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The Gender Implications of Pension Reforms. General Remarks and Evidence from Selected Countries[1]

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Abstract

The paper proposes a gender analysis of pension schemes along two axes: Structures regulating the access to benefits and conditions determining benefit levels. Accordingly, the most relevant typical design features of pension schemes are discussed. To illustrate the approach, the gender dimensions of pension reforms in Poland, Hungary, and the Czech Republic are then highlighted, where reforms were implemented during the 1990s. Finally, some of the main challenges to conceptualizing gender equality in pension policy are discussed: Individual pension rights versus derived rights, equal treatment and labor market inequality, pension age equalization, and increasing diversity of interests of women with respect to old age security.

1. Introduction

Reforms of public pension programs have been a top social policy priority in a great number of countries around the world over the last decades. The increasing recognition of the implications of demographic changes, awareness of income insecurity in old age, the desire to ensure financial sustainability of pension systems and concerns about the management of public schemes were some of the concerns driving reform debates (Fultz 2002, 2003, Holzmann, Orenstein and Rutkowski 2003).

The design of pension schemes differs greatly among countries around the world. How pension schemes look like depends crucially on choices made about system elements, including membership criteria (voluntary vs. mandatory), management of the scheme (public vs. private), possible income-policy or other social goals embodied in pension systems (insurance and equivalence vs. redistribution), the financing method used (funded vs. pay-as-you-go), and procedures for determining the size of a future pension benefit (defined benefit vs. defined contribution schemes). As most national pension systems are comprised of more than one tier, combinations of system elements are found in many cases (Müller 1999).

Pension reformers over the last decades have attempted to address the above-mentioned challenges through new combinations of the various design features. Throughout the 1980s and, more so, the 1990s, pension reforms have been implemented in Latin America, Eastern Europe and the Former Soviet Union, and various European Union member states, with Chile being the first country to legislate a privatization of its pension system in 1981.[2] The "Chilean model" thus evolved as a reform paradigm for Latin America and beyond (Müller 1999). The privatization of public pension schemes, or parts thereof, as advocated internationally for example by the World Bank, has become a core component of the neoliberal economic reform packages around the world. On the whole, however, there is no uniform pattern of pension reform paths.

[2] Debates about the need for reforms in the US Social Security system launched by conservative critiques of the welfare state also characterized US social policy discourse already in the 1970s and 1980s, and continue today (Müller 1999: 24).

Accompanying the ongoing reforms and responding to the surrounding policy debates, a large body of research on pension reforms has developed over the years. A considerable part of it is concerned with the evaluation of different reform approaches and arguments about advantages of one reform path over the other (for example, World Bank 1994, Beattie and McGillivray 1995, James 1996). Other authors have focused on national, regional, or international comparative assessments of reforms (for example Nitsch and Schwarzer 1996; Döring 1996; Mesa-Lago 1997; Müller 1999, 2002; Fultz 2002a, 2002b; Disney 2003; OECD 2004).

Women are the majority of older people, as well as the majority of the elderly living in poverty. Despite these facts, and despite international and national commitments to gender mainstreaming in all policy fields, concerns about gender equality have been largely absent from mainstream pension policy debates, and from mainstream academic research on pension reforms.

Outside mainstream pension debates, however, a body of research on gender and old-age security has been developing. One strand of research, for example, links pension policy with debates on gender and welfare states more broadly, and discusses larger questions of the distribution of work, family models and family change, and the relations between state, markets and families (for example Meyer 1998; Leitner 1998a, 2001). Other authors apply a gender lens to analyzing entitlements in a variety of pension systems (for example, Ginn, Daly and Street 2001; Ginn 2003, 2004), or elaborate on the gendered effects of specific design features of pension systems, for example pension sharing on divorce (e.g. Price 2003), or the retirement age of women and men (e.g. Ginn and Arber 1995). Yet others focus on evaluating experiences with pension reforms in different national or regional contexts from a gender perspective (for example, Kučarová 1998, Schmid 1998, Leitner 1998b; Arenas de Mesa and Montecinos 1999; Cox Edwards 2001; Castel and Fox 2001; Fultz, Ruck and Steinhilber 2003; Steinhilber 2003; James, Cox Edwards and Wong 2003, Dion 2004). Some of the research has to bee seen explicitly in the context of ongoing reform debates (for example Klammer 2000; Veil 2000, 2002; Bertranou 2001).

Drawing on a range of such sources, the goals of this paper are threefold: First, to contribute to systematizing the various aspects raised in the available literature on gender and pensions. Section 2 of the paper thus summarizes the most relevant design features of pension systems that have a gender impact. The analysis moves along two dimensions, equal access to benefits and equality of benefit levels in different pension schemes.

