

# The gender gap in pensions in the EU

## KEY FINDINGS

Research literature indicates that the gender gap in pensions shows how much higher men's average monthly and annual pensions are than women's. The average EU gender gap in pensions is substantial (35.7 % in 2017). Across Member States, this figure shows a wide variation - from as low as 2.6 % in Estonia to 46.1 % in Malta.

The gender gap in pensions both at Member State and EU level is not a particularly flexible parameter, but has remained quite stable over time. The reason could be that the pension gender gap depends largely on factors that develop in the longer run such as the employment history of individuals and pension reforms. Therefore, it is unlikely to show significant fluctuations from one year to another.

## Background

The difference in economic situation and opportunities between men and women can be observed in a number of areas. One of them is pensions.

**What is the gender gap in pensions?** One way to define it is "how much men's average monthly and annual pensions are higher than women's"<sup>1</sup>. An alternative way would be "the percentage by which women's average pension is lower than men's; it measures by how much women are lagging behind men"<sup>2</sup>.

One feature that stands out in these definitions is that they suggest that **men receive higher pensions than women**. Empirical observations confirm that concept.



The average gender pension gap in the EU is above 35 %



Pensions are the single most important source of income for older people



Women outlive men, while having less savings

**As a result**, women are at greater risk of poverty in later life than men are<sup>3</sup>.

Gender equality is a fundamental EU value. It is a recognised driver for economic growth<sup>4</sup>. This principle was already enshrined in the 1957 Treaty of Rome and is provided for today in Articles 2 and 3 of the Treaty on European Union and in Articles 8, 153(1)(i) and 157(4) of the Treaty on the Functioning of the EU.



## Factors determining the gender pension gap

Current pensions reflect long-term structural changes, short-term pressures related to recent economic developments (for instance the financial crisis) and previous pension reforms. Taking a closer look at the gender gap in pensions helps analysts and policymakers understand this phenomenon and devise appropriate policy responses.

The existence and the size of the gender gap in pensions are determined by a number of factors that can be grouped into two categories - the first based on the employment history of individuals and the second on the design of the pension system (see Figure 1).

Figure 1. Factors determining the gender gap in pensions

Employment history	Design of the pension system
Years in employment (women work a lower average number of years due to career breaks, mainly related to child care)	Career break compensation (granting pension rights e.g. for the period of child care)
Work intensity (women work part-time more often than men)	Pension redistribution (redistribution of pensions in favour of low-income employees)
Remuneration (women's wages are below the average)	Pension indexation (adjustments to changes in the cost of living)
	Retirement age difference

Source: internal document, Policy Department A, European Parliament, June 2019.

### Employment history

Factors related to **employment history** include:

- (i) The **number of years in employment**. Women's careers are shorter (in terms of years of employment) mainly due to their family role and commitments (taking care of children, elderly relatives, household etc.).
- (ii) The **intensity of employment** (part-time vs. full time employment). Women more often work less intensively than men, i.e. fewer hours per week (part-time), once again because of their role in the family.

Women traditionally shoulder the main responsibility for care and domestic work. Compared to 10 years ago 12 countries have moved backwards when it comes to the gender balance in terms of time spent on care, domestic work and social activities. Only every third man engages daily in cooking and housework, whereas most women do it every day (79 %)⁵. This has a huge impact on women's ability to build up a full pension. **A valid hypothesis explaining the gender gap in pension is that, to a large extent, gaps reflect women's lower and more irregular employment.** A large number of women in past decades dropped out of the labour force in order to take care of the family. The EU's aim is to reach a 75 % employment rate for men and women by 2020. In 2017, female employment continued to increase slowly but steadily, similarly to that of men, and reached 66.6 % in the third quarter of 2017⁶. In addition, studies show that gender gaps are narrower for single women and widest for married women while divorced women are somewhere in the middle⁷. Also, empirical results confirm a strong correlation, as expected, between the number of children raised by a woman and the gender pension gap.

