GENDER ISSUES IN EUROPEAN PENSIONS

NOEL WHITESIDE

PROFESSOR OF COMPARATIVE PUBLIC POLICY, DEPARTMENT OF SOCIOLOGY, UNIVERSITY OF WARWICK, COVENTRY, UNITED KINGDOM

Working Paper, 29 July 2014

Keywords: superannuation, retirement adequacy, pensions, gender, female, women, Europe, disparity, inequality,

Abstract

Drawing on European research data and policy experience, this paper explores the implications of recent shifts from PAYG state pensions to individualised, privately funded savings systems, like the Australian Superannuation scheme, that are designed to provide an income in old age, with a specific focus on women. The paper argues that, for funded schemes to secure social goals, current measures are insufficient to meet inequalities generated by personal savings as a basis for old age income, particularly in the European context of financial and labour market instabilities, public expenditure constraints and rising costs generated by demographic ageing. It marginally favours pension splitting and tax-based solutions while stressing that, as the full effects of reforms in Europe and Australia lie in the future, now is the time to take preventative action.

• The author would like to thank her colleagues Bernard Casey and Robert Lindley for their stimulating and constructive comments on an earlier draft of this paper, but takes full responsibility for the analysis and recommendations expressed here, which remain her own alone

Acknowledgements: This research was supported by the CSIRO-Monash Superannuation Research Cluster, a collaboration between CSIRO, Monash University, Griffith University, the University of Western Australia, the University of Warwick, and stakeholders of the retirement system in the interest of better outcomes for all.

Griffith University · The University of Western Australia · The University of Warwick · Australian Centre for Financial Studies

Working Paper for the CSIRO-Monash Superannuation Research Cluster

Cluster Project 8: Superannuation: European Comparative Perspectives

GENDER ISSUES IN EUROPEAN PENSIONS[•]

Noel Whiteside

University of Warwick

[•] The author would like to thank her colleagues Bernard Casey and Robert Lindley for their stimulating and constructive comments on an earlier draft of this paper, but takes full responsibility for the analysis and recommendations expressed here, which remain her own alone.

CONTENTS

__Summary__

Drawing on European research data and policy experience, this paper explores the implications of recent shifts from PAYG state pensions to individualised, privately funded savings systems, like the Australian Superannuation scheme, that are designed to provide an income in old age, with a specific focus on women.

The findings demonstrate that:

- ***labour market disadvantages (broken working lives: low paid work: strongly associated with large families) translate into lower pension savings for women***
- ***gender-derived pension gaps are larger than pay gaps and grow over time***
- ***gender-derived pension gaps are largest in EU member states that, like Australia, attach future old age income most closely to personal savings or contributions***
- ***recent reforms promoting DC schemes will increase European gender-based pension gaps in the future***

Policies to ameliorate the gap between male and female pension rights in Europe include (n.b. first four bullet points could help reduce gender gaps in Australian Super)

- ***gender-blind annuities***
- ***mandatory pension (? Super) splitting between parents following divorce or retirement***
- ***parental leave to include mandatory (non-transferable) leave for fathers***
- ***the use of taxation systems to promote gender equality on retirement***
- ***paid maternity leave and state-subsidised pre-school child care (cash for care prolongs labour market absences, damaging future pension rights)***
- ***the provision of residency-based state pensions to safeguard against poverty***

The paper argues that, for funded schemes to secure social goals, current measures are insufficient to meet inequalities generated by personal savings as a basis for old age income, particularly in the European context of financial and labour market instabilities, public expenditure constraints and rising costs generated by demographic ageing. It marginally favours pension splitting and tax-based solutions while stressing that, as the full effects of reforms in Europe and Australia lie in the future, now is the time to take preventative action

Section 1: Introduction

For over two decades, European democracies have worked to transfer public liabilities for retirement income into funded schemes run by the private sector in order to contain welfare state costs while fostering financial markets. In some respects, Australia pioneered this trend when initiating Super savings in the mid-1980s. In Europe, the transformation is commonly viewed in terms of privatization and in both Europe and Australia personal responsibility for old age security has increased as a result. Following recent financial crises, however, persistent economic instability in Europe is revealing the limitations of pension fund capitalism. Expected returns on private savings have dwindled and funded defined benefit pension schemes are falling into deficit, prompting demands for renewed public intervention. However, the current crisis has also increased public debt and limited welfare state capacity: combined with demographic challenges, this has forced the containment of public systems as well. Both access to and state subsidies for social care for the elderly are being reduced as governments seek to contain social budgets in the face of growing demand. While the Australian economy has boomed in recent decades, this is not going to last indefinitely (as nothing does). It takes over 40 years to accrue the amount needed for comfortable retirement in later life, so it is perhaps worthwhile for Australians to look more closely at recent European experiences – not least because there are definite signs that, in terms of gender, trends in Australian Super show marked and growing inequalities.

Pension provision is fracturing and becoming increasingly attached to personal saving capacity. In both Australia and Europe, gender disparities in waged work translate into wider pension differentials in old age. Much research effort has been dedicated to measuring gender gaps in pay and lifetime earnings and to defining their varied and inter-related causes. Less has been devoted to gender gaps in pensions, albeit that – as women generally outlive men and form the majority of pensioners in most countries – the social impact of these can be very severe. Self-evidently, the more pension outcomes are linked to earnings or earnings-based contributions, the greater the risk that women's retirement income will decline relative to men's as their patterns of waged employment are not the same. The object of this paper is to review current developments and examine the main pension policies adopted in Europe both to protect women against the risk of old age destitution and to prevent an existing gap in income between male and female pensioners becoming ever wider. In so doing, it uses recent research into the issue, particularly less well known investigations pioneered at European level. The news is not good: pension income disparities between men and women are large and, taken the current trend towards personal pension provision, may widen further in the future. The dimensions of this problem are examined in the first section of this paper. The second section reviews policies designed to ameliorate the situation at European and national levels, focusing on more stable (northern) states where the ravages caused by recurrent currency crises are less marked. The final section discusses policy options and draws some conclusions.

In reviewing gender-based discrepancies in pension entitlements, care has to be taken to distinguish the situation today (the product of past pension systems) from the situation in the future. Two points should be born in mind.

- European pension schemes have been revised since 1990, many involving the introduction of private funded systems derived from personal savings (the Defined Contribution – DC pension), similar in many respects to Australian Super, designed to supplement returns from revised state tax-funded or Pay as You Go (PAYG) schemes. This 'privatisation' represents the private assumption of responsibility for the provision of a public good (in this case, an adequate and secure income in old age). It translates into growing regulation of private commercial providers by governments to reassure voting publics that the new scheme is as good as, if not better than, the old one. This can require companies to alter established practice to accommodate rules to protect married women's interests. This trajectory contrasts strongly with the Australian situation where the status of Super is a more open question: are these savings to provide a public good or not? At present an uneasy balance is sustained as Super remains the property of the person on whose behalf contributions have accrued, but is expected to offer the means to secure a comfortable retirement, with little acknowledgement that savings capacities are not identical when unwaged work and family care reduce time and opportunity in formal waged employment.

- Projections of future retirement income used by governments and the pension industry are commonly based on 40+ years of full-time working life. To date, this pattern has not characterised the waged work of married women and (as will be shown below) this partly explains gender-derived pension gaps among the currently retired. The question is whether the shift from full-time to part-time employment on the birth of children, discernible in the past, will be sustained in the future. Current labour market behaviours displayed by younger female cohorts with professional qualifications lead many to suggest that it will not. Equally, there are signs among the less qualified of both genders that job insecurity can exact a toll on pension-saving potential. Full-time, secure work contracts may become the privilege of the few in future, corroding the potential for personal savings as a basis for old age income security for many and, as professionals marry professionals, increasing inequalities between retired households. However, whether it is desirable (or even possible) that all adults be employed on permanent full-time contracts without risking consequences for the birth rate and /or elder care (as both governments and the industry seem to suppose) is also a question worth asking. Juggling these multiple possibilities returns us to issues of state and private responsibility, to official regulation and to pension design to ameliorate undesirable or unfair social outcomes.

Section 2: Defining the problem

In examining gender pension gaps today, we assess the impact of yesterday's labour market, employment practices and social policies. Many commentators on pension reforms and new initiatives forget the impact of time on pension outcomes: changed provision today translates into a potential transformation of pension outcomes, but the consequences will only be ascertainable some 40+ years in the future. Even then there will be a sizeable number of the very old whose incomes derive from earlier schemes - and many more whose pension rights are based on both old and new systems. As indicated above, time has also transformed – and continues to transform - the apportionment of waged work and household responsibilities. 50 years ago, the good wife and mother was expected to care for hearth and home while her husband took responsibility for financial matters. Today, hearth and home take care of themselves as mother must go out to work if she is to gain income security in her old age. This recalibration has been translated slowly across different regions, economies and communities in Europe. It has widened gender pension gaps in areas where it has failed to take root, notably in the Catholic south. Contrarily, the corrosion of full-time female employment in Central and East European (CEE) states threatens to widen gender-based pension gaps in that region. Such dynamics are hidden by cross sectional data on pensions which is commonly used to measure retirement income, such as HILDA (Australia) or SILC (Europe), which only offer a snapshot of the situation at one point in time.

