THE GENDER GAP IN PENSIONS IN THE EU: A gap in our radar screens

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Women’s independence at old age – a gap in our radar screens?

• Simone de Beauvoir *The Coming of Age* (1970),
  • “What we have here is a man’s problem... When there is speculation upon old age it is considered primarily in terms of men. In the first place, because it is they who express themselves in laws, books and legends”. P89
  • “For women, the last age is a liberation...Now at last they can look after themselves..” p. 489

• How far are we *today* from realising the potential imagined by de Beauvoir?
• In the intervening period, there has been major progress in gender balance in the field of employment and work.
  • Does this mean that the battle has been won *already*?
  • A simple matter of time before improvements percolate to pensions.

• Or is there still work to be done?
  • How does the pension system treat older women? How fair is it?
  • What is the link with poverty?
Outline: Charting a looming challenge

1. **Motivation**: The need for gender vigilance
   - Older women ‘stuck in the middle’ – victims of collateral damage

2. **Quantification**: What is the Gender Gap in Pensions?
   - How do we measure it and why?

3. **Investigation**: Some Key Findings
   - How large a challenge is it? On what does it depend?
   - What are the gaps in our understanding?

4. **Conclusion**: Vulnerability of older women
1. Motivation

*Why* should we worry about gender balance at old age?

What do we need to find out?
Pensions, welfare and economic independence

- Pensions are paid to *individuals*, not households
  - They are an important determinant of the capacity to lead life independently, *within* the household
  - Unlike *household income* which is *by construction* equal in couples in most surveys
    - If we are confident that the division of resources is fair within the household, we need look no further.

- Pension entitlements, *unlike* poverty, are *not* a welfare measure.
  - Possibility of a trade-off: Could greater independence mean more poverty?

- Pensions replace working income. The Pension gap is the analogue to Pay (or earnings) gap.
  - Pensions *reflect* the situation in the labour market (cumulated disadvantage),
  - *But are Filtered* through the operation of pension system. *Not in a neural way.*
    - Income replacement – *reproduces* lifetime inequality. May even *increase* it.
    - Social policy: Corrections due to the operation of social policy.
Women's pensions reflect complex influences

A. Pensions are subject to long term changes – differ across MS.
   – Today's pensions are the result of yesterday's work
   • Emancipation in labour market (decline of Male Breadwinner paradigm)
   • Innovation: non-traditional modes of working (e.g. part time, contract etc)

B. Effects of past (pension) reforms
   • Pensioners today covered by transitional arrangements - Have contributed to one system, will collect under another. Will not be protected by internal logic of either.
   • Younger Pensioners: Affected by new (reformed) systems. Facing new risks not yet fully understood

C. Follow short term conjunctural changes – ‘collateral damage’
   • Public Pensions are affected by fiscal retrenchment;
   • Private pensions hit by asset values.

   • Gender Blind Spots result from complacency, lack of visibility and understanding

WHAT should we care about?
Is time working in women’s favour?

- We know a good deal about pay and earnings gender gaps:
  - Vast literature on pay gaps, both in EU and US
  - Pay gaps shrinking everywhere – labour market is becoming more equal.
- We know very little for their ‘pension sequel’, to the story on pay.
- As new generations of pensioners who have worked in the more equal market enter retirement will pension gaps shrink *automatically*?
- Even & Macpherson 2004 US Study
  - The pension system *negated* employment progress
    - Dramatic improvements in pay gaps over 30 years translate to:
      - a fall in pension gap from 0.61 in 1950 to 0.59 in 1994 (!).
- Key analytical and policy questions: How will pension gaps evolve?
  - A passing feature of the past? Or a looming worry for the future?

WHAT should we care about?
2. Quantification

Key issues in measuring Gender Gaps in Pensions
<table>
<thead>
<tr>
<th>WORK</th>
<th>Pay per hour</th>
<th>Segregation, discrimination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours worked</td>
<td>Part time</td>
<td>Contracts/self employment</td>
</tr>
<tr>
<td>Years worked</td>
<td>Work interruptions</td>
<td>Unemployment</td>
</tr>
</tbody>
</table>

**TOTAL CAREER RESOURCES**

- **PENSION**
- **LIFETIME PENSION RECEIPTS**
- **OLDER AGE**
- **Life expectancy**

**Entitlements**

<table>
<thead>
<tr>
<th>Age or retirement</th>
<th>PENSION</th>
<th>Entitlements</th>
<th>Life expectancy</th>
<th>LIFETIME PENSION RECEIPTS</th>
</tr>
</thead>
</table>

**Years worked**

- Work interruptions
- Unemployment
Why measure pension gender gaps?

