Achieving gender equality in pensions

Prospect's 2021 report on the gender pension gap

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Introduction

Welcome to our fourth annual report on the gender pension gap. Prospect has been campaigning on the gender pension gap, which is the percentage difference in pension income for female pensioners compared to male pensioners, for many years and our annual reports have highlighted the extent of the gender pension gap and the immediate need for action to be taken to remedy this.

Our previous reports have covered:

- Research showing the level of the gender pension gap over the past five years
- Analysis of the causes of the gender pension gap
- Suggested policies to tackle it
- The main developments over the past three years

In this year's report we continue to report on the headline gender pension gap figures and break this down per UK nation. This year we take a closer look at the gender pension gap within different age tranches of retired members. This was an important piece of research to undertake as it will provide an indicator as to whether past policy changes by government have started to have an impact on reducing the gender pension gap for those younger pensioners.

A further addition to the report this year is a section looking at how the coronavirus pandemic may have an impact on the gender pension gap. The pandemic has affected the whole country but there are certain factors which may mean that it has a disproportionate impact on women and their ability to save towards a pension.

Our latest report shows that the level of the gender pension gap is 37.9%. The table below shows our estimate of the gender pension gap for the last 5 years.

	2015-16	2016-17	2017-18	2018-19	2019-20
Gender Pension Gap	40.7%	39.5%	39.9%	40.3%	37.9%

The headline is that the pensions gender gap, after increasing in each of the last two years, dropped in 2019/20; and, not only that, but also to the lowest figure we have recorded in this series of reports.

The drop is welcome but, firstly, the magnitude of the gap is still very high; and, secondly, not least after a couple of years of the gap increasing, there needs to be a sustained fall before we are able to conclude that policy changes are working and that the gender pension gap is now going to continually decrease.

Whilst the main finding of this report is pleasing, the level of the gender pension gap is still too high and as we highlight in this report, several of the main drivers behind the gender pension gap are still unaddressed which means that ultimately, women will continue to have disproportionality lower retirement incomes than men which is unacceptable.

Summary

Our latest research shows that the UK's gender pension gap – the percentage difference in pension income for female pensioners compared to male pensioners – was 37.9% in 2019-20.

This is more than twice the gender pay gap of 15.5% in 2020 and represents an average difference in pension income by gender of about £7,000 a year.

Other data sources, including HMRC, the Department for Work and Pensions, the Office for National Statistics and the European Commission, all support Prospect's estimate of the gender pension gap and demonstrate an unacceptably high level of gender inequality in pensions.

The main causes of the gender pension gap are:

- An imbalance in the level of occupational and private pension saving between men and women. This has occurred and continues to be the case for many reasons including:
    - The impact of women taking breaks from paid employment or reducing hours worked to look after family
    - The cumulative impact over time of women earning less on average than men (the gender pay gap).
- The indirect gender discrimination that is built into the pension system itself, including the disproportionate exclusion of women from being automatically enrolled into a pension scheme.
- Inequality in the average level of state pension awarded to men and women. This is not projected to be fully addressed until about 2041 (but only for people reaching State Pension Age from that year)

Prospect is calling for:

- A statutory requirement for the government to report to Parliament on the gender pension gap and its plans for tackling it
- Reform of automatic enrolment from the earliest possible date
- An additional state pension credit for those who are not working because they are looking after children under 12
- Measures that make affordable childcare more widely available so that people who want to return to work can do so
- An independent Commission to consider the appropriate level of contributions under automatic enrolment
- A concerted campaign to encourage higher take-up of credits that can boost women's pension income
- Changes to the tax system to resolve the 'net pay anomaly' whereby low earners do not benefit from tax relief on their contributions.

Prospect's estimate of the gender pension gap

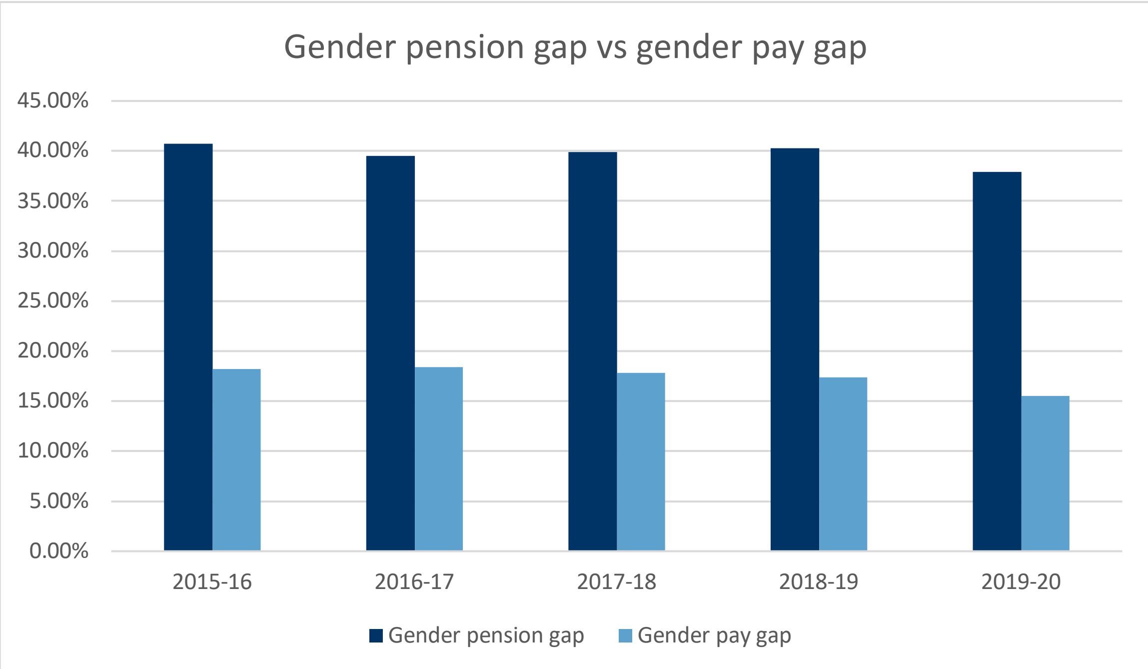
The lack of a government estimate of the gender pension gap means that the issue is less visible and is a barrier to action being taken to tackle it. It also demonstrates that this is a low priority for the government.

In absence of a government figure, Prospect have been producing an estimate of the gender pension gap for the past few years and have been campaigning on this issue with the aim of pressuring the government to adopt policies which have the aim of reducing the gender pension gap.

Our estimate is derived by using data from the Family Resources Survey (FRS) which is a continuous household survey that collects information on a representative sample of private households in the United Kingdom. Over 19,000 households were surveyed for the latest release therefore we believe that our findings are statistically robust. The FRS data are designated by the UK Statistics Authority as National Statistics and is primarily used to provide the Department for Work and Pensions (DWP) with information to inform the development, monitoring and evaluation of social welfare policy.

We do not claim that our estimate is definitive, and we would welcome our estimate being superseded by an official estimate from the government. But in the absence of alternatives, we believe that our estimate is the best indicator of gender inequality in pensions currently available.

The chart below gives our estimate of the gender pension gap in the UK for the most recent years that data is available. For comparison purposes, the level of the gender pay gap is also included as this is one of the main causes of the gender pension gap and is referenced several times in this report.



We have defined the gender pension gap as the percentage difference in average gross pension income for women receiving the state pension compared to the average gross pension income for men receiving state pension.

As noted in our previous reports, it is possible to define the gender pension gap differently and derive a different estimate of it from the FRS datasets. However, the definition we have adopted is reasonable and our results are consistent with related estimates about gender inequality in pensions from other sources which is discussed in the next section of this report.

It is important though to note the limitations of our estimate, which is subject to:

- sampling error
- under-reporting of pension income
- exclusion of people in nursing or retirement homes from the sample
- weighting of responses to correct for differential response rates.

Other estimates and data on the level of the gender pension gap and gender pensions inequality

We are confident that our estimate of the UK's gender pension gap based on FRS data is robust and an accurate reflection of the level of gender inequality in pension income.

However, it is useful to analyse other data sources on gender inequality in pensions to see if these support our analysis and to assess the most appropriate benchmark for assessing this issue.

Since we published our first report on the gender pension gap, increased attention has been paid to this important topic. Analysis, commentary, and research into the gender pension gap and how to solve this problem has been published by various bodies and some of these are highlighted in this section.

European Commission data

Eurostat, which is the statistical office of the European Union, produces European statistics in partnership with National Statistics Institutes for its member states.

One of the statistics produced is the level of the gender pension gap overall in the EU as well as in each of the member states. Eurostat's definition of the gender pension gap is, 'the percentage by which women's average pension income is higher or lower compared with men. Pension income includes old age benefits, survivors' benefits as well as regular pensions from individual private plans.'

The data from 2019, which is the latest version available, shows that the gender pension gap across the EU (excluding the UK) was 29.4% but this figure differs wildly between member states. For example, the smallest gap was identified in Estonia where it was estimated to be 2% and the largest difference was observed in Luxembourg where women aged over 65 received 44.2% less pension than men.

Overall the gender pension gap across the EU is decreasing and is now almost 5% lower than in 2010. The most noticeable decreases were recorded in Greece (-13 percentage points (pp) from 37% in 2010 to 24% in 2019), Denmark and Slovenia (both -11 pp) and Bulgaria (-10 pp).

The below table shows the level of the gender pension gap within the EU (again, excluding the UK for consistency) over the past 5 years.

	2014/15	2015/16	2016/17	2017/18	2018/19
Gender Pension Gap	33.0%	31.1%	30.0%	29.5%	29.4%

Eurostat also report on the proportion of pensioners aged over 65 at risk of poverty in the European Union (EU). In 2019 this figure stood at 15.1%. Unlike the gender pension gap, the at-risk-of-poverty rate for pensioners in the EU has been rising gradually since 2013.

This suggests that for one reason or another pension provision has been reduced in the member states.

HMRC data on taxpayers

HMRC publishes income statistics based on its Survey of Personal Incomes. This survey is based on information held by HMRC on people who could be liable to UK income tax. The table below gives estimates of the gender gap based on taxable pension income in the UK for the most recent years that data is available.

	2014-15	2015-16	2016-17	2017-18	2018-19
Gender gap in taxable pension income	27.0%	24.5%	22.7%	21.4%	20.8%

Gender pension gap in taxable pension income by nation (2018-19)	
UK	20.8%
England	21.3%
Wales	15.0%
Scotland	20.0%
Northern Ireland	13.1%

Source: Table 3.12 of HMRC's Personal Income Statistics. Estimate based on data on pension income only. Figures quoted are for the UK.

The gender gap in taxable pension income is much lower than our estimate of the overall gender pension gap and shows a greater rate of decline over time.

However, HMRC's data only covers taxpayers and therefore excludes, for example, anyone who earned under £11,850 in 2018-19. This data would therefore not include anyone who relies on the state pension as their only income as the full rate of the state pension in 2018-19 was just over £8,500 per annum.

There are greater numbers of women pensioners receiving a low level of income than men and they have therefore been disproportionately excluded from this data source. This explains why the gender gap in taxable pension income is lower than our estimate of the overall gender pension gap.

