FRIEDRICH EBERT STIFTUNG

STUDY

Beveridge Not Bismarck!

European Lessons for Men's and Women's Pensions in Germany

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- Paid employment determines pension levels, for both women and men. In those European countries in which women have been integrated into the labour market at an early stage their protection in old age is higher today for that reason alone. Germany lags behind in this respect.

- Gender-specific differences in the employment participation of the low educated are greater than those between the educated, everywhere. The differences are more substantial in Germany than in many other European countries.

- A fair pension policy that can prevent poverty thus begins in the labour market. It has to improve employment opportunities for women and men of all social classes.

- The pension systems of countries in which gender relations were modernised early correspond to the »Beveridge model«: a universal basic pension, supplemented with mandatory occupational pensions, prevents old-age poverty more effectively and enables women to be more independent.

- The pension systems of countries in which gender relations were modernised later are income- and contribution-dependent. These »Bismarck countries« prevent poverty less effectively and maintain a legacy of dependence.

- Despite retrenchment, women in Beveridge countries are better protected against poverty. The statutory pension in Germany, however, has fallen to the lowest level among the countries investigated in this paper, affecting the low educated in particular. The Beveridge countries show that preventing poverty entails a statutory minimum pension and mandatory ~~contributory~~ pensions. German social policy should learn from this.

Contents

Overview[1]

It is important for everyone to know that they will receive a regular income even when the period of their lives in which they are economically active comes to an end. Besides that, most people want this income to match their previous living standards. In many European countries the goal of their pension systems from the late 1950s was to meet these expectations. Initially, pension insurance schemes were based on the assumption that women and men ~~generally~~ live together as ~~a~~ married ~~couple~~ with children and then grow old together. In that case it would not be a problem if the income of a retired couple largely consisted of one »breadwinner's pension« that would be enough for both partners, sometimes supplemented with a modest additional pension on the part of the wife, and survivors' pensions for those who survived their husbands. Needless to say, it was never a simple matter to achieve the goal of ensuring income in old age, even on these premises, and often it was possible only to a limited extent. Some countries were more successful than others, some social groups were privileged and others excluded.

The disadvantages of the breadwinner model became clearer over time. The changes in labour markets from the 1960s on had more radical consequences for women's lives than for those of men; women became more economically active and bore fewer children; couples did not necessarily remain together for life; divorces were more and more frequent. Furthermore, people were living longer. Since the 1970s markets have become increasingly integrated, both in Europe and globally. This change has had far-reaching consequences.

The social movements of the 1970s raised public awareness of the fact that women's unpaid care for children, husbands and household brought them greater social risks than originally expected and that, furthermore, their employment income often led to inadequate independent pension entitlements. Social scientists argued that the social and economic changes entailed »new social risks« (Bonoli 2005) that affected women in particular. Welfare states and employers are not adequately set up to protect them against this and should at least alter the premises of the breadwinner model. ~~The~~ heightened internationalisation of markets has put welfare states and enterprises under ~~further~~ pressure to curb costs.

This overview illustrates the reform pressure under which Europe's pension systems found and continue to find themselves. It also shows that this crucially has to do with the changes in women's and men's everyday lives. The present study is dedicated to the relations between social change and pension systems. I will outline the types of pension system that exist in Europe; how they have changed due to reform; and what consequences this has for women's and men's incomes in old age.

The report will pay particular attention to how Germany stands in comparison with other countries and what German social policymakers – especially those who want to realise social democratic values – can learn from other European developments.

In Section 1 I shall explain why this report concentrates on the estimated income of future rather than current pensioners. This is followed in Section 2 by segments on factors influencing future national pension reforms. These factors include the various institutional forms of statutory and ~~company~~ old age insurance in Europe. In many European countries company pensions have become much more important alongside statutory pensions since the 1990s and thus have to be included when assessing the quality of old age provision. After the far-reaching reforms of the Schröder government at the beginning of the millennium this applies to Germany in particular. In the academic debate Europe's pension systems are gathered into two types: on one hand, there is the Bismarck model, with Germany as a major representative. On the other hand, there is the Beveridge model. The two groups of countries face different pension-policy challenges. Future pension reforms in the countries of both groups will ~~be~~ affected by their economic development, however, which has consequences for the level of employment participation of women and men. We need to look at the economy and the labour market because the level of income in old age depends crucially on individual employment histories, especially in periods in which the equivalence principle becomes more important with regard to pensions, while the significance of the maintenance principle (*Versorgungsprinzip*) declines. Section 3 analyses how the access of men and women to the labour market has changed since the 1960s and asks what this change means for pension rights and

1. This study is dedicated to my parents Christa and Gerhard Meyer.

equality between the sexes. A key argument here is that the differences between women and men have to be considered in relation to social inequality; that is, based on income and educational differences. According to Esping-Andersen's thesis of the »incomplete revolution« (2009) pension inequality between women and men is a much bigger problem for those with a lower level of education.

Sections 4 and 5 review pension reforms in the countries under examination over the past 15 years in the two groups. Here I shall evaluate how the mixture of modernisation, which everywhere was sensitive to the greater social risks of women, and the sometimes very significant cuts in general pension levels will affect the future pension entitlements of women and men. Finally, after a brief summary of the key results, in section 6 I shall ask what policy measures would make sense in order to prevent poverty risks and not to endanger the status of the middle class. Throughout the study particular emphasis is put on the situation in Germany and compared with developments elsewhere.

The report comes to the conclusion that in particular Germany has created risks for future pensioners with its reforms over the past decade, especially for women and men with lower levels of education and thus lower lifetime earnings. Furthermore, ensuring the social status of higher earners over the long term has also been called into question. The experiences of the Beveridgean countries show that in order to tackle these problems it is important to introduce mandatory occupational pensions; furthermore, the statutory pension must be set at a minimum, poverty preventing level, regardless of employment income to replace income support.

1. Why We Should Be Worried about Future Pensions: Object of the Investigation

What types of pension system are there in Europe? How have they changed due to reforms and what are the consequences for the old-age income of women and men? In order to be able to answer these questions empirically we need to focus on a number of considerations first.

To begin with, the question arises of whose pensions we should be looking at. For example, one could compare the incomes of current pensioners. These depend on the rules of insurance systems that applied for the 45 years or so that an active working life lasts. The analysis should therefore begin in 1968 at the latest; however, because there are older pensioners alive today we can look back at least to 1948. Contemporary pensions are determined, second, by pensioners' employment histories between 1948 and 2010, as well as by their family status. Furthermore, different conditions apply to married people than to single people.

In the literature there are many investigations concerning the adequacy of pensions. Research conducted from a gender-specific perspective often points to disadvantages suffered by women. Thus, for example, it has long been known that women's pensions as a rule are lower than those of men because women tend to have had different adult lives than men and because pension systems were often closely oriented towards full employment histories (for example, Kickbusch/Riedmüller 1985; Kulawik 1989; Langan/Ostner 1991; Lewis 1992).

Such outcomes are relevant for current social policy because they show who among today's over 65s are in need. If such knowledge leads to the conclusion that reforms are required, however, they should concentrate on today's pensioners. The task would then be to improve existing old-age incomes, for example, by supplementary payments or taxes. The way in which the pension entitlements of current workers are acquired in future would be irrelevant for this purpose.

Because for decades the German – Bismarckian – pension system was fairly generous and, furthermore, was extended to cover the new federal states poverty hitherto has been a relatively minor social problem in Germany (for example, Meyer/Bridgen 2011: 171–174; OECD 2001: 22). The present report will thus not deal with the income situation of these pensioners. Instead, in what follows I shall consider what we can ascertain today about the possible pension levels of future pensioners and compare the entitlements of men and women with one another. Such a perspective requires that we concentrate on current systems and evaluate what kind of access adult – that is, currently in employment and/or otherwise active – women and men have to them today. The best prospects of an adequate income in old age are enjoyed by those who are continuously employed. Although all countries recognise periods of child rearing, care, training and education and other activities as relevant to pension rights, also in all countries those with longer employment histories receive a higher old-age income than those who were economically inactive for longer periods during their working lives. For this reason we must look not only at current pension systems, but also at the options available to both women and men on the labour market.

2. The Scope for Reforms

2.1 Why Reformers in Bismarck and in Beveridge Countries Have Different Problems

Karl Hinrichs once wrote, with reference to reform of German and other European pension systems, of »elephants on the move« (Hinrichs 2001). This is because old-age insurance systems are institutionally enormous and difficult to manoeuvre. In research on institutions national old-age pension systems show up as resistant to reform because they make long-term commitments to citizens on which the latter have to be able to rely. Curtailments and changes in relation to such commitments are unpopular and the powers-that-be can be sure that they will be punished for it at the next elections; as a result, they shy away from them (Pierson 1994). No evaluation of the possibility of pension reform can avoid the formative influence of existing institutions; they delineate and constrain the paths that reformers can take. In Western Europe two dominant forms of pension system have developed since the Second World War (Bonoli 2003; Ebbinghaus 2012). They have had different effects on the old-age incomes of men and women and thus on social inequality in old age. Furthermore, they have posed different problems for reformers and have influenced the reform options open to them. I shall present the basic forms of both types of system in what follows and in Section 5 go into recent reforms.

On one hand, there are the »Bismarck countries«: Austria, Belgium, France, Germany, Italy and Spain. Their social security systems were typically characterised by state pensions whose level was income- and contribution-dependent and which replaced a high proportion of the final employment income of those who paid into pension funds throughout their working lives (OECD 2001: 22). Furthermore, they offered relatively generous widows' and widowers' pensions for the surviving partner. Individuals with interrupted employment histories – for example, due to child rearing – received lower pension entitlements. These systems were thus based on the abovementioned »breadwinner model«. In most countries in this group forms of unremunerated work have been recognised as pertinent to pensions since the 1980s, although as a rule the entitlements obtained in this way are lower than those generated by employment. Occupational pensions have largely been displaced by the status-securing function of statutory systems; at least, they were less significant for old-age provision than in the group of »Beveridge countries«, to which we now turn.

In this group we find the Nordic countries, the Netherlands, Switzerland and the United Kingdom. In their pension regimes provision for old age was organised on two levels: on one hand, there was a state pension whose level was the same for all. This level was adequate to avoid poverty in most countries in this group. These pensions were introduced between the late 1940s and the 1960s: in 1946 in Switzerland (Bonoli 2007: 219); in 1948 in Sweden (Anderson/Immergut 2007: 360); in 1957 in the Netherlands (Anderson 2007: 724) and Finland (Kangas 2007: 264–266); and in 1964 in Denmark (Green-Pedersen 2007: 464, 83). Furthermore, many citizens were entitled to the state pension and it afforded those on low incomes higher benefits in comparison with their employment remuneration than individuals with higher lifetime earnings. These statutory pensions in Beveridge countries were thus more redistributive than the income-related entitlements that were available in the Bismarck countries. However, their level was not deemed to be adequate by those who earned more during their working lives and expected corresponding living standards in old age. For this reason occupational pensions took on the role of securing incomes in these countries, which in the Bismarckian countries was fulfilled by statutory pensions. In the Beveridgean group occupational pensions were often not – or not exclusively – administered by the state but an entitlement to membership for the gainfully employed was laid down by law. As a consequence, they were pervasive.

