

## Gender-equal pensions in the Nordics

What can the Nordic countries learn from each other in order to close the gender pension gap?



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This publication is also available online in a web-accessible version at <https://pub.norden.org/temanord2023-506>.

# About the report

This report is part of a collaboration between the Swedish Women's Lobby (SWL), The Coalition of Finnish Women's Associations NYTKIS and The United Federation of Workers in Denmark 3F and is funded by Nordic Information on Gender (NIKK), a co-operation body under the Nordic Council of Ministers. In order to ensure the quality of this report, experts from five Nordic countries were invited to participate in a reference group that has been consulted throughout the work process. The expert group also contributed to the data collection.

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# Summary

All the Nordic countries have high rates of female employment and are often ranked among the most gender-equal countries in the world. Nevertheless, there exists a gap between women's and men's pensions in all these countries. This results in women having a higher risk of poverty than men and a decreased possibility for women to be self-supporting after retirement.

The size of the gender pension gap varies considerably between 28% in Sweden and 5% in Iceland. The main explanation for the gender pension gap in all the Nordic countries is differences in labor force participation between women and men, unequal distribution of paid and unpaid work, and wage differences. However, these differences do not explain why the gender pension gap varies substantially between the Nordic countries. Rather, the explanatory factor is the diverse designs of the Nordic pension systems. The main distinction is between systems that are mainly earnings-based, such as the systems in Finland, Norway and Sweden on the one hand, and the systems in Denmark and Iceland on the other, in which all or a high proportion of the public pension is non-contributory.

## Key takeaways

Reforms outside the pension system are needed to equalize the distribution of paid and unpaid work between women and men. Such reforms take time and their impact towards pensions is delayed in time. This report shows that there exists multiple possible strategies and concrete measures to reduce the pension gap in the short term. Many of these strategies and measures are already in place in the Nordic countries but could be developed further. The Nordic countries would also benefit from learning from each other's successful strategies for gender equal pensions.

## Non-contributory benefits reduce the gender pension gap

Non-contributory benefits reduce the gender pension gap in all the Nordic countries. Furthermore there is a correlation between the relative level of non-contributory benefits and the number of women over 65 years of age at risk of poverty. The gender pension gap is substantially lower in Denmark and Iceland where a higher proportion of the total pension is derived from non-contributory benefits compared to the other Nordic countries. Deciding on the desired level of non-contributory benefits means balancing incentives to work and the desired connection between earnings and future pensions on the one hand, and values such as equality and protecting all pensioners from poverty on the other. However, all the Nordic countries have high employment rates among women, regardless of the level of such benefits. Data presented in this report does not reveal any clear pattern between the level of non-contributory benefits and employment rates and levels of part-time work among women. However, these issues are complex and should be analyzed further.

### **Being compensated for care work is particularly important in earnings-based systems**

In particular in systems where the link between earnings and future pension is strong, career breaks or reduction in work hours, which are more common among women, may significantly impact pensions. Women can be compensated through pension credits for income loss due to circumstances such as child care. All the Nordic countries offer some form of compensation for care work, although the level of compensation differs. In Sweden and Norway, child credits are important in reducing the gender pension gap, but also create a disincentive to share the burden of care equally between parents. Child care is however not the only reason why women work part-time; many women also struggle to find full-time employment. Finding ways to better compensate for involuntary part-time work would benefit women. Another example of compensation that benefit women are pension credits for studies.

### **Measures directed at single households and survivors' pensions are more in line with the Nordic model than pension splitting**

Different forms of pension splitting between spouses would reduce the gender pension gap. This strategy is used in other European and OECD countries but only to a small extent in the Nordic countries. An explanation to this is the risk of reinforcing traditional gender roles in which women depend on men, something that the Nordic countries have worked actively to eliminate. There are nevertheless spouse entitlements that still play an important role in most Nordic pension systems, namely the survivors' pensions. In Finland, survivors' pensions play a crucial role for the pension level, particularly for older women's. In both Norway and Sweden, survivors' pensions are being phased out on the grounds of gender equality. However, the consumption-smoothing motive for survivor's pensions applies beyond the male breadwinner model. Even if both spouses have similar or close to similar pension entitlements, the surviving spouse will face a reduction in disposable income after their spouse's death as the cost of living will no longer be shared. Since women more often outlive their spouses they will more often face this kind of reduction in disposable income. This means that survivors' pensions, at least for a restricted time, can be justified from a gender equality perspective. But also that sufficient benefit levels for single households are critical to protect women from poverty.



Photocredit: Aline Lessner/imagebank.sweden.se

# 1. Method and aim

## 1.1 Aim and objectives

This report aims to describe and compare the gender pension gap for pensioners of today and future pensioners in the Nordic countries by examining the gap in both pension income and contributions. To further understand the reason for this gap, we compare important labor market factors such as the gender pay gap, employment rate and part-time work, both today and historically. We also analyze how the design of the pension system impacts the gender pension gap and the gap in contributions. The report does not intend to provide a complete explanation to why the gender pension gap differs between the Nordic countries or to measure the exact impact of different factors on the size of the gap. Our aim is to add to the discussion about gender-equal pensions in the Nordic region by providing an overall picture of the differences and shedding light on the factors that play a key role in these differences, hoping that this will inspire more in-depth analysis in the future.

In the report we will consider the following:

- The gender pension gap by type of pension and age
- The gap in pension contributions and the projected future gender pension gap
- Inequalities in the labor market and the distribution of paid and unpaid work today and historically
- How the design of the pension system impacts the gender gap in pension contributions and the pension gap between those people who are already retired.

## 1.2 Data collection

Data describing the gender pension gap and the gap in contributions and pension wealth have been collected from state agencies and research institutes in the Nordic countries for 2019. This year was chosen to ensure that data would be available for all countries. A framework for data collection was developed inspired by the OECD's "Pensions at a Glance" combined with different sources of published data on pension income in the Nordic countries. Below are definitions of what is included in the data for each country and the data source.

<b>Gender pension gap</b>	<b>Denmark</b>	<b>Finland</b>	<b>Iceland</b>	<b>Norway</b>	<b>Sweden</b>
Source	Statistics Denmark and Insurance & Pension Denmark	Statistics Finland Income Distribution Statistics (full population data)	Statistics Iceland/ Ministry of Social Affairs and Labour Iceland	Statistics Norway	Statistics Sweden Swedish Pensions Agency
Public pension	Old age pension (Folkepension) Pension supplement (Pensionstillæg) Supplementary pension benefit (Ældrecheck) ATP	Income pension National pension Guarantee pension Survivor's pension	Old age pension (Ellilífeyrir) Household supplement for single households	Income pension Guarantee pension Survivor's pension	Income pension Premium pension Guarantee pension Survivor's pension Supplementary pension (tillägspension)
Occupational pension	Occupational pension from employer Survivor's pension	Occupational pension is marginal in Finland and cannot be separated from public pension.	Occupational pension from employer Survivor's pension	Occupational pension from employer	Occupational pension from employer
Private pension	Voluntary private pensions	Voluntary private pensions (property income)	Voluntary private pensions	Voluntary private pensions	Voluntary private pensions

The data does not include housing benefit, although many pensioners in all Nordic countries receive this outside the pensions system. Housing benefit equalize pension incomes across gender and age. Supplementary data to describe conditions for women and men in the workforce and the distribution of paid and unpaid work is mainly from the Nordic Statistics Database and, in some cases, the Eurostat or OECD database.





Photo: Beth Macdonald, Unsplash.com

## 2. Overview of pension systems in the Nordic countries

Before discussing the gender pension gap and its causes, we present a brief overview of the Nordic pensions systems. A more detailed description can be found in Chapter 7. The most significant difference is between systems in which a high proportion of pension is derived from earnings-based public pension schemes such as in Finland, Norway and Sweden, compared to the Danish and Icelandic systems that combine universal basic public pension with earnings-based occupational pension schemes.

**Table 1. Overview of pension systems in the Nordic countries**

Pension type	Denmark	Finland	Iceland	Norway	Sweden
Public non-contributory pension	Basic and targeted	Targeted	Targeted	Basic and targeted	Targeted
Public contributory pension	Contributory by working time and years. Plays a minor role.	Earnings-based	Earnings-based	No	Earnings-based
Occupational pension	Yes	Yes, but marginal	Yes	Yes	Yes
Individual pension savings (IPS) that are given favorable tax treatment	Yes	Yes	Yes	Yes	No*

\*Individual pension savings with favorable tax treatment were abolished in Sweden in 2016. Persons who are not eligible to receive an occupational pension still get a tax relief that corresponds to 35% of the savings amount up to a ceiling of SEK 525 000 (2023).

Table 2 also presents some basic facts about pension age and years in working life for women and men. This shows that women in all the Nordic countries have both a shorter expected working life and more years in retirement, except in Finland, where women have a slightly higher expected effective retirement age. Together with factors such as the differences in employment rates, earnings and part-time work, these are important explanations for the gender pension gap in each country.

**Table 2. Number of pensioners, legal and effective retirement age, exit from the labor market, duration of working life and expected years in retirement**

	Denmark	Finland	Iceland	Norway	Sweden
Number of persons receiving a pension (2019)	Women: 590 306 Men: 500 476	Women: 667 624 Men: 490 402	Women: 25 380 Men: 22 419	Women: 482 138 Men: 420 813	Women: 1 086 831 Men: 943 992
Legal retirement age (2022)	67	63–65 <sup>1</sup>	67	62–75 <sup>2</sup>	63 <sup>3</sup>
Expected effective retirement age (2020) <sup>4</sup>	Women: 62 Men: 63.3	Women: 63 Men: 62.9	Women: 59.9 Men: 61.6	Women: 59.3 Men: 61.1	Women: 64.2 Men: 64.3
Exit from the labor market (2020) <sup>5</sup>	Women: 63.6 Men: 65.5	Women: 63.3 Men: 64.2	Women: 65.8 Men: 68.2	Women: 64.5 Men: 66.0	Women: 64.6 Men: 65.9
Expected duration of working life (2021)	Women: 38.4 Men: 42	Women: 38.7 Men: 39.8	Women: 42.6 Men: 46.4	Women: 39.8 Men: 42.6	Women: 41 Men: 43.6
Expected number of years in retirement (2020)	Women: 22.2 Men: 19.3	Women: 23.7 Men: 20.7	Women: 23.0 Men: 19.0	Women: 23.7 Men: 19.4	Women: 22.1 Men: 19.0

**Source:** Own data collection from Statistics Denmark and Insurance & Pension Denmark, Statistics Finland, Statistics Iceland/ Ministry of Social Affairs and Labour Iceland, Statistics Norway, Statistics Sweden (2019). MISSOC (2022), Finnish Centre for Pensions (2022), Eurostat (2021a), OECD (2020)

1 2 3 4 5

1. The retirement age of persons born in 1965 and later will be adjusted according to life expectancy, which will be determined at the age of 62 years.
2. In order to draw an old-age pension before reaching the age of 67
3. Starting from 2026, a target age will be introduced to determine when a person should retire. It will replace the previous standard retirement age of 65 and will take into account the increase in life expectancy.
4. The calculation method has been adjusted in order to make comparisons between countries. Thus, the definition of when a person is counted as a pensioner or in employment can differ from other national calculations. Retirement is defined as receiving a pension, regardless of whether a person continues to work. The expectancy for a 30-year-old is used as a general indicator and it describes the retirement of the whole population. The exit age refers to the average age of exit from the labor market.
5. The calculation is based on individuals who are in the labor force at the age of 50.



Photo: Johnér

## 3. Gender pension gap in the Nordic countries

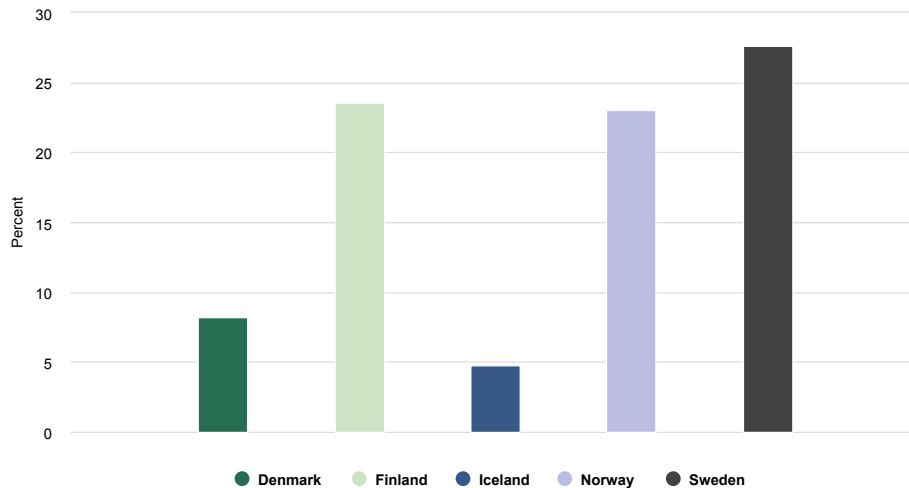
This section analyzes the gender pension gap in all the Nordic countries by pension type and age. The data were collected from state agencies in each country and refer to income for 2019 from public, occupational and private pensions as described in the "Data collection" section in Chapter 1. The gender pension gap in this report measures the differences in annual pension income. Some common objections to this are that it does not measure all income and can therefore both underestimate and overestimate the gap. Housing benefit is expected to reduce the gap on the one hand and, on the other hand, income from work and capital is expected to increase the gap. The gender pension gap in this report is calculated based on annual income. Gender differences in lifetime pension benefits are smaller owing to the longer life expectancy of women.

### 3.1 The gender pension gap by pension type

There is a gender pension gap in all the Nordic countries, but the size of the gap varies a lot between countries. The largest gap is in Sweden and the lowest is in Iceland. The gap is smaller than the EU average in all the Nordic countries but the difference is only marginal in Sweden.<sup>6</sup>

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6. We do not have the exact comparable data for the EU average but the data we have collected come close to what was collected and presented by the EU in which the average gap in the EU in 2019 was 29%.



**Figure 1: Gender pension gap 2019**

**Source:** Statistics Denmark and Insurance & Pension Denmark, Statistics Finland Statistics Iceland/Ministry of Social Affairs and Labour Iceland Iceland, Statistics Norway, Statistics Sweden. Own calculations.

The table below describes the total gap between all women and men receiving some kind of pension in the Nordic countries, as well as the gap divided by income type.

**Table 3 Gender pension gap 65+ by income type**<sup>7</sup>

	Denmark	Finland	Iceland	Norway	Sweden
<b>Total gap 65+</b>	<b>8%</b>	<b>24%</b>	<b>5%</b>	<b>23%</b>	<b>28%</b>
Public pension	-5%	23%	-21%	22%	18%
Occupational pension	23%*	**	20%	19%*	48%
Private pension	-	34%	54%	-	25%

**Source:** Statistics Denmark and Insurance & Pension Denmark, Statistics Iceland/ Ministry of Social Affairs and Labour Iceland, Statistics Finland, Statistics Norway and Statistics Sweden (2019) Own calculations. The gap is calculated: 1- (women's pension/men's pension). Thus, a negative gap means women's pensions are higher than men's

\*Includes occupational and private pensions.

\*\*Occupational pension is very rare in Finland and cannot be separated from the rest of the data. It could be included in both public and private pensions.

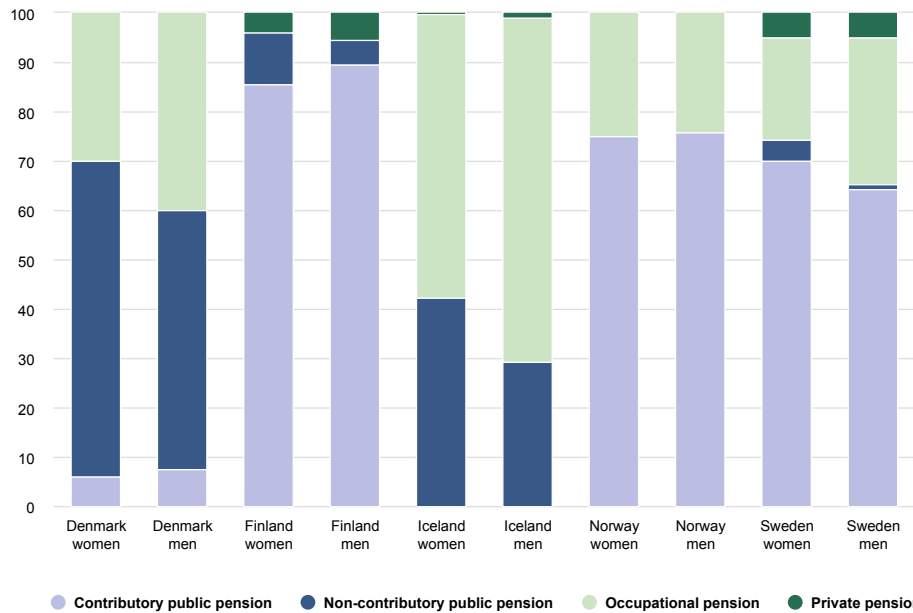
7. These calculations are based on our own data. When compared to EU-SILC (also used by the OECD), our calculations show a difference in the total gender pension gap of less than one percentage point for Sweden, Denmark and Iceland (2018). The difference for Finland is 2 percentage points, and for Norway there is a 1 percentage point difference compared to EU-SILC, This may be because our data on private pensions include property income for Finland. Our data also show the gap by income type and age, which is not available from EU-SILC public data.