The relatively steep decline in the level of the gender gap in taxable pension income is also possibly explained by the large increases in the personal tax allowance over this period.

Department for Work and Pensions data on pensioner incomes

DWP publishes the pensioners' income series based on the FRS. This shows pensioner income by household. Therefore, the only gender analysis that is available from this source is for single pensioner households.

The table below gives estimates of the gender pension gap for single pensioner households in the UK for the most recent years that data is available.

	2015-16	2016-17	2017-18	2018-19	2019-20
Gender pension gap for single pensioners	17.5%	21.1%	22.2%	25.7%	15.4%

Source: Table 2.8 from DWP's pensioner income series. Figures based on data for total gross income (ie not just pension income). Figures quoted are for UK.

The gender pension gap for single pensioners is very different to the overall gender pension gap and it can vary significantly depending on whether gross or net income, before or after housing costs and mean or median figures are used.

It is difficult to provide even a high-level reconciliation between this data and the overall gender pension gap because of the various factors driving differences between the two.

Although there has been a significant reduction in this measure of the gender pension gap for 2019-20, it is still at a level which is too high and is yet another demonstration of the extent of the gender pension gap and that action needs taking to reduce it.

The gender pension gap for single pensioners is an important metric. But addressing the gender inequality in pensions that is highlighted by the overall gender pension gap will benefit single pensioners as well as those in couples.

Institute for Fiscal Studies (IFS) – Understanding the gender pension gap

The IFS are undertaking a program of work whereby they are examining in detail the differences in pension saving rates between men and women that will contribute to a future 'gender pension gap' for today's working age individuals.

In their first in a series of publications, they have documented differences in average pension saving between male and female employees before the introduction of automatic enrolment. This shows that on average across all employees (whether saving in a pension or not) women of all ages contributed more as a proportion of their earnings each year than men. However, this was driven by the fact that women are more likely to work in the public sector, where contribution rates are typically higher. Examining average pension saving among men and women *within* each sector reveals a different pattern: the average saving rates of male and female employees were similar until around age 35 but then diverged – with average contributions continuing to increase with age for men but not changing for women.

Within the private sector the proportion of men and women saving into a pension is similar until around age 30, but then diverges with men increasingly likely to be saving in a pension with age, but women no more likely as coverage plateaus with age. Among those who are contributing to a pension, average contributions are slightly higher as a share of earnings among women than men.

As pension participation is found to have been a key driver behind the gender pension gap, the report investigates the reasons for the difference in participation rates. They suggest that the timing of the divergence mirrors the evolution of the gender gaps in pay and suggests that the arrival of children and related employment decisions is an important factor.

As highlighted in our 2020 report, the IFS state that the introduction of automatic enrolment legislation changed the levels of pension participation dramatically to the point where participation levels ae high for both men and women with women's participation now slightly slower than men's but at all ages, rather than there being a common divergence point.

The report argues that individuals should not necessarily save at a constant contribution rate over their entire working life. AE reforms which result in non-constant saving rates over the life cycle – in particular, higher rates of saving at later ages – are likely to have advantages over an across-the-board increase in default contribution rates. Examples of such policies that should be considered include default employee contribution rates that depend on age, increases in employee contribution rates that are triggered by earnings increases, and nudges to encourage individuals to increase their pension saving when their children leave home or when they finish debt repayments such as student loans or mortgages.

Legal & General

Legal & General Retail Retirement have published the findings from their research on the gender pension gap which uses ONS data on pension wealth within the UK. Their key findings are:

- A quarter of women over 50 have less than £5,000 in their pension pot, compared to just 15% of men.
- Men over 50 have nearly twice as much as women in their pension pots (£82,311 vs. £43,014)
- Women over 50 are significantly more likely to feel they have not saved enough to fund their retirement (56% vs 43% of men)
- Women over 50 are more likely to not know the size of their pension pot (34% vs 27% of men)

Barnett Waddingham
Bridging the gap – The gender pensions gap and what can be done about it

This report from Barnett Waddingham examines the history of pensions policy and how this has led to the gender pension gap. It highlights that the current pension system in the UK was devised in the early 1900's when women stayed home to look after the children, men were typically the breadwinners, and the traditional nuclear family was commonplace.

The world has changed with more women than ever before in the workplace, and single-parent families and divorces have become much more common. Whilst society has significantly evolved, the UK pension system has not. Its foundations are based on the traditional nuclear family and, despite governments introducing various policy changes, these have failed to adapt to current working practices

Barnett Waddingham analysed the data and saving trends of some 35,000 members in seven DC pension schemes and their main finding was that on average, women are saving less than men and have less in their pension pots at retirement compared to men; the differences ranging from 25% to 45% across the schemes that were analysed.

The report goes on to highlight the causes of the gender pension gap, many of which we cover in this report.

NOW: Pensions
Facing an unequal future – Closing the gender pensions gap

NOW: Pensions commissioned the Pensions Policy Institute to deconstruct the gender pensions gap and consider a range of potential policies that could be introduced to help improve retirement outcomes for women.

Key findings:

- While 57% of NOW: Pensions' members are male, they 'own' 63% of the total fund in pounds terms
- Women taking time away from work, generally to look after family, is the biggest driver in the gender pensions gap
- The result is a 47% reduction in women's pension wealth when compared to men's pension wealth by their late 50s.
- This has a greater impact on the pensions gap than the differences in salaries, which equates to a reduction of pension wealth of 28%
- The median pension wealth for women is around 30% lower than men's, by their late 40s. This gap amounts to £10,000, which is set to grow to around £67,000 for those aged in their late 50s

- By their 60s, the median women's pension wealth is £51,100, whilst men's pension wealth is near £156,500
- 1.2 million women in their 50s have no private pension wealth and will have to rely on the state pension system and their partner to provide a retirement income
- To draw the same pension income throughout their retired lifetime, women would need to have saved approximately 5%-7% more than men by retirement age to allow for living longer.

The People's Pension
The gender pensions gap – Tackling the motherhood penalty

As explained in our report, one of the causes of the gender pension gap is that women tend to take on the majority of any caring responsibility which negatively impacts their ability to build up a pension in an occupation pension scheme and also reduces the likelihood of them receiving a full state pension.

The People's Pension commissioned research into how the unequal attitude to parenting, which they call the "motherhood penalty", is a major cause of the gender pay gap and the gender pension gap.

Their research explains that the issue is only likely to be resolved when men take an equal role in parenting and take equivalent time out of the labour market. The report details what the barriers and motivations are for women to return to work. It also looked at what women say they want after having children. They hope that their research will be useful as it may help guide the sort of solutions that could close the gender pay gap and with it the gender pensions gap.

Their research shows three main things:

- First, the decisions that women and their partners take after the birth of children are complex and there are often many factors at play. The survey suggests that choices about work are a balance of what people want and what they can afford.
- Second, women reducing their hours or stopping work after having children tend to have done so because they wanted to spend more time with their children.
- Third, access to affordable childcare emerges as the main obstacle for women who want to work or work more after having children.

The research suggests that there are two main policy angles to explore. The first is understanding in more depth why time out of the labour market to care for children has such a serious and permanent impact on earnings potential. Secondly, many women want to work more and are prevented from doing so by the cost of childcare which is too expensive in Britain.

The report makes several recommendations on policy changes in relation to improving childcare provision to ensure that every parent who wants to work is better off after paying for childcare. They also highlight several pension policy changes, which mainly focus on automatic enrolment rules, that will improve outcomes for women and help to reduce the gender pension gap.

Scottish Widows
Let's call time on the #genderpensiongap

Scottish Widows used International Women's Day 2021 as a platform to highlight gender inequality in pensions and did a fantastic job of using their profile to reach a wide audience. A prominent ad campaign was run that highlighted the Scottish Widow's research which stated that on average, a woman in her twenties today is set to retire with £100,000 less in her pension than a man of the same age. To make up the difference they'd have to start work a lot younger.

Scottish Widows have launched a website that explains the gender pension gap, details steps that women can take to reduce this and then describes their policy recommendations to address the gender pension gap which are:

- Helping the self-employed. The government should develop a mechanism to provide default access to pension saving for the self-employed. The recommendation states that most self-employed women are saving nothing or very little towards a pension.
- Tackling financial pressures. To help women who are more likely to face financial hardship, there should be flexibility to use pension savings in times of financial hardship.
- Supporting home ownership. There should be flexibility to use pension savings to help fund a first home deposit.
- Getting a fair share in divorce. The government should lead on an education campaign to help people understand their rights upon divorce and the inclusion of pensions in divorce proceedings should be mandatory.
- Supporting life events. Policy should be introduced to close the gender pension gap that results from maternity, career breaks and part-time working. The report lists specific changes such as enhanced maternity pensions, clear communication regarding child benefit, equalized shared parental leave rights, scrap the automatic enrolment earnings threshold and lower the minimum age for automatic enrolment from 22 to 18.

NEST
Small steps can help close £70k gender pensions gap

Modelling done by Nest suggests the average woman working full-time in the UK could have a £41,000 gender pension gap at retirement. Based on the overall average UK wage, which includes part-time work, this gap widens to more than £70,000. This modelling is based on data from Annual Survey of Hours and Earnings (ASHE) and the quoted figures are the estimated difference in the size of a DC pension fund.

As well as estimating the potential gender pension gap, NEST have highlighted small steps or actions that members can take to reduce the gender pension gap and increase their overall level of pension saving. These are:

- To start saving into a workplace pension from age 18, rather than waiting to be enrolled at age 22. NEST estimate that by doing so, this could add as much as £12,500 to a pension pot
- Pay extra into your pension if you can afford to do so. NEST suggest that even adding as little as £2.50 a week extra to a pension could grow the fund by £13,600 by the time a member retires
- Find out whether your employer will match employee pension contributions and if they do, pay in as much as you can afford. NEST's modelling gives an example whereby if an employer matches employee contributions up to five per cent of salary, this could result in a member having an additional £22,300 in their pension by the time they retire.
- During parental leave, many workers are entitled to full employer pension contributions based on their usual salary rather than statutory pay. Based on the average UK salary, steady employer contributions during two twelve-month maternity breaks could mean an extra £1,700 in women's pension pots.

Chartered Insurance Institute

Insuring Women's Futures is part of a wider Insuring Futures programme established by the Chartered Insurance Institute to improve public trust in insurance and personal finance. They have produced a report on "Solving the women's pension deficit"[1] which looks at the factors that have contributed to the gender pension gap.

Some of their key findings on the gender pension gap are as follows:

- The average pension pot for a 65 year old woman in the U.K. is £35,800, just 1/5th of the average 65 year old man's.
- Women receive £29,000 less state pension than men over 20 years.
- Women's occupational pension income rose from £58 to £81 per week over the decade compared with £83 to £125 per week for men.

Pensions Policy Institute

A report[2] published by the Pensions Policy Institute, Understanding the Gender Pensions Gap, focuses on the pension savings gap between men and women and shows that the median pension wealth of people aged 60-64 is as follows:

- Women: £51,100
- Men: £156,500

Their research suggests that the gap in pension saving stems from several factors acting throughout a person's working life including:

- working patterns
- salary
- participation rates
- scheme type
- tendency for early retirement (timing of withdrawal).

