

The Gender Gap in Retirement Incomes

DATE
Wednesday, 11th September 2019

EVENT
Gender, Pensions and Income in Retirement Seminar

VENUE
ESRI, Dublin

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Motivation I

- Shifting demographics make pensions an increasingly important issue for policy
- Relative to earnings, pension incomes receive less attention
- Important determinant of economic independence
- When compared to men, women typically, participate in the workforce for less years, work less hours, earn less, have lower pension contributions, live longer, spend more time living alone in retirement (European Commission, 2018)

Motivation II

- Duration of individual's working lives is rising over time and the duration of retirement is also expected to grow as life expectancy continues to increase
- In the EU, on average the time spent in retirement is about half (51%) of that spent in employment (European Commission, 2018)
- Substantial differences between the average pension incomes of older men and women
- Challenge of sustaining pensions that are adequate into the future

Research Questions

- What is the magnitude of the gender pension gap in Ireland?**
- How does the gap vary across the pension income distribution?**

Gender Pension Gap

Measures the gender gap in pension incomes as,

$$GPG = 1 - \left(\frac{\textit{average own pension of women}}{\textit{average own pension income of men}} \right) * 100$$

- Percentage by which women's average pension income is lower than that for men

Related Literature I

❑ **European Commission (2018)**

- In 2016, a woman aged 65-79 in the EU-28 received a pension that was **38%** lower than her male counterpart; the corresponding figure for Ireland was estimated at **26%**

❑ **Even and Macpherson (2004)**

- Using econometric techniques estimate a **45% gender gap in occupational pensions** that is not well explained by observed characteristics using data from the 1980s

Related Literature II

❑ Bardasi and Jenkins (2010) for the UK

- Using econometric decomposition techniques estimate a **76% gender gap in private pension income** in 1990s, where 20% of the gap can be explained by observed characteristics

❑ Hänisch and Klos (2014) for Germany

- Using econometric decomposition techniques estimate a **60% gender gap in private pension income** in 2007, where 26% of the gap can be explained by observed characteristics (mainly employment and education components)

Data

- **The Irish Longitudinal Study on Aging (TILDA)**
 - Includes information on demographics, employment situation, job history, sources of income, and planning for retirement, including information on personal pension plans (Waves 1, 2, 3 and 4, collected 2010-2016)
- **Sample**
 - Interviewed in Wave 1 in 2011 (98% of total dataset)
 - Retired persons
 - Aged 65+
 - Did not receive a lump-sum in this year
 - 25% of Wave 1 participants (2,141 out of 8,701 observations)

Variables Available

- **Pension Income (Logged)**
 - State, occupational and private pensions (€/per week)
- **Personal Characteristics**
 - Gender, age, nationality, disability
- **Human Capital**
 - Highest educational attainment, work experience (years)
- **Family Structure**
 - Marital status, number of children, living arrangements
- **Location Characteristics**
 - Dublin, other urban areas, rural

Methodology

1. Blinder-Oaxaca Decomposition

- *Decompose the average gender pension gap into the 'explained' and 'unexplained' components*

2. Unconditional Decile Decomposition

- *Assess the degree to which the gender pension gap, and the factors that determine it, vary across the entire pension distribution*

