Katharina Müller

CEE pension reforms in comparative perspective: A discussion of reform paths and their gender implications

Abstract

In Central and Eastern Europe (CEE), the process of economic transformation has left its marks on the inherited retirement schemes. A common institutional legacy notwithstanding, the paradigm choices made in post-socialist pension reform reflect considerable diversity. They include not only parametric reforms of the existing public schemes, but also systemic reforms such as the introduction of notional defined contribution (NDC) schemes and the establishment of mandatory prefunded schemes run by private fund administrators.

The far-reaching pension reforms introduced in CEE countries are clearly remarkable when compared with the difficulties facing more modest reform attempts in Western Europe. However, a closer look reveals that by embarking on radical reform, the transition countries have not necessarily tackled the most pressing issues facing their pre-reform pension schemes. As plummeting formal employment is translating into sharply decreasing coverage ratios, the move from a universalist-redistributive heritage to strongly differentiated, earnings-related benefits is widening gaps in level and scope of old-age protection.

In terms of the gender dimensions of the recent pension reforms in CEE, four main aspects stand out: (1) The reformers' retreat from redistribution and their emphasis on contributory financing imply that women are more likely to suffer from inadequate benefits, as they earn lower average incomes and feature more frequent interruptions of their working lives due to childbearing and care work. (2) The value of caring credits was diminished in several CEE countries. This move affects the earnings histories of those on parental leave – principally mothers – and translates in lower pensions. Dimensions (1) and (2) are most likely to have an impact on women rather than men, but need not affect all women (some of which earning well and/or childless) or exclusively women (but also men with low earnings and fathers on parental leave).

In comparison, the following two aspects imply gender-specific challenges to equal treatment: (3) Socialist retirement schemes granted a lower statutory retirement age to women than to men, in spite of their higher life expectancy. An equalization of retirement ages, discussed and/or put into practice in several CEE countries, may be considered a move towards equal treatment at the expense of women. However, the new design features have already eroded the value of retirement age preferences: if women retire early under the new schemes, they will have accumulated fewer pension credits for a longer

retirement period, resulting in substantially lower benefits. (4) In the conversion of individual savings into annuities in the new private pension schemes, „unisex“ (joint) or gender-specific life expectancy tables can be used. In the case of the former, women and men with comparable earnings histories will receive an equal monthly benefit, thus implying that women accumulate higher benefits over the (longer) duration of their retirement. In the case of gender-specific tables, the total amount of benefits accumulated over the retirement period will be equal, but the monthly benefit of women will be approximately 20% lower given the need to stretch their savings over a longer period. As women are not the only group with a higher average longevity (cf. e.g. non-smokers, the better-off), the unisex solution, chosen in some CEE countries, is clearly superior from a risk-pooling perspective.

Thus, the case of CEE confirms that gender equality is a complex issue when it comes to contributory retirement schemes. In contrast to residence-based pension schemes, the former tend to reflect (rather than correct) the structural inequities featured by society at large, such as gender wage gaps and skewed care responsibilities requiring broader action.

Given the pronounced gender gaps in life expectancy in CEE, the majority of the elderly are women. Hence, more “gendered” awareness of the effects of recent pension reforms is clearly needed if old-age poverty and the feminization of poverty are to be prevented.