

# Baby Boomer Women: Secure Futures or Not?

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# Late Life Work, Retirement, and Social Security for European Women

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**T**hroughout the European Union (EU), women pensioners at any given age tend to be significantly poorer than men. This is partly because women live longer, and older pensioners (both men and women) tend to be poorer. Because of these bio-demographic and socio-economic facts, women remain in the labour market longer. They are taking up more full-time employment, closing the gender wage gap in some countries, and increasingly, joining occupational pension schemes. At the same time, certain EU governments are now recognizing gender inequality in pensioner income and beginning to introduce policies to compensate. Since we are witnessing the rise in both numbers and power of women of the baby boomer generation, these changes have particular resonance.

## **Late Life Work and Retirement**

In the context of changes in labour market needs over the last half century and increases in life expectancy, there has been a general rise in labour participation rates of older women aged 50–64 since the 1970s. This is particularly so for those in their 50s. Across the EU, the last decade of the 1990s saw an

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increase in female employment for the 55–64 age group from 24 percent to 31 percent.<sup>1</sup> This is clearly a cohort effect and reflects the general increase of women at younger ages entering the labour market. As these cohorts age, so their labour market participation is higher than that of previous cohorts. There is, however, a wide spectrum across the EU 15. The Nordic countries, for example, have seen labour market participation increases for women aged 50–64 from just under 50 percent in 1970 to over 70 percent by 2002. In the southern European countries, increases in female labour participation are mainly concentrated in the midlife cohorts. During this time, they have seen a doubling of participation rates for those in their 30s and 40s to reach over two-thirds by 2002. This compares with an increase of 10 percent to just under a third for those aged 50–64. As a result, the gender participation gap in the Nordic countries between men and women aged 50–64 is now only 10 percent, while in southern European countries this gap, though it is closing, still lies at around 40 percent.

Taking into account the above-mentioned changes, a gender comparison of employment rates of older workers—their rates of employment and ages of exit from the labour market—is a useful tool. As is clear from Table 1, women still generally exit the labour force at an earlier age than men. In the EU, the average age of exit was 59.1 for women and 60.5 for men.

**Table 1: Employment Rates of Older Workers and Age of Exit for EU 15**

	Employment rate of older workers in 2001			Change in employment rate of older workers 1997-2001			Average exit age from the labour force in 2001		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Belgium	25.1	35.1	15.5	3.0	3.4	2.6	57.0	57.8	55.9
Denmark	58.0	65.5	49.7	6.3	2.8	9.4	61.9	62.2	61.1
Germany	37.7	46.1	29.5	-0.4	-1.4	0.8	60.7	60.9	60.4
Greece	38.0	55.0	22.5	-3.0	-4.1	-2.1	59.6	61.2	57.7
Spain	39.2	57.9	21.8	5.1	6.6	3.6	60.6	60.7	60.2
France	31.9	36.2	27.8	3.2	3.3	3.0	58.1	58.2	58.0
Ireland	46.8	64.7	28.8	6.0	5.8	6.4	63.1	63.2	62.2
Italy	28.1	40.7	16.2	0.0	-1.6	1.4	59.4	59.6	59.2
Luxembourg	24.4	34.8	14.0	0.5	-0.6	1.1	56.8	57.5	55.3
Netherlands	39.6	51.1	28.0	7.6	6.9	8.1	60.9	61.1	60.3
Austria	28.6	40.0	17.9	0.1	-0.6	0.7	59.6	60.0	58.6
Portugal	50.1	61.3	40.3	1.5	-2.2	4.4	62.0	62.0	61.5
Finland	45.8	46.6	44.9	9.9	8.4	11.1	61.6	61.6	61.4
Sweden	66.8	69.4	64.1	4.3	4.9	3.6	62.0	62.1	61.9
UK	52.3	61.7	43.1	4.0	3.3	4.6	62.1	63.1	61.0
EU	38.8	48.8	29.1	2.4	1.5	3.0	59.9	60.5	59.1

Source: European Commission 2003(a); DG EMPL and Eurostat.

This cohort effect is clearly illustrated by the fact that some countries may have a large gap in male and female participation rates in later life, while the exit ages may be similar. For example, in Italy and Spain, the exit ages are broadly similar for both men and women, around 59 in Italy and 60 in Spain, while the gender participation gap for older workers is the highest in the EU at 40 percent.

### **Early Retirement**

Discrepancies in retirement ages of men and women are highly visible in all EU countries. Although EU legislation calls for equal treatment of men and women in social security schemes, several member states still have a lower standard retirement age for women than for men.<sup>2</sup> In Belgium the retirement age for men is 65 and for women, 63. (This will rise to 65 for women by 2009.) In Italy and the UK, it is 65 for men, 60 for women. (In the UK this will rise to 65 for women by 2020.) Some countries legislate on special early retirement by gender and occupation. In Germany, for example, construction workers retire at 58 if they are men and 53 if they are women, while male actors retire at 60, and female actors retire at 55. In Austria, those workers exposed to hard working conditions retire at 57 if they are men or at 52 if they are women. This is in accordance with a derogation foreseen in Council Directive 79/7/EEC of 19 December 1978 on the progressive implementation of the principle of equal treatment for men and women in matters of social security. It is allowed in order that some women may be able to retire at the same time as their partners who may be older. This ruling also allows women to provide childcare for their grandchildren or care for elderly relatives.

