NOW: Pensions

The *gender pensions gap* report 2024

#FairPensionsForAll

Contents

Introduction	03
About the research	05
Key findings	08
Chapter 01: The early years	09
Chapter 02: The working years – staying in work	13
Chapter 03: The working years – the gender 'care' gap	18
Chapter 04: The retirement years	23
Chapter 05: What can be done?	27

Introduction

The gender pensions gap doesn't begin at retirement age. Nor does it start with the first wage packet.

Women need to work *an extra 19 years* to retire with the *same pension amount* as men.

Our report looks at the causes of the gender pensions gap and our policy recommendations for helping to close the gap.

Put simply, the gender pensions gap is a *whole-life issue.*

With eligibility for auto enrolment beginning at 22, this means that by age three, girls are already falling behind boys in their provision for later life.

The effects of the gender pensions gap multiply during working life. Its impacts are felt in retirement, where ***67% of pensioners in poverty are women.***

Our 2024 gender pensions gap report offers a comprehensive 'whole-of-life' look at the causes and consequences of this financial inequality. Recognising that its roots don't grow from a single issue, our report considers a range of contributory and age-based factors to do with the economy and society. It also suggests insights, policy actions and tips to bridge the gap and help people save for the retirement they deserve.

At NOW: Pensions, we believe in helping *everyone* save for a more financially secure future.

About the research

The research for the 2024 gender pensions gap report was carried out in partnership with the Pensions Policy Institute (PPI) in October 2023.

Collected and curated from a range of official published sources in the UK, the data aims to offer unique insights into the issues that contribute to the gender pensions gap.

We know every individual's situation will be different, and particularly when it comes to raising children, every family will do things differently. The research won't apply to every situation or every family, but the report takes a holistic view, based on the best available published data.

We've been raising awareness of the gender pensions gap since the introduction of gender pay reporting in 2017. Our research supports our campaigning and our wider work for fairer pensions for all.

> **"We've been raising awareness of the *gender pensions gap* since the introduction of gender pay reporting in *2017*."**

It’s hard to believe that by the time a young girl starts school at four, she will already be falling behind a boy of the same age when it comes to providing for her retirement. Yet this is the reality many girls face as they leave education and enter the world of work. Despite enacting some important policies in recent years to improve financial opportunities, outcomes and equity between men and women - like auto enrolment and gender pay gap reporting - our report is a timely reminder of the work that still needs to be done. We believe it can and it must.

Our research is an important step in identifying, defining, and addressing the problem and what we can do as a society to fight for fair pensions for all.”

Joanne Segars
OBE, Chair of the trustee board
NOW: Pensions

“

Policymakers have made important decisions in recent years which are already making a substantial difference to the way workers and their employers are providing for retirement. Yet, as our research shows, the scale of the gender pensions gap remains vast and will require bolder policy actions. Some of the solutions are broader than traditional pension policy. Childcare and gender pay gap issues must be given the urgent attention they require. But setting out the roadmap for the future of auto enrolment including tackling the difficult issue of adequacy in retirement - which affects women disproportionately given lower pension wealth- should be front and centre of next steps.

Lizzy Holliday
Director of policy and public affairs
NOW: Pensions

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While the gender pensions gap is widely recognised, there is a lack of clear consensus in terms of definition, magnitude and potential solutions. Measures of pension wealth and retirement income can both be useful for understanding the magnitude of the gap, but the approach taken in this year’s edition of the underpensioned report provides a more nuanced analysis of the causes of the gap.

By their late 50s, women have average pension savings worth less than two-thirds of men’s, with a substantial proportion of this difference stemming from inequalities in the labour market, including differing working patterns and the gender pay gap. While there are some pensions policy options that could be introduced to potentially mitigate the gender pensions gap, it’s unlikely to significantly reduce without changes in labour market conditions and gendered divisions of domestic labour.

Lauren Wilkinson
Senior policy researcher
Pensions Policy Institute

Key findings

1

The amount of lost pension savings (from missing contributions and subsequent investment returns) during an average ***10-year career gap*** amounts to an average of ***£39,000.***

2

If the age and earnings restrictions for auto enrolment were removed entirely, an additional ***885,000 young women*** would become eligible. This is approximately ***100,000 more*** than men of the same age.

