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From: General Secretariat of the Council
To: Delegations
Subject: Financial Independence and Gender Equality
- *Executive summary of EIGE report*

Delegations will find attached the executive summary of the report entitled "Financial Independence and Gender Equality" prepared by the European Institute for Gender Equality (EIGE).

Financial independence and gender equality

Executive Summary

Promoting women's economic rights and independence is a strategic objective of the Beijing Declaration and Platform for Action (BPfA) under Area F, 'Women and the Economy'. Launched by the United Nations in 1995, the BPfA is a global agenda for women's empowerment. The European Council acknowledged the EU's commitment to the BPfA in 1995 and to monitoring progress towards the BPfA on an annual basis with support of the Presidencies of the Council of the EU. This study was carried out in support to the Belgian Presidency of the Council, focusing on monitoring progress in the EU towards gender equality in financial independence.

This report presents evidence on gender inequalities in financial independence in the EU, with a particular focus on how financial independence has been defined and measured. The report summarises the available data (and its limitations) and explores different methodologies and approaches for estimating key aspects of financial independence (income, wealth, power and control) from a gender equality perspective. In addition, the report presents evidence on the impact of tax-benefit systems in EU Member States on gender inequalities in financial independence and explores consequences associated with financial dependence, including economic violence.

The study draws on a range of research methods, including a series of (targeted) literature reviews exploring different aspects of this topic. For example, how financial independence has been approached conceptually and measured. To summarise gender inequalities in financial independence in the EU, the report presents a series of indicators which are derived from a range of micro-data and secondary data sources including Eurostat (online database), the EU Statistics on Income and Living Conditions (EU-SILC), the Structure of Earnings Survey (SES), the World Bank Global Findex Database, the European Social Survey (ESS), the Eurobarometer and FRA Violence against women survey (2012). The report also includes emerging findings based on EU (2021) survey on gender-based violence against women and other forms of inter-personal violence (EU-GBV) and EIGE's (2021) Survey of gender gaps in unpaid care, individual and social activities (CARE). The assessment of the impact of tax-benefit systems on gender inequalities in financial independence in EU Member States is based on analysis using the EUROMOD tax-benefit microsimulation model.

Key findings

Financial independence has most often been defined in narrow terms, focusing on earnings and income specifically within the context of female-male partnership

- In empirical studies, the concept of financial independence is still rarely approached comprehensively across key conceptual dimensions (i.e. income, wealth, power and control) and is often measured with unidimensional indicators. Where the income dimension received more attention, there has been a limited focus on wealth (assets and liabilities), although the financial 'safety net' that it creates can constitute an important component of financial independence. Agency (decision-making power and control over resources) is a prerequisite to convert financial resources (income, wealth) into financial independence, but remains relatively under-explored. This may lead to a narrow

comprehension of financial independence of women and men, and at times even reinforce gender stereotypes.

- Across different dimensions and family constellations, financial independence is more comprehensively explored from the perspective of earnings and/or income of women in male-female relationships, often within the context of marriage/partnership. Where evidence allows, the current study aims to take a broader approach.
- There is a lack of studies on comparative differences in women's and men's financial independence (across its core dimensions), incorporating various intersecting inequalities (e.g. age, migration background, disability, different household compositions, same-sex relationships, etc.) and life-course perspectives (e.g. including the role of parents, partners, private and public institutions).
- As a component of or a precondition for economic independence, financial independence not only requires financial ability, but also must be combined with financial resources and decision-making power and control over those resources, so that an individual could make autonomous decisions and contribute on equal terms to joint (household) decisions. Financial independence implies that every individual should be able to achieve and sustain financial independence in their adult lives, irrespective of their gender, other individual and social characteristics, or life course events.
- A multidimensional gender-sensitive measurement framework of financial independence is proposed in this report, recognising a need and policy relevance of analysing financial independence across its three core dimensions: (1) income, (2) wealth (assets and liabilities) and (3) power and control.

