

## **Differences in private pension acquisition between men and women in the UK**

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### **Abstract**

Pensions have gained considerable attention over recent years. In particular there has been concern about their future sustainability (DWP, 2002; 2005). The fact that longevity is increasing, with the life expectancy at the age of exit from the work force 20.4 years for men and 25.1 years for women (Pensions Commission, 2005), has led to concerns about growing economic dependency ratios and rising pension deficits (Foster, 2008). At the same time there has been an increasing awareness of the situation of many female pensioners without access to significant pension entitlements in their own right (DWP, 2005; Ginn, 2003; Price, 2008). The Government and pensions industry face the difficult challenge of satisfying two potentially contrasting demands: to ensure that government pension spending remains stable and also respond to the needs of the poorest pensioners, many of whom are women. Over recent years Governments have increasingly emphasised the role of private saving and individual responsibility in pension provision as a means of reducing its own expenditure and encouraging long-term sustainability. This is evident in New Labour pension policy, which initially stated its intention to move from 40% to 60% private pension provision by 2050 (DWP, 2002). Although the government has subsequently acknowledged that these figures are overambitious the ideology remains (Hill, 2007). The promotion of a discourse of responsibility in negotiating changing economic risks places many women without the means to ensure adequate retirement savings in a particularly difficult predicament, especially those with an interrupted work history (Foster, 2008).

This paper explores the differences in private pension acquisition between men and women and considers the extent to which pensions are gendered in the UK. It uses the General Household Survey (GHS) 2001/2 to analyse how women's retirement income is influenced by the interplay of employment histories, fertility, class and the design of pensions in the UK. It employs logistic regression analysis to show how pension accumulation is a complex process influenced by numerous factors including educational attainments, income, occupational group, and full-time/part-time status, and how these affect private pension entitlements. It shows that these characteristics play an important role in men and women's access to different forms of private pension provision. Finally it suggests that strategies to alleviate disadvantages among current and future female pensioners must take into account the complex circumstances that individuals experience which result in diverse pension provision.

**Key Words** – Pensions, gender, inequality, employment, private, savings

## **Introduction**

Issues around the future sustainability of pensions have been at the forefront of pensions debates in the UK (DWP, 2002; 2005: Pensions Commission, 2004, 2005, 2006). Concerns about growing economic dependency ratios and rising pension deficits have been exacerbated by increasing longevity, with the life expectancy at the age of exit from the workforce 20.4 years for men and 25.1 years for women (Pensions Commission, 2006). In response the Government has emphasised private saving and individual responsibility in pension provision as a means of reducing expenditure and encouraging long-term sustainability (DWP, 2002, 2005). At the same time there has been an increasing awareness of the situation of many female pensioners without access to significant pension entitlements in their own right (DWP, 2005; Ginn, 2003a: Price, 2007a, 2007b). In essence the Government and pensions industry face the difficult challenge of satisfying two potentially contrasting demands: to ensure that government pension spending remains stable and also respond to the needs of the poorest pensioners, many of whom are women (Walker and Foster, 2006a).

Given that the pension received in later life is related to prior experience it is essential to consider the implications of a number of factors on pension contributions. For instance, the ability of people to contribute to a pension during their working lives depends on the pension offered by their employer, their capacity to save in the face of their immediate financial situation and the pension requirements in place at a given time (Foster, 2008). For those with a fragmented employment history their situation in retirement may be largely dependent on the pension of a partner or, if this is not available, state benefits. Many women in particular face significant challenges in building up adequate pensions in their own right, especially private forms of pension provision (Ginn, 2003a).

This paper explores the extent to which pensions are gendered in the UK with particular reference to differences in private pension acquisition between men and women. Initially, it outlines the current pension structure in the UK before focusing specifically on private pension provision. Then secondary data, in the form of the General Household Survey (GHS) 2001/2, is used in order to examine men and women's private pension provision in the 21<sup>st</sup> century. Building on the analysis conducted by Ginn and Arber (1996, 1999, 2000, 2001), which uses mid-1990s GHS data to show the impact of various factors on women's non-state pension contributions, this article considers the impact of educational attainments, age, income,

occupational group, and full-time/part-time status on men and women's private pension provision. Logistic regression, a form of multivariate analysis, is then used to show the relative impact of these characteristics on men and women's private pension provision.

### **Women and Pensions on the Agenda**

Women's pension provision has come under significant scrutiny over recent years with an official report on Women and Pensions (DWP, 2005), the 2006 White Paper (DWP, 2006a) and the Pensions Commission Reports (2004, 2005, 2006) which have acknowledged women's disadvantaged position compared to men when attempting to build up an adequate pension in their own right. The current UK pension, described as the 'most complex pension system in the world', (Pensions Commission, 2004: 210) consists of a mixture of insurance-based state provision in the form of a basic state pension and state second pension, means tested pension credit benefits, and state support via tax relief for private pension investments. People and occupational schemes have the opportunity to opt out of some forms of the state provision with private investment taking the form of occupational provision by employers or individual saving in specially designed schemes (Price, 2007b).