3

In 2023, women's average pay is three quarters ***(75%)*** of men's - a gender pay gap of ***25%.***

4

67% of pensioners in poverty are women. ***Half*** of pensioners in poverty are single women.

5

Today, women retire on average with pension savings of ***£69,000,*** compared to ***£205,000*** for men.

6

Based on the 'eligible jobholder' age requirement ***(22)*** to qualify for auto enrolment, women would need to work full time for an ***extra 19 years*** to retire with the same amount of money in their pension as men. This means they'd have to start their pension saving by ***age three***.

01
The early years

People are living longer, and women typically are living longer than men.

A baby girl born in 2020 can expect to live, on average, to around 90 years old. By 2045, this is expected to be 92.6 years. A baby boy born in 2020 can expect to live, on average, to about 83.7. This is expected to be 90.1 by 2045.

While the State Pension age has also risen and will rise further to 68 in the coming years, providing for later life is proving to be increasingly difficult for many as they live longer.

For women, who are having to fund a longer period of expected retirement with fewer savings built up over the course of their lives, future planning is becoming increasingly important.

Starting early: the gender pensions gap

The gender pensions gap – the difference in pension savings wealth between men and women at retirement age – is substantial.

Allowing for typical working patterns, women's pension wealth is a ***third (33%) less***, relative to men. These figures are the result of a lifetime of reduced earnings potential, increased time out of the workforce and other contributory factors.

To bridge this gap themselves, women would need to work an extra 19 years in full-time employment to build up the same level of pension savings as men. Based on qualifying for auto enrolment at the current age of 22, a girl would need to start earning at ***threeyears old*** to build up the same level of pension savings as a boy the same age. As a result, a girl born in 2020 is already on course for a smaller pension pot than a boy born in the same year.

By their *late 50s,* women will have built up *just 62%* of the pension wealth of men.

Younger workers and auto enrolment

To qualify for auto enrolment, a worker must be 22 years old and earn at least £10,000 per year.

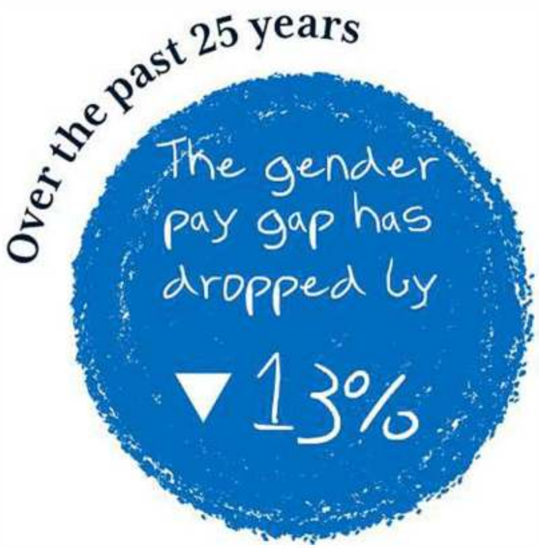
There are around ***100,000*** more young female workers than young male workers currently locked out of auto enrolment due to their age and earnings.

At the time this report was published (February 2024), there are active proposals to reduce the qualifying auto enrolment age to 18. The government agreed to the recommendation by the Automatic Enrolment Review in 2017 and in 2023 supported a Private Members' Bill which provides new powers to make this change to the regulations. If the age and earnings restrictions were removed entirely, around ***885,000 young female workers*** would become eligible for auto enrolment.

University or work?

Another cause of the gender pensions gap is the *gender pay gap.*

Today, women are now ***5% more likely*** to have graduated from university than men and are entering the workforce with higher average salaries than a generation before. If current trends continue, the gender pay gap will reduce further over the coming years as more young women go on to higher education. We've also seen increased fairness between part-time workers. Policies such as the minimum wage have benefitted lower-earning women.



What's next?

As life expectancy increases, the challenge of funding retirement begins in childhood.

The gender pensions gap is a living reality by retirement age, the result of lifelong differences faced by women in earnings and in building up pension wealth.

