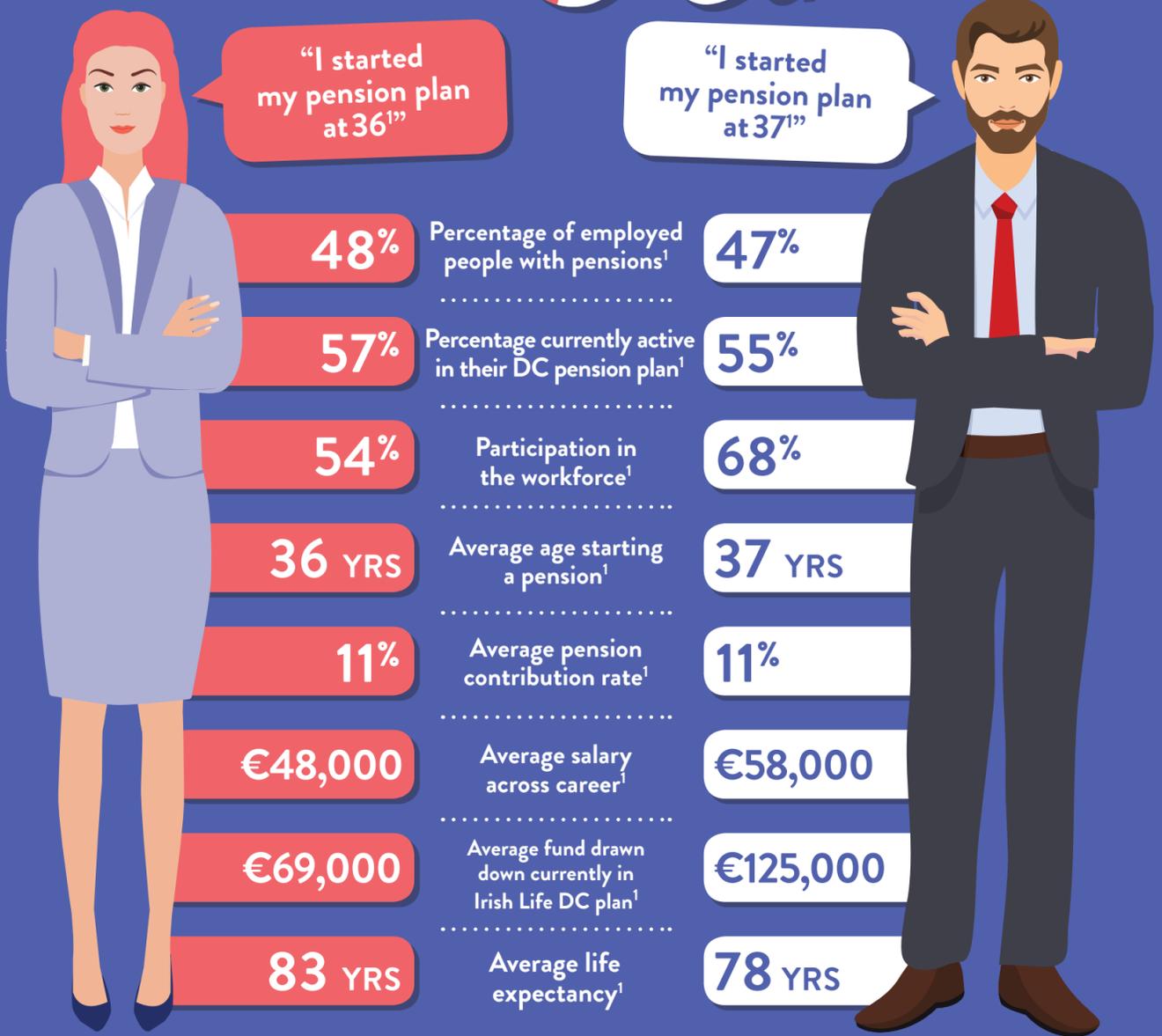


IN SEARCH OF PENSION PARITY

IRELAND'S GENDER PENSION GAP

With the rising age of retirement and uncertainty around the state pension, more and more people are depending on employer and personal pension plans to fund their futures. However a gender pension gap looks to be evolving between the men and women of Ireland¹. Irish Life examines why and looks at potential solutions to possibly close the gap in the future.

