Tackling the Gender Pension Gap

7th annual report, July 2025

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Introduction

This is Prospect's seventh annual report about the gender pension gap. These reports are a core part of our work on campaigning for greater gender equality in retirement incomes.

We publish our estimate of the size of the gender pension gap in the UK for the latest year that data is available for (2022-23) in this report.

Our initial campaign priority was to lobby government to produce its own official estimate of the size of the gender pension gap.

That goal was eventually achieved in 2023, and we hope that this official measure will become the main benchmark and achieve greater prominence over time.

But we believe there is still value in Prospect continuing to publish our estimates:

- The government's data source is biennial, so it is updated less frequently (indeed it is currently only available for a single period - 2018 to 2020).
- We use a different definition of the gap which means our estimate may capture important developments that are not picked up by the government's measure.
- We have a longer time series of estimates of the gap than the government, which could be useful for analysing trends.

Our estimates show an unacceptable level of inequality in retirement incomes affecting the quality of life of millions of women throughout decades of retirement.

It is the very size of the gender pension gap that most demands action from policymakers to address it.

While there have been welcome developments over time (including some significant recent progress covered in this report) the overall response so far has been inadequate.

More work is needed to raise awareness of the issue to bring about the conditions needed for government and others to meet this challenge.

Only when awareness of the gender pension gap is as high as awareness of the gender pay gap, will we have policies as effective as those in place to address the latter problem.

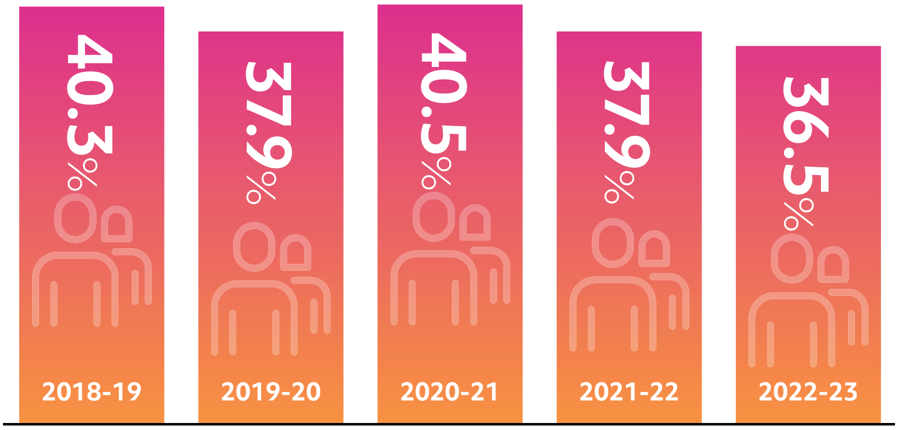
Our estimate of the gender pension gap in 2022-23 is 36.5%. The table below shows our estimate of the gender pension gap for the last 5 years.

The 2022-23 estimate is the lowest we have ever recorded (our time series goes back to 2011-12). It has fallen from 44.9% in 2011-12 to 36.5% in 2022-23.

This is a significant reduction in this measure of inequality and that is obviously very welcome.

But it is important to understand what has brought about this reduction, because this

Gender pension gap 2018-2023



explains why more action is still urgently needed now.

Our measure of the gender pension gap is backward looking; it reflects past changes to the workforce and policies.

This trend in our estimate of the gender pension gap can be attributed to the expected impact of past reductions in the gender pay gap and of policies like the new state pension.

But a significant cause of the gender pension gap is the impact of caring responsibilities on occupational pensions, and there has been little progress in addressing this.

So, the downward trend in the gender pension gap has a lower limit, of at least the part of the gap that is caused by the impact of caring responsibilities on workplace pensions.

This means the long-term, steady state level of the gender pension gap is likely to be much higher than the current level of the gender pay gap without further action.

We know what needs to be done, it would be unacceptable to wait until progress in tackling the gender pension gap inevitably comes to a halt before doing it.

Some alternative ways of illustrating or assessing our estimate of the gender pension gap are:

- It represents an average retired women having £7,600 less pension income than an average retired man.
- This is equivalent to an average retired women only starting to receive her pension income on 13 May, if it was paid at the same rate as for an average retired man.
- It is over twice the size of the gender pay gap (which ONS reported[1] was 14.2% in 2023).

But it is most important to think of the gender pension gap in terms of the human impact it has on millions of retired women.

This statistic represents real women having less income to rely on in retirement than they should and being more impacted by the effects of poverty in retirement.

So, we welcome the progress that has been made, but we must keep demanding the further actions that are still badly needed.

Government must continue to update its official measure of the size of the gender pension gap, but it must also produce a plan to tackle it.

