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# Tackling the Gender Pension Gap

**May 2024**

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This is Prospect’s sixth annual report about the gender pension gap. These reports are a core part of our work on campaigning for greater gender equality in retirement incomes.

We publish our estimate of the size of the gender pension gap in the UK for the latest year that data is available for (2021-22) in this report.

The main reason for publishing this estimate is to highlight the enormous scale of the problem.

Our estimates show an unacceptable level of income inequality affecting the quality of life of millions of women throughout decades of retirement.

It is the very size of the gender pension gap that most demands action from policymakers to address it.

But action is unlikely until this issue has much greater prominence. That is why our focus remains on bringing more attention to it.

Our estimate of the gender pension gap in 2021-22 is 37.9%. The table below shows our estimate of the gender pension gap for the last 5 years.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **2021-22** |
| **Gender Pension Gap** | 39.9% | 40.3% | 37.9% | 40.5% | 37.9% |

The 2021-22 estimate reverses the large increase seen in 2020-21. We noted last year that 2020-21 data was impacted by COVID-19, so this could be an unwinding of those issues.

While comparisons between recent years may be more difficult due to COVID-19, the main message is still very clear: the gender pension gap is far too big.

Some alternative ways of illustrating or assessing our estimate are:

* It represents an average retired women having £7,000 less pension income than an average retired man.
* This is equivalent to an average retired women only starting to receive her pension income on 17 May, if it was paid at the same rate as for an average retired man.
* It is over twice the size of the gender pay gap (which ONS reported[[1]](#footnote-1) was 14.9% in 2022).

Our estimate is based on current pensioners’ incomes. This is a relatively backward-looking measure that inherently takes longer to reflect policy and other changes.

Even so, we have seen an improvement in this measure from 44.9% to 37.9% over the ten years to 2021-22.

But, if we allow for the different trends in the gap in state and private pensions, this rate of progress would still mean that the gender pension gap would not be eliminated until 2088.

And there is no reason to believe that the trend over the last ten years will be replicated for many more decades. Without policy changes, the gender pension gap may never close.

There has been a very encouraging development since our last report was published: the government produced its first official estimate of the size of the gender pension gap[[2]](#footnote-2).

The government used a different measure of the gender pension gap to the one we publish in our report.

The government’s preferred measure is the percentage difference between female and male uncrystallised median private pension wealth around normal minimum pension age.

The government’s estimate of its measure of the gender pension gap (for data from 2018 to 2020) was 35%.

Despite being a very different measure, the government’s estimate is consistent with Prospect’s and also shows an unacceptably high level of gender inequality in pension incomes.

No-one should overlook what these estimates tell us about the quality of life of women in retirement.

It shows that women are far more likely to live in poverty in retirement, and to generally have a lower standard of living.

Too often these impacts are minimised by reference to family incomes, but not all retired women can rely on a partner’s income and that is no substitute for equality anyway.

While we greatly welcome the government’s initiative in publishing an official estimate of the size of the gender pension gap, this must be the start rather than the end of a process.

Government must track its measure of the gender pension gap over time (bearing in mind that the underlying survey is undertaken biennially).

Parliament should hold government to account on its progress in reducing the size of the gender pension gap.

There are underlying trends that will continue to reduce the gender pension gap over time (eg the 2016 state pension reforms, the reduction in the gender pay gap).

However, these trends cannot eliminate the gender pension gap by themselves. Ending the gender pension gap will require further policy action by government.

Government must reform pension policy, in particular through better recognition of caring responsibilities in the pension system.

But government must also take action as an employer. This report covers the unacceptably high level of the gender gaps in the main public service pension schemes.

Prospect will continue to raise this issue with employers, and also give members the information they need to mitigate its impact on them.

The progress that has been made so far is very welcome, but there is a lot more that we still need to do on behalf of women and carers.

**Sue Ferns**

**Senior Deputy General Secretary**

**May 2024**

### Executive Summary

We estimate that the UK’s gender pension gap – the percentage difference in pension income for female pensioners compared to male pensioners – was 37.9% in 2021-22.

This is more than twice the gender pay gap of 14.9% in 2022 and represents an average difference in pension income by gender of about £7,000 a year.

This is unacceptably high and has a hugely detrimental impact on women’s quality of life in retirement.

The main causes of the gender pension gap have been well known for some time; they have been outlined in our previous reports and elsewhere:

* Women undertake a disproportionate share of caring responsibilities, which results in them being more likely to not be in paid employment or to work part-time.
* When women do work full-time, they are paid less, on average, than men (ie the gender pay gap).
* Retired women, on average, currently receive less than state pension than retired men.

