



## Pensions and Social Security

**Throughout their lives women are in a worse financial position than men, with a greater gap between women and men when all income, including pensions and social security, is included than when only earnings are considered. Women are among the poorest pensioners and they form a substantial majority of Income Support claimants over state pension age.**

For younger women, the new approach to social assistance which supplements income by means of tax credits assessed on the basis of the family unit can act as a disincentive to the second earner in a couple.<sup>1</sup> Since women are more likely to be second earners, this can add to the cost of motherhood, particularly for low-skilled mothers.

For many women, motherhood is a major determining factor of low pay and economic inactivity. Poverty and benefit dependency are a particular problem for lone parents. The EOC has recommended additional help for lone parents to equip them to provide a decent income for themselves and their children.

Many women who combine paid employment with caring for children or other dependants are restricted to part-time, low-paid employment. Women are much more likely than men to be earning below the National Insurance Lower Earnings Limit and to remain in low paid work, and are thereby not entitled to contributory

benefits and are unable to build up pension rights. The EOC would like to see changes to the system that would ensure access to work-related benefits for part-time and low-paid workers.

Thousands of part-timers have been denied access to occupational pension schemes. Although schemes are required to allow part-timers to join by the Pensions Act (1995), and many schemes have changed their rules accordingly, membership is not usually retrospective. The EOC has supported legal claims for previous years of part-time service to count towards pension entitlements.

The new stakeholder pensions will not help part-time workers if the level of contributions needed to build up an adequate pension fund is beyond their reach. In common with defined contribution occupational pension schemes, stakeholder pensions use sex-based actuarial factors, whereby women receive lower pensions than men for the same level of contributions. The EOC has recommended changes in the law to remove this barrier to equality.

Women form the majority of the pensioner population, yet pension systems are based on traditional 'male' working patterns. The EOC wants a modern system that takes account of changing work patterns and acknowledges that the caring responsibilities that are currently undertaken by women are of value to the whole of society.



## Young Adults

Early adulthood is a time when many young people successfully complete their education and become economically independent. However, some claim benefits at an early age, which if continued for a lengthy period could lead to dependence on benefits and a lifetime of low income and consequent disadvantage.

### Individual income

The six main sources of income are employee earnings, self-employment income, occupational pensions, investment income, benefit income, and other income. Mean individual income for 20-24 year olds in 1998/9 was £146pw for women and £182pw for men, so women received 80 per cent of men's income. For men the group with the lowest mean income was single men without children, whilst women in couples with dependent children received a lower income than other women.<sup>2</sup>

#### Key Benefits

At least one of:

- Jobseeker's Allowance (JSA)
- Incapacity Benefit and Severe Disablement Allowance (IB & SDA)
- Disability Living Allowance (DLA)
- Income Support (IS)
- National Insurance Credits (NICs)

### Benefit claimants

In February 2000, 14 per cent of women and 12 per cent of men in the 18-24 age group claimed at least one key benefit.<sup>3</sup> Nearly two-thirds of male claimants in November 1999 were unemployed, and nearly a third sick or disabled. Lone mothers formed just over half of female claimants, with a further one in four women claimants unemployed and one in five sick or disabled. In addition to 0.6 million benefit claimants, 63 thousand 18-24 year olds were receiving Working Family Tax Credit: 40 thousand women and 23 thousand men.<sup>4</sup>