Conclusion

Since Prospect first started campaigning on the gender pension gap, there has been a considerable uptick in the amount of industry bodies that are highlighting the level of the gender pension gap and suggesting ways to reduce it.

Ultimately, it is likely that policy changes from government will be the most effective method of reducing the gender pension gap. However, there could also be a significant reduction to the gender pension gap by increasing awareness of the issue as this may result in women taking steps to increase their pension which will in turn reduce the level of the gender pension gap.

It is encouraging to see increased commentary on the gender pension gap as well as differing solutions being put forward. In absence of positive policy changes being led by

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[1] Solving Women's pension deficit to improve retirement outcomes for all (https://www.insuringwomensfutures.co.uk/wp-content/uploads/2017/03/COH_J012646-IWF-Pension-Life-Journey-Report-Update-P2.pdf)

[2] Understanding the Gender Pensions Gap, Pensions Policy Institute https://www.pensionspolicyinstitute.org.uk/media/3227/20190711-understanding-the-gender- pensions-gap.pdf

government, communicating the key issues around the gender pension gap and highlighting ways that women can help to reduce this will also be of great benefit. Getting people engaged with their pension has always been problematic but with companies such as Scottish Widow's using their significant public profile to draw attention to the gender pension gap, more people will now be aware of the issue and have hopefully taken action to ensure that they are on track to have sufficient income in retirement.

Although the gender pension gap is defined in different ways, all the findings and data that are shown in this section clearly demonstrate that there is a significant inequality within pensions between men and women.

The reason why we include this section in the report is to see whether other research and data support Prospect's estimate of the gender pension gap. We also want to see how other institutions are defining the gender pension gap to ascertain if there is a more appropriate benchmark that demonstrates the level of gender inequality within pensions.

We believe that the gender pension gap – expressed as the percentage difference in pension income for female pensioners compared to male pensioners – remains a powerful illustration of the level of gender inequality in pensions in the UK.

The success of gender pay gap reporting has in part been down to a similar methodology – a simple percentage figure published annually that shows how progress has been made, or not, in tackling gender inequality. We therefore believe that our estimate of the gender pension gap and how we present this is a useful benchmark against which to assess progress.

Other strengths of how we estimate the gender pension gap are:

- That it is hopefully clear and simple
- It covers the whole population of pensioners, which we define as those in receipt of the state pension, and
- It is based on data from the Family Resources Survey, which is designated as a national statistic. We therefore believe that our findings are robust.

Criticisms can be made of our estimate of the gender pension gap as a benchmark of gender equality in pensions.

Our measure of the gender pension gap is weighted towards inequality in pension income for people who have already retired. As there is less that government can do about the pension income of people who have already retired, there will be a significant lag before our measure of the gender pension gap picks up the impact of new policies which have been introduced to address gender inequality in pensions.

Therefore, in this year's report we will be looking at more depth into the gender pension gap between different age groups of retirees so that we can ascertain if policy changes are starting to have an impact on those younger pensioners.

After our previous reports were published, there was feedback about whether a measure that focused on individuals was appropriate when, in practice, finances are often managed on a household basis.

There are numerous published measures of pensioners' finances on a household basis; it is only possible to show gender differences on an individual basis. Gender equality is also a perfectly legitimate aim, no-one would argue that a large gender pay gap would be acceptable if women can rely on higher earning men in their household to support them. The same logic therefore applies to the gender pension gap.

We believe that our estimate of the gender pension gap is a good indicator of gender inequality in pensions. However it can be usefully supplemented by other information, some of which has been included in this section.

None of the other data sources are an exact match for our estimate of the gender pension gap however we believe they are broadly consistent with our estimate and support the conclusion that gender inequality in pensions is a significant problem.

As a trade union we will continue to campaign on this issue and apply pressure to government to report on the level of the gender pension gap and adopt policies to tackle it. The data is available for the government to make this assessment and their lack of action shows that this is not a priority for them.

Main causes of the gender pension gap

Our previous reports have analysed the main causes of the gender pension gap. Although the main causes have not changed, we decided to keep this section in the report to reiterate the source of the gender pension gap and have updated the data where possible.

The gender pension gap is driven by a number of factors including:

- A state pension income gap
- Differences in labour market activity
- The gender pay gap
- Barriers to occupational pension scheme membership.

State pension gap

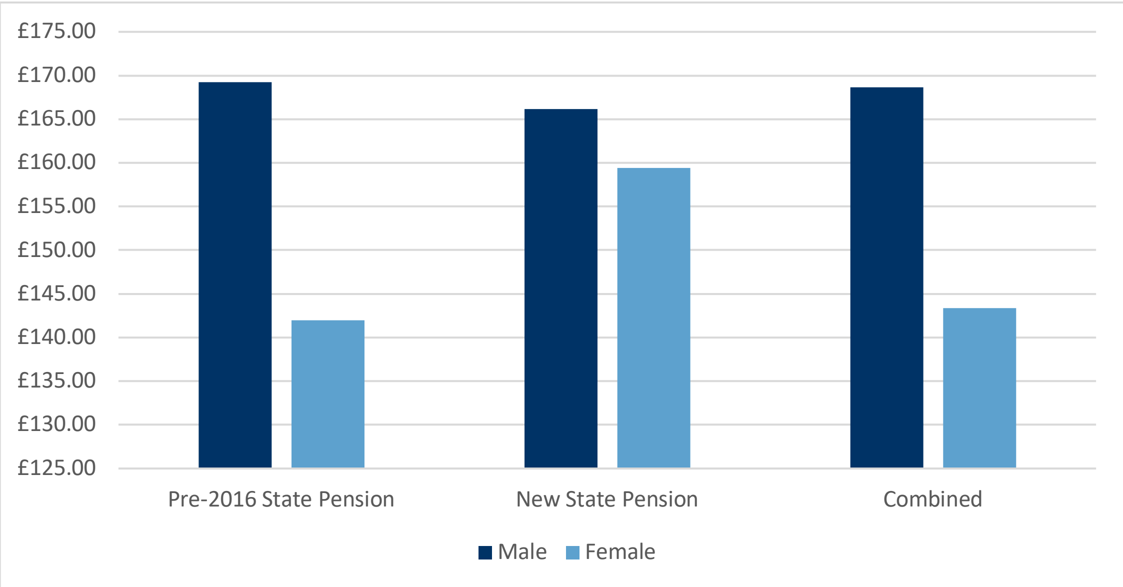
Male and female State Pension Ages were equalised in November 2018 by legislation enacted in 1995 (and amended in 2011).

However, there is still a gender gap in state pension income. The following table is a comparison of average weekly amounts of state pension paid by scheme and gender as at November 2020[3].

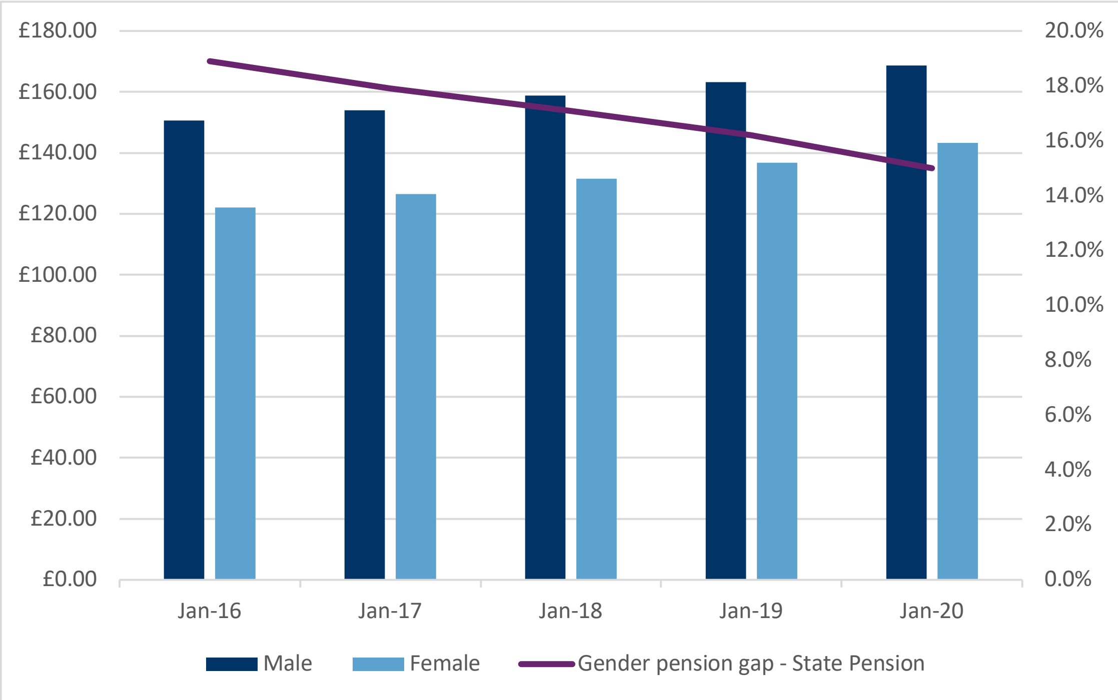
Government legislated to equalise state pension age 25 years ago but has not equalised the amount of state pension awarded by gender since then. The gender gap for state pension income therefore stands at 4.0% for the new state pension and 16.1% for the pre-2016 state pension.

The overall gender pension gap in state pension is 15%. The tables below detail the current gender gap for the state pension as well as how this has changed over the past five years.

It is clear from this research that progress is being made and since with the introduction of the new state pension in 2016, the state pension gender gap is reducing; however, the level of the gender pension gap within the state pension system is still too high and is taking too long to reduce.



[3] DWP benefit statistics



Reforms to the state pension system from April 2016 will bring forward the date by which the amount of state pension awarded to people reaching State Pension Age is projected to be equal by gender by over a decade, but it is still not expected to happen until 2041[4].

The reforms also had a significant effect on the way that caring responsibilities are recognised in the state pension system. This will help to reduce the state pension gender gap.

Labour market activity

Occupational pension schemes are a major source of income in retirement. Membership of these schemes is obviously linked to participation in the labour force.

