

***Unintended Consequences:  
Gender and the European Union's Pensions Policy***

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\*Draft Paper: please do not cite without permission\*

Paper presented at the  
Canadian Political Science Association (CPSA)  
Annual Conference, 2011  
Session: Social and Educational Policies:  
Explaining Factors and Consequences

## **Abstract**

This article explores the unintended gendered consequences of the European Union's pensions policy, an issue that entered onto the political agenda in recent decades due to demographic trends and concerns regarding the financial sustainability of public pensions. Consequently, the EU and its member states have implemented a number of pension reforms that seek to decrease state responsibility and increase individual responsibility. The implications of these seemingly gender-neutral reforms are negative for the majority of women, as they favour male work patterns and disadvantage female work patterns, including part-time and temporary work, as well as time taken out of the labour market for caring and other domestic responsibilities. As a result, I argue that the current wave of pension reforms in the EU have gendered consequences that are particularly negative for the majority of women.

## **Introduction**

Already in the 1970s and 1980s there was some debate and discussion about the need to reform pensions in advanced industrialized countries due to demographic trends and concerns over financial sustainability. However, it was not until the World Bank released its research report *Averting the Old Age Crisis: Policies to Protect the Old And Promote Growth* in 1994 that the issue of pension reform became a dominant theme in international politics. Pension reform became viewed as an inevitable necessity by most economists and politicians due to labour market trends and demographic patterns, such as increasing life expectancy and decreasing fertility rates. As a result, each European Union (EU) member state has already, or is in the process of, implementing reforms to their existing pensions systems. While the reforms vary from small modifications to significant changes to the creation of entirely new pension systems, as in Sweden and Italy, all reforms are headed in the same direction of less state responsibility and more individual responsibility, leading to the individualization of risk, a long-term decrease in public pensions expenditures, and an increase in the importance of private savings schemes. The implications of these seemingly gender-neutral reforms are negative for women, many of whom engage in atypical work patterns, such as part-time or temporary work, in addition to taking time out of the labour market for caring and other domestic responsibilities. As a result, the current wave of pension reforms in the EU disadvantage women's labour market patterns and reward more typically male work patterns.

In terms of demographic trends, increasing life expectancy and decreasing fertility rates characterize many advanced industrialized countries today, including the EU member states. Life expectancy in the EU has been steadily increasing for decades, reaching an average of 79.17 years in 2007 (European Commission "Life expectancy by sex and age"). When broken down by sex, on average men within the EU are expected to live 76.06 years and women 82.20 years (European Commission "Life expectancy at birth, by gender"). Increasing life expectancy means that people are living longer and thus spend more years in retirement, drawing upon social welfare systems, such as pensions, health care, and elder care. This has made retirement a much more expensive prospect for the state, a trend that will continue into the future, as the number of working-age people to those aged 65 or older in

the EU is predicted to decrease from the current ratio of 4:1 to 2:1 by 2060 (Eurostat 2010).

In addition, the trend is for people to retire earlier today than they did in the past. For example, in the UK, the average retirement age in 1960 was 66.2 years for men and 62.7 years for women; by 1995, the average retirement age had decreased to 62.7 for men and 59.7 for women. This trend of retiring earlier can be observed in many EU countries, such as Sweden, Italy, Ireland, Germany, France, and Belgium, all of which have experienced increases in life expectancy during this period in the range of five to nine years (Pestieau 2003). Thus, as people live longer, they are retiring earlier, maximizing the time spent in retirement. Today, people live an average of 20 years beyond the average statutory retirement age in OECD countries (Ginn 2003).

Another aspect of current demographic trends is decreasing fertility levels. Whereas in the immediate post-war period, European countries had fertility rates above the necessary replacement level of 2.1, by 2007 the average fertility rate in the EU was 1.55 births per woman, well below the necessary replacement level. Ireland has the highest fertility level among the EU member states at 2.01, while many countries are far lower than the EU average, such as Slovakia at just 1.25 (Eurostat 2010). The combination of increasing life expectancy and decreasing fertility levels has led politicians and economists to call for a re-thinking of the pensions systems of advanced industrialized countries to adapt to these changing demographic patterns.

