

March 2022



# Mitigating the Gender Pension Gap in Ireland

Considerations for public policy, for pension providers and for consumer advocacy groups in the use of private pension provision to reduce instances of poverty in retirement for women

[www.insuranceireland.eu](http://www.insuranceireland.eu)

**INSURANCE**  
IRELAND

There are a number of research papers that attempt to quantify the size of the Gender Pension Gap in Ireland. An Economic & Social Research Institute (ESRI) report in September 2019 defined the gender gap in pension income as ‘the percentage by which women’s average pension income is lower than that for men<sup>1</sup>. The report found that a gender pensions gap of 35% exists in Ireland – with the retired man receiving on average €150 per week more than the retired woman<sup>2</sup>. Irish Life data from 2019<sup>3</sup> also suggests that women will see smaller pension pots than men and they also live longer – meaning that the pension pot has to go further. In the 12 months to August 2019, the report found that men drew down average total pension pots of €125,000 versus €69,000 for women in the Irish Life Direct Contribution (DC) Plans.

With the introduction of Auto-Enrolment expected in 2023 and the most significant changes to the Irish pension landscape for many years currently happening through the introduction of IORPsII and the report of the IDPRTG on pension simplification and reform, now is an opportune time to focus on this important societal issue and ensure that these considerations form part of future policy and product design.

## Reasons for a Gender Pension Gap

There are many reported actions that lead to a gender pension gap and lower pension income in retirement. By far the most impactful however, is the fact that women are less likely to receive supplementary pensions due to lower income work and part-time work or extended periods out of the workforce in care giving positions (gender roles). Many women lose important pension contributions when on maternity, parental or other carer leave as much of this is unpaid breaks, therefore, there are no salary contributions to their pension.

This has been exacerbated by the COVID-19 pandemic. A ReThink Ireland report found that the unemployment rate for women rose by 53.8% between July and September 2020 while the unemployment rate for men increased by 23%<sup>4</sup>. 71% of women during the pandemic were providing care for children, adults or both in their own home<sup>5</sup>. According to CSO data quoted in the Irish Life report, 445,500 women identified themselves as carers in contrast to 9,200 men<sup>6</sup>.

## What do women want from pensions<sup>7</sup>?

- Pension equality – to be compensated for the disproportionate time spent in periods of care giving.
- Access to pensions without being excluded on the basis of income thresholds or minimum hourly requirements.
- Simplicity in their pension scheme – to ensure transparency so they may plan work, retirement and savings arrangements.

---

1 Ireland has a gender pension gap of 35 per cent | ESRI (Chapter 1:Introduction – Page 1)

2 Ireland has a gender pension gap of 35 per cent | ESRI (Chapter 2: Gender gap in retirement incomes – Page 8)

3 In Search of Pension Parity: Ireland’s Gender Pension Gap | Irish Life Corporate Business (Page 2)

4 The impact of the Covid-19 pandemic on women’s economic mobility - Rethink Ireland (Section 2.1:Unemployment – Page 8)

5 The impact of the Covid-19 pandemic on women’s economic mobility - Rethink Ireland (Section 2.2:Unpaid care work – Page 9)

6 In Search of Pension Parity: Ireland’s Gender Pension Gap | Irish Life Corporate Business (Section 3: Money Matters -Page 12)

7 Women and Retirement in a Post Covid-19 World (Section 9 – Pages 57-58)

A report by Starling Bank in the UK reviewed over 600 images from the UK's leading image libraries and found that there are distinctly gendered representations of men and women dealing with money. Women were shown to be less likely than men to be handling money and when they are, women were portrayed as childlike and naïve with cash<sup>8</sup> – reinforcing the attitude that women are less likely to engage with their financial and retirement planning. However, the Irish Life report states that in reality women are not less active in their participation than male counterparts – looking at a ten-year period, women are 2% more likely to be active in their pension planning than men<sup>9</sup>. This indicates that the perception of women and financial planning is not necessarily reflected in practice and this needs to be considered when gender-proofing pensions.

## How to combat the Gender Pension Gap?

Insurance Ireland proposes a number of areas in which all stakeholders can work together to address a number of the points outlined above.

### Financial Awareness

More needs to be done to inform women, at all stages of their working and personal life, about the options that are available/open to them in their pension planning and how to avail of them.