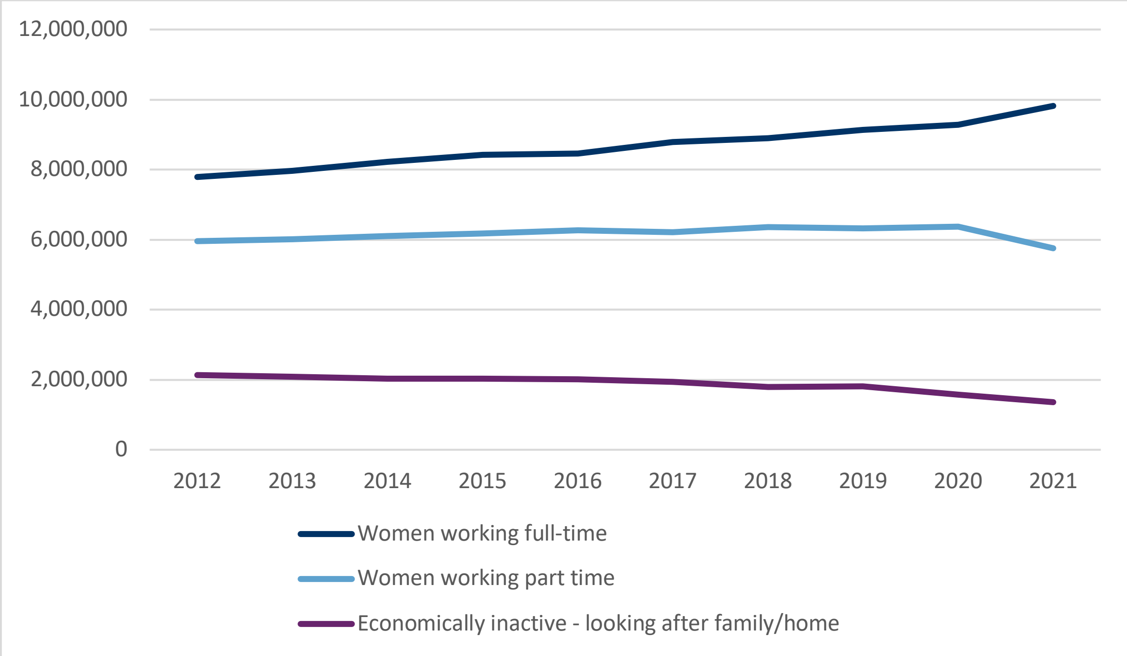
Assuming a disproportionate share of the responsibility for caring and other family-related duties outside work has a significant impact on the participation of women in the workforce and consequently reduces their pension income.

The latest available labour market statistics from ONS show that 1.3 million women were economically inactive because they were looking after family or home in February to April 2021 compared to 0.2 million men.

Another factor that impacts on the level of pension saving is whether an individual works full or part time. The latest data shows that between February and April 2021, 2m men worked part-time, as did some 5.7m women.

While there can be many reasons for employees to work part-time, caring, and other family-related duties is a reason why at least some women work part-time and consequently build up less occupational pension than they otherwise would.

[4] DWP (2016) - Figure 3



The chart above details the working pattern of women over the past nine years. The data shows that there has been a noticeable change since 2020 and the start of the pandemic to these figures. There has been an increase in women working full-time, a decrease in women working part-time and a continuation of the already existing trend for fewer women to be economically inactive due to looking after family and/or home.

It is too early to tell if this change is temporary or not. It may well be that a positive outcome from the pandemic is that employers have been forced to consider more flexible ways of working and the increased amount of home working may be allowing more women who want to work full-time to do so as they will be more able to balance caring responsibilities with work, or to share those caring responsibilities more equitably as a partner who may also be working at home for an increased amount of time.

It will be interesting to see if this short-term change turns into a permanent attitude shift towards flexible working. If it does, this could result in a significant reduction to the gender pension gap as a large proportion of the gap is a result of women earning less than men partly due to the increased number of women who work part time.

Gender pay gap

Occupational pension schemes provide salary-related benefits. This means that the gender pay gap for women in work also directly contributes to the gender pension gap for women in retirement.

The ONS reported that the overall gender pay gap in 2020 was 15.5%. A significant part of the gender pay gap is related to the higher proportion of female employees in part-time work.

For full-time employees, the difference in hourly pay for median earnings was 7.4%.

Barriers to occupational pension scheme membership

Membership of occupational pension schemes has grown strongly in recent years due to automatic enrolment.

Automatic enrolment is a form of soft compulsion where many employees are automatically enrolled into an occupational pension scheme but have the option to opt out.

Data from the Occupational Pension Scheme Survey shows that total occupational pension scheme active membership increased from 8.3 million in 2010 to 18.2 million in 2019.

The increase was mainly driven by increases in membership of private sector schemes (from 3.0 million to 11.6 million).

However, not all employees are automatically enrolled into occupational pension schemes.

The legislation allows for an earnings trigger of £10,000 a year and there is norequirement for employers to automatically enrol anyone earning less than this.

Women are more likely to earn less than £10,000 a year and hence be excluded from automatic enrolment. Research from the Pensions Policy Institute in 2015 showed that 32% of female employees did not qualify for automatic enrolment compared to 16% of men[5].

Modelling by the Department for Work and Pensions showed that if the earnings trigger was reduced to the level of the Lower Earnings Limit for National Insurance in 2021-22, when compared to 2020-21 an extra 284,000 employees would be brought into the scope of automatic enrolment and 71% would be women[6].

It is extremely disappointing that proportionately more women are excluded from auto enrolment due to the earnings trigger. It would be a simple change to remove the earnings trigger and such a change could have a large impact by increasing the number of women paying into a pension scheme. It is galling that the DWP has produced an analysis that identified how reducing the earnings trigger would address this, but the government has refused to adopt this policy.

[5] Pension Policy Institute (2015)

[6] Department for Work & Pensions. Review of the automatic enrolment earnings trigger and qualifying earnings band for 2021/22: supporting analysis

Our research and findings

Introduction

Prospect have and will continue to report on the level of the gender pension gap. Each year we will also undertake additional research on issues that are related to the gender pension gap which can either give insight to additional policy recommendations that may reduce the gap, or alternatively, an area that provides a deeper level of understanding on the gender pension gap itself.

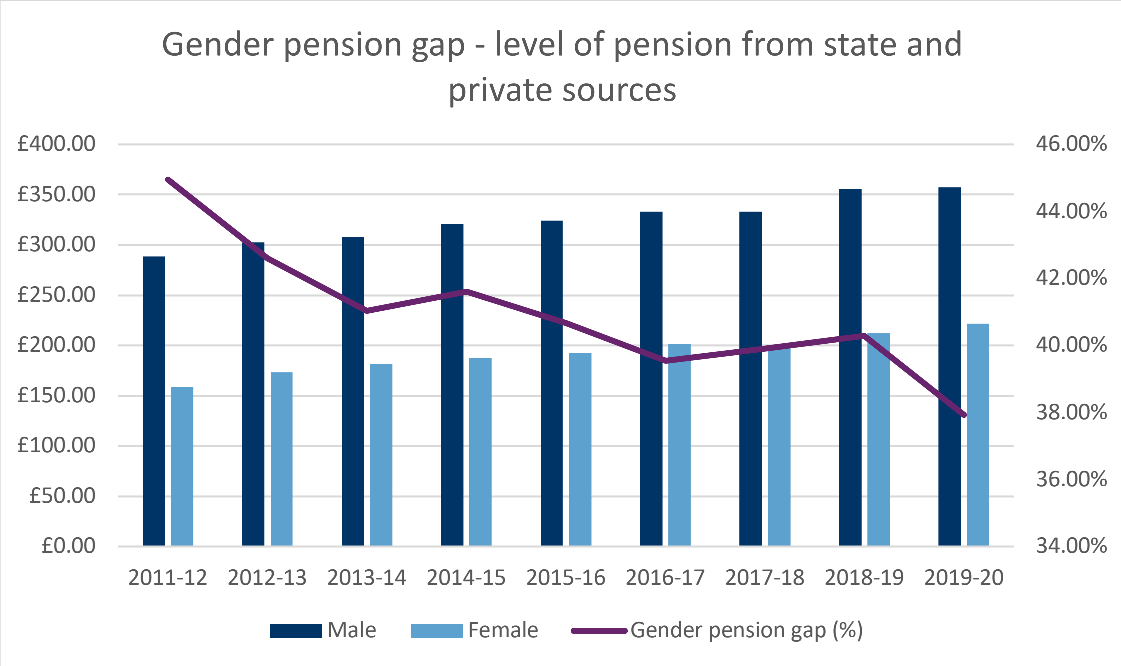
In this year's report we have performed additional analysis on the gender pension gap within different ages groups of retired members. This should provide valuable insight into whether policy changes such as the introduction of automatic enrolment and the introduction of the new state pension, are working and starting to close the gender pension gap for those younger pensioners.

We have also included a section in this report on the coronavirus pandemic and how this may impact on the gender pension gap. It is too early to tell whether the pandemic has led to any permanent changes that will affect the level of pension saving however we are able to analyse what impact the pandemic has had on people's lives and whether there has been a disproportionately high impact on women which may widen the level of the gender pension gap.

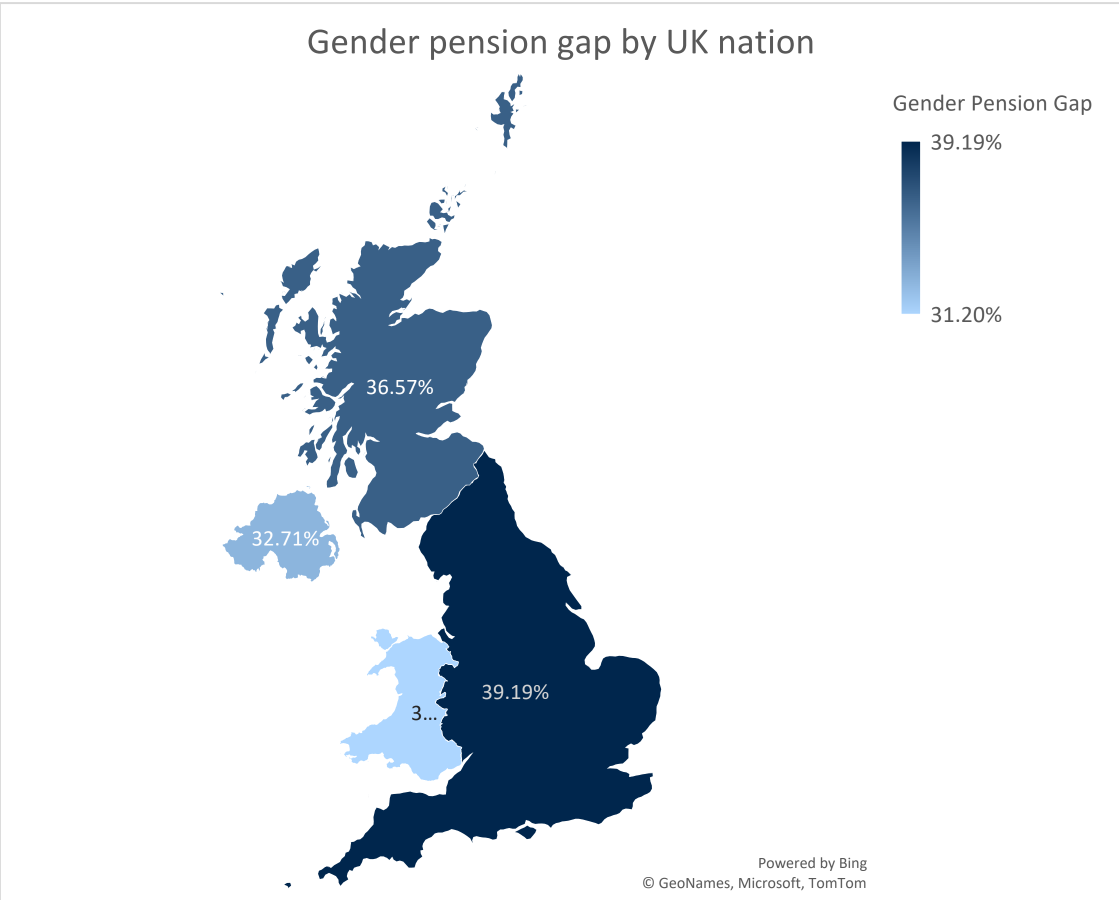
The main findings from our research are:

- The pension that individual's receive on average has continued its upwards path for both men and women. There was a decrease in this figure in 2017/18.
- The gender pension gap stands at 37.9% which is a significant decrease on last year's figure of 40.3%. This is very promising although given the previous years where the gender pension gap has increased, before we can say that we are now going to see a continued improvement in this metric, we will need to see continued progress over the next few years. The following table and chart outlines how the level of the gender pension gap and overall pension levels have changed in recent years.