In terms of financial sustainability, over time, pension systems have grown to become the highest expenditure program within the welfare states of advanced industrialized countries, including the member states of the European Union. This is due to a number of factors, such as generous public pension systems introduced in the first half of the twentieth century, as well as the increasing number of people relying upon such systems. For example, in 1996, pension spending accounted for an average of 12.7 per cent of GDP in the then EU15 countries. Due to a number of pension reforms implemented in the EU member states in the last two decades, pension spending has been decreasing over time, accounting for an average of 11.7 per cent of GDP in the EU in 2008, ranging from a low of 6 per cent in Ireland and Latvia to a high of 15 per cent in Italy (European Commission "Expenditures on Pensions"). Current, as well as projected, costs for public pension schemes, in connection with demographic trends, have resulted in a situation where pension reform is a top priority within Europe today.

### **The Role of the EU in Pensions Policy**

Most EU member states' pensions systems were designed in the context of a male breadwinner model and a full employment model (Reynaud 2000). The changing context of labour today has led to the call for pension reforms, as most pension schemes reflect outdated work and family patterns (Street and Ginn 2001). For example, as more women earn pension entitlements for themselves, and as divorce rates remain high, dependent pension entitlements, such as survivors' or widows' pensions are decreasing in importance for women. In addition, people are living longer and retiring earlier, placing a double burden on many public pension schemes.

The role of the EU in social security for pensioners is to help member states to develop their own policies, meeting broad EU guidelines. The EU's first step with regards to pensions policy occurred in 1979 with the Equal Treatment in Social Security Directive. Article 1 of this Directive aimed at progressive implementation of equal treatment between men and women in the field of social security and social protection; however, the EU did not really begin to enforce this directive until the early 1990s (Natali 2008). A significant European Court of Justice (ECJ) ruling came in 1990, with the *Barber v. GRE* case, which will be discussed in further detail below, but resulted in the equalization of retirement age for men and women in occupational pension schemes. ECJ rulings on gender equality have had a great deal of influence on both statutory and occupational pension schemes in the member states, particularly in cases involving Belgium and the UK (Natali 2008).

In July, 1999, the EU took another step, when the European Commission released 'Communication from the Commission: A Concerted Strategy for Modernising Social Protection,' which included four major objectives: 1) to make work pay and provide secure income, 2) to make pensions safe and pension systems sustainable, 3) to promote social inclusion, and 4) to ensure high quality and sustainability of health care. The Council approved the Commission's report and added that equal opportunities between women and men be taken into account regarding these four objectives. Since 2000, the European Union pensions policy has focused on four interrelated goals: 1) financial sustainability, 2) adequacy of pensions, 3) portability across member states, and 4) adapting to changing labour market and social conditions. These goals are to be met largely through the EU's Open Method of Coordination (OMC)<sup>i</sup> rather than through EU-level legislation, as pension systems and social security are politically sensitive issues. The national level is still largely in control of pensions policy, but the EU has expanded its influence in this area (Natali 2008).

The EU's expanded influence in pensions policy in the member states can be seen through the convergence criteria for Economic and Monetary Union (EMU). Before EMU was even established, pension reforms in EU member states were influenced by efforts to meet the convergence criteria (Schmäl 2000), which generally meant decreasing public expenditures and debt. Through EMU and the coordination of budget policies, the EU has reinforced the pressure on member states to reform their pensions systems (Natali 2008). The single market created by the EU for insurance services and products is intended to stimulate competition and increase consumer choice, and has influenced supplementary pension schemes in the member states. The 2003 Directive 41 on institutions for occupational retirement provision created an EU-level framework that covers approximately 25 per cent of the EU labour force and manages assets of around 2,500 billion euros, or 29 per cent of the EU's GDP. The 2003 Pension Fund Directive created the conditions for the gradual Europeanization of second pillar pension provisions, which could result in the creation of pan-European pension funds. Member states still retain control over their own national public pension schemes, but occupational and private pension schemes are increasingly constrained by the EU-level, either directly or indirectly (Natali 2008).

