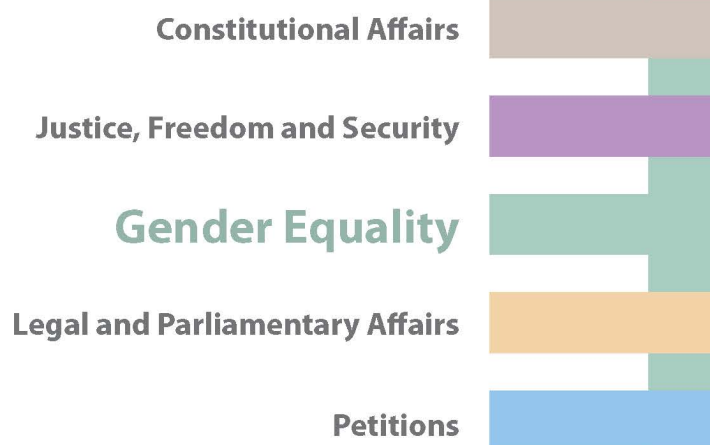


DIRECTORATE-GENERAL FOR INTERNAL POLICIES

**POLICY DEPARTMENT** **C**  
CITIZENS' RIGHTS AND CONSTITUTIONAL AFFAIRS



**Economic Independence  
and the Position of Women  
on the Labour Market of  
the European Union**

IN-DEPTH ANALYSIS FOR THE FEMM COMMITTEE







DIRECTORATE GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT C: CITIZENS' RIGHTS AND  
CONSTITUTIONAL AFFAIRS

GENDER EQUALITY

# Economic Independence and the Position of Women on the Labour Market of the European Union

IN-DEPTH ANALYSIS

## Abstract

Upon request of the FEMM committee, this study examines the position of women on the labour market, drawing particular attention to factors behind the gender pay gap and the gender gap in pensions. The current crisis presents aspects that no other crisis has shown before. On the surface, gaps between men and women are being bridged but under the surface things are more complex and effects more diversified.

Overall, there is a need to introduce a gender perspective in the recovery measures: it would help to get out of the current situation sooner and better.

Document requested by the  
Committee on Women's Rights and Gender Equality

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## LIST OF ABBREVIATIONS

AT	Austria	LV	Latvia
BE	Belgium	MT	Malta
BG	Bulgaria	NL	The Netherlands
CY	Cyprus	PL	Poland
CZ	Czech republic	PT	Portugal
DE	Germany	RO	Romania
DK	Denmark	SE	Sweden
EE	Estonia	SI	Slovenia
ES	Spain	SK	Slovakia
FI	Finland	UK	United kingdom
FLFP	Female Labour Force Participation	IS	Iceland
FR	France	NO	Norway
GGP	Gender Gap in Pensions		
GPG	Gender Pay Gap		
GR	Greece		
HU	Hungary		
HR	Croatia		
IE	Ireland		
IT	Italy		
LT	Lithuania		
LU	Luxembourg		

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## EXECUTIVE SUMMARY

In EU countries a sort of marginalisation toward the working woman still reigns, which tends to occur in both a high concentration of women in low value-added activities and thus low remuneration, and major obstacles to achieving top positions within companies, even though the academic performance of women has been, for some years now, better than that of men. The Gender Equality Index (GEI) shows that the EU is half-way towards gender equality. The range of index scores shows the broad scale of variation throughout the EU in the level of gender equality achieved overall, with much room for improvement in the work and economic independence domains.

**Women at work.** The current crisis presents aspects that no other crisis has shown before. On the surface, the gap between men and women is being bridged but under the surface things are more complex and effects diversified among men and women. Gender gaps are closing not because women have improved their situation but because men saw theirs getting comparatively worse.

Quality of employment deteriorates because employers impose inferior conditions in an effort to curtail costs, or because employees are more willing to accept some worsening if it helps them stay in employment. The evidence available shows that the worsening of working conditions has spared neither men nor women but has affected them differently. It is also perceived differently, making issues of 'more' or 'less' rather questionable.

**Gender pay gap (GPG).** The GPG in Europe has stagnated over recent years. Influencing factors are diverse, some of which tend to increase the pay gap while others may decrease it. Factors can be clustered into individual characteristics (e.g., education), establishment and industry characteristics (e.g., firm size), and institutional characteristics (e.g., minimum wages). Statistical evidence shows that:

- GPG is related in a complex way to women's labour market participation rates.
- Child rearing has a large impact on women's average wages. In some countries, women withdraw from the labour market when marrying or giving birth while returning after a couple of years. A re-entry mostly goes along with an allocation into lower paid jobs than women had before their career break, with an allocation into part-time jobs, or into dead-end jobs (so called 'women's child-penalty').
- Workers in unionised sectors are better protected against gender pay gaps and against poor compliance with minimum wage regulation. Recent studies show that sectors, which are traditionally unionised, tend to have lower pay gaps, such as the public sector.

**Gender gap in pensions (GGP).** Considerable research effort has been concentrated on gender pay gaps in working time. Although a generalisation to pensions is a natural extension, this topic has received little attention. Available data show that GGP is very wide: it is more than twice the figure of the gender pay gap indicator. However, there is no simple relationship between the two figures. Suffice it to say that Estonia (lowest pension gap) also has the highest pay gap.

In general, shorter careers are associated with larger pension gaps, though that relationship is not one-to-one. Distinguishing what was the 'dominant job' during one's



working life, the lowest gender gaps are met in the public sector (where they might even be negative), and the largest for the self-employed.

Towards a PINK NEW DEAL. The crisis may be a great opportunity for a historical change. The entire economic policy has so far ignored gender inequalities and might tend to ignore them even more now, due to the shortage of resources. By contrast, introducing a gender perspective in the recovery measures would help to get out of the current situation sooner and better.

## Aim

This analysis looks at the main challenges concerning the economic independence and the role of women in the labour market in the EU. In particular, it focuses on the existing gaps between men and women, looking at the factors behind them. These include:

- gender gaps in the labour market (employment, unemployment, working conditions);
- gender gap in pay;
- gender gap in pensions.

The analysis takes into account the effects of the crisis and, in drafting policy recommendations, reflects existing good practices. Throughout the report, labour market segregation and women's broken careers are considered as important factors behind gender gaps, according to specific relevance.

## 1. GENERAL INFORMATION

### KEY FINDINGS

- In EU countries a sort of marginalisation of women in the labour market still reigns; this tends to occur in both low value-added activities and thus low remuneration, and high-skilled occupations. There are still major obstacles to achieving top positions within companies, although the academic performance of women has been, for some years now, better than that of men.
- The Gender Equality Index (GEI) shows that the EU is half-way towards gender equality. The range of index scores shows the broad scale of variation throughout the EU in the level of gender equality achieved overall, with much room for improvement in the work and economic independence domains.

In recent years, the debate about welfare policy has paid more attention than in the past to vulnerable people, including women. It focuses on a series of measures to stimulate women's entrepreneurial skills, to reduce barriers to entry into self-employment, to support the rights of equality and empowerment of women, being aware that only a social model such as this could effectively halt the population decline, the aging of the population, and create a positive impact for the future economic and social development of the region.

However, what worries most is that a sort of marginalisation still reigns in EU countries, a segregation, both vertical and horizontal, towards the working woman, which tends to occur in both a high concentration of women in low value-added activities and thus low remuneration (such as poor tertiary), and major obstacles to achieving top positions within companies, despite the academic performance of women which has been, for some years now, better than that of men.

The Gender Equality Index (GEI) provides a comprehensive measure of equality between women and men relevant to the EU policy framework. The results presented in Table 1 show that the EU is half-way towards gender equality, although there are large differences between member states in how close they come to the equality point. The range across index scores shows the broad scale of variation throughout the EU in the level of gender equality, with the most problematic areas in the domains of power and time. It also shows that there is much room for improvement in the work and economic independence (money) domains.

## 2. WOMEN AT WORK

### KEY FINDINGS

- The current crisis has aspects that no other crisis has shown before. On the surface, the gap between men and women is being bridged but under the surface things are more complex and effects diversified between men and women. This reduction of gender gaps is mainly due to men's situation comparatively worsening, rather than an actual improvement of women's economic position.
- The quality of employment is deteriorating because employers impose worse employment conditions in an effort to curtail costs, or because employees are more willing to accept some worsening if it helps them stay in employment. The evidence available shows that the worsening of working conditions has spared neither men nor women but has affected them differently. It is also perceived differently, making debates on who would be 'more' or 'less' affected rather questionable.

### 2.1. Narrowing gender gaps in the labour market

Key employment indicators show a narrowing of gender gaps in the EU. Although the activity and employment rates for women in the EU are still much lower than for men, there have been important changes in Europe over recent years, and especially since the 2008 economic crisis. While the activity rate for men remained stable between 2009 and 2013, the rate for women increased by about 2 percentage points (p.p). At the same time, while male employment rate dropped by about 2.5 p.p., it remained stable for women. As a result, gender gaps in the activity and employment rates have narrowed (Figure 1).