	2015-16	2016-17	2017-18	2018-19	2019-20
Gender pension gap	40.7%	39.5%	39.9%	40.3%	37.9%

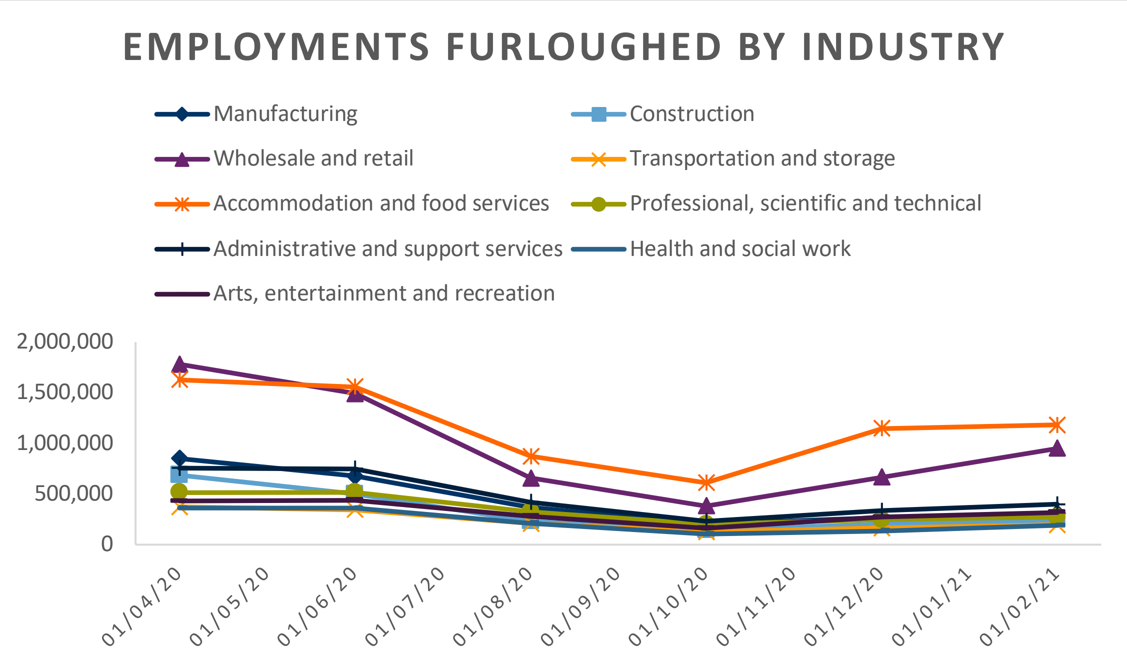


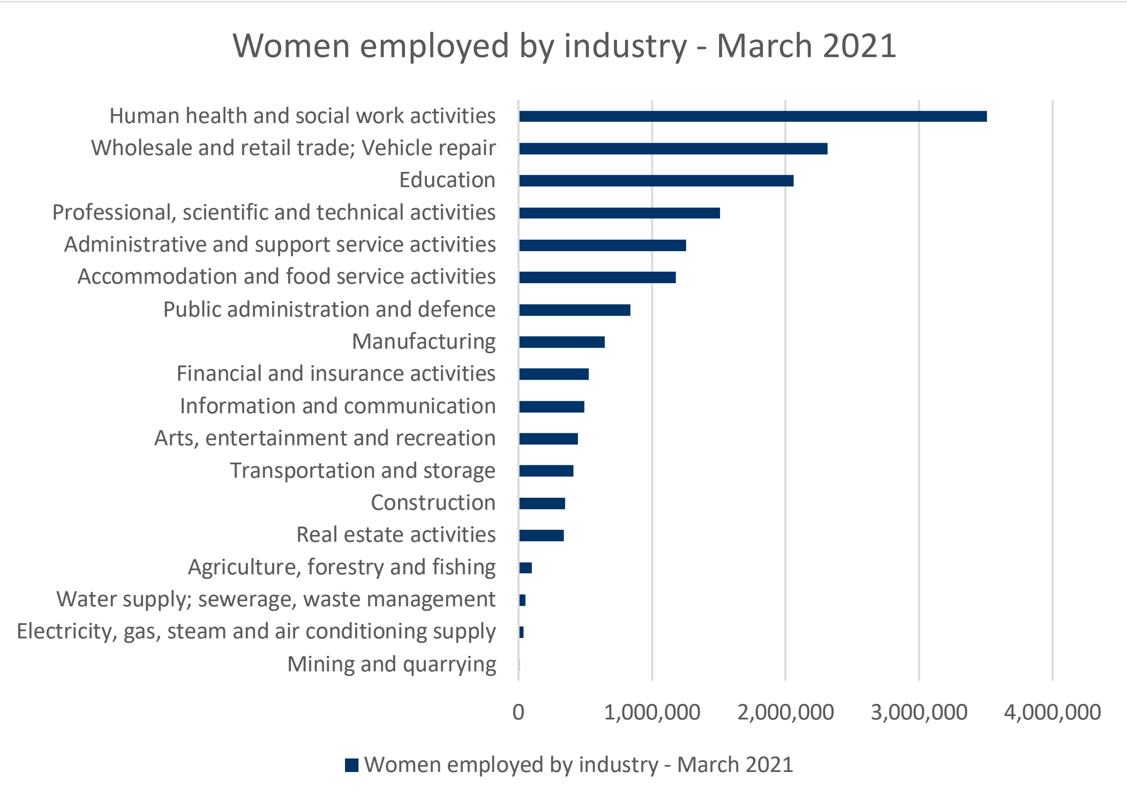
The level of the gender pension gap within the UK nations continues to differ by some margin. The level of the gender pension gap per each nation within the UK is outlined below.

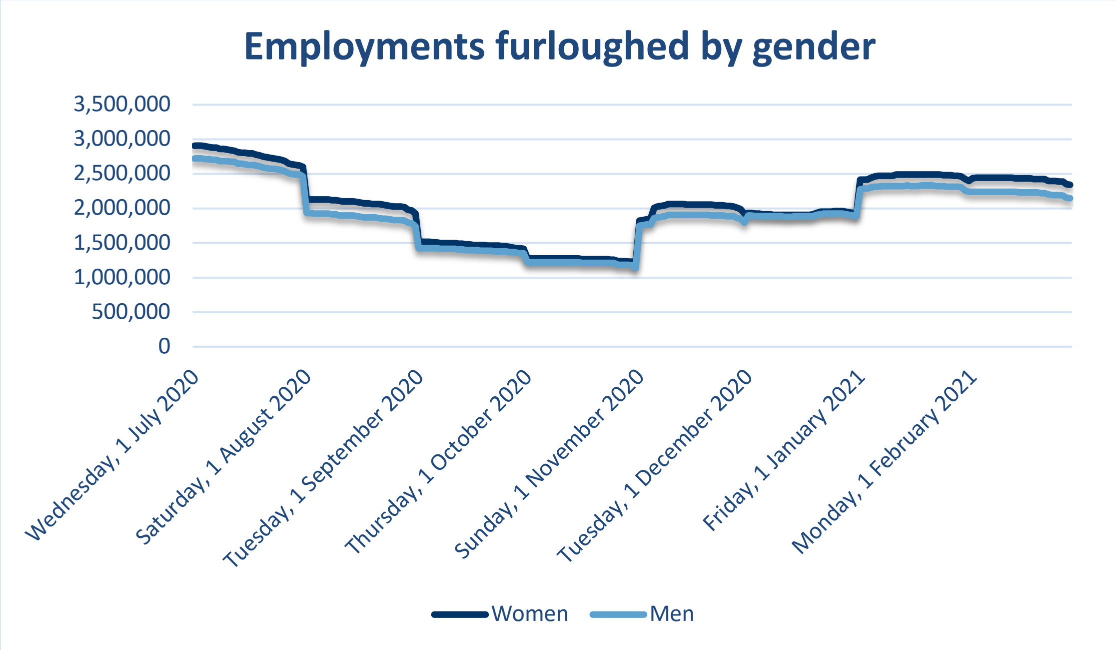


Impact of coronavirus on the gender pension gap

Women have seen an increase in redundancies, unemployment, and people claiming unemployment benefits since the start of the pandemic. As shown in the following charts, more women than men have been furloughed under the Coronavirus Job Retention scheme, partially because women were more likely to be working in a sector that has been shut down by the pandemic.







Research by the Institute for Fiscal Studies[7] details the effects of the COVID-19 pandemic on the division of labour among parents of school-aged children in two-parent opposite-gender families. Their findings show that while participation in paid work reduced during lockdown for fathers, it did even more-so for mothers. Overall, mothers were more likely to have stopped paid work entirely than fathers and more likely to have reduced their paid working hours. They also state that mothers shouldered more of the additional housework and childcare than fathers, whether they remained active in paid work or not.

As well as being more likely to be furloughed, research[8] has shown that women were less likely to have their salary topped up beyond the 80% subsidy paid for by the government.

We do not yet know if there will be a direct link between being furloughed and an increased chance of redundancy. Whilst there were higher levels of redundancies earlier in the pandemic, this has now tailed off. The Coronavirus Job Retention Scheme is now starting to wind down and from 1 July 2021, employers will have to contribute a higher amount to furloughed workers pay. At the very least, this is likely to lead to a review of the furlough arrangements for employees and at worst, could lead to another peak in redundancies.

As has been shown in this section, women are more likely to have been furloughed, stopped paid work, reduced their paid working hours, and have shouldered even more of the additional caring responsibilities during the pandemic. On top of this, for those women who were furloughed, there was a greater chance that they did not have their salary topped up to 100% of their pre-furlough pay when compared with men.

In terms of pension participation and the gender pension gap, the pandemic will inevitably have an impact of this. As discussed in this report, one of the major

[7] The gendered division of paid and domestic work under lockdown – Institute for Fiscal Studies https://ifs.org.uk/uploads/WP2117-The-gendered-division-of-paid-and-domestic-work-under-lockdown.pdf

[8] Furloughing, Abi Adams-Prassl, Teodora Boneva, Marta Golin, and Christopher Rauh (Cambridge-INET Working Paper 2036) https://www.inet.econ.cam.ac.uk/working-paper-pdfs/wp2036.pdf

contributors to the gender pension gap is the difference in private/occupation pension income which is driven by the gender pay gap and the fact that women are more likely to be working part time or economically inactive due to caring responsibilities. It is not yet known what the long-term impact will be on the economy but what we do know is that a woman is more likely than a man to have seen a reduction in pay during the pandemic. This may have occurred due to a women being more likely to be furloughed and not receive full pay, or it could be due to them reducing their hours and leaving employment entirely to take on the increase in caring responsibilities that have arisen due to the lockdowns.