Other features of the pension system have a disproportionate impact on women, and these are also covered in this report.

There has been some progress in relation to the actions we have called for in previous reports.

In particular, the government published the first official estimate of the size of the gender pension gap last year.

Past policies, such as the 2016 state pension reforms and action to reduce the gender pay gap, will ensure that the recent downward trend in the gender pension gap will continue.

However, even allowing for a continuation of these trends, the gender pension gap will still not be closed until 2088 (and there is no reason to assume these trends will continue).

On the other hand, it is probable that some factors will cause the gender pension gap to continue to persist until addressed by specific policy actions.

This year’s report focuses on the government’s role as an employer. The gender gaps in the main public service pension schemes are unacceptably high.

Prospect is calling for a range of different actions at various levels to eliminate the gender pension gap in a reasonable timescale:

* A commitment that government publish regular updates of its estimate of the gender pension gap when new datasets from the Wealth and Assets Survey are available.
* For government to establish an appropriate target for reducing the size of the gender pension gap.
* A statutory requirement for the government to report to Parliament on its plans for tackling the gender pension gap and progress against its target.
* The terms of reference of major pension reviews commissioned by the government (such as independent State Pension Age reviews) to consider gender gaps.
* The DWP to include addressing the gender pension gap as one of its statutory equality objectives.
* Greater recognition of caring in the pension system, such as through an additional state pension credit for those who are not working because of caring responsibilities.
* Consult with employers, trade unions and Scheme Advisory Boards about policies to reduce the gender pension gaps in the main public service pension schemes.
* Measures to encourage more equal sharing of caring responsibilities by gender and to make affordable childcare more widely available.
* Encouraging those who missed out on national insurance credits because of the High Income Child Benefit Charge to claim these.
* Completing the administrative review of underpaid state pension, affecting tens of thousands of women, as soon as possible.
* Implementing the recommendations of the 2017 automatic enrolment review and lowering the earnings trigger to the level of the Lower Earnings Limit.
* Measures to improve appropriate sharing of pension assets on the ending of long-term relationships.
* Better collection and monitoring of data on the proportion of divorces involving pension sharing orders.
* More campaigning to encourage higher take-up of credits that can boost women’s pension income.
* Monitor implementation of the mechanism to resolve the ‘net pay anomaly’ whereby low earners do not benefit from tax relief on their contributions.

As well as campaigning for the above policies, trade unions like Prospect need to put gender equality in retirement income on the bargaining agenda.

We will continue to engage with full-time representatives and members about this issue and seek to negotiate changes with employers that promote fairer outcomes.

We will also continue to educate and inform members with a view to giving them the information and tools they need to protect their retirement incomes.

### The size of the gender pension gap

We estimate that the UK’s gender pension gap – the percentage difference in pension income for female pensioners compared to male pensioners – was 37.9% in 2021-22.

The chart below shows the size of the gender pension gap and the gender pay gap for the most recent years data is available for.

These figures, and the underlying gender inequality in retirement income that they represent, are both unacceptable and shocking.

Unacceptable because of the hugely detrimental impact on the quality of life of millions of women over decades in retirement.

Shocking because of the enormous scale of the problem, which is far larger than the gender pay gap.

Simply reporting on the size and persistence of the gender pension will hopefully bring greater attention to the underlying problems and result in action to tackle them.

The rest of this section goes into more detail about the definition of our estimate of the gender pension gap and the data sources we have used.

It also covers the definition of the measure published by the government and how this estimate differs from ours.

**Prospect’s estimate of the gender pension gap**

Our latest estimate of the gender pension gap, 37.9% in 2021-22, is based on a particular definition and uses certain government datasets.

* Definition of gender pension gap

There is no single, generally agreed definition of the gender pension gap (though the government has now produced an estimate based on its preferred definition).

For that reason, Prospect had to come up with a definition of the gender pension gap when we produced our first report.

We choose 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.

This definition has some advantages: it covers all sources of pension income, and it is based on a coherent definition of retired people.

It also has some disadvantages: it is a backward-looking measure that is greatly affected by circumstances that applied in the past, and it can be distorted by changes in demographics.

The advantages and disadvantages of different measures of the gender pension gap were discussed in detail in a report[[3]](#footnote-3) about the Gender Pension Gap published by the PPI earlier this year.

While we recognise the merits of other definitions of the gender pension gap, we still consider that our estimates, and the historical series that we have produced, is very useful in highlighting this issue and tracking progress over time.

In previous years some commentators have sought to minimise the importance of the gender pension gap, by saying that household incomes are more relevant.

This does not allow for the fact that the women most impacted by the gender pension gap are those who were single mothers or divorced, who may not have any other sources of income to rely on.

