DISCUSSION PAPER

THE GENDER DIMENSIONS OF PENSION SYSTEMS:

Policies and constraints for the protection of older women

No. 1, July 2015

CAMILA ARZA
FOR PROGRESS OF THE WORLD'S WOMEN 2015-2016

UN WOMEN

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SUMMARY

Gender equality is one of the key challenges confronted by pension systems around the world. In a context of gendered labour markets, contributory pension systems face several constraints to guarantee universal and adequate pension benefits for women. Women's life courses are characterized by longer periods dedicated to taking care of others, lower labour market participation, more part-time work and lower earnings. All these features compromise their pension entitlements in pension systems that link benefits to paid work, contributions and earnings. This paper deals with the challenges and constraints that pension systems face to be gender equitable and the policy alternatives to address these challenges. The economic protection of women in later life depends on several factors that intersect, including pension system rules, labour market conditions and family arrangements over the past and present. This paper focuses on pension system rules and how they interact with other social and labour market conditions over women's life courses to reproduce or mitigate gender inequalities in old age.

The paper first identifies the main aspects of women's life courses as well as the key pension design features that matter for women's pension entitlements. It reviews the structure, objectives and instruments of pension systems (including contributory social insurance, defined contribution individual accounts and multi-pillar systems) and identifies the key sources of gender inequality in pension entitlements in a context of gendered labour markets. It also briefly addresses the main pension reform directions after the global crisis and their likely impact on women's benefits. A separate section is dedicated to non-contributory pensions: their development around the world, and the potential they have to address existing gaps in access to old age protection across gender and income groups. And a final section discusses some of the most relevant components built into contributory pension systems to protect women in the family, including pension rights for widows and divorcees and contribution credits for caregivers.

The study shows that pension design matters for gender equality. Policies to enhance the protection of women in old age involve making choices concerning crucial aspects of pension design, which are also choices regarding the distribution of rights and resources in each country. Since women have more limited contributory histories and higher life expectancies than men, policies that strengthen contributory requirements or emphasise individual savings can make it harder for women to get adequate benefits. In contrast, policies that establish adequate minimum protection floors, extend pension rights to previously uncovered groups and make access to benefits for non-standard or informal workers more flexible can all contribute in one way or another to enhancing women's rights to old age pensions.

Overall, the paper shows that crucial policy choices for the protection of women concern the conditions for entitlements in pension systems (based on either work, need or citizenship), the types of transfers that are promoted between women and men, the policy tools available to offset gender differences in paid work, earnings and unpaid work (such as contribution credits) and the protection of the most vulnerable social groups through redistributive benefits. The paper ends with some recommendations to make pension systems more gender equitable and suggests that policies aimed at achieving gender equality in pension rights and benefits need to work on several complementary fronts (including measures regarding pension system design, but also labour market regulation and the reconciliation of work and family life) and consider the diversity of women's situation across social strata as well as across countries.

RÉSUMÉ

L'égalité des sexes est l'un des principaux défis auxquels sont confrontés les systèmes de retraite du monde entier. Dans un contexte de marchés du travail auxquels participent femmes et hommes, les régimes de retraite par répartition font face à plusieurs contraintes pour garantir le caractère universel et adéquat des prestations de retraite pour les femmes. Par rapport aux hommes, la vie d'une femme est marquée par des périodes plus longues consacrées à s'occuper d'autrui, une participation plus faible au marché du travail, du travail majoritairement à temps partiel et des revenus plus faibles. Toutes ces caractéristiques compromettent leur droit à une retraite au sein des régimes de référence qui accordent des prestations de retraite directement en fonction du travail payé effectué, des cotisations et des revenus. Ce document-ci aborde les défis et les contraintes auxquels font face les systèmes de retraite pour faire preuve d'équité entre les sexes, et les politiques alternatives pour résoudre ces défis. La protection économique des femmes en âge avancé, dépend aujourd'hui de plusieurs facteurs liés, y compris des règles des systèmes de retraite, des conditions du marché du travail et des dispositions familiales prises à divers moments. Cet article se penche sur les règles des systèmes de retraite et leur interaction avec d'autres conditions sociales et du marché du travail au cours de la vie d'une femme, pour reproduire ou atténuer les inégalités entre les sexes au moment de la vieillesse.

Le document identifie tout d'abord les principaux aspects de la vie d'une femme ainsi que les caractéristiques clés de la conception des retraites qui revêtent une importance pour le droit à la retraite des femmes. Il examine la structure, les objectifs et les instruments des systèmes de retraite (y compris l'assurance sociale contributive et les comptes individuels à cotisations déterminées ainsi que les systèmes « multipliers »), et il identifie les principales causes d'inégalité entre les sexes en matière de droits à la retraite dans un contexte de marché du travail auquel participent femmes et hommes. Il aborde également et brièvement les orientations principales de la réforme des pensions après la crise économique mondiale, et l'impact probable qu'elles auront sur les prestations dont bénéficient les femmes. Une rubrique séparée est consacrée aux systèmes de retraite sans cotisation, à leur évolution dans le monde et au potentiel qu'ils ont de résoudre les lacunes existantes en matière d'accès à la protection au moment de la vieillesse, indépendamment du sexe et du niveau de revenu. La dernière rubrique du document aborde les éléments les plus pertinents qui sont intégrés aux régimes de retraite par répartition pour protéger les femmes dans la famille, y compris les droits à la retraite des veuves et des femmes divorcées, et les crédits de cotisation pour les soignants.

L'étude montre que la conception de la retraite a une importance sur l'égalité des sexes. Les politiques visant à améliorer la protection des femmes au moment de la vieillesse impliquent des choix portant sur certains aspects cruciaux de la conception de la retraite qui ont également trait à la répartition des droits et des ressources dans chaque pays. Étant donné que les femmes cotisent pendant moins longtemps et que leur espérance de vie est supérieure à celle des hommes, les politiques qui renforcent les exigences en matière de cotisations ou mettent l'accent sur l'épargne individuelle peuvent rendre l'obtention de prestations adéquates plus difficile pour les femmes. En revanche, les politiques qui établissent des niveaux de protection adéquats minimaux, élargissent les droits à la retraite à des groupes qui n'étaient pas couverts précédemment et rendent l'accès aux prestations plus flexible pour les travailleurs officieux et non-standard, peuvent tous contribuer d'une manière ou d'une autre à l'amélioration des droits des femmes à la retraite.

Dans l'ensemble, le document montre que les choix politiques indispensables à la protection des femmes portent sur les conditions donnant droit de bénéficier des systèmes de retraite (qu'elles soient fonction du travail, du besoin ou de la citoyenneté), les types de transferts promus entre femmes et hommes, les instruments de politique disponibles pour compenser les différences entre les sexes à l'égard du travail rémunéré,

aux revenus et au travail non rémunéré (par exemple les crédits de cotisation), et la protection des groupes socioéconomiques les plus vulnérables par le biais de prestations redistributives. Le document formule en conclusion, des recommandations pour rendre les systèmes de retraite plus équitables du point de vue sexospécifique, suggère que les politiques visant à atteindre une égalité entre les sexes, pour ce qui est des droits et des prestations de retraite, œuvrent sur plusieurs fronts complémentaires (y compris des mesures concernant la conception du système de retraite, mais aussi la réglementation du marché du travail et une conciliation entre vie privée et vie professionnelle), et examinent la diversité de la situation des femmes dans toutes les classes sociales et tous les pays.

RESUMEN

La igualdad de género es uno de los desafíos más importantes a los que se enfrentan los sistemas de pensiones de todo el mundo. En el actual contexto de segregación de los mercados laborales por género, los sistemas de pensiones contributivas están sometidos a varias restricciones que impiden garantizar unas prestaciones de jubilación universales y adecuadas para las mujeres. Los ciclos de vida de las mujeres se caracterizan por períodos más largos dedicados al cuidado de otras personas, una participación menor en el mercado laboral, más trabajo a tiempo parcial e ingresos más bajos. Todas estas circunstancias comprometen su derecho a recibir una pensión en los sistemas de pensiones que vinculan las prestaciones con el trabajo remunerado, las contribuciones y los ingresos. En el presente informe se examinan los desafíos y las restricciones a los que se enfrentan los sistemas de pensiones para alcanzar la equidad de género y las alternativas de políticas que ayudarían a superar estos retos. La protección económica de la mujer en las etapas avanzadas de la vida depende actualmente de diversos factores interrelacionados, como las normas del sistema de pensiones, las condiciones del mercado laboral y los acuerdos familiares del pasado y el presente, entre otros. Este informe se centra en las normas del sistema de pensiones y en su interacción con otras condiciones sociales y del mercado laboral a lo largo de la vida de las mujeres, con vistas a reproducir o mitigar las desigualdades de género en la vejez.

El informe comienza identificando los aspectos más importantes de los ciclos de vida de las mujeres, así como las características claves del diseño de las jubilaciones que resultan pertinentes para el derecho de las mujeres a recibir una pensión. Posteriormente se revisan la estructura, los objetivos y los instrumentos de los sistemas de pensiones, incluido el seguro social contributivo y la cuenta individual de contribución definida, además de los sistemas mixtos, y se identifican las principales fuentes de desigualdad de género en los derechos de pensión en un contexto de segregación de los mercados laborales según el género. También se analizan brevemente las trayectorias que han seguido las reformas más importantes de los sistemas de pensiones tras la crisis mundial y su efecto probable en las prestaciones de las mujeres. Se ha dedicado una sección específica a las pensiones no contributivas, su evolución en todo el mundo y su potencial para solucionar las deficiencias existentes en el acceso a la protección de las personas de edad avanzada de los diferentes grupos de ingresos y género. Por último, se analizan algunos de los componentes más relevantes incorporados a los sistemas de pensiones contributivas a fin de proteger a las mujeres en el seno de la familia, incluido el derecho de las mujeres viudas y divorciadas a recibir una pensión y los créditos de cotización para las y los cuidadores.

El estudio demuestra que el diseño de las pensiones influye en la igualdad de género. La aplicación de

políticas destinadas a mejorar la protección de las mujeres de edad avanzada implica tomar decisiones sobre aspectos cruciales del diseño de las pensiones, decisiones que afectan también a la distribución de los derechos y los recursos en cada país. Dado que las mujeres cuentan con historiales contributivos más limitados y que su esperanza de vida supera a la de los hombres, las políticas que refuerzan los requisitos contributivos o hacen hincapié en el ahorro individual pueden dificultar la obtención de prestaciones adecuadas por parte de las mujeres. Por el contrario, las políticas que establecen niveles mínimos de protección adecuados, amplían los derechos de pensión a grupos no cubiertos anteriormente y flexibilizan el acceso de los trabajadores informales o no estándar a las prestaciones pueden contribuir de una manera u otra a mejorar los derechos de las mujeres de edad avanzada a recibir una pensión.

En términos generales, el informe demuestra que las elecciones de políticas cruciales para la protección de las mujeres están relacionadas con las condiciones para tener derecho a una prestación en los sistemas de pensiones (independientemente de que la base sea el trabajo, la necesidad o la ciudadanía), los tipos de transferencias que se fomentan entre hombres y mujeres, las políticas disponibles para compensar las diferencias de género en el trabajo remunerado, los ingresos y el trabajo no remunerado (como los créditos de cotización), y la protección de los grupos sociales más vulnerables mediante prestaciones redistributivas. El informe finaliza con algunas recomendaciones para aumentar la equidad de género de los sistemas de pensiones y sugiere que las políticas destinadas a alcanzar la igualdad de género en derechos de pensión y prestaciones deben ocuparse de varios frentes complementarios (que incluyen las medidas relativas al diseño del sistema de pensiones, así como la regulación del mercado laboral y la conciliación de la vida familiar y laboral) y tener en cuenta la diversidad de situaciones de las mujeres en los diferentes estratos sociales y en los distintos países.

1.

INTRODUCTION[1]

Pension systems have been an essential policy tool for the economic protection of older adults across countries and regions for a long time. However, in a context of widespread inequality, not everyone enjoys the same level of protection. Currently, around half of older adults in the world receive no pension benefit (ILO 2014: 73). In many low- and middle-income countries, pension coverage remains limited and unequally distributed and most people continue to rely on income from work and/or family help during later life. Substantial inequalities in pension coverage and benefits are found around the world based on region of residence, ethnic group, occupational sector and gender.

