Hearing on
“How poverty affects women in the EU”
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Risks of poverty faced by women in old age

- Although both older women and men suffer from inequalities in respect of social protection – opportunities to build adequate pension rights can be related to the type of employment or career – women are in addition affected by their fertility history, as well as by informal caring responsibilities which restrict their access to good quality employment.

- Older women are in a particularly precarious position as their right to a pension income is often derived from their marital status (spousal or survivor benefits) and they rarely have adequate pension rights of their own due to career breaks, pay gap etc.

- The poverty rate among older women is higher than for older men\(^1\), especially in Member States where the predominant pension schemes relate benefits closely to lifetime earnings and contributions. Such pension schemes place those who care for children or for dependent relatives at a disadvantage because their career breaks and part-time work reduce their lifetime earnings.

- If most Member States propose to rely increasingly on private funded pension schemes to ensure an adequate replacement rate, then the wide range of disadvantages faced by women to access these schemes must be tackled - the gender career gap, unpaid carer’s breaks, sex-based annuity rates, or occupational segregation which result in women having less access to good quality occupational pension schemes.

- The projected impact of pension reforms is usually based on a male, full time, full career, average earner profile. Actuarial sex-based life tables have a negative impact on women pension annuity calculations and provide a lower replacement rate for women.

- Women’s higher life expectancy compared with men means that inflation erodes their pension to a greater extent, if indexation is inadequate. Very old women are at the highest risk of poverty due to this erosion of income when ageing.

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\(^1\) The average at-risk-of-poverty rate for older women is of 22 percent against 16 percent for older men.
Source: EU Inclusion Indicators; Update from July 2008 partially revised in October 2008
How to combat poverty among older women

- Guarantee individual and adequate pension rights for all, including those with justified career breaks – mainly women – to ensure a dignified life for all in old age.

- Promote gender equality in retirement income through strengthening statutory pensions (which usually provide some compendation for caring responsibilities) rather than relying on private funded schemes (which are less accessible to women and discriminate on the ground of gender).

- Introduce unisex mortality tables to end gender discrimination in private funded pensions.

- When private funded schemes are encouraged or mandatory, ensure adequate compensation in pension benefits for time spent on informal caring i.e. contribute on behalf of informal carers (mainly women) who care for children and older dependants.

- Reinforce adequacy of pensions by combating gender discrimination in the labour market i.e. especially by reducing the career and pay gaps.

- Through the Europe 2020 strategy introduce measures facilitating the reconciliation of paid work with family care responsibilities in order to enable women and older workers to achieve or maintain their economic independence and participate as active members of society while also meeting their family duties.

- Survivor’s benefits might be phased out very gradually on the condition that other compensation mechanisms are set up to address gender inequalities. Specific attention should be paid to very old women and divorced women (both groups being at higher risk).

- Support further research on the economic and social cost/benefit of carers’ credits, and a deep analysis of the existing policy measures which support or impede the recognition of atypical work careers across the EU.

- Support research on the impact of different pension indexation formulas on the poverty risk in older age. This should take into account in particular the evolution in people’s needs when ageing, e.g. long-term care, in order to ensure that very old persons, mainly women, will be able to live in dignity.

- Refine the profiles used in projections in order to take better account of the situation of today’s women per age groups. More research will be also needed on the impact of part-time work and the impact of increase in the required minimum number of years of contribution on the risk of poverty of older women.
• Better indicators are needed to get a clearer picture of poverty risks amongst older people, in particular older women. Social realities in old age can be for example better captured by combining monetary at-risk-of-poverty rate with material deprivation rate (measuring the capacity to afford goods and services considered as necessary by older people to have an adequate living standard).

• Make an comprehensive impact assessment on women of all new reforms introduced in various social fields which may have a negative impact on women’s employment and pensions rights, such as cuts in daycare and eldercare facilities, pension policies, etc;