The basic State Pension has been a source of disadvantage for women for many years with only 35 per cent of women compared with 85 per cent of men currently entitled to a full basic state pension with women tending not to make contributions for as many years as men (DWP, 2008a). The average amount of entitlement to state pension in 2006 was £62.87 a week for women compared to £72.10 a week for men (PPI, 2008). Until recently New Labour has continued the path of the Conservatives, to decrease the basic State Pension. By indexing the basic state pension to prices instead of national average earnings it has eroded its value since 1985/6 from 22.4 per cent of average adult full-time earnings to 15.6 per cent of average adult full-time earnings in 2005/6 (DWP, 2008b). However the government will re-establish the link to earnings rather than prices between 2012 and 2015 following the recommendations of the Pensions Commission (2006).

The Government will also link accrual to contributions or credits, relaxing these requirements so much that virtual universality in the basic State Pension is achieved in future (PPI, 2006a). For those retiring after 2010 only 30 years of either contributions or credits will be needed over the life course in order to receive a full

basic State Pension. This is seen to 'better reflect the different ways in which people contribute to society' (DWP, 2006a: 18), in particular a partial acknowledgement of the importance of caring predominantly carried out by women. Hence the government predicts by 2025 90 per cent of women will have a full Basic State Pension (DWP, 2007). This increase will eventually lead to a reduction in means testing, although the improvements will be limited in impact as long as the basic State Pension remains well below the subsistence level guaranteed by the Pension Credit (Hill, 2007). Increases in expenditure will be partially offset by the increase in the State Pension age between 2024 and 2068 to 68 for men and women (women's state pension age will be raised to 65 by 2020).

The State Second Pension (S2P) replaced SERPS in 2002. The main beneficiaries of the S2P are likely to be women as they are more likely to be lower earners and the main beneficiaries of the credits (DWP, 2005). Although the S2P is set to become more inclusive of carers (Ginn, 2006) both the Government and the Pensions Commission have recently recommended reductions in the maximum value of the S2P (Price, 2007b). It will be converted to a flat-rate pension by approximately 2030. This will be split into two parts: the basic State Pension, at about 13 per cent of average earnings and the S2P worth about 17 per cent of average earnings (Price, 2008). Unlike the basic State Pension it will be linked to prices rather than the best of prices or earnings. The PPI (2006b) state that when the basic State Pension and S2P are combined, because of gaps in coverage and continued price indexation of the S2P, around 30 per cent will be dependent on means testing in retirement in 2050.

The Pensions Credit is a means-tested benefit targeted at the poorest pensioners introduced at a cost of £10 billion by New Labour. Women are overrepresented in its receipt consisting of 1.3 million out of the 1.9 million recipients in late 2005. However, in 2006/07 between 33 and 41 per cent of entitled pensioners failed to claim all of the Pension Credit they were entitled to (DWP, 2008b), with single female pensioners making up the majority of non-claimants (DWP, 2005). These figures are a result of the continuing complexity of the system and the very real stigma attached to making a claim (Hill, 2007).

The implementation of a National Pensions Saving Scheme (NPSS) in the form of Personal Accounts from 2012 has done little to alleviate the concern for many female pensioners (Price, 2008). This will involve auto-enrolment of individuals into a low cost saving scheme whereby employees earning between around £5,000 and

£33,500 a year contribute 4 per cent of their earnings, employers 3 per cent and a further 1 per cent in tax relief. The intention of the scheme is to offer access to a portable occupational pension to millions of people who are currently without access to good quality workplace provision while allowing existing schemes, with benefits or contributions above the Personal Accounts minimum, to continue to run (DWP, 2007). However, like other forms of private pension provision, they make no allowance for the gaps and periods of part-time employment which characterize the work history of many women with family caring commitments (Ginn, 2006).

Although the proposed introduction of Personal Accounts and, in particular, changes to the basic State Pension, improving carers' credits and making the system simpler and fairer will have undoubted benefits for women, 'it does not represent a paradigmatic reform of a kind that will have a substantial impact on gendered outcomes in later life' (Price, 2007b: 20). While ever the basic State Pension remains so low, below the subsistence level guaranteed by the means tested Pension Credit, private pension provision will be imperative (Hill, 2007).

### **Occupational and private pension schemes**

Occupational pensions have generated a wider gap between older men and women's personal income than arose from state pensions alone. Designed predominantly for middle class men's pattern of continuous full-time employment, occupational pensions serve to translate women's labour market disadvantages into low income in later life (Ginn and Arber, 1999, 2001). In 2006/7 single males received on average £69 a week from occupational pensions while females only received £49 a week from this source (DWP, 2008a).

