

# Gender inequalities in family leaves, employment and pensions in Finland

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## Abstract

In this chapter, we discuss how family leave-related career breaks relate to gender inequalities in employment and pensions in Finland. While being considered as one of the most gender-equal countries in the world, the gender gap in earnings and pensions is still considerable in Finland. Career breaks related to parenting are one of the reasons for the persisting gap. Family leaves are by far still taken mainly by the mother and the home care allowance, which is available until the child's third birthday, offers an incentive for comparatively long absence from the labour market. The unequal division of family leaves and mothers' long career breaks affect women's earnings negatively during the life-course. Since the pension reform in 2005, earning-related pension accrues during maternity/paternity and parental leaves, but the accrual rate is much lower during the home care allowance. The gender gap in pension is still significant and has reduced very slowly during the past decades, and things being equal the gap continues to remain wide in upcoming decades.

**Keywords:** Pensions; Gender equality; Family leaves; Employment; Labour market; Finland

## 1 Introduction

Over the decades, women's and men's life courses have become more similar and more equal in terms of labour market participation and division of home-work and professional life. Some welfare states have paid more emphasis on gender equality by developing institutional solutions supporting women's employment and economic independence by, for example, offering public childcare and social security based on the individual's rather than partnership status (Esping-Andersen 2009). Despite these efforts and the positive development, even in the most gender equal countries, large gender differences in economic well-being over the life course persist. Those inequalities culminate in gender pension gap, which was 25 per cent on OECD average in 2016 and has diminished only slowly (OECD 2019). Although the Nordic and the Baltic countries, with the exception of Sweden, fare better than the OECD average, gender pension gap remains an issue in these countries, too. Although ever more women obtain pension income on their own right as a result of the maturing of pensions systems, increasing labour market participation of women over generations and ever fuller careers of women, retired women still suffer much more often than men from old-age poverty. Older women are particularly affected by old age poverty, and the lower pensions affect women longer due to their greater longevity.

In most of the pension systems today, pension income more or less directly reflects the employment and earnings history of the retiree. Therefore, gender differences in careers and breaks in them result in the gender pension gap. Parenting is the main reason for career breaks during early stages of working life and one of the factors causing gender inequalities in labour markets and beyond. Even decades of attempts to engage fathers more intensively in child-rearing by a variety of family policy measures, women still bear the main load of childcare and family-related homework. For women, child-bearing is therefore still related to in part considerable labour market risk and "motherhood penalty" (Budig et al. 2012; Angelov et al. 2016; Kleven et al. 2019). Cumulating over the life course, the gendered careers manifest themselves also in gender gap in pensions (Frericks et al. 2009; Betti et al. 2015).

In this chapter, we examine gender inequalities in employment and pensions related to parenting in Finland which, along with Iceland, Norway and Sweden, has continuously scored high in international comparisons of gender equality (World Economic Forum 2020). The Nordic welfare state has in general been considered as women-friendly and promoting gender equality (Hernes 1987; Orloff 1993), but Finland is an interesting, in part contradictory case. Finland takes a somewhat deviant position as it comes to female labour market position and the division of child-rearing between genders. On the one hand, women's labour market participation has been traditionally high, and women work full-time more often than they do in many other countries. Along with the Nordic model, social citizenship is based on the individual rather than family status, and the welfare state provides social policies and public services enabling women's paid employment. On the other hand, the Finnish labour market is highly segregated to a greater extent than in the other Nordic countries, with only every tenth Finn in 2015 being employed in the so-called equal occupations, where the share of different sexes is 40 to 60 per cent (European Commission 2009; Boll et al. 2016; Statistics Finland 2018). Furthermore, the Finnish family leave scheme includes a comparatively long home-care allowance, available until the child's third birthday, that poses an institutional incentive for longer drop-out from labour market. This leads to comparatively long home care spells of Finnish children that are nearly exclusively taken by mothers (Sipilä and Korpinen 1998; Hiilamo and Kangas

2009; Sipilä et al. 2010; Ellingsaeter 2012). This, in turn, generates considerable gender gaps in labour market positions, earnings and, later in life, also in pensions (Kela 2018; Koskenvuo 2016; Kuitto et al. 2019).

Resting upon cross-sectional data on family leave use, employment and retirement, we point out gender inequalities over the life course and show, how Finland relates to the other Nordic and Baltic countries. Furthermore, we report results of a recent cohort study of young Finns based on register data and focussing on early career developments and the use of family leave benefits. The assessment of the Finnish case shows how gender inequalities persist despite gender-neutral family- and pension policies and lead to gender gaps in income throughout the life course.

In the following section 2, we describe the Finnish family leave scheme and the pension system, which set the institutional frame for gender inequalities relating to employment, parenting and old age income. In section 3, we look at how employment, wages and retirement of men and women differ. Section 4 provides insights in the division of family leaves between men and women and how these relate to career developments. Section 5 concludes by discussing the challenges the Finnish welfare state faces with regard to a more equal division of work, family and related social security over the life courses of men and women.

