

3 Shifting the pension mix: consequences for Dutch and Danish women

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Abstract

All European countries are aiming to reform their pension systems in line with two conceptual ideas: firstly, systems should combine public, occupational and private pensions; secondly, entitlements should be individualized. The Dutch and the Danish pension systems already consist of these three different pensions with relatively individualized entitlements and in a way form an ideal type of pension system.

However, these systems are far from ideal since they are deeply gender biased. The positive effects of citizenship-based state pensions conceal the negative ones. In addition, recent developments in the combination of the pension schemes counteract the positive effects. Given the male-oriented norm when it comes to full pension entitlements, and given the fact that life courses are still gendered, these countries' systems and developments have negative effects for women.

Keywords

Denmark; Gender; Pension mechanisms; Pension reforms; The Netherlands

3.1 Introduction

EU objectives (EC-Report 2003), World Bank reports (1994 and, slightly modified, 2005) and National Action Plans (NAPs 2002) aim to restructure pension systems so that entitlements should be built up through public, occupational and private schemes. The importance of (additional) occupational pensions is meant to be extended and accompanied by retrenchments within public pensions. Although

systems within Europe vary considerably, this shift has one tendency in common: in practice women's pensions in particular are strongly affected because fewer women than men have occupational pensions, and where they do, the amounts of their entitlements are lower (Sainsbury 2001, Veil 2002, Nicoletti & Peracchi 2003, Anderson 2005).

This paper examines how the shift towards strengthened occupation-related pensions will influence more and more gender differences in countries that have a Beveridge type of basic pension, such as the Netherlands and Denmark. Both countries have relatively well-developed multi-pension systems, and both have a well-developed state pension following the residency principle. These kinds of universal public pensions are often considered to work out very positively for women (Leitner 2001). However, this is only partially right: they do not per se prevent poverty and they may incorporate many disadvantages for women, as can be found in both the Dutch case and the Danish case. Recent trends, such as reducing the level of basic pension entitlements, a stronger dependence on additional pensions and the individualization of pension entitlements, are considered to be gender neutral (Maier 1999). However, they are particularly problematic for women. This paper focuses on mechanisms that will lead to increased gender differences in such systems.

We focus on the most important factors and developments of the two systems. The Dutch and the Danish pension systems do not have as much in common as it might seem at first glance: the specific combination of measures has different results. In both countries this has a considerable impact on women's pension positions. To fully analyse

all the gender impacts of just these two old age pension systems would go far beyond the scope of an article. It is the intention of this paper to point out largely ignored but important elements of shifting pension mixes. This study concentrates on a number of general and specific mechanisms and tendencies. It is not the aim of this contribution to discuss the normative challenges.

There is much literature related to the subject of this article. Different aspects are touched upon and it is not possible just to name the most important contributions or experts. On the theoretical level of welfare states and pensions respectively, we emphasize the work done by Myles (2002), Pierson (2001), and Bonoli (2000) and the distinction they make between social insurance and multipillar systems. The focus on gender and pensions has already been put forward by Ginn (2004), who paid special attention to the British case, and by Veil (2002), who did excellent work on Germany and France. The gender debate was influenced, for instance, by Lewis (2002) and Sainsbury (2001). This article makes a contribution towards a better understanding of different gender relevant aspects of systems that are seen as worth adopting. In the UK, for instance, there is debate surrounding the advantages of a basic pension as it exists in the Netherlands and in Denmark.

After introducing a number of conceptual problems, this article takes a closer look at the different pension schemes and the care factor, and ends with conclusions on important mechanisms.

3.2 Conceptual framework

Before we analyse and make a rough comparison of the two pension systems, it is necessary to clarify some terms as well as a number of concepts that are used to compare pension systems. While many researchers compare welfare systems as a whole and divide them into three or four types of welfare states (the huge amount of literature following Esping-Andersen's categorisation of 'The three worlds of welfare capitalism') some other researchers face considerable difficulties when comparing only one dimension of welfare states, such as pension systems (Becker 2000, Leitner 2001). A comparison of pension politics in three small states, Denmark, Sweden and the Netherlands (Anderson 2004), shows that despite differences in the pension systems, outcomes are similar. However, the analysis does not focus on the position of women. Numerous factors have to be understood and taken into account, so that categorisation tends to lead to less understanding rather than a better understanding. Categorisations say too little to understand the important similarities and differences within the dynamic process of social rights' development (for activation policies see, for example, Van Oorschot & Abrahamson 2003). 'Beveridgian', for instance, is, to a certain extent, appropriate for both countries' pension systems, the Dutch and the Danish ones, but also for the very different system in the UK. And referring to the Dutch system as 'hybrid', 'continental' or 'corporatist', while Denmark and Sweden are termed 'social democratic' is misleading when it comes to pension systems. The pension systems in the Netherlands and Denmark are comparable, as well as, for instance, the important position of social partners (Green-Pedersen 1999, EC-

Report 2003). For this reason, instead of using categorisations, this article analyses both systems' similarities and differences with regard to pension mechanisms.

