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WORKING DOCUMENT

on the need for a European Union strategy to end and prevent the Gender Pension Gap

Committee on Women's Rights and Gender Equality

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The pension policy challenges facing the European Union (EU) and its citizens

One EU citizen in four relies on a pension as their main source of income¹. Moreover, in 2012, more than 90 million people received a pension, placing the ratio of working-age people to pensioners at four to one². With this in mind, the impact of pension policies within the EU will become increasingly important in the decades to come, since this category of the population is set to double by 2060³. This means that, whilst pension systems already account for one of the largest areas of expenditure by Member States (MS), their very viability is now being called into question.

To start with, it is worth noting that the organisation of pension systems falls under the sole responsibility of the MS.

Traditionally, pension systems within the MS work on the basis on a three-pillar structure comprising (1) a pay-as-you-go system which may include a universal minimum income; (2) a system based on individual, career-related contributions; and (3) recourse to individual funding using private financial services. The existence and combination of the three pillars varies depending on the State in question and the personal circumstances of the pensioner.

Nonetheless, the European Union has a supporting competence in the field, particularly under Article 153 of the Treaty on the Functioning of the EU (TFEU).

On this basis, the European Commission (EC) has examined the issue of pensions in both its 2010 Green Paper and a White Paper entitled 'An Agenda for Adequate, Safe and Sustainable Pensions'⁴ in which it sets out ideas concerning the balance between active years and years in retirement, and the additional private financing of public pension systems. Moreover, the issue of pension reform is often raised in connection with economic coordination, be it in the context of the Europe 2020 strategy or the European Semester. The Annual Growth Survey⁵ almost always covers the topic, and the sustainability of pension systems is a recurring concern in the country-specific recommendations presented to the MS by the European Commission.

The issue is all the more important because pensions are key to the fight against poverty and to promoting economic independence⁶. During discussions on issues such as active ageing, the sustainability of pension systems, and the difficulties involved in establishing pension rights in the case of careers spanning transitional arrangements, care should be taken not to lose sight of the main objective: to guarantee, by way of the Member States' pension systems, that all European citizens receive a decent income that will protect them against the risk of social exclusion.

On this basis, the Rapporteur would like to point out that the purpose of this working document is to define the scope of the draft report. Its focus will not be on discussing pension systems as a whole, but on providing food for thought on the subject of gender inequalities

¹ EPRS, 2015. *European Union pension systems. Adequate and sustainable?* Available at:

[http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/571327/EPRS_BRI\(2015\)571327_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/571327/EPRS_BRI(2015)571327_EN.pdf)

² European Commission, 2015. *The 2015 Pension Adequacy Report: current and future income adequacy in old age in the EU*. Available at: <http://ec.europa.eu/social/BlobServlet?docId=14529&langId=en>

³ EPRS, 2014. *European Union pension policy*. Available at:

[http://www.europarl.europa.eu/RegData/bibliotheque/briefing/2014/140786/LDM_BRI\(2014\)140786_REV1_EN.pdf](http://www.europarl.europa.eu/RegData/bibliotheque/briefing/2014/140786/LDM_BRI(2014)140786_REV1_EN.pdf)

⁴ European Commission, 2012. *An Agenda for Adequate, Safe and Sustainable Pensions* Available. at: <http://ec.europa.eu/social/BlobServlet?docId=7341&langId=en>

⁵ European Commission, 2015. *AGS 2016 - Strengthening the recovery and fostering convergence*. Available at: http://ec.europa.eu/europe2020/pdf/2016/ags2016_annual_growth_survey.pdf

⁶ European Commission, 2015. *Men, women and pensions*. Available at: http://ec.europa.eu/justice/gender-equality/files/documents/150618_men_women_pensions_en.pdf

during retirement – especially the gender gap in pensions (GGP) – which tend to leave women more at risk than men of economic vulnerability and dependency.