In particular, government must recognise the impact of caring responsibilities on the gender pension gap and enact policies to deal with this.

Parliament must hold government to account on its progress in reducing the size of the gender pension gap.

Employers also need to understand the gender pension gap amongst their own workforces and address it.

This is particularly the case for public sector employers who, apart from those involved with the local government scheme, have completely failed to act.

Prospect will continue to do whatever we can with government, employers and members themselves over the next year to help close the gap.

We have deliberately focussed the content of this report on the most effective actions that need to be taken now.

Sue Ferns OBE
Senior Deputy General Secretary

1 *Gender pay gap in the UK - Office for National Statistics*

Executive Summary

We estimate that the UK's gender pension gap – the percentage difference in pension income for female pensioners compared to male pensioners – was 36.5% in 2022-23.

This is more than twice the gender pay gap of 14.2% in 2023 and represents an average difference in pension income by gender of about £7,600 a year.

It is our lowest ever estimate of the gap (our series began in 2011-12) but remains unacceptably high.

Its impact on the quality of life of many millions of women in retirement, both now and in the future, cannot be overstated.

The record low measure of the gender pension gap is a welcome reduction in inequality, but action to tackle the main underlying causes is still urgently required.

The main causes of the gender pension gap have been well known for some time; they have been outlined in our previous reports and elsewhere:

- **Women undertake a disproportionate share of caring responsibilities, which results in them being more likely to not be in paid employment or to work part-time.**
- **When women do work full-time, they are paid less, on average, than men (ie the gender pay gap).**
- **Retired women, on average, currently receive less state pension than retired men.**

Several other features of the pension system also have a disproportionate impact on women, but this year's report focuses on the impact of caring responsibilities.

In particular, the report highlights the most effective policies for tackling the gender pension gap that we will be pushing government, and employers, to implement.

While we welcomed the initial publication of the government's measure of the size of the gender pension gap, this will be fairly meaningless unless it is the first of an ongoing series.

In this report we call on the government to regularly update its official series of estimates of the gender pension gap.

But publication of such a series is only a first step, government must also set a target for reducing the gender pension gap, as well as explaining how it will achieve this.

Parliament must hold government to account for delivering any targets for reducing gender inequality in retirement incomes.

This report focuses much more on the practical steps needed to tackle the gender pension gap than theoretical discussions about its measurement or causes.

The gender pension gap cannot be closed unless caring responsibilities are properly allowed for in the pension system.

We propose a flat-rate additional state pension credit for those not in paid employment because they are caring for young children or others.

Beyond government policies to allow for caring responsibilities in the pension system, the most effective steps to tackle the gender pension gap are at employer level.

We have highlighted best practices by public and private sector employers with the aim of encouraging branches (both Prospect's and other union's) to seek to emulate them.

Proposals to tackle the gender pension gap in the Local Government Pension Scheme (LGPS) outlined in this report probably represent the most significant policies to tackle the gender pension gap in several years.

As well as seeing the LGPS proposals implemented in practice, our priority in the public sector must be to deliver similar reforms in the other main schemes.

The approach taken by Atomic Weapons Establishment Ltd (AWE) is also ahead of the standard practice of its peers, this time in the private sector.

The cost of rolling out AWE's approach in similar employers, and across the private sector generally, would be very low, it is an achievable aim for all other private sector branches of our union.

We will continue to engage with full-time representatives and members in Prospect and other trade unions to negotiate similar changes with other employers.

The size of the gender pension gap

We estimate that the UK's gender pension gap – the percentage difference in pension income for female pensioners compared to male pensioners – was 36.5% in 2022-23.

The chart below shows the size of the gender pension gap and the gender pay gap for the most recent years data is available for.

This level of inequality in retirement income by gender should be unacceptable to everyone.

It's not just an issue of equality and fairness, it's unacceptable because of the resulting detrimental impact on the quality of life of millions of women over decades in retirement.

To a small minority of people, mostly working in pensions, these estimates will not be very surprising.

But most ordinary working people would be shocked to learn that that income inequality is so much higher in retirement than during working lives.

Some may celebrate the fact that our estimate for 2022-23 is the lowest estimate in our time series (which goes back to 2011-12), it likely represents an all-time historic low..

While the downward trend is welcome, it is very important to understand the context behind it before drawing any conclusions; this is discussed further below.