(iii) **Remuneration for labour.** As pension entitlements are calculated based on earnings and pay, the remuneration of labour plays an important role in the formation of the gender gap in pensions.

Difference in earnings between men and women are usually measured by the gender pay gap. **The gender pay gap** is shown as a percentage of men's earnings and represents the difference between the average gross hourly earnings of male and female employees across the EU<sup>8</sup>. In 2017 in the EU, men were paid, on average, 16 % more than women (see Figure 2).

Figure 2. Gender pay gap in 2017



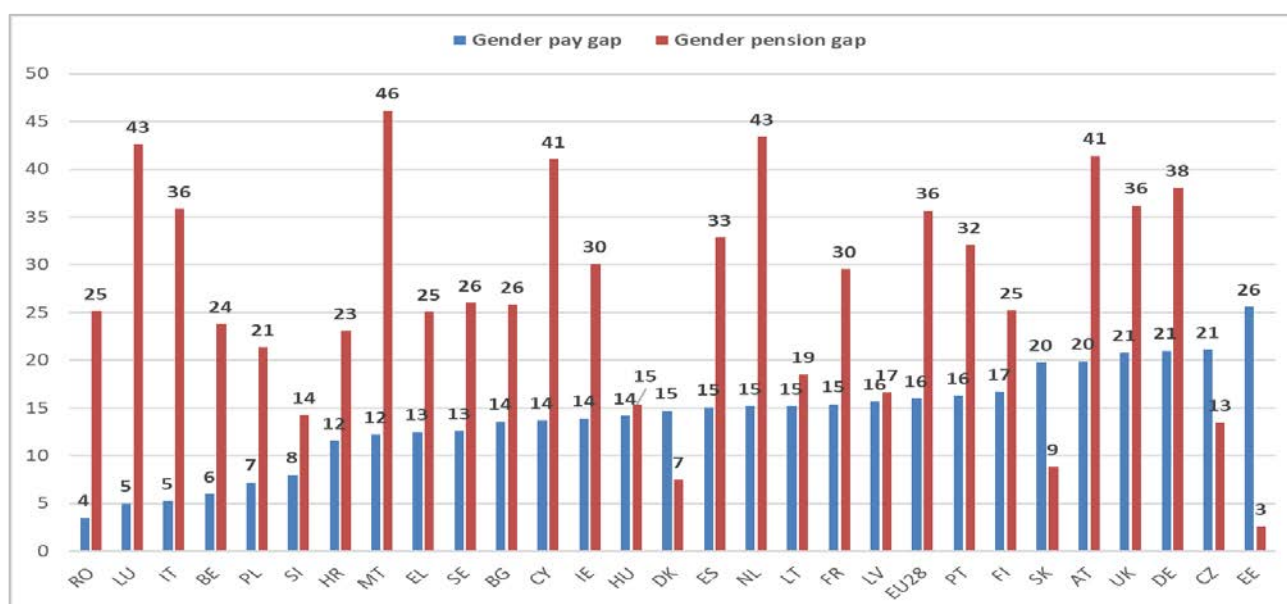
Source: [Eurostat](#), own calculations.

Furthermore, analysts identify a so-called “motherhood pay gap”. It measures the pay gap between mothers and non-mothers in recognition of the fact that women with dependent children are paid less than the ones without children. The motherhood gap also measures the gap between mothers and fathers where the gender element that leads to differences in the pay in favour of men is more evident. Evidence that **mothers suffer a wage disadvantage** or any other disadvantages related to their role in the family has a negative impact on gender equality as an EU value. This is also closely related to the issue of population replacement and raising of children.

The main causes contributing to pay inequality are related to differences in the skills valuation of men and women, segregation, [stereotypes](#) and work-life balance<sup>9</sup>. In addition, equal pay is hindered by a number of factors, according to a report by the European Commission. 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.

