

POSTPONED MOTHERHOOD MAY HELP NARROW THE INCOME AND PENSION GAPS

13 July 2021

MICHAELA GRIMM

Senior Economist

Michaela.Grimm@allianz.com**ARNE HOLZHAUSEN**Head of Wealth, Insurance and Trend
ResearchArne.Holzhausen@allianz.com**EOIN TUOHY**

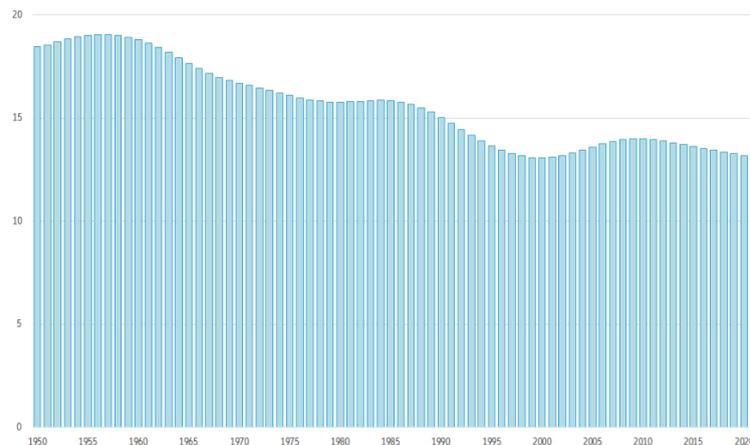
Research Assistant

Eoin.Tuohy@allianz.com

In 2020, the number of live births fell to a new record low in many industrialized countries as the Covid-19 pandemic amplified an already existing trend: postponing motherhood. Young women now tend to invest more time in their education and careers before starting a family. This behavior might result in a further decline in the total number of births and thus compound the challenges faced by already aging societies. But at the individual level, it could help narrow the income and pension gaps between men and women.

In many high-income countries, the number of live births declined to record lows¹ in 2020 as pregnancies were postponed due to the Covid-19 crisis. However, the pandemic only amplified already existing trends²: Barring a few temporary interruptions, the number of newborns in more developed regions³ has been falling for decades, from 19.1mn in 1956 to around 13.2mn in 2020 (see Figure 1).

Figure 1: Number of births in more developed regions (in million)



Source: UN Population Division, World Population Prospects 2019.

One explanation might be the increase of women's average age at first birth: For example, during the time of the baby boom in 1960, the average age of a mother at first birth in Germany was 25.0 years. In 1999, it was

¹ In the EU, the number of births declined to 4.1mn in 2020, while the US recorded 3.6mn newborns, which was the lowest number since 1979. Major Asian economies like Japan, South Korea, and Taiwan also witnessed a further decline in the numbers of newborns. Sources: Eurostat, national statistical offices, Centers for Disease Control and Prevention.

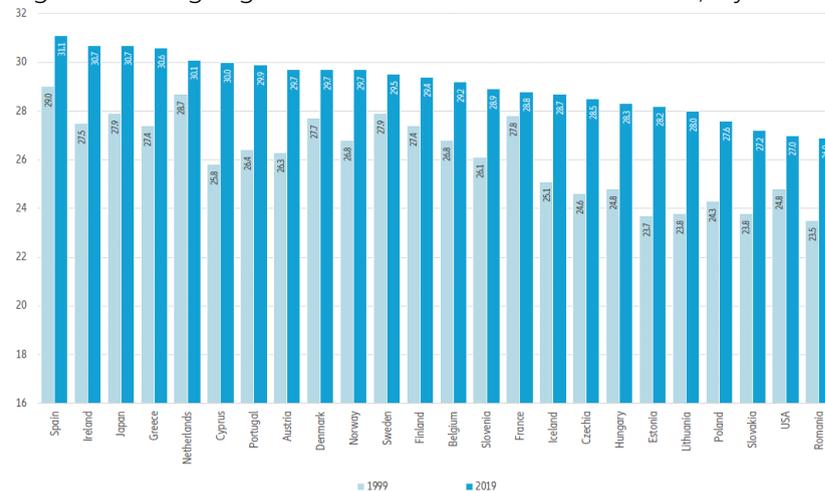
² See our recent report [Boom or bust? The Covid-19 crisis emphasizes wider fertility challenges](#).

