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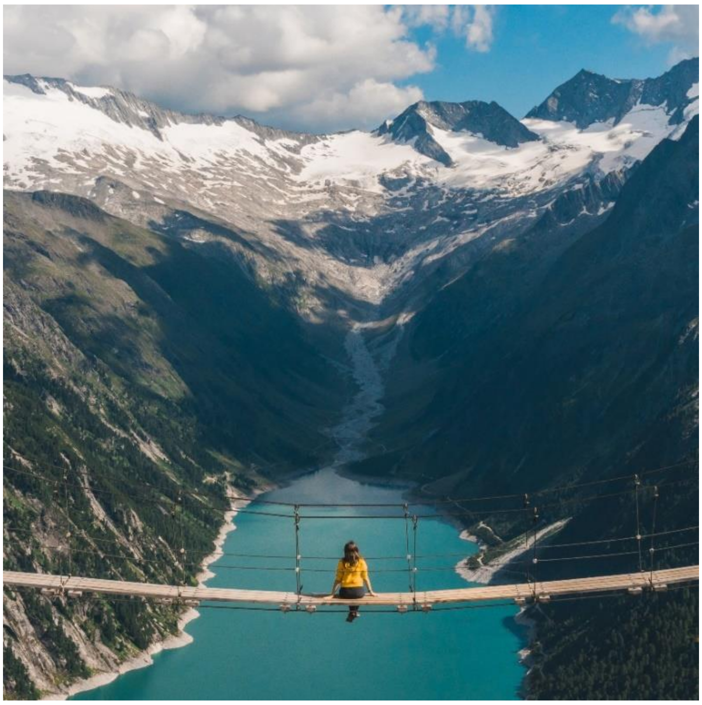
The Gender Pension Gap - How did we get here, and where are we going?

September 2023



Contents

Executive Summary

For many years, research reports have highlighted the big differences in pension outcomes between men and women[1]. Although these gaps have been reduced to some extent, persistent inequalities remain. Key causes of the gender pension gap identified in the literature include:

- The gender pay gap, which often translates directly into unequal pensions.
- The 'caregiver penalty', where the much greater number of women taking on caring responsibilities, alongside the particularly high cost of paying for formal care, has a negative effect on their relative pension position.
- The 'longevity penalty', especially in a Defined Contribution (DC) world, where women typically need a larger pension pot than men because it has to support them over a longer time period.
- Relationship breakdown, where uneven pension accruals during a relationship are not fully equalised following divorce or the end of a long period of cohabitation.
- Differences in the impact of the rules on automatic enrolment mean that, amongst employees, women are more likely to be excluded than men.
- Differences in financial confidence, with surveys often showing lower levels of confidence amongst women when it comes to investing.

Although these issues tend to affect women as a group. There will be particular subgroups of women who are particularly disadvantaged, though we are limited by available data on how far we can explore this important point. However, we do provide some discussion in this report on the position of people in different racial groups, those living with a disability and those who are single parents.

We welcome the 2023 Department for Work and Pensions (DWP) publication 'The Gender Pension Gap in Private Pensions'. It reports that in 2018-20, for those aged 55-59, there was a 35% gap between the average private pension wealth of men (£145,000) and women (£94,000).

[1] Throughout this report, we draw on official statistics and surveys, which rely on self-reported gender, and in general, these simply provide information about those describing themselves as 'male' or 'female' only. In the 2021 Census, around 30,000 people reported themselves as non-binary. We are unable to provide any assessment at this stage of the pension position of this group of people.

DWP’s figures have a number of limitations, particularly the exclusion of state pensions, which are of crucial importance to the pension outcomes of millions of women. We also note that the figures are averages only for those with pensions, and need to be interpreted with care at a time when millions of more men and women are starting to build up pensions through automatic enrolment. As a result, the data on trends over time can be rather counter-intuitive.

Next, we present our own new projections of the future pension income of men and women at retirement.

We found:

- Regarding state pensions, gender pension inequality has been all but eliminated for new retirees as a result of the phased introduction of the new state pension.

- With private sector Defined Benefit (DB) pensions, we are at ‘peak DB’ with future generations of retirees gradually drawing smaller DB pensions, given that men benefited disproportionately from this sort of provision. This trend will reduce the gender pension gap, but only because men’s pensions are being ‘levelled down’.

- Concerning private sector DC, it will be several decades before the impact of automatic enrolment is seen in significantly enhanced incomes at retirement; however, DC outcomes are already starting to mirror many of the same gender differences that characterised the DB world.

In light of all of this, we conclude with recommendations for Government, employers and the pensions industry on what needs to be done to tackle this issue.

01 Introduction

The gap in pension outcomes between men and women has been the subject of dozens of reports over a period of decades. But the nature of that gap is changing, partly as a result of reforms to the state pension system but also because of the generational shift from DB to DC pension provision in the private sector. It is, therefore, a good time to take stock of the outlook for the gender pension gap and to assess what more might be done to tackle it.

Such a review is particularly timely given the recent publication by the DWP of the first official statistics on the gender gap in private pensions[2]. Although this data is somewhat incomplete, excluding state pensions altogether, it does provide some interesting insights into the trends in the gender pension gap in private pensions for those in the run-up to retirement. The Department's commitment to annual publication of these figures is welcome, and it is likely to ensure a higher profile for this issue in future, not least within the Government.

In this paper, we do three things:

- Provide a brief overview of the research to date on this subject, identifying key themes that have emerged.
- Describe and analyse the DWP's new gender pension gap estimates, seeing what new light they shed on the issue.
- Present new estimates of the pension income of men and women at retirement now and in coming decades from state, private sector DB and DC pensions.

In light of all of this data, a concluding section considers priority areas for research and campaigning in order to ensure that this longstanding gap is tackled effectively.

[2] See: The Gender Pensions Gap in Private Pensions - GOV.UK (www.gov.uk)

02 The Gender Pension Gap - What do we know so far?

Much work has already been done in the area of pensions inequality, and in particular on the subject of the gender pension gap. For example, Scottish Widows has published annual reports on various aspects of the financial position of women in retirement for many years, the Insuring Women's Futures Task Force recently undertook research into a range of causes of pension inequality, and major work has been done in this space by organisations including the Pensions Policy Institute, the Association of British Insurers, the Pensions and Lifetime Savings Association and NOW: Pensions.

Perhaps not surprisingly, although these various reports have been undertaken by different organisations and with different emphases, certain common themes have emerged as the key drivers of the gender pension gap. These are:

- The gender pay gap, feeding through directly into a gender pension gap.
- The 'caregiver penalty', highlighting the way in which the caring roles undertaken by many women can have adverse consequences for their pension outcomes.
- The 'longevity penalty', highlighting the fact that women, on average, need to fund a longer retirement than their men.
- The impact of relationship breakdown and the way in which women often emerge from divorce or other relationship breakdown with inferior pension outcomes.
- The differential impact of automatic enrolment on men and women, with certain features of the system more likely to exclude women.
- Differences in financial confidence, knowledge and access to information that may, for example, lead some women to adopt a lower risk and lower return approach to saving and investing.

We discuss each below.

The gender pay gap

One of the most direct influences on someone's pension outcome is the amount they earned over their lifetime. Historically, women have tended to reach retirement with fewer years of paid work and more years in which any paid work was undertaken on a part-time basis. In addition, for a range of reasons, women have tended to be under-represented in the most senior (and highly paid) roles in many workplaces, and they are also over-represented in occupations (for example, social care or retail) which are generally less well paid.

Given that pensions are either directly related to earnings and length of service (Defined Benefit) or the level of contributions which in turn will often be expressed as a percentage of salary (Defined Contribution), it would not be surprising if there was a close correlation between the gender pay gap and the gender pension gap.

It is true to say that some of these historic differences have reduced, with more women participating in the labour market, and positive steps being taken to improve women's representation in more senior roles. The advent of statutory reporting of gender pay gaps may itself increase the focus on these differences and lead to reductions over time. In addition, there have been gradual changes in the social norms around the role of men and women when children are born, which could over time reduce the financial impact of family formation on women, whilst increases in state pension ages will gradually lead to more women remaining in paid work (and hence building up greater pension rights) than in the past.

However, the impact of all of this on pension outcomes is likely to be gradual at best. Given that pension outcomes may be determined by labour market experiences over a period of 40-50 years, even improvements in gender pay equality in the last decade or so would only have a limited impact on those retiring in the next ten to twenty years. It is likely, therefore, that historic inequalities in the labour market experiences of men and women are likely to have a persistent impact on pension outcomes at retirement for many years to come, even if progress is made going forward.

In addition, there remain many structural differences where limited progress has been made, particularly around financial support when a child is born. For example:

- Although statutory paternity leave has been available since 2003, statutory paternity pay is available for just two weeks, compared with the 39 weeks of statutory maternity pay that is generally available; this makes it far more likely that it will be women who stop paid work around the birth of a child than men.

- Shared parental leave has been in place since 2015, which allows a couple to share up to 52 weeks of leave and up to 37 weeks of statutory shared parental pay; however, the statutory rate of pay remains low, and this may be a barrier to the higher earner in a couple being the one who takes time out of paid work during this period[3].

- The take-up of shared parental leave is very low; a government evaluation[4] published in 2023 found that just 5% of eligible partners took up shared parental leave. In addition, the current operation of the system means that shared parental leave is a 'zero sum game', whereby if one partner wants to take more leave, this reduces the entitlement of the other; if each partner instead had a 'use it or lose it' allocation of parental leave this might encourage greater take-up.

