Closing the Gender Pensions Gap

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Modelling sponsored by Now: Pensions
www.pensionspolicyinstitute.org.uk
The two policies help smooth contribution levels during working life

The projected pension contributions of women currently aged 22 under a typical life course (2019 earnings terms)\(^1\)

\(^1\) PPI modelling
The two policies combined could make up around two thirds of the difference between working full time and taking time out for caring

The projected pension savings of women currently aged 22 under a typical life course (2019 earnings terms)\(^1\)

\[\begin{array}{ccccccccc}
\text{Age} & 22 & 27 & 32 & 37 & 42 & 47 & 52 & 57 & 62 & 67 \\
\text{Current policy} & \text{£}140,000 & \text{£}120,000 & \text{£}100,000 & \text{£}80,000 & \text{£}60,000 & \text{£}40,000 & \text{£}20,000 & \text{£}0 & \text{£}115,400 \\
\text{Family carer top-up} & \text{£}87,800 & \text{£}64,000 & \text{£}41,000 & \text{£}18,000 & \text{£}6,000 & \text{£}0 & \text{£}0 & \text{£}0 & \text{£}0 \\
\text{Family carer top-up and contributions from the first pound} & \text{£}57,000 & \text{£}34,000 & \text{£}11,000 & \text{£}0 & \text{£}0 & \text{£}0 & \text{£}0 & \text{£}0 & \text{£}0 \\
\text{Full time under Family carer top-up and contributions from the first pound} & \text{£}27,000 & \text{£}14,000 & \text{£}1,000 & \text{£}0 & \text{£}0 & \text{£}0 & \text{£}0 & \text{£}0 & \text{£}0 \\
\end{array}\]

\(^1\) PPI modelling
The policies reduce the differences between men and women but do not fully compensate for time out or the gender pay gap

Projected AE pension pot at retirement (2019 earnings terms) with a family carer top-up and contributions from the first pound

<table>
<thead>
<tr>
<th>Life courses</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takes one year break at age 26 as a family carer, returns to work full time</td>
<td>18500</td>
<td>18500</td>
</tr>
<tr>
<td>Takes a 10 year break at age 25 as a family carer, returns to work full time</td>
<td>88900</td>
<td>87000</td>
</tr>
<tr>
<td>Takes a 16 year break at age 26 as a family carer, returns part-time until age 50 then full-time to Spa</td>
<td>70200</td>
<td>52200</td>
</tr>
<tr>
<td>Takes a 10 year break at age 25 as family carer, returns full time. Exits labour market at age 55 to care for family</td>
<td>18500</td>
<td>18500</td>
</tr>
</tbody>
</table>

£0 £20,000 £40,000 £60,000 £80,000 £100,000 £120,000

1 PPI modelling
The two policies could reduce the gap by around 50%

Proportion of gender gap attributable to different factors and extent to which policies reduce the gap

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1 PPI modelling
The two policies address both working pattern differences and the pay gap

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Proportion of gender gap attributable to different factors and extent to which policies reduce the gap\(^1\)

\(^1\) PPI modelling
The two policies address both working pattern differences and the pay gap

Proportion of gender gap attributable to different factors and extent to which policies reduce the gap

1 PPI modelling
The two policies combines would cost an extra £6.1 billion per year

Extra costs arising from policies to Government, employers and employees, aggregate (2019 earnings terms)¹

¹ WAS Wave 5, ONS MQ5 Table 4.3 Self-administered pension funds’ income and expenditure, ONS PEN2 Personal Pensions (including stakeholder pensions): Scheme members’ annual contributions and DWP analysis
Thank you for listening

Any questions?