

Challenges in Guaranteeing Adequate Pension Incomes for Women

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Commitment 4:



“To adjust social protection systems in response to demographic changes and their social and economic consequences”

“... Special attention needs to be paid to the position of those family members who interrupt their employment to rear children or to care for family members and as a result suffer reduction in their pension entitlement...”



Structure of my presentation ...

Part I: Outcomes of our interest: Risks of income poverty for older women

Part II: A reflection on the good practices (using a review across EU countries as an example)

Part III: And, what are desirable possible policy options?

Part IV: Recent reforms and their likely impact!

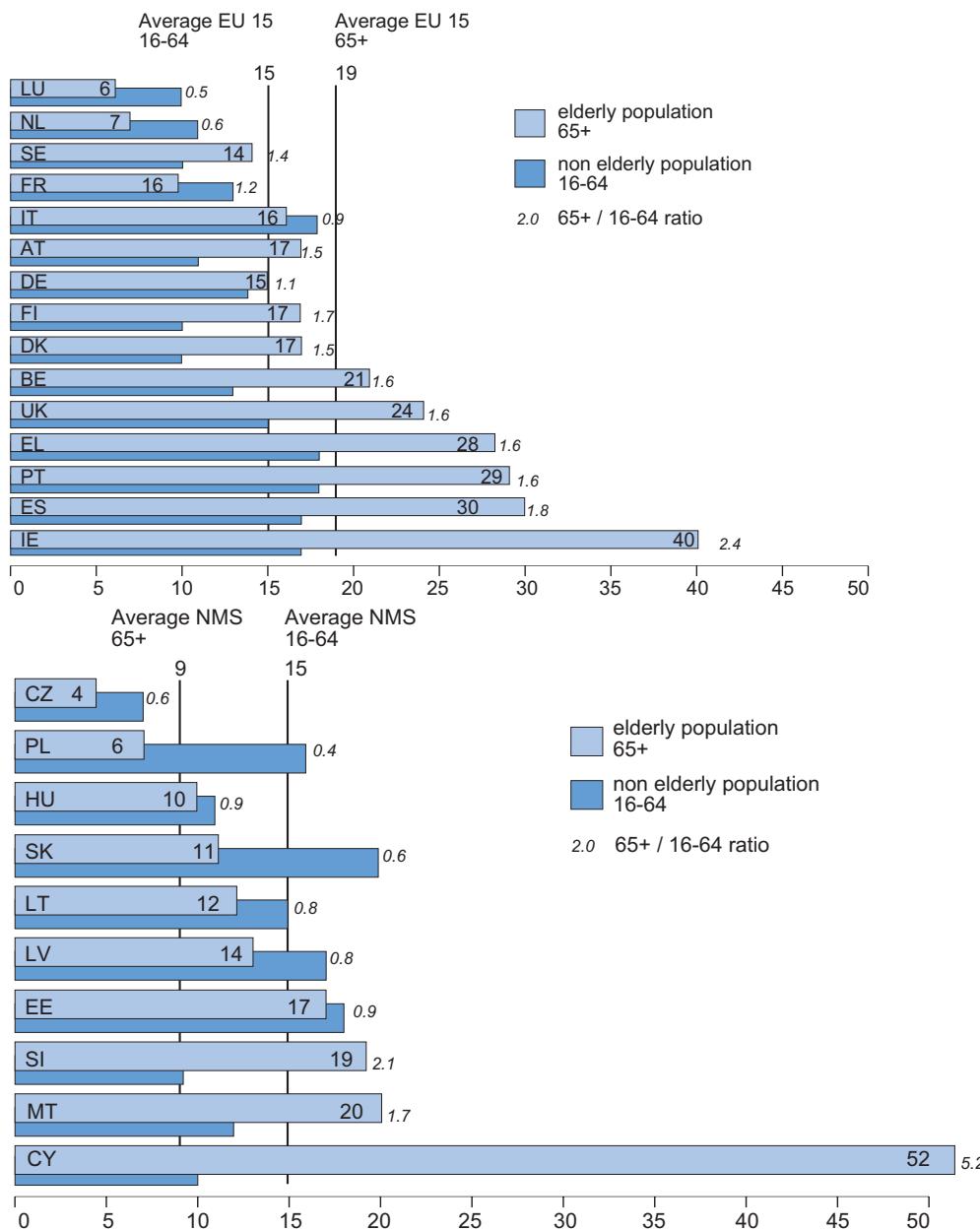
Part V: Some conclusions

1.1. Measuring poverty risk for older women



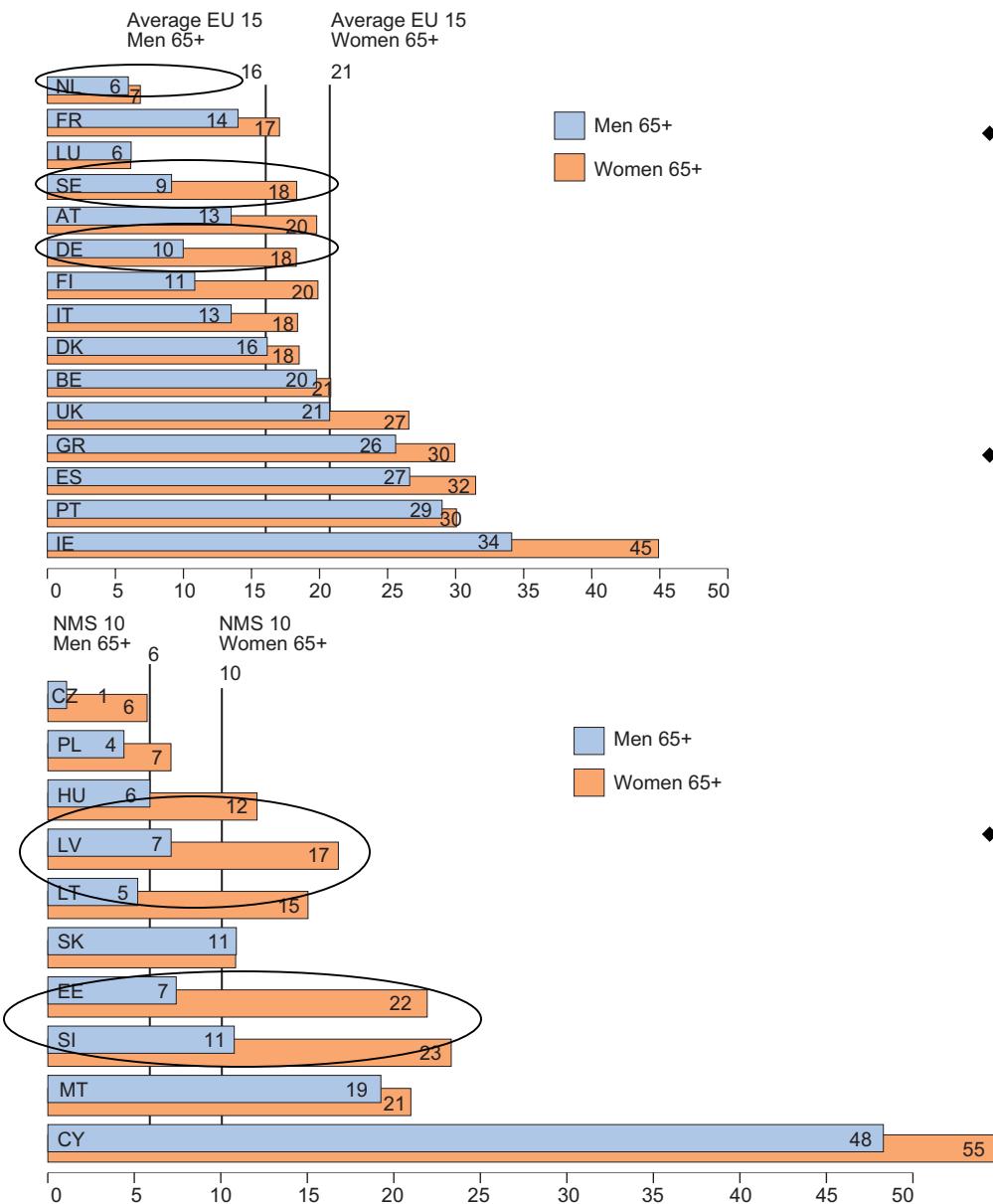
- Limited to '**monetary**' aspects of personal well-being, since the purpose is to evaluate adjustment of pension policies;
- Choice of poverty line as 60% of national median income (thus we are interested in analysing how older women fare *within* a nation)
- No account of housing resources and financial wealth is taken (again, this is consistent with our objective of linking poverty risk to pension policy parameters)

