

# Female transition to retirement

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# Outline

- Life course changes and challenges in the light of population ageing
- Gender pension gap: current and future perspective
  - Changing labour market patterns
  - Changing pension system design
- How to measure gender pension rights gap ?

# Rationale

- In most of the countries there is a current pension gap, measured by differences in pension levels of men and women
- The gender gap is a result of:
  - Gender differences in labour market participation (wages, employment rates)
  - Pension system design (retirement age, pension formula)

# Reserach objective

- To propose an index that would capture the gender pension rights gap
  - Forward-looking
  - Taking into account changing labour market patterns
  - Taking into account changing pension systems

# Sources of low pensions of women: example of Poland

**Table 4. Results of simulation - the sources of higher coverage of new minimum pension among women**

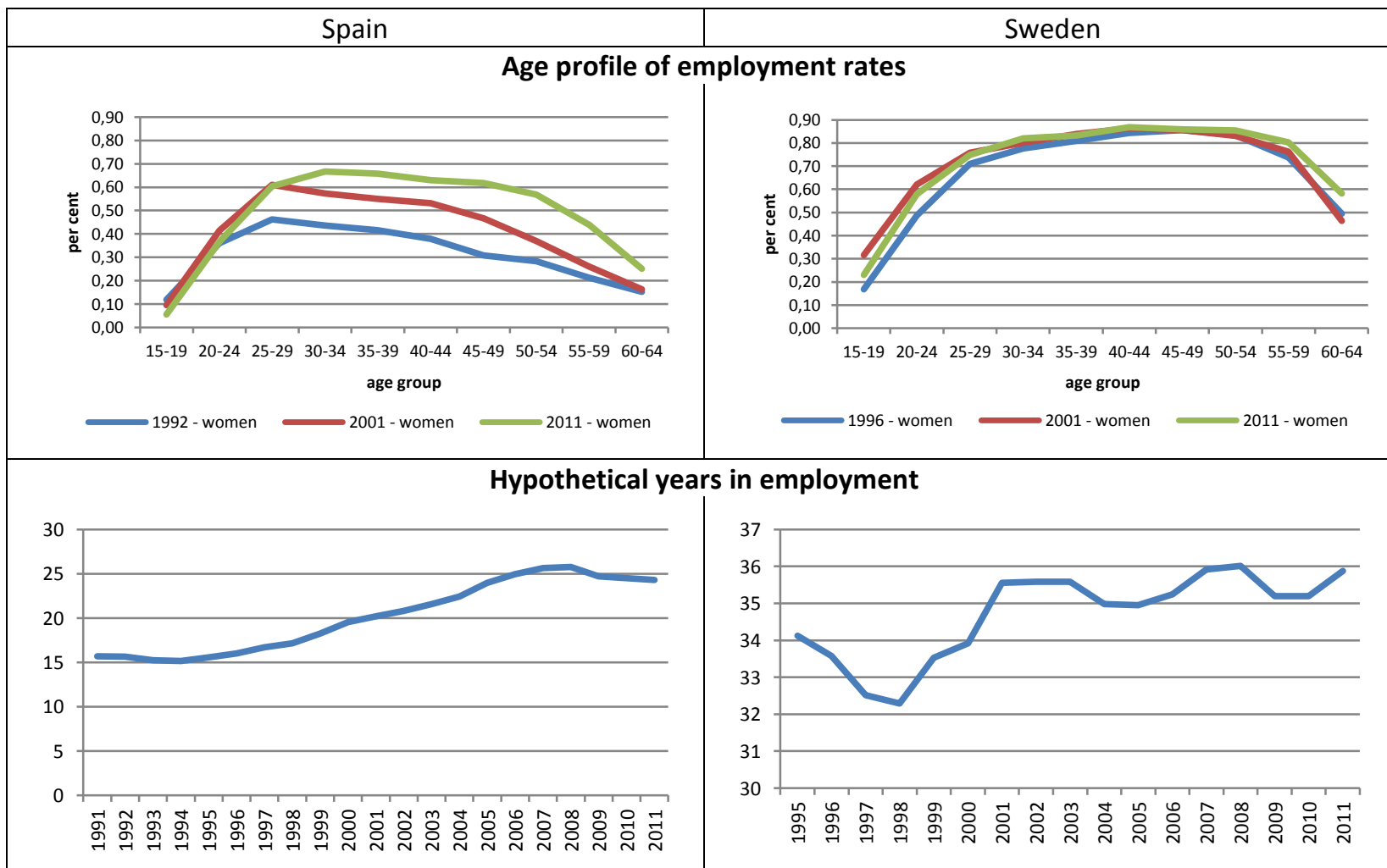
	Minimum pension indexation	
	20%	100%
<b>Baseline scenarios:</b>		
Female	<b>3.4%</b>	<b>45.3%</b>
Male	<b>0.5%</b>	<b>4.4%</b>
<b>Sources of differences between men and women:</b>		
<b>Influence of pension age</b>		
Tenure - Female, Wage - Female, Retirement age - 65 (Male)	<b>1.9%</b>	<b>29.6%</b>
Explained difference (only due to retirement age):	1.0%	11.3%
<b>Influence of tenure and pension age</b>		
Tenure - Male, Wages - Female, Retirement age 65 (Male)	<b>1.3%</b>	<b>17.8%</b>
Explained difference (due to tenure and retirement age):	1.7%	23.1%
Explained difference (due to tenure)	0.7%	11.8%
<b>Influence of differences in lifetime wages (residual):</b>		
Explained difference between women and men (due to differences in wages):	1.3%	17.8%

