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Projections of the Gender Pension Gap in Belgium using MIDAS

Gijs Dekkers

with contributions by Karel Van den Bosch

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“Mind the GAP in Pensions” (MiGaPe; Grant 820798)

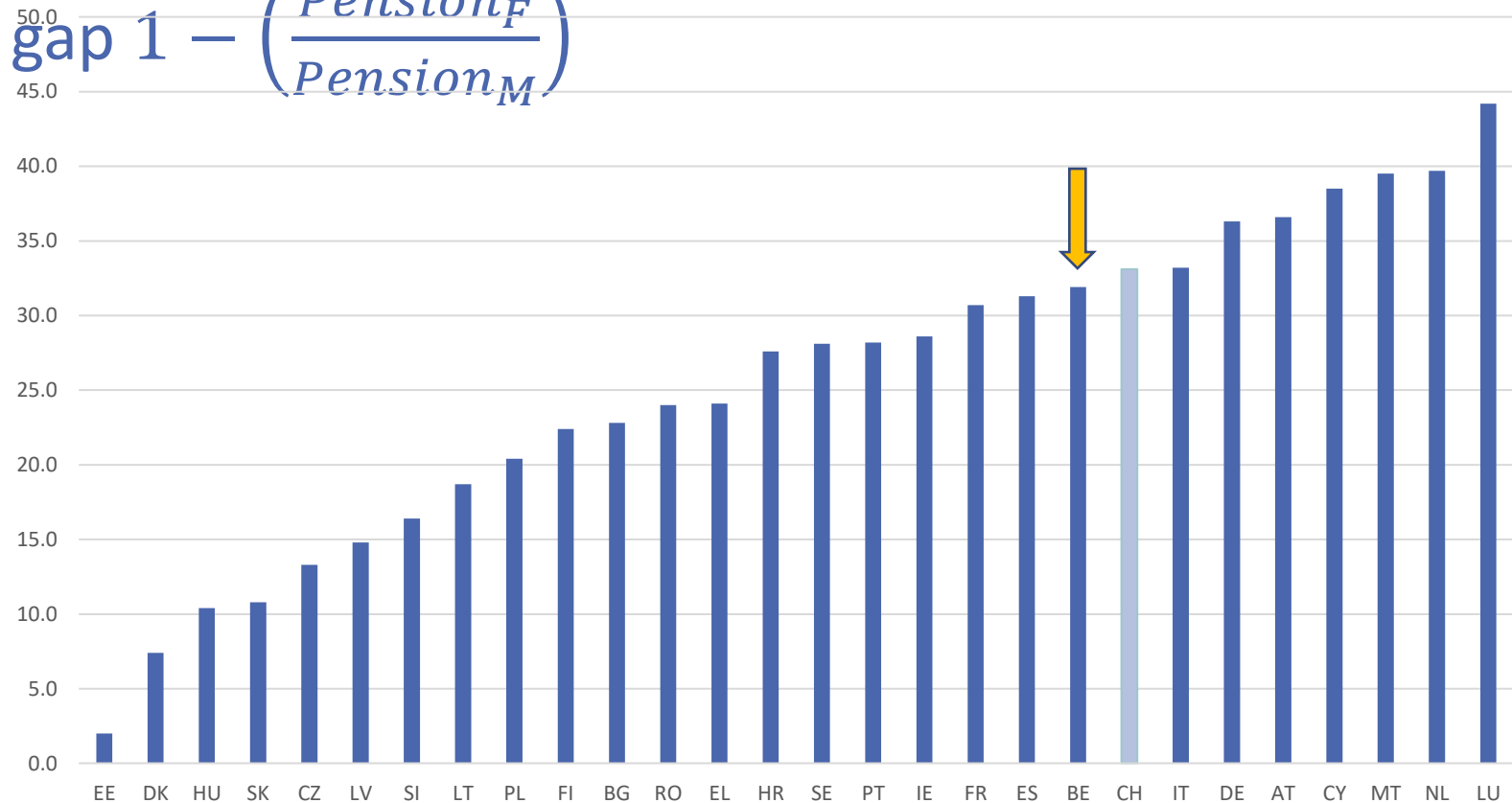




Introduction

- How much are women’s pensions lagging behind those of men?

- Gender Pension gap $1 - \left(\frac{Pension_F}{Pension_M} \right)$

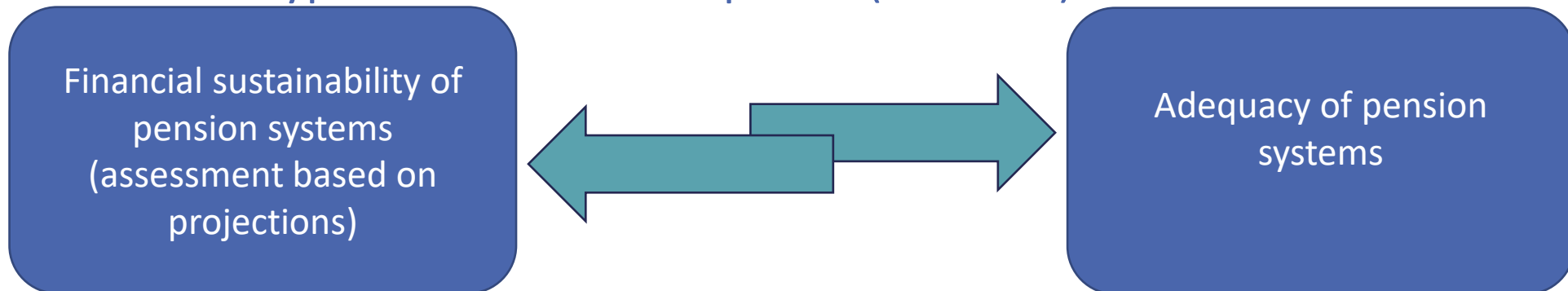


Source: Eurostat, 2020, ilc_pnp13; data for 2019



Problem

- What would prospective GPGs look like, given current and prospective labour market trends?
- Use dynamic microsimulation techniques to simulate the impact of various factors on projected GPGs for the population as a whole.
 - Use AWG hypothesis and assumptions (2021 AR)



