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By ,  
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4 April 2022

# The Gender Pension Gap



## Summary

- 1 Introduction
- 2 Recent debate on the gender pension gap
- 3 Causes of the gender pension gap
- 4 Possible responses to cut the gender pension gap

Number

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## Summary

This Briefing Paper is about the gender pension gap. There is no official measure of the gender pension gap, but this is generally understood to refer to the differences in retirement outcomes for men and women. Many approaches to defining the gender pension gap refer to the difference in retirement income of men and women. Although estimates vary, the difference in retirement income between men and women is larger than the gender pay gap. Written evidence from the Trade Union Prospect to the Work and Pensions *Saving for later life* inquiry states that the gender pension gap is: ‘significantly larger than the gender pay gap and applies to a large (and growing) proportion of the female population’.<sup>1</sup> Other analysis of the gender pension gap examines the difference in wealth in retirement.

There has been recent policy interest in steps to reduce a gender pension gap. For example, this is one of the questions asked by the Work and Pensions *Saving for later life* inquiry that was launched in December 2021.

The gender pension gap is much larger for private pensions than state pensions. The literature on the gender pension gap highlights three main causes of this gap.

- Labour market factors. Women are more likely than men to spend time outside the labour market or be in part-time employment to undertake unpaid caring for young children or relatives. This pattern of labour market participation impacts on the gender pension gap in two ways. People do not usually contribute to private pensions in periods outside of the labour market. The greater likelihood of women to be in part-time employment also contributes to a gender pay gap and this gender pay gap then filters through to the gender pensions gap.
- Demographic differences between men and women. Women tend to live longer than men and so are more in need of retirement income and to make savings last longer to avoid poverty in retirement. Another issue concerns the treatment of pensions in divorce proceedings.
- Design of pension systems. One example of this refers to the design of automatic enrolment into a workplace pension in the UK. The design of automatic enrolment widens the gap between lower and higher earners in retirement and disadvantages those in second jobs.

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<sup>1</sup> Prospect, [Written evidence from Prospect \(PS10025\)](#), 2022, at p.7.

Proposed reforms to cut the gender pension gap are directed at each of the different causes of the gender pension gap.

Proposals to address the gender pension gap include the following:

- Provision of affordable childcare for pre-school age children.<sup>2</sup>
- Make pension rights a compulsory part of divorce proceedings.<sup>3</sup>
- Reduce the earnings trigger under automatic enrolment in a workplace pension as more women than men tend to be excluded from this policy by the earnings trigger.<sup>4</sup>

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<sup>2</sup> For example see The People's Pension, [The Gender Pensions Gap. Tackling the Motherhood Penalty](#), 2019; Prospect, [Achieving gender equality in pensions. Prospect's 2021 report on the gender pension gap](#), 2021.

<sup>3</sup> For example, see Pensions and Lifetime Savings Association, [Written evidence from the Pensions and Lifetime Savings Association \(PSL0040\)](#), 2022.

<sup>4</sup> Association of British Insurers, [Written evidence from the Association of British Insurers \(PSL0036\)](#), 2022.

# 1 Introduction

There has been recent Parliamentary and policy interest in the gender pension gap. Unlike the gender pay gap, there is not an official measure of the gender pension gap that is used within public and policy discussions. However, the gender pension gap is generally understood to refer to the differences in retirement outcomes for men and women. Written evidence from the trade union Prospect to the Work and Pensions [Saving for later life](#) inquiry recommends that the Department for Work and Pensions should: ‘consult on an appropriate definition of the gender pension gap and commit to producing official statistics about its level on an annual basis’.<sup>5</sup>

One contrast between different definitions of the gender pension gap is whether they focus on income or wealth in retirement. Prospect says that:

‘In our reports, we have defined the gender pension gap as the percentage difference in average gross pension income for women receiving the state pension compared to the average gross pension income for men receiving the state pension. It is possible to define the gender pension gap differently and this would obviously affect the resulting estimates, but we believe our definition is reasonable and produces results that are consistent with other sources of data on gender inequality in pensions.’<sup>6</sup>