## **2 Family and pension policies in Finland - the institutional framework**

### *2.1 The Finnish family leave scheme*

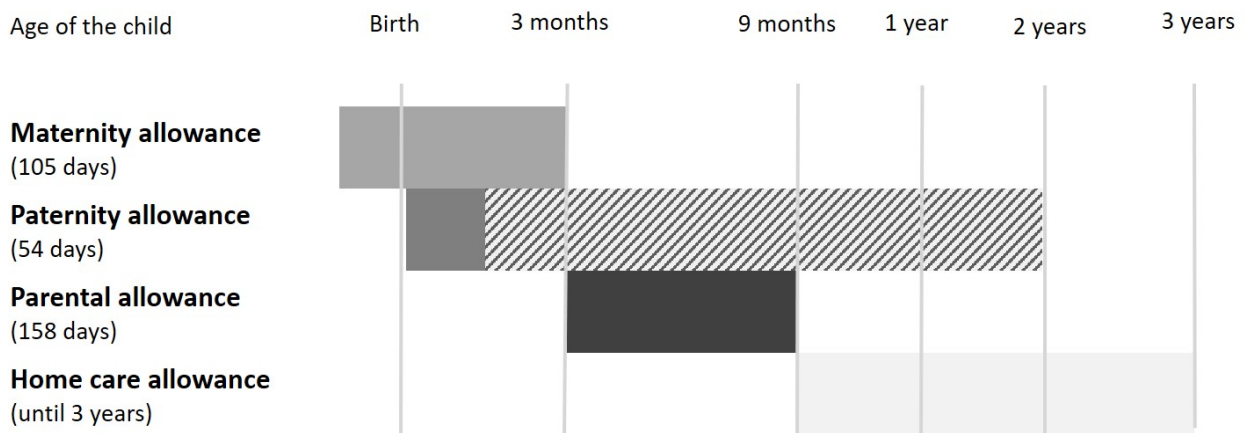
The family leave scheme in Finland has evolved over time since the implementation of paid maternity leave in 1964. Initially about two months, maternity leave was extended to nine months by 1980. From the 1980s on, fathers gradually got more paid leave days, the maternity allowance was extended to maternity, paternity and parental leave allowances, and in 2003, a father quota of one-month parental leave was introduced (Kellokumpu 2007). Increasing fathers' use of parental leave and thereby enhancing gender equality in childcare and labour market has been the *leitmotiv* of the family leave reforms of the past decades (Lammi-Taskula 2007, 2017).

At the same time, from the 1970s, public childcare system was developed. The Child Day Care Act passed in 1973 granted the right to day care for all children who needed it. In 1996, the subjective right to day care was extended to cover all children of preschool age. In 2014, the government decided to restrict the universal right to day care. The child is entitled to day care on a part time basis only, if a parent is not working or studying full-time. Currently, the government aims at restoring the subjective right to full-time day care for all children.

After the latest major reform in 2013, the Finnish family leave scheme today offers a comparatively long possibility to step out of employment for childcare. The scheme is presented in a simplified form in Figure 1. Mothers can stay on paid maternal leave for 105 days around the birth. After that, either the mother or the father can stay home at paid parental leave for 158 working days. Parents can split the parental leave as they wish or only one parent can go on leave. Parental leave can also be taken simultaneously, but only when both take it part-time. For fathers, there is a paid paternity leave of about nine weeks, of which up to 18 days can be taken simultaneously to maternity or parental leave of the mother, and the rest after the parental leave. All these leave allowances are

earnings-related with a maximum, gradually decreasing replacement level around 90 per cent for the first 56 days of maternity leave and 70 per cent for paternity and parental leaves (National Institute for Health and Welfare 2019a). A flat-rate benefit is granted for those not entitled to the earnings-related benefits such as students or persons outside the labour market.

Figure 1. Finnish family leave scheme (2020)



Source: Own compilation based on Kela 2020.

A rather specific feature of the Finnish family leave scheme, though, is the long home care allowance which allows the parents to take care of their child at home until the age of three. Only a minority of OECD countries provides this kind of cash-for-childcare benefits. The Finnish home care allowance is a flat-rate benefit with municipal supplements that vary regionally. Even though every child has right to public childcare/early education after the parental leave, the majority of families choose to take care of their child at home on home care allowance at least for some time, most frequently until the child is about two years (Kela 2018). Altogether, the Finnish family leave scheme offers one of the longest publicly paid possibilities to stay at home for child-rearing, and of the Scandinavian and Baltic countries, only Estonia offers similarly long paid family leaves (Table 1). Although paid family leaves are long in Finland they are less flexible in comparison to other Nordic countries (Hakovirta et al 2013).