## **Women's Labour Force Participation**

When it comes to issues of gender equality, the EU does acknowledge the different labour market patterns of men and women, but these differences are not incorporated directly into pensions policy. There is also a general recognition that women are at a greater risk than men to experience poverty in old age but, again, this is not incorporated into EU pensions policy. So, for example, the EU recognizes that women do not participate in the paid labour market on par with men, and that current demographic trends point to the need for more women engaged in paid labour, but this has not resulted in a pensions policy that takes into account the realities of current gendered patterns of paid and unpaid work. Jay Ginn, Mary Daly and Debra Street (2001, 1) argue, "gender is virtually invisible" in the pension reform literature, and that "an ungendered individual is assumed, who can maintain full time employment throughout the working life."

Instead of recognizing the realities of women's labour market behaviour in current pension reforms, the EU's strategy is to deal with the two issues separately, even though they are obviously very much connected. For example, at the Laeken European Council meeting in 2001, the EU member states agreed on 11 objectives for pension systems. One aspect was adequacy of pensions, and clearly stated that member states must "ensure that older people are not placed at risk of poverty and can enjoy a decent standard of living" (Ginn 2003, 88). Another aspect was the modernization of pension systems in response to changing needs, and outlined the need to ensure equal treatment of women and men (Natali 2008). However, there are no clear guidelines for how these goals should be met.

In terms of women's labour force participation, the European Employment Strategy (EES) set a target in 2001 to achieve a 60 per cent female employment rate in the EU by 2010. Not only has this goal gone unmet, but also it was ambiguous to begin with. The EES target goal did not differentiate between part-time and full-time work, which is problematic as the majority of women work part-time in many EU member states, and the type of part-time work varies from country to country. In certain EU countries women mostly work short part-time hours (1-19 hours per week), while in other countries, women work long part-time hours (20-34 hours per week) or full-time. Women's labour force participation in the EU has increased by 10 per cent in the last three decades (Tuominen and Laitinen-Kuikka 2006), but it still remains lower than men's and a high proportion of women still work part-time hours, as only 37 per cent of working age women in the EU work full-time (Sigg and Taylor 2006).

Thus, the EES needs to differentiate between part-time and full-time work and do more to ensure that more women participate in the labour market on a full-time basis. Roland Sigg and Rebecca Taylor (2006) argue that specific measures are needed to increase women's labour force participation, from good quality, affordable childcare, to training, to the availability of flexible jobs in the labour market. Since there is such variety among EU member states in offering such measures, women's labour force participation rates vary correspondingly. In 2008, the employment rate for women aged 20-64 varied from a low of 39.3 per cent in Malta to a high of 77.2 per cent in Sweden, and these numbers give no indication of

whether these women are working part-time or full-time (European Commission 2009a).

In addition to the target employment goals for women, the EES also set as a target to increase the employment rate of older people. In 2001, the average employment rate of those aged 55-64 in the EU15 was just 38.4 per cent (European Commission 2009a). As such, the EU set a target employment rate of 50 per cent for those aged 55-64 by 2010, which would help to increase the age of retirement by 5 years, on average. In order to encourage workers to remain in employment longer, many countries have introduced both incentives to work longer and penalties to early retirement to ensure that workers can continue to work if they so choose (Sigg and Taylor 2006). As a result, eleven EU member states have met the Lisbon target of 50 per cent employment for those aged 55-64, including Estonia at 60 per cent and Sweden at 70 per cent (European Commission 2009b), and the EU average employment rate in 2008 for older workers was 45.6 per cent (European Commission 2009a).

However, it is important to note the variation among EU member states, as well as between genders. In terms of variation among member states, again Malta is on the low end overall, and for older women's labour force participation, whereas Sweden remains at the high end overall and when broken down by gender. Employment levels in 2008 for those aged 55-64 in the EU vary from 29.1 per cent in Malta to 70.1 per cent in Sweden. In terms of variation between men and women, the overall labour force participation for men aged 55-64 in the EU in 2008 was 55 per cent, ranging from a low of 38.5 per cent in Hungary to a high of 73.4 per cent in Sweden. For women, the corresponding figures were 36.9 per cent overall in the EU, and a low of 12.4 per cent in Malta to a high of 66.7 per cent in Sweden (European Commission 2009a). Thus, there remains much room for improvement in terms of encouraging older workers to remain in the labour market, both overall, and particularly for women in this age category.

