CARDI GRANTS PROGRAMME

Research Brief

Older women and pension inequalities

Ageing population: ROI

- At the 2006 census, there were 468,000 people aged 65+ (11% of the population).
- By 2041, there will be 1.4 million aged 65 and over (22% of the population).
- Life expectancy is 76.8 years for men and 81.6 years for women.
- 95% of men and women aged 70 and over rate their health as very good (19%), good (50%) or fair (26%).
- 9.1% of people aged 65 and over are still in employment (Q2 2009).

Ageing population: NI

- In 2010, there were 260,000 people aged 65+ (14% of the population).
- The 65+ age group is projected to be 496,000 in 2041 (24% of the population) and 578,000 in 2061 (28% of the population).
- Life expectancy is 77 years for men and 81.4 years for women.
- 66% of people aged 70 and over rate their health as good (25%) or fairly good (42%).
- 9% of men aged 65 and women aged 60+ are still in employment (Q2 2009).

Policy on pensions - ROI

- Basic State Pension at age 66: requires yearly average of 48 contributions for maximum pension; 520 contributions from 2012. Rate of pension: €230/week full rate (plus top-ups).
- State Pension (transition) being abolished as State Pension age rises to 68.
- Widow/ civil partner pension: 156 contributions until death or 66th birthday of survivor.
- Homemakers' Scheme gives credit for periods spent providing full-time care for a child up to the age of 12 or an incapacitated relative.
- Family businesses: Recognition for women's contribution to family business including farms.
- Non-contributory, Social Assistance Pension: rate of €203/week (other top-ups possible).
- Automatic enrolment is being considered, with payments from workers, employers and State through tax relief.
- Tax relief being standardised at 33%

Policy on pensions - NI

- Category A contributory pension: needs 30 years of contribution. Rate of pension: single person £102.15 (£107.45 from Apr 2012); plus top-ups.
- State Earnings Related Pension Scheme (SERPS): extra payment linked to earnings, replaced by State Second Pension (S2P) in 2002.
- Category B: spouse/civil partner can claim pension based on partner's contributions. Rate: 60% of Category A pension.
- Guarantee credit (Pension Credit): additional payment to low income pensioners to ensure a minimum income of £137.35 per week for a single pensioner or £209.70 for a couple
- Auto-enrolment phased in from 2012: employer not obliged to contribute but must offer pensions to employees if they do not provide a qualifying occupational pension.
- Government introduced 'triple guarantee' to raise State Pension to match inflation, wages or 2.5%, whichever is greatest.

Introduction

Pension policies in many countries are being reconsidered in light of demographic change, which means there are more people drawing pensions and they are doing so for longer periods of time. Another factor is the shift in emphasis from governments and employers providing pensions towards people funding their own retirement through private savings.

One issue which has been largely hidden in the debate in Northern Ireland (NI) and the Republic of Ireland (RoI) is the extent to which women are disadvantaged in pension provision. CARDI funded a research project led by Dr Nata Duvvury at NUI Galway to establish and compare gender gaps in the pensions system in NI and RoI; examine the causes and consequences of women's access to pensions, focusing on lifecourse experiences; and inform policy.

This research brief presents recent data on pensions in Ireland, North and South, and draws on the full research report (Duvvury, et al., 2012).

Key findings

- Women in RoI receive less than half as much from occupational pensions as men and their income from private pensions is only 60% that of men (Central Statistics Office, 2011a).
- Incomes of older women in RoI excluding social transfers were €98 lower per week than those of men, leaving them on 58% of male incomes. Women depend more on social transfers than men and even after social transfers their incomes are lower (Central Statistics Office, 2011a).
- Among taxpayers aged 65+ in NI, women on average received 68% of male pension income, £10,081 compared with £14,778 per year (Her Majesty's Revenue and Customs, 2010).
- Within the UK and the Republic of Ireland, the pensions system has begun to address barriers to equal access by gender. However, women continue to experience differential access to pensions, and particularly occupational and private pensions (Duvvury, et al., 2012).
- In the RoI in 2009, women accounted for only one-third of those receiving the state contributory pension and two-thirds of those receiving the lower non-contributory pension (Duvvury et al., 2012).
- In RoI twice as many men as women earn €50,000 or more per year (Central Statistics Office, 2012); in NI women in their 50s earn £90 per week less than men (Northern Ireland Statistics & Research Agency, 2011b).
- One of the main sources of women's economic vulnerability at pension age is their interrupted work trajectories due to the traditional gendered caring norm. Resolving this problem requires comprehensive action across employment, welfare and taxation policies (Duvvury et al., 2012).
- In Ireland as a whole the number of women aged 65 and older is projected to increase by 536,000 over the next 30 years (Northern Ireland Statistics & Research Agency, 2011c) (Central Statistics Office, 2008).

