The Gender Pensions Gap Report 2022

… and how to close it

#FairPensionsForAll

June 2022

Contents

Foreword

Joanne Segars OBE

Chair of Trustees, **NOW: Pensions**

"I have been campaigning on the gender pensions gap ever since I opened a call centre in the 1980s. Unfortunately, over this time the gap has continued to grow and the Covid-19 pandemic has only widened it further. According to our latest research women are now reaching retirement age with a pension of £69,000, compared with the £205,800 pot that men will enjoy.

Yet I still believe there are reasons to be hopeful. In recent years there has been significant progress in ensuring greater representation and opportunities for women across the business world. So now is not the time to stop campaigning. In fact, it is more important than ever that we continue to shine a spotlight on gender pay and the pensions gap, and demand fairer outcomes for everyone."

Samantha Gould

Report Author & Head of Campaigns, **NOW: Pensions**

"It has been a decade since auto-enrolment launched in the UK, which has brought over 10 million new savers into workplace pension saving.

However, it is by no means a perfect picture as almost that number of people (10.4 million) are currently ineligible. Women make up the biggest proportion of part-time workers in the UK and with reduced hours comes reduced pay. Millions of women have not been able to save via a workplace pension, nor take advantage of their employer contributions and tax relief.

Pension policies and regulations have not kept pace with the way many of us now choose to live and work, especially since the Covid-19 pandemic.

In this report, we explore the current inequalities women face with their pension savings and provide practical tips and illustrations for how they can bridge the gap and save for the retirement they deserve.

Whilst we are working hard to lobby the government to create policy changes, we want to empower women to plug these savings gaps themselves – it's time for women's pension power!"

“Women are well known to do less well in pension saving than men. Understanding the reasons for the inequalities will hopefully enable us to address these issues to help develop a system that works as well for women as it does for men.”

John Adams
Senior Policy Researcher, **Pensions Policy Institute**

About
NOW: Pensions

NOW: Pensions has been highlighting pension inequality since it became a requirement for firms to report on gender pay gaps in 2017.

Lower incomes throughout a woman's working life will invariably impact their pension savings, creating an obvious pension gap. Furthermore, women who take time away from work to have children or for other caring responsibilities contribute to the widening gulf that we see between men and women's pension wealth.

Three million women are effectively "locked out" of workplace pension saving because they do not meet the £10,000 auto enrolment eligibility criteria.

We are on a mission to raise awareness of the huge savings gap that exists and provide practical solutions to create better financial outcomes for women later in life.

What is auto enrolment?

Auto enrolment was introduced in 2012, making it compulsory for employers to offer a workplace pension that employees can pay into, or opt out, if they wish.

To qualify for auto enrolment, an employee must meet the following eligibility criteria:

- **Be aged 22 or above**
- **Earn at least £10,000 per year in a single role**

The benefits of auto enrolment are clear. Firstly, the contribution amounts for workplace pensions are currently 8%; this is a joint contribution of 5% by the employee and 3% by the employer. So, if an employee is not enrolled, they are essentially missing out on a 3% pay rise from their employer.

Secondly, not only do they benefit from employer contributions, but they may get tax relief from the government on top.

What has made auto enrolment such a success is that it works on inertia. Since an employee's 5% contribution is automatically deducted from their pay, they do not need to physically do anything to make it happen.

As a result, there are now 20 million people currently saving as part of their company workplace scheme.

But (and this is a big 'but') there are another 10 million people who cannot take advantage of auto enrolment, because they don't meet the eligibility criteria.

That is because workplace pension saving was designed for traditional patterns of working and is simply not suitable for employees who take significant career breaks, are self-employed, work in multiple or part-time roles, or move frequently between jobs.

Women, in particular, are disproportionately affected, with over three million currently locked out of workplace pension saving via workplace pension scheme providers. This is the major cause of pension inequality and it urgently needs to be addressed.

Women's employment

The female employment rate was 72.2%, down from a record high of 72.7% in December 2019-February 2020.

The male employment rate was 78.8% in the same period. 9.68 million women were working full-time, while 5.84 million were working part-time. Women make up the majority of part-time workers in the UK.

The effect of the pandemic on women's employment

Since 2008, 61% of the newly self-employed were women. Before the pandemic the increase in the number of women in the UK becoming self-employed was unprecedented. The pandemic has significantly hit self-employed people, with the total number falling by 71,000. During this period the number of self-employed women has fallen from 7.4% to 6.8%.