There are two main forms of occupational pension schemes, Defined Benefit (DB) occupational pension schemes and defined contribution (DC) schemes which have characteristically been used in personal pensions and, more recently, have become increasingly common in occupational pension schemes. DB schemes typically operate with a one-60<sup>th</sup> principle for each year of service up to a maximum of 40 years, with a maximum income from this form of pension of two-thirds of final salary in retirement (Foster, 2008). They most commonly take final pensionable earnings as the best year of pensionable earnings in the last three years before leaving service. The return is maximised for those whose earnings rise with age and who remain in the scheme until retirement, penalising women who have typically flatter earnings

profiles. Therefore DB schemes work best for an individual promoted to a high income prior to retirement, and for those with longevity of service, characteristics less likely to be associated with women due to domestic and family responsibilities.

The pension resulting from a DC scheme depends solely on the fund accumulated at retirement. This is then used to buy a life annuity, although up to 25 per cent of the fund may be taken as a tax-free lump sum on retirement. As a result of actuarial calculations which reflect women's greater average longevity the same size of fund buys an annuity for a woman that is about ten per cent less than a man's (Ginn, 2003a). A DC scheme makes the financing of benefits explicit but leaves the cost of the benefits unclear. Recently falling equity prices and declining annuity rates mean that a larger DC fund is now required to provide a decent retirement income (Price, 2008). Furthermore, there has been a shift towards DC pension schemes from DB schemes. Between 1997 and 2005, full-time employee membership of DB schemes fell from 46 per cent to 35 per cent (Mann, 2009). Women may be less affected than men by the shift from DB to DC schemes given their high level of employment in public sector forms of employment, such as nursing and teaching, which have retained their DB schemes (Foster, 2008). However, women's greater longevity means that the move towards DC schemes is likely to have further consequences for women on the death of a spouse as about 70 per cent of annuity purchases are for single annuities (DWP, 2005). This is potentially problematic for those women reliant on partners pensions as about half of all women over 65 are widows, rising to almost 80 per cent of women over 80 (Arber and Ginn, 2004).

Despite women's increased rate of employment, which resulted in 13.3 million women in employment in 2007 (Self and Zealey, 2008), they have remained disadvantaged in occupational pension scheme membership. In fact GHS (2001/2) data has shown that between the ages of 20 and 59 about 30 per cent of women are not in paid work compared with under 20 per cent of men. Many of the employment opportunities for women are in part-time, temporary and poorly paid employment where occupational pensions are less generous. Women typically have lower earnings than men with median hourly earnings (excluding overtime) of full-time employees in 2007 for women (£10.46) 23 per cent less than those for men (Self and Zealey, 2008). The gender gap in hourly pay is 40 per cent for part-timers (Ginn, 2006). Furthermore, the adverse impact of children and childcare on women's employment history is well established and has not been rectified by appropriate childcare measures as the

ideological connection between women and caring continues to underpin public, social and employment policies (Ginn, 2003a). A woman who has taken time out to have children may never catch up with the rate earned by a woman with a continuous employment history.

Critics of occupational pensions attack their uneven coverage, regressive distributional effects and the way they undermine support for state welfare (Sinfield, 2007). Tax subsidies are crucial to personal and occupational pension provision with one-fifth of all contributions to private pension coming from tax relief. Tax relief on pensions costs about £16 billion a year, with 55 per cent of it going to 2.5 million high rate taxpayers (PPI, 2005). These tax subsidies increase inequality (including those among men and women) because higher rate income tax payers can reduce their tax liability by taking part of their remuneration in the form of pension contributions. Therefore, occupational pensions, while providing an important benefit to more privileged employees, in effect magnify existing labour market inequalities such as those experienced by women.

Male pensioners are also more likely to be in receipt of higher levels of personal pension than female pensioners (DWP, 2008a). Personal pension schemes were promoted under the Conservatives in the 1980s with considerable financial incentives to switch to personal pensions from the State Earnings-Related Pension Scheme (SERPS). Personal pensions provide smaller amounts of pension than occupational pensions as well as being a much less common source of income (although the average contribution to pensioner's incomes from personal pensions over the last 8 years has more than trebled (DWP, 2006a)). These pensions are private individual DCs and may be used where occupational pension schemes are not available (for instance by the self-employed) or in addition to these. Personal pensions are likely to provide lower incomes than occupational ones because of their lower levels of employer contributions, lack of inflation-proofing, and absence of a guaranteed pension level (Ginn and Arber, 1999). The miss-selling of such pensions in the 1980s and 1990s and the recent poor performance of the stock market are further sources of uncertainty (Mann, 2001). Personal pensions avoid some of the losses associated with changing employer that are found in DB occupational schemes but with penalties for cessation of contributions they are least suitable for women who may have fragmented employment histories (Ginn, 2003a).