Women's pension income

Women are less likely to have pensions than men and they draw much lower incomes than men from them. Among people in employment in RoI in the last quarter of 2009, 53% of men and 49% of women had an occupational or private pension or both. Since the employment rate of men is 15 percentage points higher than for women (Central Statistics Office, 2012), the gender gap in pension coverage among all men and women is larger than these figures suggest.

A far greater differential exists in the actual amount of pension income received by men and women aged 65 or older from pensions. Women received less than half as much from occupational pensions as men (€46 per week compared with €98.50) and women's income from private pensions was only 60% that of men's (Central Statistics Office, 2011a). Older women received only two-thirds as much as older men in earnings and they also got less from other sources. Total incomes of older women were €98 lower per week than those of men, leaving them on 58% of male incomes. Social transfers, mainly State Pensions, made up some of the difference since women received an average of €270.37 per week compared with €225.68 for men from this source. Overall female incomes were, therefore, €53.30 lower per week than those of men.

Within the group of 118,000 retired people in NI who have sufficient income to fall into the tax net, women's total average income in 2007-08 was 77% that of men. Considering only pension income, women on average received 68% of male pension income, £10,081 compared with £14,778 (Her Majesty's Revenue and Customs, 2010). Overall comparisons in NI are hampered by the fact that income data are collected by household and assumed to accrue equally to men and women but we know that two-thirds (65%) of the pensioners who were below 60% median income in 2008/09 were women (Department for Social Development, 2010).

Causes of disadvantage

The most important factor in explaining the lower pensions of older women is that they are unlikely to have been employed steadily (or at all) throughout their adult lives. As Duvvury et al., (2012) comment:

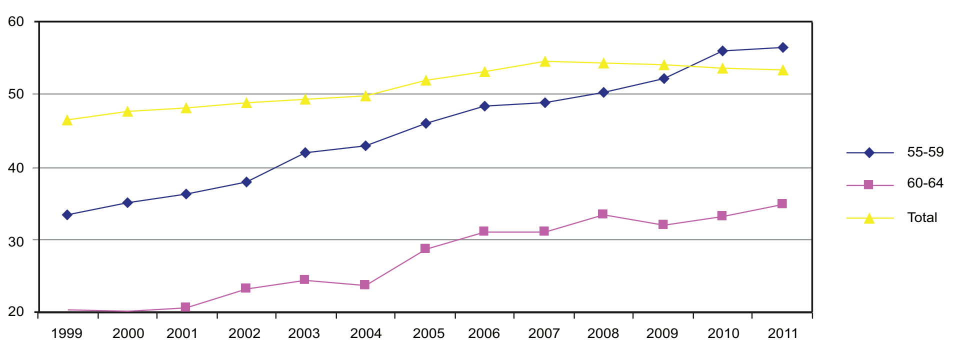
> *It was the norm at the time when many of these women were joining the workforce for women to be financially dependent on their husbands...employment legislation, social norms, the tax system, the lack of childcare support or family friendly policies, and the existence of discriminatory legislation such as the marriage bar and the marriage gratuity in the public service at this time all discouraged mothers from remaining in formal paid employment (p26).*

A report by The Equality Authority in RoI showed that in 1983 less than a quarter of women aged 50-54 were in paid work, though this was true of 80% of men of the same age. By 2002 the number of women aged 50-54 in the labour market had doubled to 50.6% (Russell & Fahey, 2004). This increasing participation by women will take some years to work its way through to pension age. For the foreseeable future, the majority of female pensioners will have come through a period when most women were not in paid employment and not accruing pensions. In the study by Duvvury et al., (2012), only six participants out of 43 had an unbroken employment history; another nine had only one career break. In addition the research team observes that women who take time out of the labour market return to jobs with lower pay levels and inferior conditions. This is particularly common in female-dominated occupations such as child care, elder care, cleaning, restaurants, retail, the arts and seasonal work.