*Source: Own calculations*

**Table 6. The comparison of the projections of the coverage of future pensioners by minimum pension under different**

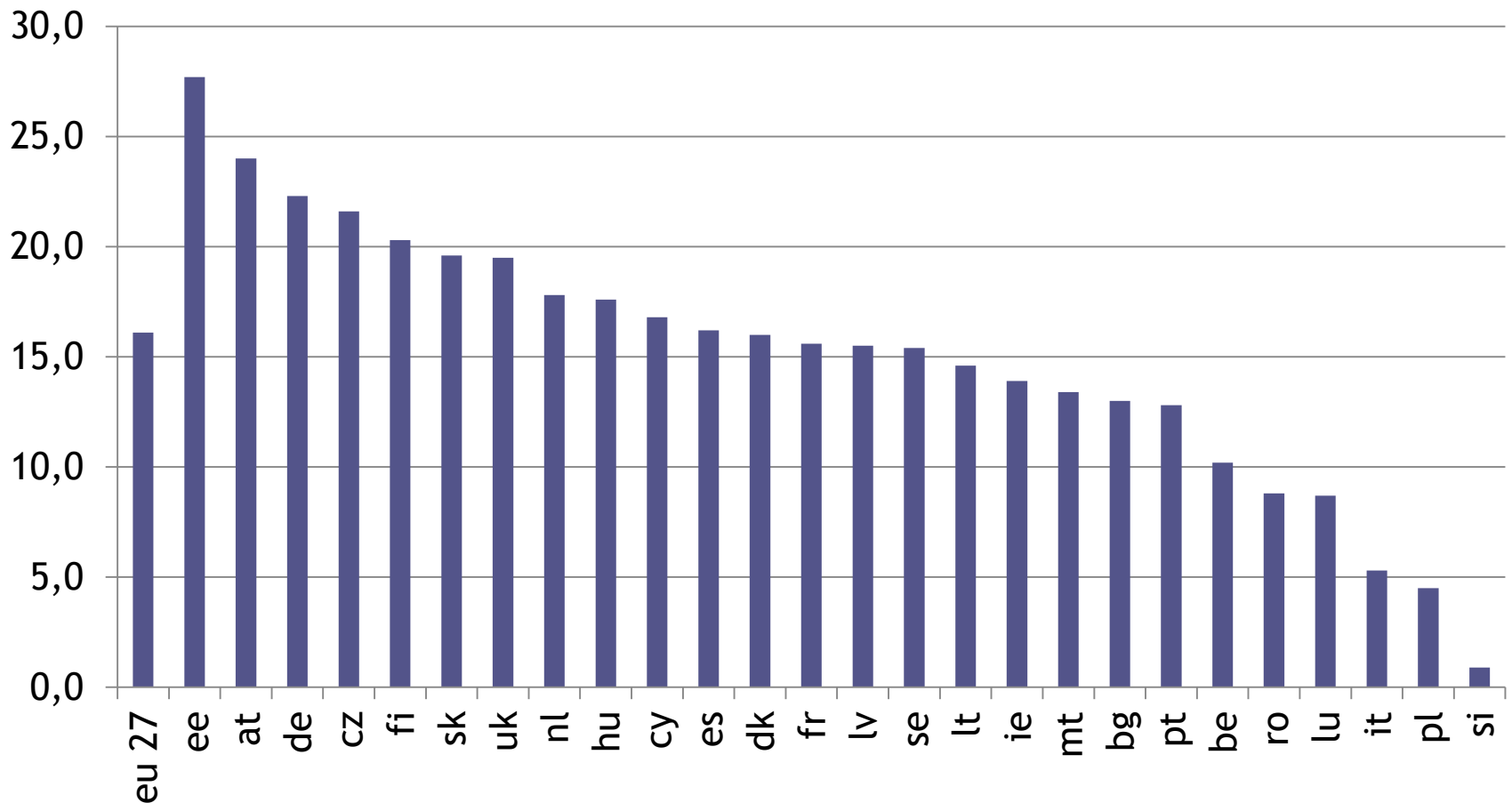
	Minimum pension indexation	
	20%	100%
<b>Baseline scenario (OFE contribution 3,5% in the long run):</b>		
Female	3.40%	45.27%
Male	0.45%	4.41%
<b>Without cutting OFE contribution (7,3%)</b>		
Female	2.90%	39.52%
Male	0.42%	3.40%
<b>Extension of retirement age until 67</b>		
Female	1.06%	13.25%
Male	0.40%	3.42%