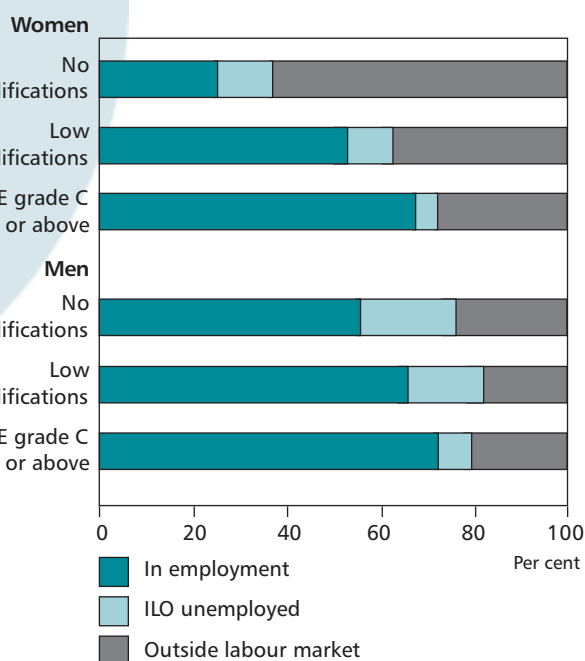
## Employment and education

In Spring 2000 two-thirds of 18-24 year olds were in employment, 70 per cent of men and 63 per cent of women, and one in six was a student neither in paid work nor looking for work. Nine per cent of men and six per cent of women were ILO unemployed, whilst ten per cent of young women were looking after the family or home.<sup>5</sup>

### Low qualifications and unemployment

Those with no qualifications or low qualifications below grade C at GCSE are especially at risk of unemployment.<sup>5</sup>

#### Economic Activity by Highest Qualification for 18-24 year olds, Spring 2000



Source: Labour Force Survey Spring 2000, ONS.

Nineteen per cent of men and 17 per cent of women aged 18-24 had no or low qualifications in Spring 2000. These women and men had high unemployment rates of over one in five, compared with less than 10 per cent for those with qualifications at or above GCSE grade C.<sup>5</sup>

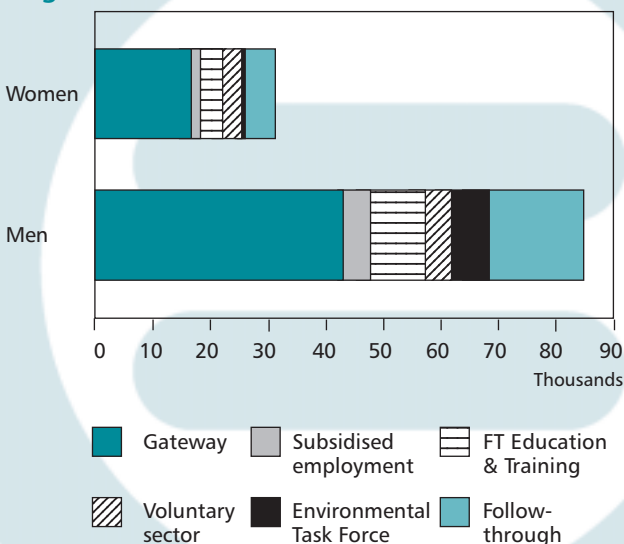
### New Deal for young people (NDYP)

The NDYP<sup>6</sup> is for those aged 18-24 who have been claiming JSA for at least six months. It includes a 'Gateway' period of advice and support for up to four months,



followed by one of four options: subsidised employment, full-time education and training, voluntary work, or a job with the Environmental Task Force (ETF), and then a follow-through for participants who complete an option without finding employment.

**Participants on New Deal for Young People, August 2000**



Source: *New Deal for Young People and long-term unemployed people aged 25+: Statistics to August 2000, SFR 44/2000, DfEE, October 2000.*

At the end of August 2000, 115 thousand 18-24 year olds were on the NDYP, of which 73 per cent were men compared with 71 per cent of JSA claimants aged 18-24.<sup>7</sup> The gender balance was more even amongst the 17 thousand young people from ethnic minorities on NDYP, of which two-thirds were men.

Full-time education & training was the most common option, followed by the voluntary sector for women, and the Environmental Task Force (ETF) for men.

**Young parents**

In Spring 2000 there were 444 thousand women and 127 thousand men aged 18-24 with dependent children. Nearly half of the women were lone mothers, whilst almost all the men were married or cohabiting.<sup>5</sup>

Forty-four per cent of lone mothers aged 18-24 had low or no qualifications. Poorly qualified lone mothers experience multiple barriers to gaining employment, and as a consequence only 24 per cent of young lone mothers were in employment.

