

## ETUC / SociAll 2023

### **Study 3**

### **Improving women's old-age protection – the potential of closing labour market gaps**

#### **SUMMARY**

**Bernadette Allinger (FORBA), Ingo Schäfer (DGB)**

Vienna and Berlin, 1 September 2023

The first part of the study provides an overview of quantitative and qualitative aspects of gender inequalities in the EU labour market, including a short analysis of the reasons thereof (items 1-4). Furthermore, it identifies policy measures needed for removing existing barriers for equal rights and equal opportunities on the labour market (items 5-6). The potential of existing EU instruments to achieve better integration of women into the labour market is assessed (items 7-8). In the second part of the study, women's pension rights and the gender pension gap are assessed (items 9-12). The potential of improving women's labour market integration in quality jobs in order to improve pension rights and reduce the gender pension gap is outlined (items 13-17). Finally, a preliminary summary of demands is provided (item 18).

### **1. Gender equality: progress, but large inequalities remain**

While clearly progress has been made towards reaching more gender equality in recent years, the reality still shows large gender inequalities: In 2022, the EU-27 scored 68.6 points (with 100 representing full equality) on EIGE's comprehensive Gender Equality Index, which shows an increase of 5.5 percentage points compared to 2013 – so some, albeit slow process is evident. Large country differences exist, with Sweden (83.9 points) and other Nordic countries scoring highest, while Greece (with 53.4 points), Romania and Hungary are found at the lower end.

### **2. Gender employment gap: narrowing, but only slowly**

In 2022, the gender employment gap was at 10.7% in the EU-27, with just above two thirds (69.3%) of women being employed compared to 80% of men (Eurostat, 20-64 population). A slight convergence within the last decade is evident, which can, however, be partially attributed to the pandemic and its aftermath: between 2019 and 2022, the gap was narrowed by 0.5 percentage points while in the years before, it stagnated between 11.1 and 11.3 percentage points (after some larger movements between 2009 and 2013, when it was reduced from 13.4 to 11.3 pp). It has to be noted, however, that with the exception of the first pandemic year 2020, employment rates have risen for both genders continually within the last decade.

### **3. High female part-time rates and (long) career breaks**

Part-time rates of women are higher than those of men in all countries (with the exception of Romania); interestingly enough, rates for involuntary part-time work (Eurostat LFS) are generally higher among men; this needs to be critically looked at, however, as often, the lack of childcare compatible with full-time employment may hinder women from full-time employment while they themselves (having the main responsibility for care work) would not qualify it as “involuntary” as opposed to men. Also here, large country disparities are evident. In addition to high part-time shares, women are also more likely to have career breaks and longer periods of part-time employment over the course of their working lives overall.

#### 4. FTE employment rates: Full extent of the differences in the volume of paid work

The overall extent of the differences in the volume of paid work can be seen by comparing the FTE employment rates of women and men. Unfortunately, the latest data for the 20-64 population for the EU (EIGE/Eurostat) are available only from 2014, when FTE-rates stood at 54.5% for women and 72.6% for men (marking a difference of 18.1 percentage points). Subsequently, FTE rates have been only identified for the 15+ population, thus including large parts of the non-working age population, which makes the EIGE indicator not very meaningful. OECD data from 2021, related to the age group 15 to 64, show evidence of large differences in FTE rates in countries such as the Netherlands (27.3 pp), Greece (25.9 pp), Germany and Austria (21.5 pp each), whereas at the lower end, the Baltic states (Lithuania 3.7 pp, Latvia 3.9 pp and Estonia 7.9 pp), as well as Finland are found (7.8 pp). Also, marginal part-time employment is generally much higher among women.

One of the main reasons for these differences in working time volume is the care gap, as women are (still) mainly responsible for (unpaid) reproductive work. The male "breadwinner" model has historically and socially been long established, and men (partners) are more likely to earn higher incomes (partially because they are more often employed in better paid industries), which is why women often forego a higher or more intensive labour force participation. This is evidenced by Eurostat data (2020, 25-54 population) on the employment of adults with and without children which show that females' labour market participation decreases when they have children (especially when they have three or more), whereas men's labour market attachment is lowest for adults without children and increases as soon as they become fathers, with highest employment rates for those with two children (92.4%).

