
# Understanding Women's Pension Inequality

NATIONAL PENSIONERS CONVENTION

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## Introduction

Pensions remain one of the key battlegrounds in the fight for equality. Growing older may be something we prefer not to think about, particularly if we are worried about the state of our finances and how we can survive on a pension. Poverty blights the lives of many of today's older women. It limits what they can afford to do and isolates them socially. Little wonder then that around two thirds of all pensioners living in poverty are women.

Although men and women are equal in employment law, it is still much harder for women to obtain a decent pension. Many women have working lives that are interrupted by periods of full and part time family caring. At any point in time, roughly a third of working age women work full time, a third part time and a third are not employed. Thus women, particularly those that raise a family, are less likely than men to have a full time continuous employment record. They also continue to earn less per hour than men.

Despite more than 30 years of equal pay legislation, there is still a marked gap between men's and women's earnings. In 2018, the Office for National Statistics gave an average full-time hourly rate of £9.36 for women compared with £14.31 for men. Women tend to work in different kinds of occupations than men, at lower levels and often part time, once they have a family. Well-paid part time jobs are very rare. The average earnings of women over the working life are therefore smaller than men's and so are their earnings-related pensions.

## The facts about women and pensions

- Women workers clearly suffer from generally having lower wages (and therefore lower pension contributions), breaks in National Insurance or pension contributions due to caring responsibilities or insecure/part-time employment. The reality is that if you are low paid – you will have a poor pension in retirement.
- On average, pensioner women receive 25% less state pension than men – including many of those who before 1977 paid the Married Women's Stamp (which didn't entitle them to a state pension). In November 2017, the average weekly amount of state pension received by women was £126.45 per week, compared to £153.99 for men.
- Among those aged over 65, 71% of men but only 43% of women received any private/occupational pension, and the median amount from these pensions is 53% that of men's.
- Women in their 60s also have a fraction of the pension savings that men have. According to the Chartered Insurance Institute, the average 65-year-old woman has £35,800 in her pension pot, compared with £179,000 for the average 65-year-old man.
- In total, women's median overall pension income was 57% of men's.

- Married women were the poorest in terms of personal income and previously-married women were twice as likely as similar men to be on means-tested Pension Credit.
- Private pension scheme membership and accrued savings vary widely according to occupational class, employed hours and ethnicity, all intersecting with gender.
- The gender pension gap is bigger than the gender pay gap: Women in the UK receive 39.5% less in pension income than men – twice as large as the difference in pay between the sexes. This equates to an average shortfall of £7000 a year. This was twice the level of the gender pay gap in 2017, which was 18.4%.

## Women and the state pension age

The blame for the fiasco surrounding the changes to women's state pension age must lay with Sir Steve Webb – the Coalition government's pensions' minister. The decision in the Pension Act 2011 to accelerate the rise from 60 to 65 over an eight year period, rather than a ten year period has caused real problems for hundreds of thousands of women, and there is no question that they should be compensated.

We also have to look at the future – and recognise that the UK is one of very few countries in the world which has legislated for a state pension age of 68 for men and women. The Cridland report has even recommended bringing that forward by 7 years, so that anyone now under the age of 45 will be affected. Working people are being told to work longer, pay more and get less.

However, the evidence is actually pointing in the opposite direction. Life expectancy in certain parts of the country is now falling, and overall longevity has stalled for the first time in 100 years. We also see a huge rise in the numbers of people who cannot even work up to state pension age because of illness, difficulties in finding a job in later life or caring responsibilities - and the higher the state pension age goes, the more likely the number of people falling into this category will increase. That's why we think there should be options for people to receive Pension Credit up to five years before state pension age or receive their state pension earlier.

We should also recognise that there is unfairness between the female generations caused by the new state pension which Steve Webb introduced in 2016. Take this example:

- A woman born on 6 March 1953 with 35 years' worth of National Insurance and contracted in to the state second pension reached state pension age on 6 March 2016 and qualified at that time for a basic state pension of £119.30 a week and an average second state pension of £28; making a total of £147.30 a week.
- A woman born on the 6 May 1953 with 35 years' worth of National Insurance and contracted in to the state second pension reached state pension age on 6 November 2016 and qualified for a total state pension of £155.65 a week – over £8 a week more.

The unfairness is that two individuals with the same set of circumstances – but for being born two months apart – receive different levels of state pension.

## Loss of dependants’ and survivors’ rights

Around 26,000 women are expected to be hit by the change in rules that no longer allow for them to claim a state pension based on their husband’s National Insurance record. This figure could be as high as 186,000 by 2035. Those likely to be affected are women who stayed at home and brought up families and have not built up sufficient state pension of their own. In addition, surviving spouses can claim up to 100% or their partner’s basic state pension and 50% of their second state pension when they die, if they do not have a full pension in their own right.

However, under the new state pension, entitlement to a state pension will be based on an individual’s own NI record, unless individuals can prove they paid at least one year of lower rate NI (married women’s stamp) in the last 35 years. To avoid this unfairness, there should be a transitional period of 20 years during which time dependents’ and survivors’ rights would still exist.

## An alternative to auto-enrolment

There is widespread agreement that the overall contribution rate going into Auto-Enroled pensions of 8% is around half of what would be needed to give a decent payment in retirement. However, the dilemma is that if rates for employees were to rise further from 4% – some may look to opt-out altogether.

One of the biggest criticisms of auto-enrolment is its lack of credits for workers who take time out of the system for caring responsibilities and childcare. Furthermore, the threshold to qualify for Auto-Enrolment also excludes many low paid, predominantly women workers.

One of the ways to adapt the current system would be for the state to run an earnings related, second pension scheme as an option under auto-enrolment. It could offer credits for periods of unemployment and caring, and a guaranteed return so that people would know what they would get when they retired. The scheme could also be fully transferable from one job to another. These huge amounts of money coming into the state could also be used to invest in socially productive parts of the economy – rather than see it all in the hands of the private pensions industry.

## Conclusion

It is not acceptable that women are condemned to less comfortable retirements and greater anxiety about finances because of inherent unfairness in the labour market and structural problems in the pension system. All women need a decent state pension that takes them out of poverty, set at 70% of the Real Living Wage – currently around £200 a week. Contact the NPC to find out how you can support the campaign.

**National Pensioners Convention**
**Marchmont Community Centre, 62 Marchmont Street**
**London WC1N 1AB**
**info@npcuk.org**
**www.npcuk.org**