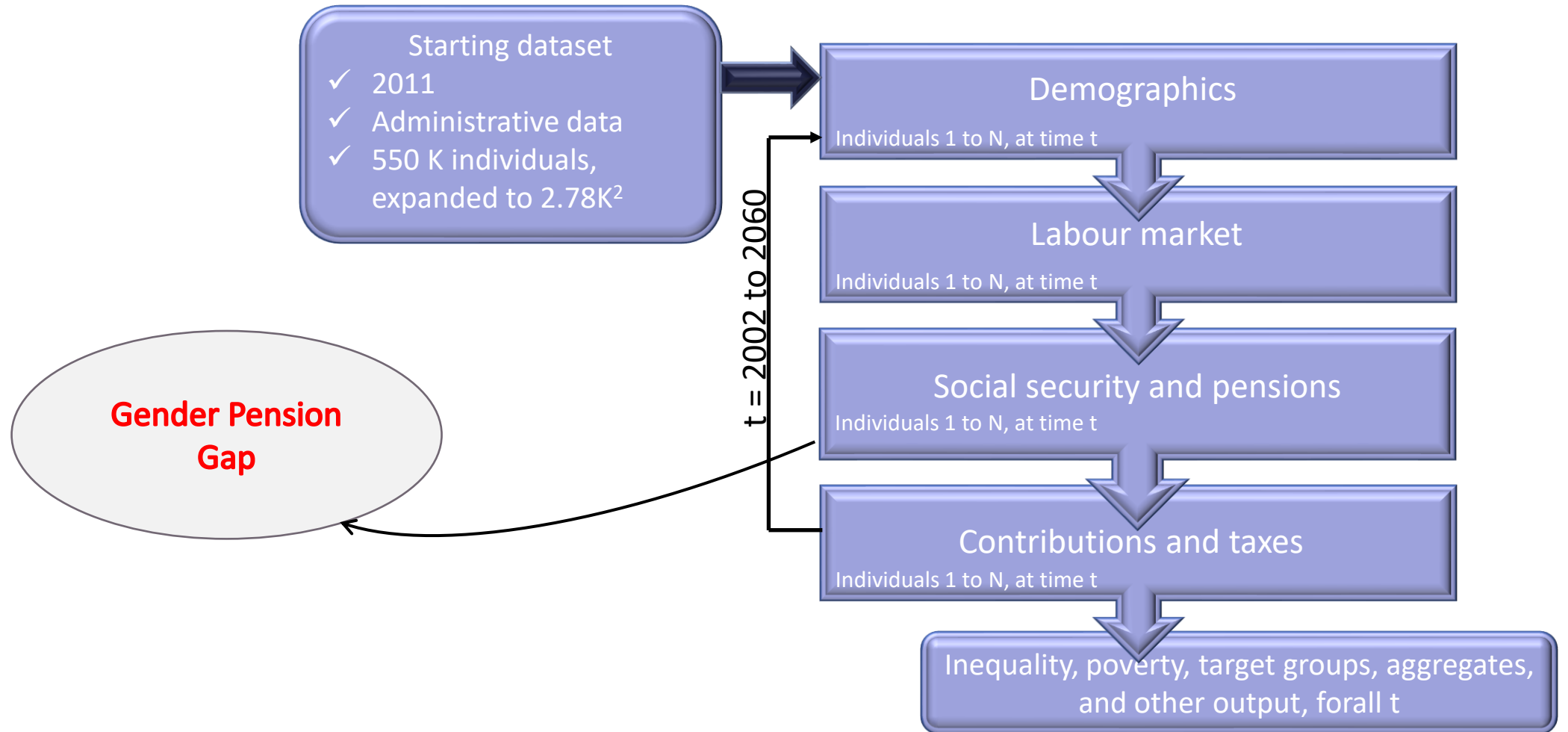


Why (dynamic) microsimulation

- Labour market trends and developments are highly diverse, and are steered by combinations of – apart from gender – age, educational attainment levels, household characteristics and fertility, among others.
- In Bismarckian pension systems like in BE, the relation between labour market history and pension outcome is often indirect and highly non-linear
 - Ceilings and floors; often conditional on and/or proportional to career lengths
 - Minima and maxima
 - Actuarial penalties and bonuses for retiring earlier / later
 - (means-tested) social assistance levels
 - Household pensions
 - Survivors' pensions

