



Sini Laitinen-Kuikka and Eila Tuominen

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Puhelin 010 7511 • Faksi (09) 148 1172

Finnish Centre for Pensions

FI-00065 Eläketurvakeskus Finland

Tel. +358 10 7511 • Fax +358 9 148 1172

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Abstract

This paper examines the changes in family structures and in women's labor market participation and the pension policy responses to these changes in the old EU-15 member states. First, the common trends of changes are presented and, then, the changes are analyzed in connection to different welfare state models. For this purpose the countries are divided into four groups: Nordic, Anglo-Saxon, southern and other continental countries.

In the Nordic countries, where the welfare state model has for long supported women's labor market participation, women's paid work is most common and also the fertility rates are the highest. Recent pension reforms further advance this development. In the continental countries much effort has been made to increase women's paid work. Especially in Germany, this has been one of the main targets of the pension reforms. In Anglo-Saxon countries the minimum pensions have been improved recently, but the structure of the whole pension system, with a remarkable amount of pension provision received from occupational or private pensions, is not very favorable to women with periods of unpaid care work. In the southern European countries the changes in family structures as well as in pension systems have been the slowest. In these countries, women's labor market participation has increased, but at the same time fertility rates have decreased considerably.

A challenge common to all European countries seems to be that, while the target is that both parents work full-time, the need for care of children, grandchildren and elderly relatives will remain high. It thus seems that a more equal share of both paid and unpaid work in the families is needed both for the adequacy of women's pensions and the sustainability of the pension systems.

This paper is a slightly modified version of an article that has been published in a draft background document *Opportunities to Reconcile Family and Work* presented at the Informal Council Meeting of Employment, Social and Health Ministers in Helsinki 6–8 July 2006 and at the Expert Conference *Men and Gender Equality - Towards Progressive Policies* in Helsinki 5–6 October 2006. Both meetings were a part of the Finnish EU Presidency.

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1 Introduction

Contemporary pension policy emphasizes high employment rates as a crucial measure for the financing of increasing pension expenditure due to an ageing population in Europe. The birth rate is expected to remain low, which, in combination with an ageing population, would lead to an unfavourable age structure and a shortage of young labour force. The demographic forecast is a strong argument for the growing demand for female labour force and better work-family reconciliation in order to attract women to return to paid work. A common target for increasing the employment rate and the need to increase especially female employment has been clearly expressed in the pension policy of the EU. First common objectives for the pension policy of Member States were agreed on in 2001 and the updated targets in spring 2006. The general aims of the common policy are to ensure the adequacy of pensions, the economic sustainability of pension systems and the modernisation of them in response to changes in the labour market and in society in general. One of the detailed objectives is to ensure that pension systems are well adapted to the needs and aspirations of women and men (COM(2005) 706 final).

The employment strategy of the EU has issued a target for female employment rate of 60 per cent by 2010. Member States have been encouraged to set their own national targets according to this (The future of the European Employment Strategy, 2003). These efforts mean that the time women stay in paid work will continue to increase and their lifetime earnings and pension accruals will increase accordingly. In spite of this favourable prospect, there are many gendered features in labour market participation and in caring work, which have made it more difficult for women than for men to get an adequate pension in old age.

Women have so far shouldered a greater part of the household work and childcare and these family responsibilities have frequently disrupted their employment. Women who have moved in and out of the labour force have lost pension benefits in both public and private pension schemes. The expansion of “flexible work” make it likely that the numbers of such workers will increase rather than decrease in the future, thereby increasing the number of people with inadequate pension rights. The cost of an irregular work history can be individually high. The contradicting interests related to caring obligations in the family and women’s increased employment should be carefully monitored.

Increasing pressures on public expenditure and ageing populations have already led many EU countries to cut public pension benefits during the last decades. There has been a trend to tighten the link between lifetime earnings and benefits and to replace part of the social security pensions with occupational and private pensions. This may mean a more discriminatory pension provision for women, if gender questions are not considered (Hutton 1998, Ginn and Arber 1999, Ginn et al. 2001). Many countries have recognized this problem and have taken measures to reduce gender inequality in old age to some degree by adding ‘women-friendly’ provisions to mandatory schemes.

However, there are still remarkable differences in women's labour market participation and pension provision among European countries. These differences cannot be explained without paying attention to the way welfare states are institutionalised in Europe. Comparative analyses on the origins and development of modern welfare states have flourished over the past two to three decades. They have often built on the well-known work of Esping-Andersen (1990). The three regime types, liberal, conservative and social democratic, are based on a clustering of countries along three dimensions of variability, state-market relations, stratification and social rights. The key issue in the analyses of Esping-Andersen is the principle of social rights. Social rights permit people to make their living independent of pure market forces. The more extensive the coverage of the benefits designated as social rights and the higher the level of benefit is, the smaller the dependency of the labour force on the market.

Esping-Andersen's welfare state typology has inspired fruitful research. Several authors have reconceptualized institutional structures of welfare states and have formed divergent typologies. A crucial reason for reconceptualization is a criticism that the gender-dimension is neglected in the typology of Esping-Andersen (Arts and Gelissen 2002). It is argued that a systematic discussion of the family's place in the provision of welfare and care is lacking. Not only the state and the market provide welfare, but also families. According to many authors, it is the gender division of paid and unpaid work – especially care and domestic work – that needs incorporating in the typology (Orloff 1993, O'Connor et al. 1999). A large body of comparative research has developed over the 1990s, showing that welfare policies of all kinds are shaped by gender relations, and in turn affect gender relations and gender differences in living conditions (den Dulk and Remery 1997, Ginn et al. 2001, Gornick et al. 1997, Trifiletti 1999, Anttonen and Sipilä 1996, Esping-Andersen et al. 2002). However, the finding of many comparative analyses on gender and the welfare state is that regimes seldom fully explain gender differences in labour force participation and the institutional heterogeneity of the welfare state strategies adopted by different countries.

