PENSIONS POLICY INSTITUTE

## How do gender differences in lifecourses affect income in retirement

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## Lifecourses

### The work-based lifecourses for men and women used in the modelling for this note

Male Lifecourses	<b>Proportion (%)</b>
Mostly full-time throughout	45
Mostly non-employed throughout	4
Full-time, very early exit (at about age 49)	12
Full-time, early exit (at about age 60)	30
Late start (at about age 23), early exit (at about age 60)	9
Female Lifecourses	<b>Proportion (%)</b>
Mostly full-time throughout	27
Mostly non-employed throughout	17
Weak attachment, early exit (at about age 49)	7
Family carer to part-time (long break: 16 years)	12
Family carer to part time (short break: 4 years)	13
Family carer to full-time (10 year break)	18
Mostly part-time (from about age 23)	6

#### Weekly post retirement income at age 66 for individuals currently aged 55 earning at gender specific median earning level, under the three most common gender specific lifecourses (£ a week in 2016 earnings terms) £350.00 ■ State Pension ■ Private Pension ■ Other Net £285.42 £300.00 Net £277.31 Net £255.41 Net £249.79 £250.00 Net £229.97 £122.49 £112.35 £87.00 £95.55 £200.00 £69.55 Net £164.81 £150.00 £100.00 £178.60 £178.60 £169.55 £168.03 £162.23 £162.23 £50.00 £0.00 -£50.00 Mostly full- Full-time, very Full-time, Mostly full-Mostly non-Family carer employed early exit (49) early exit (60) to full-time (10 time time throughout throughout throughout year break) Women Men

### The most common female lifecourses show that women are more likely to have lower weekly income in retirement

### Differences in earnings of men and women may result in women having lower retirement income **PENSIONS POLICY INSTITUTE** Weekly post retirement income at age 66 for individuals currently aged 55 earning at the 30th, 50th, and 70th percentile levels (£ a week in 2016 earnings terms) State Pension Private Pension Other £350.00 Net £329.00 £300.00 Net £288.26 Net £285.42 Net £255.14 Net £255.41 £250.00 £161.96 Net £232.40 £126.10 £122.49 £95.03 £95.55 £200.00 £72.59 £150.00 £100.00 £193.61 £178.60 £178.55 £168.21 £162.23 £168.03 £50.00 £0.00 -£50.00 30th percentile Median 70th percentile 30th percentile Median 70th percentile Men mostly full-time throughout Women mostly full-time throughout

Gender differences in retirement ages under the previous pension system could mean lower retirement incomes for older women

Weekly post retirement income at age 66 for median earning individuals currently aged 55, 60 and 65 (£ a week in 2016 earnings terms) State Pension Private Pension Other



Men mostly full-time throughout

Women mostly full-time throughout

### Women taking breaks to look after children may lead to lower private pension incóme in retirement Weekly post retirement income at age 66 for median earning individuals currently aged 55 under various scenarios of caring for children (£ a week in 2016 earnings terms) State Pen Priv Pen $\blacksquare$ Other (£3) £350 Net £286 £300 Net £256 £250 £122 Net £202 £96 Net £187 Net £186 £200 £37 £22 £21 £150 £100 £162 £179 £162 £162 £168 £50 £0 -£50 Male Full time No children, full 1 child, Short 2 children, Long 3 children late, throughout time throughout break (4 yrs) then break (16 yrs) Long break to part time then part time part time Women: motherhood penalty applied

#### Lower earning women taking breaks to look after children may be **PENSIONS POLICY INSTITUTE** dependent on the State Pension Weekly post retirement income at age 66 for individuals currently aged 55, who earn at the 30th percentile level under various scenarios of caring for children (£ a week in 2016 earnings terms) State Pen Priv Pen $\blacksquare$ Other (£3) £300 Net £255 £250 Net £232 Net £193 £95 £200 Net £182 Net £181 £73 £28 £17 £16 £150 £100 £162 £162 £162 £168 £162 £50 £0 -£50 Male Full time No children, full 1 child, Short 2 children, Long 3 children late, throughout time throughout break (4 yrs) then break (16 yrs) Long break to part time then part time part time Women: motherhood penalty applied

# Conclusions



- Gender differences in labour means tat more men have experienced being in full-time work throughout their careers and are therefore likely to have higher incomes in retirement.
- Gender differences in earnings mean that women are more likely to have a lower income in retirement than a man even when their labour market history is similar.
- The lower female State Pension age under the older system limited the amount of pension that could be built up leading to lower pensions for women (though paid earlier).
- Women are more likely to have caring responsibilities than men, leading to lower private pensions.