Advisory Committee on Equal Opportunities for Women and Men

Opinion on reducing the gender gap in pensions

The Opinion of the Advisory Committee does not necessarily reflect the positions of the Member States and does not bind the Member States

Final version
1. Introduction

The European Commission asked the opinion of the Advisory Committee on how to reduce the gender gap in pensions, further to the announcement in the White Paper on Pensions\(^1\) that “the Commission will ask the relevant committees (e.g. Social Protection Committee, Advisory Committee on equal opportunities between women and men) to identify and recommend best practice in reducing the gender gap in pensions (e.g. promotion of equal pay, minimum pension entitlements, care credits, pension rights splitting at divorce)”.

2. Background and main challenges

Women account for close to two thirds of pensioners\(^2\) in the EU, they receive pensions which are on average 39% lower than men\(^3\) and they make up the bulk of pensioners with small pensions.\(^4\) This undermines their economic independence in old-age.

Moreover, more than a third of all older women have no pension in some Member States, but this is not taken into account in the gender gap in pensions of 39% which is calculated for women and men who receive a pension (i.e. who have worked long enough to qualify for a pension, hence the women who are better educated and/or more attached to the labour force, and yet the gender pension gap is wide.

Many older women have a relatively low income, often a minimum or survivor’s benefit, but also very small pensions, and they are therefore exposed to higher poverty risks than men of the same age.\(^5\) In 2011, over 23% of women aged 65

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\(^1\) COM(2012) 55 final; \url{http://ec.europa.eu/social/BlobServlet?docId=7341&langId=en}

\(^2\) See Pension Adequacy in the European Union 2010-2050; \url{http://ec.europa.eu/social/BlobServlet?docId=7805&langId=en}. Eurostat data show that in the EU, women account for 58% of the population aged 65 years and above and for 62.4% of those aged over 75. In older age, women outnumber men as life expectancy at age 65 is three and a half years longer for women than for men, on average. Older women, however, have a higher risk of physical impairments and dependence than men of the same age and the gender gap in healthy life expectancy is very narrow, of 0.4 years.

\(^3\) ENEGE (2013), The gender gap in pensions in the EU.

\(^4\) Women are over-represented in small pensions; for every pension-poor man, there are 1.9 pension-poor women and for every 3 pension-rich men, that is less than one pension-rich woman, see ENEGE (2013).

\(^5\) In 2011, over 23% of women aged 65 years and above in the EU were living under the poverty line, compared with 17% of men; the risk of poverty is highest for women aged 75 and above (25,4%), see Eurostat. However, the data underestimate gender differences in access to resources and poverty risk because they are based on household income, not on individual income. Poverty rates of women and men living in a couple are assumed to be identical and the differences in poverty rates by sex are driven by differences across single member households: divorced individuals, widows and widowers. Poverty data by sex would need to be complemented with information on intra-household sharing of resources. A tentative estimation suggests that the assumptions on which poverty data are based, i.e. income pooling and equal sharing within households, might be unfounded for about 30% of the households (see “What can we learn from the 2010 EU-SILC module?”; \url{http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-13-013/EN/KS-RA-13-013-EN.PDF}).
years and above in the EU were living under the poverty line, compared with 17% of men; the risk of poverty is highest for women aged 75 and above (25.4%).

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The gender gap in pensions originates in inequalities in the employment histories of women and men and their interplay with the operation of pension systems. Two main disparities in the employment histories of women and men contribute to the gender gap in pensions:

- first, women on average earn less than men per hour and the gap in hourly pay increases with age, partly as a result of slower career progression and the career interruptions women experience during their working life;
- second, generally, women undertake less paid work than men over their working life because they work (i) fewer hours per week as they are more likely to work part-time, often due to care and household responsibilities, and (ii) fewer years during their life: they have more frequent career interruptions to care for children or dependent adults and they tend to retire earlier, often to match the time of retirement with their partner. The shorter careers of women aged 65 and above, however, are mostly explained by interruptions before age 50 and by the share of women who have never entered the labour market, rather than by early retirement.7

Although in some Member States there seems to be a shift to a higher female employment rate, women still tend to have lower annual and working life earnings than men, and, accordingly, they build up fewer pension entitlements. Moreover, they end up living alone more often than men, so they are exposed to a higher risk of poverty than men of the same age.8 The higher poverty rate in old-age, however, affects both married and single women.