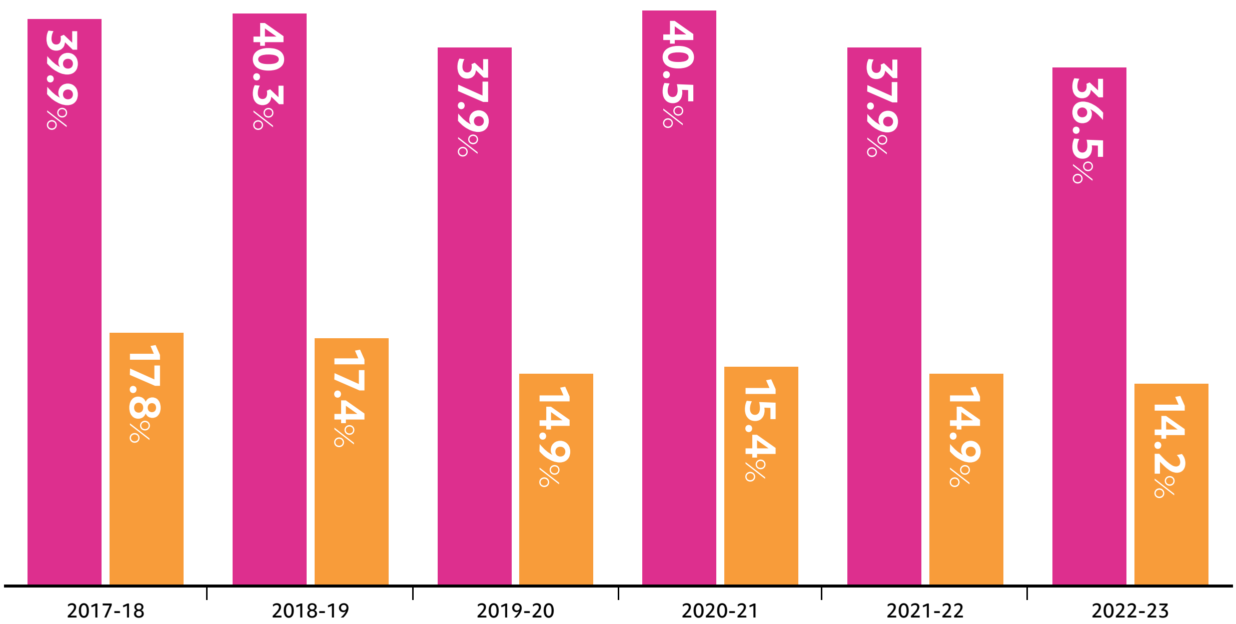
The main point of publishing an estimate of the size of gender pension gap has always been to increase awareness of the problem in order to promote action to tackle it.

Our estimate of the gender pension gap is based on a particular definition, and data sources, that are outlined in more detail below.

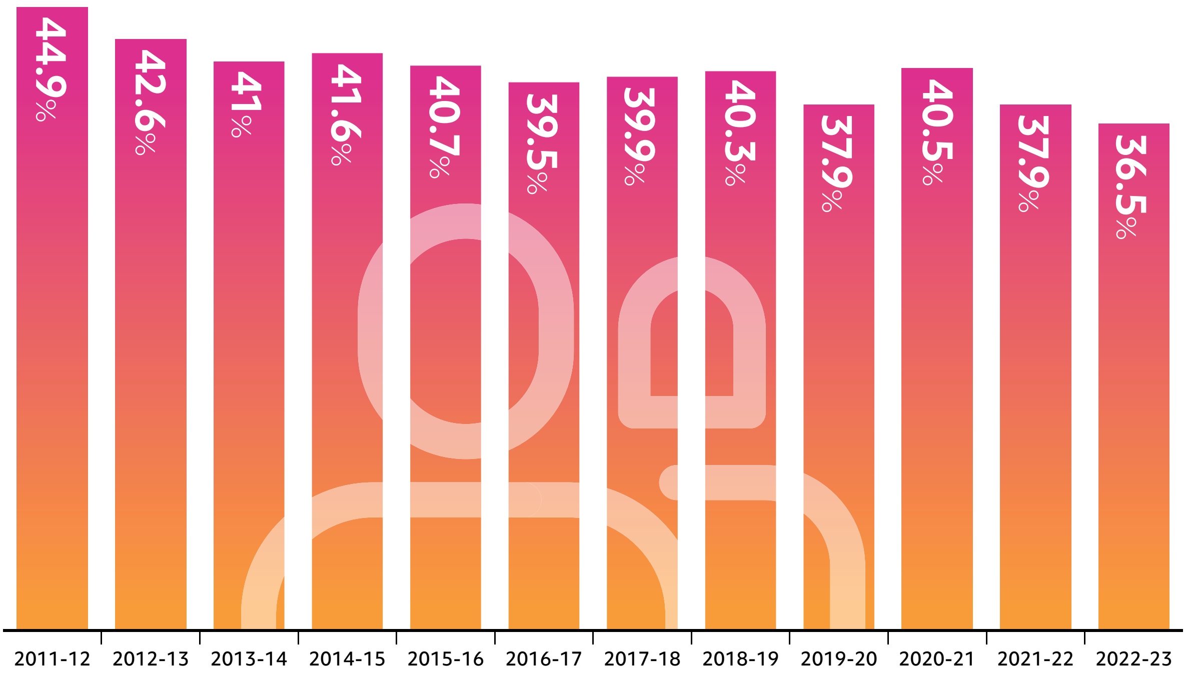
Obviously, different definitions and data sources could also be used. We welcome the government's publication of an official estimate of the gender pension gap in 2023.

