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Gaps in Retirement Savings Based on Race, Ethnicity and Gender

Developments in Europe

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Europe and pensions



- Europe = EU, EEA + other European countries.
- EU is not a state:
 - a hybrid system of intergovernmentalism and supranationalism, isn't a federation, but much more than an international organisation.
- No EU legislation like ERISA
- Pensions mainly a national competence, but EU has impact through
 - Legislation: Basic treaties (equal pay for equal work or work of equal value), European Convention on Human Rights, The Charter of Fundamental Rights of the European Union, non-discrimination legislation relevant in pensions: Directive 79/7/EEC of equal treatment for men and women in social security, [Directive 2000/43/EC](#) against discrimination on grounds of race and ethnic origin, [Directive 2006/54/EC](#) equal treatment for men and women in matters of employment and occupation, etc.
 - Policy: Economic and pension policy, recommendations, Gender Equality Strategy 2020-2025, the European Pillar of Social Rights Action Plan (includes gender equality and equal opportunities), 2021 EU Commission's green paper on ageing, etc.
 - Case law: European Court of Human Rights, European Court of Justice.

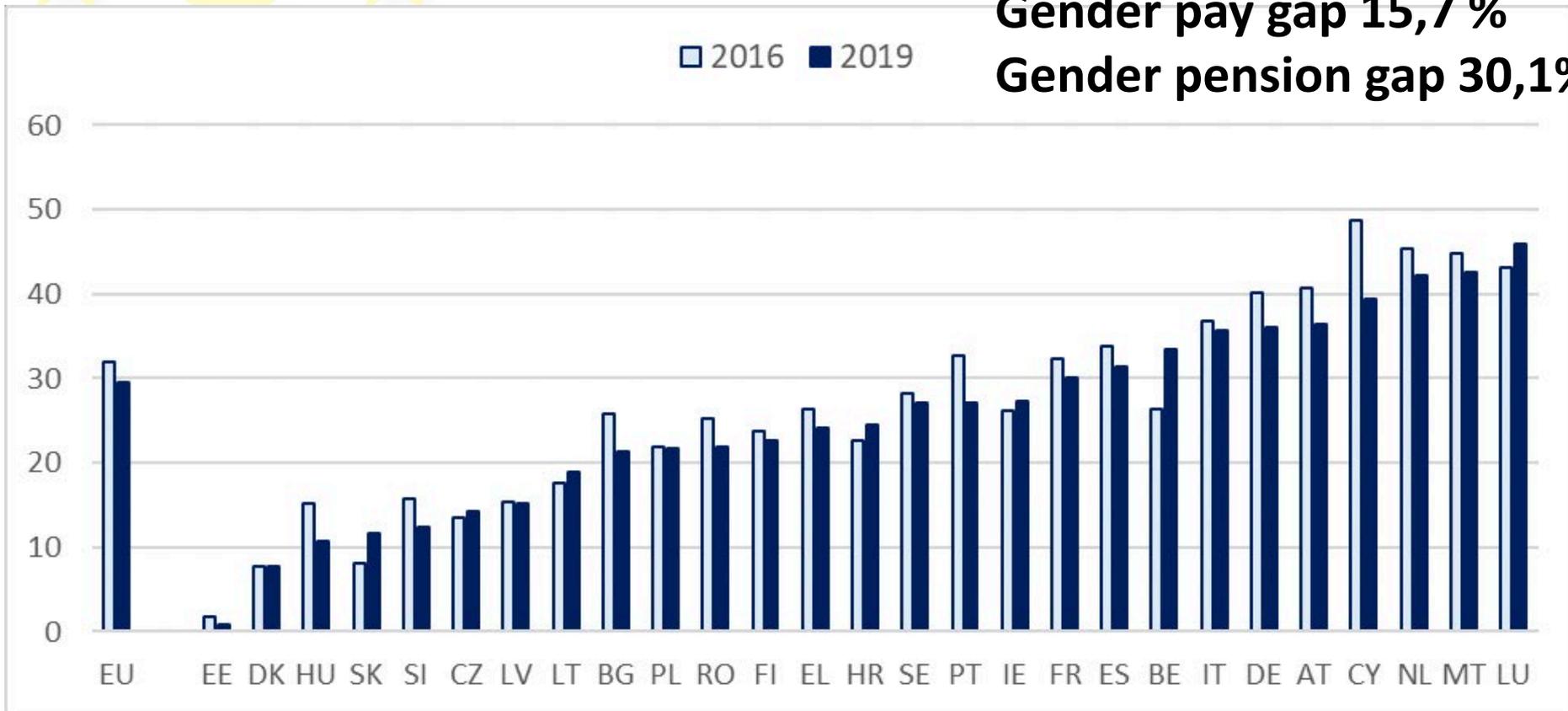


PAR 21: Gender pension GAP



Gender pension gap (65-79), 2016 and 2019, %

Gender pay gap 15,7 %
Gender pension gap 30,1%



Source:  Chart from The 2021 Pension Adequacy Report: current and future income adequacy in old age in the EU, Pay and pension gap figures from EU Gender Equality Strategy 2020-2025



PAR 21: Reasons for Gender pensions GAP



- *“in most EU countries, currently retired women had shorter careers and lower pay, relative to men, than women who are active now and who will retire in the coming decades...continuing convergence in employment rates for men and women among older workers, which causes the gap to narrow a little more after 2040 “*
- *“if gender equality were to be imposed in labour market outcomes (employment and earnings) from today, the gap would decline further in the long run”*
- *“One reason for the shorter labour market careers of women is that they take on the bulk of care tasks in EU countries. This often comes at the expense of their income and future pension”.*



PAR 21: Conclusions about Gender pensions GAP



- Gender inequalities become more pronounced in old age.
- Old-age poverty risk for women becomes higher after the age of 75, as women have a longer life expectancy and are often single.
- Pension credits for career breaks linked to family reasons or unemployment are an effective policy lever to protect pension rights.
- **EU Gender Equality Strategy 2020-2025:** “To protect pension rights and encourage equal sharing of care responsibilities between women and men, the Commission will explore with Member States and stakeholders the provision of **pension credits for care-related career breaks in occupational pension schemes.**”



