Peer Review
in Social Protection
and Social Inclusion
2011

Effects of Life Courses on Women's Pensions

Berlin, 3 - 4 November 2011

Synthesis Report

European Commission

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Summary

In Germany, as in other European countries, there is a gender gap in the value of old-age pensions reflecting differences in the life patterns of women and men. Traditionally, throughout the EU, women are more likely than men to take time out from work to care for children and older relatives. This shortens their working lives and therefore reduces the accumulated contributions which build up entitlement to final pensions. At the same time, career breaks make it difficult for women to re-enter the labour market or to advance in their careers and thereby reach more senior, better-paid positions. They are more likely to return to part-time work to accommodate the responsibilities of child-rearing, while labour market segregation tends to force them into lower paid sectors. Finally, the persistent gender pay gap means that women's earnings remain lower than men's throughout their lives. All these factors diminish the value of their pensions and create inequality in pension rights.

The Peer Review on ***Effects of life courses on women's pensions*** took place in Berlin, Germany, on 3–4 November 2011, hosted by the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth. The peer countries present were Austria, Czech Republic, France, Hungary, Italy, Lithuania, Luxembourg, the Netherlands, Spain and Sweden. Two stakeholder organisations — the European Women's Lobby (EWL) and the European Older People's Platform (AGE) — participated as well as representatives from the European Commission Directorate-General for Employment, Social Affairs and Inclusion, and thematic expert Sigrid Leitner from Cologne University of Applied Sciences.

The discussion paper by the thematic expert laid out two political strategies to fight the gender pension gap: 1) increase women's labour market participation and income chances (i.e. change life course decisions taken by women), 2) compensate for career-breaks and lower income within pension regulations. The discussion at the Peer Review looked at both strategies, but focused more on the compensatory measures for typical female labour market careers.

The participating peer countries have quite different regulations within their pension systems in order to compensate for periods of childcare or eldercare; some have redistributive elements in the pension formula or minimum pensions which benefit those with career breaks and/or low wages (which mostly affect women). The question of how credits for care work should be designed was discussed as well as the unequal compensation of childcare and eldercare and the absence of care credits within capital funded occupational and private pension schemes.

A special focus of the discussion was on the German reform proposal for a splitting of pension rights within couples. This measure goes hand in hand with the abolition of survivors' pensions and the differentiation between older and younger cohorts of women and their life course decisions. Most interesting was the German impulse to establish a life course perspective as the new "*leitbild*" (guiding principle) in social and family policy. This innovative approach has to be developed in more detail and could be an interesting new model for gender equality policy.

The discussions resulted in the identification of a number of key learning elements and ended with a reflection on the contribution of the Peer Review to the headline targets of the Europe 2020 Strategy.

A. Policy context at the European level

Three policy strands can be identified as relevant in the context of the debate on the effects of life courses on women's pensions at the European level: gender equality policy, employment policy and pension policy.

The European framework for gender equality was set out in the founding Treaty of the European Union and has been enforced by the European Court of Justice for several decades. With regard to gender equality in social protection schemes, directives 79/7/EEC, 2006/54/EC and 2004/113/EC are critical:

- 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 statutory social security schemes including statutory pension schemes.

- Council Directive 2006/54/EC of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation including occupational pension schemes.

- Council Directive 2004/113/EC of 13 December 2004 implementing the principle of equal treatment between men and women in the access to and supply of goods and services (including private pension schemes).

These directives are in general successful in preventing direct discrimination by sex. But, from a life course perspective, indirect discrimination plays the most important role in creating gender inequalities in old age. Unfortunately, indirect discrimination is allowed by the directives if the policy aims are justified for other reasons. Indeed, within statutory earnings-related pension schemes this has been confirmed by case law: "Schemes which set rules which are, in fact, easier to be fulfilled by men than women because they take into account the career pattern, have been ruled as compatible with Directive 79/7/EEC" (Lhernould *et al*. 2010: 14).