United Kingdom – An Outsider in the Beveridge Group

Even though the United Kingdom belongs to this group due to its developed occupational and low statutory pensions, it is ironic that it is the country from which the group takes its name[2] because it is very much the outsider in it (Meyer/Bridgen 2011: 159; Schulze/Moran 2007: 770). First of all, British statutory pensions were lower than in the other Beveridge countries. In the Nordic countries, Switzerland and the Netherlands statutory pensions from at least the 1960s onwards were at or above the level of means-tested income support.[3] British pensioners without occupational pensions, by contrast, were dependent on such income support.

Second, only in the United Kingdom was it left entirely to companies whether they wanted to offer their employees membership of occupational pensions. As a consequence, only around half of the gainfully employed population – including public-sector employees and, in the private sector, the employees of large companies – had access to such pensions. Up to the end of the 1990s British occupational pensions consisted largely of so-called »defined benefit schemes«. These are income-related payments whose level the employer guaranteed to maintain by shouldering the financial risk, in place of the employee. Furthermore, the level of these occupational pensions was among the highest in Europe and thus members were privileged (Bridgen/Meyer 2007).

The low statutory pension meant that both men and women were dependent on occupational pensions; otherwise they had to live in poverty or claim income support. However, employer pension schemes were more widespread in the public sector than in private companies, among which they were concentrated mainly in large businesses. For this reason up to the 1990s more men than women had access; due to the expansion of social services and greater global competition in the private sector, however, this was reversed.

The division of ~~pension systems in terms of these two groups~~ applies to the period from 1960 to the mid-1990s. The ensuing reforms blurred institutional differences between the ~~groups~~ and thus also changed their effects on the pension entitlements of men and women. As already mentioned, this will be dealt with in Section 3 of this report. Before that, however, a number of other factors will be examined that are responsible for the differences between pension systems.

2.2 The Stronger the Economic Growth, the Better the Old-Age Insurance?

The connection between the emergence and expansion of welfare states and economic growth has been discussed intensively in the literature. In the 1970s Harold Wilensky was the first to show on a global scale that only developed industrialised countries had introduced comprehensive social benefits and from this derived the insight that the economy determines the growth of the welfare state (Wilensky 1975). According to him, the relationship between the welfare state and economic growth arises because with the expansion of markets people rely more on money than on the younger generation for their security in old age. Pension systems expand as birth rates fall. If we compare globally very poor countries with the OECD states Wilensky's thesis is, to date, undoubtedly true. It is less convincing, however, within the OECD itself or, with regard to the framework of the present report, within the European Union.

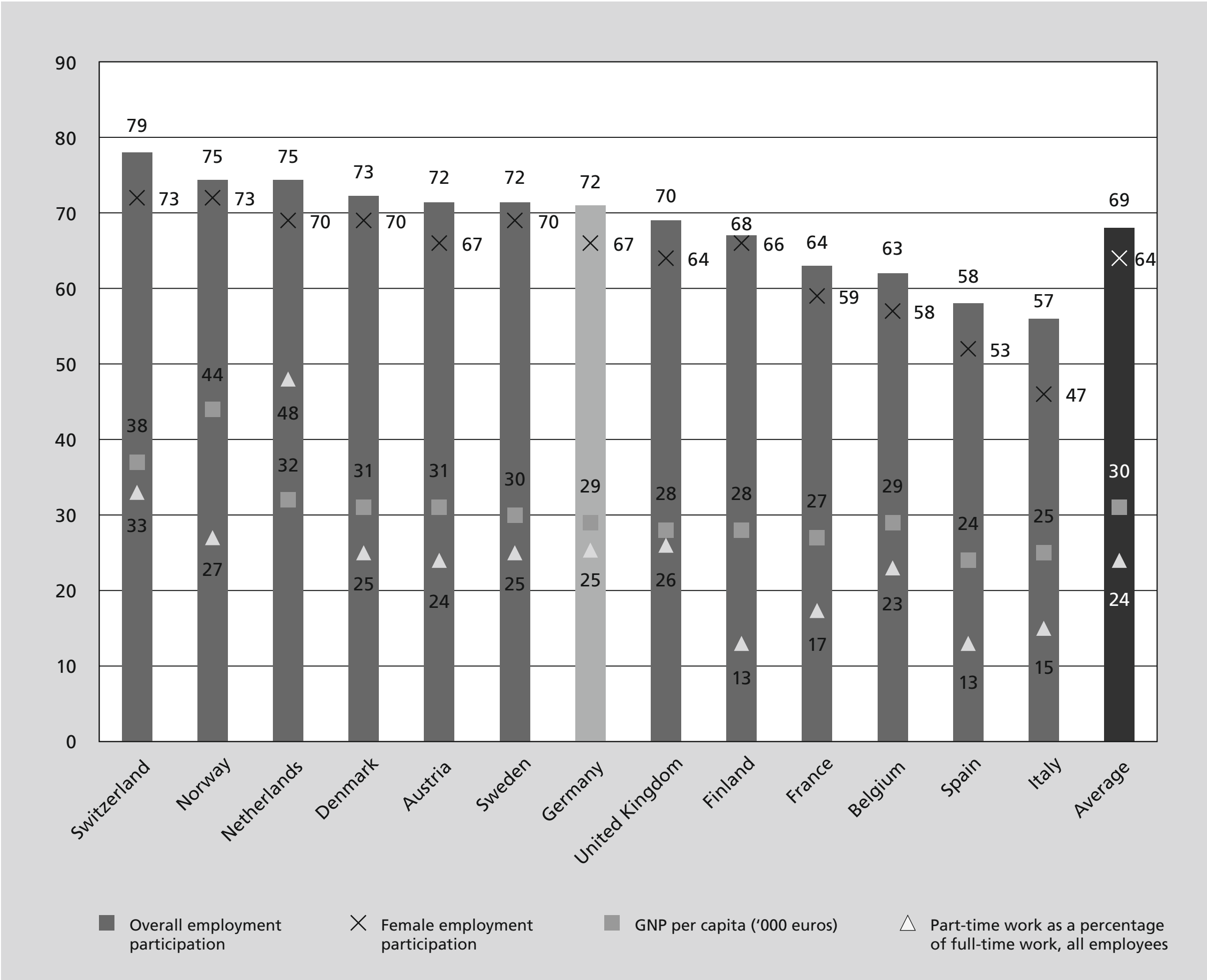
Figure 1 provides an overview of the gross national product (GNP) per capita for 2010 in the 13 countries selected for this study. The data reflect real differences in purchasing power. Norway (44,000 euros) and Switzerland (38,000 euros) are far ahead of the others, while Spain and Italy – with 24,000 to 25,000 euros – are the least developed; all the other countries stood at an annual 27,000 to 32,000 euros per capita.

These economic differences are reflected in overall employment participation. With the exception of Belgium, in 2010 the countries with the highest per capita incomes also had the highest overall employment rates. Spain and Italy have developed below average in both instances, while Germany lies just above the average in terms of employment participation and just below it in terms of per capita income. The figures suggest that the active economic participation of the adult population contributes to greater economic prosperity. Because gainful employment had traditionally been a core activity of men, men's employment rates are more homogenous and higher than those of women. A rise in overall participation is thus attainable primarily by stronger labour market

2. Sir William Beveridge became known beyond the borders of the United Kingdom as the author of the »Beveridge Report« (1942). The Report was groundbreaking because it propagated a universal insurance system covering against all typical poverty risks to which citizens were exposed »from the cradle to the grave« (see, for example, Fraser 1984: 215–217). Pension systems influenced by the spirit of Beveridge are thus inclusive rather than selective and are aimed at avoiding old-age poverty.

3. This poverty line is below the inclusion threshold of 50 per cent of the average income, of which more will be said in due course.

Figure 1: Labour market participation and gross national product per capita, 2010



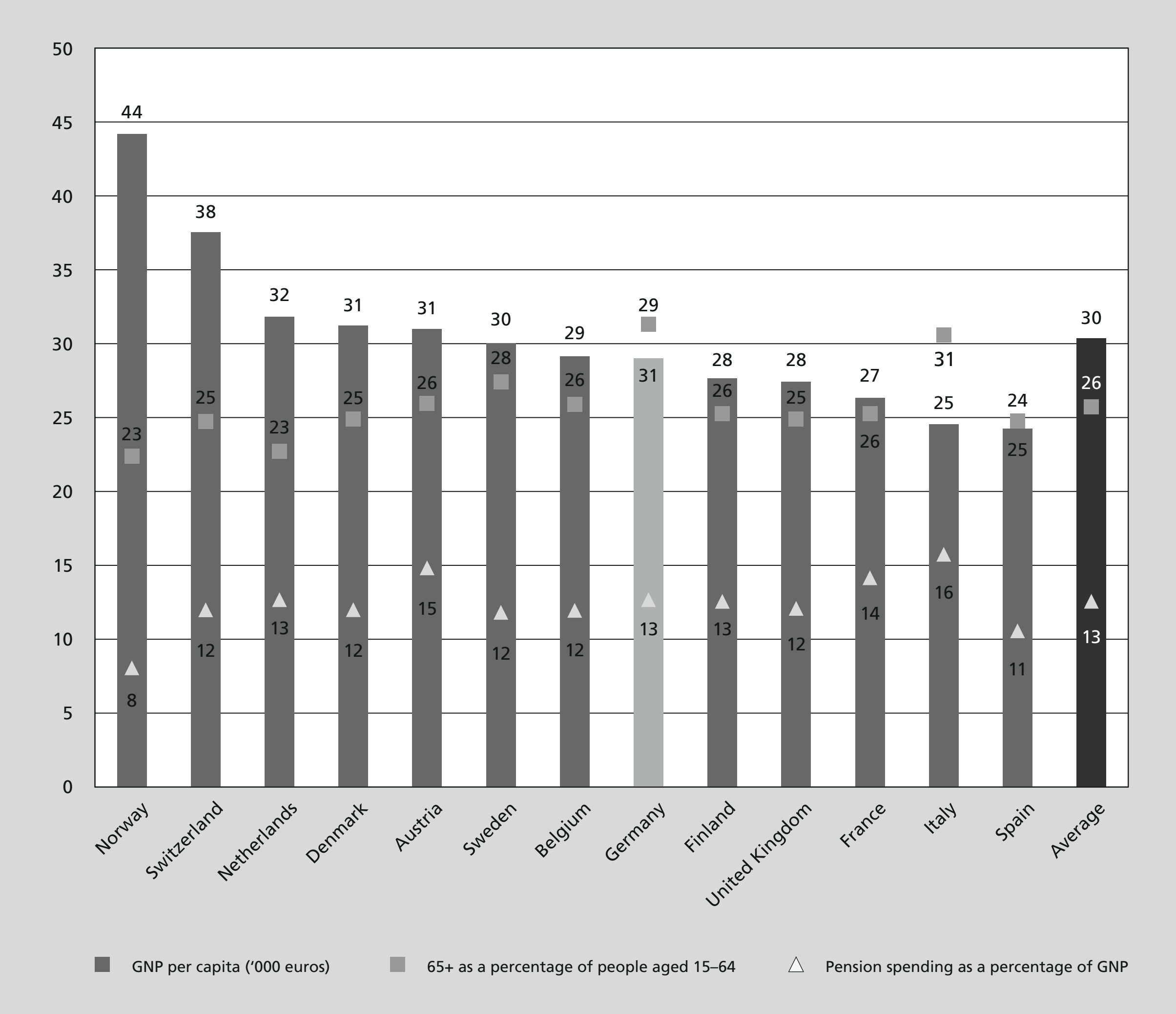
Source: Eurostat, author's calculations (rounded).

participation on the part of women. In fact, Figure 1 also shows that the richest countries examined in this study are also among those in which women are most economically active. They are also the countries with higher part-time rates in relation to overall employment. Germany has caught up considerably in this respect since the mid-1980s (see below), although in 2010 it still lagged behind the Nordic countries, Switzerland and the Netherlands, all of which had a higher per capita income.