Gender inequalities in employment histories, in turn, are shaped by gender differences in time spent in unpaid work, including care for children and elderly relatives, as well as household activities. Women provide larger amounts of unpaid work than men.9 The time women devote to unpaid work is a break to their

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6 It is mainly women who reduce their working hours (over 30% of women compared to 5% of men) or stop working in order to care for a small child (over 40% of women compared to 5% of men), Eurostat data for EU27 average for 2010.

7 See ENEGE (2013), table 9.2 “average years in employment by sex in SHARE, women and men over 65”.

8 Living alone is itself a poverty factor – elderly people living alone are 2.5 times more likely to be poor than elderly couples. But the poverty rate is higher for women living alone than for men living alone.

9 In the OECD countries, women spend about 2½ hours more than men on unpaid work (including care work) each day, regardless of the employment status of their spouses. As a result, the gender
involvement in paid employment, while it allows their partner to invest more time in paid work and build up higher pension entitlements. The unequal sharing of unpaid work within couples therefore has long-term consequences on the accrual of individual pension benefits and exposure to poverty risk.

The “carepenalty” on women’s employment and pensions: there is a negative association of motherhood with the careers of women, in terms of employment, earnings and pensions,\(^\text{10}\) in contrast to a positive association of fatherhood with careers (and pensions). The “care penalty” works through a number of channels: career interruptions, whether temporary\(^\text{11}\) or permanent, a much higher prevalence of part-time work among women with children compared to men (with or without children) and to women without children, lower associated wages and, when provision of affordable child and elderly care is insufficient, higher rates of inactivity among women due to care responsibilities, a higher rate of involuntary part-time.\(^\text{12}\)

Women with children also have lower pensions, albeit in a reduced size, in countries where pension contributions are credited for interruptions related to child rearing. Paradoxically, women with children end up with lower individual pensions, while at the same time low fertility rates are a main factor underlying the drop in the labour force, the ageing of populations and the associated risks to the long-term sustainability of Member States’ public pension systems.

The gender gap in pensions reflects the situation of women and men who are old today: today’s older women typically spent less time in paid work, mostly due to career interruptions after marriage\(^\text{13}\) or child birth, and earned less over their working life than today’s younger women, who are more educated and more attached to the labour force. They also had more children in total. Moreover, the official retirement age for women was lower than for men; the rationale was that women who undertook paid work also did the unpaid work at home so, in compensation for their double burden, they should be able to retire from their paid job earlier than men. Therefore, even today’s older women who worked all their lives, typically worked fewer years than men, and thus qualified for relatively low

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\(^{10}\) While the gender gap in pensions is widest for married people, the gender gap for single individuals is substantial (17%).

\(^{11}\) 24% of mothers have taken parental leave, compared to 1% of fathers; more than 40% of mothers reported that they stopped working to take care for their youngest child at least for one month longer than their maternity leave while only 2% of fathers reported they did so (RAND, forthcoming, Gender equality in the workforce: Reconciling work, private and family life in Europe, prepared for the European Commission Directorate-General for Justice and Fundamental Rights).

\(^{12}\) The rate of involuntary part-time only includes those working part-time because they have not found full-time employment, and does not include those who did not look for full-time employment in the first place, for example because of care responsibilities.

\(^{13}\) It was more common in the past for women with children to have long spells without paid work or to stop working. Moreover, marriage bars used to be in place a number of Member States, whereby single women where fired when they married and there was a ban on hiring married women. Such marriage bars affected women who are of pensionable age today.
pensions, which explains today’s high gender gap in pensions. In some cases, widow's pensions or other sources of household income, where available, can constitute some kind of remedy, and prevent older women from being poor.

**What future prospects for the gender gap in pensions?** As gender gaps in employment have narrowed over time, it could be argued that the gender gap in pensions would also narrow in the future: tomorrow’s older women, when they retire, will have spent more time in paid work and earned more over their working life than today’s older women. However, compared to men of the same age, tomorrow’s older women are still very likely to have spent less time in paid work and earned less over their working life.\(^4\) A number of trends, in particular the emergence of non-standard employment contracts such as part-time and temporary employment and their higher prevalence among women are likely to have an impact on the future gender gap in pensions. In 2011, almost a third of women and 5% of men with a young child worked part-time. Hence, future reductions of the gender gap in pensions on account of narrowing gender gaps in activity are not guaranteed. The trends in pension gaps will depend on labour market developments, but also on the design and operation of pension systems which can mitigate, reproduce or further exacerbate the impact of past gender gaps in employment. For example, the US experience\(^5\) shows that, despite improved gender equality in the labour market and considerable reduction in the gender pay gap, the gender gap in median incomes of the older population has remained unchanged over the past fifty years; this was essentially due to pension reform and the introduction of occupational pensions.