In Greece, Italy, and Austria, early retirement options are directly linked to motherhood. In Greece, mothers can retire from the age of 55 if they are still looking after underage children; thus early retirement can be regarded as a special parental leave arrangement for older mothers. In Italy, mothers will have the choice between early retirement and a higher pension under the new defined contribution system.<sup>3</sup>

### **Reasons for Retirement**

A variety of factors influence decisions regarding when to retire. Family and personal reasons dominate women's decision about leaving the labour market. The proportion of women aged 55–64 who do not work due to

family or personal reasons is particularly high in the southern European countries, with 33 percent in Italy and 21 percent in Greece and Spain. In contrast, under 4 percent of Nordic women in this same age group leave work primarily for family or personal reasons.<sup>4</sup> It is likely that the availability of state social services in these latter countries free women from both eldercare and grandchild care responsibilities, allowing them the possibility of continuing to work.

### **Closing the Pensions Gender Gap**

There is an almost universal gender-based difference in men's and women's pensions in EU member states. A recent survey by AGE<sup>5</sup> examined the gender equality component of various EU pension systems. Throughout the EU, women tend to receive less in occupational pensions than men because during their working life they have had much lower levels of employment, including periods of noneconomic employment and part-time work; lower average earnings; and a greater tendency to work in occupational sectors lacking any formal pension provisions. This is compensated for, however, by the fact that women as a whole live longer, receiving an annual occupational pension for a longer period than men do.

Several EU countries are now beginning to address this gender inequality in pensions. The UK government, for example, recently published a February 2005 consultation paper that addresses the question of achieving better gender equality in pension systems. In the UK, women have lower state pensions because the state system is contributory and has only partial mechanisms to compensate for their caring responsibilities. Those women who fall below particular earnings levels or who have a small number of years in employment not only accrue fewer pension benefits, but such benefits are disproportionately fewer.<sup>6</sup> The effect of the historic shape of the UK state pension system, combined with women's past employment patterns, is that a remarkable 69 percent of women aged 65–69 who receive the Basic State Pension receive less than the full amount, whereas only 15 percent of men receiving the Basic State Pension receive less than the full amount. Moreover, 40 percent of women who receive the Basic State Pension based on their own contributions are entitled to less than 75 percent. Historically this is due to a combination of reasons: government policy, a lack of sufficient National Insurance contributions, and in the case of married women, factors related to their husband's contributions and/or pension arrangements. While the

impact of this low entitlement on female pensioner poverty may be offset via Pension Credit (a means-tested subsidiary form of income), with two-thirds of Pension Credit beneficiaries being women, this still means that women's state pension income includes a larger means-tested element.

As the 2004 UK Pensions Commission report<sup>7</sup> cited earlier points out, the present gender distribution of pensioners' income reflects the state and private pension system that existed over several past decades and is based on assumptions that are no longer valid in the UK. A case in point is the assumption that many women would be able to rely on their husband's accrued pensions rights in retirement. But this assumption has become decreasingly valid as social habits and family structure have changed. For example, the proportion of the female population that is married has been falling rapidly in the 35–44 age group, and this effect will increase as that group ages. It is predicted that, by 2021, 38 percent of women aged 55–64 will not be part of an ongoing marriage, largely because they never married or because of divorce. An effective UK pension system for the future must therefore be one in which the majority of women are accruing pension entitlements in their own right.

Fortunately, several EU countries already have compensatory mechanisms within national policies to ensure that time spent caring for children and older dependents, the majority of which is carried out by women, is compensated. In Germany, for example, women who raise children are credited three years of contribution valued at 100 percent of average earnings. As mentioned above, in the UK there are credits into the state pension to compensate for the caring of children, though not for older people. In Denmark, it is the citizen's pension that plays an important role in redistributing income from men to women. In particular, those caring for dependents—young and old—earn entitlements within the citizen's pension system.

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## Conclusion

Despite the gender disparity in pension arrangements for women of the baby boomer generation in the EU, overall there are several positive factors for the future, and prospects may be brighter than expected. The first of these factors is that in many EU countries, women's employment rates have risen significantly at all ages, although they still contain a much larger part-time element as compared with men. Similarly, the gap between the earnings per hour of full-time female workers and men has narrowed. Secondly, female educational achievements both pre- and post-school education have increased, and in some countries overtaken men's. Lastly, EU governments are now taking steps to address remaining gender income inequalities following retirement. By increasing women's participation in the labour market, improving child (and elder) care facilities, and closing the gender pay gap, member states will move toward greater gender equality, which should have a positive impact throughout the EU.

## NOTES

1. European Commission, *2003 Employment in Europe*, European Commission, Brussels.
2. In accordance with a derogation foreseen in the Council Directive 79/7/EEC of 19 December 1978 on the progressive implementation of the principle of equal treatment for men and women in matters of social security.
3. European Commission, 2003b *Promoting Longer Working Lives through Better Social Protection Systems*, European Commission, Brussels.
4. European Commission, 2003b *Promoting Longer Working Lives through Better Social Protection Systems*, European Commission, Brussels.
5. AGE, *2005 National Strategy Report on Pensions*.
6. UK Pensions Commission, *2004 Pensions: Challenges and Choices*, London.
7. UK Pensions Commission, *2004 Pensions: Challenges and Choices*, London.