Similarly, the gap between female and male unemployment rates has been narrowing. The gender gap in unemployment rates in the first quarter of 2008 was about 1.0 p.p., falling to near zero by the first quarter of 2013 (Figure 2). Nevertheless, recent figures show that unemployment is falling faster for men than for women and in several member states female unemployment rates remain at their post-crisis peak.

In the EU, the share of women in part-time work (per total female employment) is still considerably higher than for men (32% compared to 9% in the last quarter of 2013, and 30.5% compared to 7% in the last quarter of 2008). Moreover, the extent of female part-time employment varies considerably across the EU. Part-time work by women is most common in the Netherlands (77%), followed by Austria (46%), Germany (45%), Belgium (42%), the UK (41%), Luxembourg (40%), Sweden (38%), Ireland (35%) and Denmark (34.5%). Some of these also have high female employment rates (Figure 3).

While working part-time can reflect personal lifestyle preferences and positively contribute to the work-life balance of female workers, the high share of female part-time employment may also stem from multiple constraints, including family and care-related reasons (European Commission 2013, p. 185). Also, involuntary part-time can be used as alternative to lay-offs (see next section).

Conversely, very low rates of part-time work may also be problematic as they may result from rigid working time arrangements set by the employer or the legal framework (European Commission 2013, p. 226). This is the case in Bulgaria, Slovakia and Hungary, where women's average working hours are as high as that of men, and where part-time work accounts for less than 10 per cent. In these Member States women appear to delay their labour market participation, as shown by large employment gaps between the 25-34 and the 34-54 age groups (Czech Republic and Bulgaria). This is most probably due to parenthood and is supported by evidence of a low nursery-enrolment rate among children below 3 years of age in these countries (European Commission 2013, p. 203).

## 2.2. Quality of work deteriorates as effect of the crisis

Economic crises heighten the risk that the 'quality' of employment will decline, because employers impose inferior conditions in an effort to curtail costs, or because employees are more willing to accept some worsening if it helps them stay in employment. Available evidence shows that the worsening of working conditions has spared neither men nor women, but has affected them differently. It is also perceived differently, making issues of 'more' or 'less' rather questionable.

Part-time working has risen during the recession, and it has been used in Europe to avoid the harder option of firing.<sup>1</sup> According to the results of the European Social Survey conducted in 17 member states to investigate working conditions during the recession, more than 10% of female respondents reported having to work shorter hours in 14 of these countries (as against 13 for men).

Given the use of shorter hours as an alternative to lay-offs, any increase in part-time employment during this recession may be considered as a mixed blessing. However, when workers identify themselves as 'involuntary part-timers', it is the sense of loss that prevails. In 2013, the share of involuntary over total part-time, for male workers, rose to 40.2%, up 9.9 p.p. from its 2007 level. Among women, the corresponding value is 26.3%, up 6 points over the same period. Country-specific patterns vary, of course, but those worst hit by the upsurge in involuntary part-time employment also tend to be those where there was more of it already (Figure 4). Specifically, Mediterranean countries such as Greece, Italy, Spain, and Cyprus have the largest share of involuntary part-time, as well as some of the largest increases for both genders. In percentage terms, however, it is Ireland that leads the league for increases, although its starting value was comparatively low among women. Nordic countries are more frequently found at the opposite end of the range to Mediterranean countries, while Eastern countries are found at both ends.

Unlike part-time, temporary employment is distributed fairly equally between men and women, with a slight prevalence of the latter (Figure 5). In EU27, men on temporary contracts reached 13.3% of total male employment in 2013, while the figure for women was 1 p.p. higher (14.3%).

It is well known that temporary employees are disproportionately concentrated among younger workers. Temporary employment may bring some advantages to young workers, including more opportunities to shop around for better jobs; however, this crisis has added

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<sup>1</sup> See Hijzen A. and D. Venn (2011), "The Role of Short-Time Work Schemes during the 2008-09 Recession", OECD Social, Employment and Migration Working Papers, No. 115. Available at: <http://dx.doi.org/10.1787/5kgkd0bbwvxp-en>

higher cyclical sensitivity to the list of disadvantages for this type of labour relations. The average young worker on temporary employment in the EU experienced a wage penalty of 14.4% in 2012 in comparison with a worker on a standard contract with similar characteristics. Moreover his/her chances of transiting to a standard, indefinite-period work contract were barely over one third in the same year.<sup>2</sup>

This has an important gender twist. Temporary contracts may preclude access to full maternity benefits, for example if the woman becomes pregnant during a spell of unemployment. Moreover, uncertainty about the timing and conditions of the next (sequence of temporary) jobs creates a specific disadvantage for young women. It has been found that fertility is delayed when labour market prospects are unclear.<sup>3</sup> While this holds true in good and bad economic times, for the young female cohorts affected by the crisis uncertainty may lower fertility altogether, since a postponement of a few years will significantly shrink a woman's reproductive period.<sup>4</sup>

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<sup>2</sup> See Samek Ludovici M., Platenga J. and C. Remery (2013), *Starting Fragile. Gender Differences in the Youth Labour Market*, ENEGE report, Brussels. Available at: [http://ec.europa.eu/justice/gender-equality/files/documents/130902\\_starting\\_fragile\\_report\\_2013\\_en.pdf](http://ec.europa.eu/justice/gender-equality/files/documents/130902_starting_fragile_report_2013_en.pdf)

<sup>3</sup> See Adsera A. (2004), "Changing Fertility Rates in Developed Countries. The Impact of Labor Market Institutions", *Journal of Population Economics*, n.17, pp. 17-43; Modena F. and F. Sabatini (2012), "I would if I Could: Precarious Employment and Childbearing Intentions in Italy", *Review of Economics of the Household*, 10(1): 77-97.

<sup>4</sup> See Billari F.C., Goisis A., Liefbroer A.C., Settersten R.A., Aassve A., Hagestad G. and Z. Spéder (2011), "Social Age Deadlines for the Childbearing of Women and Men", *Human Reproduction*, 26(3): 616–622.

### 3. GENDER PAY GAP

#### KEY FINDINGS

- The Gender Pay Gap (GPG) in Europe has stagnated over recent years. Factors influencing the GPG are diverse, some of which tend to increase the pay gap while others may decrease it. Factors may be clustered into individual characteristics (e.g. education), establishment and industry characteristics (e.g., firm size), and institutional characteristics (e.g. minimum wages). The GPG is related to women's labour market participation rates in a complex way.
- Workers in unionised sectors are better protected against gender pay gaps and against poor compliance with minimum wage regulation. Tijdens and Van Klaveren (2012) study variation in the gender pay gap in 15 sectors and show that sectors, which are traditionally unionised, tend to have lower pay gaps (e.g. the public sector.)

#### 3.1. The Gender Pay Gap stagnates

Despite a sharp narrowing of the global gender pay gap between the 60s and the end of the 90s,<sup>5</sup> the gender pay gap in Europe has stagnated over recent years. The latest figures show an average 16.4% gender pay gap in 2012, with the figure around 17% or slightly higher in previous years (Figure 6).

#### 3.2. Factors affecting the gender pay gap

To understand changes in GPG over time, one must realise that the factors influencing the GPG are diverse, some of which tend to increase the pay gap while others may decrease it. The impact of each factor may differ widely across countries. Factors may be clustered into individual characteristics, establishment and industry characteristics, and institutional characteristics.

Education, for example, is an individual factor. In most countries, workers with better education have on average higher earnings. Thus, if the share of high-educated women in the female labour force in a country increases faster compared with the share of better-educated men in the male labour force, the GPG will decrease.

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<sup>5</sup> Weichselbaumer and Winter-Ebmer (2005) analyses more than 260 published gender pay gap studies for over 60 countries and finds that, from the 1960s to the 1990s, raw wage differentials worldwide have fallen substantially from around 65% to 30%. The bulk of this decline is due to better labour market endowments of women. The 260 published estimates show that the unexplained or discriminatory component of the gap has not declined over time. A study of the OECD countries for the period 1980 - 2004 reveals that the size of the GPG tends to decline in all countries for which data are available. Since the early 1980s, the OECD notices that the largest decline has occurred in the US, and that in Japan and the United Kingdom the gap is also steadily narrowing. Some countries show fluctuating trends. In Sweden, for example, the gender pay gap was 14.5% in 1980, increased to 19.6% in 1990, and decreased again to 14.8% in 2004. Cf. OECD (2007), *Society At A Glance: OECD Social Indicators*, OECD Publishing, Paris.

Firm size is an establishment factor. In general, workers in larger firms have on average higher earnings. Thus, if, in a country, the share of women working in large firms increases faster compared with the share of men doing so, the GPG will decrease.