# Length of pension coverage depends both of on the labour market entry and exit ages



# Employment and wage gaps remain...

Gender pay gap in EU countries, 2010

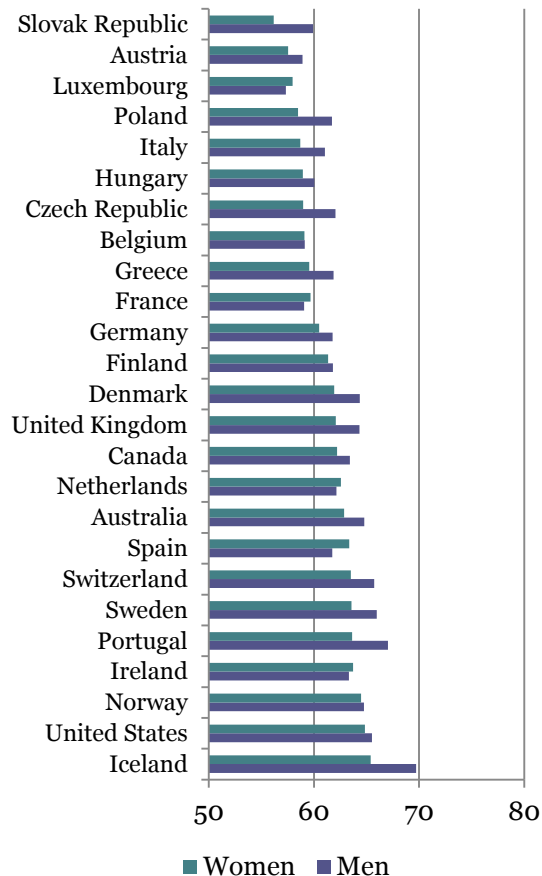


Source: EUROSTAT