If wages determine pensions, it could be expected that **imbalances in wages would account for the imbalances in pensions**. However, the figures don’t reveal any potential direct link between both. The relation between the gender pay gap and the gender pension gap is displayed below (see Figure 3).

Figure 3. Gender pay gap versus gender pension gap, age 65-79, in 2017



Source: Eurostat, European Commission, own calculations.

The figures show that:

- (i) **Pension gaps are considerably larger than pay gaps:** the average pay gap is less than half the average pension gap. The reason is that many women (i) work fewer years in their career, (ii) work fewer hours per year and (iii) receive less per hour. Thus, a pay gap (hourly measure) is magnified into a wider (annual) earnings gap over their career. As most pensions systems base the pension calculation on career earnings, a larger difference in pensions is only to be expected.
- (ii) **There does not appear to be a simple correlation between the two indicators.** The Member State exhibiting the widest pay gap of 26 % (Estonia) is the one with the lowest pension gap of 3 %.

## Pension system design and characteristics

The pension systems' aim is to protect older people from poverty and to provide an adequate income in old age. They are designed and managed largely at national level. Thus the EU has limited competence in this area.

In reality, **large variations exist in the approach to pensions in EU Member States**<sup>10</sup>. Pension systems in the EU can be described by the "three pillars" approach. The first pillar targets old age poverty and covers mandatory, public pension plans and ensures a minimum standard of living. The second pillar is occupational, linked to an employment relationship<sup>11</sup>. Contributions are made by employers and/or employees and they can be either public or private. The third pillar covers supplementary, voluntary private savings plans. Member States have opted for different models but, in general, pillars one and two tend to be guaranteed.

In a gender-biased labour market, the pension system can be used as an instrument to mitigate gender imbalances in pensions. Inherent features of a pension system, in particular the compensatory mechanisms, can significantly widen or narrow the gender gap in pensions.

In this sense, the features of a pension system that have the biggest impact are: (i) **career break compensation** (granting pension rights e.g. for the period of child care), (ii) **pension redistribution** (low-income employees can receive proportionately higher pensions), (iii) **pension indexation** (adjustment of pensions in accordance with changes in the cost of living) and **retirement age difference**.

## Size and evolution

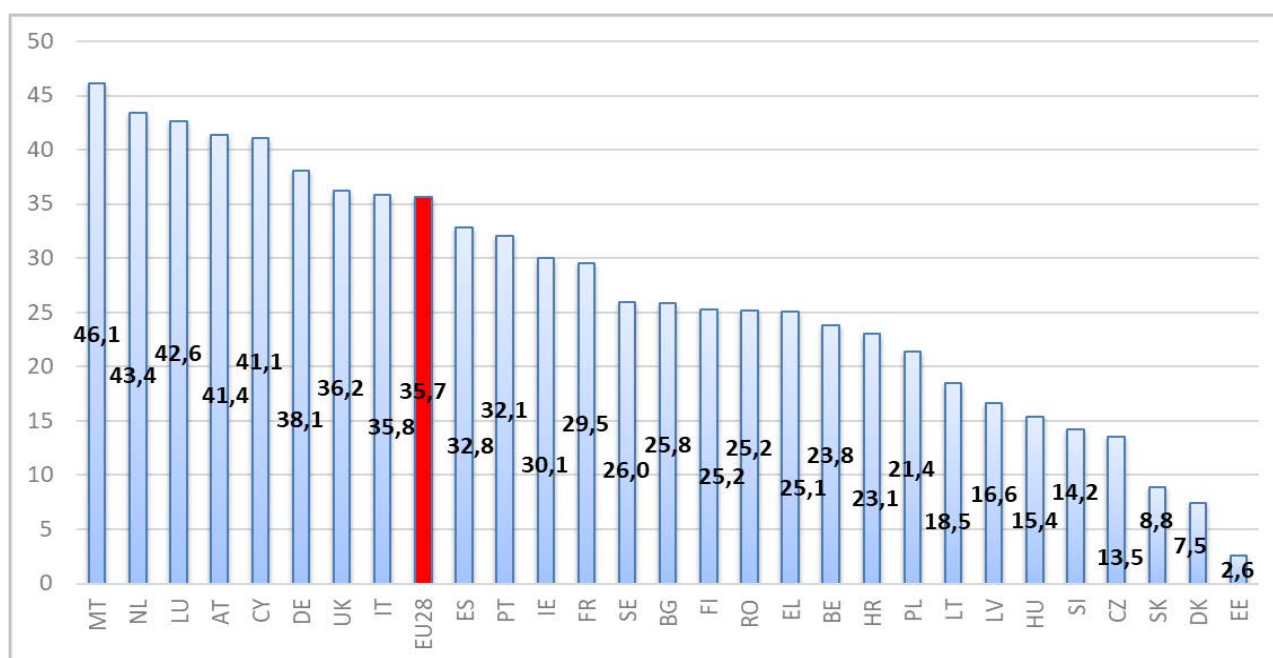
**To estimate the gender pension gap in the EU, analysts developed an indicator** using statistical models and data collected during comprehensive population surveys, as the gap is not directly observable parameter.