The conceptual framework of this article involves the difficulty of separating different pension schemes while each country has its own different way of financing and combining the different pension entitlements. Nevertheless, to improve the comparability of pension systems, we make a distinction between basic pensions, occupational pensions and private pensions.

When making a comparison one should be aware of the difficulties and the relativity of such differentiations. First of all, the concrete connections between the different pensions are hardly comparable at all. For example, the public and the occupational pensions are linked to each other, but in a different way in both countries. A clear categorisation is also difficult for private pensions, due to the fact that they are, in one way or another, subsidized by the state. In addition, it is difficult to clearly differentiate between pension schemes, other benefits (such as services, cash benefits, means tested minimum rights) and direct or indirect contributions, for example, through different forms of taxation. We therefore do not assume that the public and the private can be clearly separated. There is no such simple dichotomy (Knijn & Kremer 1997, Sainsbury 2001; Harvey & Maier 2004). Moreover, statements that PAYG systems categorically imply more solidarity than capital funded systems are criticized by many researchers as being just apparently true (and in contrast, for instance, with schemes within the Danish system, as we will show). As far as Dutch and Danish basic pensions are

concerned, the question is the extent to which they are unconditional and individual citizens' rights: the Dutch *AOW* and the Danish *Folkepension* are far from being twins. And finally, care credits, which are generally recommended by the EC-Report (2003), do not form part of the systems analysed. Yet care and motherhood do have important, although varying, impacts in the two systems. Therefore, the fact that pension schemes are embedded in the unique welfare system influences comparability. This complexity also necessitates making several cross-references within our analysis.

The second point is the comparability of the data provided. Only some pension-determining factors can be substantiated. The enormous complexity of the issue requires both qualitative and quantitative data and a high level of interpretation in order to analyse the gender dimension of pension systems.

Therefore, when comparing and analysing the most important gendered factors of the two systems, both the structure and embeddedness of pension schemes, and the divergence in the data provided, have to be taken into account.

3.3 Comparison and evaluation of Dutch and Danish pension systems with respect to gender differences

To avoid losing the reader who is not used to reading about pensions or who is not familiar with the countries' systems, we begin with a general overview of the different pension schemes in these two countries (see table 3-1).

Table 3-1 Overview of Dutch and Danish pensions

	Basic	Occupational	Private
NL	AOW	Mandatory	(Tax subsidised, under certain conditions)
DK	Folkepension (+ means tested supplement to reach a guaranteed minimum income)	Mandatory: ATP max. 40% of the Folkepension (+ additional)	(Tax subsidised, under certain conditions)

*In parenthesis means not necessarily

3.3.1 Basic pensions

In both countries, basic pensions are a very important source of income in old age. However, the relative and absolute pension value of this basic pension changes, so that wage-related pensions increase in importance. This development is a gendered one, as we will show in detail. Special attention is given to the degree of individualization of basic pensions, to gendered dependency on basic pensions, to the apparent poverty-preventing effect of basic pensions, and their developments in terms of retrenchments, changed indexation or conditionality.

Both countries provide work-independent universal pension entitlements based on duration of residence, financed by general taxation in Denmark and by contributions on all earned income in the Netherlands. The level of this flat-rate benefit is indexed to wages: to the minimum wage in the Netherlands, and to private sector wages in Denmark. Although these entitlements are individual rights, the Dutch system differentiates

between households so that the AOW (basic pension) of a single household is 70 per cent of the minimum income and the AOW for a couple's household is 50 per cent per partner, i.e. 100 per cent per household. Therefore, the Dutch AOW is not completely an individualized right. We will return to this differentiation when we analyse the link between the basic and the occupational pension, referred to in Dutch as Franchise (see below).⁹

In both systems the basic pension is the most important source of pension income. Yet in Denmark, in 2002, 64 per cent of pensioners received the full supplement (EC-Report 2003). This supplement is a means-tested pension right, i.e. it is given to pensioners who have not built up sufficient additional entitlements. Together with the basic amount (1998: basic amount = € 524, means-tested supplement = € 153; Becker 2000, Nom-Nos 2003 for 2001), it builds the guaranteed minimum income of older people (total € 677). This guaranteed minimum income is similar to the Dutch basic pension (€ 663).¹⁰ Therefore, the general, non-means-tested basic pension in the Netherlands is much higher than the Danish one (€ 663 versus € 524). In addition, in contrast to the Dutch basic pension, the Danish (non-means-tested) one is conditional: it is deducted from high individual earnings. The Danish conditionality of basic pension entitlements levels off

⁹ For the Danish entitlements, see NAP [DK] (2002) and Nom-Nos (2003: 124). The basic pension is individualized. Supplements and taxes lead to differences between households.