Young parents in couples were also less well qualified than those with no children: 37 per cent of mothers and 33 per cent of fathers had no qualifications at the level of GCSE grade C or above. In contrast, of young people without dependent children only 12 per cent of women and 18 per cent of men had low or no qualifications.

**The working age population**

This group includes people from age 16 up to state retirement age, i.e. 16-64 for men and 16-59 for women. Hence a wide range of life stages is represented, from full-time education, through family formation, to retirement.

**Individual income**

Women's mean individual income in 1998/9 was highest at £205 to £218pw for women between 25 and 49, whilst for men income reached around double this value at £434 to £451pw between 35 and 54. The ratio of women's to men's individual income starts at 86 per cent for 16-19 year olds, declines then levels out at around half between 35 and 49, then drops again to 38 per cent for 55-59 year olds.<sup>2</sup>

**Benefit claimants**

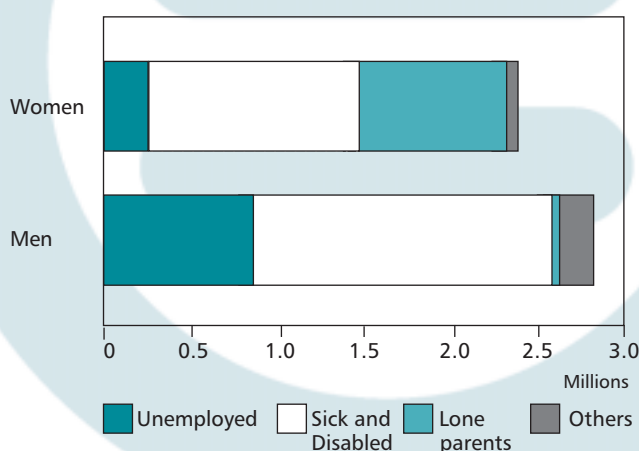
In February 2000, 15 per cent of men and 14 per cent of women of working age were claiming one of the key benefits (see box on p.2). Rates were highest for those approaching retirement age: 34 per cent for men aged 60-64 and 19 per cent for women aged 55-59.<sup>3</sup>

The largest groups were claiming because they were sick or disabled: 61 per cent of male and 50 per cent of female claimants. However, whilst the next largest group for women (36 per cent) were lone parents, for men it was the unemployed (31 per cent).



In May 2000 there were just over a million unemployed JSA claimants of whom over three-quarters were men. Over three-quarters of claimants qualified for income-based benefit, however women claimants with a partner were the exception, with only 24 per cent receiving income-based benefit, two-fifths receiving contribution-based benefit and a third receiving no paid benefit. These women are unable to claim income-based JSA if their partner is in employment or claiming on their behalf.<sup>7</sup>

Claimants of key benefits by client group, February 2000



Source: Client Group Analysis: Quarterly bulletin on the population of working age on key benefits – February 2000, DSS, September 2000.

Although over two-thirds of working age couples had both partners in employment in Spring 2000, there were around three-quarters of a million couples with neither partner working.<sup>8</sup>

### New Deal for the long-term unemployed

People aged 25 or over who have been claiming JSA for more than two years are eligible for the New Deal for Long-Term Unemployed People (NDLTU). This starts with an Advisory Process lasting 3-6 months, followed by either 6 months of subsidised employment or a course of full-time education or training of up to a year. Participants can also go into Work Based Learning for Adults, or Training for Work in Scotland, and then enter a follow

through stage on completion of any of the above or on return from unsubsidised employment.<sup>6</sup>

The requirement to be a JSA claimant means that the large majority of NDLTU participants, 84 per cent in August 2000, were men. There were 14 thousand people with disabilities in NDLTU of which 19 per cent were women and 7 thousand people from ethnic minority groups of which 15 per cent were women.