³ The UN defines Europe, Northern America, Australia/New Zealand and Japan as more developed regions. See: United Nations, Department of Economic and Social Affairs, Population Division (2019). World Population Prospects 2019, Online Edition, Notes.

28.0 years and in 2019 it was 30.1 years⁴. We observe similar developments in other industrialized countries: In Japan⁵ it increased from 25.4 years in 1960 to 27.9 years in 1999 and 30.7 years in 2019. In the US⁶ it rose from 21.8 years in 1960 to 24.8 years in 1999 and 27.0 years in 2019.

In the EU 27, the average age of mothers at first birth was 29.4 years in 2019, ranging from 26.9 years in Romania, partly due to a comparatively high number of teenage births⁷, to 31.3 years in Italy. Estonia witnessed the strongest rise of the average age of mothers at first birth: In the Baltic country it increased by 4.5 years within 20 years, from 23.7 years in 1999 to 28.2 years in 2019. In comparison, it increased merely by one year in France, the country with the highest birth rate in the EU during this time span, from 27.8 years to 28.8 years (see Figure 2).

Figure 2: Average age of women at first birth 1999 and 2019, in years



Sources: Eurostat, Centers for Disease Control and Prevention, Statistical Office of Japan, Allianz Research.

At the same time, the share of mothers aged 40 and older has also increased: In 2019, 223,278 or 5.4% of all newborn children in the EU were born to mothers aged 40 and older, and one in four were their mother's first child. Spain (9.9%) and Italy (8.8%), the countries with the lowest birth rates in the EU after Malta, reported the highest shares of older mothers⁸. In the US⁹ the share was 3.6% (see Figure 3).

⁴ Data for 1960 and 1999 see Bundesinstitut für Bevölkerungsforschung: Durchschnittliches Alter der Mütter bei Geburt des 1. Kindes in der bestehenden Ehe in Deutschland, West- und Ostdeutschland (1960-2019), <https://www.bib.bund.de/DE/Fakten/Fakt/F20-Alter-Muetter-bei-Erstgeburt-Deutschland-West-Ost-ab-1960.html?sessionid=51F1017ECEEE8C31F17D43DA7B> (accessed 07.07.2021). Final data for 2019 see Bundesamt für Statistik, <https://www.destatis.de/DE/Themen/Gesellschaft-Umwelt/Bevoelkerung/Geburten/Tabellen/geburten-eltern-biologischesalter.html> (accessed 07.07.2021).

⁵ See National Statistical Office of Japan, Vital Statistics, table 4-19, <https://www.e-stat.go.jp/en/stat-search/files?page=1&layout=datalist&toukei=00450011&tstat=000001028897&cycle=7&year=20190&tclass1=000001053058&tclass2=000001053061&tclass3=000001053064&tclass4val=0> (accessed 12.07.2021).