The potential for reduced earnings and career interruptions means a woman will, on average, have to ***work 19 years more than a man*** to save the same levels of pension wealth.

With auto enrolment only starting at 22, this means a girl would have to start earning at ***three*** to bridge the gap. Auto enrolment, higher educational outcomes and equal pay initiatives are only just beginning to address this.

In the next chapter we'll look at what will happen to the girl born in 2020 as she enters the world of work and starts to encounter some of the inequalities she's likely to face.

02

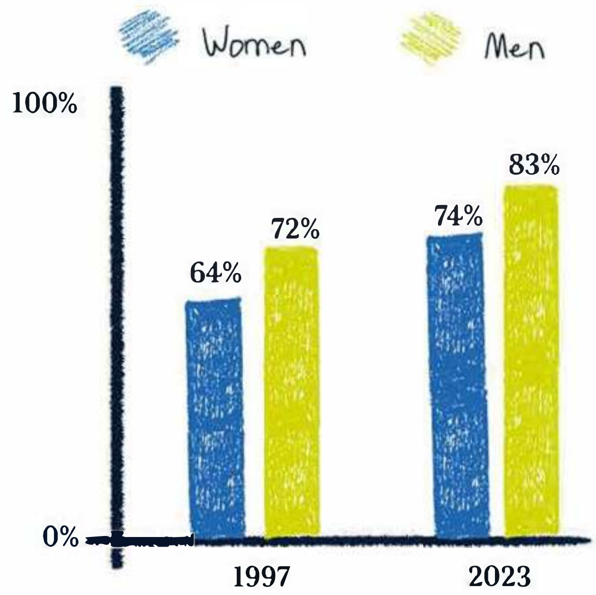
Working years

Staying in work

By their late 50s women, will have built up *significantly less* pension wealth than men.

And yet, at the beginning of their careers, the picture is different. The gender pay gap, a significant cause of pensions inequality, is relatively low for workers in their 20s and 30s. As employment rates and patterns diverge throughout working life, today's three-year-old will face a rapidly-increasing earnings gap as she grows older.

Percentage of men and women in employment



Women in employment

Time spent out of work naturally has a huge impact on earnings and later pension provision.

Women are more likely to have different working patterns over their working lives, and this is reflected in varying employment rates.

In 2023, *74% of women* were in employment compared with *83% of men.*

Full-time and part-time work

The proportion of full-time employees who are women has been increasing, from 36% in 1997 to 41% in 2023.

The proportion of part-time employees who are men has also increased, from ***16% to 26%.*** Whilst this has led to a reduction in the overall gender pay gap, the employment participation gap - the gap in labour market participation between men and women adjusted by hours worked - is ***46% for women and 74% for men***, for both full and part-time workers.

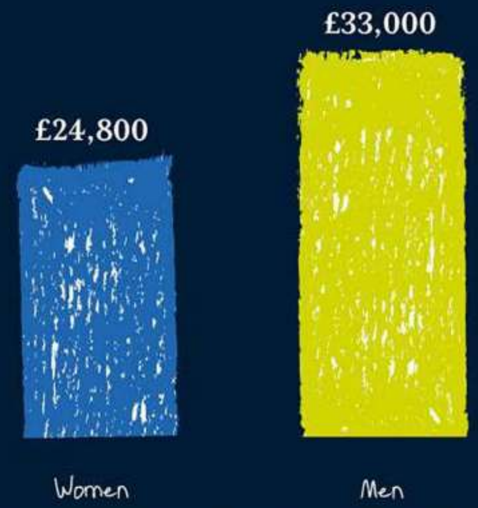
The gender pay gap

It wasn't until 2017, when reporting on the gender pay gap became compulsory for organisations with more than 250 employees, that we had any idea of the scale of the problem.