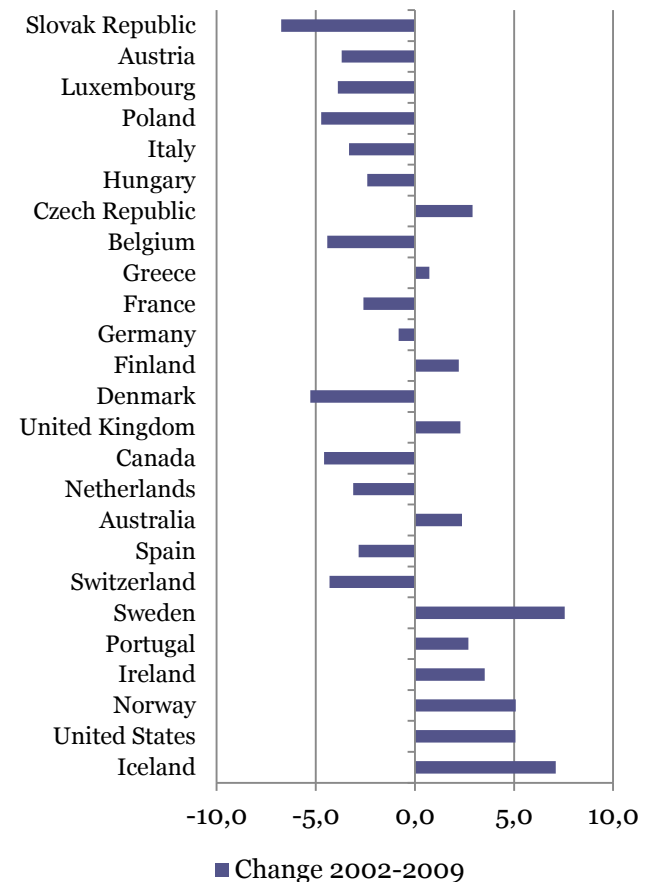


# Exit age from the labour market

Labour force exit age, 2009

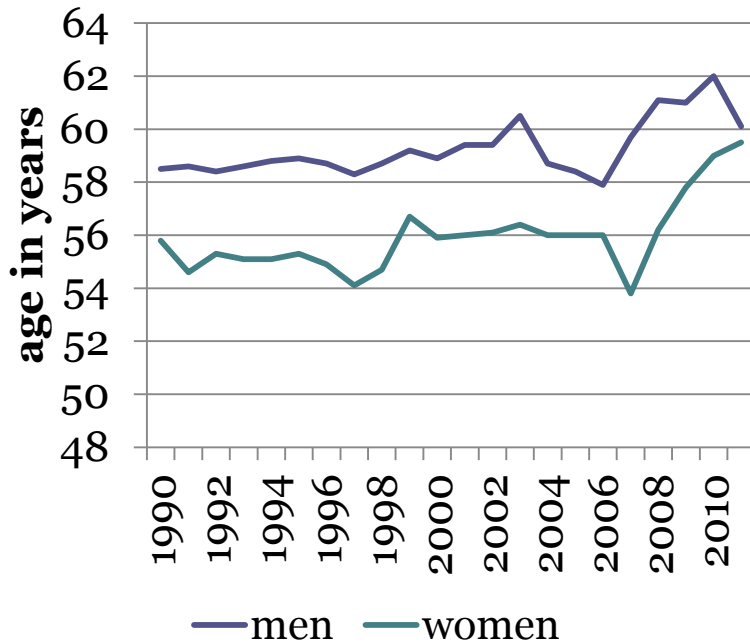


Change in women's labour force exit age, 2002-2009

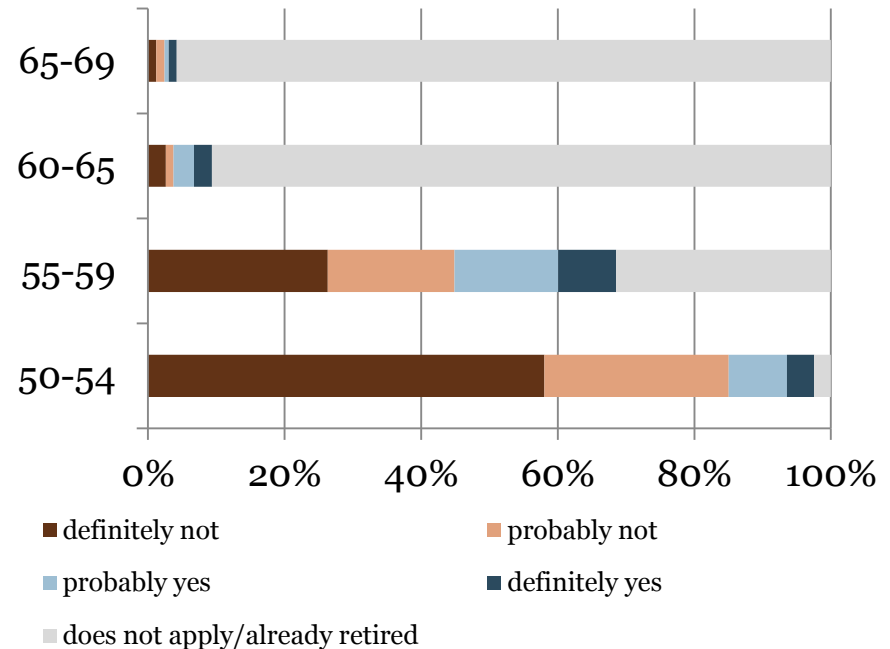


