Gender Pay and Pension Gap

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General information

• The issue of equal pay for equal work captures the enduring gendered inequalities that exist on the labour market.
• The case for taking action on unequal pay is important for women as individuals for equity reasons, for the economic well-being of their children and families, but also for society at large since an improvement of the position of women in the labour market - including pay equality - is crucial for economic growth.
Women’s independence

Simone de Beauvoir, *The Coming of Age* (1970),

➢ “What we have here is a man’s problem... When there is speculation upon old age it is considered primarily in terms of men. In the first place, because it is they who express themselves in laws, books and legends”  

And in statistics???

➢ “For women, the last age is a liberation...Now at last they can look after themselves..”

How far are we from realising the potential imagined by de Beauvoir?

Though we know a great deal about pay gaps and gender imbalances in working life, little is known about their ‘sequel’ in old age.
MOTIVATION

• Why would an indicator be useful?
• What would it need to show?
GENDER GAPS in PAY OVER THE LIFETIME

- University graduates: 3%
- at Work with kids under 7: 16%
- in Pension: 26%
- Young people (aged 20–29): 25%
- at Work: 48%
- at the Peak of their Career: 37%
Knowledge gaps to be filled

We know a good deal about pay and earnings gender gaps:
➢ Vast literature analysing and explaining pay gaps, both in EU and US
Very little for their ‘pension sequel’, nothing to serve as benchmarking.
➢ How are pension gaps linked to earnings gaps?
➢ Key analytical and policy questions: How will pension gaps evolve?
  • A passing feature of the past? Or a looming worry for the future?
Pensions, welfare and economic independence

Pensions are paid to individuals
- They are an important determinant of capacity to lead life independently

Pension entitlements are NOT a welfare measure
- Nevertheless, pensions are a complement to measures of inclusion.

Pensions *replace* working income. Pension gap is the analogue to Pay (or *earnings*) gap.
- Pensions *reflect* the situation in the labour market (cumulated disadvantage),
- *But are Filtered* through the operation of pension system
  ✓ Income *replacement* - *reproduces* lifetime inequality. May even *increase* it.
  ✓ Social policy: Corrections due to the operation of social policy.
QUANTIFICATION

• Key issues in a methodology for capturing Gender Gaps in Pensions
**Desired characteristic of indicators**

- A good statistical **indicator** should:
  - Be easily understood
  - Be available on an annual basis
  - Be available and comparable across member states
  - Should link with locally available information
  - Should *complement* existing structural indicators
- Should be **robust** - should *not* be subject to unexplained swings nor be heavily dependent on one particular data source.
- Should **add value** - communicate *useful* information, which is not known (or guessed at) in advance for topics that have policy interest.
The Gender Pay Gap is the difference between mean gross earnings of male paid employees and of female paid employees, expressed as a percentage of mean gross earnings of male paid employees.

\[ 1 - \frac{\sum_{i=1}^{F} (PY010G_i)w_i}{\sum_{i=1}^{F} w_i} \times \frac{\sum_{j=1}^{M} (PY010G_j)w_j}{\sum_{j=1}^{M} w_j} \times 100 \]

\( PY010G \) is the gross employee cash or near cash income at individual level, \( F \) is the subsample of women and \( M \) the subsample of men.
The Pension Gender Gap is the percentage by which women’s average pension is lower than men’s, i.e. how much women are lagging behind men.

PY080G are regular pensions from individual private plans, PY100G old age benefits and PY110G survivor’s benefits, F are the women in subsample, M are the men in subsample.
Crucial aspects of the definitions

1. Data Sources: *European Statistics on Income and Living Conditions* (EU SILC).

2. Definition of “employees” those receiving a non-zero gross employee cash or near cash income for the income reference period (year).

3. Definition of “pensioner”: any person who appears to be drawing a pension as his/her own income, i.e. individuals who have at least one positive income value of old age benefits, regular private.
THE DATA source: implications of using SILC

*SILC is the only feasible choice:* well known, available for all EU27 on an annual basis, used to produce many other indicators.

- *Administrative data* lacks comparability and are sometimes gender-blind.

But SILC choice dictates certain key decisions for pensions:

- No possibility to disaggregate 1\textsuperscript{st} and 2\textsuperscript{nd} pillar pensions; only 3\textsuperscript{rd}.
- Scarce background information relevant for older group (e.g., how many children ever born? Work interruptions during life).
ILLUSTRATION

• Interrogating the data: What kind of picture emerges?
Measuring Gender Pay Gaps

- We estimate GPG and GGP relying on EU-SILC, but most studies rely on the Structure of Earnings Survey (SES) to measure GPG.
In particular

GPG increases with age
GPG varies markedly depending on occupation

<table>
<thead>
<tr>
<th>Occupation</th>
<th>GPG (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armed forces occupations</td>
<td>25</td>
</tr>
<tr>
<td>Managers</td>
<td>20</td>
</tr>
<tr>
<td>Professionals</td>
<td>35</td>
</tr>
<tr>
<td>Technicians and associate professionals</td>
<td>30</td>
</tr>
<tr>
<td>Clerical support workers</td>
<td>25</td>
</tr>
<tr>
<td>Service and sales workers</td>
<td>15</td>
</tr>
<tr>
<td>Skilled agricultural, forestry and fishery workers</td>
<td>45</td>
</tr>
<tr>
<td>Craft and related trades workers</td>
<td>40</td>
</tr>
<tr>
<td>Plant and machine operators, and assemblers</td>
<td>35</td>
</tr>
</tbody>
</table>
Public sector guarantees equal pay more than private sector