### How big is the gap?

**In 2017, the gender pension gap in the EU was 35.7 %.** In other words, in the EU, on average, women pensions were 35.7 % lower than those of men (see Figure 4). This figure was calculated as the difference in average pensions between men and women aged 65 - 79. For the EU it is a weighted average based on the population of the country.

**In 2017, the gender pension gap was equal or above 40 % in 5 Member States. The largest differences** in pensions between men and women were recorded in Malta (46.1 %), the Netherlands (43.4 %), Luxemburg (42.6 %), Austria (41.1 %) and Cyprus (41.1%). **The gap was equal to or above 30 % in 11 Member States.** The EU average also falls into this category. **The gap was equal to or above 20 % in 20 Member States. The gap was below 10 % in only 3 Member States,** namely Slovakia (8.8 %), Denmark (7.5%) and Estonia (2.6 %).

Figure 4. Gender gap in pensions, age 65-79, in %, in 2017



Source: European Commission, own calculations.

### How does the gender gap in pensions evolve over time?

**Following the evolution of the gap over time helps analysts identify whether pensions distribution between genders is improving or getting worse.** A comparison of the gender pension gap levels between the years 2010 and 2017 shows that the average EU gender gap in pensions is not a very flexible variable. Its value over time does not fluctuate much, remaining rather flat with a slight downturn in the later years of the observation period (from 40.8% to 35.7%).