- EU structural indicators had catalytic effect in starting and directing domestic debate.
- Statistics as a way of forcing policy response on ‘politically invisible issues’
  - The Gender Gap in Pensions is the percentage by which women’s average pension is lower than men’s, i.e. how much women are lagging behind men.  ($\approx$ Pay or earnings gap)
    - Compare each woman to the average male pension for the country
    - Also: the Intra-household Gap – compare each woman with her own partner.
      - Harder to work with – may yield interesting insights.
- Data from
3. Investigation - Findings


Gender gaps in pensions are **wide**, **wider** than gaps in wages

- Average is 39%
- Pension gaps contrasted to pay gaps.
  - Pension gaps are much higher
  - No simple relationship – EE?
- Dispersion is very wide
- The Pension system is **not a neutral filter**.

Source for pay gap – Earnings survey
Coverage gender gaps: entitlement

- For most countries coverage gaps are zero or very small.
  - Due to age pensions
- For six countries gaps are greater than 10 points; in two, greater than 25 points. For those, it makes an enormous difference.
  - MT, ES, BE, IE, GR, AT
  - Rely on household model
- Caused by women not meeting vesting requirements in social insurance; covered by supplement to husband’s pension

EU 27 coverage gap (6 pp) is not negligible.
Two simple questions prove difficult to answer

- Two simple and obvious empirical questions when posed to the data prove surprisingly complicated.

- **Question A**: Do older groups face wider gaps?
  - ‘March of progress hypothesis’ – emancipation proceeds. Compare 65-80 with 80+
  - Proves difficult as **survivors’ pensions** of the older group alter the situation that own-right pensions would have produced on their own.

- **Question B**: Are pension gaps widening over time?
  - Yes in some places, no in others. Once coverage is included, things look bleaker.
  - Could be due to shrinking of public sector?

- **Question B1**: Are multi-pillar systems leading to wider gender gaps?

- Moral: **National heterogeneity trumps easy generalisations**??
SHARE analysis by pillar

Are pension gaps *widening* in multi pillar systems?

- SHARE w2 allows to distinguish the three pillars. In NL, DK, and CH the second pillar is mature enough to generalise.
- The gap is smaller in Pillar 1; imbalance is *always* introduced by Pillar 2. The (small) third pillar corrects the two in NL.
- Yet multi-pillar as a whole not particularly imbalanced.

<table>
<thead>
<tr>
<th>SHARE</th>
<th>Gender Gap in Pension, by Pillars</th>
<th>Combined income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pillar 1</td>
<td>Pillar 2</td>
</tr>
<tr>
<td>Persons 65+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DE</td>
<td>34,3</td>
<td>26,4</td>
</tr>
<tr>
<td>NL</td>
<td>-3,1</td>
<td>30,6</td>
</tr>
<tr>
<td>FR</td>
<td>32,5</td>
<td>32,8</td>
</tr>
<tr>
<td>SE</td>
<td>14,4</td>
<td>29,2</td>
</tr>
<tr>
<td>IT</td>
<td>35,7</td>
<td>32,8</td>
</tr>
<tr>
<td>DK</td>
<td>-3,5</td>
<td>43,8</td>
</tr>
<tr>
<td>CH</td>
<td>-4,4</td>
<td>34,8</td>
</tr>
</tbody>
</table>