Recent research commissioned by the European Commission's DG for Justice (Bettio et al. 2013) offers a detailed appraisal of the main factors that explain current gender pension gaps in the EU's 27 member states, the product of past policies, and suggests possible future trends. Here, women's pensions include survivors' benefits (frequently widows' pensions) that are found in many European occupational and state pension schemes, as well as pensions derived from women's previous employment in their own right. The range of gender-derived pension gaps found by the authors in all 27 EU member states is reproduced in Appendix 1. Results reveal varying dimensions of the problem and measure their different impacts. Across the European Union (EU) as a whole, the gender gap in pensions is more than double the gender gap in pay (39% for pensions: 16% for pay). Germany and the UK have larger gaps than the average (44% and 42% respectively), illustrating the former's reliance on earnings-related social insurance pensions and the latter's long-term promotion of funded schemes to supplement a very low flat-rate state pension. Conversely, lower gaps are today found in CEE countries where women worked full time during the years of Soviet domination, although this is liable to change. In terms of distribution, across all member states there are, on average, three men for every woman in the top third of pension income distribution and two women for every man in the bottom third. Wider distributions are found in Australian Super outcomes: recent research into personal accumulations in Super funds noted how women's savings stand at 50 per cent of men's (Davies and Ralston 2012).

Part of this discrepancy can be explained by variable cover – meaning women now in retirement have never participated in the formal labour market. In some European Catholic or Orthodox countries (Italy, Greece), women did not work long enough to acquire any rights and, in consequence have no pension at all. Elsewhere, reduced hours generated by part-time employment (common among working mothers outside Nordic countries) and low pay also adversely affect women's future pensions. A review of changes in women's employment rates in the UK for cohorts born before 1960 with completed careers found that growing female economic activity reflected rising part-time employment: the proportion of women in full-time work had remained constant (Evandrou et al. 2009). Working careers broken by periods of family care also reduce women's pension rights, particularly if punctuated by periods of self- employment. Conversely, public sector employment, which has been more flexible and where pensions are frequently tax-funded, generates low gender-derived pension gaps that, in the private sector are widest for married women with clear, strong relationships between the number of children raised and the pension gender gap for the mother (e.g. DWP 2010; see Parr et al. 2009 for Australia), a factor mediated by policy interventions in Nordic states (addressed in the next section). Bettio et al. (2013) calculated the intra-household distribution of pension incomes between couples, thereby removing single women from the picture. Results demonstrated that this stood at 46 per cent, a greater gender pension gap than the overall EU-wide figure (39 per cent) - thereby possibly demonstrating the longevity of an assumed male responsibility for family finances, including pensions.

These findings are arguably predictable, but others are less so. Education is a strong determinant of lifetime income and, as future generations of working women will have higher educational attainment than current pensioner cohorts, income (and gendered pension gap) discrepancies between men and women might be expected to disappear. Such an outlook may be over-optimistic. In the United States, reduced gender pay gaps have not generated reduced pension gaps (Even and Macpherson 2004). More unexpectedly, Bettio et al. (2013) show that the higher the educational attainment, the wider the gender pension gap among current pensioners (although there is considerable variation around this finding: in Sweden, the UK and the Netherlands it is sustained, but in Spain, Portugal and Austria it is not). The gap is increased by gender disparities at the top and bottom of the educational scale but not around the middle – which, the report suggests, indicates that greater educational equality in the future will not, of itself, cure disparities in future pension income between men and women. The assumption that gender pension gaps will close over time is contravened also by evidence among current pensioners in Europe. Among older cohorts (80 years and over) the gender pension gap is narrower than it is among the more recently retired (65-80 years). This unlikely finding is partially explained by women's greater longevity and the longer life expectancy of the better-off. However, even when rich widows are removed from the data, the gender pension gap distinguishing older from younger retired cohorts diminishes, but does not disappear. Examination of likely pension outcomes for future retirees (aged 50-64) indicates that the gender pension gap could narrow, falling from 41% to 34%. If gender disparities continue to disappear at this rate, however, the elimination of female pension disadvantage will take decades.

Before moving to address how Europe has tried to promote gender equality in work and retirement, it is worthwhile noting how recent shifts from PAYG or tax-based pensions towards pre-funded schemes exacerbate gender gaps. Such schemes reward the 'standard' (male) working life. As is widely acknowledged, DB schemes are variably calculated on the basis of years worked and earnings gained: part-time, frequently lower- paid work is thereby translated into a smaller pension. Turing our attention to DC, the discrepancy is even more marked. Using Australian HILDA data, Davies and Ralston (2012) note that the Super saving gap between men and women is small for those under 30, but that discrepancy broadens quickly among older age cohorts. At the age of 50, the average Australian full-time male worker has saved 2.5 times annual salary and that this expands to 4.5 annual salary ten years later – demonstrating how already substantial savings expand exponentially in later working life. Partnership, child care and associated family responsibilities damage annual earnings of female workers: although the rate of accumulation is approximately the same, the consequence is a pot that remains at 50% of male savings totals while, in absolute terms, average gender differences broaden from c. A$ 40,000 at age 40 to c. A$ 100,000 at age 60 (Ibid. 24: Figures 12 & 13). Put simply, returns on large savings are higher in cash terms than those on smaller ones and this widens gender discrepancies in retirement savings over time. Australia's current gender pension gap is derived from similar causes (broken careers, low pay, divorce and widowhood – Rice Warner 2010). As the Bettio et al. (2013) indicate (p.59), the spread of pre-funded pension schemes in Europe spells a possible widening of gender pension gaps in the future.

While this section has identified out some of the general influences underpinning the reasons why women's pensions are smaller than men's, the consequences of earning patterns varies widely as all pre-funded systems are embedded in different and complex pension systems shaped by policy developments, past and present (Frericks 2012). How gender-based inequalities in retirement income are compensated, or at least mediated, and how the situation should be further addressed has attracted the attention of policy-makers across Europe. To an evaluation of the consequences we now turn

Section 3: Policy interventions

This section examines European policy interventions that address, directly or indirectly, the gender-based pensions' gap described above, looking first at interventions by the European Union and subsequently at policies developed by key member states, to illustrate how policies past and present have affected current gender-based pension outcomes in different ways – and how female labour market behaviours and recent pension reforms may affect them in future. It is impossible to review policies in all 27 member states: this account will focus on four: two mature systems of funded pension supplementation (the UK and the Netherlands), one whose adoption of voluntary funded pensions is relatively recent (Germany) and, by way of contrast, one of the Nordic welfare states (Sweden) where the gender pension gap is narrower than in the other three (33 per cent as opposed to 43 per cent, 40 per cent and 44 per cent respectively – Bettio et al. 2013: 34). The selection of these four states serves a double purpose: first to use examples of funded pension provision that most closely resembles Australia's own and second to illustrate differences arguably derived from different pension 'models' – including Esping Andersen's famed Three Worlds (1990), the Bismarckean / Beveridgean divide and the Hall and Soskice (2001) 'varieties of capitalism' approach. Whether any of these 'models' retain their relevance for policy analytical purposes is perhaps a moot point. Distinctions have to be made between policies designed to promote equal opportunity on the labour market (which has created an enormous literature) and those addressing gender discrepancies in pensions, both public and private (which has produced much less). The former is important for our purposes as, implicitly, equality at work is supposed to translate into equal pension outcomes – although, as demonstrated above, neither development has yet materialised.

As mentioned in the introduction above, current pension policies have recently encountered chronic financial instability that has plagued European Union since the financial crisis of 2007. Rising unemployment has unbalanced revenues of both public and private pension schemes. Since the mid-1990s, following Maastricht and European Monetary Union (EMU), constraints on state borrowing and public expenditure required by the convergence criteria (now Stability and Growth Pact – S&GP) in the context of demographic ageing encouraged member states to look to funded pensions as the solution to fiscal problems. The crisis of 2008 and its aftermath have demonstrated that commonly held distinctions between state and private pension provision have broken down. In some European countries, governments have extended help to safeguard private schemes. In others, governments have raided pension funds to shore up public account balances or directed pension savings into government bonds (Casey 2012). As the European Central Bank and the Commission struggle to impose the limits defined by the S&GP, financial markets step in, raising interest rates on government borrowing – with dire consequences for pensions, particularly in some southern European states. Greek pensions in payment have been cut three times in five years. In this context of financial emergency and fiscal constraint, it is perhaps not surprising that few recent steps have been taken to close the gender pension gap at all.