Finland, Norway and Sweden all have similar gaps in public pensions, around 20%. A significant difference between these countries is the large gap in Swedish occupational pensions. The design of the Swedish occupational pension is different from the other Nordic countries. Occupational pension provisions are higher for wages that are above the earnings ceiling in public pensions around 30% compared to 4.5–6% below the ceiling. This is because occupational pensions are supposed to reflect the employee's final wage, like the old benefit pension scheme, which is being phased out. Thus, occupational pensions not only transfer but reinforce gender differences in working life for pensioners (The Swedish Social Insurance Inspectorate, 2017). In Norway occupational pension are proportional to lifetime earnings and therefore counteracts the redistributive effects of the public pension as well, but it does not overcompensate higher salaries as in Sweden. A more detailed comparison of how this works in the two countries is found in chapter 6.

In both Iceland and Denmark, public pensions are higher for women compared to men. This is because all or most public pensions are universal and non-contributory. The level of the basic pension is the same for everyone but is then reduced take into account other sources of income such as wages, income from capital gain and in some cases occupational pension as well.<sup>8 9</sup> This means that the income gap is expected to be larger than the pension gap. In Iceland it is particularly common among men to take part-time pension while still working, which reduces the public pension. The gap in private pensions in Iceland is very large. However, private pensions are also very uncommon, so this has a very small effect on the overall pension gap. Private pension schemes have only been in place for a few years and are predicted to become more important for pensioners in the future.

The graph below shows the size of each type of pension for average female and male pensioners in each country. The graph also sheds light on how the design of the pension systems in the Nordic countries is different. With the exception of Norway, women are more dependent on public pensions than men, particularly non-contributory pensions.

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8. [1] Folkpension in Denmark is reduced for those with earnings over 359.200 DKK (2023) This includes income such as wages, social transfers, income from business activity and some capital gain but not for income from occupational and private pension. No Folkepension is paid for those with earnings over 627.000 (2023). Income from a spouse does not count. Pension supplement is different for single households and cohabitants and reduced by household income at different levels depending on if the cohabitor is a pensioner or not. Pension supplement is reduced by all income including occupational and private pension.
  9. [1] For old age pension in Iceland 45% withdrawal begins once income is more than ISK 25 000 per month and the special income threshold for employee compensation is ISK 200 000 per month. This includes income such as wages, income from capital gain and occupational pension but not private pension.



**Figure 2:** Percentage distribution by pension type. Age 65- years or older\*

**Source:** Statistics Denmark and Insurance & Pension Denmark, Statistics Iceland and Ministry of Social Affairs and Labour Iceland, Statistics Finland, Statistics Norway and Statistics Sweden. Our calculations. The data in Norway and Denmark cannot distinguish between private and occupational pensions in the data. Private pensions are therefore not shown separately here but are included in "occupational pension". The non-contributory pension in Norway is included in the public pension. \*Denmark: 66 years and older.

In Finland, most of the total pension income is derived from public earnings-based pensions and only a low proportion is from non-contributory public pension and private pensions. This is in contrast to both Danish and Icelandic pensions that are based on occupational pensions and a large part on non-contributory public pensions. The Swedish and Norwegian systems are similar to each other. One of the differences shown in the graph is that occupational pensions play a more important role for men in Sweden compared to women in Sweden, as well as women and men in Norway. Norway also has a non-contributory public "guarantee pension" and a low proportion of private pensions. The data cannot distinguish between private and occupational pensions or distinguish the non-contributory pension from other public pensions in Norway though.

### 3.2 The gender pension gap by age and pension type

The gender pension gap varies a lot by age. The gap is the largest in the age group from 75–79 years in all the Nordic countries except Finland. The smallest gap is in the youngest age group in Denmark, Iceland and Sweden, but is in the oldest group in Finland and Norway. If the systems were entirely earnings-based, the gender pension gap could be expected to increase by age, since the overall trend is that the employment and income gap between women and men decreases over time. However, all systems have different benefits for single households and widowed persons (often women). In the oldest age group, many women live in single

households since they outlive their spouses. In the Finnish and Swedish data, we can distinguish between survivors' pensions and other public pensions. This shows that the survivors' pensions reduce the gender pension gap substantially for the oldest age group and that this is the main reason why we don't see the expected age pattern. The effect is particularly strong in Finland where the smallest gap is in the oldest group for the same reason. In all other countries, data on survivors' pensions are included and cannot be separated from other types of pension.

The reason why the gap is smallest in the youngest age group in some of the countries could be because this group has had more equal income and therefore also made more equal contributions to their pensions. Another explanation could be that men in this group more often still receive income from work, which reduces their public pension. As mentioned in the previous section, this is the case in Iceland where many men in the age group 65–69 years are still working and therefore have a much-reduced pension. The total income gap is therefore expected to be larger than the pension gap.

**Table 4 Denmark: Gender pension gap by pension type and age**

Age	Total	Public pension	Occupational pension
66- years	8	-5	23
66–69 years	-2	-2	15
70–74 years	11	-3	23
75–79 years	15	-4	28
80- years	8	-8	28

**Table 5 Finland: Gender pension gap by pension type and age**

Age	Total	Public pension	Private pension
65- years	24 (32)	23 (32)	34
65–69 years	20 (23)	20 (23)	27
70–74 years	26 (30)	25 (30)	35
75–79 years	24 (34)	24 (33)	43
80- years	13 (36)	14 (37)	38

Excluding survivor's pension in parentheses



**Table 6 Iceland: Gender pension gap by pension type and age**

Age	Total	Public pension	Occupational pension	Private pension
65- years	5	-21	20	54
65-69 years	3	-39	14	49
70-74 years	3	-30	23	66
75-79 years	8	-19	26	76
80- years	6	-12	18	82

**Table 7 Norway: Gender pension gap by pension type and age**

Age	Total	Public pension	Occupational and private pension
65- years	23	22	19
65-69 years	24	19	17
70-74 years	23	21	26
75-79 years	25	26	16
80- years	22	24	12

**Table 8. Sweden: Gender pension gap by pension type and age**

Age	Total	Public pension	Occupational pension	Private pension
65- years	28 (31)	18 (23)	48	25
65-69 years	24 (24)	15 (16)	41	18
70-74 years	28 (29)	18 (19)	49	27
75-79 years	29 (32)	20 (23)	52	32
80- years	27 (36)	19 (31)	49	25

Excluding survivor's pension in parentheses



Elisabeth Edén/imagebank.sweden.se

## 4. Other measures of pension inequality

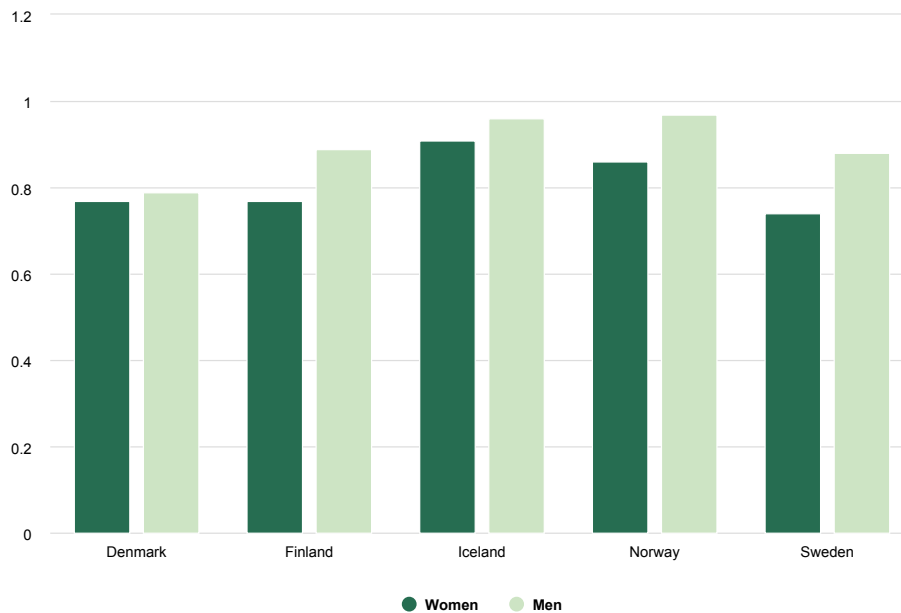
### 4.1 Relative income ratio

A different way to measure pension income and compare economic standards for elderly women and men is to compare their disposable income with the rest of the population. An obvious weakness with this type of measure from a gender perspective is that it is based on household income, not individual income. However, one of its strengths is that provides supplementary information about the living standards of pensioners in each country comparing the income of pensioners with people who are not pensioners in the same country. The graph below is based on data from the Nordic Statistics Database and shows the ratio of the median equivalized disposable income of people aged 65 years and above with the median equivalized disposable income of people aged below 65 years.<sup>10</sup> This shows the same overall pattern of income differences between elderly women and men as our data. The gap is the largest in Sweden, followed by Finland and Norway, and is substantially smaller in both Denmark and Iceland when measured this way. One difference is that Denmark, not Iceland, now has the smallest gap. The data also show that income for elderly women in relation to the rest of the population is the lowest in Sweden, but that Danish men have a lower income compared to those who are not in this age group. Norway and Iceland have the highest relative median

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10. Equivalized income is the total income of a household, after tax and other deductions, which is available for spending or saving, divided by the number of household members converted into equalized adults.

income ratio for both women and men in this age group. Regarding Iceland, one explanation could be that many women and men over 65 years still are working.

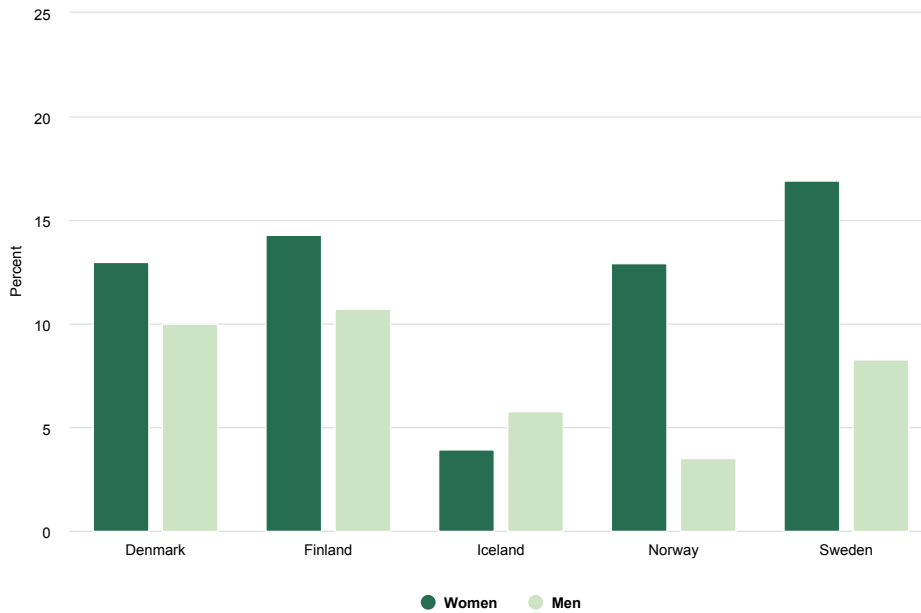


**Figure 3:** Relative median income, ratio 65 years and older, 2018

**Source:** Nordic Statistics Database

## 4.2 Poverty rates among elderly women and men

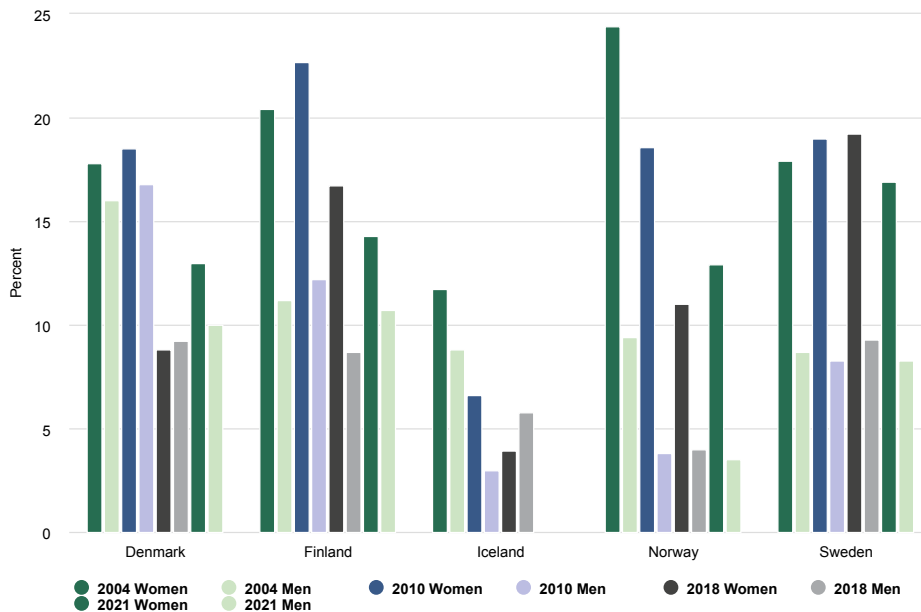
Another way to describe the differences in the financial circumstances of elderly women and men is by examining the poverty rate divided by age and sex. Poverty among pensioners in the EU is measured in terms of relative (risk of poverty) and absolute poverty (severe material deprivation). "Risk of poverty" measures the percentage of households with an income under 60% of the median equivalized income. As shown in the graph, the highest percentage of women at risk of poverty 2021 was in Sweden. However, the guarantee pension was increased in Sweden in August 2022 and this is expected to have reduced the level of women at risk of poverty, which is not yet shown in the data.



**Figure 4:** Risk of poverty, 65 years or older, 2021 or latest year available

**Source:** Nordic Statistics Database (Iceland 2018, Norway 2020)

The trend shows a reduction in poverty rates among women over 65 years since 2004 in all the Nordic countries.



**Figure 5:** Risk of poverty, 2021 or latest year available, 65 years or older\*

**Source:** Nordic Statistics Database. \*2020 instead of 2021 for Norway

Severe material deprivation is not common in the Nordic countries. Less than 1% of women in Sweden, Norway and Finland face absolute poverty and only around 1% in Denmark and Finland. The differences between women and men are negligible. The level of poverty is slightly higher in single households. (Eurostat, 2020). Nordic Statistics Database does not include "risk of poverty" by household type, but Swedish data show that poverty rates are higher in single households and among immigrants (The Swedish Pensions Agency, 2022 a).

A recent study in Denmark and Sweden also reports much higher poverty rates among immigrants than among natives in the elderly population in both countries. (Gustafsson et.al, 2022) Except for the fact that immigrants normally have fewer years to earn a pension and receive lower income the highest level of non-contributory benefits are also only paid to those people who have lived for many years in the country, which results in lower benefit levels for immigrants.



Photo: Maskot/Folio/imagebank.sweden.se

## 5. Labor market inequalities explain the gap in each country

Differences in wages and participation in paid work are the main drivers of the gender pension gap in all the Nordic countries. This chapter describes the similarities and differences in labor market participation, education and income. The data presented in this section have been collected from the Nordic Statistics Database, Eurostat and OECD. Older data for labor market participation are from the report: *Women and Men in the Nordic Countries. Facts and figures 1994*.

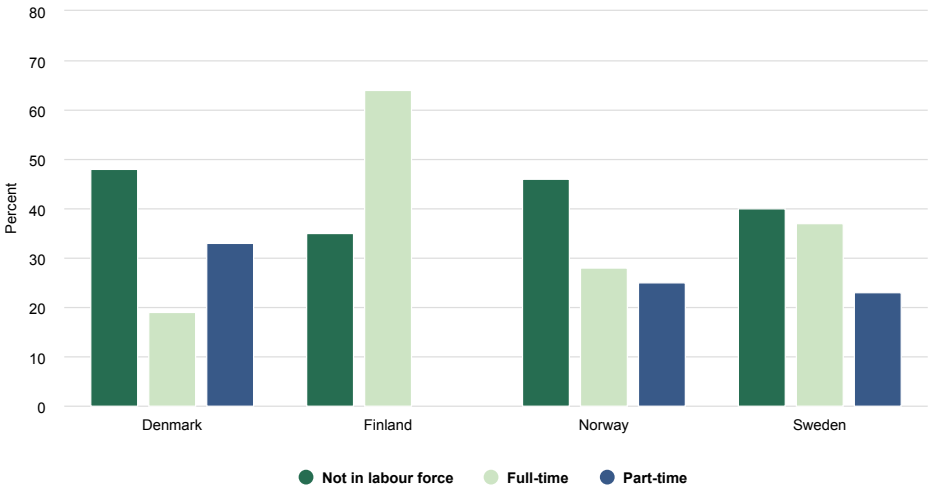
### 5.1 A historical shift in female labor participation in the 1970s and 1980s

In the 1970s and 1980s, there was a historical shift in the Nordic countries when large groups of women started working outside the household. The graphs below show the proportion of women working full-time, part-time and women who were not part of the labor force in 1970 and 1980.<sup>11</sup> In 1970 almost half of the female population in Denmark was not part of the labor force. In 1980, this number had dropped to 26%. The same pattern can be seen in Norway and Sweden, whereas Finland already had a higher female employment rate in the 1970s (data for Iceland are not available). The shift was slower in Norway, where 36% of the female population was still not in the labor force in 1980, and 26% in 1990.