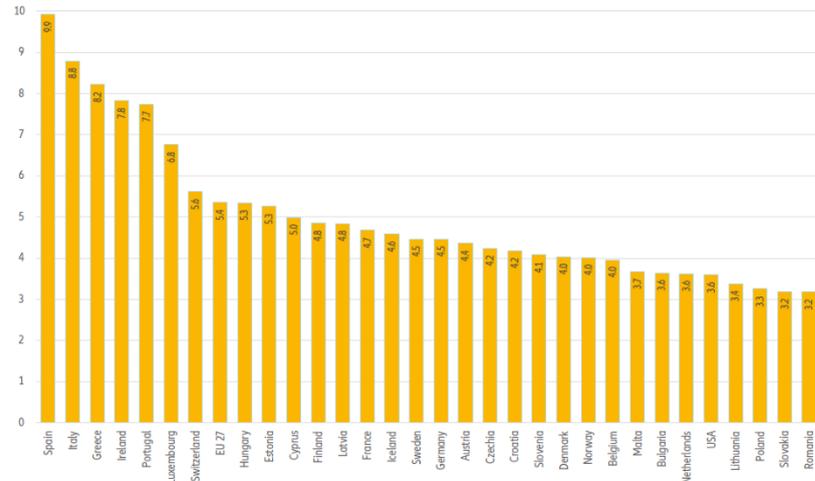
⁶ Data for 1960 see Gardner, John W. and Stewart William A. (1966): Vital Statistics of the United States 1964, Volume I - Natality, table 1-13, https://www.cdc.gov/nchs/data/vsurl/nat64_1.pdf (accessed 12.07.2021). Data for 1999 see Mathews T. J. and Hamilton B. E. (2002): Mean age of mother, 1970–2000, in: National Center for Health Statistics, National Vital Statistics Reports, vol. 51, no 1, p. 6, https://www.cdc.gov/nchs/data/nvsr/nvsr51_01.pdf (accessed 07.07.2021). Data for 2019 see National Center for Health Statistics (2021). Births. Final data for 2019. Supplemental Tables, National Vital Statistics Reports, vol. 70, no 2, p. 7, <https://www.cdc.gov/nchs/data/nvsr/nvsr70/nvsr70-02-tables-508.pdf> (accessed 07.07.2021).

⁷ Bulgaria and Romania have the highest shares of teenage births in the European Union. In 2019, 14.8 % of first children in Bulgaria were born by a mother who was younger than 20, in Romania the respective share was 13.0%. See Eurostat database https://ec.europa.eu/eurostat/databrowser/view/DEMO_FORDAGEC__custom_1127993/default/table?lang=en (accessed 07.07.2021).

⁸ Both countries recorded also one of the highest proportions of mothers aged 40 and older at first birth. 41% and 40% of the babies born to mothers aged 40 and older were the first child, respectively. This share was only higher in Luxembourg with 42%. See Eurostat database, link see footnote 7.

⁹ See Hamilton, B. E. et al. (2021): Births: Provisional data for 2020. In: National Center for Health Statistics: Vital Statistics Rapid Release; Report no. 12, May 2021, p. 6, DOI: <https://doi.org/10.15620/cdc:104993>, <https://www.cdc.gov/nchs/data/vsrr/vsrr012-508.pdf> (accessed 07.07.2021).

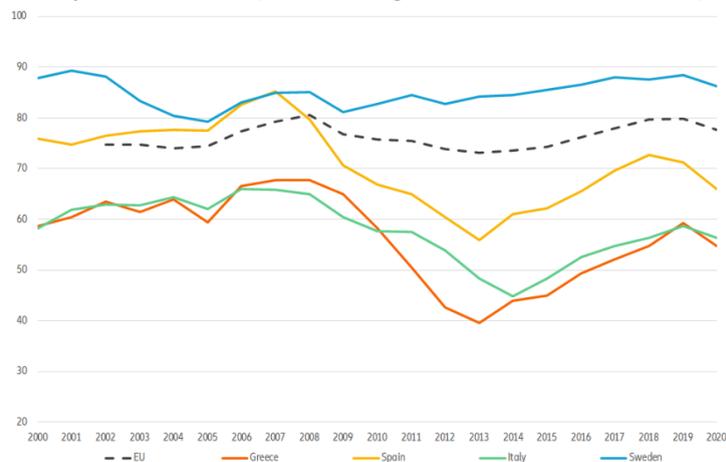
Figure 3: Share of babies born by mothers aged 40 and older 2019



Sources: Eurostat, Centers for Disease Control and Prevention, Allianz Research.

The reasons for delaying motherhood are manifold and not every late motherhood was deliberately planned. They include higher educational levels, career aspirations and progress in reproductive medicine¹⁰, but also the lack of a suitable partner or stable relationship as well as the lack of a stable income. For instance, Spain and Italy also report the lowest employment rates of young people after completing their education within the EU 27¹¹. As a consequence, young people in these two countries also start to set up their own households at a later age than their peers in other EU countries: While the average age of young people leaving home in the EU is 26.4 years¹², it is around 30 years in Spain and Italy. These two factors combined probably contribute to the postponement of motherhood and the low birth rates in the two South European countries (see Figure 4).

