

Research in Brief



Issue No 2023-07
Publication Date July 11 2023
ISSN 2092-7117

Building D, 370 Sicheong-daero, Sejong City 30147 KOREA **Korea Institute for Health & Social Affairs**

The Current State of Gender Pension Gaps in Korea and Its Implications for Policy¹⁾

Dah-Mi Lee

Associate Research Fellow, KIHASA

Gender pension gaps in European countries, having been consistently kept in check as a core social policy indicator since the beginning of the 2000s, have increasingly narrowed in recent years. Korea's National Pension is paying out an increasing amount of benefits to a growing number of recipients, but there still remain significant gaps between men and women in the number of years of contribution payments and the pension receipt rate. In Korea, women in many cases fail to secure an adequate level of pensions as, in addition to the fact that the pension rights they have are often of a derivative nature, such as survivor's pension entitlement, it is difficult in many ways for them to stay enrolled long-term—say, 20 years or longer—in the system. Reducing gender pension gaps requires proactive efforts to ensure more women have their own pension entitlements based on more years of contribution payments.



Gender pension gap, its concept and measurement

The gender pension gap has been widely used as an indicator of how the pension reforms that have been implemented successively since the 1990s in many countries have affected men and women differently.²⁾ The gender pension gap measures how much smaller women's average pension is than men's average pension for individuals aged 65 and older, or 65 to 74. A gender pension gap ratio of 100

1) This article is a recast of a part of *A Comparative Study on Gender Pension Gap (2022)*, authored by Dah Mi Lee et al.

2) Bettio, F., Tinios, P., & Betti, G. (2013). The gender gap in pensions in the EU, in collaboration with Francesca Gagliardi and Thomas Georgiadis. ENEGE Network, Report prepared for the European Commission, Directorate-General for Justice: unit D2 "Equality between Men and Women". https://www.social-protection.org/gimi/RessourcePDF.action;jsessionid=1mnUzhCtcYcuqJi9G-DD5OSsaXpsWcSOLgxQXFVmcE5Uo_edCUhL1533421577?id=39477.

percent means an extreme pension gap with an average pension income of none for women, which is not a real-life case.

The gender pension gap is defined as:

$$GGP = \left(1 - \frac{\text{Women's average pension income}}{\text{Men's average pension income}}\right) \times 100$$

The range of pension schemes taken into consideration in the calculation of the gender pension gap varies from one study to another, with some international organizations, including the OECD and Eurostat, typically basing their calculation on total pensions from both public and private schemes. Recently, the scope of pension schemes considered in gender pension gap calculations has expanded to include, in addition to public old-age pensions, private occupational pensions, public survivor's pensions, and public disability pensions.³⁾

Gender pension gaps have been a largely unnoticed issue in the West⁴⁾ until recently, when the EU highlighted them in a 2013 report by presenting them in terms of quantified measures of gender imbalances occurring in post-retirement income in European countries.⁵⁾

The gender pension gap as defined above is now a key social policy indicator, alongside the elderly poverty rate, consistently used by international organizations, including the EU, which regularly publishes its Forward-looking GPG Index consisting of quantified indicators of employment gaps and pension system compensation, each of which is a factor contributing to gender pension gaps.

Meanwhile, Korea has no indicators as yet in terms of which to officially measure, publish, and manage the status of gender pension gaps.

Gender pension gap in Korea, with special reference to the National Pension

Thirty-odd years after its introduction, the National Pension now pays out an increasing amount of benefits each year to a growing number of pensioners. However, significant gaps persist between men and women in terms of years of contribution payments and the number of pensioners.

By the end of December 2020, more women than men participated in the National Pension among individuals aged 20 to 24. However, in older age groups, men outnumbered women, particularly among those aged 35 and over. In the 35-to-39 age group, in particular, there were 4,930,000 fewer women