In theory, greater economic wealth could be used to fund higher social benefits. However, an automatic relationship between economic growth and an ageing population, as well as social spending – as expected by Harold Wilensky – is not discernible. While employment participation and gross national product are correlated regardless of the scope of part-time work, the most developed countries by no means have the highest proportion of over-64s in the adult population (Figure 2). In fact, it appears that economic wealth plays no role in this respect in Europe. The relative proportion of older people in 2010 was highest in Italy and Germany, but they are not the richest countries. Norway, the country with the highest GNP per capita even has relatively the lowest proportion of people over 64 years of age.

Furthermore, there is no clear evidence that state pension expenditure rises with a growing proportion of retirees in the population. If we compare, for example, Italy and Austria – the two countries in ~~Germany's~~ group spending the highest proportion of GNP on old-age provision – we see that the share of the population over 64 years of

Figure 2: Gross national product per capita ('000 euros); pension expenditure as a percentage of GNP; 65+ as a percentage of people 15–64 years of age, 2010



Source: Eurostat, author's calculations (rounded).

age is much higher in Italy than in Austria. By contrast, Norway and the Netherlands have the same relatively low proportion of older people in the population, but Norwegian pension expenditure is significantly below that of the Dutch. Germany's pension expenditure is as high as that of Finland, although in Germany there are markedly more older people. These differences indicate that economic and demographic factors are less important for the development of state pension expenditure than Wilensky assumed. The critics of his modernisation theory (for example, Mabbett/Bolderson 1999) agree that a high level of economic development is key to the institutionalisation of state pension systems, but come to the conclusion that the specific contours are determined by political decision-making, institutional influence and the nature of the private sector.

At the end of this section we can assert that the path to higher economic growth also requires a labour market policy that makes it easier for women to get a job: affordable public child care provision, flexibility in the workplace for men and women and parental leave. Such policies require higher social expenditure and thus governments are likely to shy away from them, at least in the short term; however, country comparison shows that such investments are productive in the long term and thus that their costs can be recovered. In employment-oriented pension systems in Europe reforms along these lines thus raise the prospect of more equality between men and women in old age because they improve the conditions for acquiring independent pension entitlements (see also, for example, Riedmüller/Schmalreck 2011: 11–16). Labour market policy is thus pension policy. It is important to emphasise the limits of this policy, however. It has no influence on the scope of benefits or the institutional form of pensions, which also influence fairness between the sexes and social groups. Equitable pension systems still depend largely on ~~policy formulation~~.

3. Modernisation, Social Injustice, Discrimination – How Women's Economic Situation Has Changed since 1960

3.1 Employment Participation

In the previous section I underlined the significance of employment for economic strength, for which a high level of labour market participation among women is important, which ~~in turn is improved by giving them~~ independent pension entitlements. In what follows we shall thus look more closely at how employment has changed for women since the 1960s. This change can be summarised under the heading of individualisation. How great this transformation has been can best be perceived in a long-term perspective. Figure 3 shows the development of women's employment participation in the selected countries since ~~1960; both each country individually and the average for~~ the Beveridge and the Bismarck countries.

In all countries women's employment has increased substantially since the 1960s, although significant national differences remain, as shown by the standard deviation from the average. Interestingly, up to the 1990s this was greater in the group of Beveridge countries (Switzerland, Sweden, Norway, Denmark, Finland, Netherlands, United Kingdom) than in the group of Bismarck countries (Germany, Austria, France, Spain, Belgium, Italy). This heterogeneity can be explained by the strong increase in women's employment in Sweden, Denmark, Finland and Norway between 1960 and 1990, a period in which the governments of the Nordic countries adopted far-reaching reforms aimed at gender equality. Women were to be integrated into the labour market and child care was to be a public good accessible to all (Anderson/Meyer 2006; Bonoli 2007). As a result, in five of the seven Beveridge countries over half of all women came to be employed from 1970. In Finland, Sweden and Denmark the figure was already around 60 per cent; participation continued to increase strongly, reaching 81 per cent in Sweden and 66 per cent in the United Kingdom in 1990; only the Netherlands lagged behind, with a rapid rise only from the mid 1980s. The United Kingdom developed steadily and more slowly. In the 1990s growth slowed down everywhere, but the Netherlands caught up, so that in 2011 there was only a low standard deviation (4 percentage points) for the Beveridge countries' average value of 76 per cent.

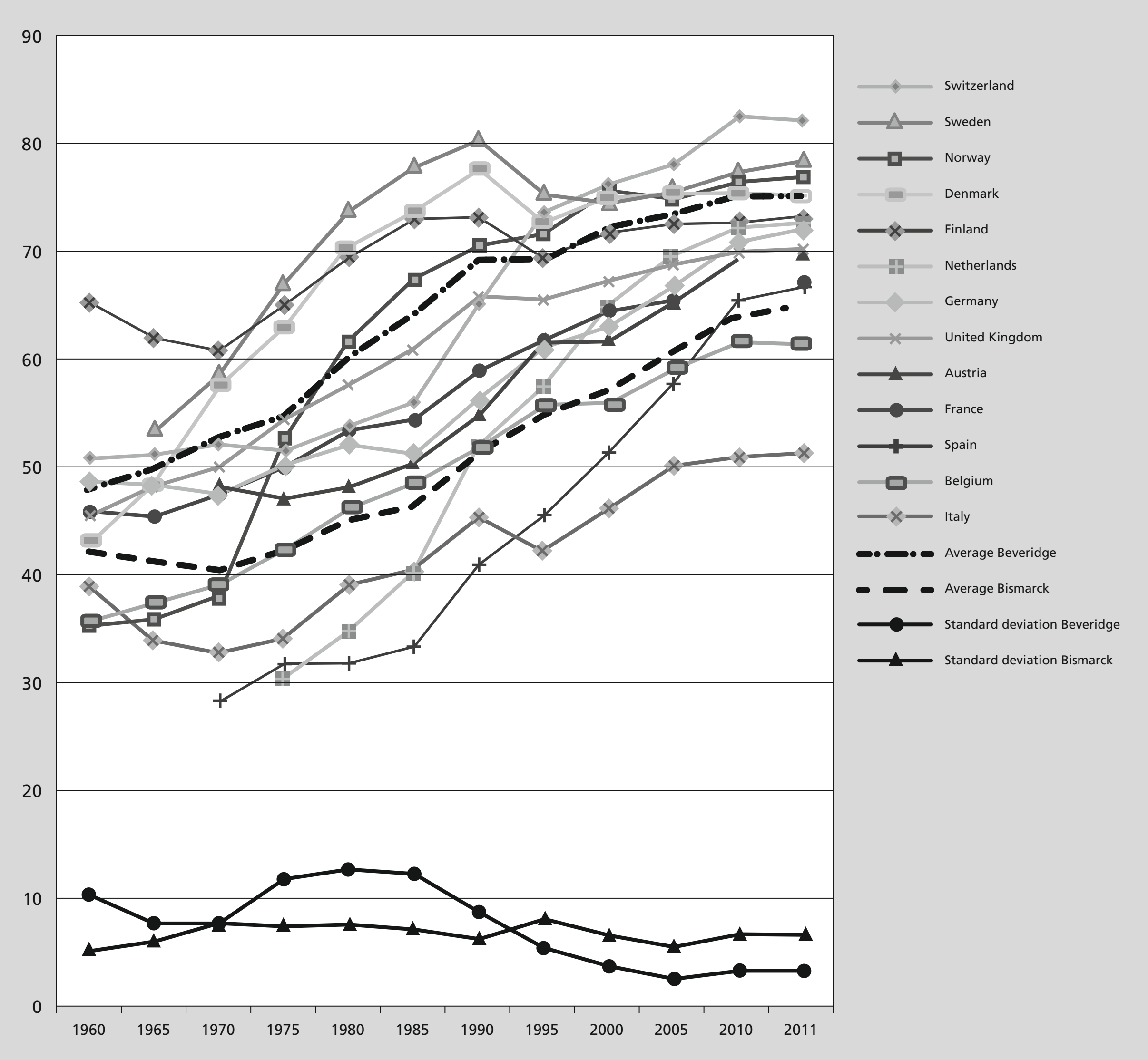
In the Bismarck countries this modernisation began later and at a lower level. Furthermore, nowhere did it occur with comparable scope. In all seven countries in the Bismarck group in 1970 less than half of the female population was integrated in the labour market; growth was slower up to the 1990s; and differences between countries remained more constant than in the Beveridge countries. Women's employment participation in 1990 ranged from 42 per cent in Spain to 60 per cent in France. While in 2011 in all Beveridge countries over 70 per cent of women had a paid job, in the Bismarck group only Germany with 73 per cent achieved the employment level of the Beveridge group for the first time in 2010. Spain has caught up rapidly since 1990, but Italy remains a straggler among the Bismarck countries, where the standard deviation was higher (7.4 percentage points) than in the Beveridge countries. Even if we exclude Italy, in 2011 68 per cent of women were in employment in this group of countries; in other words, there was a considerable gap with the Beveridge countries.

It is well known that employment participation increases with levels of education and training; less well established is the realisation that the two country groups differ systematically in this respect.

3.2 Differences in Education and Training and Social Inequality

Figure 4 shows the average employment participation of women with low, medium and high education in the two groups of countries since 2000. Germany is shown separately. As already mentioned, considerably more

Figure 3: Women's employment participation, 1960–2011



Note: In the legend countries are ordered in accordance with their ranking in 2011.

