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FINNISH CENTRE FOR PENSIONS, STUDIES

SUMMARY

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Pensions and Gender Equality

Gap in Men's and Women's Pensions through Example Cases from Five Cohorts

Using example cases, this study reviews the pensions of men and women born in 1955, 1965, 1975, 1985 and 1995 and the factors underlying the gender gap in pensions. The working lives of the example cases have been formed based on the median earnings of each age group. The median earnings have been determined based on register data and simulated earnings data for future working lives. The effect of child caring periods on the gender gap in pensions for the different age groups are described by assuming various lengths of child caring periods for the example cases.

Women's pensions are below men's in all cases. The gender gap is not steadily smaller the younger the age group. The pensions are based on the median earnings calculated for a full working life until the age group's retirement age. Thus, the pension of an example female born in 1955 is 77.5 per cent of the pension of an example male born in the same year. The pension of example females born in 1965 and 1985 are slightly over 80 per cent of example males born in the same years, while the pension of an example female born in 1975 is 78.2 per cent of that of an example male born in the same year. The gender gap is smaller for the example cases born in 1995: the pension of the example female is 88.2 per cent of the example male's.

The largest factor contributing to the gender gap in pensions is the gender gap in total earnings of women and men. In all example cases of different age groups, women's earnings are lower than men's throughout most of their working life. The earnings are affected by a varied range of life-cycle factors. The gaps in total earnings are a result of men and women working in different fields and in different positions, having different

working hours and shares of part-time work and fixed-term employments. In addition, the working lives of different age groups occur at different stages of economic development, which affects wages and labour markets and, in part, the gender gap in pensions. In the overall context, 1.5–4-year breaks in women’s working lives due to child care are not a major single factor affecting the gender gap, particularly since pension accrues also for periods of child care. Yet the gender gap in earnings were the highest at the child-caring age in all example age groups.

The pension system has also been reformed during the example age groups’ working life. The gender-neutral system itself has a minor impact on the pension gaps in the example cases. Since the gap between men’s and women’s earnings in the example cases is different for people of different ages, and since the gap changes over the course of working life, the different accrual rates based on age pose only a minor impact on the gender gap in pensions.

This research was approved in January 2020 as a licentiate thesis within the social insurance programme Topsos at the University of Turku.

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