In this context of economic instability, policies to protect female workers and retirees have taken a knock. State-provided pensions, based on social insurance contributions or residential qualification, involve many policies designed to protect married women (survivors' pensions, credits for child or family care, minimum income guarantees and so on). In general terms, these have been kind to women with broken careers, but then state funded pensions have come under increasing pressure. At the direction of the Commission, member states have moved (at varying speeds) to raise (and, in UK and CEE, equalize) retirement ages in the name of gender equality (but to secure economic sustainability); this has meant increasing the working lifespan for women more than for men. As policy tightens links between personal contribution and pension outcome, promoting supplementation by funded schemes (occupational or personal) in order to contain future public costs, so it threatens to increase gender-based pension gaps. This risk is exacerbated by the cuts in public sector employment following the 2007 crisis as the state has long been a major employer of female part-time workers. The unspoken policy assumption at EU level has been that – in the long run – improved female career structures will percolate through to improved female pension rights. There is little sign of this at present.

3.1: Policies of the European Union

Since the Treaty of Rome (1957), the European Economic Community (the predecessor of the European Union) has sought to eliminate gender discrimination in all matters affecting the creation of a single labour market. Initially confined to equal pay, directives passed from the 1970s to the 1990s outlawed gender discrimination in employment rights, social protection and equal treatment at work. Proportionate cover has been extended to part-time and temporary contract workers (mostly women); another directive protects the employment rights of pregnant workers. EU law also requires the provision of parental leave following birth or adoption that either (or both) partners may take without fear of losing their jobs. Recent initiatives to raise female labour market participation were established under the European Employment Strategy (EES), institutionalised by the Treaty of Amsterdam (1997) which, from 2000, set targets for female labour market activation that all member states were expected to reach. Progress is assessed under the Open Method of Coordination (OMC), an iterative process based on annual statistical appraisals by the Commission, with the expectation that 'policy learning' will allow good practice by those states achieving the targets to be imitated by others. Introduced to counteract the high unemployment that plagued member states in the 1990s, the OMC has been extended to other social policy fields, including pensions (see below). Results are questionable (the OMC cannot impose sanctions) but these developments indicate how, although social policy is a matter for member states, it is being shaped at European level. New childcare targets were set at the Barcelona summit (2002), reinforced by an EC report on progress in 2008, to build on the goals set for female employment rates. The European Social Fund is used by member states to finance the development of child care facilities: the focus has been primarily on pre-school children with the explicit objective of getting mothers back to work.

In terms of pension policy, the main concern has been to contain state liability in the context of demographic ageing and tight public expenditure constraints required by EMU. In 2012 the number of people over 60 in the EU area was roughly double that of only ten years previously. Around 10 per cent of Europe's GDP is now spent on pensions, predicted to rise to 12.5 per cent by 2060. In consequence, the Commission has promoted private funded occupational or personal pensions to supplement state schemes. Social security systems run by member states commonly offer contribution credits for non-working women during child rearing years (of varying length) and all currently provide survivors' pensions. Equal treatment of men and women under state social security has been guaranteed since 1971 and state pension rights are preserved for mobile workers. Supplementary pensions, however, do not necessarily involve such guarantees. Faced with the combined imperatives of policing the S&GP, guaranteeing state pension scheme solvency while promoting the single market (and worker mobility) and safeguarding equal treatment, the European Union has thus become increasingly interested in the world of pensions.

The OMC was extended in 2001 to cover pension provision in member states. The object was (and remains) to guarantee sustainability (meaning financial security) and adequacy by equating and raising retirement ages, by promoting longer working lives and by guaranteeing the social security and health care for older workers and the retired. In 2012, the EC consolidated proposals in a White Paper (EU-Com 2012). This advocated: changing workplace practices to accommodate the needs of older workers (to prolong working lives); encouraging private pension saving through tax incentives for working people; the provision of better information to enable the working public to buy safe and sustainable pensions; the creation of an EU-wide pension tracking service; future linking of retirement ages with life expectancy; supporting pension reforms to encourage more private provision – and closing the pension gap between men and women retirees.

The promotion of private funded pensions prompted Europe's adoption of IAS 17 on solvency reporting or DB schemes (2004) and steps to improve labour mobility by creating a single market in financial services and securing the portability of personal pensions. It has also raised a basic question: can funded pensions schemes be regarded, under EU law, as private undertakings (and therefore subject to competition law) or an element of social security law (and thus exempt)? Over the last twenty years the European Court of Justice (ECJ) has been instrumental in determining answers to this and associated issues, such as: preservation of private pension rights for workers moving between member states: tax treatment (whether individuals can claim tax exemption in one jurisdiction when making contributions - and tax exemption in another when receiving the benefit in retirement): consumer protection standards and, most significantly for our purposes, equal treatment of men and women (Ellison, 2012). In 2004, the EC extended the principle of equal treatment of men and women to guarantee equal access to goods and services[1]. This principle was reinforced in the EU's Charter for Fundamental Rights, incorporated into European law in 2007, which unequivocally states that any discrimination based on sex is prohibited and that equality between men and women must be ensured in all areas. In the teeth of considerable opposition from the insurance industry and from those countries with large insurance sectors (Germany, UK, the Netherlands), the Directorate of Employment and Social Affairs argued that, with pensions increasingly provided by private undertakings,

[1] Council Directive 2004/113/EC (December 2004)

equalities endorsed by statutory schemes were being eroded. Equal treatment of men and women under statutory state pensions and occupational pensions were the subject of European legislation in 1978 and 1986 respectively[2]. Further, even as racial discrimination in the sale of insurance products was illegal, so discrimination on grounds of gender was untenable (Hartlapp 2011). In this way, the Charter extends the principle of equal treatment to cover ostensibly private DC pensions. Unisex annuity tables have been universalised partly as a result – albeit that legal judgement indicates that gender-based assessments may re-enter in the non-too-distant future[3].

This modest achievement has been swamped by the impact of the financial crisis, successive Euro crises and the austerity measures that have followed in their wake. However, female labour market participation rates are certainly rising. This may be due more to changed social mores, better access to training in more service-oriented economies or even simple collective efforts to protect household budgets than to the work of the EES or other European initiatives. To reiterate an earlier point, current gender-derived pension gaps in Europe reflect the heritage of post-war pension systems. The consequences of recent recalibrations will not be visible for decades to come. To evaluate recent outcomes in order to determine whether current policies promise a future of more equal treatment, we need to examine how public and private systems combine and to this task we now turn

3.2 Country case studies

Pension systems in different European states are highly idiosyncratic. In very general terms, women have been traditionally viewed, if single, as workers in their own right and, if married, as dependents of their husbands – creating households commonly understood as financially dependent on a male breadwinner. Hence most traditional forms of pension protection for married women were derived from their husbands' in varied forms of dual pension arrangement, including survivors' pensions for widows. In decades of steady growth that characterised the immediate post-war era, there was little need to challenge such arrangements and the majority of today's pensioners are the beneficiaries of such schemes.

Since the 1980s, female labour market participation rates have grown and European economies have faced a series of challenges that have undermined the male breadwinner

[2] Council Directive 79/7/EEC (December 1978) on the progressive implementation of the principle of equal treatment for men and women in matters of social security: Council Directive 86/378/EEC (July 1986) on the implementation of the principle of equal treatment for men and women in occupational social security schemes, later amended (96/97/EC). The principle of equal treatment relating to employment and occupation was consolidated and recast under Directive 2006/54/EC of the European Parliament and the Council (July 2006).

[3] See 30 *Belgian annuities* (Test Achats) [2011] 029 PBLR, ECJ Case C-236/09 (European Union: European Court of Justice: Reference from Belgian Constitutional Court, 2011 March 01) (Discrimination – Equal treatment – EU Gender Directive – Application to insurance premiums for men and women – Whether objective justification – Whether legislative exemption justifiable)

model. Higher female labour market participation, positively encouraged at European level, has required a recalibration of pension design to encourage mothers to stay in work. Policies such as the provision of child care and the crediting of pension contributions for temporary care-oriented work absences have been promoted in many member states, alongside EU regulations protecting equal opportunities and treatment at work, employment rights of pregnant workers, parental leave and equal rights of those part-time or temporarily employed.