¹⁰ This is the amount per person of a couple's household including vacation benefit (SZW 2004). The single AOW amounts to € 921 plus vacation benefits. The Danish and Dutch systems have additional child rearing supplements (Nom-Nos 2003: 123, SZW 2004). The figures are before tax. Dutch pensions are taxed less than wages, while Danish pensions are fully taxed. On the other hand, there are many free services for Danish pensioners that are not for free for their Dutch counterparts, such as home care or health services. Those combinations show the relativity of cash benefits: they have to be seen in the national context.

pension entitlements towards the generally lower pensions of, for instance, women much more than the Dutch system does.

In general, basic pensions are seen as having a positive effect when it comes to preventing poverty. However, this assumption is not necessarily correct. Both countries, while offering basic pensions, do have different at-risk-of-poverty rates. In Denmark, the at-risk-of-poverty rate is much higher in old age than before the age of 64 (both above EU15 average) and for women it is even higher than for men, while in the Netherlands, gender does not make any difference and older people are less at risk of poverty than younger people (and far below EU15 average, see table 3-2).

Table 3-2 Background statistics

	Denmark			The Netherlands			EU-15		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
(1)	5/12	4/10	6/14	6/4	6/4	6/5	10/9	9/7	10/10
(2)	7/31	7/26	8/35	11/7	11/7	12/7	15/17	15/15	16/19
(3)	0.68	0.70	0.66	0.93	0.98	0.89	0.89	0.92	0.86
(4)	76.2	80.2	72.0	74.1	82.7	65.2	64.1	73.0	55.0
(5)	58.0	63.0	49.8	39.6	50.5	28.0	38.8	48.3	28.7

Source: EC-Report (2003).

Recent income situation (1999 ECHP data)

(1) At-risk-of-poverty rate (at 50% of median) (0-64/65+)

(2) At-risk-of-poverty rate (at 60% of median) (0-64/65+)

(3) Income of people aged 65+ as a ratio of income of people aged 0-64

Employment (2001)

(4) Employment rate (15-64)

(5) Employment rate (55-64)

This leads to two conclusions: firstly, while the Danish guaranteed minimum income, consisting of the basic pension together with the means-tested supplement, is similar to the amount of the Dutch basic pension, Denmark has, nonetheless, a rather high at-risk-of-poverty rate of people over 65. This shows that the basic pensions alone are not sufficient to counteract poverty. Secondly, for three-quarters of Dutch people over 65, the basic pension represents about half their total gross income (SZW 2004). This means that most Dutch people, in contrast to their Danish counterparts, build up additional and apparently poverty preventing entitlements.¹¹

Caused, among other things, by difficulties within the generation contract (Keyword ageing), PAYG financed pensions have faced significant retrenchments without being directly attacked. Also in the Netherlands, due to rather technical procedures such as the de-indexation of the minimum wage from real wage growth, the basic pension as a percentage of the average gross salary decreased by 25 per cent between 1980 and 1998 (Delsen 2000: 151). The so-called Cappuccino-Mix of the Dutch pension system – with coffee as the basic pension for all, milk as the occupational pension for workers, and cocoa as the private pension from additional investments – seriously changed the proportion of its ingredients and reduced the universal ingredient: the coffee (see table 3-3). This shift, the reduction of the AOW in particular, mainly affects women due to their greater dependency on the basic pension

¹¹ Within this context other factors gain in importance such as the percentage of rented or owner-occupied housing in old age, called the ‘fourth pillar’ in the recent World Bank report (2005). Including several additional factors within their national calculation of poverty rates, the Danish numbers differ considerably from the European ones (both in EC-Report 2003: Denmark).

(CBS 2000: 16, 20). To extenuate the process of individualizing pensions in the Netherlands, ‘extra coffee’ was given in the form of an AOW supplement for the younger (i.e. not yet retired) partner of a pensioner, which is generally the woman. This partner allowance within the basic pension will be phased out in 2015. Widow’s pensions are also to be minimized (EC-Report 2003).

Table 3-3 Proportion of pension schemes in the Netherlands

Year	AOW	Occupational pensions	Private pensions
1980	85-90%		10-15%
2004	50%	40%	10%

Source: Bösch-Supran (2004).