Table 1. Maximum lengths of parental leaves in different schemes (2016, in weeks)

Country	Maternity leave	Parental leave with job protection	Paid maternity and parental leave total	Paid father-specific leave
Estonia	20.0	146.0	166.0	2.0
Latvia	16.0	78.0	94.0	1.4
Lithuania	18.0	148.0	62.0	4.0
Denmark	18.0	32.0	50.0	2.0
<b>Finland</b>	<b>17.5</b>	<b>143.5</b>	<b>161.0</b>	<b>9.0</b>
Iceland	13.0	30.3	26.0	13.0
Norway	13.0	78.0	91.0	10.0
Sweden	19.9	65.1	55.7	14.3
<i>OECD</i>	<i>19.1</i>	<i>65.7</i>	<i>55.2</i>	<i>8.2</i>

Source: OECD Employment Database (accessed on 27 February 2020)

## 2.2 The Finnish pension system

The first pillar pension scheme is dominating the Finnish pension system. Owing to comprehensive statutory earnings-related pension scheme, the role of second and third pillar pensions is marginal. The Finnish statutory pension system (1<sup>st</sup> pillar) consist of the earnings-related employment pension, a residence-based national pension and a guarantee pension. The employment pension aims at maintaining the income level achieved during the working career, while the tasks of the national and guarantee pensions are at ensuring a basic income security and giving protection against old age poverty. The national pension complements pension income of those who have not earned a sufficiently large pension through the earnings-related pension. The national pension is phased out as the employment pension increases. In 2020, pensioners whose earnings-related pension is more than 1,368.21 euros per month, are no longer entitled to any national pension. The full national pension (662.86 euros in 2020) is granted with 40 years of residence since the age of 16. A guarantee pension was introduced in 2011 to guarantee a minimum level of pensions (834.52 euros in 2020) for those with the lowest pension income. The amount of the guarantee pension is reduced by any other pension income the recipient may receive from Finland or from abroad.

The Finnish earnings-related pension scheme is very comprehensive and encompassing. It is mandatory and statutory and covers nearly all those in gainful employment; all employees over 17 years with earnings exceeding 60.57 euros per month (the limit in 2020) are insured. Moreover, the conditions of receiving benefits are uniform: all employees - notwithstanding their contracts, occupations, branch or sector - are insured according to the same rules. The scheme operates also without any earnings or benefits ceiling covering thus all income levels equally. Since the earnings-related pension scheme covers practically all types of employment and has no ceilings, the role of second pillar employer specific occupational pensions or third pillar provision based on individual private pension insurance is very modest in Finland (Kangas & Luna 2011; Barr 2013). The Finnish earnings-related pension system is characterized as functional hybrid that incorporates features from both first and second pillars (Börsch-Supan 2005; Ebbinghaus 2011).

As such, the Finnish pension system is gender-neutral and can be viewed as quite women-friendly. In contrast to many other countries, in which earnings-related and occupational pension schemes

often leave work typical for women and low wage occupations uncovered (Ginn & Arber 1992; Gruber & Wise, 2004), the Finnish statutory earnings-related employment pension covers almost all earnings with a uniform benefits and conditions of receiving benefits. Additionally, the national and guarantee pension schemes ensure basic income security for those with no or only limited earning-related pension accrual. National pension has an important role in cushioning and moderating income differences created throughout the working life (Kuivalainen et al. 2018; Möhring 2015). This is a case particularly for women, without national pension women's overall pension income would have been 10 per cent lower and 39 per cent of women receive national pension in addition to earnings-related pension. For men, owing to their higher earnings-related employment pension, national pension has a less significant role and 25 per cent have income also from national pension (Finnish Centre for Pensions 2020). Additionally, survivor's pension adds to the old age income package of many elderly, widowed women, and survivors' pension is unlike in many other Nordic and Baltic countries paid until the death in Finland (cp. OECD 2018a; see more Takala et al 2015).

Many reforms, few major and numerous smaller changes, have been introduced into the Finnish pension system since the 1990s (Kuivalainen and Kuitto 2021). Reforms have further strengthened the dominance of the first pillar pensions (Kautto 2017). As from 2005, the pension is calculated on the basis of the entire working career. Ex ante evaluations of the 2005 pension reform report that it does not create inequality between the gender (Tuominen 2004). Recent reforms have mainly been more favorable for women (Reipas and Sankala 2015; Kuivalainen et al. 2019). The most important improvement for women's pension adequacy has been the treatment of career breaks due to parenting.