In addition to that, it is evident that women are more often in atypical employment, including precarious employment or in low-paid jobs than men.

#### 5. Increase "high quality" female labour market participation in order to improve pension rights

In order to improve the pension rights (and close the pension gap) of female employees, the participation of women in the labour market has to be increased – but not by means of any kinds of jobs (including atypical or precarious employment), but by "high-quality" jobs (i.e. jobs providing decent earnings, labour market security and a good working environment, cf. OECD; see also expert study 2). Such jobs make gainful employment more attractive and are thus also decisive for a higher participation in the labour market and a longer duration in employment, thus leading to a higher (lifetime) salary.

#### 6. Further measures needed and existing ones are to be intensified (income transparency, fathers' participation in care work, expansion of care infrastructure)



In addition, for example with the help of income transparency measures, the narrowing (and finally closing) of the gender pay gap is to be reached. At the same time, in order to enable women to enter the labour market or to be integrated more strongly, further measures for the overall equality of both genders must be introduced, above all fathers must be better integrated into care work. Incentives such as e.g. granting highest parental leave or childcare allowance only if both parents devote equal shares to care work or a bonus if both parents reduce working hours could be motivating and should be implemented widely. Also, incentives for a more even distribution of working time for couples (shorter full-time work or longer part-time work for both genders) would be needed. In addition, the care infrastructure must be (strongly) expanded in terms of quantity and quality (regarding opening hours and closure times) for children as well as other people in need of care. A side effect is that the (further) commodification of care work in turn creates (potentially high-quality) jobs.

## **7. Gender equality report shows a two-fold picture**

At the European level, efforts have been made for many years to promote gender equality. The European Commission's gender equality strategy 2020-2025 sets out several key objectives, which include the closing of gender gaps in the labour market, achieving equal participation across different economic sectors, addressing gender pay and pension gaps, as well as closing the gender care gap and achieving gender balance in decision-making and politics. Several policies targeting work-life balance (see below), pay transparency, or women in leadership and strategies (including on gender equality, care and support) have been implemented, and several funding streams have been launched. The annual report on gender equality shows a two-fold picture: for the first year since its inception in 2013, the index would have shown a negative trend, if progress made in the area of leadership had not been made. Also for the coming years, the outlook is not excellent, with the index showing the effects of the Russian war and the energy and inflation crisis.

At the same time, some positive turns were identified, not least the adoption of European legislation on gender-balance on company boards and the adoption of the Pay Transparency Directive. The latter foresees important steps targeted towards closing the gender pay gap: employers will need to inform job applicants about the starting salary or pay range of advertised positions and will have to share information on salaries to male and female employees with work of equal value and take action if their gender pay gap exceeds 5%. Larger companies will be obliged to report on the gender pay gap in their organisation (annually for companies with over 250 employees, every three years for those with over 100 employees) to the relevant national authority. The policy measures seem quite ambitious and promising, with the drawback that smaller employers (with up to 100 employees) will be excluded from the reporting obligation.

## **8. EU initiatives go in right direction, but progress is slow**

The EU's Work-Life Balance Directive from 2019 foresees improved rights regarding paternity leave, parental leave and carers' leave, as well as flexible working arrangements for working parents. While it can be considered a step in the right direction, it is still a long way to go towards reaching improved work-life balance for both genders (e.g. only two months of paid and non-transferable parental leave being exclusively dedicated to one parent), and as of April 2023, eleven countries still have not fully transposed the Directive, showing only slow progress.

The planned revision of the Barcelona targets regarding childcare infrastructure to be reached by 2030 of the European Care Strategy for caregivers and care receivers will – once finally implemented in all MS – provide an important step not only towards facilitating women's labour market inclusion, but also towards children's early childhood education.