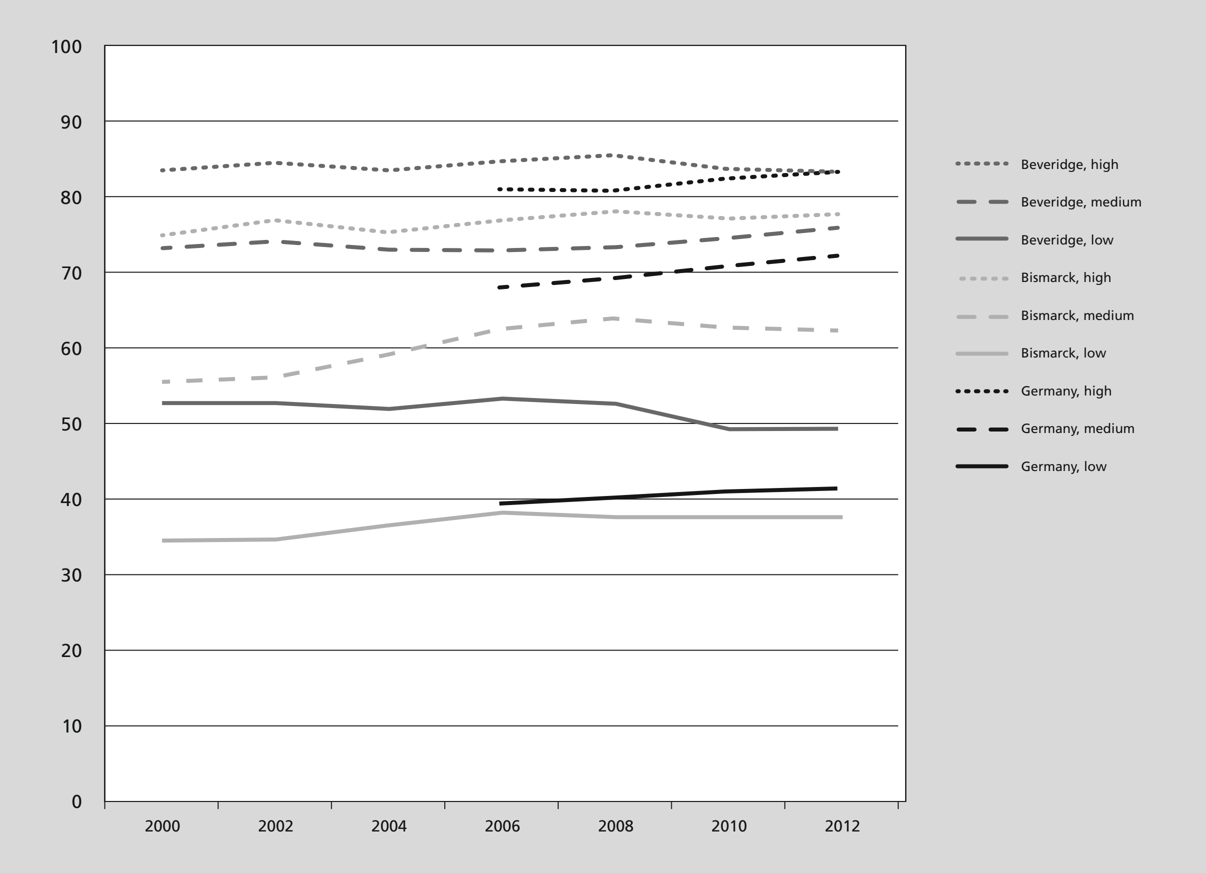
Source: Eurostat, author's calculations.

women were in employment in the Beveridge countries than in the Bismarck countries. Since 2000, however, participation in the Bismarck countries has increased, in particular among women with medium qualifications, while in the Beveridge group it has stagnated or even fallen slightly.

The differences between the educational levels are substantial. In 2012 78 per cent of highly educated women in the Bismarck countries and 82 per cent of women in the Beveridge countries were in employment, but among medium-educated women the figures were 62 per cent and 73 per cent, respectively, and only 38 per cent and 49 per cent among low qualified women, with Italy way behind on as little as 30 per cent.[4] Comparison of the two country groups shows a considerable lead on the part of the Beveridge group, which is narrowest among the highly educated, at only 4 percentage points over the Bismarck group. The difference between the Beveridge and the Bismarck groups with regard to the other edu-

4. Eurostat, author's calculations, results not depicted here available on request.

Figure 4: Women's employment rates according to level of education – averages of the Bismarck and Beveridge countries and of Germany, 2000–2012



Source: Eurostat, author's calculations.

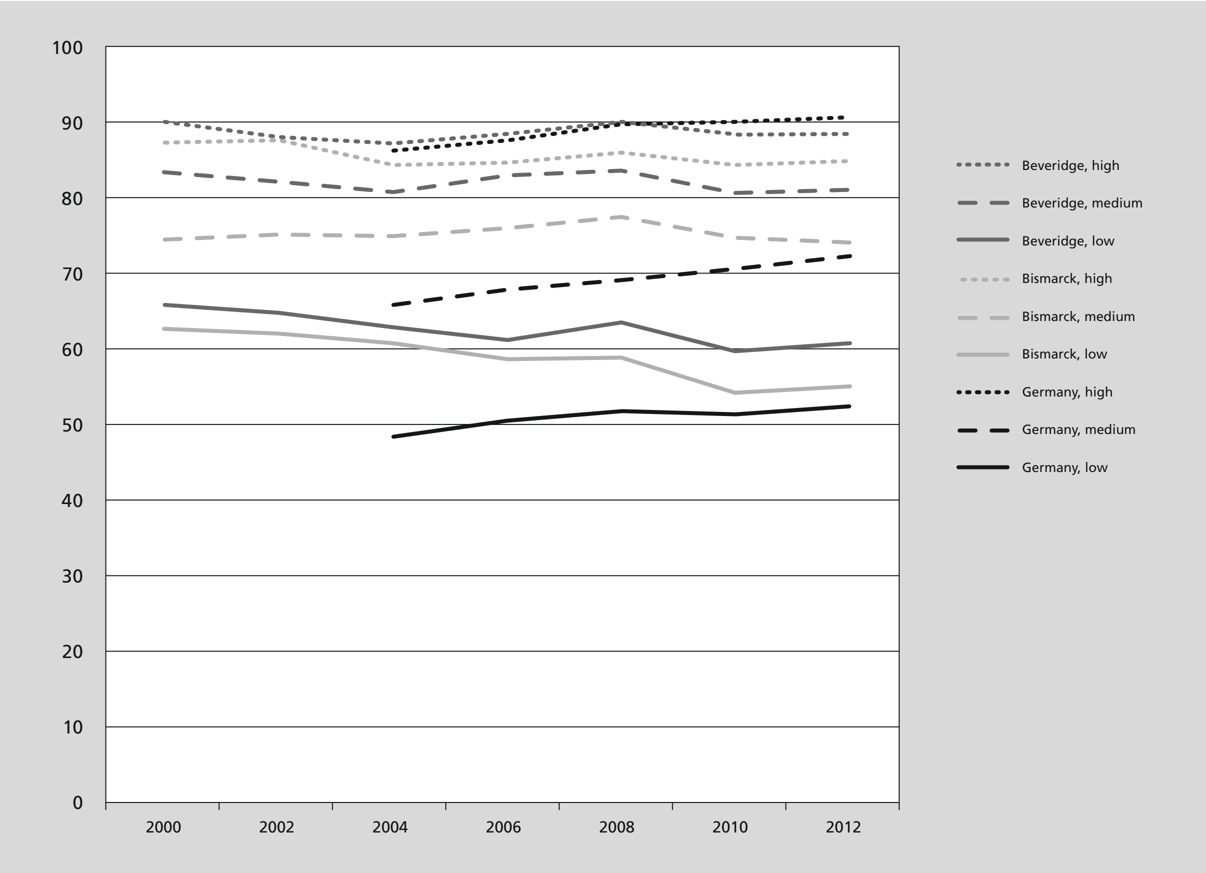
cational levels, at 11 percentage points, is nearly three times that. Women in Germany with high and medium levels of education are far above the average of the Bismarck countries, similar to women with the same levels of education in Austria.[5] Overall, only in Norway, Sweden and the Netherlands are more highly educated women in employment. The proportion of women in Germany with low education, at 41 per cent, is slightly above the Bismarck group average, but far below that of the Beveridge group. These are large differences. They are intensified if we compare these rates with men's employment.

Figure 5 shows how men's employment participation has developed during the same period at the various educational levels. Overall, in accordance with expectations, more men are in employment than women, at all educational levels. But while employment participation among women has largely increased, among men it has fallen at all educational levels, especially among the low educated (–8 percentage points since 2000 in the Bismarck group and –5 percentage points in the Beveridge group). Employment participation in the Beveridge countries was higher than in the Bismarck countries for all men.

Germany's profile, in turn, does not fit neatly into this categorisation. Men in Germany are considerably above the average of both country groups among the highly educated, while among the medium and low educated they are below the average. Overall, their employment participation in 2012, at 91 per cent, was, after Switzerland, the second highest of the countries examined in this study.

5. See footnote 2.

Figure 5: Men's employment rates according to level of education – averages of the Bismarck and Beveridge countries and of Germany, 2000–2012



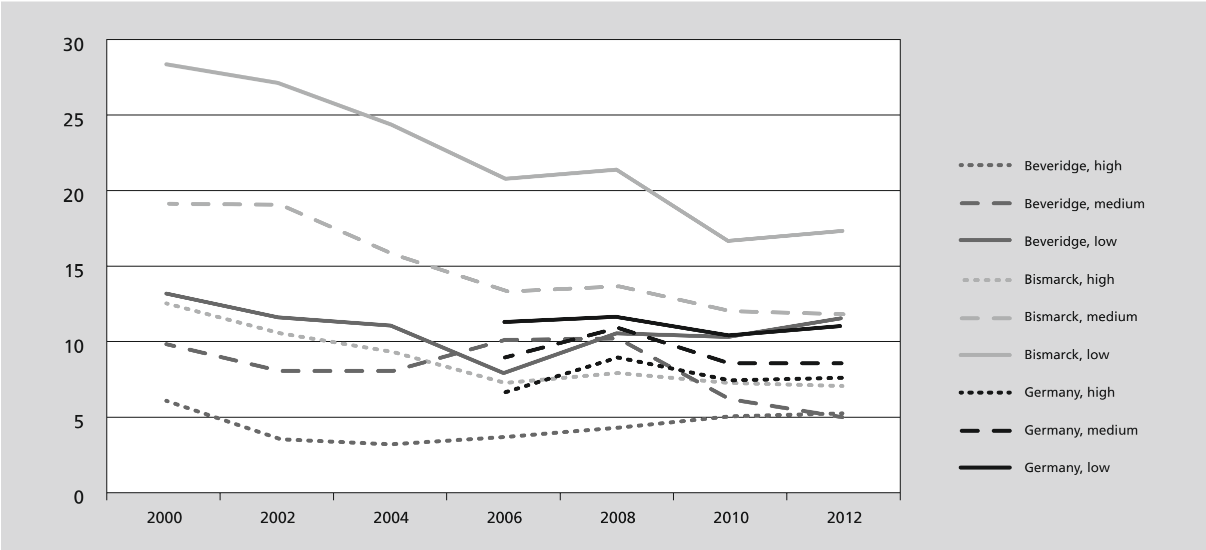
Source: Eurostat, author's calculations.

Before I discuss what different levels of access to education and the labour market mean for pension levels in more detail in the next section I would like to compare the trends for the two genders, which so far we have discussed only separately. Figure 6 is helpful in this respect. It shows the gap between the employment rates of women and men and how it changed between 2000 and 2012. The figure demonstrates how much stronger men's integration in the labour market is than that of women, but also how much men's lead has narrowed. However, we should also keep in mind that it is only a rough indicator because it does not take into account either wage levels, which are relevant to inequality, or part-time work.

The first important finding is that, over time, the asymmetries between women and men in the two country groups have diminished considerably. This is indicated by the fact that the gender difference with regard to employment was wider for all countries at the beginning of the decade than at the end. This can be explained by both the growth in employment participation among women and its fall among men. Change was slower than the country-group average in Germany and the asymmetry among highly educated women and men has increased again since 2006.

Second, if we focus on the differences between the country groups and select the year 2012 we can conclude that gender differences in the Beveridge countries were less pronounced. Here men's lead among the high and medium educated is only 5 percentage points, compared with 7 and 12 percentage points among high and medium educated men, respectively, in the Bismarck

Figure 6: Difference between women's and men's employment rates according to educational level – average of the Bismarck and Beveridge countries and of Germany, 2000–2012 (percentage points)



Source: Eurostat, author's calculations.

