**Summary**
- The gender pensions gap has been driven by a number of underlying issues, particularly around the division of domestic labour and the gender pay gap.
- The pandemic has exacerbated many of these underlying inequalities, although there are policy reforms that could help support savers currently 'locked out' of auto-enrolment.
- The solution cannot be addressed only within the pensions space and will take a collective effort from individuals, companies, and providers.

# Bridging the gap

**The gender pensions gap remains a concern, with the pandemic exacerbating underlying issues and calls for policy changes growing. Sophie Smith reports**

The recent celebration of International Women's Day has once again brought with it an onslaught of fresh insights and research into the gender pay and pensions gaps. Research from HSBC, for instance, revealed that more than half (56 per cent) of women over 35 have saved less than £1,000 for retirement, and one in four women over the age of 35 have yet to save anything towards retirement.

But calls to tackle the gender pensions gap have been growing for some time, with PensionBee CEO, Romi Savova, arguing that "for too long the onus has been put on women to close the gender pension gap by changing their behaviour which is not fair or effective".

## Mind the gap

Research from PensionBee estimates that there is an average gender pensions gap of 38 per cent in the UK, increasing to almost 60 per cent in some parts of the UK, driven by the gender pay gap and an unequal number of annual paid workers.

However, Pensions Policy Institute (PPI) senior policy researcher, Lauren Wilkinson, warns that not only are women saving less than men on average, they're also likely to need a higher amount of pension wealth in order to achieve the same retirement living standards as men due to higher life expectancies among women.

"Women generally live an average of 3.7 years longer than men," she says. "To draw the same pension income throughout their retirement, women would need to have saved around 5-7 per cent more than men by retirement age to allow for living longer." And pension policy is seemingly failing to narrow the gap, as Wilkinson points out that around 23 per cent of employed women do not meet the qualifying criteria for auto-enrolment (AE), compared to 12 per cent of male workers.

Whilst there are a range of factors underlying this, Wilkinson suggests these focus primarily around labour market inequalities that are heavily linked to gendered divisions of domestic labour.

"Women are less likely to be in paid work than men," she explains, "with an employment rate of 73 per cent compared to 82 per cent among men; they are more likely to work part time – 33 per cent compared to 9 per cent of male workers; and women's average annual earnings are equivalent to around 68 per cent of men's average annual earnings."

And the impact of working part time can be unexpectedly detrimental to pension saving. Aviva director of workplace savings & retirement, Emma Douglas, explains that whilst a person reducing their full-time working hours to three days a week might expect pension contributions to reduce by 40 per cent, the impact can be greater because of AE thresholds.

## A broken system?

"A person earning £30,000 opting to reduce their hours by 40 per cent would see their pay reduce by 40 per cent," she continues. "However, because of the lower qualifying earnings threshold (LET) under AE, their pension contributions would reduce to around 50 per cent of their full-time value. A worker earning £20,000 would see their pension contributions reduce by over 58 per cent.

"So, although the gender pay gap does drive the gender pensions gap, it is women's working patterns that have the biggest impact leading to lower pension pots at retirement."

