

# GENDER GAP IN RETIREMENT PENSIONS IN SPAIN. THE IMPACT OF THE MATERNITY SUPPLEMENT

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## 1. Objectives and methodology of this study

The objective of this paper is to describe the gender gap in the contributive retirement pensions in Spain and to analyze the impact of the maternity supplement in this gap. This is done through an empiric study using data from the Continuous Working Life Sample (*Muestra Continua de Vidas Laborales* or MCVL in Spanish) corresponding to the year 2017.

The MCVL is a tool provided to the researchers by the Spanish Social Security institution. The sample gathers the whole working life of people having any kind of relationship with the Social Security (i.e. active, unemployed subsidized or pensioners). Data is taken from a 4% of the population in the files of the Social Security. With this size, the results taken from the MCVL are representative at country level. The estimates for the whole population result from applying a weighting factor of 25.

The analytical unit in this study is the “individual pensioner” getting a retirement contributive pension from the Social Security, even though they may simultaneously have more than one contributive pension, usually a pair “retirement pension and widowhood pension”, but also two retirement pensions from different regimes, like the general and the self-employed workers. The methodology used here differs from what is common in other studies, like the Social Security statistics and others, where the analytical units are the pensions.

The population observed in this study is that of the pensioners having obtained a retirement pension during the year 2017 and still receiving it in December that year. Pensioners from all the Social Security regimes are included (general, self-employed and other special regimes). Anyhow, people in particular circumstances are excluded; these are the pensioners receiving part of their pension from abroad –the Spanish part available from the sample does not show the total amount of their pension–, pensions linked to “survivor pensions” and those receiving the so called “SOVI pensions” which comes from an extinct social protection regime.

### *1.1. The “new retirement pensioners” in 2017*

The retirement pension amount for the “new” pensioners tends to be higher than that received by previous year’s retirees. This results from both the salary increase tendency and the greater proportion of qualified jobs. However, the pensions

reforms undertaken in 2011 and 2013 did cut back the salary increase effect –more years are used to calculate the regulatory base of the pension and one needs more contribution years to obtain the maximum pension.

The figures obtained at the end of 2017 in the Social Security show a total of 252,650 “new pensioners with retirement pension”, 60.8% of these are men and 39.2% are women. The percentage of new pensioners having, concurrently, a retirement and a widowhood pension is a 5.48%, but the proportion is higher for women, with a percentage of 11.3% meanwhile in men is 1.7% – see Table 1).

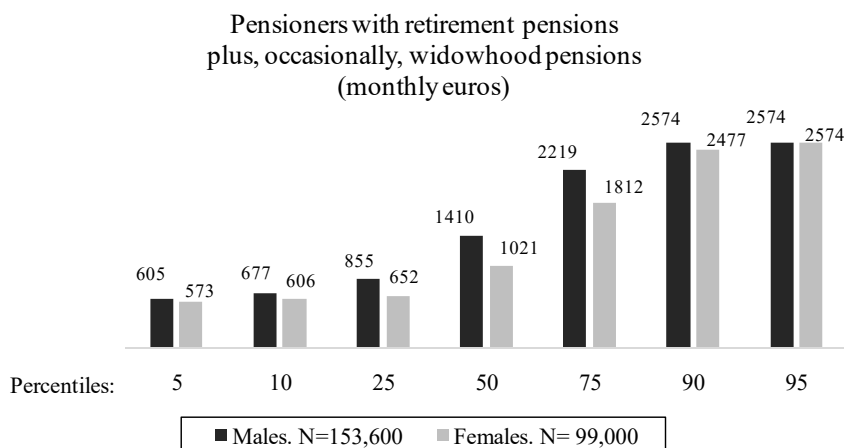
**Table 1.** Percentage of pensioners by group of pensions

	<b>Males</b>	<b>Females</b>	<b>Total</b>
<b>Number of new retirement pensioners in 2017</b>	<b>153,650</b>	<b>99,000</b>	<b>252,650</b>
% having only retirement pensions	98.26%	88.71%	94.52%
% having both retirement, widowhood pensions	1.74%	11.29%	5.48%

Source: Author's development based on data from MCVL 2017.

