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The Gender Gap in Pensions: How Policies Continue to Fail Women

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Abstract: A large gender gap in UK pensions has been persistent, yet generally ignored by governments. The neoliberal preference since 1980 to reduce state spending on welfare has limited the redistributive potential of state pensions, to the detriment of the low paid and those whose lifecourse is characterised by discontinuous and part-time employment, mainly women. Claims of intergenerational conflict have repeatedly hit headlines over the last 50 years, providing an excuse for cutting state pensions, most recently suspending the Triple Lock. This article examines the gap between older women's and men's personal income, distinguishing state and private pensions and assessing change over time. It is concluded that suitably generous state pensions can reduce the gender gap, while an emphasis on expanding private pensions exacerbates it.

Keywords: gender pensions gap; lifecourse; employment; state pensions; private pensions; parental roles

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Introduction

Women's lower retirement incomes relative to men's – the gender gap in pensions – has been persistent, despite the increasing employment of women since the 1960s and equality legislation in the 1970s. This outcome reflects not only the gender pay gap and gendered employment patterns (hours of work, occupations and career breaks), but also government policies towards pension provision. Relevant policies include: the adequacy of the state pension as a proportion of average earnings and in relation to rises in the cost-of-living indices; the extent of protection provided by the state pension entitlement for those with care responsibilities; and the use of costly subsidies to promote the expansion of private pension provision. In private pension acquisition, women's disadvantage relative to men is evident at all levels of educational qualification, reflecting the impact of a lifecourse characterised by gendered roles in responsibility for childcare.[1] Both years of membership of private pension schemes and level of contributions are reduced by women's gendered roles.

Recent research has clarified and quantified the factors responsible for the gender pay gap. Gender divergence in earnings – 'the child penalty' – was found to coincide with the timing of parenthood.[2] In 2020, reducing hours of paid work or ceasing employment altogether to care for children was roughly gender equal (4 per cent of men, 5 per cent of women) but among lone parents, mainly women, 9 per cent were badly affected. Moreover, nearly half of mothers' hours doing paid work were split between paid work and other tasks including childcare, compared with under a third for fathers.[3]

Government policy on pensions has the potential to recognise and value the unpaid labour undertaken predominantly by women, especially mothers. Following the implementation of National Insurance (NI) based on Beveridge's 1942 recommendations, employed married women were able to pay a 'small stamp' and also receive a boost to their state pension, up to 60 per cent of their husband's NI pension entitlement. However, this model became increasingly anachronistic with the rise in women's education and employment, together with rising rates of divorce, lone parenthood and cohabitation. Alongside the 1970s legislation on equal pay, 'Home Responsibilities Protection' was enacted, with the intention of compensating in the state earnings-related pension for years spent in childcare. For those who could afford it, privately run childcare services expanded.

In the 1980s, neoliberal ideology began to influence welfare policies, including on pension provision. Structural inequalities within the population aged over 65,

[1] Ginn and Arber (2002); Warren (2003); Foster and Smetherham (2013).
[2] Andrew *et al.* (2021).
[3] Wilkinson and Adams (2021).

associated with gender, occupational class and ethnicity, have increasingly been treated as the outcome of individual decisions on saving for retirement through private (non-state) pensions. Illness, disability and labour market conditions linked to gender, social class and ethnicity all affect earnings and ability to save for retirement. The COVID-19 restrictions, which closed nurseries and schools for long periods, highlighted the heavy reliance on parents, especially mothers, being able to juggle their paid work with childcare, including supervising online learning for school-age children. But all these factors are largely outside the control of individuals, as is the return on saving in the growing sector of private Defined Contribution (DC) pensions.

The effect of private pensions on the gender gap in retirement income is profound, although mitigated somewhat by increasing full-time employment of women and shorter career breaks when public childcare services have been available and affordable. The gender gap in hourly pay from 1997 to 2021 was reduced from 18 per cent to 9 per cent for full-timers and from 29 per cent to 15 per cent for all employees.[4] The question is: how far can developments in women's employment and earnings reduce the gender gap in pensions, given the policy emphasis – bolstered by claims of intergenerational inequity – on limiting the role of inclusive and redistributive state pensions?