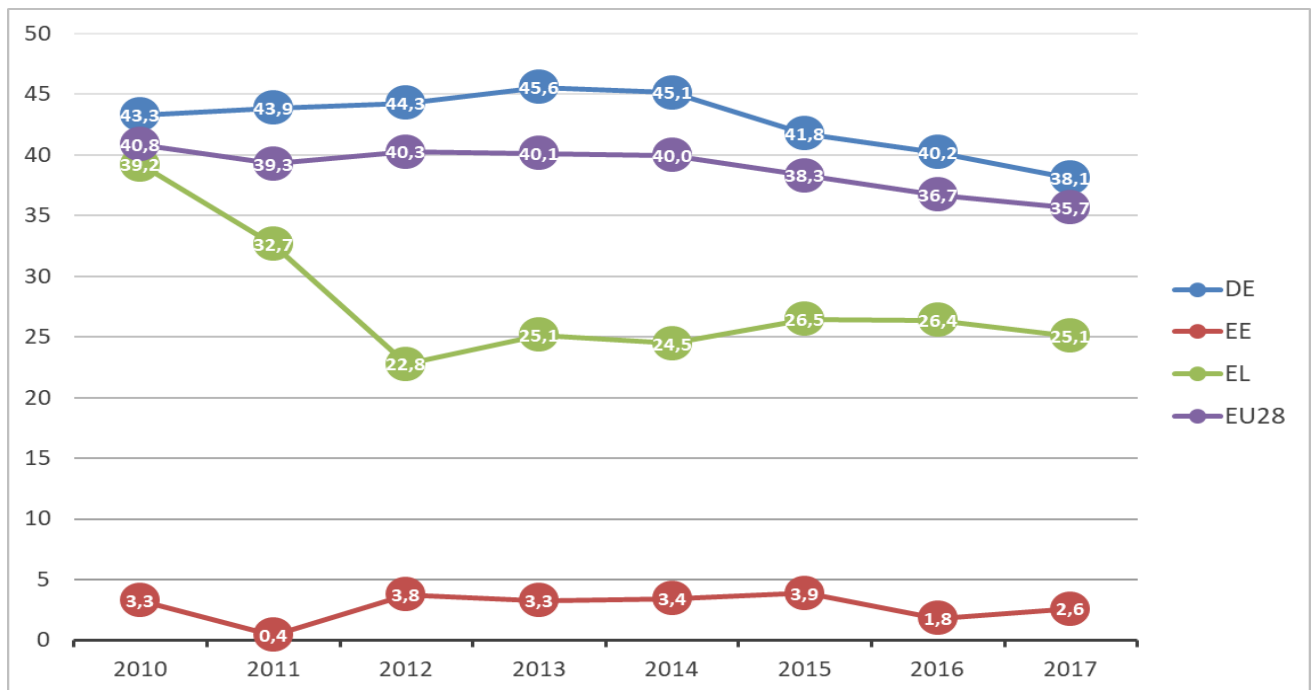
**Observations of individual Member States indicate that most do not exhibit any dramatic gender pension gap changes over time,** which is also reflected in the lack of fluctuation of the EU average. For instance, over time, the gap in Germany remained very high and relatively stable, while in Estonia, the gap, also relatively stable, was well below the average (see Figure 5).

**A few Member States experience a more unusual development.** For instance, Greece recorded a sharp drop in the gap between 2010 and 2012, when it declined by nearly half, from 39.2 % to 22.8 %. On the other hand, Malta saw a significant increase from 2015 to 2016, when the gap doubled, jumping from 22.8% to 45% and remained the highest in the EU at 46.4% in 2017.

Analysis on a case-by-case basis is necessary to identify the combinations of factors and assess the mutual effects leading to changes in the size of the gap. As regards **Greece**, the country was severely hit by the 2008 financial crisis. To cope with the financial difficulties and economic challenges, Greece received financial assistance under three economic adjustment programmes<sup>12</sup>, which involved **extensive pension cuts** regardless of age or of contribution history. Ten different cuts took place from 2010 to 2013 on a progressive scale, based solely on the size of the pension<sup>13</sup>. Even if applied to all, pension cuts affected the population groups receiving most (men) to a larger extent as, firstly, they were in a position to contribute more to meeting the austerity programme targets and, secondly, a minimum level of protection had to be provided to those receiving least (mainly women). This led to reduction in the gender gap in pensions, as well as the overall level of pensions.