### 1.2. Some economical magnitudes of the “new” retirement pensions

The difference between the average pension of men and that of women is quite significant. The median pension highlights its imbalance. While 50% of men receive a pension equal o lower to 1,410 euro per month, 50% of women receive a pension equal o lower to 1,021 euro per month. Figure 1 shows the pensions difference between men and women in all the population deciles. They become equal on the higher stretch because the Spanish regulation establishes a maximum limit to the pension amount an individual can receive. The limit for 2017 was 2,573.70 euro per month.



**Fig. 1.** Total pension amount percentiles. New retirement pensioners in 2017

Source: Author's development based on data from MCVL 2017.

## 2. The gender gap in the contributive pensions

Some reports evidence persistent differences between levels of pension income to men and women in all EU countries (Bettio et al. 2012). This results from past developments on the labor market and changes in the pension systems. Both areas have seen significant changes in recent years. The number of women active on the labor market has increased, so they now contribute proportionately more towards their future pensions. Reduction in the ratio between pensions and wages has often resulted from changes in the pension systems, frequently targeting an improved fiscal sustainability of pensions. Many countries have also introduced closer correspondence between lifetime earnings and pension entitlement. This means that labor market differences, particularly between men and women, are accentuated into pension differences.

### 2.1. The gender gap in Spain

The gender gap in pensions mainly results from differences on the labor market and the educational levels in the past and the present. Life-long accumulation of pay inequalities converts into a pension gap and women's poverty in old age.

Spain is the ninth country in the European Union where the gender gap in retirement pensions is more accentuated. Table 2 shows that, in 2017, its gender gap for the contributive pensions as a whole is above the mean of the EU countries. Also, the decreasing tendency observed until then turns into an increase in 2018, which puts the Spanish pensions gender gap over that of surrounding countries like France, Italy or Portugal.

**Table 2.** Gender GAP in pensions. Total contributive pensions (age 65 or over)

	2015	2016	2017	2018
<b>European Union – 28</b>	:	<b>-31.5%</b>	<b>-30.8%</b>	<b>-30.1%</b>
<b>Spain</b>	<b>-33.7%</b>	<b>-32.5%</b>	<b>-31.2%</b>	<b>-32.4%</b>
France	-34.1%	-33.4%	-31.6%	-29.7%
Italy	-32.2%	-32.5%	-32.1%	-32.0%
Portugal	-31.5%	-31.2%	-31.6%	-31.4%

Source: Eurostat. EU\_SILC. Extracted 11-02-2020.

### 2.2. The gender gap in the current retirement pensions

A report by “Pensions Policy Institute” (Jethwa 2019, p.7) shows that most damage to women's pension wealth is done while in their thirties – the general age when women are taking time off work to care for their families.

The pensions of the women that retire nowadays show the consequences of the traditional “family” concept and the social policies effective when they were raising their children. The dominant ideology by then looked at the family like a economical unit where the man was the main monetary support while the role of the women was that of housewife and family carer (children, husband, parents, in-laws and other relatives). So, woman undertakes an “invisible” not paid social work without any protection for the old age.

In the framework of the traditional family when a woman opted, or was obliged, to work, either because she had no family burdens or because she had to contribute to the family economy, her employer used to consider that she had to be in low responsibility and less important tasks (secretary, office assistant, switchboard operator), in a factory she had assigned routine and low paid works (labourer, weaver), in commerce she carried manual tasks (saleswoman, needlewoman, hairdresser) and in other professional fields, jobs not requiring higher studies, like nurse or teacher. Quite often, in order to combine housework with labor work, she took part-time or temporary jobs. Furthermore, in the sixties and seventies of the XX century “home working” boomed but as an invisible not declared work; many work hours poorly paid.

By that time, many women did not contribute to the Social Security. Some returned to the labor market after the children upbringing period, but they had a shorter working period ahead. That’s why pensioner women usually have less years of contribution than men and lower pensions, as shown later. At the old age, women that did not contribute should live from her husband’s pension –economic dependency– unless they have other sufficient means.