In this article, the gendered outcome of state pension retrenchment and increasing reliance on private pension provision are quantified, using research on data from the 2001 General Household Survey and comparing it with more recent data (2018–20). The validity of claims about a demographic crisis and intergenerational conflict is challenged, as are the arguments put forward to legitimate policies for retrenchment of state pensions while promoting and subsidising the expansion of private (mainly DC) pensions where contributions made accumulate in an invested fund but with no guarantee as to the eventual amount of the fund.

Quantifying the Gender Gap in Pensions

At the start of the twenty-first century, the gap between older women's and men's personal income was substantial, women's median gross income being only 57 per cent of men's (as shown in Table 1a, col. 3). The gender gap, as usually defined, was 43 per cent in 2001 (col. 4). For married women the gender gap was largest, at 67 per cent, and much less for widows, 22 per cent, where survivor pensions from state and private pensions were included. Single (never married) women received 85 per cent of single men's income, reflecting the low likelihood, in that generation of pensioners, of having raised

[4] White (2021).

Table 1. Gender gap in total income and in private pension income among those aged 65+

	a) Median gross personal income				b) Median private pension income*				
	Men	**Women**	**W/M**	**Gender**	**Men**	**Women**	**Men**	**Women**	**W/M**
	£/wk	**£/wk**	**%**	**Gap %**	**% receiving**		**£/wk**	**£/wk**	**%**
Marital status:									
Married/cohabiting	171	56	33	**67**	74	28	92	34	37
Single (never married)	130	109	85	**15**	52	61	65	70	108
Widowed<	144	112	78	**22**	70	56	61	46	75
Divorced/separated	125	92	74	**26**	57	36	78	48	62
All	161	92	57	**43**	71	43	83	44	53
N	1,474	1,882			1,474	1,882	891	694	

Notes:
* For those receiving any private pension income
< including survivor pensions
The gender gap is calculated as 100 – (W/M) as a percentage
Source: Adapted from Arber and Ginn (2004) using General Household Survey 2001/2002

children, allowing them longer full-time employment than ever-married women.[5] The contribution of private pensions to gender inequality is clear: only 43 per cent of older women received private pension income, compared with 71 per cent of older men (Table 1b). Among those receiving income from this source, women's median amount was only 53 per cent of men's. Including the majority of older women who had no income from private pensions would show an even wider gender gap in private pension income. Thus private pensions drive the gender gap; unlike state pensions, they make no allowance for women's typical lifecourse of career breaks and part-time jobs.[6]

Comparable data on the gender gap in personal income by marital status in more recent years is unavailable but evidence of the persistence of the gender gap in pension income is provided by Prospect Union research (as shown in Table 2). Over the five years from 2014 to 2019, the gender gap in average income hovered around 40 per cent, some improvement on the 43 per cent in 2001 (Table 1a). However, among European countries in the Organisation for Economic Co-operation and Development (OECD) and in the US, the average gender gap in pensions for those aged over 65 was much lower, at 28 per cent, than in the UK.[7]

The gender gap in pension income is still driven by inequality in private pension wealth (as shown in Table 3). The rate of accumulation is slower for women than for men, savings only rising from £8,000 to £8,500 between ages 45–64, while men's increased from £32,000 to £75,000 in the same period (Table 3a, 2006–8). The fall in

[5] Ginn *et al.* (2001); Ginn and Arber (2002); Ginn (2003).
[6] Foster and Ginn (2018).
[7] OECD (2015).

Table 2. Gender gap in total gross pension income* of pensioners from 2014 to 2019

	2014–15	**2015–16**	**2016–17**	**2018–19**
Gender gap %	41.6%	40.7%	39.5%	40.3%

* for those in receipt of state pensions; Table 1 results applied to all those aged over 65

Source: Prospect (2020) based on analysis of Family Resources Survey.

Table 3. Median private pension wealth (£ thousands) for all persons by sex and age group

	a) 2006–8*				**b) 2016–18#**				**c) 2018–20^**			
Age	**Men**	**Women**	**W/M %**	**Gap%**	**Men**	**Women**	**W/M%**	**Gap%**	**Men**	**Women**	**W/M%**	**Gap%**
25–34	0	0	~		1.9	1.2	63%		4.0	2.0	50.0%	
35–44	12.0	3.9	32.0%		17.0	11.0	65%		15.3	11.7	76.5%	
45–54	32.0	8.0	40.0%		60.2	30.0	50%		55.0	29.9	54.4%	
55–64	75.1	8.5	11%		146.0	46.3	32%		159.4	62.0	38.9%	
65–74	68.9	5.8	8.0%		182.4	25.0	14%		175.9	34.0	19.3%	
75+	23.8	0.6	2.5%		88.8	9.2	10%		76.1	12.9	17.0%	**83%**
All	10.0	0.2	20.0%	**80%**	22.6	6.0	27%	73%	24.7	8.0	32.0%	**68%**

Notes: W/M percentages calculated from the ONS data.
* July to June. # April to March. ^ April to March.