Pension inequalities: a complex, multi-faceted problem

Assessing inequality

The GGP will be defined as the difference between the average income (before taxes) received as a pension by women in comparison to that received by men. In 2012, the average pension received by women in the 65 and over age group in EU countries was 38 % lower than that received by men. There is significant variation between the MS (with the gap varying from 4 % to 46 % in 2012), and the EU-28 average is heavily influenced by the larger MS; nonetheless, the fact that the average pension received by men is higher than that received by women holds true for every MS.¹

It could also be pointed out that, in most MS, fewer women than men receive a pension, although these differences are, in general, relatively small. Moreover, women are more likely to fall into the most disadvantaged categories of pensioners, with a ratio of 1.9 women per man in this situation, whereas only 0.3 women per man were found to belong to the richest category of pensioners.²

These observations cannot be made with absolute certainty: although the gaps are tangible and significant, no statistical link can be established with any of the factors expected to explain the GGP or suspected of causing it. The most striking example of the state of affairs is in the United States, where a considerable drop in the difference between wages received by men and women for the same work – the gender pay gap (GPG) – in recent decades has failed to produce the expected knock-on effect of reducing the GGP.³ It follows that gender-related pension inequalities are the result of a complex set of factors whose effects we are as yet poorly equipped to measure. This is the result of a lack of comparable data and the inadequacy of the methods of measurement currently used to evaluate the phenomenon.

The impact of women's careers on the labour market

In spite of what has been observed in the US, it is undeniable that there is a direct link between a person's professional career and the level of his or her pension. In light of this, it seems appropriate to assume that improving the situation of women in the labour market should contribute to efforts to reduce the GGP within the EU.

Firstly, the GPG has an effect on the amount each woman contributes to the pension system. The wage gaps in question are caused partly by differences in individual levels of education and professional experience⁴ and may also be partly caused by residual direct or indirect discrimination. Indeed, drastically reducing differences in education levels over the past decades has not completely eradicated the GPG. Segregation also lingers on, leading to an over-representation of women in sectors (such as education and retail) with a lower wage level than other sectors, which are mainly dominated by men. For these reasons, in 2014 the average gross wage earned by women in the EU was still 16 % lower than that earned by men working the same number of hours.⁵

In addition, the total number of years active during an individual's career can have an impact

¹ European Commission, 2013. *The gender gap in pensions in the EU*. Available at: http://ec.europa.eu/justice/gender-equality/files/documents/130530_pensions_en.pdf

² idem

³ idem

⁴ European Women's Lobby (2016). *Gender Pension Gap - Frequently Asked Questions*. Available at: <http://www.womenlobby.org/Gender-Pension-Gap-Frequently-Asked-Questions>

⁵ Eurostat (2016). *Gender pay gap statistics*. Available at: http://ec.europa.eu/eurostat/statistics-explained/index.php/Gender_pay_gap_statistics

on how much he or she contributes to the pension system. Whilst the average length of a man's career is approximately 40 years in most MS, that of women varies between 20 and 30 years. It should be noted that, even today, the non-working population is disproportionately made up of women. As a result, in almost all the MS, women with careers shorter than 14 years long are subject to a GGP that is twice as high (64 %) as that faced by women with longer careers (32 %).¹

This is all the more worrying considering the difficulties encountered by women as a result of the career breaks they may be required to take, be it in connection with motherhood or with the tendency for women to take on a disproportionate share of housework and caring for elderly relatives. Indeed, in almost all the MS, having a child leads to a lower pension.

Lastly, women who are in the labour market tend to work part-time more often than men. The positive effects of increased participation of women in the labour market are lessened by this trend. Indeed, only 9 % of men worked part-time in 2015, in comparison with 32 % of women.² The insecurity and reduced career options associated with part-time jobs serve to exacerbate the GGP further.

The influence of the Member States' pension systems

All of these career-related factors have an effect on workers' tax liability. It therefore seems logical that the differences between the Member States' pension systems would have some effect on the pensions they will provide in future, thereby increasing or limiting the GGP. The MS should therefore be encouraged to analyse the potential effects of their pension systems on the GGP in order to formulate a more suitable response.