- Where a single parent has a child, they are much more likely to take time out of paid work in the early years of the child's life, unless other family members are able to provide help with childcare; this is an additional reason why mothers may find that their long-term pension prospects are damaged by the impact on their earnings potential of having a child.

In terms of the latest data on the gender pay gap, a comprehensive study published by the Institute for Fiscal Studies in 2021[5] found that:

- The average working-age woman in the UK earned 40% less than the average man in 2019. That gap is however about 13 percentage points, or 25%, lower than it was 25 years ago.

- The vast majority of the modest convergence in earnings of the past 25 years can be explained by the closing of the gender gap in education levels.

- Inequalities in all three components of labour market earnings – employment levels, working hours and hourly wages – remained large. In 2019, working women still earned 19% less per hour than men. This gap was, however, five percentage points smaller than the gap in the mid-1990s.

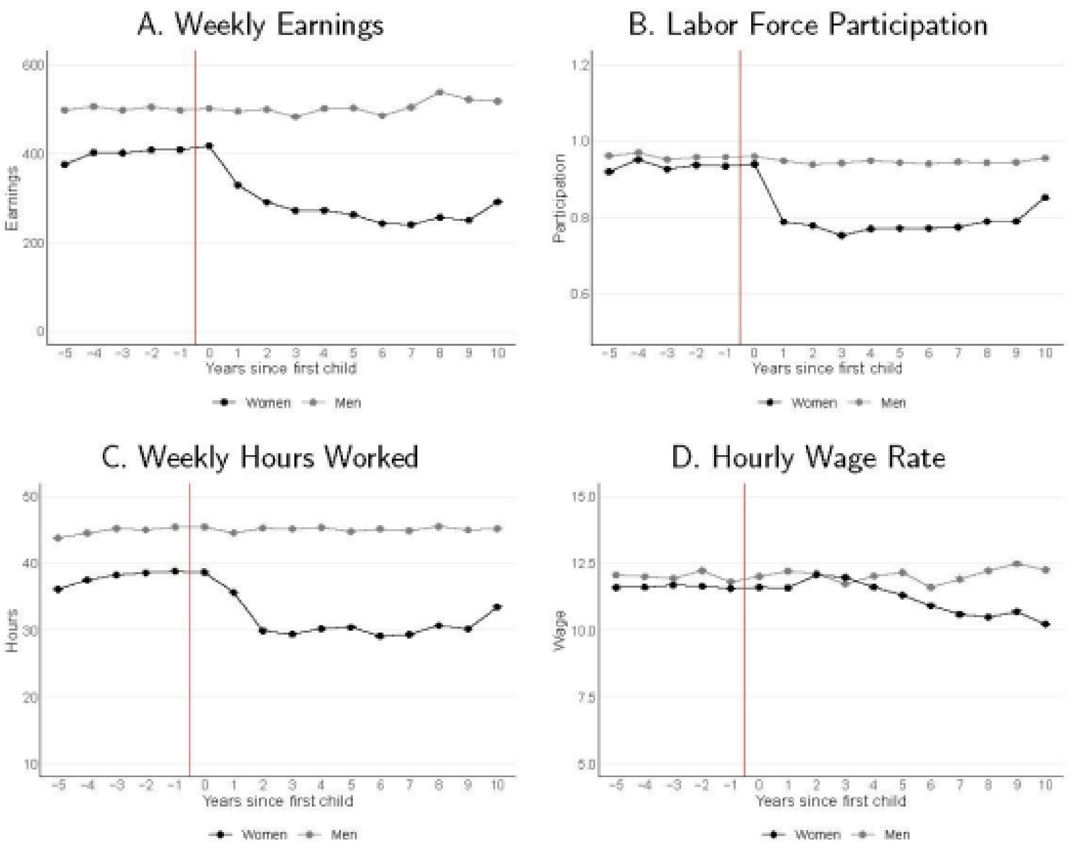
- Inequalities in earnings and its three components (employment rates, hours worked and hourly wages) increase vastly after parenthood.

The impact of parenthood on the earnings of men and women is shown in the graphic below, which comes from the same IFS report. Chart 1 looks at A. weekly earnings, B. rates of labour force participation, C. weekly hours and D. hourly wage rates separately for men and women in the run-up to the birth of a first child and then in the years thereafter.

[3] There is also some evidence that even in couples where the woman is the higher earner, it is still more often the woman than the man who takes a period out of paid work following the birth of a child. This point is made in the IFS research discussed later.
[4] See: shared-parental-leave-evaluation-report-2023.pdf (publishing.service.gov.uk)
[5] See: https://ifs.org.uk/sites/default/files/output_url_files/IFS-Inequality-Review-women-and-men-at-work.pdf

Chart 1. Labour market outcomes for men and women in the years before and after the birth of a first child

Figure 15. Arrival of children is the key event behind the opening of the gender gaps in labour market outcomes



Note: All panels control for age and year fixed effects. Hours worked in panel C are conditional on participation.

Key findings are:

- Women generally have lower weekly earnings than men even before the birth of a child, but this gap grows sharply once the first child is born.
- Rates of Labour Force participation are similar for men and women until the birth of a child but diverge sharply once a child is born; participation by men is barely affected, but participation by women is still sharply lower even eight or nine years later.
- Average hours worked are generally lower for women, but the gap again increases after the birth of a child, with average hours (amongst those who remain in work) dropping by about 10 hours per week.
- Hourly wage rates are relatively close between men and women up to the birth of a child, but there is some indication of a rising gap some years after the birth –

perhaps reflecting the negative impact on a woman's long-term career prospects in some cases[6].

An additional source of lifetime earnings inequality may arise from the impact of menopause. Where there is insufficient workplace support, some women who would otherwise be at the height of their lifetime earnings potential may be out of the workforce or on reduced hours as a result of the impact of the menopause.

The 'caregiver penalty'

Any period out of paid work (or on reduced hours) in order to provide care is likely to have a damaging impact on future pension entitlements. This could be caring for a child, a partner, an elderly relative or some combination of these. This could include high-intensity full-time care, which precludes any paid work, or it could be care that is only compatible with working limited numbers of hours. In both cases, this will mean that pension accrual for the period in question could be substantially reduced.

The 2021 census confirms that women are far more likely than men to be carers and far more likely to be undertaking larger numbers of hours of caring, which will have a bigger impact on the potential to earn and save into a pension.

Some key results from the census data for England and Wales[7] are:

- Amongst those aged 18-64, there were around 3.7 million informal carers, of whom 61% were women.
- Out of nearly 1.8 million people of working age providing 20 hours or more per week of unpaid care, more than 1.1m were women.

Whilst the state pension system has a reasonably comprehensive system of National Insurance credits for those bringing up children and those who are carers[8], the impact of reduced earnings potential will have a direct effect on private pension outcomes for carers. In particular, those who leave paid work or have to work reduced hours are likely to lose some or all of the employer pension contribution that they would otherwise receive.

The impact of caring responsibilities is one of the main reasons why women are far more likely than men to be in part-time work. The chart below shows ONS figures on how the number of women working part-time compares with the number of men working part-time and how this has changed over time.

[6] Recent research by the Pensions Policy Institute, commissioned by the PLSA, provided further evidence on this point: https://www.plsa.co.uk/press-centre/news/article/new-study-shows-potential-for-low-earners-to-be-safely-auto-enrolled-in-workplace-pension-but-more-analysis-needed

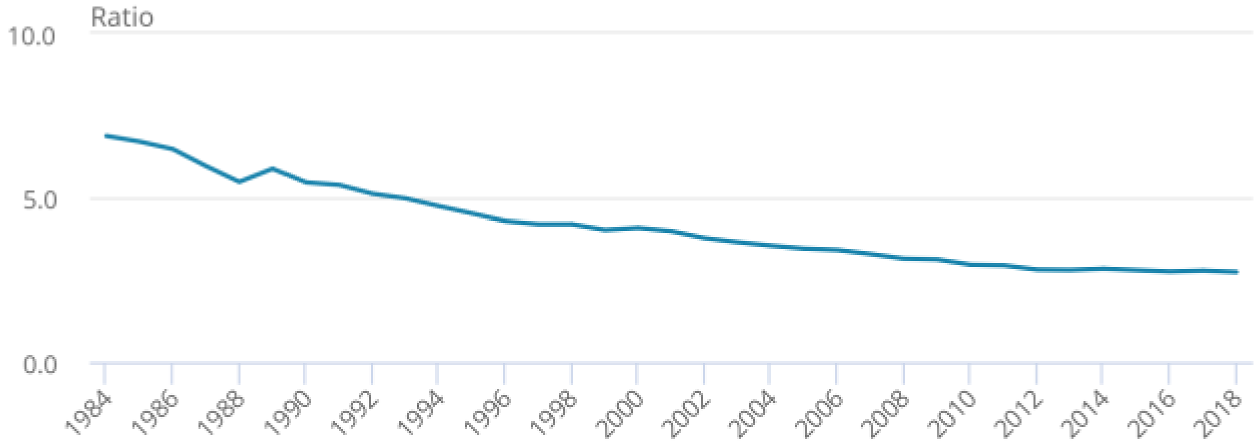
[7] See:https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/socialcare/datasets/unpaidcarebyageandsexenglandandwales

[8] Those who care for 35 hours per week and receive Carer's Credit get automatic National Insurance credits towards their state pension. Those who care for 20 hours per week can claim 'Carer's Credit' (see: https://www.gov.uk/carers-credit), though it is likely that take up for this latter group may be limited.

As Chart 2 shows, in the mid-1980s there were more than six times as many women as men working in part-time jobs. That balance has shifted considerably over the following three decades but even as recently as 2018 there were still around three times as many women as men working part-time. In a pension system where outcomes in retirement depend both on state and private pension entitlements, long-periods of lower-paid part-time work will continue to have a severely damaging impact on women's long-term pension prospects.