In any case, women’s quality of life and dignity can be negatively impacted by the gender pension gap even if they can rely on income support from a partner or other family members.

But the main point is that this is a report about income inequality, and it is individual, and not household, incomes that are most relevant to understanding this.

* Data source

Our estimate is derived from an analysis of the datasets of responses to the Family Resources Survey (FRS). This is a continuous household survey that collects information on a representative sample of private households in the United Kingdom.

The FRS data are designated by the UK Statistics Authority as National Statistics and are 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, but we believe it is a good indicator of gender inequality in retirement incomes that is supported by other data sources.

It is important 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.

In addition to the usual uncertainties affecting any estimate based on responses to the FRS, recent estimates are subject to greater uncertainty due to the impact of COVID-19.

The pandemic affected the data collection method, the response rate achieved and the distribution of characteristics among respondents to the FRS.

FRS processes were changed to allow data collection by telephone rather than the usual face-to-face interviews.

This greatly reduced sample sizes, particularly for 2020-21, and also affected the composition or respondents.

For these reasons, the confidence interval for estimates based on recent FRS datasets will be wider than in a normal year.

These issues also make it harder to draw conclusions from trends in the estimates in recent years.

As noted below, we have also chosen not to publish certain estimates based on analyses of sub-samples due to the greater uncertainty.

* Further analyses

Our data clearly shows that women in the UK are significantly under-pensioned compared to men. The policies recommended in this report would help reduce this inequality.

But it is also important to understand what other groups are at risk of serious disadvantage in terms of retirement incomes and to consider these as well.

Certain factors drive the gender pension gap, but the causes of poorer outcomes for other groups could be very different.

Better research is needed. Many women will obviously be impacted by disadvantages experienced by other groups that they are part of.

The Pensions Policy Institute has been publishing research in this area for over twenty years.

Their original report[[4]](#footnote-4) identified the disabled, ethnic minorities and workers with significant periods of self-employment as other groups at risk of worse retirement outcomes.

A follow-up report[[5]](#footnote-5) updated this research and provided more information about particular groups of women (single mothers, divorced, carers) who were at the greatest risk.

In previous reports we have published estimates that show that the gender pension gap is far higher for ethnic minorities.

Our analysis of the 2021-22 datasets shows entirely consistent results for women from ethnic minorities (and ethnic minority pensioners overall). The estimated gender pension gap for women from ethnic minorities was far higher than the overall figure.

However, the COVID-19 related data issues mean there is much greater uncertainty around estimates based on smaller sub-samples of FRS data, and we do not believe they are robust enough to publish.

Producing more financial data on people from ethnic minorities and other groups identified as being more at risk should be a priority for government and researchers.

The Pensions Policy Institute recently published a briefing note[[6]](#footnote-6) outlining how to fill evidence gaps.

**Government’s official estimate of the gender pension gap in private pensions**

On 5 June 2023, the Department for Work and Pensions published an ad hoc statistical release on the gender pension gap in private pensions across Great Britain[[7]](#footnote-7).

This first official estimate of the gender pension gap was a welcome landmark for campaigners on this issue.

In fact, this had been the primary action that Prospect had called for in each of our reports on the gender pension gap that we had published to that point.

We also called for this in written and oral evidence to the Work and Pensions Committee’s ‘Saving for Later Life’ inquiry.

It was in correspondence with the Work and Pensions Committee after this inquiry that the then Pensions Minister first committed to work on an agreed definition of the gender pension gap and to report on it.

That minister, Laura Trott MP, should be commended for her initiative in delivering this important outcome during her relatively short time in the role.

* Definition of gender pension gap

The DWP worked across government departments, and received suggestions from external organisations, to create an appropriate definition of the gender pension gap to report on.

Ultimately, it produced an estimate of the gender pension gap in private pensions, defined as the percentage difference between female and male uncrystallised median private pension wealth around normal minimum pension age for those individuals with private pension wealth.

This measure is less backward-looking than our estimate of the gender pension gap based on pensioner incomes. It will be more responsive to policies that are intended to address it.

By looking at the gap for those around normal minimum pension age, this measure allows for the full extent of the gap, which emerges and grows over working lifetimes.

By design, this measure does not allow for differences in entitlement to state pension by gender. However, major reforms in 2016 are projected to eventually eliminate the gender gap in state pensions. For this reason, it is particularly important to focus on the gender pension gap in private pensions.

The measure only includes those who have some private pension wealth. It seems likely that women are more likely than men to have no private pension wealth and this will have affected the final estimated.