### 2.2.1. Inactivity rate evolution

Table 3 shows inactivity rate data for some of the last century eighties-nineties, children raising period for the women currently retiring. It can be seen that women represent between 70% and 75% of the inactive population. In the specific housework inactivity cause, almost all of them are women. This is an evidence of the inequitable distribution of the domestic chores between both genders – (see Table 3).

**Table 3.** Inactivity rate (age between 16 and 60)

	<b>Year</b> (*)	<b>Males</b> (%)	<b>Females</b> (%)	<b>Total</b> (thousands)	<b>Housework /General</b> (%)
Housework inactive people	<b>1982</b>	<b>0.0%</b>	<b>100.0%</b>	<b>7,472.4</b>	<b>55.2%</b>
General inactive people		24.4%	75.6%	<b>13,538.6</b>	
Housework inactive people	<b>1986</b>	<b>0.0%</b>	<b>100.0%</b>	<b>7,145.5</b>	<b>49.3%</b>
General inactive people		27.1%	72.9%	<b>14,496.1</b>	
Housework inactive people	<b>1990</b>	<b>0.4%</b>	<b>99.6%</b>	<b>6,148.2</b>	<b>41.7%</b>
General inactive people		30.2%	69.8%	<b>14,738.3</b>	

(\*) 4th quarter data

Source: Author's development based on data from the Spanish Statistical Institute (Instituto Nacional de Estadística).

### 3. Gender pension gap in pensioners with retirement pensions

In this paper, the analysis unit is the “pensioner” who can receive one or more pensions. In most cases, pensioner receives one retirement pension but in other cases he/she could receive retirement and widowhood pensions at the same time. In order to analyze pensions gap, it is distinguished two terms: the theoretical pension and the total amount of pension.

Theoretical pension is the pension earned by the person along years of contribution to the Social Security. It varies according to the number of years paid. Formula: Average bases of contributions x percentage of years.

Total amount is the pension received by the pensioner.

Formula: theoretical pension + supplements (+/-) pension caps + annual revaluations + especial increase for severe invalidity people.

- Supplements. Minimums supplement and maternity supplement. The former is to guarantee a minimum amount of pension. The later is a “plus” to the female pensioners who have had two children or more.
- Revaluation. It is an increase to compensate for the variation in the cost of living.

#### 3.1. GAPs of the pensioners with retirement pensions

Table 4 shows the results of the different interpretations of the gender gap.

- GAP in the theoretical retirement pension. The result is 27.61%. It means that women would receive on average 420 euro per month less than men.
- GAP in the amount on retirement pension. “Only” pensioners with retirement pension. The result is 19.02%. It means that the effect of the supplements, as well as the ceiling on the amount of the pension, reduces the theoretical GAP by 8.6 percentage points.
- GAP in the total amount of pension of pensioners with "concurrent" pensions. The resulting GAP is 14.82%. This means that pensioners with “concurrent” pensions reduce the GAP by 4.2 percentage points compared to those who only receive retirement pensions. Also, it means that the effect of the supplements, as well as the ceiling on the amount of the pension, reduces the theoretical GAP by 12.8 percentage points.
- GAP in all pensioners with at least one retirement pension. The GAP in the total pensioners is 16.80%. If this GAP is compared with that of the “theoretical retirement pension”, it is observed that the set of measures used to increase or decrease the “theoretical pension” lowers the GAP by almost 11 percentage points (10.81) – (see Table 4).

**Table 4.** Gender GAP in pensions. New retirement pensioners in 2017

	Average pensions amount (monthly euros)			
	Males	Females	Total	GAP
<b>Theoretical retirement pension</b>	1,586	1,148	1,415	-27.61%
<b>People having only retirement pensions</b>	1,529	1,238	1,422	-19.02%
<b>People having both retirement, widowhood pensions</b>	1,855	1,580	1,633	-14.82%
<b>Total pensioners</b>	1,535	1,277	1,434	-16.80%

Source: Author's development based on data from MCVL 2017.