Pension incomes of women relative to men differ considerably throughout the European Union (while Denmark and Finland show a relatively small gap, Greece, Luxembourg, the United Kingdom and Germany are high gap countries). The main reasons for this gender pension gap have been identified to be women's low wage employment, part-time employment and interruptions in employment history. Thus, the way earnings-related pension systems are designed interacts quite negatively with the characteristics of female labour market participation. "Although the participation rate of women has been growing in the past [sic] and the gap between the participation rate of women and men is narrowing within the EU, the average working life of women is shorter than that of men. In addition, women work part-time more often than men and there is also an average gender pay-gap of about 15% between women and men. All this negatively affects the pension income of women in contribution-related pension schemes, i.e. many first-tier pension schemes and all second and third-tier schemes." (Horstmann/Hüllsman 2009: 49). The retrenchment of statutory pension schemes which took place in most European countries over the last decade, together with the shift to more diversified pension schemes is expected to further increase the gender pension gap. Statutory pension schemes are especially important for women's old age income since their coverage in occupational and private schemes is even less favourable compared with men. Persistent gender inequalities in labour market participation and an unequal division of caring roles make it difficult for women to close the gender pension gap.

The European Commission's (EC) Strategy for equality between women and men 2010–2015 which is further pursued in the European Pact for Gender Equality (2011–2020) proposes among others the goals of equal economic independence and equal pay for equal work and work of equal value. In the recent EC report on gender equality (EC 2011a) earning one's own living is seen by the EC as the main way to achieve *economic independence*. But female employment has further advantages: "Getting more women on to the labour market helps counterbalance the effects of a shrinking working-age population, thereby reducing the strain on public finances and social protection systems, widening the human capital base and raising competitiveness" (EC 2011b: 12). Hence the EC is concerned with the employment rates of women, which have been rising over the last century but mostly in part-time employment (see EC 2011a: 5). Consequently, one of the goals of the Europe 2020 Strategy is raising the employment rate of women to 75% which would of course have an impact on women's future pensions.

The problem of reconciling work and family life is identified as the main barrier preventing mothers from taking up employment. Within the context of the European Employment Strategy, increasing childcare is a main goal. In 2002, the European Council as well as the EC set the target for the provision of childcare at 90% for children aged three to six and at 33% for children under three. An improved reconciliation of work and family life policy together with the fight against *unequal pay* would change the situation of women in old age decisively. One of the main reasons for unequal pay is professional choices. Girls are outperforming boys regarding educational degrees, "Nevertheless, women are concentrated in often lower-paid sectors (health and care services, education, etc.) while more than 64% of graduates in computing and engineering are men." Improving the transparency of pay and encouraging women to enter non-traditional jobs are measures the EC promotes as part of efforts to lower the pay gap (see EC 2011b: 16).

Most pension schemes are closely connected to former labour market performance. The coordination of pension policies became part of the Open Method of Coordination (OMC) process[1] in 2001. Initially, objectives like adequate pensions or the ability of pension systems to adapt to changed realities in modern societies played a significant role in the OMC process. But, over time, the political focus narrowed to the goal of financial sustainability. The new general principle was to reduce contributions to the statutory pension schemes and to strengthen occupational and private pension schemes (see EC 2003; EC 2010). These developments are especially problematic for women's future pensions due to their labour market disadvantages.

What are the main challenges the EC identifies for pension policy in the future? The *first challenge* mentioned in the Green paper on pensions (EC 2010: 3) is demographic ageing. A shrinking working-age population is combined

1 http://ec.europa.eu/invest-in-research/coordination/coordination01_en.htm

with increased life expectancy. "As a result, the old-age dependency ratio will double: where at present there are four people of working age for every person over 65, by 2060 there will be just two people of working-age for every person over 65" (EC 2010: 4). The sustainability of pension systems is therefore not guaranteed, unless, from the point of view of the EC, reforms reduce transfer payments. But these changes in the pension systems are seen as a *(second) challenge* in themselves. "Reforms have underpinned recent increases in effective retirement ages and opened new avenues to delivering adequate pensions in a sustainable manner. At the same time, reforms have given and will continue to give rise to greater individual responsibility for outcomes. While people have more choice, they are also exposed to more risk" (EC 2010: 5). That means that the weight of societal developments increasingly falls on the shoulders of individuals, at best guided by the state. The *third challenge* identified is a new one and according to the EC, intensifies the problems posed by the first two challenges. It is the impact of the financial and economic crisis. "The scale of fiscal deterioration following the crisis is equivalent to offsetting 20 years of fiscal consolidation, implying that fiscal constraints will be very strong in the next decade" (EC 2010: 6). Both statutory and private schemes are affected: "In the short term, the return rates and solvency of funded schemes have been affected through falls in interest rates and asset values: private pension funds lost over 20% of their value during 2008" (EC 2010: 7).