| Gender Gap in Coverage by Pension System, by Pillar (Persons aged 65+ years) |
|-----------------|-----------------|-----------------|
| Pillar 1 | Pillar 2 | Pillar 3 |
| Men | Women | Gap | Men | Women | Mean | W-M | Men | Women | Gap | W-M |
| DE  | 94,0 | 90,2 | -3,8 | 30,3 | 13,0 | -17,3 | 4,5 | 4,0 | -0,5 | 4,0 |
| NL  | 93,2 | 96,3 | 3,1 | 76,8 | 48,4 | -28,4 | 10,1 | 7,2 | -3,0 | 7,2 |
| FR  | 99,4 | 94,2 | -5,2 | 4,7 | 1,7 | -3,1 | 4,8 | 3,3 | -1,5 | 3,3 |
| SE  | 94,5 | 95,6 | 1,2 | 64,8 | 69,0 | 4,3 | 21,3 | 14,9 | -6,4 | 14,9 |
| DK  | 96,9 | 97,9 | 1,0 | 23,3 | 16,2 | -7,0 | 21,6 | 13,7 | -7,9 | 13,7 |
| CH  | 93,2 | 98,0 | 4,8 | 60,7 | 27,9 | -32,8 | 5,7 | 7,3 | 1,6 | 7,3 |

The *real* danger (as in the US) lies in women lagging behind in pillar 2 in coverage. Amply documented i.e. danger signs ahead!!
Distribution: How many poor women for every poor man?

We take the distribution of men’s pensions and we note the pension levels that distinguish pensioners into three groups: Those of low pensions (bottom 33%), middle pensions (between 33% and 66% percent) and high pensions (top 33%).

How many more poor women there exist for every poor man?

Women overrepresented in poor groups, under in rich; except in Eastern Europe

Figure 6.1: Distribution of pension income. Three linked odds ratios

Source: Own estimation from EU-SILC 2010
Some worrying results from SHARE: B. the motherhood penalty

- In SHARE we know the number of children respondents had over their life
- Women with children almost everywhere worse off (except in East). Even where family is important for public policy (FR)
- Penalty exists across systems.
His and Her pension: the intrahousehold gap

If we compare each woman with her own partner the results change. Gaps are generally *wider*. There is evidence of assortative mating – rich women live with rich men. Also there is some tentative evidence of a *trade off* – wide gaps in some countries seem to ‘protect’ against poverty.

i.e. **there is an income security price for independence?**

Source: Betti et al 2015, chap 8 on EU SILC 2012 data
Complacency is unfounded

1. Gender Gaps in Pension are very wide. Far wider than pay or earnings gaps.
2. Gaps across the EU exhibit very wide dispersion.
3. In some countries gaps in coverage remain and are a key driver of changes – New gender Gaps in coverage may be generated by 2nd pillars (as in the US).
4. Survivors’ pensions still play a key role especially at older ages.
5. Pension Gender gaps reinforce other inequalities
6. Trends over time and across cohorts are hard to generalise, but may become worse. They are subject to wide national variation,
7. The data so far has not yet captured the effect of the crisis and retrenchment
5. Conclusion

Public Policy and the Vulnerability of older women
Still a man’s world?

• The effect of past pension reform: Today’s Older people rely on transitionary arrangements:
  – Their entitlements depend on Government assurances given at the time of the reform; hence they are particularly vulnerable to retrenchment and austerity.
  – Even if labour market equality percolates, it does so very slowly
  – Social reality proceeds more slowly than many would prefer.

• The Older cohort are vulnerable. They are taken for granted.
  – Many worked in the past where the “Male Breadwinner Model” was the norm.
  – In systems where a 2nd pillar is developing, women rely on state systems (1st pillar).

• Younger cohorts are vulnerable as systems based on reciprocity and individual contributions amplify characteristics of female lifetime choices
  – e.g. Bereavement still has major financial effects, especially in those countries which have phased out survivors’ pensions.
  – A ‘progressive’ measure (women should not be reliant on their spouse) goes against a reality where the woman’s income still plays an auxiliary or supplementary role.
Overcoming a *man’s world in* pensions? Three strategies

- As pensions move towards individual entitlements, pension systems heighten *underlying disadvantage*. Three choices, *none painless or without consequences*.

1. **Encourage women to adopt men’s lifestyles.**
   - E.g. good child care facilities (Scandinavia) or female immigrant carers (Southern Europe) enable women not to interrupt work. *Needs supply of care work – immigrants?*

2. **Compensate women for specific disadvantages** Caring credits, tax breaks for child rearing. Often by adapting State pillars. Aid access of women to second pillar pensions. *Risks widening inequality.*

   - Emphasis on benefits accruing to the household chiefly aimed at poverty prevention.
   - Hope that households are better to distribute benefits than state. Problem for ‘non-standard’ households – divorced, separated, widowed.