A second goal of the paper is to discuss selected country examples which illustrate the gender dimensions of pension reforms in greater detail. Section 3 highlights the cases of Poland, Hungary and the Czech Republic where pension reforms have been implemented during the 1990s. Among the three countries under study, two (Poland, Hungary) have chosen partial pension privatization, and have thus become frontrunners of radical pension reform in the CEE region. In turn, the Czech Republic has so far refrained from such a system changes and instead implemented reforms to the previous pension scheme, without introducing a system change.

Thirdly, the paper discusses some of the main challenges to conceptualizing gender equality in pension policy, highlighting some of the limitations of pensions as a tool to promote gender equality. These aspects are dealt with in section 4 of the paper. Section 5 offers concluding remarks.

2. Key issues for gender equality in old-age security schemes

Gender differences in pensions are produced along two key axes: Criteria regulating an individual's access to pension benefits, or structuring the accumulation of entitlements on the one hand; and provisions regulating the amount of benefits and the conversion of pension savings into benefits on the other. Depending on these two, pension systems vary in the extent to which they produce, or increase, gender differences in the income of retired persons. Table 1 summarizes the key issues for gender equality in old-age security along these two axes, for public pension schemes as well as non-state pension schemes (private and occupational pensions). [3]

A range of authors have pointed out how the male breadwinner role in the labor market has been the "policy stereotype" (Ginn 2004:2) of many welfare states, implying that men were integrated into the welfare state as workers, while women were mainly seen as wives and mothers (e.g. Lewis 1993, 1997; Sainsbury 1996, 1999). The male-breadwinner model has implications in employment and wages as well as in social security: While men paid social insurance contributions and thus accumulated individual social security entitlements, women benefited from rights derived from their relationship with a male worker.[4] While family realities have been changing over time, the male breadwinner model is still a dominant social policy stereotype in Western welfare states. It has also reemerged in some aspects of social policy reforms in Central and Eastern European states after 1990.

Pension systems, and welfare state provisions more generally, are closely linked with the labor market, which itself is structured along gender lines. As women have entered the labor market, they have occupied ranks of lower pay and lower responsibilities. While today more women throughout the world work for pay than ever before, women's labor force participation continues lower than men's: For every 100 men in the labor force around the world, there are 63 women (ILO 2004). Women, far more often than men, have discontinuous employment biographies, and hold part-time instead of full-time positions, mainly because of their responsibilities for providing care to other family members in need. Women everywhere, on average, are paid less than men, a fact which is only partly explained by the fact that they are more likely to work in lower-level, low-paying jobs in feminized occupations. Gender discrimination in pay also explains a share of the gap (ILO 2004). As a result, women's lifetime earnings are considerably lower than men's, around the world.

In contributory public pension schemes in which benefits reflect labor market experience, the structures of gender inequality on the labor market are transported into the pension system. This works to women's disadvantage, in a way that "the tighter the link between pension

[3] Funded private pension schemes and NDC schemes promise a straightforward relationship between contributions and benefits. Thus, it is more difficult to separate access criteria and criteria regulating the benefit amount than in "traditional" defined benefit schemes. Since I include factors such as the retirement age and derived pension rights, among others, under access criteria, I think it is nevertheless useful to maintain the separation, even for analyzing funded schemes.

[4] For an analysis of the strength of the male-breadwinner model in welfare states, see Lewis 1992.

entitlements and employment career, the stronger will be the gender differences in pension access and coverage" (Ginn, Daly and Street 2002: 7). Conversely, it is true that, on average, a number of redistributive measures in a pension system work to women's advantage: Of particular relevance for women are minimum income guarantees in old age, flat-rate provisions and income ceilings, minimum contribution periods, as well as the provisions in place for calculating the pension benefits, for example on the basis of best years, final earnings or average earnings (Rake 1999). Given the gender division of paid and unpaid work, redistribution toward those who provide care, for example through caring credits in a pension scheme, benefits women disproportionately (Ginn 2004).

Some additional features of pension systems are particularly relevant for a system's gendered outcomes, including derived rights to pension benefits, and women's and men's retirement ages. Derived rights to pension benefits, such as survivor's benefits, or joint annuities, allow dependents to get benefits by virtue of their relationship to another contributor. Traditionally, derived rights have constituted a main pillar of women's income in old-age. Many derived pension rights are expressions of a traditional male-breadwinner/ woman-homemaker notion of gender roles. Reforms of the last decades have in many cases reduced the reach of derived pension rights.

For decades, women's retirement age has been lower than men's in a great number of countries, often by up top five years. Examples of such countries included Britain, Germany, Italy, Austria, Switzerland, Greece, Portugal, Japan, Australia, New Zealand, as well as Central and Eastern European countries. Historically, women demanded earlier retirement as a compensation for their unpaid family work, and for their lower wages (Ginn and Arber 1995). Moreover, they were granted earlier retirement as a way of supporting the institution of marriage and family income: Most women were younger than their husbands. Both could therefore not enjoy retirement jointly, if a woman continued working after the husband retired. Moreover, there was a risk of poverty for couples where wives were dependent on a husband's income: In Britain, where legislation on pension benefits for wives foresaw payment of an additional pension once she reached 65, couples had to manage on a single pension until the wife reached 65 (Ginn and Arber 1995). In a great number of countries, pension reforms of the last decades have narrowed, or abolished retirement age differences between women and men.

