

DIVERSITY, EQUITY & INCLUSION IN PENSIONS

INTRODUCTION

Diversity, Equity and Inclusion (DEI) refers to the frameworks that seek to promote fair treatment and full participation of all people, especially groups which have been historically under-represented or subjected to unfair treatment on the basis of identity or disability. This article will look at how the industry has progressed and where it stands currently in matters ensuring Diversity, Equity and Inclusion in the country. It will also review the various reforms that have been made by the pensions stakeholders to improve Diversity, Equity and Inclusion in the pensions industry.

Diversity

Diversity refers to the availability of a wide range of differences and similarities among people in any group. In pensions, diversity refers to the penetration of pension services and opportunities to different individuals at different places.

Equity

Equity refers to the equal availability of opportunities without discrimination. In this context, equity in pensions will refer to the equal availability of pension services and opportunities to individuals.

Inclusion

Inclusion in pensions refers to creating an environment that appreciates everyone despite their diversity.

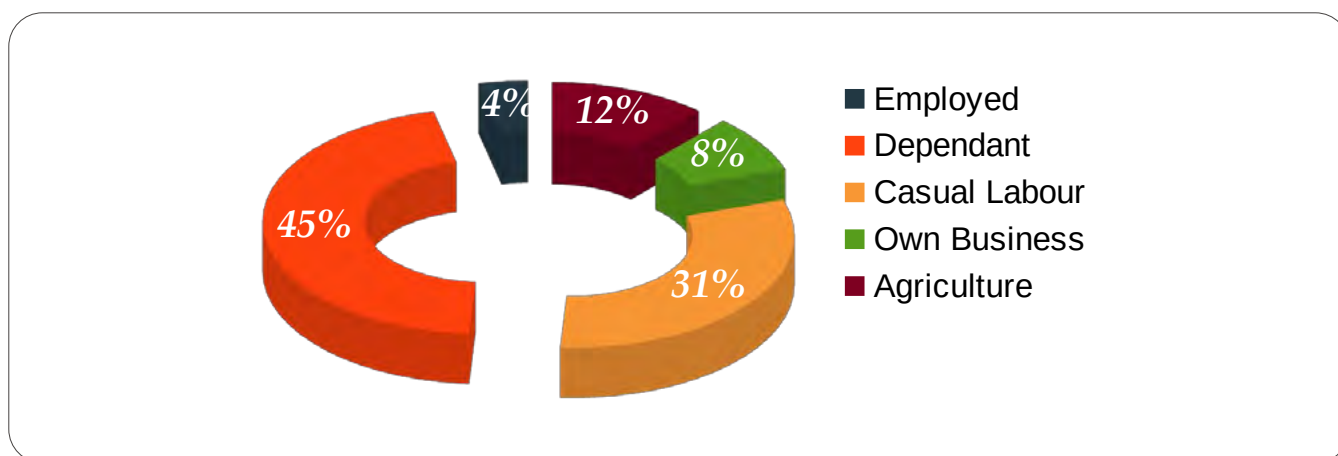
SOCIO-ECONOMIC CHARACTERISTICS OF DEI

Some characteristics of DEI include; source of income, age, gender and settlement (urban/ rural).

Source of income

Source of income remains the major barrier in achieving diversity in pensions in Kenya. While pension uptake among the employed is relatively high, the percentages in the unemployed and self employed classes remains low. A survey conducted by the Central Bank of Kenya (CBK) revealed that only 10.6% of Kenyans have accessed pension services. This highlights the need for development of pension services to include the unemployed and self-employed categories. Other categories that need to be looked into, are those who obtain their income from agriculture and casual labour. According to the findings of the Financial Access Household Survey, a joint survey conducted by the CBK and KNBS, the following chart shows the various sources of income and the distribution under each class.

Source of Livelihood %



This visualization culminates the need to come up with pension products oriented towards the informal sectors like casual labourers and farmers.