In this paper, we examine pension rights in the national pension schemes of the EU15 countries from a gender perspective by using the framework based on the work of Esping-Andersen. Instead of a three-fold regime typology we use a four-fold version. In the Mediterranean countries the family institutions, welfare states and labour market participation of women differ from those of continental European countries so remarkably that we consider separating these countries into a southern European regime to be justified (Ferrera 1996, Trifiletti 1999, Anttonen and Sipilä 1996). We examine how policy makers have responded to the challenges caused by the changes in the gender division of labour and the family institution. The work is based on an earlier paper in which these differences have been studied (Tuominen & Laitinen-Kuikka 2003)¹. Since the paper was written in 2002 only the EU15 countries have been included.

¹ The detailed tables and analysis are seen in the research article of Eila Tuominen and Sini Laitinen-Kuikka: Pension Policy Responses to Changing Division of Labour within the Family in Gilbert 2006

2 Trends of the family and employment

During the last decades European family structures have changed profoundly. Marriage has lost its weight as the only socially acceptable family form in Western societies. Due to increasing number of divorces, more people are living alone or as single parents. Also “serial monogamy” has become more widespread, i.e. people remarry for the second and third time. This notwithstanding, there is a general trend towards decreasing marriage rates (Hatland 2001, see table 1). Furthermore, new family forms have emerged as alternatives to marriage. Cohabiting, especially among young couples, has become a common alternative to marriage.

Due to women’s increased economic activity, marriage is no longer a financial necessity for European women. An obvious indicator for this is the number of extra-marital births that have increased rapidly during recent decades. This trend can be seen to some extent in all EU countries: in 1980 every tenth child was born outside the marriage and by 2003 about every third child (see table 1). Although parents often get married after the birth of the first or second child, statistics do not indicate the number of these marriages.

Family formation has been postponed by a couple of years in all European countries due to longer time spent in education and then in search of stable employment. However, a recent trend has been that higher fertility rates go together with higher female employment (Esping-Andersen et al. 2002, 16, 63–67). Today, childcare is not necessarily an obstacle to women’s paid work. In many countries women’s possibilities to enter the labour market have been facilitated by arranging day care for children. Encouraging women’s labour market participation is one of the aims of the common employment- and social policy in the EU.

Parents’ part-time work is one solution to combining work and childcare. This possibility has so far been used mainly by women. The share of part-time employment of total female employment varies significantly in the European countries. There seems to be a clear correlation between high female employment rates and high proportion of women in part-time jobs. The Nordic countries, and especially Finland, seem to be exceptions to the rule. Also in Portugal, in spite of a high female employment rate, the share of part-time work is low (Tuominen & Laitinen-Kuikka 2003). Part-time work – which usually means less than 31 hours work per week – is often associated with poorer working conditions, job insecurity and lack of fringe benefits, as well as lower hourly pay. One problem is also that part-time work of women tends to concentrate on the prime earnings years when opportunities for wage increases are highest (Ginn et al. 2001). However, recent comparative research has indicated that when work time is longer, part-time employment is less strongly linked to low pay, low occupational status and poor long-term prospects.

Due to marriage and parenthood, parents, so far mostly women, face employment interruptions, which cause working career and wage penalties. Female employment rates generally fall as the number of children increases, although the exact effect varies considerably

between countries. For women with childcare responsibilities, full interruption in paid work has dramatic effects on lifelong earnings and, accordingly, on pension accrual. As a rule of thumb, if a full-time worker interrupts her career for a 5-year period, she will forego 1.5–2 percentage points per annum in potential lifetime earnings. This massive loss would, however, decline to only 0.5 percent per year if the same woman were to remain employed on a part-time basis for the same 5 years (Esping-Andersen et al. 2002, 78–80). Another possibility is that parents share the periods of paid and unpaid work more equally among them.

Table 1. Demographic trends in 1980–2003 related to family formation in the EU 15 countries.

	Crude marriage rate		Crude divorce rate		Total fertility rate		Proportion of live births outside marriage	
	(per 1000 average population)							
	1980	2003	1980	2003	1980	2003	1980	2003
EU 15	6.3	4.8 ^e	1.4	2.1 ^e	1.82	1.52 ^e	9.6	31.8 ^e
Nordic regime								
Sweden	4.5	4.4	2.4	2.4	1.62	1.71	39.7	56.0
Denmark	5.2	6.5	2.7	2.9	1.55	1.76	33.2	44.9
Finland	6.1	5.0	2.0	2.6	1.63	1.76	13.1	40.0
Anglo-Saxon regime								
United Kingdom	7.4	5.1 ^e	2.8	2.8 ^e	1.90	1.71 ^e	11.5	41.5
Ireland	6.4	5.1 ^e	-	0.7 ^e	3.25	1.98 ^p	5.0	31.4
Continental regime								
France	6.2	4.6 ^e	1.5	2.1 ^e	1.95	1.89	11.4	45.2 ^p
Germany	6.3	4.6	1.8	2.6	1.56	1.34	11.9	27.0
Austria	6.2	4.6	1.8	2.3 ^p	1.65	1.38	17.8	35.3
The Netherlands	6.4	4.9	1.8	1.9	1.60	1.75	4.1	30.7
Belgium	6.7	4.0	1.5	3.0	1.68	1.64	4.1	31.0 ^e
Luxemburg	5.9	4.4	1.6	2.3	1.49	1.63	6.0	25.0
Southern European regime								
Portugal	7.4	5.1 ^p	0.6	2.2 ^p	2.18	1.44	9.2	26.9
Spain	5.9	5.0 ^e	-	2.1 ^e	2.20	1.30	3.9	23.2 ^e
Greece	6.5	5.5	0.7	1.1	2.21	1.28	1.5	4.8
Italy	5.7	4.5 ^p	0.2	0.8	1.64	1.28	4.3	13.6 ^e