This understanding of the gender pension gap matters because private and state pension income is usually the main source of income in retirement. A gender pension gap means that women face a greater risk of poverty than in retirement as women usually have less pension income than men.<sup>7</sup> A strategy for addressing gender equality 2020-2025 published by the EU declares that:

‘Women and men in all their diversity should have equal opportunities to thrive and be economically independent, be paid equally for their work of equal value, have equal access to finance and receive fair pensions ... Accumulated lifetime gender employment and pay gaps result in an even wider pension gap and consequently older women are more at risk of poverty than men’.<sup>8</sup>

<sup>5</sup> Prospect, [Written evidence from Prospect \(PS1.0025\)](#), 2022, at para 35; Prospect has produced a set of annual reports since 2018 into the gender pension gap. For example, see Prospect, [Achieving gender equality in pensions. Prospect’s 2021 report on the gender pension gap](#), 2021.

<sup>6</sup> Prospect, [Written evidence from Prospect \(PS1.0025\)](#), 2022, at para 34.

<sup>7</sup> D. Dessimorova and M.A. Bustamante, [The gender gap in pensions in the EU](#), European Parliament Briefing, July 2019.

<sup>8</sup> EU, [A Union of Equality: Gender Equality Strategy 2020-2025](#), 2020.



## 1.1

# Measures of the gender pension gap

The trade union Prospect estimates that the gender pension gap in the UK in 2019-20 was 37.9%.<sup>9</sup>

The Organisation for Economic Cooperation and Development (OECD) published a report in 2021 that states that across the OECD, women aged over 65 receive 26% less income from pension systems than men.<sup>10</sup>

The European Commission notes that in 2019, women in the EU aged over 65 received a pension that was on average 29% lower than that of men. But it adds that the gender pension gap has been falling for the past decade as in 2010 the gender pension gap was 34%.<sup>11</sup>

The gender pension gap has also been used to refer to the gap between male and female wealth upon retirement. A Pensions Policy Institute report published in 2019 says that women in their 60s have one third of the private pension wealth of men. Based on data from Wave 5 of the Wealth and Assets Survey, the Pension Policy Institute report states that:

By their 60s, the median women's pension wealth is £51,100, whilst men's pension wealth is near £156,500<sup>1213</sup>

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<sup>9</sup> Prospect, [Achieving gender equality in pensions. Prospect's 2021 report on the gender pension gap](#), 2021.

<sup>10</sup> OECD, [Towards Improved Retirement Savings Outcomes for Women](#), OECD, 2021.

<sup>11</sup> European Commission, [Closing the gender pension gap2](#), 2021.

<sup>12</sup> C. Jethwa, [Understanding the Gender Pensions Gap](#) (PDF), Pensions Policy Institute, 2019, at p.2.

<sup>13</sup> On 22.06.22 we corrected the quote from "By their 60s, the median women's pension is £51,100, whilst the men's pension wealth is near £156,500" to "By their 60s, the median women's pension wealth is £51,100, whilst men's pension wealth is near £156,500"

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## 2 Recent debate on the gender pension gap

### 2.1 Parliamentary interest

Debates about the gender pension gap were held in both the Commons and Lords Chambers in 2021.

On 19 April 2021, Patricia Gibson (North Ayrshire and Arran) secured a debate in the Commons Chamber on the gender pension gap.

Opening the debate, Patricia Gibson stated that:

‘I am delighted to have secured this important debate on the *gender pension gap*, which stands at a shameful 40.3%—more than double the *gender pay gap* of 17.3%.<sup>14</sup> That is truly shocking, and I hope that the debate will both highlight this terrible inequality and perhaps persuade the UK Government to take some fairly straightforward measures to address it if they are truly committed to *pension* justice and equality’.<sup>15</sup>

During the debate David Linden (Glasgow East) noted that:

‘The average woman in her 20s in the UK will have to work almost 40 years longer than her male counterpart to build up the same *pension*. Indeed, a female saver can expect to have £100,000 less in retirement savings thanks to time taken out of the workplace to raise children’.<sup>16</sup>