Since women's lifecourses are different from men's, pension systems also often have different outcomes for women and men. Gender inequalities in the labour market and the unequal distribution of paid and unpaid work in the family mean that women tend to have lower pension coverage, lower benefits and greater vulnerability in old age. These gender gaps overlap with existing inequalities in pension coverage and benefits for workers across occupational and income strata. In addition, women's labour market patterns have also changed substantially over the past half century and so have the family arrangements on which many pension systems have traditionally relied. Recent pension reforms around the world have addressed some of these issues, leading to progress in some countries, but gender inequalities in old age protection remain.

This paper deals with the challenges and constraints that pension systems face to be gender equitable and the policy alternatives to address these challenges. Cross-country differences in the design and scope of pension systems are built over time and involve political choices, priorities and compromises that shape the structure of pension systems and the degree of redistribution that is promoted. Policy decisions over the years have also shaped the gender impacts of pension systems in specific socio-economic and labour market contexts. The economic protection of women in later life today depends on several factors that intersect, including pension rules, labour market conditions and family arrangements over the past and present. This paper focuses on pension system rules and how they interact with other social and labour market conditions over women's lifecourses. In particular, the paper evaluates the way in which specific pension design features can reproduce or mitigate gender inequalities in old age. Identifying the sources of gender gaps in pension systems can contribute to understanding the impacts that recently adopted pension reforms can have and the policy directions that can help enhance gender equality today and in the future.

The paper is structured as follows: The next section identifies the main aspects of women's lifecourses as well as the key pension design features that matter for women's pension entitlements. Subsequently, section three reviews the objectives and instruments of alternative pension systems and the gender gaps that are currently found both in pension coverage and in the incidence of poverty in old age. Building on that, section four identifies the key sources of gender inequality in pension entitlements in a context of gendered labour markets and section five deals with gender gaps in defined contribution pension systems. Section six then briefly addresses the main reform directions after the global crisis and their likely impact on women's pensions. Section seven is dedicated to non-contributory pensions, reviewing the development of these benefits around the world and the potential they have to address existing gaps in access to old age protection. Section eight discusses some of the most relevant components built into contributory pension systems to protect women in the family, including pension rights for widows, divorcees and caregivers. Finally, section nine summarizes the main findings and concludes.

1 I would like to thank Shahra Razavi, Laura Turquet, Ginette Azcona, Juliana Martinez Franzoni and two anonymous referees for their comments and suggestions on earlier versions of this paper. They have contributed to improve the content and arguments of the paper, but are of course not responsible for the shortcomings that may remain.

2.

WOMEN'S LIFECOURSES AND PENSION ENTITLEMENTS

There are a number of aspects of women's lifecourses that affect their pension entitlements. The first relates to labour market participation. Despite an upward trend, women still have lower labour market participation rates than men. Recent data indicate that in the world on average about 51 per cent of women, compared to 77 per cent of men, are in the labour force (Table 2-1). Average participation rates are higher in some world regions than others, but a gender gap is found in all of them. Women also work part time more often than men. In Europe and Central Asia on average nearly 23 per cent of total female employment is part-time, compared to only 7 per cent of male employment, and similarly large gaps are found in the other world regions for which data are available. These labour market patterns are linked to gender roles and cultural norms by which women tend to assume most of the care work in the family. Around the world, as spouses, daughters, sisters and/or mothers, women provide most of the care for children, the sick and disabled or elderly relatives (United Nations 2010). This compromises their labour market earnings and employment-related benefits, including future pensions.

Data from the Survey on Health, Ageing and Retirement in Europe (SHARE) are illustrative of the way in which work trajectories differ between women and men (Table 2-2). While in the European countries surveyed, men aged 65 and over have an average record of 35 to 43 years of employment, women only have on average between 12.8 years of employment in Spain and 35.3 in the Czech Republic (or between 19.4 in the Netherlands and 35.6 in the Czech Republic if only women with some employment are considered). The gender gap varies across countries: women have particularly short employment histories in Southern European countries (Greece, Italy, Spain) as well as in Austria, Belgium and the Netherlands. In Greece, Italy and Spain there is also a non-negligible number of women who have never entered the labour market.

The second aspect of women's life course that influences pension entitlements is the gender gap in earnings. Women have lower average earnings than men, because they both work part time more often and on average obtain lower hourly pay(for various reasons, including more work in lower-paid occupations such as domestic service and more constraints to reach managerial positions). Recent estimates (for year 2011) point to an average earnings gap for full-time women and men of 14.8 per cent in OECD countries.[2] In pension systems that link benefits to past earnings or contributions, this results in lower benefits for women.

2 The gender wage gap is unadjusted and defined as the difference between male and female median wages divided by the male median wages (full time employees). See OECD. StatExtracts. nd..“Gender wage gap.”http://stats.oecd.org/ (accessed 10 July 2014).

TABLE 2-1

Labour market participation, part-time employment and life expectancy for women and men, 2012

	Labour force participation rate(% of female/male population ages 15+)			Part-time employment (% of total female/male employment)			Life expectancy at birth (years)		
	Women	Men	Difference (W-M)	Women	Men	Difference (W-M)	Women	Men	Difference (W-M)
East Asia and Pacific	61.2	78.4	-17.2	...	...	...	76.7	72.8	3.8
Europe and Central Asia	50.7	67.2	-16.5	23.1	7.2	15.9	80.3	73.3	7.0
Latin America and Caribbean	53.5	79.6	-26.1	27.5	11.4	16.1	77.8	71.6	6.2
Middle East and North Africa	21.3	74.3	-52.9	...	...	...	74.2	70.3	4.0
North America	57.3	69.5	-12.2	17.0	7.6	9.4	81.4	76.7	4.7
South Asia	31.8	81.4	-49.6	...	...	...	68.3	65.1	3.1
Sub-Saharan Africa	63.5	76.5	-12.9	...	...	...	57.6	55.3	2.3
World	50.5	76.8	-26.3	...	...	...	72.9	68.7	4.2

Notes:... no data. Data for part-time employment for Latin America corresponds to year 2009.
Source: Own elaboration based on World Bank 2014.

Third, women tend to live longer than men. On average, women's life expectancies worldwide are estimated at 4.2 years above men's, and the gap is even higher in some world regions (Table 2-1). As a result, women require greater lifetime transfers to finance a longer period of retirement. When these longer periods of pension receipt are taken into consideration in the calculation of pension benefits (as happens with individual accounts that use sex-differentiated life expectancies), women get lower monthly pension benefits than men, independent of their labour market and contribution patterns.

Fourth, given longer life expectancy (and the fact that women often marry men a few years older) women are more likely to become widows. Thus women who lack a retirement pension of their own can be particularly vulnerable in old age if they are not entitled to a widow's pension (for instance, if their deceased husband worked in an informal sector job with no pension rights) and no other adequate benefits (such as non-contributory pensions) exist for them. Widowhood can bring economic hardship and vulnerability for women.

There are three main features of pension schemes that matter for their gender outcomes.[3] The first is the conditions of entitlements, including the eligibility requirements to obtain a benefit (for instance, whether benefits are universal, means-tested, pension-tested or based on past contributions). The conditions for entitlements also relate to more specific pension rules – for instance, how many years of contributions are required (the so-called 'vesting period'), the income or asset threshold for means-tested benefits, and whether benefits are right-based or depend on resources available and waiting lists. The conditions of entitlement define who can get a benefit and how coverage is ultimately distributed.

The second feature is the link between benefits, on the one hand, and contributions and past earnings on the other. This relates to whether pension schemes are defined benefit or defined

3 See, among others, Ginn 2003b; Ståhlberg et al. 2005;Gilbert 2006; Frericks and Maier 2008; Marin and Zólyomi 2010; Arza 2012a.

TABLE 2-2

Average years in employment for women and men over 65 in Europe

	Years in employment (entire sample, including zero employment)			Years in employment (for those with some employment)		
	Men	Women	Gap (M-W)	Men	Women	Gap (M-W)
Germany	39.6	24.4	15.2	39.8	26.7	13.1
Netherlands	39.8	16.4	23.4	40.5	19.4	21.1
France	35.1	21.1	14.0	37.2	25.6	11.6
Greece	38.6	14.6	24.0	41.5	31.7	9.7
Austria	39.7	19.4	20.3	40.6	23.9	16.7
Spain	43.4	12.8	30.5	44.7	22.6	22.2
Sweden	43.1	31.9	11.2	43.6	33.5	10.1
Italy	38.6	14.6	24.0	39.6	24.5	15.0
Belgium	39.2	17.3	22.0	39.7	22.1	17.6
Poland	35.9	24.9	11.0	37.9	30.7	7.2
Denmark	40.9	29.7	11.2	41.2	30.9	10.3
Czech Republic	40.1	35.3	4.9	40.3	35.6	4.7
Switzerland	42.4	21.8	20.5	42.5	23.4	19.1

Source: European Commission 2013: Table 9.2.

contribution, a key distinction in the pension literature. It also relates to whether benefits are flat rate, earnings-related or actuarial, or a combination of those models. Third, the link between benefits, contributions and earnings is also associated with whether benefits keep track with earnings/prices in the retirement period (i.e., the rules for indexation) and whether life expectancies are taken into consideration for the calculation of benefits. All of these features define the distribution of benefits among individuals based on their individual lifecourses (including labour market participation, earnings and life expectancy).

In addition, it is also important whether there are specific provisions for widows and divorcees as well as to compensate for unpaid care work. This is related to several specific aspects of pension system rules, including the nature of derived benefits, the rules regarding joint annuities and the existence and characteristics of contribution credits for care-related reasons. Compared to direct benefit, which protects people as paid workers (in contributory systems), these components of pension systems are oriented to protect individuals as family members and unpaid workers providing care. They have various underlying logics (for instance, some are based on the idea of economic dependence, others more clearly reward family members for their unpaid care work, while others are mainly concerned with basic poverty protection), but they are similar in that they all address the impact that the distribution of family roles, including paid and unpaid work in the family, can have on women's future pension entitlements.

Besides these important features of labour markets and pension system rules, there are two other relevant aspects to take into consideration to understand the gender distribution of old age protection. The first relates to the changes that have been taking place over the past decades in both women's lifecourses as well as pension system rules. Broadly speaking, women in younger cohorts now tend to have higher labour market participation rates, bear fewer children, spend fewer years out of the labour force and have higher educational attainment. This suggests a cohort effect may put younger generations of women in a better position to get contributory pensions on retirement than were older generations of women. However, at the same time, the labour market has become more flexible, and in some countries (especially those hardest hit by the international financial crisis) pension system retrenchment in a context of austerity has made eligibility conditions more restrictive and has cut down pension replacement rates. These reforms may make it increasingly difficult for women, and indeed all workers who lack a long and continuous participation in the formal labour market, to get an adequate pension benefit in the future (see section 6). So various changes are pushing in different directions and their joint impact remains to be seen.

The second important aspect relates to the heterogeneity of women's life conditions across both countries and social strata. While women share some life-course patterns, which as presented above can have an impact on their pension entitlements, averages hide large differences among women themselves across countries and social groups. For instance, professional women in high-income countries tend to have working and earning lives that are very different from the working lives of low-income women in middle- and low-income countries. So the impact on women of specific pension design features is also likely to vary substantially, and not all of them will benefit or suffer from the same pension rules. In other words, while women's weak position vis-à-vis the pension system is mainly associated with gendered labour markets and the unequal distribution of paid work, earnings and care, these patterns are also themselves unequally distributed among women across countries and social strata.

3.

THE DESIGN AND COVERAGE OF PENSION SYSTEMS AND POVERTY IN OLD AGE

3.1

The structure and objectives of multi-pillar pension systems

There are several types of pension schemes currently in place in various countries around the world and quite often more than one of them operates in a country as building blocks of a more or less integrated multi-pillar system. Specific pension schemes can be compared based on their main objectives, their eligibility conditions (i.e., conditions of entitlement) and the types of benefits they offer (i.e., the link between contributions and benefits). These features have implications for the distributional impacts that pension systems can have in various contexts.

Table 3-1 compares alternative pension schemes on those aspects. While pension schemes implemented in practice may divert from these 'ideal typical' models (and other types may also exist) the classification is useful to compare policy alternatives. Pension systems typically have two main objectives: (1) poverty prevention and redistribution and (2) consumption smoothing (Barr and Diamond 2009). Not all pension benefits are intended to achieve – or capable of achieving – both. The main objectives of universal and means-tested non-contributory pensions are poverty prevention and redistribution. Both provide a basic benefit to older adults independent of past work, earnings and contributions, but while universal non-contributory pensions include the entire population of older adults, means-tested benefits target lower-income people (see section 7). There is also another policy option in between, namely pension-tested systems, which offer benefits to older adults who have no other pension but without a test of means, income or assets. Two other types of pension benefits oriented to poverty prevention and redistribution, but under contributory rather than non-contributory arrangements, are minimum pensions (that top up existing pension entitlements) and contributory flat-rate pensions (that offer eligible contributors the same benefit level for all).

