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SUMMARY

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Income differences between retired women and men in 1995–2013

Gender equality is a core value in Finnish society. This study provides an analysis of the incomes of retired women and men in Finland. In addition to income differentials between women and men, the study examines intra-gender differences.

The assessment of incomes used three progressive concepts: overall pension, personal net income and equivalent income. Overall pension was further broken down into earnings-related pension, national pension and guarantee pension (which complement the earnings-related pension) and surviving spouse's pension.

The data for the study was drawn from Statistics Finland's annual income distribution statistics for 1995–2013. Compiled from national representative samples, these sources provide comprehensive data on household and all household members' incomes, income structure, activities, labour market status, and other socio-economic background factors. The research data only comprises the household population. Retirement was determined on the basis of the individual's socio-economic status.

Retired women's annual income is 2,000–6,500 euros lower than retired men's (depending on concept of income)

In 2013 women's overall pension averaged 16,500 euros and men's 20,700 euros a year. National pension and surviving spouse's pension were particularly important income items for women: without them, women's overall pension earnings would have been around one-quarter lower on average. Among men, the corresponding loss would have been less than 10 per cent. When earnings were examined in terms of net income, i.e. personal total income after taxes, women's and men's relative incomes were roughly the same as their respective overall pensions. Finally, under the broadest concept, equivalent income, that takes into

account the whole family's earnings, the income of retired women averaged 22,200 and of retired men 24,400 euros a year.

Retired women's income ratio increases along with the scope of the income concept

In order to study gender income differentials, the average earnings of retired women were divided by the corresponding earnings of retired men (Figure 1). In 2013, the euro of retired women was, on average, 66 per cent of the euro of retired men when measured in terms of own earnings-related pension income; 80 per cent when measured in terms of overall pension or net income; and 91 per cent when measured in terms of equivalent income. In short, the income ratio increases along with the scope of the income concept.

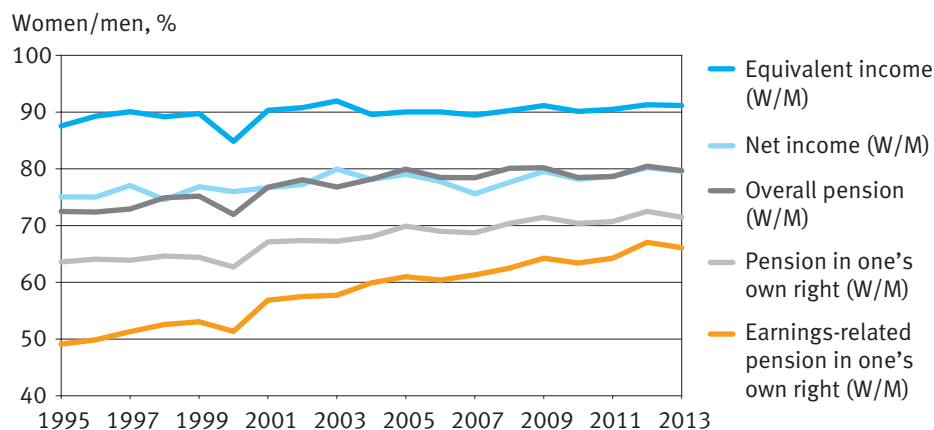
The income ratio based on earnings-related pension is the lowest, because pension is based on earned income and duration of employment. Women's position relative to men improves when national pension and surviving spouse's pension, other incomes and taxes are taken into account. Living together improves the financial situation of both genders, but women's more than men's.

Retired women's financial position has improved relative to men's

In 1995–2013, women's earnings-related pension increased in real terms by 90 per cent. Overall pension and net income were up by some 40 per cent and equivalent income by 45 per cent. At the same time, men's earnings-related pension was up 41 per cent, overall pension and net income 27 per cent and equivalent income 40 per cent.

Figure 1.

Ratio of retired women's average income to retired men's average income in 1995–2013, per cent.



Pension in one's own right = earnings-related pension + national pension + guarantee pension.

Source: Income distribution service data file 1995–2013, Statistics Finland.

Although gender income differentials were most pronounced in earnings-related pension income, this pension has contributed the most to reducing the gender gap. In 1995 women's

average earnings-related pension was only around half of men's earnings-related pension – or 16 percentage points less than currently. This change is largely explained by women's increased labour participation. When measured with other income concepts, the gender gap narrowed less, by some 4–8 percentage points. The main reason for this is that the amount of the national pension decreases as the earnings-related pension increases.

Age and family size affect retired women's and retired men's incomes in different ways

In 2013, the average overall pension of women living alone was some 2,000 euros higher, but the equivalent income 9,200 euros lower than that of women living with a family. Up to age 65, however, the overall pension earnings of women living alone and those living with a family were roughly the same. The income differentials within retired women have two underlying explanations: on the one hand many older women who live alone are eligible to receive the surviving spouse's pension, and on the other hand, living together has advantages that improve the financial position of women living with families. Retired men living alone had lower incomes than men living with a family, regardless of income concept and age.

No marked differences between the overall pensions of retired women and retired men living alone

When gender income differentials were examined by age and family size, the income ratios varied within the range of 55 and 100 per cent. The income ratio between retired women and retired men was lowest for pensioners living with a family in the age group over 75, when the comparison was based on own earnings-related pension earnings only; and highest for pensioners living with a family regardless of age, when the comparison was based on the concept of equivalent income.