On 13 July 2021, Baroness Altmann asked a question about the gender pension gap in the Lords Chamber:

‘To ask Her Majesty’s Government what plans they have to narrow the *gender pensions gap*; and what assessment they have made of (1) the under- payments of state pensions to married women, and (2) the reduced private *pension* contributions associated with female work patterns, in the development of those plans’.<sup>17</sup>

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<sup>14</sup> The figures here refer to data for 2018-19. These were the latest figures at the time of the Westminster Hall debate. Since that debate, the figures have been updated but show the same broad pattern. For more recent data, see Prospect, [Achieving gender equality in pensions. Prospect’s 2021 report on the gender pension gap](#), 2021.

<sup>15</sup> [Gender Pension Gap - Hansard - UK Parliament.](#)

<sup>16</sup> [Gender Pension Gap - Hansard - UK Parliament.](#)

<sup>17</sup> [Pensions: Gender Gap - Hansard - UK Parliament.](#)

Baroness Scott of Bybrook responded to this question by stating:

‘This Government recognise the challenge of the *gender pensions gap* resulting from historical differences in labour market participation. Through automatic enrolment and the new state *pension*, we are enabling more women to build up *pension* provisions in their own right, reducing historical inequalities in the pensions system. We are fully committed to addressing the historical state *pension* errors and ensuring that the individuals affected receive the state *pension* they are rightfully due in law.’<sup>18</sup>

The Work and Pensions Committee launched a *Saving for later life* inquiry on 15 December 2021. This inquiry is part of a wider series on *Protecting pension savers – five years on from the pension freedoms*. One of the questions asked in the call for evidence is: ‘Are there measures which the Government should consider to close the gender pension gap’.<sup>19</sup>

## 2.2 Policy interest

The trade union Prospect has published annual reports since 2018 on the gender pension gap. Prospect says that the gender pension gap has been falling slowly over time. It claims that the gender pension gap was 40.7% in 2015-16 and this has fallen to 37.9% in 2019-20. Despite this fall it claims that the:

‘level of the gender pension gap is still too high and as we highlight in this report, several of the main drivers behind the gender pension gap are still unaddressed which means that ultimately, women will continue to have disproportionality lower retirement incomes than men which is unacceptable’.<sup>20</sup>

Scottish Widows have produced a set of annual reports examining women and retirement. Jackie Leiper, Managing Director Workplace Savings Scottish Widows, says in the foreword to the 2021 report that:

‘women could face a £185,000 gap in retirement, as they are on track to save £100,000 less than men while needing £85,000 more for retirement’.<sup>21</sup>

The People’s Pension, which provides workplace pensions for 4 million savers, argues that:

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<sup>18</sup> [Pensions: Gender Gap - Hansard - UK Parliament](#).

<sup>19</sup> Work and Pensions Committee, [Call for evidence, Protecting pension savers – five years on from the pension freedoms: Saving for later life](#), 15 December 2021.

<sup>20</sup> Prospect, [Achieving gender equality in pensions. Prospect’s 2021 report on the gender pension gap](#), 2021, p.3.

<sup>21</sup> Scottish Widows, [2021 Women and Retirement Report](#), 2021, p.4.

‘Reforms to state pension entitlement should largely remove the state pension as a source of future inequality. But other factors: caring responsibilities, the gender pay gap and lower levels of entitlement to workplace pension saving through automatic enrolment may continue to combine to reduce women’s retirement income in the future’.<sup>22</sup>

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<sup>22</sup> The People’s Pension, [The Gender Pensions Gap. Tackling the Motherhood Penalty](#), 2019, p.11.

## 3

## Causes of the gender pension gap

It is important to study the causes of the gender pension gap when considering possible policy responses. An Institute for Fiscal Studies Observation notes that:

‘Increasing attention is being given to the ‘gender pension gap’ – the fact that on average women have lower private pension wealth and lower income in retirement than men. But before rushing to conclusions about how to “fix” this, it is crucial to understand the drivers of any pension differences. This will determine what policy intervention – if indeed, any – may be desirable’.<sup>23</sup>

There is an overlap between the causes of the gender pay gap and the gender pension gap.<sup>24</sup> This concerns the labour market factors considered below. There are also additional factors contributing to the gender pension gap, such as the role of demographic factors.