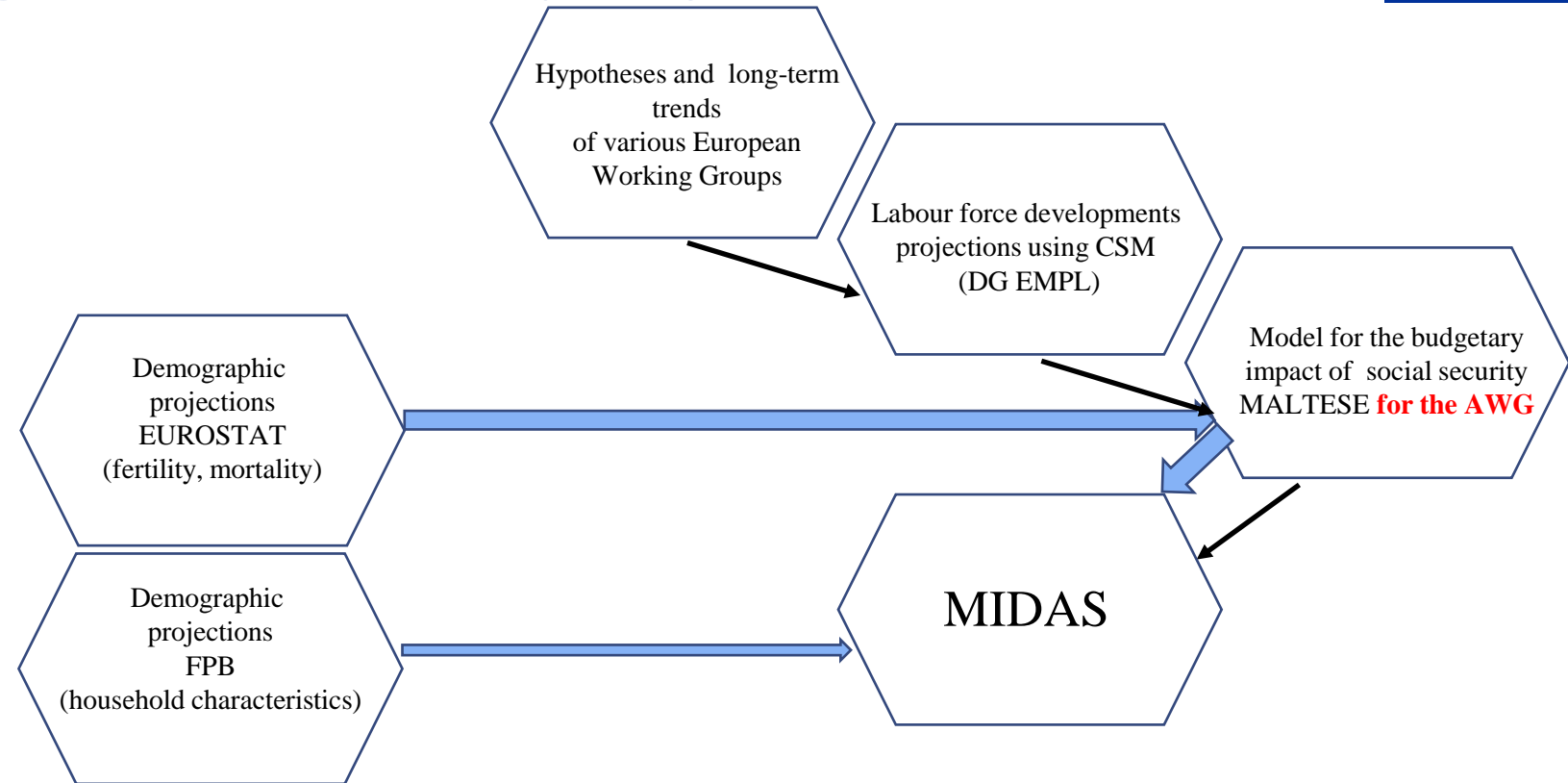


MIDAS





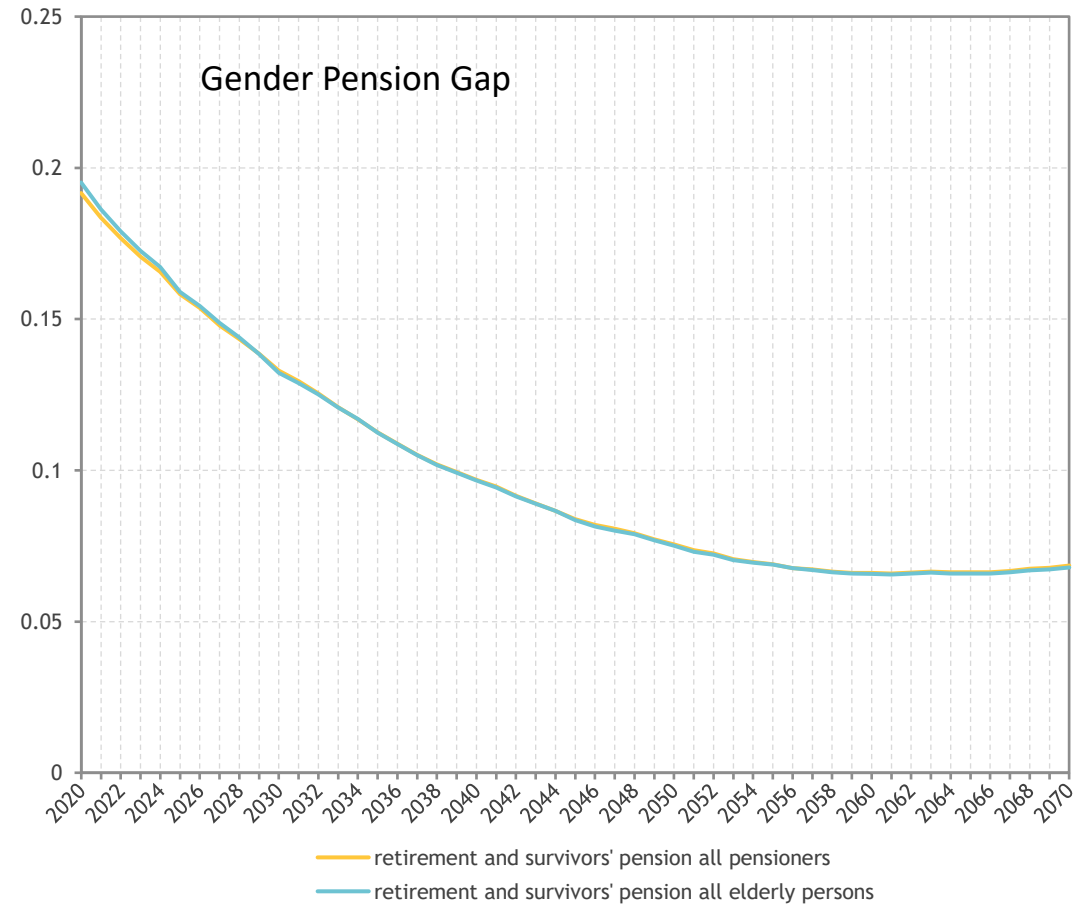