Minimum wages are an institutional factor. Assuming compliance with minimum wage regulation, these can be assumed to raise the wage floor. As more women are paid low wages compared with men, minimum wage-setting is assumed to decrease a country's GPG.

As far as institutional factors are concerned, a report by the European Commission from December 2013 on the implementation of EU rules on equal treatment for women and men in employment (Directive 2006/54/EC) found that equal pay is hindered by a number of factors. These include a lack of transparency in pay systems, a lack of legal clarity in the definition of work of equal value, and procedural obstacles. Such obstacles are, for example, the lack of information for workers necessary to bring a successful equal pay claim or including information about pay levels for employee categories (IP/13/1227). Increased wage transparency could improve the situation of individual victims of pay discrimination, who would then be able to compare themselves more easily to workers of the other gender.

The GPG is related in a complex way to women's labour market participation rates. Depending on the initial situation of a country, an increase in women's participation rates may affect GPG differently. If relatively large groups of poorly-educated women enter the labour market, the GPG will increase, assuming a stable stock of male workers. If relatively large groups of well-educated women enter the labour market, the GPG will decrease. Furthermore, in a country with low participation rates, on the one hand, the GPG may be low because the participating women might be well educated, gaining most financially from participating, as their earnings are relatively high. On the other hand, the participating women might be the ones with poor education and low earnings because they need to work to make ends meet. In this case, the GPG is expected to be wide, as concentration in low-paid jobs suppresses women's average wages.

In most countries, the increase in women's participation rates is predominantly due to the employment growth in the services sector and in the public sector. As Tjeldens and Van Klaveren (2012) show, in many countries, the average wages in these sectors are higher compared to average wages especially in agriculture and manufacturing. Thus, countries witnessing these changes can expect a decrease of the GPG, assuming all other factors remaining constant. However, a strong occupational segregation may allocate women into the low paid jobs within these industries and as a consequence, the GPG may increase.

Child rearing has a large impact on women's average wages and thus on GPG. In some countries, women withdraw from the labour market when marrying or giving birth while returning after a couple of years. A re-entry mostly goes along with an allocation into lower paid jobs than women had before their career break, with an allocation into part-time jobs, or into dead-end jobs. This is called 'women's child-penalty'. Therefore, a raising share of re-entering women is likely to cause an increase in GPG. However, in some countries where women withdraw from the labour market and do not re-enter, the GPG is likely to decrease.

Workers in unionised sectors are better protected against gender pay gaps and against poor compliance with minimum wage regulation (Tjeldens and Van Klaveren, 2012). Sectors that are traditionally unionised tend to have lower pay gaps, such as the public sector. Those with low unionisation rates and low wage levels, such as retail, hotels and

restaurants, and agriculture, tend to have relatively higher gender pay gaps. This suggests that these sectors suffer from low levels of compliance with minimum wage regulations. Male-dominated sectors such as construction have the smallest gender pay gaps. This is mainly attributed to the low numbers of women working in this sector combined with a relative higher level of education. Domestic workers show the lowest level of earning and the largest average gender pay gaps. This is mainly due to their low level of unionisation and the fact that many female workers live in the house of their employers, with an average wage in cash much lower than the one of their male colleagues.



## 4. GENDER GAP IN PENSIONS

### KEY FINDINGS

- The gender gap in pensions is very wide: it is more than twice the figure of the gender pay gap indicator. However, there is no simple relationship between the two figures.
- Women in the past have worked for fewer years than men. In general, shorter careers are associated with larger pension gaps, though that relationship is not one-to-one.

### 4.1. Factors affecting the gender gap in pensions (GPG)

Pensions are the single most important component of older people's income, especially for women. Thus, they are an important determinant of the economic independence of their beneficiaries, meaning the capacity of an individual to lead an independent life and to take decisions for him/herself. In this way, differences in pension rights between women and men lay the foundation of gender differences between the sexes in later life as regards capacity for individual choice.

When examining independence for people of working age, we are naturally led to think about the gender pay gap. Focusing on gaps in pensions would be the natural follow-up (or sequel) to an interest in gender pay gaps. Those gaps would reflect the accumulated disadvantages of a career spent on a gender-biased labour market.

The structure of pensions is influenced by three sets of factors.

Long-term structural changes: ageing is obviously the most important influence, although echo effects of past employment also play a role. Today's pensions may reflect yesterday's employment as well as social norms such as divorce, widowhood, and cohabitation between generations.

Past pension reforms: today's pensioners are frequently covered by transitional arrangements. They will have lived and worked under one system and will in many cases receive benefits under another. Being a 'group stuck in the middle', they may not be protected by the internal operational logic of the system, whether new or old. As time proceeds, however, more individuals will be affected by new features and be vulnerable to new kinds of pension risks. Two reforms are most likely to have a disproportionate effect on women. Firstly, the switch in emphasis from public ('first pillar') pensions to occupational ('second pillar') pensions: the overall effect tends to tighten the link between contributions and benefits (so called 'the privatisation of risk'). Secondly, the emphasis on working longer; although its rationale is unassailable, there may be hidden side effects in the medium term leading to lower pensions for those who do not respond to the incentives.

Short-term pressures connected with the current economic crisis: these pressures vary from country to country but could lead to important swings in gender effects; these could affect both occupational and State systems.<sup>6</sup>

## 4.2. Measuring pension gaps

Considerable research effort has concentrated on Gender Pay Gaps. Although a generalisation to pensions is a natural extension, this topic has received little attention. Does old age maintain pre-existing inequalities, does it cumulate and amplify them, or does it give a chance to level out life chances? The broad international literature concludes that GPG are the result of three factors: women participate less in the labour market; they work fewer hours and/or years; they receive lower wages.<sup>7</sup> The 'bad news' is that these facts snowball women's career earnings. The 'good news' is that pay gaps have been shrinking in the past two decades, although progress has slowed down in recent years.

Does this mean that pension gaps will likewise start shrinking with a similar lag, and that therefore they are a problem that will correct itself? In Europe, this question has not been formulated; or if it has been formulated, it has not been answered. There exist a number of national studies with a focus on specific institutional features or reforms.<sup>8</sup> The overall picture of where Europe is – and of where it is going – is essentially absent.

That is why it is so important to have an idea of the extent of the GGP in Europe: the indicator presented in Figure 7 consists of the difference in average pensions between men and women over 65, calculated in terms of pensions gross of tax (i.e. before tax is deducted).<sup>9</sup>

Taking the EU as a whole (weighted by population), men receive on average higher pensions than women by 39%. The widest difference is observed in Luxembourg (47%), followed by Germany (44%), and the UK (43%), which are clearly above the average. The Netherlands (40%), Cyprus (39%) and France (39%) are around the average. A large group of countries have values exceeding a third (Greece, Ireland, Austria, Spain, Portugal, Bulgaria), while five other countries are around 30% (Sweden, Romania, Italy Norway, and Slovenia). It is thus true to say that in 17 of the 27 Member States women receive a pension which is on average 30% or more lower than men's. The EU average, being calculated on a population-weighted basis, is heavily affected by the gap of the larger countries, most notably Germany, the UK and France. Finland (25%), Poland (23%) and Denmark (19%) do fare better but still show sizeable differences in GGPs. The lowest values are found for Eastern European countries: Lithuania (15%), Hungary (15%), the Czech Republic (13%), Latvia (9%) and the Slovak Republic (8%). Estonia is 'top of the class' as women's pensions are only 4% lower.

<sup>6</sup> Cf. Corsi M., Crepaldi C. and M. Samek Lodovici (2011), *The Socio-economic Impact of Pension Systems on the Respective Situations of Women and Men and the Effects of Recent Trends in Pension Reforms*, EGGSI report for the European Commission; available at: [http://ec.europa.eu/justice/gender-equality/document/index\\_en.htm](http://ec.europa.eu/justice/gender-equality/document/index_en.htm)

<sup>7</sup> Jefferson T. (2009), "Women and Retirement Pensions: A Research Review", *Feminist Economics*, 15: 115-145.

<sup>8</sup> See Horstmann S. and J. Hüllsman (2009), *The Socio-Economic Impact of Pension Systems on Women*, Gesellschaft für Versicherungswissenschaft und Gestaltung (GVG), European Commission, DG Employment, Brussels; Brugiavini A., Cavapozzi D., Pasini G. and E. Trevisan (2013), "Working Life Histories from SHARELIFE: A Retrospective Panel", *SHARE Working Paper Series*, 11-2013.