### *2.3 How career breaks during parenting affect pension accumulation*

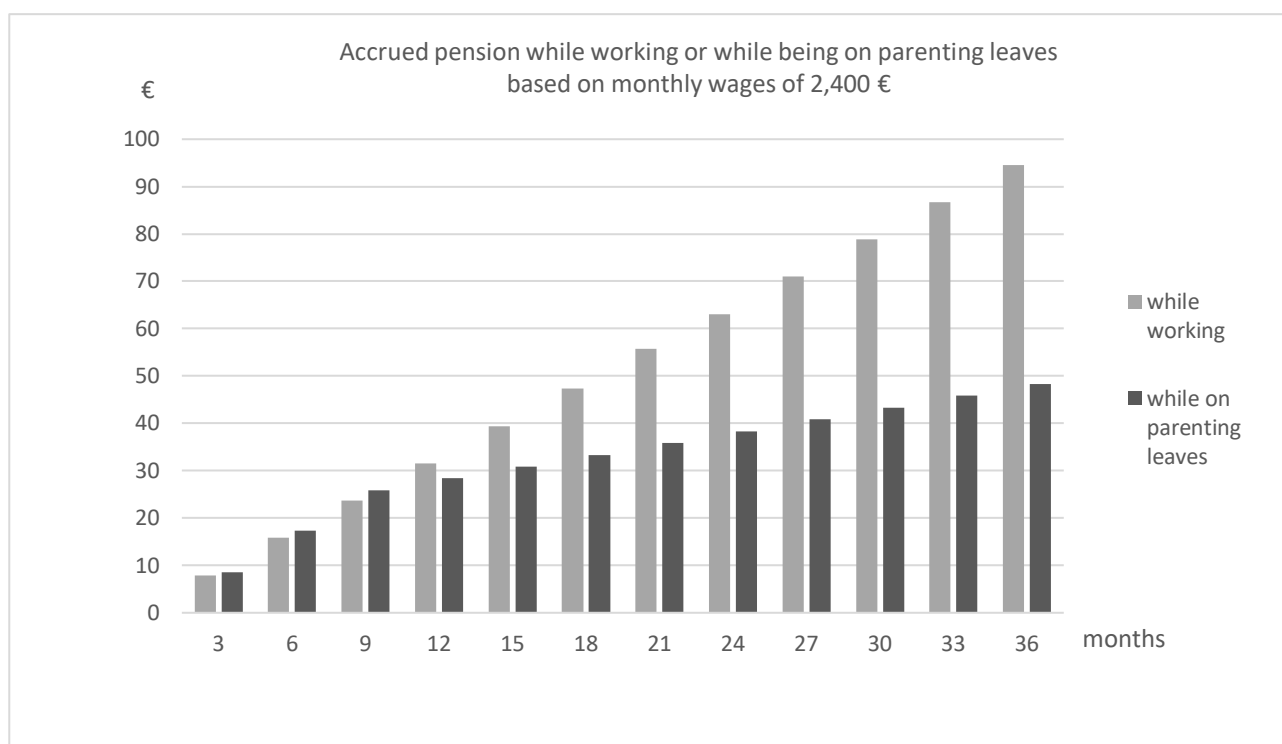
As in many other countries, recent Finnish pension reforms have adjusted the rules for pension accumulation during family-related career breaks in order to acknowledge childcare periods (Frericks et al. 2009; OECD 2015). Most importantly, the 2005 pension reform improved pension provision for periods out of paid employment and the provision for pension accrual related to these benefits was harmonised. Prior to 2005, the pension accrued for maternity, paternity and paternal leaves according to the so-called one-year rule in the private sector (Tuominen 2004). The one-year rule meant that breaks of shorter duration than 359 days in the contract of employment did not suspend pension accrual. This practise was adopted already in the 1970's and concerned the private sector employees. Similar rules applied for employees in the public sector (Koskenvuo 2016). Those without a contract of employment, were not at all covered and no pension accrued for periods of childcare prior to 2005.

As of 2005, pension has accrued for periods of childcare on more uniform bases. For periods of earnings-related maternity, paternity and parental allowance, the old-age pension accrues on a basis which is 121 % (in 2020) of the earnings on which the benefit is based regardless of sector or continuing contract of employment. The 2005 reform also improved the situation of those who are receiving a flat-rate maternity, paternity or paternal allowance. Prior, there was no entitlement for them. Furthermore, the 2005 reform introduced pension accrual for the period during which a parent stays at home to take care of a child under the age of three on home care allowance. For periods of home-care allowance and for flat-rate maternity, paternity or paternal allowance, pension accrues based on fixed euro amount (757.14 euros/month in 2020). A requirement for pension accrual

for unpaid leaves is that one has earned a certain amount from work during preceding working life (a total of at least 18,171.43 euros in 2020). The accrual rate is the same for all unpaid periods and the same as for earnings, 1,5 per cent. Like most OECD countries, the Finnish pension systems does not include a specific child credit in addition to the credit covering career breaks due to parenting (see OECD 2015).<sup>1</sup>

The reform of 2005 is so far the most momentous change in regard to acknowledging the family-related career breaks in pension provision. After 2005, there has been no substantial changes introduced to pension accrual for unpaid periods. Figure 2 illustrates pension accrual during the family related care leaves compared to continuous employment. The example contrasts the pension accumulation during three years of either being continuously employed or on family leaves. The model calculation is based on the average earnings of a women in the average age of having the first child (around 27 years), 2,400 euros per month. During the maternal/paternal and parental leaves, the amount of the accrued pension is even slightly higher than when working, as the base for pension accrual is 121 per cent of the previous wage level for those employed. However, during the home care allowance following the parental leave period, that is after a child is nine or ten months old, there is a clear loss in one's pension accrual as the home care allowance period is credited on the basis of a flat-rate sum which is rather low in comparison to average wage only about one fourth of the average wage. The higher one's earnings are, the greater is the loss in accrued pension compared to pension accrual when working. The longer the time spent at home taking care of a child, the larger are the losses. After full three years at home, the pension accrual of these three years is only about the half compared to continuous employment. According to the calculations by OECD (2015), a five-year-childcare-related employment break leads to an approximately five per cent pension loss (gross) compared to a situation of uninterrupted employment in Finland. The dent is above the OECD average and is higher than in Norway but lower than in Sweden and Estonia.