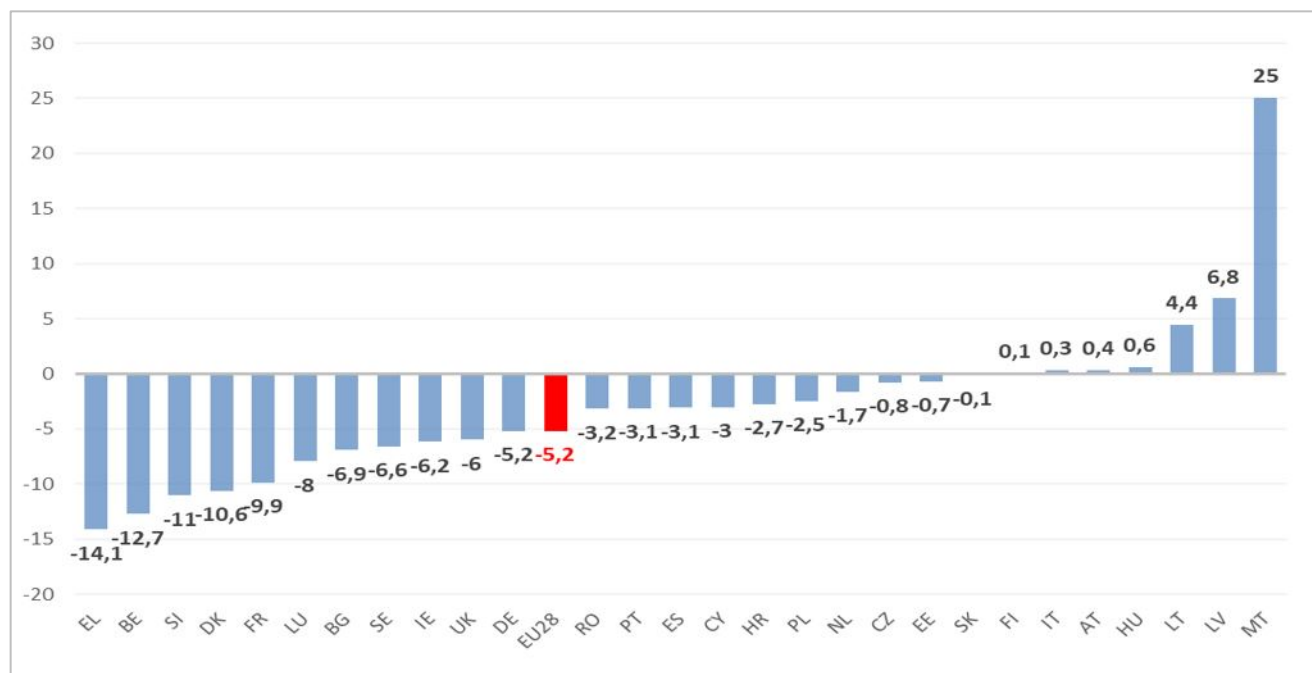
Figure 5. Trends in the gender gap in pensions over time in %, age 65-79, (2010-2017)



Source: European Commission, own calculations.

**To look at it from a different angle, below, the values of the gender gaps in pensions in individual Member States in 2017 are compared to the ones in 2010** (Figure 6). The results are encouraging as most Member States seem to have improved their positions by shrinking their gaps, for instance in Greece the gap decreased by 14.1 pp and by 12.7 pp in Belgium. In other Member States the gaps widened (e.g. Malta (15 pp) and Latvia (6.8 pp)). There were some that did not record much change, for instance, Hungary (0.6 pp) and Austria (0.4 pp). The EU average improved by 5.2 pp.

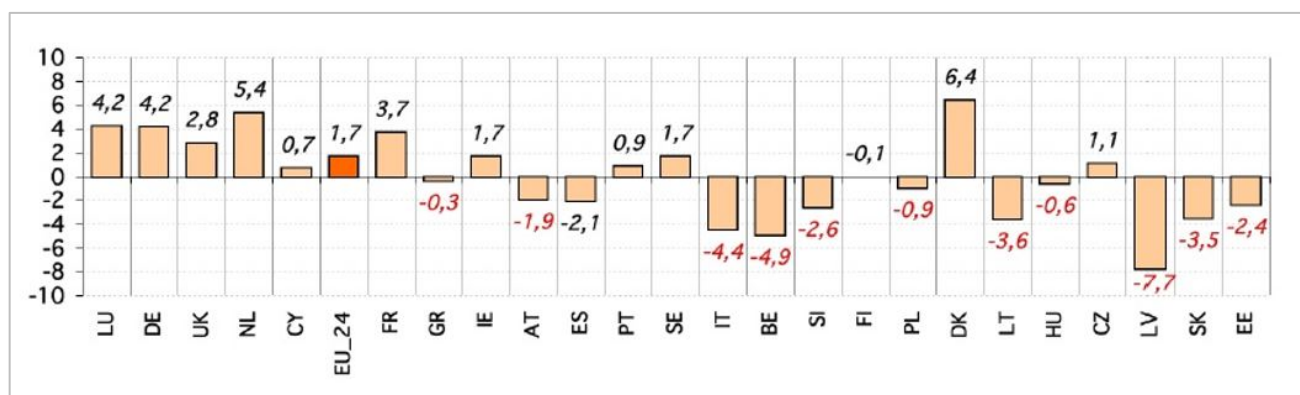
Figure 6. Gender pension gap in variations in pp, age 65-79, (2010-2017)