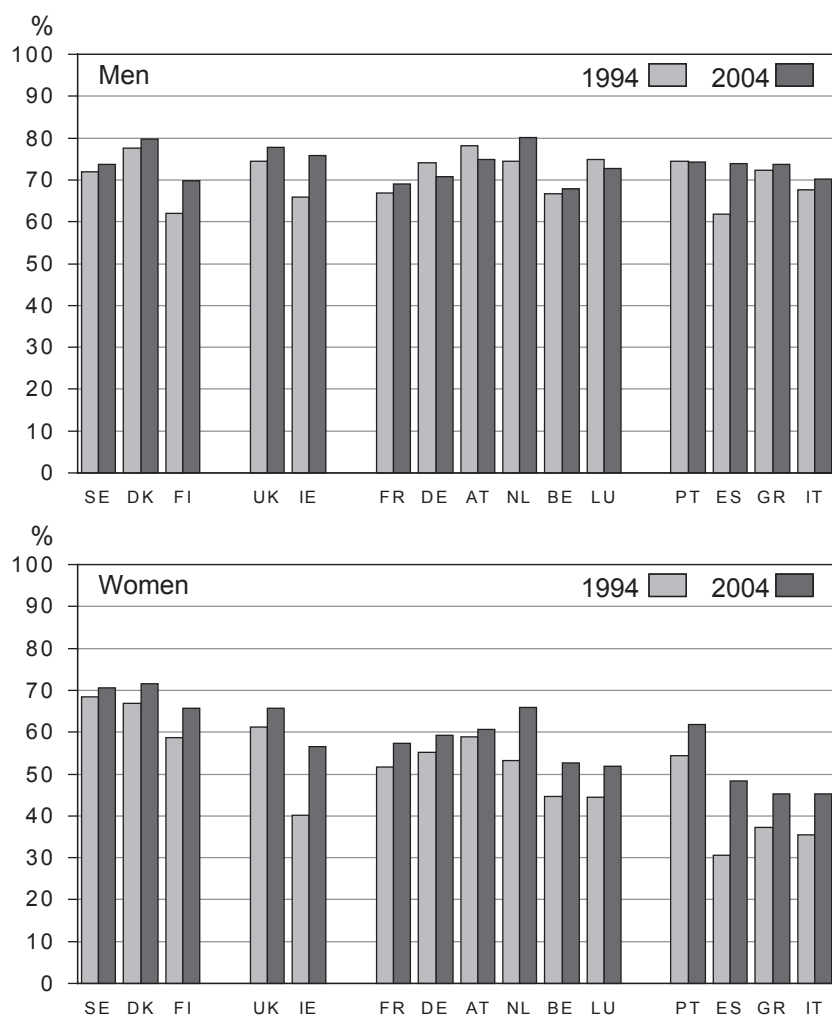
p provisional data

e Eurostat estimate

Source: Statistics in focus. Population and social conditions, theme 3 - 17/2002. Demographic statistics 2003, Eurostat.

Motherhood's effect on economic activity varies considerably from one country to another, although the integration of women of childbearing age to the labour market has generally increased. Employment rates of married women aged 25–49 have increased dramatically in many countries (Ireland, the Netherlands, Belgium, Luxembourg, Portugal and Spain). Despite these positive trends motherhood has had an adverse effect on women's lifetime earnings and, accordingly, pension accrual, to some extent, in every country. Due to child care interruptions and earlier exit from the labour market women's working-careers will be on average eight years shorter than men's if the labour force participation rates of the genders remain at the current level in the EU 15 countries (see appendix table 1). More equal share between sexes of both paid and unpaid work during the life course is thus an urgent question both for the adequacy of women's pensions and the sustainability of the pension systems.

Figure 1. The employment rates by gender in 1994 and 2004 in the EU 15 countries.



Over recent decades, a distinct contradictory trend can be seen in the average time spent in the labour force. Since the beginning of the 1980s, the average time in work has shortened generally by a couple of years for men. The only exception is the Netherlands, where the average years have increased. At the same time, the average working career of women has become considerably longer. The lengthening is especially remarkable in the Netherlands, Ireland, Spain, and also in Germany, Belgium and Greece (see appendix table 1). In order to strengthen the sustainability of pension systems, the average time in working life of both genders should increase remarkably in coming years.

3 Responses of pension policy

The above mentioned changes in family structures challenge the pension provision based on traditional family institution and on derived pension rights from another family member. This means that major changes are needed in the pension schemes of many countries. Changes in the family structures and women's integration into the labour market have not happened overnight. It is thus important that the reforms of pension systems take this long development into consideration. The situation of older women, often living alone and having their shorter or longer paid career behind them, differ a lot from the situation of young families.

...in minimum pensions

In the EU majority of older people are women—nearly 60% of people aged over 65 and almost two thirds of those aged over 75 (European Commission 2003, 83). Because of women's longer life-expectancy, many of the oldest pensioners are women living alone. The oldest pensioners again tend to be more at risk of poverty than younger ones. This may be due to several factors. Older women have earned lower pension entitlements because of their lower labour market participation. There are probably also more widows without sufficient survivors' pensions in these cohorts. Inflation may also have eroded the purchasing power of an individual pension benefit.

Although, in the future, most women will have their own earnings-related pensions complementing the minimum pension and diminishing the risk of poverty, minimum pensions will probably play a bigger role in women's pension provision than it does in that of men for a long time to come. This is indicated by women's still shorter working careers (see appendix table 1). Changes in minimum pensions are thus important from a gender perspective.