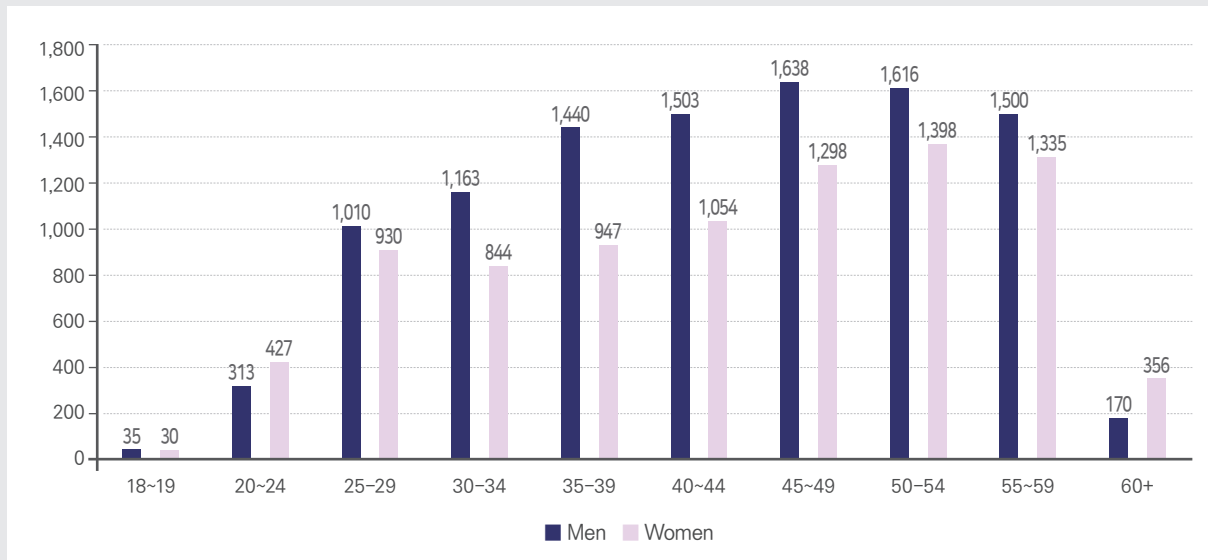
3) Lis, M., & Bonthuis, B. (2019). Drivers of the Gender Gap in Pensions. <https://openknowledge.worldbank.org/server/api/core/bitstreams/fc4499df-8358-519c-93be-0085ff7039b7/content>.

4) Ginn, J. (2003). *Gender, Pensions and the Lifecourse: How pensions need to adapt to changing family forms*. Bristol: The Policy Press.

5) Samek, M. (2016). *The gender pension gap: Differences between mothers and women without children*. Brussels: European Parliament.

participants than men participants, likely as a consequence of many women in that age range going into a career break due to childbirth and childrearing and also of the fact that a substantial percentage of those remaining in the labor force are working in jobs outside the coverage of social insurance.

[Figure 1] Number of National Pension participants (in thousands), by age group, for men and women (as of the end of December 2020)



Source: National Pension Statistical Yearbook 2020 (Vol.33). National Pension Service.

Measured as a share of the population aged 18 to 59 and of the economically active segment of that population, the difference in the rate of participation in the National Pension (and in the special occupational pension schemes) between men and women was not conspicuously large. However, it is important to note that the women's National Pension participation rate as presented here, representing only specific points in time and with the non-economically active population not factored in, does not necessarily indicate stability in women's participation in the scheme. Those participating in the public pension schemes with their income reported constituted 63.6 percent of the population aged 18 to 59 and 88.6 percent of the economically active population of that age range. For women, the corresponding figures were 57.8 percent and 92.8 percent, respectively (see Figure 2).

[Figure 2] Number of enrollees in the National Pension and special occupation pension schemes, in thousands

	Population aged 18-59: 31,253 (15,396)					
	Economically active population: 22,414 (9,573)					
	National Pension enrollees: 21,580 (9,651)					Special occupational pension enrollees 1,392 (626)
	Non-economically active population: 8,839 (5,823)	Residence-based enrollees: 6,898 (3,330)		Workplace-based enrollees: 14,320 (6,013)	Voluntary enrollees: 362 (308)	
		Those with their income reported: 3,800 (1,942)				
		Those exempted of paying contributions 3,098 (1,388)	Long-term contribution defaulters: 1,035	Contribution payers: 2,765		
As % of the total population	28.3 (37.8)	9.9 (9.0)	3.3	55.8		4.5 (4.1)
As % of the economically active population	-	13.8(14.5)	4.6	77.8		6.2 (6.5)

Note: 1) 'Total population', 'economically active population, and 'non-economically active population' were calculated using data from Statistics Korea's Economic Activity Survey as of December 2020; 'special occupational pension enrollees' is as of August 2020; 'National Pension enrollees' is from National Pension Statistics.

