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Guest comment: Tackling the gender pensions gap

 By Former Pensions Minister and Cushon advisory board member, Baroness Ros Altmann  5/10/21

The gender pensions gap has been grabbing headlines recently, with an alarming new study by the Centre for Economics and Business Research unveiling that the pandemic has increased the gender pensions gap to almost £200,000. Indeed, despite women putting a bigger proportion of their income into pensions, this gap is still growing.

There are many factors that lead to women having lower pensions than men, some could be addressed by government and others can be helped by changes within the pensions industry itself. For example, impenetrable jargon is a barrier to engagement with pensions and the industry needs to do more to make communications more user friendly.

Cushon's research confirms that this may actually play a part in the gender pensions gap too. Women are 1.5 times more likely than men to say that pensions language is too complex or confusing and they're also twice as likely to admit they have never checked their pension or that they don't know how to top up their pension.

Women are often in the dark about the ways they miss out when it comes to pensions, so raising awareness of these issues in the public domain and telling women directly what to look out for and what they should be thinking about are imperative.

Those of us in the industry know that women lose out for reasons such as the loss of pension accrual during childcare duties, or not being auto-enrolled because of the earnings trigger which leaves out the lower earners, or those holding multiple part-time jobs, or due to loopholes in pension sharing upon divorce. But the women themselves are often unaware. The government does have in place a good mechanism for pension sharing on divorce, but we need to ensure that women know about it and use it.

It is also important to close the gaps in the UK state pension system that result in women collectively losing out on pension accrual. With lower lifetime earnings and shorter working careers, it is inevitable that women will have lower state pensions. But there is no excuse for them to lose out on state pensions too. Solving these injustices will help reduce the gender pensions gap and allow women to earn the pensions they are entitled to.

In addition, there needs to be an emphasis on protecting women's pension contributions while they are on maternity or care leave. Ideas to counter the long-term impacts of childcare duties on a woman's pension might include asking employers to contribute to a woman's pension while she is receiving maternity pay or on maternity leave; and partners could be encouraged to pay into a woman's pensions during years of caring duties.

The government should also review the auto-enrolment earnings trigger to ensure more workers, particularly low-earners, are automatically enrolled into workplace pensions. Although lower earners have the right to join an employer's workplace pension, the success of auto-enrolment and the low opt-out rates of 8-11 per cent indicate the need to auto-enrol all lower-earning employees. Removing or reducing the earnings trigger would help women, who are much more likely to be lower earners due to part-time working and multiple jobs.

The pensions industry could and should be doing more too. It is time to get rid of complexity and jargon and also move to a more positive narrative. We're great at telling people they are not saving enough, but not so great at creating reasons for people to engage and to want pay in more. As a whole, we focus far too much on the negative messages, trying to frighten people into saving more, rather than congratulating people for at least having started a pension and positively encouraging them to save more.

Encouraging women to save more while they are able to, and showcasing options available such as asking a partner to contribute for them as well, creates more headroom for when they might not be able to pay in themselves, such as while on maternity leave. It's simple forward planning. We also need to ensure greater protection for women if their partners decide to transfer to another pension scheme.

There is clearly much we can be doing to address the gender pension gap and I fear the government is not taking women's pension issues seriously enough. Currently, it has no specific workstream to review and improve the gender pensions gap. This must change.

A specific policy focus on improving women's pensions could help avoid women continuing to lose out. We want a dedicated review and reforms that address the problems which blight women's pensions, and I will continue to raise this in parliament until it is addressed.