### **Trends in EU Member State Pension Reforms**

David Natali (2008) argues that several trends can be observed in recent pension reforms in EU member states. First, policy goals and ambitions in the public pillar have been revised, and the generosity of the public pillar is decreasing in all EU member states. Second, there is an increased emphasis on the individualization of risk within pension systems. Third, benefits have become more directly linked to contributions, often through the move from defined-benefit (DB) to defined-contribution (DC) pension schemes, which place less emphasis on redistribution.<sup>ii</sup> Fourth, multi-pillar pension schemes, including public, occupational and individual pensions, are becoming the norm. Fifth, and finally, many member states have introduced a privatization element, which is explicit in member states such as Sweden, Poland and Estonia, and implicit in other countries, such as Belgium, France, Italy and Slovenia. However, it is important to note that convergence has not occurred and that significant differences remain among EU member states, even in the face of these overarching trends.

The EU has pushed for less emphasis on public pensions and more emphasis on private pensions, leading many EU member states to institute what is quickly becoming the dominant pension paradigm in the EU – a multi-pillar system,

combining public/state pensions, occupational pensions, and private pension savings. A priority in all EU member states is to decrease public expenditure on pensions in the future; as such, states are encouraging the growth of second and third pillar pensions to make up for future decreases in first pillar public pensions. Today employment-related pensions constitute the main source of pension income for the majority of families within the EU. However, coverage of workers in occupational pension schemes varies drastically among member states, from a low of 7 per cent in Portugal to high of 90 per cent in Sweden and the Netherlands, where such schemes are mandatory for employees in certain sectors (Tuominen and Laitinen-Kuikka 2006). The European Commission (2009b) urges member states to work on coverage and contribution levels within private pension schemes, in order for private pensions to become an increasingly important source of retirement income for citizens.

Globally, there is a trend in pensions policy towards more individual provision for the future (Schmäl 2000). Thus, a common thread in pensions policy is to reduce state pensions and to promote private pensions (Ginn, Daly and Street 2001). There are many underlying factors as to why countries are encouraging the growth of private pensions, from the perceived financial unsustainability of the public schemes, to a shift in focus from the collective to the individual. However, many would argue that the biggest incentive is to open up new markets for financial capital to operate within and profit from. Tax incentives have been used to encourage the establishment of private pension funds in member states and, in some countries, private pensions have become mandatory (Etxezarreta and Festic 2009). Neoliberal thinkers argue that public pensions undermine individual savings, while private pensions boost national savings rates, which results in economic growth. Neoliberal ideology highlights the supremacy of markets for meeting each individual's economic needs, including in retirement, and thus prescribes individual choice and flexibility in promoting private pensions (Street and Ginn 2001).

However, there are many concerns with private pension schemes. First, they base future pension benefits on the incalculable risks of financial markets, which are notoriously unstable and unreliable, which results in an erosion of collective responsibility for the most vulnerable segments of society. Second, reliance on private pensions can result in greater social divisions, as some can afford to save more privately while others cannot (Etxezarreta and Festic 2009). And, third, individual private pensions have expensive administrative fees and charges, which can reduce the rate of return on contributions by up to 45 per cent (Street and Ginn 2001). Thus, as people rely more on private pension savings, they are faced with the threat of poverty in old age due to plummeting returns on investments (Ginn 2003).

Many economists believe that people's lack of private savings is due to irrational behaviour based on short-term thinking, however there are many rational reasons why people may choose not to save privately, such as the risk and uncertainty involved, the misuse of occupational pension funds, an uncertainty about where to best invest one's money, and feelings of alienations from the process (Ginn 2003). A good illustration of this point lies in the Swedish case. After the pension reform of 1998, the mandatory pension system in Sweden now includes a private Premium Pension component where pension-savers may choose from over

770 funds in which to invest their money, a number the Nordic Region Pensions and Investment News (2009) calls “staggering.” As a result, only 1.6 per cent of new pension-savers made an active choice in 2008 (Liinanki 2008), with the rest relying on the default fund, a publicly managed fund for those who do not make an active decision. Annika Sundén (2004), Senior Economist at the Swedish National Social Insurance Board, argues that the first years of the system clearly indicate that the number of options is overwhelming, and that changes are needed.

