



Caught in a gap: the role of government in enabling women to build better pensions

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☯ Phoenix
Insights

In partnership with

ies institute for
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To stimulate debate and improve cross-sector practice to close the gender pension gap, Phoenix Insights has partnered with the Institute for Employment Studies ('IES') to analyse women's finances through the lens of the workplace. This report specifically look at the role of government in supporting workers and employers to close the gap.

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This report was written by Dr Abbie Winton, Claudia Plowden Roberts, Beth Mason, Dr Charlotte Edney, Jade Talbot and Rosie Gloster from the Institute for Employment Studies ('IES').

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Executive summary

Phoenix Insights has partnered with the Institute for Employment Studies (‘IES’) to develop two reports which analyse women’s finances through the lens of the workplace.

The research, which includes interviews with 22 employers and 31 individuals, as well as analysis of Understanding Society, looks at stages across the female life course, such as childbirth, divorce, miscarriage, caring duties, and menopause to understand how these life stages affect women’s work patterns and choices, their ability to save and, in turn, how this can negatively impact their pension contributions. The first report set out the actions that employers need to take. This second report sets out the actions that government should take to ensure women can accumulate sufficient pension savings for a good standard of living at retirement. The evidence shows four key areas that require government attention:

Accessibility of workplace pensions

This report finds that income inequality, the cost-of-living crisis and life events that reduce earnings all impact an individual’s capacity to save. Thus, there are a range of targeted interventions that are needed at different stages to ensure that those, who disproportionately are women, do not have to pay a penalty for caring and can access financial support when needed.

Recommended actions:

- Make it an employer’s legal duty to provide pension information by reviewing the current minimum. Compulsory information should include how contractual changes will impact pension contributions (e.g. changes to hours/earnings) and nudge to use pensions dashboards once they are launched.
- Increase the coverage of automatic enrolment by lowering the age threshold to 18 and the earnings threshold to £0, since the current legislation disproportionately excludes women from contributing.
- Reduce the re-enrolment window from three years to one year.

Financial engagement

Without a sufficient understanding of how pensions work and how different life events can impact them, individuals cannot make informed decisions about how they choose to save for the longer term. While employers have a role to play in this education, government is best placed to ensure that the full range of stakeholders are positioned to engage in behaviours that will help close the gap, from education and support providers through to employers and individuals themselves.

Recommended actions:

- Increase the coverage and reach of impartial guidance by making free Pension Wise appointments accessible to anyone (currently over 50s only).
- Commit to a timeline to review the regulated financial advice and financial guidance boundary, as proposed in the Edinburgh Reforms, so that a larger proportion of the population can access reliable and tailored financial support. Further engagement from Government and FCA with stakeholders will be needed to balance consumer needs and appropriate protections.

Access to care

Limited access to affordable child and social care is reducing the ability of women to engage full-time in paid employment which is having a detrimental impact on their ability to contribute to their pension, as often women are left with no choice but to work part-time. If care was made more accessible, women would have fewer constraints on their return to paid full-time employment.

Recommended actions:

- Revisit the Carer’s Leave Bill to enable unpaid carers to access a minimum of 5-days statutory paid leave, in addition to the one-week unpaid leave proposed within the current bill. This should be taken as a first step towards re-valuing unpaid care work, yet it needs to be adopted against a backdrop of broader social care reform in order to have the necessary impact on the gender gap.
- As an immediate temporary measure, the government should increase the value of the childcare vouchers that can be accessed by carers from £55 a week to up to £300 a week.
- In the longer term, a future government should ensure all childcare is affordable and costs a household no more than 5% of their total household income (Pregnant then Screwed, 2022).

Executive summary

Access to flexible working

The case has already been made for flexible working and the change employers can make to help reduce the gender pension gap (Phoenix Insights, 2022), yet government action is also needed. The new flexible working bill is welcome, but more needs to be done to ensure that 'two-tier' workplaces do not develop (i.e. where more accommodating employers approve flexible working requests and others do not).

Recommended actions:

- Right to flexible working should be available from first day of employment. The number of exceptional circumstances should be reduced from eight to two.
- Make it a legal requirement for employers to formally record flexible work requests (including their decisions and the demographic characteristics of the employee making the request).

On this basis, this report makes recommendations that address pension legislation, support for businesses and support for individuals across different life stages (through the provision of better access to flexible working and financial advice), in addition to targeted interventions at points where they will make the biggest impact to women's working lives. We recognise that the recommendations made in this report are far-reaching, but this reflects the reality that meaningful progress on the gender pension gap will only be made when the government, supported by regulators, takes co-ordinated cross-departmental action.

1

Introduction



Phoenix Insights has partnered with the Institute for Employment Studies (‘IES’) to develop two in-depth reports which analyse women’s finances through the lens of the workplace by looking at life stages when savings can be impacted, such as childbirth, divorce, miscarriage, caring and the menopause.

The aim is to understand how these events affect women’s work patterns and choices, and in turn how this can negatively impact their pension contributions, adding to the existing evidence base about this issue (see Portas, 2018; Crawford and O’Brien, 2021; Prabhakar, 2022 among others). The first report highlighted the correlation between pay gap and pension gap and outlined the action that can be taken by employers to begin improving saving equalities by closing both gaps (Phoenix Insights, 2022).