### People with disabilities

Employment rates for people with disabilities are lower, and ILO unemployment rates higher, than for people without disabilities. Employment rates are 49 per cent for men and 44 per cent for women with disabilities, whilst unemployment rates are 11 per cent and 9 per cent for men and women respectively.<sup>5</sup>

The New Deal for Disabled People, which is currently a pilot programme, will aim to help people with disabilities into work. Until late 2000, pilot areas are being used to evaluate a Personal Advisor Service, plus a series of 'Innovative Schemes' that, if successful, could be adopted elsewhere.<sup>9</sup>

### Lone parents

Over half of couples divorcing in 1997 had at least one child aged under 16,<sup>10</sup> and in 1998 separated and divorced women together formed nearly three-fifths of lone mothers, with single women comprising two-fifths.<sup>11</sup> Lone parent benefits were claimed by 857 thousand women and 43 thousand men in February 2000.<sup>3</sup>

The New Deal for Lone Parents (NDLP) is a voluntary scheme to help lone parents to obtain work. Initially it was targeted at those on Income Support for six months or more with a youngest child aged at least 5 years 3 months, however from June 2000 the scheme was extended to lone parents with a youngest child aged 3 years or older. In contrast to NDYP and NDLTU, 95 per cent of lone parents on NDLP at the end of August 2000 were women. There



was a similarly high percentage of women amongst people from ethnic minority groups but 12 per cent were men amongst people with disabilities on NDLP.<sup>12</sup>

**Tax Credits**

In addition to the New Deal programmes, since October 1999 Working Families' Tax Credit (WFTC) and Disabled Person's Tax Credit (DPTC) have replaced the in-work benefits of Family Credit and Disability Working Allowance respectively. In February 2000, 567 thousand women and 380 thousand men were receiving WFTC, whilst 7 thousand women and 12 thousand men were receiving DPTC.<sup>3</sup>

**Membership of pension schemes**

As will be seen in the next section, occupational pensions are an important source of income for pensioners. However not all people in employment are members of such pension schemes. Membership is particularly low amongst part-time employees.<sup>11</sup>

Since 1988 the percentage of part-time women employees participating in their employer's scheme has more than doubled to 27 per cent in 1998. Amongst women, 45 per cent of part-time employees said their employer did not have a pension scheme, compared with 26 per cent of full-time employees.

**Membership of pensions schemes, 1998** *per cent*

	Women		Men	
	F/T	P/T	F/T	P/T
<i>Employees</i>				
Occupational	56	27	57	9
Personal	15	9	25	n/a
Any pension	64	34	72	15
<i>Self-employed</i>				
Personal	53	17	65	22

Source: Living in Britain 1998 General Household Survey, ONS.

**Into retirement**

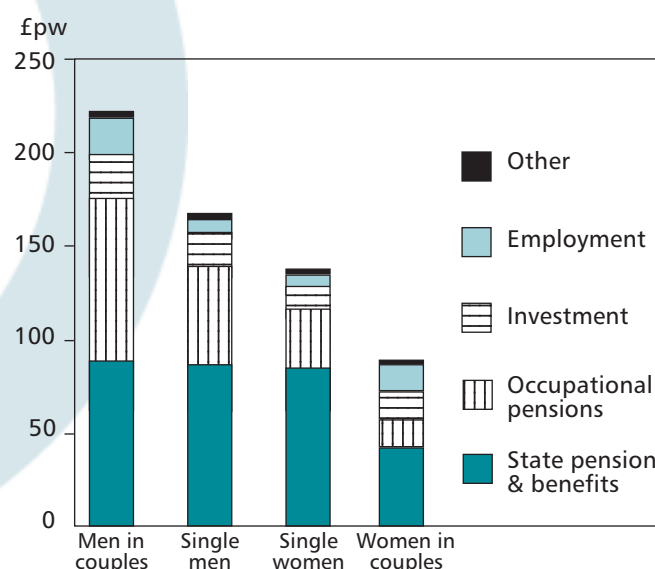
Like those of working age, people over the state pension age vary widely. They

range from those who may still be working or have just retired to those who have spent over 30 years in retirement.