Source: ONS (2022) Pension Wealth in Great Britain, table 6.10

pension wealth from age 64 reflects withdrawal of pension entitlements after retirement. Comparing over the 12-year period, the gender gap in private pension wealth decreased from 80 per cent to 68 per cent. Cohort differences in women's employment and in their access to occupational pensions are likely to account for some of their increased private pension wealth. For example, among those aged over 75, women in 2006–8 had only 2.5 per cent of men's pension wealth, reflecting their previous earnings and contributions, while the later cohort at the same age 12 years later had 17 per cent of men's pension wealth (Table 3c, 2018–20). Indeed for all those aged over 35, the latest cohort showed an increase in women's share of private pension wealth relative to men's. In addition to changes in women's lifecourse, the introduction in 2012 of auto-enrolment into DC workplace pensions for those earning over the earnings threshold may have disproportionately increased women's private pension saving. However, the overall gender gap in private pension wealth by 2018–20 remained stark at 68 per cent and for those aged over 75 it was 83 per cent (Table 3c).

The gender gap in private pensions has clear effects on the living standards achievable by pensioner men and women, as shown by research carried out by the Pensions and Lifetime Savings Association (PLSA). This showed that two-thirds of women over State Pension Age (SPA) received only enough for a 'minimum' standard of living (under £15,000 pa) compared with two-fifths of pensioner men (PLSA, 2017).

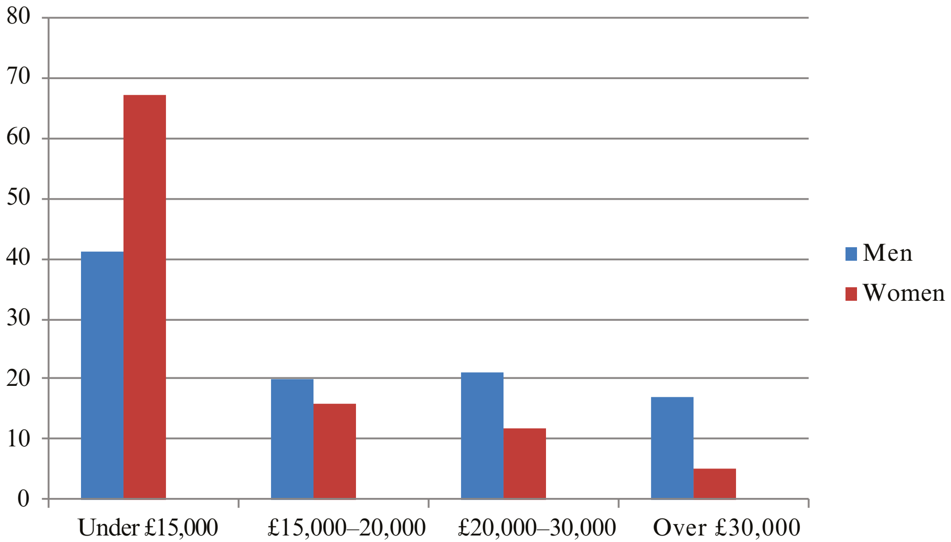

Figure 1. Percentage of men and women over state pension age (SPA) receiving each range of annual private pension income, 2017.
Source: based on data from Pensions and Lifetime Savings Association (2017).

A 'modest' standard (£15,000–20,000 pa) could be reached by 16 per cent of women and 20 per cent of men, a 'comfortable' standard (£20,000–30,000 pa) by 12 per cent of women and 21 per cent of men, while a higher standard (over £30,000 pa) was possible for 17 per cent of men but only 5 per cent of women (as shown in Figure 1). Research shows that among pensioners living in poverty two-thirds were women and half were lone women.[8]

State pensions can in principle provide a far more gender-equal income than private pensions, albeit often at a low level. In 2018, the average annual income from state pensions under the pre-2016 rules was £6,552 for women and £8,008 for equivalent men, a gender gap of 18 per cent.[9] To understand the more egalitarian outcome of state pensions, compared with private pensions, and how state pension value declined after 1980, a brief account of policy changes is required.