While today’s pensioners mostly receive defined pension benefits, tomorrow’s pensioners will increasingly receive defined contribution pensions. Pension reforms in many Member States tend to tighten the link between pension contributions and benefits, which does penalise periods out of the labour force and lower earnings – unless some mitigation is designed. Pension systems which increasingly rely on the investment of contributions are designed to discourage early retirement and increase pension contributions, and rightly so, however they may actually exacerbate the impact of gender inequalities in employment remuneration on pensions. The gender gap in pensions appears to be wider in second pillar pension schemes than in first pillar schemes and it can be expected to further widen, as these schemes are still maturing.\(^6\) Shorter working hours, shorter length of service and segregation in the labour market limit the access of women to occupational pension schemes. Therefore, if policies are unchanged, and unless the behaviour of women and men changes, *gender gaps in pension are unlikely to close fully on account of improved gender equality in the labour market\(^7\)* and they risk widening in future on account of changes to pension systems.

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\(^4\) In 2012, the employment rate for men (aged 20-64) was 74.6% compared to 62.4% for women. When measured in full-time equivalents, the employment rate of women is 53.5%. For the economy as a whole, women’s gross hourly earnings were on average 16% below those of men in 2011 in the EU. In 2011, the working lives of women were 5.5 years shorter than those of men in the EU as a whole. Since 2000, the duration of working life increased by 1 year for men and by 2.7 years for women.


\(^6\) ENEGE (2013), The gender gap in pensions in the EU.

\(^7\) See simulations for France by the INSEE showing that by 2040, about 40% of women would retire with a full career, which is the same proportion as for current retirees. In 2040, the pensions
3. Recommendations

The Advisory Committee makes the following recommendations:

I. Recommendations of a general nature

I. i. The gender gap in pensions should be placed prominently in the policy agenda of adequacy and sustainability of pensions. Concerns about how population ageing and early exit from the labour force may threaten the sustainability of public pension schemes have dominated the policy discussion, together with concerns about the burden on future generations. In contrast, inequalities within generations of pensions have received more limited attention. In the context of the crisis, pensions appear as an area with large potential for reform and reduction of public expenditure. However, pensions are a key determinant of their beneficiaries’ ability to live independent lives and of their well-being. Pension policies need to be framed as an economic and social policy issue and be concerned with the well-being of older people and with inequality between older people: between women and men and between different population groups. The question how to reduce the gender pension gap should be one of the central issues in the pension debate.

I. ii. A gender perspective is needed to address the relationship between unequal sharing of care responsibilities, employment, earnings and pension acquisition. Gender disparities in patterns of paid and unpaid work result in gender gaps in employment, earnings and pension acquisition. Yet, pension design is typically based on the assumption of an individual employed continuously until the age of 65, full time, and on average earnings. Simulations on this basis therefore overestimate the pension entitlements that women will acquire, as they do not take into account their more interrupted and partial participation to the labour market, with periods of family caring, part-time work and lower average earnings. The unequal sharing of care responsibilities within couples has a strong impact on the individual pensions of women and men many years later. This is an issue of concern to policy makers in the areas of employment, reconciliation between work and family life, social and pension policies.

I. iii. Closing the gender gap in pensions will require decisive policy action. Gender gaps in pensions can be expected to persist unless policies are stepped up to close gender gaps in employment and, in particular, to prevent a care penalty in employment histories. As long as women continue to be more likely than men to interrupt their careers to care for children or elderly relatives, to work part-time and to earn less, however, we can anticipate gender gaps in pensions to persist in future (if pension systems remain unchanged). Moreover, as pension reforms affect men and women differently, there is a risk that pension reforms primarily aimed to link contributions more closely to entitlements could be acting to reduce women’s pension entitlements relative to men’s. One of the major objectives of policy action should be balancing incentives for taking up quality work on the one hand, and compensations for time spent in activities, which are socially relevant, on the other hand. This would mean, inter alia, finding compensation mechanisms also in the

("pensions de droit direct") of women aged 65 to 69 would be 20 % lower than for men, according to the projection.
pension field, as far as it is necessary and reasonable from the viewpoint of the respective social, financial, family and gender equality policy.