The Danish basic pension entitlements are linked to private sector wages at a level that, in connection with all additional services, is considered to be ‘politically [...] fair’ (NAP [DK] 2002: 8). Although this sounds quite vague, it has to be seen against the background of Danish pensioners’ powerful lobbyism (Green-Pedersen 1999). For most pensioners, the basic pension is the most important one, supplemented either by means-tested benefits or by the relatively low Supplementary Labour Market Pension Fund (ATP, see table 3-4), which amounts to 130 per cent of the means-tested supplement¹². This ATP amounts to a maximum of € 2,410 per year, i.e. 40 per cent of the basic amount; therefore, the ATP is a very low entitlement. And, although the ATP scheme is obligatory, more than a quarter of all pensioners do not receive any ATP benefits, and

¹² The ATP is work related because it is paid by contributions from employers and employees. However, the contributions are felt as a form of tax and the entitlements are (in contrast to those of other Scandinavian countries) not income related but time related, i.e. the duration of paying contributions determines the entitlements.

most pensioners do not have other entitlements (NAP [DK] 2002: Appendix 2).

Table 3-4 Percentage of Danish pensioners entitled to the different pensions in 1995 and 2015

Year	Basic security	Income security
1995	Folkepension: 100% ATP: 75%	Occupational pensions: 15-20% Private pensions: 10-12%
2015	Folkepension: 100% ATP: 95-98%	Occupational pensions: 75-85% Private pensions: 25-35%

Source: Nordheim Nielsen (1998) in Schmid (2002: 128).

It is therefore obvious that basic pension entitlements have a primary position for the large majority of Danish pensioners. Nevertheless, if new arrangements are accepted in the sense of shifting the pension mix, and they are already in the offing (NAP [DK] 2002: 11-14, Schmid 2002: 128), it is first of all the position of women that will come under pressure due to women's even greater dependency on the basic pension.

3.3.2 Care

In both countries, care, and parental leave in particular, is structurally gendered. Not surprisingly, care leads to gendered pension effects. This section shows how this works in detail, and analyses factors such as pension care credits, child care facilities, gendered take-up of parental leave, half-hearted implementations of de-gendering concepts and the influence of costs related to parenthood.

While some European countries introduced care credits in their pension systems, neither the Danish nor the Dutch system is meant to be extended by such credits because of their universal basic pensions. In

both systems, additional pension entitlements can exclusively be built up through labour market participation or private investment. Both systems assume that each person should fully participate in the labour market. But even in Denmark, where women have one of the best labour market positions in Europe, they are far from reaching the participation rate and wage level of men (see table 3-5).

Table 3-5 Gender differences in labour market participation in Denmark

Age	Labour market participation	Employment rate	Proportion of persons outside the labour market	Proportion of part-time employed
16-19	-5.5	-5.6	5.5	16.2
20-24	-6.7	-6.7	6.7	12.1
25-29	-7.0	-7.8	7.0	2.5
30-34	-5.6	-6.6	5.6	0.9
35-39	-3.9	-4.5	3.9	2.2
40-44	-2.8	-2.9	2.8	4.9
45-49	-3.3	-3.2	3.3	7.9
50-54	-7.2	-7.2	7.2	9.9
55-59	-15.0	-14.9	15.0	11.5
60-66	-17.6	-17.2	17.6	15.7
16-66	-7.8	-8.0	7.8	6.8

Source: Statistics Denmark (2001), in Emerek (2001: 28).

Although neither Denmark nor the Netherlands provides care credits in their pension systems, childbearing and childrearing affect Danish women differently than their Dutch counterparts. While Denmark has quite well-developed child care facilities, and reducing waiting lists is on the agenda, there is a lack of such facilities in the Netherlands. Nevertheless, the positive influence of the mainly state-paid child care facilities in Denmark should not be overestimated. Care facilities are

guaranteed from the age of one, while parental leave is possible for 32 weeks (this unconditional parental leave was reduced from 52 weeks in 2002; any further leave depends on agreements). Furthermore, it is mainly the 3 to 5 year-olds that are looked after in such institutions (92 per cent in 2000), while this is only the case for 56 per cent of the 0 to 2 year-olds (Wehner & Abrahamson 2003). Therefore, the combination of parental leave and existing care facilities shows probable consequences for labour market participation and, as a consequence, pension levels. Pension entitlements for related additional parental leave, however, have to be bought individually.

In 2002, parental leave taken by Danish women remained at 93 per cent and was taken mostly when children were between 6 months and two years old (Warren 2000: 3). Although it is possible for Danish fathers to take parental leave, the wage loss for the family is greater because parental leave entitles the person taking the leave to benefits equal to those of 32 weeks of unemployment benefits (Warren 2000: 4). It is not surprising, therefore, that the so-called ‘free choice’ for parents within the Danish system is sharply criticized: ‘the choice might not be that free after all’ (Wehner & Abrahamson 2003: 36).