# Retirement age and early retirement plans: case of Poland

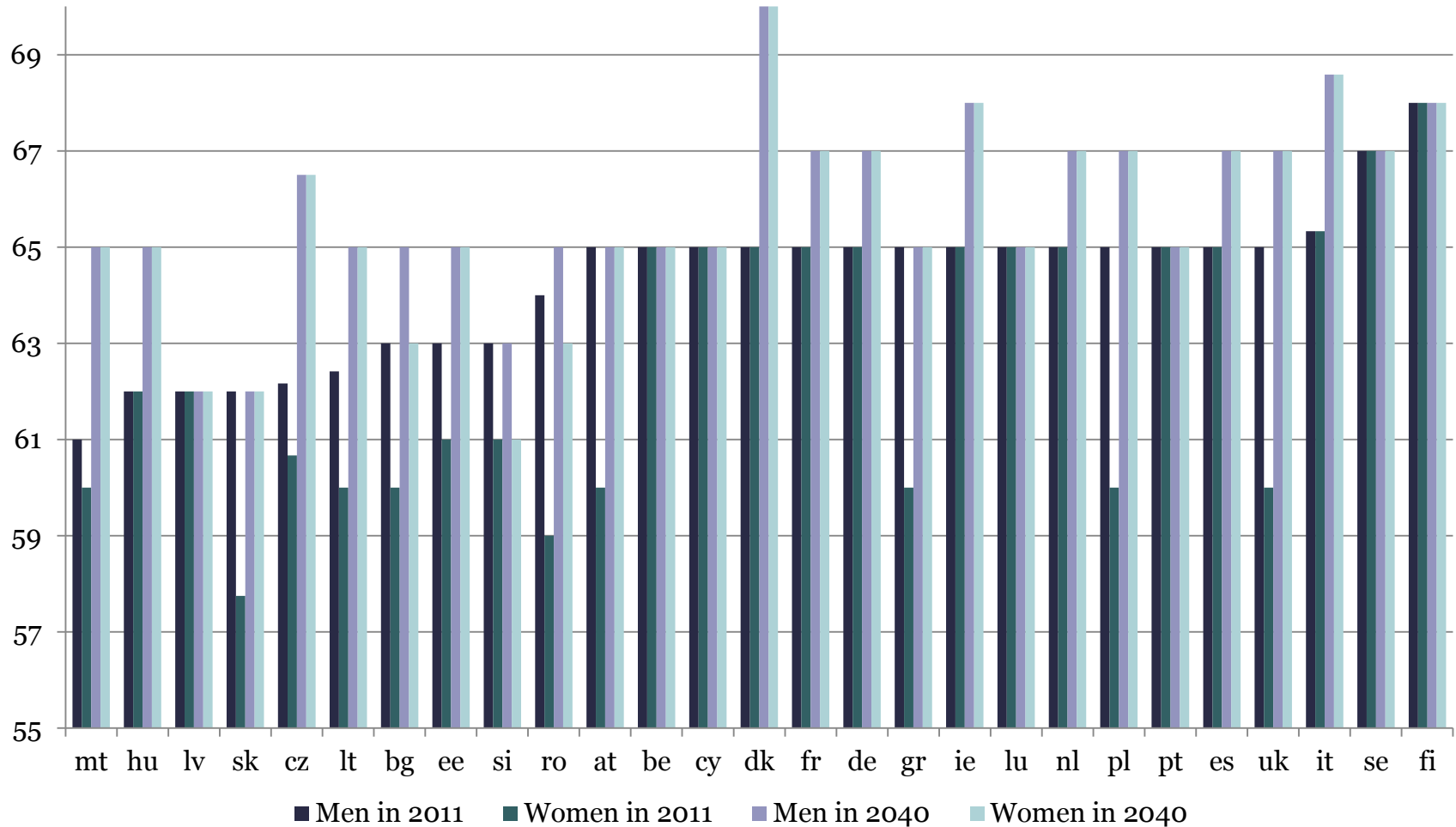
Changes in retirement age in Poland



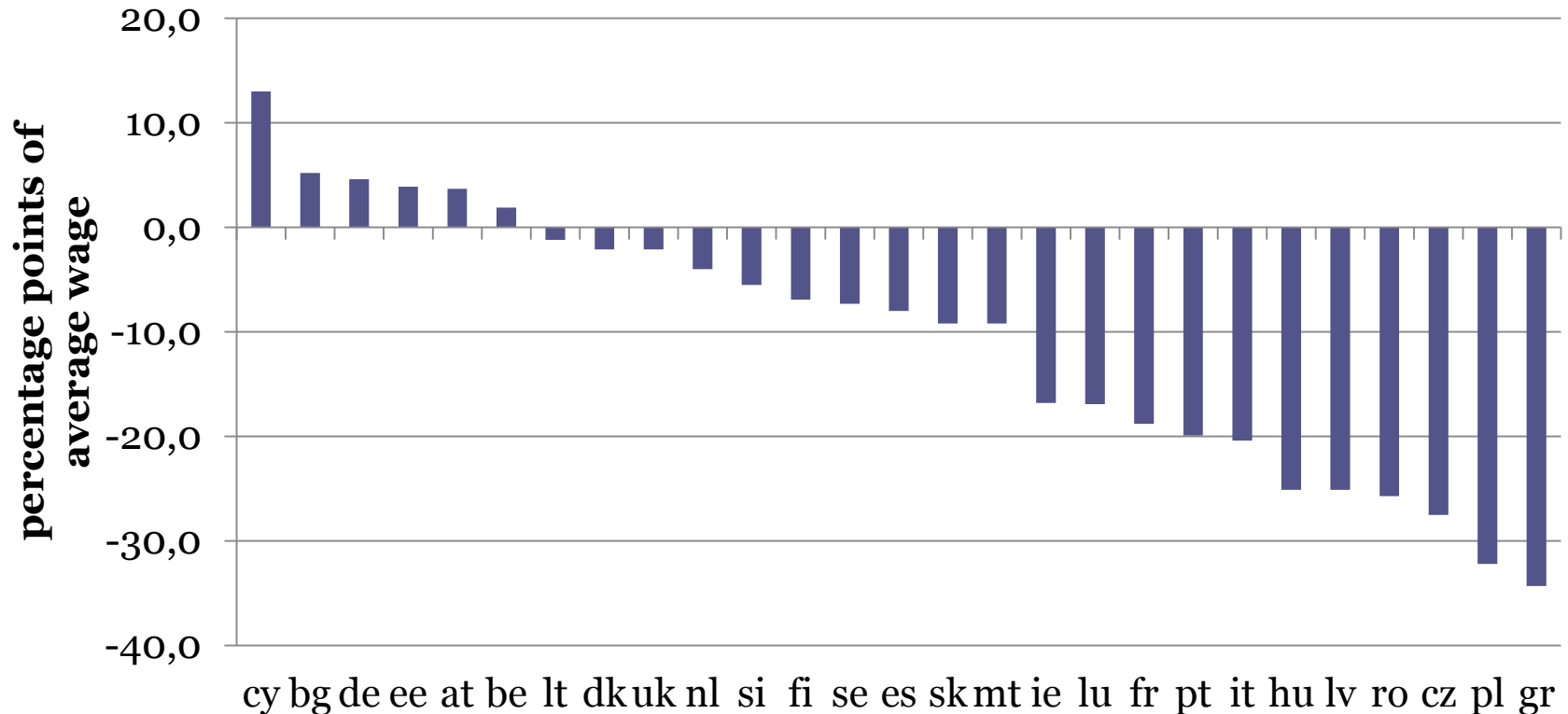
Early retirement plans: women (GGS for Poland)