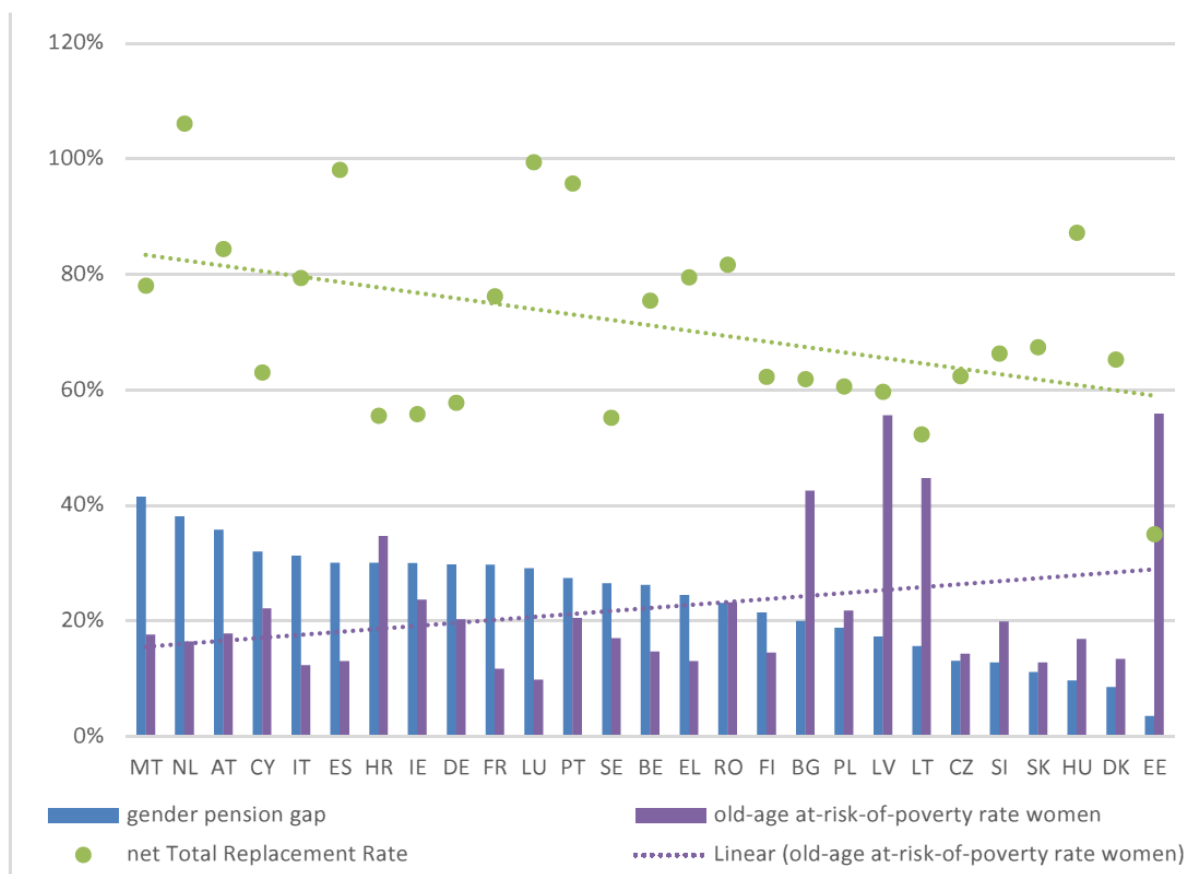
In addition, gender equality requirements have been strengthened for all of the EU's large cohesion policy programmes and funds (ESF+, ERDF, JTF), e.g. with ESF+ investments during the 2021-2027 funding period having to show their impact on gender equality, showing again a small puzzle piece for the overall picture going towards gender equality. Overall, all those initiatives are small steps in the right direction – however, without any additional measures, it will take a long time until full equality will have been reached and the EPSR Action Plan's current goal to “at least halve the gender employment gap compared to 2019” by 2030 seems to be quite ambitious, considering how slow progress in closing the gap has been within the last decade (see above).