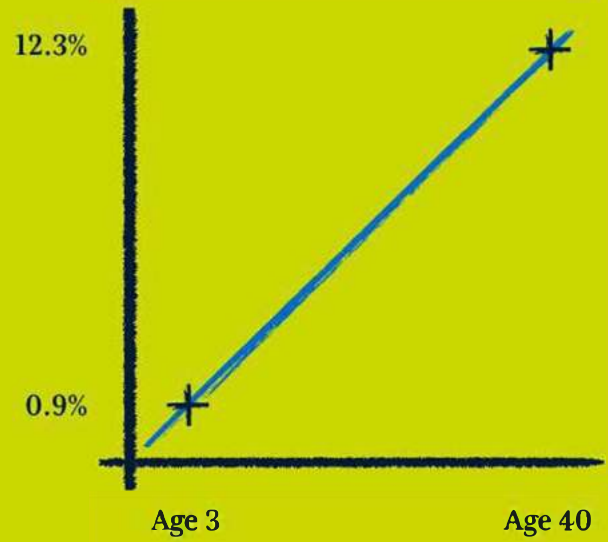
Since then, we've led the charge in highlighting how this impacts the gender pensions gap. The gender pay gap depends on a number of factors, including: age, work patterns, occupation, industry and sector, employer size, region and level of earnings.

As it stands, women's average annual incomes ***(£24,800)*** are equal to three-quarters (75%) of men's ***(£33,000)***. In our 2022 Gender Pensions Gap report, we found that at the start of her career and lasting until she's 29, the gender pay gap for our three-year-old will be 0.9%.

This will rise to *12.3%* by the time she's 40.



Average annual income of men and women (2023)



Gender pay gap percentage for women

The expected…

Just as some sectors pay more than others, so the gender pay gap is larger in industries which have traditionally employed more men than women.

Where men might have traditionally been overrepresented (in finance and technology for instance) the gender pay gap is larger than in sectors such as education and healthcare which have traditionally employed higher proportions of women. And while the pay gap might be lower, so too are overall earnings in lower-paying sectors.

It's not just about earnings either. Higher-paid jobs are more likely to have generous private pension provisions and bonuses beyond salary.

… and the unexpected

There are also differences between private and public sector pay and pensions gaps.

In some public sector organisations where defined benefit (DB) pension schemes still exist, pension provision is actually higher among women. In Northern Ireland, where the public sector employs a higher proportion of the population than other regions, the pay gap is the other way around as women tend to earn more than men. Meanwhile, ***South-east England and the East Midlands have the largest gender pay gaps in the UK.***

Pension participation

Women are still less likely to qualify for auto enrolment than men.

Of the *14.6 million women employed* in the UK today, *2.5 million (17%)* don't qualify for auto enrolment, compared to *8% of male employees.*

And 79% of the workers who earn less than the auto enrolment earnings threshold of £10,000 a year from one job are women – ***1.9 million*** women in total.

All of this has a knock-on effect on pension contributions. In 2021, the total yearly pension contribution gap among people paying into workplace pensions was 17%, with men putting aside £62.6 billion for their retirement, compared to ***£52 billion*** for women.

What's next?

Differences in working patterns account for the biggest shortfall between men and women when it comes to their pension wealth.

If the gender pay gap was 'solved', but these differences remained, our three-year-old would still only achieve 66% of the pension wealth of a boy her age. If the gender pay gap and the differences in working patterns were removed, she'd achieve 93% of the pension wealth of the same boy.

The amount of income received over a working life owing to different working patterns has a huge impact on the pensions gap between men and women. What starts out as a small number at the beginning of a career accelerates as men and women enter their 30s, 40s and 50s.

In the next chapter we'll look at what happens to our three-year-old's pension savings if she gets married, has children, or takes on other caring roles.

03

Working years

The gender 'care' gap

Even if our three-year-old stays in full-time employment all her working life, *the gender pay gap means her earnings will be lower* and she'll have less to retire on than a boy of the same age.

Marriage

Marriage still plays a decisive gender role in many families.

There's a staggering difference between the earnings of married men and married women. Married fathers take home 18% more than the average figure for all working men in the UK while ***married mothers earn 38% less than married men*** in the same situation. Much, but not all, of this comes down to taking time out of work to have children or for other caring responsibilities.

Married fathers earn on average 18% more than women ▲

Married mothers earn 38% less than men ▼

The motherhood penalty

While every family is different, *the impact of having children on lifetime earnings is disproportionately borne by women*, who are still far more likely to take on childcaring responsibilities.