Summary tables outlining provision in the four countries whose retirement systems are described below can be found in Appendix 2

3.2.1 The Netherlands

3.2.1.1 Previous pension scheme.

From an Australian perspective the Dutch pension system is interesting because it involves a contributory funded element, originating in collective industrial agreements that date back to 1947, mandated and extended by the state, that acts to supplement a basic PAYG contributory state pension (introduced 1957) whose receipt at age 65 is conditional on residency (in this case, 50 years). This combination has been in existence for over half a century. However, there are some key differences. First, taken the residential and contributory stipulations are met, the basic state pension (AOW) is not subject to means-testing but is designed to keep all elderly Dutch citizens out of poverty. The occupational pension supplements the AOW to allow all retirees with complete contribution records to attain an earnings-related pension at an agreed proportion of previous salary (70 per cent), calculated on a DB basis. There is a third pillar: tax incentives subsidise personal pension savings on a voluntary basis (necessary for migrant workers or those who have worked overseas who fail to meet AOW residential regulations). The real losers from Dutch pensions are immigrant workers who fail to meet the residency qualification for the AOW and who, like Dutch citizens who have worked for a substantial period in another country outside the EU, may be forced onto means-tested social assistance in their old age.

3.2.1.2 Female labour market participation

Rising levels female labour market participation over the past 50 years (from c. 25 per cent to over 60 per cent of women of working age) promises to close a gender-based pension gap that is currently well above the EU average. However, an inspection of current statistics shows that women over 35 move into part-time work and rarely return to full-time employment in later life (Janusch and Vlasblom 2011). There is some evidence that younger cohorts are changing this pattern: the reduction in working hours during child bearing years appears smaller for women born since 1965, possibly helped by extensions in state subsidised child care that was introduced in 2005, possibly by changes in the tax system that allows both partners to be assessed separately. There remain, however, a substantial number of present and future female retirees born before the 1960s whose pension rights will be derived from low earnings in part-time work and who will receive a much reduced survivor's pension when their partner dies (see below). In 2010, c. 30 per cent of women in employment in the old EU 15 (western Europe) worked part-time, but in the Netherlands that percentage rose from 45 to over 60 per cent between 1983 and 2010 (De Deken, 2011: Fig. 3). While parental leave is offered for all children under the age of eight years, pension credits are not provided under Dutch occupational pension schemes as they remain under the control of the social partners. Joint contribution rates have been forced up in recent years and would have to rise further were such concessions forthcoming (Janusch and Vlasblum 2011). Interestingly, following substantial deindustrialisation in the 1980s, the Dutch coped with high unemployment in the 1990s by encouraging part-time work for men as well, to allow child care to be accommodated by parents themselves who each contribute to a part-time pension – thereby replacing the single pension for the retired household earned by one full-time worker with two part-time ones instead.

3.2.1.3 Pension reforms and future trends

Financial instability has had an impact. In 2004, the occupational pillar covered about 90 per cent of the working population, but this fell to 70 per cent in 2011. This reflects a rising incidence of part-time work of under 12 hours per week, excluded by these schemes, but used by employers restructuring employment to avoid pension contributions and cut labour costs (De Deken 2011). Recent years have also witnessed consolidation in the occupational sector to sustain financial viability. Under pressure from ageing memberships and solvency regulations, the number of schemes fell from over 1,000 in the 1990s to 484 in 2010. Until 2003, AOW plus occupational cover offered 70 per cent of final salary but faced by demographic ageing and by exorbitant investment losses after the dot.com bubble collapse (c. 38 per cent of total fund value) this was, by collective agreement, recalibrated to 70 per cent of average career salary for those with complete contribution records. Survivors' pensions have been cut by 50 per cent of their previous value. This is justified as the part-time work by two partners will create two part-time survivors' pensions per household, thereby not reducing retirement incomes of the bereaved party.

The Dutch pension regulator requires funds to retain a value of 105 per cent of future pension liability. Following the 2007-8 financial crash, total fund value fell from 144 per cent (2007) to 92 per cent (2009), only slowly regaining solvency (112 per cent in 2011 – all figures from De Deken). Such volatile investment performance has been partly met by ever higher contribution rates and by partial, temporary suspension of indexation. Simultaneously, the AOW lost 15 per cent of its purchasing power between 1980 and 2008 as the basis for indexing changed, leaving the occupational schemes with a rising bill to sustain the salary replacement rate required by pension agreements. In the teeth of trade union opposition, retirement ages were raised from 65 to 67 in 2011.

The AOW offers the real safeguard for current Dutch female pensioners (Frericks et al. 2006) as, in spite of losing value, it still offers protection against poverty. This pillar, like the Australian Age Pension, still accounts for c. 50 per cent of the average Dutch pensioner's income, while the second pillar supplies c. 45 per cent and the third c. 5 per cent (De Deken 2011). As the AOW is not means tested, there seems little reason to suppose this balance will change. In the future, the picture appears more mixed. On the one hand, the expanding number of women part-timers means more females will earn pensions in their own right to become less dependent on survivors' pensions in very old age. The emergence of part-time working generally spells a reduced gender-derived pension gap, albeit (thanks to recent reforms) lower old age income for all. However, in the immediate future, strong gender discrepancies will remain and married women who have accrued low or no occupational pension rights (due to employment at less than 12 hours per week or failure to work at all) will find their incomes severely reduced on widowhood.

3.2.2 Germany

3.2.2.1 Previous pension scheme

The main characteristic of Germany's pension system is found in the tight linkages between pension rights and contributions at state, occupational and personal pension levels. In consequence, German gender-derived pension gaps are second only to Luxembourg among EU member states. The major part of German pensions are derived from a classical earnings-related, state-run contributory social insurance scheme that has long covered all German workers on permanent work contracts and is run on a PAYG basis. The size and comprehensive nature of the state scheme did not encourage the development of occupational supplementation, which only offered a low salary replacement rate when compared to the state scheme. Additional tax incentives exist for other personal pensions. A minimum pension is available for retirees with poor pension rights (largely migrant workers and inhabitants of the eastern lander where unemployment has been high in recent years).

3.2.2.2 Female labour market participation

Although traditions in the eastern lander were different (an inheritance of its communist past) female disadvantage in western Germany is rooted in a long history of the male breadwinner model of household provision. It was only in 1977 that the then West German government removed the rule that married women could only work with the permission of their husbands and on the understanding that this would not affect their capacity to fulfil their household duties. Many retired women in western lander were subject to this condition and their labour market participation rates during their working lives were therefore low or non-existent.

This is not to argue that current female retirees are poor: on the contrary, many benefit from the generous state insurance pensions available before the reductions were phased in, either as partners or widows of male workers. The main problems are, first, that these are derived rights and second, the expectation that women should be primarily responsible for domestic matters has proved very hard to erase. In the words of one commentator 'family-related career breaks [still] have a female face'. Although younger women in the old lander now display far fewer caring breaks in their working lives, they still work overwhelmingly in part-time or in temporary 'mini-jobs' that remain outside the social insurance scheme (BMFSFJ 2012: 4). As in other European countries, transitions from part-time to full-time work are difficult. In the eastern lander, working patterns are changing in the opposite direction. Pre 1990, women worked full time but post 1990 this tradition has declined – though whether through choice or due to rising unemployment is hard to determine.

3.2.2.3 Pension reforms and future trends

Since reunification and as rising contribution burdens threatened employment levels, steps have been taken to phase in reduced state pension benefits and to raise the retirement age (to reach 67 by 2026). Projections of state pensions into the future show that, over the long run, they will become flat-rate and those without a full contributory history (notable women workers) will fall into poverty as Germany has no minimum pension guarantee and the very poor can only resort to local social assistance (Schmael 2007). In 2001, legislation introduced a state-supported, voluntary supplementary personal funded pension to encourage workers to subsidise their future retirement income. The *Riester-Rente* is publically subsidised, particularly for lower income groups, is offered on a collective or individual basis and is mandated to supply a guaranteed minimum return (Casey and Dorstal 2011). It has expanded to cover c. 40 per cent of the working population (Ebbinghaus and Wiss, 2011). The diminishing state pension is also reviving private occupational schemes which expanded after the millennium (but which still offer only a small pension supplement), some are the product of collective negotiation and are therefore run on principles of co-determination (Ebbinghaus, 2011).