While there are positive examples internationally where advocacy groups work to raise awareness of the impact that taking time out for having/caring for children can have on pension saving (for example the Finnish Center for Pensions developed a calculator for new parents to understand the financial impact of the length of parental leave that they take – this shows at which point their benefit accrual will start to suffer if they take a longer period of leave<sup>10</sup>), there are little sources of information about the impact of parental leave on pension contributions here in Ireland. Both the Pensions Authority<sup>11</sup> and the Competition and Consumer Protection Commission (CCPC)<sup>12</sup> reference pension planning in information relating to other parental considerations.

There are also positive examples in Ireland where employers take steps to support mothers on their return from maternity leave, for example reviewing contribution percentages once the individual has returned to work, with the aim of making up for missed pension contributions when on maternity leave.

**Recommendation:** Consumer advocacy groups/statutory bodies could take steps to highlight the impact of career breaks on pension saving and design appropriate tools such as pension calculators to help quantify this impact.

---

8 Summary Report: Gendered representations of money in visual media, a study (Section 1: Infantilisation of women and money - Page 5)  
9 In Search of Pension Parity: Ireland's Gender Pension Gap | Irish Life Corporate Business (Section 2: The 'Whens and Whys' – Page 6)  
10 OECD Report: Towards Improved Retirement Savings Outcomes for Women – Chapter 5.2.3  
11 Breaks in employment - The Pensions Authority  
12 Having Children Tips for Your Finances - CCPC Consumers

Information about pensions to policyholders is robustly regulated under the Pensions Act 1990 and requires a series of complex actuarial tables to be disclosed. Changes to these requirements will allow for dispelling of complex jargon surrounding pensions – allowing for simplicity and access for existing and potential policyholders. Pension providers are obliged to meet these complex requirements, although many make concerted efforts to de-jargon complicated pension documents and explain provisions in plain English, alongside the required disclosures.

**Recommendation:** Review and amend disclosure requirements under the Pensions Act 1990.

Many women find that their retirement plans are disrupted through divorce. As noted earlier, one of the most material impacts on a woman's pension is taking time out of her career for child and other caring obligations. The financial impact of divorce in the UK shows a pension wealth reduction of 50% for women compared to 33%<sup>13</sup> for men. Communication around the options available in these circumstances should increase women's awareness of the possibility and importance of splitting retirement assets.

These options include mechanisms such as Pension Adjustment Orders (PAOs). In many cases, a pension fund can be the second largest financial asset after the family home and can be crucial in mitigating poverty in retirement where a woman agreed to take time out for child-rearing obligations while her partner continued to work fulltime, accumulating pension contributions. There is not enough awareness in Ireland of these orders or the impact of divorce on pension savings and more should be done by legal advocacy groups and consumer information bodies such as Citizens Advice and the CCPC to provide information.

**Recommendation:** Raise awareness of Pension Adjustment Orders, including potential impact when transferring a pension where one has been attached to a pension.

## Introduction of auto-enrolment

In November 2018, the Department of Social Protection published a Strawman Public Consultation for an Automatic Enrolment Retirement Savings System for Ireland<sup>14</sup>. In the proposals, an earnings threshold of €20,000 or above was proposed for enrolling current and new employees aged between 23 and 60 years of age into a pension<sup>15</sup>. The care-giving years for women are typically within the age limit 23-60 and it is likely that many women, especially those who are taking time out of the paid workforce or reducing their working hours to have/care for children, will miss out on qualifying for auto-enrolment. The Irish auto-enrolment system, being based on an entry threshold of €20,000, therefore appears to act as a barrier for those in low-income/part-time work – a large proportion of which are women and the cohorts that will be excluded are described as “extraordinarily high<sup>16</sup>”.