Designed Decline in State Pensions

The neoliberal ethos of policies since 1980 – promoting free-market capitalism, deregulation and cuts in government spending – has affected all aspects of the welfare state.

[8] Barnes (2022).
[9] Silcock (2019).

The aim has been to create individual responsibility for welfare by replacing state with private provision. In terms of state pensions, this began with breaking the link of the Basic State Pension (BSP) to average earnings and using the Retail Price Index (RPI) instead; its value (for pensioners under age 80 on their own contributions) fell from 24 per cent of average earnings to 16 per cent by 2000. Between 1980 and 2008, the BSP lost around 40 per cent of its value.[10] It slowly increased to 19 per cent after the introduction of the Triple Lock (annual indexation to the highest of the following: price inflation; average earnings; or 2.5 per cent) in 2010. Progress was slowed by the replacement of RPI with the lower CPI (Consumer Price Index) in 2011.

The State Earnings Related Pension Scheme (SERPS) was also subject to cuts, legislated in 1986 to apply from 1999, halving the 100 per cent widow's pension, and also abandoning the 'best years' formula that would have helped women with career breaks and part-time jobs while caring for children.[11] (For further details see Appendix 1.) Some employees were persuaded by a generous Treasury subsidy to transfer their SERPS entitlements to the new personal pensions introduced in the 1980s, but soon found these had been mis-sold – at a loss to themselves and to the Treasury. Despite this policy failure, in 1998 the New Labour government announced its aim to reduce the state's share of pension provision from 60 per cent to 40 per cent by 2050, while promoting private provision so that it would reach 60 per cent.[12] SERPS was abolished and replaced with the cheaper State Second Pension (S2P) in 2002. Carer Credits in National Insurance, introduced for some of the years spent in childcare and eldercare, were a helpful reform for women. However, by 2001 state pensions were so low that the financial benefit of this reform was small. Among those aged over 65, 20 per cent of single (never married) women, 20 per cent of widows and 40 per cent of divorced or separated women were poor enough to receive means-tested benefits.[13] Nearly two-thirds of those receiving Pension Credit (PC) in 2021 were women.[14]

In 2003, plans were made to further reduce state pension spending, linked to projections of increased longevity, with a predicted rise in the proportion of the adult population who would be aged over 65 from 19 per cent in 2000 to 30 per cent in 2050. State pension spending would be cut from 4.4 per cent to 3.4 per cent of GDP, but spending on means-tested benefits would rise from 1 per cent to 2.6 per cent of GDP (Table 4).

In sum, both the BSP and the S2P had features that partly compensated for women's loss of state pension entitlements due to their caring roles, but the planned decline

[10] Bozio *et al.* (2010).
[11] Ginn (2001); Ginn and Macintyre (2013).
[12] DSS (1998).
[13] Arber and Ginn (2004).
[14] DWP (2021).

Table 4. Projected changes in UK state pension spending, 2000–50

	2000	**2050**
% aged 65+ among 15+ population	19.0	30.0
State pension spending (age 55+ as % GDP)	4.4	3.4
Spend on means-tested benefits for retired (% GDP)	1.0	2.6

Source: Economic Policy Committee (2003); Shaw (2004)

in the value of state pensions negated the power of these reforms. With the BSP nearly £40/week below the single rate threshold for means-testing, an increasing proportion of pensioners were eligible for means tested benefits. The expectation of means-testing in retirement further discouraged saving in private pensions and was also perceived as a disincentive to finding work among those close to SPA.[15] Despite attempts to encourage private pension saving, there was still evidence of so-called undersaving for retirement.

Consequently, the government set up the Pensions Commission in 2005 to consider ways of increasing private pension saving. The Commission noted that increasing reliance on means-testing in later life would undermine incentives, especially for those with less than full state pensions such as women with caring responsibilities. Significantly, they recognised the need for women to acquire pension entitlements in their own right. The main recommendations (Pension Commission, 2005) were:

1. Index the BSP to average earnings from 2010, to provide an adequate foundation on which to build private saving;
2. Introduce Auto-Enrolment into workplace (DC) private pension schemes, with compulsory employer contributions and tax relief to make saving more attractive.