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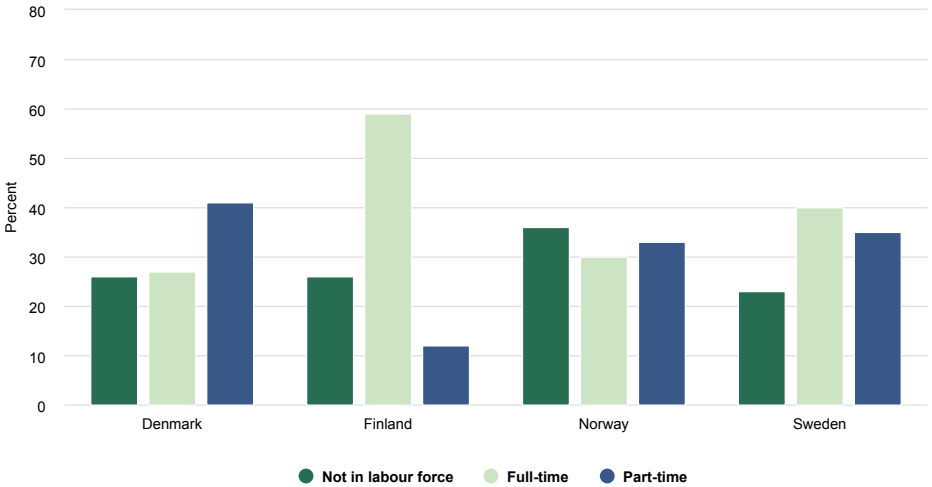
11. A certain number of people not shown in the graphs were also unemployed. 1970 unemployment among women was very rare, a maximum 1% were registered as unemployed. In 1980 this number increased to 6% in Denmark but still only 3% in Finland and 1% in Norway and Sweden.

Researchers explain the long tradition of high female employment rates in Finland In terms of their lower per capita income after the Second World War and differences in country-specific cultural norms and values generated by the way industrialization took place. Also, the lower availability of rental flats and higher housing costs have been suggested as being part of the explanation (Sundström & Wennemo Lanninger, 2014).



**Figure 6:** Employment for women, 1970, 20-64 years

**Source:** Women and Men in the Nordic Countries. Facts and figures 1994. Nord 1994:3 (1975 for Norway)

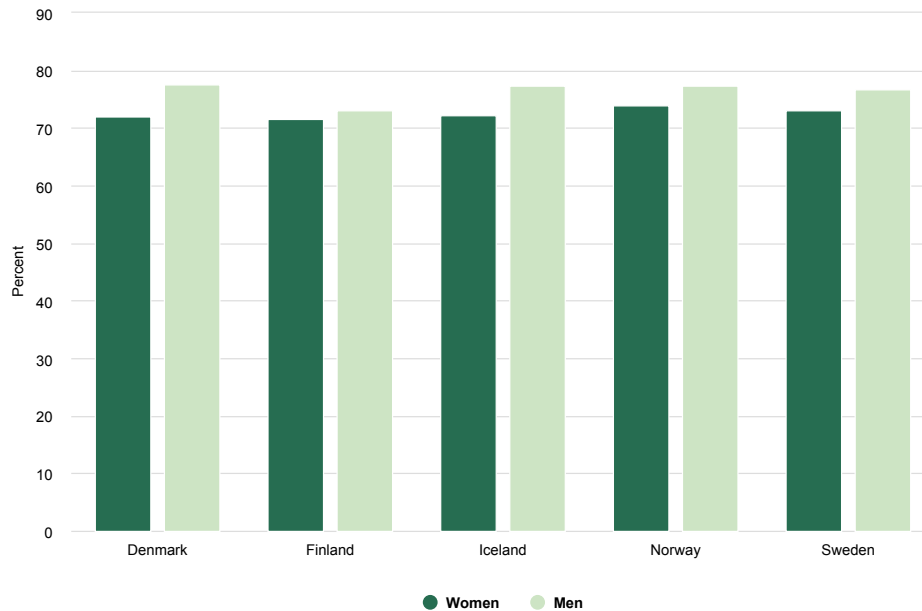


**Figure 7:** Employment for women, 1980, 20-64 years

**Source:** Women and men in the Nordic Countries. Facts and figures 1994. Nord 1994:3

## 5.2 High employment rates among women in all the Nordic countries in the 21<sup>st</sup> century

Today, female employment rates in all the Nordic countries are high. Over 70% of all women participate in paid work, and this is only slightly lower than the employment rate among men (the graphs from the last section are not comparable with those in this section because of different age groups and sources).

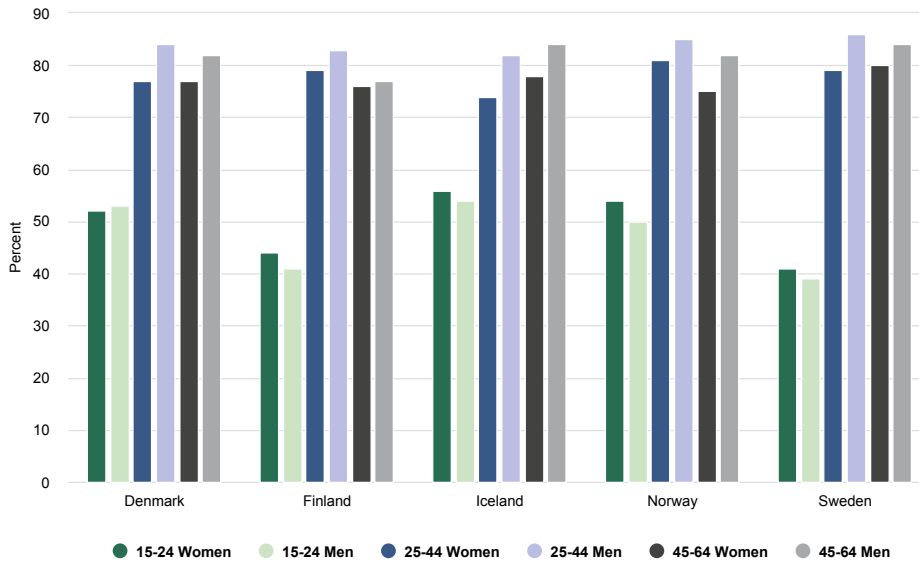


**Figure 8:** Employment rate, aged 15-64, 2021

**Source:** Nordic Statistics Database 2021

The employment rate is lower for both women and men in the youngest age group from 15–24 years compared to other age groups, which is expected since this group includes a large part of students. In this group, however, women have higher employment rates than men in all the Nordic countries except Denmark. In the other two age groups, men have higher employment rates. In all the Nordic countries, women take more and longer career breaks to care for children compared to men. In Denmark, Iceland and Sweden, in age group from 25–44 years, there is a substantial employment gap, which is probably explained by this. In Norway and Finland, the difference is less. Among older employees from 55–64 years, the difference is the lowest in Finland and Sweden.



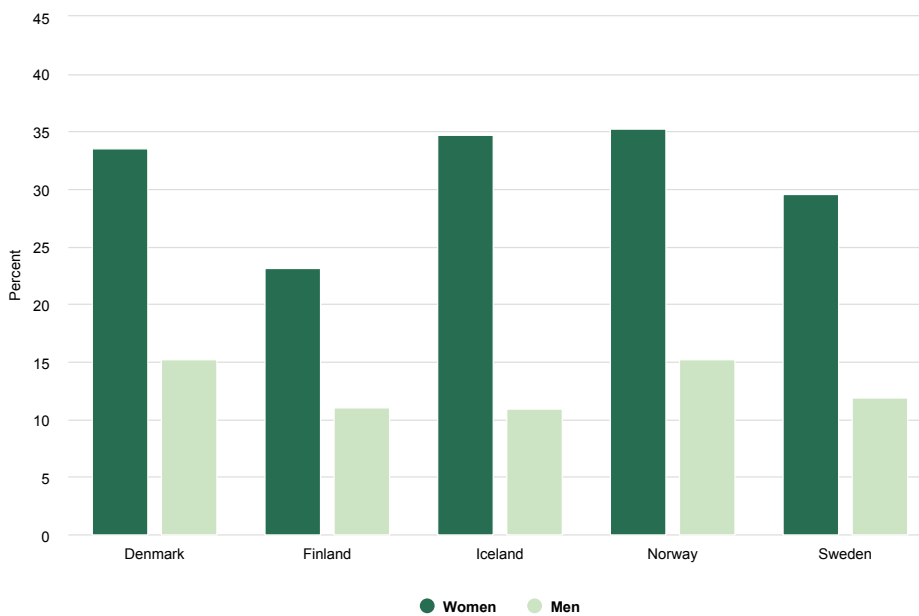


**Figure 9:** Employment rate by sex and age, 2021

**Source:** Nordic Statistics Database

### 5.3 Part-time work is still common among women in all the Nordic countries

One of the most important remaining differences between women’s and men’s participation in paid work is that women to a much greater extent still work part-time. In Denmark, Iceland, and Norway around 35% of women work part-time, in Sweden 30% and in Finland 23%.



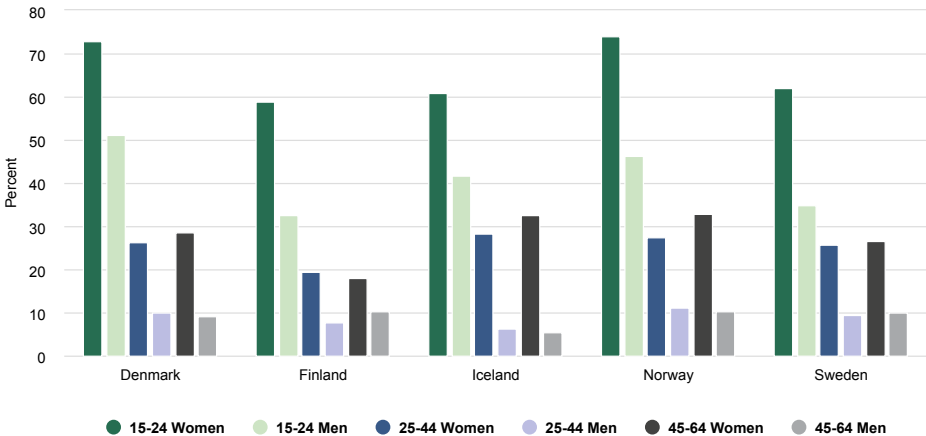
**Figure 10:** Part-time employment, 2021, 15-64 years

**Source:** Nordic Statistics Database

The OECD data show that part-time work among women is largely involuntary, particularly in Finland and Sweden. In Finland, 29% of all women who work part-time do it on an involuntarily basis, according to OECD data. In Sweden, the same figure is 22% and in Iceland it is 14%. The incidence is lower in Denmark and Norway, at 9% and 8%, respectively (OECD, 2021a). Involuntary part-time work is based on the national definitions in the OECD database and also shows a variance to other national data sources, which is why this data should be interpreted with caution. For example, national data from Sweden show a lower incidence. The pattern is still that women work part-time on an involuntarily basis to a much greater extent compared to men (The Swedish Government, 2022) Other reasons for working part-time found in Swedish official data are caring for young children, studying and/or sickness/disabilities (Statistics Sweden, 2022)

Part-time work is most common among both women and men in the youngest age group, which may be because many of them are students, particularly women, who more often than men attend higher education. However, OECD data show that involuntary part-time work is particularly common among women in this age group in both Sweden and Finland. In Sweden, for example, almost 15% of women from 15–24 years who are working are involuntary part-timers, compared to 8.4% of men in the same age group and 4.5% in the labor force in total. In Finland, 11.4% of young women are involuntary part-timers, compared to 0.7% among men and 1% for everyone in the labor force. Again, this data should be interpreted with caution (OECD, 2021a).

The part-time gap could be expected to be the largest in the 25–44 year old age group, in which many women reduce their working hours in order to care for young children. However, this is not the case in any of the Nordic countries. The gap is bigger among 15–24-year-olds in all countries and between 50–64-year-olds in all countries, except Finland. In Iceland, for example, 32.7% of women between 50–64 years of age work part-time compared to only 5.5% of men. Around 30% of Norwegian, Swedish and Danish women in the oldest group also work part-time, but only 17.5% in Finland.

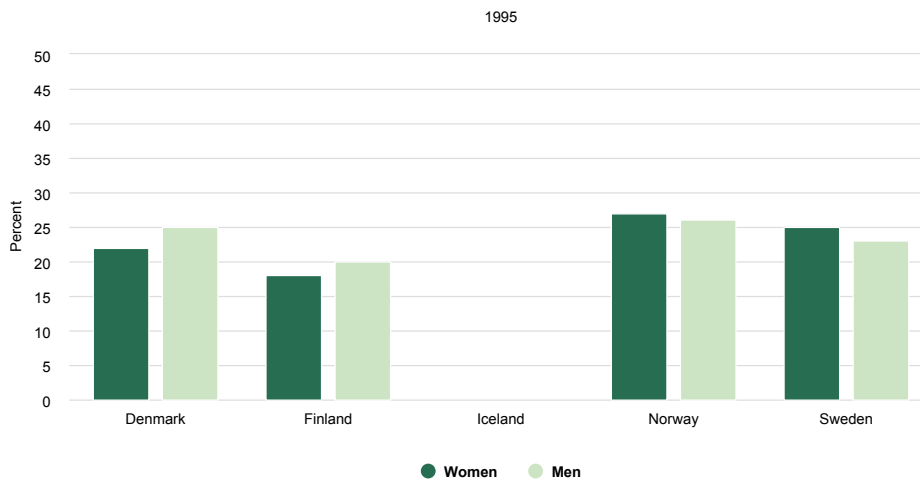


**Figure 11:** Part-time employment by age in percent of total employment, 2021

**Source:** Nordic Statistics Database

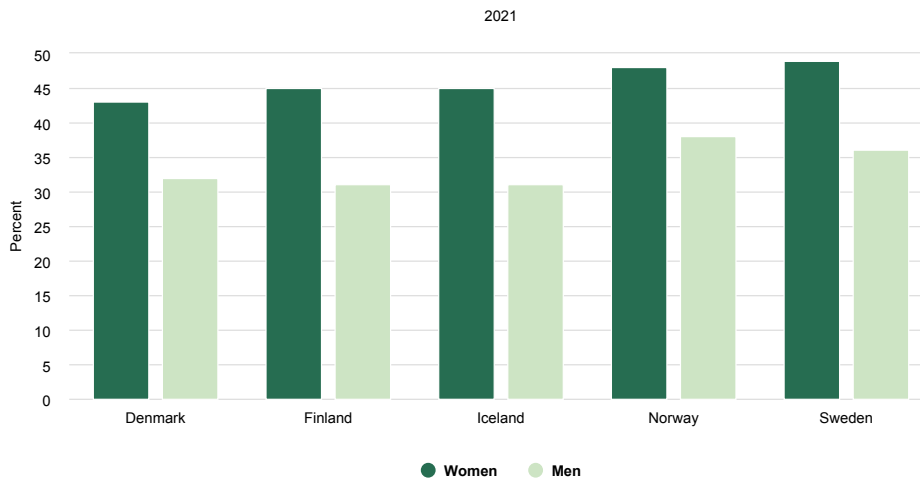
## 5.4 Women have a higher level of education compared to men but lower wages and income in all countries

In recent decades, the level of education of women has increased faster than the level of education of men. In 2021, a substantially higher proportion of the female population compared to the male completed tertiary education in all the Nordic countries. The graphs below show the percentage of women and men with short-cycle tertiary education (level 5) up to doctoral or equivalent level (level 8) in 1995 (1998 for Norway) and 2021. The shift is quite extraordinary, from a minor difference in level of education in favor of men in Finland and Denmark and only slightly higher proportion for women than men in Sweden in 1995, to a major shift in which a much larger part of the female population completed higher education in 2021. However, it is important to bear in mind that a lot of female-dominated education was transformed into tertiary-level education in the 1970s and beyond.