1.2. An overview: Relative poverty risks



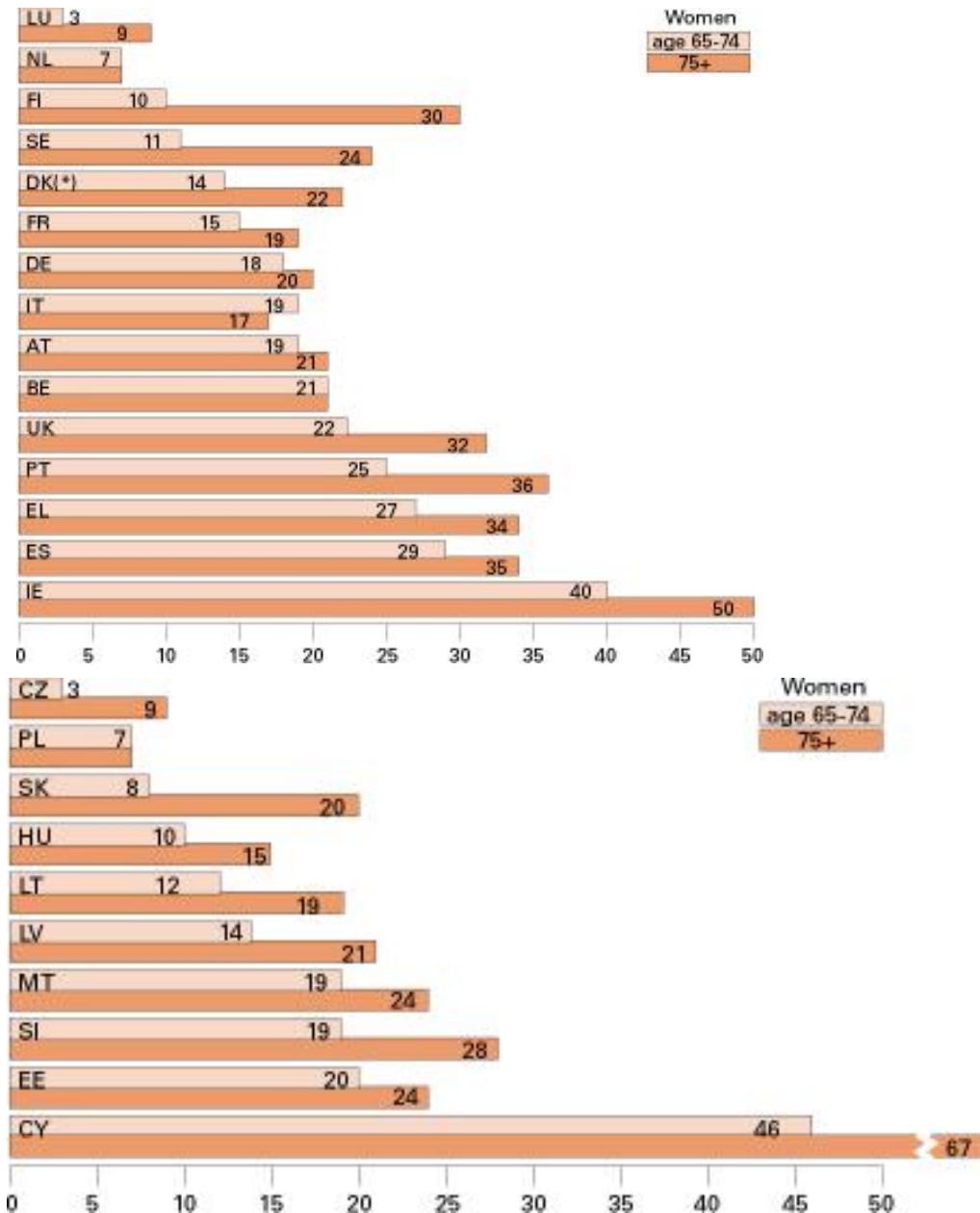
- ❖ In 14 EU countries, older people are more often at risk of poverty. The differential is particularly high in Cyprus, Ireland and Slovenia.
- ❖ In 8 other countries, older people are 1.5 to 2.0 times more likely to be poor.
- ❖ Older people are better protected against poverty risk in Poland, the Czech Republic, Slovakia, Lithuania, Latvia, **the Netherlands**, and Luxembourg.

1.3. Poverty risks across older men & women



- ❖ In the majority of countries, the poverty risk is clearly higher for female elderly; more so in EU15 (21%) than in NMS10 (10%).
- ❖ The differentials are notably higher in **Sweden, Austria, Germany, Finland** and Ireland; also in Latvia, Lithuania, Estonia, Slovenia and Cyprus.
- ❖ The **Netherlands, Luxembourg, Denmark, Portugal and Slovakia** stand out as countries with low poverty differentials.

