Gender pension gap - economic perspective

Agnieszka Chłoń-Domińczak
Institute of Statistics and Demography SGH

Part of this research was supported by European Commission 7th Framework Programme project "Employment 2025: How will multiple transitions affect the European labour market' (NEUJOBS)
Outline

- Life course changes and challenges in the light of population ageing
- Gender pension gap: current and future perspective
  - Changing labour market patterns
  - Changing pension system design
- How to measure gender pension rights gap
- Policy challenges
Rationale

• In most of the countries there is a current pension gap, measured by differences in pension levels of men and women.

• The gender gap is a result of:
  ▫ Gender differences in labour market participation (wages, employment rates)
  ▫ Pension system design (retirement age, pension formula)
Length of pension coverage depends both of on the labour market entry and exit ages

<table>
<thead>
<tr>
<th></th>
<th>Spain</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age profile of employment rates</strong></td>
<td><img src="image1" alt="Graph" /></td>
<td><img src="image2" alt="Graph" /></td>
</tr>
<tr>
<td>Age group</td>
<td>15-19</td>
<td>20-24</td>
</tr>
<tr>
<td>Per cent</td>
<td>0.00</td>
<td>0.10</td>
</tr>
</tbody>
</table>

| Hypothetical years in employment | ![Graph](image3) | ![Graph](image4) |
| 1991 | 2001 | 2011 |
Current vs. future replacement rates - projected change

Career breaks for child-care and pension rights

<table>
<thead>
<tr>
<th>Type of trend</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Increases from the full-career case and decreases afterwards</td>
<td>(2): Germany, Italy</td>
</tr>
<tr>
<td>2. Stable during the child-care breaks (no change)</td>
<td>(1) Ireland</td>
</tr>
<tr>
<td>3. Stable for first few care years and declining thereafter</td>
<td>(6) Belgium, Czech Republic, Luxembourg, Portugal, Spain, Malta</td>
</tr>
<tr>
<td>4. Decreases modestly from the full career case</td>
<td>(6) Austria, Denmark, Finland, Greece, Netherlands, United Kingdom</td>
</tr>
<tr>
<td>5. Stronger declines in replacement rates</td>
<td>(11) France, Hungary, Poland, Slovak Republic, Sweden, Bulgaria, Estonia, Latvia Lithuania, Romania, Slovenia</td>
</tr>
</tbody>
</table>

Source: (D’Addio 2013)
Future gender pension gap depends both on labour market and pension system factors

- Pension rights gap
  - Labour market
    - Employment years gap
    - Wage gap
  - Pension system
    - Career break gap
    - Low wage redistribution
    - Pension indexation
    - Retirement age differential
Current vs future

- Estonia
- Slovakia
- Latvia
- Czech Rep.
- Hungary
- Lithuania
- Poland
- Slovenia
- Romania
- Bulgaria
- Denmark
- Malta
- Finland
- Belgium
- Italy
- Portugal
- Sweden
- Austria
- Spain
- Ireland
- Greece
- Cyprus
- France
- Netherlands
- UK
- Germany
- Luxembourg

Current Gender Pension Gap  Future Gender Pension Right Gap
# Distribution of EU 27 countries by the domain specific indices

<table>
<thead>
<tr>
<th>Pension system compensation</th>
<th>Labour market equality</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>High</td>
<td>(4) SI DK UK NE</td>
</tr>
<tr>
<td>Medium</td>
<td>(3) CY LU FI SE</td>
</tr>
<tr>
<td>Low</td>
<td>(1) PT</td>
</tr>
</tbody>
</table>
Conclusions

- The results of analysis show that countries that have little gender differences in labour markets also tend to have pension system policies that are gender-friendly.
- Countries with high gender differences, pension systems often do not compensate them at retirement.
- There is a need for more life course perspective in both labour market and retirement policies, taking into account the complimentary role of these policies.
Conclusions

• The position of women in labour market and family context is changing
• Policy responses to population ageing include both changes in labour market and pension systems that affect gender differently
  ▫ increases in the labour market participation of prime-aged women,
  ▫ prolonging working lives
  ▫ increasing labour market exit ages of women
  ▫ raising retirement age
  ▫ reducing the progressivity in pension formulae,
Conclusions

- Full understanding of transition from work to retirement requires the assessment of both sides of the coin
- Women lose twice in most of the pension schemes - because they earn less and because they have shorter working lives
- Many researchers refer to these gaps, but rarely they are seen as correlated phenomena - women with shorter working lives have usually lower earnings at the same time
- Gender is important in combined labour market and pension system perspectives
Further reading:

FEMALE TRANSITION TO RETIREMENT
Neujobs project working paper

WOMEN’S WORK AND PENSIONS. DRAWING LESSONS FROM CENTRAL AND EASTERN EUROPE
In. B.Marin(ed.) The Future of Welfare State in a Global Europe

Contact: agnieszka.chlon@gmail.com