Auto-enrolment was introduced by the Conservative government in 2012 for large employers and by 2017 included smaller employers. Between 2012 and 2016, the proportion of eligible women in the private sector who were saving in private pensions increased from 40 per cent to 73 per cent;[16] the drawbacks for women and other employees with low pay or precarious employment in such DC pensions are outlined below.

In 2010, Triple Lock indexation (using the highest of earnings, CPI, or 2.5 per cent) was introduced for the BSP, bringing a gradual rise in its value relative to mean full-time earnings of about 18 per cent in 2016 and 19 per cent in 2019, still well below its relative value of nearly 25 per cent in 1979. The replacement of the BSP and S2P by the new flat rate state pension (nSP), payable to those who reached

[15] Jandrić *et al.* (2019).

[16] DWP (2017).

SPA after April 2016, enhanced redistribution towards women: for those receiving the nSP in full, the gender gap in nSP was only 5 per cent.[17] However, there will be losers from the reform, including those with less than 35 years of NI contributions or credits, mainly women. The accrual rate is less than in the pensions it replaces, and the latter required only 30 years of contributions/credits for the full amount. State pension income derived from a spouse's contributions will no longer accrue: wives and widows will in future have state pensions based only on their own contributions or carer credits. Moreover, women have faced a rapid rise in their SPA: between 2010 and 2020, women's SPA increased from 60 to 66, equal to men's. Such a steep rise, for those near to retirement, gave women insufficient time to adjust their plans, prompting the protests by WASPI (Women Against State Pension Inequality). Working longer than planned may not be an option for those with disabilities or long-term illnesses, nor for those, mainly women, who have undertaken to care for grandchildren, their partner or frail parents, limiting employment in their 60s before they have reached the later SPA.

The lost value of the BSP since 1980 has contributed to the BSP being one of the lowest among developed countries, to the detriment of women, who are more likely than men to require carer credits to count towards their BSP and also more likely to be low paid.[18] In 2019 the UK spent 4.7 per cent of GDP on state pensions, less than half that of France, Finland and Austria, and well below the OECD average of 6.5 per cent.[19] Yet the prospect of further rises in state pensions, or even stability, are uncertain, with renewed attacks on state pensions: for example, the government announced the Triple Lock was suspended for the tax year 2022–3; instead state pensions in April 2022 were raised by just 3.1 per cent, while CPI inflation had risen by 7 per cent in the year before March 2022,[20] and average weekly earnings between April 2021–February 2022 rose by around 6 per cent. Such inadequate indexation to either prices or earnings reflects the prevailing neoliberal consensus on reducing the relative value of state pensions and is often justified by claims of intergenerational inequity.

Intergenerational Inequity Claims and Ideology

A moral panic about intergenerational inequity gained political traction in the USA.[21] According to Quadagno (1989), Americans for Generational Equity (AGE) – funded mainly by the finance industry – took up the theme, advocating cuts in Social Security

[17] Silcock (2019).
[18] Foster and Ginn (2018).
[19] McInnes (2021).
[20] ONS (2022: Table 6.10).
[21] Samuelson (1958); Feldstein (1974); Preston (1984); Longman (1987).

and increased private insurance. The policy of cutting state welfare for older people in the interests of younger was formalised and publicised widely by Kotlikoff (1992) as 'Generational Accounting'. In Thatcher's Britain, too, warnings about intergenerational inequity were expressed in Johnson and colleagues (1989). The rhetoric of demographic crisis has been used to legitimise the neoliberal project of state pension retrenchment, citing the 'age support ratio' (age 20–64/age 65+) which in the UK declined from 5.5 in 1950 to 3.7 in 2014.[22] This ratio, however, is less relevant than the ratio of workers to pensioners, which takes account of the rise in employment of women aged 25–54, from 57 per cent in 1975 to 78 per cent in 2017. Mothers' employment also increased in the same period from 50 per cent to 75 per cent although the increase in full-time employment has been limited by insufficient affordable childcare.[23]

The World Bank (1994) also challenged the legitimacy of state welfare, claiming that state spending on pensioners was excessive and that the market was more efficient in providing retirement income. It was argued that state (Pay-As-You-Go – PAYG) pensions are a drain on the economy and a tax burden on workers, while private-funded pensions would provide the national savings needed for capital investment. Yet inadequate state pensions will adversely affect every generation in future, especially women.