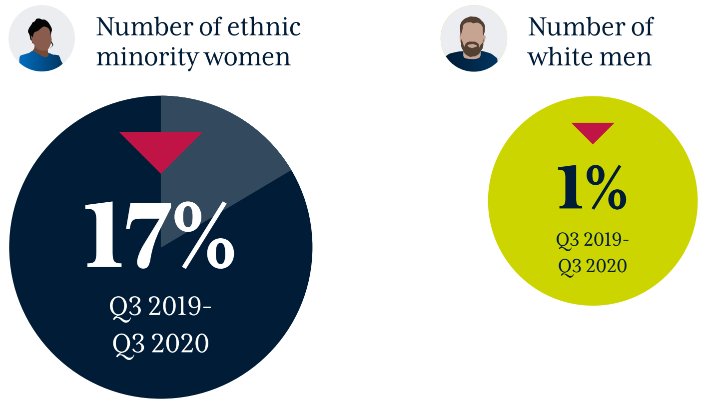
Moreover, many more men than women have made Self-Employment Income Support Scheme (SEISS) claims, primarily because men were the main earner in their family and so were more likely to claim.

Many women were also not eligible because they had taken maternity leave within the period in which the SEISS was calculated, therefore reducing their payments.

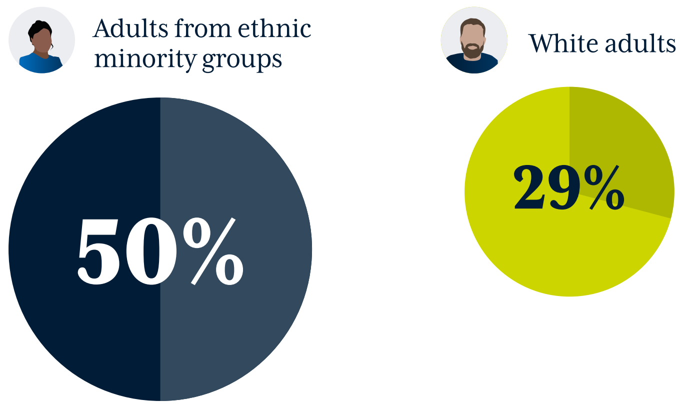
Our past research has revealed that Black, Asian and minority ethnic women often face multiple employment barriers. This situation has only worsened during the pandemic.

Almost 70% of self-employed people said they do not contribute to a pension, compared to just 17% of full-time employees.

Number of people working



Number of people who have had to draw down on their savings to cover their day-to-day expenses



The gender pensions gap

The gender pay gap

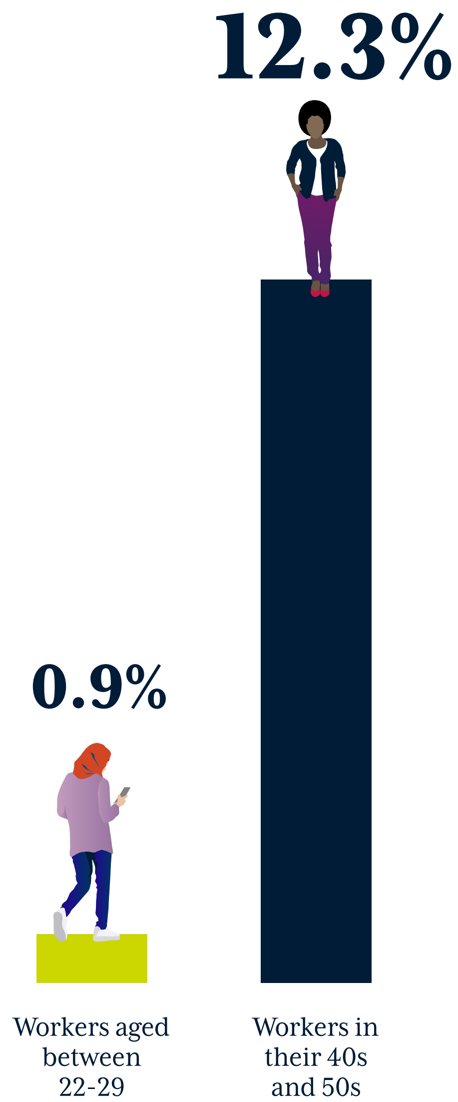
That is, the difference in paid work between men and women.

In 2021 the difference between average hourly earnings for men and women in the United Kingdom for all workers was 15.4%, compared with 7.9% for full-time workers, and -2.7%* for part-time workers.

Although the gender pay gap among younger age groups was quite small in 2021, the double-digit pay gap evident in older age groups served to keep the overall gap high. This is reflective of the amount of time out of the workforce that women have after they start having children. The average age in the UK of a first-time mother is 29 years.

Women at the top

Women are still underrepresented in leadership positions. Among FTSE 100 companies for example, just 8% of CEOs were female, falling to just 3.6% among FTSE 250 companies, and 4.9% among FTSE 350 companies.