Chart 2. Ratio of women to men working in part-time employment, UK, 1984-2018

Source: Long-term trends in UK employment: 1861 to 2018 - Office for National Statistics (ons.gov.uk)

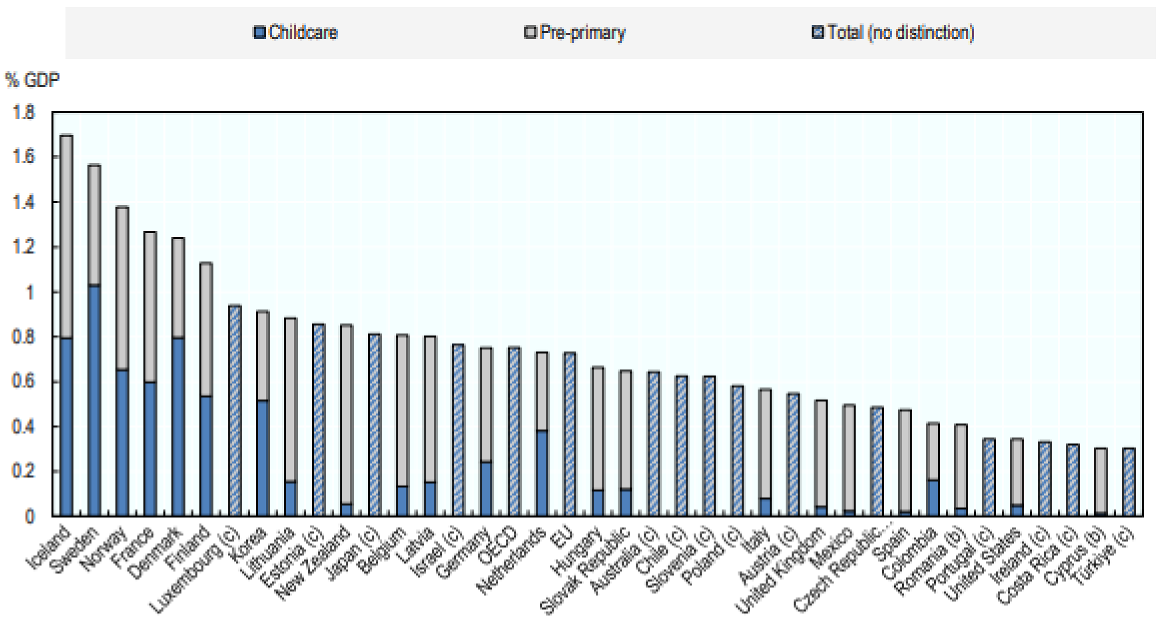


To be able to stay in full-time work following the birth of a child, it may be necessary to fund often expensive formal childcare. For a couple, this can mean that their disposable income is substantially reduced, and they may have less discretionary income to allocate to pension saving. This impact may particularly exacerbate the gender pension gap if those childcare costs are met by one partner rather than the joint household budget.

This problem is made more acute because the UK still has a very limited system of public funding for childcare compared with many other European countries. Chart 3 comes from a recent OECD report which measures public spending on childcare up to the start of primary education as a share of GDP. The UK is ranked 26th out of 37 countries analysed, with spending below the OECD and EU average.

Chart 3. Public spending on early childhood education and care, OECD, 2019

Chart PF3.1.A. Public spending on early childhood education and care
Public expenditure on childcare and pre-primary education and total public expenditure on early childhood education and care, as a % of GDP, 2019 or latest available [(a)]



Source: [*'OECD: Public Spending on Childcare and Early Education'*]

The 'longevity penalty'

Not only are women likely to build up a smaller pension pot than men counterparts, but that pension pot has to last longer because of women's greater life expectancy. This was less of an issue in an era of compulsory annuitisation (and following the introduction of mandatory unisex annuity rates), but post pension freedoms a woman may face the 'double whammy' of having to eke out an already reduced pension pot for more years than a man.

Although one step removed from the gender pension gap, it is also relevant to mention that the risk of 'catastrophic' social care costs also falls more heavily on women than men and may result in the rapid erosion of remaining savings. For example, the 2021 census shows[9] that amongst the population aged 85 or over living in 'communal establishments' such as care homes, there were around 127,000 women compared with around 36,000 men.

Estimates by the charity Age UK[10] suggest that in 2023 the average cost of a week in a care home was around £800, and for a nursing home over £1000. Even one year in later life in residential care could therefore cost roughly £40,000-£50,000, a figure sufficient to wipe out the balance in any pension savings for most people in this age group.

[9] See: Communal establishment residents, England and Wales - Office for National Statistics (ons.gov.uk)
[10] See: https://www.ageuk.org.uk/information-advice/care/paying-for-care/paying-for-a-care-home/

Relationship impacts

In terms of its impact on living standards in retirement, the gender pension gap could be said to be less of an issue if a couple pool all or most of their pension wealth. Although one partner may bring more pension wealth to the table, both can potentially benefit. But it is obviously dangerous for anyone to assume that their current partner will necessarily be their partner in retirement, and the importance of each person in a couple having pension wealth in their own right is clear.

Unfortunately, at the point of relationship breakdown, there is plenty of evidence that pension wealth is often not adequately shared, and many divorced women in particular are at risk of having very low levels of pension wealth in retirement[11]. There can be a variety of reasons for these uneven outcomes, including a lack of awareness of the value of pension assets, a greater (and understandable) focus on the family home at point of divorce, especially where children are involved, or even social norms and fear about being seen to be 'greedy' by insisting on pension sharing. But the result is that a woman who had planned on the basis that she would benefit from a fair share of her spouse's pension wealth in retirement could find herself in a financially vulnerable position if that relationship comes to an end.

This description relates to the position of heterosexual couples, and particularly those where the man has been the primary earner and has built up the largest pension rights. There could of course be pension inequalities between members of same sex couples where one partner has the majority of pension rights. Although separation of a same sex couple would not create a gender pension gap, it would, of course, be important for the partner with lower pension rights to ensure that this imbalance was factored into any financial settlement following separation.

A less well-researched area but one of growing importance is the situation where a couple never entered into a marriage or civil partnership but nonetheless live as a couple for a long period before breaking up. Whilst the rules around pension sharing on divorce are complex and often fail to deliver good outcomes, there is essentially no protection for a separating cohabitee. The woman in a heterosexual partnership may well have made the same sacrifices as made by many married women, including having less of a career than the man in the relationship, but she currently has no legal claim on any of his pension in the event of the ending of their cohabitation[12]. This is an issue which could worsen the gender pension gap and would benefit from legislative attention sooner rather than later.

[11] A recent LCP paper looked at the recent move to 'no-fault' divorce and how this could further undermine the fair sharing of pensions at divorce – see: LCP on point paper - You've got mail: the new divorce law and its potential impact on the sharing of pensions in England and Wales | Lane Clark & Peacock LLP

[12] Different considerations may, of course, apply to the sharing of matrimonial property, such as a family home, but this is a matter of property law, and there is no legal basis for enforcing a share of the pension of a cohabiting partner upon separation.

We welcome the fact that the Government announced earlier this year that the Law Commission would be undertaking a review[13] into the effectiveness of current legislation around pension sharing on divorce or the ending of a civil partnership. However, we would like to see the scope of that review extended to include the position of those who separate after a significant period of cohabitation.

Automatic enrolment

Automatic Enrolment (AE) into workplace pensions has helped around 10 million people who had little or no pension savings to start to build up a workplace pension pot. And in many ways, AE could be thought of as something of a success when it comes to the gender pension gap. For example, the DWP found[14] that for those potentially within scope of AE, in 2012 (when AE started), 43% of men in the private sector were in a pension compared with 40% of women. By 2021 women had caught up and slightly overtaken, with 87% of women in a pension compared with 86% of men. A similar pattern was observed in the public sector where 94% of women are now in a pension compared with 93% of men.

However, these figures must be treated with caution for two main reasons:

- They relate to the population eligible for automatic enrolment, namely those aged 22 to state pension age and earning £10,000 a year or more; the £10,000 threshold excludes more women than men, and the figures would therefore look less impressive if applied to the entire workforce; DWP's figures show that between 2012 and 2021, the absolute growth in the number of private sector workers with a pension was +4.7m for men and +3.8m for women.

- Whilst membership rates have now more or less equalised, the amounts going in for private sector employees are still far greater for men than women because of the differences in pay and contribution rates; a further DWP study[15] found that in 2021 around £40bn per year was going into the pensions of employed men compared with £22bn per year for employed women; the reverse is true for the public sector, with men contributing a total of £22bn per year compared with £30bn per year for women; however, the far greater numbers of women working in the public sector means that the amount being contributed per head even in the public sector is still greater for men than for women.

- The next reforms to automatic enrolment are likely to be the implementation of changes first mooted in DWP's 2017 review of AE, and the main ones are:
    - To extend the age range for AE to include those aged 18-21.

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[13] See: https://www.lawcom.gov.uk/review-to-examine-50-year-old-laws-on-finances-after-divorce-and-the-ending-of-a-civil-partnership/
[14] See: https://www.gov.uk/government/statistics/workplace-pension-participation-and-savings-trends-2009-to-2021
[15] See: https://www.gov.uk/government/statistics/ten-years-of-automatic-enrolment-in-workplace-pensions/ten-years-of-automatic-enrolment-in-workplace-pensions-statistics-and-analysis

- To apply the mandatory 8% contribution from the first pound of earnings rather than only over a band of qualifying earnings.