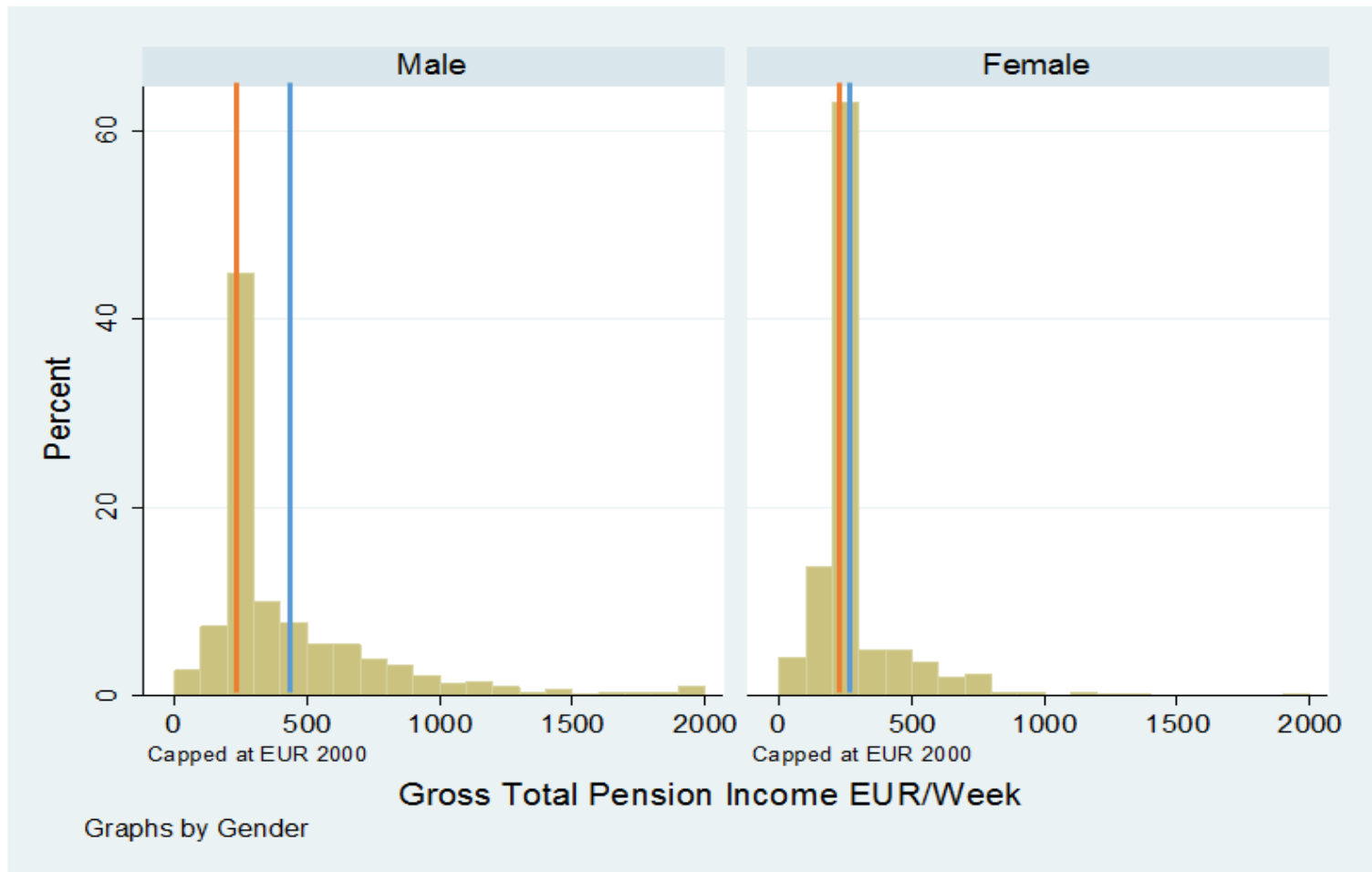
Distribution of Pension Type, %

Pension Type	Sample (%)		Pension Income (€/per week)	
	Men	Women	Men	Women
State Pension	88	93	200	199
Occupational & Private Pensions	55	28	233	82
Any form of Pension income	100	100	433	280
Observations (#)	<i>1,257</i>	<i>1,410</i>	<i>1,257</i>	<i>1,410</i>

Source: The Irish Longitudinal Study on Ageing (TILDA), Wave 1 (2011).