The German government has taken steps to encourage female labour market activation, in part to contain fast rising dependency ratios consequent on demographic change that threaten the solvency of the state social insurance-based pension (more contributors are a better option than higher contributions) while also seeking to raise one of the lowest birth rates in Europe. Some measures promise to reduce the large current gender-based pension gap in the future. Pension credits are now available for child care. For children born since 1992, full year credits are provided for those up to three years and part-year credits until ten: elder care credits are also available. Child care is also credited under the voluntary *Riester-Rente*, as are non-working mothers if their husband belongs to this supplementary pension system. The equal division of combined pension rights (pension-splitting) is mandatory on divorce and is also permitted between consenting couples on retirement. As this latter option remains voluntary, it has not been used – but has been invoked as an alternative to the survivor's pension by women's groups as it offers an escape from female dependency and a means to encourage the sharing of domestic duties during working lifetimes. Day care for pre-school children has expanded at local level and, from 2013, places are supposedly guaranteed. However, in a bizarre reverse development, in 2013 the Merkel government introduced allowances for parents (meaning mothers) with children under three who stay at home (evidence indicates that subsidised prolonged labour market absences undermine incentives to return to work). German policy towards working women remains Janus-faced, reflecting a long and deep attachment to the male breadwinner model of family life.

3.2.3 United Kingdom

3.2.3.1 Previous pension scheme

The UK pensions system has been described as the most complex in the world (Pensions Commission, 2004). A flat-rate Basic State Pension (BSP), funded by National Insurance Contributions (NICs), has long offered a notoriously low income to retirees: until 2010, rights to a full pension required 42 years contributions from men and 39 from women. Those with no other resources (most of whom are female) are forced to supplement the BSP with means-tested Pension Credit. Occupational supplementation became mandatory from 1978, when the State Earnings Related Pension Scheme (SERPS – later the State Second Pension – S2P) was introduced for all workers not already covered by an occupational or company-based pension. Since the 1980s, however, all governments have tried to extricate the state from the provision of earnings-related pensions by subsidising private supplementary provision and, by 2016, this project will be completed (see 3.2.3.3 below). In addition (or as an alternative) to occupational provision, tax (and NIC) incentives supplement another tier of pension savings on a personal basis.

3.2.3.2 Female labour market participation

Although female labour market activity rates have increased since the 1970s, much of this, as in the Netherlands and Germany, has been in part-time employment. In July 2014, 7 million women in the UK were in full-time work (mostly among younger cohorts) and 6 million worked part-time, mostly older workers, with rising levels of labour market inactivity among women aged over 45 (UK-ONS, 2014: Table EMPO 1). Women dominate the low paid sectors such as care work (82 per cent) and administrative and clerical staffs (72 per cent); the gender pay gap is 25 per cent (UK – PAS, 2014: 5; Scottish Widows 2013). Overall both the distribution and nature of waged work for UK female workers reflects continuing expectations that women should undertake unwaged caring work for children and disabled or elderly relatives, leading to their being stuck in part-time unskilled work with little prospect for training or promotion (Lewis and Campbell 2007). Child care for working women is subsidised for those on low pay and for single mothers, but is otherwise exorbitantly expensive. While there are signs that the situation is changing for younger, better qualified women, particularly those working in the public sector (more flexible working arrangements and, better access to child care allowing return to full time employment), there will still be a 50+ year time lag before the legacies of past female labour market participation patterns cease to affect women's incomes in old age – which currently rely more or less totally on the spouse or the state.

3.2.3.3 Pension reforms and future trends

Following recommendations of the Pensions Commission (2006), the government passed legislation to merge the BSP and S2P. From 2016, a new state pension, still based on NICs will provide a higher rate than means-tested assistance (Pension Credit) for the first time. To pay for this change, a new schedule raises the state pension age to reach 68 for both sexes by 2020. This age will be calculated in future to reflect changes in life expectancy. From 2016, NIC credits for child care will be shortened (unlike many other European states, British occupational pensions have never offered child care credits outside the public sector - EC 2010). Contributory years for a full state pension, reduced in 2010 from 39 to 30 years for women, will rise again to 35 years and, as 'contracting out' disappears, higher rate NICs will be paid by all. The survivor's pension will be abolished for all reaching state pension age after April 2016. The UK will have the most individualised state pensions in the EU.

Simultaneously, the occupational pension landscape is also changing. Although in the past private occupational pensions were overwhelmingly based on defined benefit principles, poor market performance, changing tax incentives and stricter solvency requirements have encouraged Britain's 45,000 pension funds to switch from DB to DC since 2000 – or, in the public sector, to pensions based on career average earnings. Recent legislation introduces auto-enrolment for all workers, extending occupational cover from larger companies to small employers, creating a quasi-mandatory funded supplementary pension for all workers (there are provisions for 'opting out'). For small employers, the government has sponsored a National Employment Savings Trust (NEST), a private corporation to offer small organisations a basic pension service.

For women, this offers one step forward and several steps back. While numbers of women in employment is rising and auto-enrolment may offer the advantage of some supplementary cover (currently one-third of women have none – Scottish Widows 2013), the fluctuations in the number of years available for child care credits (falling from covering children up to 16 to those under 12 from 2016), the NIC requirements (to rise from 30 to 35 years) and the salary threshold for NIC payments for part-time workers has resulted in the majority of women having no idea what their future state pension rights will be (UK-PAS 2014). While one in four women over the age of 40 believes their partner will provide for their old age (Scottish Widows 2013), the loss of a widow's state pension may come as a rude surprise.

Recent changes in occupational cover offer little reassurance. First, the shift from DB to DC reduces the likelihood of a survivor's pension: currently two thirds of UK annuities are single life products which terminate when the policy holder dies. Second, administrative complexities dog UK pensions and auto-enrolment will make them worse. As women change names, addresses and jobs when they marry, so they are liable (as in Australia) to create a string of personal pension pots that accumulate higher charges and may incur exit fees should their owner try to consolidate them. Policy dictates that small savings (up to £10,000) should follow the worker but, as the ceiling is so low and transfer rights not widely known, the risk that DC savings will get 'lost' remains. In Germany and the Nordic countries, a central record of past contributions is sustained: this is not so in the UK and, in this respect at least, the future does not look bright. The sheer number of pension schemes and the penalties incurred for those who change jobs, leave the labour market temporarily or switch to part-time work (under 16 hours per week can result in lost cover) remain substantial. As elsewhere, such working characterises women's employment and, although this may change in the future, there is little sign of this as yet. While UK pensions boast extensive choice, the price paid is lost transparency, contravening the possibility of higher personal responsibility for old age income security that new systems assume.

3.2.4 Sweden

3.2.4.1 Previous pension scheme

Nordic commitment to full employment, more egalitarian societies and a long tradition of female labour market activity has created lower gender-derived pension gaps. Prior to the major reform introduced in 2000, Sweden's pensions were based on a PAYG, earnings-related, contributory state pension for all workers and four consolidated PAYG occupational schemes (for blue collar and white collar workers in private and public sectors respectively). Personal pensions were available, but were not widely used as the combination of a high state pension and mandatory top up through an occupational scheme (controlled by the social partners) offered an old age income at over 70 per cent of previous salary (taken a full contributory record). A basic tax-funded guaranteed pension, with a premium supplement for inadequate savings helped those with broken careers.

3.2.4.2 Female labour market participation.

Female labour market participation rates in Sweden have long been far higher than in the rest of Europe, sustained in part by a tradition of women working and in part by extensive social service provision designed to facilitate married women's full-time employment. All Nordic countries have made significant advances towards achieving gender equality through the provision of parental leave quotas that strongly encourage fathers to play a more prominent caring role. Sweden was the first country in the world to replace 'maternity leave' with 'parental leave' in 1974. It also was the first to specify how this leave must be allocated, introducing a non-transferable quota for both mothers and fathers (60 days each), leaving 270 days available for division between the partners themselves (Gupta et al. 2008). Swedish parental leave is supported by earnings-related benefits at 80 per cent of salary (with an upper earnings limit) and a bonus is paid for parents who divide this leave equally. Whether such incentives have the desired effect is open to question as in 2012 only 24 per cent of parental leave was taken by fathers (Duvander 2014).

Swedish pre-school day care is extensive and popular. In 2011, 70 per cent of 1-2 years olds attend publically provided nursery day care and 97 per cent of 2-6 year olds attend state-funded pre-school classes for three hours per day (Nyberg 2012). Out-of-school-hours care is provided for all children under 12 years old. Parental contributions to early childhood education and child care are capped at 11 per cent of costs. Thus day care services for children and the elderly are heavily subsidised – albeit less so than in the past – as Sweden pursues a dual breadwinner model that encourages both men and women to accrue their own pension rights. Home care allowances were introduced in 2008 for 1-2 year-olds, available at the discretion of the local authority, but are not well regarded as they tend to encourage women to stay at home and are less popular than free day care. As women work largely in the public sector, where parental rights are fully respected and child care provision is at its best, we find a far higher proportion of women working full time in Sweden. In contrast to the other countries examined in this account, Sweden sustains a female employment rate over 70 per cent and only 22 per cent of women work part-time.