The necessary primary legislation has recently gone through Parliament and the impact assessment on that legislation[16] suggested that the changes would affect around 14% of men and 14% of women working in the private sector. However, because there are more men than women working in the private sector, more men (1.7m) than women (1.4m) will be contributing more. Once again, differences in rates of labour force participation between men and women are translating directly into gender pension differences.

Beyond these changes, another reform that is often demanded in the context of gender pension gaps and AE is the reduction or removal of the £10,000 threshold, beyond which it is not mandatory to enrol workers into a pension. Those in favour of such a change argue that more working women than working men are excluded by the threshold, including those who may have more than one part-time job, each of which is below the £10,000 threshold. A key point is that workers are only automatically enrolled if they earn £10,000 per year in a single job, not if the same total wage is made up from multiple jobs paying below £10,000 per year.

For example, a person with two part-time jobs paying £6,000 per year would not be automatically enrolled in either workplace, but a person with one job paying £12,000 would be. As Chart 2 (above) showed, far more women than men are in part-time work and so this issue is likely to affect women much more than men.

So far however, the government has resisted calls to change this threshold. This is partly because the value of the state pension has risen significantly in recent years and now stands at around £10,600 per year. As the state pension rises, it becomes increasingly difficult to justify automatically enrolling people with wages below this level, thereby reducing their take-home pay still further, only to supplement a state pension income in retirement which is already greater than their current wage.

Another group (obviously) excluded from automatic enrolment into workplace pensions is the self-employed as they have no employer to fulfil this function. As there are more men than women in self-employment[17], this exclusion is more likely to damage the pension prospects of men, particularly given the very low levels of voluntary pension saving amongst the self-employed.

Financial confidence

Rather harder to quantify, but still a potentially significant difference between men and women, is attitudes to money and confidence when investing, including taking appropriate levels of investment risk. A report by the Chartered Insurance Institute[18] found that women

[16] See: https://publications.parliament.uk/pa/bills/cbill/58-03/0255/DWPImpactAssessmentMarch2023.pdf
[17] ONS Statistics show that in March 2023 there were 4.2m people in self-employment, of which around 2.6m were women. See: JOBS04: Self-employment jobs by industry - Office for National Statistics (ons.gov.uk)
[18] See: https://www.cii.co.uk/media/9224351/iwf_momentsthatmatter_full.pdf

on average feel less financially confident than men with 52% of women saying they do not know enough to make decisions around retirement savings compared to just 38% of men. This means women may be happier to invest in low-risk/low-return assets. Whilst it is, of course, possible to be over-confident when it comes to financial matters, it is certainly regrettable if women who already typically have smaller DC pension pots and other savings pots to begin with are likely to get a lower return on those savings through excessive caution.

There is also evidence that young women are more likely to experience problem debt than men. A survey by the Money Advice Trust[19] found women aged 18 to 24 have higher credit card debt than men in the same age group and this in turn may mean a greater focus on short-term financial pressures and servicing high-cost credit, rather than being able to focus on the longer-time horizon implied by saving in a pension.

A wide variety of surveys point to significant differences between men and women in their attitudes to money and confidence in dealing with it. For example,[20]:

- 26% of millennial women thought of themselves as having a high level of financial engagement (v 55% of men) (Source: Kantar TNS).
- 38% of women feel confident making investment decisions (v 53% of men) (Source: Britain Thinks)

Many of these differences may be rooted in institutions, including a financial services industry which has historically been dominated by men, and in attitudes built up over many decades and may take time to change. Some of these differences could potentially be addressed through the education system, with initiatives to encourage more young women to study STEM subjects, and/or through greater financial education for young people to improve their confidence in later life.

However, there is no doubt that the financial services industry could also do more to help and support women to be more informed investors.

Disparities between different groups of women

In the analysis so far, we have considered women as a group and how their pay and pension outcomes may differ from men as a group. However, there will of course be huge variations between different groups of women, and some of these may exacerbate the gender pension gap for particular subgroups.

[19] See: https://www.moneyadvicetrust.org/wp-content/uploads/2023/03/Borrowed_Years_Young_people_credit_and_debt_Aug_2016.pdf
[20] These statistics are drawn from a presentation by Yvonne Braun of the Association of British Insurers on the Gender Pension Gap – see: How inclusive is financial services? (nestinsight.org.uk)

To give one example, the Pensions Policy Institute has undertaken a review[21] of what we know about the differences between different racial groups as regards factors which may affect pension outcomes. Because of small sample sizes in the underlying survey data, this research mainly provides combined data for men and women but shows how particular racial groups can have different pension outcomes[22].

In their report, the PPI say:

> *"People from Pakistani, Bangladeshi, Black and some other ethnic groups have poorer outcomes in retirement than the average outcome experienced by the White majority".*

Some of the key underlying factors according to the PPI report are:

- *"People from Pakistani, Bangladeshi, Black and Chinese groups are more likely to be unemployed".*

  This would have the result that during such periods they will not be benefiting from a workplace pension. The research shows that this is a particular issue for women with 13.5% of Bangladeshi women and 12.2% of Pakistani women being unemployed (in late 2021) compared with just 3.3% of White British women.

- *"People from Pakistani, Bangladeshi and [other] Asian groups are more likely to be self-employed".*

  This means that they are more likely to be in the group who miss out on the employer contribution which comes with automatic enrolment for employees.

- *"Rates of part-time work are higher for most ethnic minority groups than for White employees."*

  For example, Bangladeshi employees are 50% more likely to be working part-time than White employees. As we have noted earlier, part-time workers are less likely to be covered by pensions (because of automatic enrolment thresholds) and even those with pensions will be building up smaller amounts.

- *"Several ethnic minority groups face an adverse pay gap compared with White British employees."*

  For example, on average, Pakistani employees are paid around 16% less per hour than their White British counterparts.

However, PPI point out that there is much that we do not know about some of the underlying causes of these differences including:

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[21] See: https://www.pensionspolicyinstitute.org.uk/media/4132/20220818-ppi-bn132-data-from-ethnic-minority-groups-final.pdf

[22] Note that the racial group classifications are based on the categories offered to respondents in the underlying survey data, such as the Labour Force Survey.

- the impact of intergenerational poverty and disadvantage;
- the impact of cultural, religious, and family expectations;
- attitudes to caring and how retirement should be supported;
- data on household financial decision making; and
- how these factors differ between generations, age groups, and whether people are first-, second-, third-generation immigrants.

Work on the ethnicity pension gap in the Defined Contribution world has also been undertaken by Legal & General[23]. In addition to the issues raised by the PPI research cited above, L&G found that (lack of) trust in financial institutions was an important determinant of low levels of pension saving amongst particular groups.

There are, of course, other subgroups of women who may be expected to have worse pension outcomes than other women and who would therefore face an even larger gap to the pension outcome of the average man. Other such groups could include:

- Women living with a disability, especially amongst those of working age – the table below is derived from the 2021 census[24] and shows data for England on rates of disability[25] for men and women in the age groups 50-54, 55-59 and 60-64.

  Table: Rates of disability amongst women and men, England, 2021, by age

	Women	Men
50 to 54	20.5%	16.2%
55 to 59	22.7%	19.1%
60 to 64	25.7%	23.2%

- Given the association between disability and reduced rates of employment, it seems highly likely that the higher rates of working age disability amongst women compared to men will lead through directly into worse pension outcomes.

- Lone parents – the Office for National Statistics estimates[26] that out of 2.9 million lone parent families in the UK in 2022 around 2.5 million were headed by a lone mother; employment rates for lone parents tend to be lower than for parents in couples, not least because of the high cost of childcare, and this in turn may have a damaging long-term effect on their ability to build up a decent pension; once again, this is a factor that will impact far more women than men.

As these analyses show, any attempt to address the gender pension gap as a whole will be more effective if it recognises the big differences in the work and home lives of different

[23] See: https://www.lgim.com/landg-assets/lgim/capabilities/defined-contribution/dc-retirement-solutions/the-ethnicity-pensions-gap-report.pdf
[24] See: Disability by age, sex and deprivation, England and Wales - Office for National Statistics (ons.gov.uk)
[25] The definition used here is 'two category' disability where the respondent to the census reports at least two limiting conditions.
[26] See: Families and households in the UK - Office for National Statistics (ons.gov.uk)

groups of women. In particular, whilst women as a group suffer from a gender pension gap, this might be compounded in the case of particular subgroups. Whilst we have highlighted the position of different ethnic groups, we might well expect other groups of women such as those with disabilities and lone parents also to find themselves at a particular disadvantage in terms of pensions outcomes.

These are obviously important issues and worthy of much further analysis. To keep the present report manageable, and partly owing to the lack of disaggregated data in many cases, the remainder of the report will generally deal with the position of women as a whole.

Industry response

In response to these persistent pensions inequalities, both between men and women and between other groups, a group of industry stakeholders have come together to form a 'Pensions Equity Group'[27] (PEG). The group describes itself as "a new coalition of passionate individuals from across the pensions industry working together to tackle pension inequalities in the UK". The establishment of the group has been welcomed by Pensions Minister Laura Trott and it is chaired by Kim Brown, Pension Scheme Director at Legal & General Investment Management.

Key objectives for the group are:

1. Developing a way of consistently measuring pension inequalities, beginning with the Gender Pension Gap before expanding to other pension inequalities.
2. Working with government and policymakers to achieve positive change.
3. Sharing best practice approaches to help employers address inequalities.
4. Finding practical tools to empower individuals, such as planning tools and guidance.
5. Highlighting potential industry product developments that will help drive greater equity for individual savers.