Successive governments have taken some action to reduce the gender pension gap in recent years, including abolishing the net pay anomaly (where low-paid workers were not afforded the same tax relief on their pension payments as higher-paid earners), introducing auto-enrolment and investing more in the mid-life MOT. Wider indirect efforts that could improve gender equality have also been made

through the government’s recent commitment to extend rights to flexible working, the extension of maternity protections and support of the carer’s leave private member’s bill. Yet these legislative changes remain limited since employees are only given the legal right to ask for flexible working, rather than the legal right to be granted it, and fail to extend access to paid time off for care. Furthermore, the wider reforms that were promised by the Employment Bill proposed in 2022 have largely been abandoned. Therefore, the current government needs to increase its efforts to support women and businesses in a way that will help close the pension gap, and future governments need to seize the opportunity to commit policy action to support women’s financial futures at this pivotal point in the electoral cycle. This report sets out these actions and draws on evidence from in-depth primary and secondary data analysis.

Research approach

The research used a mixed methods approach that was informed by a rapid evidence review conducted in early 2022. Primary qualitative data was collected during 31 interviews with women at different stages of the life course and 22 individuals working in a range of organisations with responsibilities that included the management of pension policy. Secondary quantitative data was analysed by drawing on pensions-related questions within the longitudinal data set, Understanding Society (for a full technical methodology, see the appendix).

The first report in the series presented the quantitative findings in-depth, alongside findings from interviews with employers. In contrast, this report presents a deeper dive into the discussions had with women at different stages of their lives. A range of women were invited to participate in the research to ensure that the diversity of experiences was sufficiently captured, including women from different age groups, ethnic backgrounds, income levels and women with different caring, relationship, and employment statuses (for the full sample, see the appendix).

The key findings from the first Phoenix Insights (2022) report detailing necessary changes at the organisation level included:

- The gender pay gap is a significant contributor to the gender pension gap since the value of men's monthly contributions is higher, yet women on average contribute a larger proportion of their salary to their pension. Furthermore, women are more likely to contribute to a workplace pension if the impact of different average earnings between gender are removed.
- The value of a woman's pension contributions diverges from the average man's in the mid-20s age group. The monthly contribution gap peaks after the age of 45 where men are paying in, on average, £80 a month more than women to their workplace pension (£245 compared to £165).
- Women are also more likely to fall beneath the automatic enrolment threshold which is currently set at £10,000 – 35% compared with 11%.
- While employers are typically aware that gender equality issues are important to consider when setting workplace policy and influencing practice, there is limited awareness of the causes and consequences of the gender pension gap.
- Consequently, there is a lack of action over and above the statutory minimum which seeks to improve the savings capacity of women across the different life stages.

2

Factors impacting women's saving capacity

Introduction

One of the key findings from the first report indicated that the cumulative effect of gender differences throughout the life stages creates a pension gap that peaks at the age of 45 (Phoenix Insights, 2022). To explain how these gender differences occur, this chapter focuses on an in-depth analysis of the life experiences shared by women collected as part of the evidence base informing this research. Through understanding these experiences, it is possible to make targeted recommendations which address the differences in pension outcomes for women and identify other policy changes to support a woman's general saving ability. The first report also identified gaps in employer engagement on the issue of the gender pension gap more broadly which means that relying solely on voluntary actions from employers is unlikely to incite meaningful change at a national level (Phoenix Insights, 2022).

Access to flexible working

Flexible working can be used across the life stages to help improve work-life balance and enable individuals to remain in paid employment, which consequently supports pension contributions. Practical solutions to implementing flexible working in organisations were discussed in depth in the first report (see Phoenix Insights, 2022), yet more needs to be done to help support women to gain access to full-time opportunities and avoid involuntarily working part-time (which equates to lower hours, lower weekly earnings and thus lower contributions). As it stands, employee-led flexible working is more accessible to individuals working in permanent, secure jobs compared to those in more precarious, typically shift-based roles which thus exacerbates the pay and pension gap since these roles are disproportionately held by women.

Pregnancy and fertility treatment

For pregnant women and people receiving fertility treatment, access to flexible working can enable them to attend appointments without having to reduce hours or take unpaid leave, both of which may restrict their capacity to save. One interviewee described how she had to work part-time hours and become self-employed to undergo fertility treatment because her employer would not grant her the flexibility she needed to attend an appointment during working hours. However, in this case, if she had been offered a flexible working pattern, she may have been able to maintain her full-time hours and sustain the pension contributions that she was making before receiving treatment.

Health conditions and menopause

For those women who were able to remain in paid employment while managing a long-term health condition or symptoms of menopause, flexible working was also key. Nearly two-thirds of women going through menopause have reported that the symptoms harm their ability to work, leading them to take sick days, reduce their working hours, or leave employment altogether (CIPD, 2019). Flexibility over the hours of work and other small adjustments (e.g. starting work earlier or later, being able to get up and leave their desk, having a desk fan and understanding when they needed time off at short notice) allowed women to self-manage their menopause symptoms. Therefore, not only was flexibility with regard to the hours of work important, but it is also necessary to consider flexibility in relation to the functions of work and the workplace environment as a way to enable individuals to remain in paid employment.



"In November 2019, I was diagnosed with breast cancer. So, for 13 months I was having chemo... it did take its toll on me. I was very ill. I've now developed arthritis now in both knees, so these days I can barely walk. Now, I only commute two days a week into the office."

Sophia², 50s, office manager



"If I was having a sweat, I'd just sit down for half an hour and have a coffee even though I'm in work or sit down with some paperwork. Because she was so nice and she knew, it wasn't like she was going to go what are you doing sitting down?"

Catherine², 50s, unemployed

Working more flexibly within organisations can also help facilitate a phased return to work for individuals after a period of leave. It was noted that absence of this made the return to work particularly challenging for women who had suffered a miscarriage or those who had taken prolonged periods of absence since they were unable to return to work on terms that suited them and had to incur a costly reduction in hours.¹



"When I had my miscarriage, I was forced to go back because I was told if you don't come back, your money's going to be cut in half. I didn't want that to affect my pension."