We hope that the official status of the government's estimate will help it gain prominence over time and become the main benchmark for gender inequality in retirement savings.

Gender pension gap vs gender pay gap



Gender pension gap* *(* Prospect's estimates)*



The definition and data sources underpinning the government's estimate are also discussed below.

Despite having achieved our aim of getting the government to publish an official estimate of the size of the gender pension gap, we will continue to publish our own estimates for now.

This is partly because the government has, to date, only published an estimate for a single time period (2018 to 2020).

But also, because our series has some valuable features: it is relatively timely, it goes back to 2011-12, it includes important sources of income excluded from other measures.

Lowest ever estimate of the size of the gender pension gap

The chart above shows the full time series of our estimates of the size of the gender pension gap for all available years..

This series shows that the estimated size of the gender pension gap has generally been declining over time, and that our estimate for 2022-23 is a record low. This reduction in inequality is very welcome. But it needs to be fully understood and properly interpreted, if policy makers are to draw the right conclusions.

Understanding the trend in our estimates of the gender pension gap

While the general trend in our estimates of the gender pension gap over time is declining, there are some exceptions.

The main exception was the relatively large increase in the estimated gap in 2020-21 (which was largely reversed in 2021-22).

However, when we first reported our estimate for 2020-21, we were clear that the unusual increase over the previous year seemed likely to be due to data issues related to Covid-19.

(In brief: Covid-19 changed the way that the Family Resources Survey (FRS) was undertaken, with telephone surveys replacing in-person interviews.

This greatly affected the composition of responses to the survey, which made results, including the large increase in 2020-21, much less reliable than usual.)

The Covid-19 effect on the collection method, response rates and ultimately the distribution of characteristics of respondents to the FRS seems to have been largely unwound since 2020-21..

Taking this anomaly into account, the overall time series shows a clear declining trend in the estimated size of the gender pension gap over time.

Putting the trend in our estimates of the gender pension gap in context

As explained in more detail below, our measure of the gender pension gap is based on current pensioner incomes.

This means our estimate is a backward-looking measure: changes in retirement income for pensioners today largely reflect labour market and policy changes over past decades.

There have been labour market trends and pension policy developments in past decades that are behind the reductions in our measure of the gender pension gap.

Some of the most important of these trends and policies are:

- The reduction in the size of the gender pay gap over past decades.
- Greater female participation in the workforce over past decades.
- Greater female participation in pension schemes (relative to male participation – particularly driven by part-time workers) over past decades.
- Increased state pension entitlement for women (relative to men – driven by the introduction of HRP and, much later, the new state pension) over past decades.

As well as the significant reduction in the gender pension gap already experienced, these trends and policies will contribute to further reductions in future years.

But these developments are the largely unintended (if welcome) consequences of long-term labour market trends and pension policy decisions.

(Only the introduction of HRP and the new state pension could realistically be argued to have been deliberate attempts to address gender inequality in retirement incomes.)

But even if some of these trends reached their conclusion (ie the gender pay gap was closed, equal state pensions), there would still be a significant gender pension gap.

This is because the impact of caring responsibilities on the gender pension gap will continue to persist (for as long as women undertake a disproportionate share of caring).

As the impact of caring responsibilities is one of the main causes of the gender pension gap, this will still leave an unacceptably high level of inequality in the future.

It takes many decades for pension policy changes to feed into this measure of the gender pension gap.

Reducing the gender pension gap to an acceptable level, by even the end of the century, would require recognising caring responsibilities in the pension system within a decade.

Technical discussion of Prospect's estimate of the gender pension gap

Our latest estimate of the gender pension gap, 36.5% in 2022-23, is based on a particular definition and uses certain government datasets.

Definition of gender pension gap

For the reasons outlined in previous reports, Prospect's definition of the gender pension gap is:

"The percentage difference in average gross pension income for women receiving the state pension, compared to the average gross pension income for men receiving state pension."

This is different from the definition the government has used for its official measure of the size of the gender pension gap (see below for details of this).