Female participation in the workforce

More recent European data (Eurostat, 2011) show two important factors: a remarkable increase in the proportion of older women (defined as aged 55-64) in the workforce in the 14 years up to 2010, especially in Finland, Germany, the Netherlands and RoI. Separate data presented in Figure 1 show that the number of women aged 55+ in work continued to increase through the recession right up to the second quarter of 2011 (Central Statistics Office, 2011b). Secondly it shows the very low base in 1994, with less than one fifth of older women in employment in seven countries, including RoI. This reinforces the argument that for the foreseeable future most women in RoI will continue to reach pension age with little accumulated income in the form of pensions.

Figure 1: RoI female participation rates Q2 1999-2011 (%)

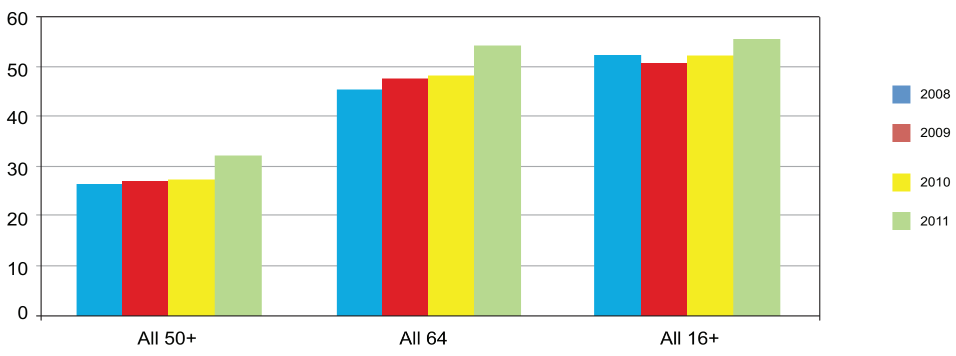


Source: CSO, 2011b

One factor that may be driving higher employment rates among older women may be the recession and fears of inadequate income, especially at times when food and fuel prices are rising. Duvvury et al., (2012) found that more than a quarter of their RoI research participants would continue working after pension age out of need and others said they would cut back on spending, even on essentials. Other research funded by CARDI has documented how older people are cutting things like annual holidays and having greater difficulty paying fuel bills (Hillyard, et al., 2011) (Hillyard & Patsios, 2012).

In NI (Figure 2) there has also been an increase in the number of older women in paid work (Northern Ireland Statistics & Research Agency, 2011a). Up until 2011, however, more than half of women were approaching State Pension age outside the labour market and therefore with little opportunity to build their future pension incomes.

Figure 2: NI female participation rates, Q2 2008-2011 (%)



Source: NISRA, 2011a

Low pay

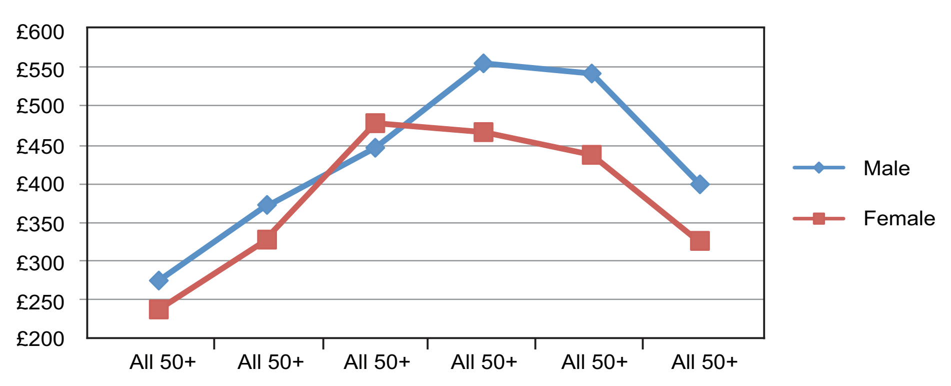
Even where women have worked in the past, they were much more likely to have worked part-time than men and to have earned less. This means their capacity to contribute to an occupational pension was limited, even if they were in jobs that provided pension schemes.

