

Improving women's old-age protection – The potential of closing labour market gaps

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In this study, the following topics are to be explored – with a focus on the potential of improving women's pension rights: quantitative and qualitative aspects of the labour market from a gender-focused perspective; the gender pension gap (current state, main causes), with concrete examples and analysis of existing data; policy measures (at EU and/or national level) needed for removing existing barriers for equal rights and equal opportunities in the labour market; the potential of existing EU instruments; the potential of improved access to quality and affordable care structure to increase women's participation in the labour market; and the potential of improving women's labour market integration in quality jobs to improve women's pension rights and, thus, reducing the gender pension gap (illustrated with case studies based on existing national pension legislation).

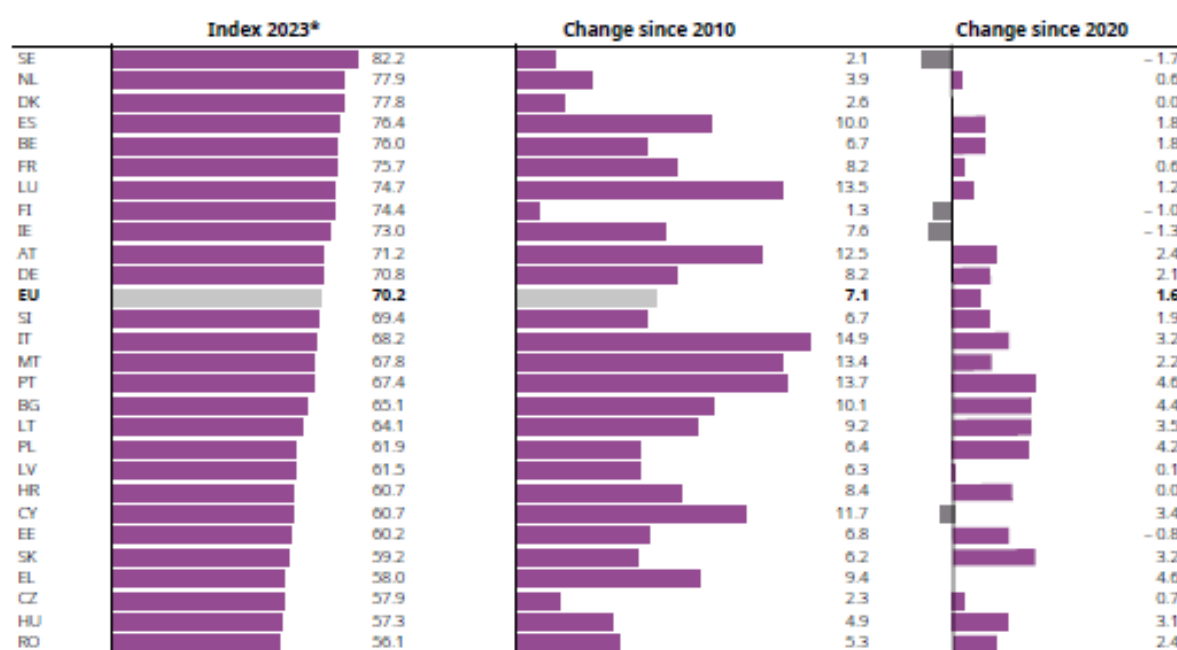
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1. Gender equality in the world of work: progress, but large inequalities remain.

The second principle of the [European Pillar of Social Rights \(ESPR\)](#) calls for improved gender equality, and while progress has been registered in recent years, the reality still shows large inequalities. In 2023, the EU-27 scored 70.2 points (where 100 represents full equality) on EIGE's comprehensive Gender Equality Index¹. This shows an increase of 7.1 percentage points compared to 2010, so some progress is evident, albeit slow. Large differences exist between countries, with Sweden (82.2 points), the Netherlands (77.9 points), Denmark (77.8 points) and Spain (76.4 points) scoring the highest, while Romania (with 56.1 points), Hungary (57.3 points) and the Czech Republic (57.9 points) are found at the lower end. Specifically in the domain of work (73.8 points in 2023), there has been some progress compared to 2010 (+4.1 percentage points), with Sweden scoring highest with 84.8 points and Italy scoring lowest with 65 points.

Graph 1: Gender Equality Index 2023, EIGE



Source: Authors' calculations.

Note: Break in time series in the domains of work, knowledge, and time, due to methodological changes in the source of data (EU-LFS, EWCTS, EIGE survey data on gender gaps in care, individual and social activities), see Annex 4.

* Index 2023 uses 2021 data for the most part and traces progress from a short-term (2020-2021) and longer-term (2010-2021) perspective.

Source: EIGE 2023: 21

¹ EIGE (2023), Gender Equality Index 2023. Towards a green transition in transport and energy

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 men². A slight convergence within the last decade is evident, which can partially be attributed to the pandemic and its aftermath: Between 2019 and 2022, the gap was narrowed by 0.5 percentage points while in the previous years, it stagnated between 11.1 and 11.3 percentage points (after some improvement between 2009 and 2013, when it was reduced from 13.4 to 11.3 p.p.). It must be noted, however, that except for the first year of the pandemic year (2020), employment rates have risen for both genders continually within the last decade. Nonetheless, country differences in the employment gap are quite astounding, ranging from a gender difference in employment of 21 percentage points in Greece, 19.7p.p. in Italy and 18.6 p.p. in Romania (having widened within the last decade in all three countries) to around one percentage point in Finland and Lithuania. Countries with the largest progress between 2013 and 2022 include Malta and Luxembourg, which both more than halved their employment gap (starting from very different levels, however) – from 28.6 to 13.1 p.p. in Malta and 14.1 to 6.5 p.p. in Luxembourg, respectively.

An **improved labour market integration** for all is key to strong social protection systems providing for adequate provisions and fiscal sustainability. Women's labour market performance lags behind that of men, and with women still doing most of the unpaid care work, their careers are often considerably shorter and characterised by longer breaks. This has consequences on their pensions and puts them at a higher risk of poverty in old age than men.

Table 1: Difference between male and female employment (20-64) in 2013 and 2022, LFS (sorted by highest delta in 2022, descending)

TIME	2013	2022
GEO (Labels)	delta 2013	delta 2022
Greece	19.5	21.0
Italy	19.2	19.7
Romania	17.2	18.6
Czechia	17.2	14.9
Malta	28.6	13.1
Poland	13.7	12.9
Cyprus	10.4	12.1
Ireland	10.6	11.3
Spain	9.6	10.9

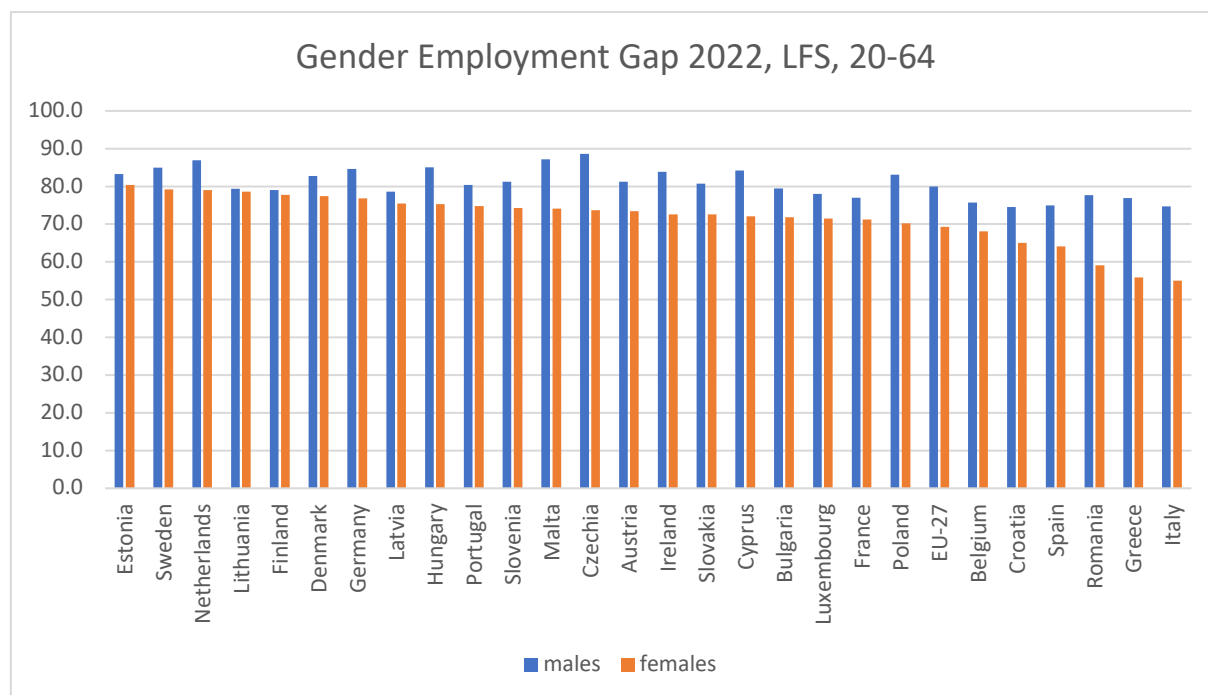
² Eurostat (2022), Employment rate by sex, age group 20-64 [LFSI_EMP_A]

European Union - 27 countries (from 2020)	11.3	10.7
Hungary	8.1	9.8
Croatia	8.8	9.5
Slovakia	9.8	8.1
Netherlands	9.9	7.9
Germany	9.5	7.8
Austria	9.1	7.8
Bulgaria	5.4	7.7
Belgium	10.2	7.6
Slovenia	8.0	6.9
Luxembourg	14.1	6.5
France	6.9	5.8
Sweden	5.5	5.8
Portugal	6.1	5.6
Denmark	6.3	5.4
Latvia	4.2	3.1
Estonia	5.2	2.9
Finland	2.9	1.2
Lithuania	2.6	0.8

Numbers in **red** show an increase of the gender employment gap between 2013 and 2022, and numbers in **green** show a decrease of the gender employment gap between 2013 and 2022.

