The gender gap in pension saving

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The gender pension gap

- Gender pension gap generally refers to difference in retirement incomes between men and women.

- Understanding the drivers behind the gap crucial for evaluating effectiveness of different policies.

- Important to be clear which gap is being analysed for which group:

  - Gaps in pension incomes, pension participation, pension contributions?

  - For retirees, people of working age, people working in specific sectors?
Gender gap in state pension incomes almost closed

Average state pension income of men and women over state pension age, by age and birth cohort

Source: Figure 1 of Cribb, Karjalainen and O'Brien (2023)
Gap in private pension incomes still prevalent

Average gross private pension income of men and women over state pension age, by age and birth cohort

Source: Figure 2 of Cribb, Karjalainen and O'Brien (2023)
Gaps in pension participation driven by employment rates

Pension participation rates for different groups of men and women aged 22–59 in 2019

Source: Figure 3 of Cribb, Karjalainen and O’Brien (2023)
Differences in sector composition offset gaps in pension contributions

Average total pension contributions for different groups of men and women aged 22–59 in 2019, for those participating in a pension scheme

Source: Figure 4 of Cribb, Karjalainen and O’Brien (2023)

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Women actually have higher average contribution rates than men

Average total pension contribution rates for different groups of men and women aged 22–59 in 2019, for those participating in a pension scheme

Source: Figure 5 of Cribb, Karjalainen and O'Brien (2023)
Gender gaps in pension saving within sectors

- Differences in labour market experiences drive gender gaps in amount entering pensions
  - This is key determinant of gender gap in pension incomes for future retirees
- But there are also differences when looking at men and women working in the same sector
  - To what extent are these also a function of differences in individual/job characteristics?
Gaps in participation for employees open up slightly with age

Workplace pension participation for male and female employees, by age and sector (2019 to 2020)

Source: Figure 8 of Cribb, Karjalainen and O'Brien (2023)
Participation gap in private sector due to automatic enrolment threshold

Explaining the gap in pension participation among private sector employees (2019 to 2020)

Source: Figure 10 of Cribb, Karjalainen and O’Brien (2023)
Small gender gap in contribution rates in private sector

Explaining the gap in pension contribution rates among private sector employees participating in a pension (2019 to 2020)

Source: Figure 10 of Cribb, Karjalainen and O’Brien (2023)
Within-sector gender gaps mainly driven by differences in earnings

- Public sector:
  - Very little participation gap
  - Gender gap in contribution rates in favour of men (1.5ppt) closes to near zero after controlling for earnings and other individual/job characteristics
    - Due to structure of public sector DB schemes with higher contribution rates for higher earners
- Self-employed:
  - Gender gap in participation (3.6ppt) shrinks after controlling for earnings, but does not close completely, especially at older ages
  - Among savers, women have higher average contribution rates
While gender gap in state pension incomes essentially closed for recent retirees, still large gap in private pension incomes

Main determinants of gender gap in private pension saving are differences in labour market experiences
- These particularly open up after women have children

Differences in sectoral composition offset some of the within-sector gaps in pension saving

Gender gaps in pension saving within sectors largely driven by differences in earnings
Gender gap in pension saving driven by differences in employment rates, hours worked, and hourly wages

→ gender gap in private pension incomes will remain for decades

Policymakers should see gender pension gap as a further consequence of labour market inequalities

Labour market policies might be better placed to target gap than pension saving policies

Gap in pension participation in private sector due to £10k threshold for AE

But there are good reasons for many earning <£10k to not save in a pension