Recently, the Intergenerational Foundation (IF) think tank has argued that spending on older people's state pensions, benefits, NHS and social care is unfair to younger generations facing lower living standards than their forebears. Yet half of pensioners are on incomes too low to be liable for income tax. Provocatively titled books on this theme include those by Willetts (2010) and Howker and Malik (2010). Alarmist accounts predict that population ageing will make PAYG state pensions unsustainable. However, projected population ageing is relatively modest in Britain over the next decades, the proportion of older people rising by about 1 per cent every five years on average. Moreover life expectancy increases have stalled,[24] and since 2019 average life expectancy has seen a greater fall (1.3 years for men and 0.9 years for women) than any since the Second World War, due to the impact of COVID-19 on older people.[25]

Pensioners have shared the impact of the austerity years. Indeed they were more likely than those in working age households to experience poverty, unmet need for social care, fuel poverty, poorly insulated damp housing and cold-related deaths.[26] Older people are far from being, as is sometimes implied, a burden on society. Research commissioned by the Women's Royal Voluntary Service showed that after a life of paid and unpaid work, they continue to make a significant contribution to the

[22] Franklin *et al.* (2016: 33).
[23] Institute for Fiscal Studies (2018).
[24] Hiam *et al.* (2018).
[25] Raleigh (2021).
[26] ONS (2015); HC Library (2015); Community Care (2015); DECC (2012); Age UK (2009).

economy, through local and national taxes, as consumers of basic goods, as carers, and as volunteers; the *net* contribution of older people to the economy in 2010 was calculated as almost £40bn.[27]

The argument that reduced spending on state pensions is in the interests of working-age generations is clearly flawed. First, private pensions face the same demographic ageing used to legitimise state pension retrenchment; the claim that population ageing requires a shift from state- to private-funded pensions is therefore at best a questionable one, at worst an irresponsible one.[28] Second, reducing state pensions enlarges the role of means testing, which is expensive to administer and fails to reach the poorest pensioners. Third, a smaller state pension entails employees paying higher contributions into private pensions to compensate – hardly a benign situation for today's and tomorrow's workers.

Risks and Gendered Effects of Private Pensions

The choice to save in a private pension is increasingly confined to schemes in which the worker bears the risk of a poor return on their contributions. Defined Benefit (DB) pension schemes have typically provided a relatively generous employer contribution and guaranteed an annually indexed pension based on years of membership and final or career average earnings. For early leavers, mainly women requiring a career break, the eventual pension was frequently small. Recently, these schemes have often increased contributions or reduced benefits in order to meet their liabilities, whether due to decline in the proportion of contributing members relative to retired or deferred members and their dependants, contribution holidays by employers during boom years, or to lower than expected stock market returns. DB pension schemes are in decline, either closing to new members or changing their rules to the detriment of contributing scheme members. Some are experiencing funding deficits that risk default on pension promises and even insolvency of the employing organisation, in which case the Pension Protection Fund (PPF) provides some compensation, paid for by annual levies on the schemes.

Auto-enrolled DC pensions, in contrast, shift all the financial risks onto employees. The employer chooses the scheme, which may not be a sound one; investment performance may be less than expected, with no compensation for market losses suffered by contributors. For the lowest-paid employees, the contributions may be unaffordable, as feeding a family and paying rent or mortgage are prioritised; portability is

[27] WRVS (2011).
[28] Ginn and Duncan-Jordan (2019).

limited and transfers have incurred extra charges. Moreover, dramatic price inflation creates further pressure on the affordability of private pension contributions. Charges by the insurance company for investment management reduce the fund, roughly cancelling out the benefit of tax relief for those on low to average earnings. Job changes and gaps in employment have created the phenomenon of multiple 'pointless pots', so small that by retirement the charges have eroded the amount to zero.[29] Over time, the shares of contributions from employees, employers and tax relief from the Treasury have shifted, with the employer's share reducing since 2012.[30] The DWP consulted in 2021 on a proposal to remove the existing cap on the performance-based investment fee that applies to default schemes, a move that could incentivise investment managers to take more risks to maximise their fee, potentially undermining the security of an employee's pension fund. At retirement, a DC fund was generally used to buy an annuity from a chosen provider, but annuitisation declined to a small fraction of previous levels with the advent of 'pension freedoms' allowing purchase from age 55 of drawdown products, withdrawal of lump sums or reinvestment. These options carry risks of fraud, of making choices that provide poor value or that take no account of uncertain longevity. The security of annuities has also been questioned, due to the trend for annuity providers to transfer policyholders (without their consent) to another, possibly less-well-capitalised, company.