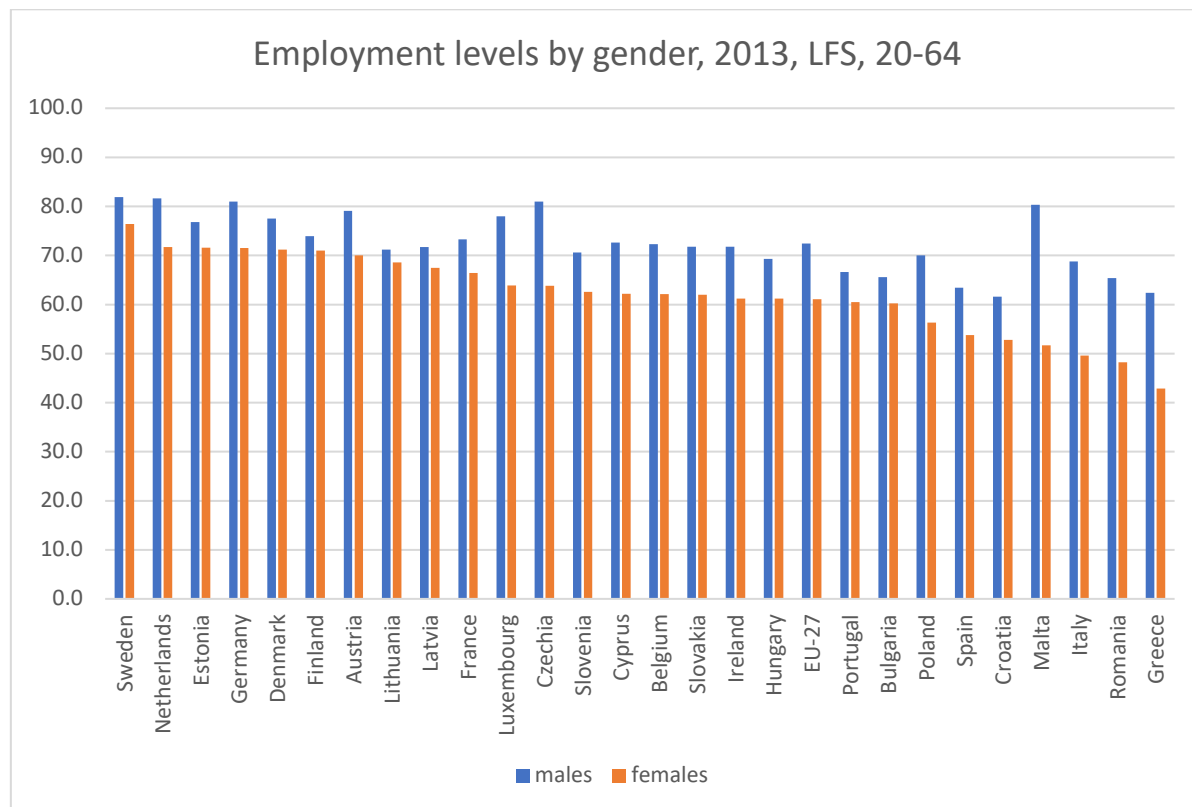
As displayed in the two graphs below, compared to 2013, in 2022, female employment rates were highest in Estonia, followed by Sweden, the Netherlands, Lithuania, Finland and Denmark – Estonia has improved its ranking from third to first place within the last decade, as the graphs below show. Lithuania has made a significant improvement when compared to the rest of the EU (having ranked fourth in 2022), while Austria fell behind in recent years (from 7th to 14th among the EU-MS). At the other end of the spectrum, Romania, Greece, and Italy have remained the three countries with the lowest female employment.

Graph 2: Employment levels by Gender in 2022, 20-64 years (sorted by female employment descending)



Eurostat, LFS 2022

Graph 3: Employment levels by Gender in 2013, 20-64 years (sorted by female employment descending)

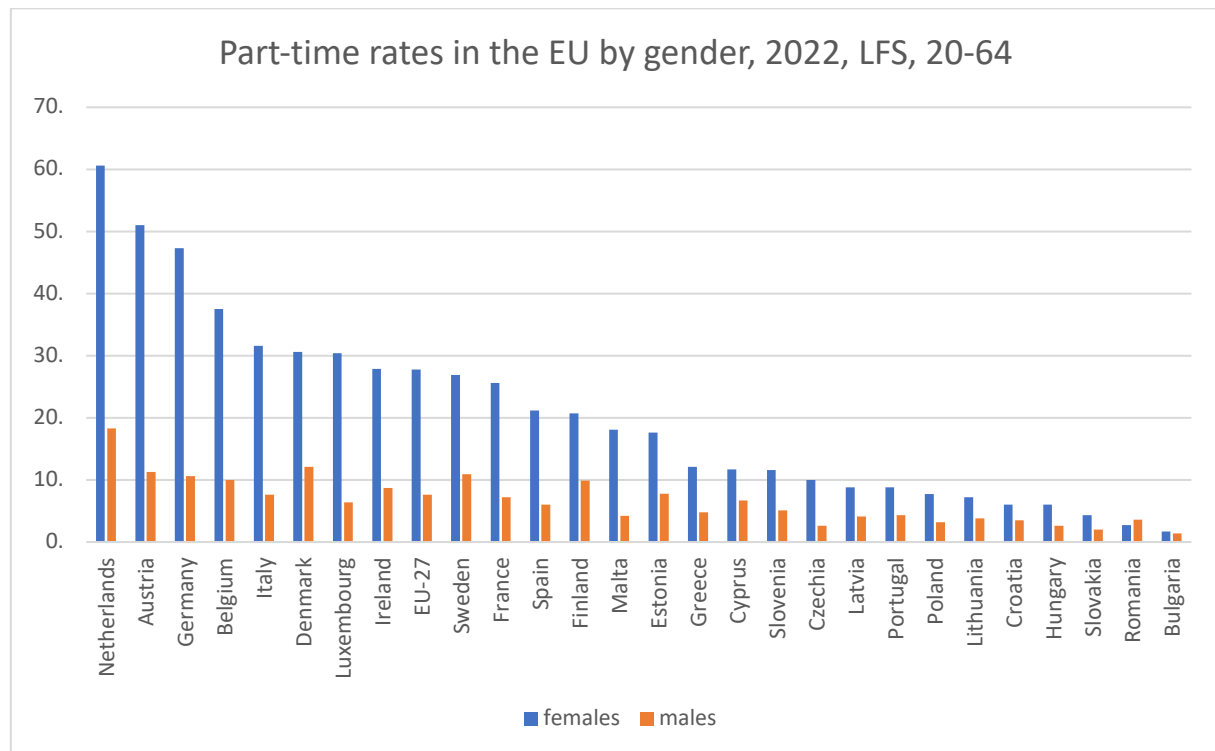


Eurostat, LFS 2022

There are other gender differences that are worth looking into.

It is well-known that the **volume of work** among women is much lower than that of men, not least due to childcare duties³ or the historically deeply rooted male breadwinner model in many societies.

Graph 4: Part-time rates in the EU in 2022, 20-64 years

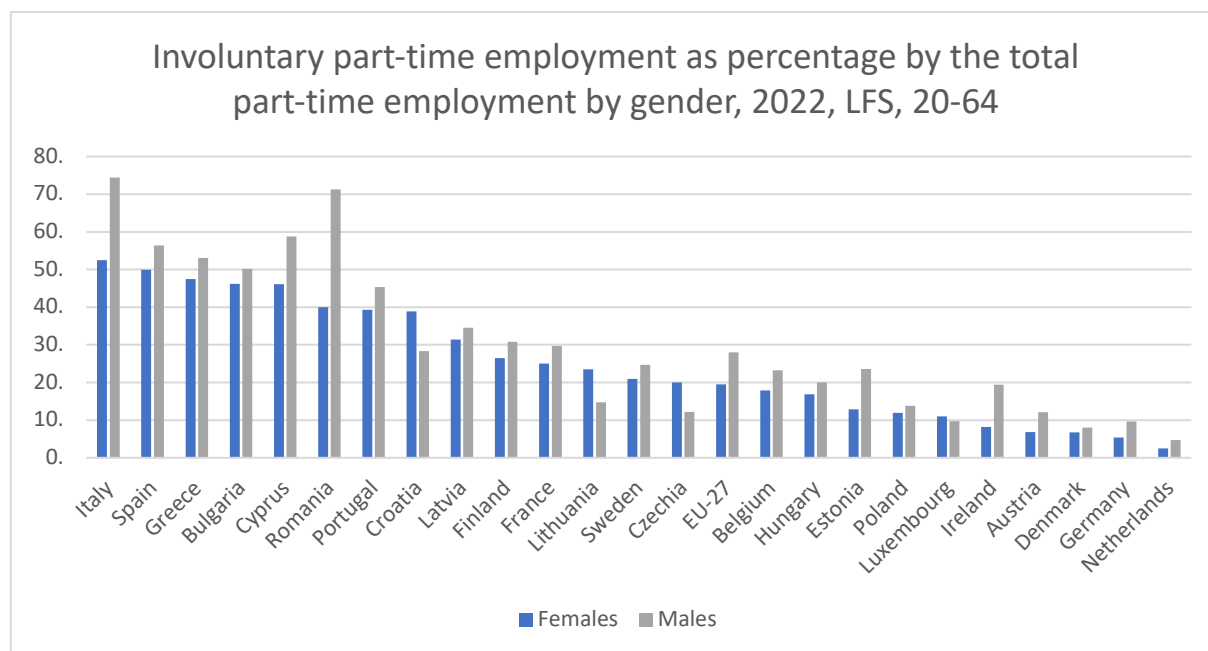


Eurostat, LFS 2022

The rate of women in part-time work is higher than that of men in all countries (with the exception of Romania, see graph 4 above), and even though the rate for involuntary part-time work (see graph 5 below) is generally higher among men, the often presumed "voluntariness" of female part-time work needs to be critically looked at: women often have no option but to work more hours due to the lack of childcare infrastructure compatible with full-time employment. Also, here, large country disparities are evident.