## 3.1

### Gender inequality and the state pension

The new State Pension was introduced on 6 April 2016 for people reaching State Pension age from that date. People without a National Insurance record before the introduction of the new State Pension would need 35 qualifying years to receive the full amount of the new State Pension when they reached State Pension Age. Qualifying years includes unpaid caring outside of paid employment. The Government estimated that 85% of people reaching State Pension Age in 2020 would have at least 35 qualifying years.<sup>25</sup>

Written evidence submitted to the Work and Pensions *[Saving for later life](#)* inquiry points to ways that gender inequality in the state pension has narrowed since the introduction of the new State Pension:

‘The new State Pension, introduced for those reaching state pension age from 2016, has decreased the gap between state pension incomes of men and women, as women will now get the full State Pension amount if they have 35 qualifying years in their National Insurance record (which will take into account having formal care of children under the age of 12). For example, for the age group of 65 to 69-year-olds, women’s average state

<sup>23</sup> R. Crawford and L. O’Brien, [Understanding the gender pension gap](#), Observation, 11 May 2021.

<sup>24</sup> For information on the gender pay gap see [Commons Library Research Briefing SN07068, The gender pay gap, 20 November 2020](#).

<sup>25</sup> [Commons Library Research Briefing CBR-07414, The new State Pension – transitional issues, 2021](#).

pension in February 2016 (before the introduction of the new State Pension) was 82% of men's average state pension, whereas in November 2020 this ratio was 92%' <sup>26</sup>

## Women Against State Pension Inequality

The Women Against State Pension Inequality (WASPI) group campaigns on the impacts for women born in the 1950s of changes to the State Pension Age.<sup>27</sup> The Pensions Act 1995 provided for the State Pension Age for women to rise from 60 to 65 in the period between April 2010 to 2020. The Pension Act 2011 quickened the pace of the timetable so that it would reach 65 in 2018. The Government's intention was that an equalised State Pension Age would rise to 66 by April 2020.<sup>28</sup>

The WASPI group argues that women born in the 1950s were not given enough notice of rises in the State Pension Age and calls for changes in how the rises in the State Pension Age has been implemented. The Government has stated that it is not revisiting the changes to the State Pension Age.<sup>29</sup>

## 3.2

## Gender inequality and private pensions

Research suggests that differences in private pensions is the main contributor to the gender pension gap.<sup>30</sup> The Women's Budget Group is a campaigning network bringing together academics and policy-makers to promote a gender equal economy. A Women's Budget Group pre-Budget Briefing says that:

'Private pension schemes, promoted and subsidised by UK governments, are the main reason for the gender gap in pensions, placing women at a disadvantage due to their domestic roles and lower pay'.<sup>31</sup>

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<sup>26</sup> Institute for Fiscal Studies, [Written evidence from the Institute for Fiscal Studies \(PS10034\)](#), 2022, at p.13.

<sup>27</sup> Women Against State Pension Inequality, [About the WASPI Campaign](#).

<sup>28</sup> [Commons Library Research Briefing CBP-7405, Increases in the State Pension age for women born in the 1950s, 2021](#).

<sup>29</sup> For more details on the WASPI campaign and Government responses see [Commons Library Research Briefing CBP-7405, Increases in the State Pension age for women born in the 1950s, 2021](#).

<sup>30</sup> [Commons Library Research Briefing CBP-7286, Women and pensions, 06 November 2018](#).

<sup>31</sup> J. Ginn and J. Lowe, [Pensions and Gender](#), Women's Budget Group, 2021, at p.1, bold and italics in original.