1.4. Poverty risks across age cohorts



- ❖ In almost all countries, women aged 75+ had a notably higher poverty risk.
- ❖ One out of every three women aged 75+ had experienced a poverty risk in Finland, UK, Greece, Spain, and Portugal (even higher in Ireland).
- ❖ The [Netherlands](#), Italy, and Poland had little or no poverty differential for women in two age cohorts.
- ❖ Is it cohort effect or ageing effect?

2. Good practices: 'Who have been the good pupils in the classroom?'



- **Netherlands:** country with the lowest poverty risk for older women; what notable attributes of their pension policy:
 - universal residence-based basic pensions; indexing in line with wages
 - mandatory occupational pensions;
 - generous survivors' benefits in occupational pensions
- **Sweden:** relatively generous pension crediting for absences from labour market; good minimum income guarantee or social assistance, **yet much higher poverty risk for older women than men?**
- **CEECs:** good redistribution in the defined-benefit public pension schemes(**yet high gender differentials?**). 8

3. What policy options are desirable?



3.1 Greater employment during working lives with the help of active labour market policies for women.

- Women to stay in, or return to, work during and after periods of caring, through well targeted ALMPs, (e.g. training, workplace improvements, flexible working hours, etc.);
- Extending working careers for older women, through equalisation of pension age, through work incentives in public pension schemes, etc);
- Greater recognition of atypical employment of women for pension scheme memberships and entitlements;
- Measures to reduce gender pay gap so as to increase earnings and employment for women.⁹



3.2 Better indexation of pensions benefits, and also provision of more adequate survivors' benefits to avoid women slipping into poverty *during retirement*

- Avoiding loss of relative income position of older women by indexing pension benefits in line with a general rise in living standards; and
- Adequate survivors' benefits to avoid poverty entry for older women on widowhood.



3.3 Strengthening of social safety net of pensions (preferably through universal flat rate residence-based minimum pensions)

- Flat rate universal residence-based minimum pension benefits (it will also restore confidence in state pensions and it is cheaper to administer)
-
- If means-tested minimum benefits to stay, then ease means-testing procedures; and encourage take-up of these benefits;
- Avoiding disincentives for greater work and voluntary savings inherent in selective provision of minimum incomes;



3.4 Better pension crediting for genuine absences from the labour market

- mothers with caring responsibilities should be credited equivalent to their own employment;
- ditto for carers of disabled or elderly family members (carers are still more often women than men!)

3.5 Altering of social insurance rules and qualifying conditions to benefit women

- Rules and qualifying conditions altered so as to reflect better the value of women's non-labour market contributions to the society (e.g. recent changes in Belgium to account for PT work in the entitlement of minimum pensions)



3.6 Improve the pension literacy, more so for women than for men

- Better financial education will imply informed choices from women towards absences from the labour market, and also towards private voluntary pension scheme membership;

3.7 Gender neutral annuity rates must be ensured, as they benefit women more than men

- Legislation of gender neutral annuity rates so as to ensure equal reward for equal contributions (e.g. yet to happen in Poland!)

4. What impact on women's pensions in recent pension reforms



- **Poland and Hungary:** Greater losses of pension protection of women compared to men due to curtailment of redistribution inherent in the old system; child care credits have been devalued for pension purposes.
- **Sweden:** Lifetime earnings will determine pension benefits; survivors' benefits will disappear; even more reliance on minimum pension benefits in the future.
- **Germany:** 3 year pension credit for each child (1992); upgrading of PT work of mothers until child is aged 10 (2001); bonus for mothers in the survivors' benefits.
- **UK:** White Paper proposals reduce qualifying years from 39 for women to 30; more credits towards PC and S2P for those not working; more generous indexation of BSP.

† more details on this particular issue can be found in European Centre's Policy Brief of 14 February

5. Conclusions



- The best policy tool to tackle poverty risks amongst elderly women is through the Active Labour Market Policies for Women, with an aim to improve their employment, to reduce gender pay gap and also to add years at the end of their working careers;
- ALMPs for Women should be accompanied by an improvement in the universality of pension rights (e.g. by offering flat-rate residence-based minimum pensions for all women)
- Poverty risks for oldest old women should be specifically targetted, by making survivors' benefits more adequate for all widows, and by improving indexation of state pensions and minimum pensions.
- **More research** should be undertaken to study the impact on women's labour market participation of generous childcare credits and of minimum income guarantee (jury is still out whether work disincentives are strong also in continental Europe!; UK, Sweden and US offer useful insights)