Gender inequalities in pay, earnings and income are entrenched and enduring, with gender gaps consistently to the detriment of women

- Despite progress made towards gender equality in the EU, there are persistent gender gaps in pay, earnings, and income, with women consistently disadvantaged compared to men. In the EU, the gender pay gap, which assesses differences in gross hourly earnings, stands at 12.7 % (2021). Gender overall earnings gap is 36.2 % (2018) to the disadvantage of women. It assesses the combined impact of hourly earnings, monthly average of hours paid and employment rate and depicts large gender gaps in labour market opportunities for women and men. The EU gender pension gap of 26% reflects the impact of lifetime cumulative factors, such as inequalities in working hours and time out of the labour market, labour market segregation or the role of pension policies.
- On average, partnered women in the EU earn 69 % of their partner's earnings. Earning less than a partner is associated with reduced bargaining power and influence over decision-making. The more financial resources (earnings, income) the individual brings into the household, the more likely they are to report being able to make decisions about expenditure and the less likely they are to be classed as materially deprived.
- An estimated 21 % of partnered women aged 18-64 in the EU in 2019 were living in a household with their partner as the single earner, compared to 6% of men in this position.
- Single parents face particular financial strains in an effort to balance their caregiving roles and paid work as sole earners, with 33 % of lone mothers and 28% of lone fathers in the EU indicating their families experience difficulties to make ends meet. In 2022, across the

EU 5.5 % of adult women and 1.1 % of adult men aged 25-54 years were single parents with children.

- The gender gap in income is considerably larger if income is individualised and adjusted for observed patterns of income pooling within the household (25 %) as opposed to assuming that income is fully pooled (3 %) (2021; EU-SILC data).
- Differences between women and men in providing unpaid childcare, long-term care and domestic work are central to understanding the gender gaps in earnings and income. Among the economically inactive population in the EU, 19% of women and 3% of men were not able to seek employment due to care of adults with disabilities or children. The 48% gender gap in individualised income (estimated income pooling measure) among the economically inactive due to care reasons shows high financial vulnerability of carers, mostly women.
- The gender gap in individualised income is particularly large in older population of 65 and above (39%), reflecting gender unequal distribution of unpaid care and domestic work across the life course, and among low qualified (31%).
- The true extent of gender gaps in poverty and deprivation may be hidden by assuming an equal distribution of resources within the household. The standard indicator of at risk of poverty rate (AROP), estimated on the basis of equivalised household income, is 17% of women and 15% of men. It increases to 36% and 24% respectively if calculated on the basis of individualised income (estimated income pooling measure).

Women are consistently disadvantaged compared to men in relation to wealth, with gender gaps increasing with age or presence of children, and women often shouldering financial responsibility for making ends meet

- Though data on wealth (assets and liabilities) for women and men is particularly scarce, a gender wealth gap to the detriment of women has been documented across several EU Member States. Across the Eurozone, women's median wealth is estimated to be 62 % of men's (Sierminska, 2017). The gender wealth gap exists for both single adults and couple households (with substantial intra-household inequalities in wealth) and is largest at the top end of the income distribution. The gender wealth gap is larger for couples with children compared to those without children and increases with age.
- For married couples, marital property regimes play an important role, with research suggesting they can mitigate uneven losses of wealth for women and men upon divorce. Conversely, the dissolution of cohabiting unions is noted to be associated with wealth losses for women but not for men.
- More gender equal labour market participation, including in self-employment and entrepreneurship, are linked to smaller gender wealth gaps. Closing gender gaps in care would lead not only to a more equal distribution of employment and income opportunities but would also contribute to reducing gender gaps in wealth.
- Existing evidence points to the gender wealth gap varying across different types of assets. Women are particularly disadvantaged relative to men in relation to financial assets (particularly riskier assets such as stocks and shares) and business wealth (assets and liabilities of businesses owned by an individual). Access to credit for starting or expanding businesses point to a number of (un-)intentional gender biases (e.g. women encounter

higher interest rates) to the detriment of women, especially in countries where overall gender inequality is more pronounced.

- Women in the EU are more likely than men to be involved in every-day financial decision-making, but less likely to be involved in more strategic decisions about large purchases, saving and borrowing. Whilst men are more likely to be decision-makers when it comes to debt, women are more likely to be responsible for debt management, aligning with wider observations about women's greater role in day-to-day money management, including for making ends meet, rather than having strategic control over household finances.
- Across the EU, a smaller portion of women (19 %) than men (34 %) appear to be classed as having high financial literacy (2023; Eurobarometer data), which may contribute to the gender gap in wealth. This data should be interpreted in the wider context of gender inequalities in financial independence, which often have bi-directional effects. If women have fewer financial resources, they will be less able (and keen to learn how) to invest. Women are also less likely to be in the strategic decision-making roles and thus less likely exposed to financial literacy topics. Research also points to gender gaps in financial literacy stemming from gender differences in socialisation experiences, such as due to gender differences in paid work, as well as receiving allowances or spending money without parental control as of early adulthood.

