



Private Pensions and the Gender Distribution of Tax Supports

TRN & CHASM Conference
University of Birmingham, UK
4th September 2018

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Scoil an Pholasaí Shóisialta, na hOibre Sóisialta agus na Córa Sóisialta UCD

Outline

- 1. Context**
- 2. This Paper**
- 3. Research Questions**
- 4. Data**
- 5. Some Findings**
- 6. Conclusions**

1. Context

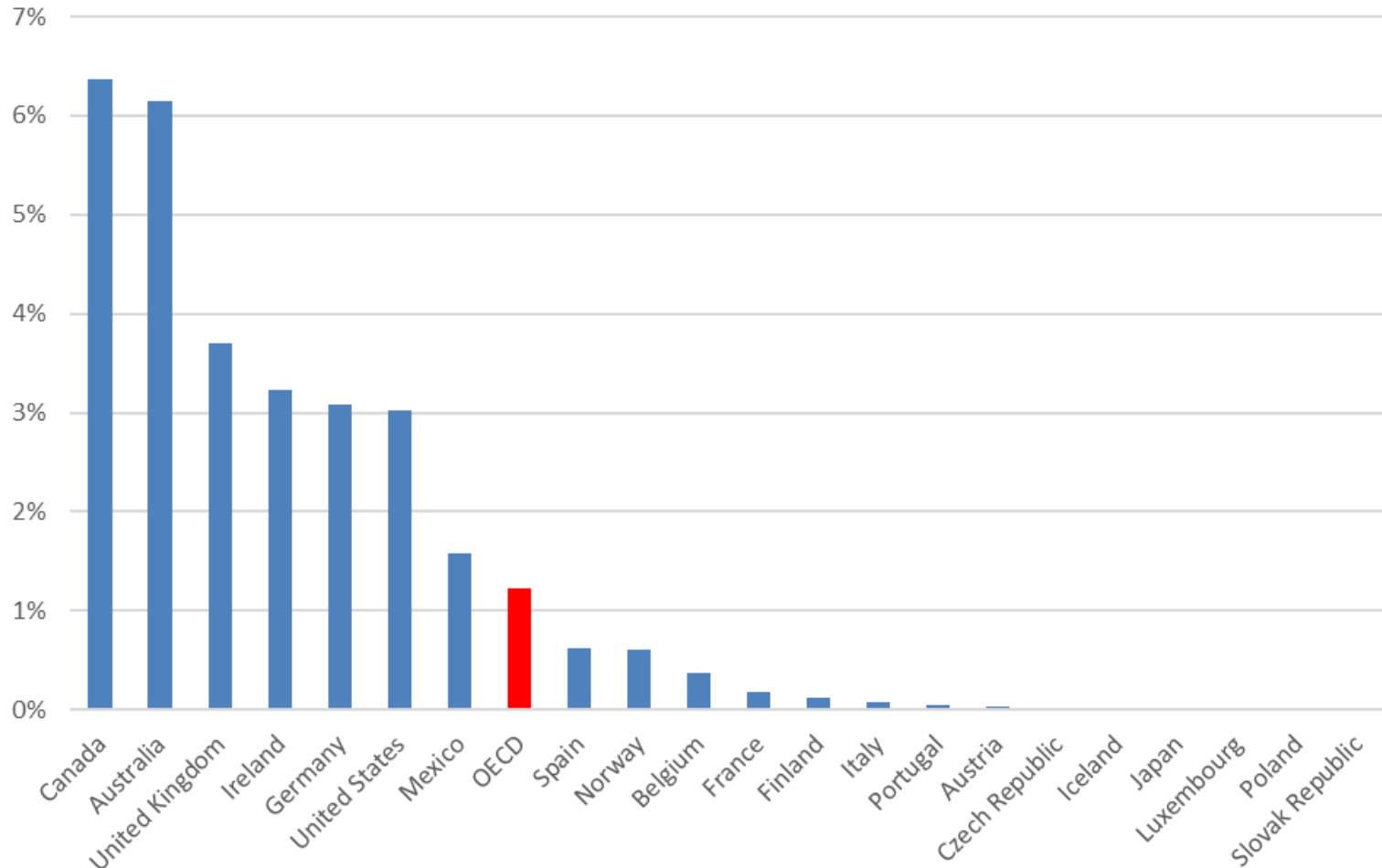
Pensions are expensive...and becoming more so....