The authors of this report will be actively involved in the work of the PEG and supporting it in achieving these objectives.

[27] See: New industry coalition launches to tackle pension inequalities in the UK | PLSA

03 What do the DWP's new estimates tell us?

June 2023 saw the welcome publication of the first official data on the gender pension gap[28]. However, the official data has important omissions and needs careful interpretation if the right conclusions are to be drawn. In this section we explain what the new figures are measuring and what they tell us before noting several areas where the figures need to be interpreted with care, especially when it comes to measuring trends over time.

What do the new figures measure?

The title of the report is 'The Gender Pensions Gap in Private Pensions', and so inequalities in state pensions are not included in the analysis[29]. The analysis focuses on those who are within five years (beyond) the normal minimum pension age (NMPA) for accessing private pensions. For the analysis covering 2006-08 and 2008-10 (when the NMPA was 50) this means the results are for people aged 50-54, whilst for 2010-12 to 2018-20 (when the NMPA was 55) inclusive, the results are for people aged 55-59.

Key features of the analysis are:

- they relate to uncrystallised pensions only, so do not count pension wealth which has already been fully accessed;
- they measure the capital value of the pension wealth of the group in question – this is the 'pot size' for DC pensions and a 'capital equivalent' value for DB pensions;
- they include only people with non-zero pension wealth; this means they do not directly reflect any differences between men and women in the likelihood of having any pension at all;
- average figures for non-zero pension wealth are based on the median rather than the mean;
- Figures are published for all those in the relevant age group with pension wealth and separately just for those within scope of automatic enrolment (ie employees earning £10,000 per year or more).

[28] https://www.gov.uk/government/statistics/gender-pensions-gap-in-private-pensions
[29] As discussed later in this paper, state pension inequality is however falling sharply.

What are the key findings?

For 2018-20, DWP found:

- A 35% gap between uncrystallised non-zero median private pension wealth between men and women around NMPA.
- The Gender Pension Gap is smaller among a subgroup of employees who are eligible to be automatically enrolled into their workplace pension scheme. The Gender Pension Gap stands at 32% among this subgroup.

In cash terms, the median non-zero pension wealth of a man is around NMPA is £145,000 whilst that for women is £94,000, generating a 35% gap across the whole population in scope.

Separate results are provided for those with DC pension wealth only, DB wealth only and those with DB and DC rights. These are shown below for 2018-20.

	Men	Women	Gap (figure for men minus figure for women)
DC only	£50,000	£20,000	60%
DB only	£315,000	£176,000	44%
DC and DB	£285,000	£189,000	34%

This analysis shows very clearly that the future world of DC only pensions (for those in the private sector) is one with very substantial gender pension inequality, albeit based on typically very low average pension rights accrued so far.

Why do we need to interpret the figures with care?

Firstly, DWP's statistics exclude state pensions.

Historically, state pensions have been a source of inequality, with a system designed around a male breadwinner model. Even today there remains a gap of over £25 per week between men and women who retired under this old system. However, the new state pension has significantly reduced this gap. Data obtained by LCP under the FOI Act data shows that in 2022-23, the state pension difference was just £4 per week between newly retired men and women, whilst full equality in state pensions is predicted for the 2030s.

Ignoring state pensions when discussing the gender pension gap obscures a vital part of the picture. This is particularly important as the typical newly retired woman derives more than half of her total income in retirement from that source.

There has also been a decline in private sector DB pensions inequality. This is largely due to a sharp decrease in men's DB pensions, a trend we at LCP have termed 'the ski slope of doom'[30]. We project that the average men's private sector DB pension at retirement will drop by three quarters by the late 2030s in real terms. This will cause a significant decrease in the gender pension gap, albeit not exactly a policy success.

Public sector DB pensions paint a different picture. Nearly all future DB pensions will be from the public sector, with women highly represented in this part of the labour force.

For instance, of the 1.7m active NHS Pension Scheme members in March 2021, 1.3m were women, and of the 0.7m active Teachers Pension Scheme members in March 2020, 0.5m were women. Despite men being over-represented in senior positions, maintaining DB pensions in the public sector could help narrow the overall gender pension gap, though entrenching a different sort of inequality, namely between public and private sector workers.

Looking at DWP's new figures, which cover all non-state pensions, Chart 4 shows how the gender pension gap has changed in recent years. Note that these figures are only for those up to five years beyond 'Normal Minimum Pension Age', which means ages 50-54 in the data before 2010, and ages 55-59 thereafter.

Chart 4. The gender pension gap in private pensions 2006-08 to 2018-20.

[30] See: "The ski slope of doom" – is this the most important chart in pensions? | Lane Clark & Peacock LLP (lcp.uk.com)

Chart 4 shows that the gender pension gap nearly halved from 2006-08 to 2010-12, was then relatively stable for the next four years after which it increased somewhat.

The initial decrease could be due to a range of factors. One could be that a steadily higher percentage of women in their fifties have had a career and a chance to build up a decent workplace pension. Another could be a changing balance between public and private sector coverage, with the public sector being expanded in the early 2000s whilst private sector pension membership continued to fall.

The subsequent rise in inequality from 2014 onwards is perhaps surprising given Automatic Enrolment (AE) brought millions of men and women into pension saving for the first time.

However, this data only includes those who have some pension wealth. Some lower paid women (in particular) who had no pension at all prior to the introduction of AE would start to be included in the figures as soon as they were enrolled, even though their pension pot could be tiny. This could lower the median pension wealth of women more than for men, thereby increasing the gender pension gap.

What do these findings suggest?

Firstly, not all is bleak concerning gender pension inequality. Historic state pension inequality is giving way to more balanced outcomes under the new state pension.

Secondly, the decline of private sector Defined Benefit (DB) pensions primarily affects men, so we may see less pension inequality due to private sector DB disparities.

However, the growth of DC pensions could replicate previous inequalities seen in the DB landscape. Women generally earn less, have lower DC contribution rates, and fewer years in paid employment over their lifetime. Unless these disparities lessen, the gender pension gap will persist.

04 LCP's projections - What can men and women expect to get from state pensions, DB pensions and DC pensions in the coming decades?

In 2021 we published a report[31] in which we projected future at-retirement income from state, private sector DB and DC pensions for successive cohorts of retirees, separately for men and women. In this section we update that analysis based on a variety of additional data sources. We believe that this will provide important insights about future trends in the gender pension gap.

The key points to note about this analysis are:

- in all cases we are looking at the at-retirement income of those reaching pension age in a particular year; these are not averages for all pensioners, they are purely for the 'inflow' of those retiring in that year;

- we strip out the effects of inflation by deflating all future figures into current (2023) earnings terms (unless otherwise stated).

State pensions

Compared with the original paper, we now have much better data on the new state pension entitlements of the inflow of people into retirement. An FOI submitted by LCP produced the following data for the (current) state pensions of a) the cohort who retired in 2016-17 and b) the cohort who retired in 2022-23. Table 1 shows the results, including how the percentage gap between men and women has fallen over the six years.

These figures show two separate trends which are important for our projections:

- The real level of state pension is higher in 2022-23 for those who have just retired than for those who retired six years ago.
- The gap between men and women is falling rapidly.

[31] See: "The ski slope of doom" – is this the most important chart in pensions? | Lane Clark & Peacock LLP (lcp.uk.com)

Table 1. Average state pensions in 2022-23 for men and women for those who first drew their state pension in a) 2016-17 and b) 2022-23

	2016-17	2022-23
Men	£175.14	£176.61
Women	£165.53	£172.93
% gap (men/women)	+5.8%	+2.1%

Source: Freedom of Information reply from DWP to Steve Webb, 2023

There are two main reasons why we would expect newly retired pensioners to have different average amounts to those who retired some years ago, and these both relate to the way in which the new state pension is being phased in. One affects both men and women and will tend to lead to higher entitlements, whereas another affects mainly men and will lead to lower entitlements. These are:

- The phasing out of deductions for (pre-2016) contracting out

The way that the new state pension is calculated takes account of past periods of contracting out. However, qualifying years post 2016 (including years when voluntary NI contributions are made) 'burn off' this deduction. As more post 2016 years are built up by newly retired people, the number with any deduction for contracting out (and the size of deductions for those who still have a deduction) will fall. As a result, average state pensions will rise towards the full rate.