Figure 2. Pension accrual during parenting leaves compared to continuous employment



Source: Calculator “Pension for family leave”, online at <https://www.tyoelake.fi/en/how-much-pension/pension-for-family-leaves/> (accessed 11 March 2020).

### 3 Gender gaps in employment, retirement and pensions

#### 3.1 Gender gaps in employment and wages

In the Finnish pension system, the earnings-related scheme plays a key role in providing old age income. Therefore, the working life history throughout the life course is the main source of differences both between gender and, in more general, between individuals’ pension income. Traditionally, the labour market participation rate of Finnish women has been high; already at the time when earnings-related pension scheme came into force in the early 1960s, female employment rate was over 60 per cent (Kuivalainen et al. 2019). With 76.3 per cent in 2018, the rate was similarly high as in the other Nordic and Baltic countries and much higher than the OECD or the EU28 average (see Table 2). The gender gap in the participation rate (3.4 p.p.) was comparably low, too. Women’s part-time employment is less common in Finland than in many other countries, but still more women than men do work part-time (17.8 % compared to men’s 10.7 %). The gender gap in temporary contracts is larger than in other Nordic or Baltic countries; while nearly every fifth woman worked in a non-permanent contract in 2018, less than every seventh man did.



Table 2. Labour market participation and type of employment by gender (in %, 2018) and gender wage gap

Country	Labour force participation rate (age 15-64) <sup>a</sup>		Part-time employment <sup>a</sup>		Temporary employment <sup>a</sup>		Gender wage gap	
	Men	Women	Men	Women	Men	Women	Hourly (unadjusted, 2017) <sup>b</sup>	Overall (2014) <sup>c</sup>
Estonia	82.5	75.7	5.8	12.8	3.6	3.3	25.6	38.4
Latvia	80.5	75.1	4.2	8.8	3	2.4	15.7	22.8
Lithuania	78.9	75.8	4.5	8.8	1.7	1.5	15.2	19.2
Denmark	82.1	76.6	15.2	25.4	9.9	12.5	14.7	26.1
<b>Finland</b>	<b>79.7</b>	<b>76.3</b>	<b>10.7</b>	<b>17.8</b>	<b>13.4</b>	<b>19.5</b>	<b>16.7</b>	<b>24.1</b>
Iceland	89.9	84.5	11.4	23.4	7.7	10.8	15.5	34.0
Norway	80.4	75.5	11.7	27.7	7.4	9.5	14.3	31.5
Sweden	84.6	81.2	10.3	17.4	14.8	18.2	12.6	26.2
<i>OECD</i>	<i>80.4</i>	<i>64.6</i>	<i>9.4</i>	<i>25.4</i>	<i>11.3</i>	<i>12.1</i>	-	-
<i>EU28</i>	<i>79.4</i>	<i>68.4</i>	<i>8</i>	<i>26.5</i>	<i>13.7</i>	<i>14.7</i>	<i>16</i>	<i>39.6</i>

Notes and sources: <sup>a</sup> OECD Employment Database 2019; <sup>b</sup> Eurostat (online data code: sdg\_05\_20); difference between average gross hourly earnings of male and female employees as % of male gross earnings; <sup>c</sup> Eurostat (<https://ec.europa.eu/eurostat/databrowser/view/teqges01/default/table?lang=en>). The overall gender earnings gap is a synthetic indicator. It measures the impact of the three combined factors, namely: (1) the average hourly earnings, (2) the monthly average of the number of hours paid (before any adjustment for part-time work) and (3) the employment rate, on the average earnings of all women of working age - whether employed or not employed - compared to men. Accessed 15 July 2019.

The relatively equal and mainly full-time labour market participation of women in Finland is also reflected in one of the lowest gender gaps in total earnings in Europe (24.1 % in 2014). However, when looking at gross hourly wages of male and female employees, the gender gap was 16.7 percentage points in 2018. This is lightly above the average of the EU countries and the second highest in the group of Nordic and Baltic countries. The gender gap in hourly wages reflects the differences in education, profession and experience, regardless of working time. This gender wage gap results mainly from the segregation of the Finnish labour markets, which is considerably strong in international comparison (European Commission 2009; Boll et al. 2016). More often than men, Finnish women are employed in low-paid professions within health care, social services, the restaurant and hotel businesses. Women are also over-represented at the public sector. Male-dominated professions, in turn, include sciences, technology, transport and construction in the private sector. Even when working in the same professions as men, women are less frequently in high-wage expert or managerial positions (Lilja and Savaja 2013; Kauhanen et al. 2015). Women also less frequently work overtime, so that women work less in less well-paid occupations all in all. Gender differences in occupation choice and earnings have diminished only marginally over time (cp. Pietiläinen 2013).