<sup>9</sup> All statistical evidence discussed in this part of the study is taken from Bettio F., Tinios P. and G. Betti (2013), *The Gender Gap in Pension in the UE*, ENEGE report for the European Commission - DG Justice, Brussels. Available at: [ec.europa.eu/justice/gender-equality/files/.../130530\\_pensions\\_en.pdf](http://ec.europa.eu/justice/gender-equality/files/.../130530_pensions_en.pdf)

To understand how wide is the pension gap in Europe, one needs a point of comparison. In the case of pensions, the obvious yardstick is the gender pay gap. Pensions replace employment income at an older age when that ceases, so the comparison is a natural one to make. It must be noted, of course, that today's pay gap and today's pension gaps refer to different groups of people. If evaluated today, pension gaps average income sources of a different generation than the one currently earning income in the labour market.<sup>10</sup> Nevertheless, in order to grasp orders of magnitude, it is important to see how the two gaps compare (Figure 8).

One first observation is that pension gaps are considerably wider than pay gaps: the average pay gap (16.2%) is less than half the average pension gap (39%). This is expected given that women work fewer hours per year as well as receiving less on an hourly basis. Thus a given pay gap is magnified into a wider annual earnings gap. In addition, women also work fewer years, and hence it can be expected an even wider career earnings gap.

Secondly, no simple relationship appears to link the two indicators. The country with the widest pay gap (Estonia) is the one with the lowest pension gap. A clearer picture of the relationship between pay and pension gaps can be derived from the scatter diagram linking the two sets of observations. Figure 9 in the annex plots pension gaps against pay gaps: the two sets of data cannot be linked with a direct causal relationship, as they refer to different people, i.e. a younger cohort working and an older cohort drawing pensions.

The scatter confirms the impression that there is no simple linear relationship between pension and pay gaps across countries; the line of best fit is almost flat and explains a tiny part of the variation ( $R^2=0.034$ ).

### 4.3. Do pension gaps reflect broken careers for women?

An important hypothesis explaining gender gaps in pensions is that gender gaps in pensions are to a large extent a reflection of women's low and intermittent previous involvement with paid labour. In particular, especially in recent decades, a large number of women dropped out of the labour force in order to fulfil their family responsibilities. This may have reflected personal choice but may also have been imposed on them by insufficient childcare facilities, inadequacies in maternity leave, etc.

To define what a broken career means, and to classify women into categories according to labour force attachment, is quite a complex task. Following Bettio et al. (2013), it can be assumed that women with a number of years of employment greater than the median years<sup>11</sup> for their country do not have a broken career problem. To classify the remainder it is sufficient to note that in those countries that base their system on social insurance principles, the cut-off for pension entitlement ('vesting') is usually 15 years. Thus it makes sense to define three groups: (1) women with years of employment between 0-15 years

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<sup>10</sup> In the study of ageing, a key distinction is between age groups and cohorts (i.e. people born at a particular time period). Today's 60-year olds (born around 1950) may behave differently than the 60 year-olds of 1990 (who had been born around 1930). At any one time, however, the two concepts coincide. One should always be careful of making generalisations based solely on age, as these may be due to a cohort effect and hence not hold in the future.

<sup>11</sup> The (un-weighted) median value of years in paid work in the EU as a whole (but excluding Sweden, Denmark and Finland which do not report this variable in the SILC survey) is 28 years for men, 21 for women, with little change if we average out the single country's median values in lieu of calculating the median at the aggregate EU level. For women, however there is considerable dispersion across countries: from 10 years in Malta and 16 in the Netherlands, to 29 years in the Czech Republic and 30 years in Hungary.

(distinguished into two subgroups in Table 2);<sup>12</sup> (2) those between 15 and the median; (3) greater than the median. Many (perhaps most) women who have fewer than 15 years' work experience would have worked after leaving school and at the early stages of building a family; thus at the age of 65 their involvement in employment may only be a distant memory. Given that many pension systems have vesting requirements, a woman who may have worked in the 1970s for 4-5 years would, for social insurance purposes, be treated in the same way as someone who has never worked.<sup>13</sup> Both would only receive an old-age pension, or a means-tested 'standard' pension at the age of 65. This is the reason for aggregating the 'never worked' group (0 years) with those with a few years of payments.

Table 2 shows the classification of women into the three groups. It further breaks down the low category into those with 0-10 and those with between 11 and 14 years' employment. In nine countries (Luxembourg, Cyprus, France, Greece, Ireland, Spain, Italy, Belgium and Slovenia), more than one in four women had been in employment for less than 14 years. On the contrary, in most Eastern European countries (with the possible exception of Poland and Romania), broken careers (in the sense of a large number of women with fewer than 15 years' work) appear to be less of an issue.

It can therefore be concluded that broken careers appear to be a major issue in explaining gaps in pensions. In almost all countries, women with a working life of less than 14 years exhibit a significantly greater Gender Gap in Pension income (Table 3).<sup>14</sup> In Germany for instance, women who had been in employment for less than 14 years appear to have twice as high a Gender Gap in Pensions income (64.1%) compared with women with the 'median' working life (31.8%). The trend is also to be seen in France, Austria and to a lesser extent in Spain. The 'dominant pattern' holds with broken careers being associated with greater pension gaps; as years of employment increase, pension gaps shrink. However, in Bulgaria and in Poland, there appears no significant variation across different working life categories. Greece is the main exception where, remarkably, gender gaps are higher for women with the 'median' working life. This extraordinary result may well be an artefact of the fragmentation of the system into occupational categories, each with very different generosity. Portugal is a partial exception since it records the lowest gap among women having spent between 15 years and median years in employment.

<sup>12</sup> If the years worked data were of better quality, or if there could be access to administrative data, it would have made sense to distinguish 'no work' with even a small number of years.

<sup>13</sup> A recent judgment of the Court of Justice of the European Union in Case C-385/11 ruled that Spanish legislation on contributory pensions discriminates against women on account of the higher prevalence of part-time work and is thus contrary to Council Directive 79/7/EEC.

[http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri= CELEX:62011CJ0385:Es:NOT](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:62011CJ0385:Es:NOT)

<sup>14</sup> To apply this categorization in order to compute gender gaps for each gradation of broken career and in order to get around the problem that broken careers are an exclusively female issue, the average pension for women in each broken career category is compared to the overall mean pension for all males. In this way all three computed gender gaps in pension have the same denominator.

## 5. CONCLUSIONS AND RECOMMENDATIONS: TOWARDS A 'PINK NEW DEAL'

### KEY FINDINGS

- The crisis may be a great opportunity for historical change. The entire economic policy has so far ignored gender inequalities and might tend to ignore them even more now, due to the shortage of resources. By contrast, introducing a gender perspective in the recovery measures would help all of us to get out of the current situation sooner and better.

At this particular time in European public life, it is worth focusing on the identification of useful tools to achieve real gender equality: to act only on the labour market, and its rules? Operate by specific forms of taxation? Or call into question the whole division of care work at home and outside?

From the answers to these questions, all to be formulated, a setting of economic policy could emerge, a "pink new deal", recalling the "Roosevelt" way out from the biggest recession in history, that of 1929. There is indeed a need of a general plan of investment in social infrastructure on which to base the economic growth of our countries. Schools, kindergartens, universities, and care for the elderly are an investment that generates employment and encourages qualified female employment.<sup>15</sup> There is a large demand for quality services around Europe: if they increase, a growing number of women would be able to work outside the home, because the companies that provide them are often run by women who have shown they can stay on the market, despite the major difficulties faced in accessing credit at a time of credit crunch. It has been estimated that with a gendered investment plan, European GDP will increase gradually, reaching a level 2.4 p.p. higher by 2018 than without the investment plan (Hansen and Andersen, 2014).

### 5.1. Recommendations

National Governments and national Parliaments should fully acknowledge the scope for fiscal policies to enhance female labour force participation (FLFP). Taxation of labour income and government spending on social welfare benefits and pensions both affect labour markets similarly. They weaken the link between labour supply and income, thereby influencing the decision to participate in the labour market. Thus, the appropriate design of benefits is important to avoid disincentives to work. Elborgh-Woytek et al. (2013) outlines a wide range of fiscal policies to enhance the labour force participation of both women and men.

- Replacing family income taxation with individual income taxation. Empirical studies indicate that the female labour supply is more responsive to taxes than the male labour supply. Hence, reducing the tax burden for (predominantly female) secondary earners by replacing family taxation with individual taxation could

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<sup>15</sup> See UK Women's Budget Group (2013), To Ensure Economic Recovery for Women, We Need Plan F, Briefing note, [www.wbg.org.uk](http://www.wbg.org.uk)

potentially generate large efficiency gains and improve aggregate labour market outcomes.

- Tax credits or benefits for low-wage earners could be used to stimulate labour force participation, including among women. These so called “in-work” tax credits reduce the net tax liability - or even make it negative for low-wage earners - thereby increasing the net income gain from accepting a job, and are usually phased out as income rises. In countries that emphasise the income support objective, credits are generally phased out with family income and are often conditional on the presence of children in the household.<sup>16</sup> However, the phasing out of credit with family income results in high marginal tax rates for both the primary and the secondary earner in a family, creating strong adverse labour supply effects among secondary earners. By contrast, in countries that emphasise labour force participation, credits are usually phased out with individual income - the preferable policy to increase FLFP - as the marginal tax rate applied to the secondary earner will generally remain lower.<sup>17</sup>

Some examples of the practices existing already are shown in Box 1.