The level of the minimum pension today is rather modest in most European countries, although the variation between the countries is large (COM(2006) 62 final). The figures compare poorly, however, because there are various kinds of other benefits, which may have a considerable effect on the minimum guarantee provided by the state. The adjustment of these pensions is usually linked to the consumer price index or it is made on an ad hoc basis (Finnish Centre for Pensions 2006). In many countries this means that the longer the period of retirement the more the pension will lag behind the general increase in the wealth of the society. As can be seen from appendix table 1, the retirement periods of women are longer than those of men. The adjustment method is thus especially important to them.

It seems that minimum pension provision in the EU countries, representing different welfare state regimes, has converged somewhat. While in some of the Nordic countries the universality of these benefits has diminished, a broadening of the coverage has occurred in some of the continental countries. As the level of these benefits has been improved in many continental

countries as well as in the UK, there is convergence also in the amount of the benefits. This is not to say that the way of organizing pension provision would not be important. The economic independence given by these benefits to older persons, especially women, is highest in the Nordic countries and the Netherlands. Also the stigma connected to receiving these benefits can be expected to be lower or non-existent in the residence-based schemes. (Tuominen & Laitinen-Kuikka 2003).

... in earnings-related pensions

In most EU countries the statutory earnings-related pensions constitute the main source of income for pensioner families. In the Nordic countries, earnings-related pension entitlements are individual in the same way as entitlement to the universal minimum pensions. At the other end of the individual -derived rights - axis are those continental and Anglo-Saxon countries, where a spouse supplement is added to the breadwinner's pension if the spouse has no own pension income. These kinds of higher benefits are paid e.g. in Belgium, where there are two different accrual rates depending on whether the beneficiary has an economically dependent spouse or not. (Finnish Centre for Pensions 2006). These supplements benefit families in which the wives have worked at home for the whole or most of their working age rearing children and as housekeepers. Because these kinds of careers are becoming rare, the supplements are losing their importance. In some countries they have already been abolished.

In many countries tightening the connection between the contributions paid and benefits accrued can be seen in the earnings-related pension schemes, which have earlier been more of a final salary type. Periods on which pensions are calculated have been lengthened, for example, in France and in Finland.

When the connection of contributions and benefits is tightened, it is important from women's point of view that unpaid periods of care are credited in one form or another. In countries like Denmark and the Netherlands where residence-based basic pensions are generous, these pensions can be considered to compensate moderately for the losses of earnings-related pension benefits due to caring responsibilities. But in countries where the residence-based pension is diminished by the earnings-related pension and in countries where no residence-based pension exists, it is important that caring responsibilities are compensated for in some other way. Pension crediting, as mentioned above, is the most common way of doing this. It promotes the individualisation of pension provision in contrast to the spouse supplements or derived rights described earlier.

Pension crediting can be applied in a gender-neutral way, which gives parents better possibilities to choose how they want to organise childcare and possible care of their sick or aged relatives. This neutrality may enhance a more equal division of paid and unpaid work between the sexes and thus alter the attitudes towards caring work also in the labour market. To be neutral i.e. realistic and attractive alternative to both sexes the compensation must be

high enough. Otherwise it will not be a real alternative to men, who most often are the higher earners in the family. Even if it would add to the pension expenses on a short term view, the result might be a positive balance in the labour market participation rates in many countries on the longer term view. It might also have a positive effect on fertility rates.

Pension credits have been improved during the last decade in many EU Member States, e.g. in Germany, Austria, Belgium, Sweden, Finland and lately in Greece. The lengthening of credited periods for childcare is prompted by the effort to encourage the labour force participation of women. If the pension rules are very strict and a moderate pension difficult to reach, it is no incentive for women to return to the labour market after the first child is born. In continental countries, credited periods are often included also in the insurance period requirement for the entitlement to a pension and the special insurance period requirement for the entitlement to a minimum pension. For example, in Germany a small pension can be paid solely based on credited periods of childcare. Credits thus loosen considerably the tie between the employment and the right to and amount of a pension both for men and women. This has often been left unnoticed when pension provision in these countries has been examined.

... in survivors' pensions

Survivors' pension benefits have been undergoing restructuring during the last decades in many European countries. A trend towards gender neutrality and means testing has been obvious. The right to a surviving spouse's pension has been extended to men, and simultaneously the eligibility rules for the pension have been tightened to avoid the increase in pension expenditure.

In some countries the reform of the survivors' pension has been profound. Reforms in survivors' pensions have been made in countries representing all different welfare state regimes. One difference remains after these changes, however. In continental and Mediterranean countries the insurance more often covers a large family, so that, not only spouses, ex-spouses and children, but also other near relatives, such as parents, grandchildren, siblings etc., may receive the pension if they were economically dependent on the deceased. This reflects the "familialist" origins of these welfare regimes. Changes in these benefits are examined in more detail later in different welfare state sections.

...with income or pension splitting

The diminished meaning of marriage as a lifelong contract makes reliance on a husband for an income in later life an ever more risky strategy for women. Increases in divorce, lone parenthood, remarriage and step-parenthood are unlikely to reverse. For those women who have not had the possibility to accrue individual pension rights, other mechanisms to compensate for the losses due to childcare responsibilities are needed. Splitting the pension rights between the spouses is one strategy to settle this problem. It is also a gender-neutral and more or less cost-neutral way of doing it. It has been used e.g. in Germany, the Netherlands and Switzerland.

In recent years splitting of pension rights during the marriage has been made possible in Sweden for part of the social security premium pension and in Germany (see later). In Sweden pension rights can be transferred to the spouse annually. Outside the EU a very modern way of splitting pension rights was introduced in the social security pension scheme of Switzerland in 1997. If both spouses are eligible for retirement pension, their incomes during the marriage added by credits paid for rearing children or relatives will be split when the amount of the pension is determined. This kind of earnings sharing has been discussed among pension economists also in the USA (Clark et al. 2004)

These positive developments are still rare, however. In many countries women, who have stayed outside the labour market the greatest part of their working age because of childcare or care of elderly relatives and housekeeping, can lose their pension safety net almost completely on divorce. The individualisation of pension rights therefore seems to be by far the best way to protect the adequacy of the pension provision of women.