Pension benefits oriented to consumption smoothing can also be organized in several ways. The most common type is social insurance pensions. These are contributory pension schemes, administered by the state, which provide earnings-related benefits for formal sector workers (contributors). These systems may involve some type of intra-generational redistribution (for instance, when they include progressive replacement rates or minimum benefits) but their main purpose is consumption smoothing (section 4). Defined contribution systems are also aimed at consumption smoothing, but with stronger links between contributions and benefits. This is particularly the case of individual savings schemes, a pension model that has spread widely across countries in the past decades (especially in Latin America and Central and Eastern Europe) and is typically administered by private companies (section 5). These systems by definition exclude redistributive elements (which can instead be incorporated in other 'pillars' in multi-pillar systems) and make entitlements closely reflect work, earnings and retirement patterns.

Multi-pillar pension system structures have been increasingly adopted in a wide range of countries over the past decades. In these systems two or more pension benefits coexist, performing different goals in a more or less integrated structure. The literature usually identifies four pillars: (a) a 'zero pillar' of basic non-contributory public benefits; (b) a 'first pillar' of mandatory public pensions; (c) a 'second pillar' of mandatory private pensions; and (d) a 'third pillar' of voluntary pension savings. Pension systems in each country can then combine these pillars in various ways to achieve different policy goals. While the importance given to each pillar varies across countries and not all countries have all four pillars, most now have more than one. The particular combination of pension pillars (including benefit types as well as more specific pension design features such as eligibility conditions, population effectively covered, benefit levels, and so on) shape the impacts the pension systems can have in each country on different groups of people and on women and men.

TABLE 3-1

Typical features of alternative old age pension schemes

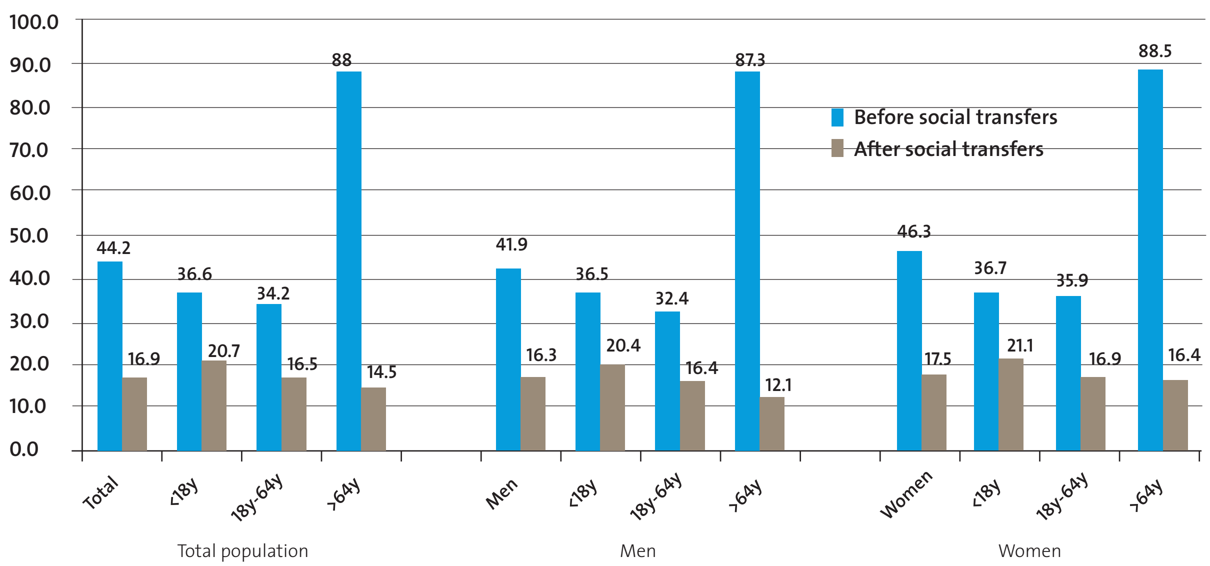
	Conditions for entitlement		Administration	Benefit type	Main objective
	Contribution-based?	**Means-tested?**			
Universal pensions	No	No	Public	Defined-benefit	Redistribution and poverty prevention through a basic transfer for all in old age
Means-tested pensions	No	Yes	Public	Defined-benefit	Redistribution and poverty prevention through a basic transfer for the elderly poor
Pension-tested benefits	No	No	Public	Defined-benefit	Redistribution andpoverty prevention through minimum income security in old age
Minimum contributory pension	Yes	No	Public PAYG	Defined-benefit (minimum benefit)	Redistribution and poverty prevention through minimum income security in old age
Social insurance pensions	Yes	No	Public PAYG	Defined-benefit (earnings-related)	Consumption smoothing through inter-generational transfers
Notional defined contribution	Yes	No	Public PAYG	Defined-contribution	Consumption smoothing through non-financial individual pension credits
Occupational pension schemes	Yes	No	Employers	Defined-benefit or defined-contribution	Consumption smoothing through worker savings and/or employer benefit packages
Individual savings accounts	Yes	No	Generally private fully-funded	Defined-contribution	Consumption smoothing through individual savings

Source: Own elaboration.

3.2
Old age poverty among women and men

Social transfers can have substantial poverty-reducing impacts in countries where comprehensive welfare systems exist. On average in the European Union (EU), the poverty rate before social transfers (including pensions) is estimated at 44 per cent (Figure 2-1). As expected, the greatest impact of social transfers is found among older adults, who by and large rely on pensions as the main source of income. For the population aged 65 and over, the poverty rate climbs to 88 per cent before transfers and drops to 14.5 per cent after transfers, indicating the relevance of the pension system for older adults in these countries. Pointing in the same direction, there is also evidence that a positive association exists in OECD countries between the share of social transfers in people's income in old age and the level of old age poverty (ILO 2014: Fig. 4.2).

FIGURE 3-1
At-risk-of-poverty rate before and after social transfers in the European Union (28 countries), 2012
Cut-off point: 60% of median equivalized income after social transfers (percentages)



Source: Own elaboration based on European Commission, Eurostat Database, http://epp.eurostat.ec.europa.eu/ (accessed 12 August 2014).

Despite this positive poverty-reducing impact of social transfers, a gender gap remains: on average in the EU the post-transfers poverty rate for men aged 65 and over in 2012 was 12.1 per cent compared to 16.4 per cent for women (Table 3-2). Women's poverty rate at older ages is higher than men's in most EU countries. On the other hand, it should also be considered that poverty figures may not make gender gaps fully visible, since poverty indicators based on household income implicitly assume that income is fully pooled within the household (and between women and men), which is not necessarily the case. The figures also fail to include other crucial elements of well-being, particularly access to housing, healthcare and other social services (elderly home care, for instance). These services can be particularly important for older women who, as previously noted, live longer than men on average and are therefore more likely to become widows, live alone (greater housing costs) and lack care assistance by cohabiting members of family (greater need for elderly care services).

TABLE 3-2

At-risk-of-poverty rate by sex in Europe, 2012

	Total	Men	Women
European Union (28 countries)	14.5	12.1	16.4
Austria	15.1	11.5	17.8
Belgium	17.8	17.7	17.9
Bulgaria	28.2	19.3	34.3
Croatia	26.5	21.1	30.4
Cyprus	29.3	24.2	33.6
Czech Republic	6.0	2.7	8.4
Denmark	14.1	12.4	15.6
Estonia	17.2	11.2	20.1
Finland	18.4	11.9	23.3
France	9.4	8.0	10.5
Germany	15.0	13.3	16.6
Greece	17.2	15.9	18.3
Hungary	6.0	4.7	6.8
Iceland	4.5	4.6	4.5
Ireland	12.2	11.8	12.6
Italy	16.3	13.1	18.7
Latvia	13.9	8.5	16.4
Lithuania	18.7	13.8	21.2
Luxembourg	6.1	3.6	8.0
Malta	17.3	19.0	15.9
Netherlands	5.5	5.5	5.4
Norway	9.3	3.8	13.9
Poland	14.0	9.4	16.8
Portugal	17.4	16.1	18.4
Romania	15.4	9.6	19.8
Slovakia	7.8	5.9	9.0
Slovenia	19.6	11.7	25.0
Spain	14.8	13.6	15.8
Sweden	17.7	10.2	23.5
Switzerland	29.9	24.9	34.0
United Kingdom	16.1	14.5	17.4

Source: European Commission n.d.

Notes: Cut-off point: 60 per cent of median equivalized income after social transfers (percentages)

3.3

Gender gaps in pension coverage and benefits

The poverty-reducing impact of pension systems depends on the level and distribution of benefits. In countries with comprehensive pension systems and widespread coverage, most people rely on pensions as the main source of income in old age. In OECD countries, it has been estimated that over 80 per cent of income of the population aged 65 and over in the four bottom income deciles (40 per cent of the population with lowest income) comes from public transfers (OECD 2013: Fig. 2.5). In contrast, in countries where pension systems have limited coverage or offer inadequate benefits, older adults need to rely on other sources of income during old age, including extended participation in the labour market or family help in the forms of both income transfers and care.

Table 3-3 presents an overview of pension coverage for the elderly and working population around the world.[4] Data show the large coverage gaps that prevail for working-age population as well as for older adults in most world regions. Indeed, it is estimated that, on average, only just over half of the population in the world above the retirement age effectively receives a pension. Only in Western Europe, North America and Central and Eastern Europe do we find close to complete coverage in old age (above 90 per cent in all cases). In other

4 Data on coverage can be either obtained from household surveys (the percentage of elderly people that receives a pension, or the percentage of workers who contribute to a pension scheme) or estimated from administrative records (as the ratio of pensioners or of contributors over the population of a certain age). The latter approach is used in coverage rates presented in Table 2-3 and the former for data presented in Figure2-2. The two measures are not strictly comparable.

TABLE 3-3

Old age social security effective coverage, global estimates (percentages)

	Working-age coverage	Old age coverage
Main regions	Active contributors as a percentage of working age population (15–64)	Old age pension beneficiaries as a percentage of the population above statutory pension age
Africa	9.8	21.5
North Africa	24.0	36.7
Sub-Saharan Africa	5.8	16.9
Latin America and the Caribbean	27.6	56.1
North America	77.5	93.0
Western Europe	66.7	92.4
Central and Eastern Europe	48.9	94.3
Asia and the Pacific	25.6	47.0
Middle East	18.4	29.5
WORLD	29.7	51.5

Notes (based on ILO Notes from Concepts and Definitions for table B.9): Regional averages weighted by total population. Data corresponds to latest available figure, c.2010. Coverage is based on administrative records (Main source: ILO Social Security Inquiry; Indicator: old age pensioners recipient ratio above retirement age - CR-1f OA). The benefits covered are periodic cash retirement benefits. They can be means-tested or non-means-tested and provided through contributory or non-contributory schemes. Beneficiaries who receive supplementary benefits that complement other basic old age benefits (i.e., 'second-pillar' schemes) are excluded to avoid double counting. To the extent possible, the numerator includes survivors' and disability benefits once the beneficiary reaches the statutory pensionable age (or the age of 65). In other words, the numerator should capture all beneficiaries of an old age pension, whether they themselves were participants in a social security scheme (contributors) or not, for instance, family members of deceased contributors who receive a part of the latter's pension. Both in the case of survivors' and disability benefits, it is important to note that only those who fall within the age group are counted. The denominator corresponds to the total size of the population defined as above the statutory pensionable age or aged 65 or above (for further details, see ILO 2014, Concepts and Definitions for table B.9).

Source: Own elaboration, based on ILO 2014:83 (data for Fig. 4.8).

world regions coverage is substantially lower. In Africa, contributors represent a small share of the working-age population and pensioners are only a minority of older adults. In sub-Saharan Africa only 5.8 per cent of the working-age population and 16.9 per cent of older adults are covered. In Asia and the Pacific, as well as in the Middle East, pension coverage of older adults is also low, at 47 per cent and 29.5 per cent, respectively. In Latin America, pension coverage is somewhat higher but still far from complete, with pensioners representing 56.1 per cent of the population above the retirement age. Wide differences also exist among countries in each of these regions (see ILO 2014: Table B.9).