Thus far it has been shown that the relatively low level of state pension has emphasised the importance of private forms of pension provision. Overall women are less likely to contribute to private forms of pension provision than men; currently 38 per cent of working age women contribute to private pensions compared to 46 per cent of men (DWP, 2005), and when they do their contributions tend to be lower. It is important to explore further the pension provision of those women in paid employment and how pension systems have interacted with the labour market, to create a situation where women tend to receive lower pensions than men. In order to do this GHS analysis is employed to examine the impact of various key factors on men and women's pension contributions.

### **Methods**

The GHS is a cross-sectional study of 8600 households in the UK comprising around 20,000 individuals. Detailed questions about income and pensions are asked of those of working age. This study concentrates on those in paid employment (we have already seen how those not in employment are excluded from access to occupational pension schemes). Pension receipt was categorised in the following manner: those with any private (non-state) pension provision, those with a personal pension and finally those with an occupational pension. Unfortunately the survey does not differentiate between DB and DC schemes and does not state the levels of contributions. Furthermore it cannot predict lifetime accumulation of pension entitlements since many of those not currently contributing to a private pension may have done so in the past and may do so in the future. The analysis is based on five subsections: educational attainments, part-time/full-time employment, income, socio-economic classification and age. These have all been identified as having a significant impact on pension provision (Ginn and Arber, 1996, 1999, 2000, 2001). To establish further causation logistic regression, a form of multivariate analysis, is employed. This isolates the significance of various factors on women's disadvantageous position in later life compared with their male counterparts.

## Analysis of the variables

### *Education*

Educational attainment has been linked to an increasing involvement in higher paid employment and subsequently better pension contributions (Ginn and Arber, 2002). Therefore the fact that women have benefited from increasing levels of educational qualifications should assist them in employment (Ginn, 2003a). For instance, there were nearly 5.4 million students in further education in 2001/2, 58 per cent of whom were female (Summerfield and Babb, 2004). This represents more than double the proportion in the 1960s. Therefore the increasing educational achievements of women are likely to have a greater impact on future pensioners.

Table 1.1 Current pension scheme membership by highest educational level attained and sex

Pension scheme members	Education level <sup>1</sup>						Total <sup>2</sup>
	Degree+	Intermediate	A Levels	GCSE	Other	None	
	Percentages						
Male full-time							
Occupational pension <sup>3</sup>	71	59	54	53	43	44	54
Personal pension <sup>4</sup>	21	25	24	22	23	22	22
Any pension	81	74	67	67	58	59	67
Female full-time							
Occupational pension <sup>3</sup>	74	69	57	49	48	40	58
Personal pension <sup>4</sup>	13	15	14	11	9	11	13
Any pension	79	76	64	55	52	48	65
Female part-time							
Occupational pension <sup>3</sup>	54	52	38	29	13	25	33
Personal pension <sup>4</sup>	14	10	9	9	10	6	8
Any pension	62	56	41	34	22	28	39

1 An individual will be placed in the highest possible category, thus they will only be placed in a category if none of the previous categories apply.

2 Totals include no answers to educational attainments.

3 Including a few people who were not sure if they were in a scheme but thought it possible.

4 Those who had chosen to contract out of the State Earnings Related Pension Scheme (SERPS) and arrange their own personal pension.

Employees aged 16 and over excluding YT and ET.

Source: General Household Survey, 2001/2 (author's analysis).

This analysis of GHS data supports Ginn and Arber's (2002) research in showing that the likelihood of contributing to occupational pensions increases with educational attainments (see table 1.1). For instance, men in full-time employment with no qualifications are 15 per cent less likely to contribute to any pension scheme than those with a degree, and women in full-time employment with no qualifications 28 per cent less likely to be members of any pension scheme than full-time employees with a degree. This wider dispersion of contributions for women than men is likely to lead to an increased polarisation of pension entitlements in retirement (DWP, 2005). This is exacerbated by lower levels of pension contributions in part-time female employment. Even when part-timers have equivalent qualifications to full-timers they are less likely to belong to a pension scheme. Therefore, although the level of qualifications is important there is also evidence to suggest that being a full-time or part-time employee affects pension contributions even where the level of education is the same. Educational status has little impact on personal pension provision for both men and women. This may be a result of the fact that they may be used as an alternative to occupational pensions for those with the lowest educational attainments and lowest pay and as a top up to occupational pensions for those with the most money to invest.