And which policy options does the European Commission suggest in order to respond to these challenges? First the EC states that *adequacy and sustainability* are two sides of the same coin i.e. one is not possible without the other. The more prominent role adequacy plays in the 2010 paper compared to the focus on sustainability of the Stockholm Council is probably due to rising levels of poverty among the elderly. Nevertheless the EC promotes the same policy as before: "As public pension replacement rates in most cases will decline (...), it is important to provide sufficient opportunities for complementary entitlements: e.g. enabling longer working lives and increasing access to supplementary pension schemes" (EC 2010: 8). Besides diversification, sustainability remains the most important goal of EU pension policy: "Failing to take resolute policy action to enhance sustainability will push the burden of adjustment forward either to future workers or to future pensioners who might not have prepared for lower than expected pensions (...)" (EC 2010: 8). A second pillar of policies contains measures to enhance *working years*. "Key measures enabling older workers, both women and men, to remain longer in the labour market would include access for all, irrespective of age, gender and ethnicity, to labour markets, to training and disability adjustments" (EC 2010: 10). Thirdly, the EU focus on job mobility which as an important factor of economic success also has consequences for pension regulations. Whereas regulations on the *mobility of pensions* exist already for statutory and occupational pensions, new regulations are regarded as necessary for the increasing portion of private pensions. An alignment of tax rules between countries is suggested by the EC: "Discriminatory tax rules can be an obstacle to the mobility of pensions" (EC 2010: 12). And the fourth policy orientation the EC estimates as important for the future follows on from the actual financial and economic crisis: "*Safety* in pensions is important to support adequacy" (EC 2010: 13). For private capital funded pensions, in particular, EU rules are lacking or not comprehensive. This is problematic as it means investment, inflation and longevity risks in private schemes are shifted to the individual scheme members. The EC recommendations are rather vague in terms of addressing these problems: "Market performance can be enhanced by good economic and public finance policies and better regulation. Better investment practice and scheme design can substantially mitigate risk and increase capacity for shock absorption thus achieving a better balance between risks, security and affordability for both savers and providers" (EC 2010: 14). All in all, there is still a remarkable bias in favour of sustainability when analysing the EC statements in detail — although adequacy is mentioned as an equally important goal — and despite admitting deficiencies in the strategy of individualising pensions (particularly visible during the crisis) — the EC proposes more of the same.

Unfortunately, the EU debate on pensions is not dealing with the gender pension gap that results from different life course decisions of women and men.

B. The German policy regarding life courses and women's pensions

The core of the German pension system is the obligatory public old-age insurance. All employees with a monthly income above € 400 are automatically covered by the public scheme which is financed on a Pay-As-You-Go (PAYG) basis. The monthly contribution rate amounts to 19.9% of individual earnings and is shared by employers and employees on equal terms.

At least five years of contribution payments are needed for entitlement to pension benefits. The benefits gained from public old-age insurance depend on:

- An individual's (lifetime) earnings: annual average earnings of individuals are compared to the average annual earnings for all persons covered by the public old-age insurance scheme. One pension credit point is attributed per contribution year at average earnings; if individual earnings are above or below the average, more or less credit points are earned.

- Pension value index: pensions are adjusted according to a formula that reflects the development of wages and pension contributions as well as demographic developments. In the long run, pension benefits will decrease due to the ageing of the population. The pension benefit is calculated by multiplying the pension value with the individual's pension credit points.

- An individual's age when the pension is claimed: the regular pension age is 65 but will increase to 67 between 2012 and 2029. If the pension is claimed later, a bonus of 0.5% for each month of "lost benefits" is added to the pension benefit. If the pension is claimed earlier, a deduction of 0.3% for each month before the age of 65 (67) is subtracted from the pension benefit (with a ceiling on the maximum deduction of 18%).

Traditionally, occupational and private pension schemes play a minor role within the German pension system. However, the public-private mix is changing since the introduction of a voluntary supplementary scheme in 2001. The so called "*Riester-Rente*" provides incentives to invest in pension funds: If at least 4% of the individual income is spent on the supplementary scheme, public allowances or tax deductions are available. The supplementary scheme can be organised as an occupational or a private pension scheme. In addition, the so called "*Rürup-Rente*" was introduced in 2005. It provides tax deductions for investments in a funded private pension insurance and sets further incentives for the expansion of the third pillar within the German pension system.