## 3.3

## Labour market factors

## Unpaid care work

The biggest source of the gender pension gap is that women spend more time than men outside of paid employment doing unpaid caring, for example in looking after young children or taking care of elderly relatives.<sup>32</sup> Unpaid caring is also an important factor contributing to the gender pay gap.<sup>33</sup> The People's Pension dubs the impact of caring for young children on pensions the 'motherhood penalty'.<sup>34</sup>

Chetan Jethwa wrote a report for the Pensions Policy Institute on the gender pension gap and states that:

'Women taking time away from work, generally to look after family, is the biggest factor in the women's pension gap. Women are more likely to take breaks in their career paths to raise children or care for relatives'.<sup>35</sup>

Women's Budget Group analysis for a Commission on a Gender Equal Economy in 2020 says that:

'At the heart of gender inequality in the UK is the unequal division of unpaid work between men and women. On average, women carry out 60% more unpaid work than men. Women spend around twice as much time on unpaid cooking, childcare and housework than men, with transport (driving self and others) being the only area where men do more unpaid work than women'.<sup>36</sup>

## Part-time employment

The intensity of employment is also important for pension outcomes. Women are more likely than men to work in part-time paid employment to fit round caring responsibilities.<sup>37</sup>

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<sup>32</sup> C. Jethwa, [Understanding the Gender Pensions Gap](#), Pensions Policy Institute, 2019; E. Halvorsen and A.W. Pedersen, '[Closing the gender gap in pensions: A microsimulation analysis of the Norwegian NDC pension system](#)', *Journal of European Social Policy*, 29(1), pp. 130-143.

<sup>33</sup> [Commons Library Research Briefing SN07068, The gender pay gap, 20 November 2020.](#)

<sup>34</sup> The People's Pension, [The Gender Pensions Gap. Tackling the Motherhood Penalty](#), 2019.

<sup>35</sup> C. Jethwa, [Understanding the Gender Pensions Gap](#), Pensions Policy Institute, 2019, at p.1.

<sup>36</sup> E. Neizert, [Spirals of Inequality. How unpaid care is at the heart of gender inequalities](#), Women's Budget Group, 2020, at p.1.

<sup>37</sup> D. Dessimorova and M.A. Bustamante, [The gender gap in pensions in the EU](#), European Parliament Briefing, July 2019.

Data from the Office for National Statistics [UK Labour Market bulletin](#) shows that in 2020, 38% of women in employment were working part-time. This compares to around 13% for men.<sup>38</sup>

## Gender pay gap

An Institute for Fiscal Studies Observation on the gender pension gap highlights the importance of a gender pay gap:

‘There are three main potential drivers of a difference in private pension wealth or income between men and women:

- Different labour market experiences: the ‘gender pay gap’, or differing lengths of working life among men and women;
- Different saving rates: men and women may differ in how likely they are to be offered a pension in their job, or tend to work for employers that contribute more or less to a pension, or tend to make different contributions themselves;
- Different investment strategies (in the case of defined contribution pensions): men or women may choose to invest in portfolios with a higher expected rate of return’.<sup>39</sup>

The Office for National Statistics defines the gender pay gap as the difference between average hourly earnings (excluding overtime) of men and women as a proportion of the average hourly earnings (excluding overtime) of men.<sup>40</sup>

The Office for National Statistics reports that the gender pay gap in April 2021 was 7.9%.<sup>41</sup>

The trade union Prospect says that the gender pension gap is over double the gender pay gap. It states that in 2019-2020 the gender pension gap is 37.9% and its estimate of the gender pay gap is 15.5%.<sup>42</sup>

The gender pay gap compares only the pay women and men receive when they are in employment. When people are not employed they rarely contribute to a private pension. The greater gaps in employment for women will therefore have an additional impact on the gender pension gap which will not be apparent in the gender pay gap.

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<sup>38</sup> For more information see also [Commons Library Research Briefing SN06838, Women and the economy, Q2 March 2021](#).

<sup>39</sup> R. Crawford and L. O’Brien, [Understanding the gender pension gap](#), Observation, 11 May 2021.

<sup>40</sup> [Commons Library Research Briefing SN07068, The gender pay gap, 20 November 2020](#).

<sup>41</sup> Office for National Statistics, [Gender pay gap in the UK: 2021](#), 2021.