13 Understanding the Gender Pension Gap, Pensions Policy Institute (Chapter 1 – Page 8)

14 A Strawman Public Consultation Process for an Automatic Enrolment Retirement Savings System for Ireland ([www.gov.ie](http://www.gov.ie))

15 A Strawman Public Consultation Process for an Automatic Enrolment Retirement Savings System for Ireland ([www.gov.ie](http://www.gov.ie)) (Section 4.2 – Page 27)

16 Women and Retirement in a Post Covid-19 World (Executive Summary – Page 4)

Looking internationally at other examples of auto-enrolment, there are a number of innovative policy strands<sup>17</sup> that could be used to positively support Irish women to improve their pension and the quality of their retirement, including:

- The current annual earnings limit in Australia of Auz \$ 5,400<sup>18</sup> is considered a potential barrier to entry for Australian women. In comparison, the current Irish proposal is that Auto Enrolment will only apply to earnings over €20,000 (this equates AUZ \$ 32,700).
- In New Zealand, women benefited from no earnings limit<sup>19</sup> and an upfront kickstart bonus<sup>20</sup> which helped to build the early years balance in their accounts.
- New Zealand also sees the importance of gender appropriate financial education and the importance of profiling successful women pension savers in all marketing material<sup>21</sup>.
- The impact of income thresholds is evident in the United Kingdom, where automatic enrolment has succeeded in increasing the participation of eligible employees but had little impact on the ten-percentage point gap in participation between men and women among all employees<sup>22</sup>.
- In many respects Sweden is the gold standard for equality issues, they are in the top three countries in Europe for gender pensions equality. There are a number of reasons for this including shared parental leave by both parents; pensions contributions are paid during parental and sick leave and child-care costs are a fraction of those in Ireland which means cashflow is available to save into a pension.
- Auto-enrolment should also allow for a mechanism that includes consumers with more than one salary to be included once the accumulated income meets the threshold.

**Recommendation:** Consideration should be given to removing/reducing the proposed earning threshold for auto-enrolment and also to introducing a 'kick-start' bonus for certain low-income earners.

## Equality in Taxation

**T**here is a need to address gender equity in pension provision and particularly in the auto-enrolment proposals. There is no provision within current proposals for extended leave periods such as maternity and parental leave. Even within these types of leave, there are differences between statutory maternity leave and extended maternity leave. Current tax credits for time out of the workforce do not cover all situations of caregiving experienced by women – they are rigidly defined, and these should be reviewed and gender-proofed.

Additionally, awareness of the options available for women and those on parental leave is not always available and employer and consumer awareness groups should consider how employers can be supported to share relevant information at the right time.

17 Women and Retirement in a Post Covid-19 World

18 Women and Retirement in a Post Covid-19 World (Executive Summary – Page 4)

19 Women and Retirement in a Post Covid-19 World (Section 9 – Page 52)

20 Women and Retirement in a Post Covid-19 World (Section 9 – Page 54)

21 Women and Retirement in a Post Covid-19 World (Section 9 – Page 59)

22 OECD Report: Towards Improved Retirement Savings Outcomes for Women – Chapter 5.2.1

**Recommendation:** Consideration should be given to providing additional support for women, specifically:

- Pension tax credit should be applied to pension pots when a person is not earning due to caring activities.
- Tax relieved pension contributions to an unemployed partner should be permissible over periods of time when persons are engaged in caring activities.

## Pension Products

**P**ension Providers should give consideration to the design of innovative new products that can support mitigation of the Gender Pension Gap. A 'couple's pension' for example, which is jointly owned and contributed to by both persons in accumulation and then split evenly for use by both upon retirement to purchase a decumulation product. In order for this to be developed, changes would need to be made to Revenue rules and the Pensions Act.

**Recommendation:** Providers should investigate the possibility of new products designed to support women in accumulation phase.

In addition, pension providers and advisers should periodically conduct Unconscious Gender Bias Reviews and carry out gender-proofing in new product/service approval processes and product reviews. Financial advisers may be inadvertently or subconsciously influenced by gender bias, and this can reinforce women's affliction towards risk aversion by steering them towards conservative investment.

**Recommendation:** Providers and advisers to implement steps to combat gender bias in pension product design and distribution.

## Conclusion

The recommendations above seek to include gender considerations in all areas of pension planning and engagement as well as the need to consider the specific needs of women in public pension policy in order to mitigate the gender pensions gap. Insurance Ireland looks forward to participating in the debate going forward to ensure that this important topic remains a priority on the agenda for all stakeholders.

March 2022

Insurance Ireland, Insurance Centre,  
5 Harbourmaster Place, IFSC, Dublin 1, DO1 E7E8.  
t +353 (1) 676 1820  
f 01 676 1943  
e [info@insuranceireland.eu](mailto:info@insuranceireland.eu)

[www.insuranceireland.eu](http://www.insuranceireland.eu)