#### Box 1: Examples of good practices at national level

##### Enhancing Female Labour Force Participation

In the Netherlands, the increase in the female labour force participation rate (FLFPR) from about 35 per cent in 1980 to more than 80 per cent in 2008 can be attributed to a breakdown in barriers between full-time and part-time work contracts, in combination with well-compensated parental leave. Part-time workers benefit from the same hourly wages, social security coverage, employment protection, and rules as full-time workers, which also facilitates the transition from part-time to full-time status (ILO, 2010).

Sweden's high female labour participation rate, with a gender gap of only 6%, is mostly attributed to a generous and flexible parental leave policy with a high coverage rate for child care, job guarantees, and eligibility for reduced working hours. OECD countries with the highest public spending as a share of GDP on child care and education services for children under the age of five have been found to have higher employment rates among mothers with young children (Aguirre et al., 2012).

Germany's “Skilled Labour Strategy” includes measures to improve the availability of child care facilities and to promote more family-friendly working hours, in order to raise the FLFP rate (IMF, 2012).

In Italy, the reform of the labour market in 2012 (Law 92/ 2012, the “Fornero reform”, after the labour minister who promoted it) indirectly targets women having the aim of decreasing the variety of contractual arrangements for atypical jobs and reducing the improper use of some of them. This reform introduced a more universal system of social protection which widens the coverage of the unemployment benefit scheme; it facilitates transition from school to work and favours work experience for young people still in formal education. Moreover, it includes two innovative measures for the conciliation of work and family life: 1) compulsory paternity leave; 2) vouchers for child-care services (Rosselli, 2013).<sup>18</sup>

<sup>16</sup> This is the case in France, Ireland, the Slovak Republic, and the United Kingdom.

<sup>17</sup> This approach is followed in Belgium, Finland, Germany, the Netherlands, and Sweden.

<sup>18</sup> It is too early to assess the impact of the whole package of the Fornero Reform, but a welcome novelty is the implementation of a well-organized system of data-collection to monitor its impact, which could be useful now that reform of the reform is already under way.



### Targeting financial independence of women<sup>19</sup>

In Austria, a means-tested minimum income scheme was introduced in 2010 as the successor of the system of social assistance. It is paid by provincial councils and envisages a minimum security payment oriented at the equalisation supplement reference rate of €747 (2009). The granting of minimum payments is coupled with the willingness to work if the beneficiary is able to. Positively, lone parents are granted a higher benefit than under past regulations to ward off the higher-than-average risk of poverty in this group. Means-tested minimum income payments were coupled in 2010 with the willingness to work if the beneficiary is able to work.

In Belgium, social assistance takes the form of a guaranteed minimum income called the Social Integration Income (Revenu d'intégration social, RIS). RIS is linked to a "right and duty" activation scheme that is obligatory for beneficiaries aged 18-25 and optional for other applicants. RIS is means tested, provided for as long as necessary, and varies according to household composition. The number of RIS beneficiaries has increased during the crisis, and women are the main beneficiaries. A specific, means-tested minimum guaranteed income scheme is provided to older persons (GRAPA), and women are the main recipients.

In France, during the recession, a new income-support scheme, the Active Solidarity Income (RSA), has been implemented. It can be seen as a welfare-to-work reform, encouraging income support recipients to participate in the labour market.

In Luxembourg, a basic guaranteed income (revenu minimum garanti or RMG) is provided either via an integration benefit<sup>20</sup> or a supplementary allowance<sup>21</sup> to individuals who do not have any income or whose income is below the minimum level set by law, either in an individual capacity or jointly with other members of their household. As of 1 January 2011, the basic guaranteed income amounted to €1,251.97 per month for a single person, €1,877.93 for a couple, €358.20 per additional adult, and a further €113.81 s for each child under the age of 18 who qualifies for family allowance.

### Promoting equal pay<sup>22</sup>

In Belgium, Parliament passed a law in 2012 obliging companies to carry out a comparative analysis of their wage structure every two years. Belgium was also the first EU country (in 2005) to organise an Equal Pay Day.

In France, the Government has strengthened existing sanctions against firms with 50 employees and above that do not respect their obligations regarding gender equality. For the first time, as a result of a 2012 decree, two firms were found in April 2013 not to have complied with the legislation on equal pay.

In Austria, the Equal Treatment Act obliges companies to draw up equal pay reports. The rules, which were phased in gradually, are now compulsory for companies with over 250, 500 and 1000 employees. Companies with more than 150 employees will have to produce a report starting in 2014.

In Portugal, a Parliamentary Resolution dated 8 March 2013 includes measures to guarantee and promote equality of opportunity and results between women and men in the labour market, including the elimination of wage gaps. The measures include reporting on gender gaps in wages by industry.

<sup>19</sup> Cf. Corsi M., Cipollone A., D'Ippoliti C., Samek Lodovici M., Sansonetti S. (2009), Gender Mainstreaming Active Inclusion Policies, EGGSI report for the European Commission – DG Employment, Brussels. Available at: [ec.europa.eu/social/BlobServlet?docId=6335&langId=en](http://ec.europa.eu/social/BlobServlet?docId=6335&langId=en)

<sup>20</sup> The integration benefit is linked to assistance programmes for seeking employment, and job creation scheme and is paid to persons who meet certain criteria and are capable of working.

<sup>21</sup> The supplementary allowance is aimed at persons who do not qualify for measures to promote integration into working life or who are temporarily exempt from these. It makes up the difference between the maximum amounts of basic guaranteed income and the means at the household's disposal.

<sup>22</sup> Cf. European Commission (2014), Equal Pay Day, Press release, IP-14-190, Brussels.

The Council should ensure the exchange of these good practices and issue, where appropriate, guidelines for the Member States.

The European Parliament should cooperate with and hold accountable the Council and the Commission for removing labour market distortions and creating a level playing field for measures that would help boost the demand for women's labour. Besides, it has to be taken into account that the norms that apply to women's participation in the labour market have a tangible impact on labour demand, FLFP, and thereby on macroeconomic outcomes. The persistence of gender gaps in pay (and pensions) shows that, despite significant progress over time, gender-based discrimination persists. Indeed, changes in legislation and social norms in recent decades have supported an increasing demand for female labour and have made it possible for women to seek paid employment outside their homes and to contribute to family income. However, while anti-discrimination provisions have been adopted legally within all EU countries, some measures have proven difficult to enforce.

In this sense, the European Commission should propose policies to improve anti-discrimination enforcement, including (OECD, 2008 and 2012):

- Increasing the awareness of legal rights to equal treatment by conducting information campaigns.
- Providing the right incentives: a robust burden-of-proof framework can encourage discrimination claims before courts while minimising the risk for unjustified claims.<sup>23</sup>
- Empowering national equality bodies to conduct formal investigations on their own initiative (without an individual complaint) can increase employers' awareness of equality issues and help potential victims of discrimination.

Last but not least, the European Commission should reconsider the formulation of indicators of gender equality to monitor the social impact of the crisis. The apparent improvement of many gender inequalities despite the deterioration of jobs, wages, working conditions, and income for men and women raises questions about the ability of these "gender gap" indicators to capture the trends of gender equality adequately during a recession. In this direction, and in line with the recommendations made by the Council of the European Union (2014), the European Commission should:

- Cooperate with EIGE to improve the quantity and quality of sex-disaggregated data and support further research on gender-relevant issues, including on women and men's perceptions of their role in the labour market and of the sharing of activities within the household, as well as their perceptions of working conditions and factors that limit opportunities in the labour market in EU-28 Member States.
- Review regularly the progress achieved on those critical areas of concern identified in the Beijing Platform for Action for which indicators have already been developed by EIGE, taking the outcomes of these reviews into account in the Commission's annual Report on Progress on Equality between Women and Men.

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<sup>23</sup> The corresponding provisions of Directive 2006/54/EC would need then to be reinforced by accompanying measures like guidelines for Member States and enterprises.



In this respect, the European Parliament as one arm of the budgetary authority should

- Provide EIGE with the appropriate resources to keep on monitoring the critical area Women and the Economy (Area F) of the Beijing Platform for Action by using the existing indicators, and further developing and improving these indicators.
- Monitor and evaluate the correct implementation of EU legislation in the field of employment and social policy.