Gender income differentials increased clearly with age. This was particularly evident in the case of earnings-related pensions: in the oldest age group (over 75) women's earnings-related pension was 60 per cent of men's corresponding income. In the age group 55–64-year, this ratio was more than 80 per cent. When national pension and surviving spouse's pension were taken into account, the relative position of retired women improved clearly. This was particularly apparent among women over 75 who lived alone: their overall pension was over 90 per cent of men's corresponding overall pension income.

Retired women's net income variance smaller than retired men's

Most pensioners fall well below the median income for the total population, whether measured in terms of personal net income or equivalent income. When income deciles were formed on the basis of the personal net income of the population aged 18 and over, women had lower incomes than men and were usually found in the second, third and fourth income decile. Retired men were divided across different income deciles somewhat more evenly, and there were also more of them in the highest income decile.

When the focus was turned to equivalent income and the corresponding income deciles calculated for the total population, pensioners were more evenly spread across these deciles than they were in the analysis of personal net incomes. Nevertheless women were still found more often towards the lower end of the income spread. However, the position of retired women in the population income distribution has improved over the past 20 years, whereas the position of men is effectively unchanged.

Earnings-related pension income has increasing importance especially for women, but overall pension income as a proportion of total income has remained almost unchanged

Pensions are the most important source of income for pensioners. Among women, they account for 82 per cent of personal gross income, and among men for 77 per cent. The single most significant source of pension income is the earnings-related pension. In 2013, earnings-related pension income accounted for an average of 63 per cent of women's gross income, while income from national pension and surviving spouse's income accounted for 10 per cent each. Among men, earnings-related pension income accounted for 71 per cent and national pension for 5 per cent. Only very few men have the right to receive a surviving spouse's pension.

In the past 20 years there has been no change in the share of overall pension income as a proportion of total income. Compared with the beginning of the period under review, the share of earnings-related pension income to women's gross income has increased by 17 percentage points. On the other hand, the share of national pension income has fallen by 15 percentage points. There has been very little change in the share of surviving spouse's pension. Among men, the share of earnings-related pension income to income has increased less than among women, by some 7 percentage points. The share of national pension income has decreased accordingly by 7 percentage points.

When income was measured using the concept of equivalent income, own pensions accounted for around half of gross income among both women and men. The remainder consisted mainly of other family members' pension incomes and joint earned income. Among women the share of other family members' pension income was around one-third higher than among men. The only significant change during the period under review has been the increased share of women's own earnings-related pension income.

The share of earnings-related pension income as a proportion of gross income has increased in all except the highest income bracket

Income composition varies at different income levels. In the lowest personal income quintile more than 90 per cent of the income of both retired women and men was received in the form of pensions, and over half of it consisted of national pension income. The share of earnings-related pensions increased in all income quintiles with the exception of the highest income bracket, where the share of capital income in particular has increased. In the highest income quintile, however, the share of pension income is almost 70 per cent.

An examination of equivalent income showed that in the lowest income quintile, female retirees' own pensions accounted for a larger proportion and the pension income of other family members for a smaller proportion than in the case of male retirees. In the highest income quintile the family's combined pension income – one's own income plus that of other family members – was almost the same regardless of gender. Among retired women one's own pensions and other family members' pensions were equally large, but among retired men own pensions were clearly larger than those of other family members. Retired women benefited from living together more than retired men.

Almost one in five retired women is at risk of poverty

Risk of poverty was assessed using a relative at-risk-of-poverty rate. This means comparing the individual's equivalent income with an at-risk-of-poverty threshold derived from the total population's median income. The threshold used was 60 per cent and 50 per cent of median income, which translated into 14,400 and 12,000 euros a year.

In 2013, slightly less than 20 per cent of the retired women and 12 per cent of the retired men were at risk of poverty when the threshold was set at 60 per cent of median income. When the threshold was lowered to 50 per cent, the at-risk-of-poverty rate for women dropped to 5 per cent and the rate for men to 3 per cent. The poverty risk for pensioners is concentrated in the 50–60 per cent median income range.

Compared with 1995, the at-risk-of-poverty rate for retired women has increased 1.5 times and for retired men two times over. Since the peak year of 2008, however, the at-risk-of-poverty rate has fallen among both women and men.

Retired women's poverty risk is impacted by the prevalence of living alone, which is most common in the age group over 75

Poverty risk is closely associated with living alone and age. When poverty risk was measured using the 60 per cent threshold, almost one in three women aged 75 or over in 2013 were at risk of poverty. The corresponding proportion for men in the same age group was 12 per cent. Compared with 1995, however, women's at-risk-of-poverty rate has increased 1.5 times and men's almost three times over. Although the poverty risk overall has increased during the period under review, the differences between retired women and men have narrowed. In this sense, gender equality in terms of the poverty risk seems to have increased.

The at-risk-of-poverty rate does not tell us how different groups differ in terms of their size. When the share of pensioners at risk of poverty were examined by gender, age and family size, it was found that in 2013, 56 per cent of all pensioners at risk of poverty were women who lived alone, and 37 per cent were women aged 75 or over. Compared with 1995, the share of retired men at risk of poverty as a proportion of all pensioners at risk of poverty has nonetheless increased. The sharpest increases are seen for the share of men aged 75 or over and men living alone. At the same time, the share of women aged 65–74 as a proportion of those at risk of poverty has decreased.

The Publication is available only in Finnish:

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