...in occupational and private pensions

In all EU countries effort has been made to limit the increase in public pension expenditure in the coming decades. These efforts have often been combined with reforms in legislation regulating occupational and personal private pensions. The aim has been to make these pensions more reliable and affordable to the employees and economically interesting to organize on the part of the employers. Extended second and third pillar pension provision would thus compensate for the impairments in public pensions. This was the explicit aim e.g. of the German government in the pension reform of 2001.

At the same time there has been a global trend to transform occupational defined benefit schemes to defined contribution schemes. The major reason for this has been that it is easier for the employers to evaluate future pension expenditures when the contributions are fixed. This again has become more important because life expectancy has continued to increase.

In defined contribution schemes the amount of the contribution is fixed and the amount of the pension benefit depends on the amount of contributions paid during the whole career increased by the returns received on them during funding and diminished by administration costs. When these savings are transformed into a monthly pension, they are divided by the expected period of payment. Women having longer life expectancy thus receive a smaller monthly pension than men if unisex tariffs are not used. This again is seldom the case in company or private pensions. It is of course possible to stipulate a law which makes it mandatory; this has lately happened in the Netherlands (COM(2002),90).

Defined contribution pensions are strictly connected to contribution payments and thus to employment. Contributions are paid from the salary and directly reflect the amount of the total career earnings. This is a disadvantageous feature to women with children. A feature common to all funded defined contribution schemes is that the liability of the adequacy of the pension is

transferred to the individual employee. If no minimum return requirement is set, as is usually the case, periods of low returns may lead to unexpected losses in the pensions. This is currently the case e.g. in the USA, where these kinds of labour market and private pensions are common.

Coverage of occupational pension schemes varies considerably in the EU countries (The impact of ageing..., 2006). There are also big differences in coverage between different sectors. Some companies require many years of employment before the employee will qualify as a member of a supplementary pension scheme and she/he may lose accrued pension rights if she/he resigns before retirement age. Also the adjustment methods of pensions are often weaker than in statutory schemes. For women with children these kinds of schemes are especially disadvantageous compared to statutory pensions.

Coverage is higher in countries where labour market organizations have established such schemes. Labour market schemes are common in Sweden, Denmark, France, the Netherlands and Greece and are also becoming more popular in Germany after the pension reform. Efforts to enhance them can be seen e.g. in Belgium, Italy, Spain and Portugal as well. In the first-mentioned countries the coverage is high because these schemes are often mandatory to all employers and employees in the sector concerned. The larger the scheme the more it can benefit from the economies of scale. In defined contribution schemes this is reflected in the administration costs, which are easier to keep low in large schemes. The size of these costs affects directly the amount of the benefits. It may also be easier to connect features of solidarity, such as unisex tariffs, to large schemes, where pension agreements are negotiated between strong partners and contributors are many. (Laitinen-Kuikka et al. 2002.)

Occupational pensions and personal savings can also be combined so that the labour market partners administer a fund into which contributions are paid both by employers and employees. The new German labour market schemes are an example of this kind of mix. Although women are more often disadvantaged by these schemes than by state pension provision, e.g. because employers seldom have an interest in compensating for unpaid periods of childcare, they may give families more flexibility in division of labour at home and outside. It is possible to continue paying contributions to these schemes also during childcare or elderly care periods and such decision might be easier for families to make than to take a private pension insurance with higher administration costs. In Germany employees are encouraged to pay contributions to a pension fund by tax advantages which favour low- and middle-income families.

4 Developments in Nordic countries

In the Nordic EU countries family structures have changed a lot during the last two decades (see table 1). Traditional family has weakened further. Divorce rates are higher than the average of EU 15 and proportion of extra marital births has increased remarkably from the already high European level. Total fertility rate has increased in the Nordic countries at the same time as women's integration into the labour market has strengthened.

In the Nordic countries, female employment rates come closest to their male counterparts. There are differences, however, also among these countries. In Sweden and Denmark part-time work of women is rather common and the pension systems compensate for the lost earnings moderately, whereas in Finland the full-time work of women is the rule. This, combined with the fact that unpaid work at home is still unevenly divided between the spouses, often puts a heavy load on Finnish women with children.

In societies where the family has lost much of its stability, pension systems based on individual rights are necessary. In Nordic countries pension systems are founded both on solidarity and on individual rights and respond therefore rather well to the changes in family structures. In all Nordic countries the minimum pension is residence-based. The amount of the pension was made dependent on the years of residence in Finland and Sweden, when these countries applied for EU membership. In Denmark this had been made earlier. This change may affect pension provision for immigrants, especially women with many children.

Denmark still represents the Nordic regime well in respect of the minimum pension. A basic amount of the pension is paid to all retired residents irrespective of other income. The pension system in the Netherlands resembles the Danish system and differs from other continental countries. In both countries the replacement rate of the minimum pension is also higher than in other Member States. These pensions are financed by tax revenues and thus constitute an element of solidarity among the pensioners and between the generations. This solidarity benefits women with short careers due to caring of children and elderly and women with low incomes. Each year of employment accrues employment-related pension rights in addition to this basic pension because the amount of the pension is not diminished by other pension income. (Finnish Centre for Pensions 2006.)

In Finland and Sweden the minimum pensions were changed during the 1990s. In both countries the whole amount of the minimum pension was made dependent on the amount of the earnings-related pension, so that persons with a moderate earnings-related pension receive no minimum pension at all. Previously a basic amount of the minimum pension was paid to all residents as in Denmark. These reforms have strengthened the connection between work career and pension benefit in the Swedish and the Finnish pension systems.