It is well established that people on high incomes are more likely to have pensions than the low-paid. In RoI, for example, only 9.5% of people with weekly earnings of less than €140 were covered by pension schemes compared with 87.1% of people earning €1,035 or more (Pensions Board, 2007).

Women have traditionally earned less than men and therefore do so and continue to enter retirement with smaller pension packages. In RoI, 254,000 men but only 123,000 women earn more than €50,000 per year (CSO, 2012). Young women earn more than 90% of male wages but this falls to 71.5% in the 35-44 age group; this latter group will not fully reach State Pension age for more than 30 years. Worst off are women approaching retirement, who might hope to catch up on pension payments in their last decade of employment; but women aged 55-64 earn only 61.4% as much as men of the same age.

An analysis of data compiled by NISRA on earnings by age in NI reveals two important points (Northern Ireland Statistics & Research Agency, 2011b). As shown in Figure 3, one is that full-time working women's peak earning age is in their 30s, after which their incomes and therefore their ability to build up pensions is greatly reduced. Another is that full-time working women in their 30s earn £28 per week more than men but this is reversed sharply to earning £78 less in their forties and £92 less in their fifties. Women are far more likely to work part-time. In NI just over 40% of them do so, whereas only 13% of men work part-time.

Figure 3: NI median weekly earnings of full-time workers by age and sex 2009



Source: CARDI, based on data in ASHE by AGE (NISRA, 2011b)

A continuing problem

As the causes of low pension income amongst women date back to early and mid-life, we face the prospect of many thousands of women suffering from poor pensions for many decades to come. Moreover, the numbers affected will increase dramatically due to demographic change, as shown in Figures 4a (Central Statistics Office, 2008) and 4b (Northern Ireland Statistics & Research Agency, 2011c). In Ireland as a whole the number of women aged 65 and older is projected to increase by 536,000 over the next 30 years, representing a rise of 121% from 443,000 in 2011 to 978,000 in 2041. Not all of these older women will be pensioners because the State Pension age is rising to 68 in both RoI and NI. In RoI, the qualifying age will rise to 66 in 2014, to 67 in 2021 and to 68 in 2028. In NI, following the pattern in the UK as a whole, women's State Pension age was 60 until 2010, when it began rising to match the male age of 65. It will then rise for both sexes to 66 by October 2020 and 67 by April 2028; a planned rise to 68 by 2046 is almost certain to be brought forward.