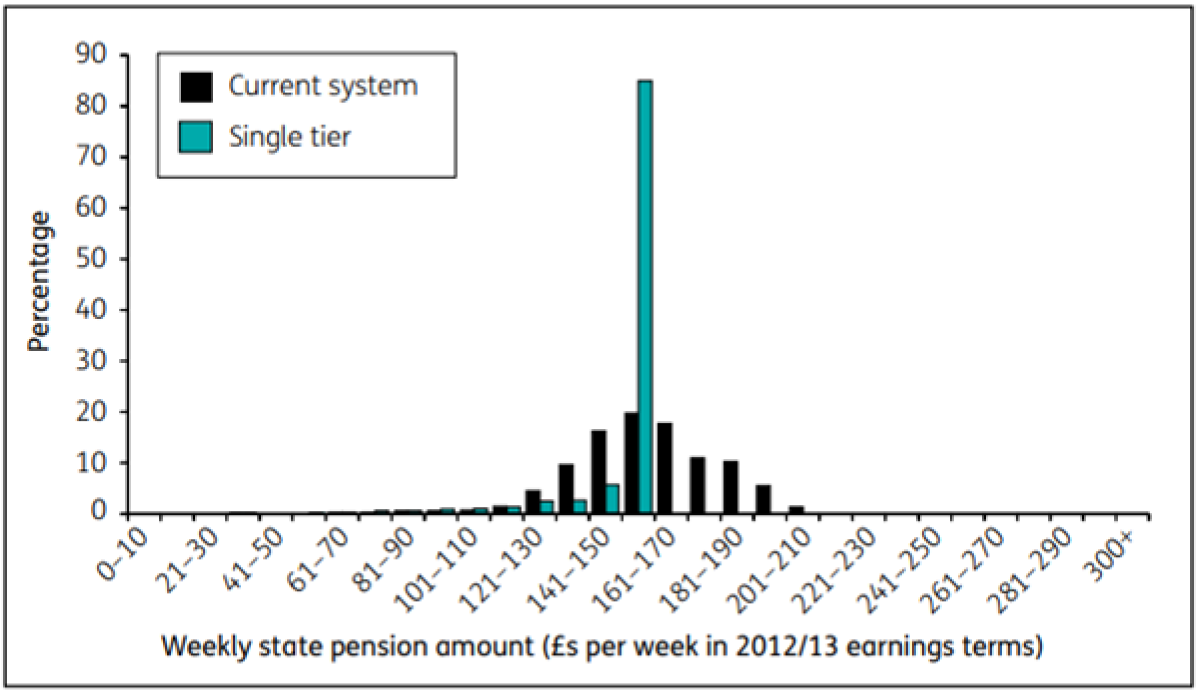
- The phasing out of 'protected pensions'

When the new state pension was introduced in 2016, some people had already built up pensions (basic plus SERPS) in excess of the proposed flat rate. Those individuals were allowed to lock in this higher figure but not add to it. The excess over the flat rate is known as a 'protected payment' and is indexed by CPI. Analysis of the DWP 'stat xplore' dataset suggests that the large majority of people with protected payments were men. With every passing year since 2016, the potential to have built up an (old) state pension over the flat rate by 2016 diminishes because today's new retirees have progressively fewer years of pre-2016 contributions. For example, someone retiring at 66 in 2023 would need to have built up a high state pension by the age of 59, whereas someone retiring at 67 in 2033 would need to have built up a high state pension by the age of 50. For this reason, 'protected payments' will steadily reduce in real value and will eventually tend to zero.

In the long-term, with both deductions for contracting out gradually working their way out of the system and with protected payments gradually becoming less important, most people will get a full flat rate state pension – no more and no less. The only exceptions will be to those who have gaps in their record because of time outside the UK (eg 'late entry' migrants), or those who have gaps due to years when they were neither in work nor covered by the extensive network of NI credits. This suggests that there is an 'upper limit' of the average amount of state pension new retirees will get in future that is short of the 100% rate.

The White Paper[32] which preceded the implementation of the new state pension provided modelling as at 2040 of the distribution of new state pension amounts, as shown in Chart 5.

Chart 5. Projected distribution of net state pension income for those reaching State Pension age in 2040 under the current and single-tier systems.



The large bar at the centre of the chart shows that around 80-90% of new retirees are expected to get (more or less) exactly the full flat rate pension, but a few will fall short. Using the data from this chart, we can estimate that once the new system is fully mature, newly retired pensioners will eventually get (on average) around 98% of the flat rate in the year in question.

We can compare that figure with where we are now by expressing the rate of pensions received (in 2022-23) as a percentage of the full flat rate pension, which in 2022-23 was £185.15.

Table 2. Average new state pension as percent of full flat rate in 2022-23

	2022-23
Men	95.4%
Women	93.4%

Assuming that DWP's modelling from the White Paper still stands we expect to get to average payments of 98% by 2040. As noted above, there are two main reasons why some people may be short of 100%, and we do not think there is a strong basis to assume they will affect men more than women:

[32] The single-tier-pension.pdf (publishing.service.gov.uk)

- 'Late entry migrants' who spend time outside the UK earlier in their working life and therefore do not have time to build up a 35-year contribution record.

- People with substantial 'gaps' in their NI record where they were neither in paid work (and paying NI) or credited by dint of being on various benefits; a Parliamentary answer to Wendy Chamberlain MP on 2 June 2021 showed[33] that in the latest year (2018-19) 87.8% of men of working age built up a qualifying year in that year compared with 88.8% of women. One possible explanation for this could be that men are more likely than women to be out of paid work because of sickness, and a key group missing out on NI credits are those who are sick but not claiming the specific benefits that carry NI credits (such as Universal Credit or ESA). If this pattern was repeated, this could actually lead to more women than men building up a full state pension.

On this basis, we model the evolution of state pension entitlements by assuming a linear progression from the current contribution rates (95.4% for men, 93.4% for women) until equality at 98% is reached in 2040[34].

Once we have assumed the average NI contribution record for men and women in each year, we then need an assumption about the rate of the state pension year-by-year. As before, we assume that the triple lock policy remains in place.

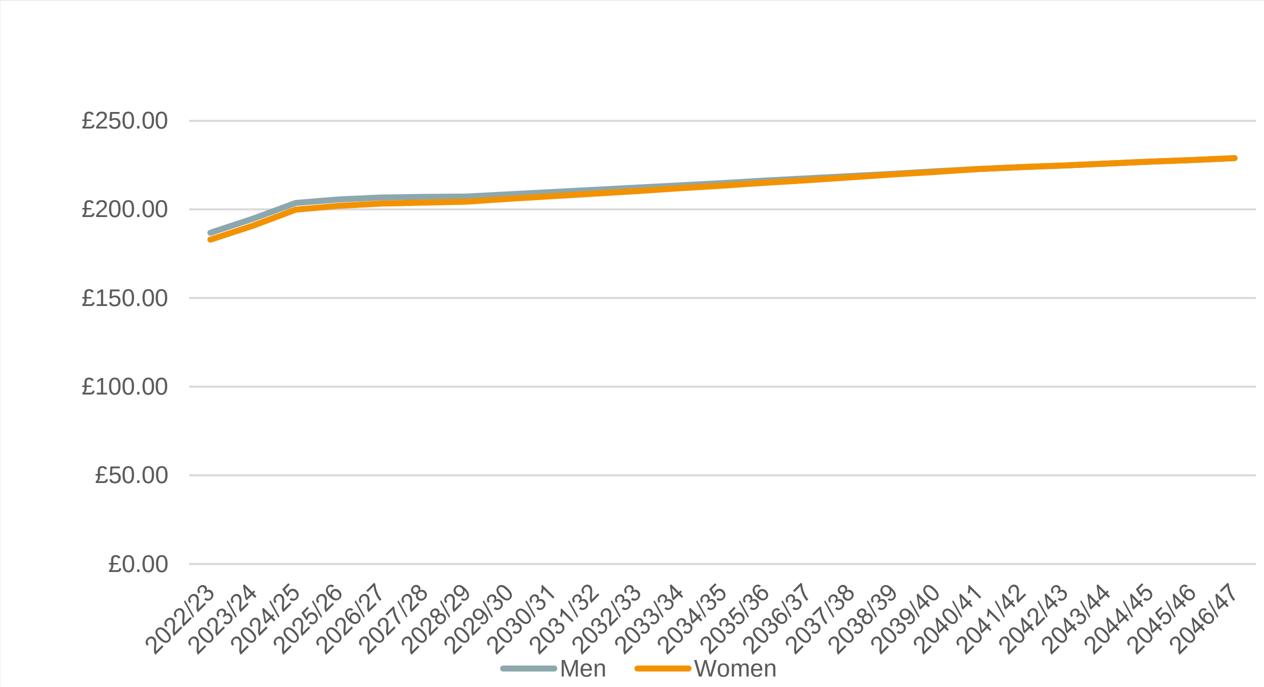
For the long run, the Office for Budget Responsibility (OBR) assumes[35] that the triple lock policy adds 0.47 percentage points to annual increases compared with earnings indexation. Given the OBR long-run assumption of earnings growth at 3.8%, this means we assume in the long run a nominal increase in the rate of the state pension of 4.27%.

However, current high levels of inflation suggest that immediately applying an uprating assumption of 4.27% would understate the increase due in 2024-25 (based on price inflation / wage inflation as at Autumn 2023) and overstate the increases due in the following three years (when OBR are forecasting[36] increases of around 2.5%). On that basis we take the OBR short-term 'triple lock' assumptions for the next five years and assume that 'long-term' indexation will apply after that date.

Taking these assumptions together gives the following profile for state pensions at retirement of each cohort of new retirees, expressed in current earnings terms.

[33] See: Written questions and answers - Written questions, answers and statements - UK Parliament
[34] This is consistent with Chart 2.3 of the White Paper, which shows the median woman reaching 100% of the median man in terms of state pension receipt in 2040.
[35] See: Fiscal risks and sustainability – CP 702 (obr.uk)2.
[36] See: Economic and fiscal outlook - March 2023 (obr.uk)

Chart 6. Average weekly state pension, 2023-24 earnings terms



The key points from Chart 6 are:

- There is a jump in the real (earnings deflated) value of the state pension in 2023-24 because the 10.1% increase in April 2023 was significantly above the growth in average earnings; the OBR also assumes that average earnings growth in the following three years will be under 2.5% leading to further (though smaller) real increases in the value of the state pension.

- In the long run, the triple lock is assumed to increase the value of the state pension relative to average earnings by just under 0.5% per year.

- Average entitlements also rise because of the gradual phasing out of deductions for past contracting out.

- The small differential between men and women (2.1% in the base year) is gradually eliminated by 2040.