#### 4. Maternity supplement. Impact on gender retirement pensions gap

The maternity supplement consists of a supplementary percentage (between 5 and 15% of the pension) added to the women's contributory pensions of retirement, permanent disability or widowhood if they have had two or more biological or adopted children. This measure started to apply in 2016.

The Government justifies this measure "for the mission of contributing demographically to the Social Security system" but, in reality, the purpose is to reduce the gender gap in pensions. Spain is one of the countries with a gender gap above the average of the European Union.

In the EU, only Cyprus and Lithuania have "pluses" that benefit only women. In most countries neutral mechanisms have been established to compensate for the time spent caring for children, although sometimes establish preferential clauses for women. For example, Germany, France, Italy, Czech Republic and Greece among others. (European Commission 2019).

##### 4.1. Number of beneficiaries and average monthly amount of the maternity supplement

The amount of the supplement is 5% when there are two children, 10% if there are three children and 15% if there are more than three children. In the event that the woman has two contributory pensions and one of them is that of retirement, the percentage is applied to it, and if neither of the two pensions is a retirement pension, it is applied to the most favorable pension. In the event that the amount of the pension plus the maternity supplement is greater than the "cap" of the pension, half of the amount exceeding is added.

There were 316,989 women who received the supplement of maternity in 2017, figure that represents more than half of the women pensioners who became retirement pensioner of the Social Security in that year.

The average monthly amount of this supplement is 59.93 euros (57.76 euros according to Social Security Statistics). The distribution of pensioners according to the percentage applied is the one shown in Table 5.

**Table 5.** Maternity supplement. New retirement pensioners in 2017

Type of supplement	Percentage in this category	Average monthly euros
5%	<b>60%</b>	42.72
10%	<b>27%</b>	78.38
15%	<b>12%</b>	103.57
<b>TOTAL</b>		<b>59.93</b>

Source: Author's development based on data from MCVL 2017.

#### 4.2. Some controversial aspects on the retirement pensions

“Maternity supplement” opens a debate about its opportunity and fairness. The main controversial aspects are outlined by some authors (Balaguer 2016; Montserrat 2015).

- Family planning is not done thinking about the plus that the woman can receive after thirty or forty years when she retires,
- The maternity supplement is contradictory to the objective defined in the Law. In fact, it does not intend to compensate -exclusively- family care contribution defects since, also, it is granted to the beneficiaries of widowhood pensions of which are not linked to the effective work of women,
- The maternity supplement is not universal and excludes means-tested pensions as well as pensioners who had retired before 2016,
- Discriminatory measure by gender. It contradicts Directive 79/7 of the European Union. The Justice Tribunal of the EU in the light of the demands made on this issue considers that the situation of a father and a mother can be comparable in regard to the care of children (CJEU 2019).

#### 4.3. Impact of the supplement of maternity reducing the gender gap

The maternity supplement has reduced the gender gap by 2.11 percentage points in the new pensioners of 2017 – (see Table 6).

**Table 6.** Impact of the maternity supplement on the gender gap

	Pension average (monthly euros)			GAP
	Males	Females	Total	
Excluding the maternity supplement	1,535	1,244	1,421	-18.91%
Including the maternity supplement	1,535	1,277	1,434	-16.80%

Source: Author's development based on data from MCVL 2017.

However, the fact that the maternity supplement does not apply to all women pensioners with two or more children means that the reduction of the gender gap in the total of pensioners with retirement pensions is only 0.38% (of 22, 11% to 21.73%).

## 5. Items that affect women’s pension

Factors such as the duration of working life, education, tax benefits, among others, have an effect on the pension gap.

### 5.1. Impact of maternity leaves

In Spain maternity leaves do not have an impact on the pension amount. It is included as contribution periods, the breaks in employment for mothers/fathers for the care of children under the age of six and for mothers due to the birth of their children. So, the gender gap in pensions mainly results from differences on the labor market.

### 5.2. The number of years of contributions to Social Security by women is lower than for men

According to the sample data, women have a shorter working life than men. On average, women have contributed 7.6 years less than men. The upbringing of children, difficulties in rejoining the labor market, part-time work and the "temporality" of many of the jobs affects the duration of working life. The GAP in the number of years contributed to Social Security is 18.84% – (see Table 7).