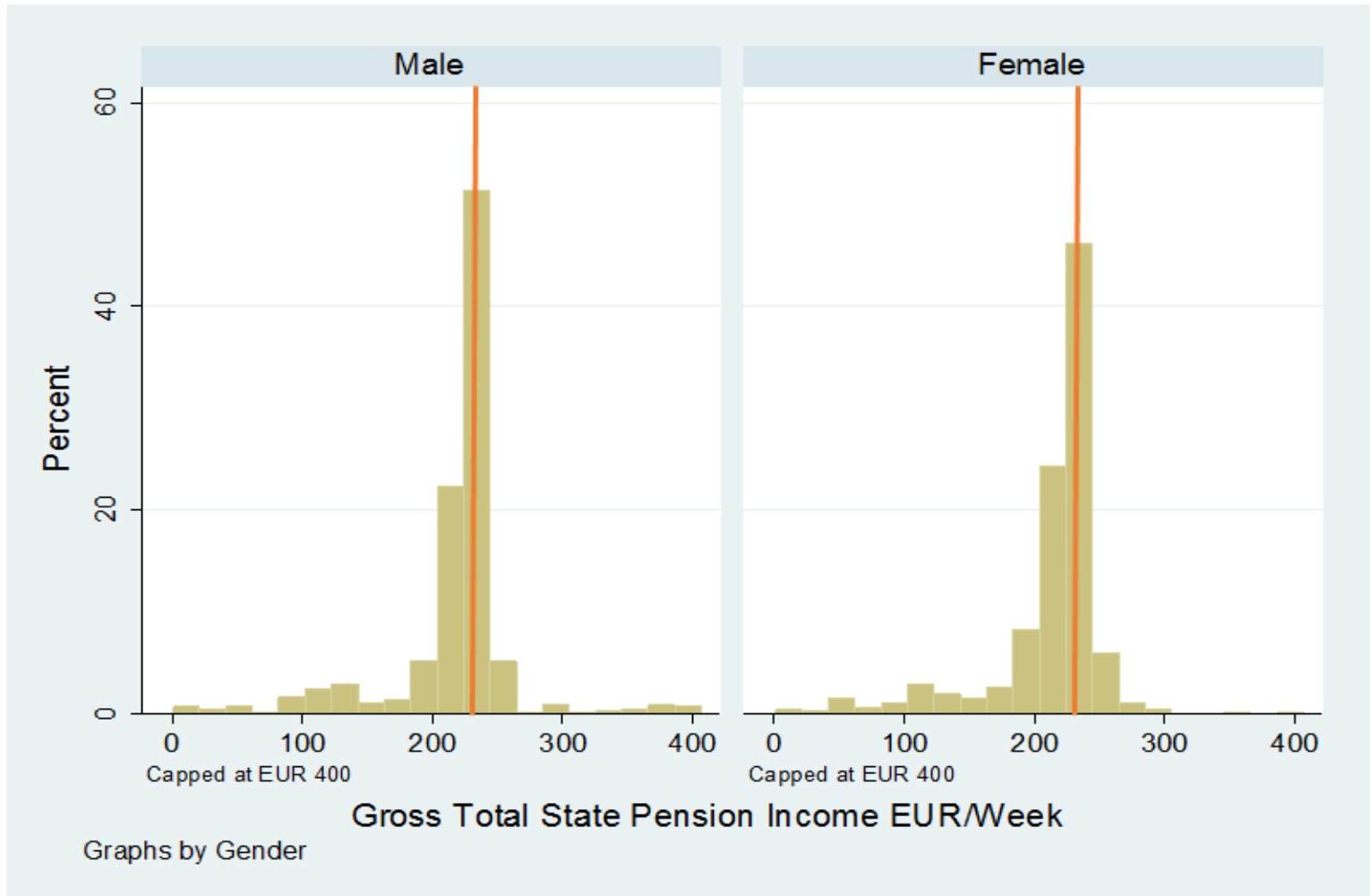
Note: Our sample includes those who are aged over 65, who are retired, not currently employed and did not receive a lump sum in this year.