MIDAS aligns to AWG projections





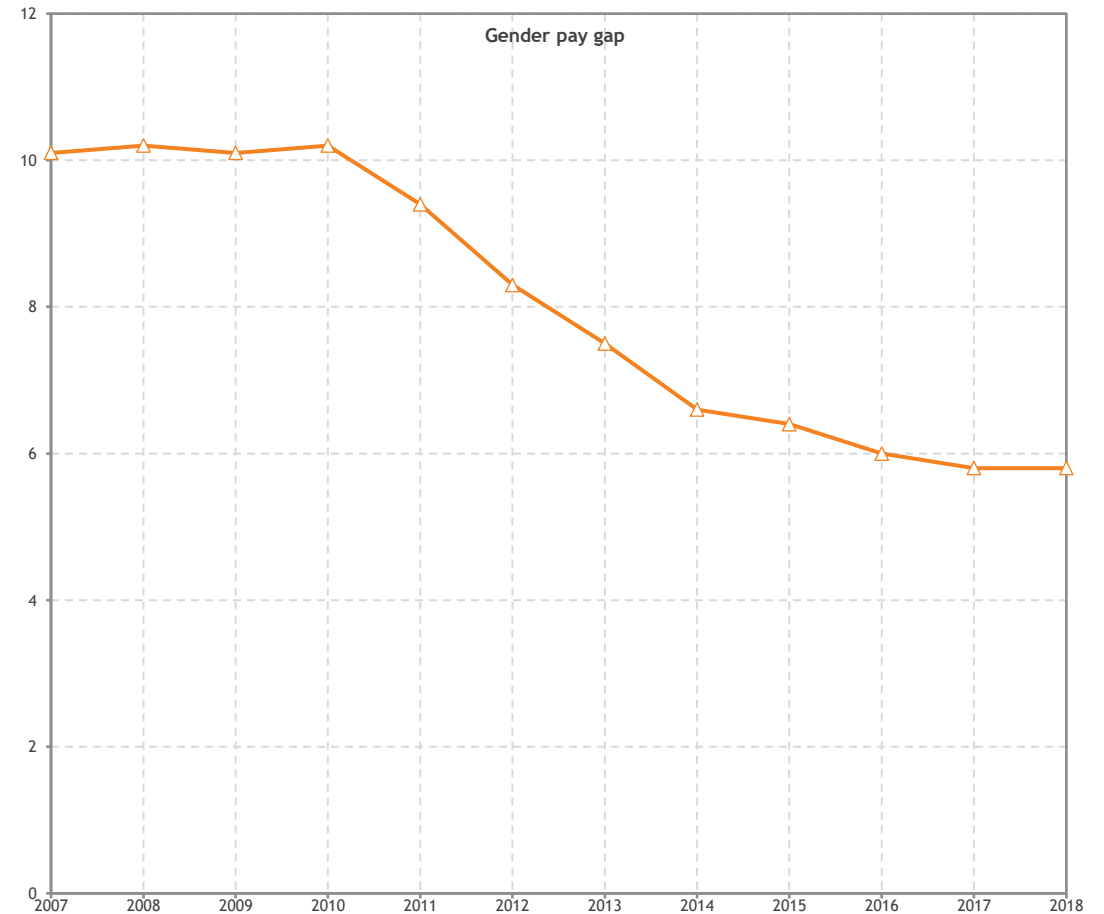