#### *Full-time and Part-time Employment*

Nearly half of employed women in the GHS were in part-time employment compared with less than 10 per cent of men (Table 1.2). Although part-time work is characterized by low pay it is not always a negative phenomenon as it offers a contribution to balancing the demands of home and work (Warren, 2006; Foster, 2008). It is also useful for employers as part-time contracts can be used to extend opening hours and match supply to demand at minimum cost. However it is also associated with poorer working conditions, job insecurity, lack of training and career development opportunities, lower hourly rates of pay and smaller pensions (Ginn, 2003a).

Table 1.2 Current pension scheme membership by age and sex

Pension scheme members	Age						Total <sup>3</sup>
	16-19	20-24	25-34	35-49	50-59	60 plus	
	Percentages						
Male full-time							
Occupational pension <sup>1</sup>	6	29	52	64	63	45	54
Personal pension <sup>2</sup>	0	5	23	28	21	14	22
Any pension	6	31	66	79	76	54	67
Female full-time							
Occupational pension <sup>1</sup>	11	38	60	64	63	44	58
Personal pension <sup>2</sup>	0	6	15	16	10	2	13
Any pension	11	42	69	71	70	46	65
Female part-time							
Occupational pension <sup>1</sup>	4	7	41	45	38	22	33
Personal pension <sup>2</sup>	0	0	12	12	8	5	8
Any pension	4	7	47	52	44	24	39

- 1 Including a few people who were not sure if they were in a scheme but thought it possible.  
 2 Those who had chosen to contract out of the State Earnings Related Pension Scheme (SERPS) and arrange their own personal pension.  
 3 Totals include no answers to socio-economic status.  
 Employees aged 16 and over excluding YT and ET.

Source: General Household Survey, 2001/2 (author's analysis).

Table 1.2 shows that in every age group part-time employees are less likely to belong to a pension scheme than full-time employees. This is the case for both personal pensions (except part-time women employees aged 60 and over) and occupational pensions. Overall only 39 per cent of women part-time workers contribute to any pension compared with 67 per cent of male and 65 per cent of female full-time workers. This indicates that despite legislation introduced in July 2000, which gave new rights for part-time workers, including an entitlement to the same hourly rate of pay and same access to company pension rights, part-timers are still less likely to belong to pension schemes than their full-time counterparts (DWP, 2002). The immediate financial needs often result in an informed choice not to become a member of a scheme (Ginn, 2003a). Furthermore, GHS (2001/2) data also showed that 78 per cent of women working full-time stated that their current employer had a pension scheme compared with 63 per cent of women working part-time. Therefore, due to the greater proportion of women working part-time than men, the number of women with private pensions is likely to remain below that of men (DWP, 2005).

### *Age*

The age of an individual tends to have an impact on their pension status. This differs by gender as men and women encounter different life course experiences at different stages. For instance women are more likely to have time out of employment as a result of caring for children in childbearing years (Williams, 2004) and men are likely to work longer than women due to differences in the age at which the state pension can currently be claimed (Mann, 2001). The fact that women are likely to have shorter average job durations than men adversely affects their opportunity to build up private pension provision since they are less likely to extract the benefits from long membership of a scheme (DWP, 2006b). Table 1.2 shows that men and women in full-time employment have similar levels of occupational pension contribution which increases with age. This increase in provision with age is related to the fact that earnings usually rise with age. Pension contributions of both male and full-time and part-time employees are lower for 16-24 year olds than at any other age group. Although this may be associated with the lower rates of pay found when first entering the labour market it may also be related to the issue of choice and younger peoples' unwillingness to plan for retirement as it is so far in the future (Sykes *et al*, 2005). There is a levelling off of levels of pension contribution in the years prior to retirement between the ages of 50 and 59. There is then a trend for lower levels of pension contributions amongst those aged 60 and over. This is likely to be a result of occupational downgrading and pre-retirement transitions (Phillipson, 1998).

### *Income*

Table 1.3 shows that both men and women are more likely to access an occupational or personal pension the higher their usual gross weekly earnings. Less than half of full-time men and women earning £100 or less a week are members of an occupational or personal pension whereas over four fifths earning more than £500 contribute to a private pension. This is also related to the fact that highly paid professions tend to offer decent pension schemes as non-wage incentives (Foster, 2008). As women in part-time and full-time employment are less likely to earn as much as men this has an adverse effect on their ability to provide for retirement. It is apparent that the pattern of pension scheme membership of men and women full-time employees in the same earnings brackets are similar with women slightly more likely than men to be contributing to occupational pension schemes with increases in income strongly related to increases in

pension scheme membership. Women's favourable access to occupational schemes is likely be related to their high representation in public sector employment (Foster, 2008). Around 85 per cent of public sector employees participate in occupational pension schemes compared to around 30 per cent in the private sector (Pensions Commission, 2004). Men are slightly more likely to be contributing to personal pensions than women and similarly to occupational schemes as income increases so does the likelihood of contributing to them. Part-time workers earning over £200 a week are also likely to contribute to a private pension scheme indicating that the relationship between increased income and pension scheme membership also applies to part-time workers.