**Figure 12:** Population by educational attainment level 5-8

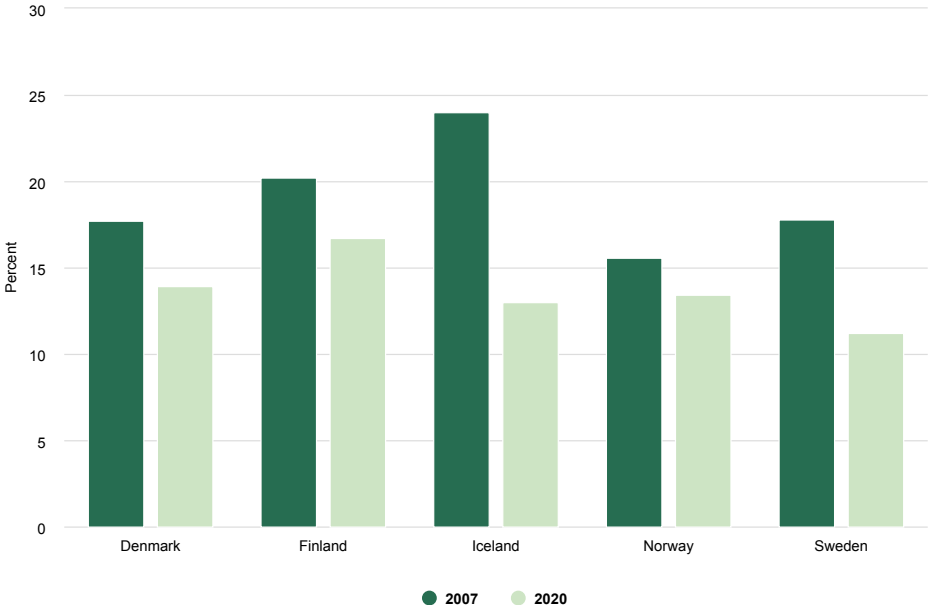
**Source:** Nordic Statics Database



**Figure 13:** Population by educational attainment level 5-8

**Source:** Nordic Statics Database

The higher level of education of women is not reflected in the pay gap. Although the education gap is 10–14 percentage points in favor of women, the pay gap measured as the difference in gross hourly earnings is still substantial in all the Nordic countries. The gap has decreased over time but is still between 11% in Sweden and almost 17% in Finland.



**Figure 14:** Gender pay gap 2007 and 2020

**Source:** Nordic Statistics Database

One important explanation for the pay gap is that female-dominated occupations are paid less (even when they require higher education) (Swedish Gender Equality Agency, 2022). Female-dominated education such as health care (not including doctors and dentists), pedagogy, art, media and humanities generally give a lower wage premium in the Nordic countries compared to other educational orientations that are not female-dominated. There is also a gap between women and men with the same educational orientation (Statistics Sweden, 2021) In addition, women’s income is substantially lower than men’s because of fewer hours of paid work. The overall gender earnings gap in 2018 was 25,1% in Denmark, 24.6% in Finland, 31.5% in Iceland, 28.9% in Norway and 23.5% in Sweden (Eurostat, 2018).



Photo: Folio/imagebank.sweden.se

## 6. The gender pension gap for future pensioners

The pension gap today is a consequence of women's and men's historic labor force participation and earnings, as well as a consequence of the design of both current and former pension systems. This section describes the gap between the contributions of women and men to the pension system and review projections of the future pension gap made in each country. This gives an idea of the size of the pension gap for future generations, which has important implications for how the pension system should be designed from a gender perspective.

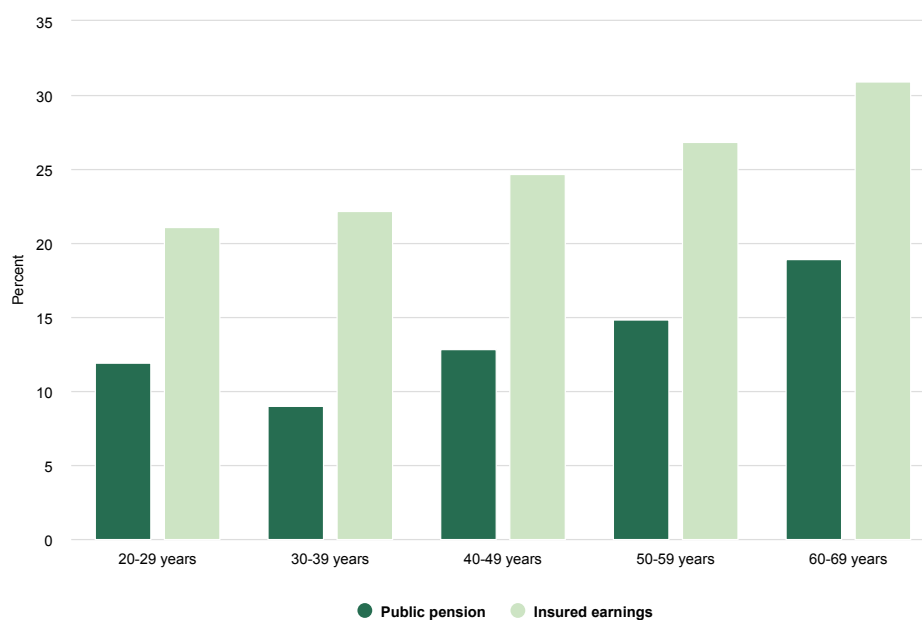
### 6.1 Gender gap in contributions and pension wealth

Nordic pensions systems have different kinds of design that impact how pensions are accrued. In Finland, Norway and Sweden, the same proportion of the wage is set aside for the public income pension for all employees. However, the proportion is different between country. In Denmark, employees earn only a small part of their pension through contributions to the public pension, ATP. The contribution is a fixed amount – as opposed to a percentage of income – varied only against the number of hours worked (OECD 2021b). In Iceland, it is mandatory for all employed persons from 16 to 70 years of age to be members of a pension fund. These differences are described in more detail in Chapter 7.

Contributions by women and men to their future pension will depend on how much they earn and how the system is designed. This section presents data on contributions to the public pension for women and men in Finland, Norway and Sweden and for all types of pension in Denmark. Data from Iceland are not available.

### 6.1.1 The lack of an earnings ceiling in Finland gives a larger gap compared to Sweden and Norway

The data presented in the graphs below show the gender gap in contributions made to the public pension for women and men in Finland, Norway and Sweden. In Sweden, contributions are converted into pension credits for income below the ceiling of 8.07 income base amounts.<sup>12</sup> Contributions above the ceiling are instead paid to the public treasury. Thus, the Swedish data show pension credits, not the actual contributions. The Norwegian data are based on an estimated calculation for the project.<sup>13</sup> All graphs also show the earnings gap. The earnings gap in the graph for Finland shows Insured earnings (i.e., pensionable income insured under the earnings-related pension scheme). The Swedish data are based on taxable income from employment, self-employment, and taxable income from social insurance benefits. However, all of these count as pensionable income, except pension. The Norwegian data are based on pensionable income. Comparisons should be made with caution since the data are not exactly comparable. However, some interesting overall reflections can still be made.

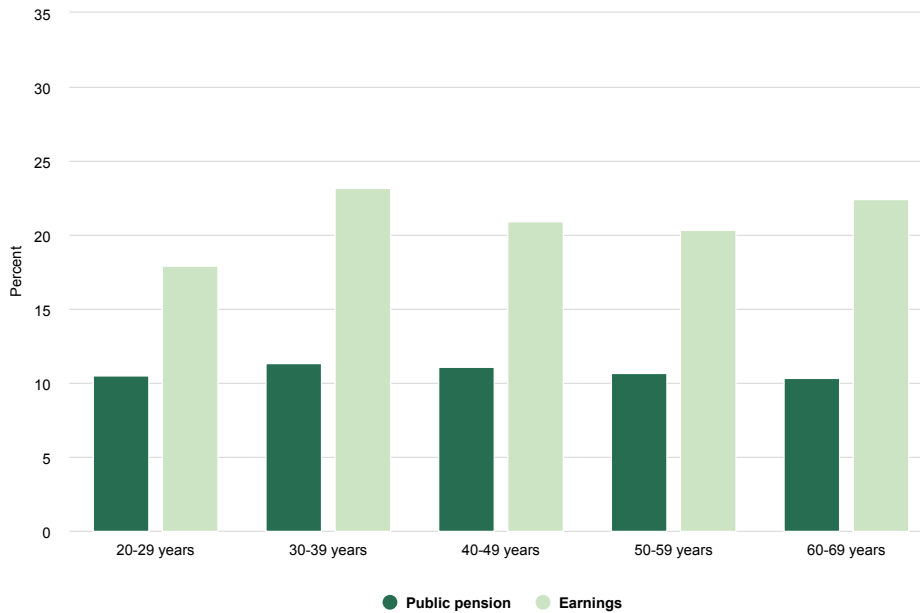


**Figure 15:** Public pension contributions gap and earnings gap by age, **Norway**, 2019

**Source:** Calculations from Statistics Norway for this project

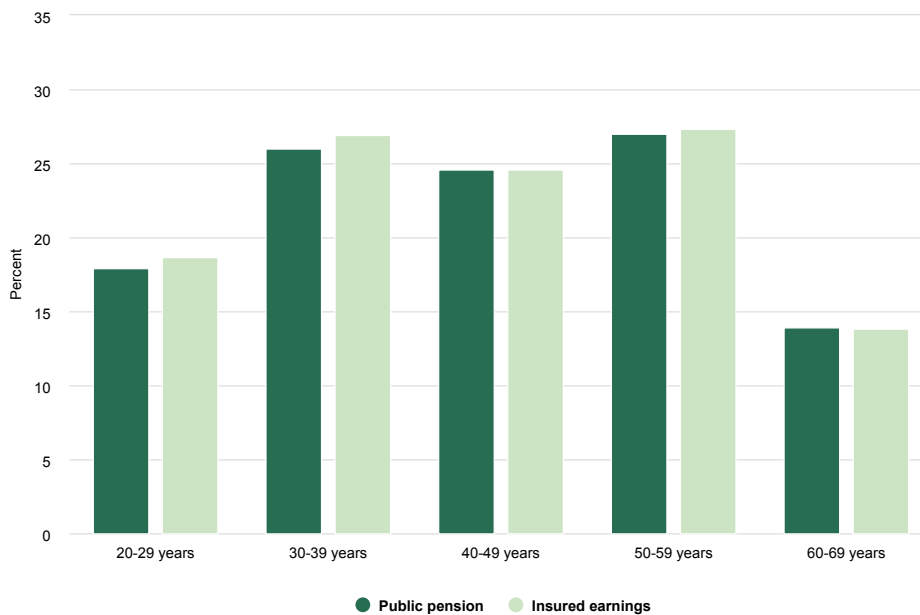
12. In this case it is more accurate to say the ceiling is set at an 8.07 base amount and not 7.5 base amounts since pension accrues based on income after deduction for public pension for public pension fee.

13. Calculations are made by Statistics Norway for the project and are based on a simple calculation using the 18.1 percent contribution rule, adjusting for a ceiling on contributions at 7 base amount, and compensation to mothers with children under 6 years of age, and who are earning less than a 4.5 base amount.



**Figure 16:** Public pension contributions gap and earnings gap by age, **Sweden**, 2019

**Source:** The Swedish Pensions Agency, own calculations.



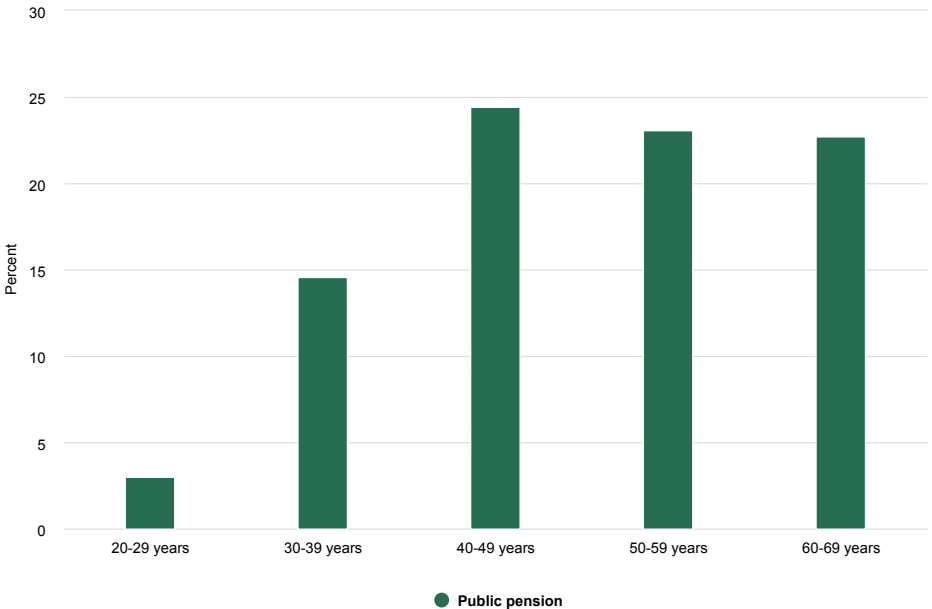
**Figure 17:** Public pension contributions gap and earnings gap by age, **Finland**, 2019

**Source:** Finnish Center for Pensions

In Sweden and Norway, the earnings gap is much higher than the gap in contribution because of the earnings ceiling for pension credits. In Finland, the earnings gap reflects the contributions gap. The Swedish and Norwegian data show a larger difference between income and pension contributions for the 30–39 age group, which may be because many women are compensated for their lower income if they have children under four years of age in Sweden, and six years of age in Norway. Thus, the loss in income is expected to be higher than the loss in pension credits. In Finland, parents also receive extra pension contributions during parental leave,

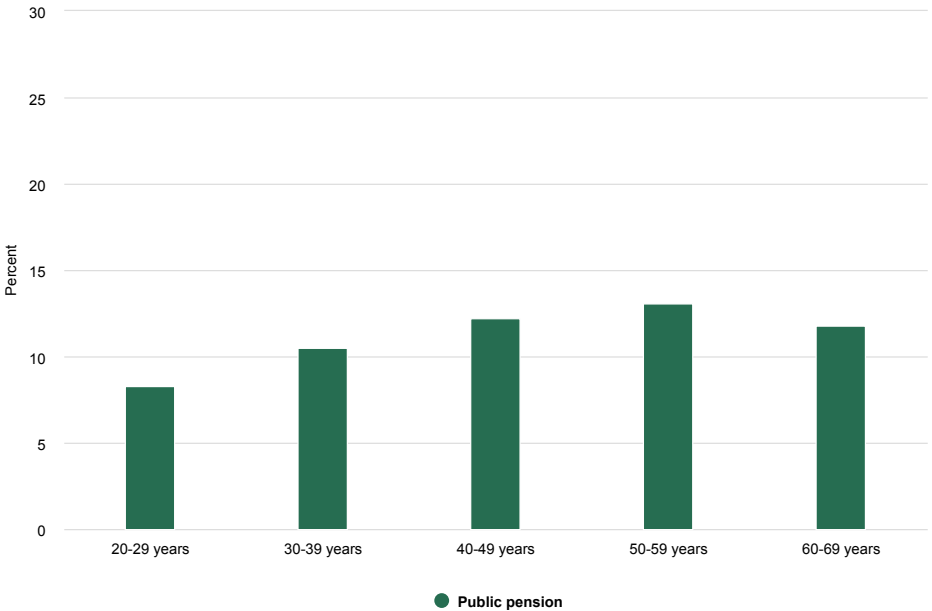
although much lower contributions are made for those women who stay at home for longer periods or who work part-time. This is described in more detail in Chapter 9.

The graphs below show the public pension wealth gap in Finland and Sweden. Pension wealth is the accumulated average value of a pension that an individual has accrued by a certain age. As for contributions, the gap in Finland is much larger compared to Sweden.



**Figure 18:** Public pension wealth gap by age, **Finland**, 2019

**Source:** Finnish Centre for Pensions



**Figure 19:** Public pension wealth gap by age, **Sweden**, 2019

**Source:** The Swedish Pensions Agency



For Finland, presented graphs give a good idea of total pension contributions since around 95% of the pension is public pension. However, for Sweden and Norway, the data does not reflect total pension contributions since occupational pensions also play an important role and this compensate wages above the ceiling in the public pension. Data on occupational pension contributions have not been available for this project but the table below describes the systems in Norway and Sweden. In Norway approximately the same percentage of the income is allocated to the pension for wages above and under the public pension ceiling, whereas in Swedish occupational pensions contribute to a higher total compensation for wages above the ceiling. Since men have higher wages than women this benefits men.

**Table 9. Interplay between public and occupational pension in Norway and Sweden**

Contributions to pension	Norway		Sweden	
	Wages under the public pension ceiling	Proportion of wage that is above the public pension ceiling	Wages under the public pension ceiling	Proportion of wage that is above the public pension ceiling
Public pension (%)	18.1	0	17.21*	0
Occupational pension** (%)	Public sector: 5.7 Private sector: 2-7	Public sector: 23.8*** Private sector: 2-7 + possible supplement up to 18.1***	4.5-6	30-31.5
Total (%)	Public sector: 23.8 Private sector: 20.1-25.1	Public sector: 23.8*** Private sector: 20.1-25.1 to 12***	21.71-23.21	30-31.5, 47-48.5 for wages between a 7.5 and 8.07 income base amounts

\*On the pensionable income the fee is 18.5 percent. 18.5 percent of the income after the deduction of 7 percent corresponds to a fee of 17.21 percent of the entire income.