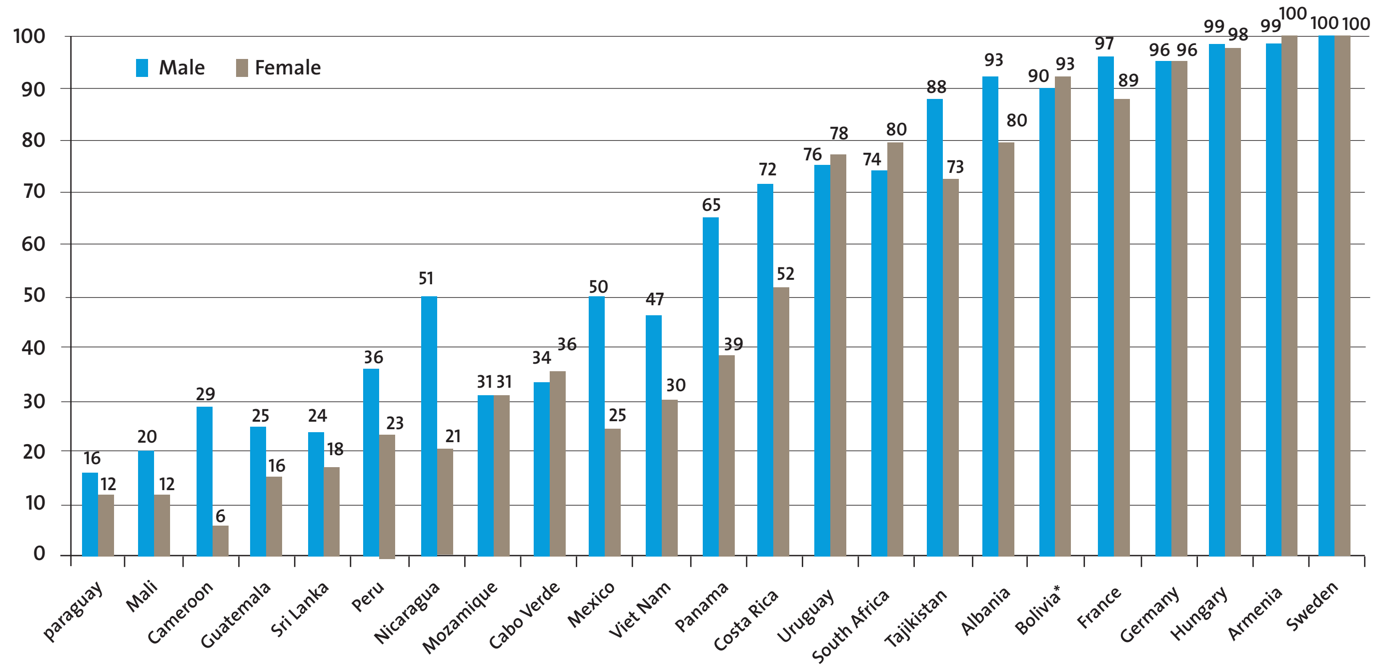
Women tend to have lower coverage rates than men. Figure 2-2 presents gender-specific coverage rates for a number of countries for which recent data are available, showing important gender gaps in coverage in several of them. Household data from Latin America also point at large gender gaps in pension coverage in other countries apart from those presented in the figure (see Rofman and Oliveri 2011). However, countries such as Argentina, Brazil and Uruguay have managed to reach high coverage rates for women and men, often combining contributory, semi-contributory and non-contributory pensions (see section 7).

Some European countries also manage to achieve equally high coverage rates for women and men. This is not the case everywhere, however. In countries such as Austria, Belgium, Greece, Ireland, Italy and Spain, women continue to have lower pension coverage rates than men (ILO 2010b: Figure 4.6). A recent study further illustrates the gender gaps in pension benefits and coverage in several European countries and the way in which different

FIGURE 3-2

Pension coverage by gender in selected countries

Proportions of women and men above statutory pensionable age receiving an old age (or survivor's) pension, urban areas



* Bolivia, Plurinational State of

Note: ILO calculations based on household surveys corresponding to between 2006 and 2011, depending on the country.

Source: Own elaboration, based on data from ILO 2014: 89, Fig. 4.13.

pension pillars work for women and men (European Commission 2013, and Table 3-4). According to the Survey on Health, Ageing and Retirement in Europe (SHARE, Wave 2), coverage is generally high in the first pillar for both women and men, although women have lower coverage in some countries. On the other hand, in countries with a relatively large second pillar – such as Germany, the Netherlands and Switzerland – significant gender gaps exist in occupational pension coverage. The United Kingdom is another country where gender gaps in occupational pensions have been important (Foster 2010: 32–33; see also Ginn 2003b; 2004; 2013 on the gender impacts of recent reforms).

Pension benefit levels are also on average lower for women than men: in 2010 (weighted by population) men's pensions were on average 39 per cent higher than women's in the EU (European Commission 2013: 34). These benefit gaps matter not only for gender equality but also for the capacity of pension systems to prevent old age poverty. Indeed, the mean monthly value of pension income for women (aged 65 and over) in 2010 was just above the national poverty line[5] in the Czech Republic, Estonia, Iceland, Germany, Latvia and Slovenia, equal to the poverty line in the United Kingdom, and below it in Bulgaria (75 per cent) and Cyprus (81 per cent) (ibid.: 36, Table 1.1). While these figures refer to an average of women/men, as mentioned above specific events over

5 The poverty line is the at-risk-of-poverty level for one member household, from European Union Statistics on Income and Living Conditions (EU-SILC) 2010 (European Commission 2013: 36, note 3 to Table 1.1.

TABLE 3-4

Gender gap in pension coverage by pillar, 2006/2007

(percentage of people aged 65 and over)

	Coverage rates					
	Pillar 1		Pillar 2		Pillar 3	
	Men	**Women**	**Men**	**Women**	**Men**	**Women**
Austria	98.5	88.6	11.0	4.9	1.8	4.3
Belgium	92.9	78.7	6.7	2.5	2.0	1.0
Czech Republic	96.5	98.9	4.0	5.8	1.4	0.9
Denmark	96.9	97.9	23.3	16.2	21.6	13.7
France	99.4	94.2	4.7	1.7	4.8	3.3
Germany	94.0	90.2	30.3	13.0	4.5	4.0
Greece	82.8	72.5	8.7	6.1	0.2	0.2
Italy	90.1	82.8	6.7	3.9	0.2	0.1
Netherlands	93.2	96.3	76.8	48.4	10.1	7.2
Poland	97.4	95.2	0.0	0.0	1.8	1.9
Spain	90.1	62.7	4.5	1.2	1.0	1.4
Sweden	94.5	95.6	64.8	69.0	21.3	14.9
Switzerland	93.2	98.0	60.7	27.9	5.7	7.3

Notes: ... no data available.

Pillar 1: Includes statutory public pension schemes: public old age pension, public early or pre-retirement pension, public disability pension, public unemployment benefit, public survivor pension, public supplementary or second pension (for old age, disability, survivor) and public long-term insurance payments.

Pillar 2: Includes occupational pensions: private occupational old age pension, private occupational early retirement pension, private occupational disability insurance and private occupational survivor pension.

Pillar 3: Includes individual supplementary provision: life insurance, private annuity or private personal pension, alimony, payments from charities and long-term care insurance payments. (See European Commission 2013, Appendix 2 for details).

Source: European Commission 2013: Table 10.2.

women's lifecourses affect their pension entitlements more. For instance, the data show that the gender gap is larger for women who have children. In France, for example, the gap in pensions is 19 per cent for women who had no children, 31 per cent for women who had one or two children and 50 per cent for women who had three or more children (ibid.: 62). A similar picture is found in other surveyed countries in Europe. This pattern shows the impacts that having a child can have on women's labour market participation and earnings and, consequently, on pension benefits.

4.

CONTRIBUTORY SOCIAL INSURANCE PENSIONS AND GENDER

Social insurance pensions offer earnings-related benefits to workers who have contributed over a specified period of time. In these and other types of pension systems that link benefits to past employment and earnings, benefits tend to reflect women's "cumulated disadvantages of a lifetime's involvement in a gender-biased labour market" (European Commission 2013: 21). Indeed, when social protection entitlements are associated to paid employment, and no or insufficient mechanisms exist to recognize and reward other kinds of contributions that people make to society (such as unpaid work), gender inequalities in the labour market are transmitted to the social protection system (Razavi 2011). Having more limited contribution records, many women fail to meet the eligibility conditions to obtain a benefit of their own. When they do, their benefits tend to be lower than men's, reflecting the joint impact of shorter periods of paid work, more part-time work and lower earnings. In some countries, this can especially harm low-income women who have lower (formal) labour market participation and may also lack access to derived benefits if they are single or divorced from/widowed by an informal worker with no pension rights.

As explained earlier, some countries have nonetheless managed to ensure equal access to pension benefits for women and men under contributory social insurance systems of various types (European Commission 2013:40). Indeed, the extent to which gendered labour markets effectively affect women's pension entitlements depends on specific aspects of pension design that are particularly relevant for gender equality. These aspects relate to some of the key features of pension design mentioned above: the conditions of entitlement; the link between contributions and benefits; and the mechanism for benefit indexation.[6]

6 Another gender-relevant pension design feature – family-related components of pension systems – is dealt with separately in section 8.

The first key relevant design feature, related to the conditions of entitlement, is the number of years of contributions required to get a pension (the 'vesting period'). In contributory social insurance systems, workers are typically entitled to a retirement benefit when they reach the retirement age and have a minimum number of years of work and/or contributions. Women find it harder than men to accumulate long contributory records. And although women's labour market participation is increasing among younger cohorts, long vesting periods will continue to limit women's access to retirement benefits for some time if no adequate instruments exist to compensate for periods of time dedicated to unpaid work.

In an attempt to contain pension expenditure and introduce incentives for work and later retirement, over the past few decades several countries have increased the minimum number of years of contribution required to obtain public pension benefits. This was common in the structural pension reforms in Latin America (Dion 2008). In Argentina, after contributory requirements to obtain a pension were increased to 30 years, coverage rates of the elderly population (aged 65 and over) declined from 86 to 73 per cent for men and from 73 to 65 per cent for women between 1994 and 2004 (Rofman et al. 2009). The trend was only reversed about a decade later when a new programme was launched to make it possible for older adults with limited contributory records to obtain a benefit (Arza 2012c). In Chile also, the contributory pension coverage rate fell several points between 1990 and 2006 (Rofman et al. 2009). This motivated the incorporation of coverage issues in the policy agenda and in the pension reform passed in 2008.

The second key design feature is the benefit formula, in other words, the rules that specify how benefit levels are calculated for each pensioner. Benefit formulas involve important policy decisions regarding what aims and values should be prioritized. The most salient of these is whether the policy goal should be equality in lifetime benefits (or in the 'rates of return' to past contributions), or in monthly pension benefits or replacement rates. This also relates to whether benefit formulas should promote a tight or loose link between contributions and benefits at the individual level. Benefit formulas that closely reflect earnings and contributory histories tend to generate lower benefits for women than men, while benefit formulas including flat or redistributive components favour women on average. Several more specific aspects of the benefit formula are also relevant for gender equality, for example, the rules on how to fill career breaks for the calculation of benefits, including whether and what kinds of contribution credits exist for periods outside the labour market, the nature of derived benefits, the period of earnings taken into account for the calculation of benefits and the existence of minimum benefits (see Jefferson 2009; European Commission 2013: 30). Also important is the use of unisex tables for the calculation of benefits in defined contribution systems, to which we will return in section 5.

The third key pension design feature is the mechanism for benefit indexation. This is essential to maintain the real value of pension benefits over the retirement period. Indexation is important for all pensioners but particularly so for women, who face higher risks of benefit depreciation over time due to their longer life spans. In the past decades, with the aim of reducing costs, most European countries have modified indexation rules, shifting from wage-indexation to price-indexation (Kohli and Arza 2010; OECD 2013). If real earnings grow, price indexation can bring budget savings but entails a drop in the relative position of pensioners vis-à-vis the working population. On the other hand, not every country has a regular benefit indexation mechanism,[7] and in some cases regular indexation only applies to contributory but not non-contributory pensions. The impact of inadequate indexation on benefit levels is shown in the following calculation by the International Labour Organization (ILO): assuming a rise by 2 per cent of real earnings and prices 15 years after retirement, it is estimated that a pension benefit will drop to 74 per cent relative to wages if price indexation is applied and to only 55 per cent if no indexation is applied (ILO 2014: Fig. 4.14).