Figure 4a: Number of older women in RoI 2006-2041, thousands

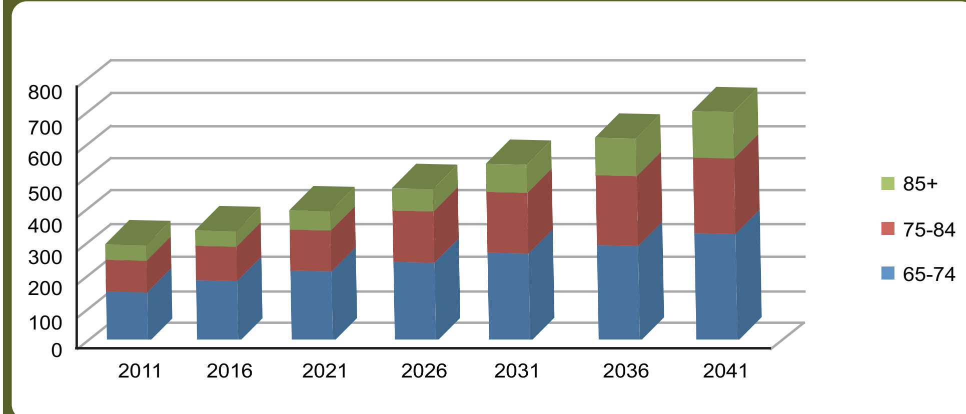
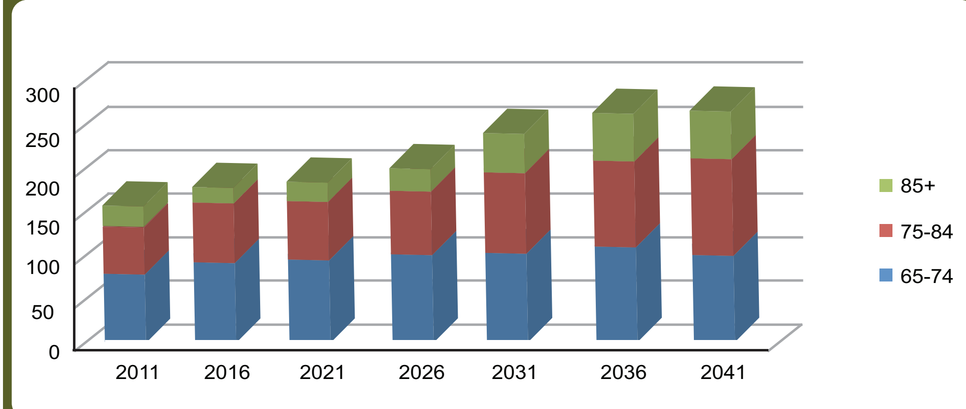


Figure 4b: Number of older women in NI, 2011-2041, thousands



Sources: CARDI, based on CSO, 2008. (M2F1 projections) and NISRA, 2011b
Note: RoI projections are 2006-based; NI projections are 2010-based.

Pension Contributions

At present, older people receive the full State Pension only if they have made the required number of contributions during their lives. As shown earlier, women are unlikely to have a full contributions record because of career breaks or part-time work, with the result that they are less likely to receive the full State Pension than men. Duvvury et al., (2012) point out that in the RoI in 2009, women accounted for only one-third of those receiving the state contributory pension and only 27% of these women received the full contributory pension; on the other hand, women made up two-thirds of those receiving the non-contributory pension. This is important because in RoI the full contributory pension rate in 2012 is €230.30 weekly or €436.60 for a couple, whereas people with an average of 10-14 contributions may get only €115.20, or €218.40 for a couple. RoI also has a means tested non-contributory pension of €219 per week (€229 for people over 80) or €363.70 for a couple.

Duvvury et al., (2012) note that steps have been taken to address the contribution made by women by caring in the home through the Homemakers' Scheme introduced in 1994. However as this scheme is not retrospective, tens of thousands of women who cared for children or other dependants before 1994 remain at a severe disadvantage in terms of pension provision.

NI's pension system is structured differently but similar differences exist for those who have contributed to their pension and those who have not. From April 2012 the full pension will be £107.45 or £171.85 for a couple, unless the second person has also earned a full pension. The category B pension for most women without a full contributions record is 60% of the full pension, but people may also be able to claim pension credits. Duvvury et al., (2012) note that steps have been taken to recognise the contribution women have made to caring by giving them credits towards State Pension for years spent minding children or other dependants, such as the Homemakers' Scheme introduced in RoI in 1994:

Approaches to coping with low pension incomes

In the qualitative research carried out by the project team, women referred to several different approaches to low pension incomes. Most of the married women suggested they would live on their husbands' pensions, though this is an unsatisfactory approach in the event of illness, redundancy or marriage breakdown. A substantial number of women said they would work on past retirement age out of need, though an equal number proposed staying in work longer because they enjoyed it. Smaller numbers said they would cut back on spending or work for cash-in-hand in the informal economy (Duvvury et al., 2012).