Any reduction is pay will have an immediate impact on the level of pension build-up. In a defined contribution scheme especially, even one period of reduced contributions can have a lasting impact on the level of their fund due to the cumulative nature of how these pensions increase over time.

Prospect report on the level of the gender pension gap between male and female pensioners therefore the impact of the pandemic on our reporting of the gender pension gap will not be known for some time. However, women have been disproportionately impacted and without intervention, this will likely lead to a further widening of the gender pension gap.

The impact of age on the gender pension gap

Access to private pensions

As we've demonstrated in this report, the gender pension gap exists because of many factors. Two of the largest are an unequal state pension and the fact that men are more likely that women to have access to a private pension which increases their retirement income over and above the level provided by the state. In this section of the report we are going to look at the latter issue.

The main dataset used for our research is from the Family Resources Survey (FRS). The FRS data splits a pensioner couple has a 'head' and a 'spouse' where the 'head' is identified as the partner who has the highest income (from all sources, not just pensions); a single pensioner household evidently just has a 'head'. This allows us to identify incomes for both 'heads' and 'spouses', for men and women, that allows us to sum the income actually received by individuals, regardless of household position, from both state and private sources and then to establish a mean in each case.

Government policy on individuals funding their retirement is clear, the state pension is intended to provide a base level of income which in itself is not sufficient to live on and so people will need to have access to another workplace or private pension to supplement this. One of the key drivers behind the implementation of automatic enrolment was to increase pension participation levels so that individuals rely less on the state as they can fund their own retirement.

Automatic enrolment began to be implemented at the largest of employers from October 2012. Our research looks at people who are in receipt of the state pension and so we are now in a position where the policy will start impacting on our findings as those younger pensioners would have been working when the automatic enrolment rules came into force.

In our analysis this year, we have again researched the gender pension gap within the state pension system and can see that this is gradually closing. As stated, another main driver behind the gender pension gap is access to a private pension (which for the purposes of this report encompasses private and occupational pensions). For this year's report we have researched how many pensioners have access to a private pension and provided comparisons between men and women to demonstrate how this can contribute to the gender pension gap. We then analyse different age groups of pensioners to see if policy interventions, such as automatic enrolment, have started to close the gap in the level of access female pensioners have to a private pension when compared to men.

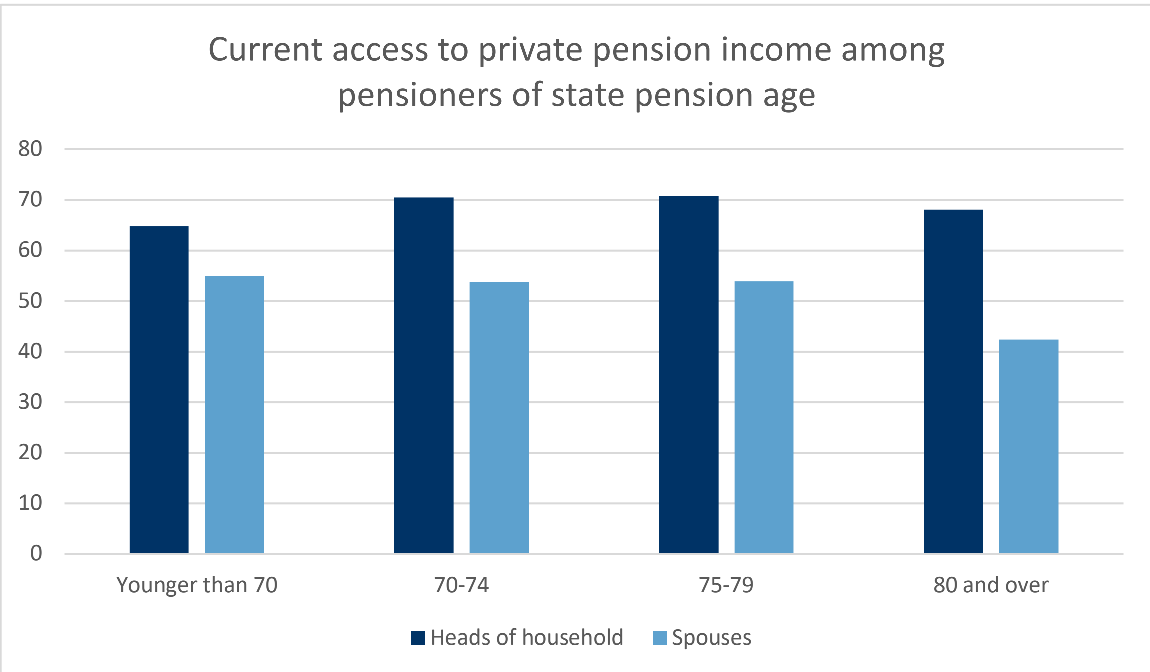
Of those who are of state pension age, some 68 per cent of household heads have private pension income compared to 52 per cent of spouses. This is already problematic in the sense that women are much more likely than men to be spouses. Indeed, there is a strong differential in access figures by gender: 76 per cent of retired male heads of households have access to private pension income compared to 58 per cent of retired female ones; while the picture is even more stark when it comes to retired spouses where 45 per cent of males of state pension age have private pension income compared to just 20 per cent of women.

Among heads of households, there are no clear effects currently visible in the age data based on our grouping: the youngest pensioners, i.e. those under 70 (and who are, at the same time, of state pension age) are actually a little less likely than average to have private pension income while the oldest, i.e. those 80 and over, are no less likely than the average.

There are likely to be a number of reasons for this, not least in that single pensioner households are likely to have either been confronted with the need to save privately for their retirement at some point during their working lives, where they have long been single, or alternatively to be in receipt of a spouse's pension following a partner's death.

Among spouses, however, there does seem to have been some degree of impact in that the youngest pensioners are more likely to have access to private pension income, and certainly more than the oldest ones. The impact is, currently, extremely mild but the position might, therefore, already be improving.

This could be a positive sign that the debate and the reforms of the last couple of decades have started to see more people saving for their retirement who were not doing so previously.

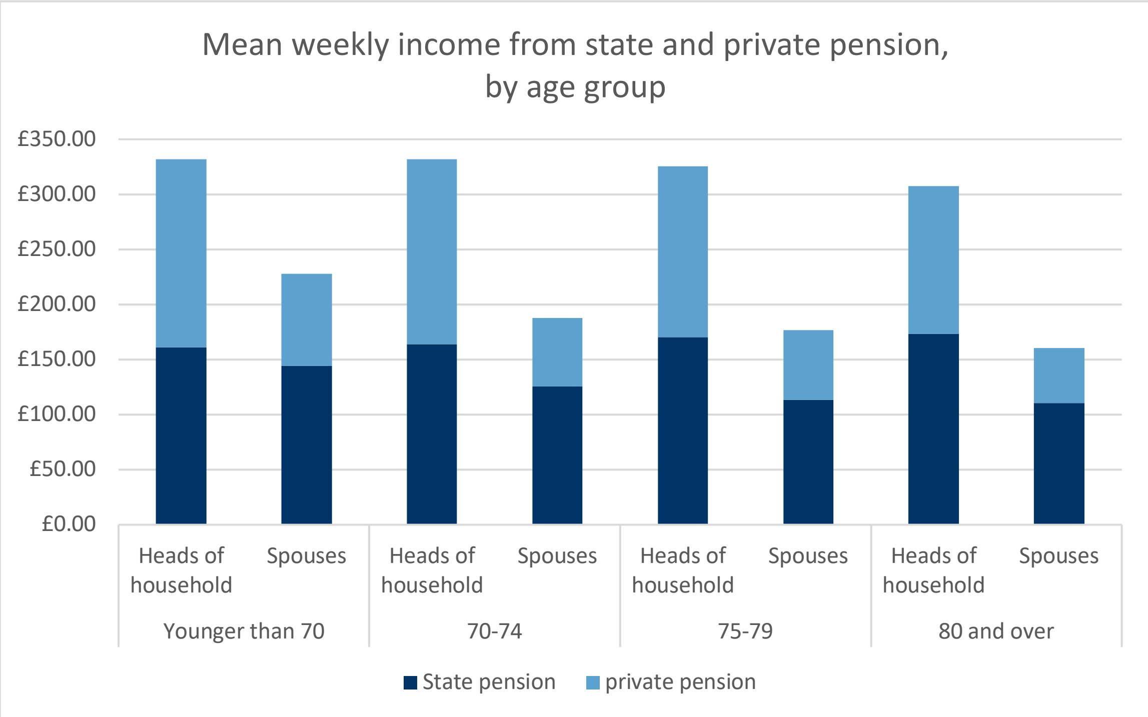


Pensioners' incomes by age

For several reasons, we would expect pensioners' incomes to vary with age, with the oldest pensioners likely to be the poorest. Partly, this would reflect the national debate about pensions, specifically the encouragement provided in recent decades to people to save more for their retirement; and partly this would reflect the impact of inflation, not least as a result of the predominance of annuities among defined contribution pensioners being taken out on a level basis as opposed to having a degree of inflation proofing.[9]

As we have shown in the last section of this report, the recent reforms to pensions policy have only been marginally effective in expanding access to private pension provision in pensioner age groups. The question then arises as to whether there has been any boost to pensioners' income from private, i.e. non-state sources?

Among heads of household, private pension income is indeed higher amongst the two youngest groups of pensioners, while those aged 75-79 and, especially, those aged 80+ are poorer. The same is true for spouses, where income falls with age and where there are marked boundaries particularly for the youngest group where people do much better than their older peers. Spouses' independent private pension income is also much lower than heads of household, although this is expected because of the issues of lesser access already described.



When it comes to state pension, among heads of household it is the reverse position that holds true – the state pension has been becoming marginally less generous, while still contributing a base level of income that is broadly equitable. Older age groups of spouses do less well with the state pension, although this is also expected as a result of spouses having saved, or been credited, to a lesser level of pension with a view to being reliant on the savings records of the heads of household.

As with access to private pension income, the current reforms are evidently not yet having a major impact other than in shifting the balance of income in retirement on to the shoulders and resources of the youngest groups. This is a major dynamic whose importance should not be under-stated and the presence of which we can report on authoritatively for the first time: younger groups are indeed better off than older ones, but this shift in the dynamics means that the difference has thus come from their own private savings and less from the state. Older age groups are indeed certainly poorer, however, with those aged 80+ having a total income of less than 93 per cent of that of the youngest group (a difference of £24.21 pw).