Thus, the German pension system is closely related to earnings. Nevertheless, it provides some redistributive elements that are especially favourable where employment interruptions and periods of part-time work due to childcare and eldercare occur. Within the public old age insurance, **childcare may generate individual pension credit points**:

- For a child born before 1992, one year is credited at a rate of one pension credit point. For a child born after 1992, three years are credited at a rate of one pension credit point per year. These child raising credits are granted regardless of whether the mother is employed (and is earning individual pension credit points separately during this time) or not. Fathers are only entitled to child raising credits if they are the child's main carer and the mother agrees with this fact.

- In addition, since 1992, pension credit points may be granted beyond the third birthday of the child for:

  (a) the simultaneous education of at least two children with the younger child below the age of ten. In this case, non-employed mothers/fathers are entitled to 0.33 pension credit points per year until the youngest child's tenth birthday.

  (b) the education of at least one child younger than ten years of which the mother/father is employed part time. The individual pension credit points gained from part time work will be increased by

50% up to an overall maximum of one pension credit point. If the mother/father's income amounts to 80% of the average wage, she/he gains 0.8 individual credit points which will be increased by 0.2 credit points for child raising. If the mother/father's income amounts to 40% of the average wage, she/he gains 0.4 individual credit points which will be increased by 0.2 credit points for child raising.

In both cases child-raising credits are only granted if the mother/father holds 25 years of pension contributions.

- Finally, credits during maternity leave are granted for a period of 14 weeks (6 weeks before and 8 weeks after giving birth). Contributions are based on 100% of the former income. The benefit is confined to the mother and to gain pension entitlements from additional employment is not possible, however additional childcare credits are granted after birth.

The provision for childcare within the first three years of the child benefits nearly all mothers/fathers. Only those with high individual earnings (above the limit beyond which no contributions are paid for the public old age insurance) will be excluded. Thus, former gaps within the contribution career due to childcare can effectively be closed and this, in turn, will help to close the gender gap in pension benefits in the future.

The second option to gain child raising credits is much more complicated and follows two different logics: on the one hand, the non-employment of mothers with at least two children is encouraged. On the other hand, the part-time employment of mothers with at least one child is also encouraged, but in this case the amount of possible pension credit points depends on the individual income of the mother. To gain the same credit points as non-employed mothers (0.33), part time employed mothers will have to earn exactly two thirds of the average wage. If they earn less or more, they will gain fewer credit points or none at all. This regulation creates inequalities among women. Nevertheless, the gender pension gap will be reduced in the long run. Only those mothers with individual earnings above the average wage, and those mothers who are neither employed nor have at least two small children to care for, will miss out.

Caring for family members may also generate pension credit points within the public old age insurance: If the care giver is doing unpaid care work for at least 14 hours per week and the care receiver is living at home and receiving benefits from the care insurance, pension credit points are granted to the care giver. Depending on the weekly hours of care and the level of care determined by the care insurance, the caring credit awarded ranges between 0.26 and 0.8 pension credit points (i.e. care is considered in the pension system as if contribution for between 26% and 80% of the average annual income would have been paid). In addition, the care giver is allowed to be in part-time employment for a maximum of 30 hours per week. This regulation benefits about 500,000 family care givers and is at least a first step towards the recognition of their work.

Within the **supplementary funded pension scheme ("*Riester-Rente*")** childcare is recognised via a **child allowance**. This means that the contributions to the supplementary scheme are especially subsidised for mothers (or fathers, but only if the mother does not have a supplementary scheme or waives her entitlement to the child allowance). From 2008 onwards the child allowance amounts to EUR 300 per year which is a significant increase from the previous sum (EUR 185). Thus, childcare helps to finance the supplementary scheme and the allowance compensates for the lack of redistribution in the funded system.

Interestingly, non-employed wives are also subsidised within the supplementary funded pension system. They can get allowances without paying contributions at all if their husband has a supplementary scheme. In these cases the allowances are the only contribution payments to the supplementary system for the wife whereas in general allowances can only be obtained if a minimum contribution rate is paid by the insured person herself. Thus, the "*Riester-Rente*" continues the privileged treatment of the traditional male breadwinner model which is one of the main characteristics of German social policy.