In 2021, for example, ***just 2%*** of men with dependent children were stay-at-home fathers, compared to ***15% of women***. This has huge implications for male and female employment rates.

The *'participation gap'* - the difference between the numbers of *men and women in work* - is lowest for single people *(8%)* and highest for couples with children *(45%)*.

It's worth mentioning too, that even though women are having children later than previous generations (at an average age of 30.9 in 2021), this leaves ***just eight years*** where the average man and average woman will enjoy equal conditions as 'eligible jobholders'.

Parenting pay

Even without taking any other factors into account the gender pay gap is around 25%, with average weekly pay at around *£635* for men and *£476 for women*.

For a couple with no children, it's £600 for men and £481 for women. For a couple with children, it's £750 for men and £462 for women – ***a gap of £288***. So not only do married fathers earn more than childless men and women, the gap between their earnings and their partners' is much larger.

> **The pay gap between mothers and fathers *increases by around a fifth* between the birth of the first child and their child's 20th birthday.**

Average weekly pay

Cost of childcare

The average cost of full-time nursery for a child under age two in 2023 is £14,800 a year and can be higher depending on where you live.

Parents in London, for instance, face average annual nursery fees of ***£20,000*** or more per child.

The alternatives many women think about after having children are part-time work, freelancing or taking on multiple jobs. However, many of these don't meet the single £10,000 auto enrolment threshold.

For many families, the cost of childcare is the most important factor when choosing to go back to work or not. Nursery fees can make it more cost-effective for a parent to stay at home.

Women are *60% more* likely to carry out unpaid work and take on primary carer roles than men - taking on *26 hours a week* on average, compared to *men's 16 hours.*

Other caring responsibilities

As with childcare, women are more likely to take on greater responsibility when it comes to caring for elderly or sick family members.

Over many years this has a similar effect to childcare on employment rates, earnings and pension provision.

In nearly a third of all UK households, the father contributes no time at all towards primary care. At the other end of the scale, less than ***30%*** of households have a man contributing a substantial amount ***(above 40%)*** of their time to primary caring duties.

This 10-year career interruption will cost a woman an average of

£39,000

in lost pension savings.

What's next?

Supposing today's three-year-old has children, she can expect to have her career interrupted by around 10 years on average, usually at a time when her professional earnings would be at their highest.

04
The retirement years

At the very beginning of our report, we pointed out that a girl born in 2020 is likely to live, on average, around seven years longer than a boy the same age. So her pension wealth will have to go further.

Pension wealth...

Today, women retire with average pension pots of ***£69,000*** compared to ***£205,000*** for men. The difference is mostly due to the pay and pension saving patterns we looked at in previous chapters.

... and pension poverty

Perhaps understandably then, women make up more than two-thirds ***(67%)*** of pensioners currently living in poverty. ***50%*** of pensioners in poverty are single women.

The impacts of divorce on retirement

More than *100,000 marriages end each year* (and this figure is increasing among those aged 65 and above), and research finds that more than *70%* of couples don't share their pension pots in their settlement.

If pension wealth is not shared, many women won't benefit from the sacrifices to their careers and earnings they make for their families. What's more, research from the University of Bristol and the Nuffield Foundation found more than a third of divorcees don't know how much their pension savings, or their partner's pension savings, are worth. So women not only need to understand the value of their and their partner's pension savings, they also need to know how to get their fair share as part of any divorce settlement.

Women retire on average with **£69,000**

Men retire on average with **£205,000**

Private and State pensions

Women with private pensions have *64%* of the pension income of the *population average.*

This rises to *83%* when we factor in State Pension and benefits.

Meanwhile, levels of private pension saving across the whole population are significantly lower among women ***(59%)*** than men ***(66%)***. Yet there is no gender difference when it comes to those who work and are opting into their work pension scheme.

Our research found ***77%*** of male and female workers contribute to a private pension, showing the effectiveness of auto enrolment as a policy.

Defined benefit and defined contribution schemes

Women are more likely than men to take part in a defined benefit workplace pension scheme.

This is largely because defined benefit schemes are now mostly only available in the public sector, healthcare and education, which employs more women than men.