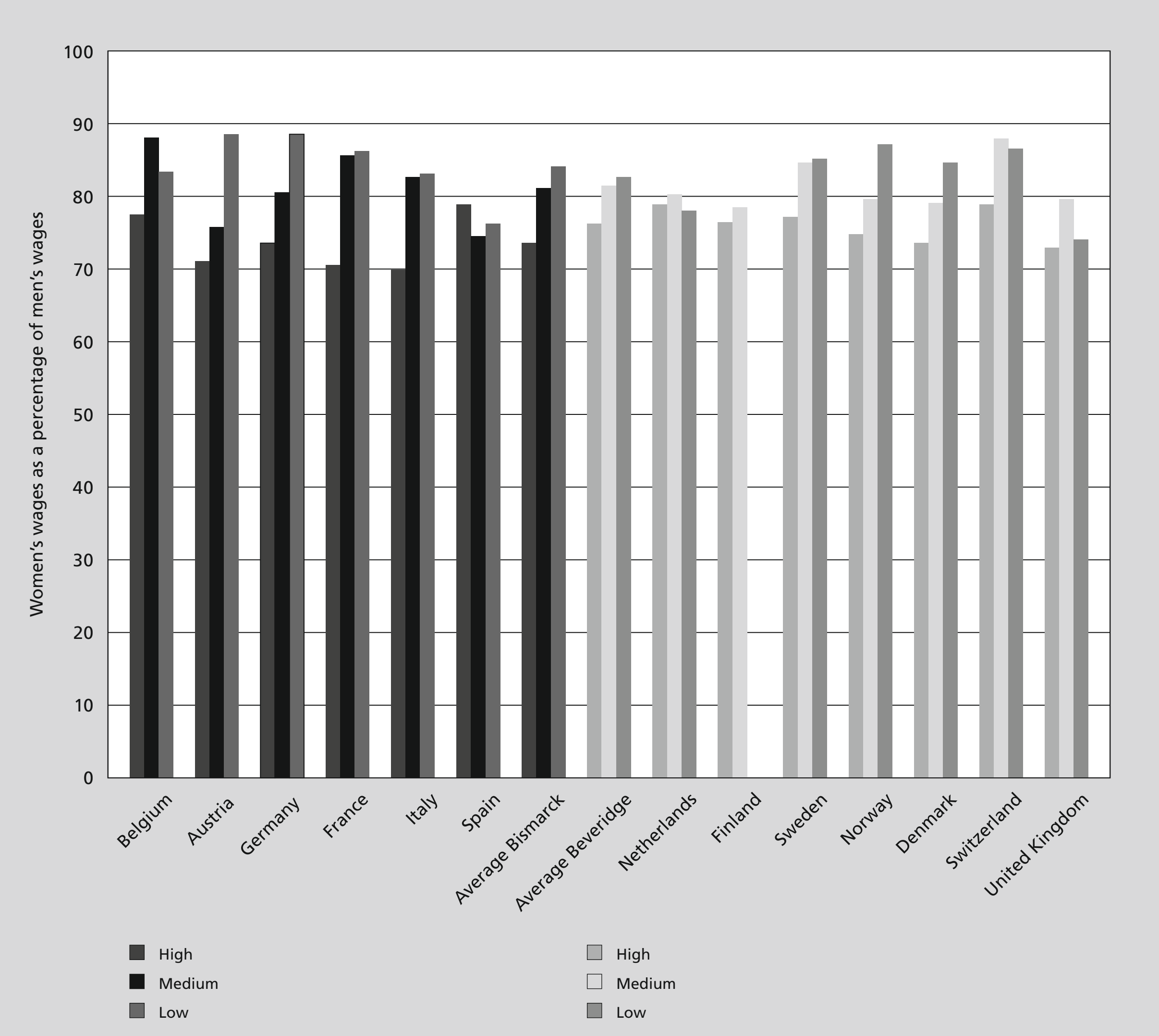
countries. Low educated men experience the widest gap overall, although in the Beveridge group it is with 12 percentage points lower than in the Bismarck states, where it stands at 17 percentage points. In Germany the difference between highly educated women and men is a little higher than in the other countries of the Bismarck group, but considerably lower than the average for medium and low educated.

Overall, the largest gender symmetries are between all highly educated women and men and between the medium educated in the Beveridge countries; for all other countries the difference is at least 7 percentage points, but often greater.

Looking, finally, at women's and men's incomes the picture of symmetry increasing with level of education changes; the relationships appear to be more complex. Since 2002 Eurostat has surveyed wages and salaries in the European Union every four years. Figure 7 is based on average monthly wages earned by women and men at different levels of education in 2010, comparing women's incomes with those of men. Part-time and full-time employments are included, which explains part of the differences: ~~these~~ data are only rough indicators but they do give an impression of how wide the differences are between the incomes that men and women at the same level of education and same social status can command independently. First of all, it is important that in no country do women earn anything like as much as men. Interestingly, however, in all countries – with the exception of Spain – the biggest relative wage differences are between those with the highest level of formal education. The difference is a little more pronounced in the Bismarck countries, especially in Austria (women's wages: 71 per cent of men's wages), France (70.7 per cent) and Italy (70.2 per cent), although the difference is also relatively large in the Nordic countries. Denmark (73.6 per cent) and Germany (73.7 per cent), for example, do not differ in this respect. On average, the largest wage symmetries are between genders among those with the lowest level of formal education. The difference between the high and the low educated is particularly marked in Austria (17.5 percentage points), France (15.5 percentage points) and Germany (14.5 percentage points).

The wage inequality between highly educated women and men is described in the literature by the effect of the so-called »glass ceiling« (Alàez-Aller et al. 2011; Arulampalam et al. 2006; Christofides et al. 2013). Economists derive this partly from »productive« – in other words, gender-neutral – factors that influence human

Figure 7: Women's average gross monthly wages as a percentage of men's wages according to level of education, 2010 (PPS*)



* PPS = purchasing power standard, in other words, wage differences reflect purchasing power differences.
Source: Eurostat, author's calculations.

capital: length of job experience, company size, public or private sector, working time, type of employment (for an overview and criticism, see Tharenou 2013: 200). In theory, for example, a woman and a man with little job experience and in temporary part-time employment in a small private company would earn equally little; in practice, however, these conditions characterise rather the employment histories of women and lead to men with high-level formal educations being more likely to achieve the best-paid positions on the labour market than correspondingly qualified women. In the labour market segments in which a low level of education is expected the wage spread is overall narrower, which means smaller wage differences between women and men. These neutral factors, however, can explain only around half of the wage differences between the genders (Alàez-Aller et al. 2011: 59–63, 67; Christofides et al. 2013: 89, 93). On top of that come everyday gender-specific discrimination, such as the disregard of women in recruitment or in labour court proceedings (Blau/Kahn 2000: 8–12), but also the persistence of social stereotypes which suggest that a gender hierarchy is perfectly normal (Tharenou 2013: 201–204).

3.3 »The Incomplete Revolution«

Gøsta Esping-Andersen took education-specific asymmetries as the basis for his book *The Incomplete Revolution* (2009). He argues in it that women's position in the employment hierarchy has changed dramatically in recent decades, but also that this change has led primarily to more equality between highly educated men and women, who are now in a position to concentrate their gains in dual-earning couples. In comparison with that, inequality among less educated groups has remained much higher, which also means that these groups are still much more in jeopardy of falling into poverty. He calls on politicians to do more to consummate the »incomplete revolution« because this promises more prosperity and less general inequality for future generations.

This observation – illustrated in detail above – is of considerable significance for the present study because it goes without saying that education-specific symmetries and asymmetries will affect the pension histories of men and women in Europe currently in employment. However, by concentrating on the gains from modernisation due to education in recent decades Esping-Andersen's book overlooks the asymmetries between women and men with high-level formal educations and the stubborn persistence of discrimination in the developed industrialised countries we have just talked about.

However, the argument concerning the »incomplete revolution« is important here because it shows that pension policy falls short if it concentrates primarily on the particular social risks facing women and ignores the effects of social inequality on women and men. Nevertheless, the traditional social-democratic sensitivity to class-specific differences alone is not enough. Inequality between people with high levels of education does not represent a poverty problem, but persistent wage inequality and discrimination are unfair. Despite modernisation they continue everywhere, even in the social democratic countries of Scandinavia, which have been committed to gender equality longest and most radically. We shall turn to their effects on old-age incomes below.

4. Effects of Social Transformation on Future Pensions

4.1 Beveridge Countries

Let us begin with the Beveridge countries. As already shown, at the latest since the 1960s basic pensions in the Nordic countries, the Netherlands and Switzerland have been based on citizenship, or similar forms of universal social security to which citizens are entitled without a general examination of their financial circumstances. Such social security reflected the political decision taken by these countries that their statutory pension insurance should be based on redistribution and thus that even those with low lifetime earnings would be able to enjoy a minimum standard of living without being dependent on income support. This policy approach enabled more women to obtain an old-age income independent of men than in the Bismarck countries; these systems avoid pronounced social inequality between those with employment histories and those without them. However, these countries were also characterised by rising employment participation among women; since as early as 1965 more than half of women have been in employment, exceeding 60 per cent by 1980 and 70 per cent by 1990 (see Figure 3). The Netherlands was an exception, with later but rapid growth. Due to this labour market integration women in the Beveridge countries acquired not only basic pensions but also access to occupational pensions earlier than women in the Bismarck countries. A pension entitlement that is independent of one's husband is already the norm for women now celebrating their sixty-fifth birthdays. In the Bismarck countries only by 1990 were half of women in employment, an average that had risen to only 65 per cent by 2011 (see Figure 3). The higher employment participation in the Beveridge countries thus represents not only additional protection against old-age poverty, but also enables women to enjoy retirement incomes similar to those of men and closer to their final employment incomes than the universal basic pension alone. Pension incomes for many women in the Beveridge countries thus prevent poverty and ensure social status, thereby achieving more equality between the sexes (see, for example, Alláez-Aller et al. 2011: 58). Although, as already mentioned, a low level of education leads to more pronounced labour-market asymmetries between the sexes, in the Beveridge countries even those whose social risks are higher due to lower education and exposure to a greater confluence of risks are also secured in old age. They are able to rely not only on a basic pension, but also, due to their overall greater and earlier employment participation, have good prospects of an old-age income sufficient to maintain social status. In comparison with the 1960s, therefore, social security for women ~~independently~~ of their husbands has increased substantially, although with the important caveat that nothing like wage equality has been achieved anywhere and that gender-specific inequality continues in old age, which particularly affects those with high formal educations. However, this does not apply to the situation in the United Kingdom.