2) The sum of 'National Pension enrollees' and 'special occupational pension enrollees' may exceed the economically active population, so the sum of the participation rates may exceed 100.

3) Figures in brackets refer to women.

In 2021, individuals aged 65 and older who were in receipt of benefits from the National Pension consisted of 2,395,000 men and 1,819,000 women. This results in a receipt rate of 64.4 percent for men and 37.5 percent for women, indicating a significant gender gap.

Among National Pension recipients, there were 3,191,600 men and 1,877,700 women who were old-age pensioners aged 50 and older, which indicates a substantial gender gap. Moreover, women had a significantly higher number of recipients with derivative pension entitlements, with an estimated 785,200 of them receiving survivor's pensions.

The number of National Pension recipients with a contribution history of over 20 years was significantly higher for men at 728,900 compared to 120,000 for women. Among those who had contributed for 10 to 19 years, there were 1,177,700 men and 1,006,000 women.

[Table 1] Number of National Pension recipients, men and women, by age group, in thousands

	All		Old-age pension		Disability pension		Survivor's pension	
	Men	Women	Men	Women	Men	Women	Men	Women
Ages 50 ~ 59	43.0	111.4	12.3	5.8	20.5	4.5	10.2	101.1
60 ~ 64	815.1	665.5	797.0	551.3	9.5	2.4	8.6	111.8
65 ~ 69	988.0	729.2	973.4	588.0	5.2	1.5	9.4	139.7
70 ~ 74	684.4	478.4	669.9	319.9	4.7	1.4	9.8	157.2
75 ~ 79	469.9	371.7	457.6	231.6	2.8	0.8	9.4	139.3
80 ~	298.8	317.7	281.2	181.2	1.0	0.4	16.5	136.1
Total	3,299.2	2,674.0	3,191.6	1,877.7	43.6	11.1	63.9	785.2

Source: National Pension Statistics as of June 2022 (https://www.nps.or.kr/jsppage/info/resources/info_resources_03_01.jsp?cmsId=statistics_month). National Pension Service

[Table 2] Number of National Pension (old-age pension) recipients, men and women, by age group, by years of contribution, in thousands

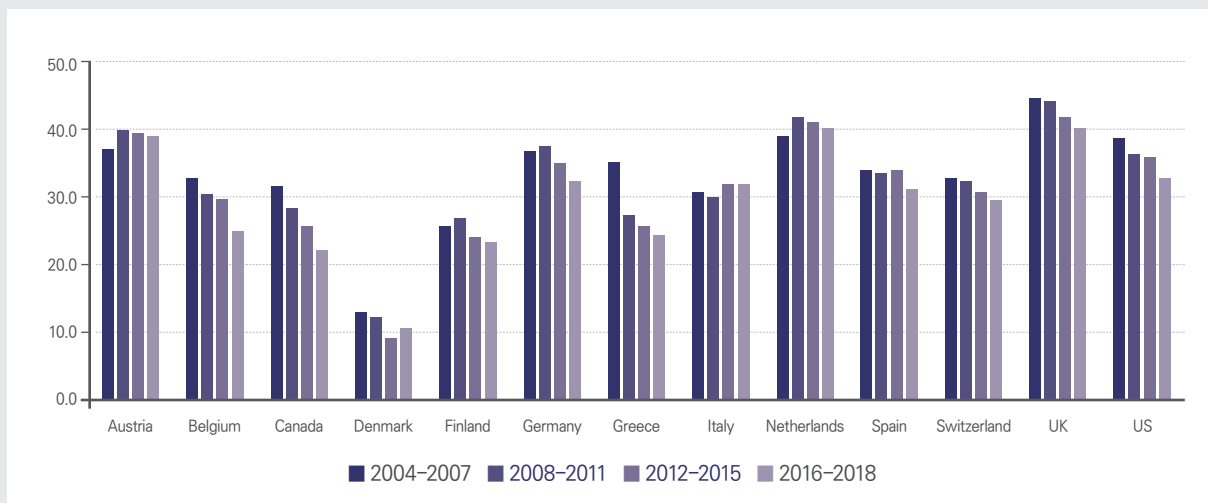
	Contribution history of 20 years and over		Contribution history of 10 to 19 years	
	Men	Women	Men	Women
Ages 50 ~ 59	367.1	80.0	255.5	366.6
60 ~ 64	268.4	32.0	481.0	440.2
65 ~ 69	93.3	8.5	337.7	177.2
70 ~ 74	0.1	0.0	103.5	22.0
75 ~ 79	0.0	0.0	0.0	0.0
80 ~	0.0	0.0	0.0	0.0
Total	728.9	120.5	1,177.7	1,006.0