In Sweden also more profound reforms have been made. The reformed social security old-age pension scheme is called 'notional defined contribution scheme' (NDC). It is called

'notional' because the contribution, or most of it, is not funded as in "real" defined contribution schemes; only notional accounts have been established for all insured persons. However, the main principle is the same: the contribution is fixed and the amount of the pension varies depending, among other things, on the life expectancy of the cohorts in pensionable age. In this scheme the average increase in life expectancy of both women and men is used when determining the amount of the pension. This is because the schemes are part of the state social security system, which is based on the principle of solidarity. In private schemes women's contributions are higher or their benefits are lower because of their longer life expectancy.

In this kind of scheme the connection between career earnings and the amount of the pension is very clear. It may, however, be relaxed by credits admitted for certain unpaid periods such as unemployment, sickness, disability and care of children or a disabled family member. Also years for which a student allowance is paid may be credited. All these periods are made up in Sweden. This is an example of combining the "workfare" principle and individual responsibility with the principle of solidarity in a new and interesting way. However, in this kind of scheme the responsibility of the state has been fixed in advance and the individuals have to bear the risk of unknown changes, like increases in life expectancy, higher than expected financial burdens on the system etc. These may be difficult for individuals to evaluate. The younger you are the more difficult it is because so many years are ahead until retirement. Yet decisions concerning e.g. additional retirement savings must be made long before retirement.

Major reforms have been made also to the Finnish social security earnings-related pension scheme. The connection between contributions and benefits has been considerably tightened. The pension is now based on the total career earnings instead of the 10 last years in each employment as earlier. In this connection the coverage of certain unpaid periods was improved. An influence of continental and of other Nordic countries can be traced here although the level of compensation is still lower than in many other countries (see Tuominen & Laitinen-Kuikka 2003). A stabilising element called life expectancy coefficient was also introduced. This coefficient will cut the pension accruals if the life expectancy increases in the future. The same coefficient is applied to both women's and men's pension accruals. Cuts in pension benefits can be hindered by working longer. This was made possible by making the retirement age flexible between the ages 63 and 68.

Because women's labour force participation rate has been high for rather long the meaning of survivors' pensions is declining in Nordic countries. Both in Sweden and in Finland the survivors' pensions were reformed in the early 1990s. In Sweden the main principle after the amendment of the law is that a surviving spouse's pension is paid to the spouse only for twelve months or until the youngest child is 12 years old. It is called an adjustment pension. A special pension may be paid to those unable to earn their living by work. (MISSOC 2006)

In Finland the change towards gender neutrality and a compensatory role of the surviving spouse's pension was carried out by a pension adjustment rule. Since 1990 the surviving

spouse's own accrued earnings-related pension diminishes the widow's/ widower's pension through a certain formula. The effects of the pension adjustment are generally smaller on widows' than on widowers' benefits due to the gender differences in individual earnings-related pensions. Thus, pension adjustment in the surviving spouse's pension also levels out pension differences caused by childcare responsibilities. Entitlement to the benefit is not dependent on the age of the children as in Sweden.

5 Developments in Anglo-Saxon countries

Family formation in Ireland and UK has changed a lot during the last twenty years (see table 1). Marriage rates have decreased clearly and total fertility rates have broken down. However, the fertility rates in these countries are still rather high compared to many other European countries. Extra marital births have become very common during the last decades. Women's integration into the labour market has strengthened especially in Ireland but the employment rate of women is still lower than in the Nordic countries and clearly lower than the employment rates of men in these countries.

In the United Kingdom, a high level of female employment is associated with a large service sector. Labour market deregulation has led to a rapid growth of part-time jobs, especially for women, under relatively unfavourable conditions (Esping-Andersen et al. 2002).

In the UK the minimum income of the elderly was markedly improved in 1999, when a minimum income guarantee was introduced. A Pension Credit replaced it in 2003. The income test is less severe than before, meaning that this benefit is estimated to reach nearly half of all couples over age 60 (Council of the European Union 2003, 109). This reflects not only the generosity of the benefit but also the low level of pensions in general. The level of statutory earnings-related pensions was also increased recently. This reform will benefit especially low- and middle-income earners, i.e. the group most women belong to.

In the UK the wife of a retired husband may apply for a basic pension based partly or totally on the insurance record of her husband. Also the divorced or widowed wife has this right if she has not remarried. These pensions are paid directly to the wives, and are therefore more individual than the supplements paid to the breadwinner's pension in some other countries. Because the child-rearing years are also generously credited in the individual pension accrual of women, this derived pension possibility benefits mostly those women who have stayed out of the labour market for most of their lives. These features in UK pension provision seem to contradict our typology, where liberal welfare state regimes consider women primarily as workers and not as wives and mothers (Tuominen & Laitinen-Kuikka 2003). However, the level of the state pensions, the basic pension and the earnings-related pension together, seems not to support the breadwinner model of pension provision. It is rather low compared to continental and Scandinavian statutory pension provision.

In the UK splitting of pension rights accrued during the marriage was made in principle mandatory at the end of the 1990s although spouses can agree on some other way of compensation. The splitting concerns both statutory earnings-related and private pensions and is important especially for women with long unpaid periods of childcare. The importance of splitting is further accentuated in the UK by the fact that the level of statutory pensions has been low and occupational and personal pensions are diminished by career breaks.

In both Anglo-Saxon EU countries the possibilities of accruing a voluntary individual supplementary pension have been advanced in recent years. In the UK a stakeholder pension scheme has been established especially for low and middle-income earners. The maximum amount of administrative costs in this scheme is fixed and it is supported through the tax system. This is a liberal welfare state way to promote adequacy of pension provision. However, women in the higher salary classes, who stay at home some years to take care of their children, are often disadvantaged in a pension system in which occupational and private personal pensions form a major part of the pension provision. Different tariffs used for men and women when changing the savings into a pension still accelerates the disadvantage for women. The losses in pension accrual might be even higher for men taking care of the children, thus forming an obstacle to sharing of unpaid work.