Distribution of Total Pension Income, %



State Pension Contributory (2011): €230 Average Pension Income

Distribution of State Pension Income, %



State Pension Contributory (2011): €230

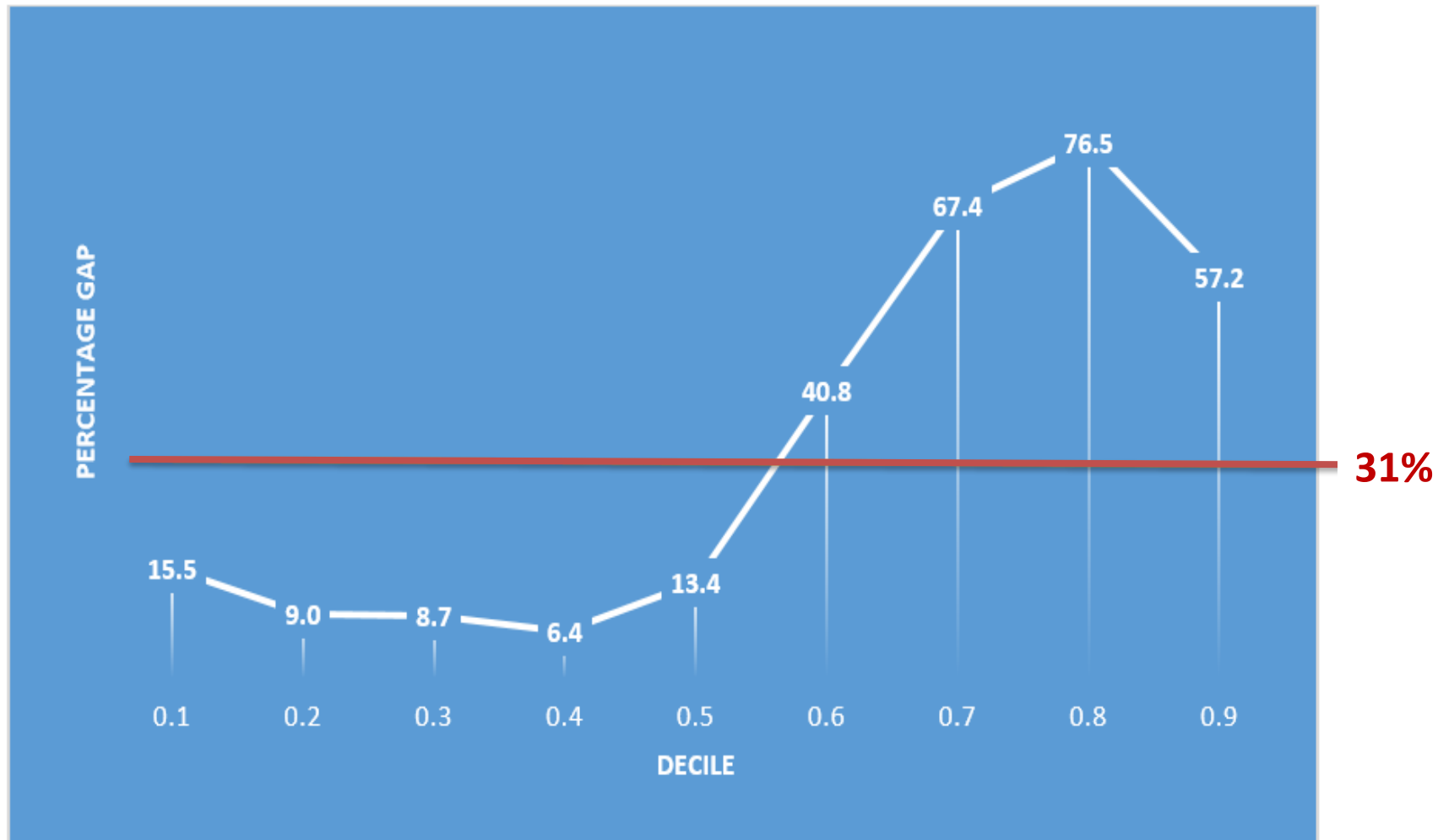
Distribution of Occupational & Private Pension Income, %