<sup>42</sup> Prospect, [Achieving gender equality in pensions. Prospect’s 2021 report on the gender pension gap, 2021](#).



## 3.4

## Demographic differences between women and men

### Life expectancy

On average, women have a longer life expectancy than men. The Office for National Statistics records that life expectancy at age 65 was 18.5 years for men and 21 years for women. Life expectancy at birth between 2018 to 2020 was 79 years for men and 82.9 years for women.<sup>43</sup>

The longer life expectancy of women mean that they have to finance a longer retirement. A Scottish Widows report on gender inequality estimates that this could cost women £50,000 extra or that they stay in paid work for longer.<sup>44</sup>

### Heterosexual couples

Within heterosexual couples, women are on average younger than their male spouses.<sup>45</sup> Office for National Statistics figures state that in 2018 the average age of marriage in England and Wales was 38.1 years for men and 35.8 years for women.<sup>46</sup> A Scottish Widows report says that:

‘As women live longer and are also two years younger than their spouses on average, many of them will outlive their partners - two million women over 65 are widowed’.<sup>47</sup>

The Scottish Widows report says that women are more likely than men to rely on their partner’s income in retirement and so once their partner dies their retirement income is lower than what it would have been as a couple. The report states that:

‘We know that women are more likely to rely on their partner’s income. In such cases, there is a clear risk to a woman’s financial position in later retirement should their partner have purchased a single life annuity and die before them.’<sup>48</sup>

### Divorce

Pension assets are not a compulsory part of divorce proceedings. A Scottish Widows report highlights the impact of this upon women:

<sup>43</sup> Office for National Statistics, [National life tables – life expectancy in the UK: 2018 to 2020](#), 2021.

<sup>44</sup> Scottish Widows, [2021 Women and Retirement Report](#), 2021.

<sup>45</sup> E. Halvorsen and A.W. Pedersen, ‘Closing the gender gap in pensions: A microsimulation analysis of the Norwegian NDC pension system’, *Journal of European Social Policy*, 29(1), pp. 130-143; Scottish Widows, [2021 Women and Retirement Report](#), 2021.

<sup>46</sup> Office for National Statistics, [Marriages in England and Wales, 2018](#), 2021.

<sup>47</sup> Scottish Widows, [2021 Women and Retirement Report](#), 2021, at p.11.

<sup>48</sup> Scottish Widows, [2021 Women and Retirement Report](#), 2021, at p.23.

‘divorce may also mean that women lose access to their partner’s pension wealth, as pension assets are not automatically taken into consideration and they are often ignored’.<sup>49</sup>

In July 2019, the Pension Advisory Group published a guide for professionals in England and Wales for the treatment of pensions upon divorce. The Pension Advisory Group claims that there is a lack of understanding among practitioners on how to treat pensions during divorce proceedings. It argued that this shortfall in knowledge matters because after property, pensions are often the largest asset in divorce proceedings. The guide aims to help professionals address this gap in understanding.<sup>50</sup> A House of Commons Library Briefing Paper on *Pension Sharing on Divorce* outlines current arrangements.<sup>51</sup>

## 3.5 Pension systems

The literature on the gender pension gap also suggests that the design of pension systems can have an impact on the gender pension gap.<sup>52</sup>

### Tax relief

Commentators have said that the provision of tax relief to support private pension saving disproportionately benefits men as this tends to benefit higher earners who are mostly men.<sup>53</sup>

Analysis by the Pensions Policy Institute suggests that in 2017-18 in the UK, income tax relief on defined contribution pension contributions was over £30 billion and that 71% of tax relief goes to men. It states that:

‘This gender divide is primarily driven by the different employment patterns and earnings levels which are correlated to gender. Women are more likely to take time away from work or work part-time, primarily to care for their family. Up to 20% of women in their 30s are looking after the family or the home rather than participating in the labour market, and by extension workplace pensions, with potentially long-term implications for their pay and employment prospects. As a result men will, on average, accrue a larger amount of pension saving through higher lifetime

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<sup>49</sup> Scottish Widows, [2021 Women and Retirement Report](#), 2021, at p.21.