This criticism can also be levelled at segregation in the Danish labour market. For women who plan to have children, it is beneficial to be employed in the public sector, thanks to its additional family-friendly regulations and benefits. The wages, on the other hand, are lower and increase less than in the private sector (Warren 2000, Udenrigsministeriet 2004). Accordingly, the highly gender-segregated Danish labour market will remain gender-segregated as long as most

women's biographies imply motherhood. In short, even in Denmark 'the "costs" of having children are still gender biased' (Wehner & Abrahamson 2003, for a detailed criticism see Warren 2000).

The Dutch response to coping with care responsibilities differs from the care facility oriented system of the Danes. The Dutch developed an ambitious political vision of equally redistributing time for care and work between the parents (the so-called Combination Scenario). However, this gesture of goodwill lacks adequate implementation. For instance, by including other non-working periods such as training, sabbaticals and early retirement into a recently introduced concretisation of this concept (the Life Course Saving Scheme (Levensloopregeling), in force as of 2006), the value of care and the likelihood of de-gendering it became relative. This is a big problem due to the lack of care facilities. To reach the pension norm, it is necessary to be insured for 40 years. It is obvious that mothers do not often comply with this number of years. Furthermore, when Dutch mothers resume work, it is usually in part-time employment, again due to the lack of sufficient care facilities¹³. As a consequence of interrupted and part-time employment, they hardly build up any pension entitlements within the additional occupational scheme. Unfortunately, data on gender differences in occupational schemes are not systematically available (see below). Therefore, we have inserted a table on income differences that includes the pension gender gap (see table 3-6).

¹³ Yet even in Denmark, mothers often work part-time. In 2000 the unions' resistance to part-time employment decreased because, amongst other reasons, women stressed their need for more flexible working time to balance family and work. Nevertheless, the original reason for the unions' opposition remains: related wages are below the threshold for numerous social and employment rights (Warren 2000).

Table 3-6 Average income of the Dutch in 2004

	Number of persons (x 1000)			Personal income (€ 1000)		
	Total	Men	Women	Total	Men	Women
Total persons	10381	5613	4768	22.8	28.8	15.8
Total actives	7059	4148	2911	26.3	32.1	17.9
Self-employed	768	519	249	29.6	33.9	20.8
Civil servants	600	394	205	32.0	36.0	24.2
Other employees	5527	3126	2400	24.7	30.6	17.0
Other active	165	108	57	42.4	54.8	18.7
Total non-actives	3322	1465	1857	15.5	19.4	12.4
Disabled	492	265	227	15.2	18.1	11.8
Pensioners –65	398	194	204	22.9	29.2	17.0
Pensioners +65	1942	806	1135	14.7	18.5	12.0
Soc. Assistance	459	182	277	12.3	14.0	11.1
Other non-actives	31	17	14	20.0	25.3	13.5

Source: www.cbs.nl 2006.

Finally, some other factors concerning care and parental leave should not be underestimated, such as the debate surrounding ‘unwarranted’ non-insurance-related benefits¹⁴. The question is which resources, tax or contributions, should cover parental-related costs. Despite the absence of care credits, both countries face such costs as a result of parental leave or child care facilities respectively. Financial responsibilities of employers, for instance, could lead to indirect discrimination, such as reservations about employing (young) women (Warren 2000), or differentiating in or even withholding personal and skills training. In any case, although both countries, in principle, prefer to enable both parents to participate

¹⁴ The *ATP*, for instance, is paid by contributions. Since 1993 it has covered maternity benefits. Its contributions were doubled as from 1997 (NAP [DK] 2002).

equally in the labour market (the Combination Scenario in the Netherlands; full child care facilities in Denmark), labour market participation remains gendered.

3.3.3 Work-related entitlements

In addition to the work-independent basic pensions, Denmark and the Netherlands have occupational and private schemes. The obligatory occupational schemes are necessary to build up sufficient pension entitlements. However, due to the still gendered structures of pension norms, labour markets and care responsibilities, women face (1) many more obstacles in the way of building up full pensions, and (2) many obstacles in the way of building up pensions equal to those of men. Several factors that induce the final pension entitlements are subject to change, such as the labour market participation of women. However, the developments, some of which are controversial, are far from sufficiently overcoming the male breadwinner orientation of welfare systems. This section discusses some factors of calculation norms, the coverage and level of pensions, gendered labour market participation (part-time employment, older people), and the influence of opting out of the occupational schemes.