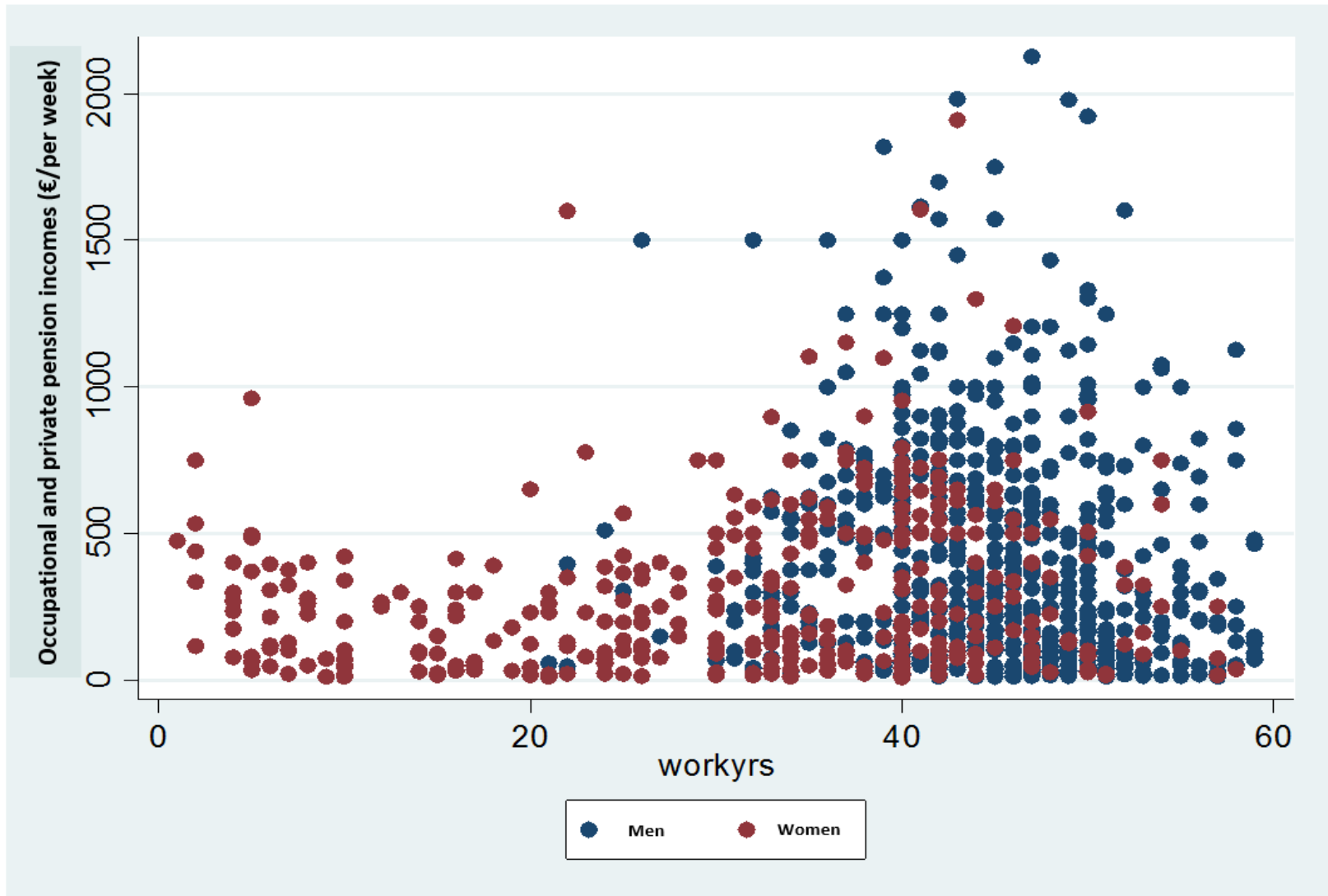
Results

- **Raw gender pension gap is 35%**
 - Gender pension gap driven entirely by differences in **occupational and private pensions**
 - No consistent evidence of a gender state pension gap
- Occupational and private pension income are:
 - **Positively related to education and years of work experience**
 - **Negatively related to age and having been born, or lived, abroad**
- After controlling for all other factors, the gender pension gap conditional on **occupational and private pension** coverage is **44%**
 - **Number of years worked is a key determinant**