# Changes in legal retirement age: 2011 vs 2040

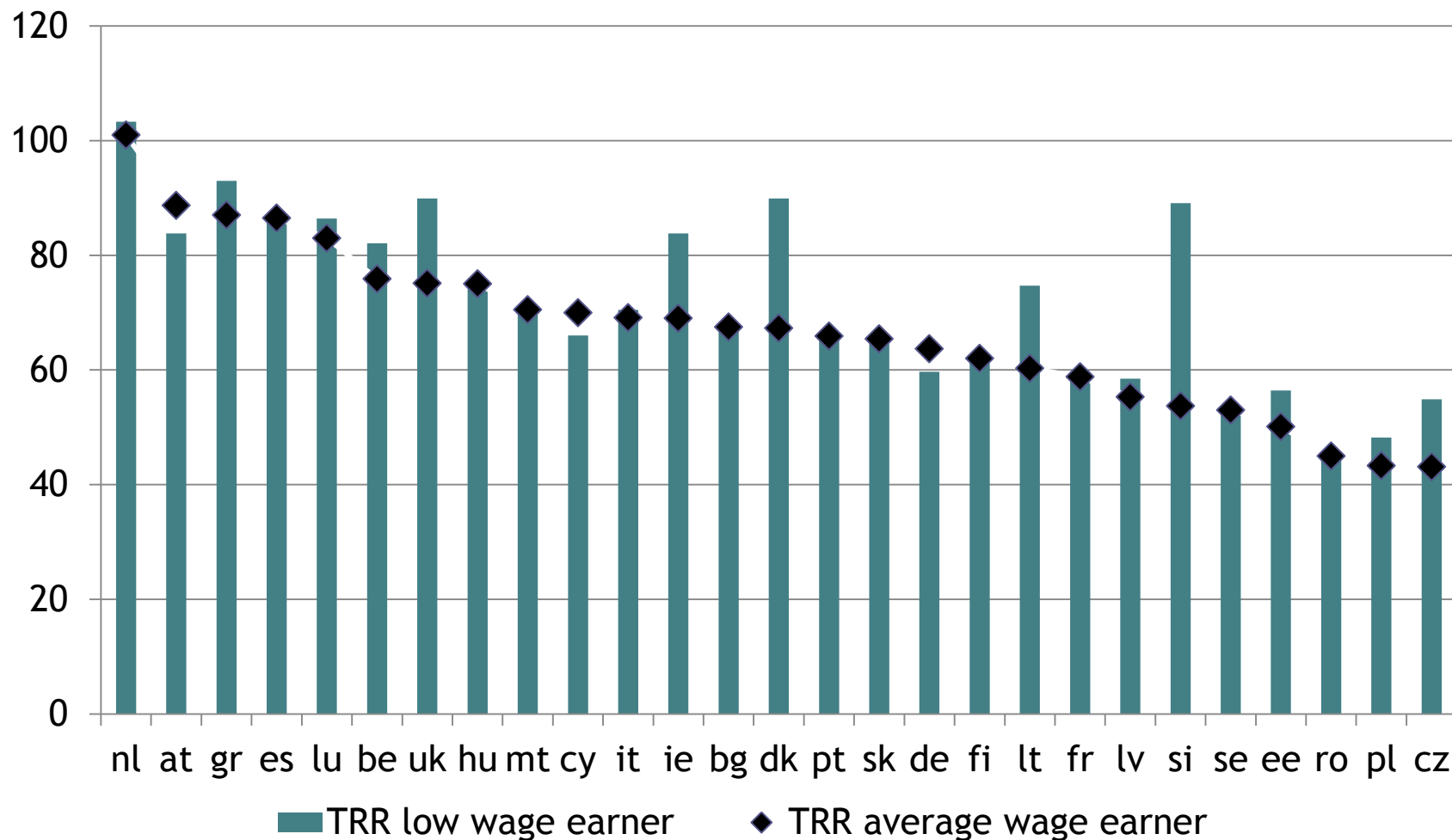


# Current vs. future replacement rates - projected change



Source: own calculation based on (DG Employment & Social Protection Committee 2012) with modifications for Poland, Italy and Lithuania for increased pensionable ages of women