3.2.4.3 Pension reforms and future trends

Demographic ageing, combined with a marked downturn in the Swedish economy and rising unemployment in the 1990s (following the collapse of the Soviet Union), forced radical reform as the funding of both state and occupational schemes came into question. The major component of the state pension system today is an income-based system that remains financed on a PAYG basis. A joint contribution at 16 per cent of salary is recorded in notional personal accounts. The retirement age is flexible and the amount that can be claimed is calculated in accordance with contributions made, the size of the retiring cohort and prevailing rates of interest: supervised by a state agency, the scheme’s funds remain autonomous. In addition, 2.5 per cent of salary is paid into a funded personal pension (the mandatory Premium Pension) which operates essentially like any other DC scheme: contributors may choose their investment fund (a default fund is run by the state) and transfers between funds are free of charges. Both elements of the new state pension are supervised by different state agencies, access to savings is available from the age of 61 at the earliest and annuities (for the funded element) are unisex. In addition, the four major occupational pension schemes have been transformed from DB to DC and are now fully funded. A tax-funded, means-tested guaranteed pension is also provided on a residential basis (40 years) for those with low or no income and aged over 65.

High tax-funded credits continue to fund pension rights for child-related labour market absences so this shift towards old age income developed on a funded (or notionally funded) basis may prove gender neutral. Either directly or indirectly, the Swedish state retains a strong presence in the operation of all schemes (even specifying investment vehicles for fund managers) but strong financial barriers prevent future pension deficiencies becoming the taxpayer's burden. However, forward projections of the outcomes of the main state pension indicate that it will, in future years, become virtually a flat-rate benefit: more reliance will have to be placed on the funded elements (premium pension and occupational schemes) to secure a comfortable retirement. Occupational segregation in Sweden is high (women work overwhelmingly in teaching and social services) and part-time work for mothers is becoming more prevalent. Both elements point up the possibility of wider gender pensions gaps in the future, unless policy interventions prevent this.

Sweden was not the only Nordic state to recast its pension system following the substantial economic downturn in the Scandinavian region after the fall of the Soviet Union. Denmark's basic pension was supplemented by sector-wide, funded occupational pensions in the 1990s, which offer a minimum guaranteed return. Finland changed its basic pension into an income-tested benefit in 1996, like Australia's Age Pension, while contributory, partly funded occupational pensions have been mandatory since the 1960s. (Kangas et al., 2010; Ebbinghaus and Wiss, 2011). In consequence the social democratic, universal pension model for which Nordic states were renowned (Esping Andersen 1990) has become both more fractured and less egalitarian – but the full consequences of these changes will not emerge for many decades.

3.2.5 Discussion of country cases

A number of general points emerge from this limited review. First, ageing societies and uncertain economic performance have forced extensive recalibrations of these European pension systems since the early 1990s. The impact of major economic downturns in both 2000-1 and 2007-8 forced pension retrenchment in mature funded occupational schemes in the UK and the Netherlands, while also denting the funding mechanism and pension calculations established under the new Swedish NDC system (Scherman, 2012). Recent experience has demonstrated the limitations of funded pensions for protecting the retired. The role of the public sector in guaranteeing protection against poverty remains significant: the more government retreats from the provision or protection of pension rights, the greater damage done to egalitarian, redistributive objectives (Bridgen and Meyer 2009). Subjecting funded schemes to control by the social partners may ameliorate outcomes, but does little to help women as they are less likely to belong to trade unions and thus their interests, like all marginal or 'a-typical' workers, are unlikely to be protected (Trampusch 2009).

Jefferson (2006) identifies a triangulation of policy strategies to protect women's pensions in old age.

- Encourage women to adopt male working lives, to be achieved by means of paid and credited maternity leave, subsidised child care and incentives for fathers to take on unwaged caring roles. This is, self-evidently, the policy advocated by the European Union itself and exemplified most closely by Sweden. Frericks et al. (2006) also found that the superior provision of child care in Denmark, very similar to its Nordic neighbour, allowed mothers to gain better pensions than they could in the Netherlands, where child care is less subsidised and less widely available.
- Compensate for broken careers and lower pension rights by guaranteeing a decent first pillar pension to protect against old age poverty. Further measures might include: the provision of caring credits; matching contributions/ extra tax relief for the low paid; reducing reference periods for a full pension and / or calculating pension rights over shorter periods and, for funded schemes, controlling administrative costs and promoting unisex annuities. While the last is EU law, and financial problems in recent years have constrained many of these options, the Netherlands seems to be closest to this approach – and there are signs that UK policy is moving in the same direction. Protection from poverty, however, as in Australia, is not the same as promoting gender equality in retirement incomes.
- Strengthen reliance on the spouse, by fostering systems that protect husband and wife on the basis of a single set of contributions and benefits – as is still largely the case in Germany (and, until comparatively recently, the UK). This institutionalises social dependency and can be held accountable for the biggest gender-based pension gaps in Europe. That said, while inequalities are large, poverty is less of a threat. Longitudinal research comparing work histories and personal incomes (both public and private) for women in West Germany and the UK found a lower risk of poverty among female retirees in the former country than the latter, with the exception of the minority who had completed a full-time career (Sefton et al. 2011).

The threat of poverty should not be ignored as, the more individualised the pension system, the greater this threat becomes. Britain's separated and divorced elderly women are currently among the poorest pensioners. Among those approaching retirement, over 70 per cent of UK divorcees know nothing of their ex-partners' pension savings and, although permitted by law, made no claim on it during divorce proceedings (Scottish Widows 2013). In Germany, as noted above, this cannot happen as pension splitting is mandatory under these circumstances. This point concerning individual pension rights based on personal savings is very pertinent to Australia, where the OECD notes the high risk of poverty among the elderly (2013): a risk not simply ascribable to the 'immature' nature of Super. As Bettio et al. (2013) emphasise, it is a mistake to assume, as Jefferson does (2009: 123 & 129), that the pay gap can be directly translated into a future gap in old age income. As Davies and

Ralston (2012) have demonstrated, the gap between male and female savings under Australia's Super scheme is much bigger than that – and it will grow, not shrink, with time.

Section 4: Discussion and conclusions

To address gender-derived income inequalities in old age requires us to recognise the impact of past systems on present circumstances that impact on retired women in Australia as much as anywhere else. Evidence from Europe (Bettio et al. 2013) as well as Australia (Rice Warner 2010; Davies and Ralston, 2012) demonstrates that women's retirement savings and incomes are below men's. For those already retired, reforming today's pension design will not serve any purpose: the poor female retiree is a social policy problem to be addressed by the state. Contrarily, if retirement savings help to perpetuate old age gender-derived income inequalities, then these become a matter for reforming pension design and should be addressed as a separate issue.

At the root of the problem of old age gender inequalities lies the question whether we should expect private savings to deliver social objectives – and the answer to that is political as well as financial. At one end of the scale, Australia runs a Super scheme that delivers enormous, tax-subsidised benefits to the better off in regular employment while exhorting women in part-time or low paid work to save more through salary sacrifice if they want to attain the same privileges (Rice-Warner 2010). At the other, we have Nordic states that intervene heavily in funded systems to supervise contributions, investment strategies and fund management to generate secure outcomes while also offering much more extensive tax–subsidised services and support to enable mothers to sustain full-time work. Stepping back from these extremes we might be moved to question the sanity of an old-age income strategy that understands male working lives as the norm and the female as a deviation from this – not least because, across the developed world, the majority of pensioners are female. Both Australia and Sweden (and other countries) seek to solve pension inequalities by the same means, using pension savings as instruments of social engineering to serve fiscal and economic objectives by pushing mothers back into full-time employment. Income inequalities in old age can only be erased if women are persuaded to behave like men, in labour market terms at least.

To encourage mothers to sustain full-time employment, does not offer a risk-free solution. Three possibly adverse consequences can arise from individualised pensions and policy strategies that encourage them to stay in full-time work.

- First there is the interest of the child. Many child care professionals question the wisdom of putting small babies into full-time care as it risks damaging their future emotional capacity to form and sustain close personal relationships. Moreover, it is very expensive: either the mother pays (and many cannot) or the employer pays (and most will not) or the state subsidises the service (which translates into higher taxation which is, outside Nordic countries, less than politically popular). It is then tempting to cut corners by using untrained personnel or by allocating ever higher ratios of children to minders, which raises risks of neglect. While adverse developments have not been much in evidence to date, a rising incidence of abuse in care homes for the elderly in the UK demonstrates what can happen when domestic responsibilities are converted into commercial services.