Caroline², 40s, full-time student


1. While both men and women suffering from long-term health conditions may experience challenges remaining in paid employment, recent data suggests that women are disproportionately represented among those who are economically inactive because of a long-term health condition (ONS, 2022).

2. Not the individual's real name.

2 Factors impacting women's saving capacity


Childcare

Flexible working was key in enabling women with children to continue to work and contribute to their pensions. In some cases, these arrangements were formalised (e.g. within a flexi-time policy), while others were able to make up the work time informally if childcare emergencies occurred. This enabled women to stay in employment alongside managing childcare and family responsibilities.


 "If ever I get a phone call from school and it's only me that can pick him up, they are very understanding."

Charlotte³, 30s, event planner

For some women, the offer of working part-time respected their preference to care for their children themselves while also continuing to work. However, it should be recognised that although part-time working is financially more beneficial than not working at all, it still harms pension savings, particularly in cases in which this brings women below the £10,000 automatic enrolment threshold. The findings from the first report suggest that this is a penalty more severely felt by women since they are more likely fall under this threshold due to working part-time (Phoenix Insights, 2022). Therefore, women should be given greater choice and flexibility over how and when they work. This will allow those who want to work full-time the ability to do so since this is how they will be able to maximise pension contributions during the peak of their careers, yet it should also improve access to better quality part-time opportunities.

 "I've gone on reduced hours so I'm on less money which obviously in turn my pension won't be as good, and I could have concentrated on that. I've probably lost maybe five years of getting more pension money in the pot. So yes, I can say it definitely has done that, affected it."


Charlotte³, 30s, event planner

 "With my daughter, I went back to work, part-time after six months... I had my daughter in the daytime and my husband had her in the evenings. I just went out for three or four hours, but I still had a bit of freedom, my own bit of space to myself."

Penelope³, 50s, hospitality assistant

Unpaid care


Similarly, for those with other caring responsibilities, such as caring for an elderly relative or a disabled family member, it was found that many are given little option but to work part-time in order to be able to manage work alongside caring responsibilities. Furthermore, within the interviews there was evidence that established policies and practices were more commonly adopted by people with childcare responsibilities, yet the needs of those with other caring responsibilities were at times neglected. If carers are given more flexibility, they are more likely to be in a position where they can work enough to continue contributing to their pension – either by working enough hours to meet the threshold or by being able to afford to do so through receiving higher earnings – while also managing to take care of their loved ones.

 "When I went into this job, I made it very clear that my personal commitments involved me being carer for my mum and dad and that they were really important to me. And I needed to be able to find a job where it had the flexibility that if I needed to be in Devon and work from home and support them for a time, then I would be able to do that."


Roslin³, 40s, executive assistant

Affordability of pension contributions

The level of financial security that women experience across all facets of their life has a significant impact on whether they can afford to contribute to a pension. Financial security is, in part, determined by a woman's ability to engage in paid employment but can also be influenced by their household arrangements, existing savings and debt, non-household sources of financial support (e.g. benefits, family) and the wider economic context. In particular, the current cost-of-living crisis was a source of concern for many women as they feared that rising costs could impact their ability to put money into future savings since they needed the money more immediately. For some, longer-term financial difficulties meant that they were already struggling with debt, creating a situation whereby the prospect of saving for a pension felt out of reach since more immediate demands were placed on their finances.

 "If your bills are going up and things like that you might not have much disposable income to actually do it [contribute to a pension]. So, it does depend on all the other situations as well."

Corinna³, 60s, gardener

 "There's no possibility of saving. It's impossible, because every time you get paid, it's gone. It's not possible to save in this current climate. It's not possible."

Lydia³, 30s, unemployed

3. Not the individual's real name.

2 Factors impacting women's saving capacity

Pregnancy and maternity leave

Specific life events also placed particular pressures on a woman's finances and at times limited their savings capacity due to additional incurred costs or a reduction in pay. For example, the level of maternity pay and length of leave offered by employers was commonly identified as a barrier for women to contribute to their pensions. In support of this, there was only a small handful of examples in the interviews with employers in which leave that went above the statutory minimum was offered (Phoenix Insights, 2022). The statutory minimum maternity leave often did not provide women with enough time away from work and many opted to take unpaid maternity leave. Furthermore, the statutory rate of maternity pay is also considered to be comparatively low which also impacts the rate at which women are able to save for their pension during this time.

“I got maternity pay for nine months. You could have took a year, but you took that three months unpaid, I wasn't in a position to do that, so I was back to work after the nine months.”

Emma⁴, 50s, retail assistant

“I stopped. Literally, just stopped. When I was on my maternity, I never put in. And then after I had my son, I never put in at all after that.”

Sophia⁴, 50s, office manager

Childcare

Many women felt that their pay and progression opportunities were limited when they returned to work after looking after children. Largely this was because of being unable to work full-time, in part due to a lack of flexible working opportunities as mentioned, but also due to the cost of childcare which is returned to later in this report. This means that women's average earnings fall after having children, but it also means that often they were overlooked for development opportunities and are unable to access promotions because of their need for flexibility. Evidence of this can also be seen in the wider gender pay gap data in the disparity between the full-time pay gap (8.3%) versus the all-worker pay gap (14.9%) (ONS, 2022b), the latter being considerably higher and reflective of the 'part-time penalty' experienced by women who need to reduce their hours – which ultimately has a significant impact on the gender pension gap since the earnings potential, and thus savings potential, is limited (see Phoenix Insights, 2022).