Gender pay gap for workers

*This is because there are more women in part-time roles so there is a negative gender pay gap

The gender pensions gap

That is, the difference in pension savings wealth between men and women at retirement age (65).

Since our first report was published in 2019 the pension gap between men and women has continued to widen. While the average UK pension pot has almost doubled to £111,600, women's savings have hardly increased at all. In fact, if inflation and the cost of living are taken into account, women are arguably in a worse position than before.

As the table shows, by the time women reach age 65, they will typically have £69,000 saved into their pension pots. This is £136,800 less than the average man, who will have saved £205,800.

	2019	2020	2021
UK average	£57,000	£82,200	£111,600
Men	£156,500	£203,200	£205,800
Women	£51,000	£57,500	£69,000
Pension savings gap (men and women)	£105,500	£145,700	£136,800
Women's pension wealth as a % of men's	32.58%	28.29%	33.5%

This is the gender pensions gap

Women would need to work an additional 18 years in full-time employment to save the same amount of money into their pension as a working man

Or, put another way, women would have to work…

What contributes to the gender pensions gap?

Men and women have different working patterns throughout their careers.

Just 27% of women work mostly full-time throughout their careers, compared to 45% of men. Women typically spend 10 years away from the workforce to start families and care for children and relatives. This 10-year gap contributes to both the gender pay and pensions gaps as women who spend time away from the workforce have fewer opportunities for career progression and higher salaries.

There is no doubt the Covid-19 pandemic had a disproportionate effect on women's finances. Women are more likely to have childcare or caring responsibilities than men, and many women, especially single mothers, reduced their hours or stopped working entirely during Covid. Women are also often self-employed, a group that has been one of the hardest hit by the pandemic. So, they were more likely to have experienced the double whammy of both a reduction in their income whilst also being unable to take advantage of the benefits of auto enrolment. Finally, women are more likely to work part-time or multiple, lower-paid jobs and so earn salaries below the threshold for auto enrolment.

Over one in five women spend 16 years away from the workforce which fundamentally impacts their ability to save for later life.

The pandemic normalised flexible working

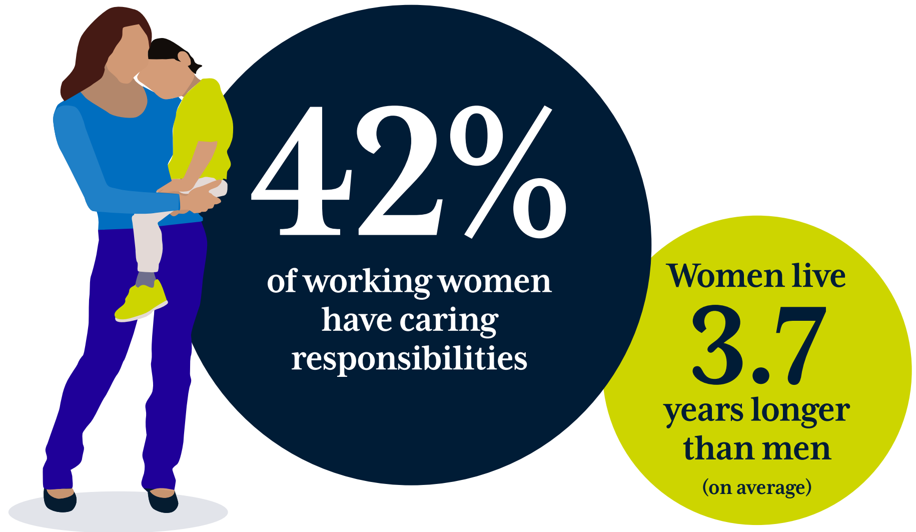
It would not be accurate to paint a completely negative picture. The pandemic was an opportunity for many people to save more than they otherwise would have, primarily due to reduced commuting and non-essential expenditure. Lockdown also enabled many to spend time organising their long-term financial welfare, seeking advice and building their financial resilience.

In addition, more women are working than ever before, primarily because the pandemic has ensured that flexible working has become widely accepted. That has allowed women, especially mothers and carers, a much greater ability to juggle their personal and professional commitments. As a result, many have returned to the workplace and taken higher-paying senior roles, thereby maximising the benefit of their workplace pension schemes.

So although the pandemic has undoubtedly created more pressures for many women and ultimately widened the pension savings gaps further, it has also given us the chance to think about how we can get more women into work and help to build a meaningful nest egg for their retirement. It is an opportunity we cannot ignore.

