

## Addressing Women's Pension Poverty in the UK: A Pressing Issue

### Introduction

Pension poverty among women in the United Kingdom is a critical and pressing issue that demands attention. Despite progress in gender equality, women continue to face unique challenges that significantly impact their financial well-being in retirement. This short article briefly considers key factors contributing to women's pension poverty in the UK and explores potential solutions.

### Factors Contributing to Women's Pension Poverty

#### Gender Pay Gap

The persistent gender pay gap remains a significant contributor to women's pension inequality. On average, women earn less than their male counterparts, resulting in lower contributions to their pension funds over their working lives. According to the Office for National Statistics median hourly pay for full-time employees was 7.7% less for women than for men in April 2023, while median hourly pay for part-time employees was 3.3% higher for women than for men (figures exclude overtime pay).

#### Career Interruptions

Women often face career interruptions due to caregiving responsibilities, such as raising children or caring for elderly family members. These breaks in employment can result in lower lifetime earnings and reduced pension contributions. No type of economic growth can happen without unpaid care and domestic work. Yet this work mostly continues to be ignored in mainstream economic analysis and policies. As the shock absorbers of poverty, women are particularly exposed to the current cost-of-living crisis, now more than ever, we need a feminist approach to macroeconomics. According to Women's Budget Group, "by only focusing on paid activities, mainstream economic policy fails to consider unpaid care and domestic work even though it is fundamental for human life and the economy. "Women and girls are the most affected by this lack of acknowledgement of unpaid care and domestic work because they are the ones who typically provide it. Uneven access to education, job segregation, gendered income disparities, and health issues are all caused by undervaluing and lack of recognition of care labour. The effects are also felt at the collective – macroeconomic – level, with increased costs for society in the long term. The fact that women might be prevented from increasing their participation in the labour market leads to a reduced workforce, lower employment and economic activity, a smaller tax base and skills shortages.

#### Part-Time Employment

A disproportionate number of women work part-time, either by choice or due to family obligations. Part-time employment typically comes with lower wages and fewer employment benefits, including pension contributions, leaving women at a financial disadvantage in retirement. Dr Mary-Ann Stephenson, Women's Budget Group Director said, "Men earn more on average than women over a lifetime largely because they do less unpaid care work than women and are therefore more able to work full time and climb higher up the career ladder...This leaves men with more disposable income to invest in assets and shares and in private pensions, which translate into higher levels of wealth. Meanwhile, women shoulder the majority of unpaid care, and are more likely to live in poverty as a result..." "And it is women, especially Black and minoritized women, working class women, disabled women and lone parents, currently bearing the brunt of the cost-of-living crisis while being told there's no money for the social security and social infrastructure they desperately need."

### **Longer Life Expectancy**

While living longer is a positive aspect, it poses a challenge for women in terms of pension planning. With longer life expectancy than men, women require more substantial pension savings to sustain their living standards throughout retirement.

### **Pension System Structure**

The current pension system in the UK may not adequately account for the unique circumstances of women. Factors such as career breaks, part-time work, and the gender pay gap should be better addressed within the pension system to ensure fair and equitable outcomes. According to the Women's Budget Group men have on average £92,762 more in total wealth than women, a gap of 35%. Among 25 to 34 year olds, the average gender wealth gap is negligible. Within the ages of 35 to 44, it is 28%. After age 45, the average gender wealth gap starts growing significantly. By age 64, the average gender wealth gap is 42%. For men, the main source of wealth is private pension, which is an individual source of wealth. Whereas for women, over 50% of their wealth comes from property and physical wealth (household possessions and vehicles), which is shared with other household members. The gap between the average value of UK shares held by men and women is £3,974, a gap of 177%. Men have an average private pension wealth of £83,879 more than women, a gap of 90%.

### **Potential Solutions**

#### **Equal Pay Initiatives**

Continued efforts to close the gender pay gap are essential. Employers should prioritise equal pay and create transparent salary structures to ensure that women receive fair compensation for their work.

#### **Flexible Work Arrangements**

Implementing and promoting flexible work arrangements can assist women in balancing their professional and personal responsibilities, reducing career interruptions and supporting continuous pension contributions.

#### **Improved Pension Policies**

Policymakers should consider reforms that address the specific challenges women face in building pension savings. This may include adjusting pension calculations to account for career breaks and part-time employment.

#### **Financial Education and Empowerment**

Initiatives to educate women on financial planning and pension management can empower them to make informed decisions about their retirement savings. Increased financial literacy can contribute to better long-term financial outcomes.

#### **Advocacy for Gender-Inclusive Policies**

Women's rights advocates, policymakers, and employers should work collaboratively to push for gender-inclusive policies that recognise and address the unique challenges faced by women in the workforce.

### **Conclusion**

Addressing women's pension poverty in the UK requires a multifaceted approach that combines policy changes, employer initiatives, and societal shifts. By acknowledging and actively working to rectify the contributing factors, we can move closer to a future where women can retire with financial security and dignity. The time to act is now to ensure a more equitable and just pension system for all.

Zarin Hainsworth OBE November 2023