Our aim is to promote the government's estimate as the main benchmark of gender inequality in retirement outcomes, but there is value in continuing to publish our series.

In the first instance our measure has the advantage of a long time series to examine trends (compared to the government's estimate for a single time period - 2018 to 2020).

Our measure is also available on a timelier basis and includes important elements of retirement incomes (eg state pensions) that are excluded from the government's measure.

Our measure also has a clearer starting point for inclusion in the analysis (reaching state pension age) compared to the government's measure.

Much more important than technical arguments about different statistical definitions of the gender pension gap, is the need for broad acceptance of a good measure of the problem.

Clearly official estimates produced by government are more likely to gain general acceptance and widespread prominence and this is why we seek to promote this.

In any case, so far, both our estimate and the government's are very consistent in showing that the gender pension gap is unacceptably high.

Data source

Our estimate is derived from an analysis of the datasets of responses to the Family Resources Survey (FRS).

This is a continuous household survey that collects information on a representative sample of private households in the United Kingdom.

FRS data are designated by the UK Statistics Authority as National Statistics and are used to provide the Department for Work and Pensions (DWP) with important information.

We do not claim that our estimate is definitive, but we believe it is a good indicator of gender inequality in retirement incomes that is supported by other data sources.

It is important to note the limitations of our estimate, which is subject to:

- sampling error
- under-reporting of pension income
- exclusion of people in nursing or retirement homes from the sample
- weighting of responses to correct for differential response rates.

In addition to the usual uncertainties affecting any estimate based on responses to the FRS, recent estimates have been subject to greater uncertainty due to Covid-19.

The pandemic affected the data collection method, the response rate achieved and the distribution of characteristics among respondents to the FRS.

Our analysis of the latest datasets of responses suggests that the Covid-19 issues are mostly resolved with the characteristics of respondents much closer to earlier years.

The government's official estimate of the gender pension gap in private pensions

On 5 June 2023, the Department for Work and Pensions published an ad hoc statistical release on the gender pension gap in private pensions across Great Britain[2].

This was the first significant success that Prospect's campaigning on the issue of the gender pension gap helped to achieve.

Our initial focus was on this measure because we felt it was relatively easy to achieve but could also make a significant contribution if it resulted in a significant increase in awareness.

To date, the publication of an official estimate of the size of the gender pension gap has not yet generated the increased profile we had hoped for.

This is something we will seek to build on (with other campaigners) as the series is updated in the future.

The main condition is that government continues to update its measure as new data becomes available; as noted below, this is something the minister has committed to.

Definition of gender pension gap

The DWP worked across government departments, and received suggestions from external organisations, to create an appropriate definition of the gender pension gap to report on.

Ultimately, it decided on an estimate of the gender pension gap in private pensions that was defined as:

"The percentage difference between female and male uncrystallised median private pension wealth around normal minimum pension age for those individuals with private pension wealth."

There are advantages and disadvantages to this definition of the gender pension gap from a technical point of view.

2 *https://www.gov.uk/government/statistics/gender-pensions-gap-in-private-pensions/the-gender-pensions-gap-in-private-pensions*

…whatever one's views about the merits of different ways of measuring it, the size of the gender pension gap is unacceptably large by any measure

For example, it is less backward-looking than our estimate of the gender pension gap based on pensioner incomes. It will be more responsive to policies that are intended to address it.

By looking at the gap for those around normal minimum pension age, this measure allows for the full extent of the gap, which emerges and grows over working lifetimes.

By design, this measure does not allow for differences in entitlement to state pension. However, the current system will eventually result in gender equality in state pensions.

The measure only includes those who have some private pension wealth and is therefore likely to exclude more women with low levels of pension wealth than men.

But the main purpose of any measure of the gender pension gap is simply to increase awareness of the problem.

To that end, an official estimate produced by the government, whatever the definition used, will always have advantages overestimates produced by other parties.

Data source

The government's official estimate of the size of the gender pension gap comes from an analysis of responses to the Wealth and Assets Survey.

This is a longitudinal survey carried out by the Office for National Statistics (ONS) which gathers information on the level of assets, savings and debt amongst households and individuals. Respondents are questioned every two years.

Wealth and Assets Survey data is designated as a National Statistic.

Government's estimate

The DWP's official estimate of the gender pension gap on this measure is 35% (for the period 2018 to 2020).

Despite the differences between the definitions used, this is consistent with our estimate of the size of this problem.

These results show that, whatever one's views about the merits of different ways of measuring it, the size of the gender pension gap is unacceptably large by any measure.

Given the consequences that this level of inequality in retirement incomes has on women, it must be a priority for government to tackle it.