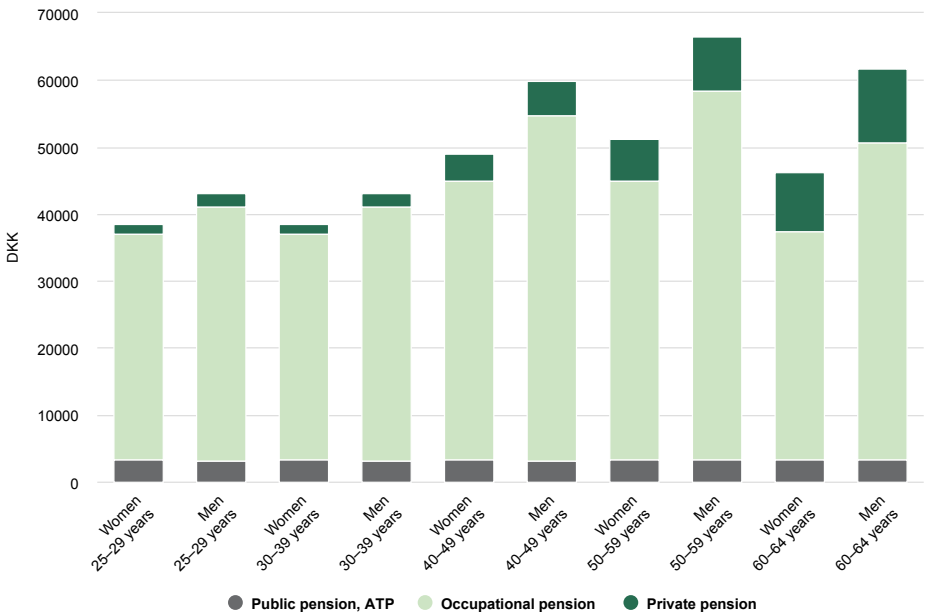
\*\* In Norway, there is one agreement for the public sector and several different agreements for the private sector that fall under the same regulatory framework. In accordance with these regulations the employers are obliged to set aside a minimum of 2% and a maximum of 7% in occupational pension up to a ceiling of 12 basic amounts. On wages between 7.1-12 basic amounts, the employer can also give a supplement of up to 18.1%. Sweden, has a variety of agreements depending on the sector and when the insured party was born. However, the basic principle regarding wages above the ceiling is the same in all recent agreements, the only expectation being that some agreements pay 30% over the ceiling and other agreements pay 31.5%.

\*\*\* Up to the ceiling of 12 G.

The upcoming section “Projections of future gender pension gap” also elaborates on the fact that the total gender pension gap is expected to be substantial in Sweden in the future, partially because occupational pension overcompensates for wages above the ceiling.

**6.1.2 Contributions to the ATP public pension, occupational pensions and private pensions in Denmark**

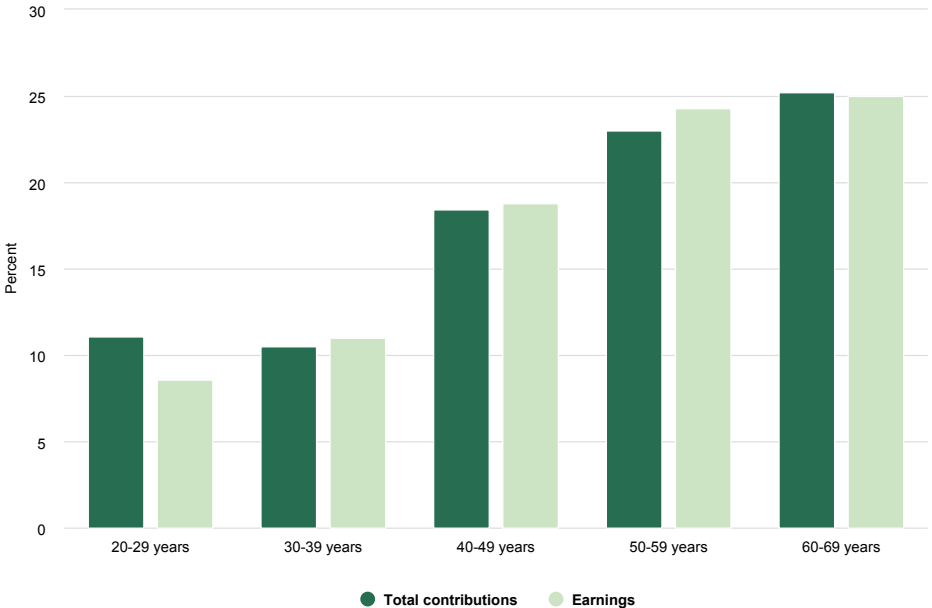
The graph below shows the average contribution by women and men to different types of pensions in Denmark. These graphs are not comparable to those for Finland, Norway and Sweden. Men contribute more to their future pension for all types of pension, except ATP, which is a small part of the total contribution. The contributions increase for both women and men up to the age of 40–49 years. After this, contributions by women increase only marginally but contributions by men continues to grow substantially up to the oldest age group, where contributions by both women and men decrease.



**Figure 20:** Mean contributions by pension type and age, Denmark 2020\*

**Source:** Insurance & Pension Denmark and Statistics Denmark. Own calculations. Data for the ATP are from 2019. The number of contributors to the ATP is used to estimate “all contributors”, although there might be minor differences between these groups.

The graph below shows the total contributions gap and earnings gap for people who are insured. The two gaps are closely interlinked. This is expected since occupational pensions are the main source of contributions and are closely linked to earnings. As shown in the graph above, women make slightly higher contributions to the ATP compared to men, but men make higher contributions to private and occupational pensions. Extra contributions are paid into the ATP's pension scheme for recipients of unemployment benefit, sickness benefit and maternity/paternity/parental benefits, to compensate for the loss of occupational pension contributions. This may explain why women's contributions to ATP are higher than men's. As shown in the graph above, the impact of the ATP on the total gap is marginal.



**Figure 21:** Total contributions gap and earnings gap by age, Denmark, 2020

**Source:** Insurance & Pension Denmark/ Statistics Denmark. Own calculations.\*Data for the ATP are from 2019. The number of contributors to the ATP is used to estimate "all contributors", although there might be minor differences between these groups.

### 6.2 Projections of the future gender pension gap

This section describes the major conclusions from the most recently found projections of the future pension gap in Denmark, Finland, Norway and Sweden. We found no projections for Iceland. Calculations of future pensions are always very uncertain. Pensions are affected by both the development of work- and employment-related income, as well as by developments in the economy, demographics and, in some cases, the stock market (The Swedish Social Insurance Inspectorate, 2017). Since the projections reported in this section were also produced at different times, using different methods, and for different types of pension income and age groups, comparisons between countries should be made with caution. We therefore focus on some overall trends and findings for each country that help us understand the drivers of the gender pension gap and possible future scenarios.

**Table 10. Projections of the future pension gap**

	Denmark	Finland	Norway	Sweden
<b>Predicted gap</b>	For the age group predicted to retire just after 2050 (born 1980–1984) women's occupational and private pension wealth is predicted to be 1.5% higher in 2050 compared to men's.	The gap in median public pension received in one's own right (2017 prices) is predicted to be as follows:  2017: 26.2% (actual gap) 2045: 18.8% 2065: 16.2% 2085: 14.8%  The gap is calculated 1 - women's pensions/men's pension	The gap in individual average public pension benefits over the retirement phase is estimated to be 10% before tax and 7% after tax for women and men born in 1963 (2033)	The gap in public and occupational pension (average/year) for women and men born between 1990–1985 is predicted to be 19% Occupational pension: 35%
<b>Pension type</b>	Occupational and private pension	Public pension	Public pension	Public pension and occupational pension
<b>Age group</b>	Born 1980–1984	All future pensioners per year	Born 1963	Born 1985–1990
<b>Source and year</b>	Insurance & Pension Denmark (2021)	Finnish Centre for Pensions (2019)	Halvorsen & West Pedersen (2019)	The Swedish Social Insurance Inspectorate (2017)*
<b>Drivers for the results</b>	<p>Women have a higher level of education than men.</p> <p>Women's contribution rates are higher compared to men's.</p> <p>A higher percentage of men than women do not pay any contributions to their future pensions.</p> <p>Women save a larger part of their income for pension compared to men.</p> <p>Women work in the public sector to a higher extent than men, in which occupational pensions are standard.</p>	<p>The differences in pension levels are mainly caused by a divergence in earnings-related pensions which reflect differences in employment and earnings history.</p> <p>The national pension and the guarantee pension even out the gaps in pension. However, the significance of national pensions is reduced during the projection period as the national pension index grows at a slower pace than earnings.</p>	<p>The differences in pension levels are due to the higher lifetime earnings of men compared to women. The projected gender gap in average benefits received over the retirement phase in individual pensions income is however reduced from 43% to 7% with all the redistributive components in place, including the progressive system of pensioner taxation.</p>	<p>The differences in pension levels are due to the higher lifetime earnings of men compared to women, which results in a divergence in earnings-related pensions, the main driver of which is occupational pensions. The reformed system for occupational pensions not only reflects the differences in lifetime earnings, but also reinforces them. In the public pension, there are redistributive components that reduce the gap.</p>

\*Since this projection, many changes have been made that could significantly impact the results. The guarantee pension was increased, which resulted in a lower gender pension gap in the public pension. Also, new collective agreements have increased the levels of contributions to occupational pensions in both the public and private sectors.

### 6.2.1 The higher lifetime earnings of men compared to women are predicted to also give them higher pensions in the future in all countries except Denmark

All projections except the Danish projections predict that men's pensions will also be higher than women's pensions in the future, although the gap appears to be narrowing significantly. This is based on the premise that the lifetime earnings for future generations is still expected to be substantially higher for men compared to women. In the Danish projection, men are assumed to have a higher income compared to women with an equivalent level of education, but women's higher level of education combined with the fact that more women are covered by occupational pensions and save a larger part of their income for pension results in the projection

that the pension wealth of women will be slightly higher than the pension wealth of men for the generation born from 1980–1984.

Unlike the other projections, the Danish projection is solely based on occupational and private pension savings. This is because the public pension in Denmark is only based on contributions to a small extent. The Swedish projection also includes occupational pensions (but not private savings). The gap for occupational pension in Sweden is predicted to be 35% for the generation born from 1985–1990. This means that the predictions vary significantly between Denmark and Sweden for a similar age group and similar types of pension income (although not identical). There could be many reasons for this, and some of the differences most likely derive from the different methods used and the assumptions being made in the projections. The fact that the Swedish occupational pension reinforces gender differences in the labor market in a way that the Danish does not, should be one explanation as to why the gap in Sweden is predicted to be substantially higher.

### **6.2.2 Redistributive elements of the public pension will play an important role also in the future**

Finland, Norway and Sweden have a strong link between lifetime earnings and the public pension, which will most likely ensure that there will be a substantial gender pension gap for many generations to come. However, all pension systems include redistributive mechanisms that limit this effect. The Norwegian projection indicated that the predicted gender gap in average individual public pension for women and men born in 1963 decreased from a hypothetical 43% to 7% with all the redistributive components in place, including the progressive system of pensioner taxation (10% before tax) (Halvorsen & West Pedersen, 2019). The most important components for creating this effect are the gender-neutral annuity divisor, a social security ceiling, as well as child credits. The Swedish system also has all these components, but the effect of the social security ceiling is less redistributive for the total pension because of the importance of occupational pensions and how this system works. In some ways, child credits is also less generous in the Swedish system compared to the Norwegian system.

Finland has no ceiling on public pensions. Also, many women stay at home for longer periods after the paid parental leave by using the home care allowance, which only offers a low flat rate amount to the pension. The Finnish projection shows that the national and the guarantee pension even out the gaps in pension, but the significance of the national pension is expected to reduce during the projection period as the national pension index grows at a slower pace than earnings. This is also the case in Sweden. However, fewer women in the future will be dependent on non-contributory pensions. All these mechanisms are discussed further in the upcoming chapters.



Photo: Mads Schmidt Rasmussen / norden.org

## 7. Similarities and differences between the Nordic pension systems

This chapter gives a more detailed overview of the Nordic pension systems. The next chapter presents a review of the various systems from a gender perspective.

### 7.1 Non-contributory public pension

All the Nordic countries offer some kind of social protection for pensioners in the form of a basic or guaranteed pension. The main difference is whether it is a universal basic pension that everyone receives based on certain criteria, such as years of residence, or whether the benefit is targeted at those people with low earnings-based pensions. Another difference is the level of benefit. Together with other benefits such as housing allowance, this significantly impacts the standard of living and the risk of poverty among pensioners. It also greatly affects the gender pension gap since women have lower earnings-based pensions compared to men and therefore are more dependent on various types of non-contributory benefits, as shown in Chapter 3.

Denmark and Iceland both have basic pensions that are paid to all eligible persons. The level of the basic pension is the same for everyone but is then reduced take into account other sources of income such as wages, income from capital gain and in

some cases occupational and private pension. The basic pension represents the highest proportion of the public pension for Danes and Icelanders. In both countries, the level of the basic pension is also comparatively high. In Denmark, the national pension and pension supplement that most pensioners also receive corresponded to 37% of gross average earnings in 2020, and in Iceland, the basic pension together with the supplement pension corresponded to 50% of gross average wage earnings in the same year (OECD, 2021c).

Sweden, Norway and Finland all have some form of guaranteed pension targeted at pensioners with no or low incomes. Although the benefit is targeted, in Sweden and Finland, around 40% of all female pensioners are dependent on this basic level of protection. A full guarantee pension in Sweden and Finland corresponds to around one-fifth of average gross earnings, so it is significantly less than the Danish and Icelandic basic pension (including supplements). The guarantee pension is reduced depending on a person's income pension according to different models in Sweden, Norway and Finland, as shown in the table below.

Another important aspect is how the benefit is indexed. In Finland and Sweden, indexation is based on prices, while in Denmark it is based on wages, and in Norway an average of prices and wages. In Iceland the basic pension is indexed based on whatever is higher: wages or the cost of living. Over time, there is a risk that the value of benefits that are indexed based on prices will grow at a slower rate compared to other types of income, since wages usually grow faster than prices. In times of high inflation, however, the indexation of prices can protect retirees with the lowest pensions against a major loss in value.

**Table 11. Public pension: non-contributory**

First layer of social protection in old age. Past earnings are irrelevant in the calculation of non-contributory benefits.

**Basic pension:** Flat rate, reduced with income from for example work and capital gain. In countries with basic pension, all pensioners who fulfil criteria such as years of residence will otherwise receive the same amount.

**Targeted/means-tested:** The value of the benefit depends on income from other sources, and possibly also assets.

Definitions are based on OECD Pensions at a Glance 2021.

