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The Gender Impact of Social Security Reform. Estelle James, Alejandra Cox Edwards and Rebecca Wong. Reviewed by Silvia Borzutsky.

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Estelle James, Alejandra Cox Edwards and Rebecca Wong, *The Gender Impact of Social Security Reform.* Chicago: University of Chicago Press, 2008. $35.00 hardcover

Because the majority of the elderly are poor women, a book on the gender impact of pension reform is an important addition to the social security literature. The authors' goals are to compare the gender effects of two types of pension systems— namely, traditional, publicly-managed social insurance systems versus newer multipillar systems, comprised of a privately-administered, defined contribution, a retirement account component and a supplementary publicly-financed system. The authors discuss the gender dimensions of pension reform with reference to three case studies: Chile, Argentina and Mexico. Due to space limitations, the focus here is on Chile's paradigmatic case and the general assumptions and conclusions of the book.

Due to lower wages and contributions, women's accumulations are somewhere between 35 and 49 percent of male accumulations in Chile's for-profit, privately-administered retirement account system, and womens' annuities are about one third of the annuities bought by males. Moreover, because women live longer and retire earlier, the actual pension is even smaller. Having established that the retirement account system creates large differences between male and female pensions, the authors then concentrate on the positive effects of the Chilean government's Minimum Pension Guarantee (MPG), which is given to retirees whose funds cannot generate a pension at least equivalent to the value of the MPG. The MPG (about $78 monthly) represents 37 percent of the average female wage and 27 percent of the average male wage. This noncontributory state-funded supplementary pension largely benefits women because their accumulated funds are smaller and because more women than men are at the minimum MPG floor. Thus, replacement rates for women rely heavily on the public component of the system, and specifically on MPG's indexation. However, the book's argument that the MPG is an anti-poverty policy entirely ignores intense discussions taking place in Chile regarding poverty and vulnerability. The MPG does bring retirees above the official poverty level set at $2 per day, but leaves them entirely vulnerable, and in practice still poor.

The authors attempt to reverse their own conclusions regarding the retirement account system's negative effects by arguing that women have gained because in the country's previous social insurance system, women with less than 10 years of contributions did not get any benefits, and because under the social insurance system women had to choose between their pension or their widow's benefit. In the private retirement account system they can keep both. A major problem with these assertions is that the authors treat the old Chilean social insurance system as a unit, when in fact it was comprised of more than 600 different funds, each with a different formula for calculating pensions and other benefits.

As expected, comparisons between male and female pensions under the social insurance and private retirement account systems show that pension differences were lower in the social insurance system for a woman with average earnings, and that the retirement account system works better for women in the upper income brackets. It is undeniable that the privatized retirement account system benefits upper income groups both male and female, and that this type of pension increases inequality both within and among genders. Research shows that the pension Gini coefficient is higher than the already very high Gini based on actual income.

The other Latin American cases and the short analyses of pension reform's effects in Eastern Europe, Sweden and Australia provided in the book confirm the findings for Chile both regarding the negative impact of defined contribution, retirement account systems on women and the mitigating effects of public transfers for the lowest earners. In summary, in the multipillar system, the retirement account has a negative effect on women pensioners while the publicly financed MPG reduces that effect. The authors also show that the pension gender gap will continue to increase in the future and that women in lower income groups will be the most affected by this gap. To solve these problems, the authors recommend increasing women's retirement age, indexing the public component, and reducing the MPG's eligibility requirements. In other words, the state and women should pay for the failures of the privatized system.

One then wonders why private retirement account pension systems should exist? If only the public component of the multipillar system has a positive effect on women's pensions, the question is why they should contribute to the private retirement account component at all? It is notable that institutions such as the World Bank and the authors (who have promoted the adoption of retirement account systems throughout the world) are now advocating multipillar systems with an indexed public component geared to reduce the negative effects of the retirement account system on both poor old men and women, but especially on women. Actually, the retirement account systems' objectives have little to do with pensions and pensioners, and much to do with an ideological commitment to reducing the public sector, transferring the administration of pension funds to for-profit corporations that, at least in the Chilean case, charge extremely high commissions and enjoy enormous profits. The privatized system also reinforces the power of pension fund administrators and insurance companies involved in this very lucrative business.

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