Age

Age is also another factor that has been affecting pension uptake. Pensions has been associated to the elderly due to the payment of benefits after retirement age. What is often over-looked is that pension is deeply rooted in early savings. The age at which an individual begins to save for their retirement has a huge effect in the total amount that one will receive in their retirement.

Urban/ rural

Most of the occupational pension schemes are located in the urban centers with employees of government and companies as their target clients. The urban centers offer a large pool of working class individuals concentrated in a smaller geographic location as compared to the rural which makes these areas a lucrative market for pension schemes.

Measures taken to improve the DEI gap in the Kenyan market

What then are some of the measures taken by various stakeholders in improving the Diversity Equity and Inclusion gap in the Kenyan market?

The Regulator

Pensions in Kenya is regulated by the Retirement Benefit Authority (RBA). One of the major changes that RBA made in improving the performance of schemes in Kenya is to shift from the traditional compliance-based supervisory model to a risk-based supervisory model, where pension schemes are ranked based on their size and risk. This has prompted the pension schemes to improve their efficiency in provision of services.

The publishing of regulations on establishment of umbrella schemes and individual pension plans by the regulator helps bridge the DEI gap. The establishment of umbrella schemes allows small and medium-sized enterprises(SMEs) which could not afford to establish their own pension schemes due to high administrative costs to provide retirement benefits to their employees . The establishment of individual pension plans on the other hand allows any person whether in the formal or informal sector to save for retirement. The regulator has also increased product awareness by conducting awareness campaigns and adverts.

The Government

The government has created legal reforms that ensure equality. In chapter 27 of the Kenya's constitution, each individual is equal before the law and they are eligible to equal treatment and opportunities. These reforms guide the employers in giving employment and also in case they need to terminate an employee. They ensure that employers do not discriminate people based on race, community, religion, their sex or any other characteristics.

The government is also working to ensure that every child gets an equal chance to quality education despite their gender or situation. This is being achieved through the government's effort to eliminate obstacles that hinder them from being enrolled to school and their support to programs that encourage equity in the enrollment of children to school.

Employers/sponsors

Employers are becoming more gender balanced in terms of giving employment and in extension employment benefits. The gap between the two genders has been decreasing as employers are hiring based on qualifications and not gender.

Employers have also increased financial literacy classes to assist all their employees in understanding matters pertaining to pensions, investments, and long-term financial planning. Increasing financial awareness enable workers to make wise retirement decisions.

Feedback surveys conducted by employers in organizations are instrumental in stimulating diversity, equity and inclusion. They contribute to the development of a more inclusive and

equitable work environment by offering insightful advice, assisting in decision-making, tracking advancement, and measuring results.

Employees

Employees, through trustees, are involved in the making of the trust deed and rules. Members' opinions may be incorporated on the policies and rules of the schemes to remove biasness. This makes sure that all members, regardless of gender, ethnicity, age, or other characteristics, are treated fairly and have equal access to pension benefits, opportunities, and decision-making procedures by insisting that the trust deed and rules expressly declare so.

Through the Investment Policy Statement and member participation in education days and annual general meetings, employees are involved in making investment choices. Members elect trustees to represent them, who undertake thorough trainings, to ensure they carry out their roles prudently. The investment choices must take into account various risk profiles and align with the beliefs of the members this also includes those choices relating to environmental and social issues. They are allowed to make suggestions and ask questions. Therefore, the best strategies are chosen.

CONCLUSION

The information provided in this report sheds light on the strides made in diversifying the pension sector as well as the ongoing efforts to remove structural barriers that prevent equity and equality for all workers. To maintain the momentum created by these measures, it is important to ensure consistency in the efforts by each stakeholder to avoid a cyclic loop. In addition, it is important for each stakeholder in the pensions industry to practice integrity in their roles in the industry. These will form the small steps that will keep the industry in the journey of achieving a well diversified, equal and inclusive nature. Consequently, the industry will see more uptake of pension services and in extension retirement benefits.

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