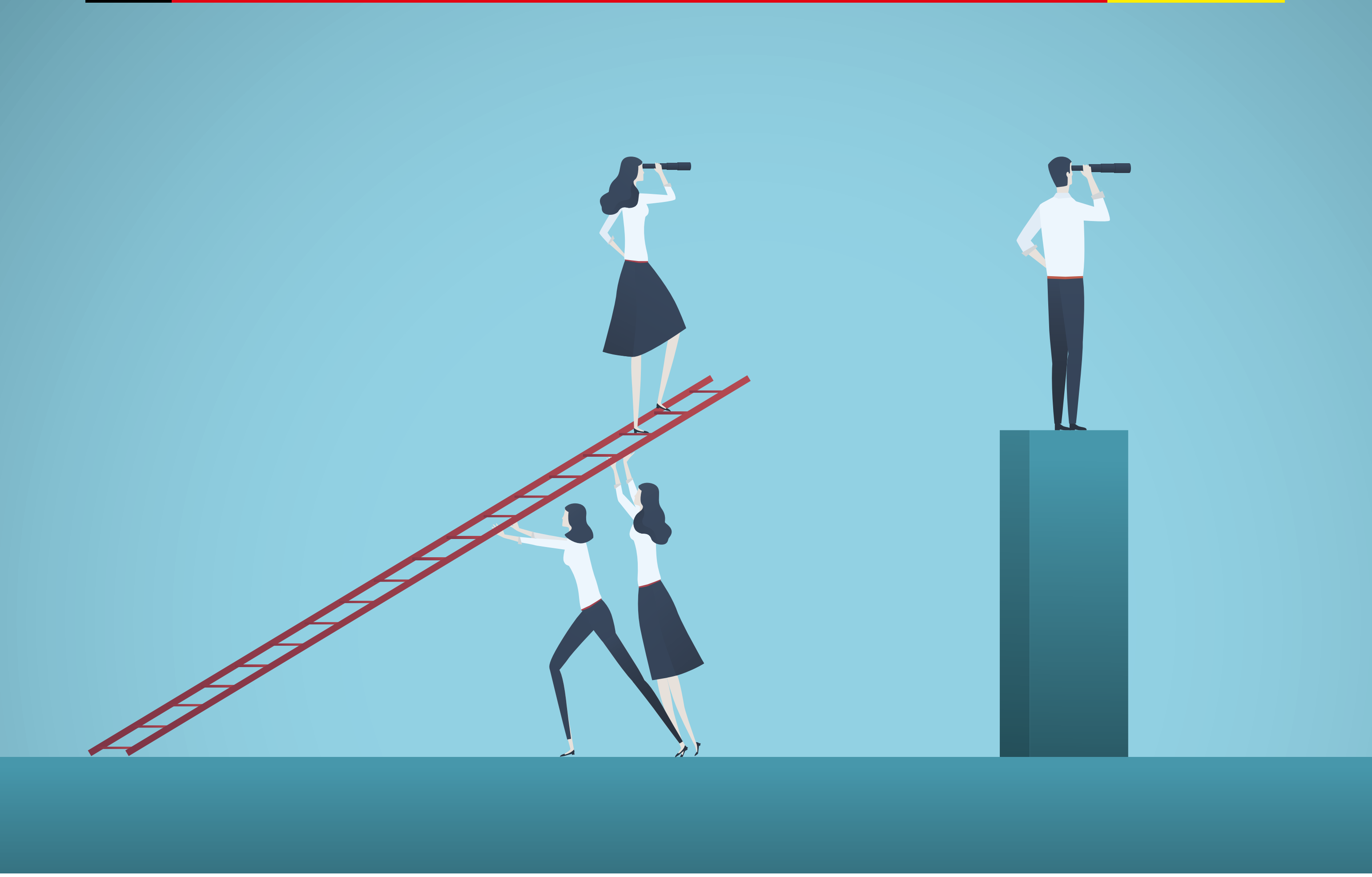
In light of this, Douglas argues that removing the LET has the potential for the biggest impact on closing the gender pension gap, as it would mean

**What gets measured gets managed?**

How wide the gender pensions gap actually is is hard to pin down, as Aviva director of workplace savings & retirement, Emma Douglas, explains that it is difficult to accurately gauge how big an issue the gender pension gap is because there are widely varying ways in the which it is measured.

"Estimates suggest that the gap could be as high as 35 per cent to 40 per cent. It would be useful to have a single methodology that measures the gender pension gap – like that prescribed by the Office for National Statistics for the gender pay gap."

"What we do know is the amount paid in contributions has a big impact on what is received at retirement," she adds, "and the difference between men and women's contribution rates is stark."



women in a pension scheme would get a contribution from the first pound earned and would not require further legislation.

"Abolishing the lower qualifying earnings threshold would increase pensionable pay by up to £6,240 per year and total pension contributions by £9.60 per week for everyone who earns more than £6,240 a year," she says. "This could mean up to an extra £115,700 in pension pots at retirement."

This is not the only area of AE policy under scrutiny, however, as analysis from PPI has revealed that around 77 per cent of workers who do not meet the qualifying criteria are locked out because they earn below the £10,000 earnings trigger, with women disproportionately represented in this group due to the flexibility part-time jobs can provide.

Yet analysis from the PPI suggested that if the income from both first and second jobs were considered when assessing eligibility, a further 80,000 people, 60,000 of them women, would earn enough to meet the qualifying criteria. Removing the £10,000 earnings threshold altogether, meanwhile, could increase eligibility by around 14 per cent.