In terms of the advantages of public pension schemes over private pension schemes, public pay-as-you-go (PAYG) pension systems are generally less costly in relation to administrative costs, and they generally provide greater coverage than private pension schemes (Etxezarreta and Festic 2009). James H. Schulz and Allan Borowski (2006) argue that the high costs of administering DC plans is cause for concern, and requires more research and heavier government regulation to protect future pensioners. In addition, unlike state or earnings-related pension schemes, private pensions make no provisions for women’s interrupted careers due to periods of unpaid caring work; as such, private pension schemes indirectly discriminate against women by not recognizing their unpaid care work (Ginn 2003). In all EU countries, the reality is that women rely more heavily on public pension schemes; and for those women who do have occupational pensions, they tend to be lower than those of men (Frericks and Maier 2008). In the end, Miren Etxezarreta and Mejra Festic (2009, 167) argue the “empirical evidence about the consequences of privately funded systems... show that they have no comparative advantage against public PAYG systems and in many cases they are clearly inferior.”

In relation to the move towards DC pension models, there has also been a shift towards a lifetime earnings model in the calculation of pensions benefits. Women with career interruptions are disadvantaged within this model, as are those who retire or exit the labour market early, the majority of whom are women. In addition, women are much more likely to work part-time compared to men, which also reduces their lifetime earnings and results in lower pensions. Extending working lives is not necessarily bad, as it can help to counter growing pension expenditures, and can provide women who have taken time out of the labour market with more time to build up their pension entitlements (Sigg and Taylor 2006). However, this does not reflect the current reality for most women, and so the result will be lower pensions and an increased risk of poverty in old age.

Another trend within EU pensions policy is equalizing the statutory retirement age for men and women within public and occupational pension schemes, which means increasing women’s statutory retirement age, usually from 60 to 65, so that it is on par with that of men. This trend stems from the May 17, 1990 European Court of Justice ruling in the *Barber v. GRE* case, as mentioned above, which resulted in pensions being viewed as part of pay, in line with Article 119 of the Treaty of Rome, and thus men and women must be treated equally. The outcome of the Barber ruling is that companies and EU member states have already, or are in the process of, equalizing the retirement age for men and women. This results in the appearance of gender equality, but in a way that does not benefit women in real terms, given the reality of current female labour market patterns. The member states of the EU are moving away from direct discrimination that favoured women



in terms of statutory retirement age towards more symbolic 'gender equality,' which does not take into account the current realities of men's and women's different labour market patterns.

As mentioned above, the issue of financial sustainability is an underlying factor in the prioritizing of pension reforms in the EU in the past two decades. The Economic and Financial Affairs (Ecofin) Council of the EU has played a role in monitoring the long-term sustainability of the member states' pension systems (Natali 2008). The Economic Policy Committee (EPC), one of the Ecofin Council's technical bodies, released a communication in 1997 recommending that member states contain pension benefits by delaying the age of retirement, by moving to a system based on individual contributions, and by gradually increasing the role of funded schemes (Natali 2008). The 2005 changes to the EU's Stability and Growth Pact (SGP) promote multi-pillar pension schemes, as such schemes are seen as important to the long-term financial sustainability of pension systems, and private pension pillars are seen to increase the role of market forces in pensions policy (Natali 2008). Etxezarreta and Festic (2009) argue that the projections of the financial unsustainability of pension systems are exaggerated and that other factors must be considered in addition to demographic trends, such as economic growth, labour market structure and the distribution of incomes in a given society.