Jenny **v/s** Gavin



€120,000

The gap in potential pension outcome between men and women¹.



22%

The likely gender pension gap¹



LIKELIHOOD OF REDUCING WORKING HOURS¹

14%

The average difference in pay between men and women in Ireland¹.

A TURNING TIDE?

What can we do to improve potential pension outcomes for women?
We look at some of the possible solutions.



THE GOVERNMENT

The state needs to legislate for a fairer system for women with a progressive auto-enrolment policy designed through a gender lens.

The state could also look to implement specific tax measures to help bridge the gender pension gap, such as increases in the tax efficient contributions allowed during parental leave or facilitating tax efficient pension contributions from partners to plug holes in the contribution calendar.



CORPORATE

Employers could look to develop corporate policies to facilitate balance for women. Progressive, flexible leave policies and return to work initiatives are already being offered by some companies in Ireland. This helps keep women in the workforce and by proxy, women's pension provision.



PENSION PROVIDERS

Pension providers should offer support for people who take time out to raise a family and facilitate contributions from people on unpaid leave.

ALL SOURCES AVAILABLE FROM THE MAIN REPORT: IN SEARCH OF PENSION PARITY: IRELAND'S GENDER PENSION GAP (IRISH LIFE REPORT 2019).

THE IRISH LIFE DATA WE HAVE USED WITHIN THE REPORT IS EXTRACTED FROM OUR BOOK OF DEFINED CONTRIBUTION PENSION PLAN MEMBERS. WE LOOKED AT ALL ACTIVE MEMBERS WITHIN ALL OUR DEFINED CONTRIBUTION PENSION PLANS.

THE GREAT GENDER DIVIDE

THE KNOCK-ON EFFECT ON PENSION PARITY

We are all familiar with the gender pay gap, which has grabbed headlines the world over. Indeed, the Irish gender pay gap sits at 14% according to a Eurostat 2018 report.

However, it appears we are now also looking at a likely 22% gender gap between pension pots¹.

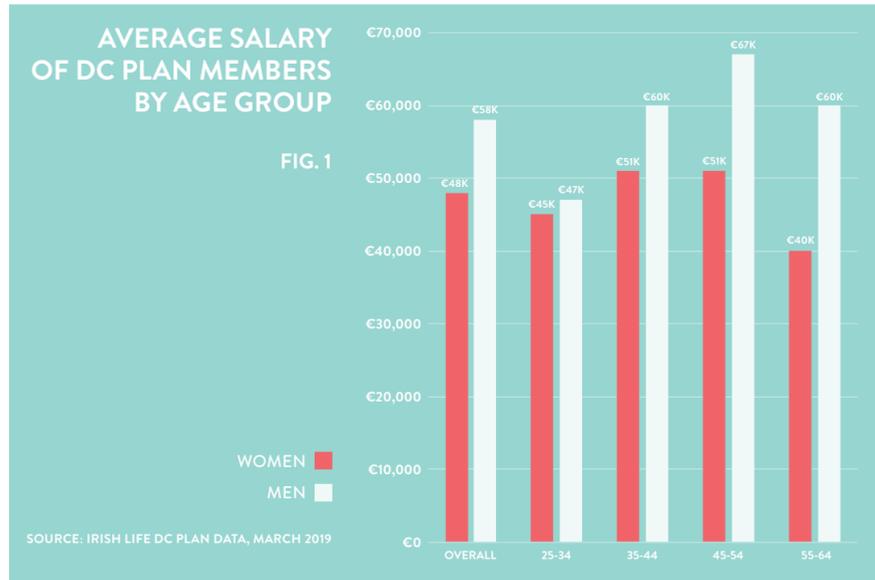
In fact, the gap is even greater when we look at people drawing down pensions currently, where men have accumulated average pension pots of €125,000 compared with €69,000 for women.

And since women live five years longer than men on average - according to CSO data - this means that, depending on what women do with their pots at retirement, their smaller pension pots may need to sustain them for longer.