**Individual income**

In 1998/9, men in couples received the highest average income, at £225pw, and women in couples the lowest, at £93pw. The gap in income was therefore greatest for pensioner couples, where women received 41 per cent of male income, and less for pensioners without a partner, where women received 84 per cent of male income.<sup>2</sup>

**Pensioners' incomes, 1998/9**



Source: Individual incomes, 1996/97 to 1998/99, Cabinet Office Women's Unit, January 2001.

**Pensions**

The importance of making pension arrangements in addition to the State Pension is shown by looking at the differing amounts of occupational pension in pensioners' incomes. Men in couples received £88pw and women in couples only £16pw on average from this source. Differing income from occupational pensions is a major cause of income inequalities for pensioners.<sup>2</sup>

There are also differences in state pension entitlement. In March 2000, men's average entitlement to a state pension was £80.42pw, compared with £58.14pw for women. However the difference was greater for those who had just started receiving the



state pension. Men aged 65 had a higher average entitlement of £89.73pw, whilst women aged 60 had a lower average entitlement of £52.40pw.<sup>13</sup>

Although almost all men receive a State Pension based only on their own contributions, only 43 per cent of women did so in March 2000. In both cases, this may be less than the full amount if they have not made sufficient contributions. Fifty-five per cent of women received a pension based solely or partly on their spouse's contributions.

Even at younger ages, it is rare for a woman to receive the 100% rate of the Basic State Pension based on her own contributions, which was £66.75 for pensioners aged under 80 in 1999-2000.<sup>13</sup> Although nearly two-thirds of women pension recipients aged 60-64 received a pension based only on their own contributions, only one in eight women received the 100% rate based only on their own contributions.<sup>14</sup>

Lower income from a state pension means that more women receive Income Support in addition to any state retirement pension entitlement. In November 1999, 17 per cent of women over 60 receiving state pension and/or benefits received income support compared to nine per cent of men over 65.<sup>15</sup>

## SCOTLAND

### Working age population

#### Individual income

Overall the ratio of women's to men's individual income for the 16 and over age group in Scotland was 56 per cent. It was greatest for those between 35 and 54, where women received less than half of men's income in 1998/9. The smallest gap was for the under 25s, where women received 90 per cent of men's income.<sup>2</sup>

#### Benefits and tax credits

The percentage of the working age population claiming key benefits (see box

on p.2) was higher in Scotland than in Great Britain in November 1999. This difference was least for the 18-24 age group, where 16 per cent of women and 14 per cent of men were claimants, and greater for older age groups. In Scotland 42 per cent of men aged 60-64 were claimants.<sup>4, 16</sup>

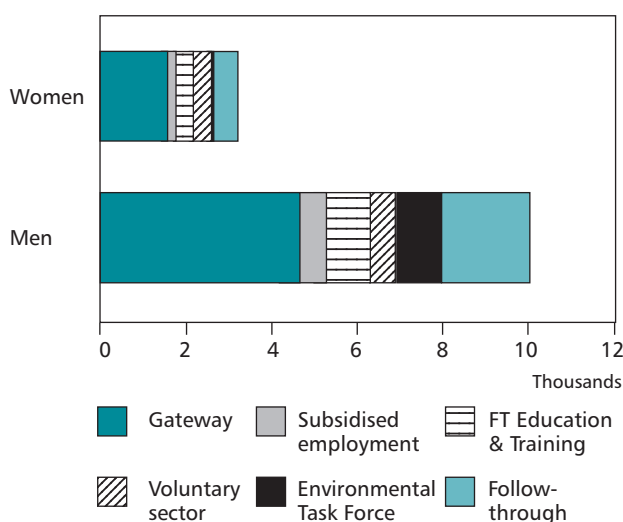
The largest group of claimants, 63 per cent of male claimants and 57 per cent of female claimants, was receiving benefits for the sick and disabled. For men the next largest group was the unemployed, with 30 per cent of claimants. For women, 30 per cent of claimants were lone parents.