Source: National Pension Statistics as of June 2022 (https://www.nps.or.kr/jsppage/info/resources/info_resources_03_01.jsp?cmsId=statistics_month). National Pension Service

Our examination of microdata from the Luxembourg Income Study (Wave III ~ Wave XI) on a total of 13 countries found that gender pension gaps in those countries, with the exception of a few, have

trended down in recent years, if to varying extents (See Figure 3). In terms of 2018 figures, the country with the widest gender pension gap was the Netherlands (40.2 percent), followed by the UK (40.2 percent) and Austria (39.0 percent). Denmark came in as the country with the narrowest gender pension gap (10 percent). Canada presented itself as the country where the gender pension gap narrowed in the most dramatic manner, by some 14 percentage points, from 36 percent in the early 1990s to 21.7 percent in 2018. In the background of this achievement were Old Age Security, a universal basic pension, and the Guaranteed Income Supplement, a social assistance-type benefit program. Greece's gender pension gap has rapidly decreased since 2007, when it stood high at around 35 percent, as, following the economic crisis, the benefits allocated to high-pension recipients, mostly men, were promptly cut.

[Figure 3] Gender pension gaps since the mid-2000s, in %



Note: Based on the sum of public and private pension benefits

Source: Author's configuration based on data from the Luxembourg Income Study.

The percentage of women in receipt of a public pension was higher in countries having in place a residence-based quasi-universal basic pension program or a fixed-amount basic pension bearing little contribution-benefit relationship (see Figure 4). In Denmark, Finland, and the Netherlands, about 99 percent of women aged 65 and older were in receipt of public pensions. This suggests that in these countries, practically everyone among women of pensionable age and older has a pension entitlement. In conservative-corporatist countries, with the exception of Germany, the percentage of women in receipt of public pensions was low, and particularly low in Southern European countries. Spain had the lowest rate of women receiving public pensions, specifically in the range of the low-70s percent. In Southern European countries, including Spain, with a female workforce participation rate below 70

percent, the rate of women entitled to an earnings-related pension scheme, where one's work history matters much, is also relatively low. The fact that countries with public earnings-related pension programs with no redistributive parts in them have lower rates of women in receipt of public pensions has much to do with the minimum number of years required for acquiring pension rights. In Germany, where the minimum number of years of contribution payments required for pension rights is as few as five, women can acquire a public pension entitlement just by making use of credits.

[Figure 4] Women's public pension receipt rates since the mid-2000s, in %



Source: Author's configuration based on data from the Luxembourg Income Study.

This study finds that it is not necessarily the case that lower rates of women in receipt of public pensions are associated with smaller gender pension gaps and that the larger the proportion of old age income attributed to pension programs with less redistributive elements, the larger the gender pension gap. For example, in the Netherlands, where female labor force participation has for years been promoted mainly by part-time jobs, a significant gender pension gap has been found in quasi-mandatory corporate pension plans, even with virtually every woman entitled to a residence-based basic public pension.



Policy recommendations

This study suggests a couple of policy recommendations. Firstly, the gender pension gaps that occur in the domain of old-age income should be quantified as a key indicator for social policy and consistently monitored to inform policymaking. Gender pension gaps represent an additional dimension of inequality. Such a social policy indicator would be highly useful for reducing gender disparities perpetuated by pension programs. The gender pension gap that has been monitored in Korea is the disparity between men and women in the National Pension participation rate and benefit receipt rate. However, the magnitude of the gap in pension amounts between men and women has not yet been measured as an indicator.

Secondly, reducing gender pension gaps requires additional policy efforts to ensure that more women have personal entitlements to pensions based on an increased number of years in contribution payments, as at present a considerable proportion of women are in receipt of pensions based only on derivative entitlements. There is a need to expand the current credit system so that career breaks that women often encounter due to such important lifecycle events as childbirth and childrearing do not lead to a pause in National Pension contribution payments. It would also be necessary to consider shortening the minimum period of contribution required for one to become eligible for a pension.