Visible and invisible expenditure

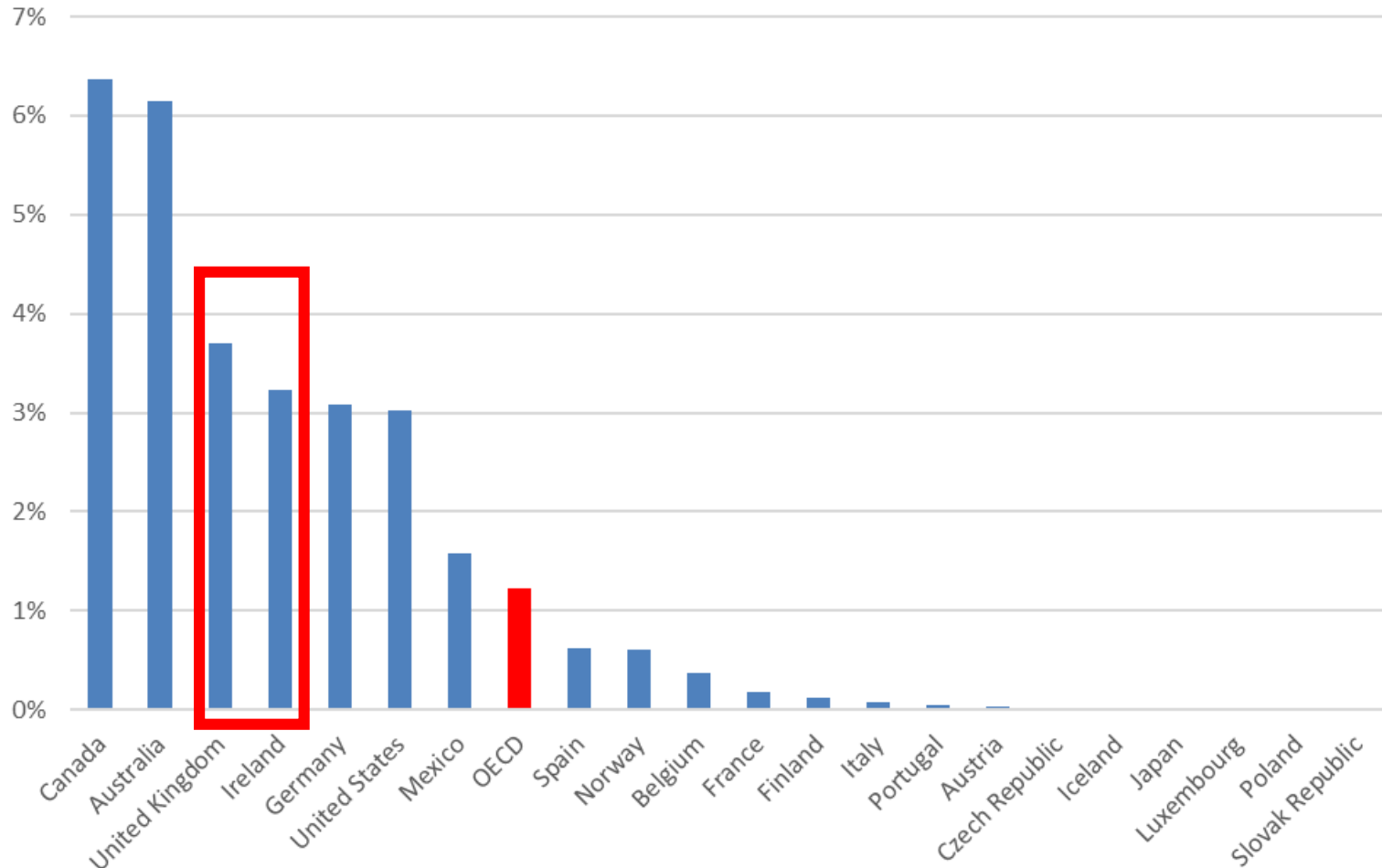
Some countries spend a lot on supporting private pensions via the tax system