7 See details in the World Bank Pension Database, http://go.worldbank.org/IRHX8QBQU0 (accessed 8 February 2013).

5.

DEFINED CONTRIBUTION SYSTEMS AND GENDER

Pension systems have been subject to substantial reform in contexts of changing socio-economic environments and political priorities (UNRISD 2010; Huber and Stephens 2012). From the 1980s onwards, pension reform (often meaning retrenchment and privatization) has been on the policy agenda across countries and regions. In high-income countries, reforms were mainly oriented to contain the fiscal costs of population ageing and involved parametric adjustments such as less generous indexation rules, higher retirement ages, incentives to delay retirement and the development of individual pension savings to compensate for the projected fall of public pensions in the future (Kohli and Arza 2010). These reforms had gender-relevant impacts.[8] Furthermore, in several countries the global crisis accelerated these parametric reforms in a context of fiscal austerity (see section 6).

Reforms went further in several countries in Central and Eastern Europe as well as in Latin America. Following the policy shift to the market promoted among others by the World Bank (see World Bank 1994), structural pension reforms involved a partial or complete switch from public pay as you go (PAYG) social insurance pensions to privately managed, fully funded individual accounts. In these types of systems, each worker accumulates pension contributions to finance her or his retirement benefits. Pension benefits are no longer calculated as a replacement rate of past earnings, as in public social insurance systems, but based on the balance in each worker's individual account and life expectancy on retirement. Several countries adopted individual accounts over the 1990s and 2000s, following the previous experience of Chile in 1981 (Table 5-1)[9] (see also Barrientos 1998; Fultz 2002; Müller 2002 and 2003;Madrid 2003; Mesa-Lago 2006; Brooks 2009). While specific design features varied substantially across reforming countries – for instance, regarding the relative size of the private pillar (i.e., the share of mandatory wage contributions that were directed to it) – the overall trend was towards a stronger link between contributions and benefits.

The establishment of individual pension accounts has brought about new gender issues. First, benefit levels in individual accounts are directly based on past contributions and therefore the benefit each one can obtain more closely reflects working, earning and (especially) contributory histories. This can mean substantially lower pensions for individuals with limited or interrupted contributory histories, including many

8 On pension reform and gender in Western Europe, see Meyer and Pfau-Effinger 2006; Frericks and Maier 2008; Frericks et al. 2009; Foster 2010, among others.

9 Table 5-1 includes all countries in which individual accounts became part of the mandatory pension system. In some cases, however, workers could choose to remain in the public PAYG system, which continued to exist in parallel to newly established systems of individual accounts (parallel systems). In other cases, individual accounts worked as an additional pillar on top of a public pension benefit (mixed systems). In still others, individual accounts completely replaced existing PAYG systems (substitutive systems) (see Mesa-Lago 2006; 2008).

TABLE 5-1

Countries that have adopted mandatory, fully funded defined contribution pension schemes

	Year implemented
Argentina	1994 (until 2008)
Bolivia, Plurinational State of	1997
Chile	1981
Colombia	1994
Costa Rica	2000
Dominican Republic	2003
El Salvador	1998
Mexico	1997
Panama	2008
Peru	1993
Uruguay	1996
Bulgaria	2002
Croatia	2002
Estonia	2002
Hungary	1998 (until 2010)
Kazakhstan	1998
Latvia	2001
Lithuania	2004/05
Poland	1999
Romania	2008
Russian Federation	2003
Slovak Republic	2005
Sweden	1999
Kyrgyzstan	2010
Uzbekistan	2007
Nigeria	2005

Notes: Includes countries in which mandatory pension contributions are paid into individual accounts. In some cases, affiliation was optional (and some or all workers could choose to stay in the public system).

Source: Own elaboration based on ISSA (2013, 2012a, 2012b, 2011); Muller (2010); World Bank 2013.

women, who need to rely on other redistributive pension pillars, if available.

Second, these systems are designed to match lifetime benefits with lifetime contributions, and the benefit formula thus needs to consider the number of years during which the person is expected to collect benefits. As a result, unlike in most public social insurance pensions, both effective retirement ages and life expectancies on retirement are taken into consideration.[10] In most countries women's retirement ages have been traditionally set some five years before men's. Although this has been changing in recent decades (with women's retirement ages often rising to the men's value), differences remain in some countries, including several of those that have implemented individual accounts.[11] With a lower retirement age, women can stop working earlier but get lower monthly pension benefits because they have both fewer years of work to accumulate contributions and more years of retirement to distribute accumulated funds. In countries where women used to retire earlier than men with no adjustment made to their pensions, the new systems come at a cost.

In some cases, gender gaps in life expectancy also matter for the benefits that women and men can obtain. In defined contribution systems, estimated life expectancy on retirement is used to transform accumulated assets into a monthly pension benefit. Since women on average live longer than men, pension systems that use gender-specific life tables in the calculation of benefits (i.e., one life expectancy estimation for women and another one for men) generate still lower monthly benefits for women. In contrast, the use of unisex life tables generates equal monthly benefits for women and men who have equal pension fund accumulation and retire at the same age. While this involves a subsidy from the average men to the average women, gender-specific life tables, in contrast, privilege the actuarial link between contributions and benefits for each individual and offer higher benefits to men. As Fultz and Steinhilber (2003: 37–38) have underlined, unisex life tables better perform the social security function to pool the risk of longevity; paying

10 On the link between life expectancy and retirement benefits see also OECD 2011, chapter 5.

11 See ISSA 2011; 2012a; 2012b; 2013; on pensionable ages for men and women, see OECD 2011: chapter 1.

less to those who live longer works against it.[12] Based on that, gender-specific life tables have been considered discriminatory in several high-income countries and regulations have restricted their use.[13] In contrast, most countries in Latin America allow the use of gender-specific life tables in their individual accounts (see James 2012:16; also Bertranou 2001; Bertranou and Arenas de Mesa 2003; Dion 2008).[14]

Gender inequalities were also an issue in several Central and Eastern European countries that went through structural reforms and adopted mandatory individual accounts (Fultz and Steinhilber 2003; Fultz 2006; Müller 2010). For the case of Poland, Balcerzak-Paradowska et al. (2003: 237, 240) estimated that benefits would decline substantially for both women and men after the reform and that the gender gap would rise, with women's benefits worth about 74 per cent of men's at age 65 in the new system (compared to 81per cent in the old system). They also highlighted two favourable aspects of reform for women: the possibility to split pension accumulation between the spouses after divorce (if it constitutes common property) and the elimination of the minimum period of covered work required to obtain a benefit (ibid.: 230, 232; see also Fultz et al. 2003). In Hungary, the adoption of mandatory private individual accounts was accompanied by equal retirement ages and unisex life tables (Fultz and Steinhilber 2003; Jefferson 2009: 138). Poland later made that decision as well (James 2012).

12 Other scholars, however, argue that unisex life tables generate problems of implementation in annuity markets when annuities are not mandatory, because men may avoid annuities generating a form of adverse selection in which the market ends up being dominated by the risky group (women, who have higher longevity) (James 2012: 15).

13 EU Directives have ruled out their application in the European context and unisex life tables are required for mandatory fully funded and occupational pensions (Müller 2010; James 2012: 15–16; European Commission 2013: 30). The US Supreme Court has dealt with the issue for employment-based pension funds and established that employers must pay equal monthly benefits to women and men (Jefferson 2009: 134;James 2012: 16).

14 On defined contribution systems and gender gaps in Latin America, see Bertranou 2001; Rofman and Grushka 2003;Arenas de Mesa and Gana Cornejo 2003; Marco 2004; Arenas de Mesa et al. 2006; Dion 2008; Kritzer et al. 2011;CENDA 2011.

Structural pension reforms did not always lead to the adoption of individual accounts. Instead, some countries implemented another pension model that situates somewhat between public social insurance and privately administered individual accounts. This system is called notional (or non-financial) defined contribution (NDC) and was implemented in countries including Italy, Latvia, Poland and Sweden. The NDC system is similar to individual accounts in that the benefits reflect lifetime contributions and consider the number of years during which workers are expected to collect benefits (life expectancy on retirement). However, unlike individual accounts, NDC systems are publicly administered and involve no financial accumulation. Instead, revenues from workers' contributions continue to be directed to pay for benefits in a PAYG model. As a result, NDC systems avoid both the transition costs and the financial market risks of individual accounts (Holzmann et al. 2012a).

NDC systems also have gender impacts. They have been mostly motivated by fiscal concerns and the need to cope with the costs of ageing. Since they more closely link contributions and benefits, they tend to transfer gender inequalities in the labour market into the retirement period as defined contribution fully funded pensions do.[15] As defined contribution systems, NDC schemes cannot guarantee that benefits resulting from contribution records will be adequate for all and need to be combined and complemented with effective redistributive pillars (such as minimum pensions or basic non-contributory pensions). The shift to NDC systems can particularly affect women's pensions as long as they have fewer years of contributions over their lifetime and a history of lower earnings, which becomes more relevant for the final distribution than in traditional social insurance schemes. The extent to which other pension pillars can compensate for the loss varies from country to country and is likely to be influenced as well by the fiscal space at the time of reform in each particular case.

15 For an analysis of gender and NDC, see several contributions in Holzmann et al. 2012b.

6.

PENSION REFORM AND GENDER AFTER THE GLOBAL CRISIS

The global financial crisis impacted on pension systems in several ways. The crisis affected the revenues of public systems as well as the value of private pension funds. In 2008, pension funds lost 23 per cent of their investment value in OECD countries (about US$5.4 trillion). This was a substantial loss of worker's savings and a particularly serious problem for older workers, who cannot always wait for market recovery to retire (OECD 2009). Public pension schemes also suffered from the negative impact of unemployment on public social security revenues. At the same time, in a crisis context, the role of social security programmes as economic and social stabilizers came back to the fore. Social security systems were incorporated in a number of stimulus packages, and the need to develop these systems further became more apparent in those countries lacking adequate protection (Behrendt et al. 2011; see also ISSA 2009; Bonnet et al. 2012). Pension systems had a role to contain the cost of the crisis on older adults. But while poverty rates among old people fell on average in the OECD over the crisis period (from 15.1 per cent in 2007 to 12.8 per cent in 2010), the challenge is to maintain the poverty-reducing capacity of pension systems in a context of growing austerity (OECD 2013: 13).

The crisis generated two main reform directions. In countries with large public pension systems, like most OECD countries, the crisis reinforced cost-containment reforms that were already on the agenda in previous decades. Reforms continued to tighten eligibility conditions, strengthen the link between contributions and benefits, increase retirement ages, change indexation rules from wages to prices and restrict early-retirement options (Kohli and Arza 2010; Ortiz and Cummins 2013; OECD 2013). As a recent OECD report concludes, pension reforms undertaken over the past two decades have reduced the pension promise for workers who enter the labour market today in OECD countries (OECD 2013: 13). Each year of contributions results in lower pensions, and more years of work are required to get adequate benefits. As a result, "[p]eople who do not have full contribution careers will struggle to achieve adequate retirement incomes in public schemes, and even more so in private pension schemes which commonly do not redistribute income to poorer retirees" (ibid.: 14). Pension reforms have cut the benefit that current workers can expect to receive on retirement. Furthermore, the retrenchment of public pensions, together with greater reliance on private individual pensions, may also increase inequality among retirees in the future (ibid.: 15).

Greece and Spain, two of the hardest hit by the international crisis, were also among the main reformers. In Spain, pension reforms were part of austerity measures undertaken by the Government to reduce the public deficit. Reforms increased the retirement age from 65 to 67 (between 2013 and 2027), as well as the number of years of contributions required for a full pension, and introduced incentives to remain in the labour market after the age of retirement. While tightened eligibility requirements are likely to disproportionally affect women, reforms have also established a gradual increase for survivor benefits for widows aged 65 and older who have no public pension entitlement of their own. Other gender-relevant measures included that common law couples became eligible for survivor benefits and childcare credits were set to expand gradually from 2013 to 2019 (US-SSA 2011; OECD 2013: 38).