Unfortunately, Germany does not provide another redistributive measure — "*Rente nach Mindesteinkommen*" — any longer. This measure allowed persons to upgrade periods of low income to a certain amount and benefited especially long-term part-time workers, most of whom are women. It was abandoned in 1992.

Nor does Germany provide any minimum pension which would be most favourable for women with short employment records and low average earnings. Instead, Germany provides a social assistance scheme for persons over 65 years of age. The so called "*Bedarfsgeprüfte Grundsicherung im Alter*" was introduced in 2001 and provides a flat-rate benefit which is means-tested at the household level. Thus, it is not an individualised benefit.

C. Policies and experiences in peer countries

Pension policy can make use of various instruments to contribute to the reduction of the gender pension gap: individualised minimum pensions, redistributive elements in the pension formula and credits for caring periods. The participating countries at this Peer Review have different profiles in this regard.

In **Austria**, credits for childcare are granted for a maximum period of 48 months per child. In addition, caring for a frail family member earns six months of care credits. The assessment base for periods of childcare or eldercare is € 1,561 per month (2011). Roughly two-thirds of the gender pension gap is caused by the gender pay gap and about a third by career breaks and part-time work due to childcare. Contrary to the other countries, Austria still has a different statutory retirement age for women and men which also means less entitlement years for pension accruement. The planned equalisation of statutory pension age will only come into force in 2024.

In the **Czech Republic**, women suspend their careers for rather long periods of childcare, usually for 3 years per child. This absence from the labour market is the source of the gender pension gap even though most mothers re-enter the labour market on a full-time base. Childcare is credited within the statutory pension scheme (up to 4 years) and periods of care for handicapped or frail family members are also recognised as non-contributory periods. The pension formula itself contains redistributive elements since the calculation of the pension benefit combines a base amount and a contribution-related amount. This favours people with lower incomes who are more frequently women.

In **France**, the average of the 25 best earning years is considered for the calculation of the pension benefit which is favourable for women who often work part-time after childcare periods. French women interrupt their careers more often after the second and the third child and stay out of the labour market for two years per child usually. Childcare is credited for a period of 2 years per child, and pensioners who raised at least three children receive a pension bonus of 10% in the general scheme. Credits for eldercare

are less developed: One year can be recognised in case of low income. Moreover, the basic scheme provides a minimum contributory pension which favours people with low wages throughout their working life. Women benefit significantly from this minimum pension as well as from childcare credits and the 25-best-earning-years formula. Nevertheless, the gender pension gap persists due to the gender pay gap.

In **Hungary**, women's employment rate is low (at 50%), in particular for mothers with small children. The statutory pension scheme grants childcare credits up to two years per child with an assessment base of 70% of previous earnings or up to three years per child with an assessment base of the minimum pension benefit. Parents with at least three children can receive childcare credits based on the minimum pension benefit until the youngest child's 8th birthday. In addition, the statutory pension scheme grants a minimum contributory pension.

In **Italy**, credits for care are not very well developed. Childcare is credited for 6 months per child if parental leave is taken. The minimum pension has been abandoned for those entering the scheme after 1996 and the pension formula has been transformed into a lifelong contribution system. Thus, typical female life courses are nearly completely disregarded. Female employment records differ significantly between Southern and Northern Italy: The female employment rate amounts to 30% in the South and to 60% in the North. Only 40% of women re-enter the labour market after childcare.

In **Lithuania**, the statutory pension scheme grants credits for time spent on parental leave. In the first year of parental leave 70% of the former wage is considered as the assessment base whereas in the second year only 40% of the former wage is recognised. If a person takes only one year of parental leave, the assessment base is 100% of the former wage. Moreover, the pension formula consists of two parts: a basic flat rate and an earnings-related amount. The full flat rate is paid to pensioners with a working history of at least 30 years. For shorter working records the flat rate is proportionally reduced. The basic flat rate benefits women especially. In addition, the pension system provides a universal social pension for those who were not able to gain (sufficient) pension rights in the statutory scheme.

In **Luxembourg**, the statutory pension scheme provides a flat rate depending on years of coverage (with the full amount awarded for 40 years coverage) and an earnings-related part. In addition, a minimum pension benefit is granted if a person holds at least 20 years of coverage. Both, the flat rate and the minimum pension are especially favourable for women. Although the modernised male breadwinner model still discourages women's participation in the labour market (for example through child related tax credits), only half of all working women take parental leave after the birth of a child. Childcare is credited in the statutory pension scheme with two years for each child at an assessment base that amounts to the former income.