### **Gendered Consequences of EU Pensions Policy**

As discussed above, women's labour force participation lags behind that of men in the EU, and varies greatly across member states. For example, if one were to look at the differences in women's labour force participation between the Nordic member states and the Southern European member states, one would see a difference of up to 26.6 per cent. The employment rate of women aged 20-64 in 2008 was 73.1 per cent in Finland, 75.7 per cent in Denmark, and 77.2 per cent in Sweden, versus 50.6 per cent in Italy, 52.5 per cent in Greece, 58.3 per cent in Spain, and 67.0 per cent in Portugal (European Commission 2009a). There are also great differences among women, with mothers of young children participating in the labour force to a much lesser degree across the EU than women with no children or women whose children are older. As an example, in the mid-1990s, 76 per cent of British women without children were employed full-time, while only 26 per cent of British women with children were employed full-time; women's employment levels tend to increase as their children grow up (Ginn, Street and Arber 2001), demonstrating the work-life conflict faced by many mothers.

In addition, women's employment rates vary by hours worked, with a high proportion of working women engaged in part-time work in most EU member states. The share of women engaged in part-time work varies from member to member, but there is a correlation between high female labour force participation rates and a high proportion of women working part-time; however, the Nordic countries appear to be an exception to this general rule (Tuominen and Laitinen-Kuikka 2006). Certain patterns in women's employment are discernable, with women opting for part-time work when their children are young, in order to balance work and family life. However, this time usually coincides with women's "prime earnings years when opportunities for wage gains are highest," thus helping to

explain the persistence of the gender wage gap (Tuominen and Laitinen-Kuikka 2006, 53).

While men's earnings tend to increase with age, the opposite is true for women, as their earnings decrease with age, reflecting interrupted career patterns and occupational segregation (Ginn 2003). Men & women are often concentrated in different sectors of the labour market, resulting in occupational segregation by sex. The result for women is being confined to lower paid occupations (horizontal segregation), as well as being concentrated in lower level jobs than men within most occupations (vertical segregation) (Ginn, Street and Arber 2001). Employers often prefer to invest in men rather than women due to the likelihood that women will take time out of the labour market for caring responsibilities; this statistical discrimination has an impact on occupational sex segregation, women's pay, women's career prospects, and on women's pension levels (Frericks and Maier 2008). For example, in 2007, women were paid, on average, 17.5 per cent less than men in the EU (Eurostat 2010). Thus, the gender pay gap remains a significant issue, affecting women not only during their working years, but also in retirement.

In terms of interrupted career patterns, besides periods spent in formal parental leave programs, women tend to take more time out of the labour market for caring duties when their children are young, or when parents are elderly and require care. Career interruptions not only affect earnings and promotions in the short-term, they also affect one's pension entitlement later in life, particularly under the lifetime earnings model, which is increasing in popularity among EU member states. Thus, the current trends in EU pension reforms disadvantage women due to the amount of unpaid caring work they engage in.

Overall, unpaid care work makes it more difficult for women to accrue an adequate pension during their working life. For countries with low minimum public pensions, pension crediting has become a popular way of compensating caregivers for their unpaid work and for career interruptions (Tuominen and Laitinen-Kuikka 2006). The European Commission's Social Protection Committee advocates pension credits for childrearing in the EU member states (Ginn 2003), and the European Commission (2007a) recognizes that pension credits are becoming an increasingly important tool for combating women's poverty in old age. Pension credits for childcare leave exist in fourteen of the EU15 member states (the Netherlands being the exception), but the length of leave credited varies from just the period of maternity leave up until a child turns 16 (Tuominen and Laitinen-Kuikka 2006). However, pension credits for care work are not enough to make up for the losses women experience at work and in pension benefits due to these career interruptions (Frericks and Maier 2008, Sigg and Taylor 2006). Women still face difficulties when re-entering the labour market after time away, as well as lost opportunities for skills development, promotion and career advancement, and increases in pay.

Women's increasing employment levels since the 1970s have not resulted in a commensurate increase in men's unpaid household work, as women now face a 'double burden' of having to perform one paid shift of work outside the home and one unpaid shift of work inside the home. As a result, unpaid caring work places constraints on women's ability to participate in the labour market, and to

accumulate earnings-related pensions (Ginn, Daly and Street 2001). This helps to explain the high proportion of women in part-time work across the EU, as it is a measure used to help balance work and family life for women who are expected to, and increasingly expect to, do both. For certain groups of women, such as single mothers, the struggle to find a work-life balance is especially difficult, particularly when childcare services are not readily accessible or affordable (Ginn, Street and Arber 2001).