³ This became especially evident in recent years during the pandemic; the recession following the health crisis has been termed a "shecession" or even "momcession", cf. OECD 2021.

Graph 5: Involuntary part-time rates in the EU by Gender in 2022, 20-64 years



Eurostat, LFS 2022 (Please note: data for males for Malta, Slovenia and Slovakia is missing and therefore not displayed in this graph)

In addition to a high share of part-time, women are also more likely to have career breaks and longer periods of part-time employment over the course of their working lives overall⁴.

The overall extent of the **difference in the volume of paid work** can be seen by comparing the full-time-equivalent (FTE) employment rate of women and men. Unfortunately, the latest data for the population aged between 20-64 in the EU is only available for 2014⁵, when FTE-rates stood at 54.5% for women and 72.6% for men (marking a difference of 18.1 percentage points). After that, FTE rates have been only identified for the 15+ years population, consequently including a large part 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, shows large differences in FTE rates in countries such as the Netherlands (27.3 p.p.), Greece (25.9 p.p.), Germany and Austria (21.5 p.p. respectively), whereas at the lower end one finds the Baltic states (Lithuania 3.7 p.p., Latvia 3.9 p.p. and Estonia 7.9 p.p.), as well as Finland (7.8 p.p.) (see table 2 below).

⁴ EIGE (2021a), Gender inequalities in care and consequences for the labour market

⁵ EIGE (2014), [Full-time equivalent employment rate for women and men by age groups](#) (EU-28).

Table 2: Full-time equivalent rates by Gender, OECD, 2021, 15-64 years

Country	Sex	2021	Difference in male and female FTE-rates
Austria	Men	76.3	21.5
	Women	54.8	
Belgium	Men	67.8	16.3
	Women	51.5	
Czech Republic	Men	82.5	18
	Women	64.5	
Denmark	Men	71.8	16
	Women	55.8	
Estonia	Men	73.9	7.9
	Women	66.0	
Finland	Men	69.7	7.8
	Women	61.9	
France	Men	68.8	14.5
	Women	54.3	
<u>Germany</u>	Men	76.6	21.5
	Women	55.1	
Greece	Men	72.1	25.9
	Women	46.2	
Hungary	Men	77.9	17.5
	Women	60.4	
Ireland	Men	75.0	24
	Women	51.0	
Italy	Men	67.3	27
	Women	40.3	
Latvia	Men	70.6	3.9
	Women	66.7	
Lithuania	Men	72.0	3.7
	Women	68.3	
Luxembourg	Men	73.5	17.8
	Women	55.7	
Netherlands	Men	74.5	27.3
	Women	47.2	
Poland	Men	79.5	20.3
	Women	59.2	
Portugal	Men	77.3	13.1
	Women	64.2	
Slovak Republic	Men	74.2	14.6
	Women	59.6	
Slovenia	Men	75.1	9.9
	Women	65.2	
Spain	Men	68.2	18.9
	Women	49.3	
Sweden	Men	76.6	12.3

Non-OECD Economies	Bulgaria	Women	64.3	8.6
		Men	73.1	
	Croatia	Women	64.5	13.1
		Men	68.5	
	Cyprus	Women	55.4	16.9
		Men	76.9	
	Malta	Women	60.0	23.4
		Men	83.5	
	Romania	Women	60.1	15.3
		Men	72.1	
		Women	56.8	

Source: OECD.Stat Database, OECD (2021), [Gender equality – All employment indicators](#)

Note: The full-time equivalent employment rate is calculated as the employment/population ratio for 15-64 years old, multiplied by the average usual hours worked per week per person in employment (employed and self-employed) and divided by 40. Numbers in red show the largest, and in green, the lowest gender differences.

Also, **marginal part-time employment** is generally much higher among women⁶, as data from the ILO from 2014 (see below) shows. For 2019 (using Eurostat-LFS data calculated for expert study 1), data shows that within the EU-27, the share of marginal employment (defined as less than 15 hours per week) for the age group 15-64 years is at 4.45 per cent for men and 7.7 per cent for women. In addition, country data for Germany shows a share of 3.84 per cent for males and 11.69 per cent for females, for Italy 1.86 per cent (males) and 5.1 per cent (females) and for Croatia, very small shares for both genders (0.48 per cent among males and 0.68 per cent among females).

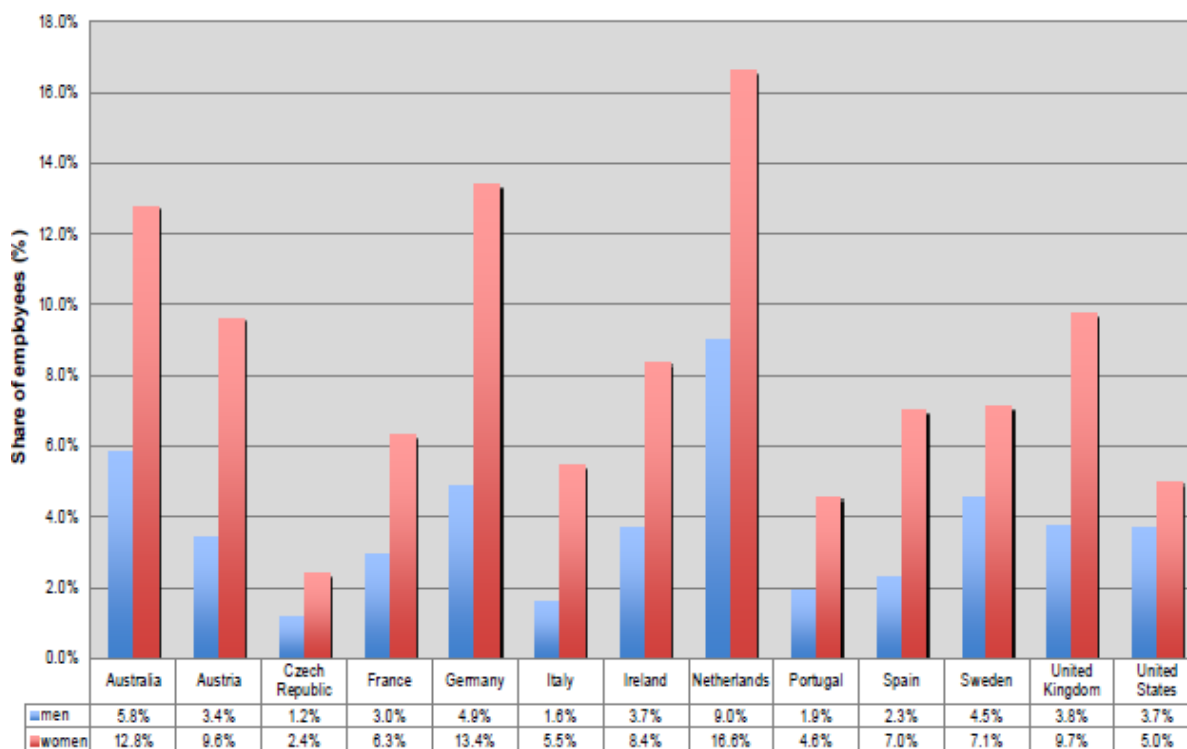
In addition, it is evident that women are generally more often in atypical employment, including precarious employment⁷ or low-paid jobs when compared to men⁸.

⁶ Messenger/Wallot 2015

⁷ Except for platform work, where women are underrepresented (EIGE 2021), even though there is some evidence that gradually, it is becoming a less male-dominated sector (JRC 2020).

⁸ EIGE 2017, European Parliament 2020

Figure 2: Percentage of men and women in dependent employment working 14 hours or less per week in thirteen developed economies (Age 15+, most recent year available)



Source: National LFS, EU LFS, ILOSTAT 2014

2. Policy measures needed to reach EPSR's goals.

A [goal of the EPSR](#) in the area of gender equality consists of reaching at least half the gender employment gap compared to 2019 levels and increasing the provision of formal early childhood education and care, thus contributing to better reconciliation between professional and private life and supporting stronger female labour market participation. To achieve such goals, more and better-targeted inclusion policy measures are needed in all EU-MS. Furthermore, the EPSR goals also target old-age income and pensions: the right to a pension commensurate to contributions and ensuring an **adequate** income; women and men having equal opportunities to acquire pension rights; everyone in old age having the right to resources that ensure living in dignity. The participation of women in the labour market should be increased to improve gender pension rights and close the pension gap (see below for greater detail). However, such higher participation of women in the labour market should not be increased with atypical or precarious employment, but rather with "high-quality" jobs: jobs providing for decent earnings, labour market security and a good working environment⁹, more attractive jobs that are also decisive for a longer career duration, and thus a higher (lifetime) salary (see expert study 2 in for greater detail).