6 Developments in southern European countries

The traditional family is losing its significance also in southern European countries. Crude marriage rates have decreased and divorce rates have increased. Divorces are already as common in Portugal and Spain as on average in the EU 15 countries. The traditional family has kept its position better in Italy and Greece. This can be seen also in the prevalence of extra-marital births, in the EU 15 it is lowest in Greece and Italy. Despite the traditional family structures in Italy and Greece, total fertility rates have decreased remarkably and are lower than in the other EU 15 countries. On the contrary, in Portugal the total fertility rate has remained higher than in Italy and Greece although the employment rate of Portuguese women has increased rapidly (see table 1 and figure 1).

Although the employment rate of women has increased in all southern European countries, it is still lower than the EU 15 average, which was 56.8 percent in 2004 (Employment in Europe 2005). Women work either full-time or remain outside the labour market for most of their working age; the last alternative is still common. However, Portugal constitutes an exception in the southern European regime. The employment rate of Portuguese women is closer to the countries of the continental regime, where the female employment rates are near the average of the EU 15.

Not only have the changes in family structures been slowest in the Mediterranean EU-countries but also the changes in pension provision have been rather modest compared to those in many other countries. An exception of this is Italy, where a comprehensive reform of the pension system has been carried out. A notional defined contribution pension scheme is gradually replacing the defined benefit pension scheme as in Sweden. The difference between Italian and Swedish pension systems is that the unpaid periods are not as generously compensated in Italy as they are in Sweden.

In other southern European EU-countries the minimum insurance period for entitlement to the social security earnings-related pension is long. Child rearing is compensated for in the pension scheme rather minimally although some improvements have been made in recent years (Finnish Centre for Pensions 2006). These features of the system still seem to support the one breadwinner family model and the on-off labour market participation of women. The lack of institutional care for children further strengthens this.

On the other hand, the levels of social security earnings-related pensions are rather high compared to other European countries because they are meant to support both spouses in old age. Also the surviving spouses' pensions maintain a moderate level of income to widows. The final salary principle is dominating in social security pensions and may benefit those women who return to work after years of childcare if they have years enough to fulfil the eligibility criteria.

The “familialist” pension model responds rather well to pension provision needs in societies with traditional families; however, it has simultaneously a negative impact on women’s search for economic independence. Paradoxically, also low fertility rates seem to be an outcome of the welfare policy of these countries. One important reason for this is the increased difficulties young adults face in setting up a family.

7 Developments in other continental countries

Other continental countries seem to be in many aspects in the middle of the north-south axis. The stability of marriages has weakened considerably and also cohabiting and extra-marital births are more common in the continental than in southern European welfare states. Fertility rates have decreased, but are still rather high in comparison to the EU 15 average. Exceptions are Germany and Austria with low fertility rates. Today, women's employment rates are higher than in southern Europe, but clearly lower than in the Nordic countries.

Social security pension schemes seem to reflect the phase of transformation of the welfare state in progress in these countries. There are various strategies for compensating women for unpaid caring work. Pensions' splitting upon divorce and upon retirement is one such method, although not used very widely so far. Also derived rights, such as surviving spouse's pensions, are still needed by elderly women. In some countries, however, survivors' pension's eligibility conditions have been tightened. A more modern way of compensating for unpaid caring work is crediting these periods to the personal insurance record of the worker. If the compensation is moderate, it may also be used by men and is thus neutral from a gender perspective. In many continental countries this possibility exists and the compensation is rather good.

In Germany the survivors' pension was amended in connection with the large pension reform in 2001. This is one example of a modern reform. The so-called small surviving spouse's pension, which is awarded to widows or widowers that are younger than 45, are not disabled or have no children under age 18, became time-limited to two years. In this context old age pension splitting was made available as an alternative to a widow's or widower's pension. This splitting happens when one or both of the spouses retire. Part of the pension rights accrued during the marriage to the spouse with a higher income is transferred to the insurance record of the other. After this splitting no widow's/widower's pension is payable to the couple. Pension splitting benefits those who have their own income, which would diminish their survivors' pension. It thus promotes the individualization of pension rights.

One way of enhancing women's labour market participation used in some of these countries is the possibility to work part-time without losing pension accrual when the children are small. For many families in continental countries, this seems to have been the way to reconcile work and family in a balanced way.

In most continental and southern European Member States the minimum pension is paid from social assistance. From a gender perspective the difference compared to the Nordic countries and the Netherlands is that the whole family income is considered in the means test. The lack of an individual right to the benefit often means that wives remain economically dependent on their husbands.

In these countries a minimum pension is also often combined to the earnings-related pension and is eligible to those having contributed for a minimum period, which is often quite long. This

minimum amount helps working women with low incomes, part-time employment etc. to accrue a moderate earnings-related pension. Because of the length of the contribution period needed, it may, however, be difficult for many women to become eligible or accrue the full amount of this minimum. If credited insurance periods are taken into account in this eligibility criterion, as in Germany, it will be easier for women to fulfil it.

8 Concluding remarks

In this paper we have focused on the pension policy changes in the EU Member States and their effect on the pension provision of women. These policy changes have been mostly of parametric nature. Especially in the northern continental Europe one of the aims of the reforms has been to advance the labour market participation of women. This has meant weakening of the principle of familialism and strengthening of a more individual pension provision.

The efforts to increase women's employment have not been contradictory to the favourable trend in fertility. On the contrary, in countries with high employment rate of women the total fertility rate has increased or remained on a reasonable level. Usually in these countries the day-care of children is arranged properly. Pension crediting for child care periods should be good enough for promoting gender equality in caring work and pension benefits of both parents.