Figure 4: Employment rates of young people aged 20 to 34 after one to three years since completion of highest level of education, in percentage



Source: Eurostat, Allianz Research.

¹⁰ However, recent data for the US shows that in regions with strong job growth the decline in birth rates was stronger than in economically stagnant places, as young women tend to postpone motherhood prioritizing education and career. See Tavernise, Sabrina et al. (2021): Why American women everywhere are delaying motherhood, in: The New York Times, online edition, June 16, 2021, <https://www.nytimes.com/2021/06/16/us/declining-birthrate-motherhood.html> (accessed 16.06.2021).

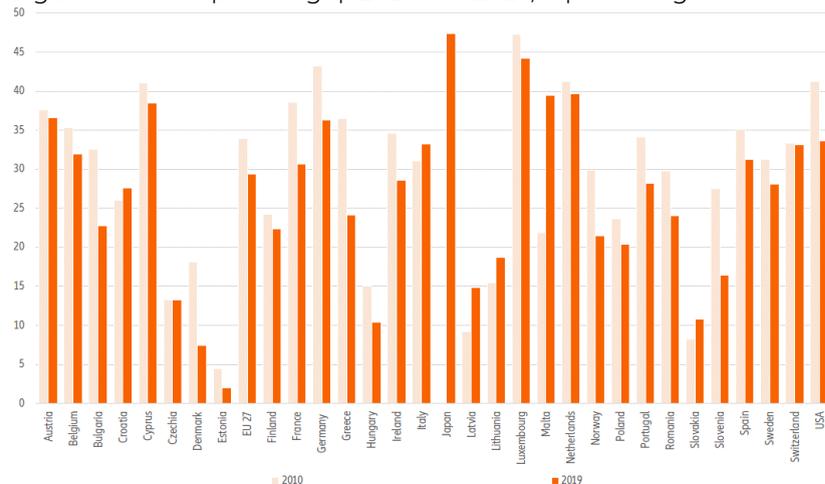
¹¹ See Eurostat database, https://ec.europa.eu/eurostat/databrowser/view/EDAT_LFSE_24__custom_868543/bookmark/table?bookmarkId=91d6058f-ec87-40ae-942d-ae9ce6ad0b0ff (accessed 07.07.2021).

¹² See Eurostat database, <https://ec.europa.eu/eurostat/de/web/products-eurostat-news/-/EDN-20200812-1> (accessed 07.07.2021)

However, there is a flipside of the coin: On the one hand, the postponement of motherhood might further exacerbate the decline in birth rates and thus the aging of societies, since the older the mother is at first birth, the higher the risk that the wish for another child will remain unfulfilled or will be given up – despite the advances in reproductive medicine. But on the other hand, it can have a positive effect on the income and wealth situation of women and thus contribute to reducing the income and pension gaps in the long term.

The average pension of a woman aged 65 and older in the EU in 2019 was still 29.4% lower than that of her male peers¹³ and there were also still marked differences between the member countries, with the pension gaps ranging from 2% in Estonia to 44.2% in Luxembourg. Japan and the US were no exceptions to the rule: here the pension income gaps amounted to 47.4% and 33.7%, respectively.¹⁴ However, there has been a slight decrease in the average pension gap of 4.5pp in the EU 27 within the last decade, i.e. from 33.9% in 2010 to 29.4% in 2019 and by 7.6pp in the US, albeit since the turn of the century (see Figure 5).

Figure 5: Gender pension gap 2019 and 2010, in percentage



Sources: Eurostat, OECD (latest available figures) and Allianz Research.