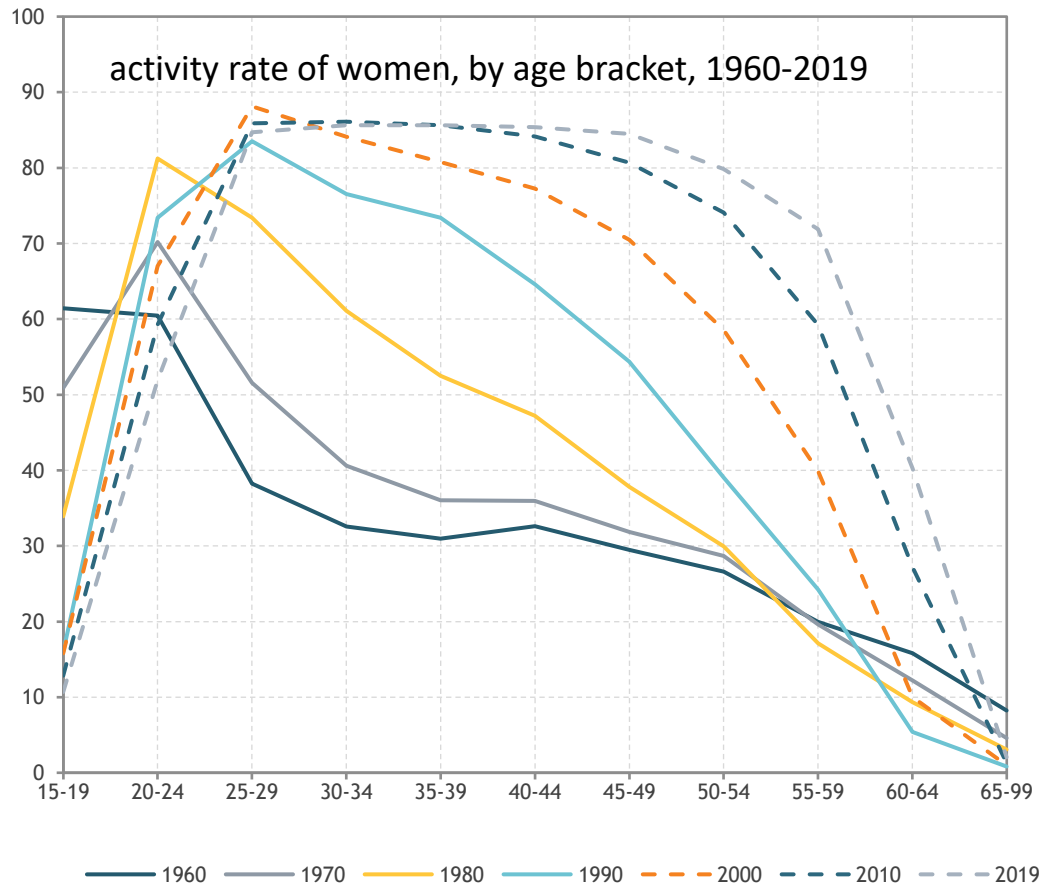
Base scenario