### 3.2 Gender gaps in retirement and pensions

When we look at retirement and lengths of working life, there are only minor differences between Finnish women and men. In 2018, the average expected duration of women's working life was 38 years, only 1.3 years less than that of men (Table 3). Finnish women thus work more years than women in the EU countries on average, but the length of working life is close to the average of the

Nordic and the Baltic countries. The effective retirement age in 2017 of women (63.1 years) was not much lower than men's (63.8 years), but it was one of the lowest in the group of the Nordic and Baltic countries and also below the OECD average.

Table 3. Duration of working life, retirement age and gender pension gap

Country	Duration of working life 2018 <sup>a</sup>		Effective retirement age 2017 <sup>b</sup>		Gender pension gap 2016 <sup>c</sup>
	Men	Women	Men	Women	
Estonia	39.7	38.4	65.8	65.2	1.8
Latvia	36.7	36.7	63.4	61.9	15.4
Lithuania	36.6	36.8	63.0	62.5	17.5
Denmark	41.5	38.3	64.6	62.8	7.8
<b>Finland</b>	<b>39.3</b>	<b>38.0</b>	<b>63.8</b>	<b>63.1</b>	<b>23.7</b>
Iceland	48.3	44.2	69.8	66.6	-
Norway	40.9	38.2	65.4	64.1	-
Sweden	42.9	41.0	66.0	65.1	28.3
<i>OECD</i>	-	-	65.3	63.6	-
<i>EU28</i>	38.6	33.7	-	-	37.2

Sources: <sup>a</sup> Eurostat LFS (lfsi\_dwl\_a) 12 July 2019; <sup>b</sup> OECD <https://www.oecd.org/els/emp/average-effective-age-of-retirement.htm>, 12 July 2019; <sup>c</sup> European Commission 2018 (PAR)

Factors that shorten working lives include most notably unemployment, but also disability, sickness and family leaves. The most important factor generating gender differences in career breaks, though, are parenting leaves. In sum, however, Finnish women work almost as much and as long as their male counterparts and retire at similar ages. Socioeconomic differences in length of working life are very modest, too (Kuivalainen et al. 2018).

However, there are considerable differences in earnings and, consequently, also in pension income and economic wellbeing between men and women. This shows in the remarkable gender gap in pensions, which, in 2016, was 23.7 percentage points in Finland (Table 3). The figure is well below the EU average, but together with Sweden, considerably higher than in the other Nordic and Baltic countries. Like in many other countries, the gender pension gap has diminished only slowly (Betti et al. 2015). Forecasts on the future development of pensions see further slight decrease of the gap, reflecting the wage and employment histories of current working age generations. The median pension income of women in Finland was 74 per cent of men's pension income in 2015, and the forecasts of the Finnish Centre for Pensions estimate the same figure to be 85 per cent in 2085 (Tikanmäki et al. 2019).

## 4 Gender gaps in family leaves

### 4.1 Division of family-related leaves and attitudes

Even though the Finnish family leave policies offer a gender-neutral possibility to divide parenting-related career breaks equally between the mother and father, or even other persons, family leaves are still to a great extent taken only by the mothers. In 2018, 89.8 per cent of all parental leave days were taken by mothers, and 95 per cent of all home care allowance days (Kuivalainen et al. 2019).

Most of the of fathers take a short paternity leave after the birth during maternity or parental leave of the mother (1-18 days, 78 % of fathers in 2014), but only about one third used the possibility to take the full length of the paternity leave after the parental leave (1-54 days). The share of fathers taking parental leave, which can be shared between the parents, has been very low, at only about 1-3 per cent of fathers using this opportunity and the ratio being more or less unchanged since mid-1990s (Lammi-Taskula et al. 2017; National Institute for Health and Welfare 2019b). Research shows that disapproving attitudes both at workplaces and among fathers are one of the reasons why Finnish fathers do not use parental leaves beyond the father's quota; the length of the quota seems to set the norm of an acceptable absence from workplace and also to support gendered perceptions of parental responsibilities. Lengthening father's quota of parental leaves might help in reaching a more equal division of parental care responsibilities. (Närvi and Salmi 2019).

After the parental leave, when the child is around 9-10 months, most of the families in Finland choose to take care of their children on home care allowance (89 %). In more than half of those families, home care allowance is taken for no more than 12 months, and around 16 per cent of the families care for their children at home until the age of three (National Institute for Health and Welfare 2019b). Attitudes supporting home care for small children and the perception of the mother being better suited to care for small children are still widespread in Finland and may in part explain the long leave spells and the unequal division of leaves between mothers and fathers (Närvi 2014; Lammi-Taskula 2007). The home care allowance, however, is discussed controversially and is justified and opposed on multiple ideological, economic and political grounds (Sipilä et al. 2012; Hiilamo and Kangas 2009). The home care allowance constitutes a strong incentive for women to stay out of the labour market for a longer time (OECD 2018b). Based on previous studies we also know that long home care spells are taken particularly by women with weak labour market position and low education (Rissanen 2012; Närvi 2014; Haataja and Juutilainen 2014). Furthermore, long home care leaves of mothers without employment contract often experience weaker labour market attachment also at a later point in time (Peutere et al. 2014).