In the Netherlands, it is necessary to build up full basic and full occupational pension entitlements to reach the general pension norm of 70 per cent of the last income¹⁵. With less than full AOW and full occupational pension entitlements, pensioners face a pension gap. In fact, more than 90 per cent of those who are employed on a regular basis

¹⁵ It is becoming more popular to use 70 per cent of the average income as the norm. Whether this has positive or negative outcomes for women's pensions is controversial.

pay contributions within occupational pension schemes. The so-called white spot (*witte vlek*) of the remaining percentages is caused by conditions that mainly discriminate against typically female situations¹⁶. Although these conditions have been reduced, they are still responsible for huge gender differences among today's pensioners (see table 3-7), and even now there are still regulations that, contrary to the law, exclude part-time employees from participating in occupational pension schemes (SER 2002: 26).

Table 3-7 Percentage of Dutch employees without occupational pension provisions

	Women	Men
Full-time employed	7.3	3.8
Large part-time	4.3	1.7
Small part-time	6.4	4.3
Non-regular	58.6	28.0
Total	19.8	5.8

Source: Nelissen (2001).

However, even if the Netherlands succeeds in reducing the white spot (with the official aim of including 100 per cent of employees in occupational pensions, compared with the aim for the Danish *ATP*; see table 3-3), this still says little about the level of entitlements. Only few build up full entitlements: no more than one-quarter in 1993 and an expected 31 per cent of men and 24 per cent of women born in 1970 (De

¹⁶ Age at accession, qualifying periods, specific reasons for exclusions, temporary employment (SER 2002).

Graaf & Maier 2001). Full entitlements still depend on a 40-year working biography, while mothers often interrupt their work. This inconsistency is comparable with that of the Danish system: Danish mothers, too, often interrupt their working biography while full *ATP* entitlements have to be built up within 35 years of employment. This obligatory *ATP* scheme is not an additional pension in the Dutch sense since it is seen as part of the relatively low basic pension (see above). In Denmark, participation in occupational pension schemes is much less than in the Netherlands. Just about 68 per cent of the old age pensioners receive benefits from the obligatory *ATP* system and only 82 per cent of the full-time employed pay contributions to a labour market related pension scheme (EC-Report 2003: Table 3).

Part-time employment has another very important impact on work-related entitlements. Mainly Dutch but also Danish mothers often resume work in part-time employment. This not only results in proportionally lower pensions due to the lower wages; specific principles for calculating pension entitlements (in addition) even counteract proportionality of income and pensions.

In the Netherlands, it is the pension calculation factor in particular, called *Franchise*, that counteracts the proportionality of income and pension with very negative consequences for Dutch employees on a low income. The *Franchise* is that part of the wage over which no additional pensions are built up because it is expected to be covered by the *AOW*. Therefore, people with an income similar to or lower than the minimum income (i.e. the expected *AOW*) do not build up occupational pensions at all. Employees with an income just above this level (*Franchise*) hardly

build up additional pensions also due to different agreements about employers' contribution rates. Occupational pensions, therefore, are not proportional to wage differences, but wage hierarchies, and pension calculations may result in fourfold pensions for double income (Herderscheê 2004)¹⁷. Furthermore, although the *AOW* is calculated on the basis of the minimum wage, the *Franchise* as an *AOW*-related calculation factor to build up occupational pensions is not used uniformly: occupational pension schemes vary in the level of the *Franchise* they use, while others do not use it at all. Most of the pension calculations still work with a *Franchise* calculated on the basis of 100 per cent *AOW* benefits (partner *AOW*) while each of the partners will receive only 50 per cent, and singles 70 per cent of the *AOW*¹⁸. Therefore, in the Netherlands the occupational pension is still 'mainly based on the traditional (male) breadwinner model and insufficiently tailored to the modern two earner household' (De Gier 2003: 10).

¹⁷ There are no statistics available on gender differences within the level of occupational pension entitlements. On request, the Pensioen & Verzekeringskamer (pension insurance board, PVK) only gave numbers that show that many more men than women: (1) receive additional pensions (970,000 versus 260,000); (2) are 'sleepers' (older people who stopped contributing due to, e.g., changing employment); or (3) are active within the occupational schemes, and that widows' pensions are still mainly paid to women. (Per person a number of pensions is possible because of, e.g., untransferred entitlements or working for different employers. See table A.)

Table 3-A Occupational pensions in the Netherlands 2002

Category	Contributors	Sleepers	Disability	Pensioners Old Age	Widows
Men	3,433,010	4,468,950	89,637	970,154	59,715
Women	2,490,834	2,478,074	79,754	259,930	574,504
Unknown	288,796	487,364	14,834	70,633	49,914
Total	6,212,640	7,434,388	184,255	1,300,717	684,133

Source: PVK (2004).