If Finnish families reflect the future of European families with both spouses working full-time, taking care of their children and helping their elderly parents, it seems that paid and unpaid work must be divided more equally. More gender equality in the labour market is also needed to help the reconciliation of work and family. Except in the Nordic countries and France, shortage of affordable and high-quality child care still limits the possibility of both parents to participate in the labour market. At the other end of the career the availability of social services for the elderly may be an important precondition for continued labour force participation of especially women in their 50s and 60s. They often take care not only of their elderly relatives but also of their grandchildren. It seems that in the future Europe, where a growing number of old people will be in need of care, combining paid and unpaid work remains a Gordian knot to open.

Another way to combine the work and family responsibilities is part-time work as is the case in many continental countries. In order to avoid pension penalties for parents, reduced working hours due to child-care responsibilities should be compensated with pension crediting. A good example from this kind of solution is the German pension scheme. Pension crediting during part-time work should also be at a reasonable level for making caring work a more attractive alternative for fathers. More balanced participation of both parents to the caring work of children would encourage both women's employment and have a positive effect on the fertility rates.

A shift towards more individual responsibility in pension provision can be discovered also more generally. This has been clearly expressed in the German pension reform of 2001, when cuts in public pension provision were compensated by public subsidies to voluntary private pension savings. Combining the amount of the pension more closely to the contributions paid is another trend which emphasizes individual choices: the more you work, the more you get. This kind of a change has been carried out in many member states representing different welfare state regimes. In most of the countries the unpaid care of children and disabled family members

has in this connection been given a notional money value on the basis of which pension accrues. This will improve the pension provision of many women in the future. It also makes the invisible work done in the families more visible and its value open to discussion.

In occupational and personal pension schemes the work done outside the labour market is rarely compensated. Thus the trend to replace part of public pension provision with these pensions may be disadvantageous for women. The same applies to the trend of closer connection between contributions and pension amounts. The longer average life expectancy of women is rarely compensated in private voluntary pension schemes of defined contribution type. This is not to say that women-friendly solutions cannot be found in private pension schemes. There are examples, like the German one, which demonstrate that this is possible, when gender equality is considered a value to promote.

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Appendix table 1. Average years in the labour force¹⁾, average age of exit²⁾ and average pension period from age of exit³⁾ in 2004.

	Years in labour force 1983 1)	Years in labour force 2004 1)	Change 1983/-04, years	Age of exit 2)	Pension period 3)	Pension period/ aver. wor. years
MEN						
EU 15	-	38.4	-	60.52	20.58	.54
Sweden	42.8	39.8	-3.0	62.60	19.10	.48
Denmark	41.8	41.6	-0.2	62.33	17.87	.43
Finland	39.6	37.3	-2.3	60.57	19.93	.53
United Kingdom	43.8	41.1	-2.7	61.80	18.90	.46
Ireland	42.9	39.5	-3.5	61.66	17.94	.45
France	39.2	36.7	-2.6	59.43	22.27	.61
Germany	40.7	38.7	-2.0	60.48	20.22	.52
Austria	-	38.3	-	58.86	22.14	.58
The Netherlands	38.3	41.2	2.9	60.87	19.43	.47
Belgium	38.0	35.0	-3.0	59.10	21.40	.61
Luxembourg	38.7	35.2	-3.5	58.91	21.59	.61
Portugal	43.4	38.7	-4.7	61.28	19.02	.49
Spain	42.3	39.5	-2.8	61.27	20.33	.51
Greece	40.7	38.3	-2.4	60.87	20.43	.53
Italy	39.7	35.7	-4.0	59.40	22.10	.62
WOMEN						
EU 15	-	30.5	-	58.45	26.25	.86
Sweden	38.6	37.8	-0.8	62.02	22.98	.61
Denmark	35.6	37.6	2.0	60.76	22.54	.60
Finland	35.8	35.7	-0.1	60.43	23.87	.67
United Kingdom	30.5	34.3	3.8	59.83	24.07	.70
Ireland	17.1	28.3	11.2	58.45	24.35	.86
France	27.5	30.8	3.3	58.50	27.70	.90
Germany	25.6	32.2	6.6	58.38	26.02	.81
Austria	-	30.9	-	56.93	27.47	.89
The Netherlands	19.1	33.9	14.8	58.36	25.84	.76
Belgium	21.6	27.7	6.1	57.18	27.32	.99
Luxembourg	19.5	25.4	5.9	57.33	27.37	1.08
Portugal	27.7	32.6	4.9	59.48	24.22	.74
Spain	16.6	27.6	11.0	57.72	27.68	1.00
Greece	19.3	26.2	6.9	57.53	25.77	.98
Italy	19.5	24.3	4.8	57.04	28.36	1.17

1) Average years in the labour force are based on labour force participation rates of the population aged 15–24, 25–54 and 55–64 in 1983 and in 2004.

2) The average age of exit is calculated as 55 + the average number of years in the labour force for persons aged 55–64 according to Labour Force Statistics 2004.

3) Average pension period= life expectancy at age 65 plus average years outside the labour force between ages 55–64, according to Labour Force Statistics 2004.

Source: OECD Employment Outlook 1997 and 2005, Demographic statistics 2000, Eurostat.



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Finnish Centre for Pensions 
ELÄKETURVAKESKUS

Finnish Centre for Pensions
FI-00065 ELÄKETURVAKESKUS
Finland
Tel. +358 10 7511
Fax +358 9 148 1172

Eläketurvakeskus
00065 ELÄKETURVAKESKUS
Puhelin 010 7511
Faksi (09) 148 1172

Pensionsskyddscentralen
00065 PENSIONSSKYDDSCENTRALEN
Tfn 010 7511
Fax (09) 148 1172

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