- 'Fiscal welfare' literature...
- revenue forgone...but immediate exchequer cost
- Tax relief for:
 - to employee for their contributions
 - to employees as BIK relief on employers contributions
 - to employers for contributions they make to employees
 - on other individual contributions (personal plans etc)
 - on the capital gains of the pension fund
 - on the lump sum payment upon retirement
- EET, EEt, EEpt

Tax Breaks for Private Pensions (% total tax revenue), OECD 2013



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Comparing State Investment and Expenditure, Ireland

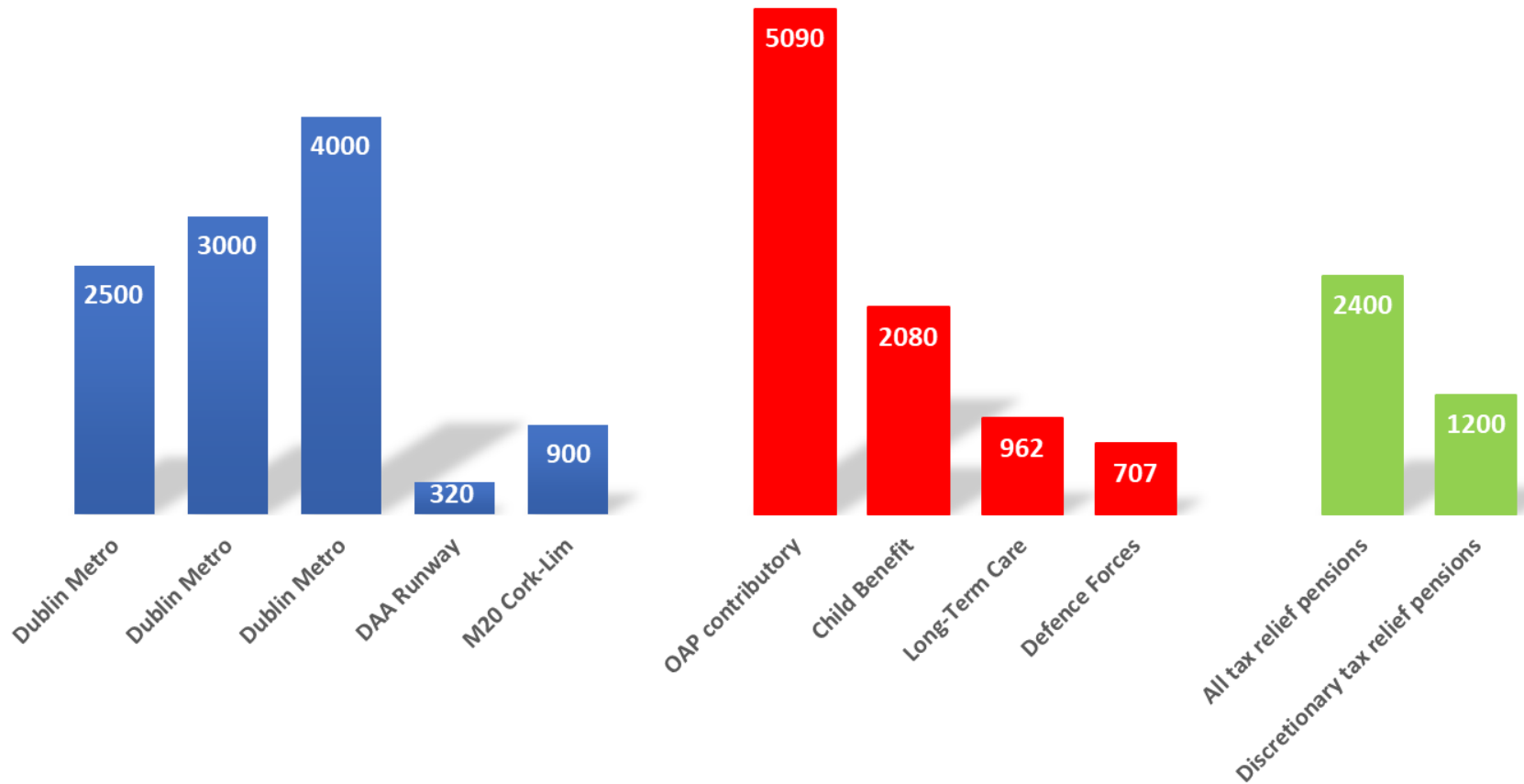


Figure 2: Distribution of tax relief for pension contributions by income deciles, Ireland 2014 (employee and individual contributions)