<sup>50</sup> The Pension Advisory Group, [A Guide to the Treatment of Pensions on Divorce. The Report of the Pension Advisory Group](#), July 2019. See also Chartered Insurance Institute, [Solving Women’s pension deficit to improve retirement outcomes for all](#), 2018.

<sup>51</sup> [Commons Library Research Briefing SN00430. Pension sharing on divorce, 27 November 2020.](#)

<sup>52</sup> I.D. Fabian, E.D. Carpio, B.E. Goenechea and R.M. Gaya, ‘[The minimum pension and its effect on the gender gap in retirement pensions in Spain](#)’, *Journal of Gender Studies*, 2021 (early access).

<sup>53</sup> T. Pike, [Tax relief on Defined Contribution pension contributions](#), Pensions Policy Institute Briefing Note Number 122, 2020; M.L. Collins, ‘[Private Pensions and the Gender Distribution of Fiscal Welfare](#)’, *Social Policy and Society*, 19(3), 2020, pp. 500-516;

earnings and less time away from working, (hence benefitting more from tax relief)'.<sup>54</sup>

## Automatic enrolment into a workplace pension

From October 2012, the Government began to introduce the automatic enrolment into a workplace pension. Those workers eligible for automatic enrolment included:

- Those people not already a member of a workplace pension
- Aged between 22 and the State Pension Age
- Earn more than an earnings trigger, which has been £10,000 since 2015/16.<sup>55</sup>

These reforms were rolled out among employers between October 2012 and February 2018. The minimum contribution rates were also phased in and from April 2019 were fully introduced (4% employee, 1% tax relief and 3% employer).

Written evidence to the Work and Pensions Committee's *Saving for later life* inquiry from the Institute for Fiscal Studies suggests that automatic enrolment may contribute to lessening gender inequality in the future. Automatic enrolment may have this impact because of its impact upon the savings behaviour of both men and women. The written evidence notes that women's participation within pension saving has increased since the introduction of automatic enrolment in 2012. It states that:

'Women are now slightly less likely to be in a pension at all ages than men, but the level of participation among both is considerably higher than before Automatic Enrolment. Thus, Automatic Enrolment has already fundamentally changed the nature of the gender gap in pension participation going forwards. Simply comparing the private pension income of men and women today will therefore not give a reliable picture of how the gender pension gap may look for today's working generations'.<sup>56</sup>

This written evidence reports that in 2012 at age 58 just under 40% of women were in a workplace pension as compared with just under 50% of men. In 2019, the corresponding figures for this age cohort were that around 75% of women were in a workplace pension compared with about 80% of men. The written evidence continues that up to about age 35 the average saving rates of male and female employees were similar but then they diverged after that.

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<sup>54</sup> T. Pike, [Tax relief on Defined Contribution pension contributions](#), Pensions Policy Institute Briefing Note Number 122, 2020 at p. 5.

<sup>55</sup> [Commons Library Research Briefing SN06417, Pensions: Automatic enrolment – current issues, 25 February 2021.](#)

<sup>56</sup> Institute for Fiscal Studies, [Written evidence from the Institute for Fiscal Studies \(PS10034\)](#), 2022, at p.13.

The Institute for Fiscal Studies is conducting research which is exploring this change in savings behaviour.

Other research points to ways in which women are more likely than men to be excluded from participating in automatic enrolment. This is because women are more likely than men to earn below the earnings trigger for automatic enrolment. Women are also more likely to have multiple jobs that exclude them from taking part in automatic enrolment. Written evidence from the Association of British Insurers to the Work and Pensions Committee's *Saving for later life* inquiry states that:

‘While the introduction of AE in 2012 enabled more women to save into a pension, its eligibility criteria can exclude women who are low earners and multiple job holders. Women disproportionately work in lower paid jobs; 75% of those earning under the £10,000 AE earning trigger are women. They also make up the majority of multiple job holders, as much as 64%. This is significant as their total income could be over the AE earnings trigger, but as it is divided across multiple jobs they will not be automatically enrolled into a pension.’<sup>57</sup>

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<sup>57</sup> Association of British Insurers, [Written evidence from the Association of British Insurers \(PSL0036\)](#), 2022, at paragraph 35.

