

The Gender Pensions Gap

Brief for debate on International Women's Day

March 2021



Who we are

B&CE is the provider of the People's Pension, a not-for-profit master trust which delivers a workplace pension to more than 5 million mostly low and medium income savers. With 98,000 employers and assets under management of more than £13bn, the People's Pension is one of the largest master trust pension schemes and is integral to the success of automatic enrolment.

What is the gender pensions gap?

This is the percentage difference in pension income for female pensioners compared to their male counterparts. By the time a woman is aged 65-69, her average pensions wealth is £37,500, roughly a fifth of that of a man her age¹.

In addition, Prospect the union estimated in 2018 that the average female pensioner is £7,000 a year worse off than a man the same age. There are a number of contributing factors, which are set out below.

What causes it?

Our report, [The Gender Pensions Gap: Tackling the Motherhood Penalty](#), identified several reasons why women typically have a smaller retirement income:

- Women are largely responsible for caring responsibilities
- Women are adversely affected by the gender pay gap
- Women have lower levels of workplace pension saving through auto enrolment (AE) due to lower earnings and part-time working

Our [New Choices, Big Decisions](#) study provides further evidence. Some of the women interviewed had reduced their working hours early in their careers, retaining this work pattern even after their circumstances had changed. **Of those interviewed, women were more likely than men to be in part time work both at retirement and in the lead up to it.** There were sobering examples of women who now regret that they didn't consider the full impact of sustained period of part time working on their retirement income.

The motherhood penalty

Having children has a detrimental impact on women's earnings, working hours and career prospects – we call this 'the motherhood penalty'. This is compounded by the cost of childcare in the UK, which is higher than anywhere else in Europeⁱⁱ.

The People's Pension surveyed 2,000 women in 2018, which revealed:

- 43% said it didn't make sense to keep working and pay for childcare

- 29% said they couldn't afford suitable childcare
- 36% of those that reduced their hours said it made more financial sense to work part-time

Government should do more to enable women to return to work or work more hours, once they have children. Enabling the provision of better, more affordable childcare would be a welcome, and important, first step.

The 'net pay anomaly'

Twenty per cent tax relief for low income savers is only available to members of schemes that operate Relief at Source (RAS). The majority of schemes, however, use the net pay method, which means contributions are collected before tax. Women would benefit from an extra £8k over their working lives if this anomaly was fixed.

We believe that a flat rating of pensions tax relief would distribute the incentive to save more fairly amongst lower and higher earners. Implementing a flat rate would also remove the need for a specific solution to the net pay anomaly.

What can be done to close the gap?

We are calling on Government to make the following changes to pensions policy, to help bridge this divide:

1. **Abolish the 'net pay anomaly', which would ensure that 1.75m low earners (the majority of which are women) receive much-needed tax relief through AE that they currently miss out on**
2. **Reduce the AE earnings threshold from £10,000 to £6,240. This would bring in 1.3m new pension savers, of which three-quarters would be women**
3. **Reduce the AE contributions threshold to the first pound earned.**

The Government had committed to reducing the AE contributions and earnings thresholds in the *Automatic Enrolment Review 2017*. The Pensions Minister has repeatedly said that the Review would be implemented in 'the mid-2020s', but has given no specific timeframe.

We hope that you will be able to raise some of these points in Thursday's debate.

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ⁱ The CII/Insuring Women's Futures CII:
https://www.cii.co.uk/media/9224351/iwf_momentsthatmatter_full.pdf

ⁱⁱ European Semester Thematic Factsheet Labour Force Participation of Women: https://ec.europa.eu/info/sites/info/files/european-semester_thematicfactsheet_labour-force-participation-women_en.pdf