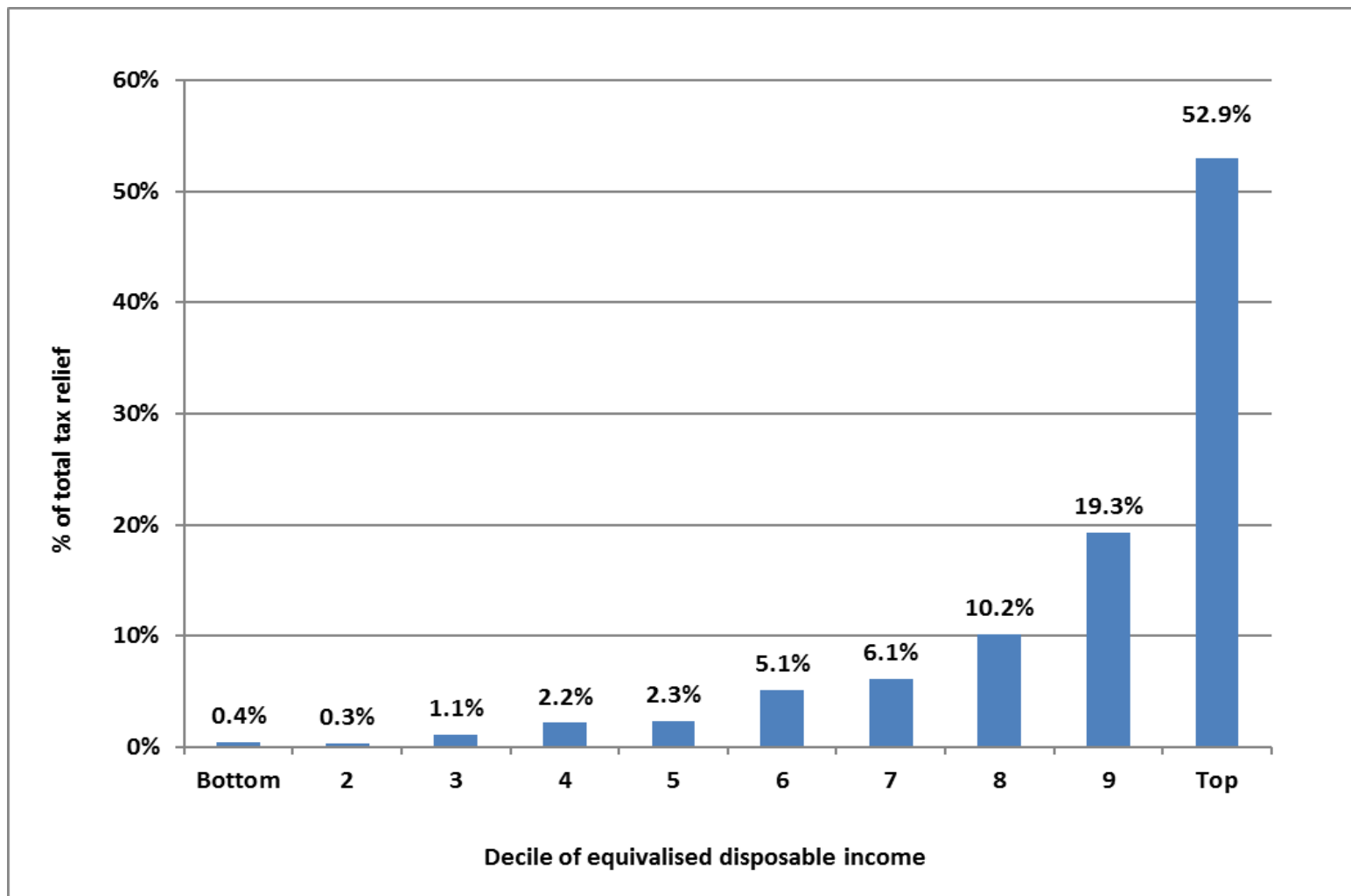