In the **Netherlands**, the main gender difference in the labour market is the high proportion of part-time work among women. After starting their working lives in a full-time job, women reduce their weekly working hours after the birth of their first child to around 24 hours per week for the rest of their working life. The statutory pension scheme provides a universal flat-rate benefit which is paid on an individual basis. The entitlement depends on the years of residence in the Netherlands and thus favours interrupted working careers. The universal pension scheme is complemented by an occupational pension scheme which is earnings-related and collectively agreed upon by the social partners. Credits for care do not exist in the occupational pension.

In **Spain**, high unemployment and temporary jobs characterise female employment records. In addition, the eligibility criterion for pension entitlement is very narrow: 15 years of contributions are required of which 2 years must be recent. Thus, many women — especially the older cohorts — do not hold individual pension rights. For parents who take parental leave, up to two years are credited in the pension record. This will increase to three years in the future and credits for childcare will also be provided for parents who stop working in the six years after childbirth: They will be credited 270 days from 2018 onwards. For persons who take leave in order to care for a frail family member, up to one year of contributions are credited. The average salary of the previous six months is taken as reference for all care credits. In addition, the statutory pension scheme provides a minimum pension and the pension formula refers to the last 15 earning years.

In **Sweden**, the female employment rate is among the highest in Europe. The statutory pension scheme provides extra pension rights for parents with children under four, and the biggest collective agreements in the occupational pension sector — which cover about 80% of all wage earners — provide childcare credits for the parental leave period. In addition, those who have not earned a reasonable earnings-related pension in the statutory scheme are granted a minimum pension. Interestingly, occupational pensions do not reduce the minimum pension but can be received additionally.

D. Discussions at the Peer Review meeting

The discussion dealt with a number of issues related to the Peer Review theme.

The strength of a PAYG pension scheme in the current crisis. Germany adopted a more cautious approach to reform than some other countries, it retained the strong PAYG financed first pillar and has been proved right by the crisis since the labour market is less vulnerable than the financial market. Public-funded systems should provide the bulk of pension income, and because of the crisis people who moved into financial market investments suffered a loss. In addition, capital funded occupational and private pension schemes must be designed in a gender fair way. This includes unisex rights but also the introduction of subsidies/allowances for childcare as is provided by the German supplementary pension scheme, the *Riester-Rente*.

Women's labour market participation is essential in closing the gender pension gap. In the past, even if childcare facilities were available, many mothers chose part-time work or stayed at home. This picture changes with the younger cohorts of women. There should be incentives for the younger cohorts to avoid career breaks, but for the older cohorts, the life course choices cannot be reversed, and the pension system has to provide for these older cohorts. Transitional rules will be necessary. The focus should be on the increase of hours worked per week, especially in countries where women have high rates of part-time employment. Tax-incentives that encourage women to work part-time or to stay at home have to be abolished for younger cohorts. More needs to be done to encourage women to re-enter the labour market after periods of childcare or eldercare. The German Prospect Re-entry programme is a good example in this regard.

Women pay the price for the unequal division of responsibilities. Cuts in care services which have been one effect of the crisis hinder women's labour market participation. Member States are not meeting their childcare targets or addressing the demand for increased eldercare. Care has to be shared more equally between men and women. What women do or don't do in the labour market is closely linked to what men do or don't do at home.

Credits for eldercare should be more generous. The general lack of recognition of eldercare is alarming and must be addressed. The increasing number of older people as life expectancy increases risks adding to the burden borne by women. While people can choose to have children, they do not choose to have frail family members. The effort involved in eldercare is undervalued by society, perhaps because it is often carried out by older women, and their contribution is not fully acknowledged either in private or public. Credits for eldercare should also be extended to pensioners who themselves provide care. The financial crisis has led to cuts in care services making families more responsible for care of the elderly, but this duty should not fall only on women, nor should the state retreat from its responsibility to provide care services. A fundamental re-organisation of care provision is needed. Salaries and conditions for those working in the care sector need to be improved. New forms of "peer care" which could be provided by volunteers at a lower cost should be considered. New initiatives are needed, for example out-patient and day-care centres.