Different countries employ different social and fiscal policy tools, which can either encourage or discourage women from entering the paid labour force. State policies and programs such as affordable, accessible high quality childcare, well-paid parental leave insurance, and individual taxation can encourage women's labour force participation, while a lack of such incentives can discourage, and even penalize, women's paid labour. Liberal welfare states employ a contradictory policy, in which they encourage women's employment without providing support, such as childcare or parental leave (Ginn, Street and Arber 2001). The Nordic welfare states, on the other hand, have had the most success in providing family-friendly policies, which have resulted in higher employment rates for women, and higher fertility rates than in most EU countries. For example, the number of children born per woman in 2009 was 1.83 in Finland, 1.84 in Denmark, and 1.88 in Sweden, versus 1.33 in Portugal, 1.37 in Italy, 1.40 in Spain and 1.41 in Greece (Eurostat 2010).

Some argue that pensions policy should not try to change or dictate labour market behaviour, however, all pensions policies favour one type of labour market behaviour over another. Patricia Frericks and Robert Maier (2008) argue that pension calculation norms are not gender neutral because they apply an ideal labour market related norm. The European Commission (2007a) recognizes that labour market conditions and pension outcomes are clearly related. The reality is that women have lower participation rates in the formal labour market, more career interruptions due to child rearing, lower wages, and longer life expectancy than men (Ståhlberg, Kruse and Sundén 2006), and this must be recognized if we are to avoid a situation where elder women live in poverty.<sup>iii</sup>

While the EU pensions policy might appear on the surface to be gender neutral, the resulting pension reforms in a number of EU member states have had particular gendered consequences as men and women face different life course risks. For example, requiring longer contribution periods to draw a full pension can be particularly difficult for women, as they often have more career interruptions, and spend a longer part of their working life working in part-time or temporary work (Etxezarreta and Festic 2009). Calculating pensions on the basis of lifetime earnings privileges a typically male career patterns and disadvantages a typically female career pattern. Unpaid caring responsibilities and a lack of public supports, such as accessible and affordable child or elder care, often inhibit women's ability to engage in paid labour entirely, or relegate women to the sphere of part-time work. DC schemes, with a tight link between benefits and contributions, are more likely to provide women with lower pension benefits (Ståhlberg, Kruse and Sundén 2006). Overall, the stronger link between employment and pension entitlements disadvantages women's career patterns (Ginn, Daly and Street 2001).

In terms of private pension schemes, they clearly favour those who can afford to save more privately and largely exclude those with lower earnings, such as many women. Part-time workers, the majority of whom are women, often cannot afford to contribute to employers' pension schemes (Etxezarreta and Festic 2009), leaving them with little choice but to rely on state pension benefits, as they tend to have lower earnings-related pensions due to their work patterns. The current trend away from generous public pensions and towards the expansion of private pension systems "may mean a more discriminatory future environment for women in the EU" (Tuominen and Laitinen-Kuikka 2006, 46). In addition, "The proportion of women covered by private pensions is lower than that of men everywhere that these schemes exist" (Math 2004, 132). In some countries, such as the UK, Germany and the Netherlands men are twice as likely to be covered by a private pension.

As recognition of gender inequalities in the labour market has been increasing across the EU, many of the reforms implemented actually exacerbate these inequalities, such as government tax subsidies to encourage privatization of pensions (Hughes and Sinfield 2004). Current evidence suggests that women's "economic security in later life is closely linked to the adequacy of state pensions" (Ginn, Daly and Street 2001, 2). Enhancing the public pension scheme is more likely to provide income security for women than moving towards a private pension scheme (Ginn, Daly and Street 2001). The European Commission (2007b) has recognized that there are concerns over unequal access to private and occupational pensions based on gender and occupational segregation. Jérôme Vignon, EU Director for Social Protection and Integration has stated, "private savings must be provided in an equitable, low cost, and secure manner and thus needs to be monitored carefully" (as quoted in European Commission 2007b).

While the trend is certainly towards more women participating in the labour force, and thus having their own earnings-related pensions, minimum public pensions still play a significant role in women's overall pension package, due to women's career patterns and lower earnings (Tuominen and Laitinen-Kuikka 2006). As such, changes to minimum state pensions have gendered effects, as the majority of those who rely on such pensions are women. A move away from public pensions and towards private pensions thus has obvious negative consequences for many women.