Action required by government

Closing the gender pension gap requires political commitment, because it relies on actions that only government can take.

Government has already used its resources to produce an official estimate of the size of the gender pension gap.

But further, much more radical, policies will be required to fully address the gender pension gap.

This is because closing the gender pension gap requires interventions to deal with the failure of the labour market to properly reward caring responsibilities.

Only the government has the power to ensure that those undertaking caring responsibilities do not experience significantly worse retirement outcomes as a consequence.

This section focuses on the main steps that we (and hopefully other stakeholders) will be lobbying government to take.

The government's official estimate of the gender pension gap in private pensions

As noted previously, the very first goal for our campaign to tackle the gender pension gap was for government to publish an official measure of this problem.

We felt that greater awareness of the size of the gender pension gap was needed to create the conditions in which support for the further necessary policies could grow.

Nothing else will bring as much attention to this problem as an official government estimate highlighting the unacceptable size of the gap.

The government's publication of an initial estimate of the gap in 2023 was an important step, but did not hugely increase the profile of this issue.

But that was just an ad hoc release covering a single time period (2018 to 2020). An official series, showing progress over time, will have a higher profile.

The underlying data source that the government used for its measure of the gender pension gap (the Wealth and Assets survey) is biennial, which obviously impacts timing.

However, the data needed to update the government's initial estimate (ie for 2020 to 2022) is now available.

We have written to officials and been reassured that they intend to update their initial estimate of the gender pension gap.

The minister gave a similar commitment in response to a recent written parliamentary question from Yuan Yang MP[3]:

"The Department is committed to both monitoring and narrowing the Gender Pension Gap and we are currently exploring the latest Wealth and Assets survey, provided by the ONS, with the aim of publishing an update on the Gender Pension Gap publication in due course."

The commitment to publish an update on the government's 2023 publication based on the latest Wealth and Assets survey is welcome.

But a commitment to publishing a regular series of estimates of the size of the gender pension gap, on a timely basis after the data becomes available, is needed.

This will eventually enable all stakeholders to track progress on tackling the gender pension gap (on the government's preferred measure) over time.

Backfilling the series with estimates based on earlier datasets of responses to the Wealth and Assets survey would give a fuller picture of progress.

An official target for reducing the gender pension gap

The minister's stated commitment to narrowing the gender pension gap (given in the parliamentary question response referred to above) is very welcome.

But for this commitment to be meaningful, government must set a target for the reduction in the gender pension gap that it believes is appropriate.

This would enable other stakeholders, but especially Parliament, to hold government to account for its progress in reducing gender inequality in retirement outcomes.

We have discussed earlier in this report how past labour market

3 *https://questions-statements.parliament.uk/written-questions/detail/2025-03-27/42180/*

A government target must be set in terms of the additional reduction in the gender pension gap over the expected baseline trend

trends and pension policy decisions have resulted in reductions in the gender pension gap over time.

These reductions will continue for many more years; hence it is important that any target set by the government takes this baseline into account.

A government target must be set in terms of the additional reduction in the gender pension gap over the expected baseline trend.

Alternatively (or in addition), government could set a target for when the gender pension gap will be reduced to a more acceptable level (say, 10%).

Plans for reducing the gender pension gap

A target for reducing the gender pension gap will be meaningless unless accompanied by specific plans that will have a practical impact.

When setting any target, government should explain the policies it will enact to achieve it (and the contribution those policies will make to reducing the gender pension gap).

Other stakeholders, but especially Parliament, can test whether the proposed plans are sufficient to achieve the stated goals.

This is something that both the Work and Pensions and Women and Equalities committees (separately or jointly) could undertake scrutiny work on.

Policies for reducing the gender pension gap

In previous reports we have highlighted many different potential policies that would reduce gender inequality in the pension system.

This report focuses on the two interventions that would have the most meaningful impact in tackling this problem.

Credits for additional state pension entitlement when looking after young children

Women undertake a disproportionate share of caring for young children.

Caring for young children is often a full-time role, requiring the carer to completely withdraw from paid employment for a time.

This, in turn, impacts their retirement income as they are not generally building up pension while doing unpaid work.

The UK's pension system recognises the potential impact this could have on their state pension through a system of credits that protect entitlement to that benefit.

The effectiveness of these credits can be seen in DWP projections[4] that show women will reach state pension age with the same state pension entitlement as men by about 2040.

But withdrawing from paid employment to care for young children does not just impact state pension entitlement.

Most carers will also be affected by the loss of the workplace pension they would have been able to build up if they had been in paid employment.