- Second, pushing mothers to stay in work creates pressure on immigration (as electorally unpopular in Europe as it is in Australia). As Fiona Williams has pointed out (2008), the majority of migrants in Europe are not young men, but women recruited to take over the social care duties of working wives, either institutionally (in social services in the UK and Sweden) or domestically (as in Italy). Whether and if these migrant workers can acquire pension rights of their own is beyond the scope of this paper, but this raises questions about transferable pension rights should the migrant worker go back to her country of origin (to marry or care for ageing parents) and, should she choose to stay, whether waged domestic service can be absorbed into a national pension system when the residency qualifications of the future claimant are in question.
- Finally, although strictly beyond the scope of this working paper, the strategy risks exacerbating income inequalities between households following retirement. Graduates marry graduates – and female graduates are more likely than the rest to sustain full time employment. Joint pension accumulation rates by households with two well-paid full-time employees will be greater than one which includes a partner in part-time (or low-paid) work. As gender-derived pension gaps are greater than pay gaps, this means that, on retirement, future differences in annual income between the two households will be greater than it was when all were working.

[This final problem is hardly insuperable: taxation policy in Denmark, where gender-based pension gaps are lower even than Sweden, allows the redistribution of old age income from the better off to poorer households in retirement.]

The criticisms outlined above should not be understood as supporting the *status quo ante* and the return of the dependent housewife. German gender-derived pension gaps suggest this would be thoroughly unwise. The problem is not that mothers do not want to work, it is that too many find it impossible to do so full-time. Labour market changes (the rise of the service sector, the growth of IT-based networking and subcontracting) are as prevalent in urban Australia as they are in Europe – they invite more flexible working systems that are more capable of reconciling work and family life than ever before. As personal funded retirement systems are here to stay, we have to consider how pension design may be improved to foster more gender-neutral savings outcomes.

As commentators have noted for some time (e.g. Lewis 2001) one solution to gender inequalities in the workplace (and consequently in retirement income) lies in the more equal distribution of care work in the home – a conclusion that has motivated EU initiatives on work-life balance (with limited success to date). It is therefore worth considering which pension policies might promote this development – and what measures could foster similar outcomes in retirement savings schemes. Gender-neutral annuity markets would be a start: it is astounding that women in Australia are expected to save more because they live longer than men. Mandatory pension splitting between mothers and fathers, between the unmarried as well as the married, on the birth of a child rather than only on divorce or retirement, could offer another way forward and is worthy of serious attention.

Finally, for the present at least, personal pension saving must supplement, not replace, the provision of a tax-funded basic state pension as this safeguards against female pensioner poverty. For, to return to the observation made at the beginning of this paper, current pensioners reflect past employment patterns and past pension systems. The plight of female retirees, reflecting the restricted working opportunities and choices in their earlier lives, is going to be with us for decades to come. Those who assume that (thanks to rising retirement savings) tax-based pensions will, like the Marxist state, eventually disappear, are in for a very long wait. The involvement of governments, as providers as well as regulators, is a permanent fixture in the world of funded old age incomes.

References

Antolin PP and Stewart F (2009) Private pensions and policy responses to the financial and economic crisis. *OECD Financial Market Trends* 2009(1): 127–141

Barr, N (2002) Reforming pensions: myths, truths, and policy choices. *International Social Security Review*, vol. 55: no. 2, pp3–36.

Bettio, F., Tinios, P and Betti, G. (2013) *The Gender Gap in Pensions in the EU* (Fondazione Giacomo Brodoline and Istituto per la Ricerca Sociale funded by the EC D-G for Justice Unit D2 'Equality between Men and Women') To be published as Bettio, F., Betti, G., Tinios, P., and Georgiadis, T. *Ageing Unequal in Europe? Women's independence and Pensions*, Palgrave Macmillan (forthcoming)

BMFSFJ - (Federal Ministry for Family Affairs, Senior Citizens and Youth) (2012) *Women's biographical patterns and pension income prospects* Berlin, BMFSFJ.

Bridgen, Paul and Meyer, Traute (2009b). Social rights, social justice and pension outcomes in four multi-pillar systems. *Journal of Comparative Social Welfare*, 25, (2), 129-137.

Casey, B. (2012). The implications of the economic crisis for pensions and pension policy in Europe. *Global Social Policy*, 12, 3.

Casey, B. and Dostal, J.G. (2013) Voluntary pension saving for old age *Social Policy and Administration*, 47, 3: 287-309

Davies, K. and Ralston, D. (2012), *Superannuation over the past decade: individual experiences*. A report by the Australian Centre for Financial Studies for AIST

De Deken, J. (2012), 'The Netherlands: the challenges posed by the unintended universal financialisation of retirement provision' in Natali, D. (ed) forthcoming

Duvander, A-Z. (2014) How long should parental leave be? Attitudes to gender equality, family and work as determinants of women's and men's parental leave in Sweden. *Journal of Family Issues* 35: 909–926

DWP – UK Department of Work and Pensions Information Directorate (2010) *Lifetime Labour Market Database*

Ebbinghaus, B. (2011) Germany in Ebbinghaus B (ed.) *The Varieties of Pension Governance: Pension Privatization in Europe*. Oxford: Oxford University Press,

Ebbinghaus, B and Whiteside, N. (2012) Shifting responsibilities for western European pension systems. What futures for social models? *Global Social Policy,* 12, 3: 266-82

Ebbinghaus, B. and Wiss, T. (2011) Taming pension fund capitalism in Europe: collective and state regulation in time of crisis. *Transfer*, 17, 1: 15-28

EGGESI (Expert Group on Gender Equality and Social Inclusion) (2011) *The socio-economic Impact of pension systems on the respective situations of women and men: synthesis report*. Rome: Fondazione Brodoline.

Ellison, R. (2012) 'The European Union and pensions: regulatory intervention' Note prepared for the Allianz-Oxford pensions conference, Oxford 27-28 September.
http://www.geog.ox.ac.uk/events/120927/rellison.pdf

Esping Andersen, G. (1990) *Three Worlds of Welfare Capitalism*, Bristol, Policy Press.

European Commission (EC) Economic Policy Committee and Social Protection Committee (2010) *Interim report of EPC – SPC on pensions* (SOC 359 – ECOFIN 289) Brussels

EU-Com. (2012) *White Paper: An Agenda for Adequate, Safe and Sustainable Pensions*.

Brussels, 12 February, COM(2012) 55/2.

Evandrou, M., Falkingham, J. and Sefton, T. (2009) 'Women's family histories and incomes in later life' London School of Economics, STICARD Research Paper Series no. CASE/138.

Even, W.E and Macpherson, D.A (2004) When will the gender gap in retirement income narrow? *Southern Economic Journal*, 71: 182-200

Frericks, P., Knijn, T. and Maier, R. (2009) Pension reforms, working patterns and gender pension gaps in Europe *Gender, Work and Organisations*, 16: 710-730

Frericks, P., (2012) Funded pensions and their implications for women and migrant workers, *Global Social Policy,* 12, 3.

Geisler, E. and Kreyenfeld, M. (2011) Against all the odds: fathers' use of parental leave in Germany. *Journal of European Social Policy* 21, 1:88–99

Gupta, N., Smith, N. and Verner, M. The impact of Nordic countries family friendly policies on employment, wages and children. *Review of the Economics of the Household*, 6, 1: 65-89

Hall PA and Soskice D (eds) (2001) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press.

Hartlapp, M. (2011) 'Equal treatment: moving social concerns into the market' paper presented at conference *The Social Policy Dimension of Regulatory Crisis Management in the EU & the US*, 19 November 2010 WZB Berlin.

Janusch, T. and Vlasblom, J.D. (2011)'Pensions and female labour careers in the Netherlands' in *Women's Biographical Patterns and Pension Income Prospects,* Berlin: Federal Ministry for Family Affairs, Senior Citizens and Youth.

Jefferson, T (2009), 'Women and retirement pensions' *Feminist Economics*, 15, 4: 115-45

Kangas O, Lundberg U and Ploug N (2010) Three routes to pension reform: Politics and institutions in reforming pensions in Denmark, Finland and Sweden. *Social Policy and Administration* 44, 3: 265–284.

Leitner, S. (2012), *Effects of life courses on women's pensions: synthesis report – Germany,* EC D-G Employment, Social Affairs and Inclusion, Brussels.

Lewis J. (2001) The decline of the male breadwinner model *Social Politics*, 8, 2: 152-69

Lewis J. and Campbell, M. (2007) UK work/family balance policies and gender equality, 1997-2005, *Social Politics*, 14, 1: 4-30

Nyberg, A. (2012) Gender equality policy in Sweden 1970s-2010s, *Nordic Journal of Working Life Studies*, 2, 4: 67-84

Parr, N., Ferris, S. and Mahuteau, S. (2009) 'The impact of children on Australian women's and men's superannuation' *The Economic Labour Relations Review*, 18, 1: 3-26

Pensions Commission (2004) *Pensions: challenges and choices.* First Report. HMSO London

Pensions Commission (2006) *Implementing an integrated package of pension reforms*, Final Report, HMSO, London

Pfau-Effinger, B. (2004). *Development of Culture, Welfare States and Women's Employment in Europe*. Aldershot: Ashgate.

