

Communicating the gender pensions gap

✔ **Stella Beale considers the reasons for the gender pensions income gap and how policymakers and the industry can better engage with women to encourage retirement saving**

The gender pensions income gap is twice as big as the gender pay gap. At 39.5 per cent¹, it's bigger than the 18.4 per cent² disparity between male and female pay.

The problem is many women don't know about this until it hits them in retirement. No-one tells them³.

According to our analysis the gender pension income gap is caused by four things.

The first, most significant contributor, is women tend to take career breaks to care for children. Childcare in the UK is expensive – more than anywhere else in Europe⁴. So, many women in the UK can't afford to go back to work.

The second reason is that they're also paid less on average. The gender pay gap feeds into pension contributions – and income in retirement.

Thirdly, too few women are in auto-enrolled pensions. They only make up a third⁵ of eligible job holders. That's because many either have multiple lower paid jobs, each individually paying less than £10,000 a year, or earn below this minimum and so are not automatically enrolled into a qualifying pension scheme.

Lastly, a significant number of low paid workers miss out on much needed

tax relief on their workplace pensions due to the way their employer claims the relief – this is the well-publicised net pay anomaly, which affects up to 1.75 million people⁶, most of them women. The People's Pension has long called for this fault to be fixed.

The wider problem is compounded by the fact that all savers in general tend to have very little awareness of whether they'll have enough money to last through their retirement. Our research shows that financial planning for retirement is left very late – if it's done at all⁷.

Our recently published *New Choices, Big Decision*⁷ report recommends that the pension industry (ourselves included) could do more to engage with women in their mid-40s and beyond who work part time.

We believe that providers are best placed to ensure that women have the right information available to support making their own informed decisions. Taking on an extra two days a week may ultimately boost their pension pot and this could benefit them greatly in the long run.

But better engagement can't solve these problems alone. We need the government to do more. First, they can support women who might want



to return to their roles or work more hours once they have children, by awarding more generous grants for local authorities to fund pre-school childcare provision.

Second, they could abolish the net pay anomaly, to help those 1.75 million low earners receive much-needed tax relief they currently miss out on.

Third, cutting the auto-enrolment earnings trigger to £6,240 a year would bring 1.3 million new savers⁸ into workplace pensions – three-quarters of whom are women. It would be reasonable for the government to wait until the recovery is complete before this is introduced.

Fourth, they could extend the existing system of state pension carer credits to auto-enrolment. This would also act to reduce the gender pensions gap in auto-enrolment savings.

The gender pensions gap will only be bridged if decisive action is taken by both policy makers and the industry.

For further information and to read our full report go to www.thepeoplespension.co.uk/new-choices-big-decisions/PA-1 or call us on 0333 230 1310.



✔ **Written by The People's Pension group director of marketing, Stella Beale**

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¹ https://library.prospect.org.uk/documents/201801522_tackling_the_gender_pension_gap (page 4)

² https://library.prospect.org.uk/documents/201801522_tackling_the_gender_pension_gap (page 9)

³ <https://thepeoplespension.co.uk/wp-content/uploads/New-choices-big-decisions-5-years-on.pdf>

⁴ https://ec.europa.eu/info/sites/info/files/european-semester_thematic-factsheet_labour-force-participation-women_en.pdf

⁵ https://thepeoplespension.co.uk/wp-content/uploads/Media_gender-pensions-gap_media-brief_20200915_vf.pdf

⁶ https://thepeoplespension.co.uk/wp-content/uploads/Media_gender-pensions-gap_media-brief_20200915_vf.pdf

⁷ <https://thepeoplespension.co.uk/wp-content/uploads/New-choices-big-decisions-5-years-on.pdf>

⁸ https://thepeoplespension.co.uk/wp-content/uploads/Media_gender-pensions-gap_media-brief_20200915_vf.pdf