Design and effects of childcare credits. Childcare credits have ambivalent outcomes with regard to labour market attachment of women, thus maybe the money would be better invested in childcare facilities. The German 3–10 year childcare credit was supposed to facilitate the move back to the labour market via part-time work, but it was a political compromise which acted as a premium for those staying at home. The credit must be designed so that childcare credits can be combined with work otherwise they act as a disincentive to work.

Pension splitting as an alternative to survivors' pensions. Survivor's pensions will continue to be relevant for 20–30 years for women who have not had their own careers. Thus, survivors' pensions cannot be abolished in the short term. Life courses cannot be reversed and people should not be punished for decisions they have made in the past. In Sweden survivors' pensions have been abolished, but over a long transition period to ensure no widows' pensions were withdrawn. Thus, different cohorts should be addressed differently; this requires continuous assessment and reform. For younger cohorts the possibility of pension splitting could create more gender equality within couples. Should the splitting of pension rights between partners in order to top up carers' pension rights be voluntary or compulsory? In Germany, the voluntary option is seldom used. A new system could be linked to the legal distribution of assets within couples. It was argued that pension splitting can change attitudes within couples and provide an incentive for redistribution of care tasks when the husband recognises he also carries the risk for his partner's reduced working time. But, even if men become more aware of the value of their wives' work, pension splitting remains an income distribution within the individual couple and should be accompanied by care credits which are financed by all taxpayers. Care must not remain a private matter, but should be a responsibility for society.

The importance of information about pension rights. In Sweden research showed that women with lower education and labour market participation have the least knowledge about pensions. How can women, especially those at home, get the information they need to plan for old age? People have to take responsibility for life course decisions and education systems must give them life course competence. What can be done to convince people that short-term decisions have long-term consequences, and can lead to poverty risk in old age? Can we provide information to people today that will still apply in 40 years?

The role of enterprises. The working culture in enterprises is important. Men who use measures to improve work/life balance are often regarded as not committed to their careers. This culture has to change. Moreover, flexible work organisation is required in order to improve the reconciliation of work and care and to enable early re-entry in the labour market. Private employers must be won over to life-course policies, including childcare and eldercare.

E. Conclusions and key learning elements

In the light of the main concerns and arguments brought out during the Peer Review, a number of conclusions can be drawn.

Women need a strong first pillar pension scheme. Due to the gender segregation in the labour market women are less able than men to build up occupational and private pension rights. Thus, they are primarily dependent on statutory pension schemes and suffer disproportionately from cuts in these schemes. Moreover, statutory schemes generally provide some form of redistributive elements that benefits childcare and eldercare. Thus, women's pension rights in first pillar pension schemes are usually topped up by these redistributive elements. This is seldom the case in occupational and private pension schemes which can even disadvantage women due to their longer life expectancy.

Make second and third pillar pension schemes more gender friendly. This can be achieved through the introduction of unisex tariffs which disregard differences in life expectancy and by the introduction of redistributive elements for childcare and eldercare. The German *Riester-Rente* is a good model since it provides allowances for childcare. The payment of allowances should be extended to cover eldercare.

Treat childcare more equally. The German statutory pension scheme grants childcare credits during the first three years of the child's life by providing one pension point per year which refers to 100% of the general average earnings. Between the child's 3rd and 10th birthday, childcare credits are granted for different groups of mothers/fathers. Those who work part-time at two thirds of the regular working time and those who stay at home benefit most. This represents unequal treatment which cannot be justified by any rational argument. Childcare credits between the child's 3rd and 10th birthday should be provided for all mothers/fathers regardless of their working time. Moreover, it is most important that all childcare credits are granted in addition to employment in order to avoid a disincentive for mothers' employment.

Treat eldercare in the same way as childcare. Most pension schemes treat eldercare less favourably than childcare. This cannot be justified on the grounds of any rational argument. In the German statutory pension scheme eldercare credits vary between 0.26 and 0.8 pension points which refers to 26–80% of the general average income. The differentiation is due to different degrees of dependency of the elderly person cared for. Since the highest degree of dependency affords a 24-hours care setting, it would only be fair to increase the eldercare credit to one pension point. This would put eldercare and childcare on equal footing within the pension scheme. Credits for eldercare should also be available for carers who are themselves in pension age. Eldercare credits gained after the age of 65 could increase the pension income of those carers (who are often women with low individual pension rights).