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## ANNEX: TABLES AND FIGURES

**Table 1: Scores of the Gender Equality Index (GEI) (%)**

Country	Index	Work	Money	Knowledge	Time	Power	Health
<b>BE</b>	59.6	66.4	79.3	54.7	45.3	45.2	94.1
<b>BG</b>	37.0	49.9	40.7	32.0	17.3	33.8	84.5
<b>CZ</b>	44.4	71.6	59.3	37.3	23.2	29.6	89.6
<b>DK</b>	73.6	81.6	79.2	75.1	64.9	60.0	91.8
<b>DE</b>	51.6	72.5	76.3	44.1	41.6	28.0	89.5
<b>EE</b>	50.0	64.6	49.1	53.0	51.4	27.5	83.8
<b>IE</b>	55.2	71.0	77.0	52.8	53.4	26.5	96.4
<b>EL</b>	40.0	59.7	63.3	36.7	17.4	24.4	92.4
<b>ES</b>	54.0	61.3	60.7	53.5	33.8	47.2	90.7
<b>FR</b>	57.1	67.0	75.9	49.4	35.8	50.3	90.6
<b>IT</b>	40.9	60.6	68.2	32.1	33.0	18.6	90.8
<b>CY</b>	42.0	68.7	74.1	52.9	25.3	12.2	91.1
<b>LV</b>	44.4	54.9	42.0	38.8	35.2	38.6	77.1
<b>LT</b>	43.6	61.0	41.5	47.4	24.1	32.1	84.9
<b>LU</b>	50.7	66.4	90.9	61.1	48.9	14.7	93.9
<b>HU</b>	41.4	55.9	54.4	35.1	32.5	24.4	83.7
<b>MT</b>	41.6	55.0	68.2	34.0	37.5	18.7	93.2
<b>NL</b>	69.7	73.1	82.5	65.5	71.3	52.2	94.7
<b>AT</b>	50.4	73.9	77.9	44.6	40.0	24.3	91.6
<b>PL</b>	44.1	61.4	52.2	44.0	20.9	34.5	82.6
<b>PT</b>	41.3	66.2	56.3	30.4	22.4	30.6	84.5
<b>RO</b>	35.3	60.4	39.0	28.8	17.8	24.9	84.0
<b>SI</b>	56.0	69.1	70.2	51.4	49.1	36.0	88.7
<b>SK</b>	40.9	61.0	53.7	35.0	17.8	33.1	85.8
<b>FI</b>	73.4	82.0	78.4	67.0	63.8	68.8	89.9
<b>SE</b>	74.3	78.6	80.2	66.3	63.9	74.3	93.1
<b>UK</b>	60.4	76.6	74.3	68.8	43.2	35.2	95.4
<b>EU-27</b>	<b>54.0</b>	<b>69.0</b>	<b>68.9</b>	<b>48.9</b>	<b>38.8</b>	<b>38.0</b>	<b>90.1</b>

**Note:** The scores of the Gender Equality Index range from 1 to 100, where 1 is absolute gender inequality and 100 full gender equality.

**Source:** EIGE (2013).

**Table 2: Classification of women over 65 according to broken careers status (%)**

Country	0-10 years	11 – 14 years	15-median	>median
BE	39.5	3.4	7.9	49.2
BG	1.3	0.5	50.3	47.9
CZ	1.8	0.1	49	49.1
DK	..	..	..	..
DE	18.8	6.1	25.4	49.7
EE	0.8	0.3	57.5	41.4
IE	46.1	4.3		49.6
GR	26	1.3	23.1	49.6
ES	40.4	4.6	5.5	49.5
FR	28.6	4.7	17.6	49.1
IT	29.5	2.8	19.4	48.3
CY	43	3.5	3.9	49.6
LV	1.1	0.2	53.2	45.5
LT	..	..	..	..
LU	43.4	7.2		49.4
HU	9.6	1.9	42.4	46.1
MT	52			48
NL	50.3			49.7
AT	20.7	3.6	25.8	49.9
PL	11.3	1.7	38.3	48.7
PT	12.4	2.3	36.8	48.5
RO	15.4	1.1	35.8	47.7
SI	23.9	0.6	29.2	46.3
SK	4.7	0.5	50.3	44.5
FI	..	..	..	..
SE	..	..	..	..
UK	14.3	11.1	26.1	48.5

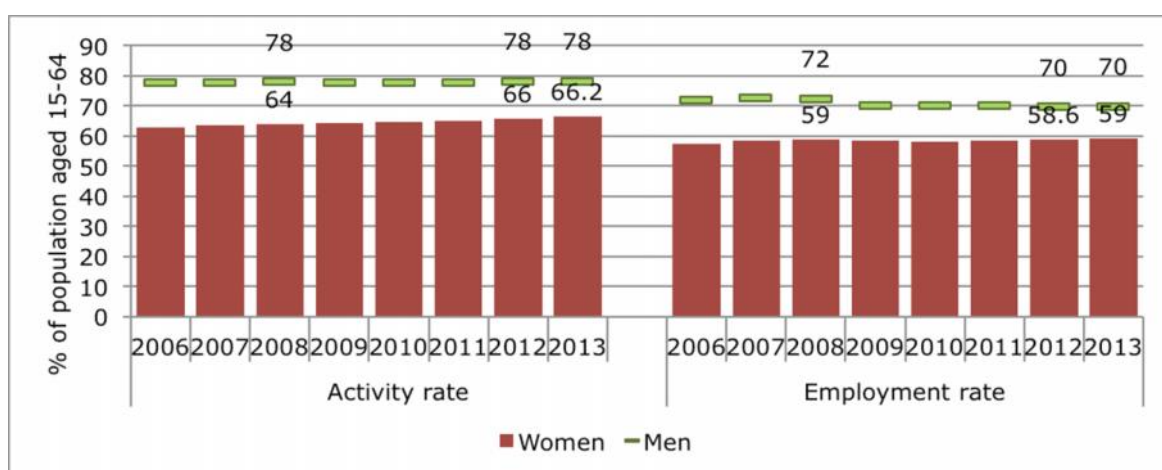
Source: Bettio et al. (2013).

**Table 3: Gender gaps in pension by broken careers (%)**

Country	0 – 14 years	15-median	>median
BE	37.8	43	18.8
BG	34.5	35.2	11.4
CZ	31	13.5	89.6
DK	..	..	..
DE	64.1	48	31.3
EE	14	8.3	-1.4
IE	43.4	..	26.3
GR	28.2	24.2	45.1
ES	39.9	41.8	26.8
FR	56.9	47.4	22.5
IT	41.7	37.9	20.9
CY	52.4	40.5	26.2
LV	12.8	14.4	3.1
LT	..	..	..
LU	59.2	..	33.8
HU	34.1	17.9	7.5
MT	23.4	..	17.3
NL	38.6	..	29.5
AT	50	43.1	21.3
PL	26.9	25.5	19.7
PT	51.3	16.5	40
RO	47.7	32.8	25.1
SI	50.7	31.1	11.5
SK	23	9.6	3.9
FI	..	..	..
SE	..	..	..
UK	50.2	47.3	36

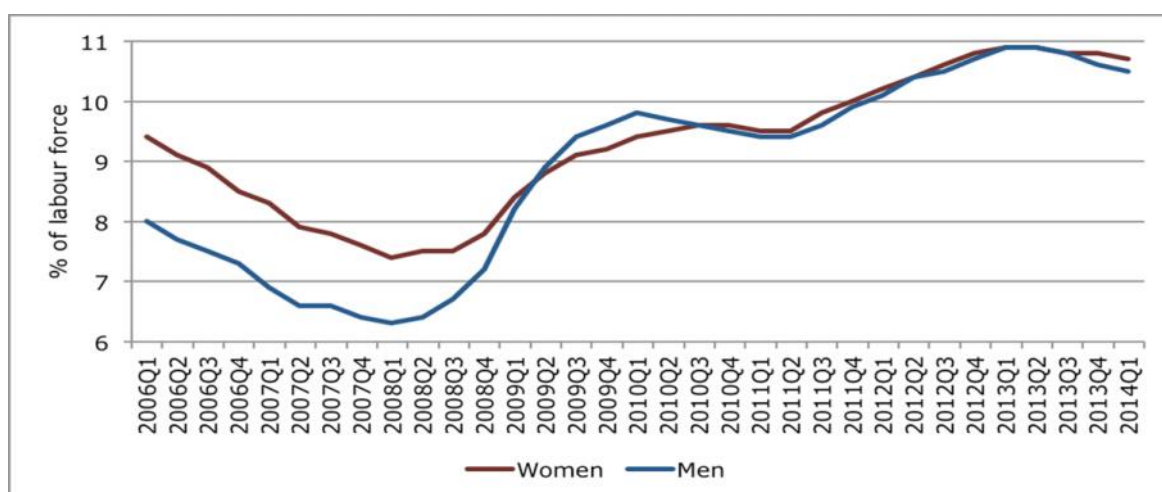
**Source:** Bettio et al. (2013).