Table 1.3 Current pension scheme membership by sex and usual gross weekly earnings

Pension scheme members	Usual gross weekly earnings (£)						Total <sup>3</sup>
	0.01-100	100.01-200	200.01-300	300.01-400	400.01-500	500.01plus	
	Percentages						
Male full-time							
Occupational pension <sup>1</sup>	(38)	20	36	56	66	72	54
Personal pension <sup>2</sup>	(17)	9	17	23	23	28	22
Any pension	(49)	29	48	71	79	86	67
Female full-time							
Occupational pension <sup>1</sup>	(35)	26	53	68	78	82	58
Personal pension <sup>2</sup>	(10)	8	12	12	18	19	13
Any pension	(42)	33	61	73	86	89	65
Female part-time							
Occupational pension <sup>1</sup>	15	40	68	70	(52)	55	33
Personal pension <sup>2</sup>	5	10	11	10	(27)	36	8
Any pension	19	46	72	74	(65)	68	39

1 Including a few people who were not sure if they were in a scheme but thought it possible.

2 Those who had chosen to contract out of the State Earnings Related Pension Scheme (SERPS) and arrange their own personal pension.

3 Totals include no answers to income.

() Only 20-49 cases in the Living in Britain 2001 Survey.  
Employees aged 16 and over excluding YT and ET.

Source: Adapted from the Living in Britain 2001 Survey.

### *Socio-Economic Classification*

Women have increased their representation in managerial and professional occupations over recent years although this also reflects advances in specialist niches rather than a

significant increase in organisational authority (Warren, 2006). Even when men and women work in the same broad occupational group it is common for women to be employed in lower paying sectors (Summerfield and Babb, 2004). Women are slightly more likely than men to be located in intermediate occupations with men more likely to be employed in routine and manual occupations – two fifths of full-time men compared with just over a quarter of full-time female workers.

Table 1.4 Current pension scheme membership by socio-economic Classification<sup>1</sup>

Pension scheme members	Socio-economic status <sup>1</sup>		
	Managerial and professional	Intermediate	Routine and manual
	Percentages		
Male full-time			
Occupational <sup>2</sup>	69	62	40
Personal <sup>3</sup>	25	14	21
Any pension	81	69	56
Female full-time			
Occupational <sup>2</sup>	73	58	33
Personal <sup>3</sup>	15	11	10
Any pension	80	65	41
Female part-time			
Occupational <sup>2</sup>	62	45	23
Personal <sup>3</sup>	15	11	6
Any pension	69	53	28

1 From April 2001 the National Statistics Socio-economic Classification (NS-SEC) was introduced for all official statistics and surveys. It has replaced Social Class based on Occupation and Socio-economic Groups (SEG).

2 Including a few people who were not sure if they were in a scheme but thought it possible.

3 Those who had chosen to contract out of the State Earnings Related Pension Scheme (SERPS) and arrange their own personal pension.

Employees aged 16 and over excluding YT and ET.

Source: General Household Survey 2001/2 (author's analysis).

Socio-economic classification has an effect on the pension scheme membership of employees (Walker and Foster, 2006b; Warren, 2006). Occupational and personal (to a much lesser extent) pension coverage is skewed towards certain socio-economic groups, generally those with a higher earning capacity (see table 1.4). The amount of full-time men and women contributing to pensions are similar for professional and managerial and intermediate employees, although differences exist in routine and manual employment. This may be due to further differences within this type of

employment in terms of status and pay. For instance, GHS data indicates that male routine and manual workers tend to be located in higher pay brackets than their female equivalents. The major differences in private pension contributions here are associated with full-time and part-timers. Even when they are located in the same occupational group part-time workers are less likely to be contributing to a private pension scheme.

### **Multivariate analysis**

Logistic regression is used to assess the relative impact of the variables: educational attainments, part-time/full-time employment, income, socio-economic classification and age on private pension scheme contributions. (Private pension scheme membership refers to those contributing to either an occupational pension scheme or a personal pension scheme or both.) This is the most appropriate technique because the dependent variable is dichotomous (whether the employee is a current member of a private pension scheme or not) and the independent variables are categorical or can be grouped. It is based on the ability to calculate the probability that different groups of individuals will engage in the binary dependent variables (pension scheme membership). Using this technique, the dependent variable is the log of an odds ratio. In this case the odds are the ratio of the probability of someone with specific characteristics (these are educational level, full-time or part-time employment, occupational classification, gross weekly income and age) belonging to a pension scheme compared to the probability that they do not. Odds of greater than one indicate that individuals in the category of the variable are more likely to contribute to the pension scheme than the reference category 1.00 within the variable. Odds of 1 exactly indicate an even chance and odds of less than one indicate that individuals in the category within the variable are less likely than the reference category to contribute to a pension scheme.

