Press Release

Women live longer than men, so they need bigger pension pots too

By Karen O'Flaherty, Senior Proposition Executive in Royal London Ireland

Women can't afford to ignore their pensions. For the first time ever, there are more female than male retirees.[1] In addition, women in Ireland typically live longer than men: the average life expectancy for women is over 84 years – compared to 81 years for men[2]. This would suggest that women need a better pension pot than men - because they ultimately need the money in their pension pot to last for longer. Yet currently a woman's pension is on average 35pc less than a man's, according to the latest official figures[3]. With the number of retired females increasing by 27pc to over 342,000 between Census 2016 and Census 2022, this gender pension gap is hugely concerning.

Unless this is addressed, many women could struggle to make ends meet in retirement, find it difficult to fund medical or nursing home care when they most need it, or simply find their lifestyle in retirement is not as comfortable as they had hoped. In some cases, women may even have to postpone their retirement or indeed find that for financial reasons, they need to return to work after retiring.

The Economic & Social Research Institute (ESRI) states that the main reason for the gender pension gap is that women are less likely to receive a private or occupational pension than men[4]. Other reasons women are falling behind on pension savings are well documented. Women often earn less than their male counterparts and as a result, don't have the same financial capacity to save into their pension. The latest official figures show that Ireland's national gender pay gap[5] is about 10pc[6].

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[1] See 'Profile 7 - Employment, Occupations and Commuting' in Census 2022
[2] See CSO Measuring Ireland's Progress 2021 report
[3] See ESRI 'Gender, pensions and income in retirement' report, published in September 2019
[4] See ESRI 'Gender, pensions and income in retirement' report, published in September 2019
[5] The gender pay gap is the difference between the average hourly wages of men and women in an organisation, regardless of their seniority.
[6] As per latest Eurostat figures, which states the gender pay gap for Ireland is 9.9pc, and CSO Structure of Earnings Survey 2022

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Wages in some of the job sectors traditionally dominated by women are often low[7]. Women are three times as likely as men to work part-time[8]. In addition, mothers often take time out of the workforce - or move to shorter working weeks - to look after children. All of these factors eat into a woman's ability to save for a pension. However, there are a number of steps which women can take to bridge the gender pension gap.

Working women

Working women who are not saving into a company pension – even though their employer offers them the opportunity to do so – should join that pension as soon as they can, even if they can only save a small amount into it. Of course, this rule of thumb applies to anyone saving into a pension – men and women alike. In some cases, an employer will match an employee's contribution into the pension scheme. All employees should maximise the contribution they can get from their employer. Also, on receipt of a salary increase, it can be prudent to use part of the increase to save into a pension.

Not everyone has access to a company pension scheme. There is currently no legal obligation on an employer to set up or contribute to a pension scheme. However, when a company pension is not available, employers must provide their employees with access to at least one standard Personal Retirement Savings Account (PRSA – a type of personal pension). Anyone who doesn't have the option of a company pension should open a PRSA or a personal pension and save what they can. The Government's new Auto-Enrolment scheme, due to begin by the end of this year[9], could well bring more women into the pensions net, when it is rolled out.

Working mothers

Interrupted and stalled career paths can have a significant impact on the adequacy of financial provisions in retirement for stay at home parents. A fragmented working life unfortunately sees female workers losing out on their pension, career and pay prospects.

Struggling to balance the demands of parenthood, mothers often look at job options that allow some degree of flexibility, for example part-time work, job sharing, or working from home, and while these will likely affect their pension provision, staying in the workforce could mitigate the negative impact on their retirement income.

It's worth knowing that a part-time worker must get the same access to a pension as a comparable full-time employee, unless the part-timer is working less than a fifth of the normal working hours of the full-timer. If this is the case, there is nothing to stop an employer from agreeing to give a part-time worker the same pension benefits as a

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[7] See caring earnings in Figure 3.4 in and CSO Structure of Earnings Survey 2022

[8] Females, at 23%, are much more likely than males (7%) to work part-time - see 'Profile 7 - Employment, Occupations and Commuting' in Census 2022

[9] As per latest Government guidance on AE

comparable full-time worker. As a pro-rata principle normally applies to part-time workers, pension benefits and contributions are paid at the same rate, based on the worker's reduced pro-rata salary.

Mothers about to take maternity or parental leave can mitigate the impact on their final pension pot by continuing to contribute to their work pension while on maternity or parental leave – if they can afford to do so.

In moving from full-time to part-time work after having children, many women are tempted to stop paying into a company pension scheme, if at all possible, it is strongly advised that they resist doing so. The impact on their pension pot further down the line can be significant. If full contributions can no longer be afforded, a reduced amount might be considered.

Women returning to the workforce after a number of years looking after children might look at saving as much as they can into their pension to make up for the time they have lost paying into it. If in a company pension scheme, they could make Additional Voluntary Contributions (AVCs) if they can afford to do so.