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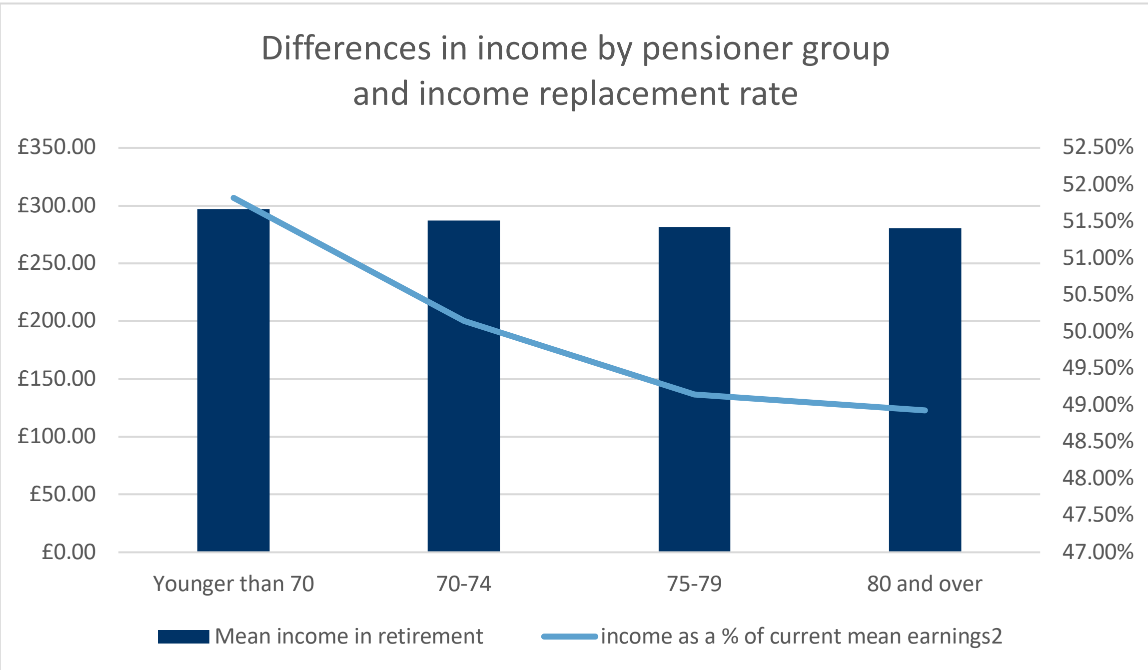
[9] FCA Retirement income market data 2019/20, Table 14 - https://www.fca.org.uk/data/retirement-income-market-data

Where age is having a clear difference is among retired spouses below 70, whose greater access to independent sources of private pension income, alongside better state provision relative to older peers, is resulting in a much higher income than among older groups, although this is still substantially lower than the levels of income among heads of household. This will be having a beneficial impact in terms of equality of incomes in retirement.

It is worthwhile noting how much these sorts of levels of income replace earnings, in retirement. The provisional results for the Annual Survey on Hours and Earnings for 2020 report an average gross weekly income for all employees of £572.70. For reference purposes, one-half of gross weekly earnings is £286.35; a two-thirds replacement rate would equate to £381.80.

The following chart takes the average income for all pensioners by age and compares that figure to the current UK average gross weekly income and provides the percentage level of replacement income which the pension is providing. The results are somewhat surprising: there is a decline with age, but it is relatively small: the youngest age groups are, just about, keeping their heads above water as regards a minimum income replacement rate of 50 per cent of earnings; while the oldest ones are, just about, not doing so. While the direction is broadly anticipated, it was thought much less likely that income among the oldest groups would continue to bear such a strong resemblance to current earnings. What is happening with regard to workers' real incomes, not least over the last ten years, as well as to the indexing of the state pension, at a time of sustained low inflation, is likely to provide a degree of explanation – but, bearing in mind that the oldest pensioners used in our research would have retired no later than 2005, the difference was not expected to be so slight.



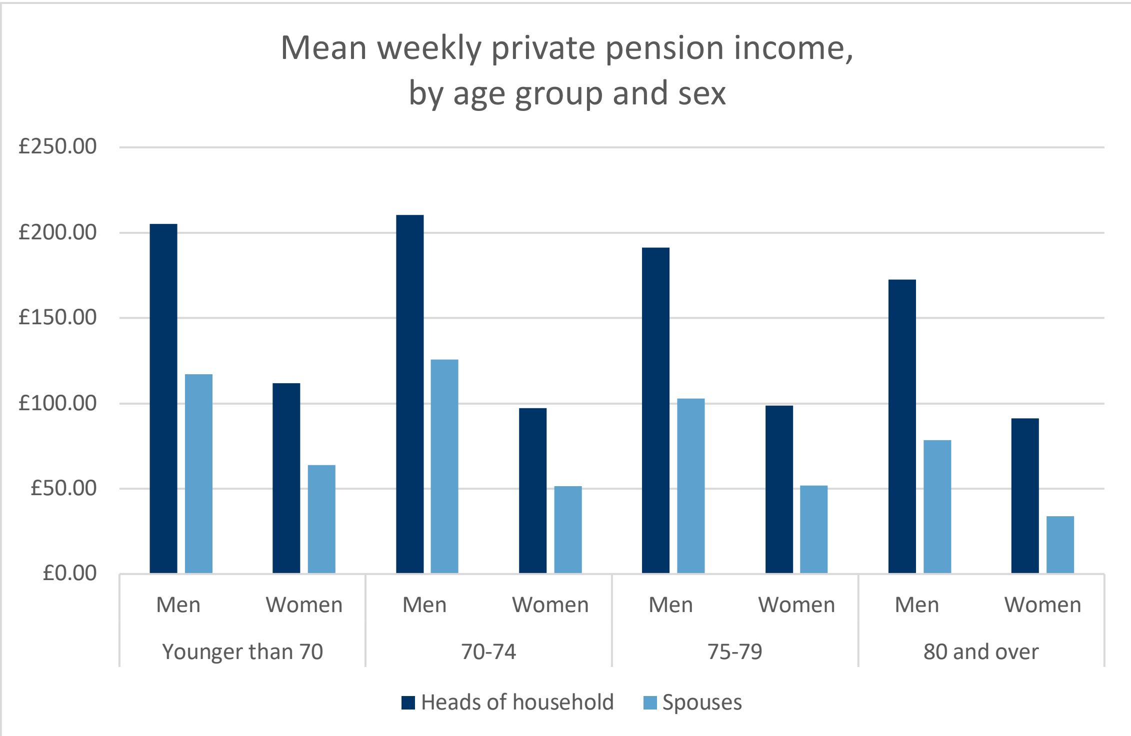
This provides an interesting comment in both directions – firstly, the oldest groups of pensioners are more likely to be benefiting from pension schemes geared towards providing a decent income in retirement with inflation linked increases, while those now retiring are more likely retiring with less of their pension coming from a defined benefit scheme with that inflation linking. This naturally leads onto another question, which is what a pension put relatively recently into payment and which is now only barely adequate, will look like in fifteen years in comparison with contemporary earnings, especially given pensioners are less likely to have an inflation linked pension.

The question is, therefore, one of the sustainability of the current position. While the youngest pensioners now in retirement have, just about, been saving sufficiently to make up for the decline in the value of the state pension, we know from our 2020 gender pension gap report that savings rates have crashed since the introduction of auto enrolment. Although more people are saving, the average saving level, as a percentage of earnings, has fallen significantly.

This means that future generations of pensioners will not be earning enough to compensate for the decline in the value of the state pension or to keep pace with the average pension levels now being paid. Based on these trends, the result is likely to be that future generations will be poorer and that the target of half to two-thirds of earnings will be further jeopardised which also raises the possibility that they will fall through the bottom end of that target even at the point of putting their pensions into payment.

There is, of course, still time for policy to do something about this.

Turning to gender, and focusing only on income from private pension sources, we can see from the following chart that the miniscule falling off in income at heads of household level from the 70-74 age group to those retired people under 70, is much more pronounced among men and that it is only a rise in income for the youngest women pensioners that is keeping the youngest group as a whole apace with the income of their slightly older peers. Furthermore, this is true at both heads of household and spouse levels. This is something of a surprise since we discovered in last year's report that, while the differences are small, men are likely to be saving at a slightly higher level than women.



We can also see that, while private pension income for retired women is consistent across the higher levels of the age range, at just under £100, it is noticeably higher than £100 for those under 70. This is again a sign of the boost given to women's private pension saving by the debate and the reforms of recent decades.

Turning to spouses, the relative level of income is small and repeats the features identified elsewhere in this report. It is also, however, noticeable that income for male spouses – i.e. the second income in the household – is usually, up until the highest age group, higher than that of female heads of household. Households headed by women are, therefore, likely to be considerably poorer than those headed by men. Indeed, average income from private pensions, across all age groups, is £197.08 for households headed by men compared to £99.05 for households headed by women.

Finally the chart also demonstrates the notable, and continuing, disparity in pension outcomes for men and women: across the chart, and regardless of whether we are focused on heads of household or spouses, the level of private pension income for women pensioners is around half that of men.

Interestingly, in both cases, the proportion which the average female private pension bears to the average male private pension is highest amongst pensioners under 70. Again, this demonstrates the impact of policy in recent decades which has been to encourage people to save privately for retirement. However, even now the average outcome from private saving for women is still only 54 per cent of that for men (for both heads of household and spouses).

Main research findings and policy recommendations

The main findings from our research are:

- the gender pension gap dropped quite sharply in 2019/20 to an overall figure of 37.9%. This is the lowest gap we have recorded
- the gender pension gap is, however, only marginally smaller among younger pensioners and it is not yet visible in the data that policy is having an impact in terms of narrowing the gap
- the percentage of pensioners without access to private pension income was again lower than in the previous year. However, it is much higher among women than men with the gap between men and women even widening this year
- across all pensioner incomes, the level of women's pensions is less than the income replacement yardstick of a minimum 50 per cent of earnings; and only slightly higher than that among men
- among heads of household, there are no clear age effects in terms of access to private pension income with pensioners under 70 being no more likely to have private pension income than those aged 80+. However, there may be signs of some impact among spouses, the youngest group of whom are a little more likely to have such access, and particularly among women spouses. At this, somewhat marginal level, there may be signs that reforms are starting to have an effect
- older pensioners who are heads of households are certainly slightly poorer than younger ones in terms of total income. However, we should note that current reforms are shifting the weight of financing retirement more and more on the resources contributed by individuals separately into private pension schemes, since the state pension is becoming marginally less generous with age
- the gap in terms of age is relatively small and it is not obvious that reforms and exhortations to save more for retirement are having much of an effect in terms of expanding incomes for the youngest groups of pensioners – other than among spouses, younger groups of whom are appreciably better off than their older peers
- amidst the collapse in pensions savings rates represented by auto enrolment, this represents a worrying sign for the future sustainability of a system which has shifted in this way. Future generations of pensioners may well be unlikely to see their pensions maintain a link even to minimum target earnings replacement rates without corrective policy action.

Policy recommendations

In our previous reports we have made several policy recommendations including the following:

- Statutory requirement for DWP to report annually on the gender pension gap
- Better recognition of caring responsibilities in the pension system
- More affordable childcare
- Increase take-up of credits
- Resolve tax relief issues in 'net pay' pension schemes

All of these recommendations still stand as they would make a difference and contribute towards a reduction in the level of the gender pension gap.

It was pleasing to see that a call for evidence was launched by the government into the 'net pay' issue and Prospect responded to this consultation.

The problem affects members of ‘net pay’ schemes who earn less than the personal allowance for income tax (£12,570 in 2021-22). These individuals do not receive tax relief on their pension contributions where a comparator with identical earnings but a member of a ‘relief at source’ scheme, would.

