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## Women and Pension

### **Why is this an important topic for PES Women?**

Pension issues are gendered. Women aged over 65 years are at high risk of poverty and women are often in receipt of pensions barely above the minimum subsistence level. Why? The most relevant factor in determining and securing a sufficient retirement income is work. Problematic is that women often take time out to have children and to care for parents, creating large gaps in the period they are able to save for their pension.

At the moment, many pension systems are being reformed in Europe but a gender-perspective is often missing. An example of this is that while women tend to live longer than men and thus comprise the majority of older people, the 'policy stereotype' used in pension calculations is often an individual employed continuously from age 21 to 65. To deal with the significant demographic challenges that many European countries now face, it would be conflicting to reform pension systems in a way that increases the duration of women's employment while wanting to maintain their reproductive role- without creating the necessary conditions for such a combination.

### **Women and work**

In saving for their pension, women are not only affected by periods spent 'caring', but also by the fact that they work less in formal settings than men do and often opt for or are pushed towards precarious or informal work or work with low or no compensation or benefits. This is further affected by the gender pay gap that still stands at 18 per cent in Europe.

The effects of women's lower participation rates in the labour market, their shorter working lives, poorer compensation and much flatter age-wage profiles on pensions are often addressed by pension systems. But these will only compensate up to a certain point. Concretely, many women already struggle in obtaining adequate entitlements in state pension schemes. Now, with reforms in which private pension systems are advocated more, pensions are becoming more and more linked to salaries and career paths and less to solidarity and redistribution.

### **Reforms**

Private and public pension systems are facing the consequences of an ageing population and their reforms usually mean people will pay more but retire later- on a smaller pension



than initially predicted. The importance for PES Women is that when systems are reformed or the legal retirement age is increased, this can have specific consequences for women. Consequences that policy-makers must be reminded about and women made aware of.

Pension reforms in Europe have highlighted the relation between contributions and benefits (so the link between what you put in and what you get out). Generally, there is a transition from a model built on women's derived rights and family status as 'spouses', to arrangements focused on independent, individualized entitlements and close links between working career and retirement income. This transition from paternalistic state welfare, and generous family support to modern, more liberal individualism exposes women to new risks. The hurdles and disadvantages they face on the labour market (as mentioned: the pay gap, lower participation rates, interrupted careers, shorter working hours or lower compensation) directly translate into weaker pension income and less retirement security. Reforming pension systems is complex. The choices to be made are real dilemmas and far from clear-cut throughout the gender dimension. There are strong trade-offs involved in the choices for reformed arrangements. **But one thing is clear: unless redistribution and solidarity is designed into pension systems and remains there, most women cannot both raise children and enjoy an adequate pension in later life.**

## Facts and figures

- The pay gap in the EU still stands at 18%
- Data on women's pension income as a proportion of men's is very difficult to obtain for different reasons, including that an equal sharing of income is assumed for married couples even though income differences are widest amongst those married. Women's pension income as a proportion of men's varies across countries and was estimated as **66% in Italy, 60% in Britain, 56% in France, 42% in Germany**<sup>1</sup>.
- The average at-risk-of-poverty rate for older women in the EU is of 22 % against 16 % for older men
- 46% of women between 55 and 59 are in employment, as opposed to 65% of men
- In the UK, it is estimated only 35% of women save towards a pension of their own, And of those, fewer than half say they expect to have enough income in retirement.
- In France, women's pensions are on average 38% lower than that of men, according to *le Monde*, and when looking purely at the pension women get from their own work (so no widower's pension) it is 52% less than men. On average in

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<sup>1</sup> Walker A. and MaltbyT. (1997) *Ageing Europe*, Buckingham: Open University Press



France, retirement income for women is 1020 Euros, for men 1636 Euros per month.

- Generally, the pension gap in public pension schemes between women and men is much narrower than the gap in private pension income

### **What do we want to achieve?**

Apart from above complexities, a lot of ways to beat the 'pension gap' are ways to beat gender inequality in general and relate to changes we are already push for. As work is the key, improvements to women's retirement income include **increasing female employment through better maternity leave conditions, better childcare facilities, closing the pay gap and more sharing of unpaid domestic work and household duties** in order to allow for more equitable participation in paid work on labour markets.

Also, PES Women can play a role in **raising awareness**. Women can expect to live longer than men (although the gap in *healthy* life expectancy is quite narrow). Yet most women do very little to prepare for those extra years and struggle financially in retirement. Even of the women who are saving for retirement privately or through work, many will not have enough income to provide for themselves and be independent in old age. In a time where pension systems are becoming more focused on the individual and less on being someone's spouse, women must be aware of the danger of poverty in old age. Knowledge of the different pension schemes and options is important, as is familiarity with the consequences of routinely spending disposable income on family, as many women tend to do, or relying on inheritance from their parents.

Other solutions lie in highlighting best practices such as **fair care credits for raising children or taking care of the elderly**. For instance in Sweden, the parent with the lower income (usually the mother) is entitled to (apart from income compensation for parental leave!) generous childcare credits for up to *four years per child* according to the most favourable out of three alternative models for individual choice. He or she can choose from minimum flat-rate income credits, to an earnings-related supplement replacing most of the previous income during childcare, to a fixed amount supplement to boost her/his pension. It appears that for women, flexibility is key: good practices also include giving women the choice between retirement income related to the 'best years' (in their careers), retirement income as calculated as the average of income over their working life, or as the average of the last or later years.

Lastly, **extensive research on women's pensions must be done** and data must become available to assess the consequences of the different pension reforms on women's retirement income: far too little gendered data on retirement income and poverty is available at the moment. The European Commission can and should play an important role in providing this data.