“They pushed for us to do the manager's role, but at the time, I had a bairn and I was like, no, I'm not going to because I still want to see the bairn and it was a lot more hours involved.”

Emma⁴, 50s, retail assistant

“I feel that being part-time, as well as other things, meant that I didn't really get taken as seriously or get offered the same opportunities that other people did.”

Hester⁴, 50s, community worker

“I didn't ever go for promotion because that would've meant I was away even more. So, there were two steps above me that I just never went for and it was because I became a parent.”

Lily⁴, 50s, estate agent

Health conditions

Individuals described how their health conditions impacted their ability to work and thus make contributions to their pension. The UK currently has one of the lowest rates of Statutory Sick Pay ('SSP') in Europe, equivalent to one-fifth of the average wage (£99.35 per week) (Wilson and Buzzeo, 2021). Low levels of SSP could lead to increased presenteeism and women working in periods of ill health, potentially causing further damage to their health. For example, Emma⁴ explained that she was fearful of losing her job because she had been signed off sick for a long period of time and she was about to move onto SSP which would significantly reduce her income. Inevitably, this has a knock-on impact on the savings that individuals are able to make while they are unwell. In these cases, saving for a pension was at the end of a long list of worries that these women were having to juggle.

“I've paid my bills, as long as the company pays me my full pay, but then I go to statutory (sick pay), which... will be a massive impact on us. So, my thing is to try and get back to work as soon as I can, but I can't until the doctors say I can go back.”

Emma⁴, 50s, retail assistant

“My idea was to return to work, but with my hands and my conditions, I'm very tired and I get spasms in my hands where I drop things... I've already scalded myself and cut myself. I've fell downstairs... unfortunately, I'm not qualified to do anything other than that. That is my passion in life, to look after children, and now I can't do that no more, because of my condition.”

Stella⁴, 40s, full-time carer

4. Not the individual's real name.


2 Factors impacting women's saving capacity

Access to care


As mentioned, the cost of care in the UK is a significant barrier faced by many women, limiting their ability to engage in paid employment, their earning potential and thus their savings potential. After giving birth, women's employment rates jump sharply down from about 90% to 75%, and average weekly hours of work for those still in paid work fall from around 40 to less than 30, whereas men's employment patterns remain relatively unchanged (IFS, 2021). When a woman opts to care for a child instead of working their decision is, in part, an emotional choice influenced by culture and gender (Newton et al., 2018), yet it is also strongly influenced by the financial cost of caring for a child. Since women still, on average, earn less than men they remain more likely than men to reduce their hours or to leave the labour market to care for their children. In addition to caring for children, women are also more likely to reduce their hours to look after older loved ones than men (Carers UK, 2019). In the interviews there was evidence that the impact that caring responsibilities, and restricted access to affordable, good quality care, were significantly impacting women's ability to sustain full-time employment.

Childcare


The impact of the high cost of childcare was mentioned by many of the women that were interviewed, yet it was felt most strongly by single mothers and those who did not have support from friends and family. The women who were single parents described juggling work alongside managing childcare responsibilities, which created a situation for many where they had no choice but to stop contributing to their pension because child maintenance payments were not sufficient or were non-existent in some cases.

 "With the finances and taking a mortgage out, and the cars and everything that was considered, we couldn't really pay for the kids to be put into nursery and live for a time. That's why we had to rely a lot on parents."

Stella⁵, 40s, full-time carer


 "I try as well just do it on my own because I've been doing it on my own for so long, and so for me, it was an easy decision to make. I don't take any child benefit or anything from them."

Sophia⁵, 50s, office manager

 "Now that I don't claim anything, I'm just probably free-standing, survive on my own income, things like my wages... I think because I've always done it, and I think just because the relationship with her father broke down quite recently."

Caroline⁵, 40s, full-time student


It is also important to note that receiving financial support from the government, including Child Tax Credit and Universal Credit, enabling women to afford childcare or nursery fees, allowing them to stay in employment. It also helped reduce the financial stress that could come with the rising cost of living alongside the additional costs of having a child, allowing some individuals to continue saving.

 "I always worked part-time. In regard to being able to get help and my tax credit, again it was worked if I'd increased my hours, it would've affected that a bit more. I probably wouldn't have been entitled to anything more."

Caroline⁵, 40s, full-time student

Unpaid care

Much like with childcare, many women choose to be a carer because of the lack of access to social care services, and because they preferred to care for their loved ones themselves. Some also mentioned that they did not claim any financial benefit for being a carer even when they were unable to work. For example, Caitlin⁵ cared for both parents and tried to get support from local services but was unable to complete the administration necessary and felt inconsistency and a lack of compassion from the services she contacted. Consequently, in this case and others, the lack of support meant that they had no option but to leave the labour market altogether.

 "They wanted my mum to fill out forms, but she's an alcoholic and she's not going to fill out those forms. So, I couldn't apply for stuff. And my dad had chronic obstructive pulmonary disease and was dying of partial dementia, so he couldn't do the forms either. A lot of it was trying to get consent and them to fill out a form and... I got fed up with the asking. I wasn't getting any help, so I just got on with it myself and just sucked it up and did it... What would have been helpful was just people being direct and telling me what avenue to go down because everyone I spoke to told me something completely different."

Caitlin⁵, 30s, unemployed

⁵ Not the individual's real name.