Reducing the minimum age requirement for AE could also help narrow the gender gap, according to Savova, who says: "By automatically enrolling all workers at age 18 and reducing the earnings threshold from £10,000, the government could play an instrumental role in helping women to start saving from the beginning of their working life, and in roles where they tend to be lower earners, to build a more robust personal safety net in retirement."

**Committed to change**

The government has repeatedly committed to implementing a number of AE reforms, including the removal of the lower earnings threshold and lowering the minimum age, as recommended by the *2017 AE Review,* pledging to a 'mid-2020s' timeline.

Speaking to *Pensions Age*, a Department for Work and Pensions spokesperson says: "AE has helped millions more women save into a pension, with participation among eligible women in the private sector rising from 40 per cent in 2012 to 86 per cent in 2020 – equal to that of men.

"Our plans to remove the lower earnings limit for contributions and to reduce the eligible age of being automatically enrolled to 18 in the mid-2020s will enable even more women to save more and start saving earlier."

**Growing pressure**

However, Douglas warns that the "clock is ticking", stressing that the longer it takes for action, the less there will be in the pension pots of part-time working women.

"There is never a 'perfect time' to

increase pension contributions, but a phased approach should help to ease any sudden financial impact on employers and employees", she argues.

And changes to AE could be more urgent than before, with recent research from Now Pensions suggesting that the barriers facing women, particularly in relation to AE, are worsening.

The analysis found that over half (58 per cent) of single mothers are ineligible for AE, up from 45 per cent in 2020, with Now Pensions head of PR and campaigns, Samantha Gould, warning that single mothers are one of the worst hit groups amongst the three million women locked out of workplace pension saving.

"The reason that single mothers are so badly impacted is that, unlike coupled households, single parents need to act simultaneously as the sole earners and the sole carers in the household; so they're not able to shift-parent," Gould explains. "As a result, single mothers are more than twice as likely than the average person to work part time, a whopping 58 per cent compared to the national average of 21 per cent."

The pandemic has further exacerbated issues, with the analysis revealing that the average pension wealth for single mothers has dropped by 40 per cent since the start of the pandemic to just £11,000.

Yet, according to Gould, the removal of the earnings trigger could bring an additional 200,000 single mothers into workplace pension saving and improve their income in retirement by as much as 140 per cent.

**Everyone's problem to solve**

However, it may fall to the industry and individuals to take action in the meantime, as Douglas emphasises that "solutions are far from exhaustive, and they don't lie in the hands of individuals, schemes, employers, or government alone – they sit with everyone".

"The gender pension gap is everyone's problem to solve," she says. "And if we are to make significant progress each needs to play their part."

In particular, Douglas suggests that providers could help women understand the implications that part-time working has for their pension pots, acknowledging that this is unlikely to be the first thing that springs to mind when starting a family. In addition to this, she emphasises the need to make sure that women understand the value of claiming child benefit – even if you pay it back – in order to get state pension credits, and the importance of sharing the pension on divorce as well as the physical assets.

"Employers have a role in encouraging a family-friendly culture, which is essential to avoid carers being held back," she adds. "The rise of remote working in a post pandemic world is an opportunity to help encourage a more flexible work-life balance for all parents."

Indeed, modelling by PensionBee has suggested that if men and women were to work the same hours at equal pay, with both working fewer hours to share childcare responsibilities during a child's early years before returning to full-time work, the gender pension gap could be eliminated.

However, she acknowledges that "currently, there is a lack of transparency around the parental support offered by major employers making it a difficult area for employees to navigate".

"By mandating that employers offer clear, supportive, gender-inclusive paid parental leave packages," Savova says, "employers can help employees share responsibilities from the very beginning of their roles as parents."

Adding to this, Wilkinson suggests that policies targeted at those not currently in paid work could play a significant role in reducing the gap.

"For example, a family carer top-up (such as a benefit paid as pension contributions based upon AE minimums on National Living Wage) could help to reduce the impact for women who miss out on pension accrual due to time spent out of the labour market looking after dependent children," she suggests. "However, this would be a costly policy to deliver in practice."

The financial services industry may also need to challenge expectations, as Savova calls for a shift away from the 'women have a lower risk appetite' narrative, urging the industry to instead consider the ways it may be an active participant in the suppression of women by not offering financial products that are tailored to their needs.

"Whether it's house prices that are out of reach for the average woman's salary, or pension guidance that doesn't account for career gaps, the financial services industry must work towards creating inclusive products," Savova emphasises.

**Written by Sophie Smith**