In Greece, pension reform followed the onset of the crisis and was a key element in the agreement with the EU and the International Monetary Fund (IMF) to restore financial stability (US-SSA 2010). The 2010 pension reform was expected to reduce future pension expenditures and cut benefit replacement rates from an average of 75 per cent of wages to around 60 per cent. Reform increased the retirement age for women (gradually rising from 60 to 65 to match that of men) and established an automatic adjustment of retirement ages beginning in 2020 to reflect changes in life expectancy. It also restricted early retirement, increased the minimum contribution period to get a full pension, froze benefits during 2011–2013 (later extended to 2015) and established price indexation thereafter. The pension formula was also made less generous with a reduction of the average accrual rate. Subsequent changes were approved in 2011 and 2012, including an increase in the statutory retirement ages from 65 to 67 for a full pension, a cut in monthly pensions greater than 1,000 euros by 5–15 per cent (depending on income) and a reduction of bonuses previously paid to public sector employees (US-SSA 2011; 2012b; 2012c; OECD 2013).

Other countries also introduced important pension reforms in the post-crisis period. Italy accelerated the transition from defined benefit to NDC pensions. Ireland increased the retirement age from 65 to 66 in 2014 with a planned further rise to 67 from 2021 and 68 from 2028. The United Kingdom introduced a nationwide automatic enrolment retirement savings systems for all workers not already covered by a private pension. Several countries, including Austria, Greece, Portugal and Slovenia, froze automatic adjustments for all pensioners except the lowest earners. Finland and Norway also introduced measures to link public benefits to life expectancies. Many countries undertook actions to encourage longer working lives, including higher retirement ages, financial incentives to work longer and the reduction of early retirement schemes. Simulations by the OECD suggest that, taken together, these reforms will generate a reduction of pension benefits across the earnings distribution, although most countries aimed to protect the lowest earners (OECD 2013).

The second reform direction observed after the onset of the crisis involves countries with ongoing transitions from PAYG to fully funded individual accounts. In several of these cases the crisis opened a second round of reform with the aim of addressing budgetary challenges. This was the case of some Central and Eastern European countries that had relatively recently implemented structural reforms. Through various specific measures, several countries reallocated contributions from individual accounts back to the public PAYG system (US-SSA 2012a). Countries such as Estonia, Latvia, Lithuania, Poland and Slovak Republic significantly reduced the size of the second pillar of fully funded individual accounts, either temporarily or permanently. In Poland, for example, contributions to the private scheme were progressively reduced from 7.3 to 2.3 per cent of earnings. The most structural reformer in the region was Hungary, which in 2010 effectively closed down the systems of individual accounts implemented in 1998 (Calvo et al. 2010; Kritzer et al. 2011; US-SSA 2012a; OECD 2013). In Latin America, Argentina also ended the private system of individual accounts in 2008 to return to a fully public defined benefit and PAYG pension model (Arza 2012b).

Given the various kinds of effects that the crisis has had on pension systems and the wide range of policy measures taken in response, some of which still need to be implemented and may have an effect several years from now, the impacts of the crisis on gender equality in pensions are still not fully visible. However, since women are more dependent on public support in old age, they are likely to suffer most from pension cuts, including less generous indexation rules, because they live longer, receive benefits for a longer period and thus face higher risks of benefit depreciation over time.

7.

NON-CONTRIBUTORY PENSIONS AND GENDER EQUALITY

The limitations of contributory pension systems to offer protection to informal and unpaid workers have led many countries to increasingly recognize the importance of non-contributory (NC) pensions (also called 'social pensions'). HelpAge International now registers 107 NC old age pension schemes around the world, with various designs, scope and impacts (see HelpAge International 2014). NC pensions can contribute to filling coverage gaps, reducing poverty in old age and enhancing women's access to basic old age protection. They can be particularly important for individuals with limited participation in the formal labour market who are unlikely to meet the vesting periods of contributory social insurance pensions or accumulate sufficient savings in individual pension accounts. There is a wide variety of NC pensions across countries, and their capacity to make a difference depends on the breath of coverage as well as on the benefit level they offer (Table 7-1).

In Latin America, most countries have means-tested NC systems but universal pensions also exist in Bolivia (Plurinational State of) and Mexico City. The Bolivian NC pension is an interesting example of how a universal pension can get established in a country that previously had a very limited level of old age protection (see Box 7-1) and now provide close to complete old age pension coverage. Coverage is also high in Brazil, partly thanks to a rural pension, equal to the minimum wage, for which only a proof of past rural work –not contributions – is required. Mexico is another interesting case that has travelled the path towards widespread coverage quite rapidly in the past two decades (Willmore 2014). The Pensión Alimentaria (Maintenance Pension), a universal old age pension for residents of Mexico City, was first paid in 2001 and legislated as a right in 2003 for older adults aged 70 or over (reduced to 68 or over in 2009). This experience encouraged the development of a number of NC pension schemes at the regional and national level. One of these was 70 y más (70 and over), a pension-tested modest benefit initially restricted to older adults in small towns and rural areas, subsequently extended to the rest of the country. The age of eligibility was reduced to 65 and the benefit is now a flat transfer equivalent to about US$39.9 per month (Table 7-1, see also Willmore 2014).

NC pensions can have progressive distributional impacts across gender and income strata. They tend to favour lower income groups: Figure 6-1 shows that while contributory pensions are stratified towards the top, NC pensions are either received mainly by people in the bottom income quintiles (means-tested systems) or uniformly distributed across income groups (universal systems). In Bolivia (Plurinational State of), for instance, the universal NC benefit Renta Dignidad covers older adults across all income quintiles, in clear contrast with the distribution of benefits in the contributory pension system, which are concentrated at the top. In Chile, Costa Rica and Ecuador, means-tested NC benefits are also particularly relevant for people in the lowest income quintiles. In Chile, 40.3 per cent of the elderly in the bottom income quintile received NC benefits in 2009 (compared to 10.8 per cent at the top), in Costa Rica 17.5 per cent at the bottom (compared to 2.9 per cent at the top) and in Ecuador 45.6 per cent at the bottom (compared to 7.3 per cent in the top). NC pensions also tend to favour women, since they are most likely to lack other types of pensions. In Argentina, for instance, where a programme oriented to expand coverage to the elderly with insufficient contributory records was implemented in recent years, the majority of new benefits were received by women and women's pension coverage rate at age 65 increased to 92.4 per cent in 2010 (Rofman and Oliveri 2011; see also MTEySS 2012: 19; Arza 2012c).

NC pensions have also become increasingly relevant in several other countries in the Global South. In Africa, contributory pensions cover a very limited percentage of the population and most people work beyond the legal retirement age or depend on family help during old age. In the past decades, several African countries have developed NC pensions that have achieved high coverage rates either under means-tested or universal designs. Mauritius and South Africa have been pioneers in this regard. The South African older persons grant was initially introduced in 1928 as a social safety net for white people not covered by occupational pensions. It was later gradually extended to the black majority, initially under different conditions and benefit levels, to finally reach full parity. The benefit is means tested and payable to women and men aged 60 or older. In 2013, the scheme provided about 2.9 million benefits of around US$125 per month (Table 7-1) The grant has been found to have positive impacts on poverty reduction and income redistribution (Burns et al. 2005: 105; Barrientos 2005); to have an extended impact on younger generations who benefit from these grants in multi-generational households (Case and Deaton 1998: 1330; Duflo 2003); to make it possible for grandparents to support grandchildren (ILO 2010a: 81); and to significantly improve the status of women in rural households (Razavi 2007: 391; ILO 2010a: 81).

In Mauritius, the scheme was first implemented in 1950 and became universal in 1958. All individuals aged 60 and over are eligible for a benefit worth around US$118.5 per month at a cost of about 2.18 per cent of GDP (Table 7-1). In 2010, about 56.8 per cent of people benefiting from the scheme were women (Willmore 2006; ILO 2013). Botswana and Namibia also have universal pension schemes with high coverage that were established or extended in the 1990s. The Namibian social pension was created in 1949 for white citizens, extended (at a lower benefit) to black Namibians in 1973 and made universal in the early 1990s (Pelham 2007; Hujo and Cook 2012). All Namibians are now eligible at the age of 60, and the entitlement is unconditional and independent of assets, income or other pensions.

In Asia, several countries have also developed and expanded NC pensions in recent years to cover the unprotected elderly population (see Handayani and Babajanian 2012; Hujo and Cook 2012). Countries such as Bangladesh, India, Korea and Thailand have NC pensions providing old age benefits to millions of people. The Korean Basic Old Age Pension is a means-tested pension established in 2007 that provides benefits to around 3.6 million people (HelpAge International 2014). The largest scheme is the Indian Indira Gandhi National Old Age Pension scheme, a means-tested NC pension provided to over 17 million beneficiaries (Table 7-1). Bangladesh is another country offering modest protection to a relatively large population. The Old Age Allowance was established there in 1998 as a social assistance programme to reduce extreme poverty and destitution among older people and widows and, targeted to low-income older adults, it reaches about 2.5 million people. Bangladesh also runs a separate NC programme for widows (the Widow and Distressed Women Allowance Programme), which was implemented in 1997–1998 to provide cash transfers to destitute women who are widow or deserted by their husbands, and had about 920,000 beneficiaries in 2010 (ILO 2013).

Finally, the case of Thailand is an example of how a NC pension can expand progressively to reach broad coverage. An Old Age Allowance was established in 1993 as a means-tested system providing financial assistance to needy individuals aged 60 or over. In 2009 this was transformed to a pension-tested scheme, and

TABLE 7-1

Non-contributory pensions in selected countries

Country	Name of scheme	Year introduced	US$	Targeting	Number of recipients	Total cost (% of GDP)
Bangladesh	Old Age Allowance	1998	3.9	Means-tested	2,475,000	0.08%
Bolivia, Plurinational State of	Renta Dignidad or Renta Universal de Vejez (previously Bonosol)	1997 (Bonosol)	36.2	Universal	838,866	1.08%
Botswana	State old age pension	1996	25.9	Universal	91,446	0.26%
Brazil	Previdencia Rural (Rural Pension)	1963	289.1	Work in agricultural or subsistence production.	5,992,078	0.98%
Brazil	BPC (Continuous Cash Benefit)	1996	289.1	Means-tested	1,822,346	0.26%
Chile	PBS-Vejez and APS-Vejez (Old Age Basic Solidarity Pension and Solidarity Pension Payment)	2008	164.4	Means-tested	1,000,806	...
Costa Rica	Programa Régimen No Contributivo	1974	138.4	Means-tested	83,438	0.37%
Ecuador	Pension para Adultos Mayores (Pension for Older People)	2003 (in current form)	35.0	Means-tested	625,001	0.24%
Georgia	Old Age Pension	2006	56.5	Universal	662,000	2.96%
Guatemala	Programa de aporte económico o del Adulto Mayor	2005	51.4	Means-tested	103,125	0.13%
India	Indira Gandhi National Old Age Pension Scheme	1995 (2007 in current form)	3.3	Means-tested	17,233,586	0.03%
Jamaica	The Programme for Advancement through Health and Education	2001	8.9	Means-tested	51,846	0.04%
Mauritius	Basic Retirement Pension	1950 (first implemented), 1958 (became universal)	118.5	Universal	180,770	2.18%
Mexico	65 y mas	2007 (70 y más) 2013 (65 y más)	39.9	Pensions-tested	5,100,000	0.20%
Mozambique	Programa de Subsido Social Basico	1992	8.5	Means-tested	270,000	0.19%
Namibia	Old Age Pension (OAP)	1949 (for whites), 1992 (universal)	60.2	Universal	150,000	0.56%
Nepal	Old Age Allowance	1995 (first payment) 2008 (extended)	5.3	Pensions-tested	635,938	0.32%
Panama	100 a los 70	2009	50.0	Pensions-tested	86,392	0.17%
South Africa	Older Persons Grant	1927/8 (for whites) 1944 (whole population), 1996 (full parity)	125.1	Means-tested	2,924,511	1.15%
Thailand	Old Age Allowance	1993, extended to those without pensions in 2009	19.2	Pensions-tested	5,698,414	0.32%
Uruguay	Programa de Pensiones No-Contributivas	1919	297.9	Means-tested	33,436	0.24%

. . . No data

Notes: Means-tested schemes test eligibility on individual or household income from various sources (benefits, work, capital, etc.). Pension-tested schemes test eligibility on receipt of other pension income and thus work as a minimum pension guarantee. Regional schemes apply only to specific regions or geographical areas.

Source: Helpage International 2014. (Number of benefits and benefit levels Brazil updated by the author with data for 2013).

all individuals aged 60 or over who are not in public elderly facilities and do not receive a permanent income (other pensions or public wages) are eligible. Coverage increased from 1.8 million in 2008 to 5.7 million in 2010. The benefit is currently about US$19 per month and increases with age up to approximately US$31 for people aged 90 or over (Sakunphanit and Suwanrada 2011; HelpAge International 2014, and Table 7-1).