	Denmark	Finland	Iceland	Norway	Sweden
<b>Type of benefit</b>	<b>Basic and targeted:</b> Old age pension and pension supplement (Folkepension and pensionstillæg)	<b>Targeted:</b> Old age pension and guarantee pension (Vanhuuseläke and takuueläke)	<b>Basic and targeted:</b> Old age pension (Ellilífeyrir) and higher amount for single households (Pension supplement)	<b>Targeted:</b> Guarantee pension (Garantipensjon)	<b>Targeted:</b> Guarantee pension (Garantipensjon)
<b>Levels per month in the countries' currency and euro, before tax (2022 or 2023)*</b>	<p><b>Old age pension</b> All: DKK 6 694 (EUR 897)</p> <p><b>Pension supplement</b> SH: DKK 7 745 (EUR 1038) M/C: DKK 3 963 (EUR 531)</p> <p><b>Total:</b> SH: DKK 4 439 (EUR: 1935) MC: DKK 10 657 (EUR 1428) (2023)</p>	<p><b>Old age pension</b> SH: EUR 733 M/C: EUR 654</p> <p><b>Guarantee pension</b> EUR 922,42/ month (2023)</p>	<p><b>Basic pension</b> SH: ISK 359 046 (EUR 2513) M/C: ISK 286 619 (EUR 2007) (2022)</p>	<p><b>Guarantee pension</b> NOK 14 419–27 334 (EUR 1369–2597) depending on civil status (2022)</p>	<p><b>Guarantee pension</b> SH: SEK 10 631 (EUR: 978) M/C: SEK 9 625 (2023)</p>
SH= Single households M/C= Married/ Cohabiting					
<b>Ceiling*</b>	No old age pension is paid for those earning more than DKK 627 000 per year (EUR: 84 018)	<p><b>Old age pension:</b> For full benefit EUR 62 No eligibility after: SH: EUR 1 512 M/C: EUR 1 355</p> <p><b>Guarantee pension:</b> Ceiling of EUR 914,97 total per month</p>	Explanation below	NOK 16 155–17 464 NOK/month (2022) (EUR:1535-1659)	SH: SEK 16 177 /month (EUR: 1488) M/C: 14 649 /month (EUR:1348)
<b>Income tested*</b>	Old age pension: Reduced for people earning more than DKK 359 200 per year (EUR: 48 133)	Reduced with 50% for every euro income pension after 62 euro/ month. <sup>14</sup>	45% withdrawal of income begins once it is more than ISK 25 000 per month and the special income threshold for employee compensation is ISK 200 000 per month.	Reduced with 80% if income pension is above.	Reduced with 48% if income pension is more than SEK 5 513 <sup>15</sup> If income pension is lower than 5072 only guarantee pension is paid.
<b>Benefit value in 2020 (% of gross AW earnings)**<sup>16</sup></b>	<p><b>Old age pension:</b> 17.6</p> <p><b>Pension supplement:</b> 19.6</p> <p><b>Total:</b> 37.2</p>	21.9%	<p><b>Basic:</b> 33.3</p> <p><b>Supplement:</b> 17.7</p> <p><b>Total:</b> 51</p>	<p><b>Residence based:</b> 15.4</p> <p><b>Targeted:</b> 15.1</p> <p><b>Total:</b> 30.5</p>	22.2%
<b>Beneficiaries 2019 (%)***</b>	<p><b>Women:</b> 99%</p> <p><b>Men:</b> 96%</p>	<p><b>Women:</b> 50%</p> <p><b>Men:</b> 34%</p>	<p><b>Women:</b> 81%</p> <p><b>Men:</b> 71%</p>	-	<p><b>Women:</b> 43%</p> <p><b>Men:</b> 12%</p>
<b>Taxed</b>	Yes	If only income, no	yes	If only income, no	Yes
<b>Indexation**</b>	Wages	Prices	Whatever is higher: wages or cost of living	An average of prices and wages	Prices

Sources: \*Borger.dk, Finnish Center for Pensions, Kela, NAV, Tryggingastofnun, and Ministry of Social Affairs and Labour Iceland, Iceland, Swedish pensions Agency, \*\*OECD Pensions at a Glance 2021, \*\*\*Statistics Denmark and Insurance & Pension Denmark, Statistics Iceland and Ministry of Social Affairs and Labour Iceland, Iceland, Statistics Finland, Statistics Norway and Statistics Sweden (2019) Our calculations.



All systems offer supplementary benefits to people with low pensions. The most common benefit is housing allowance, which is a targeted benefit that is calculated based on income and the cost of housing. We have not gathered comparable data for this but public national data show that there is a large variation in the proportion of pensioners who receive this kind of benefit. In Denmark, almost 15% in the youngest age group, 65–69 years, and 47% of pensioners in the oldest age group, 90+ years, received housing allowance in 2021. (Statistics Denmark, 2022). In Norway, a lower proportion of pensioners received housing allowance in 2012 compared to Denmark, 14 227 of all households over 67 years of age (Norwegian State Housing Bank, 2021). In Sweden, 13% of all pensioners, 17% of women and 8% of men received housing allowance in November 2022, and around one third of the oldest pensioners aged 90 years and older received the benefit. (Swedish Pension Agency, 2022b). Finland and Iceland also have housing allowance but we have no data indicating the number of beneficiaries.

## 7.2 Contribution and earnings-based public pension

In Finland, Norway and Sweden the highest proportion of the public pension is earnings-based. The Norwegian system was reformed in 2011 and was clearly inspired by the Swedish pension system from 1998. Thus, the systems have much in common. They are both so-called notional defined contribution (NDC) schemes in which the accounts are "notional" in that the account balances exist only on the books of the managing institution. At retirement, the accumulated notional capital is converted into a monthly pension using a formula based on life expectancy. In both countries, the accrual of pension rights takes place continuously over the life course at a fixed rate, which is 18.1% in Norway and 17.21% in Sweden<sup>17</sup>. Norway has a ceiling for income over 7.1 basic amounts, and the ceiling in Sweden is at 8.07 income base amounts.<sup>18</sup>

In Finland, the earnings-based public pension is mainly funded by insurance premiums paid by employers, employees and entrepreneurs. Funds that comprise fees from previous years, and the return on them, as well as a fee paid by the employment fund annually, are also used to fund the system. In addition, the state pays a percentage of pensions according to certain pension laws (Finnish Center for pensions, n.a.). The Finnish system has no ceiling on earnings.

In the Danish system, only a small proportion of the public pension is contributory, ATP. The contribution for the ATP is a fixed amount – as opposed to a percentage of income in the other countries described – varied only against the number of hours worked. (OECD, 2021b) There is no earnings-based public pension in Iceland.

The indexation of income pensions also differs between the countries: In Denmark, it follows prices; in Finland, a combination of prices and wages, where more weight is

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14. Folkpension: Reduced by 50 cents for every euro of income pension after EUR 59.45/month.

15. If income pension is over SEK 5,072/month, the guarantee pension is reduced using the following formula:  
Total pension = income pension + (5 119– (48% \*proportion of the income pension over SEK 5 513)

16. The benefit level shown is for new pensioners in 2020. The contribution-based basic amounts refer to the benefit level for a full career.

17. On the pensionable income the fee is 18.5 percent. 18.5 percent of the income after the deduction of 7 percent corresponds to a fee of 17.21 percent of the entire income.

18. The ceiling is set at 7.5 income base amounts, but since the pension accrues based on income after a reduction for public pension fee the ceiling ends up at 8.07 income base amounts. Contributions for occupational pensions are higher for wages above 7.5 income base amounts.

placed on wages when a person is earning and on prices after they have retired; Norway recently changed indexation to follow a combination of wages and prices; Sweden has a somewhat different structure in which the income pension follows an income index but with a deduction of 1.6 percentage points in order to compensate for the corresponding advance when a pension is calculated for the first time.

**Table 12. Earnings-based and contributory public pension**

	Denmark	Finland	Norway	Sweden
<b>Pension is based on</b>	Working hours, per month and number of years	Lifetime earnings	Lifetime earnings	Lifetime earnings
<b>Who pays contributions</b>	Contributions are split, with two-thirds paid by the employer and one-third paid by the employee.	Employer and employee – levels differ between sectors	Employer and employee	Employer 10.21% Employee: 7%
<b>Calculation</b>	The contribution is a fixed amount varied only against the number of hours worked. Two-thirds of contributions are paid by the employer and one-third by the worker.	The earnings-related pension accrues based on earnings from age 17 to 68. On average 24.85% is allocated to the pension. <sup>19</sup>	The accrual of pension rights takes place continuously over the life course with a fixed rate of 18.1% of annual earnings	The accrual of pension rights takes place continuously over the life course with a fixed rate of 18.5% (17.21%) <sup>20</sup> of annual earnings.
<b>Ceiling</b>	No	No	7.1 basic amounts (around 1.3 times the average full-time wage)-	7.5 (8.07) income base amounts. <sup>21</sup>
<b>Indexation</b>	Decided upon by labor market parties/social parties.	A combination of prices and wages. More weight is placed on wages when a person is earning and on prices after they have retired.	An average of prices and wages	Income index – 1.6 percentage points.

Sources: Information in this table is gathered from Borger.dk, Finnish Center for Pensions, Kela, NAV, Tryggingstofnun, Ministry of Social Affairs and Labour Iceland, Iceland, Swedish pensions Agency, OECD Pensions at a Glance 2021.

<sup>19</sup> 20 21

19. Annual earnings\*1.5%/12-month\*life expectancy coefficient.

20. It is on pensionable income that the fee is 18.5%. 18.5% of income after a deduction of 7% corresponds to a fee of 17.21% of the total income.

21. It is more accurate to say the ceiling is an 8.07 base amount since pension accrues based on income after deduction for public pension fee. It is more accurate to say the ceiling is an 8.07 base amount since pension accrues based on income after deduction for public pension fee.

## 7.3 Occupational and private pension schemes

This section gives a short description of occupational and private pension schemes. Occupational pension in Finland is marginal and is therefore not described further here. However, Finland is included in the next table of private pensions. In Norway and Iceland, occupational pensions are mandatory. Norway has collective agreements for public sector employees. Private sector occupational pension is regulated by law, which sets minimum rates for pension contributions but allows some variety. In 2019, 72% of men and 73% of women in Denmark contributed to an occupational pension according to the data collected from Insurance&Pension Denmark for this project. In Sweden, around 90% of all pensioners are covered by occupational pension. In Denmark and Iceland, which have no earnings-based public pension, a higher proportion of the wage is paid to the occupational pension instead.

**Table 13. Occupational pension**

	Denmark	Iceland	Norway	Sweden
<b>Occupational pension schemes</b>	Labor market pension schemes through collective agreements (introduced 1993)  Company pension schemes	Mandatory membership of a pension fund for all employed persons from 16 to 70 years of age.	Private sector occupational pension OTP (Regulated by law and mandatory)  Public sector occupational pension (Regulated in collective agreements for all public sector employees).	Labor market pension schemes through collective agreements. Local agreements and company pension schemes exist but are uncommon
<b>Coverage</b>	Slightly more than 70% of employees contribute to an occupational pension	Mandatory for all employees	An occupational pension is mandatory for private sector employers and covers all public sector employees through collective agreements	Around 90% of all employees are covered by occupational pension through collective agreements between social partners
<b>Conditions for occupational pension</b>	Contributions rates are agreed upon collectively or at a company level and the contributions are typically distributed with two-thirds paid by the employer and one-third paid by the employee.	Contribution rate is 4% for employees and 11.5% for employers	OTP: the employer sets aside a minimum of 2–7% of the wage. Employees are responsible for their pensions and must choose a fund with the desired risk.  Public: 5,7% of the wage. The financial risk is taken by the employer.	Between 4.5–6% of the wage up to 7.5 income base amounts and around 30% of any additional wage is paid by the employer to an occupational pension scheme depending on the type of collective agreement <sup>22</sup>

**Sources:** Information in this table is gathered from Borger.dk, Finnish Center for Pensions, Kela, NAV, Tryggingastofnun, Ministry of Social Affairs and Labour Iceland, Swedish pensions Agency, OECD Pensions at a Glance 2021.

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22. Defined benefit schemes still exist but are being phased out.

All the Nordic countries except Sweden have private pension schemes that are given more favorable tax treatment. This was abandoned in Sweden in 2016 because it was viewed as an ineffective and expensive measure to encourage private savings. However, in other countries this is a fairly new occurrence. In Iceland, private pensions currently comprise only a small part of the income of pensioners, although data from 2018 show that around half of working employees currently contribute to private pension schemes. If an employee contributes 2–4% of their monthly income to their private pension plan, their employer will add a 2% contribution. Denmark has numerous options for private pension savings. The so-called rate pension allows tax relief of up to DKK 59 200. Around 18% of employees contribute to a private pension scheme in Denmark. There is no difference between the number of women and men who contribute although men contribute more. In 2019, men contributed an average of DKK 25 931 per year and women contributed an average of DKK 19 858 per year (data from Insurance&Pension Denmark collected for this project). In Norway, individual pension savings (IPS) are given favorable tax treatment. 22% of savings (up to NOK 3300) are given tax relief up to a up to a maximum of NOK 15 000 per year. In 2019, women had 44% of the accounts and 42% of the total savings. In Finland around 5% of pension contributions are from individual savings or savings from the employee and it is possible to get tax reduction for private pensions savings.

**Table 14. Private pension**

	Denmark	Finland	Iceland	Norway	Sweden
<b>Type of schemes</b>	Different private pension schemes are available through banks and insurance companies  Tax relief of up to DKK 60 900 in 2023 is available for the so-called rate pension.	Individual pension savings (IPS) are given favorable tax treatment.	If an employee contributes 2–4% of their monthly income to their private pension plan, their employer will add a 2% contribution. This saving plan will not withdraw the public pension.	Individual pension savings (IPS) are given favorable tax treatment.  22.0% of the savings amount (up to NOK 3300) in tax relief up to a ceiling of NOK 15 000 per year.	Individual pension savings with favorable tax treatment were abolished in 2016.  Persons who are not eligible to receive an occupational pension still get tax relief that corresponds to 35% of the savings amount up to a ceiling of SEK 525 000 (2023).
<b>Coverage</b>	18% of all women and men contribute to some kind of private pension scheme.	628 000 individual pension insurance schemes at the end of 2018. Around 5% of pension contributions are from individual savings or savings from the employer.	In 2018 around 50% of employees paid into the private pension plan.	127 534 IPS agreements at the end of 2019.44% women and 56% men. Women's share of IPS savings was 42%.	2019 27% of all female pensioners and 29% of all male pensioners had some private pension paid out to them.

**Sources:** Information in this table is gathered from Nordea.dk, Insurance&Pension Denmark/Statistics Denmark, Islandsbanki.is, Ministry of Social Affairs and Labour Iceland, Finnish Center for Pensions, Nordea.no, Finans Norge.no, Swedish Pensions Agency, Statistics Sweden.



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## 8. Strategies to reduce the gender pension gap

In the Nordic countries, pension policy is gender-neutral, although the outcomes for women and men are still different. Women spend more time in unpaid work, to a greater extent work on an involuntary part-time basis and earn less per hour compared to men. Because of this, women also have smaller pensions compared to men. In contrast, men generally bear a smaller burden of unpaid work, are more often offered full-time employment and can therefore contribute more to their future pensions. However, there are strategies in place to reduce the gender pension gap. Below is a brief description of the main strategies identified and possible conflicts of interest that may arise when using these strategies.

### 8.1 Non-contributory benefits

Non-contributory benefits tend to result in larger pensions for women relative to men than rules based on contributions (Barr & Diamond, 2008) As shown in previous chapters, the gender pension gap is substantially lower in Denmark and Iceland compared to the other Nordic countries because a higher proportion of the total pension is from non-contributory benefits, which favor women, and a lower proportion is based on lifetime earnings, which favors men. Determining the desired level of non-contributory benefits means balancing incentives to work and the strength of the link between earnings and future pensions on the one hand, and values such as equality and protecting all pensioners from poverty on the other. High

non-contributory benefits is expected to lower incentives to work and earn your own pension because of high marginal effects. However, a simple overview of the data presented in previous chapters of this report does not reveal any clear pattern of lower employment rates or higher levels of part-time work among women, in countries where the level of non-contributory benefits are comparatively high.

There is evidence that a positive change of pension wealth from additional work will lower the probability that a person will choose to retire. The positive change in pension wealth from working an additional year does not seem to be higher in countries where non-contributory benefits are lower in the Nordic countries. Moreover, in Finland, Norway and Sweden incentives to retire are stronger for low earners than middle or high earners in, which is not the case in Iceland and Denmark (OECD, 2011). How non-contributory benefits and other pension policy impacts incentives to work and retire for women and men are complex and highly relevant matters that needs to be analyzed further.

## **8.2 Pension credits for care work and other activities that are more common among women**

Pension entitlements that take into account care work favor women more than men because women generally bear the greater share of the burden of care. Pension credits for child care raise questions about the desired balance of incentives between labor market activities and childcare (Barr and Diamond 2008). However, the extent to which financial incentives influence parents' decisions on how to split paid and unpaid work between them is unclear. In an analysis of child credits, the Swedish Pensions Agency concluded that extending child credits from 4 to 5 years should not significantly impact women's labor supply (Swedish Pensions Agency, 2015). Also, Swedish studies indicate that the way in which parents split parental leave is mainly driven by gender norms rather than financial incentives. For example, a study by the Swedish Social Insurance Agency shows that when the mother earns most of the total household income, the parents find it possible to do without a large proportion of her income in order for her to stay at home for an extended period of time. When the father earns most of the household income in a similar manner, it is unusual that the parents will be willing to do without his income (Swedish Social Insurance Agency 2013). However, another Swedish study showed that parents did react to tax incentives when dividing the care for sick children (Ichino et al. , 2019) A survey of Swedish white-collar workers in the private sector also showed that those workers who did not want to work part-time referred to the negative impact on pensions as being their main reason for not wanting to work part-time (PTK – the council for negotiation and cooperation, 2018). The design of other policies such as parental leave and child home care allowance, as well as the availability of affordable daycare, is most likely of greater importance than the design of the pensions system regarding female employment rates. However, the above results indicate that pension design could also play a role, although the importance of this is not really clear.

Another examples of compensation that would benefit women more than men in the Nordic countries include credits given for higher education. Women spend more time than men in higher education and therefore start earning a pension later than men.

Lastly, many women also work part-time because they were not offered a full-time job. If involuntary part-time work could be compensated by the pension system, this would particularly benefit women.

### **8.3 Pension splitting and survivor's pension**

There are different ways to split pension savings and rights between spouses or cohabitants, either upon divorce, after a spouse dies, or within a marriage. Spouse entitlement redistributes pension from men to women on an aggregated level since men have a higher pension wealth. Survivors' pensions also benefit women because women generally live longer than men and therefore are in greater need of any benefits directed at widows/widowers or single households.

