Mind the Gap

Reducing the gender
pension gap

Pensions Equity Group

Tackling the gender pay gap

When inequality holds women back, it holds organisations back. Employers have overwhelmingly recognised the reality of the gender pay gap and many are making strides toward reducing it.

For employers with more than 250 employees it's a legal requirement to report on the gender pay gap and many smaller organisations are also reviewing their gender pay gaps.

There's an opportunity for HR professionals to make their workplaces more inclusive by putting broader people strategies on their organisation's agenda.

The largest single benefit provided by employers is a pension, so this is the natural next point of focus.

We've created this guide to help employers with the gender pension by understanding it, measuring it and reducing it.

What is the gender pension gap?

The gender pension gap can be described as 'the percentage difference in the pension income built up for male and female scheme members over a typical working life'.

According to the Office of National Statistics, the participation rates in pensions are greater among women than men (both for full and part-timers)[1]. And yet a woman still retires, on average, with half the pension of a man. Women save, on average, less than men. In 2021, the gap between annual savings for women and men was £500 per year in the private sector and over £2,000 per year in the public sector[2].

This means women are less likely than men to get beyond, or even reach, the 'Minimum Standard of Living', as set out in Pension UK's Retirement Living Standards[3] making them more likely to suffer poverty in retirement.

Women are more likely to fall into the categories[4] of lower earners, part-time workers and workers with caring responsibilities. This means that, as an employer, you can make an impact on your employees' future retirement income by understanding your role and the steps you can take to improve the pension benefits to people in those groups.

Pensions are a function of pay, and so any gender pay gap will always translate to a gender pension gap. Gender pay gap reporting is now well-established in the UK. Gender pension gap reporting is not, but is a growing area of interest in both the public and private sector. Beyond differences in pay and part-time working, the periods of a woman's career when she is not accruing a pension contribute significantly to the gap. Across the course of a woman's life, such gaps – such as taking unpaid leave to look after children or perform other caring responsibilities – all add up.

This guide covers three specific areas that all employers should consider to address this gap.

1 Source: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/workplacepensions/bulletins/annualsurveyofhoursandearningspensiontables/2021provisionaland2020finalresults

2 Source: Workplace pension participation and savings trends of eligible employees: 2009 to 2021 - GOV.UK (www.gov.uk)

3 Source: Home - PLSA - Retirement Living Standards

4 Source: Women and the UK Economy, Research Briefing, House of Commons, March 2023

How to use this guide

This guide is intended to be used by HR leaders to assess their organisation's current level of support and commitment to improving the gender pension gap for their employees. The checklist has been split between bronze, silver and gold measures to provide a simple tool for leaders to benchmark themselves and to provide a list of positive actions which can be implemented to improve the gender pension gap for people working within each organisation. The starting position and pace at which organisations can implement changes will vary.

Pension schemes in the UK

The UK has two main pension systems in place – defined contribution (DC) schemes which are the standard within private sector companies and defined benefit (DB) schemes which are more prevalent in the public sector. Public sector, including local government pension schemes, are more likely to have fixed contribution rates for both employees and employers, with DC schemes having more flexibility but often contributing less. This guide tries to set out possible improvements for both types of schemes, but some suggestions will inevitably only be relevant to one group.

Our aim is to improve pension provisions for all participants in the pensions market, focusing on the gap between genders in the short to medium term.

The gender pension gap in your own organisation

Over the following three pages is the checklist of actions that organisations can take to improve their gender pension gap. The potential actions are grouped into these three areas:

1. Understand your organisation's gender pensions gap and drivers
2. Raise awareness with your employees
3. Make meaningful benefit and policy changes

1 Understanding your own gender pensions gap and drivers

Bronze	Silver	Gold
Data and analysis		
❑ Calculate and analyse your gender pay gap as per employers with more than 250 employees[5] Employers with more than 250 employees are required by law to publish their gender pay gap.	Capture and analyse: ❑ Part-time working, split by gender and pay ❑ periods of caring absence (parental leave, elder care etc.) by gender ❑ take-up of pensions by gender ❑ contribution rates and additional contributions by gender ❑ average value of current pension savings (DC) or annual pension income expected at retirement age (DB) accrued during this employment, split by gender	❑ Create an action plan to tackle the identified gaps. Review this annually, along with the impact of actions in the plan.