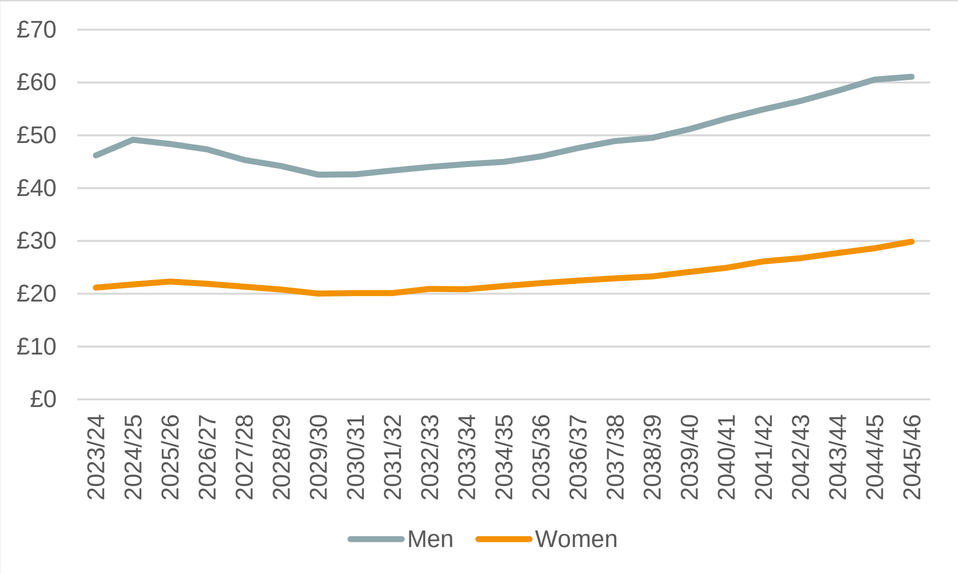
Defined Contribution (DC) Pensions

As with our previous paper, our estimates of the evolution of DC pension pots for successive generations of retirees have been provided by the Pensions Policy Institute (PPI).

Where possible, PPI have used OBR assumptions for long-term trends in earnings growth. For investment returns, PPI have assumed an excess return of 1.5% above earnings growth.

To enable us to combine DC pension income with income from state pensions and DB pensions, we have converted the PPI's DC pot estimates using an assumption of a 5% annuity rate at state pension age. The figures have then been deflated to 2023-24 earnings terms. Chart 7 shows the results of this analysis, separately for men and women.

Chart 7. Average weekly income from DC pensions (2023-24 earnings terms)



In the long run, average income from DC pensions grows faster than earnings for both men and women; this is due to a mixture of above-earnings investment returns and the growing number of retirees with meaningful automatic enrolment pension pots.

However, over the next five years or so there is a dip in average DC pots across the newly retired population, particularly for men, and a further period of nearly a decade before the average figure recovers lost ground.

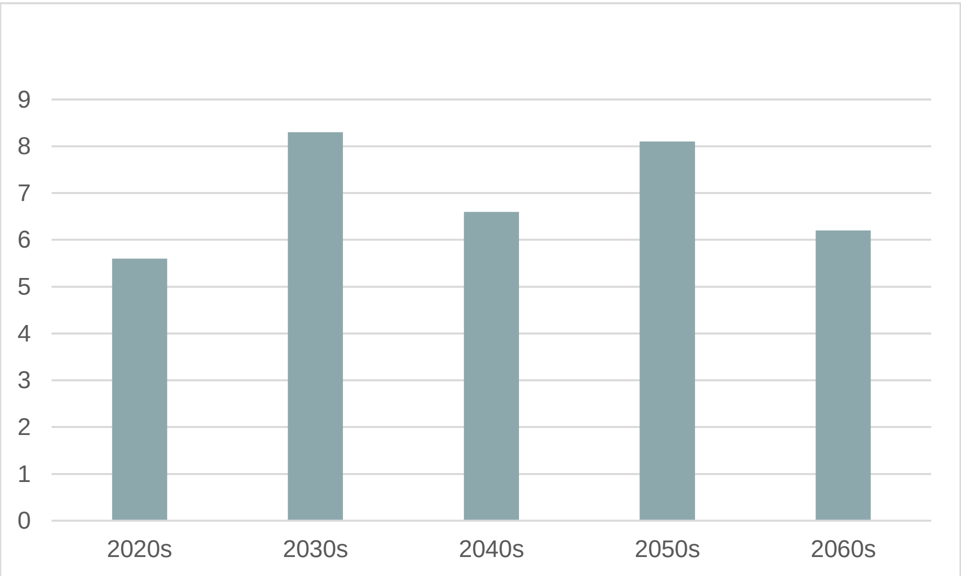
At first sight this result may seem counter-intuitive, but it is explained in part by the fact that the size of the cohort rises rapidly over this period. This is primarily because those born in the 'baby boom' of the late 1950s and early 1960s are now reaching state pension age at 66-67. Chart 8 from the ONS shows this second 'baby boom' following on from the boom immediately after the Second World War.

Chart 8. Number of live births, UK, 1901 to 2018

Source: [Our population – Where are we? How did we get here? Where are we going? - Office for National Statistics (ons.gov.uk)]

Another way of looking at this is to see how many people reach state pension age in each decade going forward, and this is shown in Chart 9.

Chart 9. Number of people reaching state pension age in each decade 2020s-2060s (millions)



Source: DWP Analysis of Future Pension Incomes (Analysis of future pension incomes - GOV.UK (www.gov.uk)), 2023.

The relevance of this is that the cohort at retirement increases rapidly in size in the late 2020s and early 2030s, but the total amount of DC wealth is not increasing proportionately. This is because the number of people who are members of historic high-quality / high-contribution DC schemes is relatively stable, but the number of people in the cohort with low value DC pots is rising rapidly because of automatic enrolment. As a result, the average DC pot over the whole cohort actually goes down.

Private Sector DB Pensions

As before, we have used membership data from a sample of private sector DB pension schemes to estimate the profile of at-retirement incomes of each new cohort of men and women reaching retirement age. This data captures two trends which reinforce each other:

- The steadily falling number of people with any private sector DB pension.

- The declining average real value of the DB pension of those who do have entitlement; this will arise, for example, because a scheme may have closed many years ago and each successive group of retirees may have spent fewer years as an active member of the scheme.

Chart 9 shows the average weekly earnings-deflated income from private sector DB pensions for men and women over the coming decades, averaged across all those retiring in each year.

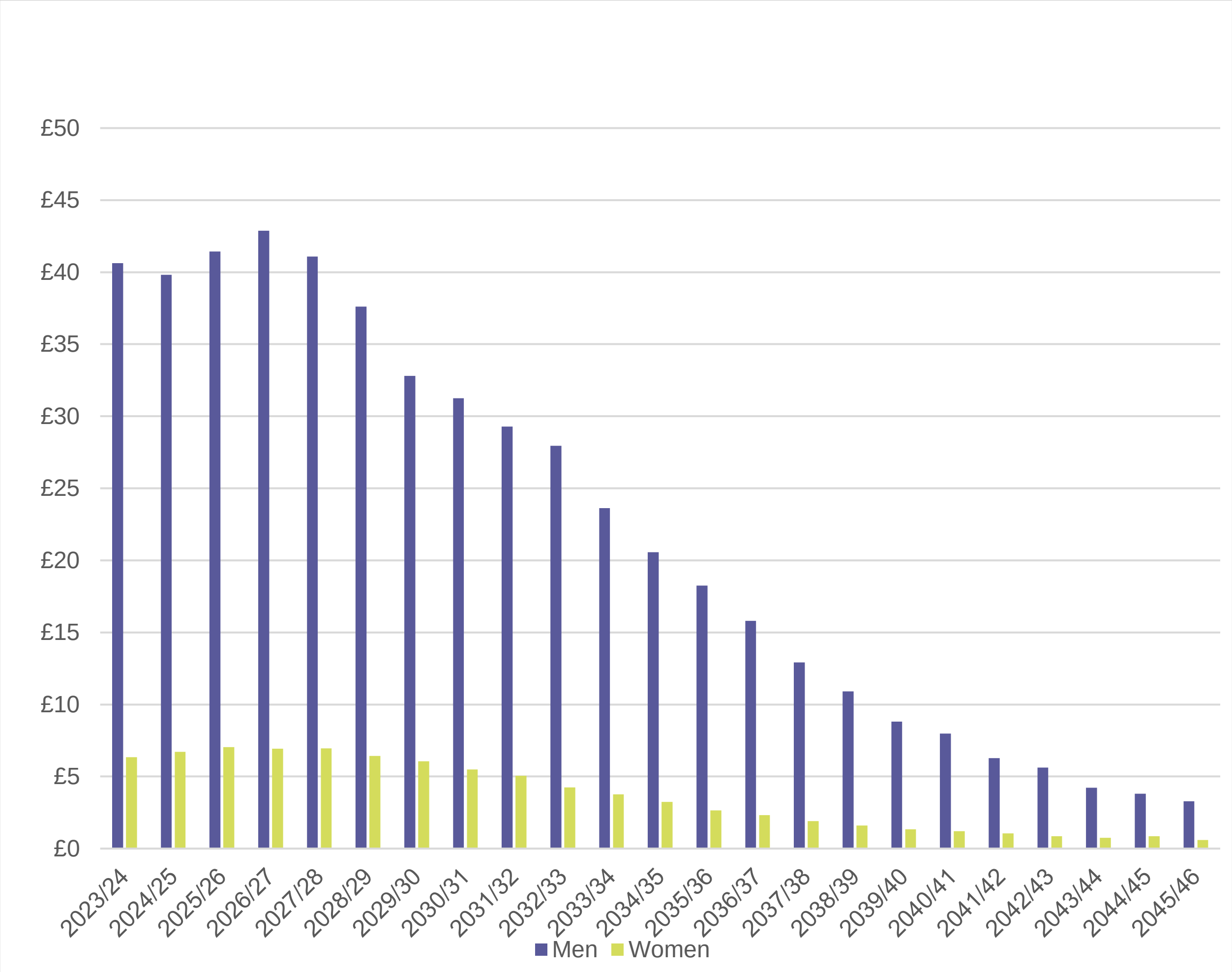
As per our previous analysis, there are two striking features of this chart:

- The ‘ski slope of doom’ whereby average men’s private sector DB pensions are currently at or near their peak but will then decline sharply and make a negligible contribution to the incomes of the cohort of new retirees in two decades’ time.