Using income transparency measures, the gender pay gap can be closed in the long run, erasing gender-specific pay discrimination. Further measures for the equality of both genders must be introduced: fathers must be better integrated into care work; parental leave and childcare allowance should be equally shared by both parents. In addition, high-quality and affordable care infrastructure must be strongly expanded in terms of access, quantity, and quality (opening and closure hours, e.g., during the summer or holidays) for children as well as elderly and/or dependent people in need of care, to enable carers –women in particular - to take up full time jobs. Furthermore, the commodification of care work (i.e., the provision of care on the market), in turn potentially creates high-quality jobs (provided by those who might otherwise engage in unpaid care work).

At the European level, efforts to promote gender equality have been made for many years. 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 gender equality, care, and support) have been implemented, and several funding streams have been launched. The European Commission's annual report on gender equality 2023¹⁰, the third

⁹ OECD, [Job quality](#)

¹⁰ European Commission 2023, [2023 report on gender equality in the EU](#)

report since the adoption of the Gender Equality Strategy, clearly shows that progress has been made (albeit quite slowly¹¹), not least through the adoption of [European legislation on gender balance on company boards](#) and the approval of the [Pay Transparency Directive](#)¹². 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 act if the gender pay gap exceeds 5%. Larger companies will be obliged to report to the relevant national authority the gender pay gap in their organisation (annually for companies with over 250 employees every three years for those with over 100 employees). 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. However, the European Trade Union Confederation (ETUC) remarks how the approved text presents some significant limitations to achieving gender pay transparency and equality. First, Member States technically have until 2026 to transpose the Directive into national law, but the ETUC believes women have waited long enough for equal pay and is calling on national governments to put the Directive into force straight away. Also, it only applies to bigger companies, as if gender equality wasn't a priority in all companies, regardless of size¹³.

The 2019 [EU's Work-Life Balance Directive](#) 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, there is still a long way to go to reach 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 this Directive, showing only slow progress.

The planned [revision of the Barcelona targets](#), of the [European Care Strategy](#) for caregivers and care receivers, on the childcare infrastructure to be reached by 2030 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 the EU's large cohesion policy programs and funds ([ESF+](#), [ERDF](#), [JTF](#)), e.g. ESF+ investments during the 2021-2027 funding period have to show their impact on gender equality, being yet another step towards gender equality. Overall, all these initiatives are small steps in the right direction – however, without any

¹¹ Eurofound and EIGE 2021

¹² ETUC Resolution chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.etuc.org/system/files/document/file2019-11/ETUC%20Resolution%20on%20Gender%20Pay%20Transparency%20Directive%20Adopted_1.pdf

¹³ See ETUC press release <https://www.etuc.org/en/pressrelease/pay-transparency-wait-would-cost-women-eu17000#:~:text=The%20directive%20designed%20to%20close,request%20transparent%20information%20on%20pay.> ;

additional measures, it will take a long time until full equality will be reached. Therefore, 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 has been over the last decade.

3. Gender Equal Pensions – still a long way

As demonstrated, equal gender labour market participation is still not reached and further action will be needed. A look at gender pension rights reveals an even greater gap. The second principle of the EPSR is to achieve gender equality, including pension equality. However, the EPSR also require a wider goal concerning **women's pension rights, whose old age income shall be adequate for ensuring them a life in dignity as pensioners**. Therefore, analysing Gender (in)equality in pensions shall imply not only looking into the pension gap but **considering the adequacy of pension benefits, including the bereaved**. A low or even non-existent gender pension gap doesn't meet the objectives of the EPSR, if pension benefits do not reach adequate levels.

At this point, closing the gender pension gap is indisputably necessary, and pension-specific measures cannot be postponed. Besides, it is crucial to tackle the adequacy of pension benefits for reaching gender equality. Measures for old age dignity for women can be achieved faster by tackling decades of income inequalities, unequal labour market participation and unjustified lower earnings during the employment phase. **Tackling the gender-specific income and wealth gap derived from working life can be more effective – and fiscally sustainable - than closing the gender pension gap via interventions on pension benefit compensation**. Let's illustrate this with an example: in 2022, a single worker's average yearly net income in EU-27 was 24,373 euros, according to Eurostat¹⁴. The overall gender earnings gap was about one-third.¹⁵ Roughly calculated over 45 years, this accumulates to a sum of about 400,000 euros net income gap. To make up for this in pensions, women's pension claims would have to be higher than that of males – over 20 years pension period by 20,000 euros per year.

Taking this into account, there is obviously much more to be done, and earlier in one's lifetime, to start reaching gender equality than only compensating the gender pension gap once in retirement age. It can't ever be enough to tackle the gap only after a 60-year lifetime living in inequality- since the pension phase, on average, covers about a quarter of a woman's life, the gender pension gap increases the lifetime income inequality even further.

Looking at the right to equal pension entitlements, the pension gap today reflects the earning gap of about seven past decades. This means that the pension of a woman aged 90 years in 2023 is based on her employment from the 1950s to 1990s.¹⁶ Also, looking to future developments, one

¹⁴ https://ec.europa.eu/eurostat/databrowser/view/EARN_NT_NETFT/default/table?lang=en

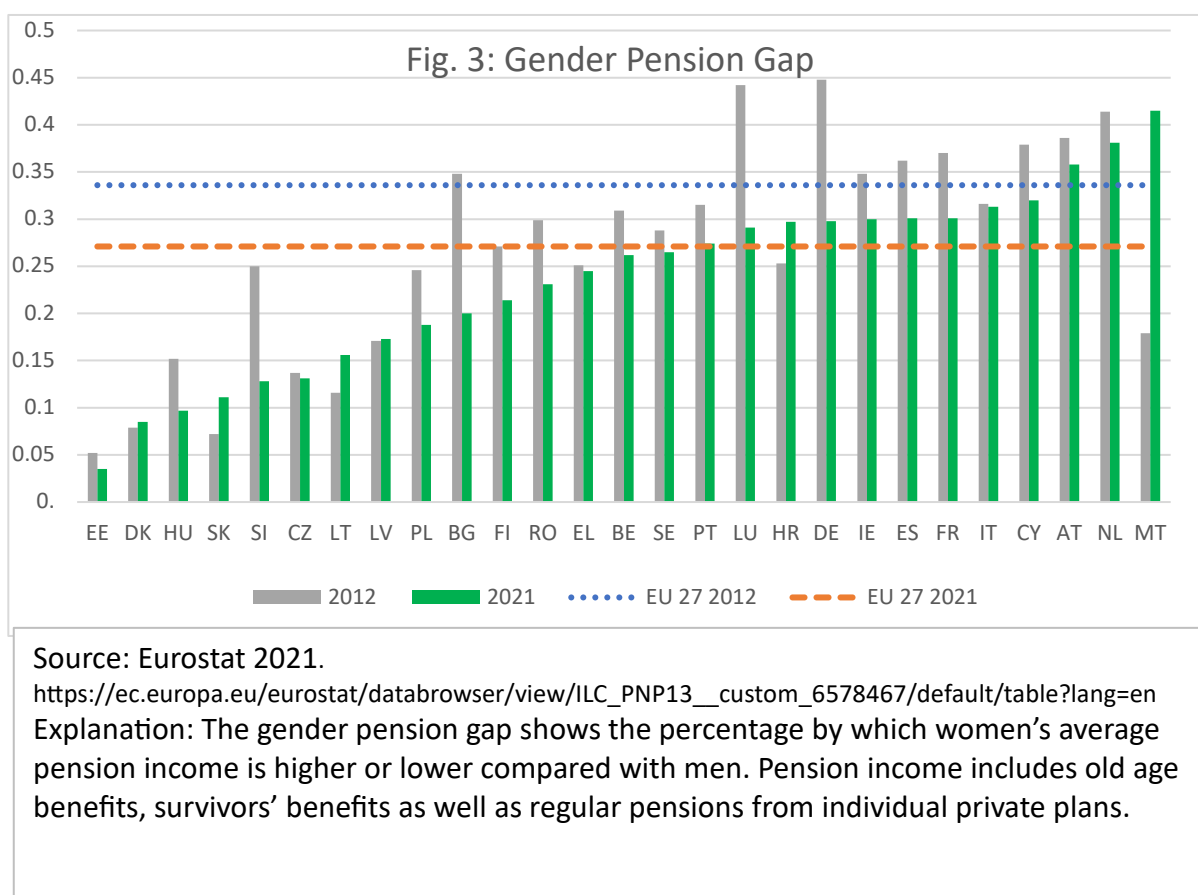
¹⁵ https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/gender-equality/equal-pay/gender-pay-gap-situation-eu_en

¹⁶ For Eastern European countries, this means that today's - rather low - CPC is still largely shaped by pre-1990 labour market structures. In these countries, full-time employment of women was much more widespread than in Western Europe.

can affirm that women reaching the pension age in ten or twenty years already have realised more than half of their employment life, considering the gender pay gap.