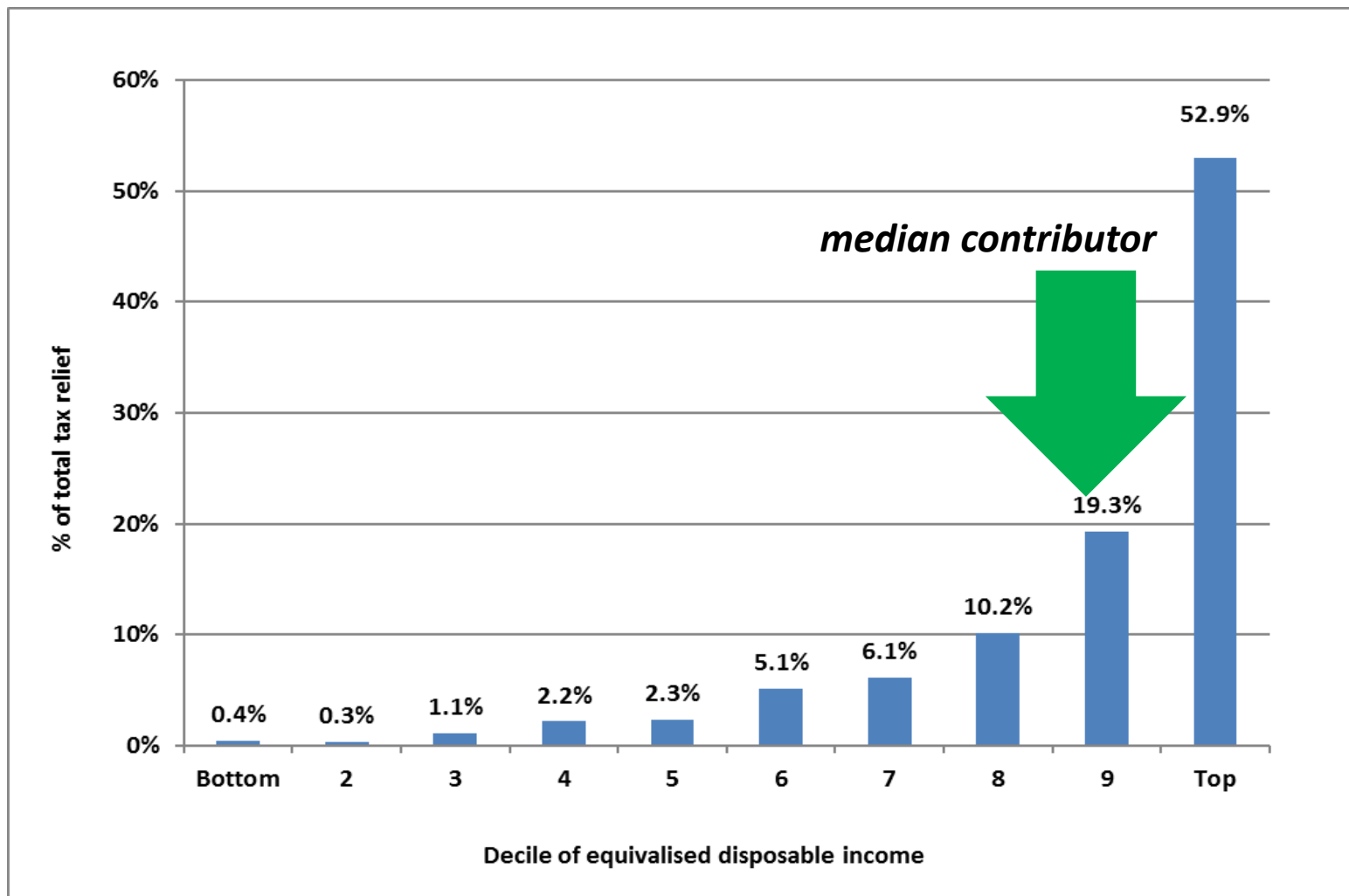