Figure 1: Activity and employment rates by sex, 2006 to 2013 (%)



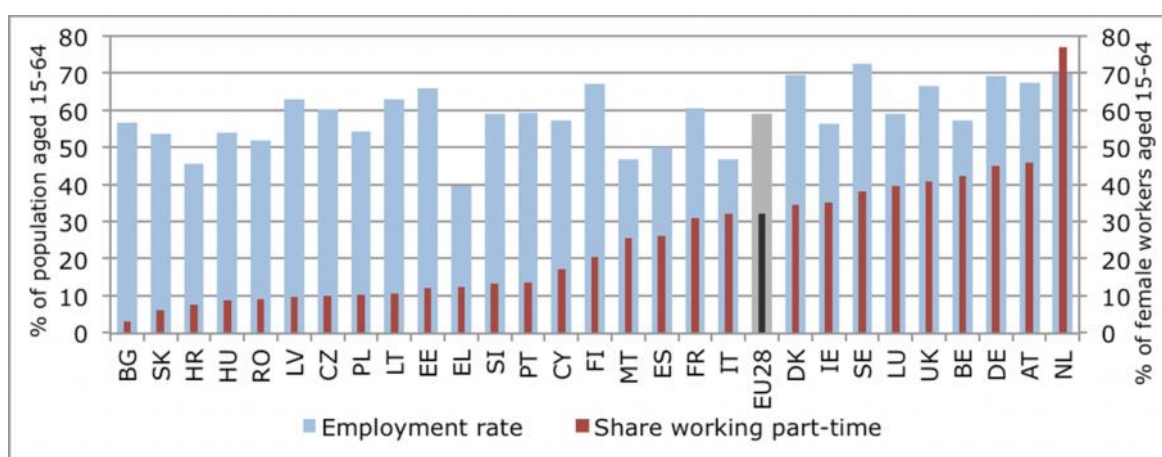
Source: Eurostat.

Figure 2: Unemployment rates by sex, 2006Q1 to 2014Q1 (%)



Source: Eurostat.

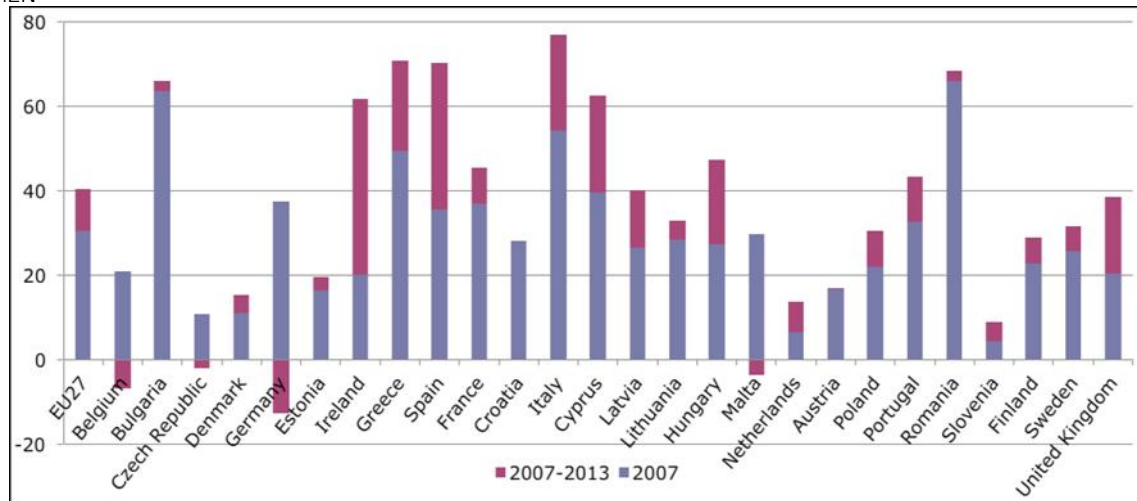
Figure 3: Female employment rates (left axis) and female part-time workers (right axis) in the last quarter of 2013 by EU Member State (%)



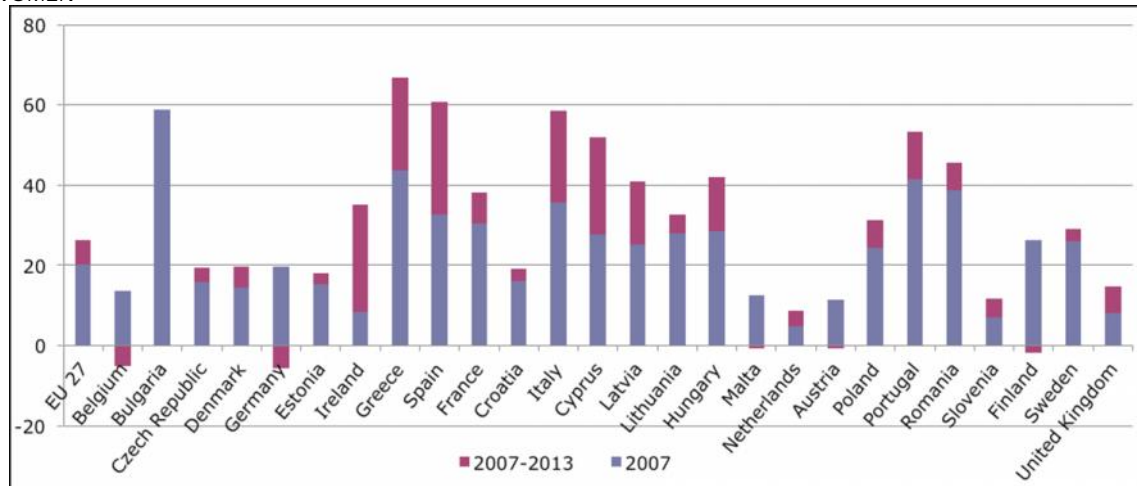
Source: Eurostat.

Figure 4: Involuntary part-time employment as percentage of the total part-time employment by sex, 2007-2013

A) MEN



B) WOMEN

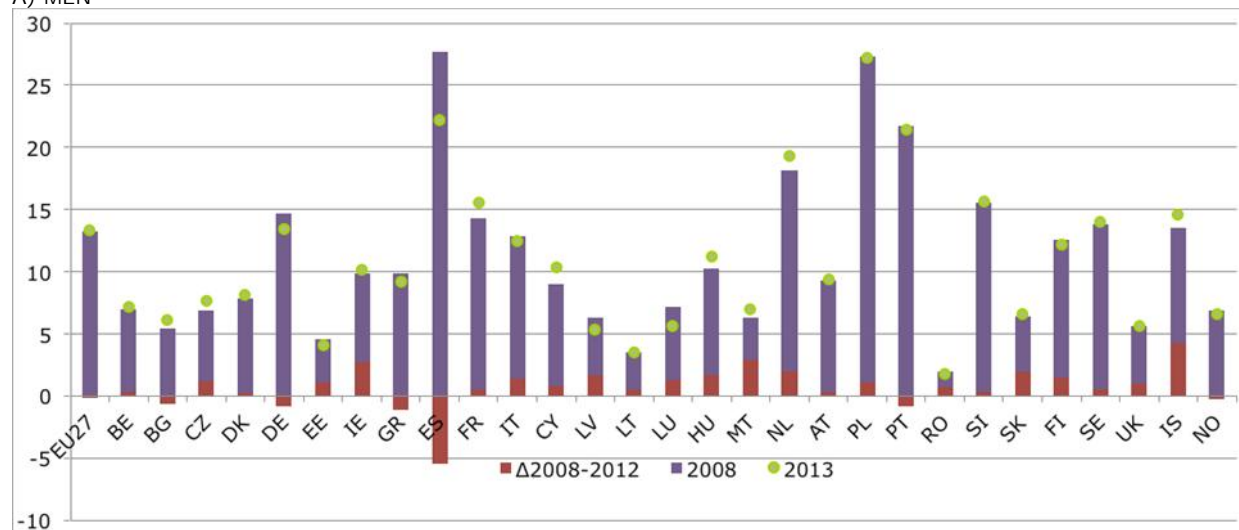


Source: Eurostat.