In November 1999, there were 65 thousand women and 25 thousand men receiving the Working Family Tax Credit.<sup>4</sup>

#### New Deals

Three-quarters of 18-24 year olds on NDYP at the end of August 2000 were men. Compared with Great Britain, fewer young people on options took the full-time education and training option in Scotland. For men the ETF, and for women the Voluntary Sector, were more common.<sup>17</sup>

#### Young People on NDYP in Scotland, August 2000



Source: [New Deal for unemployed people in Scotland: Statistics to the end of August 2000, SE2755/2000, Scottish Executive, October 2000.](#)

Again a majority, 85 per cent, of people on NDLTU were men. Over 80 per cent were on the advisory interview process stage. A few



hundred participants were in each of subsidised employment and Training for Work.

As in Great Britain, about 95 per cent of those attending an initial NDLP interview were women. There were 7.3 thousand participants at the end of July 2000 of which two-thirds were receiving advice or guidance and just over a quarter were receiving in work support.

**Over retirement age**

Amongst pensioners, women in couples received the lowest individual income, only 43 per cent of that received by their partners.<sup>2</sup>

In Scotland almost half the women recipients of a state retirement pension in 1998 received one based only on their own contributions, this compared with approximately two-fifths in Wales and England.<sup>18</sup>

**WALES**

**Working age population**

**Individual income**

Men's mean individual income in Wales is low compared with Scotland and most of the English regions. Average income for men aged 16 and over was 78 per cent of the overall average in GB in 1998/9. However, women's income is even lower. The gender gap in income was widest at around 50 per cent for women approaching or just past retirement age.<sup>2</sup>

**Benefits and tax credits**

The percentage of the working age population claiming key benefits (see box on p.2) was higher in Wales in November 1999 compared with Scotland or Great Britain. One in five of the working age population were claiming one or more key benefits.<sup>16</sup>

In the 18-24 age group 19 per cent of women and 15 per cent of men were claimants, and the percentages increased to reach 29 per cent of women aged 55-59 and 50 per cent of men aged 60-64.<sup>4</sup>

Once again claimants receiving benefits because of sickness or disability were the largest group: 71 per cent of male claimants and 60 per cent of female claimants. The next largest groups of claimants were 30 per cent of women receiving benefits because they were lone parents and 24 per cent of men who were unemployed.

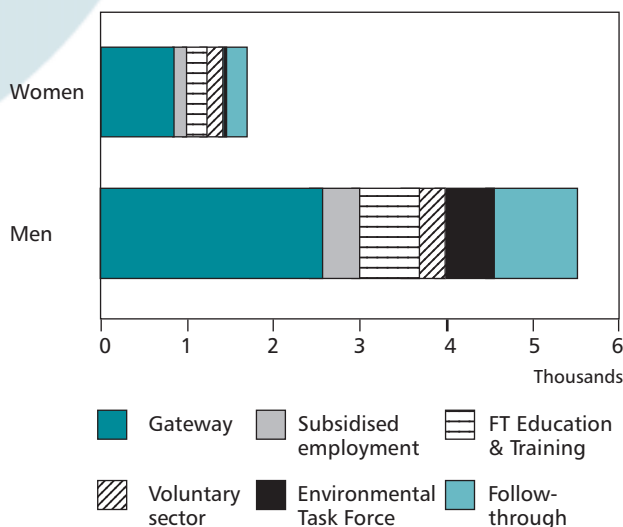
Working Families' Tax Credit was received by 34 thousand women and 22 thousand men in Wales.<sup>4</sup>

**New Deals**

Over three-quarters of JSA claimants are men,<sup>19</sup> and men also form the majority of participants in NDYP and NDLTU.<sup>20</sup>

Of the 7,400 participants in NDYP at the end of June 2000, 76 per cent were male. Just under half of participants were on the Gateway and just over a third on an option.

Young People in NDYP in Wales, June 2000



Source: New Deal Statistics for Wales: Detailed tabulations to June 2000, The National Assembly for Wales Statistical Directorate, September 2000.

Full-time Education and Training was the most common option for both women and men. Only one in five of those on an option were in subsidised employment.

Fewer than 14 per cent of the 3,900 participants on NDLTU were women.