Age is an important indicator of the likelihood of contributing to a private pension scheme. For instance table 1.5 shows that the odds ratios at age 20-24 for men and women are 5.68 and 5.56 respectively, which represents a considerable change from the reference category 16-19. This odds ratio continues to increase as the individual men and women get older until the age group 50-59 for men and women, when pre-retirement and retirement transitions impact upon levels of pension contributions (Phillipson, 1998). As an individual's age increases so do the chances of

progression in the labour market in terms of pay and occupational status and therefore access to occupational and, to a lesser extent, personal pensions.

Table 1.5 Odds ratios for employees contributing to any pension scheme

Variables	Men odds ratio	Women odds ratio
<b>Age</b>		
16-19	1.00	1.00
20-24	5.68**	5.56***
25-34	18.48***	12.76***
35-49	34.41***	17.54***
50-59	32.01***	16.72***
60 and over	16.22***	7.63***
<b>Educational level</b>		
Degree+	1.00	1.00
Intermediate	1.23	1.21
A levels	1.25	1.05
GCSE/O level	1.10	0.85
Other qualifications	0.67*	0.54**
None	0.87	0.71*
<b>Full-time or Part-time employment</b>		
Full-time	1.00	1.00
Part-time	0.28***	0.97
<b>NSSEC</b>		
Managerial and professional occupations	1.00	1.00
Intermediate occupations	1.04	0.78*
Routine and manual occupations	0.55***	0.41***
<b>Gross weekly earnings (£)</b>		
0.01-100	1.00	1.00
100.01-200	1.04	2.08***
200.01-300	1.40	3.71***
300.01-400	2.77***	4.89***
400.01-500	3.48***	8.50***
500.01 or more	4.51***	9.44***
G sq (Null)	4359.57	5029.63
Change in G sq	888.12	1020.90
Change in df	18.00	18.00
% Correct	75.90	71.90
Number (in sample)	3443.00	3056.00

\* significance of difference from reference category \*p<0.05\*\*p<0.01\*\*\*p<0.001

Source: General Household Survey, 2001/2 (author's analysis).

Although for both sexes age is an important factor in whether an individual contributes to any kind of pension, the odds ratios in all age groups are greater

(sometimes considerably so) for males than for their female counterparts. This can be largely explained by men's continuing role in employment and ability to contribute to a scheme whereas women are more likely to have to spend time out of the labour market in order to fulfil family responsibilities (Williams, 2004). This reduces the chances of contributing to a pension scheme for a number of women (Evandrou and Glaser, 2003). Hence the more fragmented nature of women's employment means that there is less of a difference between the likelihood of contributing to a pension scheme between women of younger and older ages. Furthermore the closure of some schemes to new entrants over the past decade, meaning that some young people may not automatically be enrolled into employers' schemes, serves to exacerbate the impact of age on private pension provision. Patterns of older individual's increased likelihood of contributing to a pension scheme may be challenged through the implications of declining fertility and increased longevity which may result in greater pressures amongst older workers to care for parents.

Educational attainment is not a particularly significant indicator as to whether someone is likely to contribute to a private form of pension until people with GCSE/O Levels and above are compared with those with other qualifications and no qualifications. Those with other qualifications are less likely to contribute to a pension scheme. The odds ratios are similar for men and women indicating that gaining 'higher' level achievements increases the likelihood of an individual contributing to a pension scheme. This echoes the research of Ginn and Arber (2002) which found that graduates maintained higher earnings across all life-stage categories than non-graduates. Therefore the expanding number of women benefiting from increasing educational opportunities is likely to have a positive impact on their likelihood of contributing to a private pension (Foster 2008).

The statistics indicate that part-time work is a much more significant factor for men than women in terms of decreasing pension scheme membership. Part-time work is generally less likely to be undertaken by men and when it is it is generally at an earlier stage of their career, a time in which pay, employment status and pensions are particularly low for males. This is especially apparent when age is considered. For women part-time work is not as significant and is a much more frequent event (Warren, 2006). Although differences exist between the levels of pay and pensions between women part-timers and full-timers these are not nearly as large as those between male part-time and full-timers: the logistic regression model suggests that

these differences for women can be accounted for by factors such as age and education. Rather than part-time work for women being the significant factor it may be that the attributes associated with it have the greatest impact on women's pension provision. These include the impact of children and childcare responsibilities which are often associated with working part-time (Price, 2007b; Ginn, 2006).