- Gross retirement and survivors' pensions
- Including GMI (means-tested minimum income for older persons)
 - Older persons (official definition)
 - All pensioners



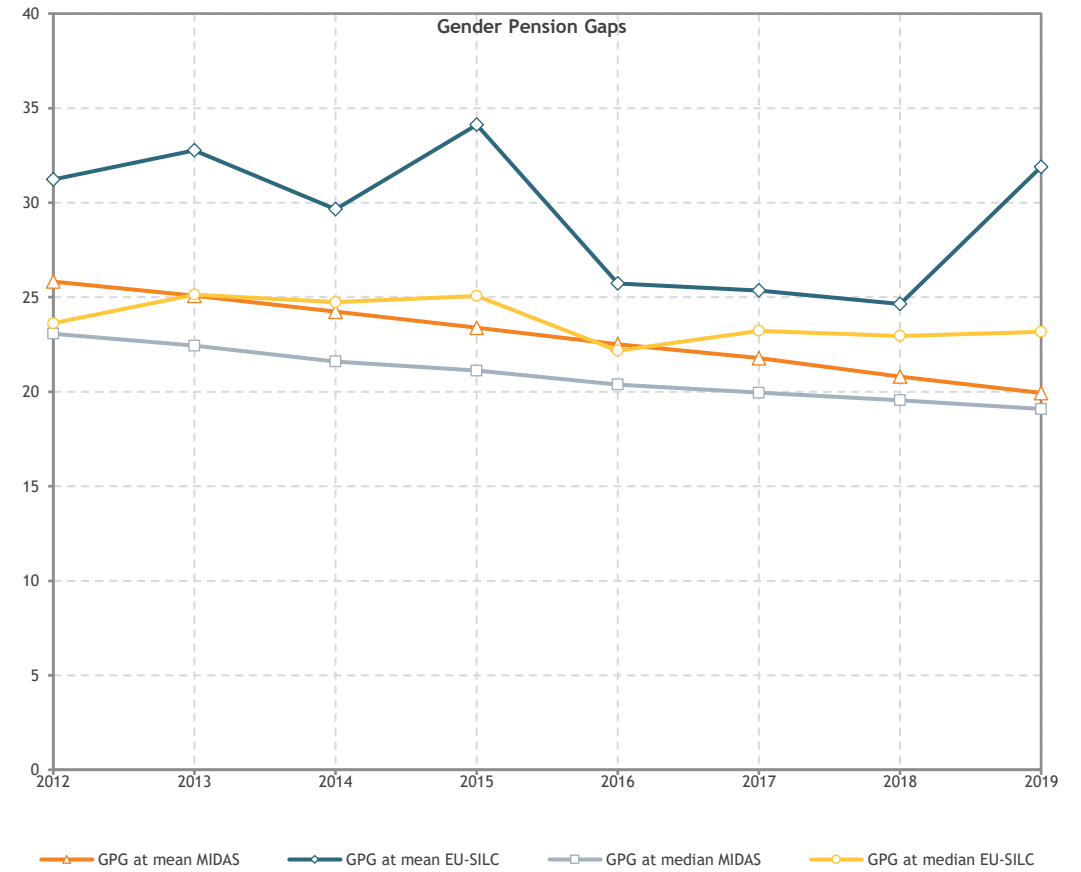
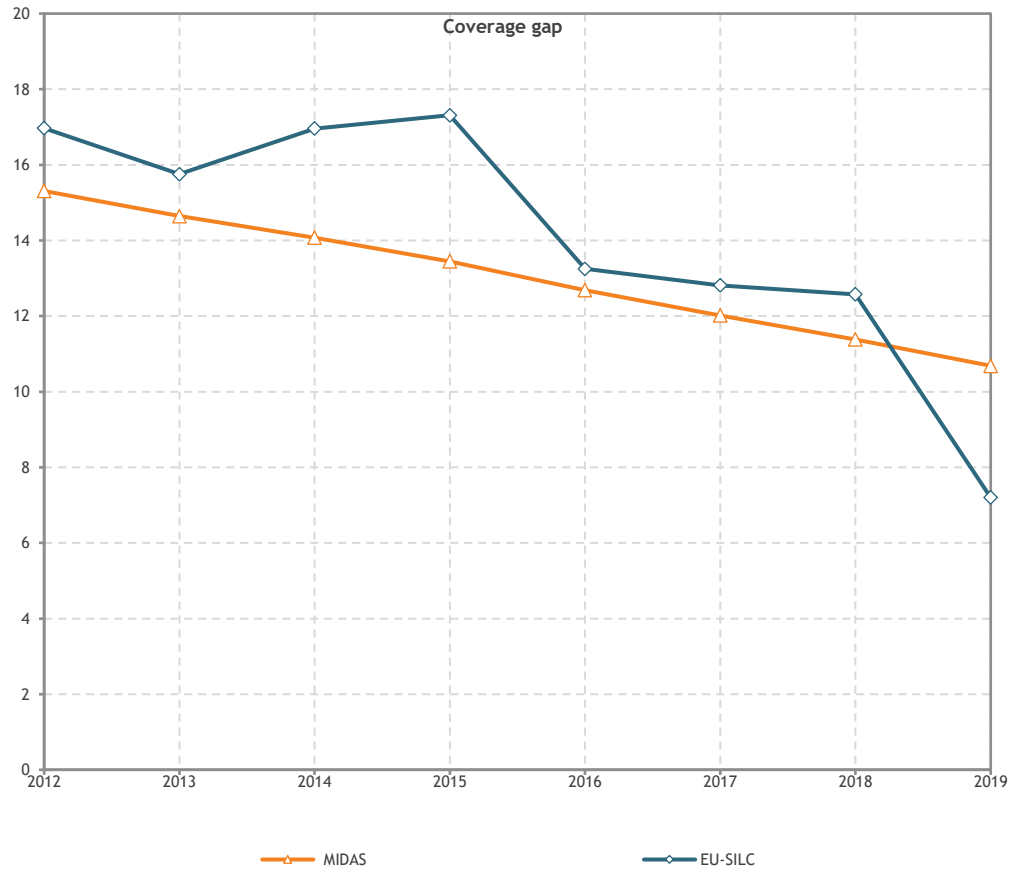