## **9. Gender pension gap: A big problem (almost everywhere)**

Despite EPSR principle #2 calling for gender equality including opportunities, pay and ultimately pensions, there is still a sizeable gap. In almost all EU member states, the AROP for female pensioners is considerably higher than that of men, sometimes by more than 100%. Correspondingly, elderly women are usually more often affected by severe material deprivation. While some of this can be explained by a higher life expectancy of women and widowhood being common leading to a higher probability of living alone, these data largely reflect that during their working life, women (especially mothers) tend to achieve considerably shorter and “perforated” careers with lower wages. Only three member states feature gender pension gaps of less than 10%. On average, this index reaches almost 25% and even around 40% in some countries.



Figure 1: Gender pension gap (2021) correlating with elderly female AROP rate and TRR<sup>1</sup>



#### 10. The Gender pension gap indicates pension (un)equality well, but not women's pension adequacy

The gender pension gap is useful for measuring differences in old age income between women and men. A broader view, however, reveals that the gender pension gap as such is not a suitable measure of the adequacy of women's retirement pensions. Comparing the gender pension gap with AROP rates for old-age women shows only a weak but surely unexpected inverse correlation: countries with a lower GPG tend to have a higher AROP rate for women (see linear trend line of AROP). This seemingly contradictory correlation may be dissolved when TRR is included in view. It then becomes apparent that a slightly higher GPG leads not to higher women's AROP rates when corresponding with a higher TRR. In other words: a growing pension

<sup>1</sup> Sources: Gender pension gap and at-risk-of-poverty: EU-SILC; TRR is EU\_TRR Master.

gap may be leading to an income above AROP level if only TRR is high enough. Thus, a lower gender pension gap at a lower level of TRR doesn't improve pension adequacy – neither for women nor men – or gender equality in a positive way.

#### **11. You can't escape the labour market!**

Despite certain limitations, the pension gap is an indispensable index by “honestly” reflecting in a single number how careers, wages and access to different pension/saving schemes have differed between men and women in a given country. Theoretically, pension systems can “override” career effects by paying out flat-rate benefits, as some states do by the use of flat-rate basic pensions. However, this seemingly “women-friendly” attempt at equality and poverty avoidance does not automatically lead to adequate retirement incomes for women or the elimination of the GPG. This is because in countries with flat-rate basic pensions the old-age protection system in total, including supplementary pensions based strictly on the equivalence principle, often has large gender-specific pension gaps. Careers/lifetime earnings – not so much the design of pension systems – have been shown to make the real difference in terms of the GPG. What's more, closing the gender income gap only after the end of working life is not a sustainable path to gender equality.

#### **12. High employment and equality –> low gender pension gap**

While the GPG is rather high in southern and central European countries known for low levels of female employment or for part-time work being common, MEE states showing traditionally high employment levels of both sexes and Nordic countries exhibiting a more equal distribution of non-paid care work between partners have rather low pension gaps.

#### **13. More paid work will make a difference**

To reduce pension gaps, deficits regarding female employment need to be tackled decidedly. As with measures to achieve more inclusive labour markets in general, relative pension rights would certainly improve, while actual impacts will depend on the initial situation and the pension system in a given country.

#### **14. Where to expect the most**

Theoretically, the most far-reaching improvements should be possible in southern European states where low female employment meets rather generous TRRs, while considerable leverage can also be expected in western/central European nations with mediocre employment levels of women and medium to good TRRs. Comparing TRR calculations for various cases that are common for female employees in Europe shows respective pension “cuts” suffered, and inversely, the potential of actually avoiding them.