¹⁸ Retrenchments in the basic pension result in a lower *Franchise*. This contributes to more proportionality of occupational pension entitlements. Gender equality claims tend to aim at abolishing the *Franchise* completely.

The decrease of the solidarity impact within occupational pension schemes is an additional problem. Due to the individualization of occupational pensions and the possible development towards opting out (NAP [DK] 2002, De Gier 2003), which lost popularity as a result of insecurity on the stock market, the solidarity contract of the additional, collective, occupational, funded pension scheme is seen to be under pressure in favour of voluntary, individual, private pension schemes. As a result, two forms of privatization are criticized: (1) the ‘gradual privatisation of the basic pension’ (Haverland 2001: 316), and (2) the privatization of the occupational pensions. The second criticism is based on the fear that ‘the relative strong borderline between the second and the third pillar [i.e. occupational and private pensions] will slowly disappear’ (De Gier 2003: 11, for Denmark: Abrahamson & Wehner 2003, NAP [DK] 2002: 26). Combined with the downward trend of the *AOW*, women are seen as the ‘net-losers’ (De Gier 2003: 9f, EC-Report 2003).

Another aspect is that labour market participation of older people is highly gendered. The fact that twice as many Danish men as women are in gainful employment at the age of 60 as well as at the age of 64 is not something that is often discussed (Nom-Nos 2003: 111f, comparable data for the Netherlands in SCP 2004, see also table 3-2). In many cases this non-working period in older age is the second one for women. This means that it is a second interruption in their building up of pension entitlements. The general aim (fifth EU objective in EC-Report 2003) to activate older people to participate in the labour market should therefore focus on older women, and this is not the case.

Furthermore, gender pay gaps are important since building up occupational pension entitlements depends on contributions paid in relation to wages. Data given by the Central Offices of Statistics show the gender pay gaps in general as well as differentiated by age and employment. The total differences show that Dutch women earn about 81 per cent of men's gross income per hour, Danish women about 76 per cent (SCP 2004; Udenrigsministeriet 2004). A scenario for the Netherlands worked out by Nelissen (2001) for the generation born in 1970 concludes that even if women were to work the same number of full-time equivalent years as men, the average women's pension would still only be some 69 per cent of the pension enjoyed by their male counterparts. In Denmark, the gender-segregated labour market, in addition to a higher unemployment rate of women (Pedersen 2000), causes a huge difference between the sexes within the group of those already retired: more than 83 per cent of men but only 55 per cent of women receive additional occupational pensions (Nom-Nos 2003: 124-126).

The last aspect that we want to mention concerning occupational pensions is a positive one for women: both countries' occupational pension schemes work on gender-neutral calculations (in the Netherlands as of 2005), i.e. life expectancy does not determine the calculation of pension entitlements. Such a calculation would be disadvantageous for women because of their average longer life expectancy.

To summarize, parental leave, part-time work, supposedly gender-neutral calculating factors, such as the Franchise in the Netherlands, and

further specific conditions result in substantially secondary positions for women in occupational pensions. Therefore, in both countries women and in particular mothers can hardly ever comply with the norm of the (mandatory) additional work-related pension schemes, i.e. a full-time uninterrupted work biography. The growing importance of the occupational pension in relation to the basic pension may even widen this gender gap (EC-Report 2003).

3.3.4 Private pension entitlements

The final pension scheme to be analysed is the so-called private scheme. Within these pensions, too, Dutch and Danish women face many disadvantages, as some details about the mechanisms will show. The discussion includes gendered opportunities to invest and to enjoy tax advantages as well as examples of originally redistributive schemes that developed in favour of the better-off.

First of all, to be able to build up private pension entitlements, one needs to have resources. In particular, in countries with obligatory occupational pension schemes, it is obvious that only earners with a good income have additional resources to invest in private retirement schemes. Due to many factors, as already pointed out above, men are, generally speaking, the better earners. Moreover, even in well-paid positions, Danish women face a growing gender wage gap (Pedersen 2000).

Gendered disposal of resources also results in gendered opportunities to enjoy tax relief. In the Netherlands, special tax incentives are provided for those who do not reach the pension norm of 70 per cent (SZ 2003:

193). In principle, this could be advantageous for people with shorter work biographies, i.e. with less than the obligatory 40 years of paying contributions. By introducing the possibility not to enlarge but replace occupational pension entitlements by private pensions, the first step is taken towards the practice of opting out. This possibility to totally individualize pension entitlements is ambivalent. It may have positive effects for some women but reduces the resources and power of the occupational pensions that imply solidarity, in Denmark as well as in the Netherlands. Possibilities to involve elements of solidarity such as care credits but also unisex life-tables would be endangered.