Data limitations make it difficult to estimate gender inequalities in financial independence across all its dimensions

- Key challenges associated with estimating individualised gender-sensitive measures of income include a lack of information on income pooling and sharing (which redistribute income between household members) and lack of data availability on certain sources of income beyond household level.
- There is a lack of harmonised data on wealth (assets and liabilities) and expenditure at the individual level in EU Member States. Likewise, gender statistics on various financial management aspects, such as on gender gaps in the levels of savings or management of debt are still lacking.
- Data on crucial intersecting inequalities (e.g. migration background, household composition, disability, etc) to better understand gender gaps among the most financially vulnerable groups are particularly scarce.

Tax-benefit systems in EU Member States reduce gender inequalities in financial independence, but largely for the working age population

- Tax-benefit systems can strengthen financial independence by incentivising labour market participation. Women are more likely than men to be secondary earners, who are more responsive to labour market (dis)incentives created by the tax-benefit systems. Joint taxation in particular appears to weaken labour market incentives for secondary earners. For example, when out-of-pocket childcare costs are factored in, in many EU Member States there are strong disincentives for secondary earners to be in paid work.
- On average in the EU, the tax-benefit systems redistribute income (adjusted as far as possible for income pooling) from gender perspective, so that a lower gender gap in disposable income (11%) is observed if compared to gender gap in market income (19%).

Tax-benefit systems reduce gender gap in market income mainly due to the taxes (7 p.p.), whereas the redistributive effects due to social transfers (1 p.p.) or public pensions (1 p.p.) is much lower.

- The tax-benefit system does not reduce the gender gap in income for all groups. For adults aged 65 and older, regardless of their marital status, the tax-benefit systems exacerbate the gender gap in income (i.e. +6 p.p. for singles aged 65+ and +2 p.p. for married/cohabiting individuals aged 65+). This is primarily due to the effect of old-age public pension systems, particularly in countries where pension systems place greater emphasis on labour market experience and contribution history. Similarly to the gender pension gap, the gender gap in (individualised) disposable income is the largest for the 65+ aged group compared to younger people and largely reflects the lifelong cumulative impact of unpaid care work that women shoulder.

Consequences associated with financial dependence are wide-ranging and financial dependence has been linked to different forms of violence, such as economic violence

- Financial dependence is associated with a range of negative outcomes, including lower physical and mental health and fewer opportunities to engage in education, paid employment and entrepreneurial activities. Financial dependence is a risk factor in experiencing domestic and intimate partner violence.
- Across the EU, 12 % of ever-partnered women report having experienced economic control and/or economic sabotage from a current or previous partner according to the FRA 2012 survey data.
- Data from Eurostat EU survey on gender-based violence against women and other forms of inter-personal violence (2022) shows that on average, 7% of ever-partnered women indicate their partner(s) (ever) forbidding them to work or controlling family finances and excessively controlling their expenses¹.
- Coerced debt from an abusive partner can hinder access to credit and financial services, posing a barrier to achieving financial independence even after relationship dissolution.
- Financial dependence and economic violence do not affect all women to the same extent and in the same ways. Research highlights that certain groups of women are disproportionately affected such as migrant women and women with disabilities. Age and other social factors also play a role in shaping women's exposure to both phenomena.
- Women who do not work or who work but earn less than their partner face an increased risk of experiencing certain forms of economic violence (economic control and economic sabotage). Data limitations mean that comparable estimates cannot be derived for men.
- The relationship between financial dependence and economic violence is likely to be bi-directional, where financial dependence can be a consequence of economic violence as well as a risk factor for experiencing it.

¹ The EU GBV survey includes 18 EU Member States.

Key recommendations

Establish and embed a multi-dimensional definition and monitoring of financial independence in policies and their implementation

Recommendations for the European Commission

- Recognise and define financial independence as a multidimensional concept encompassing income, wealth and power/control to more comprehensively grasp gender inequalities.
- Develop standard indicators for monitoring of financial independence and improve availability of harmonised EU data, routinely collected, by sex and other relevant individual and social characteristics.
- Raise awareness of a multi-dimensional definition and measurement of financial independence. Support research on gender inequalities in financial independence.

Recommendations for the EU institutions

- Alter relevant questions in EU-SILC to capture more income types at the individual rather than household level.
- Repeat the question on income pooling from the 2010 EU-SILC ad-hoc module and supplement it with a question on income sharing.
- Integrate disaggregation by type of income into the relevant EU surveys' questions to better understand income pooling and sharing within households.
- Use an ad hoc EU-SILC module (2026) to collect individualised data on expenditure on goods and services.
- Use the Household Finance and Consumption Survey (HFCS) to collect data on individual wealth.
- Regularly collect and publish sex-disaggregated data on access to financial services and resources to start and develop business. Regularly conduct an EU wide survey on prevalence of violence against women and domestic violence, including economic violence.