* Data source

The government’s official estimate of the size of the gender pension gap comes from an analysis of responses to the Wealth and Assets Survey.

This is a longitudinal survey carried out by the Office for National Statistics (ONS) which gathers information on the level of assets, savings and debt amongst households and individuals. Respondents are questioned every two years.

Wealth and Assets Survey data is designated as a National Statistic.

* Government’s estimate

The DWP’s official estimate of the gender pension gap on this measure is 35% (for the period 2018 to 2020).

Despite the differences between the definitions used, this is consistent with our estimate of the size of this problem.

These results show that, whatever one’s views about the merits of different ways of measuring it, the size of the gender pension gap is unacceptably large by any measure.

Given the consequences that this level of inequality in retirement incomes has on women, it must be a priority for government to tackle it.

Prospect greatly welcomes the first official estimate of the gender pension gap. But government must now take the next logical steps by setting a target to reduce it and coming up with a plan to deliver on its target.

### Gender pension gap in public service pension schemes

Government has many policy levers to help tackle the overall gender pension gap. Reform of different aspects of the pension system will be key.

But even major pension reforms, including better recognition of caring in the system, are unlikely to be enough to fully resolve the problem.

Certain features of the wider labour market contribute to the gender pension gap, so wider labour market policies and reforms will also be needed to fix it.

Factors that drive the gender pension gap are present in all workforces and feed through to workplace pension schemes.

There is a duty on employers to consider these factors and try to mitigate their impact on their workforces.

This obviously extends to the government as an employer and as the sponsor of some of the largest workplace pension schemes in the country.

This is not just because the government has a statutory duty to eliminate discrimination and advance equality of opportunity (though this is obviously highly relevant).

It is also because government’s actions as an employer have an indirect impact on other employers in society.

If government does not take these issues seriously, then other employers will be less likely to as well.

The reality is that government is not taking the gender pension gap seriously, either as a matter of policy or in relation to the impact it has on the different workforces that it employs.

There is a marked difference between the actions that government is taking to address the gender pay gap, and what it is doing about the gender pension gap.

* The size of the gender pension gap in public service pension schemes

The following table shows the size of the gender pension gap in some of the main public service pension schemes for the latest year that data is available.

|  |  |
| --- | --- |
| Civil Service | 44.5% |
| NHS (England and Wales) | 60.7% |
| NHS (Scotland) | 62.1% |
| Teachers (England and Wales) | 27.7% |
| LGPS (England and Wales) | 49.4% |
| Research Councils | 60.5% |

The above estimates cover schemes with millions of members, and up to 3 million women in receipt of a main pension.

In nearly all cases (except for the scheme for Teachers in England and Wales), the gender pension gap is larger than the overall gender gap in private pensions reported by DWP.

The gender pension gaps in just these few schemes are a significant driver of the overall gender pension gap in the UK.

Many of the causes of the gender pension gaps in these schemes will be the same as those driving the gender pension gap generally.

However, it is important to analyse scheme membership data to fully understand the position and what could help address it.

* Action by Scheme Advisory Boards

There has been very welcome scrutiny of the gender pension gaps in public service pension scheme by Scheme Advisory Boards.

Scheme Advisory Boards are statutory bodies established under the Public Service Pensions Act 2013 to advise scheme managers about the desirability of making changes.

At the forefront has been the Local Government Pension Scheme Advisory Board, which advises the Local Government Minister about the Local Government Pension Scheme (LGPS) in England and Wales.

During 2022/23, the Board commissioned the Government Actuary’s Department (GAD) to undertake some analysis of the gender pensions gap in the LGPS.

The first report[[8]](#footnote-8) identified the substantial difference in the pensions accrued by men and women in the LGPS.

The second report[[9]](#footnote-9) explored in more depth how career patterns and differences within LGPS employers affected the gap.

The Board set up a dedicated working group consisting of representatives from LGPS funds, employees and employers, as well as actuaries, to consider next steps.

There is no simple solution to the problem of the gender pension gap in the LGPS (or other public service pension schemes, or in the UK generally), but the analysis that the Board has undertaken is extremely useful in understanding the causes, coming up with potential solutions and tracking progress.

The Boards of other public service pension schemes have also been considering the level of the gender pension gaps in the schemes they are responsible for (though none have published analyses as detailed as the Board for the LGPS in England and Wales).

* Response from the government

The response from the government to questions about the size of the gender pension gap in public service pension schemes has been extremely disappointing.

This issue has been raised in the past by the Public Accounts Committee as well as Scheme Advisory Boards.

The response from the Treasury officials with responsibility for this policy area has been that these gaps are “purely a long-term consequential of differences in pay”[[10]](#footnote-10).