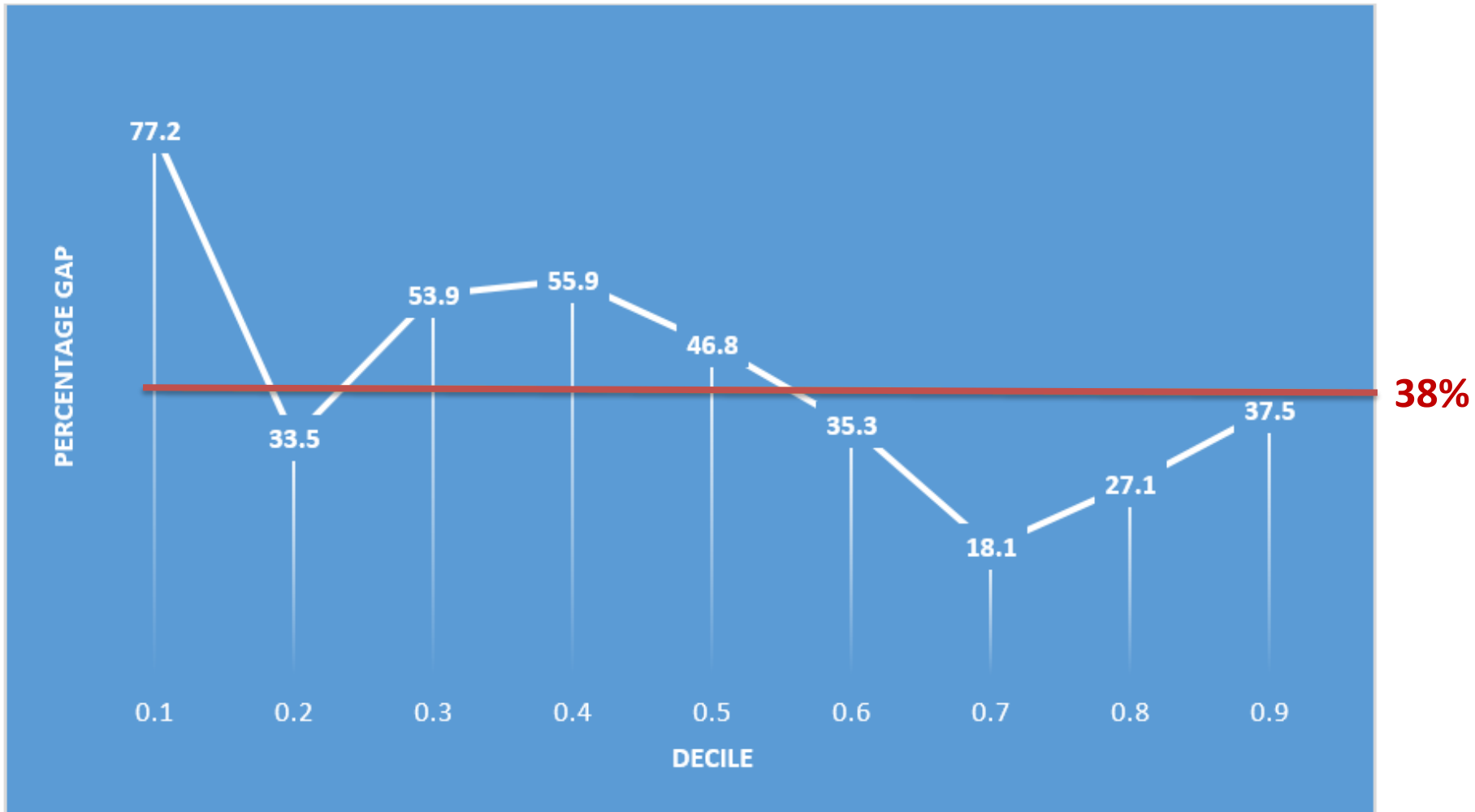
Gender Differential of Total Pension Income by Decile, %



Distribution of Occupational & Private Pension Income by Work Experience



Gender Differential of Occupational and Private Pension Income by Decile, %



Note: The sample is restricted to individuals with occupational and private pension income who have work experience of between 20 to 50 years.

Conclusions

- **Raw gender pension gap conditional on coverage is 35%**
 - Mostly attributable to differences in incomes from **private and occupational pensions**
- **Explained component accounts for 16% (0.07) of the gap in mean occupational and private pension income**
 - Higher levels of **female educational attainment** had a declining impact on the gender pension gap throughout the pension income distribution
 - In the top three deciles, where approximately 25 to 45 per cent of the raw gap is explained, the principal factor contributing to the gap is found to be the **lower relative years of work experience among women**

Policy Implications

- Reduce the differences in **occupational and private pension coverage** across genders
- Raise **female employment levels**
- Ensure increased **continuity in employment**

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