Information gaps

Many women in the study were unclear about many aspects of pensions and often unrealistic about what their future income and outgoings were likely to be. For those in employment, the introduction of employer pension schemes and, more importantly, the influence of work colleagues, were critical in sparking pension awareness (Duvvury et al., 2012). Many women found pension information confusing and even misleading and one third of the participants were unaware of any pension changes taking place. 'This lack of awareness of proposed changes may help explain why a large proportion of respondents advocated information provision as a primary policy recommendation' (Duvvury et al., 2012, p43).

Policy implications

Evidence about the extent of inequality among older women provides a strong rationale for policy intervention. Data about the causes of female disadvantage give a strong indication of the sorts of policy interventions needed e.g. boosting female work activity, increasing their working hours and increasing their pay; or improving child-care facilities and introducing family-friendly policies to facilitate both men and women in child-rearing and other caring duties. However, these changes are likely to take some time to have an impact. The research team proposes a number of policy recommendations:

Universal pension

Duvvury et al., (2012) propose a universal, non-contributory pension based on residency for all low-paid, non-pensionable employees and others who will not realistically be able to contribute to a pension. The pension should replace at least 40% of the average industrial wage, as recommended by TASC and National Women's Council of Ireland. It has been estimated that increasing the State Pension to 40% of average earnings would cost just half the current expenditure on tax reliefs (TASC, 2008).

Gendered approaches to social welfare policies across the lifecourse

The authors argue that tax relief is regressive and of little relevance to most women concentrated in low paying occupations and sectors. It is, they claim, 'a state subsidy for gender inequality'. There is, however, a good deal of support for the idea of encouraging people to save for future pensions, either through national insurance contributions or tax relief (Department of Social and Family Affairs, 2010).

The report argues that auto-enrolment, which is being introduced in NI and being considered in RoI, may only serve to worsen gender differences in pensions due to gaps in employment and the low pay/part-time status of women. If auto-enrolment is to be implemented, it must be accompanied by a comprehensive gendered approach across all social welfare policies, incorporating child care supports, better maternity and paternity benefits as well as the introduction of family friendly employment policies to address the factors that limit women's access to pensions.

Restoring confidence in private pensions
The recession has made a mark on pension policy and confidence in pensions. Auto-enrolment will not necessarily lead to investment in schemes if people do not believe their money will be safe. Greater regulation of occupational and personal pensions by the state or a state-appointed body may rebuild trust and increase uptake (Duvvury et al., 2012).

Some steps that might restore confidence include:

- Ensuring that all funds have a broad investment spread across equities, bonds, currency, commodities and cash. Irish funds lost more value than those of other countries (OECD, 2010) because they were highly exposed to equities.
- Reducing charges in RoI e.g. in the UK stakeholder pensions charges cannot exceed 1% (The Irish Times, 17 October 2011).
- Better information on managing investment risk (higher-risk at younger ages, lower risk later on, especially in the five years leading up to retirement).

Retrospective approach to recognising caring roles
The researchers note the Homemakers' Scheme in RoI in 1994 marked a significant step forward in recognising the care work of women in the pension system. However, they argue that it excludes older women who bore the brunt of traditional gender norms, as well as discriminatory policies such as the marriage bar. They urge that the Homemakers' Scheme should be made retrospective.

Conclusion
This research brief documents the extent of female disadvantage in pensions. Women, North and South, are much less likely than men to receive full State Pensions and their income from occupational and private pensions is also much lower. This has important social consequences, especially since the number of older women is increasing dramatically and women in general outlive men. This brief concludes with some broad proposals to solve the issue through a broad range of policy initiatives.

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This research brief is based on findings from a research project funded under CARDI's Grants Programme: Duvvury et al., (2012) and information collated by CARDI.

It may be cited as Older Women and Pension Inequalities. Dubin: Centre for Ageing Research and Development in Ireland, 2012.

This publication can be downloaded from **www.cardi.ie** Additional copies may be requested from:

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Our work has been made possible through funding by The Atlantic Philanthropies, augmented by grants from the Department of Health and Children in Dublin and the Health and Social Care Research Office, Public Health Agency, Northern Ireland. CARDI is hosted by the Institute of Public Health in Ireland.

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