to caring responsibilities, during pregnancy
- greater propensity to work part-time
- unequal share of care responsibilities between women and men
- mothers are more likely to follow non-standard employment patterns
- the under-valuation of professions associated with women
- high proportion of unpaid work
- practice of lump sum withdrawals has negative implications for women

Many guilty!

- required insurance periods often unrealistic for most women *
- long contribution periods and earnings related returns from private pension schemes negatively impact on women and low paid workers
- motherhood penalty' on mothers' average wages and incomes
- pension reforms that are not sufficiently gender sensitive and the privatisation of pensions can significantly hamper women's access to economic resources in old age
- childcare and eldercare: too expensive, of insufficient quality, not suitable, not available or not existing

*
The German system, for instance, required 45 years of labour market participation for full pension entitlement, which less than half of German men (47%) and only 7.5% of German women had reached in 2007

HOW TO TACKLE GPG?

- DIFFERENT policy areas are to be taken parallel:
- [?] **Pension provision** – sustainability is increasingly taking priority over adequacy
- [?] **Labour market organisation** – measures to reconcile family and work/ flexibility
- [?] **Society gender equality** – direct discrimination is outlawed, but life-course decisions lead indirectly to inequality



LABOUR MARKET BARRIERS

- 1. INCREASE WOMEN'S ACTIVITY RATES:** The Europe 2020 Strategy aims at raising the employment rate of men and women up to 75%.
- 2. DECREASE WOMEN PART TIME RATE:** The rate of part-time employment for women (30 hours or less a week) also varies across Europe. Whereas, between 2000 and 2006, part-time work was below 10% in most post-communist Member States, more than one third of employed women worked part-time in Austria, Belgium, Denmark, Germany, Luxembourg, the Netherlands, Sweden and the United Kingdom.
“The main difference between female full-time workers and part-time workers is that part-timers spend more time engaged in childcare and eldercare” (Eurofound 2007: 16).
- 3. INTRODUCE FAMILY FRIENDLY POLICIES AND LIFE&WORK BALANCE:**
Thus, again, family responsibilities explain the gender gap.

ANTI GPG INSTRUMENTS 1

- Pension policy itself holds various instruments which contribute to the reduction of the gender pension gap: minimum pensions, redistributive elements in the pension formula and credits for caring periods.
- 1. *Minimum pensions* can be residence-based. Women with a short or no employment record would benefit from such residence-based minimum pensions as is the case e.g. in Sweden and Finland. Usually contributory minimum pensions are linked to a certain insurance period; sometimes they are means-tested like e.g. in Croatia and Austria. Again, they are favourable for women with short employment records and low average earnings. Germany does not provides only state pension, not a minimum one.

ANTI GPG INSTRUMENTS 2

- 2. *Redistributive elements in the pension formula*** aim at weakening the link between contribution payments and benefits e.g. by using a “**few best years**” rule for benefit calculation which many countries like e.g. Sweden or Croatia had before the pension reforms of the last decade. Thus, periods of low wage employment or short employment records could be compensated. Another redistributive measure is to **upgrade periods of low income** to a certain amount which is the case in Belgium and was the case in Germany until 1992. Such measures benefit especially part-time workers.

ANTI GPG INSTRUMENTS 3

3. *Credits for childcare* vary considerably among Member States. The periods of childcare beyond maternity leave range from only three months in Belgium to up to three years in Germany. Credits are either linked to previous individual earnings like in Italy or Finland; or they relate to an average reference value like in Germany or Austria. In many countries credits for childcare are only provided if the carer is not employed during the childcare period.

Thus, credits for childcare either compensate for lacking contribution periods or also for periods of part-time employment due to childcare responsibilities. Other care credits for the care of dependent adult family members are not yet particularly widespread in Europe. In general those credits are linked to the average wage or the minimum wage or they are considered as contributory periods for a minimum pension guarantee. In Germany, credits are granted for the care of adult family members.



IS THERE ANY EUROPEAN STRATEGY

- Pensions and ageing are **high on the EU agenda**, due to 2012 being the European Year for Active Ageing and Solidarity between Generations and the European Commission's recent White Paper on pensions.
- While the European Commission acknowledges that the pension gap between women and men needs to be addressed, it **fails to propose a mechanism to measure and monitor the gender pension gap**.
- The European strategy for equal opportunities has primarily referred to **opportunities provided in the employment sphere as part of Europe's economic goals**. Such examples include the 1979 Directive on Equality on Social Security (79/7/EEC, 1979), the 1986 Directive on equal treatment in occupational pension systems (86/378/EEC, 1986) and the Community Charter of the Fundamental Social Rights of Workers 1989 (known in short as the 'Social Charter').
- The application of **substantive equality** is not distinguished from the **application of formal equality** whereby the same rule applies to all cases irrespective of their differences.