As well as National Insurance credits to protect state pension

4 *Impact of New State Pension on an Individual's Pension Entitlement (Figure 3) – https://assets.publishing.service.gov.uk/media/5a803fde40f0b62302692669/impact-of-new-state-pension-longer-term-reserach.pdf*

rights, there also needs to be recognition of the lost workplace pension rights too.

There are different ways to protect unpaid carers' workplace pension rights while they are not in paid employment.

Prospect's preferred approach is for a system of credits that provide additional state pension entitlement – an extra state pension credit - to people in this position.

Such an additional state pension credit could take a variety of forms and be set at different levels.

A flat-rate credit, of an additional amount per week for every year a carer was not in paid employment due to looking after young children, would have several advantages:

- Simple and inexpensive to administer
- Easy to understand
- Benefit targeted at those most in need
- No upfront cost to Exchequer, feasible to incorporate into wider state pension reform

No decision on the level such an additional state pension credit could be set at could be taken until a much later stage.

However, for illustrative purposes, a credit of £3 per week in 2025-26 prices would seem to strike a balance between long-term cost and making a difference to retirement incomes.

Other stakeholders, particularly pension providers, have called for similar measures, but more often in the form of a taxpayer-funded payment to a relevant workplace pension pot.

While this would have a similar impact on women's retirement incomes, it would involve significant upfront costs to the Exchequer and hence seems much less realistic.

Prospect is also calling for workplace schemes to make better provision for members who move to unpaid parental leave.

But any such measures would not reduce the need for the proposed additional state pension credit.

The overall impact of caring for children on retirement incomes is much greater than the combined effect of these proposed measures (due to time spent working part-time etc.).

Credits for additional state pension entitlement for other caring responsibilities

Caring for older people can also have a significant impact on retirement incomes (and is also undertaken disproportionately by women).

The loss of workplace pension, that would have otherwise been built up, by this group of carers should also allowed for.

The current system of state pension credits for carers could be used to determine eligibility for an additional state pension credit that is similar to that for those looking after children.

Indeed, as a default, the same eligibility rules (as for the current state pension credit) and rate (as for the proposed credit for those looking after children) would seem most sensible.

Summary – action required by government

In this section we have called for several actions by government that we believe are necessary to bring the size of the gender pension gap down to an acceptable level. These are:

- A commitment to publishing a regular series of official estimates of the size of the gender pension gap, on a timely basis after the data becomes available.
- An official target for reducing the size of the gender pension gap over time. (Taking into account the baseline reduction even if no action was taken.)
- A formal plan setting out the specific policies to be implemented in order to achieve the official target for reducing the size of the gender pension gap.
- Introduction of an additional state pension credit of about £3 per week for every year spent out of paid employment due to looking after young children.
- Introduction of an additional state pension credit of about £3 per week for every year spent out of paid employment due to other caring responsibilities.

Action by employers

As sponsors of workplace pension schemes, employers have a vital role to play in tackling the gender pension gap.

Public sector employers are subject to the public sector equality duty and hence should be proactively considering how to address it in their workforces.

Private sector employers have no similar statutory duty and are, in the vast majority of cases, unlikely to even be aware of its impact on their workforces.

Hence the best approach to take to deliver action at employer level depends on whether we are talking about the public or private sectors.

In both cases, the most logical place to raise the issue is through established industrial relations structures.

We believe this places significant responsibility for tackling this problem on recognised trade unions.

Very often, it will only be through the initiative of trade union representatives that the gender pension gap is even discussed with employers.

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We will encourage our negotiators and lay representatives to put steps to tackle the gender pension gap on the bargaining agenda of as many of our branches as possible.

Any efforts to change the rules of public service pension schemes will have to be coordinated amongst branches in the same scheme and with other trade unions.

Membership levels in these schemes are very high though, so such efforts could deliver significant results that quickly show up in national measures of the gender pension gap.

Changes at individual employer level in the private sector may be easier to achieve, but there are many more such schemes which is a different challenge.

This section of the report highlights best practice approaches to tackling the gender pension gap in the public and private sectors.

We hope these examples offer a model to Prospect's, and other trade unions', branches to build on.

The best practice in the public sector relates to proposals to address the gender pension gap in the Local Government Pension Scheme (England and Wales).

The best practice in the private sector relates to the approach taken by the Atomic Weapons Establishment Ltd to employees on unpaid statutory parental leave.

Best practice in the public sector

Local Government Pension Scheme

LGPS stakeholders have taken the issue of the gender pension gap more seriously than those involved in other public service pension schemes.

Last year's report[5] explained that the LGPS Scheme Advisory Board (SAB) commissioned a proper analysis of the problem and established a structure to assess solutions.

Unsurprisingly, this approach eventually produced effective proposals that represent serious action to tackle the problem.