### **Conclusions**

In the end, Ann-Charlotte Ståhlberg, Agneta Kruse and Annika Sundén (2006) argue that a woman-friendly pension system should be public and mandatory, providing economic incentives for women to engage in paid labour, not punishing child rearing, providing a minimum guaranteed pension, indexing pensions, providing joint-and-survivor annuities, and allowing accrued pension rights to be divided in the event of a divorce. Such a system would prevent poverty among elder women. Ståhlberg, Kruse and Sundén (2006) are in favour of a pension system that encourages men and women to engage in paid employment, but argue that complementary measures to encourage men and women to more equally share domestic tasks and policies to abolish gender discrimination in paid work are necessary. Sigg and Taylor (2006, 223) point to Gøsta Esping-Andersen's argument that "the only route to equality will be through the 'masculinization' of women's

roles finding its natural counterpart in a ‘feminization’ of men’s life course options,” meaning that both men and women must engage in and share in paid and unpaid work.

Street and Ginn (2001) add an extra dimension to this debate, arguing that it is declining fertility rates, not increasing life expectancy, that is most important when considering the current demographic trends, and that this trend could be countered with state support for childcare and more family-friendly employment practices. As a result, the impending demographic ‘crisis’ may be overstated, and changes to pension systems may be unnecessary. Along a similar vein, Nicholas Barr (2006) agrees that increasing life expectancy is not the problem. In fact, he argues that there is no pension ‘crisis,’ but rather a predictable ‘problem’ with a range of solutions, including lowering benefits, raising contributions, increasing the retirement age or the number of years needed to qualify for a pension, or some combination of these proposals. He does not advocate a one-size-fits-all approach, as different elements will work best in different contexts.

When taking all EU pension reforms into account, the trends are disadvantageous for women. Antoine Math (2004, 134) argues, “It appears that the biggest losers of the reforms undertaken since the early 1990s will be women, the low paid, and those who have interrupted careers.” Individualizing pension entitlements and treating men and women the same in pension schemes (i.e. the same statutory retirement age) only works if men and women have the same labour market behaviour and, thus, the same ability to earn pension benefits. This is not the case and pension systems need to better reflect the current gendered labour market patterns. For a comprehensive strategy, states must also do more to encourage women’s labour force participation and to encourage men’s role in child-rearing, through providing high-quality, affordable, accessible childcare and parental leave programs that are either individualized, or that include non-transferable months that have to be taken by the father. This multi-pronged approach is best if the member states of the EU wish to reverse current fertility trends, increase women’s labour force participation, and ensure the sustainability of pension systems in the years and decades to come.

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<sup>i</sup> OMC is a form of intergovernmental decision-making based on soft law mechanisms such as mutual learning through benchmarking, indicators, the exchange of best practices, peer review, and national reports. OMC contains no enforcement mechanisms and no punitive measures, relying instead on peer pressure from the other EU member states. The EU officially launched 'soft' governance on pensions on a 3-year basis at the 2001 Stockholm Council (Natali 2008).

<sup>ii</sup> DC systems provide less certainty and security in old age for all pensioners, and particularly for those who have shorter or interrupted working careers or lower lifetime earnings, such as women. For DC schemes that do not include any specific redistributive measures, the result is unequal outcomes for men and women, as long as men and women continue to have different labour force patterns (Sigg and Taylor 2006). In addition, within DC schemes, the individual bears the risk and must deal with the consequences of poor investment choices and changes on world stock markets (Ginn 2003).

<sup>iii</sup> Jérôme Vignon, EU Director for Social Protection and Integrated stated, "female pensioners are, almost without exception, far more likely to live below the poverty line than are their male counterparts. Ongoing reforms must look to tackle this historical injustice and ensure adequate pensions for all" (as quoted in European Commission 2007b). Sigg and Taylor (2006) argue that among the reasons for women's increased risk of poverty in old age is that women perform a disproportionate amount of unpaid work throughout their lives and thus have less opportunity to accumulate pension resources for the future through paid work.