Due to this, not only the problem of equal pensions is multidimensional, but the gender inequality affecting pension entitlements goes back decades. Thus, a single figure will not suffice to show Gender (in)equality in pensions now and in the future and the adequacy of pension entitlements. The following tables address this data combination issue not only by showing different figures but also by unveiling new correlations and inter-dependencies of circumstances.

3.1 The gender pension gap is still high.



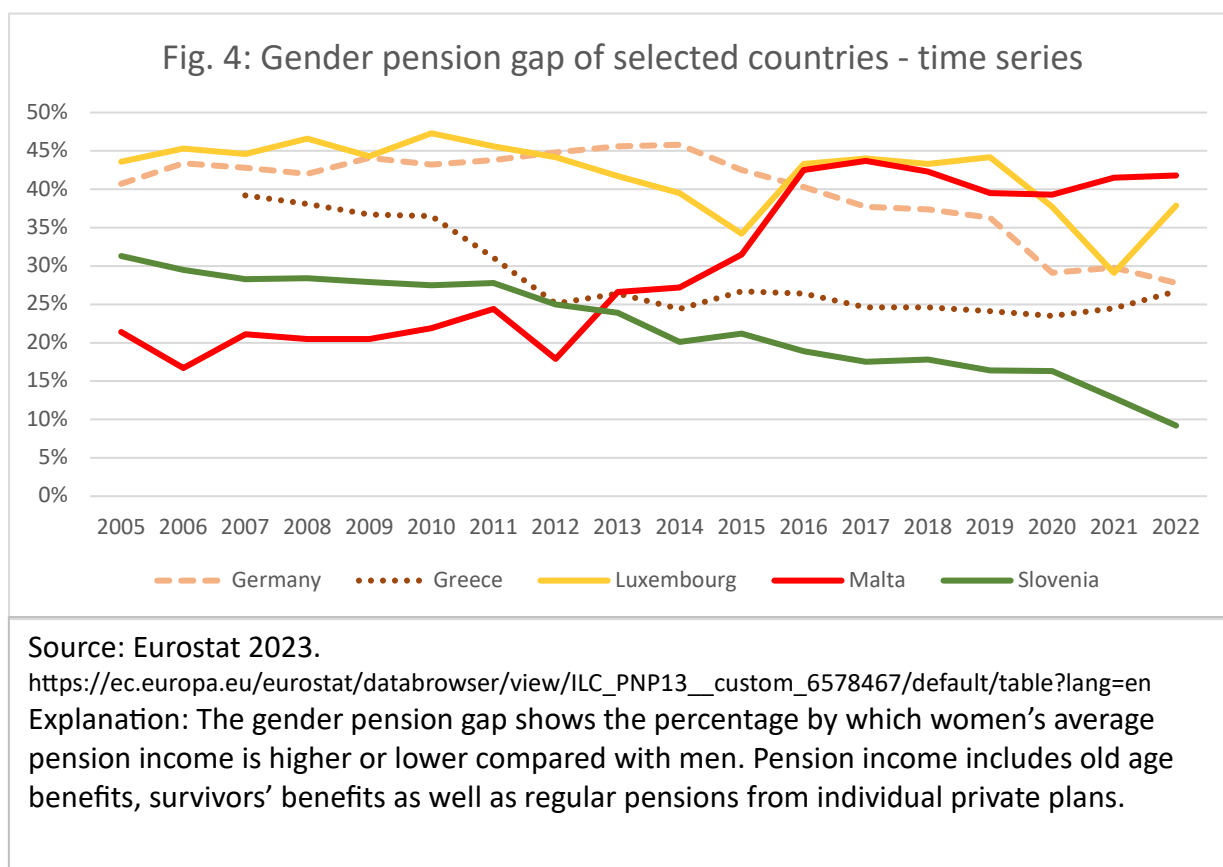
Across Europe, the gender pension gap¹⁷ in 2021 varies widely from 3,5% in Estonia to 41,5% in Malta (see figure 3: gender pension gap). The nine countries with the highest gap are all Western

¹⁷ It's to note that the gender pension gap used here follows the pension adequacy report and includes old age and survivor's benefits although as regular pensions from individual pension plans.

European ones. Germany and Austria have strong contribution-orientated systems, and the Netherlands has a redistributed poverty-orientated statutory basic pension (AOW¹⁸).

3.2 The gender pension gap sinks

Looking at developments since 2012, the average gender pension gap sunk from 33,6% to 27,1%. Most countries have a positive trend of a (slow) shrinking gender pension gap – in Slovenia, Bulgaria, Luxemburg, and Germany, this is quite significant. However, in other countries, the pension gap increased – Slovakia, Lithuania, and Croatia – and quite significantly in Malta. The low increase in Denmark and Latvia maybe be due to a statistical effect.



Taking a closer look at the countries from 2005 onwards, a heterogeneous development can be seen. Some examples can be seen in figure 4. It seems that some countries have reduced the gap continuously, like Slovenia. While in others, the gap sunk in a short period to an almost stable new

¹⁸ Algemene Ouderdomswet meaning General Old-Age Act is a residence time depending basic pension.

level, like in Greece. Others, such as Germany, realised a persistence to a slightly rising level and a swing to a continuously sinking gap. Some countries like Luxemburg show no evident trend and have somehow leaps. Finally, some other countries like Malta show a rising gap after a period of relative stability and keep up the higher gap. Some of these developments – especially like Malta with a strong negative trend may depend both on pension reforms and variations in female labour market participation in the past decades.¹⁹ In Germany, for example, a series of pension reforms are the reason for the trend after 2014. Such reforms raised (almost only) women's pension rights by additional supplements for childcare for children born before 1992 and additional pension supplement if working for low wages for at least 33 years, to which phases of childcare and long-time care is added.

Overall, the gender pension gap is closing, but quite slowly. If the trend of the gender pension gap of the EU-27 of the past decade continues, it would still take more than 40 years to bridge the gap. To achieve the second principle of the EPSR on gender equality, much needs to be done. As suggested above, the gender pension gap is a result of the still-existing gender pay gap and the gender labour market participation gap. As shown above, the gender gap in labour force participation is still far from being eliminated. Consequently, the gender pension gap would take even more decades to close if additional elements were not added to the pension systems. Meanwhile, just adding supplementary elements will not be enough.

3.3 Avoiding poverty is a basic condition for adequate pension and living in dignity.

The fifteenth principle of the EPSR claims that "everyone in old age has the right to resources that ensure living in dignity." So, granting women to live in dignity requires at least that they are not more at risk of poverty than men and, in general that they can fully participate in society with their own resources.

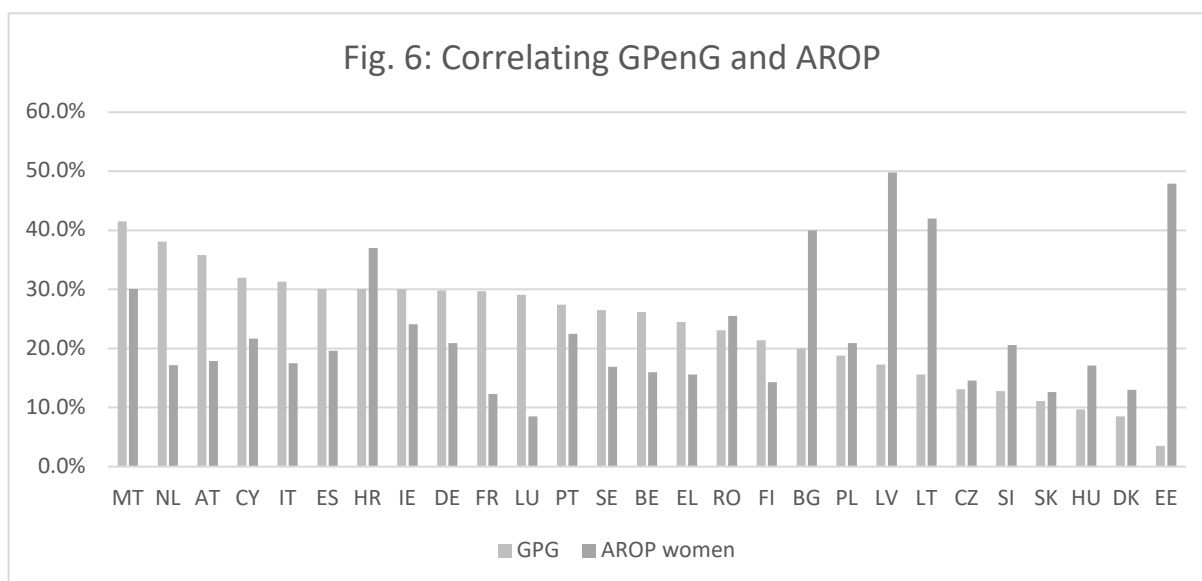
¹⁹ These circumstances can be accessed via separate analyses.

As per figure 5, the risk of poverty rate for women is higher in any EU-27 country except for Luxemburg. Furthermore, the risk of poverty rate of elderly women is below fifteen per cent only in six countries, as compared to fifteen countries for men.



3.4 A higher gender pension gap correlates slightly with a lower at-risk-of-poverty rate

While closing the gender pension gap is a necessary condition to come closer to the second and fifteenth principles of the EPSR, it doesn't really give much indication of the rates of risk of poverty (this is demonstrated in figure 4). Rather, and perhaps surprisingly, the correlation is more the reverse - as the trend line for AROP of women in figure 6 reveals.