Source: own calculations.

**A tendency for the EU average gap to widen over time appears when looking at a different data set in the past.** A study of the European Commission<sup>14</sup>, shows that the EU gender pension gap increased by 1.7 pp or by 5 % during 2005-2010 (see Figure 7).

Figure 7. Gender pension gap in variations in pp, age 65 +, (2005-2010)



Source: European Commission.

Although the values of the expanded gaps seem smaller than the ones that shrank, the **Member States where the gap expanded were larger in terms of population, hence they had a stronger impact on the EU average, negatively influencing the size of the gap**, which eventually produced an overall result of a 1.7 pp increase for the EU.

The increase of the gap in the period 2005-2010 of 1.7 pp compared to the decrease in the gap in the period of 2010-2017 of 5.2 pp is a **positive sign** that the overall size of the gap is contracting.

<sup>1</sup> [http://www.europarl.europa.eu/RegData/etudes/STUD/2016/571363/IPOL\\_STU\(2016\)571363\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/571363/IPOL_STU(2016)571363_EN.pdf).

<sup>2</sup> <https://www.ehu.es/documents/2007376/2226923/The+gender+gap+in+pensions+in+EU>.

<sup>3</sup> [http://www.europarl.europa.eu/RegData/etudes/STUD/2016/571363/IPOL\\_STU\(2016\)571363\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/571363/IPOL_STU(2016)571363_EN.pdf).

<sup>4</sup> <https://ec.europa.eu/digital-single-market/en/news/media-brings-gender-fore>.

<sup>5</sup> European Commission 2018 Report on equality between women and men in the EU.

<sup>6</sup> European Commission 2018 Report on equality between women and men in the EU.

<sup>7</sup> <https://www.ehu.es/documents/2007376/2226923/The+gender+gap+in+pensions+in+EU>.

<sup>8</sup> [http://europa.eu/rapid/press-release\\_IP-14-190\\_en.htm](http://europa.eu/rapid/press-release_IP-14-190_en.htm).

<sup>9</sup> [https://ec.europa.eu/info/policies/justice-and-fundamental-rights/gender-equality/equal-pay/causes-unequal-pay-between-men-and-women\\_en](https://ec.europa.eu/info/policies/justice-and-fundamental-rights/gender-equality/equal-pay/causes-unequal-pay-between-men-and-women_en).

<sup>10</sup> [http://www.europarl.europa.eu/RegData/etudes/STUD/2014/536281/IPOL\\_STU\(2014\)536281\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2014/536281/IPOL_STU(2014)536281_EN.pdf).

<sup>11</sup> [http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/571327/EPRS\\_BRI%282015%29571327\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/571327/EPRS_BRI%282015%29571327_EN.pdf).

<sup>12</sup> [https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-financial-assistance/which-eu-countries-have-received-assistance/financial-assistance-greece\\_en](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-financial-assistance/which-eu-countries-have-received-assistance/financial-assistance-greece_en).

<sup>13</sup> [https://www.europarl.europa.eu/RegData/etudes/STUD/2015/563468/IPOL\\_STU\(2015\)563468\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2015/563468/IPOL_STU(2015)563468_EN.pdf).

<sup>14</sup> <https://www.ehu.es/documents/2007376/2226923/The+gender+gap+in+pensions+in+EU>.

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