**Table 7.** Years of Social Security contribution. New retirement pensioners in 2017

	Number of years (average)	GAP in Social Security contribution
Males	40.34	<b>-18.84%</b>
Females	32.74	
difference:	-7.60	
<b>Total</b>	<b>37.43</b>	

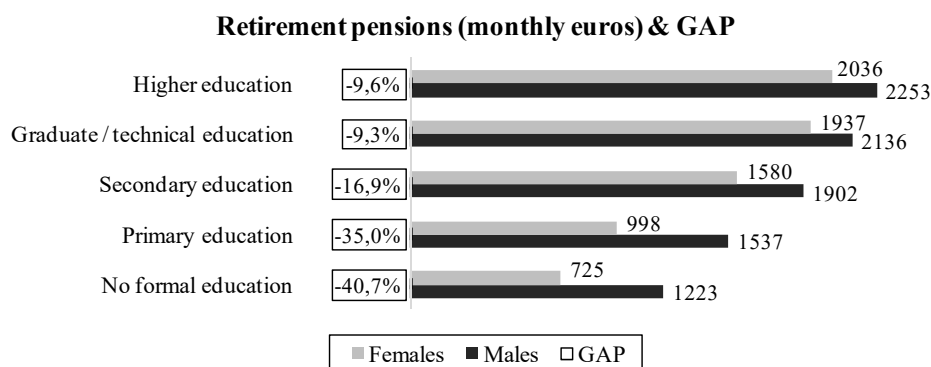
Source: Author's development based on data from MCVL 2017.

### 5.3. Educational levels and pensions

A high percentage of women who are currently retiring did not had access to higher education only a percentage slightly higher than a third (36%) of the total of this level educational. Instead over fifty per cent (53%) of new pensioners in 2017 with graduate or technical education level were women. In the rest of the educational levels, women represent approximately one third of the total group.

Figure 2 shows the relationship between educational levels and the theoretical retirement pension. It is observed that the gender gap is more pronounced in the lower educational levels (between 35% and 40%) than in the higher educational levels, around 9%.





**Fig. 2.** Theoretical retirement pensions by education level. New retirement pensioners in 2017

*Source: Author's development based on data from MCVL 2017.*

## 6. Policy debates

To reduce future pensions' gender gap, policies should focus on closing related gaps in employment and wages as well as promoting actions to develop infrastructure and credits for childcare, promoting measures for working-life balance, reducing gaps on educational levels and so on. For the pension system itself, policies should include appropriate compensatory measures. Some proposals from different reports:

- Encourage greater employment levels throughout women's entire life at working age. This includes facilitating smooth school-to-work transition and reduction of risks that lead to lack of employment at the start of the labor market path.
- Strengthen reconciliation of work with family life. Such as, access to high quality and affordable child-care facilities in addition to supporting care for adult family members in need of care owing to age or disability. This would allow women improved access to the labor market during prime working age.
- Extend working lives, offering access to Age Management Medicine and lifelong learning to encourage development and updating of skills to accommodate the changing needs of the labor market.
- Tax and social policy incentives aimed at broadening women's participation in the labor market could lead to productivity gains. Furthermore, wider access to high-quality care services (e.g. childcare and long-term care) should ensure more opportunities for women to enter or stay in employment and so reduce the risk of poverty and social exclusion among children and vulnerable groups.

## 7. Conclusions

The Spanish maternity supplement is not the most appropriate measure to reduce pensions gap. It is a “plus” that is granted at the time of retirement but does not provide any solution to reduce the gender gap in the future. It is not a universal benefit and penalizes women pensioner before the creation of this supplement. It is also a discriminatory measure by gender.

To reduce future gender pensions gap, policies should focus on closing related gaps in employment and wages as well as promoting actions to develop infrastructure and credits for childcare, promoting measures for working-life balance, reducing gaps on educational levels and, in general, promoting women’s participation in the labor market.

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