The relationship between gross weekly earnings and pensions contributions is a linear one. As the income group increases so does the likelihood of contributing to a pension scheme. Although this relationship is significant for both men and women it is not equal. As income increases the odds ratio of contributing to a pension scheme is greater for women than men. For instance, a woman earning over £500 has an odds ratio of 9.44 compared to 4.51 for a man with the same earnings of contributing to a pension scheme. Therefore there is a direct link between income and pension which is greater for women as income discrepancies are more common among women with a higher proportion located in lower paid professions. Those most well paid forms of employment are also likely to offer non-wage incentives such as defined benefit pensions (Foster, 2008).

Occupational classification has a more significant role for women than men in terms of pension contributions. Certain forms of employment are less likely to be available on a part-time basis. This includes many managerial and professional posts which require substantial time commitments. These are associated with access to pension provision (Walker and Foster, 2006b). For instance, women employed in routine and manual occupations are less than half as likely as managerial and professional workers to contribute to any form of pension scheme whereas the male routine and manual workers odds ratio is 0.55. Male routine and manual workers benefit from higher levels of pay than their female counterparts and they are also more likely to be contributing to a pension scheme (Summerfield and Babb, 2004).

Employment characteristics play a particularly significant role in women's capacity to contribute to pension schemes. This is not a problem for those women earning a decent salary, but it is for those unable to do so. For men it is age which is a particularly significant factor in pension scheme membership. The structure of the labour market and the unequal distribution of family responsibilities is such that more men are likely to have higher levels of pay and promotion than their female counterparts (Price, 2008). These opportunities and the associated link to pension provision tend to increase with age and the experience and promotion opportunities it

brings. This is a less likely phenomenon for women who are more inclined to have interrupted work histories throughout the life course and as such age is a less significant indicator of pension scheme membership for women than men.

### **Conclusion**

It is only by beginning to untangle the relationship between various educational and employment characteristics that an understanding of the differences between men and women's pension contributions and subsequent pensions income can be understood. This paper has shown, using GHS data, that links between education, employment and the age of the individual, among other things, play an important role in men and women's access to different forms of private pension provision. Crucially it has shown that access to private pension schemes is relatively unproblematic for those women working full-time continuously and earning a decent salary, particularly those located in the public sector (Foster, 2008). The problem of inadequate pension contributions appears to be much greater for those women unable to earn a significant wage, many of whom are part-time workers or not in employment. However, there is evidence of improved access to private pension schemes amongst women, even among part-time women workers (Pensions Commission, 2004). If these developments continue we will see a very gradual reduction in the gendered division of post-retirement income (Meyer and Brigden, 2008).

However, unless considerable changes occur in men and women's typical experiences it is unlikely that 'the reformed pension system will provide woman with equal opportunities to save for a decent income in retirement' (DWP, 2006b: 26). Therefore the government still faces the challenge of ensuring that pension policies better represent the needs of women, many of whom have diverse work histories (Ginn, 2003a; Price, 2007a, 2008). In essence, the effect of earlier work roles on state pensions is less severe than in private pensions due to their redistributive qualities (Walker and Foster, 2006a). Private pensions, while providing an important benefit to privileged employees, in effect magnify existing labour market inequalities such as those experienced by women. 'Part-time work, changing employers, periods out of the paid labour market and lower incomes – all features of labour market behaviour associated more strongly with women – will significantly affect pension entitlement' (Mann, 2001: 38). Therefore an emphasis on individual responsibility and private provision is likely to magnify the pension penalties arising from earlier domestic and

caring roles, increasing income disparity among women in older age (Ginn and Arber, 1999). While ever private pensions represent the major source of income in later life, the greater will be the income inequality between older women and men, and between those who have had an intermittent or low paid employment history and those with an advantaged position in the labour market.

Strategies to alleviate disadvantages among current and future female pensioners must take into account the complex life courses that individuals lead. Factors such as education through to pre-retirement transitions all have an impact on future pensions. Therefore characteristics such as improving labour market access and participation particularly for women looking to return to work after bringing up children, come to the fore when debating women's pension position. The complexity and diversity of men and women's lives need to be acknowledged, if adequate responses to women's pension situation are to take place, especially given the long-term nature of pension formation.

Furthermore, 'the retirement income of each generation of women reflects both the twists and turns of pension policy and the shifting norms about marriage, motherhood and employment prevailing during that generation's life course' (Ginn, 2003b: 494). Therefore, any changes to the pensions system must provide not only for today's pensioners but also tomorrow's. This is not easy given that the evolution of society is characterized by unpredictability. Higher rates of divorce, increasing cohabitation and longer spells of living alone mean that women's pensions are increasingly important (Hill, 2007). Therefore, the Government must ensure that every individual has the opportunity to develop sufficient pension entitlements in their own right without having to be reliant on another individual.

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