Many of the biggest pension schemes in the country operate tax relief on a ‘net pay’ basis.

The HM Treasury call for evidence estimates that approximately 1.5m individuals are affected by this as they are members of net pay schemes with taxable income below the personal allowance.

Prospect first wrote to the government about this in December 2015. The response from ministers then was that this issue might be dealt with as part of a wider review of pension tax relief which was taking place.

In the end, that review did not propose any practical action on this so Prospect wrote to the government again in May 2016. The response on this occasion was that there might be an opportunity to address this as part of the 2017 review of automatic enrolment.

The report on the automatic enrolment review, published in December 2017, stated: “To date, it has not been possible to identify any straightforward or proportionate means to align the effects of the net pay and relief at source mechanisms more closely for this population.”

It went on to say, “the government will examine the processes for payment of pensions tax relief for individuals to explore the current difference in treatment and ensure that we can make the most of any new opportunities, balancing simplicity, fairness, and practicality”.

Again, Prospect followed up this disappointing outcome by writing to the government in February 2018. The response received in March 2018[10] contained only vague promises to look at ways to deal with this and an equally vague commitment that “[The government] will engage with industry on this and, when [it does] so, would welcome your input”.

Given that the call for evidence closed on 13 October 2020, it is very disappointing that the government have not responded to this at the time of writing. This is another indication that reducing the gender pension gap is a very low priority for government.

Automatic enrolment reform

Automatic enrolment is a good example of long-term, consensus-based policy making in pensions and is rightly judged to have been a success.

Auto enrolment has led to a surge in pension participation rates however, given the low level of the minimum contributions required, it has resulted in a reduction to the average level of contributions that individuals are paying into their pension. We, and a number of other pensions industry bodies believe that as auto enrolment has now been fully implemented, it is the time for the government to commit to introducing reforms to the automatic enrolment legislation to build on previous success.

We are therefore calling on government to:

- Lower the age criteria for automatic enrolment from 22 to 18
- Require pension contributions from the first pound earned rather than from a lower earnings limit
- Reduce or remove the £10,000 earnings trigger
- Amend the contribution rates payable under auto enrolment and address the unfair balance between employee and employer contributions.

[10] https://library.prospect.org.uk/download/2018/00498

Unfortunately, the government's ambition in this area has been limited with the aim for making changes to auto enrolment "in the mid-2020s" and there is now doubt whether they will stick to this, albeit vague, timetable. It is therefore vital that Prospect and other bodies continue to highlight the urgent need for reform to ensure that changes are made as soon as possible.

In the past, pension provision has been funded by the employee and employer, with the employer paying the majority. This was an integral part of the overall benefit package of an employee but over time this has been eroded and workers have effectively had a reduction to their overall remuneration.

The minimum level of contribution currently required under auto enrolment is unfairly balanced against the employee. The current rules state that employees should pay 5% whereas employers must only pay 3%. It's important to remember that this is on qualifying earnings only as well, not full pay.

Prospect work with a significant number of good employers who pay significantly over and above the minimum levels required but unfortunately, as our previous research has shown, nationwide the amounts being paid on average are far closer to the minimum levels.

Our recommendation is therefore to phase in an increase to both employee and employer contributions so that both are contributing 6% of all earnings. Even contributing at this level may not be enough to fund a comfortable retirement for members; however, it is a step in the right direction and would address the current imbalance in contributions between the employee and employer.

The current auto enrolment regime excludes low earners from contributing to a workplace pension scheme and importantly, receiving a contribution from their employer. Requiring pension contributions to be deducted from the first pound under automatic enrolment would be a welcome change as women generally earn less than men, so they will receive proportionately higher contributions.

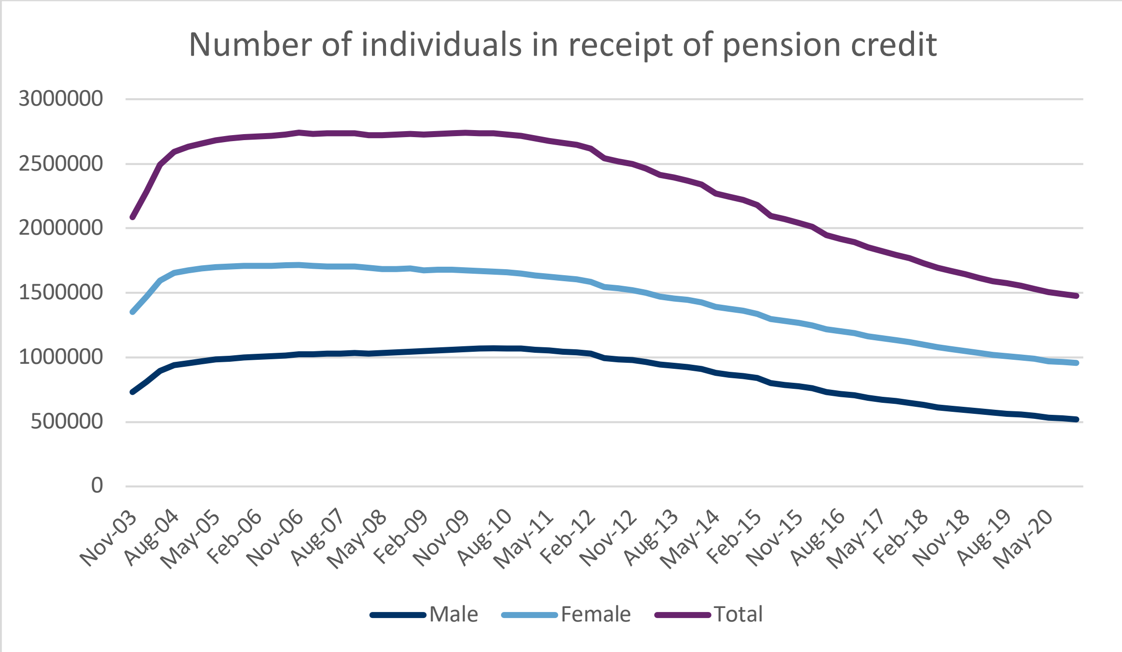
Current policy is exacerbating the gender pension gap and is indefensible considering the government's statutory duty to promote equality.

Pension Credit

Pension credit was introduced in 2002 and is available to pensioners whose total income is below a certain threshold.

The following chart details the take up rate of pension credit since its inception. Given our research on the gender pension gap it is not surprising that more women than men receive pension credit as it is far more likely that their income is at a low level which will provide eligibility for this payment.

A worrying trend that is identified in this chart is the decline in the number of individuals who are receiving pension credit. The peak of take up was in November 2009 when 2.739m people were in receipt if pension credit and this was made up of 1.065m men and 1.674m women. This has dropped to the current position whereby pension credit take up is at an all-time low with 1.476m people in receipt of it. A concerning element of this is that of the drop of 1.263m from the peak of November 2009, 717,825 of this decline was from a reduction in female recipients. We know from our research that the income of female pensioners has not drastically increased over the past nine years so the likelihood of fewer women being eligible for pension credit when compared with men, is very low.



The Government have previously made very little effort to increase the take up of pension credit. More recently they have started a campaign to ensure that all eligible pensioners claim pension credit. On 16 June 2021, the Department for Work and Pensions (DWP) joined forces with Age UK and the BBC to help reach those who may be reticent about claiming Pension Credit. The aim is to raise awareness of Pension Credit, encouraging people to check their eligibility and make a claim.

Earlier this year the DWP hosted a roundtable event to explore opportunities on getting information about Pension Credit to pensioners and their family members. As well as updating their online toolkit which stakeholders can use with their customers to encourage take-up of Pension Credit, new videos have been made which are aimed at pensioners as well as their family and friends to highlight pension credit.

DWP also included a message in the annual State Pension up-rating letter regarding pension credit which was received by over 11 million pensioners in Great Britain.

These improvements and increased communications are welcome and although we would argue that more effort should have been put into increasing take up of pension credit a long time ago, this is better late than never. We will monitor whether this increased publicising of pension credit results in an increased number of claimants or if more action is needed.

The government estimate that around one third of those eligible for pension credit, are not claiming it. It is likely that if take up was increased, most of those additional people who claim pension credit will be women and this could therefore have a very immediate and positive impact on reducing the level of the gender pension gap

What Prospect will do

Prospect will continue its campaign to reduce the gender pension gap and secure better outcomes for women in retirement.

Tackling inequality is a trade union's core purpose. Negotiating and campaigning for improvements to members' pensions is also central to our role.

Prospect has been highlighting gender inequality in pensions, as well as specific contributory factors to it, for many years.

This is our fourth annual report and we will continue to monitor the level of the gender pension gap in the future with the purpose of highlighting this issue and putting pressure on government to act.

The TUC are designating a day to raise awareness of the gender pension gap and Prospect will support the TUC in any way that we can with this worthwhile project. Later this year, Prospect will be hosting a week of events around pension awareness day and one of those will be a webinar highlighting our work on the gender pension gap and again, raising awareness of the issue.

We will continue to hold the government to account for their lack of action on the gender pension gap. In 2020, the Work and Pensions Committee launched an inquiry on Protecting Pension Savers – Five Years on from the Pension Freedoms. The inquiry is split into three parts, the first of which is focussed on pension scams and the second part of the inquiry is in relation to on decision making for retirement.

The final part of the inquiry will ask if people have adequate savings for retirement, with a call for evidence later in 2021. The Committee will look specifically at the gender pension gap in this part of the inquiry. They will also look at support for the self-employed, and the next steps for auto-enrolment. We will be submitting evidence to this part of the inquiry highlighting the level of gender inequality in pensions and provide recommendations on actions that the government should take to reduce it.

Campaigning on a national level is important but so is action at individual and branch level. We have previously produced a member guide[11] that aims to help women members consider the specific challenges that contribute to the gender pension gap and what they can do to mitigate them.

We would encourage members and reps in their own workplace to find out about the pension scheme at their own employer and how this may contribute to the gender pension gap. For example, key information to know would be:

- Does your scheme follow the auto enrolment eligibility criteria and therefore disproportionality exclude women from joining the pension scheme?
- Are all new joiners automatically put into the pension scheme from their first day of employment or is there a waiting period in operation?
- How does your employer treat parental leave for the purpose of pension scheme membership? Some schemes and employers top up contributions to their normal level so that full contributions are maintained. Doing this mitigates one cause of the gender pension gap as women tend to have longer periods of parental leave.

Gather information on the various policies that your employer has in terms of pensions and then campaign to improve these where necessary. Prospect officers would be happy to help with this.

[11] https://library.prospect.org.uk/download/2019/01313

If members are excluded from automatic enrolment, speak to them about the advantages of opting in and potentially benefiting from employer contributions.

Our member guide is a great reference tool that will help you to provide information about what members can do to mitigate the gender pension gap at key stages in their working lives and we would encourage you to use and advertise this in your branch.

Campaigning on the gender pay gap should also have a direct impact on the gender pension gap over time and we will continue to compare how the gender pay gap compares to the gender pension gap in future releases of this report.

Prospect is open to working with any other group on this and on practical solutions that will resolve it.