The United Kingdom: An Outsider

The British system has been less effective in ameliorating pensioners' class- and gender-specific poverty risks. A large proportion of pensioners in the United Kingdom were considerably worse off than in Scandinavia, the Netherlands or Switzerland, while another segment were at least equally well secured. Only those with an employment history could qualify for a British statutory pension, even though this could be interrupted. Furthermore, the level of statutory pension depended to a limited degree on level of income. For these reasons it was more difficult for female British pensioners to acquire a full statutory pension than for women in the other countries in the Beveridge group, a state of affairs often lamented in the literature (for example, Ginn 2003). It was also important that no one received a statutory pension higher than 50 per cent of the average wage, which today is often regarded as the threshold for active participation in society. What is more, the state pension was well below the much lower level of income support; in other words, even for men and women with entitlements to a full state pension up to 2011 access to an occupational pension was essential. But because it was left to employers to offer such pensions of their own accord, defined benefit schemes, which were exceptional even by European comparison (Meyer et al. 2007), existed only in the public sector and in big companies in the private sector and thus access to them was dependent on education and sector. The relatively early integration of women in the labour market for many meant a job in the public sector. In particular in welfare state-financed services, such as health care, education and social security, qualified women found employment as teachers, doctors, social workers or managers, but also as low qualified administrative and auxiliary staff. In this area, in addition, access to occupational pensions and their quality improved substantially for part-time employees from the 1970s. As a result, in the 1990s women's membership of occupational pension schemes continued to increase, while the proportion of insured men in the private sector decreased. For men and women with higher levels of education the inequality of their pension entitlements thus diminished; the same applied to female employees with intermediate qualifications in the public sector. On average, women in this category ending their working lives today and entering retirement will not be at risk of poverty. Their old-age incomes, despite still existing gender-specific wage differences, are also closer to those of the men of their generation with equivalent qualifications than twenty or even ten years ago. If we also assume that social risks diminish in relation to couples with high-level formal qualifications, but increase for couples with a low level of education the result is much greater social inequality among British pensioners leaving the labour market by the end of the 2010s than among their Scandinavian, Dutch or Swiss counterparts. Around half of all British employees up to this time were exposed to higher poverty risks in old age because, due to low education and employment in private companies without occupational pensions, especially in the retail trade, private services or small and medium-sized enterprises, they had no access to additional occupational schemes. Their statutory pension entitlements alone will not suffice. Thus it can be foreseen that they will be dependent on means-tested social benefits.

Two patterns characterised the group of Beveridge countries up until around the 1990s. In the Nordic countries, the Netherlands and Switzerland old-age provision offered general protection against poverty and maintenance of social status for men and women who began their working lives since the late 1960s: this was due to good basic pensions and good access to occupational pensions, enhanced by high female employment participation. Although the latter was also high in the United Kingdom from the 1960s onwards the pension system only reinforced social inequality between those who had access to the good occupational pensions in the public sector and large private companies and the remainder of the adult population. Class- and gender-specific social inequality in old age was thus high.

4.2 Bismarck Countries

We now turn to the Bismarck countries. As already discussed, the main characteristic of their pension systems is the equivalence principle: benefits are comprehensive but related to lifetime earnings; there is no minimum protection or only in the form of means-tested social benefit. Implementing the principle of redistribution in the statutory pension was not politically feasible in these countries (see, for example, Baldwin 1990, Korpi/Esping-Andersen 1984; Hentschel 1983) and thus those with longer employment histories based on full-time employment found themselves at an advantage. In theory, this can affect both women and men, but in practice these countries were characterised by gender inequality (Figure 6). While in the Beveridge states the majority of 65 year-old women can already look back on a working career, in the Bismarck countries this will be the case only from 2035. Up to the end of the 1980s only around half of women qualified for independent pension entitlements due to gainful employment (Figure 3); they were thus strongly dependent on the incomes of their partners. The breadwinner in these countries acquired relatively high pension entitlements regardless of their educational status and thus the risks of poverty were relatively low, but at the cost of women's personal dependence. Many of those who are 65 years of age today have insufficient old-age incomes in their own right, but are able to compensate for it via personal dependence on a partner. In contrast to the Beveridge model the Bismarck system did not compensate for gender-specific social inequality arising from the labour market, but even intensified it in old age.

However, this assertion applies to the different educational levels to various degrees. In Section 3 we saw that even in the Bismarck countries the differences between highly educated women and men is much smaller than between those with the lowest level of education. On top of that, women and men with lower levels of formal education also have weaker ties to the labour market and thus to pension entitlements. Due to the equivalence principle of statutory pension insurance the risks of poverty are concentrated in this group, while the opposite is the case for the best educated.

However, Section 3 also showed that in comparison with the Beveridge countries access to the labour market for men and women of all educational levels is poorer in the Bismarck countries. As a result, a larger proportion of women and men in all groups have no access to pension entitlements. The difference is particularly sharp for those with the lowest level of education. Due to the very strong employment orientation of state pensions in these countries a larger proportion of the population are excluded than in the Beveridge systems, which are more strongly oriented to citizen status. Poverty policies based on means-testing are thus more important in the Bismarck states.

From Germany's perspective we can conclude that access to the statutory pension system is above-average for all women and for men with a high level of education in comparison with other Bismarck countries and even with at least the average in the Beveridge countries. However, in 2012 the employment participation and wages of educated men and women in Germany differed more sharply than is usual within the Beveridge framework, with the exception of the United Kingdom (Figure 6 and 7). For example, the employment participation of German men in 2012 was 8 percentage points higher than that of women, while the difference in Sweden was only 1 percentage point.[6] At the same time, the employment asymmetry of the low educated in Germany means that they, especially women, are much more vulnerable, even if the wage asymmetry is lower. German pension policy must take particular note of this. The question arises of whether income-related pension systems are appropriate here (see below).

Overall, these developments are in line with Esping-Andersen's picture of the incomplete revolution. In both country groups the options available to educated women to acquire pension entitlements have come closer to those of men, although wage inequality remains everywhere, especially among the highly educated, with consequences for pension inequality. For the less educated, however, protection is provided in the Beveridge countries by a broad universal pension. In the Bismarck states they are confronted with higher poverty risks.

In characterising pension systems in Section 2.1 I concentrated on their basic principles, saying nothing about the most recent reforms. In what follows I shall present these changes and evaluate their significance for the gender-specific social risks of future pensioners.

6. Eurostat, author's calculations; results not shown here are available on request.

5. Significance of Pension Reforms since 1995 for Women and Men

Since the mid-1990s the pension regimes of both the Bismarck and the Beveridge countries have changed. In summary, almost everywhere the significance of collective insurance for individual pensions has diminished (for example, Ebbinghaus 2011; Meyer et al. 2007). Citizens are thus exposed to greater risk.

Welfare states and companies are the two key actors who can organise insurance against social risks for citizens and employees and who are able to provide protection via redistribution in the event of unforeseen occurrences. Only states and, to a lesser extent, companies have access to additional resources that can be mobilised in cases of need. Only states and (to a limited extent) companies are also in a position to grant an income in old age even to those whose individual contributions were insufficient because of lower lifetime earnings. Although individuals can insure themselves privately, without the possibility of sharing risks with others they are not protected against sudden events, such as accidents or economic crises that thwart their savings plans or could drastically reduce their earnings. For this reason a curtailment of state and company guarantees brings more insecurity for individuals. Such curtailments have taken place in both Bismarckian and Beveridgean countries since the 1990s, however, with more alarming consequences for the former, as the following overview shows.

5.1 Bismarck Countries

In the Bismarck countries governments have substantially cut the level of state pensions, while making access to statutory systems easier (Table 1; Ebbinghaus 2012; Hinrichs/Jessuola 2012:13–14; Meyer et al. 2007). In order to compensate for the cuts at the same time – with the exception of Austria and Spain (OECD 2011: 197–198, 301) – occupational pensions and individual savings plans were boosted. Various incentives were intended to persuade citizens, companies and trade unions to try to expand non-state forms of old-age provision. Thus in the countries in which the state pension dominated efforts are now being made to distribute responsibility for benefits between state, companies and individuals. In this way the Bismarck countries have moved institutionally closer to the multi-pillar systems of the Beveridge countries. However, there are two key differences that are crucial for avoiding poverty: the »newcomers« ~~at first~~ decided against introducing basic pensions that are independent of employment histories and are not based on extensive means-testing. Although access to independent pension entitlements has been simplified, from which in particular women with interrupted employment histories have benefited, Belgium, France, Germany, Italy, Austria and Spain have no uniform-level basic pensions for all, regardless of employment history. Those who do not qualify for the statutory pension or have insufficient entitlements are dependent on ~~extensively~~ means-tested benefits (OECD 2011).

Reduced statutory benefits will thus heighten social risks, unless additional private pensions are able to fill the gaps. The conditions for that are made more difficult because, second, the governments of the Bismarck countries also decided against introducing obligatory occupational pensions or other forms of non-state pensions. Employers and employees have no obligation, besides their existing contributions to statutory pensions,[7] to provide for extensive membership of occupational pensions. Because of this voluntary element occupational pension benefits for newcomers are not ~~extensive~~ and, in the main, not high enough to compensate for substantial cuts in statutory benefits. As we shall see with regard to trends in the Beveridge group – and especially in the United Kingdom – since the 1990s international companies have taken less interest in occupational pensions. Individuals, by contrast, often do not undertake sufficient long-term planning (Madrian/Shea 2001; Thaler/Sunstein 2009: 36–39) or their incomes are too low to make up for public cuts privately.

Table 1 illustrates these trends. It shows projected pensions in relation to the final income that two hypothetical groups of employees would receive if they had begun their working lives in 2002 and in 2009 and retired after an uninterrupted working career in the 2050s (the length of employment histories differ nationally). Individuals in the three columns on the left acquire all their entitlements based on the provisions that applied in 2002, while in the middle three columns we find those who acquired their pension entitlements exclusively in accordance with the conditions prevailing in 2009. The difference between

7. In France there is an income-related pension that is entirely in the hands of the state, on top of which there is a statutory portion administered by the social partners (Nazcyk/Palier 2011: 94–97).

Table 1: Projected net pensions from statutory and other obligatory old age provisions for pensioners at the end of their working lives with 50 per cent, 100 per cent and 150 per cent of the average wage (percentage of the final wage)

	Working life begins in 2002			**Working life begins in 2009**			**Effect of pension reforms in 2002–2009**		
Income, percentage of the average	**0.5**	**1.0**	**1.5**	**0.5**	**1.0**	**1.5**	**0.5**	**1.0**	**1.5**
Bismarck countries									
Belgium	*82.7*	63.8	63.1	*74.9*	52.1	42.5	–7.8	–11.7	–20.6
Austria	*91.2*	93.4	93.2	*91.3*	89.9	84.6	0.1	–3.5	–8.6
Germany	*61.7*	66.6	71.8	*54.8*	56.0	55.6	–6.9	–10.6	–16.2
France	*98.0*	70.8	68.8	*69.4*	60.4	53.1	–28.6	–10.4	–15.7
Italy	*89.3*	88.0	88.8	*72.0*	71.7	71.8	–17.3	–16.3	–17.0
Spain	*88.7*	89.4	88.3	*82.3*	84.9	85.4	–6.4	–4.5	–2.9
Average	*85.3*	67.6	67.9	*74.1*	59.4	56.4	–11.1	–8.2	–11.6
Beveridge countries									
Netherlands	*82.5*	88.2	84.1	104.5	99.8	96.4	22.0	11.6	12.3
Finland	*90.7*	78.8	78.8	*72.0*	65.2	64.4	–18.7	–13.6	–14.4
Sweden	*90.2*	76.4	68.2	*71.1*	57.7	75.2	–19.1	–18.7	7.0
Norway	*85.8*	73.1	65.1	*72.9*	60.3	49.2	–12.9	–12.8	–15.9
Denmark	*95.6*	68.0	54.1	131.9	89.8	80.8	36.3	21.8	26.7
Switzerland	*71.4*	68.9	67.3	*78.6*	64.1	46.2	7.2	–4.8	–21.1
United Kingdom	*78.4*	*57.7*	47.6	*62.0*	37.4	*26.8*	–16.4	–20.3	–20.8
Average	*84.9*	73.0	66.5	*84.7*	67.8	62.7	–0.2	–5.2	–3.8
Difference Beveridge-Bismarck	–0.3	5.4	–1.5	10.6	8.4	6.3	10.9	2.9	7.8

Note: Assumptions: pensions simulated for individuals with full employment histories under the pension systems prevailing in 2002 and in 2009 with retirement in the 2050s. Pensions below 50 per cent of the average in italics.