Apply active and visible policy of mainstreaming gender in tax-benefit systems

Recommendations for the European Commission

- Increase awareness of the need for ex-ante policy solutions to gender gaps in income.
- Develop guidance for EU Member States about how national tax-benefit systems can impact financial incentives or disincentives for employment.
- Encourage EU Member States to strengthen financial incentives and remove financial disincentives for labour market participation.
- Support EU Member States in developing and implementing effective strategies to increase gender balance in economic and financial decision-making.

Recommendations for Member States

- Adopt gender-sensitive approach in designing, implementation, monitoring, and evaluation of tax-benefit policies.

- Ensure assessment and accounting for intra-household inequality in the national tax-benefit policies.
- Introduce measures to strengthen labour market incentives and remove disincentives for labour market participation.
- In the design of tax-benefit policies, expand the focus beyond normative workers (predominantly men) to cover non-standard employment and caregiving responsibilities.
- Develop and implement strategies to increase the number of women in economic and financial decision-making.

Address gender inequalities in unpaid care and domestic work, and remove barriers to accessing care services

Recommendations for the European Commission

- Strengthen funding for and monitor Member States' implementation of the European Care Strategy and the Council Recommendations on early childhood education and care (2022) and long-term care (2022).
- Monitor the affordability of early childhood education and care in EU Member States in a more systematic way.
- Establish EU targets on access to affordable high-quality long-term care.
- Continue to promote positive gender norms of gender equal distribution of unpaid care and domestic work and support programmes targeted to engaging men in combatting gender stereotypes and discrimination.

Recommendations for Member States

- Ensure accessible, affordable and high quality ECEC and long-term care infrastructure.
- Consider going beyond the minimum standards set by the Work-Life Balance Directive.
- Ensure that unpaid care and domestic work is valued and compensated, while not discouraging carers from paid employment.
- Raise awareness and promote the ways in which private and public sector institutions/companies can further enhance gender equal work-life balance.

Take steps to address gender gaps in income and wealth over the life course

Recommendations for the European Commission

- Introduce awareness campaigns alongside the Pay Transparency Directive (2023) to ensure that citizens know and can exercise their rights.
- Monitor progress and share good practice with regards to policies to address the gender pensions gap.
- Monitor application of Council Recommendation on adequate minimum income (2023).

Recommendations for Member States

- Ensure that state pensions have sufficient coverage and generosity, including for those with limited or no contributions due to unpaid care.
- Allow for credited pension contributions for time out of the labour market for care-related reasons or consider making such allowances more generous where they already exist.
- Strengthen minimum income schemes.

- Conduct a gender sensitive analysis of the impact of cohabitation agreements on the gender gaps in wealth.

Invest in education and training for all ages focused on promoting (digital) financial knowledge and skills

Recommendations for the European Commission

- Strengthen funding for education and training programmes to increase (digital) financial knowledge and skills.
- Work to tackle gender stereotypes about women's and men's financial abilities and role in financial decision-making.

Recommendations for Member States

- Provide gender and intersectional inequalities' sensitive life-long learning and training opportunities to improve (digital) financial literacy for all ages.
- Promote a coordinated cooperation between labour market, education, and financial institutions to build a more comprehensive knowledge on financial independence relevant factors and behaviour from gender equality perspective.
- Support programmes to specifically promote financial knowledge and skills for women which are needed to expand women's business ownership and access to financial resources.

Effectively prevent and combat economic violence against women and monitor its prevalence in the EU.

Recommendations for the EU Institutions

- Implement the legal standards of the Istanbul Convention within the EU competences.
- Adopt and implement the proposed EU Directive on combatting violence against women and domestic violence.
- Increase general awareness and understanding of what constitutes economic violence.
- Dedicate funding for measures that are designed to prevent and tackle economic violence.
- Facilitate the mutual learning among actors engaged in prevention and protection of victims of economic violence.

Recommendations for Member States

- Adopt and implement the proposed EU Directive on combatting violence against women and domestic violence.
- Implement the minimum standards of the Victims' Rights Directive.
- Adopt, implement, and monitor primary and secondary prevention measures.
- Introduce/amend existing legislative measures to criminalise economic violence.
- Collect and communicate administrative data on economic violence.
- Conduct regular surveys on various forms of economic violence against women.
- Allocate funding to regular data collection and research on economic violence and its links with financial (in)dependence.
- Improve coordination between institutions in data collection.