#### *4.2 Family leaves, early career labour market attachment and pension accumulation*

The gender differences that emerge already in the early stages of working life and cumulate over the life course may be exemplified based on a recent study of early career labour market attachment and parental leaves. In that study, we followed a young cohort of Finns born in 1980 during their early careers, at the age of 25-36 (Kuitto et al. 2019). We used register data from the Finnish Centre for Pensions containing extensive information on employment and earnings on the basis of which earning-related pensions accrue. The data also included information on different social security benefits related to career breaks such as family leaves, unemployment, disability and sickness, as well as different socioeconomic variables. With this data, we were able to trace the development of labour market attachment and earnings of the whole cohort (62,687 persons) during twelve years between 2005 and 2016.

On average, women had almost as much total days in employment as men (97 %) by the age of 36. However, great discrepancies in cumulated earnings between the genders occurred already at this early stage of career. Women's earnings by the age of 36 were only 70 per cent of the earnings of men. The gender differences in occupations and working time at the Finnish labour market described above in section 3.1 may explain the main part of this difference, but a further important

reason can be found in the highly unequal distribution of parenting-related career breaks in the early career. About three out of four of the cohort's women and two out of three of the men had at least one child by the age of 36. Gender differences occurred, first, in the dynamics of child-bearing and employment – while women in good labour market positions got less children on average and got them later, the opposite was true for men. Well-situated men had more often and more children than their counterparts with weak employment (cp. Kaufmann and Uhlenberg 2000; Koslowski 2011).

Of the parents in this cohort, mothers' career breaks due to family leaves were 13 times as long as those of the fathers (1,408 days compared to 111 days in sum during 2005-2016). While there were no significant differences in the length of days on maternity or parental leave across groups of mothers with different employment trajectories, long family leaves on home care allowance were much more common among women with weak labour market attachment. (Kuitto et al. 2019). This is in line with previous research that shows long home care allowance spells to be popular among less educated mothers with no or non-standard employment (Närvi 2017; see also Evertsson and Duvander 2011). Especially for those women, long home care spells create a vicious circle. Of fathers, in turn, paternity and parental leave was used mostly by fathers with stable labour market position.

The earnings gap between the gender and the “motherhood” or “child penalty” is considerable in Finland and seems even to be larger than in many other countries (Sieppi and Pehkonen 2019; Kleven et al. 2019), having major impact on the gender pension gap. Projections for future pensions and gaps due to parental leaves are hard to estimate, since many developments that impact pension accumulation over the life course of individuals are uncertain. Using some averages and simulation techniques, it is possible to make a rough estimate of the pension penalty caused by parenthood and family leaves of different lengths.<sup>2</sup> The following theoretical example illustrates the pension effects of different lengths of parental leaves for persons belonging to the cohort born in 1980. We assume the persons to have started their career at the age of 24 and to keep working to the earliest old age pension retirement age (66 years and 8 months). Earnings and price development follow the assumptions made in the long-term projections of the Finnish Centre for Pensions (Tikanmäki et al. 2019). The persons' monthly earnings in year 2018 are set at 2,400 euro, and at the birth of the first child in 2008, 1,900 euro according to the above-mentioned assumptions. Person A has no children. Person B has two children born in 2008 and 2010 and he/she has spent two years at home with each of the children (10 months at maternity/paternity and parental leave, 14 months at home care allowance). Person C has also two children, born in 2008 and 2011, and he/she has been the full three years at home with each of the children (10 months at maternity/paternity and parental leave, 26 months at home care allowance). When retiring, the difference of person B's to person A's earnings-related pension benefit is 60 euro per month, and person C's difference 117 euro per month. Given the average pension income of 1,533 euro per month of women (in 2019, Finnish Centre for Pensions 2020), this gap is considerable.

The analysis of the career trajectories and family-related career breaks of this Finnish cohort born in 1980 exemplifies the problems of gender inequalities with far-reaching consequences. Gaps in earnings and careers evolve at an early stage of the life course and catching up men's lead will be hard for women.

## 5 Conclusions

In this chapter, we have discussed how family-related career breaks and gender inequalities in employment relate to gender pension gap in Finland. As one of the Nordic welfare states, the country provides favourable institutional conditions for women's equal participation at labour market. Gender equality is paid great attention in the political agenda, affordable and good quality public child-care is provided for everyone and the pension system can be considered women-friendly. Still, considerable differences in the level of pensions of men and women exist, and the gender pension gap is among the highest in the group of Nordic and Baltic countries.

The reasons for this large gap can be found in gendered working lives of Finnish men and women. Women's labour market participation is nearly as high and intensive as men's, but already in an early stage of the career, a considerable gap in earnings evolves. This is, firstly, related to the strong segregation of the Finnish labour market in women's and men's professions and the lower wages of women associated with that. Secondly, career breaks due to child-rearing affect women's careers much more than men's. Over 90 per cent of all family leave days are still taken by mothers, and women with lower educational level and socioeconomic status step out of labour market particularly long when having children. Long family leaves, in turn, are related to lower earnings and less stable labour market attachment also after the period of having small children. The example of early career development and parental leaves of the Finnish women and men born in 1980 points to the fact that unequal parenting and its effects on careers are not a problem of older generations. Instead, even in this relatively young cohort, gender inequality is so obviously visible, casting a cloud long into the future of women's incomes and making a rapid decrease of the gender pension gap unlikely.