The proposals are outlined below. They represent probably the most significant progress in addressing the gender pension gap since our first report was published.

Other public service schemes (also generally defined benefit schemes, but nearly all unfunded) are far behind the LGPS.

Progress in those other schemes depends on Treasury taking a different approach, and this will require effective campaigning by scheme members and their representatives.

MHCLG published a consultation document[6] outlining proposed reforms to the LGPS on 15 May, this included five specific measures to address the gender pension gap:

Other public service schemes (also generally defined benefit schemes, but nearly all unfunded) are far behind the LGPS

1. Making authorised unpaid absences under 31 days automatically pensionable.

Most authorised unpaid absences under 31 days in the LGPS are taken by women (likely due to women undertaking a disproportionate share of caring responsibilities).

The current system for making these periods pensionable is difficult and most members do not take advantage of it. The proposal is to make such periods pensionable automatically.

While this will have a cost, it will improve outcomes for those with caring responsibilities and reduce the scheme's gender pension gap.

2. Pensionability of parental leave

Most public sector employers only pay employees on maternity/ adoption/shared parental leave for the first 39 weeks of the 52 weeks of statutory leave.

Due to the way schemes rules tended to be drafted in the past, a consequence is that the 13 weeks of unpaid leave is not generally pensionable.

The proposal is to make additional maternity leave, additional adoption leave and shared parental leave, during which no pay is received, automatically pensionable.

This will directly benefit women who take the full period of statutory maternity leave and should also encourage take up of shared parental leave.

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5 *https://union.prospect.org.uk/resource/6th-annual-gender-pension-gap-report.html*

6 *https://www.gov.uk/government/consultations/local-government-pension-scheme-in-england-and-wales-access-and-fairness/local-government-pension-scheme-in-england-and-wales-access-and-fairness*

3. Changing how the cost of buying back pension lost in an unpaid break of over 30 days is calculated.

LGPS members who take an unpaid break of over 30 days have an option under the scheme rules to buy back the lost pension after they return.

Currently the cost of buying back lost pension is calculated using actuarial factors that account for age and gender (members can get the employer to pay 2/3rd of the cost).

This is in contrast to the usual approach where the normal member contribution rate is set in regulations and does not take factors like age and gender into account. Analysis suggests the current approach is generally cheaper for younger males and more expensive for older and female members.

The preferred option in the consultation is to align the cost with the standard contributions rates that apply when members are not on unpaid leave.

This would make buying back lost pension more affordable for women and increase the number doing so, which should help reduce the gender pension gap.

4. Ease of buying back pension lost in an unpaid break of over 30 days.

Probably even more important than changing the cost of buying back pension lost in an unpaid break of over 30 days, is making this option more available.

Currently uptake of this option is relatively low, probably due to low awareness as well as the tight deadline for getting the employer to contribute 2/3rds of the cost.

The proposal is to extend the deadline for this from 30 days after returning to work to one year.

Along with greater awareness of the option, this measure could greatly increase the numbers buying back service lost due to caring responsibilities. (In most other public service schemes the initial challenge will simply be to press to introduce such an option in the first place as it is not generally available elsewhere.)

5. Mandatory gender pension gap reporting

The LGPS does not collect data on the difference between accrued pensions of men and women, the proposal is to make gender pension gap reporting mandatory in the scheme.

The intent is to gather data to understand the gap better, and to encourage employers to focus on the factors that may be contributing to it.

Best practice in the private sector

Atomic Weapons Establishment Ltd

AWE is an employer that has taken the issue of the gender pension gap more seriously than peers in the defence industry, and the private sector generally.

As with the LGPS, this has extended to commendable efforts to understand its causes and explain them to members where possible.

AWE is typical of private sector employers in offering a defined contribution pension scheme to nearly all employees.

The design of these schemes is very simple, the only real lever for addressing the gender pension gap is through the level of employer contribution.

AWE's approach is to continue to pay the employer pension contribution that would otherwise have been payable when employees move to unpaid statutory parental leave.

Due to the number of employees involved in any year, this is not a very expensive measure (compared to total payroll), but it is effective in reducing the gender pension gap.

As an illustration: if, say, 2% of a workforce took full statutory parental leave in any year, they would get a typical employer contribution of say, 10% of their pay, for 13 weeks (25% of the year). If their earnings were typical of the overall workforce, then the expected cost would be 2% x 10% x 25%, or 0.05% of payroll.

This is a measure that almost any private sector branch could easily achieve through negotiation with their employer, if they just put it on the bargaining agenda.

Of course, the relatively low cost is also an indication of the limitation of the measure in comparison to the scale of the problem. But it would be a valuable first step.

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Tackling the Gender Pension Gap

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