## In many EU countries there is little income redistribution in pension systems with tighter earnings-benefit links

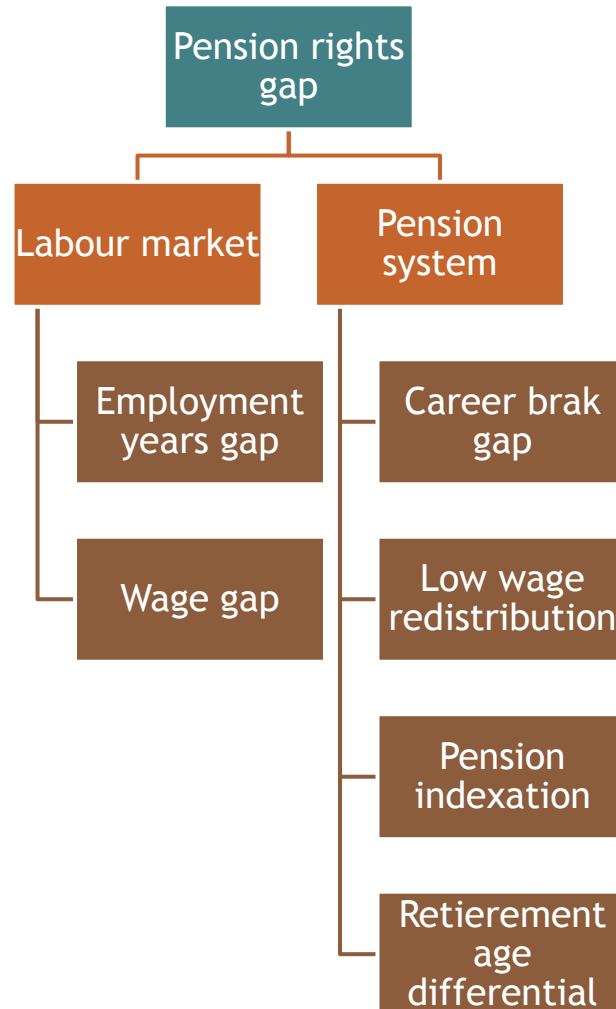


Source: (DG Employment & Social Protection Committee 2012) with modifications for Poland, Italy and Lithuania for increased pensionable ages of women

# Career breaks for child-care and pension rights

Type of trend	Countries
1. Increases from the full-career case and decreases afterwards	(2): Germany, Italy
2. Stable during the child-care breaks (no change)	(1) Ireland
3. Stable for first few care years and declining thereafter	(6) Belgium, Czech Republic, Luxembourg, Portugal, Spain, Malta
4. Decreases modestly from the full career case	(6) Austria, Denmark, Finland, Greece, Netherlands, United Kingdom
5. Stronger declines in replacement rates	(11) France, Hungary, Poland, Slovak Republic, Sweden, Bulgaria, Estonia, Latvia Lithuania, Romania, Slovenia
Source: (D'Addio 2013)	

# Pension rights gap depends both on labour market and pension system factors



# Pension Rights Gender Gap Index

$$PRGI_i = EG_i * WG_i * CBG_i * PLW_i * PI_i * RAG_i$$

where:

$EG_i$  is an employment years gap measured as a number of expected average years in employment for women divided by 40 years (i.e. career length assumed in the calculation of prospective theoretical replacement rates, for country  $i$ ;

$WG_i$  is a wage gap calculated as (1 - gender wage gap), for country  $i$ ;

$CBG_i$  is a career break gap calculated as a ratio of TRR of women with 3-year career break to TRR of male 100% wage earner, for country  $i$ ;

$PLW_i$  is a low wage earner pension factor calculated as a ratio of TRR of low wage to TRR of male 100% wage earner, for country  $i$ ;