5 Source: Gender pay gap reporting: guidance for employers - GOV.UK (www.gov.uk)

2 Raising awareness with employees

Bronze	Silver	Gold
Communications plan		
❑ Create an internal communications plan to raise awareness of the gap and your actions ❑ Communicate the value of employees' pension contributions and the impact on take home pay of opting out, including the loss of employer contributions – particularly with new recruits. ❑ Run campaigns to raise awareness of pensions and financial wellbeing referring to Pension UK's Retirement Living Standards[6] ❑ Provide or signpost to tools that support employees in calculating the impact of pension contribution holidays where used[7] ❑ Increase member education around milestone events including impact on state pension and accessing government support for childcare[8] ❑ Deliver special education sessions around key influencing topics, such as the impact of menopause on women and their working patterns including some information about reasonable adjustments and flexibility[9]	❑ Provide guidance to employees going through divorce about including pensions in the matrimonial assets and different options for pension sharing[10] ❑ Talk to your employees about household financial planning ❑ Run female-focused financial wellbeing workshops which include a section on the impact of carers' leave and part-time work on pension ❑ Raise awareness of impact on pension savings ahead of, and following, extended periods of leave ❑ Create a culture where all feel safe to utilise flexible working and leave policies, enabling a more equal work/life balance. This could include role-modelling across senior leaders or practical case studies on the benefits ❑ Continue to communicate the value of employees' pension contributions and the impact on take home pay of opting out at key points including annual benefit statement period, age milestones and during early career years. ❑ Ensure employees understand their retirement options and how they might maximise their benefit value	❑ Understand the cultural differences towards savings across your workforce and tailor communications to support this ❑ Create an external communications plan to support the actions you are committing to take, tell your story publicly ❑ Provide a statement to employees thinking about taking a pension pause, setting out the impact on projected pension outcomes – helping them to make more informed decisions

6 Source: Home - PLSA - Retirement Living Standards

7. Source: Workplace pension contribution calculator | MoneyHelper

8. Source: Family & care | MoneyHelper & Benefits if you have children | MoneyHelper

9. Source: Regulator provides advice for employers on menopause and the Equality Act | EHRC (equalityhumanrights.com)

10. Source: How could getting divorced affect my pension and retirement income? | MoneyHelper

3 Making meaningful benefit and policy changes

Bronze	Silver	Gold
Workplace policies		
❑ Put in place pension, menopause, maternity, paternity, family leave and caring policies. Make sure that they're inclusive and accessible ❑ Provide flexible working policies and promote them internally ensuring they're understood ❑ Make sure any private health insurance includes menopause cover	❑ Annually review your pension, menopause, maternity, paternity, family leave and caring policies to make sure they meet to best practice. Promote to existing employees and through the recruitment process ❑ Provide workplace menopause support	❑ Promote your flexible working policies externally as part of recruitment process ❑ Use senior role models to share examples of how flexible working practices are being used effectively. Share information internally and externally
Pension contributions and life events		
❑ Pay employer pension contributions during maternity and paternity leave – calculate it on salary at start of leave, not on actual earnings during leave ❑ Pay employer pension contributions during carers' leave	❑ Continue paying contributions during maternity and paternity leave even if pay stops (calculate as per bronze) ❑ Pay employer and employee pension contributions during carers' leave ❑ Extend paternity and family leave beyond the legal minimum	❑ Pay the equivalent of full-time employer pension contributions for part-time employees, reflecting that part-time working is usually for caring ❑ Where an employee chooses to opt out due to affordability, allow them allow them to opt-down to 0% and continue to pay employer contributions ❑ Extend paternity and family leave to 6 months
Pension contribution structure (DC schemes only)		
❑ Do not apply the earnings threshold of £10,000 for making pension contributions ❑ Remove any age related restrictions (e.g. age 22 auto-enrolment eligibility)	❑ Calculate and pay pension contributions from the first £ of employees' earnings rather than above the lower earnings limit of £6,396 ❑ Pay above the auto-enrolment minimum requirements and/or pay more than 5% employer contributions, without requiring an employee to pay more than the statutory 3% contributions	❑ Pay 6% or more employer contributions, and ensure a minimum total contribution of 12% is available This might enable accreditation as a Living Pension employer

Congratulations on taking action towards reducing the gender pay gap. This guide is designed to be a working document, so change can continue to be tracked and improved.

Please share your experiences, challenges and successes in implementing changes suggested within this guide with the Pensions Equity Group and with your own networks.

Together, we can create change which will reduce the gender pension gap and positively impact our pensioners of the future.

Pensions Equity Group

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