Bar chart showing the comparison between full-time and part-time work in the private and public sectors, indicating that public sector guarantees pay more than the private sector.
GPG varies markedly depending on sector of activity

- Agriculture: 35%
- Industry: 35%
- Construction: 20%
- Commerce and hospitality: 25%
- Transport: 15%
- Financial services: 40%
- Public administration and defence: 10%
- Education: 20%
- Health: 25%
- Other services: 30%
GGP estimated on private pensions is higher

- Our measure of the gender gap in pensions needs to be detailed considering the share covered by private pension plans.
- GGP estimated on private pensions is higher compared to the standard gender gap in pension.
- Survivors’ benefits reduce the gender gap estimated on the total of pensions; conversely private pensions mostly paid to men push the gender pension gap up.
Gender Pension Gap and Gender Private Pension Gap Over Time

<table>
<thead>
<tr>
<th>Year</th>
<th>EU27</th>
<th>EU27 (private plans)</th>
<th>EU27 (ONLY private plans)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>65.6</td>
<td>37.9</td>
<td>24.6</td>
</tr>
<tr>
<td>2007</td>
<td>74.5</td>
<td>47.3</td>
<td>38.4</td>
</tr>
<tr>
<td>2008</td>
<td>61.1</td>
<td>31.2</td>
<td>16.7</td>
</tr>
<tr>
<td>2009</td>
<td>71.4</td>
<td>47.0</td>
<td>38.5</td>
</tr>
<tr>
<td>2010</td>
<td>72.3</td>
<td>49.6</td>
<td>38.6</td>
</tr>
<tr>
<td>2011</td>
<td>74.2</td>
<td>52.3</td>
<td>38.3</td>
</tr>
<tr>
<td>2012</td>
<td>71.0</td>
<td>47.1</td>
<td>38.3</td>
</tr>
</tbody>
</table>
Going deep

Factors impacting on unequal pay:

➢ the employment structure in terms of educational attainments (share of women and men with secondary and tertiary education),

➢ occupational structure by macro sectors (industry, services and public administration), professional groups (share of women working as managers),

➢ hours worked (share of women working part time) and labour supply factors such as the share of foreign women (extra EU) in employment.
Going deep

Ranking variables in order to control for institutional and occupational structure of labour market at national level:

- Educational segregation
- Unpaid work
- Economic power
- Intersecting inequalities: Older workers
- Intersecting inequalities: Lone parents/carers
- Occupational segregation
- Status of governmental responsibility in promoting gender equality
- Minimum wages
Main results

• Increasing shares of female employees with secondary and tertiary education push up GPG because major differentials in pay are experienced for high skilled workers and best paid jobs.

• Sectorial employment structure has a major effect on GGP in fact increasing shares of men employed in education, health and public administration (typically “female-oriented” sectors), decrease the gender gap in pensions. By contrast, a higher proportion of female workers in services drives up GGP.
Main results

An increase in the proportion of women working part-time pushes up the pension gap, while an higher share of male part-time workers positively impacts on pay gaps.

Institutional factors matter!

• Major pay differentials are detected in those countries characterised by a higher segregation in terms of care activities, which is also reflected in terms of pension gaps.
• A worsening position at country level in terms of women’s economic power increases GPG.
• The existence of a legislation on minimum wage positively impacts on GPG, indirectly increasing women inactivity in the labour market.
Recommendations (1)

The directions for the policies addressing the issue of unequal pay have already been identified by the so-called Bauer report (European Parliament 2012):

- **awareness**: initiatives to increase awareness on the gender pay gap;
- **gender roles**: initiatives to break traditional stereotypes (gender roles in society, in employment, in educational choices);
- **legislative measures**: analysis of costs and benefits of new legislations;
- **promotion of equal pay in companies**: through different actions such as charters, awareness-raising activities and trainings.

There is a lot to learn from the experiences accumulated over time through the strategies and measures implemented at various levels so far.
Recommendations (3)

The work could be focused on:

- **setting targets**: creating definite targets would give direction and priority to the goal of closing gender pay gaps (both GPG and GGP);
- **creating obligations**: by creating obligations on organisations to enforce proactive behaviours when complaints of unfair treatment are received;
- **promoting transparency**: by improving the availability of monitoring tools;
- **developing local leadership**: by involving more and more social partners to combat unequal pay;
- **combating low pay**: by setting minimum wage systems that could also help in arresting gender discrimination.
Recommendations (4)

• In focusing the work specifically towards removing gender gap in pensions, it should be taken into account, at first, the lack of visibility and awareness of the problem. This is partly due to the lack of easily accessible national data, but is also aided by the difficulty of benchmarking national situations against a European norm.

• Institutions can play a decisive role to increase awareness: to place the issue on the agenda and, through benchmarking, help to galvanise the type of national initiatives that would be in a position to deal with actions ameliorating the worse effects.