I. iv. Better articulation of employment, social and taxation policies. Tax and benefit policies to ensure the right incentives to return and/or to stay in work and eliminate the work disincentives currently in place, well-developed childcare facilities, including after-school care, and care for the elderly to support families with dependent elderly relatives and parental leave design, in particular, are of key importance for the adequacy of pensions of women and ought to be part of the pension policy debate. Indeed, such policies are relevant for pension policy too: they can contribute to correcting gender imbalances ex-ante and where they arise - on the labour market - and thus minimise the need for ex-post corrections in pension systems to protect those who were unable to earn any, or sufficient, income-based pension rights.

II. Recommendations as regards labour market reforms

High labour force participation rate among both women and men over their life course and a retirement age aligned to changes in life expectancy are crucial for women and men to build adequate pension entitlements, and to achieve financial sustainability of pension schemes. Closing the gender gap in pensions will also require tackling gender gaps in the prevalence of part-time work and pay. Recommendations as regards pension policy reforms are outlined in section III.

II. i. Encourage a more equal division of time spent in unpaid and paid work between women and men. This is an area where further engaging men to attain gender equality would yield important benefits. The unequal sharing of unpaid work within the couple has an impact throughout the life course. In old-age, it translates into smaller individual pensions for the one who did more unpaid work and less paid work, mostly the woman. This undermines her economic independence and it can be particularly serious for divorced or widowed women if they have no entitlements for survivor pensions or if their survivor pensions are rather small. Policies should allow and encourage fathers to take parental leave for the care of young children. In particular, implementation of the Parental Leave Directive\textsuperscript{18} needs to be monitored to ensure that men are encouraged to take their parental leave. Disincentives and barriers for men who wish to work more flexible hours or to reduce their hours worked during certain periods should also be removed and men should be actively encouraged to take up a bigger part of unpaid work, leading to a more equal sharing of caring and household responsibilities between women and men. Policies should facilitate transitions between full-time and part-time work for women and men, and in particular facilitate increases in hours worked after a spell of part-time. It is also crucial to promote an early and substantial re-entry into the labour market after family- or care-related career-breaks.

\textsuperscript{18} Council Directive 2010/18/EU of 8 March 2010 implementing the revised Framework Agreement on parental leave concluded by BUSINESSEUROPE, UEAPME, CEEP and ETUC and repealing Directive 96/34/EC. Each parent will be able to take four months off per child (previously three months). The extra month cannot be transferred from one parent to the other, thereby encouraging fathers to take their leave. In the past many working fathers have transferred their right to leave to the mother.
II. ii. Support the labour force participation of women and men with care responsibilities, by eliminating work disincentives in tax and benefit systems, and improving child and elderly care services. Childcare is the main driver of the labour force supply of women, and the effect is stronger when tax and benefits are adequate (OECD, 2013). Currently, however, childcare services, including out-of-school hours care, and elderly care services remain inadequate in a number of Member States. Moreover, the interaction of tax and benefit systems still introduce disincentives for two-earner couples and dissuade one of the earners in a couple from working or from working more hours in a number of Member States. Those who respond to such work disincentives will later on receive lower pensions. While the joint taxation of the spouses’ income tends to discourage the labour force participation of women, an individualised tax system would make it economically advantageous for both spouses to work. Across the EU, women are more likely to earn less than their partner and women with children (once childcare-related costs are taken into account) and/or relatively lower earnings capacity face the strongest disincentives to work. This is due to the interaction of tax systems with the removal of a number of benefits which would be available to a non-working spouse. Finally, particular attention needs to be paid to equal access to funding for women and men in policies to encourage entrepreneurship.

II. iii. Step-up measures to close the gender pay gap. The enforcement of legal obligations needs to be stepped up, where appropriate. The conditions of atypical forms of work, such as part-time and temporary contracts, would need to be examined to take into account the impact on remuneration – which is the responsibility of social partners in some cases. The persistence of horizontal segregation needs to be addressed and would require policy interventions in the area of education and career choices. Both girls and boys are to be encouraged to choose from the broadest possible range of educational and career choices, irrespective of gender stereotypes, to prevent segregation in educational choices and specifically male/ female-dominated professions. The choice of study area and later career is particularly important for individuals and for economic growth, in particular in view of the job creation of areas including STEM or the ICT sector, in which the presence of women could be strengthened, as well as the health care sector, in which women are already well represented but which also offers increasing opportunities for women and men of various levels of educational attainment. Another great challenge to close the gender pay gap is to overcome the vertical segregation by promoting and empowering more women for leadership and decision making positions. Finally, closing the gender pay gap becomes increasingly urgent in view of the policy objective to enhance private saving for retirement.