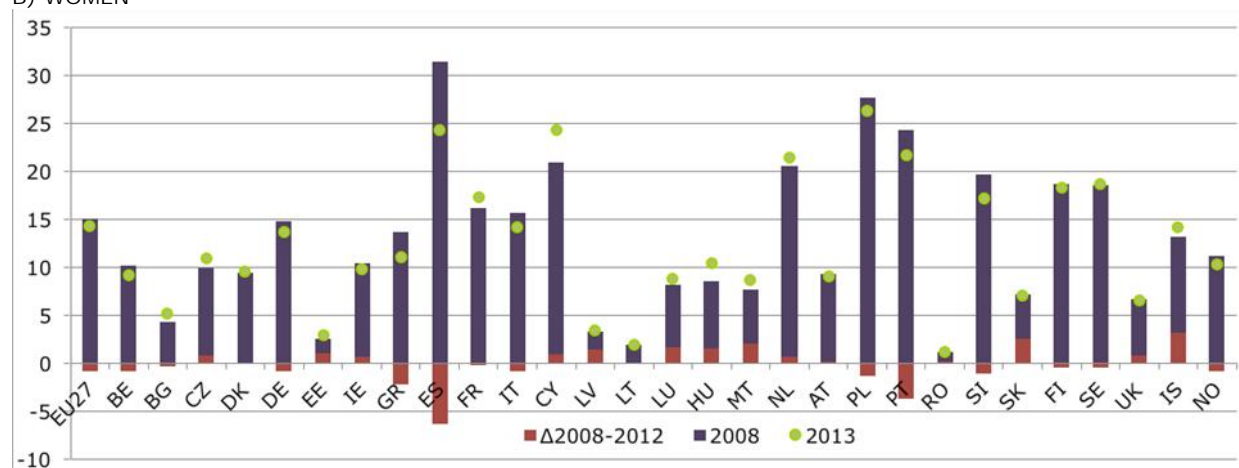


Figure 5: Temporary employees as percentage of total number of employees by sex, 2008-2013

## A) MEN

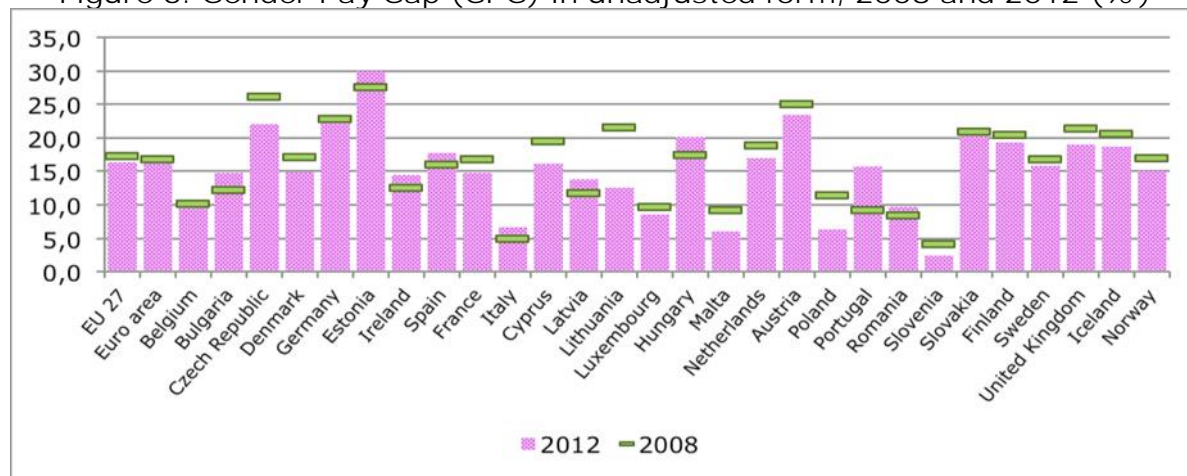


## B) WOMEN



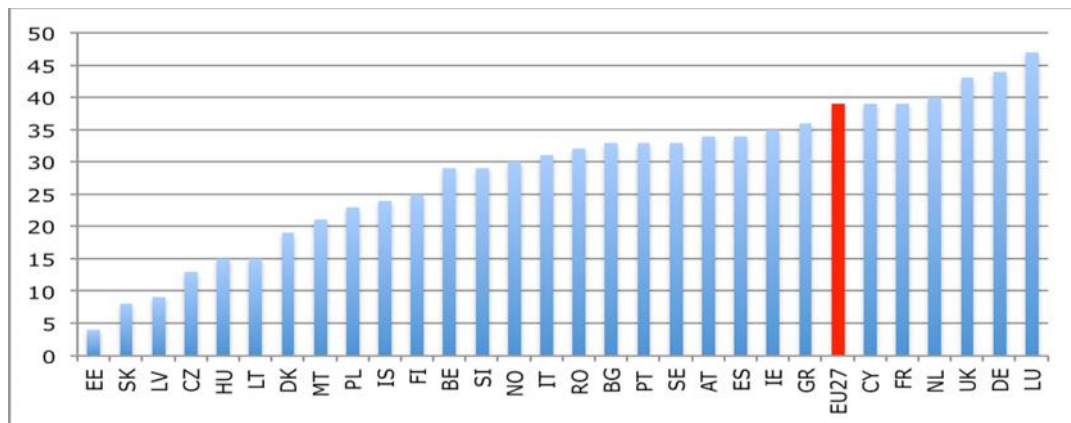
Source: Eurostat.

Figure 6: Gender Pay Gap (GPG) in unadjusted form, 2008 and 2012 (%)



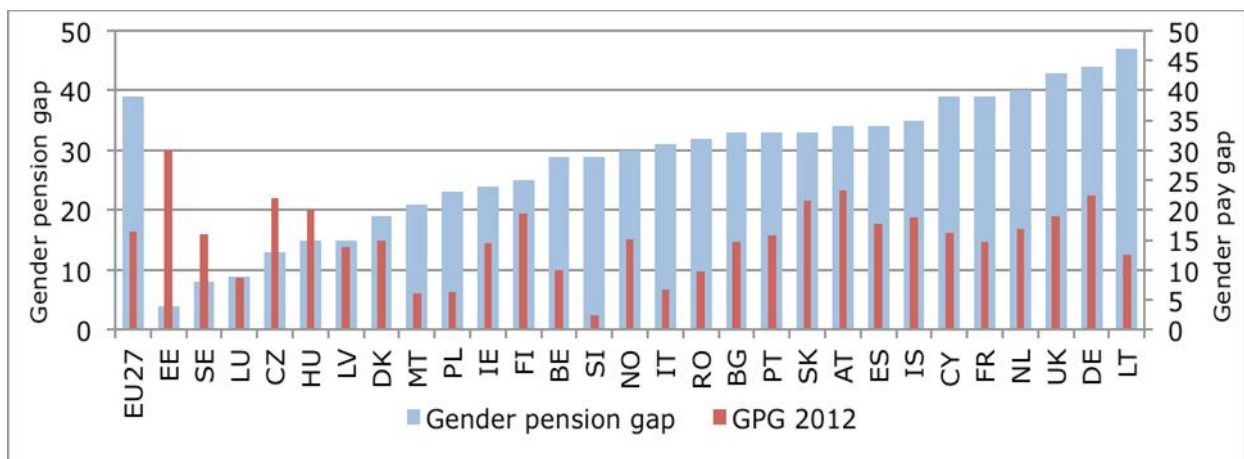
Source: Eurostat.

Figure 7: Gender Gap in Pensions (GGP), pensioners aged over 65 years (%)



Source: Bettio et al. (2013).

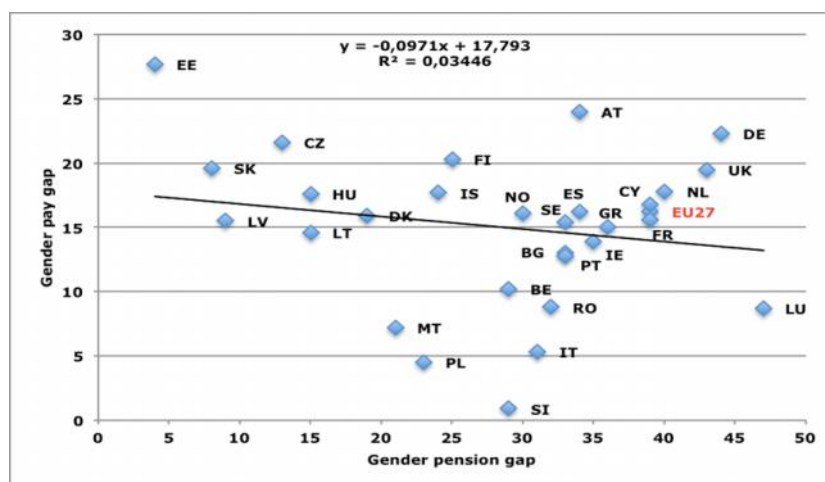
Figure 8: Gender Gap in Pensions vis-à-vis Gender Pay Gap (%)\*



Note: (\*) GPG data for Greece are missing in 2012.

Source: own calculations on data provided by Bettio et al. (2013); Gender Pay Gap from Eurostat's Earnings Database for 2012 [http://epp.eurostat.ec.europa.eu/portal/page/portal/labour\\_market/earnings/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/earnings/database)

Figure 9: Gender Gap in Pensions vis-à-vis Gender Pay Gap – Scatter plot

Source: own calculations on data provided by Bettio et al. (2013); Gender Pay Gap from Eurostat's Earnings Database for 2012 [http://epp.eurostat.ec.europa.eu/portal/page/portal/labour\\_market/earnings/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/earnings/database)



## DIRECTORATE-GENERAL FOR INTERNAL POLICIES

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