In Ireland we have one of the highest retirement ages in the world, as state pension entitlement doesn't kick in till 66, and is set to creep up to 68 by 2028. Compared to Iran, for example, where the retirement age is 60 for men and 55 for women; or Sri Lanka, where it's 55 for both genders, our much higher retirement age creates a real income challenge for everyone at that stage in life, meaning many of us will have to work till at least 66 (or 68), when the state pension entitlement becomes available.

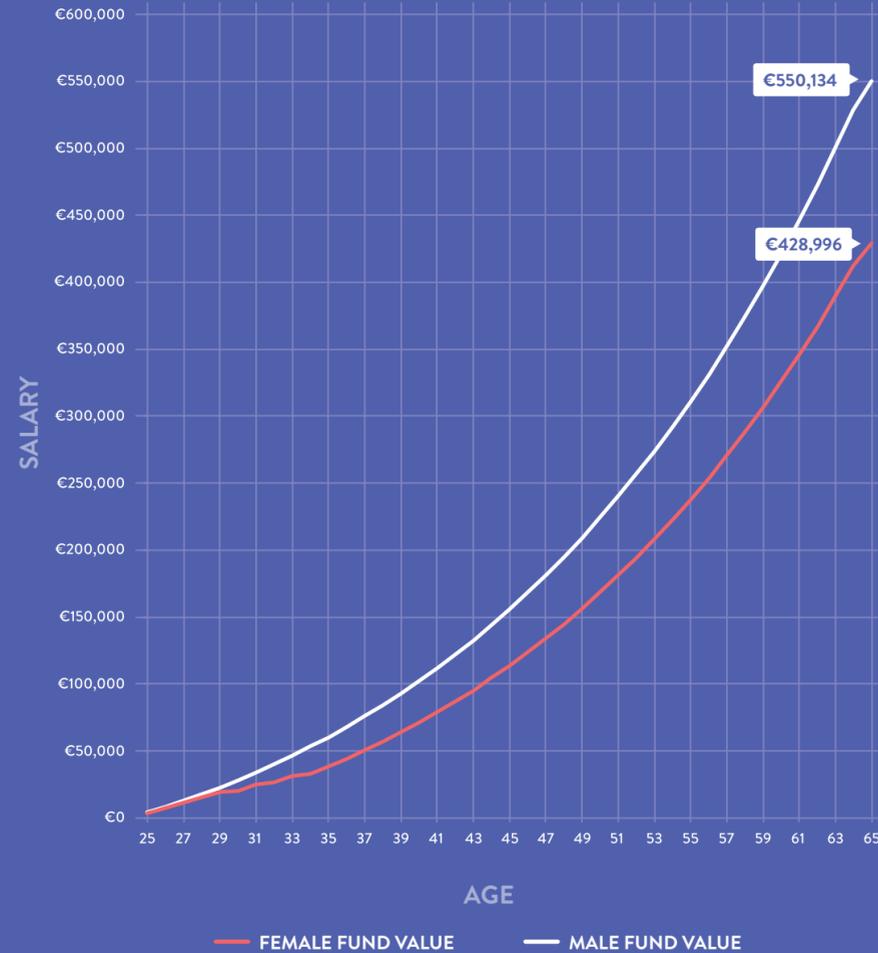
So the concept of an imbalance at that point, which is likely to leave one gender in an even more challenging predicament, is a real worry.

But how has the split occurred? And why are men's pots so significantly larger than women's?



FUND GROWTH BY GENDER TAKING INTO ACCOUNT SAVINGS BREAKS

FIG. 2



SOURCE: IRISH LIFE DC PLAN DATA, MARCH 2019

ASSUMPTIONS FOR CALCULATIONS: THESE FIGURES ASSUME BOTH GENDERS JOIN AT 25, WITH MALES ON A 14% HIGHER SALARY. BASED ON 4% INVESTMENT GROWTH, SALARY INCREASES OF 2% PER YEAR AND 10% CONTRIBUTIONS OF SALARY (5% EMPLOYEE AND 5% EMPLOYER).

WARNING: THESE FIGURES ARE ESTIMATES ONLY. THEY ARE NOT A RELIABLE GUIDE TO FUTURE PERFORMANCE.