II. iv. Strengthen the gender dimension of employment policies to support the extension of working life: a range of policies would help to address the low participation rates of women and men after the age of 50, in particular policies to promote the well-being at work for elderly workers, the flexibility of working arrangements, better possibilities to influence the working environment as well as adequate supply of life-long learning activities and other measures to maintain the motivation of workers who have experienced limited pay and career progression. The specific characteristics of both female- and male- dominated occupations need to be taken into account, so as to encompass a wide range of policy issues, in particular as regards health and safety (including the issue of mental health which is a rising problem among women).
II. v. Combat direct and indirect discrimination: There is evidence that women are facing discrimination particularly when pregnant and/or on return to the labour-market after giving birth. It remains essential to overcome attitudes, cultural barriers and stereotypes of men’s and women’s roles. The engagement of men is fundamental in shifting social and cultural norms to be able to reach gender equality and avoid all forms of discrimination.

It is of special importance in this realm the fight against fraud as well as bringing to the surface women's work in underground economy, being implicit the absence of any type of legal guarantee both in labour and social protection.

III. Recommendations as regards pension systems

There is a basic trade-off between strong work incentives, in particular to enhance gender equality in the labour market, and a solid basic protection for people unable to earn any or sufficient income-based. The right balance needs to be achieved. In addition, it is important to further consider the long-run impact of joint decisions as concerns division of care responsibilities in the couple, and the particular consequences for older women living alone.

III. i. As a general principle, gender differences in income should be addressed “at their root” and “ex ante”, during working life, rather than by pensions systems and “ex post”: strong work incentives and systems where both women and men can be credited with pension entitlements in case of parental leave are also important to prevent the persistence of gender inequality in employment. It would also be important to strengthen “own rights” derived from professional activity, relative to rights derived from marriage or family. Policy measures which primarily target working conditions, when pension rights are earned, and address the origin of the gender gap in pensions, are therefore preferable to ex-post corrections within pension systems (such as derived rights and compensation for “family risks”), which are not the most effective way to tackle pension adequacy issues – given for example the increase in the number of single individuals, whether or not partnered, who would not benefit from survivor pension.

III. ii. At the same time, policy makers need to take into account the situation of older women who have already reached or are nearing retirement age. While inequalities persist in the division of unpaid work and in employment, the consequences on future gender gaps in pensions need to be taken into account. Ensure special arrangements for current pensioners: given that most of the effects would operate over entire lifetimes, dealing with the "root causes" of the gender gap in pensions is essential for the working-age population, but not for today’s pensioners, for whom a number of compensatory measures, for example

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19 There are indications that young women are requested to sign blank papers which ultimately result in their ‘agreed’ dismissal once and if they become pregnant (“white dismissal”).

20 taking into account, that derived pension provisions for survivors, where available, under certain aspects constitute own pension rights and are also a further "recompense" for socially relevant family care.

21 For example, the treatment of broken careers in the 1970s explains today’s pension gaps. For today’s pensioners, the intervention needs to take place in current pension systems, but changes in the treatment of broken careers may be warranted to prevent the same situation for the pensioners of 2030 (ENEGE, 2013).
minimum pensions, survivors’ pensions or minimum income benefits remain essential. The calculation of the old-age pension for former disability pensioners, among which women may be over-represented, could also have an impact on the gender gap in pensions.

**III. iii. The design of pension systems matters:** while certain elements of pension systems mitigate gender differences in employment histories, others can maintain or even exacerbate them. Family rights (such as credits for labour market absence due to maternity and childcare) and marriage related rights, such as survivors’ pensions, mitigate part of the gender gap in pensions for certain groups of women. As past gender gaps in careers play an important role in today’s gender gap in pensions, redistribution mechanisms based on traditional gender roles may alleviate poverty risk among today’s elderly women. However, it is necessary to rethink these redistribution mechanisms for future generations, on account of societal changes, in particular rising number of single individuals, single-parent households, divorcees and unmarried couples. Ceilings on pensionable earnings could contribute to reducing the gender gap in pensions. **Pension systems should not exacerbate gender inequality in past employment histories.** In particular, the current trend in pension reform towards defined-contribution in both pay-as-you-go and pre-funded schemes and a greater role for occupational and personal pensions tend to be unfavourable to many groups of women and risk exacerbating gender differences in employment histories, unless gender equality in employment, including pay and incidence of part-time work, and in occupational pension coverage is achieved.