Longer lives

Although both men and women are living longer, there is still a gap in life expectancy with women living on average 3.7 years longer than men. At State Pension Age in 2018 (65 years old for both men and women), women had a life expectancy of around 2 years and 2 months longer than men. Women need to ensure that they can sustain their retirement income for a greater length of time, otherwise women have a greater chance of exhausting their pension savings than men.



Making and breaking up

The impact of divorce on women's later-life finances

New divorce laws were introduced on 6 April 2022 in England and Wales. "No fault" divorces promise to deliver the biggest shake-up of divorce laws in over 50 years.

This new legislation enables couples to split without having to say one person was in the wrong. However, with these changes, there is a greater risk of financial inequality when it comes to pensions and later-life finances.

What about other assets?

First of all, divorced women suffer from low levels of homeownership – 49% own homes compared to the UK average of 65%. We know that people who rent face higher housing costs and more financial instability compared to homeowners.

Then there's the income challenges: 34% of divorced women work part-time, and many of those jobs are in low-paying occupations. Combine this with the cost of childcare and we begin to get better understanding of the reasons behind gendered divorcee pension inequality.

Pension inequality is already polarised

Pension pots are typically the second-largest asset, after property marriage, but women are often walking away from divorces short-changed. Research shows that less than two in ten divorces have a pension sharing order which means that women are reaching retirement age with just 12% of the pension wealth of men. As a consequence, women are reaching retirement age with just £26,100 compared to a man's pension wealth of £205,800. That is a difference of £179,700.

NOW: Pensions policy proposals for a fairer UK pension system

There is no good reason why women should be financially penalised for bringing up their families, caring for relatives or for choosing non-traditional work roles. The government can help women save for their pensions and close the pensions gap by making some simple policy changes.

1

Remove the £10,000 auto enrolment trigger to get 3 million more women saving into a workplace pension

Employees are only enrolled in their workplace pension if they earn more than £10,000 per annum in a single role. We are calling for the government to reduce this threshold, with enrolment starting on the first pound of income. By doing so, we could get a further 3 million women into workplace pension saving.

2

Remove the lower earnings limit, so auto enrolment contributions are earned from the first pound of earnings

Pension contributions are only taken after the qualifying earnings sum of £6,240 has been deducted. So an employee earning just over the £10,000 threshold will only pay their 5% contribution on the remaining £3,760. We want the government to remove this barrier so the contributions are deducted from an employee's full salary.

3

Introduce a family carer's top-up

People who take time out of work to care for their family are compensated with State Pension credits. However, they miss out on auto enrolment. Our proposed family carer's top-up would see the government pay the equivalent of the employer's contribution at the same level as the National Living Wage into carers' pensions.

The top-up would equate to about £820 per year and boost pension outcomes by approximately 20% for individuals who take 10 years out of work due to caring responsibilities before returning to the workforce full-time.

4

Divorce – make pension sharing the default

Unfortunately divorced women often face lower retirement incomes, primarily because pension assets (often the second most valuable asset after property) are not usually considered during the separation process. In fact, just 12% of divorces result in any pension division. Ensuring that pension funds are taken into account by default in all divorce settlements will help to address pension inequality.

5

Ensure the availability and cost of childcare enables those who want to return to work to do so

Despite tax changes that help families with childcare costs, prices continue to climb. The Family and Childcare Trust reported in 2021 that childcare prices for children under two had risen to £138 per week, equating to over £7,000 per year. As a result, too many people struggle to make work pay after childcare costs, or are simply unable to work at all.

NOW: Pensions

How can you close your pension savings gap?

Our top tips to get your pension saving back on track

With a little planning and foresight, you can get back on track.

1

Make sure you are enrolled into your workplace pension

Not only are you contributing to your retirement, but so too are your employer and the government (in the form of tax relief). It's essentially free money. So if you opt out, it is as if you have turned down a 3% pay rise. No one would do that, would they?

2

Pay in the maximum you can afford

Although current auto enrolment minimum contributions are set at 8% (3% of which must be from your employer) you can pay in more than the minimum 5% and some employers will match contributions to a certain level. So always try to contribute as much as you can, no matter how small the sum might be. If you've had a pay rise or recently received a bonus for example, put some of it away in your pension pot. The more you put in, the more opportunity your money has to grow and the more you will get out at the end.

3

Don't delay

It's never too late to start saving into a pension. The longer you contribute to a pension, the more money you save and the more you'll benefit from compound interest.