In addition to the effects on the GGP described above, particular attention should be paid to cases of discrimination in access to and conditions relating to financing services that are likely to create significant pension inequality in future within pension systems that place greater emphasis on the second and third pillars. The fight against such discrimination is already enshrined in EU law, in particular through Directives 79/7/EEC and 2004/113/EC on, respectively, equal treatment in matters of social security, and access to and supply of goods and services.

The analyses should also address the efficiency of pay-as-you-go systems and mechanisms for tackling pension-related social exclusion, as well as the existence or otherwise of derived pension rights in favour of close relatives or other third parties, particularly in the case of divorce.

The impact of household composition on pension needs

It is evident that the various factors presented above as exacerbating the GGP, when taken in combination, can lead to vastly different situations for individual women depending on the composition of each household and the life expectancy of its members. It would also appear that, whilst the GGP issue as a whole is key to all the cases in question, the separate factors play an important role in determining the needs the public authorities must meet in order to address its effects.

For example, statistically, the GGP appears to fall after a certain age. Above the age of 80, the GGP is substantially lower (33 %) than it is for the 65-80 age group (41 %). This demonstrates the useful balancing effect of compensatory mechanisms linked to widowhood

¹ EP Policy Department C (2014). *Economic Independence and the Position of Women on the Labour Market of the European Union*. Available at:

[http://www.europarl.europa.eu/RegData/etudes/IDAN/2014/509990/IPOL_IDA\(2014\)509990_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2014/509990/IPOL_IDA(2014)509990_EN.pdf)

² European Commission (2016). *Part-time work: A divided Europe*. Available at:

<http://ec.europa.eu/social/main.jsp?langId=fr&catId=89&newsId=2535&furtherNews=yes>

and the allocation of derived rights.¹

It is clear from this that marital status has a significant effect on the needs of female pensioners in terms of how much income they receive. The issue of economic independence within the household will therefore be especially relevant to women in couples, not least because they will have suffered the effects of repeated interruptions to their careers (often related to the number of children they have had), whereas the issue of social exclusion will affect many women who live alone, in particular those who are divorced or who have raised their children alone.

An EU strategy for tackling the GGP

Based on these observations, it appears that a European strategy to tackle the GGP requires a comprehensive approach that will influence as many as possible of the factors believed to lead to pension inequality for women.

The Rapporteur therefore wishes to start the process by outlining a few avenues for a strategy to tackle the GGP, which, whilst fully respecting the distribution of competences between the EU and its MS and incorporating sufficient cooperation with the social partners, should include the following elements:

Assessment at European level using reliable indicators

- collection of comparable, gender-differentiated statistics to determine the factors leading to inequality more precisely and in more detail;
- development of reliable indicators through social policies at European level;

Providing information and raising awareness

- implementation of tools to raise awareness both amongst national policy-makers and amongst the general public in order to increase vigilance (including on the part of women themselves) about the challenges at hand and about ways to tackle factors that exacerbate the GGP, particularly in the context of working life;

Fighting discrimination

- close monitoring of the implementation of EU legislation against gender discrimination to ensure maximum efficiency and, if necessary, to lay the groundwork for its revision;

Combining family and professional life

- implementation of the European Commission's Roadmap on reconciling family and professional life in order to fight more effectively against gender inequality in career development;

Exchanging best practices with regard to the effects of pension systems on the GGP

- analysis of the effects of pension systems on pension inequality;
- exchange of good practices and recommendations on the basis of the above-mentioned analysis;

Using these suggestions as a basis, the Rapporteur hopes to pursue her thoughts on the matter following the results of the study commissioned for this report and discussions with the different political groups of the FEMM and EMPL Committees, with civil society and with the social partners.

¹ European Commission, 2013. *The gender gap in pensions in the EU*. Available at: http://ec.europa.eu/justice/genderequality/files/documents/130530_pensions_en.pdf