In other correspondence officials stated that “the pension is gender neutral and pension differences reflect differences in pay”[[11]](#footnote-11).

This both misunderstands the causes of the gender pension gap and diminishes the importance of analysing the issue further.

It should be obvious that eliminating gender pay gaps will not be enough to resolve the gender pension gap. If not because the gender pension gap is so much larger, then because of the impact of caring responsibilities.

It is not good enough that considered and thorough analysis by Scheme Advisory Boards is effectively being dismissed by superficial commentary from the officials with policy responsibility.

* Next steps

Prospect has written to the Chief Secretary to the Treasury[[12]](#footnote-12) to ask her to arrange for meetings between stakeholders. We are aware that others have supported this call.

We believe that this would allow for the sharing of relevant information and a better understanding of the issues across government.

This would hopefully foster an environment where policies that could help reduce the gender pension gap in public service pension schemes get a better hearing.

### What Prospect will do?

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

Last year saw the first concrete action from government when it published an official estimate of the size of the gender pension gap.

We believe that our annual report can continue to play an important role in highlighting this problem, and we hope this will eventually leads to more actions to address it.

Lobbying has its place, but as a trade union we also need to ensure that equal pensions are fully integrated into the negotiating agenda of our branches.

We also have an important role to play in ensuring members are fully informed about the causes of the gender pension gap and how they can mitigate the impact on them.

**Action for branches**

We will continue to work with our branches to ensure they understand the impact of the gender pension gap on their members.

Often this will involve analysing information about the pension arrangements and getting more details from employers and pension schemes.

The work on highlighting the gender pension gap in our public sector employers is a good example of how this can be done.

Other information, such as the level of opt outs by gender, can also be relevant for branches to understand.

We have held workshops for branches on embedding the issue of the gender pension gap in their negotiating agendas.

These will be updated and rolled out to more representatives. These workshops highlight the importance of:

* Improving parental leave and childcare support.
* Better pension provision for people with caring responsibilities.
* Ensuring that contribution structures are gender neutral.
* Enrolling all employees, and not disproportionately excluding part-time workers.

**Information for members**

We will continue to update and refresh our webpages about the gender pension gap for members.

We will hold more webinars and branch-based events about the causes of the gender pension gap.

We will publish a member guide on the gender pension gap in 2024.

1. [Gender pay gap in the UK - Office for National Statistics (ons.gov.uk)](https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2022) [↑](#footnote-ref-1)
2. [The Gender Pensions Gap in Private Pensions - GOV.UK (www.gov.uk)](https://www.gov.uk/government/statistics/gender-pensions-gap-in-private-pensions/the-gender-pensions-gap-in-private-pensions) [↑](#footnote-ref-2)
3. [20240207-underpensioned-defining-the-gender-pension-gap-final.pdf (pensionspolicyinstitute.org.uk)](https://www.pensionspolicyinstitute.org.uk/media/ysgmnwtl/20240207-underpensioned-defining-the-gender-pension-gap-final.pdf) [↑](#footnote-ref-3)
4. [Raising the State Pension Age (pensionspolicyinstitute.org.uk)](https://www.pensionspolicyinstitute.org.uk/media/kr4hatbe/20031127-the-under-pensioned.pdf) [↑](#footnote-ref-4)
5. [20221207-the-underpesnioned-index-2022-edition.pdf (pensionspolicyinstitute.org.uk)](https://www.pensionspolicyinstitute.org.uk/media/ikofbowl/20221207-the-underpesnioned-index-2022-edition.pdf) [↑](#footnote-ref-5)
6. [20220818 PPI BN132 data from ethnic minority groups.pub (pensionspolicyinstitute.org.uk)](https://www.pensionspolicyinstitute.org.uk/media/3cum1rov/202208-bn132-ppi-impact-of-poor-personal-data-on-ppl-from-ethnic-minority-groups.pdf) [↑](#footnote-ref-6)
7. ibid [↑](#footnote-ref-7)
8. [[Title] (lgpsboard.org)](https://lgpsboard.org/images/Reports/2023/GADGenderPensionGapReport_Jan2023.pdf) [↑](#footnote-ref-8)
9. [LGPSGenderPensionsGapNextStepsReport22062023.pdf (lgpsboard.org)](https://lgpsboard.org/images/GADReports/LGPSGenderPensionsGapNextStepsReport22062023.pdf) [↑](#footnote-ref-9)
10. <https://library.prospect.org.uk/download/2024/00455> [↑](#footnote-ref-10)
11. Ibid [↑](#footnote-ref-11)
12. <https://library.prospect.org.uk/download/2024/00414> [↑](#footnote-ref-12)