Defined benefit schemes result in a *10% increase* in women's pension wealth *compared to men's.*

What's next?

By the time our *three-year-old girl reaches 68*, even if she works full-time without interruption and avoids divorce, the gender pay gap means she will build up *less pension wealth* during her life than her male counterpart.

The causes are complicated and so are the solutions. It will need joined-up thinking from governments, employers and society at large to move to a fairer pensions world, where today's three-year-olds can enjoy a comfortable retirement.

05
What can be done?

In our 2019 and 2021 gender pensions reports, we acknowledged that 'solving' the gender pensions gap cannot be done with a single magical solution.

Nonetheless, women shouldn't have to struggle in retirement because of the inequalities they face throughout their working life and for the sacrifices they make for their families.

As a society we've taken some important steps to narrow the gender pay gap, which in turn will help narrow the gender pensions gap. With forward-thinking and dedicated policies, along with greater levels of financial education and work-place support, today's three-year-old should face a much fairer pensions landscape by the time she retires.

At NOW: Pensions we're working to *raise awareness* and lobby for change for a *fairer pension system* to enable all pension savers to enjoy the retirement they *deserve.*

Potential policy measures

In our campaigning work, we aim to influence government policy through engagement with MPs and government officials, to improve outcomes for our members and the wider society.

We've been active in campaigning for the reduction of the auto enrolment age threshold to 18, as well as the removal of the lower earnings limit for auto enrolment since 2019. We are expecting a Department for Work and Pensions (DWP) consultation in 2024 on the regulations under the Auto Enrolment Extension Act, which would implement these measures. As we've seen, the gender pensions gap starts early, so the enactment of these measures needs to happen as soon as possible.

Many women who fall below the earnings trigger may do so not because they are earning less than £10,000 each year, but because they are multiple job holders. In future reviews of auto enrolment, the government should look to introduce measures that address the issue of multiple jobholders. The removal of the £10,000 trigger would allow many more women to start saving for their pensions immediately.

There's no doubt that auto enrolment has been a great success, but more could be done to support lower-earning women's outcomes. A future roadmap for the next stage of auto enrolment needs to be a priority for this and future governments. One key question to be considered is whether current contribution levels are enough.

NOW: Pensions' policy proposals for a fairer UK pensions system

1	***Remove the £10,000 auto enrolment trigger*** Currently, employees only qualify for auto enrolment once they earn more than ***£10,000 per year*** through one employer. This excludes many women who hold multiple jobs, work part-time or as freelancers.
2	***Remove the lower earnings limit*** Pension contributions are only taken once the qualifying earnings amount of ***£6,240*** has been deducted. This means an employee earning £10,000 will contribute ***5% on as little as £3,760.***
3	***Introduce a family carer's top-up*** Career interruptions have a major impact on pension wealth. A ***family carer's top-up*** would see the government pay the equivalent of an employer's contribution into carers' pensions at the same level as the National Living Wage.
4	***Considering pension pots on divorce*** In many cases, pension savings are often the ***second most valuable asset after a home.*** This is why it's essential women understand this when settlement terms are being negotiated. In a divorce situation sharing pension savings could play a huge role in ***narrowing the gender pensions gap.***
5	***Make sure affordable childcare is available for those who want to return to work*** The cost of childcare prevents many women from returning to work. Making it ***more affordable and accessible*** will allow those who want to return to work to do so.

About NOW: Pensions

NOW: Pensions is an award-winning UK workplace pension provider.

We look after the pension savings of millions of members on behalf of tens of thousands of companies from a wide range of industries.

Serving our members

We're dedicated to achieving the best financial outcomes for our members and helping them to enjoy the retirement they deserve.

Supporting your business

We aim to help our clients through every step of the auto enrolment process – and make pension saving simple for you and your employees.

Fair Pensions for All

We're fighting for a fair pension system that benefits everyone. By highlighting inequalities and campaigning for change, we're helping pension savers get the retirement they deserve.

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NOW: Pensions

PENSIONS POLICY INSTITUTE

PPI

Disclaimer

This report was created using the PPI gender pensions gap Index, January 2024. View the technical appendix and the full list of assumptions used to produce this data here.

Information correct as at January 2024.

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