4

If you start a family, don't stop saving

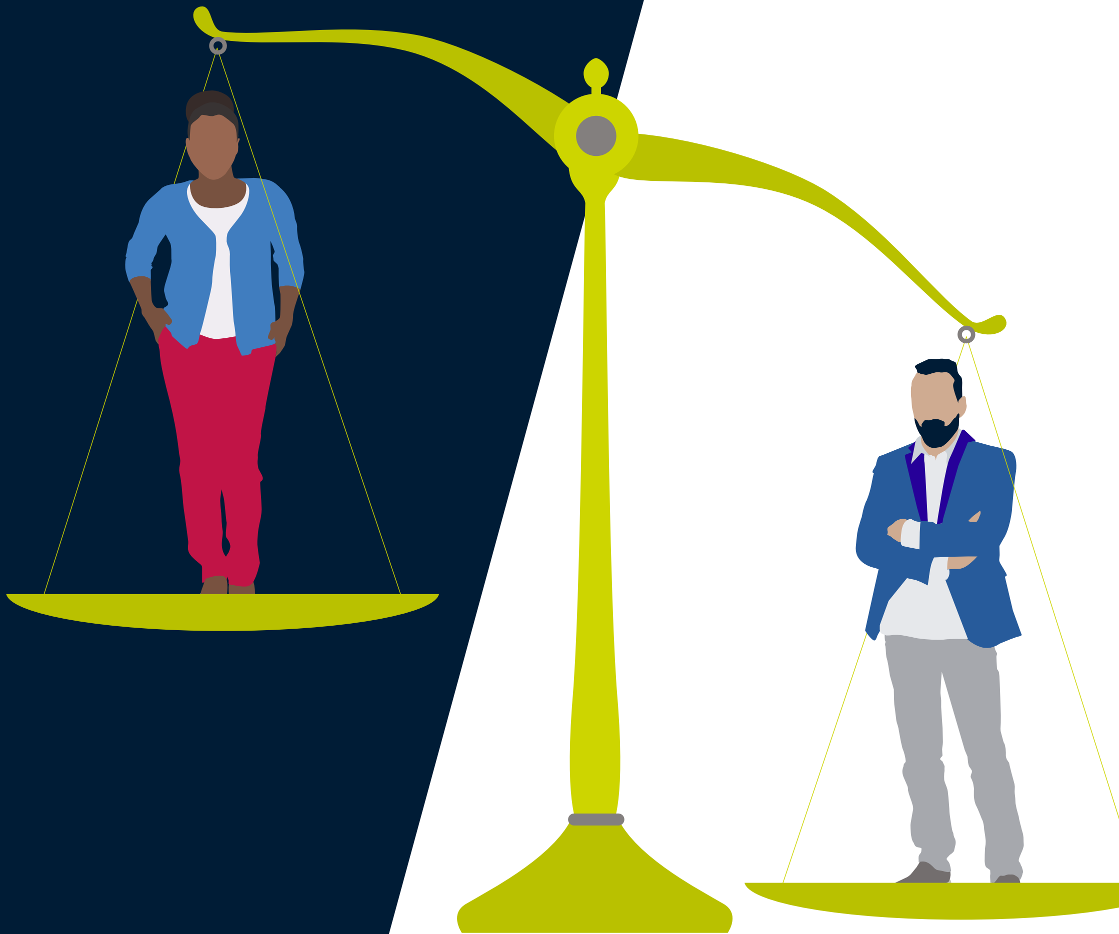
While a child will of course put additional strain on your finances, try your best to think about the long term and keep up your savings as much as you can. If you continue paying in whilst on maternity leave, you'll be benefitting from your employer's contributions and growing your pension while not even working.

5

Review your pension savings regularly

Make sure you log in to your pension scheme portal and check your pension pot regularly – just like you would your savings account. That will help you stay on track for the best possible lifestyle in the future.

Ladies, let's close the pension savings gap



For anyone wishing to save for their retirement, the message is simple.

Start early.

And if you didn't start early, start now.

That is because of the miracle of compound interest, what Einstein called "the eighth wonder of the world". Anyone who starts saving even a small amount in their 20s and 30s will likely end up with a larger retirement fund than someone who saves a much greater amount in their 40s and 50s.

While that is all well and good, for many women this isn't easy. Since their working careers are often shorter or more interrupted than men, and their roles often lower-paid, they must save more when they are earning if they wish to build the same pension pot.

Using the average career break of 10 years, we have modelled how much women in their 20s, 30s, and 40s will need to save in order to bridge their projected pension savings gaps.

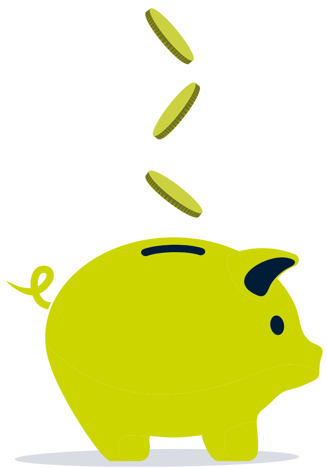
If a woman was to work full-time throughout their career, using the 8% contribution rate, and median earnings they should have a pension pot of £156,065.