Source: OECD 2005: 52; OECD 2011: 127

the beginning of 2002 and 2009 can be explained by the pension reforms implemented in the meantime. As the last three columns show, in almost every instance there have been cuts. In other words, the table shows fictitious future benefits because pension systems do not remain unchanged for decades anywhere. Such simulations, here carried out by the OECD, have the important aim of determining the viability of national systems at a given time. If one compares two particular timepoints with one another – in this instance 2002 and 2009 – it can be shown whether the reforms implemented in the mean-time have resulted in improvements or deterioration for those affected. The table also examines the effects of systems on individuals with different incomes. In this instance three types were chosen: an individual with an average income, one receiving only half the average income and one earning 50 per cent above the average income. These categories are differentiated neither in terms of individuals' level of education nor in terms of gender; this is not their aim. However, we can make good use of the information obtained in this way based on our interest in differences between women and men, as well as educational differences. Because there is a clear relationship between level of education and lifetime earnings we can assume that, more or less, the three income groups stand for three educational levels. With regard to employment histories women and men can fall in any category, but given the frequently interrupted labour market careers of women and other forms of discrimination men are more likely to be concentrated in the highest category and women in the lowest, with corresponding distribution between the categories. I shall discuss different possibilities when interpreting the table.

If we also assume, as is usual in comparative European research, that 50 per cent of the average income represents a lower threshold for income that is sufficient to enable someone to participate actively in society,[8] we can make general observations about systems' viability with regard to social inclusion.

It is essential for the issues dealt with in this study that in 2009 statutory pension entitlements in the six countries were much lower than in 2002. If we look at the number in terms of an inclusion threshold of 50 per cent of average income, in 2009 all low earners were further below this level than in 2002. This deterioration will affect all those with a low education, but especially women. Average earners were all well above the threshold in 2002 and most of them remained so in 2009; only in Germany and Belgium do projected pensions come very close to this level. Thus even for middle-income women and men risks have increased significantly there. The highest educated will not be affected by poverty; state benefits everywhere are too high to allow that. However, the cuts have taken a substantial toll on their pensions and thus it is beginning to emerge that their old-age income will differ significantly from their previous living standards.

The figures suggest that all income groups in the Bismarck countries are dependent on voluntary additional private insurance. Women and men with low incomes need them to rise above the inclusion threshold, but saving is difficult for them precisely because of their low incomes and thus their risk of poverty is exacerbated. Women and men on average incomes or above have to save for old age because otherwise their living standards will be in jeopardy. This applies particularly to Germany.

8. This threshold lies significantly above the income support threshold of most countries, which lies between 23 and 30 per cent of the average wage, but also over the level of minimum universal pensions (OECD 2011, author's calculations, table available on request).

Germany: Outsider in the Bismarck Group

Up to 2000 the German pension system was dominated by its statutory branch with income-relatedness as its key feature. However, there had been some reforms in the 1980s that, above all, improved the independent pension entitlements of women: house work and care responsibilities received more recognition and part-time employment and low wages were upgraded (for example, Meyer/Pfau-Effinger 2006). Men were negatively affected, especially by the curtailment of early retirement, while the raising of the retirement age concerned both genders (Meyer/Bridgen 2011).

Despite the dominance of the statutory pension occupational benefits had always played an important role in West Germany in maintaining the social status of the core personnel of large companies and of public employees. Because from 1957 the statutory pension took income into account only up to double the average, employees with higher earnings had to count on a lower level of payments in comparison with their previous income, thus making occupational pensions particularly attractive to them (Berner 2009: 117–119). In industry, despite major economic changes up to the end of the 1990s, at least two-thirds of all employees were also members of occupational pension schemes; in the public sector the proportion was even higher (Meyer/Bridgen 2011). These non-state systems were also income-related; in other words, companies and public-sector employers bore the risk involved in promising a certain level of income replacement. However, there were some cuts even in occupational pensions before 2000 and the number of members fell; however, they continued to play an important role in replacing the wages of employees on higher incomes.

The reforms imposed by the Social Democratic/Green coalition government under Gerhard Schröder between 2001 and 2004 ushered in a paradigm change in the pension system. In the Bismarck group Germany is the country that now relies most strongly on non-statutory benefits in the avoidance of social risks. Statutory pension payments were cut from 70 per cent to 64 per cent of final net income for employees with full employment histories, while contributions were frozen at below 20 per cent of income up to 2020 (Altersvermögensgesetz 2000; DRV 2009: 239, 93). There was no statutory minimum pension; instead, it was made easier for those whose statutory pension was too low to claim income support. The growth of occupational pensions and individual saving schemes was supported by state incentives and subsidies; however, there was no statutory obligation for companies to offer them. This means that in Germany, too, the two measures were lacking that in the Beveridge countries have been so effective in preventing poverty: a basic pension and obligatory access to occupational pensions. Thus the course was set, in the long term, for more old-age poverty. This will especially affect people with low education and above all low educated women. This impression is confirmed by Table 1. Statutory pension entitlements for low earners in Germany were, at 54.8 per cent of the final net wage, by far the lowest among these countries, the gap with the next lowest country, France, being as much as 14.5 percentage points. This considerably exacerbates the risk of poverty of couples with low education. Women are harder hit in this respect than men because of their weaker links to the labour market.

Unfortunately, the prospects are little better for those on average income. Only in Belgium is the pension below the German level of 56 per cent, while the other countries in the group are higher by between 4.4 (France) and 34 percentage points (Austria).

The options open to poorer citizens of making up for the risks created in this way by individual savings – for example, within the framework of so-called Riester pensions – are very limited. Hitherto, there has been no country in which a non-statutory savings model of this kind has worked (for example, Bridgen/Meyer 2007). The futile efforts of British governments to get something of the kind off the ground are an obvious illustration (see below) and in Germany, too, experience in this area has been negative so far (Hagen/Kleinlein 2012).

However, these numbers indicate that also those in Germany on average income have been sharply affected by the reforms of the past decade. Even if one assumes that the statutory incentives to voluntary occupational insurance are widely ~~used~~ the new kind of occupational pensions, in which the investment risk is largely taken by individuals, are not adequate to make up for the cuts to statutory benefits. The traditional occupational pensions of large companies, which are more reliable for employees, guaranteeing a fixed level of payment, are under similar pressure from the capital markets, for example, in the United Kingdom and the Netherlands; some are already not taking any new members (for more details, see Bridgen/Meyer 2013).

Overall, we can conclude from this overview that without further pension reforms substantial parts of the population over 65 years of age will in future live below the inclusion threshold of 50 per cent of the average income (see also Hinrichs/Jessuola 2012). All those with below-average incomes – and thus women in particular – would be even harder hit. At the same time, however, maintaining the social status of average and above-average earners, which was stable for a long time, is also called into question. Social policy must improve access to and the level of occupational pensions or get used to the idea of the long-term social decline of the middle class in old age, together with the foreseeable political discontent of higher earning women and men.

5.2 Beveridge Countries

There have also been cuts in the Beveridge countries in the past 15 years, some in basic pensions and some in the area of obligatory occupational pensions (Table 1; see Ebbinghaus 2012 for country studies). In Norway (OECD 2011: 279), Sweden, Finland and the Netherlands basic pensions and occupational pensions were more strongly linked. The level of the first pillar was adapted to that of the second: the lower the occupational pension, the higher the basic pension. In none of these countries did the basic principles of the system change, however: access to the minimum level of the first pillar remained for all citizens; and they continued to adhere to the statutory guarantee of general access to the second pillar for all employees, occupational pension schemes.

This is illustrated again by Table 1. It shows, on one hand, that the pension entitlements of all income groups have been cut. These cuts have been substantial for all income groups especially in Finland, Sweden and Norway. As already discussed, they reflect the pressure exerted by economic globalisation and demographic ageing, but also political preferences and the outcome of national conflicts. The importance of such politics is illustrated by, for example, Denmark and the Netherlands, where pension entitlements have risen significantly for all income groups.

Despite substantial cuts, in 2009 the average level in the Beveridge group for the three income groups was markedly above that of the Bismarck countries. The difference of 10.6 percentage points characterising below-average incomes was particularly large. This makes evident the higher degree of redistribution in the Beveridge group even after the cuts. It is important for active inclusion that in 2009 future pensions for below-average earners were still at least 71.1 per cent (Sweden) and in the Netherlands and Denmark were even higher than the wage. In the Bismarck group replacement benefits in Austria, Spain and Belgium are also relatively high, although not at a similar level. If we recall that in the Beveridgean countries even women with low formal ~~educations~~ have been well integrated in the labour market since the 1970s and have a greater probability of following their partners into paid employment it is clear that the interplay between economic activity and pension systems with basic insurance averts the risk of old-age poverty. Women and couples with low levels of education and income are thus better protected in the Beveridge countries.

In spite of the on average higher protection in the Beveridge countries in 2009 the two groups also have a number of things in common. For example, in Sweden, Norway and Switzerland those on average and/or above-average incomes have to accept losses, as their pension incomes are substantially below their previous incomes from employment. Only Dutch and Danish employees have significantly higher entitlements, as do Swedish employees on higher incomes. As in the Bismarck countries the question arises here of how well-paid men and women will react to the prospect of such a decline the nearer they come to old age.

United Kingdom – Integration of the Outsider

Reforms in the United Kingdom, in turn, took a somewhat different course. As already mentioned, this country was long an outsider in the Beveridge group because occupational pensions could be offered on a voluntary basis and the statutory pension was very low. British developments are particularly interesting from a German standpoint because for decades the United Kingdom has attempted to comply with people's desire for security in retirement on the basis of statutory pensions – which on their own were insufficient – by complementing it with voluntary private provision, especially occupational pensions. Germany's reformed pension system with its mixture of curtailed statutory benefits and orientation towards making up for it with voluntary private provision is similar, even though the statutory branch is more strictly income-related.