- The very substantial gap between men and women; this arises from a combination of far fewer women than men reaching retirement with any private sector DB entitlement, and lower average entitlements for those women who do have DB pensions.

Compared with our previous report, Chart 9 shows significantly lower average figures for DB pensions. For this analysis we have had access to a much larger sample of DB member data – these figures are based on the projected retirement incomes of around 158,000 retirees over the next two decades, compared with the sample of around 61,000 retirees used for our previous report. We believe that the new and larger sample provides more robust estimates and that the previous results may have over-stated average DB incomes because the sample schemes available at the time were not sufficiently representative of the DB universe as a whole.

Chart 9. Average weekly private sector DB pensions (current earnings terms) for men and women retiring in each year



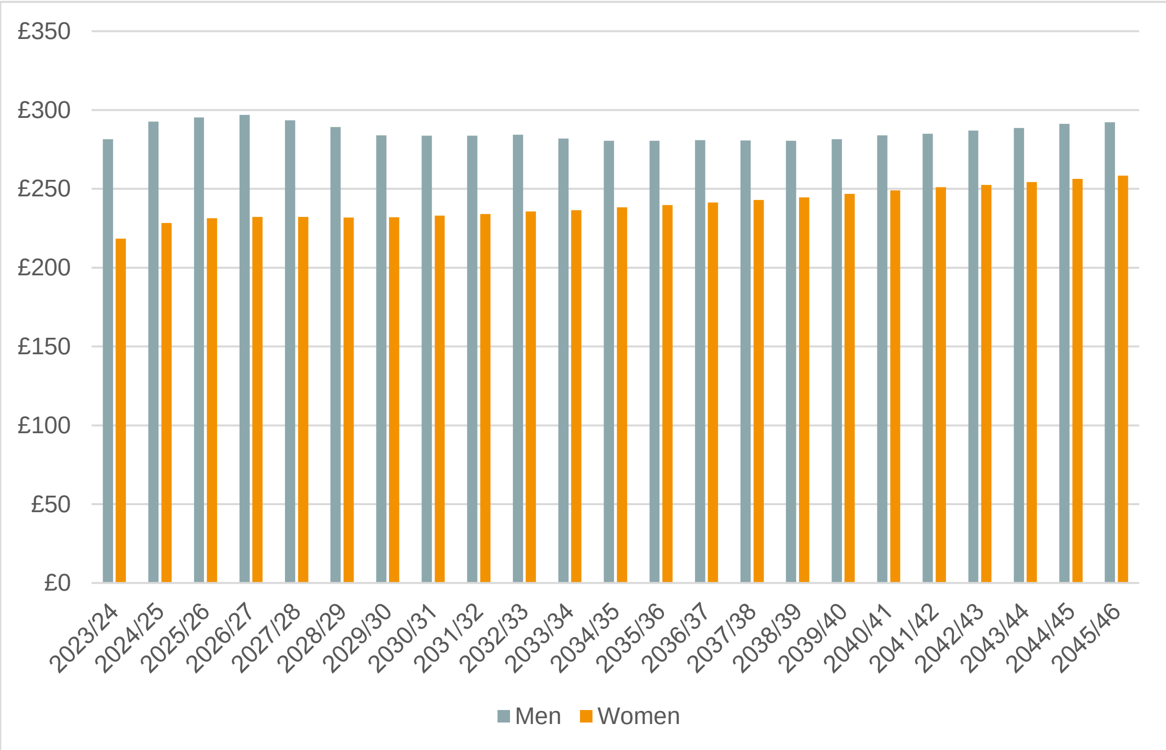
The figure of £40 per week for men may look very low, so it is worth deconstructing how we arrive at that figure.

We start by analysing the average pension due to be paid by the schemes in our sample for those men retiring in 2023. This comes out at around £6,800 per year, or about £130 per week. However, we estimate that just under 1/3 of the 350,000 or so men retiring in 2023 has a private sector DB pension, so the average contribution of private sector DB to the incomes of the cohort as a whole comes out at around £40. By averaging over the whole cohort in this way, we can pick up the combined effect of declining average DB pensions for those who receive them and a declining proportion with any private sector DB rights.

The overall picture

We can now combine the updated projections of income from state, DC and DB pensions into a single estimate for men and for women of their total future income at retirement. This is shown in Chart 10.

Chart 10. Average weekly income from all sources (in current earnings terms) for men and women retiring in each year



A number of key results stand out from this chart:

- For women, there is a steady improvement in at-retirement incomes (expressed in current earnings terms); this is partly because they do not experience the 'drag' arising from the steady death of private sector DB, but also because state pensions are a key part of their incomes, and these are assumed to rise by more than earnings (in line with the triple lock policy).

- For men, there is also the benefit of a triple locked state pension but once we are past 'peak DB' in a couple of years' time, their incomes drop back slightly as DB pension income drops sharply.

- The 'gender pension gap' will remain but is set to reduce; in 2023-24, the average woman's income at retirement is around 78% of that of a man, but by the end of the period it is more like 88%.

Table 3 shows at-retirement incomes for men and women at the start and end of the period, broken down by source:

Table 3. Composition of change in projection income (current earnings terms):

Men

	2023-24	2045-46
State pension	£194.77	£227.93
DC pension	£46.15	£61.08
DB pension	£40.62	£3.29
TOTAL	**£281.55**	**£292.30**

Women

	2023-24	2045-46
State pension	£190.92	£227.93
DC pension	£21.15	£29.85
DB pension	£6.34	£0.61
TOTAL	**£218.41**	**£258.39**

Key points to note are:

- State pensions improve for both men and women relative to average earnings, but women benefit more as the new state pension matures and eventually removes all gender differences in state pensions;

- Income from DC pensions improves, though still to relatively modest levels; for women, in particular, DC pensions are typically small, contributing less than £1 in £8 of their average weekly income.

Although the gender pension gap in DC pensions is nothing like the gap in DB, there is an emerging gender gap in DC as well.

05 Conclusion and recommendations

In this paper, we have sought to summarise the state of knowledge to date on the gender pension gap and its underlying causes. To this, we have added our analysis of the DWP's first published statistics on the subject as well as presenting our own new data on gaps in state and occupational pensions.

It is clear that the gender pension gap is complex and evolving. The main sources of differences in the past (particularly in state pensions and private sector DB pensions) are unlikely to be the main source of differences in the future. Instead, differences in DC outcomes (as well as differences between public and private sector employees) are likely to shape the future. These, in turn, are likely to be heavily influenced by the gender pay gap, which, though reduced on some measures, remains a persistent feature of the UK economy.

It is also clear that there is no single 'silver bullet' that will solve the problem. However, the analysis in this paper suggests that the following might be priorities for action:

Government

- To continue with the annual publication of gender pension gap statistics, with more commentary on underlying causes and a commitment to tackle them.
- To provide more information about the gender pension gap as it affects particular groups of women.
- To look at the role of the education system, both to improve standards of financial education but also to ensure that all young people acquire the skills needed to make the most of their financial futures.
- To take further steps to reduce the inequalities that arise following the birth of a child, including more effective policies on shared parenting and greater provision of support for childcare for children of pre-primary age.
- To review the position of the growing number of cohabiting couples with a particular focus on the way in which gender pension inequalities may persist after the break-up of such relationships.
- To act promptly on the findings of the current Law Commission review on the effectiveness of current legislation around pension sharing on divorce.

- To ensure that all carers, not just those receiving carers allowance, benefit from the National Insurance credits towards their state pension to which they may be entitled.

Employers

- To go beyond statutory gender pay gap reporting to understand more fully the pay gaps across a firm and to take action to tackle the wide range of underlying causes; this could include reviewing the link between the gender pay gap in the workplace and the gender pension gap in any employer-sponsored scheme.

- In particular, to review support given to new parents, enabling couples to share parental responsibilities more evenly in an economically viable way; this could include monitoring take-up of paternity leave policies and other initiatives designed to enable a more even gender split of parenting responsibilities not just at the time of a birth but throughout a child's life.

- To support workers with caring responsibilities in later life, with a focus on flexible working and allowing such workers to undertake a period of intensive caring without losing their ability to return to paid work at a later stage.

- To review employee health care support and policies in relation to women's health, including around issues such as menopause, miscarriage and fertility treatment.

- To consider the potential for maintaining employer pension contributions during periods when employees may be on reduced earnings due to caring responsibilities.

- To improve 'financial wellbeing' support for employees, potentially thereby improving levels of financial confidence amongst workers when approaching pensions and investment decisions.

- To review communication with pension scheme members to ensure that they have access to the tools and information needed to make the best of their pension.

The pensions industry

- Pension schemes need to understand more about the gender pension gap within their schemes to see if more can be done to improve the relative position of women.

- To equip both women and men to better understand their pension to be empowered to make more informed choices.

We welcome the recent establishment of the Pensions Equity Group and commit to working with others in the industry as part of that group to address some of the issues highlighted in this report.

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