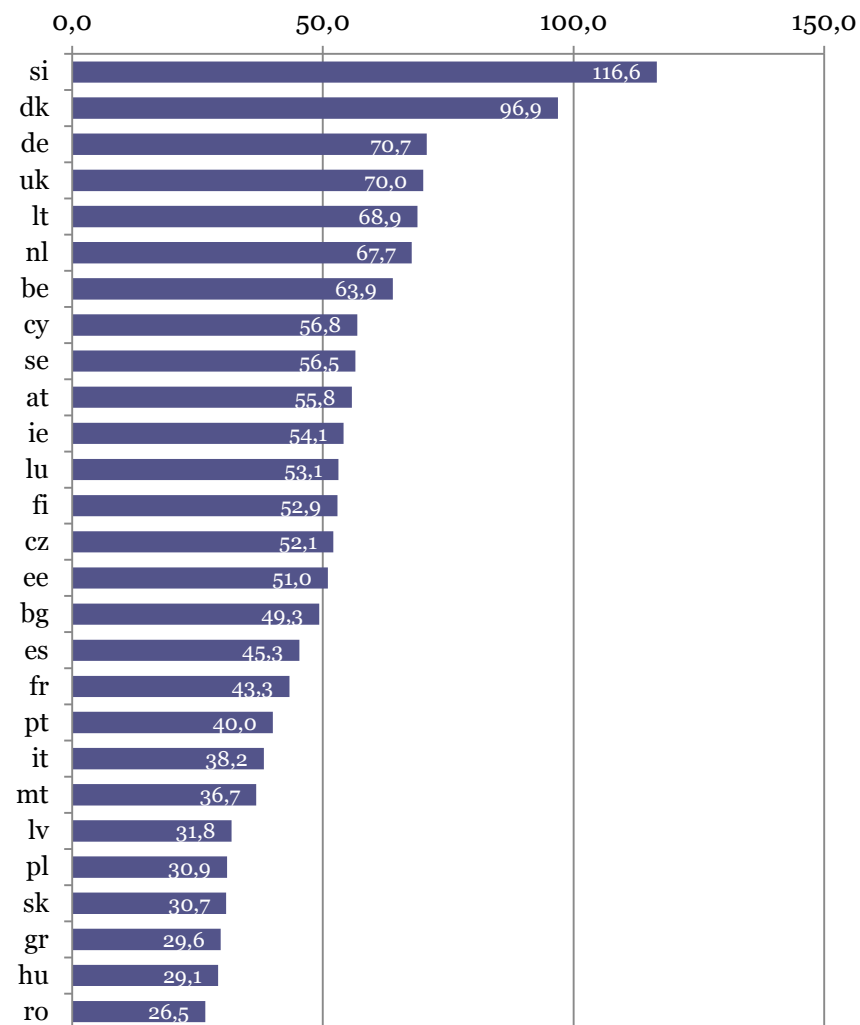
$PI_i$  is a pension indexation factor calculated as a ratio of replacement rate after 10 years to current replacement rate of male 100% wage earner, for country  $i$ , and

$RAG_i$  is a retirement age gap factor calculated as a ratio of TRR of woman at different pensionable age to the TRR of male 100% wage earner, for country  $i$ .



# Pension Rights Gender Gap Index

Overall	Labour market	Pension system
1 Slovenia	1 Slovenia	1 Slovenia
2 Denmark	2 Denmark	2 Denmark
3 Germany	3 Sweden	3 Germany
4 United Kingdom	4 Netherlands	4 Lithuania
5 Lithuania	5 Finland	5 United Kingdom
6 Netherlands	6 Portugal	6 Belgium
7 Belgium	7 Cyprus	7 Netherlands
8 Cyprus	8 Luxembourg	8 Czech Republic
9 Sweden	9 United Kingdom	9 Estonia
10 Austria	10 Germany	10 Ireland
11 Ireland	11 Belgium	11 Austria
12 Luxembourg	12 Poland	12 Cyprus
13 Finland	13 France	13 Malta
14 Czech Republic	14 Austria	14 Spain
15 Estonia	15 Latvia	15 Luxembourg
16 Bulgaria	16 Lithuania	16 Bulgaria
17 Spain	17 Bulgaria	17 Finland
18 France	18 Ireland	18 Sweden
19 Portugal	19 Romania	19 Italy
20 Italy	20 Czech Republic	20 France
21 Malta	21 Spain	21 Greece
22 Latvia	22 Estonia	22 Portugal
23 Poland	23 Italy	23 Slovak Republic
24 Slovak Republic	24 Slovak Republic	24 Hungary
25 Greece	25 Hungary	25 Latvia
26 Hungary	26 Greece	26 Poland
27 Romania	27 Malta	27 Romania



# Distribution of EU 27 countries by the domain specific indices

		Labour market equality		
		High	Medium	Low
Pension system compensation	High	(4) SI DK UK NE	(3) DE LT BE	(2) EE CZ
	Medium	(3) CY LU FI SE	(3) IE AT LU	(2) MT ES
	Low	(1) PT	(4) PL FR LV BG	(5) IT RO SK HU EL

# Conclusions (1)

- Changing position of women in labour market and family context
- Policy responses to population ageing include both changes in labour market and pension systems that affect gender differently
  - increases in the labour market participation of prime-aged women,
  - prolonging working lives
  - increasing labour market exit ages of women
  - raising retirement age
  - reducing the progressivity in pension formulae,

# Conclusions (2)

- Full understanding of transition from work to retirement requires the assessment of both sides of the coin
- Women lose twice in most of the pension schemes - because they earn less and because they have shorter working lives
- Many researchers refer to these gaps, but rarely they are seen as correlated phenomena - women with shorter working lives have usually lower earnings at the same time
- Gender is important in combined labour market and pension system perspectives

## Conclusions (3)

- The results of analysis show that countries that have little gender differences in labour markets also tend to have pension system policies that are gender-friendly
- Countries with high gender differences, pension systems often do not compensate them at retirement
- There is a need for more life course perspective in both labour market and retirement policies, taking into account the complimentary role of these policies

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# References

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