Even though the Finnish pension system is highly inclusive, granting earnings-related pension for everyone with the same rules and topping up low earnings-related pensions with the national and guarantee pension as well as providing women-friendly features such as wide coverage and uniform rules across sectors and occupations, women's pensions continue to be about one fifth lower than men's (Finnish Centre for Pensions 2020). The gender pension gap has diminished only slowly. From the perspective of the pension system, it seems like most means to diminish the gender pension gap have already been implemented. However, the effects of the reforms will show only in the long run. Occasionally, discussion about the need to improve pension accrual for a period of home care allowance has popped up. However, this has so far not gained support as it is seen to weaken the incentives for women to uphold their labour force participation even further.

Instead, labour market and family policies play a key role in narrowing the gender gap and in making women's and men's careers more equal. Efforts for achieving equal pay and diminishing labour market segregation are essential for more equal labour market outcomes, but also for reducing the gender pension gap of future retirees. Furthermore, combatting pregnancy discrimination in working places and policies to promote family-friendly attitudes among employers as well as flexible working time solutions help against gender inequality on labour markets and in combining family and work for both women and men. Easier and more flexible possibilities to combine work and family are wished by many Finns in their family-forming age, but at the same time, an overwhelming majority of working parents in today's Finland feel that they can combine family and working life easily (Sorsa and Rotkirch 2020).

The key challenge for family policy is achieving a more equal division of family leave-related career breaks between women and men. One of the main problems causing long breaks in careers and losses in earnings and pension accumulation is the long home care spell which is still mainly utilized by the mothers. Already in 2016, the OECD recommended to reduce the combined duration of parental leave and home care allowance to encourage female labour market participation, but so far, nothing has happened in this direction (OECD 2016, 2018b). Shortening the home care leave seems to be a highly sensitive issue in the Finnish politics, and therefore, it will hardly be abolished.

Family policy reforms of the past decades have strongly concentrated on increasing earmarked quotas for fathers and encouraging fathers to make use of their right for parental leave. However, quotas are not highly favoured by the people, rather it is wished that families have more freedom and flexibility to decide on the use of the parental leaves (Kontula 2018). As it stands, the decision is nearly always that the mother stays at home and cares for a child. Freedom to choose does not thus appear as effective way to promote gender equality. To attain more equal division of family leaves, attitudes of both employers and employees need to change. A change in attitudes in workplaces and the society towards more acceptance for fathers equally taking the responsibility for childcare does not only add to the rights of the fathers as carers and the rights of the child to the care of both parents (Lammi-Taskula 2017). Longer parental leave spells of fathers have further positive effects on commitment of fathers in childcare and homework also in longer perspective (Tamm 2018). Changes in attitudes and culture, however, take place at a very slow pace.

The Finnish case draws our attention to the fact that, even in a nominally gender-equal country, considerable inequalities in careers, earnings and pension exist. These inequalities also reflect some of the challenges that the Nordic – and also other European – welfare states are facing. First, women's strong labour market participation is a corner stone of the Nordic welfare model, and in order to secure the tax base for the kind of welfare systems the Nordic countries are pursuing, employment rates and working-life lengths need to be increasing (this in particular in Finland; Kautto & Kuitto 2020). In its current form, the Finnish welfare state however relies heavily on the less expensive labour provided by women at the public sector (Koskinen Sandberg 2017), and diminishing the labour market segregation may have some consequences for the provision, esteem and price of public welfare services, as well.

Second, decreasing fertility is a serious problem not only in Finland, but in many other countries, as well. Ageing population challenges the financial sustainability and the generational justice of pension systems (OECD 2017; Birnbaum et al. 2017). Persisting inequalities in child-rearing and the career risk that comes with it are not positive incentives for having children for young women. By aiming clearly at a more equal division of family leaves and offering high-quality public childcare easily available for all, family policy can potentially help to overcome institutional barriers for having children and support family-friendly attitudes in the society.

This Finnish example is just but one piece of evidence on how life courses affect pensions and inequalities in old age. With the words by Gøsta Esping-Andersen, “a good retirement policy must begin with babies” (Esping-Andersen 2009: 163). Social policies, early education and family policies in particular, that combat inequalities from the beginning of the life course, are likely to be more effective in levelling out gender inequalities at labour market and later in retirement than any reforms of the pension system alone (Bonoli 2013; Morel et al. 2012; Esping-Andersen 2009).

## Notes

<sup>1</sup> Only France, Germany, Italy, and the United Kingdom (up to an earnings threshold) grant some child credit for pensions regardless of whether parents stop working or not (OECD 2015).

<sup>2</sup> We thank Suvi Ritola from the Finnish Centre for Pensions for these model calculations.

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