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## 4 Possible responses to cut the gender pension gap

### 4.1 Labour market policies

#### Childcare

One common proposal is to provide affordable and accessible care services to support women in full-time employment. For example, the People's Pension calls for the following:<sup>58</sup>

- A grant to local authorities to cover the real costs of 30 hours per week free childcare for all 3 and 4 year olds
- Provide flat rate tax relief on childcare costs for children under 2 years old

Similarly, the trade union Prospect calls for:

‘Measures that make affordable childcare more widely available so that people who want to return to work can do so’<sup>59</sup>

### 4.2 Divorce

The Pensions and Lifetime Savings Association (PLSA) submitted written evidence to the Work and Pensions Committee’s *Saving for later life* inquiry that called for pension rights to be considered as a compulsory part of divorce proceedings:

‘The government should consider changing the law to ensure that pensions rights are considered on a mandatory basis as part of divorce. Currently pensions may only be considered if there is a financial settlement considered by the courts. The process of pension sharing on divorce could also be better streamlined to remove friction and delay for all parties.’<sup>60</sup>

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<sup>58</sup> The People's Pension, [The Gender Pensions Gap. Tackling the Motherhood Penalty](#), 2019.

<sup>59</sup> Prospect, [Achieving gender equality in pensions. Prospect's 2021 report on the gender pension gap](#), 2021, at p 4. See also A. Ali, D. Knox and Y. Sonsino, [How to fix the gender pension gap](#), World Economic Forum, 2021.

<sup>60</sup> Pensions and Lifetime Savings Association, [Written evidence from the Pensions and Lifetime Savings Association \(PSL0040\)](#), 2022, at paragraph 83.

Written evidence from the Association of British Insurers to the Work and Pensions *Saving for later life* inquiry stated:

‘pension assets on divorce are often overlooked, even when a women may be entitled to share these. The ABI supports pensions sharing orders becoming the default way to share the household’s pension wealth which means pension assets are automatically shared unless there are reasons not to split the assets that way. Equally, we would support further reviews of the financial rights available to cohabitating couples upon separation.’<sup>61</sup>

## 4.3 Pension systems

### Automatic enrolment

The People’s Pension recommends cutting the earnings trigger for automatic enrolment. It suggests cutting the earnings trigger to the primary National Insurance threshold. It says that this would bring in 500,000 new savers, three quarters of whom would be women.<sup>62</sup>

Written evidence from the trade union Prospect to the Work and Pension’s *Saving for later life* inquiry claims that to reduce discrimination that women face within automatic enrolment that:

‘The Committee should recommend that DWP [Department for Work and Pensions] reduce the level of the earnings trigger under automatic enrolment to the National Insurance Contributions Lower Earnings Limit while contributions are required to be paid from the first pound earned’.<sup>63</sup>

### Statutory reporting of the gender pension gap

The trade union Prospect argues that Government ought to report on the gender pension gap as part of its duties under the Equality Act 2010. Written evidence from Prospect to the Work and Pensions *Saving for later life* inquiry states that:

‘The Committee should recommend that the Government Equalities Office require the DWP to produce official statistics about the size of the gender pension gap and adopt this measure for monitoring progress. Once better indicators are available, the Government Equalities Office should

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<sup>61</sup> Association of British Insurers, [Written evidence from the Association of British Insurers \(PSI0036\)](#), 2022, at paragraph 36.

<sup>62</sup> The People’s Pension, [The Gender Pensions Gap. Tackling the Motherhood Penalty](#), 2019.

<sup>63</sup> Prospect, [Written evidence from Prospect \(PSI0025\)](#), 2022, at p.12.

reassess the scale of actions necessary to achieve gender equality in retirement incomes'.<sup>64</sup>

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<sup>64</sup> Prospect, [Written evidence from Prospect \(PS10025\)](#), 2022, at p.9.

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