2 Factors impacting women's saving capacity

Financial literacy

Social Market Foundation (2022) has found that only 20% of 50–64-year-olds have spoken to a financial adviser about their pension and that only 14% of those accessing a defined contribution pension pot for the first time use the government's Pension Wise service. Reflecting this, many of the women who were interviewed for this project expressed concerns about their lack of understanding around their pension and were unsure who to turn to for advice. For some, this stemmed from being unsure as to whether they had ever paid into a pension, which provider these pensions were held with, how much they contained, or how much they would need in order to support themselves in retirement. There was a sense that the importance of saving into a pension had never been emphasised during schooling or even upon entering the labour market. Many were reassured that they would be able to access a state pension at retirement if they were unable to save in a workplace scheme, yet there was a lack of awareness that the state pension alone is not sufficient for individuals to sustain a good standard of living beyond working age (Cominetti and Odamtten, 2022).

“You don't really know anything about them, do you? You just pay in and don't even know what you're doing.”

Alice⁶, 20s, administrator

“I've never really known what it is. I just knew that pensions are something that you get when you're old. And it depends on how much you've worked.”

Caitlin⁶, 30s, unemployed

Additionally, because of the complexities that surround pensions, many of the women who were interviewed felt that they were not in a position to seek advice on their pensions since they did not know where they would need to begin. Others felt that they wished that they had been given more support and information about their pension at a younger age after becoming more aware of how important they are at an older age.

“[Pensions awareness] is very important nowadays, because there's a lot of single women about, and I think some people are educated, but they don't think about retirement until they get old. Until the time comes and you think, oh, I wish I'd done that earlier, someone should have given me advice earlier.”

Penelope⁶, 50s, hospitality assistant

Long-term relationships and separation

In some of the interviews, women shared experiences where they had been in relationships where they were not allowed to work at all, which ultimately left them reliant on their partner and unable to save for the future on their own terms. Not only is this problematic while the relationship is ongoing, but it also creates issues if the relationship breaks down and the woman is left with limited access to any savings.

“He controlled all the money... It was a big problem in the marriage. It was, he had a very good job. He worked very hard though, don't get me wrong, but so did I... He became very protective of that money.”

Corinna⁶, 60s, gardener

“I wasn't working at times; he was the main earner... I had five children with him, so I wasn't even allowed to go out to work, I was stuck in the house.”

Catherine⁶, 50s, unemployed

“I used to get a lot of harassment and stuff... That's why I had to leave my job... my ex-partner came to my work and threatened everyone. That's with all the employers I've had. They just get rid of me.”

Caitlin⁶, 30s, unemployed

Some women felt that their lack of financial involvement was due to gendered norms in their household, which meant that their jurisdiction was typically over the childcare responsibilities, whereas their partners looked after their finances, including their pensions. Therefore, many of the women that were interviewed were left in a situation where they needed to quickly adapt to their new financial independence.


“When I first left, I wrote a list of stuff that I needed to do finance-wise, like utilities and everything like that, and I used to hate talking on the phone. I used to do one a day and tick it off because it just was so daunting because my ex-husband had always done it. He'd done everything.”

Sandra⁶, 50s, office assistant

6. Not the individual's real name.

2 Factors impacting women's saving capacity


In a small number of cases, women disclosed traumatic experiences from past relationships when financial issues were present. These situations had long-lasting effects on how women approached their pensions later in their lives. In one case, Maria⁷ described being compelled to take charge of her finances and prioritise savings after leaving an abusive relationship.

 “My ex had an affair and it ended... It transpired after the end of that relationship that the money that I was paying, which I thought was my share of the mortgage and my half of the bill, was actually the whole amount... I got uncomfortable talking about finances and pensions and money because it was something I actively avoided... My money would come in and then all of it would go out again and then the hole would be there... I could not afford a pension. That was something I deeply regret because I wish that had started a lot sooner.

Now, with my new partner, we approach our finances in a logical, practical, equal way... my wife is very good with money, so it's changed my approach to finances... Everything is equal in relation to what we put in every month for things, pro rata to our salaries. I would say our finances are very healthy as a married couple with no dependants.”

Maria⁷, 40s, administrator

Legal advice was essential for individuals to understand their rights to their own and/or a proportion of their partner's pension when going through a divorce. For those who could afford it, this meant paying for a good solicitor who actively advised them on pension matters. However, several women shared that pensions were not included as an asset in the divorce proceedings which in many cases was due to a lack of understanding over their rights and poor legal advice. This is reflected in the national figures that in only 13% of divorces pensions are split as an asset (Rach, 2022). It is also worth noting that with the rise of cohabitation, it is likely that growing numbers of couples incur separations with no legal financial protections.

 “I think it was never really an option at that stage, I think at that stage, when you're going through a divorce and you've got so many other things to think about, you don't prioritise that.”

Neelam⁷, 50s, sales assistant

⁷ Not the individual's real name.

3

Recommendations

While workplace policies and practices offer opportunities to address pensions disparity, there is also a key role for government policy to help close the gender pension gap.

This includes the need to improve pensions policy, support for employers and legislative protections that help keep women in employment across different life stages. As mentioned, at this point in the electoral cycle, there is a real opportunity for current and future government to act and incite meaningful change on the issue of the gender pension gap. This chapter outlines some of the steps that could be taken forward as part of this.

Recommendations to improve pension policy

Automatic enrolment has had a positive impact on the gender pension gap, yet additional revisions to the legislation need to be made to improve coverage and engagement. Government should seek to:

- make it an employer's legal duty to provide compulsory pension information by reviewing the current minimum⁸. This information should include how contractual changes will impact pension contributions (e.g. changes to hours/earnings) and the use of pensions dashboards once they are launched;
- increase the coverage of automatic enrolment by lowering the age threshold to 18 and the earnings threshold to £0, since the current legislation disproportionately excludes women from contributing; and
- reduce the re-enrolment window from three years to one year.