NO BACK-BURNER



Two of the headline targets of the EU 2020 strategy are directly relevant to the theme of the GPG:

- 75% of the population aged 20-64 should be employed.
- 20 million less people should be at risk of poverty.

The European Commission's Annual Growth Survey (2011) highlights two types of retirement reforms: **better balance between time spent in work and in retirement**, and **enhancing the contribution of complementary retirement savings** to retirement incomes.

Europe's **financial challenges must not lead to social policies being put on the 'back-burner'**. Europe's identity is based on fair opportunities for all, requiring greater harmonisation of social policy.



BROADER AGENDA

Gender equality within pension systems is part of a broader pension policy agenda:

1. Promote gender equality in the formal sense of the term that is by trying to establish equality between women and men without necessarily taking gender differentiations in work, life and care patterns into account.

Given that **pension systems tend to reward fulltime, continuous and highly-paid employment records**, women face a de facto disadvantage in terms of building adequate pension rights.

The problem with such strategies goes at the heart of the broader gender equality agenda at the European level, namely it lies with the focus on **paid employment as a the fundamental reference principle for establishing equality** or 'sameness' between men and women.



PENSION CARE CREDITS

2. Care credits are increasingly part of pension reform packages across European countries = the most important compensatory mechanism for people who devote a considerable part of their life caring for dependants, be it **children, elderly or long-term sick or disabled persons**. Since women tend to do the majority of caring across the Continent, the provision of care credits is **also a policy tool promoting greater gender equality in the provision of social security**.

With the exception of Finland, all of the countries that offer care **credits for the provision of one type of care but not for another**, provide credits for periods spent caring for children (including disabled children), but not for periods spent caring for other dependent persons within the household, whether disabled or elderly. **BROAD RECOGNITION OF ELDERCARE NEEDED!**



BETTER FOR WOMEN...

The design of pension systems is important? **YES.**

Will a certain design favour women more than another? **YES**

- ▶ because the premiums are the same for men and women, a **public mandatory system favours women**
- ▶ a basic **pension** with a flat benefit favours low earners, i.e. mostly women, because they will get a higher rate of return and sometimes also a replacement ratio greater than 100%
- ▶ by creating an obvious link between reported incomes and future benefits, employment-based social insurance schemes encourage people to participate in the formal economy
- ▶ if the system subsidizes non-market work, women get a higher rate of return on their contributions than men do. If benefits are based on final wages men are favoured as they have steeper age-earnings profiles.
- ▶ a defined contribution (DC) plan implies a tight link between contributions and benefits and thereby strong incentives for work in the formal market



WHAT TO ADVOCATE FOR

- **A minimum income provision is fundamental.** Since women tend to rely on the state more for their pensions (as opposed to occupational or private schemes), the **statutory pension needs to be strong.**
- **Minimum pension** benefits would be good instrument to prevent female poverty.
- Lower retirement ages are no longer beneficial for women: fewer years in work lead to lower pensions. But **raising the retirement age to 67 must be coupled with measures** to improve the employability of 50+ women.
- Pension system norms need to change away from the pattern of 45 years' full-time work, towards a life course perspective that includes periods of caring by both men and women.
- Given the growing importance of second and third pension pillars, steps are needed to **make them more women-friendly.**

LETS' REPEAT:

WHICH PENSION SYSTEM FAVOURS WOMEN AND PREVENTS THEM OF POVERTY

- be public and mandatory in order to make unisex life tables possible
- provide economic incentives for women to work in the formal sector
- not punish women by giving them a lower rate of return on lifetime contributions than men
- not punish child rearing
- provide a minimum guarantee
- mandatory indexation of pensions
- redistributive patterns for precarious work
- provide joint-and-survivor annuities, which provide continued benefit payments to a surviving spouse or (ex)partner





HOW TO TACKLE WOMEN'S POVERTY and how to gain independence

- Reduce the gender pay gap & gender pension gap
- Address the consequences of unpaid work
(care work; the work undertaken by assisting partners in family business etc.)
- Reinforce gender mainstreaming
- Tackle specific issues such as older women, single parent, (80% are women) and women from ethnic minorities and migrants
- Social protection benefits are often linked to the partner – stop it

A LOT OF THINGS TO DO