Why does the GPG decrease?





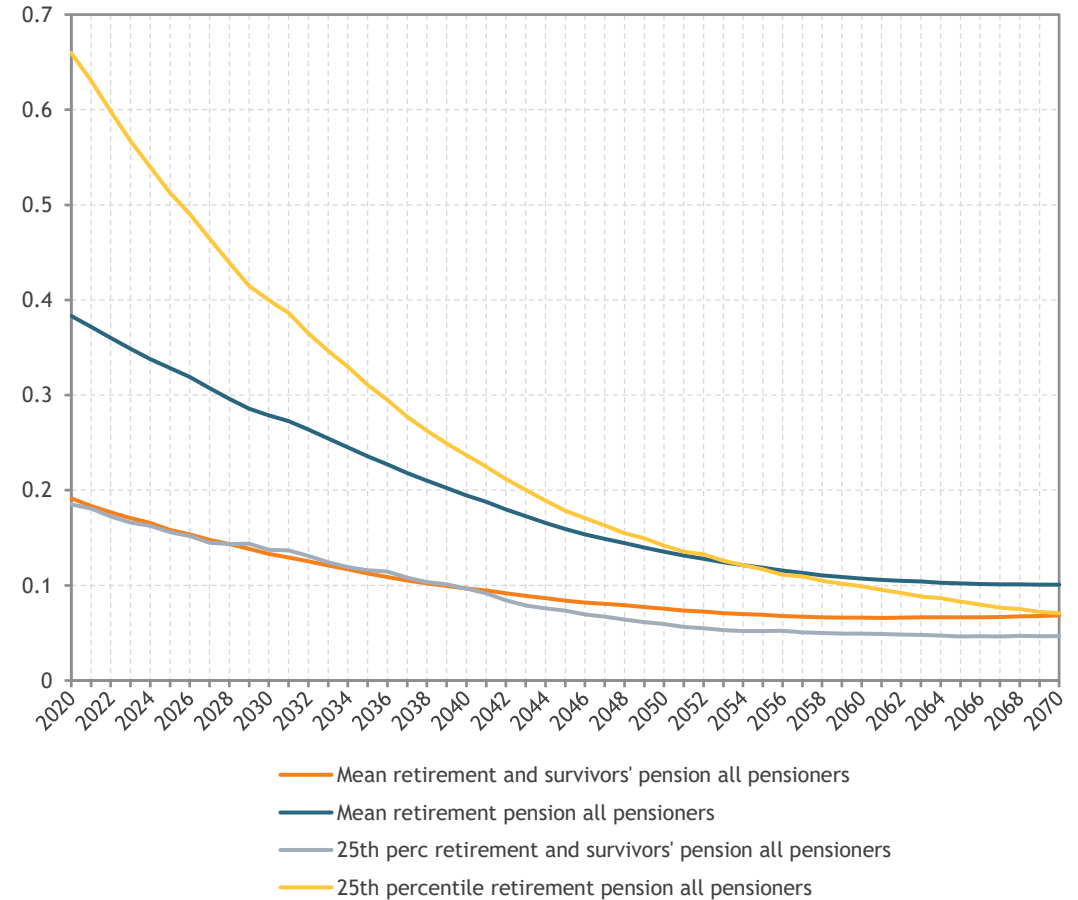
A comparison between EU-SILC and MIDAS





Base Scenario

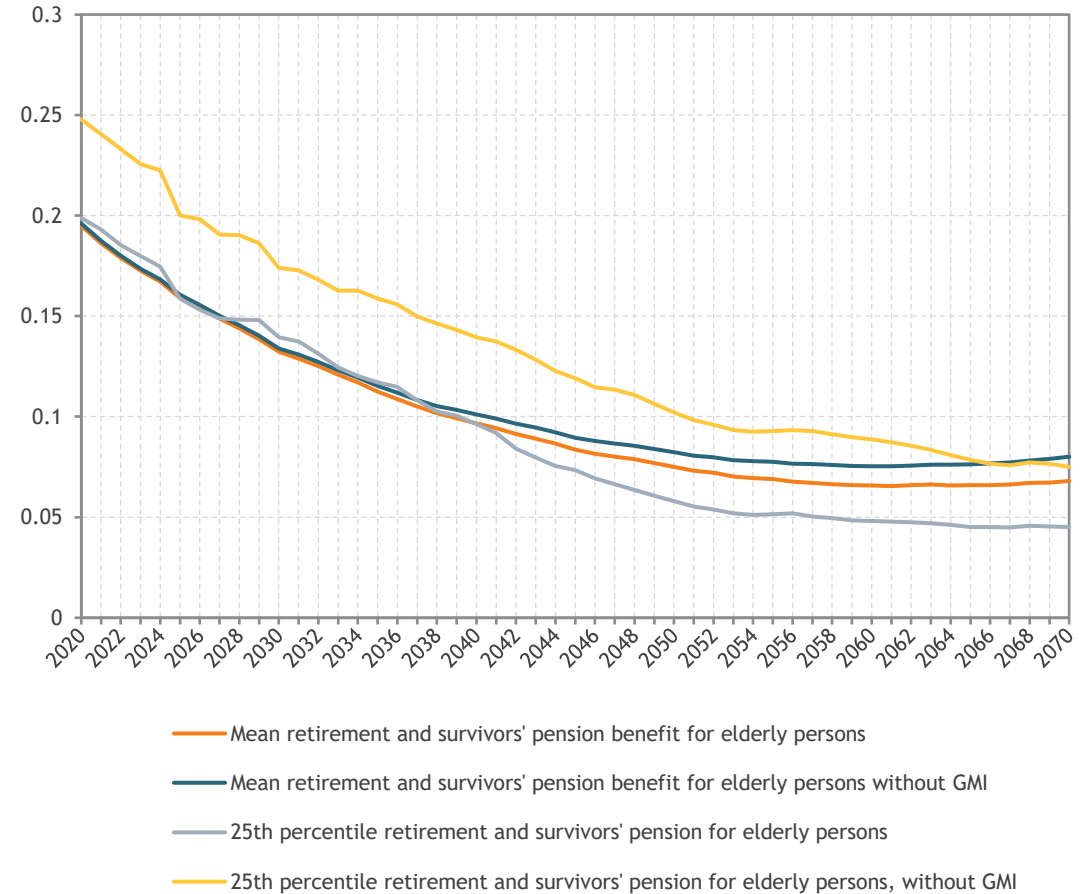
- Excluding the survivors' pension benefit from the GPG





