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# Minimum pensions and older women's poverty

Comment Paper, AGE



On behalf of  
**European Commission**  
DG Employment, Social Affairs and Equal Opportunities

## Minimum Incomes and Older Women's Poverty

AGE

Our contribution is based on comments received from our pensions and social inclusion experts in B, Czech Republic, Finland, Germany, Portugal, UK.

### Summary of the main points raised by AGE:

#### 1. Important role of 1<sup>st</sup> pillar schemes

Lack or inadequate indexation of 1<sup>st</sup> pillar pensions is reported to lead to greater risk of poverty among older women. All our experts report that the basic pension is not enough to enable a dignified life in old age in particular for older women. This situation is particularly alarming in MS where minimum pensions are price-indexed.

*AGE recommendation: More research needs to be done on impact of pensions indexation formula on women's poverty risk.*

#### 2. Importance of carer's credits to alleviate older women's poverty

Several national reports (E, FIN, UK, B) stress the importance of carer's credits to compensate for loss of earnings experienced (mostly) by women who face caring duties during the course of their working lives. We are pleased to see that B is planning to introduce this provision as we feel that this measure is a step in the right direction to ensure better gender equality and fight older women's poverty. Such measures are also in full line with the Lisbon Strategy's goals of promoting women's and older workers' employment. More research and exchange of experience is however necessary to help all MS strike the right balance between providing support to women to reconcile work and family life without increasing the segregation and gender indirect discrimination faced by women at present.

*AGE recommendation: more research and exchange of views on the economic and social cost/benefit of carers' credits, with a deep analysis of the already existing policy measures facilitating/impeding the recognition of women's atypical work careers across the EU25.*

#### 3. Survivors' benefits

Whilst the individualisation of pension rights is to be encouraged as the ultimate objective supporting full gender equality, it is important to keep in mind that survivors' benefits play an

important role in fighting older women's poverty by redressing some of the disadvantages faced by women (broken career and pay gap).

*AGE recommendation: Survivors benefits need to be phased out very gradually whilst other compensation mechanisms are set up to address inequalities. Specific attention should be paid to very old women and divorced women (both groups being at higher risk). Building public support for such reforms is also quite a challenge for MS*

#### **4. Home ownership**

Due to lack of earnings and pay gap, older women are less likely to own their home when they reach pension age. Often basic pensions are not enough and rent of accommodation eats up to 1/3 of the pension, increasing poverty risk among older women.

*AGE recommendation: better indicators are needed to get a clearer picture of poverty risks amongst older people, in particular older women and the very old who do not own their home.*

#### **5. The role of second and third pillars pensions and the persistence of gender discrimination in private pensions schemes**

We are disappointed to find almost no mention of the gender discrimination still experienced by women in private pensions schemes despite the adoption of the Directive on Gender equality in access to goods and services. Since MS are relying more and more on 2<sup>nd</sup> and 3<sup>rd</sup> pillar pensions schemes to achieve an adequate replacement rate on old age, we are disappointed that no national report stress the need to revisit the exceptions allowed under Article 4 for actuarial calculations in the insurance field (for ex. Longer life expectancies of women in private pensions schemes). This is in our view a very concrete area where women experience disadvantage compared to men and the EU has a duty to act. Women also have less access to 2<sup>nd</sup> and 3<sup>rd</sup> pillar pensions schemes due to labour market segregation and lower income.

*AGE recommendation: The "light years" of the OMC should be used to launch debates on specific issues such as the exceptions allowed under Article 4 of the Gender Directive in access to goods and services and their impact on women's poverty. Another topic could be to look at the coverage issue from a gender perspective.*

#### **6. The role of objective and comprehensive information**

Providing objective, reliable and comprehensive information to all citizens is crucial. Most pensions systems are very difficult to understand including by officials responsible for their implementation.

*AGE recommendation: MS should commit to provide objective, reliable and comprehensive information to all citizens in a user-friendly way (cf. orange envelop in Sweden) and should empower relevant independent stakeholders (for ex. seniors organisations) to serve as information*

*multipliers. In this context, a need for further improvement in access to information for the most vulnerable population (i.e. older, migrants, computer illiterate people) should be highlighted. Exchange of good practice in the framework of the OMC should be encouraged.*

## **7. The specific challenge of older migrant women**

We are surprised that only Germany seems to have identified this specific group as being at higher risk. A recent project financed by the EU AGE + shows that in all MS this group faces a much higher risk, including in the NL (a country given as an example in terms of older people's poverty) where it is estimated that by 2015, 90% of older migrant women will be at risk of poverty and will need social assistance. This is due to a combination of factors: eligibility criteria (based on residence and a high number of years in the country), their lack of contribution to the pension system (informal economy), limited knowledge and understanding of the system, relevant rights and of what needs to be done to access these rights.

A special attention should be also paid to the old migrant parents allowed to the EU territory under family reunification policies, in particular their eligibility to national pensions schemes.

*AGE recommendation: We can only assume that the same phenomenon exists in other MS and we call for specific attention to be paid to this vulnerable group as the EU is trying to promote economic migration to respond to the challenge of demographic ageing. This can be achieved only through a comprehensive integration policy aiming to grant the same rights and obligations for all legal residents of the European Union.*

## **8. Impact of part-time work and increase of required number of years of contribution**

One common cause identified for older women's poverty is their lack of attachment to the labour market (more part-time work and higher prevalence of career breaks amongst women). Most statutory pension schemes are designed to aim at achieving a reasonable replacement rate but the profile used for these calculations is that of a full time full career average earner. Impact of reforms also use projections based on a full time full career average earner. Indicators therefore give a biased view since this profile no longer reflects the very vast majority of today's workers and women in particular. The OECD is using the same profile for their projections and their studies are used by many MS as evidence to support pensions reforms.

*AGE recommendation: AGE would like therefore to call for more studies to be done to refine the profiles used in projections in order to take better account of the situation of today's women per age groups. AGE would like also to call for more research to be done on the impact of part-time work and the impact of increase in the required minimum number of years of contribution on the risk of poverty of older women. The studies could also address the issues of women employed in black economy (i.e. immigrants, citizens from the recently acceded Members States) and the impact of their non-declared work on social security coverage and poverty risk in old age. AGE would like to call for specific policy measures in this area.*

### **9. Impact of reforms in other areas of social protection on poverty risk among the elderly with specific focus on women**

Comments from several of our experts stress that reforms in other areas of social protection (health, social services, transport, etc.) can have a huge impact on the poverty risk of pensioners in particular the very old (mostly women). In some countries our experts report that reforms undertaken in the last decade in the statutory sickness scheme for pensioners have contributed to a considerable reduction of their purchasing power, a situation not reflected by the indicators used at present.

*AGE recommendations: More research is needed on the impact of reforms of social protection systems on poverty risk of older people, taking on board the gender dimension and the increased vulnerability of the very old.*

### **10. Lack of adequate indicators**

In summary from reading the various national reports it appears that further work needs to be done to develop more accurate indicators to provide a fuller and more precise picture of the diversity of situations faced by the various groups of older women and men.

*AGE recommendation: the sub-group on indicators should develop more accurate indicators and research tools to take better account of the risks faced by the most vulnerable groups of existing and future pensioners.*