There are two examples of private schemes that, contrary to the original intention, contradict solidarity, one in the Netherlands and one in Denmark. In Denmark, an additional scheme, introduced in 1997, was subject to a striking development: with the intention of benefiting the low-paid groups by making similar benefits for all contributors, the Special Pension Saving (*SP*) was introduced. It is financed by 1 per cent of earnings of wage earners, self-employed and some groups of social benefit claimants. The original idea was to take this 1 per cent of the different wages and to convert it into an equal, wage-independent pension supplement for each contributor. However, in 2002 the redistributive elements were rejected by transforming the tax-financed pension supplement into an individual compulsory pension with earmarked contributions and benefits so that ‘the one million richest Danes gain a higher annual pension saving, whereas the poor lose on their pension savings’ (criticism by Albret 2002 in Abrahamson & Wehner 2003: 15).

In the Netherlands, too, a new way of building up pensions was introduced that developed in an unforeseen and misjudged way: the so-called spaarloon, a tax-advantaged saving scheme. By using saving schemes to dampen wage demands, workers were able to increase their income free of social contributions. ‘Tax avoidance [was] legally’ established (Cox 2000: 25). If these savings were invested in private pension schemes within the named regulation to reach the 70 per cent, these investments were again reduced from the taxable income. These private pensions, therefore, were up to fully financed from general revenue. Many efforts were made to rescind or amend this legislation since the unintended outcomes became obvious in the first few months.

Therefore, both countries introduced programmes that provide special advantages to an economically privileged part of the population. Such programmes are an ironical way of showing solidarity. They do not only exclude the less well-paid, i.e. mainly women, but in addition they are also financed by taxes or contributions that are paid by those who do not benefit from such programmes. This means that we face a redistribution in a reverse direction. The (financially) most successful in the labour market receive extra rewards.

3.4 Conclusions

Pension systems with basic pensions based on residency lead to a minimum pension independent of labour market participation. In principle, this is a good premise for avoiding poverty in old age. However, we saw that the two countries analysed here, although having similar basic pensions, vary considerably in their ability to prevent

poverty. We also saw that the EU is aware of the general shift in importance from basic to occupational pensions and its gender gap impacts (EC-Report 2003).

Within the last 20 years both systems have reduced several factors of gender discrimination in their pension systems. The Netherlands, for instance, introduced legislation to stop direct as well as indirect gender inequality, such as the exclusion of part-time employees in 1990. Denmark, too, tried to remove disadvantages caused by gender differentiation. The most important Danish component is the enhancement of child care facilities.

Nevertheless, in both countries the changing composition of the pension mix implies negative impacts both in their overall construction as well as in their developments. The combination of retrenchments in the basic pension and individualization of pension entitlements shows how inimical the systems are for women. The norm to secure old age income was developed on the basis of the family as a unit. This norm has only been marginally changed since the development of individualization.

The limited grounds for building up pension entitlements, i.e. residency and work participation, excluding care, are negative for women: residency is meant to prevent poverty, whereas labour market participation is meant to secure a certain standard of living. The importance of occupational pensions in relation to the basic pensions increases while women still face difficulties to fully participate in occupational schemes. If women, and in particular mothers, are not able to build up the necessary full occupational pensions to reach the normative aim of the pension mix, the norm is still focused on men's

income, rather than - as demanded and claimed – on individuals and their individualized rights. As long as labour markets, wages, pension schemes and, last but not least, care are gender differentiated, the concept of individualization, based on the principle of equality, does not fulfil its promises. In both countries, as a result of obsolete norms and insufficiently or inadequately changed systems, building up full pensions is generally gendered, although mothers are affected more strongly.

Technical shifts and treacherous catchwords such as individualization, result in fundamental changes of welfare systems and (new) discriminatory disadvantages. Yet such a ‘silent transition’ (Pedersen 2004: 6), i.e. ‘technical’ changes that lead to indirect retrenchments (Haverland 2001), is accompanied by a low level of politicization.

This paper identified structurally gendered pension systems that are undergoing general developments that might produce even wider gender pension gaps in the future. This is the case due to shifts within the pension systems and shifts towards individualization, both based on a one-dimensional perspective that focuses on the ‘traditional’ male work biography. In other words, pension reforms and developments favour a do-it-yourself self-responsibility, while this norm is based on a(n ideal) male biography (Lewis 2002). Therefore, although the Danish and Dutch pension systems may be the best in Europe, this norm does not meet female pension requirements.¹⁹

¹⁹ Further analysis is necessary to explain differences and interdependencies between life-courses in a sufficient way as, for instance, the development of the dependency on partners, since the process of individualizing pensions is only partly put into practice.

3.5 References

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