While women's participation in auto-enrolled DC pensions is growing, women are more vulnerable than men to these risks. Women are more likely than men to have unpredictable and interrupted employment records and low pay. Part-time jobs while caring for children or other family members are often too low paid to reach the threshold for auto-enrolment, causing gaps in contributions. Unlike in state pensions, there are no carer credits in private pensions to compensate for career breaks. Merely lowering the earnings threshold or the age threshold could result in even more 'pointless pots'.[31] It remains uncertain whether employees' contributions will prove to have been worthwhile but this is especially doubtful for women. It is not surprising, therefore, that women are often reluctant to engage with the financial risks and complexities of saving in a private pension. Calls for improving 'financial capability' among the public are not realistic and the associated discourse closes off critiques of market-based provision and consideration of collective solutions.[32]

In sum, those with low lifetime incomes, mainly women, are least able to bear the risks that the better-off can contemplate in DC pensions. As one critic has argued, financial managers' priority is to improve their company's share value and their own

[29] Hawthorne (2022).
[30] Prospect (2020).
[31] Hawthorne (2022).
[32] Price (2015); Foster and Heneghan (2018).

fees, with scant regard for the security of individuals' investments or the stability of the economic system.[33]

Given the disadvantages of auto-enrolled private DC pensions, and the advantages of state pension spending for women, including carer credits, automatic portability and redistribution towards the low paid, we must question why governments have promoted saving in private pensions and subsidised them through generous amounts of tax relief. This form of 'tax welfare' reinforces and widens pension inequalities, while reducing revenue for public spending. There is clear gender disparity among top earners, with 83 per cent of the top 1 per cent of earners being male and 89 per cent of the top 0.1 per cent male.[34] In 2017–18 two-thirds of the tax relief on contributions (£24bn net after deducting some £13bn tax paid on pensions in payment) went to high earners on the 40 per cent or 45 per cent tax rates (again mainly men). NI relief on these contributions (£16bn) brought the total net cost to the Exchequer to some £41bn, more than six times the £6.5bn that was spent on Pension Credit for the poorest pensioners.[35] Since the introduction of auto-enrolment in 2012, financial services have managed increasing DC funds, amounting to £280bn in 2017 and still rising. But only 15 per cent of funds have been new investment in the UK economy, the bulk being used for speculative dealing on the London Stock Exchange as 'footloose capital' that contributes to stock market bubbles. Some policy analysts argue that a crisis in state pensions has been created in order to present a political choice as an economic one and that privatisation is motivated by ideological opposition to public welfare.[36]

Conclusions

Gendered roles continue to adversely affect the gender pay gap, the lifetime earnings of women and their capacity to accumulate private pension wealth, where the gender gap was still 68 per cent in 2020.[37] Private pensions also create inequality of retirement income according to marital and parental history, occupational class and ethnicity. In contrast, state pensions have become more inclusive (mainly through carer credits) over time, and more redistributive towards the low paid. Yet the long decline in value of state pensions since 1980, still not fully restored, has eroded the power of state pensions to mitigate the effects of gendered roles interacting with private pensions. As a result two-thirds of pensioners living in poverty were women. The speed of the

[33] Blackburn (2012).
[34] Joyce *et al.* (2019).
[35] Sinfield (2019: 143–4).
[36] Walker (1990: 377).
[37] ONS (2022).

equalisation of the SPA and the subsequent increases also limits the number of women able to access state pensions, especially given there is no mechanism to receive state pensions early.[38] Raising the SPA does not represent a benign policy approach, adversely impacting those on lower incomes among whom women are over-represented, where state pension provision represents the lynchpin of income in retirement.