The expansion of NC pensions in several countries has been a positive policy trend for the protection of women as well as low-income and informal workers. As mentioned above, NC pensions can be particularly relevant for women, who they are more likely to lack contributory pensions. Furthermore, due their greater life expectancy, more women benefit even in universal schemes that reach everyone uniformly. For instance, 54.6 per cent of benefits in the Bolivian universal pension Renta Dignidad are received by women simply because there are more women than men above the retirement age (Escobar Loza et al. 2013: 35). Something similar happens in Mauritius, where in 2011 women

BOX 7-1

Non-contributory pension benefits in Plurinational State of Bolivia: Bonosol and Renta Dignidad

Bolivia stands out in Latin America for its universal non-contributory old age pension. 'Bono Solidario' or 'Bonosol' was first established in 1996–1997 as an old age transfer for all Bolivians aged 65 and over independent of work, income or contributions. The benefit was created as a mechanism to distribute the shares of public enterprises undergoing a process of capitalization (partial privatization) among Bolivian citizens aged 21 or older by 31 December 1995. Thus the benefit was universal (every older adult was eligible) but cohort-restricted (only Bolivian citizens born before 1975 were entitled). It was first paid in May 1997, only one month before the general presidential election. Shortly after, the scheme was replaced by the less generous Bolivida, but it was reinstituted a few years later in 2002.

Thanks to Bonosol, most elderly Bolivians could for the first time receive a pension benefit. In 1997, 364,261 benefits were paid for a yearly value of about US$248. In 2003, the number of payments reached 493,437 and the benefit was worth about US$240 per year. Shortly after the nationalization of hydrocarbons in May 2006, Bonosol was replaced by 'Renta Dignidad'. The new benefit was first paid in February 2008 as a universal pension for all Bolivians. The new regulations lifted the cohort restriction, reduced the eligibility age to 60 years and introduced new sources of funding.

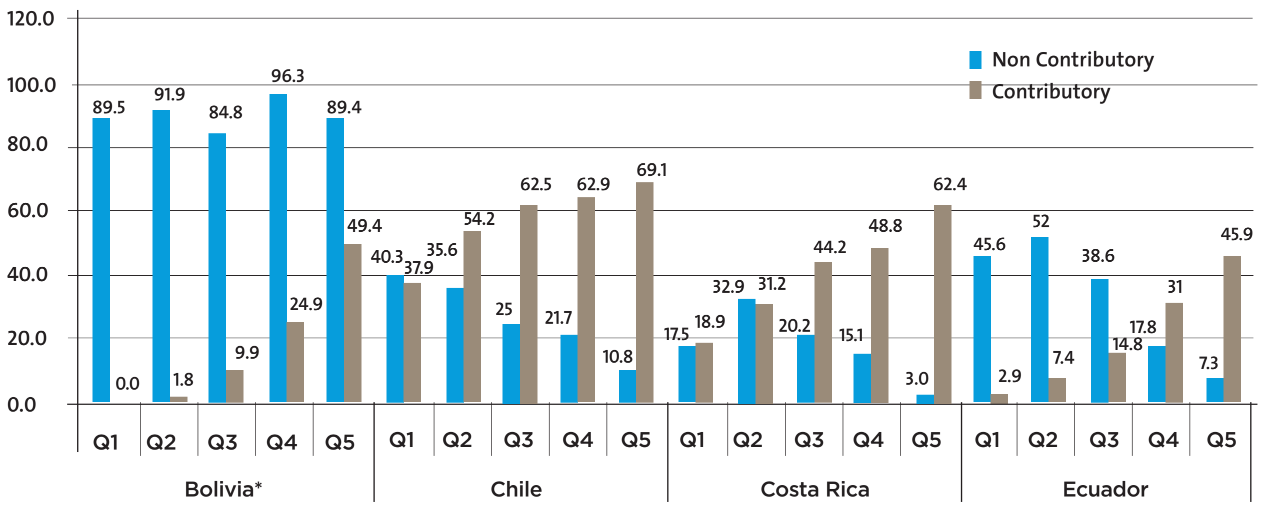
All Bolivians are now eligible for Renta Dignidad, with the only conditions being to reach the retirement age, to be resident in the country and to receive no earnings from the public budget. Since May 2013, the benefit is worth about US$36 per month. People receiving contributory pension benefits are also entitled, but get a reduced benefit of about US$29.2 per month. By 2013 the number of beneficiaries had increased to over 838 thousand people. The benefit is mainly financed with resources from the Direct Hydrocarbon Tax, with a total cost of about 1 per cent of GDP in 2012.

In a country with high levels of inequality in the distribution of income and access to pensions, Bonosol and Renta Dignidad have contributed towards income equality in old age across social class, occupation, region and gender lines. The benefits have been particularly important for women as well as for low-income groups more broadly, and for rural and informal workers who are more likely to lack contributory pensions. In 2012 women received 54.6 per cent of total Renta Dignidad payments. A recent impact-evaluation survey (Encuesta de Hogares a Personas Adultos Mayores– EPAM 2011) finds a positive impact of Renta Dignidad on household income, consumption and the reduction of poverty (see Escobar Lozaet al. 2013).

Sources: Molina 2006; Willmore 2006; Müller 2009; Rofman and Oliveri 2011; Ticona Gonzales 2011; Arza 2012a; Escobar Loza et al. 2013; and Table 7-1.

FIGURE 7-1

Coverage of old age contributory and non-contributory pensions in selected Latin American countries, by household income quintile



* Bolivia, Plurinational State of

Note: Data corresponds to 2007 in Bolivia (Plurinational State of), 2008 in Costa Rica and 2009 in Chile and Ecuador.

Source: Own elaboration, based on data from Rofman and Oliveri 2011.

represented 56.6 per cent of total beneficiaries of the universal Basic Retirement Pension (Mauritius 2011: Table 1.1). And in Chile, about 71.8 per cent of the means-tested Basic State Pensions for old age were directed to women in 2013 (Superintendencia de Pensiones 2013).

While coverage rates have improved (sometimes substantially) in many countries, thanks to NC pensions, a key challenge is benefit adequacy. Indeed, the level of benefits provided by NC schemes is often too modest. Given the large differences between contributory and NC pension benefit levels, even full NC coverage does not necessarily mean equal protection or equal rights. In fact, most countries have adopted means-tested designs in their NC pension pillars and universal schemes exist only in a few of them. Means-tested schemes have known limitations (Mkandawire 2005; Ortiz and Cummins 2013). They often require that no other pensions or income is received in the household, thus limiting married women's right to a pension of their own when their husbands work or have a pension. In addition, they are not always effective at reaching the people they aim to target, have higher administrative costs and often pose administrative hurdles for people to claim benefits.[16] These are some of the reasons why pension-tested benefits (which only consider whether the individual receives a pension) and universal benefits (to which everyone is eligible) can foster old age security for all in a better way. Eligible people can be singled out easily with no invasive or stigmatizing tests of means, income or assets. If established as a right with no waiting lists and easy application procedures these types of schemes can also limit discretion in benefit allocation and clientelistic use.

16 For more details on targeting and social pensions, see Helpage International n.d..

8.

FAMILY-RELATED COMPONENTS OF PENSION SYSTEMS

In addition to NC pensions, there are at least three components or regulations in contributory pension systems that can also be particularly important for women: (1) derived benefits for widows, (2) pension rights for divorcees and (3) contribution credits for caregivers. In one way or another, they all address the protection of women in old age while considering their role in the family. However, the basis for the entitlement and the family model they assume and promote differ among them.

8.1 Derived benefits for widows

Widow's pensions are an exemplary expression of the male breadwinner model and a form of supported familialism (Saraceno and Keck 2011: 390). Based on traditional family patterns and gender roles, these benefits have been oriented to provide economic support for family members (in most cases, wives) after the death of the partner. Most contributory social insurance systems offer survivor pensions, but there is substantial cross-country variation in the types and amounts of benefits they provide. In most cases, widows' pensions aim at status maintenance, and benefits are calculated as a percentage of the deceased partner's benefit or earnings. In general, widow's benefits are lower than retirement pensions, at around 50 to 80 per cent of the deceased's benefit (Choi 2006: 16). In contrast, some countries (e.g., Ireland, Lithuania and the United Kingdom)offer only a flat-rate benefit to survivors, while others (e.g., Denmark and Sweden) have a non-familial approach to old age protection, paying no benefits to survivors but providing everyone with access to a universal basic pension (Saraceno and Keck 2011: 392).

Over the past decades, derived benefits have been put under greater scrutiny. Since the underlying basis of entitlement for widows' pensions has traditionally been economic dependence, these benefits have been criticized for reinforcing traditional gender norms and naturalizing the role of women as care providers economically dependent on their husbands. Widow's pensions have also been losing effectiveness for the protection of elderly women as families change. Higher divorce rates and cohabitation, falling marriage rates and greater labour market participation of women have challenged traditional families and the assumption of the dependent wife.

Widow's benefits have also raised distributional dilemmas in defined benefit systems since they entail a redistribution of resources from single and divorced women and men to married couples and, in some cases, from dual-career to single-earner families as well. Some of these transfers may seem inequitable, for example, when childless married women who have never entered the labour market receive benefits subsidized by single or cohabiting mothers who have combined paid work and care (Ginn 2003a: 495, cited in Jefferson 2009: 131). In many earnings-related systems, women have to choose between their own pension and the widow's pension, and in some countries widow's pensions are also phased out against wages. In the United States, for instance, the widow's benefit is offset against other pensions and wages prior to retirement age, which can generate an implicit disincentive for women to engage in paid work (James 2012: 26).

At the same time, not every woman is entitled to a widow's pension. Women who are married to an informal worker as well as divorced and single women often lack access to these benefits. In countries where contributory pension coverage is low and stratified, low-income women are often excluded twice: they lack both a retirement pension benefit of their own (for performing unpaid or informal work over their lifetimes) and a derived pension from their husbands (for being married to or cohabiting with an informal worker). As a result, in countries with incomplete and stratified coverage, derived benefits may end up increasing the total transfer that the state makes to formally employed (often higher income) families.

Some countries have recently promoted substantial changes in survivor pensions. Benefits have been cut or significantly reduced, or they are being phased out, their duration restricted, or eligibility subjected to a means test (Saraceno and Keck 2011). Countries that have adopted NDC pension systems have continued to cover widows with a separate PAYG defined benefit scheme or have eliminated survivor benefits altogether (James 2012: 26). In Sweden, the widow's pension was abolished in 1990 for women born in 1945 or later and replaced by a readjustment benefit to last only one year for women and men under the age of 65. At age 65 both women and men are entitled to the guaranteed pension if they have no other pension income and 40 years of residence in Sweden. The change was significant because benefits were individualized (i.e., not derived from family position) and the family ceased to be considered the primary economic unit (Stahlberg 2012: 72).

The shift from defined benefit to fully funded defined contribution individual accounts in some countries also brought about changes in derived benefits. Fully funded defined contribution schemes provide individualized pensions that aim to be distributionally neutral. In these systems, derived benefits can be replaced by joint annuities, which incorporate a widow's benefit in case of death. In a number of Latin American countries with defined contribution pensions, joint annuities are required. For an equal fund value, married men who buy a joint annuity get a lower individual benefit than single men because the right to additional benefit (the widow's pension) is contracted with the same fund (James 2012: 27). However, in other countries joint-annuities are not mandatory and evidence from the United Kingdom shows that when joint annuities are voluntary, the majority of men choose individual annuities (James 2012). In contrast, NDC systems do not currently permit joint annuities.

Should widow's pensions be abandoned in the benefit of full individualization? The transition from a male breadwinner model to de-familiarized pension systems raises complex policy dilemmas from a gender equality perspective. While there is a trend towards greater autonomy and choice in family patterns and gender roles, women and men are not fully individualized. Gender inequalities in the distribution of paid and unpaid work remain substantial. So although in the pursuit of gender equality in work and family roles it is important to reorient pension systems away from the traditional family model, it may not yet be possible to simply assume equal life-course patterns or full individualization if the protection of women is to be guaranteed. Retrenchment of survivor pension can result in effectively lower protection for women in a context in which their individual pension rights are not always guaranteed. In countries such as Austria, Germany and Spain, widowed women obtain most of their income from survivor pensions (Ahn 2004: Table 6). Many women belonging to generations close to retirement who have limited paid work records now face harder conditions to access contributory benefits (for instance, longer contributory periods required).Simply assuming that each individual will become self-sufficient with respect to pension provision because everyone will be in the labour market may run ahead of social reality and turn out to exacerbate existing inequalities (Lewis 2007: 276–277). So policies oriented to enhance women's autonomy in pension benefits need to address these issues.