Base scenario

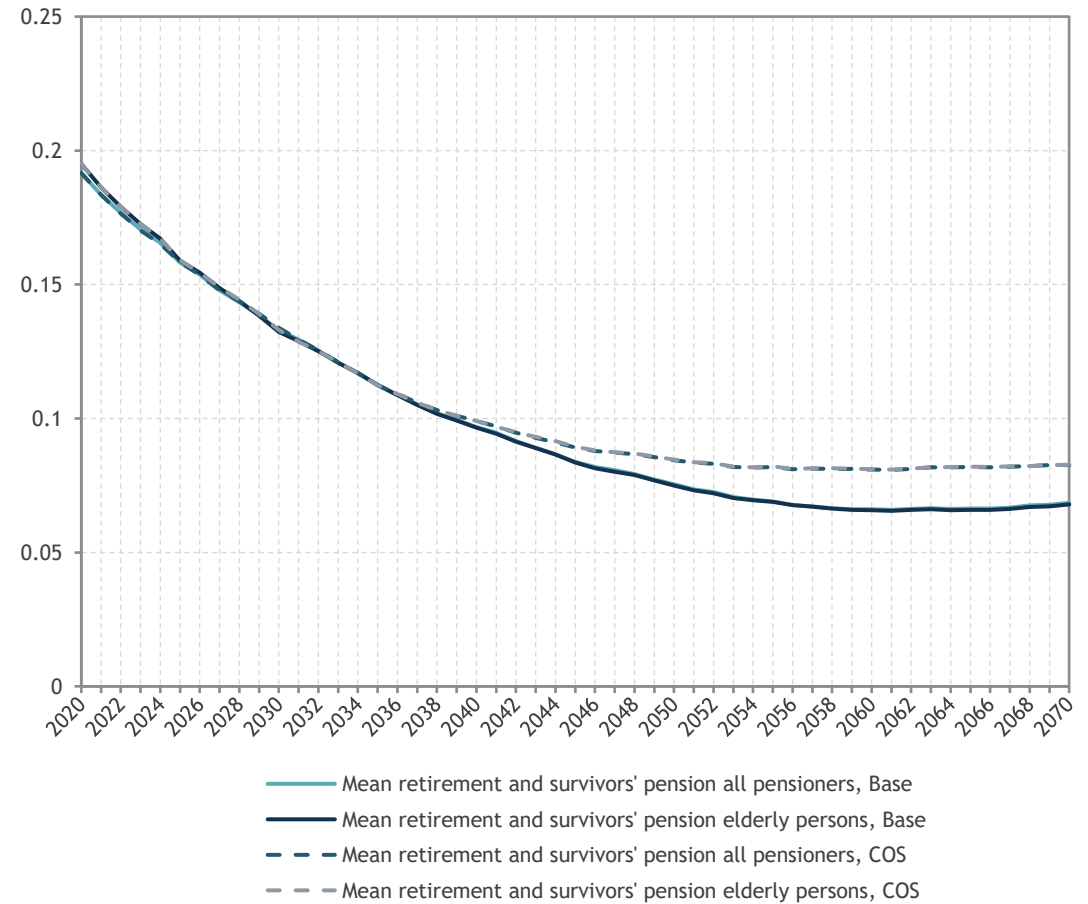
- Excluding the GMI on the GPG





Constant scenario

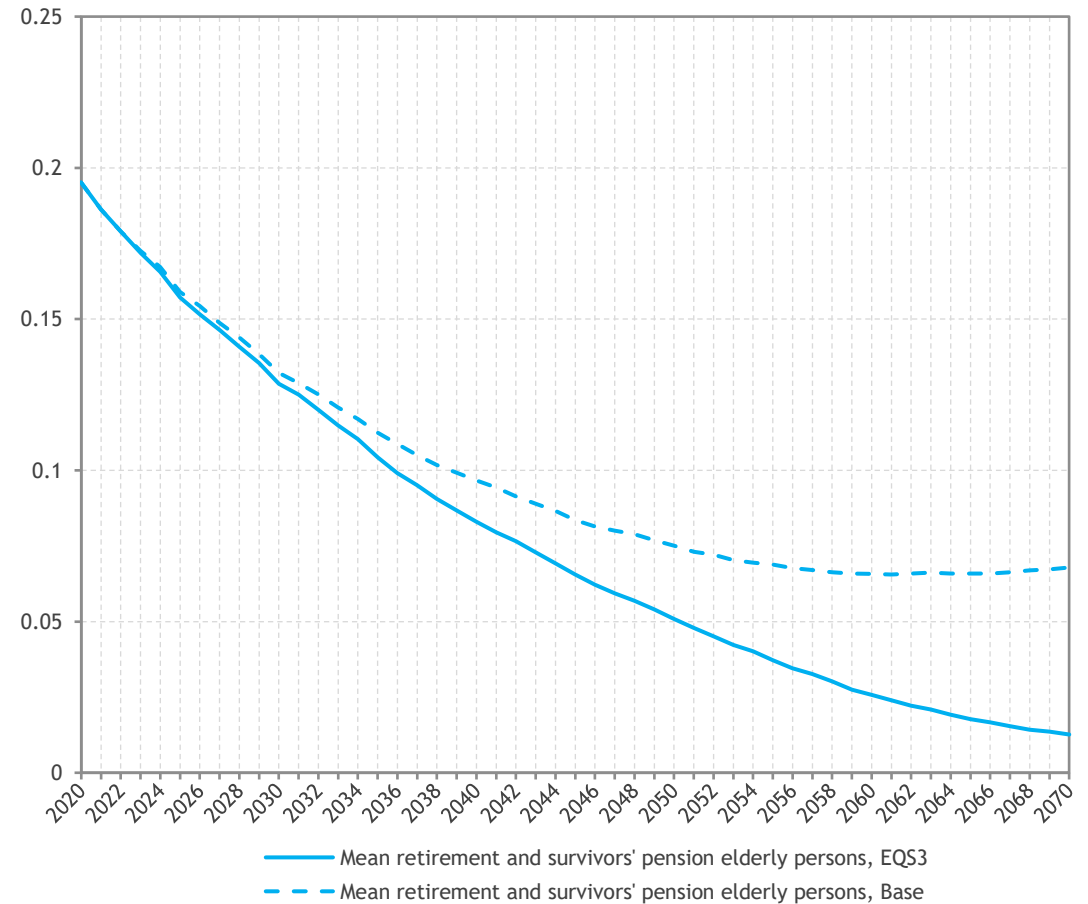
- Keep all labour market proportions constant from 2021 on





Equality scenario 3

- labour market participation, unemployment and employment rates by age category are set at equal levels for both women and men.
- Part time rates and hours per year by age category are set at equal levels for both women and men
- Earnings per hour by age category are set at equal levels for both women and men





Conclusions

The GPG is expected to decrease to about a third of its current level by the mid-2050s

This decline would occur even if labour market behaviour of men and women will remain unchanged from now on

Yet, currently observed and projected labour market behaviour of men and women would not suffice to reach a near-full equality of pensions between men and women.

Survivors' benefits have a substantial impact on the GPG at this moment, but this effect would gradually decline in in the projection



Limitations

Our model probably underestimates the closing of the wage gap

No migration

No higher order effects

Household formation and dissolution is (aligned) reduced form



And there's more to come!