Recommendations to support businesses

The research found a lack of understanding among some employers regarding the causes and consequences of gender inequalities which lead to a pension gap within their organisations. Without this understanding, it could be challenging to motivate employers to act upon the recommendations outlined in the first report (Phoenix Insights (2022) Caught in a gap – the role of employers in enabling women to build better pensions). Therefore, the government should take a lead on this by considering targeted support for businesses that may help them implement the recommendations included in the previous report in this series:

- Fund a support service through local authorities that offer targeted guidance to SMEs to help them develop a culture where equality, health and wellbeing form part of normal working life (as adopted in some Welsh counties) (RCTCBC, 2022). This could include subsidised access to Employee Assistance Programmes and other occupational health services that provide financial wellbeing support.
- Develop guidance for SMEs on gender pay gap reporting to encourage those that do not have a legislatively required report to do so internally to better inform their pay policies and practices.
- Direct funding to build a pension calculator with open sourcing for employees to access for free which can help people understand pension impacts before making decisions.

Recommendations to support individuals

Financial and legal support

While it is recognised that the mid-life MOT scheme has recently received an injection of funding (DWP, 2022), it was noted in the interviews that many women had not heard of this scheme and that support is needed more widely across all ages. Therefore, additional investment in professional support with finances and pensions is needed:

- Increase the coverage and reach of impartial guidance by making free Pension Wise appointments accessible to anyone (currently over 50s only).

8. A letter on enrolment detailing the date added to the scheme, the type of scheme and provider, how much they contribute and how much the employee pays in, and information of how to leave the scheme.

3 Recommendations

- Commit to a timeline to review the regulated financial advice and financial guidance boundary, as proposed in the Edinburgh Reforms, so that a larger proportion of the population can access reliable and tailored financial support. Further engagement from Government and FCA with stakeholders will be needed to balance consumer needs and appropriate protections.
- Encourage employers and the financial services sector to offer mid-life MOTs to increase the service's coverage. It is necessary to ensure that women are receiving holistic and integrated support across financial wellbeing, work and health.
- Fund additional, targeted entitlement to pensions advice for individuals who are regularly engaging with health services (e.g. pregnant women, carers, people who are experiencing a long-term health condition and/or menopause). This could be delivered via the Pension Wise service or partnering with financial advice providers, signposted by healthcare professionals.
- Continue to prioritise investment in financial education in schools as per the recommendations made by the Money and Pensions Service to introduce the Young Enterprise (2020) planning framework.
- Increase funding to Citizens Advice who can provide advice and signpost to relevant support agencies (including Money Helper, relevant government agencies and charities) which will help individuals understand what steps they need to take to improve their financial health in the long-term.
- Reverse the erosion of Civil Legal Aid⁹ that is currently restricting an individual's ability to access their rights and professional advice on matters related to debt, housing, domestic abuse, family and childcare disputes, special education needs and discrimination – all of which were reported in the interviews as issues that impede a woman's ability to engage in paid employment and contribute to their pension.

Flexible working support

While the new flexible working legislation is welcome, more needs to be done to ensure that 'two-tier' workplaces do not develop (Timewise, 2020), where more accommodating employers approve flexible working requests and others do not:

- The right only to request flexible working does not go far enough. The legal right to flexible working should be available from the first day of employment. This should be the norm and not based on an employer's powers to grant flexible working – the number of business reasons that can be used to reject flexible working should be reduced from eight to two, meaning that only in exceptional circumstances should flexible working not be made available (note: this differs significantly to the right to request flexible working that is currently written into legislation).
- Individuals should be allowed to make flexible working requests whenever they are needed to account for changes in personal circumstances – this should not be limited to two requests per year.
- New legislation should require that flexible working opportunities are clearly stated in job advertisements. In cases where an employer

may think that flexible working arrangements are not possible, they should be required to explicitly state why this is not possible. This will help women to make more informed decisions about a potential job and how it would fit their wider life.

- Make it a legal requirement for employers to formally record flexible work requests, including their decisions and the demographic characteristics of the employee making the request.

Targeted life-stage support

Fertility and pregnancy

The UK has long been one of the worst-performing countries in Europe regarding the provision of paid maternity leave. This means that pension contributions are unaffordable to many women. Addressing this, government could:

- allow new parents to make a more equitable choice over whether they take shared parental leave by paying statutory maternity and paternity leave at least at the level of the National Living Wage (£341.20 per week after tax post-April 2023);
- increase the length of paid paternity leave to eight weeks and allow greater flexibility over how shared parental leave is taken (e.g. allow individual days to be taken instead of blocks of time);
- revise auto-enrolment legislation which currently requires an employer to pay pension contributions during maternity leave on a pro rata basis to statutory levels. Contributions should remain at the same level as their average level before the period of leave was taken; and
- additionally, government should extend the rights to paid leave to women undergoing fertility treatment (including surrogates) – this should cover treatment and attendance at appointments for the individual and their partner.

Childcare

Childcare in the UK needs a complete overhaul to improve the levels of employed activity among women and should be viewed as an investment in our social infrastructure as opposed to a drain on public finances (see Alldritt, 2020 for the business case). This will require several interventions including investment to:

- as an immediate temporary measure, the government should increase the value of the childcare vouchers that can be accessed by carers from £55 a week to up to £300 a week; and
- in the longer term, a future government should ensure all childcare is affordable and costs a household no more than 5% of their total household income (Pregnant then Screwed, 2022). We add that this should be prorated weekly to ensure that childcare accessed outside of the nursery/school day is also accessible to parents who work more than the free 15 or 30 hours (for children ages 3–4), have older children and/or children with additional needs who need care outside of school time.