THE GENDER PAY GAP EVOLVES INTO A PENSION GAP

Some may argue that there are more men in the workforce than women (55% male to 45% female according to CSO data), but that doesn't explain the discrepancy in pension pots.

The true divide emerges when we look at salaries - and more specifically when we consider the monetary value of the contributions being made by men and women.

Going back to our example (over leaf) - where Gavin is earning €58,000 and Jenny €48,000 - even though they are both contributing 11% per month, their actual monetary contributions are significantly different, due to the difference in salaries. And thanks to the power of compound interest, this disparity only magnifies over time.

It's interesting to look at stats around seniority in the workplace in Ireland too, as 42% of plc boards of directors have no female presence and only 19% of CEO positions are held by women¹.

Looking at the figures, it's clear to see that men and women are on different career trajectories - both literally in terms of progression and when it comes to remuneration.

Because men are earning more, they're contributing more to their pensions by proxy - leading to a generation of women facing a very real challenge when it comes to their retirement income.

THE TIME FACTOR TIPS THE BALANCE

There's an argument to be made around one final consideration: men, statistically, spend more time in employment than women.

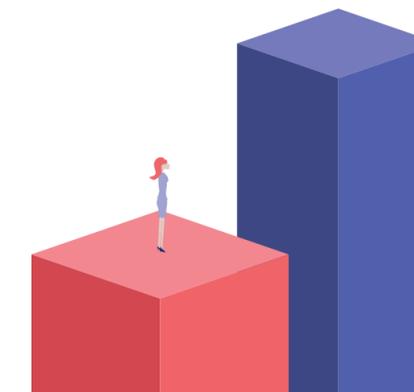
So while 57% of women are active in their pension plan, women are also three times more likely to reduce their hours according to our own Irish Life data, which might suggest that more women are taking breaks to have/raise a family or to take on the role of carer.

Indeed, CSO data says that 445,500 women identified themselves as carers, or the person who looks after the home/family, while only 9,200 men fill this role.

The Pension Adequacy Report from the European Commission 2018 found that men in Ireland spend seven more years in paid employment than women. As pensions are largely tied to salary, time in paid employment is a significant factor that can't be overlooked when it comes to the gap.

The chart to the left shows the likely difference in pension fund value between men and women over time, factoring in the gender pay gap and a more conservative three (rather than 7) year-long career breaks.

The gap begins relatively narrow but grows over time, culminating in more than €120,000 difference at 65 - or 22%. So it could be said that if salaries between men and women were even, and women stayed in employment instead of taking career breaks, they could be looking at average pension pots of €550,134, instead of €428,996.



REMEDIES FOR THE FUTURE

While Ireland has evolved as a society in the last few decades, it's clear that more change is needed to facilitate women in the workforce, so that the gender pay gap does not continue to create new challenges in retirement.

While recent times have seen a levelling out in some of the gender pay discrepancies and a focus on diversity in the workplace, it is clear that legacy systems and mentalities still need to progress.

Government solutions: changes at a government level to provide a fairer system for women, with specific tax measures and a progressive auto-enrolment policy.

Pension plan solutions: Ensuring pension plans cater to those on maternity or parental leave. Possibly by offering services to help those on leave make informed decisions to reduce the impact of unpaid leave on their pension pots, or facilitating contributions during unpaid leave.

Corporate solutions: employer commitments to remedy the gender imbalance and ensure employees don't lose out by taking leave to have/raise a family. Reviewing gender salary parity, current promotion processes and leave policies with a view to developing more progressive solutions with corporate commitments to diversity and inclusion.

The gender pay gap has aged into a troubling gender pension gap, but there is still time for us all to make steps towards a better future for the women of Ireland.

Irish Life is committed to working on the challenge of the Gender Pension Gap, both within its own business and alongside the employers of Ireland. We welcome you with us on the journey towards balance.

Learn more:
irishlifecorporatebusiness.ie/pensionparity

Join the conversation today
#PensionParity

ALL SOURCES AVAILABLE FROM THE MAIN REPORT: *IN SEARCH OF PENSION PARITY: IRELAND'S GENDER PENSION GAP (IRISH LIFE REPORT 2019)*.