The State Pension

This is a pension the government pays you when you reach your State Pension age. You build up State Pension by paying National Insurance contributions or receiving National Insurance credits (paid to carers, job seekers and people on some family and sickness benefits).

The full State Pension rate for 2021 to 2022 is £179.60 a week.

You need 35 qualifying years, when you paid full-rate National Insurance or received National Insurance credits, to receive the full State Pension. If you have fewer than 35 qualifying years you'll get a lower amount of State Pension.



What can you do now?

If you would like to start closing the savings gaps, we have modelled the additional money that a woman would need to save in order to make up for a (typical) 10-year career break and close the gender pensions gap.

On the following pages, we illustrate how much additional money (broken down by year, by month and by week) is needed for a woman to achieve the same pension pot value at age 65 as if they had worked full-time throughout (contributing at 8%).

It is important to highlight that many women can bridge this gap, even if they take career breaks, just by saving even a few pounds more each week when they are in work.

New research from the Pensions Policy Institute shows that a woman earning an average income in a full-time role and who starts saving at the age of 25 can take a 10-year career break to care for her family and still enjoy the same pension income as her male counterpart by saving an additional £20 per week throughout her working life. That's the equivalent of one takeaway coffee every day.

Similarly, a woman who starts saving at the age of 45, after having previously taken a similar 10-year career break, would need to save just £1.26 every week to bridge the pension gap.

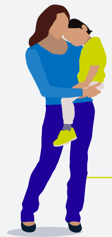
So whatever age you are, whatever job you have and however long your career break, it is possible to make a real difference to the quality of your retirement, just by saving a little each week.

At the same time, the onus should not be on women to save more in order to enjoy the same retirement as men. There is no good reason why women should be financially penalised for choosing to bring up their families and seek a sustainable work-life balance. That is why NOW: Pensions has been calling on the government to make the necessary changes to the pension system to help women save earlier in life – when it will make the biggest difference to their retirement wealth.

See the extra savings needed for women to close the gap:

Women in their 20s page 23

Women in their 30s page 25



Women in their 40s page 27

Women in their 20s

At 65, the average pension pot would be £156,064. However due to career breaks and the gender pay gap, there will be a shortfall. We have modelled how you can start saving to close your pension savings gap.

The gender pensions gap

£49,736

(using the target of £205,800)

£17.49

Savings per week

to close the gender pensions gap

“I have never really thought about pensions before but I know that I now pay into a workplace scheme every month as I see it on my payslips.

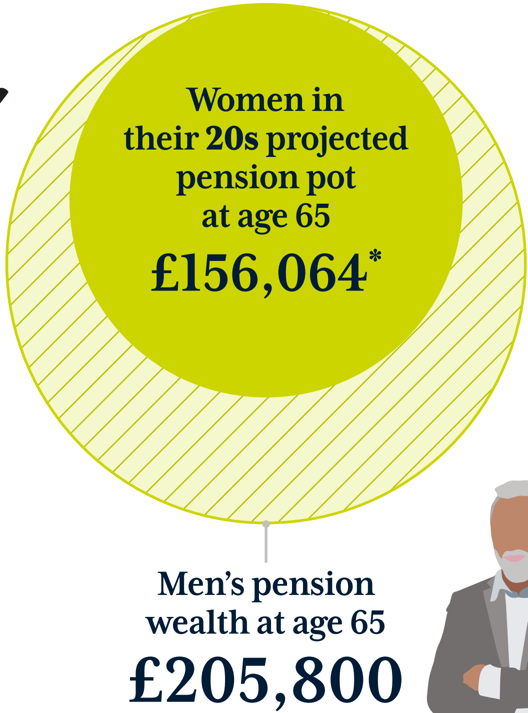
It's great that my employer contributes too and since it comes straight out of my salary I don't need to think about it at all. I work in retail and really love my job, but I know that if I take a career break to have children my pay and my pension will be impacted. Using this table will help me plan for this and work out how much extra money I need to pay in to cover the times when I won't be working.”

Stephanie, Age 22

She has been working full-time for two years and was auto enrolled at age 22

Women in their 20s

The average woman in their 20s in the UK has a median income of £25,115.