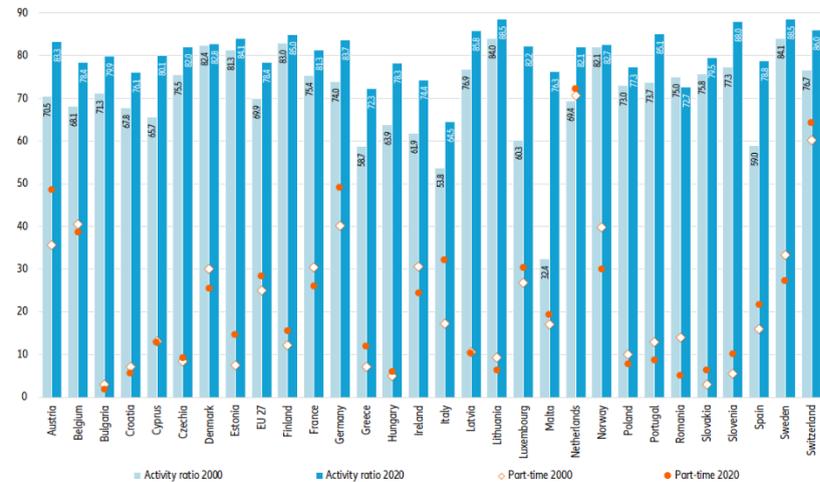
This decrease of the average pension gap reflects the increase in the labor market participation of women in recent decades. Within the EU, the activity ratio of women increased from 69.9% in 2002 to 78.4% in 2020, with the labor force participation rates ranging from 64.5% in Italy, up from 53.8% in 2000, to 88.5% in Latvia and Sweden¹⁵. This is welcome progress, but it is also evident that higher activity rates alone will not close the gap. For that something else has to change: In 2020, 28.3% of all women employed in the EU worked part-time or had only a temporary contract, while the respective share among their male peers was only 6%, though with marked differences between the countries. In the Netherlands these shares were far above the EU average, with more than two thirds of all employed women but also around 20% of male employees working part-time (see Figure 6).

¹³ See Eurostat database, <https://ec.europa.eu/eurostat/en/web/products-eurostat-news/-/ddn-20210203-1> (accessed 07.07.2021).

¹⁴ See OECD: Towards improved retirement savings outcomes for women, https://www.oecd-ilibrary.org/finance-and-investment/towards-improved-retirement-savings-outcomes-for-women_f7b48808-en (accessed 07.07.2021).

¹⁵ Here in the age group 25 to 59. The respective average activity rate of men was 89.9%. See Eurostat database, https://ec.europa.eu/eurostat/databrowser/view/LFSA_ARGAN__custom_1141211/default/table?lang=en (accessed 12.07.2021).

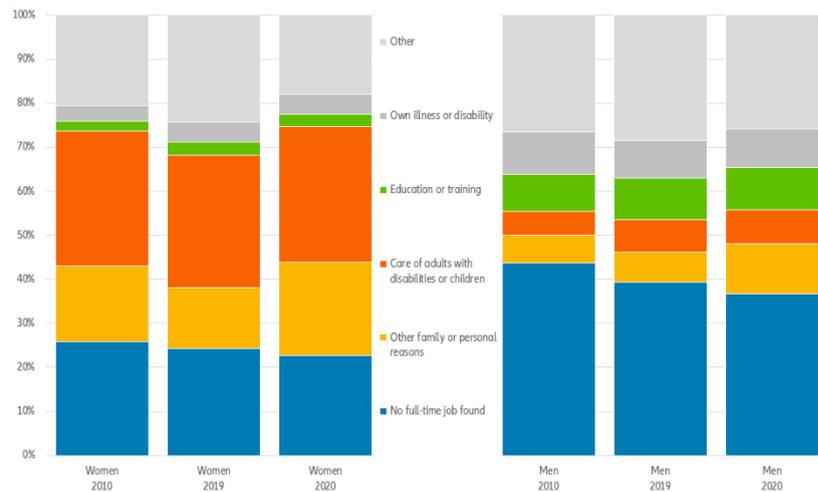
Figure 6: Labor force participation rates of women in the EU, age group 25 to 59, in percentage



Source: Eurostat.