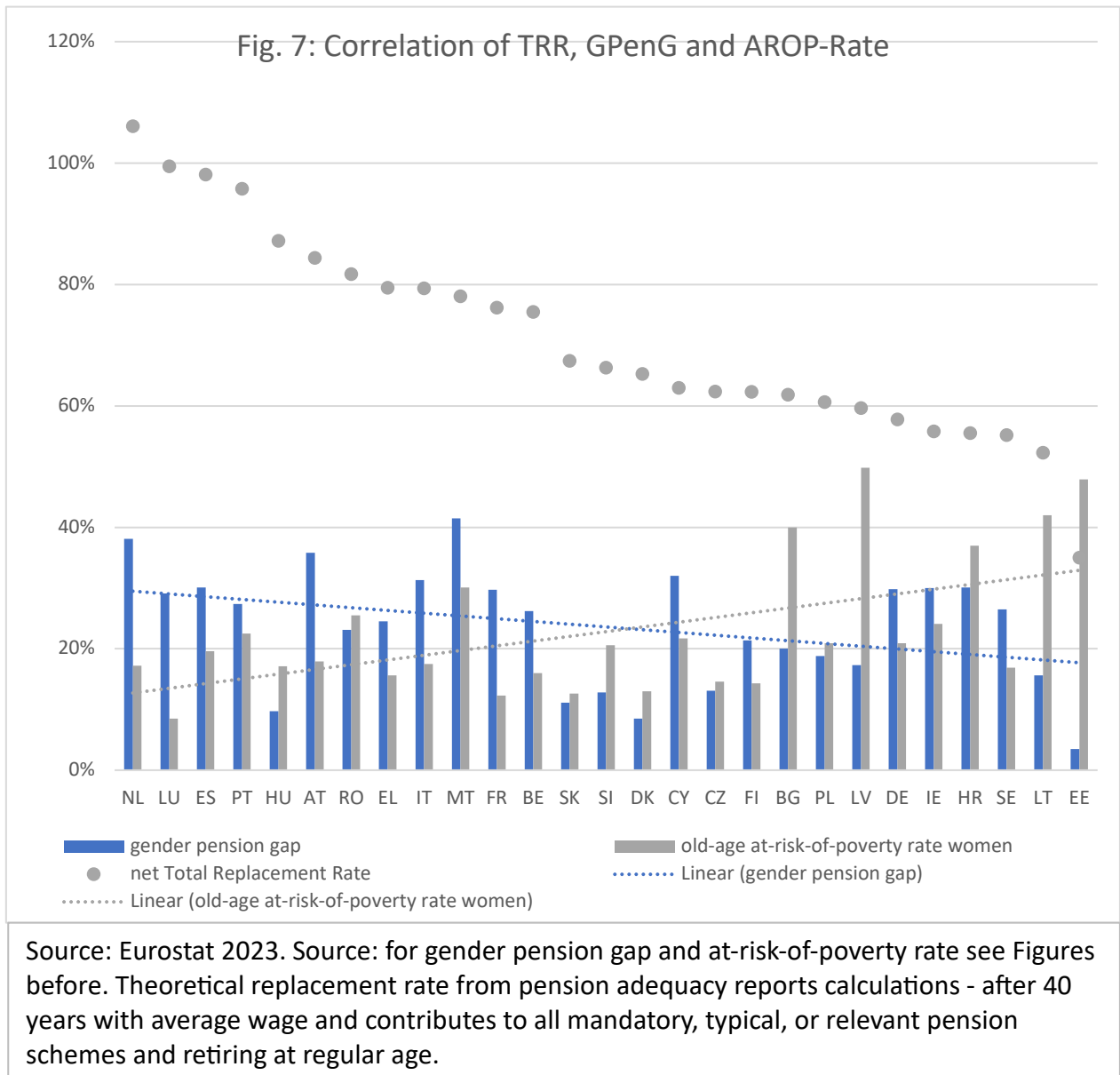
Source: Eurostat 2023

The gender pension gap reflects the ratio of pension entitlements of women relative to those of men. Thus, a nominal high pension for men can correlate with a nominal high pension for women, even if there is a large pension gap. This is more significant in the case of a pension for men below the level of risk of poverty, that will lead to no pension income above the risk of poverty level for women, even if the pension gap is zero.

Figure 7 shows a correlation between gender pension gap (GPenG), at-risk-of-poverty rate and net total theoretical replacement rate (TRR)²⁰. The TRR correlates strongly with a lower AROP-Rate. Except for Malta, all countries with an AROP-rate for elderly women above 30 per cent have a TRR below two-thirds (66%). In Malta, obviously, the very high gender pension gap undermines the relatively high TRRs. On the other hand, countries like Denmark, Slovakia, and Czechia, with a TRR of about 66%, achieve a low AROP-rate for women due to a low gender pension gap. The data shows that the higher the theoretical replacement and lower the gender pension gap, the lower the at-risk-of-poverty rates for women tend to be.

The Pension Adequacy Report shows that most countries in Europe will increasingly lower their theoretical replacement rates till 2059 – here not considering the rising retirement age. So, to address the second and fifteenth principles of EPSR, policy measures need to stabilise theoretical replacement rates and raise their TRR, at least in countries with TRR below about two-thirds (66 %).

²⁰ Referring here to the data of pension adequacy report the net TRR is defined as the net pension income after 40 years of contribution to a given relative earning position– usually average earner and those with 66 and linear rising earnings from 100 to 200 percent of average wage – and with contributions to all mandatory, typical, or relevant pension schemes.



3.5 Compensating elements for career breaks and part-time

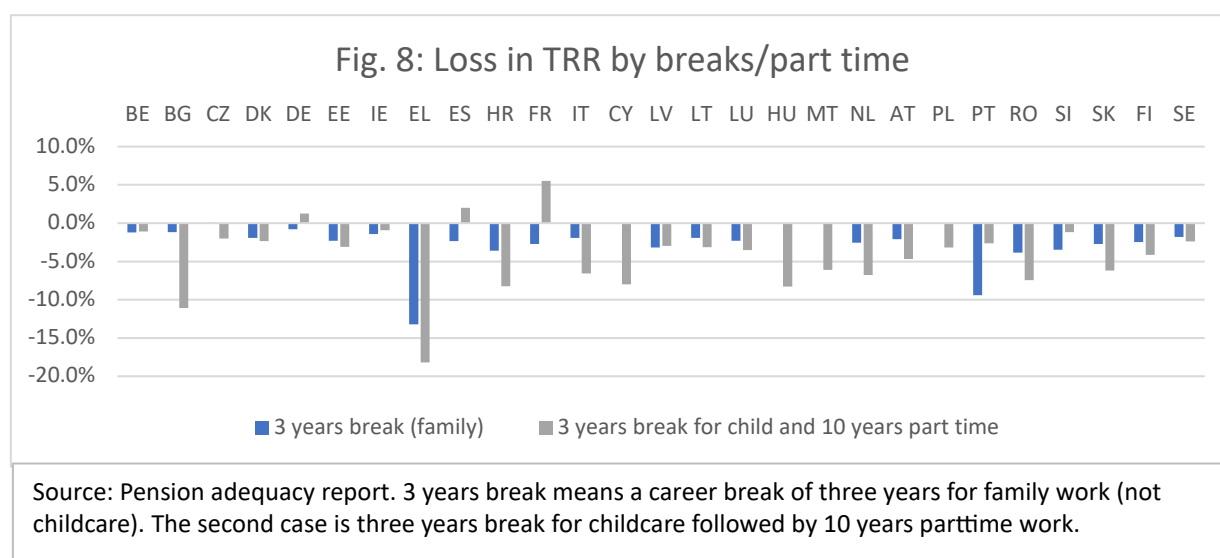
When looking at the adequacy of women's pensions, childcare and long-term care determined interruptions and limitations to labour market participation. The pension adequacy report²¹ highlights the consequences for pension rights of a few years of career interruption followed by temporary part-time work. In the national pension systems, gaps for childcare and family work are compensated quite differently.

²¹ Pension Adequacy Report 2021 Vol. 1, Chapter 3.5, Page 82ff and especially.

As figure 8 shows, in some countries, the loss in TRR due to career interruptions is generally quite high, namely in Greece or Portugal. In most countries, the loss is high when, after a three year break, a ten-year part-time period follows. Short term interruptions are, therefore less relevant than longer periods of part-time. The reason is based in the widely common contribution-defined benefits of pension systems, especially when including additional systems that are capital funded. This effect can, for example, be compensated through granting pension entitlements for childcare, as in Germany, Austria, and France. These entitlements are designed presuming that childbirth is followed by a career break and long periods of part-time work, especially by women. Moreover, they equate childcare with paid employment under pension law. Some countries - namely France and to a far lower extent Spain and Germany - even "overcompensate" the loss by granting supplemented pension rights calculated per child, even exceeding the real loss due to part-time work or a career break.

Thus, women typical child-induced labour market breaks and part-time work can be compensated in pension systems. To reach the second and fifteenth principles of EPSR, supplements to pension entitlements for childcaring should be granted, because women experience breaks and work part-time because of childcare far more often than men.²² As already mentioned, Gender in labour market participation and pay gaps today lead to pension gaps for upcoming decades that will keep up till the last generation when market gender gaps become inexistant.

