

Retirement adequacy:

THE TRUE COST OF THE GENDER PENSIONS GAP IN YOUR WORKFORCE

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In the previous [instalment](#) of our retirement adequacy series, we explored whether employers are prepared for the growing commercial impact of the retirement adequacy crisis, and the effect it will have on their business.

This summer, we surveyed 500 senior decision-makers at large employers. We asked whether they expect it to become a growing challenge for their organisation over the next five to ten years if employees cannot afford to retire. Over 90% of respondents said they were concerned about the impact this could have on their employees.

Their concerns included:

-  Higher staff costs
-  slower career progression for other employees
-  difficulties in planning future senior roles
-  lower productivity

Understanding how resilient each organisation's workforce is to the retirement adequacy challenge will be fundamental to managing these risks.

UNDERSTANDING THE RETIREMENT ADEQUACY CHALLENGE BY APPLYING THE HEATMAP

In our last publication, we illustrated the impact the retirement adequacy challenge has on a large employer in the healthcare sector. Using a modelled workforce profile, we mapped employees on a heatmap to show how retirement outcomes may vary across the workforce and where retirement adequacy risks could emerge. These are projected outcomes rather than guarantees, and individual results will differ. This healthcare employer is one of many that will face important strategic decisions as they address retirement adequacy across their workforce.

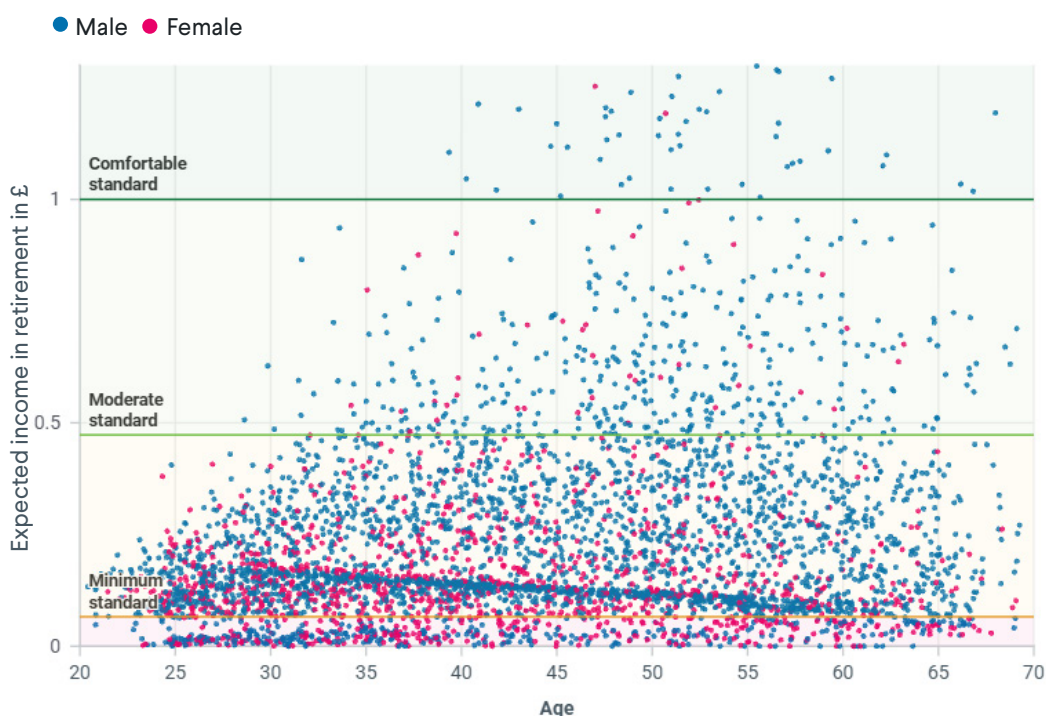


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GOING BEYOND THE 'AVERAGE': A GENDER LENS

Our next phase of the retirement adequacy series looks beneath the bonnet of the heatmap. Looking in more detail reveals clear patterns of inadequacy. This insight can help employers build future pension strategies that better manage the impact of the crisis. Our first stop is looking at gender.

Going back to our health employer example, let's see what the heatmap looks like when considering it through a gender lens.



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There are striking patterns that the heatmap raises for this employer:

- **Females are more likely to have lower outcomes.**
Only 4% of females are expected to have an above moderate outcome in retirement; worryingly, 22% fall short of the minimum.
- **Meanwhile, males face greater expected outcomes.**
Males are three times as likely to have an above moderate outcome in retirement compared to females (13%), and only half as likely to fall short of the minimum standard (9%).

The conclusion for this employer is that they have a notable gender pensions gap.

Going back to our summer survey, we asked how confident employers were that their pension provision was equitable for all members. Interestingly, nine in ten respondents were at least somewhat confident of their pension provision being equitable.

However, our modelling example highlights that, when put to the test, views on pension provision being equitable may not stack up. This could be a particular concern for employers with strong ambitions to be inclusive and equitable.

WHAT IS DRIVING THE GENDER PENSIONS GAP FOR THIS EMPLOYER?

Gender pay differences may be a large contributor to the gender pensions gap. However, other scheme design and policy decisions that employers make can lead to an increase in the gender pensions gap too. These may not always be obvious, but should be understood. We highlight some below:

Maternity and carer's leave: Women's pension contributions can be significantly reduced during each period of statutory maternity leave. Additionally, career breaks and reduced working hours for caring responsibilities lead to a drop in pension contributions. [The 2025 Working Families Index](#) found that three in ten mothers work part-time compared with one in twenty fathers. Women are twice as likely as men to reduce their working hours for childcare. Without intervention, this period creates a deficit in a woman's future earning and savings potential.

Pensionable pay: The use of the lower earnings limit on pensionable pay, can disproportionately impact female members who may have lower salaries, compounding the impact of pay gaps on pension savings.

Contribution structures: Designs of contribution structures can affect how much employees save. For example, matching structures can have the unintended consequence that higher earners (possibly male counterparts) can afford to make use of a max match contribution rate available compared to lower earners (possibly females).

On top of this, the average female is expected to live two to three years longer than the average male, meaning they have to make their smaller pension pots deliver an income for longer than males.

Combined, these seemingly small factors lead to a significant gender pensions gap.

Let's take some examples of how female employees can be impacted by what are common working trends compared to male counterparts. If the female employee takes a five year career break at the age of 35 they could see their final pension pot reduced by 20% compared to if they hadn't taken a break. If the female employee works three days a week post the career break, her expected retirement outcome could be reduced by a further 15% compared to if she worked full time. Any lower salary expectations because of slower career progression would increase the gap even further.

This explains why the Department for Work and Pensions (DWP) estimates that the gender pension gap stands at 48%. This means that the average woman currently approaching retirement can expect a private pension income worth over £5,000 less than that of an average man.

WHAT DOES THIS MEAN FOR YOUR BUSINESS?

The heat map allows employers to understand if staff face retirement inadequacy within their businesses - recognising the commercial impact this could have. Looking beneath the surface, the heat map can also help employers to consider if a gender pensions gap is also persistent. From there, employers can:

- identify areas of the business more exposed to the risks of retirement inadequacy
- compare their pension offering against their wider DE&I ambitions
- consider how to build a strategy to manage the impact of the retirement adequacy crisis and address gender inequality

Please get in touch if you'd like to understand how the gender pensions gap could affect your workforce.

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