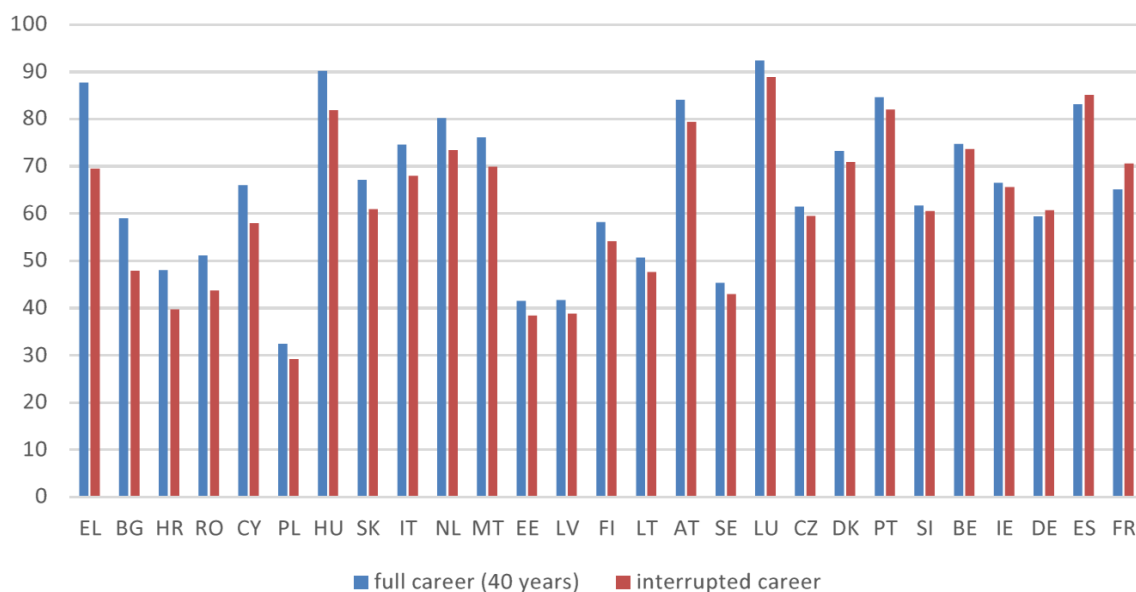
### 15. Unpaid care work? Pensions will usually suffer, but differently

Firstly, even interrupting employment to care for family members for a short period of 3 years will lead to noticeably lower pensions in most schemes, in a few states even reducing the replacement rate by 9 percentage points or more. Secondly, and arguably more often the case, leaving the labour market for 3 years due to childcare and then turning to mere part-time work for another 10 years will usually (a few countries stand out by offering even higher pensions in those situations) lead to painfully lower pensions. 10 EU member states even cut respective TRRs by more than 5 points, thereby reducing “full career” pensions by up to 20%.

### 16. In return: Paid work pays off now and later

By helping women to achieve ARRs (aggregate replacement ratio) significantly closer to full-career TRRs through more continuous, comprehensive and well-paid employment, countries could not only facilitate income maintenance and poverty avoidance, but also strengthen public budgets.

*Figure 2: TRR (net for average female workers) after 40 / 40 years including 3 years of childcare absence and 10 years of part-time work in 2059 (ranked by leverage)*



### 17. Do grant specific pension credits, but don't expect too much or go too far

Beyond better labour market integration, people doing unpaid care work ought to be provided with specific pension credits. But it should be kept in mind that pension schemes even with strong compensation mechanism can only “heal” labour market absence income to a limited extent and only for the pension period. While certain periods of absence or reduced working hours may thus be filled with missing pension credits, other workers will continue their careers, achieving higher wage levels and employment opportunities that result in significantly higher pension entitlements and in general assets, which systems can hardly compensate for. Policies should mainly be directed at actual root causes instead of just soothing their symptoms. After all, doing so could possibly reinforce gender stereotypes.



## 18. Summary: More efforts needed in many areas

To summarise the findings, it becomes evident that more efforts are needed (both at the national and EU level) in order to close labour market gaps (also against the background of the EPSR's Action Plan's goals to halve the gender employment gap) and thus improve women's old age protection. Action is mainly needed in the following areas in order to reduce and eventually close all gender gaps and to improve women's pension rights:

- fair distribution of care work and paid employment between men and women
- availability of free, high-quality childcare with adequate (i.e. compatible with full-time employment) opening hours (including having few closing days)
- family-friendly working hours (including incentives for equal distribution of working hours between parents)
- expansion of "quality" jobs while simultaneously reducing all forms of precarious work
- adequate social compensation mechanisms in pension systems for employment restrictions due to care work
- ensure that national pension systems meet the EPSR target #15, especially the "right to resources that ensure living in dignity"