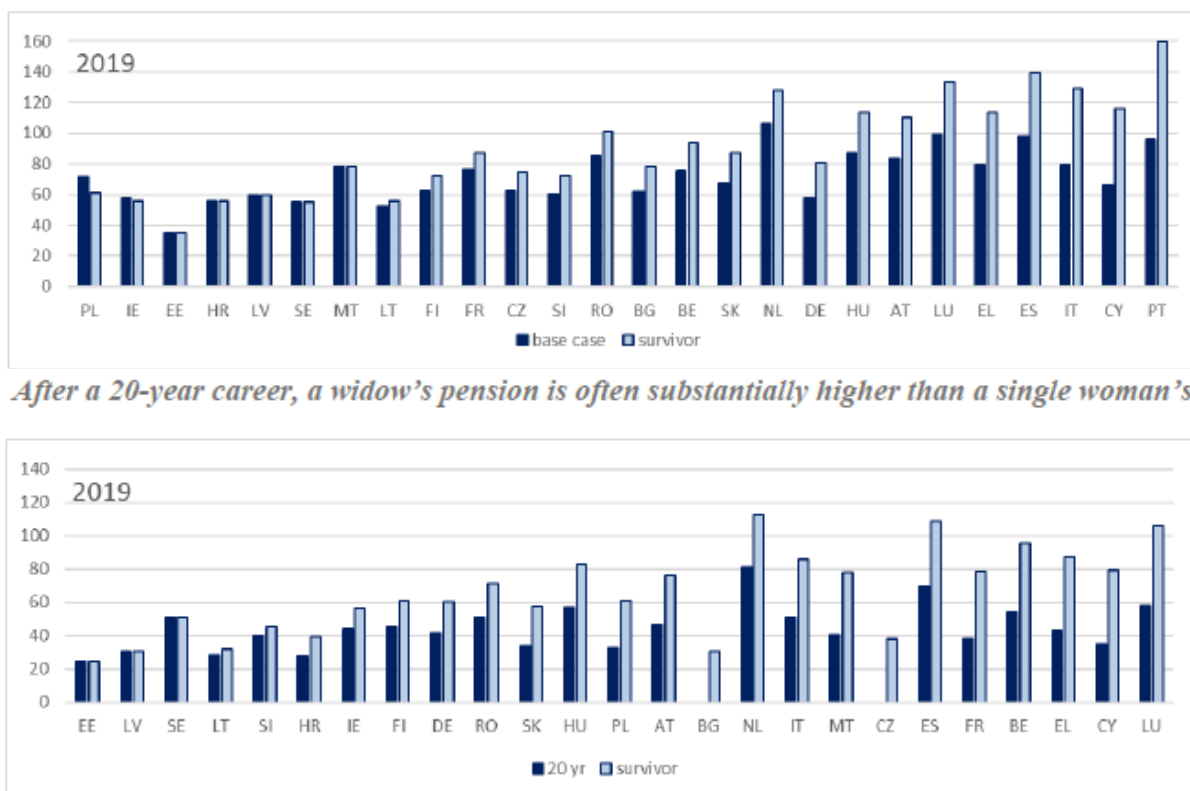
3.6 Provision for surviving dependants.



²² But even if childcare work is distributed fairly between the sexes, supplements will still be needed to ensure pension adequacy in the case of childcare breaks and part-time work for both sexes.

The Pension Adequacy Report also describes the pension situation of widows and widowers. Most countries grant additional benefits for widows when their husbands die, quantified on the pension of the deceased. Figure 9 shows the survivor ratio (own pension plus survivor's pension for women) in two scenarios: the figure shows the TRR of the survivor, the own entitlement (dark blue column) and together with survivors' pensions (light blue column). For the deceased person, the "base case" scenario is assumed (40 years of contributing for average wage). In the first scenario (upper graph) for the survivor also, the "base case" is assumed. In the second scenario (lower graph) for the survivor, it's assumed there were only twenty years of contribution at an average wage. The figure shows that in all countries, the pension rights of the bereaved are at least the same as their own pension rights, but mostly more.

Fig. 9: TRR of survivors in two scenarios



Source: Pension Adequacy Report 2021, Fig. 42 and 43 on Page 91f.

Explanation: Upper chart shows base case with 40-years work by average wage for both (survivor and deceased); lower figure adopted for bereaved working 20 instead of 40 years.

The rules differ widely across countries but almost all countries aim to secure an income after the death of a spouse, that is relative to the household income before. Looking at survivor's pension rights, it shall be considered that households share their income during lifetime including pension

period and that the cost of living doesn't drop to half when a spouse dies. From a gender perspective, this is compounded by the fact that women commonly still contribute significantly less to household income. The pension inadequacy and gap would rise dramatically even beyond the risk-of-poverty threshold. Coming closer to Gender equal income, survivor's benefits seem a systematic and structurally functional way to reduce the gender pension gap. From the point of view of a modern family policy, non-married couples should also be considered.

4. Conclusions

Pension rights and gender pension gap reflect realised careers, wages, and access to different pension/saving schemes, and they differ widely between men and women in a given country. Of course, theoretically pension systems can "override" career effects by paying out flat-rate benefits. Some states do so by paying flat-rate basic pensions – although this would mean pushing aside the basic principle of pensions as adequate wage replacement. So, more commonly, countries with statutory basic pensions have complementary contribution-based and work-related pension schemes on top – this is implemented mostly in the form of occupational pensions and sometimes in the form of individual supplementary pensions, then usually capital-funded.

So, even seemingly "women-friendly" attempts to equality and poverty avoidance don't lead to adequate retirement incomes for women, a life in dignity or the elimination of the gender pension gap. This is because countries with basic pension systems regularly have supplementary pensions that are strictly based on the equivalence principle, so that across all subsystems the overall pension system often has large gender-specific pension gaps. In general careers and lifetime earnings – not so much the design of pension systems – make the real difference in terms of the gender pension gap. What's more, closing the gender income gap only after the end of working life is not a sustainable path to gender equality. To meet this differentiated challenge to reach equal and adequate pensions, multi-layered and complementary elements of social Compensation are necessary.

4.6 Labour market and pay gaps must be closed.

As shown in chapter one, the gender labour market gap is still prevailing and as shown in chapter three, this is one of the main factors for inadequate pensions and in general for the gender pension gap. So measures such as a fair distribution of care work and paid employment between men and women; the availability of free, high-quality childcare with adequate (i.e. compatible with full-time employment) opening hours (including only few closing days); family-friendly working hours (including incentives for equal distribution of working hours between parents); an expansion of "quality "jobs while simultaneously reducing all forms of precarious work; and adequate social compensation mechanisms in pension systems for employment restrictions due to care work, must be the primary task for achieving the long-term goal of equality in gender income over a lifetime. As mentioned in Chapter Two, it will take generations until it successfully translates into equal pensions. While efforts to ensure equal labour market participation are a basic condition for gender equality, there is still a considerable need for action in the pension systems to close the pension gap in the short and medium term.

The EPSR action plan aims to halve gender employment gap till 2030. This important step towards gender equality wouldn't have any relevant effect on the gender pension gap for a long time. First, because the resulting additional gainful employment of women will not translate into noticeably higher pension entitlements for decades. But above all, because even then there would still be a large gender-specific gap after 2030. In wage-based pension systems, however, the GPG basically depends on the gaps in hourly wages, the hours worked and the duration of the working life. To express it mathematically: in wage-based pension systems all three gaps enter as a product. As a result, even a small gap in each dimension will result in a significant gender pension gap. To put it positively: even small advances in all three GPGs simultaneously will cause significant decline in the gender-specific pension gap - but always only with an effect on the future.

A model calculation may show this. Assuming a pension system with a pure contribution proportional calculation²³, a gap of 15 per cent each (hourly wage, working hours and years worked) would lead to a GPG of 39 per cent of theoretical replacement rate²⁴. If all three gaps were reduced to 10 per cent, the GPG would fall to 27 per cent.

4.2 Pension specific measures to be addressed.

As stated above, the disadvantages women faced in the labour markets in the past continue to have negative effects on their pensions, reflected in a high gender pension gap in most EU countries. These disadvantages tend to become lesser, albeit relatively slowly.²⁵ The implementation of the Action Plan, with its aim of halving the gender employment gap, is urgently needed to speed up this process.

Against this background, to adhere to the principles of equal opportunities, adequate wage replacement and poverty prevention in old age, pensions must be supplemented with elements addressing gender-specific labour market discrimination in a targeted and systematic manner. The following measures aim at closing the gender pension gap resulting from typical disadvantages of women. These include the hourly wage gap, the wage gap due to occupational choice, the part-time and labour market integration gap as a typical sequence of structural discrimination and - historically given - childcare and long-term care resulting from unequal task perception.

Although pension systems cannot fully compensate for all the consequences of disadvantages that have built up over the life course, expanding compensatory mechanisms in pension schemes is of

²³ So only looking at those contributing to this standard scenario and ignoring supplement pension rights.

²⁴ Results vary widely between countries as pension calculation is often more complicated, like in Hungary which grants higher replacement rate for the first 15 years or not strictly wage depend as the AOW in Netherlands.

²⁵ The MIGAPE Project showed how effective closing labour market gaps reduces gender pension gap but only in the long run. "One reason for these dampened effects is that the equalisations of employment and wages (from 2020) will have only partly affected the population of retirees in 2050." (MIGAPE 2021: 9).

key importance if the gender pension gap is to be reduced relatively quickly. As such mechanisms can only lead to adequate pension benefits if the basic structure of the system provides sufficient benefits for gainful employment, we first address the wage replacement rate issue.