However, women formed the vast majority of those on NDLP. Of 6,000 participants, 95 per cent were women.

### Over retirement age

Women in pensioner couples received only £96pw on average in 1998/9, whilst men in pensioner couples received £196pw.<sup>2</sup>

In 1998 203 thousand men and 353 thousand women received a state retirement pension. Only two out of five of the women received a pension based only on their own contributions.<sup>18</sup>

### Notes and sources

- 1 R. Blundell, A. Duncan, J. McCrae and C. Meghir, The labour market impact of the working families tax credit, Institute for Fiscal Studies, October 1999. Approximately 20,000 women with employed partners are estimated to move out of employment due to the additional income provided to their working partners. The hours of work for this group are also likely to decline.
- 2 Individual incomes, 1996/97 to 1998/99, Women's Unit Cabinet Office, January 2001. Additional analysis provided by DSS Analytical Services Division (ASD). Income statistics are for mean gross individual income and are derived from a household survey, the Family Resources Survey, which does not include people in residential institutions, such as nursing homes.\*
- 3 Client Group Analysis: Quarterly Bulletin on the population of working age on key benefits February 2000, DSS ASD, September 2000. \*
- 4 Unpublished data from Cross Benefit Analysis data November 1999, provided by DSS ASD. \*
- 5 EOC analysis of Labour Force Survey (LFS) Spring 2000, Office for National Statistics (ONS). Low qualifications comprise the following categories: NVQ level 1, GNVQ/GSVQ foundation level, CSE below grade 1, GCSE and equivalent below grade C, BTEC/SCOTVEC first or general certificate, SCOTVEC modules, RSA other, City and Guilds other, YT/YTP certificate, other qualifications. \*
- 6 New Deal for Young People and Long-Term Unemployed People aged 25+: Statistics to August 2000, Department for Education and Employment (DfEE), October 2000. \*
- 7 Jobseeker's Allowance Quarterly Statistical Enquiry May 2000, DSS ASD, September 2000. \*
- 8 EOC analysis of Labour Force Survey household dataset Spring 2000, ONS. \*
- 9 Williams, T, New Deal for Disabled People: early implementation, Labour Market Trends, ONS, April 2000. \*
- 10 Annual Update: Marriages and divorces during 1997, and adoptions in 1998 (England and Wales), Population Trends 98, ONS, Winter 1999. Plus statistics on marital status from Table 1.6 in the same volume. \*
- 11 Living in Britain 1998 General Household Survey, ONS, January 2000. \*
- 12 New Deal for Lone Parents: Statistics to August 2000, SFR 46/2000, DfEE, November 2000. \*
- 13 Retirement Pension – Summary of Statistics September 1999, DSS ASD, 2000. \*
- 14 Previous reference, plus unpublished data provided by DSS ASD. \*
- 15 Client Group Analysis of the Population over State Pension Age: November 1999, DSS ASD, October 2000. \*
- 16 Client group analysis: Quarterly bulletin on the population of working age on key benefits- November 1999, DSS ASD, June 2000. \*
- 17 New Deal for unemployed people in Scotland: Statistics to the end of August 2000, Press Release SE2755/2000, Scottish Executive, October 2000. \*
- 18 Social Security Statistics 1999, DSS ASD, 1999.\*
- 19 Labour Market Statistics November 2000: Wales, ONS, November 2000. \*
- 20 New Deal Statistics for Wales: Detailed tabulations to June 2000, The National Assembly for Wales Statistical Directorate, September 2000. \*

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Please contact the EOC's Research and Resources Unit on 0161 838 8340 or by e-mail on [research@eoc.org.uk](mailto:research@eoc.org.uk) for the data used in the charts or for further information on EOC research and statistical work.

The EOC is producing a series of briefings on Women and Men in Britain between October 1999 and Spring 2001. These cover: the labour market; work-life balance; women and men at the millennium; pay and income; pensions and social security; the lifecycle of inequality; professional occupations; public and political life. All Briefings will be available free of charge from the EOC and can be downloaded from the EOC website.

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