**III. iv. Carry-out gender impact assessments** prior to implementing pension reforms, taking into account the situation and impact on men and women. In particular, taking better into account fragmented careers in the calculation of pension benefits would enhance gender equality, in contrast with measures linking pensions to careers which are complete, stable and in progress. Each measure needs to be examined taking in consideration its potential impact on atypical and incomplete careers. Finally, longer life expectancies for women during which they are more likely to experience chronic illnesses or dependence need to be taken into account.

**III. v. Postponing the retirement age of women** would contribute to the adequacy of women’s pension entitlements in old age, provided that women can remain at work for those additional years. As the effective age of retirement is lower than the legal retirement age, the impact of the legal retirement age therefore depends to a large extent on an increase in the effective age of retirement. Therefore, the equalisation of retirement age for women and men needs to be accompanied by appropriate measures to support and facilitate working longer and ensure the employability of both older women and men. Otherwise, the higher retirement age risks resulting only in later access to pension benefits and unchanged pension payments. However, this will not be enough and more efforts are warranted to tackle the other main drivers of the gender pension gap, in particular career interruptions and low-work intensity. Indeed, women have shorter careers than men by a wide margin which are not explained by the fact that they retire before men, given that the

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22 ENEGE (2013), The gender gap in pensions.

23 Arguments against equalisation of pension ages are mainly based on the assumption that the unpaid family work is still mostly done by women and that women should therefore be compensated by earlier access to the pension scheme.
large differences remain when calculating years of employment before age 50 (ENEGE, 2013).\textsuperscript{24}

III. vi. Reconsider the treatment of periods of part-time for care obligations in the calculation of career length for both women and men: the higher prevalence of part-time among women needs to be taken into account in certain circumstances and a balance needs to be achieved between incentives to work and protection of future pension rights of those taking the burden of unpaid work.\textsuperscript{25} Part-time workers should not be further penalised by the pensions’ calculation method. Some countries have started to review the calculation rules related to part-time work (Spain, for example\textsuperscript{26}). Moreover, many Member States have specific mechanisms in place to compensate women who interrupt their careers to raise children, which increase their pension entitlements, but are not sufficient to compensate for differences in working histories between women and men and they cannot bridge the gaps caused by career breaks.\textsuperscript{27} Care credits for children should be available to both women and men. In addition, maternity leave, paternity leave, and different types of leave for both women and men such as parental leave, leave for care of ill relatives, leave for care for elderly or other dependent relatives, such as grand-children ought to count as work periods for the purpose of pension calculation.

The rationale for introducing care crediting should be to ensure that a life-cycle that involves care periods will be the norm for women and men and that it will provide a dignified old-age income for everyone, and not only to compensate women. Care crediting should be designed in a manner that makes it easy for parents to share care responsibilities equally and it should not encourage women to become/remain full-time care givers. Care credits for caring time beyond the statutory leave must encourage rather than penalise parallel employment. Care credits should top up pension entitlements based on employment. The possibilities for care crediting in second and third pillar pension schemes should be explored. The Commission could envisage work on care crediting for women and men under the social Open Method

\textsuperscript{24} See page 58.

\textsuperscript{25} See Judgment of the Court, Isabel Elbal Moreno v Instituto Nacional de la Seguridad Social (INSS) and Tesorería General de la Seguridad Social (TGSS), DO C 26 de 26.1.2013, p. 12/12 : http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:62011CJ0385:Es:NOT which ruled that Spanish legislation on contributory pensions discriminates against women and is thus contrary to Council Directive 79/7/EEC of 19 December 1978 on the progressive implementation of the principle of equal treatment for men and women in matters of social security. Article 4 of Council Directive 79/7/EEC must be interpreted as precluding, in circumstances such as those at issue in the main proceedings, legislation of a Member State which requires a proportionally greater contribution period from part-time workers, the vast majority of whom are women, than from full-time workers for the former to qualify, if appropriate, for a contributory retirement pension in an amount reduced in proportion to the part-time nature of their work.