Figure 2: Distribution of tax relief for pension contributions by income deciles, 2014 (employee and individual contributions)



- Questions:
 - Efficiency
 - Effectiveness
 - Gender 

2. This Paper

- The gender pensions gap
 - gets some focus
 - although a relatively new concept (at least formally)
 - 2013 proposal for a measure
- Focus here on two aspects of the gap's emergence
 - the difference in private pension contribution rates by gender
 - the difference in fiscal welfare supports by gender
 - not something we know much about...

3. Research Questions

- i. Is there a gender pensions contribution gap?
- ii. If there is a gap, does it vary by socio-economic characteristic?
- iii. How are current tax supports (fiscal welfare) distributed by gender?
- iv. Is any gap gender specific or does it reflect underlying conditions in the labour market?

4. Data

- Focus on data for Ireland
- Survey on Income and Living Conditions (SILC) 2014

5. Some Findings

Table 1. Pension coverage and participation.

	<i>Overall</i>	<i>Males</i>	<i>Females</i>	<i>Difference</i>
<i>Pension coverage</i>	43.2%	43.0%	43.3%	-0.3%
<i>Active participation</i>	33.6%	35.7%	31.2%	+4.5%

Coverage results are similar to those of Foley et al (2016) for 2014. Active participation captures the proportion of earners making any contribution to a pension during the period examined by the survey.
Source: Author's analysis of 2014 Survey on Income and Living Conditions.

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- See tables in handout

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Table 2. Annual pension contributions as a proportion of earnings.

	<i>Overall</i>
<i>less than 1%</i>	5.6%
<i>1% to 4.99%</i>	26.7%
<i>5% to 9.99%</i>	33.8%
<i>10% to 14.99%</i>	20.9%
<i>15% to 19.99%</i>	6.0%
<i>20% to 29.99%</i>	4.3%
<i>30% plus</i>	2.6%
<i>Mean contribution %</i>	9.3%
<i>Median contribution %</i>	8.0%
<i>Mean contribution €</i>	5,058
<i>Median contribution €</i>	3,340

Earnings equal the combined value of employment and self-employment income.

Source: Collins and Hughes (2017) and author's analysis of 2014 Survey on Income and Living Conditions.

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**Does this
 differ by
 gender?**

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	<i>Overall</i>	<i>Males</i>	<i>Females</i>	<i>Difference</i>
<i>less than 1%</i>	5.6%	4.3%	7.2%	-2.9%
<i>1% to 4.99%</i>	26.7%	27.3%	25.9%	+1.4%
<i>5% to 9.99%</i>	33.8%	32.5%	35.5%	-3.0%
<i>10% to 14.99%</i>	20.9%	22.0%	19.5%	+2.5%
<i>15% to 19.99%</i>	6.0%	6.0%	6.1%	+0.0%
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<i>Mean contribution €</i>	5,058	5,984	3,872	+35%
<i>Median contribution €</i>	3,340	3,840	2,724	+29%

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Table 4. Pension tax relief by gender

	<i>Overall</i>	<i>Males</i>	<i>Females</i>	<i>Difference</i>
<i>Mean value €</i>	1,933	2,295	1,470	36%
<i>Median value €</i>	1,117	1,336	960	28%
<i>Overall value €m</i>	1,175	783	392	392
<i>Overall value %</i>		67%	33%	50%

Modelled tax relief included for employee contributions, employer contributions to employee pensions and exemption of employee BIK relief for employer contributions.

Looking deeper:

- Econometric work
 - Is there is difference in the nominal contribution of workers to pensions
 - isolate effects while controlling for others
 - gender [women contribute more than men]
 - age [no effect]
 - higher tax rate [small + & impact more on males than females]
 - earnings level [men more responsive to increases in earnings]
 - marital status [+ and big effect for males]

6. Conclusions

- Large area of public expenditure
- Bringing a gender lens to it
- A gender-contributions gap:
 - as % earnings = no
 - nominal = yes

pronounced

long-term effect on income adequacy in retirement
- policy tools skewed...fiscal welfare distribution
- structural rather than solely a gender issue



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