



Close the Gap briefing for Scottish Government debate: Women Against State Pension Inequality

May 2024

Close the Gap is Scotland's policy advocacy organisation working on women's labour market participation. We have been working with policymakers, employers and unions for more than two decades to influence and enable action that will address the causes of women's labour market inequality.

1. Introduction

The gender pension gap refers to the difference in retirement outcomes between women and men, whereby women are retiring with significantly less savings than men. Over their life course, women are more likely to have disrupted work patterns, and work in lower-paying, part-time roles, which has long-term implications on their financial security. Indeed, the pension system itself creates gendered inequalities, with both the state and private pension models based on traditional male working patterns and reflecting the 'male breadwinner model'.

Women's lower pension savings puts them at higher risk of pensioner poverty, and older women are more likely to be experiencing longer and deeper spells of poverty than older men. Moreover, women live around 4 years longer than men on average¹, but are also more likely to need care later in their life. This means they need to have higher retirement savings, and need to live off these savings for longer. In addition, this has meant the rise in the state pension age has had a gendered impact which means women have been left with a larger gap in their pension incomes to fill. Research focussed on the increase in state pension age from 60 to 66 for women born after March 1950 has shown the reform has had a detrimental impact on women from lower socioeconomic groups, including widening health disparities, poorer physical health and an increase in self-reported depression.²

Women Against State Pension Inequality (WASPI)³ are one of the groups who have highlighted the injustice that these changes to the state pension age were made without notifying women, who would be the most affected by these changes. Not opposing

¹ Now: Pensions (2022) *The Gender Pensions Gap Report 2022...and how to close it*, available at: <https://www.nowpensions.com/app/uploads/2022/10/gender-pensions-gap-report-2022-080622.pdf>

² Carrino, L., Glaser, K., and Avendano, M. (2020) Later retirement, job strain and health: Evidence from the new State Pension age in the United Kingdom, *Health Economics*, 29(8), pp.891-912, available at: <https://onlinelibrary.wiley.com/doi/10.1002/hec.4025>

³ WASPI, *about us*, available at: <https://www.waspi.co.uk/>

equalisation in itself, WASPI (among other groups) have highlighted that failing to notify these women has resulted in financial and emotional distress.

Close the Gap welcomes the recommendation from the Parliamentary and Health Service Ombudsman to pay compensation to women affected by this reform. Addressing this inequality is key to securing women's financial security in retirement, and promoting greater gender equality.

2. Key points

Women have continuously been let down and disadvantaged by a pension system that was not designed to fit their needs or their working patterns. This has resulted in a range of gendered inequalities:

- **Women are retiring with £123,000 less than men.**⁴ Women who are currently aged 25 are set to retire with £100,000 less than their male counterparts.
- **Women need an additional £85,000 in their retirement savings than men to have a comparable quality of life in retirement**⁵;
- To close the current gender pension gap, **a girl would need to start her retirement savings at age three to retire with the same amount of money as working men;**⁶
- **By the time women reach the age of 65, they will have £69,000 saved in their pensions, compared with the £205,800 men will have saved by then and the £111,600 UK average savings;**⁷
- Women will **need to work an additional 18 years in full-time employment to have equal pension savings to their male counterparts;**⁸
- **Two-thirds (67%) of pensioners in poverty are women, and half of pensioners in poverty are single women;**⁹
- **Around 1 in 3 Black and Asian UK female pensioners are living in poverty;**¹⁰
- Covid-19 and the cost-of-living crisis are exacerbating women's pension inequality, as **16% of women cut back on their retirement savings to cope with rising living costs;**¹¹

⁴ Scottish Widows (c.2021) *Mind the gender pension gap*, available at: <https://www.scottishwidows.co.uk/employer/insight/eh-insight-gender-pension-gap.html>

⁵ Ibid

⁶ Jones, R. (2024) *UK women 'need to work extra 19 years to retire with same pension pot as men'*, available at: <https://www.theguardian.com/money/2024/feb/07/uk-women-need-to-work-extra-19-years-to-retire-with-same-pension-pot-as-men>

⁷ Now: Pensions (2022) *The Gender Pensions Gap Report 2022...and how to close it*, available at: <https://www.nowpensions.com/app/uploads/2022/10/gender-pensions-gap-report-2022-080622.pdf>

⁸ Ibid

⁹ Ibid

¹⁰ Age UK (2021) *New Age UK analysis finds one in five UK women pensioners now living in poverty*, available at: <https://www.ageuk.org.uk/latest-press/articles/2021/new-age-uk-analysis-finds-one-in-five-uk-women-pensioners-now-living-in-poverty/>

¹¹ Scottish Widows (2022) *2022 Women and Retirement Report*, available at: <https://adviser.scottishwidows.co.uk/assets/literature/docs/60824.pdf>

- Disabled women, racially minoritised women, divorced women, self-employed women, and women who have been lone parents are under-pensioned and have lower retirement incomes;
- **61% of women have concerns about running out of money in their retirement;**¹²

3. Addressing the gender pension gap

Addressing the gender gap in pensions is a vital part of securing women's financial security and promoting greater gender equality. For a more detailed look at the gender pension gap, please see Close the Gap's blogs on the [Gender Pension Gap](#) and [an inadequate pension system for disabled women](#).

¹² Scottish Widows (2022) *2022 Women and Retirement Report*, available at: <https://adviser.scottishwidows.co.uk/assets/literature/docs/60824.pdf>