What are the solutions offered? The finance industry and associated think tanks call for extension of the scope for auto-enrolment in DC pensions as well as raised contribution levels by employees. These will exacerbate the risks of trivial accumulated funds and 'pointless pots'. Meanwhile policymakers maintain a tax relief system – at substantial cost to the Exchequer – to subsidise and promote auto-enrolment, resisting the need to make this subsidy fairer to those on modest earnings.

The option of more adequate state pensions for everybody, which is included as a way of alleviating low incomes of pensioners by the independent Pensions Policy Institute (PPI),[39] and recommended by other expert commentators such as Ros Altmann and Prem Sikka in the House of Lords, is ignored by policymakers, who resort to claiming a need to support intergenerational fairness. Pensioners are depicted as absorbing an unfair share of national resources through over-generous state spending on state pensions, despite the evidence that pensioners have shared the impact of recent austerity policies following the financial crash. By assuming a zero-sum game, the interests of young and old are presented as necessarily conflicting. Yet evidence of young people blaming their financial situation on older people is lacking and instead families depend on ties between the generations. Society, too, benefits from the (often ignored) contributions made by older people as family members, volunteers, local organisers and economic actors.

In the UK, policymakers have failed to take the gender gap in pensions seriously, or to recognise that older women's greater likelihood of poverty is in large part due to women's unpaid family caring, against their own financial interests. In Scandinavian countries, where high-quality affordable childcare is readily available, women have more choices and higher lifetime earnings. In terms of pension policy, a substantial shift in the private/state pensions mix towards state pensions is required; otherwise, the overall gender gap in retirement income will remain stubbornly high. Specifically, the following improvements could be made:

1. Raising the level of state pensions to 70 per cent of the Living Wage. This would not only reduce poverty and inequality among current pensioners but would also benefit today's workers when they retire. It could be partly funded by reducing tax relief in private pensions for high earners. Moreover, the

[38] Lain (2016); Foster (2022).
[39] Hurman *et al.* (2021).

indexation of the nSP and the BSP should be triple locked, to maintain their value over time.

2. A more radical alternative would be to pay a Citizens Pension similar to the longstanding and successful Dutch 'AOW' pension paid at 70 per cent of the Minimum Wage for single pensioners and at 50 per cent for each partnered pensioner, subject to 50 years residence and pro rata for less. Unsurprisingly, the gender gap in the AOW pension is minimal (although a gender gap in Dutch occupational pensions exists). Such a reform would avoid the complexity that has resulted in the DWP's recently discovered underpayment of pensions to around 200,000 women, the average underpayment being £13,500.
3. If auto-enrolment into earnings-related workplace pensions is continued, this could include a Family Carer's Top-up to reduce the gender pensions gap.[40] Another option is a Voluntary Earnings-related State Pension Addition (VESPA), which would be fully portable across jobs and career breaks. Instead of paying tax relief on VESPA contributions, government could contribute to carer credits in the scheme, avoiding the pension penalty of career breaks for childcare/eldercare.

We conclude that state pensions have been curbed as part of recent governments' political choice to privatise public welfare generally. Ensuring more equality and adequacy of retirement income and reducing the gender gap in pensions has not been a priority.

[40] Jethwa (2019).

Appendix 1

35 years of UK pension reforms 1975–2010

Labour, 1975–9

- Basic state pension indexed to average earnings (or prices if higher)
- State Earnings Related Pension Scheme (SERPS) introduced; 'best 20 years' formula to benefit those with career breaks and part-time years
- Home Responsibilities Protection (HRP) legislated, for childcare and eldercare
- SERPS widow's pension set at 100 per cent of deceased husband's pension

Conservatives, 1980–96

- Basic pension indexed only to prices (RPI)
- Legislation to raise women's pension age from 60 to 65 (phased in from 2010–20)
- SERPS accrual rate cut
- SERPS based on average lifetime earnings (HRP to apply from 1998)
- Legislation to halve SERPS widow's pension (from 2000)
- Personal pensions promoted with financial incentives (available from 1988)

New Labour, 1997–2010

- Basic pension remained price-indexed but RPI replaced by the lower CPI
- Stakeholder pensions offered - personal pensions with limited charges (2001)
- HRP in SERPS *not* introduced in 1998
- SERPS replaced by State Second Pension (S2P) (2002)
- Means-tested Pension Credit with taper indexed to average earnings (2003)

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