However spouse entitlement may further institutionalize women's dependence on a (male) partner for their financial well-being. It also does not help single households in which a woman has not been married (or for other reasons does not fulfill the criteria, such as duration of marriage). Another problem from a gender perspective is that women may feel forced to stay with their partners for financial reasons.

If a married couple splits their pension income, in some cases this could also result in a reduction in the women's targeted benefits and a consequent reduction in the joint income of the couple. In this way there are similarities with joint taxation which Nordic countries left behind, since it is not compatible with a dual-earner model. Pension splitting upon divorce does not have the same direct impact on incentives to work for women. However, the idea is the same: that women depend on men to support them, and this could affect household decisions about how to share paid and unpaid work.

The OECD argues that since all OECD countries provide instruments directly targeted at the alleviation of poverty, there are no obvious grounds for why widowed pensioners should be granted higher old-age benefits than other pensioners. However, OECD also argue that the consumption-smoothing motive is still relevant in the way that survivors' pensions are helpful to insure against the decrease in disposable income after a spouse's/partner's death. This applies beyond the male breadwinner model. Even if both spouses have similar or close to similar pension entitlements, the surviving spouse will face a reduction in disposable income after their spouse's death because the cost of living will no longer be shared. Since women more often outlive their spouses they will more often face this kind of reduction in disposable income. The OECD also concludes that survivors' pensions effectively lower the gender pension gap in most countries, as shown in this study as well (OECD 2018).



Photo: Sofia Sabel/imagebank.sweden.se

## 9. Measures to reduce the pension and contributions gap

This section reviews measures in the Nordic pension systems that are of importance to the current gender pension gap, as well as for future pensioners. The first section analyses the parameters in the pension system that have an impact on the contributions, and thereby the pension gap for future pensioners. The next section then examines the parts of the system that affect already-earned pensions.

### 9.1 Measures to reduce the contributions gap

#### 9.1.1 Compensation and parental benefits

All Nordic pension systems offer some type of pension payment during parental leave, although the regulation and levels differ. In Finland, people on parental leave who are receiving parental allowance (approximately 14 months) receive pension payments based on 121% of their pensionable income. The contributions are therefore higher than they would have been if the person had not been on parental leave. However, many mothers take longer leave, using the child homecare allowance. This benefit is at a lower basic level and only contributes to the pension by a flat rate, which, in most cases, is far below what an employee would have received in the event that they had continued to work. The result of this is that pensions in Finland for large numbers of women are negatively affected by career



breaks and part-time work (Kuitto & Kuivalainen, 2021).

There are many similarities between the Swedish and Norwegian systems regarding compensation for parents. In Norway and Sweden, parental leave benefits are counted as pensionable income. In both countries, parents often have a significantly lower income during parental leave compared to if they would have been working. This is because many parents (particularly mothers) take unpaid leave, and because parental leave covers approximately 80% of income up to an income ceiling in Sweden and 80–100% in Norway.<sup>23</sup> On the other hand, both Norway and Sweden have child credit systems that also add to the pension wealth of many parents. In Sweden, compensation is given to the parent with the lowest income (if two parents) up to the earnings ceiling until the child's 4<sup>th</sup> birthday. In Norway child credits are given to the parent who receives the child benefit and has an income under 4.5 basic amounts (often the mother) until the child's 6<sup>th</sup> birthday. This means that parental leave, or shorter periods of part-time work, does not have a negative effect, or only a small effect, on the public pensions for many parents, particularly those with lower incomes in these countries. The design of child credit deviates from how social insurance systems generally work in the Nordic countries because it is determined by the income of the other parent or who receives child benefit, not the actual loss of income. If both parents reduce their working hours, it still means only one of them will receive child credits. Thus, it is often more favorable for the couple if one of them were to reduce their working hours more (usually the woman) instead of the dividing the part-time work equally between them. The income ceiling in Norway also means that splitting part-time work between parents could result in both parents still having an income above the ceiling of 4.5 basic amounts; therefore, neither of them will be eligible for the child credits. In Norway care credits are also offered for persons caring for a disabled, sick or elderly person.

In Sweden, public sector employees can receive full occupational pension even if they are on parental leave or work part-time, up to the child's 8th birthday.<sup>24</sup> In Norway, public employees on paid parental leave get payments to their occupational pension but in the private sector, rules vary between different employers.

Since a large part of the total pension income in Denmark and Iceland is non-contributory the effect on total income of part-time work and career breaks is less compared to the other Nordic countries. In Denmark, the loss of occupational pension during parental leave is compensated with double the provision to the general pension ATP. Since the ATP is a much lower proportion of the total pension compared to the occupational pension, it does not provide full compensation. However, many employers pay wages during the entire period of parental leave, or part of the period, due to either agreements with other social parties or individual contracts. In Iceland, parents pay a minimum of 4% of parental benefits into a pension fund in the employment pension mandatory contribution-based scheme and the Maternity/Paternity Leave Fund pays a minimum of 11.5%. However, contributions are negatively affected since parental leave benefit is only 80% of wages up to the income ceiling.

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23. Extra money is also paid in Sweden for most employees with collective agreements, which also give pension credits.

24. Employees at local and regional authorities will receive full compensation, regardless of whether or not they are using their parental leave benefit.

**Conclusions and recommendations:**

The unequal division of unpaid work, particularly childcare, is an important reason for the income gap and therefore the gender pension gap in the Nordic countries. If care work is to be more equally divided between parents, the respective countries will have to consider changes in the policy design of other aspects of society and the social security system, such as parental leave policies, child home care allowance and the availability of day care, for example. However, particularly in systems in which all or a high proportion of pensions are earnings-based, child credits are important to reduce the gender pension gap. In the design of pension systems, there is a balance of incentives between labor market activities and childcare. Although, the extent to which pension policy influence parents' decisions on how to split paid and unpaid work between them is unclear. However, as our analysis shows, the design of child credits could create unwanted incentives. When designing these policies, incentives for equal sharing of part-time work should be considered in the same way as incentives for high female employment.

**9.1.2. Compensation for involuntary part-time work**

Care work is not the only reason why women work part-time. As shown in Chapter 4, many women work on an involuntary part-time basis. According to OECD data, this is particularly the case in Finland and Sweden. In both these countries, part-time work also has a strong negative effect on pensions since a large part of pensions is based on lifetime earnings. All the Nordic countries offer some sort of insurance scheme for part-time unemployed, which normally gives pension credits, as summarized in the table below. However, the number of involuntary part-time workers who are registered as part-time unemployed and who are covered by the insurance scheme is estimated to be negligible.

**Conclusions and recommendations:**

Involuntary part-time work among women, at least in some countries, is a significant contributory factor for women's lower pensions. Women's access to full-time work could be improved through regulations in the labor market, although finding ways for the pension system to compensate for involuntary part-time work could also be considered. This raises questions about how to distinguish between voluntary and involuntary part-time work. There are ways of doing this in Sweden, for example. Employees who are involuntarily part-timers can register an interest in working more hours with their employer. This is already used as a basis for disputes if an employer hires someone new instead of offering more work to an employee who has registered an interest in working more. Thus, opportunities to compensate involuntary part-timers could be further investigated in relation to the need and the context of each country.

**9.1.3 Pension credits for studies benefit highly educated women (and men)**

Investment in higher education is at the expense of lower contributions for future pensions for a significant period of time. Education is still beneficial to most people since it gives a higher lifetime earnings in the long term, which contributes to a higher pension. Women, however, have substantially lower wages compared to men although they have a higher level of education. The lower wages of women also contribute to a gap in pension contributions. Swedish data show that men with no tertiary education still have substantially higher pension wealth compared to women with tertiary education (Swedish Pensions Agency, 2015).

In Sweden and Finland, pension credits are given while attending higher education, although the level is considerably lower than wages. In Finland, studies accrues for a monthly amount of pension for studies leading to a vocational basic qualification or a university degree (Finnish Center for Pensions, 2023). In Sweden, credits are based on 138% of the study grant, which corresponds to EUR 430.00 (2022). In 2013, women received 60% of all pension credits for studies in Sweden (Swedish Pensions Agency, 2015).

**Conclusions and recommendations:**

Since women spend more time than men in higher education, pensions credits for studies will benefit women as a group compared to men and therefore reduce the gender pension gap. However, this will also favor women and men with higher education as a group compared to those people who received no higher education. Since women have lower wages and make lower contributions to their pensions compared to men despite their higher level of education in most Nordic countries, and since governments in the respective countries may want to encourage higher education, pension credits for studies could be a good policy from a gender and social perspective. Higher levels of compensation could also be considered in Finland and Sweden. This needs to be assessed in each country in terms of how the design of the pension system as a whole impacts outcomes regarding educational choices.

**9.1.4 Pension splitting in couples or after divorce**

Different forms of spousal contributions or pension splitting after a divorce would reduce the gender pension gap. This strategy is used in other European and OECD countries, but only to a very small extent in the Nordic countries. An important explanation for this is the risk of reinforcing traditional gender roles in which women depend on men, something that the Nordic countries have worked actively to eliminate. In Sweden, spouses can share pension credit for premium pension (a smaller part on the income pension) through a voluntary annual transfer of premium pension credit from one spouse to another. (Ministry of Health and Social Affairs Sweden, 2009). Spouses in Iceland can also split their contributions to the occupational pension. However, take-up is very low in both countries. In none of the Nordic countries pension rights are split upon divorce (OECD, 2021d)

**Conclusions and recommendations:**

Pension splitting is not a commonly used strategy to reduce the gender pension gap in the Nordic countries. Individual rights are more in line with the ideological understanding of gender equality in the region. However, this places higher expectations on there being sufficient individual pension benefits for women, particularly those in single households.

**Table 15. Measures to reduce the gap in contribution**

The symbols highlight examples that stand out in a particularly positive or negative way.

↑ = Good example

↓ = Need improvement

	Denmark	Finland	Iceland	Norway	Sweden
<b>Compensation for parental leave</b>	<b>Yes</b> Double contributions to the ATP to compensate for the loss in occupational pension during parental leave.	<b>↑ Yes</b> Pension payments are based on 121% of pensionable income during maternity / paternity / parental leave.  ↓ Parental leave is a maximum of 14 months, after which time parents can receive homecare allowance which contributes to the pension by a lower flat rate	<b>Yes</b> Parents pay a minimum of 4% of parental benefits into a pension fund and the Maternity/Paternity Leave Fund pays a minimum of 11.5% (same percentage as for employed) Parental leave is 80% of wages up to a ceiling of ISK 600 000.	<b>Yes</b> Parental leave allowance gives corresponding pension credits	<b>Yes</b> Parental leave allowance gives corresponding pension credits
<b>Compensation for part-time work amongst parents</b>	<b>↑ No, but other mechanisms</b> No child credits for part-time work, but a high flat rate old-age pension reduces the effect of career breaks.	<b>↓ Yes, but low</b> Child care allowance contributes to the pension by a flat rate.	<b>↑ No, but other mechanisms</b> No child credits for part-time work, but a high flat rate old-age pension reduces the effect of career breaks.	<b>↑ Yes</b> Child credits are given to the parent who receives the child benefit up to a 4.5 basic amounts until the child's 6th birthday.  ↓ Dividing part-time work equally can be disadvantageous	<b>↑ Yes</b> Child credits are given to the parent with the lowest income until the child's 4th birthday up to the public pension ceiling.  Occupational pensions give 100% compensation in the public sector* for the child's first eight years, but not in the private sector.  ↓ Dividing part-time work equally can be disadvantageous
<b>Compensation for involuntary part-time work or other mechanisms reducing the negative effect of part-time work</b>	<b>↑ Yes</b> The flat rate old age pension reduces the negative effect of part-time work.  Part-time unemployed people can receive unemployment insurance. Extra contributions are paid into the ATP pension scheme for unemployed	<b>↑ Yes, but only in some cases</b> Adjusted unemployment insurance for part-time unemployed (max. 80% of full-time work) Employment insurance gives pension credits	<b>↑ Yes</b> The flat rate old age pension reduces the negative effect of part-time work.  Part-time benefits are payable to the unemployed who was previously full-time employed/self-employed persons. Part of unemployment insurance is paid to a pension fund.	<b>↓ Yes, but only in some cases</b> Part-time unemployed are eligible unemployment insurance if work hours are reduced by at least 50%. Unemployment insurance gives pension credits.	<b>↓ Yes, but only in some cases</b> Part-time unemployed people can apply for unemployment insurance for up to 60 weeks. Unemployment insurance gives pension credits.
<b>Compensation for studies</b> Periods of study give pension credits	<b>No</b>	<b>↑ Yes, but low</b> Studies accrues for a monthly amount of pension for studies leading to a vocational basic qualification or a university degree. For a 4 year university degree €48.95/month is paid to the earnings-based pension	<b>No</b>	<b>No</b>	<b>↑ Yes, but low</b> Pension credits are based on 138% of the study grant, which is SEK 3,360 /EUR 312 (2022)
<b>Pension splitting</b>	Within marriage: No After divorce: No	Within marriage: No After divorce: No	Within marriage: Voluntary (very low take-up) After divorce: No	Within marriage: No After divorce: No	Within marriage: Voluntary for premium pensions (very low take-up) After divorce: No

\* For employees of local and regional authorities there is full compensation regardless of whether or not they are receiving parental leave benefits. State employee compensation is only for those employees receiving parental leave benefits.

## 9.2 Measures to reduce the benefits gap for pensioners

Below we focus on measures that can be used to even out the pension gap for people who have already retired. For example non-contributory benefits, pension splitting and survivors' pensions and other redistributive mechanisms.

### 9.2.1 Levels of non-contributory benefits and protection against poverty

There is a correlation between the level of non-contributory benefits and the proportion of women at risk of poverty. In the countries where the non-contributory benefit corresponds to a larger percentage of gross earnings, the proportion of women at risk of poverty is lower. In 2020 and 2021, Sweden and Finland had the highest poverty rates among women over 65 and the lowest non-contributory benefits (2020) in relation to gross earnings. However, since August 2022, the guarantee pension in Sweden was raised substantially. Since the benefit in both Finland and Sweden is price indexed and the current inflation is high, the guarantee pension is now expected to increase faster than the average income, which in turn is expected to reduce the level of relative poverty among female pensioners in the short run (Swedish pensions Agency 2022c). However, in the long run price indexation will most likely lead to slower growth in guarantee pensions in relation to average income, meaning poverty rates will increase again. As described in previous chapters, non-contributory old age pension in Iceland is indexed to whatever is highest, prices or wages; in Denmark it is indexed to wages, and in Norway it is indexed to an average of prices and wages.

Furthermore, as discussed in Chapter 8, in Finland, Norway and Sweden incentives to retire are stronger for low-income earners than middle or high income earners as non-contributory benefits (guarantee pension) targeted at low income earners are reduced with increases in the earnings-based pension.

#### **Conclusions and recommendations:**

Non-contributory benefits are important to reduce the gender pension gap and protect older women (and men) from poverty. Different ways of indexing non-contributory benefits have an impact on the risk of poverty and incentives to retire for low-income earners. Price indexing offers protection during times of inflation but is expected to reduce the value of these benefits in relation to average earnings over time. One of the benefits of universal non-contributory pensions in Iceland and Denmark is that low-income earners (often women) benefit as much as high-income earners (often men) from working an additional year.

### 9.2.2 Difference in longevity

Because women on average live longer than men and all the Nordic countries have gender-neutral annuity divisors, the total pension that women receive during their lifetime is, in many cases, expected to be higher than for men. However, this does not give women a higher amount per year compared to men or better opportunities to cover their monthly expenses. In Sweden, the way that earnings-based public pension is indexed has a negative effect on those people who live longer (which is usually women) The Swedish Pensions Agency concluded that the level of the advance interest rate leads to a higher proportion of low incomes among older women and estimates that the difference between the income pension of women

and men would decrease by 1.1 percentage point if the advance interest rate had not been used (The Swedish pensions Agency, 2021).

**Conclusions and recommendations:**

Gender-neutral annuity divisors are justified. Mechanisms that reduce the value of pensions over time, such as in Sweden, should be avoided if the goal is to reduce the gender pension gap.

### 9.2.3 Survivors' pensions

As shown in Chapter 3, survivors' pensions play an important role in reducing the gender pension gap in the oldest age group. Both Norway and Sweden abandoned survivor's pensions as part of the public pension system. The benefit is being phased out, meaning new and future pensioners are not eligible. However, the old rules still have an effect on the gender pension gap. When Sweden decided to eliminate the survivor's pension in 1990, it was justified on the grounds that it could become a disincentive for women to develop their own entitlements and the view that derived pension rights do not fully recognize the autonomy of women (OECD, 2018). However, as argued in the section "Strategies to reduce the gender pension gap", the issue of survivors' pensions is more complex than this since it is not only a question of women earning less than men but also the fact that women live longer than men and therefore to a much greater extent have to manage the transfer from couple to single households.