Mothers returning to work on a part-time basis will find that their salary will be paid on a pro-rata basis. If they can afford to, they should consider increasing the proportion of their earnings that are being saved into their pension while working part-time – bearing in mind the tax relief limits on pension contributions. This will help limit the impact of the shorter working week on their pension.

One of the biggest advantages employees have is that their employer will often pay a contribution into the pension on their behalf - which makes it easier for them to save up a reasonable pension. Self-employed individuals and those who don't get a pension through work don't have this benefit. Starting a pension as young as possible will help boost your pension though, as will taking full advantage of the tax breaks on pension contributions.

You can get tax relief on pension contributions at your highest rate of income tax. This means you can claim back 20pc or 40pc of your pension contributions in tax relief, depending on the rate of tax you pay. There are limits to the amount of tax relief you can get on your pension contributions, depending on your age and earnings. Be aware of these limits and don't exceed them – rather, increase your contributions once you reach an age which entitles you to a greater amount of tax relief.

At any point before filing their tax return, self-employed individuals can make a payment into a pension plan and claim tax relief against the previous year, thereby allowing them to reduce their tax bill.

Stay-at-home mothers

For stay-at-home mothers who have no income of their own, relying on their spouse's or partner's pension may be their only option for retirement income. They will need to be clear about how much, if any, of a pension they will get through a spouse's or partner's pension in the event they outlive them and to be mindful that arrangements may need to be put in place to ensure this happens. It is also important for them to be aware that this may not be enough to support them in retirement. It's useful to check what, if any, State pension entitlement they have and whether they can apply for the Home Caring credit. More details on this are covered further on.In cases of divorce, it would also be important for women to consider the importance of a pension when negotiating a divorce settlement – and if possible, to secure a share of their spouse's pension benefits as such benefits are often very valuable and could make a huge difference to the divorced woman's standard of living in retirement.

If a woman is not married but is in a cohabiting relationship and intends to rely on her partner's pension, provisions might need to be put in place to ensure her partner's pension is paid to her upon death. This is because many pension schemes specify that only a spouse or civil partner may benefit and in such cases, a cohabiting partner is unlikely to be able to receive the pension when their partner passes away, unless specific arrangements have been put in place. The cohabiting partner for example may need to have been nominated as the beneficiary. It is important to seek appropriate tax advice to determine what your tax position will be in this type of scenario.

Ideally, women wouldn't rely on their partner for their pension, though without any income of their own, it will be difficult not to do so.

Stay-at-home mothers who do not have a partner need to give even greater consideration to their retirement planning. It would be important that they check what, if any, State pension entitlement they have. Time taken out of the workforce to look after children in the home (up to a maximum of 20 years) is taken into account for the purposes of the State pension though they will need to apply for the Home Caring credit. There is however a limit to the extent to which the State pension can support people financially in retirement – currently the maximum rate of State pension for those who retire at the age of 66 is €277.30 a week and women wo have spent more than 20 years outside of the workforce caring for children are unlikely to be eligible for the maximum rate.

For those returning to the workplace after a break, or even for the first time, Recent changes in working patterns, including hybrid and working-from-home, could prove helpful here too. Since 7 March 2024, all employees in Ireland have a new legal right to request remote working. One of the biggest advantages of being in the workplace is that it helps people achieve economic independence – and from a retirement perspective, that includes the all-important ability to build up a pension.

Will pension auto-enrolment turn out to be good for women?

Auto-enrolment (AE) may help narrow the gender pension gap as most private sector workers who are not already part of a work pension scheme will automatically be enrolled in a State scheme. These workers will also get the benefit of a contribution to their pension from their employer and the State. So, for those women in the workforce who don't have access to a company pension, AE should certainly be helpful.

However, the restrictions on the amount that can be contributed to the AE pension scheme could prove to be a drawback for women, particularly if they want to make up for any years they lost saving into a pension due to time spent out of the workforce. There is no proposed mechanism to allow an increase in contributions by employees to make up for these periods, which disproportionately affects women. As an industry we have been keen to influence a change to this restriction.

Under AE, employees will be required to make initial contributions of 1.5pc of gross earnings, rising by 1.5pc every three years until it reaches a maximum contribution rate of 6pc in Year 10. Employees who earn more than €80,000 will only be able to pay contributions on the first €80,000 they earn. There are no plans currently to allow employees to make additional contributions, but this may be an option in a few years' time.

It would be important that AE does not see women lose out on other pension schemes which might be more valuable to them. For example, for those women who do have access to a company pension but who simply have not yet joined it, their company pension may be more valuable to them than AE, particularly if their employer will pay contributions into the company pension scheme on their behalf.

It is important that people fully understand the pension they would eventually be entitled to under AE. Regardless of the type of pension that people have, it is important for people to regularly review and understand what their pension will deliver for them at retirement, to ask if this pension will be adequate – and in the event it is not, to take steps to boost their retirement income. Talking to a Financial Broker is a good first step.

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Notes to editors

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Royal London Ireland's office is based at 47-49 St Stephen's Green, Dublin 2.