Rice Warner Actuaries (2010) *Superannuation savings gap for women* Report for IFSA http://www.fsc.org.au/downloads/file/PublicationsFile/2010_0311_RptSuperannuationSavingsGapforWomenMarch2010.pdf

Schmael, W. (2007) Dismantling an earnings-related pension scheme: Germany's new pension policy *Journal of Social Policy*, 36, 2: 319-40

Scottish Widows (2013) *Women and Pensions Report* *http://www.scottishwidows.co.uk/about_us/media_centre/reports_women.html*

Sefton, T. Evandrou, M., Falkingham, J. and Vlachantoni, A. (2011) The relationship between women's work histories and incomes in later life in the UK, US and West Germany, *Journal of European Social Policy* 21, 1: 20-36

Trampusch, C. (2009) Collective agreements on pensions as a source of solidarity. *Journal for Comparative Social Welfare*, 25, 2: 99-107

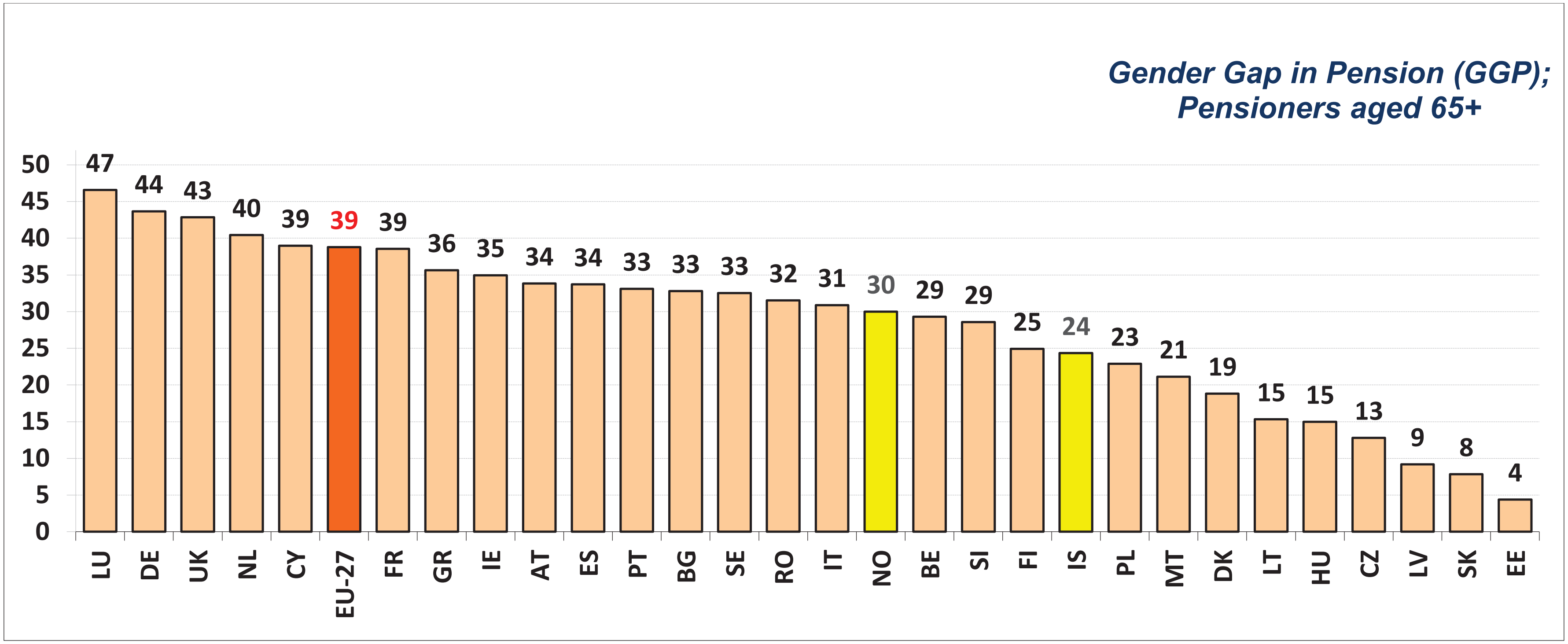
UK Office for National Statistics – ONS (July 2014), *Labour Market Statistics*, London http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-314861

UK Pensions Advisory Service - PAS (2014) *Women and Pensions*

Whiteside, N. (2014) Privatization and after: time, complexity and governance in the world of funded pensions, *Transfer,* 20, 1: 69-81

Williams J (2008) The intersection of child care regimes and migration regimes: a three-country study, in: Lutz H (ed.) *Migration and Domestic Work: a European perspective on a global theme*. Routledge: 13-28

Appendix 1: Average gender-derived pension gaps in EU member states



Source: Bettio et al. 2013: 34

Appendix 2: Pension provision in four European member states: summary tables

Netherlands

- Gender – derived pension gap: 40 per cent

Pension	*Run by*	*Finance*	*Contribution*	*Benefits*	*Coverage*	*Conditions*	*Help for women*	*Main recent changes*
1st pillar (AOW)	State	PAYG	Earnings related	2% AOW p.a.	Universal	Residential qualification	Survivor benefits Child care credits (8 yrs)	Survivor benefits cut 50% Pensionable age rises to 67
2nd pillar occupational	Social partners	DB Funded	Earnings related	Earnings related	90 % (fell to 70% in 2011)	Employment (12 hours + per week)	Survivor benefits Child care credits (8 yrs)	Contributions raised Survivor benefits cut 50% Pensionable age rises to 67 DB calculated from CARE[4]
3rd pillar	Private	DC + tax-subsidies	Voluntary	Personal	Voluntary	n/a	n/a	n/a

Germany

- Gender – derived pension gap: 44 per cent

Pension	*Run by*	*Finance*	*Contribution*	*Benefits*	*Coverage*	*Conditions*	*Help for women*	*Main recent changes*
1st pillar Social Insurance	State	PAYG	Earnings related	Earnings related	Universal	Contribution	Survivor benefits Child care credits (3 years + 7 years p/t)	Pensionable age rises to 67 (2026) Credits for stay-at-home mothers
2nd pillar occupational	Social partners or corporate	DB (Book reserve)	Joint	Earnings related	Low but rising	Employment (12 hours + per week)	Survivor benefits	
3rd pillar *Riester-Rente*	Private	DC: tax-subsidies for low paid	Voluntary	Annuity	c. 40%	Guaranteed minimum return	Child care credits	(introduced 2001)

[4] CARE = Career Average Related Earnings. Occupational DB schemes were calculated from final salary. AOW + occupational pension now = 70% CARE

United Kingdom

- Gender – derived pension gap: 43 per cent

Pension	*Run by*	*Finance*	*Contribution*	*Benefits*	*Cover*	*Conditions*	*Help for women*	*Main recent changes*
1st pillar BSP	State	PAYG	Earnings related NIC	Flat rate (low)	Universal (up to c. £8k p.a.)	1 year NIC = 1 year BSP	Survivor benefits Child care credits (12 yrs)	BSP raised (combines with S2P 2016) Contribution years rise 30-35 (2016) Survivor benefit removed (2016) Pensionable age rises to 68 (2020)
2nd pillar S2P or occupational	45,000 schemes: corporate	DC (DB)	Joint or worker only	DC: annuities DB: CARE	c. 50% but due to rise	Employment	Survivor benefits (DB schemes only)	Public sector DB are CARE-based Auto-enrolment (2012) NEST for small employers Mandatory annuities removed
3rd pillar	Private	DC: tax-subsidies	Voluntary	Personal	Voluntary	n/a	n/a	Mandatory annuities removed

Sweden (post 2000)

- Gender – derived pension gap: 33 per cent

Pension	*Run by*	*Finance*	*Contribution*	*Benefits*	*Coverage*	*Conditions*	*Help for women*[5]	*Recent changes*
1st pillar Notional DC	State	PAYG	16% salary	NDC	Universal	Points-based systems	Child care credits	Pensionable age flexible (min. 61 years)
2nd pillar occupational	Social partners	From DB to DC	Earnings related	Annuity	c. 90 %	n/a	Survivor benefits Child care credits	As 1st pillar
3rd pillar PPM	State run	DC: tax-subsidies	2.5% salary	Annuity	Mandatory	n/a	Child care credits	As 1st pillar

[5] Paid parental leave includes payment of pension contributions under all 3 pillars: not documented here – see main text for full description