In Finland survivor's pension play an important role for female pensioners. In the Finnish system, survivor's pension is paid lifelong to all widowed persons as part of the deceased's earnings-related pension with no upper limit (but reduced by the widow's own pension). For recipients born in 1975 and later the benefit will be paid for 10 years at the most but at least until the youngest child turns 18.

**Conclusions and recommendations:** Some sort of survivor's pension could be justified, and even recommended, from a gender perspective because widowed persons (often women) need to adjust to the new financial circumstances after a spouse dies.

### 9.2.4 Redistribution mechanisms

Mechanisms that redistribute from high- to low-income earners will have a positive effect on the gender pension gap because women generally have lower income compared to men. Examples of such mechanisms are high non-contributory benefits and ceilings for earnings-based pensions. As already explained in the section on poverty protection, the level of non-contributory pensions differs greatly between the Nordic countries. In earnings-based systems, income ceilings can also have a highly redistributive effect, as shown in Chapter 6. However, the effect may be reduced if occupational pensions compensate those people with wages that are above the ceiling as in Norway and Sweden. The way that pensions are taxed is important for the gap in disposable income between women and men. Non-contributory pensions are not taxed when it is a person's only income in Norway and Finland, which should favor women. However, it is beyond the scope of this report to examine this in detail.

**Table 16. Compensation and redistribution in payments**

The symbols highlight examples that stand out in a particularly positive or negative way.

↑ = Good example

↓ = Need improvement

	Denmark	Finland	Iceland	Norway	Sweden
<b>Protection against poverty</b>	Medium	↓ Low	↑ High	Medium	↓ Low
Level of women at risk of poverty in 2021 or the most recent year	13%	14%	4% (2018)	13% (2020)	17%
Level of non-contributory pension, percentage of gross earnings 2020	37%	21%*	51%	30,5%	22%*
Higher non-contributory pension or other targeted benefits for single households	Yes	Yes	Yes	Yes	Yes
<b>Women are affected negatively because they live longer</b>	↑ No	↑ No	↑ No	↑ No	↓ Partly, yes
Gender-neutral annuity divisor	↑ Yes	↑ Yes	↑ Yes	↑ Yes	↑ Yes
Relative value of pension decrease over time	No	No	No	No	↓ Yes When the pension is calculated for the first time there is an advance and thereafter 1.6 percentage points is deducted in the annual indexation of income pension. Because women live longer than men this disadvantage women.
<b>Redistribution from high to low income</b>					
Level of non-contributory benefits	High	Low*	High	Medium	Low*
Ceiling for earnings-based pensions	Indirectly for the ATP	No	No	Yes, but occupational pension compensates wages up to a higher ceiling	↓ Yes, but occupational pension over-compensates wages above ceiling
Tax on non-contributory benefits?	Yes	If only income, no	Yes	If only income, no	Yes
Non-contributory pension indexation	Wages	Prices	↑ Whatever is higher: wages or prices	A combination of prices and wages	Prices
<b>Spouse entitlements</b>					
Survivors' pensions	Yes	Yes, lifelong for public pensions. For recipients born in 1975 and later the surviving spouse's pension is paid for 10 years at the most but at least until the youngest child turns 18.	Yes, at least two years for occupational pensions	↓ Yes, but being phased out. Different rules for different age groups. No survivors' pension will be eligible for pensioners born 1963 or later	Yes, but being phased out. For pensioners born 1945 or after, only credits earned by the spouse before 1990 counts. Voluntary for premium and occupational pension

\* August 2022, the guarantee pension in Sweden was raised substantially. Since the benefit in both Finland and Sweden is price indexed and inflation is high, the guarantee pension is also expected to increase faster than the average income



Photo: Tam Vibberstoft / norden.org

## 10. Discussion and conclusions

All the Nordic countries have high female employment rates and are often ranked amongst the most gender-equal countries in the world. Nevertheless, there is a gap between women's and men's pensions in all the Nordic countries, resulting in a higher risk of poverty for women and women not having the same opportunities as men to support themselves when they retire. While the unequal distribution of paid and unpaid work and inequality in the labor market explain why women in each country have lower pensions compared to men, the size of the gender pension gap can be largely explained by the design of the pension system. The main distinction can be found between countries in which a relatively high proportion of pensions are derived from non-contributory pensions (for both women and men) and countries in which pensions are mainly earnings-based and supplemented by targeted benefits for people with a low level of or no accrued pension wealth. Deciding on the desired level of non-contributory benefits means balancing incentives to work and the desired connection between earnings and future pensions on the one hand, and values such as equality and protecting all pensioners from poverty on the other. However, a simple overview of the data presented in this report does not reveal any pattern of lower employment rates or more part-time work among women in countries where non-contributory benefits play a larger role in pensions compared to countries where these benefits are less significant.

There would also appear to be no clear connection between levels of non-contributory benefits and incentives to retire measured as the financial impact of working an additional year, when comparing the Nordic countries. However, this is a



complex issue since there are multiple factors that influence the employment rate. It would therefore be interesting to analyze these issues further from a gender perspective in the Nordic context.

Furthermore, the report demonstrates that systems with similar designs can still have differences that substantially impact the pension gap between women and men. For example, Norway and Sweden share many similarities, but the interplay between public pension and occupational pensions differs in a way that impacts the gender pension gap. In Norway, occupational pensions compensate employees with wages above the ceiling in the public pension system which results in approximately the same percentage of wage set aside for the pension regardless of the wage level. Occupational pensions in Sweden are designed in such a way that a higher percentage is set aside for people with higher wages compared to people with lower wages. Since more men than women have wages that are over the ceiling, this design benefits men and reinforces gender differences in the labor market. Occupational pensions in Finland are marginal. However, there is no income ceiling in public sector pensions, which benefits men more than women.

A common strategy to reduce the negative impact of women's lower contributions to pensions compared to men is using different types of compensation. This becomes particularly relevant in systems that are mainly earnings-based since women have lower lifetime earnings compared to men. All of the Nordic systems offer compensation for care work, although the design, duration and level differ considerably. The Norwegian system seems to offer the most generous compensation for care work. However, since a large part of the total pension income in Denmark and Iceland is non-contributory the effect on total pension income of part-time work and career breaks is expected to be less compared to the other Nordic countries.

In order to promote a more gender-equal division of care work, reforms in other parts of the social security systems are needed. For example, parental leave systems or child home care allowance probably have a larger impact on the distribution of unpaid work than the design of the pension system. There is no conclusive evidence about the effect of pension design on how women and men share the part-time work. However, it is clear that some of the systems have features that in theory disincentivize parents to divide part-time work equally. Furthermore, a high proportion of women's part-time work is not primarily connected to care work but is involuntary. Therefore, an important reform to promote gender equality would be to reduce involuntary part-time work among women and examine the possibilities to extend the rights to pension credits for unemployment to larger groups of involuntary part-time employees. This approach may encounter challenges but deserves to be analyzed further.

Different forms of pension splitting between spouses would reduce the gender pension gap. However, such policies risk reinforcing traditional gender roles in which women depend on men, something that the Nordic countries have actively worked to eliminate. However, survivor's pension is somewhat different. There are many more widows compared to widowers because women more often outlive their spouses. Even if both spouses have similar or close to similar pension entitlements, the surviving spouse will face a reduction in disposable income after their spouse's death

because the cost of living will no longer be shared. This means that survivors' pensions, at least for a restricted time, can be justified from a gender equality perspective. But also that sufficient benefit levels for single households are critical to protect women from poverty.

Reforms outside the pension system are needed to equalize the distribution of paid and unpaid work between women and men and thereby reduce the gender pension gap. However, such reforms take time and the consequences for pensioners won't be apparent until much later. In most of the Nordic countries, projections show that the pension gap is expected to decrease but will still be substantial for many generations to come. This report offers knowledge about how pension systems' design impacts the gender pension gap and provides several examples of how the gap can be reduced in different types of systems. The Nordic countries have been global trailblazers for gender equality. By sharing knowledge and learning from each other, the Nordic countries can move forward towards achieving economic equality for all women, including those who have retired.

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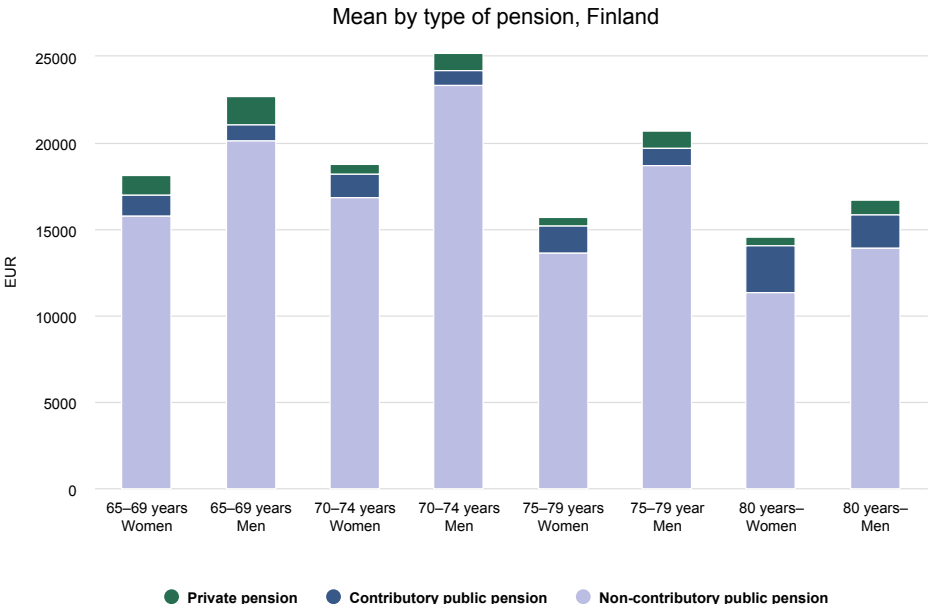
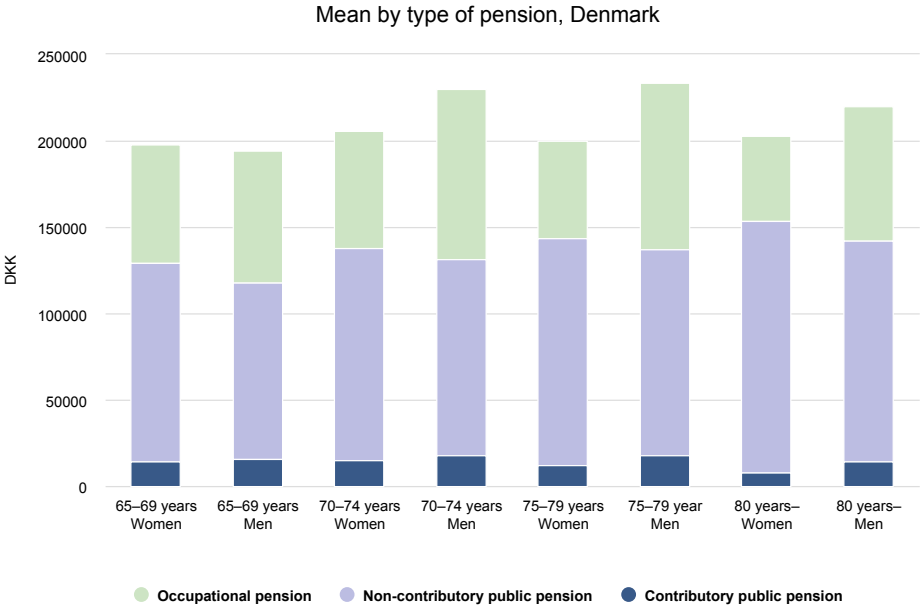
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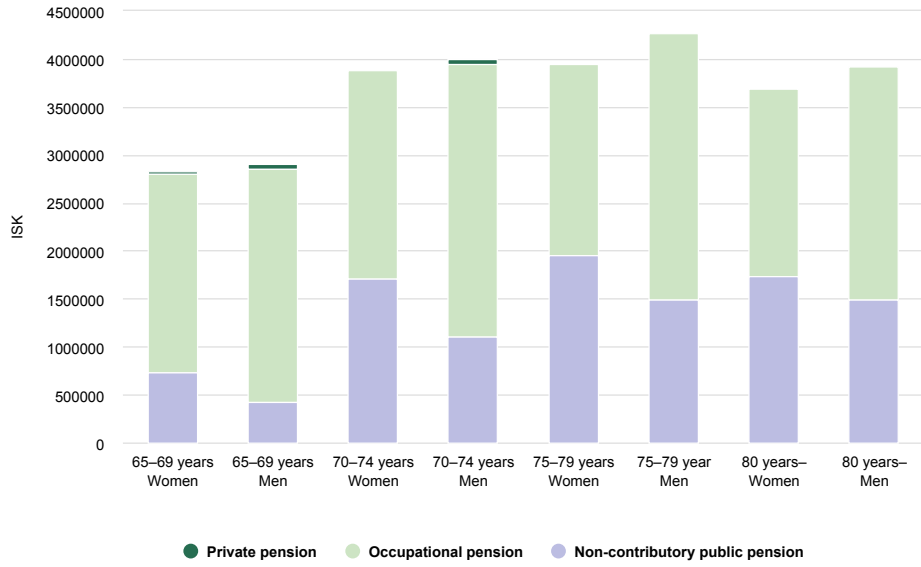
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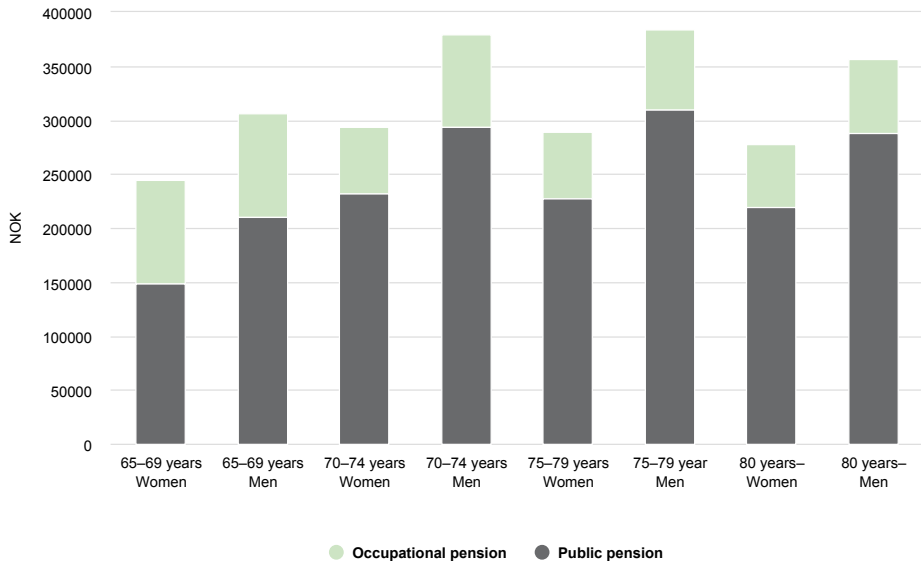
# Appendix A. Mean by type of pension in respective country's currency



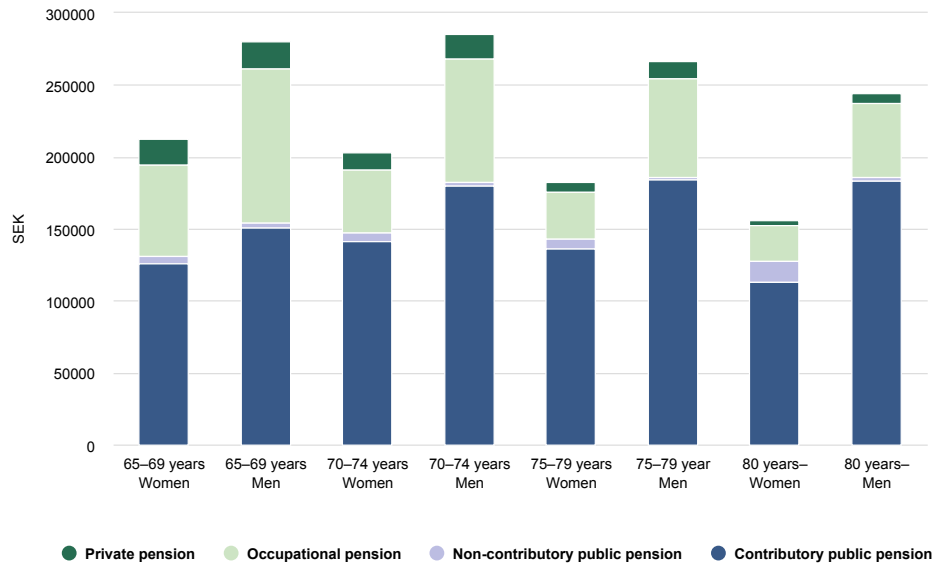
Mean by type of pension, Iceland



Mean by type of pension, Norway



Mean by type of pension, Sweden





# About this publication

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