\textsuperscript{26} In the case of Spain various measures have been adopted by Royal Decree Law 11/2013 related to the protection of part-time workers. In order to facilitate access to pensions for this group of workers, the calculation rules of the contribution periods necessary to receive a pension have been modified.

\textsuperscript{27} http://ec.europa.eu/europe2020/pdf/themes/31_labour_market_participation_of_women.pdf
of Coordination, drawing on national good practice examples. Pension rights in case of separation or divorce could also be further analysed.

III. vii. Second pillar pensions. In countries where second pillars are well established (e.g. Denmark, the Netherlands and Switzerland), the composite of the first and second pillars has a wider gender gap than the first pillar on its own (ENEGE, 2013). The second pillar also displays significant coverage gaps, as fewer women tend to enrol in occupational pension plans. It will be important to analyse the reasons behind the coverage gap in order to address it. It matters also whether pension benefits are indexed through unisex or gender-specific mortality tables by private pension providers. It is also recommended to carry out periodic evaluations of the operation of 2nd and 3rd pillar pension schemes for women and men, as well as a comparative study at the EU level of the number of women participating in occupational schemes and the level of their occupational pensions as compared to men in all EU Member States and to examine the treatment of involuntary career interruptions in these schemes. Women tend to have less access to private pensions due to fewer financial resources. Individualised tax deductions to third pillar pension systems need to be reviewed both in terms of how this contributes to the gender pension gap, to avoid its widening, as well as the impact on tax revenues. Direct subsidies in the form of an annual lump sum or in form of a child bonus, for example, would be preferable to individualised tax deductions given women’s lower earnings and the impact of savings and investment potential.

Specific measures in the code of good practice referred to in initiative 14 of the White Paper to support and complement national actions aimed at closing the gender gap in pensions at EU level [code of good practice for occupational pension schemes (2nd pillar), addressing issues such as better coverage of employee, the payout phase, risk-sharing and mitigation, cost-effectiveness and shock absorption].

- Measures carried out by employers that combat or prevent gender and age discrimination, that encourage men and particularly women to remain longer in full-time employment.

- Proactive measures that address the cumulative disadvantages against women at the workplace that enhance their participation in employment and prevent early retirement.

- Measures including life-long learning opportunities and working experiences that empower older men and particularly women of a working age to remain, return or to enter employment, given the drop in the employment rate of persons over 55 years of age.

How to adequately address the gender equality issues in the various EU instruments referred to in initiative 20?

- Gender mainstreaming is the appropriate means to adequately address gender equality issues in various EU instruments, thus integrating the gender perspective in all the policies, programmes, reports and other initiatives to adequately address the circumstances and needs of men and women.

- Further awareness raising on the long term effects of unemployment or limited employment is required to disseminate more information on the gender pension
gap, as well as on the higher risk of poverty and social exclusion that women are likely to face.

- Extending the importance of ‘equal economic independence’ (that is discussed in the Commission Strategy for Equality between Women and Men 2010-2015) to old age and during retirement. Measures, support structures and awareness raising initiatives are required to further highlight the importance of economic independence throughout the life cycle and to prevent a transition from economic independence in working-life to economic dependence during retirement.

**Recommendations as regards awareness-raising or information**

- **Information: the example of the Swedish "orange envelope"**: every person who has earned an income receives a value statement from the Pensions Agency – an orange envelope. It shows the balance on accounts for income and premium pensions and for the majority, a forecast of their future national retirement pension. It is recommended to Member States to provide information on relevant main parameters of “gender gaps” that affect the projection of the future retirement pension, such as part-time work and offer transparency and readability of future pension all along the working life. A particular attention should be paid to those working very short hours, to ensure that the conditions are in place for a genuine choice and to ensure that information on the future consequences is transparent. For new generations, it is recommended to focus on ICT-based “pension calculators” where people can find out the consequences of different wage levels, hours worked, career interruptions and retirement ages on their future pensions.

**Data collection/ Research**

Knowledge gaps remain. In particular, a sizeable gender gap in pensions remains in most countries which cannot be easily explained by differences in characteristics between men and women. Differences between women and men in education, age, length of working career, marriage status and weight of third pension pillar can only explain part of the sizable gender gap in pensions. More needs to be done to measure and understand what causes gender gaps in pensions.