Furthermore the shares have hardly changed on average over the last decades and even increased in many countries¹⁶, pointing towards the persistence of traditional role models within families: Women reduce working hours to care for an adult with disabilities or children or out of other family reasons, while men give the lack of a full time job as main reason. The Covid-19 pandemic changed these behavioral structures marginally, however it remains to be seen if these changes are permanent or only temporary¹⁷ (see Figure 7).

Figure 7: Marked gender differences in the reasons for part-time work*

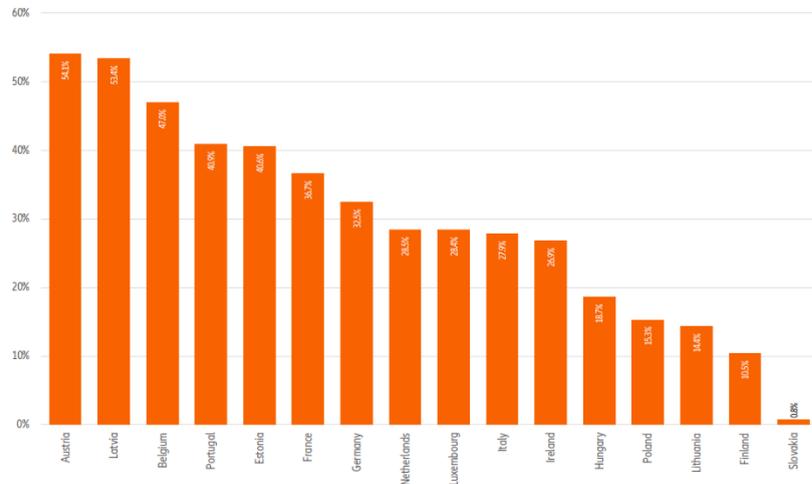


*Age group 25 to 59
Source: Eurostat.

These differences are reflected in the pension entitlements of women as part-time workers or employees whose wages are below certain income thresholds are often not enrolled in occupational pension schemes. But even if women have access to retirement saving schemes, their accounts often show lower balances than those of men due to still existing income gaps and breaks in their careers (see Figure 8).

¹⁶ See Eurostat database, https://ec.europa.eu/eurostat/databrowser/view/LFSA_EPPGA__custom_1142257/default/table?lang=en (accessed 07.07.2021).
¹⁷ See Eurostat database, https://ec.europa.eu/eurostat/databrowser/view/LFSA_EPGAR__custom_1141260/default/table?lang=en (accessed 07.07.2021).

Figure 8: Gender gap in assets in all retirement savings arrangements, latest year available



Source: OECD.

These gaps are compounded by differing risk behaviors when it comes to investment decisions¹⁸. As the pension gap might – at least partially – reflect different preferences in life, it is of utmost importance to address this “investment gap”, too. Our recent financial literacy survey showed a huge gender gap in all analyzed countries: while 36.4 % of all male respondents answered all questions related to risk literacy correctly, only 20.7% of their female peers did.¹⁹ This corresponds to the finding that 80% of women in Germany are not even aware of the gender pension gap.²⁰ Thus, the improvement of women’s financial literacy should be a priority, alongside facilitating access to supplementary pension schemes.

¹⁸ See OECD: Towards improved retirement savings outcomes for women, https://www.oecd-ilibrary.org/finance-and-investment/towards-improved-retirement-savings-outcomes-for-women_f7b48808-en (accessed 07.07.2021)

¹⁹ See our recent report [Financial and Risk Literacy. Resilience in Times of Corona](#)

²⁰ See Allianz Deutschland (2021): Weniger Rente als Männer: Warum das Frauen im Alter unerwartet trifft, Stuttgart, 21. April 2021, <https://www.allianzdeutschland.de/weniger-rente-als-maenner-warum-das-frauen-im-alter-unerwartet-trifft/> (accessed 07.07.2021)

These assessments are, as always, subject to the disclaimer provided below.

FORWARD-LOOKING STATEMENTS

The statements contained herein may include prospects, statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements.

Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events), (iii) frequency and severity of insured loss events, including from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the EUR/USD exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

NO DUTY TO UPDATE

The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law.