⁹ The Law Society (2021) reports that in 2020-21 115,912 new civil matters were opened which is a severe drop from 933,793 in 2009-10. It is also worth noting that women make up 60% of Civil Legal Aid clients (MoJ, 2020).

3 Recommendations

Unpaid care

The Carer's Leave Bill posed an opportunity to recognise the value of work that unpaid carers do and ensure that they are given the support they need for the most vulnerable in society to be cared for. However, the provision of one-week unpaid leave included in the bill fails to address the fundamental issues faced by carers, who as we know are disproportionately women. Thus, in addition to the changes around flexible working mentioned previously, government must:

- revisit the Carer's Leave Bill to enable unpaid carers to access a minimum of 5-days statutory paid leave, in addition to the one-week unpaid leave proposed within the current bill. This should be taken as a first step towards re-valuing unpaid care work, yet it needs to be adopted against a backdrop of broader social care reform in order to have the necessary impact on the gender gap; and
- increase the carer's allowance from £70 per week (£1.99 p/h) to at least the national minimum wage.

Long-term relationships and separation

While the inclusion of pensions as an asset in divorce proceedings has been in law since 2000, estimates suggest that large numbers of divorces still fail to include pensions in settlements which will disproportionately impact women who are more likely to have pensions that are smaller in value (Dunstan, 2022). Furthermore, growing numbers of people are choosing not to get married which causes additional issues when relationships break down. Thus, government should seek to:

- ensure that the mandatory inclusion of pensions as assets to be considered within divorce proceedings is enforced and that this inclusion is mandated as part of mediated settlements;
- as above, increase funding for Legal Aid and other organisations to ensure that those who are in need can require good-quality, free (or affordable) legal and/or financial advice; and
- legislate the requirement that, at the point of choosing single life or life plus surviving spouse annuity, an individual must have to confirm that they have consulted their legal partner on the decision and that they should receive a response from their provider in plain English explaining the consequences of this decision.

Menopause and long-term health conditions

Changes need to be made to ensure that a woman's health does not influence their ability to work and make pensions contributions:

- Ensure that employers receive guidance on best practice for menopause at work policies and available support interventions. (APPG on Menopause, 2022). This could be delivered through the support for SMEs.
- Increase SSP to at least £200 per week and make it payable earlier. While access to SSP already excludes many due to their earnings or employment status, it means that many would not fall into financial hardship if they had to take time off work due to their health (Wilson and Buzzeo, 2021).
- Revise auto-enrolment legislation which currently requires an employer to pay pension contributions during sick leave on a prorata basis compared to statutory levels. Pension contributions should remain at the same level as their average level before the period of leave was taken, meaning that women's pensions are less severely impacted.

Conclusions

Before drawing the report to a close, it is important to recognise that, although they are often presented this way, the female life stages do not occur along a linear trajectory and do not occur for all women. The lives that we lead are much more complex than this would suggest, and not all the changes we propose would benefit all women equally. However, if the government fails to act on these issues, we can be certain that increasing numbers of women will be pushed into poverty during their retirement. Therefore, broader legislative changes, particularly around access to advice and flexible working, are critical to allow individuals to take control over both their working lives and their ability to save in a way that works for them at that stage of their life. We recognise that the recommendations made in this report are broad and far-reaching, but we make them in the hope that this will encourage the cross-departmental government action that will be necessary if any meaningful improvement to the gender pension gap is to occur.

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Appendix: Technical methodology

Phase 1

Evidence review and analysis

An evidence review was undertaken, using a semi-systematic approach. The search criteria specified that sources were UK-focused, published in the past five years, and with content that covered the 'gender pension gap' in the title or description of the reports. The search was also limited to evidence that was accessible online through academic databases (e.g. Google Scholar, Sage) and directly through relevant websites (e.g. government departments, research organisations, women and family organisations, pension providers, workplace practices and employer organisations). In the final sample, 35 documents were reviewed and coded using the qualitative data analysis software Atlas.Ti. A combination of inductive and deductive coding was used: an initial coding template was developed based on the aims of the review but was adapted to incorporate emerging themes and findings as the research process progressed. Furthermore, a scoping exercise of secondary datasets was conducted to explore the potential for analysis to fill evidence gaps or add a new perspective to the understanding of the gender pension gap.

While the evidence reviewed outlined many of the causes of the gender pension gap and how these interact with different stages of a woman's life, there remained a lack of understanding regarding the size of this impact on contributions at each stage, how this varies between women with differing characteristics and what stakeholders can do to help mitigate these effects. To do this, there was a need to develop a greater understanding of the current policies and practices implemented by employers that have an impact on the pension gap and gender inequalities more broadly within their organisations. Building on this, these discussions would need to be supported by an analysis of the lived experience as told by individuals to help capture how these experiences differ. At a macro level, further analysis will be required to help develop a national picture of how contributions vary across the age groups so that a set of robust recommendations can be made. The findings from phase 1 of the research were used to develop the methodology for phase 2 of the study outlined below.

Phase 2

Qualitative approach

The final qualitative sample included 53 participants. Twenty-two employer representatives who were responsible for employee pensions (typically in a finance or HR role) were interviewed by telephone or videoconference in sessions lasting 30 to 45 minutes. In addition, 31 women were interviewed. These interviews lasted between 45 and 60 minutes and were conducted over the telephone.

Sample

The sampling strategy aimed to ensure that a diverse range of employers and individuals were included in the research. For the employer interviews, a range of employers was chosen (the distribution of which is outlined in Table 1.1). Public sector organisations were excluded from the sample following discussion with the client, as they represent a different audience for the outputs from the work. For the individual interviews, we recruited female participants who have worked in the private or voluntary sector to mirror the employer sample selection approach. The sampling strategy ensured that a diverse range of respondents was included, considering factors such as occupation/earnings, ethnicity, and relationship status (the distribution of which is outlined in Table 1.2).