Pensions policy measures

PENSIONS EUROPE

- Some Member States have taken steps to improve pension entitlements for child-rearing, child care or informal long-term care, e.g. through **pension credits** or supplementary benefits (e.g. AT, BG, HR, DE, IE, LT, PL, RO, SK, SI).
- In **Finland**, you earn pension benefits for maternity, paternity or parental benefit periods (in total these leaves are now 12,6 months, will increase to 14,4 months in 2022. 90% of the available periods are used by women).
- In **Sweden**, in the occupational ITP30 pension plans contributions are paid by the pension provider during parental leave or time off for child care for a maximum of 13 months. The contributions are calculated based on the average of the last 12 months income before the month prior to parental leave.
- In **Denmark**, during maternity, paternity and parental leave contributions are no longer paid to the private occupational pensions but are replaced by a doubling of the contributions made to the ATP (a statutory, fully funded, collective insurance based, defined contribution (DC) scheme) covering all workers. These contributions are paid for 1/3 by the beneficiary and 2/3 by the government/municipality of their residence. The government expense is covered by contributions paid to the scheme by private employers

Race and ethnic origin

- EU framework



- **Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin:**
 - “The European Union rejects theories which attempt to determine the existence of separate human races.”
 - Covers pensions, both social security and occupational. Both direct and indirect discrimination.
 - Direct and indirect discrimination in the labour market exists – has an impact on work based pensions.
 - Case law important
 - “limited awareness and application of indirect discrimination in domestic judicial practice”.
- https://ec.europa.eu/info/sites/default/files/report_on_the_application_of_the_racial_equality_directive_and_the_employment_equality_directive_en.pdf



Race and ethnic origin

- National examples



- **UK People's Pension** study: the UK's overall ethnicity pension gap – the percentage difference in pension income for pensioners who belong to an ethnic minority group compared to pensioners of a White ethnicity – was 24.4% in 2017-18. From a gender perspective the gap is even greater. On average the gap in pension income between a female pensioner from an ethnic minority group and a male pensioner from white ethnic groups is 51.4%. <https://thepeoplespension.co.uk/wp-content/uploads/Measuring-the-ethnicity-pensions-gap.pdf>
- In **Finland** social security pensions **National pensions and guarantee pensions** are meant for those pensioners who have no earnings-related pension or whose pension is very small.
 - Indirectly improve the situation of those who have not been able to accrue an adequate work based pension.