4.2.1 At least two-thirds wage replacement rate

The wage replacement rates calculated in the Pension Adequacy Report (TRR base case calculations) show that, currently, many pension systems are far from meeting the basic adequacy requirements. As shown in Fig 7, half of the EU Member States provide replacement rates after 40 years of employment at the average earnings of less than two-thirds of the previous wage; some even don't reach 50% TRR.²⁶ This means that, under the given conditions, a huge number of average workers in EU countries will not be able to obtain a pension entitlement that would put them (and their families) above the at-risk-of-poverty line, even after 40 years of employment. Obviously, the risk of not reaching this threshold is even much greater for all those who work in low-wage sectors or have incomplete careers and do not achieve 40 years of employment.

We see two-thirds wage replacement as the lowest limit to allow average workers the maintenance of the achieved standard of living at least to some extent and, thus, to enable a life in dignity. Thus, raising the TRR to at least this level is one of the central tasks for pension policy in the countries concerned. Yet, to fully meet the EPSR pension targets, we believe that a significantly higher value is necessary, at about 80% TRR (base case). Currently, only 7 EU countries provide this rate for today's entrants into the labour market.

An appropriate minimum level of wage replacement is a key prerequisite for the effectiveness of compensatory measures for experienced disadvantages in working life. However, this does not change the gender pension gap. To this end, further measures must be taken.

4.2.2 More generous minimum income schemes

As shown in Fig 5, in most EU countries a significant proportion of older people are at risk of poverty, the majority of whom are women. This is mainly due to poor employment careers, poor pension systems (see above) and inadequate minimum income schemes.

Eligibility conditions and the level of minimum income benefits in old age vary considerably from country to country (see Pension Adequacy Report 2021, Table 7). It would go beyond the scope of this study to go into more detail about the respective systems and the potential for improvement. In this context, however, it is important to point out that more generous design of minimum income

²⁶ As the assumed constant (average) wage throughout working life is very rare in practice, relative to the last payment before retirement the wage replacement rate will usually be lower than the TRR values suggest.

systems in old age is one of the key levers both for combating old age poverty²⁷ and for reducing the gender pension gap.

To reflect the pension claims as earned social rights, a basic minimum income in old age shall not be income-tested and granted to all residents independently of previous contribution.

4.2.3 Compensation for care-related restrictions on employment

Intra-family childcare and care for older relatives is mainly carried out by women, which results in considerable disadvantages in working life and, consequently, in pension entitlements.

As shown in the MIGAPE project for the countries analysed in more detail (Belgium, Luxembourg, Portugal, Slovenia), national compensation schemes for employment restrictions due to caring responsibilities vary greatly from country to country.²⁸ There is considerable scope for improvement in a number of countries, especially regarding periods of care for older relatives. Even in childcare, where there are many more compensatory measures, in most countries these are far from sufficient to compensate for the negative effects in working life, including long-term earning losses.

4.2.4 Compensation for periods of low wage – better valuation

A similar objective to minimum income schemes is pursued by compensatory measures for people with very low earnings. As there is a close link between the level of earnings (or the level of contribution paid) and the pension accrual rate, in almost all EU pension systems²⁹ low earnings lead to low pensions. Thereby, it is usually not differentiated if low earning results from low hourly payment and/or low working hours and/or gender wage discrimination.

In view of the mostly unfair causes of the gender pay gap, some countries have already decided to introduce compensatory measures in their pension system, such as the additional supplement granted for phases of low wage in Germany's "Grundrente" to those who have made compulsory contributions to the statutory pension insurance for at least 33 years based on relatively low earnings throughout their whole working life.³⁰

²⁷ See Action Plan headline target on poverty reduction: "The number of people at risk of poverty or social exclusion should be reduced by at least 15 million by 2030."

²⁸ MIGAPE (2021)

²⁹ Except in residence-based flat-rate basic pensions such as in the Netherlands' public pension system.

³⁰ "Grundrente" is a retrospective revaluation of pension rights. Pensioners with at least 33 years of contribution by work – including up to ten years per child – and an average wage over contribution time of below 80% of average wage get their pension rights doubled but limited to 87.5 percent of the difference to 80 percent of average wage – thus not going in detail here there are some more exceptions and conditions. The supplement is income tested including income of spouse.

Pension systems with differentiated accrual rates in which the first years of employment are valued higher than the following ones, also mean that 'poorer' years of employment, such as periods of part-time, are in many cases less significant, as it is the case in Hungary³¹.

Some systems, such as AOW³² in the Netherlands, have flat-rate basic benefits in their statutory system that are residence-based but independent of the previous employment career. In such cases, the problem of low wages does not arise from the outset. It should be noted, however, that in combination with purely employment-centred supplementary pension schemes (without compensation mechanisms for career breaks, etc.), very high gender pension gaps can also arise, as is the case in the Netherlands.

4.2.5 Compensation for periods of low wage – higher employers' contribution

Typical female disadvantages in the labour market, such as low hourly wages, and lower pay for equal work, but also part-time work (for instance, enforced by the absence of care facilities), offer employers several advantages. There is therefore, much to be said for compensating for the negative effects on the pension entitlements of the persons concerned by higher contributions from their employers. Depending on the structure of the pension calculation, this would lead to an increase in the assessment base or to a higher volume of accumulated contribution (in defined contribution schemes).

This would offer the possibility of not granting Compensation retrospectively by means of a revaluation. The obligation to pay higher contributions seems better to ensure the granted entitlement³³. However, as far as gender pension equality is concerned, to start paying higher contributions today brings with it the problem that it will take decades to have its full effect on the pension gap. So even if higher contributions are introduced, some retrospective revaluation of pension rights will be necessary to address decades of disadvantages of women in the labour market. It is therefore recommended to follow both paths at the same time.

³¹ In Hungary the notified replacement rate after 15 years is 43% (so an accrual rate of about 2,9% per year). Further 10 years of contribution will rise the rate by 2% per year, for next 11 years by 1%, then for four years by 1,5% and thereafter by 2% per year. So, replacement of average wage is after 30 years of work by 68%, after 40 years by 80%.

³² The AOW is granted fully after 50 years of residence in Netherlands and actual at age of 67 – a missing year reduces the AOW by 2 percent points. Since 1. July 2023 the AOW is net 1.378,98 Euro for singles and 939,24 Euro for couples. The AOW is a basic pension, no income is imputed.

³³ A political commitment to grant a supplement only at the start of the pension could be cancelled by the legislator before the individual pension starts.

4.2.6 Don't forget supplementary pension schemes.

While "the coverage of supplementary pensions remains insignificant in about half of Member States"³⁴, several countries shifted their pension systems partly away from the statutory first pillar over the past decade.

However, privatising pension systems tends to increase the problem of gender inequality. Even occupational pension systems with broad coverage usually do not include compensation mechanisms comparable to those provided in public schemes.³⁵ So, for example, periods of unemployment and, even more important in the present context, periods of career interruption or part-time work in connection with care responsibilities are affected.

To improve this situation, at least partially, certain compensation mechanisms should be established in supplementary schemes, too. For example, in occupational pension schemes, higher employers' contributions could be set during certain periods of low earnings, for instance, when switching to part-time work for a certain period after the birth of a child. Alternatively, or complementarily, redistribution mechanisms could be established, but this would then be at the expense of the other members of the system. Such a redistribution would probably be most difficult if periods were to be revalued retrospectively because of the then much higher volume of redistribution.

On the other hand, it would be difficult to justify the introduction of publicly funded compensation mechanisms. Financing from public funds can only be objectively substantiated if the compensation payments benefit everyone, which is only guaranteed in public schemes with compulsory membership.

Therefore, from a gender equality perspective, the focus of old-age provision should clearly be on statutory systems with universal membership. In countries where supplementary pension schemes are part of the national pension strategy, specific employer contributions or redistributive elements for the reduction of gender pension gaps should be incorporated.

4.2.7 Ensuring adequate income: Survivor's benefits necessary for all sexes

Survivors' benefits historically arose from male breadwinner models. Still, in some countries, only women would be granted higher pensions following a spouse's death. Other countries, like Sweden, grant no widow or widower pensions. Looking at the fifteenth principle of EPSR principle, survivor's

³⁴ Pension Adequacy Report 2018, p 80

³⁵ When contribution is supported – like in the German "Riester-Rente" – this leads to a lower burden during employment phase but not to higher pension rights later thus not compensating low wage.

benefits seem necessary to ensure enough resources to live in dignity. Furthermore, it also seems necessary to ensure the standard of living in case of the death of a spouse - even in the case of equal pensions, couples live and manage together. Obviously, the death of one is not planned and tends to lead to inadequate income since the basic household costs for rent, heating, and so on wouldn't drop even close to half. This quickly puts the survivor in financial difficulties, especially if the pensions are very unequal and the survivor had a lower pension.

For this reason, it seems necessary to grant a survivor's pension for equality and to safeguard the principle of adequate pensions. The survivor's benefits should be about two-thirds of the joint pension entitlements - if joint pensions are low, then this should be up to 100 per cent. And to further overcome the breadwinner model, the survivor's benefits shall be granted regardless of marriage. It seems better to open it to free associations of couples – presumably combined with a waiting period to reduce windfall profits.

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