The British example shows the weaknesses of this model very clearly. Before the fundamental reforms of the Labour government in 2007/2008 the system was plagued by the chronic problem that at most only half the population was adequately protected. Those without access to the excellent occupational pensions in the public sector and large companies were heading for dependence on income support in old age; they thus had almost no incentive to save. On top of that, from the end of the 1990s many large companies closed their occupational pension schemes to new members, motivated by the changing circumstances of international markets and demographic change, but also by an instinct to follow the herd: as soon as certain companies in a sector began to close their pension schemes it could be predicted that their competitors would follow suit (Bridgen/Meyer 2005). The problem of inadequate pensions was thus exacerbated and now threatened the futures of those on average and higher incomes. Various governments had tried to make voluntary saving for old age more attractive by means of incentives, especially for women and men on below average incomes, but they had failed. In order to tackle the problem in a different way the reforms of the Labour government first raised the statutory pension substantially and extended access to it, from which in particular women and men on low incomes and with interrupted employment histories benefited. Second, all employers were obliged from 2013 to pay at least 3 per cent of their wages into a pension fund for employees, with a state contribution of 1 per cent and a contribution from the insured person, so that in total a level of at least 8 per cent is achieved (Bridgen/Meyer 2011). Employees had the right to leave this system. Because a return to the problems of the past was no solution these reforms were confirmed by the conservative-liberal coalition government, although it has had to deal with the most serious economic crisis since 1976 (Crossley et al. 2012: 5–8). As a result of these reforms the United Kingdom, too, now has the characteristics of the other countries in the Beveridge group. In Table 1 the effect of the 2008/2009 reforms is ~~still not~~ discernible, being based on the previous state of affairs. Since the new regulations came into force, however, the projected pension level has risen substantially for those previously excluded from occupational pensions (Bridgen/Meyer 2011). This benefits primarily those on low incomes and incomplete employment histories; in other words, the situation has improved for women. However, the reform did little for the overwhelmingly male employees of large private companies on high incomes, who no longer have access to the extensive defined-benefit systems: their desire to secure their social status can no longer be fulfilled, in the long term, by the relatively low level of the new occupational pensions. Qualified women employed primarily in the public sector, by contrast, are still well protected by the defined-benefit occupational pensions that are customary there, although these are now under pressure (Bridgen/Meyer 2012).

Overall, gender inequality in relation to old-age provisions has diminished in the United Kingdom. The main beneficiaries are those who previously were excluded from benefits above the poverty line, including in particular low qualified women, but also men. The largest at-risk group has thus been helped by traditional social democratic intervention. Losing out, despite the introduction of a more extensive minimum threshold, are especially average or above-average earning men in the private sector. The status insecurity of highly and intermediately educated couples has thus increased, as in all other countries. It is thus apparent that in the United Kingdom over the long term the political pressure from the middle class will grow (Bridgen/Meyer 2011).

From the German standpoint it is also important to note that, after the British pension reforms of 2007/2008, there is no longer a country in the Beveridge group that leaves occupational pensions to companies. This model is deemed as dysfunctional in all these countries with developed multi-pillar systems.

6. Beveridge Not Bismarck!

Recommendations for Social Democratic Pension Policy in Germany

The aim of the present study is to present Europe's pension systems in transition and to examine the effects of the reforms on the situation of women and men. I have paid particular attention to the question of what social democratic social policy in Germany can learn from these developments.

First, it was established that the analysis would focus on possible future old-age incomes of today's employees. Germany's pensioners are, on average, not poor at present and thus it seemed to make more sense to concentrate on the possible problems of future generations of retirees.

In Section 2, a number of factors that are important in relation to the course and effects of the reforms were discussed: the pension-insurance institutions of different countries determine the quality of old-age income. The Beveridge model consists of basic pensions, supplemented by statutory occupational pensions. Thus people on low incomes are better protected than in the Bismarck model, in which there are no basic pensions and payments depend more closely on employment earnings. This was Germany's institutional point of departure in the 1990s, before the major reforms of 2001.

Second, this part of the study showed that economic growth and employment participation are correlated and that high female employment participation is thus not an obstacle to growth – on the contrary. Furthermore, it makes it easier for women to acquire independent pension entitlements. Policies that facilitate gainful employment for women are thus a key component of pension policies that protect against poverty.

Sections 3 and 4 of this study showed that women's employment participation has improved substantially since the 1960s throughout Europe, but that this trend must be differentiated in terms of education and pension regimes: the highest educated men and women are also those best integrated in the labour market; that is, the difference between them is smaller than between men and women with the lowest level of education. Second, women's employment integration in the Beveridge countries occurred much earlier due to their active policies on equality and all educational groups are integrated – albeit to different degrees – at a higher level than in the Bismarck countries. This was also an effective pension policy because it ensured that a large proportion of women in these countries already have independent entitlements to pensions that ensure social status beyond the basic provisions. Despite this improvement, however, wage inequality has not been achieved anywhere and social inequality in old age will thus continue.

To date the Bismarck countries have not been at the same level as the Beveridge countries. In Germany highly educated women have converged with men on the labour market, albeit with the important caveat that wage inequality stubbornly persists. The employment participation of low educated women and men in Germany is overall low – as in other Bismarck countries – but it is particularly underdeveloped among women in Germany, so that the asymmetry between the sexes in this group is high. Furthermore, German women, like other women in the Bismarck group, remain more closely dependent on men in old age for longer. A pension policy that is sensitive to women's poverty risks must take account of this »incomplete revolution« (Esping-Andersen 2009), as well as the particular risks of low educated men. This very much applies to Germany. With regard to highly educated women pension policies should endeavour to eliminate unfairness on the labour market.

Since the mid-1990s future pensions have been cut in almost every country. This also concerns the Beveridge countries, whose social risks have increased, although women and men with low levels of formal education are better protected by the minimum pension level, the obligatory occupational pensions and, not least, by high employment participation. In the Bismarck countries, however, the cuts have been accompanied by a structural change that has been most radical in Germany. The statutory pension level was markedly lowered here, with an increase in the incentives for voluntary occupational pensions and personal pension savings plans by way of compensation. Thus the social risks of what were already the most vulnerable groups – women and men with low education and low lifetime earnings – have been exacerbated. Because they have the lowest probability of obtaining sufficient additional benefits and because women in this group are less often in employment, they bear the greatest risk of dependence on income support in old age.

On top of all this, those earning average or above-average wages can now no longer rely on maintaining their social status in old age. The statutory pension in Germany just about gives them an income at the inclusion level, but it is more than doubtful whether payments from the newer occupational pensions will suffice to compensate. Germany's pension system, since the 2001 reforms of the SPD/Green coalition government, is similar to the failed UK model.

Middle-class dissatisfaction with low pensions led to the extension of income-related benefits in every country in Europe during the expansionary phase of the welfare state in the 1960s and 1970s. Today, we are seeing a reduction of these benefits in almost every country, including in the Beveridge group. The nearer those affected – average and above-average earning women and men – come to retirement, the more urgent will the problem become for them. The danger of falling below the threshold of social inclusion is greater even for higher earning women due to wage discrimination. Future governments will encounter problems for this reason. The inadequate protection of the middle classes in retirement will generate considerable pressure for reform.

What can be done? In particular, what can be done in terms of social democratic social policy; that is, a policy that seeks to prevent old-age poverty and to create good conditions for the active participation of all people in society, but which is also sensitive to the interests of the middle classes, including especially fairer wages for educated women?

Based on the facts and trends discussed, there are two worthwhile aims in particular:

First, active labour market policy must continue to try to reduce wage inequalities and to promote women's employment, but also that of men, especially those with a low level of education. Social science research is agreed that policy measures enabling better reconciliation of child raising and working life have a positive effect on women's labour market integration (for example, Christofides et al. 2013: 100) and thus can also halt the fall in birth rates, especially in Germany and Italy (Castles 2003). This insight currently enjoys strong political support. The »activation« or »investive social policy« paradigm has become strongly anchored in European labour-market and social policy (for example, van Kersbergen/Hemerijck 2012). Its implementation has been due less to academic recommendations than to the fact that, as shown in Section 2 of this study, a high general level of employment participation is correlated with economic growth, which in turn was deemed a condition of EU member states' being able to align their budgets with the Maastricht criteria, which were supposed to ensure a stable European currency. Because pension expenditure is the largest single budgetary item in all European countries European and national pension policymakers have declared that a general increase in employment participation is also a key condition of the long-term financial stability of pension systems and thus of state budgets. They are thus ideologically attached to employment-friendly family policies (European Commission 2012: 6–7).

In this context, Germany has finally undergone an ideological turn. Having long been categorised in the comparative literature as the best example of the conservative welfare state (for example, Lewis 1992) it has made considerable progress in the area of public child care. The relevant measures have eroded the core assumption of the breadwinner model, which is still widely prevalent, that the welfare state should generously compensate the loss of income of mothers who look after their children at home. The reforms of the 2010s have made it easier for all to reconcile family and working life, not least by expanding child care for 1 to 3 year-olds (Jüttner et al. 2011). They have thus taken an important next step towards finishing the incomplete revolution. Further reforms should follow, such as the abolition of splitting income tax between spouses and the recently introduced child care benefit.

Also necessary for fairer participation in the labour market for women is the reduction of the wage differences between women and men with high formal qualifications, which in Germany is particularly pronounced (Alàez-Aller et al. 20011: 64). A family-friendly labour market and social policy is an important step in this direction (for example, Christofides et al. 2013), but it must also be considered how the stubbornly persistent discrimination against women, which is based on disregard and stereotyping, can be combated more effectively. A modern social democracy that will also be attractive to educated women must address this problem.

Second, employers should be obliged automatically to integrate all employees in occupational pensions, ~~in which they must also have a financial stake~~, while a minimum level should be set for the statutory pension. From a comparative standpoint it is unlikely that a pension system dependent on voluntary additional payments will be feasible without an expansion of dependency on income support in old age. The United Kingdom is an instructive example in this respect. Despite decades of trying, no British government has been able to encourage more extensive old-age provision at the voluntary level. The conclusion suggests itself that non-state actors – enterprises and insurance companies – will not voluntarily perform the task of helping to avoid old-age poverty. In the end, here too, the last country in the Beveridge group, companies are no longer left to their own devices in this respect and the statutory pension has been raised. Germany should follow this example, possibly – as in the United Kingdom – by giving employees the option of opting out of the occupational pension if they do not want it. Instead of tightening compulsory insurance even further, however, it is also, of course, possible to allow increasing dependency on income support among old people. The powers-that-be must in that case accept that part of the population will not claim such benefits and will thus be exposed to poverty. Furthermore, many people will not save for their sunset years if they know that in old age their accumulated capital will be set against income support. The latter consideration was one of the main reasons British politicians increased the state pension and introduced obligatory occupational pensions for all companies.

For a social democratic labour-market and social policy it will be easiest to pursue the goal of activation policy. Ideologically, this approach is currently the consensus throughout Europe, because at the very minimum it is deemed to be cost-neutral but it promises to reduce state expenditure over the long term. It would be much more controversial, however, to step up compulsory insurance for companies and to introduce a statutory minimum pension. After all, in 2001 Germany's Social Democrat/Green government brought about a paradigm change in the pension system not least to satisfy the demands of German industry for a reduction in non-wage labour costs. Raising them again would meet with strong resistance. Furthermore, in contrast to activation, no ideological support is to be expected from the European Union in this respect. Its White Book on pension reform, published in 2012 (European Commission 2012), does declare itself in favour of secure and fair pensions, but in order to achieve this goal the Commission advocates merely voluntary measures, to be encouraged by tax incentives and trade union participation. The evolution of public/private pension systems in Europe shows that such a policy cannot effectively reduce social risks and, furthermore, leads to considerable social inequalities. It would be a good thing if Social Democratic policymakers do not take their lead from the White Book but instead strike out on a more controversial path and help to ensure that the renunciation of the Bismarck model that is now under way is completed by a comprehensive change of direction towards the Beveridge model.

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