Table 1.1 Employer interview sample details

Organisation size	Sector	Location
Small-Med	Accommodation and food	Scotland
Small	Accommodation and food	London
Small-Med	Manufacturing	Midlands
Small	Care sector	East Midlands
Small-Med	Other service activities	England South
Large	Other service activities	UK-wide
Small	Accommodation and food	North Yorkshire
Small-Med	Manufacturing	Scotland
Small	Architecture and engineering	West Yorkshire
Large	Professional services	UK-wide
Large	Construction and engineering	England South
Small-Med	Education	England South
Small-Med	Healthcare	West Yorkshire
Small-Med	Other service activities	England South
Large	Education	England South
Small-Med	Sports and hospitality	West Yorkshire
Small-Med	Professional services	England South East
Small	Recruitment	England South
Large	Industry wholesale and servicing	UK-wide
Large	Financial services	UK-wide
Large	Consultancy	UK-wide
Large	Financial services	England South East

Sample by no. employees: Small (Below 50) – 5, Small-Med (50–250) – 9, Large (250+) – 8

Table 1.2 Individual interview sample details

Demographic characteristics		No. of respondents
Employment status	Full-time	9
	Part-time*	9
	Self-employed	3
	Unemployed	8
	Economically inactive	1
Age	Student	1
	18–30	4
	31–50	12
Income	51+	15
	Low (<£10k)	12
	Med (£10k–£25k)	8
Ethnicity	High (£25k+)	11
	White	21
	Mixed/multiple ethnic groups	1
	Black/African/Caribbean/Black British	7
	Asian/Asian British	1
Relationship status	Other ethnic group	1
	Single	11
	Married	7
	Divorced/separated	8
Dependents	Co-habiting	5
	Yes (Under 18)	14
	Yes (Over 18)	3
	None	14

* Included in this group were two semi-retired women.

Appendix: Technical methodology

Research tool design

A semi-structured interview guide was developed for employers which asked open-ended questions that explored workplace policies, practices, and interventions used to support employees during life events, what they felt works well in delivery and the challenges that they have experienced. The guides also covered employers' perspectives on potential pension support strategies, such as the provision of information and education, line management practices and potential changes to pension policies and practices.

The individual interview guides were also semi-structured but drew on a narrative interviewing technique to allow individuals to tell the story of their employment history and identify key stages in their life that have affected their earnings from work and payments into their pension. The interviews explored in detail the varied and nuanced decisions individuals make about work and pensions, including their perceptions of workplace support and other information sources, balanced against other factors that are important to them, and whether (and how much) they pay into a pension. The individuals were also asked to consider different approaches to closing the gender pension gap and how feasible/useful they felt these could be in relation to their personal circumstances.

Interview analysis

Regular analysis meetings were held to ensure that emerging findings were gathered which would inform the coding framework adopted in the final analysis stage. All interviews were recorded and professionally transcribed. Once the interviews had been transcribed, they were thematically coded by the research team using a qualitative analysis programme (Atlas.Ti) which allows for the corroboration of codes and themes across the dataset.

Quantitative approach

The quantitative analysis uses the Understanding Society (ISER, 2022) survey, a large national household survey. It began in 2009 and the most recent release of data covers the period up to and including the year 2020. Over 40,000 households were interviewed in each wave and individuals were asked a range of questions about household characteristics and their individual circumstances. This included questions about pension membership and contributions as well as pension income. This makes it an interesting source for studying gender differences in a pension context.

The analysis uses an initial sample of 85,664 employees for whom their employer has a pension scheme. They may or may not be eligible to be auto-enrolled in this scheme. Of these, 67,562 are participating in their workplace pension scheme. Sample sizes may change as the analysis uses variables which may contain missing values, particularly in income variables. The analysis is conducted using statistical software Stata.

Institute for Employment Studies

The Institute for Employment Studies ('IES') is an independent, apolitical, international centre of research and consultancy in public employment policy and organisational human resource management. It works closely with employers in the manufacturing, service and public sectors, government departments, agencies, and professional and employee bodies. For 50 years, the Institute has been a focus of knowledge and practical experience in employment and training policy, the operation of labour markets, and human resource planning and development. IES is a not-for-profit organisation which has around 50 multidisciplinary staff and international associates. IES expertise is available to all organisations through research, consultancy, publications and the internet. The Institute's values infuse its work. It strives for excellence, to be collaborative, and to bring curiosity to what it does. IES works with integrity and treats people respectfully and with compassion.

Inclusive terminology

The terminology used to define ethnicity continues to evolve, and greater awareness has arisen about gender, cognitive differences, as well as disability. IES seeks to be a learning organisation; as such it is adapting its practice in line with these shifts. It aims to be specific when referring to an individual's ethnicity and to use their self-descriptor wherever possible. Where this is not feasible, it is aligned with the Race Disparity Unit ('RDU') which uses the term 'ethnic minority' to refer to all ethnic groups except white British. RDU does not use the terms BAME ('black, Asian and minority ethnic') or BME ('black minority ethnic') as these terms emphasise certain ethnic groups and exclude others. At the time of this publication, IES has opted to use the RDU terminology where appropriate. More broadly, IES understands that while individuals may have impairments, it is society that disables them, hence we refer to disabled people. Not all people identify with male or female and we reflect their self-descriptors in our work and use the term non-binary should abbreviation be necessary. IES also values neurodiversity and we again, where possible, always use people's self-descriptors rather than impose categories upon them.

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