*If they work full-time to age 65

Table 1: Closing the motherhood pensions gap

Projected pension pot (with a 10-year career gap) is £113,556	Additional savings to close the gap		
	per year	per month	per week
£42,508 gap	£771.73	£64.75	£14.95

Table 2: Closing the gender pensions gap

The gender pensions gap	Additional savings		
	per year	per month	per week
£49,736 gap	£902.94	£75.76	£17.49

For illustration only. These tables illustrate the pension savings gaps that are caused by career breaks and the gender pensions gap. These illustrations assume that you join a pension scheme from age 18 and contributions remain at 8%. The 10-year gap assumes caring for 10 years from ages 26 to 36, returning to work full-time using median earnings from the Labour Force Survey at each age cohort. All figures are in 2022 earnings. These tables illustrate the implications that a career break will have on their pension pot at age 65. Assuming you are auto enrolled at age 22 and contribution rates remain at 8% the illustration shows what additional money you would need to put into your pot to reach the same pension as if there were no gaps.

Women in their 30s

At 65, the average pension pot should be £120,881. However due to career breaks and gender pay gaps, there will be a shortfall. We have modelled how you can start saving to close your pension savings gap.

The gender pensions gap

£84,919

(using the target of £205,800)

£43.17

Savings per week

to close the gender pensions gap

As I work in a school I was lucky enough to work throughout the pandemic so I have been able to stay financially stable.

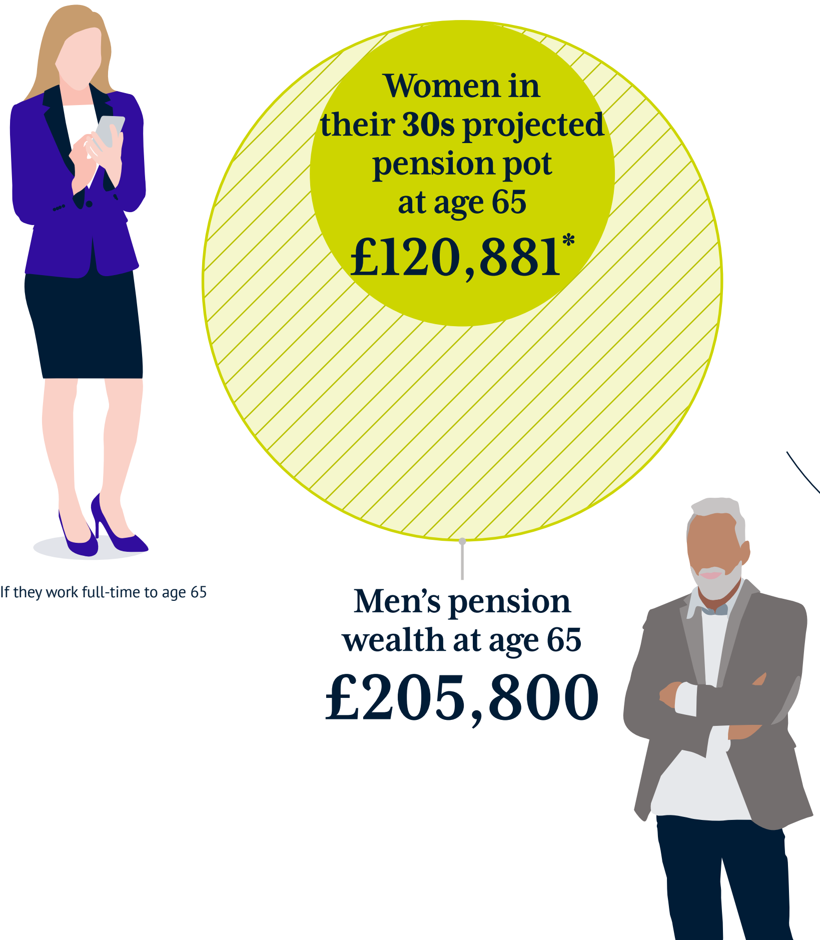
I don't yet have children but would love to at some point, so I need to be prepared for gaps in my career when I will be a stay-at-home mum. It is really helpful to see how any career breaks will affect my finances and how much extra money I need to put in to make up my savings gaps.

Gemma, Age 30

She has been working full-time since leaving education 14 years ago.

Women in their 30s

The average woman in their 30s in the UK has a median income of £30,540.



*If they work full-time to age 65

Table 3: Closing the motherhood pensions gap

Projected pension pot (with a 10-year career gap) is £96,104	Additional savings to close the gap		
	per year	per month	per week
£24,778 gap	£650	£54.56	£12.60

Table 4: Closing the Gender Pensions Gap

The gender pensions gap	Additional savings		
	per year	per month	per week
£84,919 gap	£2,228.73	£187	£43.17

For illustration only. These tables illustrate the pension savings gaps that are caused by career breaks and the gender pensions gap. These illustrations assume that you join a pension scheme from age 18 and contributions remain at 8%. The 10-year gap assumes caring for 10 years from ages 26 to 36, returning to work full-time using median earnings from the Labour Force Survey at each age cohort. All figures are in 2022 earnings. These tables illustrate the implications that a career break will have on their pension pot at age 65. Assuming you are auto enrolled at age 22 and contribution rates remain at 8% the illustration shows what additional money you would need to put into your pot to reach the same pension as if there were no gaps.