During the last two decades or so, a great number of countries around the world have implemented pension reforms. While the reforms have varied greatly, two trends are found in most countries: First, retirement ages were increased, and second, pension rights were linked more closely to contributions. Pension systems have become less redistributive and benefit accumulations more individualized through the reforms last wave of pension reforms. Reforms have implied revisions of the pension formula in public schemes, a (partial) conversion of public schemes into individual pension savings accounts, or combinations of both. Other areas of reforms have included survivor's benefits and occupational pension schemes in some countries.

Table 1 Key Issues for gender equality in old-age security

		Access to benefits	Amount of benefits
Public pension schemes	Individual pension rights based on contributions, or residence	• Earnings or hours thresholds for contributions and eligibility for benefits • Years threshold for residence-based pension • Age for pension qualification/ retirement age	• Closeness of link between earnings and benefit – extent of redistribution, if any • The existence of minimum floors and/or ceilings • Maximum benefit amount as percentage of average earnings • Duration of contribution/residence period for full pension • Treatment of caring periods • Indexation rules
Public pension schemes	Derived rights	• Married or widowed status required for eligibility (valid for cohabitees and remarried? Minimum duration of marriage) • Provision for pension splitting on divorce, if any	• Equal or unequal entitlements between spouses; Percentage allocated to wife, if unequal entitlements • Percentage 'inherited' by widow • Arrangements in case of divorce • Simultaneous eligibility for own and derived benefit? • Indexation rules
Public pension schemes	Minimum income security in old age	• Needs-tested benefits / not needs-tested benefits • Unit for needs test – individual or couple/ household • Basis of needs-test: income, assets, or both • Entitlement based on citizenship or contributions • Individual/ derived rights to minimum security?	• Income threshold for receiving the benefit • Minimum income as percentage of national average earnings • Indexation rules
Non-state pension schemes	Occupational pension schemes Mandatory private pensions Voluntary private pensions	• Balance of state and non-state pension provision, criteria for provision of state subsidies, if any • Earnings or duration of service threshold for eligibility • Minimum contribution periods • Ease of transfer or preservation • Age requirements for eligibility/ retirement age	• Defined contribution or defined benefit scheme • Guaranteed payout? • Level of employer's contribution, if any • Entitlement splitting between partners; joint annuity requirements; splitting in case of divorce • Calculation of risks on the basis of sex? Unisex tariffs? Life-tables used for annuity calculation (unisex vs. sex-differentiated) • The treatment of caring periods ("caring credits") • Inheritance of entitlements possible? Widow's pension as percentage of deceased member's pension • Whether / how entitlement is inflation-proofed during accumulation period, and during benefit payment • Level of tax relief on contributions, if any • Taxation of benefits • Indexation rules

Source: Ginn; Street and Arber (2001: 8); author's modifications and additions

3. The gender dimensions of recent pension reforms in Europe: Country Cases

Many European transition economies have significantly changed their pension systems over the course of the 1990s. Early in the decade, old-age security schemes often served to absorb high unemployment through liberal early retirement and disability provisions. Later in the 1990s, governments placed great emphasis on strengthening the solvency of pension schemes, keeping pension expenditure growth down, and modernizing certain features of the schemes to match the new economic environments in which they were operating. Consequently, benefit formulas were changed, often implying a reduction of the rate of wage replacement and a move to make benefits more earnings related, retirement ages increased, pension scheme financing separated from other branches of social security, and, in many cases, from the state budget as well, benefits paid to privileged categories of the insured curtailed, and procedures for contribution collection strengthened (Fultz & Ruck 2000, Müller 2001, Fultz 2002, Fultz 2003).

Pension reforms of the 1990s in CEE have commonly strengthened the principle of equivalence, by establishing a closer link between benefits and lifetime earnings. Overall, the role of individually accumulated pension rights for the level of benefits has increased greatly and redistributive elements in pension benefit formulas have been reduced or abolished.

In line with the “new pension orthodoxy” (Müller 1999) about the need for a paradigm change in old-age security, away from public welfare provision toward pension privatization, a number of CEE governments have chosen to privatize a portion of the inherited public pension system (Fultz & Ruck 2000, Fultz 2002). Throughout the region, partial pension privatization typically implied the establishment of a three pillar pension system: A mandatory, publicly administered pay-as-you-go system is maintained in the first pillar[5], a mandatory privately managed second pillar on the basis of individual savings accounts is introduced,[6] complemented by a voluntary, often state-subsidized, privately managed third pillar, also on the basis of individual savings accounts. [7]

Nowhere in CEE has the goal of enhancing gender equality been a driving force in the