Abolish survivors' pensions and introduce pension splitting. Survivors' pensions are derived rights and support the male breadwinner model. Since women's labour market participation is increasing and should be further promoted, the introduction of pension splitting would fit the new gender model better. The splitting of pension rights within couples connects the decision about the division of care responsibilities directly with the consequences for the future pension income of both partners. It is an incentive to share care tasks more equally within the couple, to support the labour market participation of both partners and to outsource care from the family unit by using different kinds of care services. But, different cohorts of women have followed different life courses and therefore have different needs. The abolition of survivors' pensions can only be carried out gradually. Sweden is a good example in this regard.

Improve/introduce minimum pensions. Minimum pensions are favourable for women with short employment records and low average earnings. They can be residence-based or contribution-based, in each case they provide an individualised pension right and it is most important that the level of the benefit provides for a decent living in old age. Germany does not provide a minimum pension but a social assistance scheme for persons over 65 years of age. This means that the minimum benefit available is means-tested at the household level. Income of a partner is automatically counted against the minimum benefit and leaves many women without an income of their own in old age.

Change the "*leitbild*" (guiding principle) of the pension system. The earnings-related pension schemes focus too much on continuous full-time employment and are not flexible enough to treat diversified life courses in a just way. But, life is more than employment. We need social security systems that are life course related. The new "*leitbild*" must handle the different stages of life, particularly for women, differently.

Fight the gender pay gap. Concerted action is needed in the workplace to counter indirect discrimination, gender segregation and unequal pay. The measures are already well known: training in non-traditional professions, counselling for career development, a quota for women in leading positions. Companies should be more involved in supporting measures for reconciling work and family life and for facilitating women's return to work and women's promotion within the companies. Supporting (subsidised) household services as well as the development of mixed care arrangements would also improve the reconciliation of employment and family responsibilities.

F. Peer Review contribution to the goals of Europe 2020

Two of the headline targets of the EU 2020 strategy are directly linked to the theme of the Peer Review:

- *75% of the 20–64 year-olds to be employed.* Boosting women's employment will help mitigate the risk of poverty among older women in the long run. To reach this goal working conditions have to be improved: employees with care responsibilities need flexible working times and support services. In turn, these employees bring valuable skills to the workplace from their experience as carers. These skills can have a positive impact on the working culture of an enterprise for example leading to a more supportive team and more productive working environment.

- *At least 20 million fewer people in or at risk of poverty and social exclusion.* The Peer Review showed that old age poverty of women can be prevented by recognising care work within the pension system and/or by improving the contribution records from employment. In most countries, credits for childcare are more developed than credits for eldercare. An improvement in poverty protection can be reached by expanding these credits. Most importantly, minimum pension benefits would offer greater security to women in retirement.

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Effects of life courses on women's pensions

Host country: **Germany**

Peer countries: **Austria, Czech Republic, France, Hungary, Italy, Lithuania, Luxembourg, Spain, Sweden, The Netherlands**

Stakeholders: **AGE, EWL**

In Germany, as in many other countries, there is a gender gap in the value of old-age pensions reflecting differences in the career patterns of women and men. Traditionally women are more likely than men to take time out from work to care for family members, particularly young children and older relatives. This has a two-pronged impact on the levels of old-age pensions that women receive: firstly, it shortens working life and therefore reduces the number of contributions made towards a final pension and, secondly, career breaks tend to have a negative impact on income levels so that the value of these contributions is lower.

Two studies carried out in Germany will be the focus of the Peer Review. The first assesses the nature of the pension gap in Germany - the scale of the gap and how it affects men and women with different career histories. The second investigates the origins of the family-related time-outs that give rise to the gender differences in final pensions. Together these studies will lead to a better understanding of how the gender pension gap arises and thereby contribute to the development of policies to address the issue.

The Peer Review offers an opportunity to learn about the situation in different countries. To see, for example, the extent to which a pension gender gap exists and to what extent this reflects differing career patterns of men and women. Moreover, it provides an opportunity to learn and share best practice as regards instruments and policies to deal with the issue, for example through measures to address the impact of career breaks. The main messages of the Assessment of the social dimension of the Europe 2020 strategy by the Social Protection Committee highlight that maximising employment years and minimising the effects of career breaks is crucial in ensuring future pension adequacy and long-term financial sustainability of pension systems.