Women in their 40s

At 65, the average pension pot should be £76,364. However due to career breaks and gender pay gaps, there will be a shortfall. We have modelled how you can start saving to close your pension savings gap.

The gender pensions gap

£129,437

(using the target of £205,800)

£106.83

Savings per week

to close the gender pensions gap

> I have worked part-time since having my daughter in 2006.
>
> Pensions are not something that I have always considered and only recently have I begun to think about my life after work. I was fortunate that my finances were not impacted because of the pandemic but in terms of managing my finances, I tend to focus on the day-to-day rather than looking long-term. This modelling helps me to see how much extra money I need to save for my pension, and enables me to be fully prepared for when I choose to retire.

Stevie, Age 46

She has been working part-time since 2006.

Women in their 40s

The average woman in their 40s in the UK has a median income of £31,679.

Women in their **40s** projected pension pot at age 65

*If they work full-time to age 65

Men's pension wealth at age 65

£205,800

Table 5: Closing the motherhood pensions gap

Projected pension pot (with a 10-year career gap) is £75,044*	Additional savings to close the gap		
	per year	per month	per week
£1,320 gap	£56.24	£4.72	£1.09

*To what they would have if they'd continued to work full-time

Table 6: Closing the gender pensions gap

The gender pensions gap	Additional savings		
	per year	per month	per week
£129,437 gap	£5,514.85	£462.71	£106.83

For illustration only. These tables illustrate the pension savings gaps that are caused by career breaks and the gender pensions gap. These illustrations assume that you join a pension scheme from age 18 and contributions remain at 8%. The 10-year gap assumes caring for 10 years from ages 26 to 36, returning to work full-time using median earnings from the Labour Force Survey at each age cohort. All figures are in 2022 earnings. These tables illustrate the implications that a career break will have on their pension pot at age 65. Assuming you are auto enrolled at age 22 and contribution rates remain at 8% the illustration shows what additional money you would need to put into your pot to reach the same pension as if there were no gaps.

In summary

Many women can bridge the savings gaps, even if they've taken a 10-year career break. By saving an extra £20 per week throughout their working lives, women can ensure they have an equal pension wealth to men.

These tables show how a woman can achieve the same pension pot at State Pension Age as they would have had if they'd worked full-time throughout their career (contributing at auto enrolment minimum of 8%).

So whatever age you are, whatever job you have and however long your career break, it is possible to make a real difference to the quality of your retirement, just by saving a little extra each week.

These figures assume that a woman leaves the workplace and returns to work on a full-time basis.

Table 1: Closing the motherhood pensions gap

How women with a 10-year break pension savings gap can make their pension pot equal to that of someone who has worked full-time throughout their career

	Projected pension pot at age 65 (assuming a 10-year gap)	The projected gap (to what they would have if they'd continued to work full-time)	Additional savings		
			per year	per month	per week
In your **20s**	£113,556	£42,508	£771.73	£64.75	£14.95
In your **30s**	£96,104	£24,778	£650	£54.56	£12.60
In your **40s**	£75,044	£1,320	£56.24	£4.72	£1.09

Table 2: Closing the gender pensions gap

The additional pension savings a woman would need to pay in over their career to reach retirement age with the same pension wealth as a man.

	Projected pension pot at age 65 (assuming a 10-year gap)	The projected gap (to reach the target of £205,800)	Additional savings		
			per year	per month	per week
In your **20s**	£113,556	£49,736	£902.94	£75.76	£17.49
In your **30s**	£96,104	£84,919	£2,228.73	£187	£43.17
In your **40s**	£75,044	£129,437	£5,514.85	£462.71	£106.83

NOW: Pensions Trust
6 Bevis Marks
London EC3A 7BA

nowpensions.com

NOW: Pensions

Pensions Policy Institute
PPI

Disclaimer

This report was created using the PPI Underpensioned Index, December 2020. To view the technical appendix and the full list of assumptions used to produce this data, please click here.

Information correct as at June 2022.

NOW: Pensions is a UK occupational pension plan. This is written as a general guide only. It should not be relied upon as a substitute for specific professional advice.

NOW: Pensions Ltd. Registered office: 6 Bevis Marks, London, EC3A 7BA.
Registration number: 07766398. Registered in England and Wales.