8.2
Pension rights for divorcees

One of the challenges faced by traditional pension schemes in a context of changing families is to guarantee pension rights after divorce, in particular for women who have limited participation in the labour market during marriage and thus accumulate insufficient contribution records of their own. Some countries have mechanisms to protect pension entitlements after divorce (Choi 2006: 24–25). These provisions take basically two forms: special benefits for divorcees or regulations for pension sharing (or 'pension splitting') after divorce.

Pension sharing is based on the idea of the common marital property of pension contributions (and entitlements). The main drawback is that in one-earner couples this can generate two inadequate benefits: for example, in Germany and Switzerland, an even division of an average earner's pension has been estimated to generate two benefits of 22.9 per cent and 38.7 per cent of the economy-wide average earnings, respectively (Choi 2006: 25). Some analysts, however, consider that the main advantage of pension sharing is that it does not involve transfers from third parties (as happens with survivor benefits in defined benefit systems), thus avoiding the above-mentioned distributional dilemma (Klerby et al. 2012). On the other hand, some countries that have a pension model based on individual rather than derived pension rights, such as Finland and Sweden, and protect divorcees in a different way by making everyone eligible for a pension benefit independent of past or present family situation (Choi 2006; European Commission 2013: Table 14.4).

Policies to protect divorcees are important in contexts in which families are changing and divorce rates are rising. However, they may not be sufficient where there is unequal distribution of unpaid care work between women and men. Foster (2010) points out that in the United Kingdom, for instance, children are on average 4–5 years old at the time of divorce so caring responsibilities are still likely to reduce mothers' earnings for some years afterwards. These gaps in earning history can thus continue to compromise women's pensions even after sharing the pension rights and contributions accumulated over marriage (see, for example, Ginn 2006; Frericks et al. 2009; Foster 2010).

8.3
Contribution credits for caregivers

Contribution credits are one way to address the adverse impact that time dedicated to taking care of others can have on pension entitlements. Most European pension systems now offer care-related contribution credits (Jefferson 2009: 125; D'Addio 2012) and other countries around the world are increasingly introducing these provisions as well. The design and impacts of contribution credits vary across countries. In some countries contribution credits increase pension amounts irrespective of whether work was interrupted or not; in others, contribution credits compensate for the period of time spent out of the labour market caring for children; and in still others, credits for caring periods count only toward pension qualifying years. Childcare absences can also be implicitly considered in the pension system when, for instance, the number of years required to obtain a full pension are relatively low. In France, a maximum of two years are credited for each child. In Germany's 'point system', one point is credited per child, which is equivalent to one year of average earnings in the pension formula. In Italy, the child credit consists of a more generous factor for the calculation of NDC pension benefits (D'Addio 2012:79). Additionally, in some countries contribution credits also exist for periods spent caring for an adult member of the family.

Contribution credits have also been recently adopted in some countries in Latin America. In Uruguay, for instance, women are credited with one year of contributions per child (up to a maximum of five) for the qualifying conditions of social insurance pensions (ISSA 2012a). In Chile, a child credit was introduced in 2008 to improve the pension benefits of women in the private defined contribution system. The credit consists of a contribution of 10 per cent on a minimum wage for 18 months per child (plus interest), financed by the state, which is deposited in women's individual accounts (Arza 2012a). In Bolivia (Plurinational State of), following pension reform in 2010, mothers can also benefit from a contributory credit equivalent to one year of contributions per child, up to a maximum of three years. Women can use this credit either to get better benefits from the solidarity pillar or to anticipate retirement (ibid.).

The effect of contribution credits depends on other design features of the pension system as well as on the generosity of the credit itself. Some countries that do not have contribution credits can achieve similar results with other gender equality-enhancing elements in pension design, such as short vesting periods and progressive benefit formulas. But contribution credits have become particularly important after the introduction of defined contribution systems that strengthen the link between contributions and benefits.

In countries for which estimates exist, contribution credits for childcare show a positive impact on women's replacement rates. Anna D'Addio estimates what would happen if these credits did not exist in a number of OECD and EU countries and finds that mothers' replacement rates would decrease by 3 to 7 percentage points on average with between 3 and 15 years of career interruption (D'Addio 2012: 90). Positive effects, especially for women in the lowest income groups, have also been found in estimations for Chile (Fajnzylber 2013). Another study, focused on the United States, finds that contribution credits and minimum benefits favour women in the poorest social strata while divorce benefits are mostly oriented to women in the highest income groups (Herd 2005). However, while contribution credits can be a valuable tool to improve women's pension benefits, they are unlikely to close gender gaps in coverage and benefits on their own and need to be conceived as part of a wider package of gender equality-enhancing measures.

9.

CONCLUSION

Gender equality is one of the key challenges confronted by pension systems around the world. In a context of gendered labour markets, contributory pension systems face several constraints to guarantee universal and adequate pension benefits for women. Women's lives of work are different from men's in a number of important aspects, and these differences affect gender equality in pension entitlements even under gender-neutral pension system rules. Women's lifecourses are characterized by longer periods dedicated to take care of others, lower labour market participation, more part-time work and lower earnings. All these features compromise their pension entitlements in pension systems that link benefits to paid work, contributions and earnings. Although some of these features have been changing over the past decades, with more women entering the labour force, gender gaps in the distribution of paid and unpaid work in the family are likely to continue to compromise gender equality in pension entitlements for the coming generations.

Pension system reforms taking place over the past few decades in several countries around the world have had, or will have, an impact on gender equality in old age. Some reforms can deepen gender gaps by making it harder for people without a long and continuous work record (most of them women) to get adequate benefits. This is the case of benefit cutbacks in public pensions as well as of stricter contributory requirements implemented in a context of population aging and fiscal austerity in several countries both before and after the international financial crisis. In some cases, the implementation of individual pension accounts to replace pre-existing defined benefit systems has also weakened redistribution and reduced the economic protection for older adults with limited contribution records (i.e., women and informal workers).

In contrast, policies that have established adequate minimum protection floors, extended pension rights to previously uncovered groups and made access to benefits for non-standard or informal workers more flexible can all contribute in one way or another to enhancing women's rights to old age pensions. In particular, the expansion of non-contributory pensions can broaden access to basic economic protection for women, especially in middle- and low-income countries where most women are not covered by contributory pension systems. However, non-contributory pension benefits are usually well below social insurance pension benefit levels and sometimes even too low to guarantee an adequate standard of living in old age. Hence, the expansion of pension coverage is a positive but not sufficient policy to foster adequate economic protection of women and gender equality in old age.

Another way to protect older women has been through derived benefits. Widow's pensions remain one of the most important policy devices for the protection of women lacking a retirement pension of their own. However, these arrangements pose distributional dilemmas (transfers from single individuals to married couples) and tend to reinforce traditional family patterns and gender roles. Other arrangements, such as contribution credits that compensate for the impact that time dedicated to take care of children or elderly members of the family can have on women's pension entitlements, are a positive measure but may not overcome all gender gaps in pension benefits on their own.

There is no single or easy solution to overcoming existing gender gaps in old age protection. Policies need to include a package of measures to address inequalities from their origins (i.e., reducing gender gaps in the labour market, promoting a more equal distribution of care work in the family and avoiding gender-blind policies) as well as to compensate for gender gaps in old age protection when they emerge. Policy responses thus need to work on several complementary fronts, including pension system design, labour market regulation and better reconciliation of work and family life. This includes providing adequate support for families, such as free childcare facilities and regulations on working hours and parental leave. Indeed, for many women, lack of access to free childcare may mean that only the informal sector offers them work opportunities with the flexibility and geographical proximity they require to combine paid work and care (ILO 2011: 58–59).

Policies also need to consider the heterogeneity of women across social strata as well as across countries. Policies contributing to protect women in high-income countries with full formal employment may not work well in countries with subsistence economies and a high incidence of informal work. By the same token, policies that are adequate for high-income urban women may not be suitable for women in lower-income households or in the rural economy. Hence policies oriented to improve gender equality in old age need to be carefully designed considering country-specific features, including labour markets, demographic patterns, institutional configuration and fiscal space, as well as family structures and women's life-course patterns.

Policies to enhance gender equality and the protection of women in old age involve making choices concerning crucial aspects of pension design. A key gender-relevant policy choice regards the link between contributions and benefits (in other words, how tightly work histories should be coupled with pension entitlements) and the policy tools available to offset gender differences in paid work, earnings and unpaid work (such as contribution credits). Other crucial choices concern the types of transfers involved in derived benefits; the pooling of longevity risks across women and men; and the protection of the most vulnerable social groups through redistributive benefits. All these policy choices naturally involve setting goals and priorities over the distribution of rights and resources.

Given all the above, policies oriented to enhance gender equality and the protection of women should not be taken as general rules applicable everywhere to the benefit of all women. Furthermore, given the inequalities that prevail in the distribution of paid and unpaid work and earnings between women and men, pension systems are unlikely to close all gender gaps on their own. They can, however, mitigate or compensate for (and also attempt not to exacerbate) existing gender inequalities. With those caveats in mind, gender equality-enhancing policy options include:

1. **Provide basic protection for all older adults, regardless of individual contributory records and past paid work and earnings.** This involves incorporating a non-contributory pension as a central pillar in the social security system to offer rights-based benefits ideally under a universal or pension-tested (rather than means-tested) design. Redistribution towards the disadvantaged in the labour market can also include progressive benefit top-ups for workers with limited benefit entitlements, which can benefit low-income women and men in particular.

2. **Avoid punishing short or interrupted labour market histories.** Policies for this purpose include making vesting periods required for a pension adequate for the working patterns of women in each country, ensuring that the requirements to access minimum pensions allow for the incorporation of most women. This also involves designing benefit formulas in a way that does not punish time out of work (for instance, regarding how career breaks are filled). In defined contribution systems, this also relates to ensuring that administrative fees in individual accounts do not disadvantage workers with low accumulation or discontinuous contribution patterns.

3. **Compensate for time dedicated to unpaid work and care.** This involves providing compensations for time dedicated to taking care of children and elderly

or sick members of the family. It can also involve measures to protect pension rights after women are divorced or widowed, compensating for the costs that the distribution of unpaid work in family arrangements can have on their pension entitlements.

4. Pool longevity risks broadly. This involves promoting pension schemes that pool longevity risks between women and men and avoid punishing those who lives longer. It also involves establishing regular indexation mechanisms for pension benefits to avoid the loss of purchasing power with age, which makes women suffer more due to their longevity.

Several policies that are fundamental for the well-being of women in old age can also be important for men. Non-contributory pensions, for instance, are as important for informal workers and most low-income workers in developing countries as they are for women. In several cases, giving women a pension of their own may be an essential contribution for household budgets, benefiting also men within the household. Non-contributory pensions provide predictable and regular transfers that, even if sometimes not sufficient to afford a living, can be vital inputs for low-income households.

All these policies require decided political action in favour of gender equality and redistribution. This is not always found in pension reform processes. For example, despite important gender impacts, gender issues were not on the agenda during the structural pension reform process over the 1980s and 1990s in Latin America (see, for example, Bertranou 2001; Arenas de Mesa and Gana Cornejo 2001; Birgin and Pautassi 2001; Pautassi 2002; Bonadona Cossío 2003). On the other hand, pension reforms are often not easy to make. Even reforms extending rights, which are in principle politically rewarding, may generate resistance when they touch the benefits received by others, impose costs for financing, reassign resources or alter previously established social norms. Policy makers need to be innovative and seize the right moment to put relevant issues in the agenda. One key constraint in most reforms involving an expansion of coverage and benefits is financing, which may restrict the options available or generate resistance when resources are redirected from other ends (as in the case of Renta Dignidad in Plurinational State of Bolivia, see Müller 2009). To compensate for gender gaps, many gender-equitable policies require state subsidies, which are likely to face greater restrictions in austerity contexts. Some reforms also require administrative capacity – for instance, to administer contribution records or means tests –that is not always present in lower-income countries.

Across countries and regions, there is substantial space for improving pension systems to make them more gender equitable. Equality-enhancing pension policies are now on the agenda in a number of countries around the world, and as more countries undertake policies to foster gender equality in old age, policy diffusion may also help to promote these across borders. There is still a long way to go to achieve adequate protection for women in most countries, but awareness of the inequalities that gender-blind policies can generate may be a first important step in that direction.

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